

MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 5

Federal control over industry and trade was extended greatly during April and the forepart of May. Measures which most directly affected individuals, as consumers, were the General Price Control order, which established maximum wholesale and retail prices for many commodities at the highest level prevailing in March, and the program set up to control the distribution of sugar. In Atlantic Seaboard States, gasoline also is being rationed.

During the period under review, production of radios, mechanical refrigerators other than kerosene models, home laundry equipment, and vacuum cleaners for civilian use ceased. All of these industries have been important in this district. Early in May, the War Production Board ordered fabricators to stop using iron and steel in the manufacture of a long list of common articles after a ninety-day period, during which time limited production is permitted. This Governmental directive also prohibited consumption of other specified materials as substitutes; another order adopted the principle of "concentration of production", whereby essential civilian needs are to be met by the limited output of smaller concerns in a given industry while larger companies convert to war work. The increasing demand for steel, particularly on exceptionally high priority rating for heavier grades, occasioned an order restricting deliveries after May 15 to preference ratings of A-10 or higher.

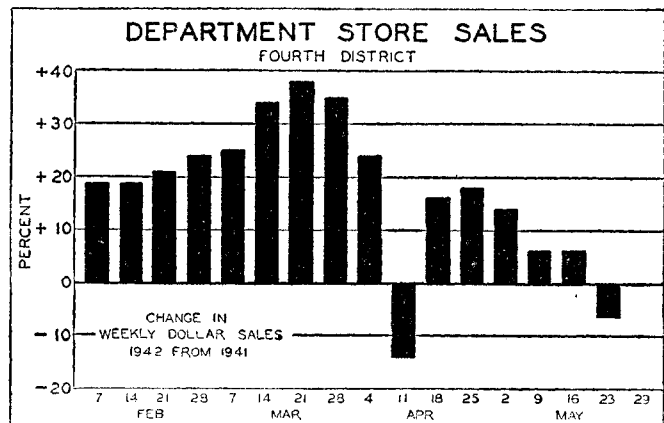
Partly as a cumulative result of such Federal directives as those mentioned, business activity in the fourth district, as elsewhere, has become more and more selective. Basic war material production in this district continued at a record level during April and the first weeks of May, with output in some lines reaching new peaks. More coal has been mined during recent weeks than at any other similar time since the First World War. Machinery and tool output has been increased further. In lines making chiefly civilian items, production of which has not yet been greatly curtailed by Federal order, operating rates have remained virtually unchanged or they have declined slightly because of decreased demand or material shortages. Scarcities have been experienced even by manufacturers doing war work.

Total employment in principal fourth district industrial centers increased slightly further in April as war industries hired additional workers. Demand for semiskilled and skilled labor has become so great as virtually to exhaust

the supply. Consequently, concerns have revised their employment standards somewhat; many have been hiring women for light factory and technical work formerly done by men. Payrolls generally have continued to advance more rapidly than aggregate employment, reflecting overtime payments and some wage adjustments.

Fourth district trade volume, judged by sales of reporting department stores, has shown only narrow gains recently and in the latest week sales were actually six percent smaller than a year ago. The accompanying chart shows recent percentage changes. The decrease is the first recorded in more than a year, with the exception of two periods when special sales destroyed the comparability. Considering the fact that the general retail price level has risen about 19 percent during the past twelve months, the physical volume of trade has dropped well below year ago levels. Partly responsible for such an occurrence was a disposition on the part of consumers recently to postpone purchases until changes resulting from the posting of maximum prices could be appraised. It also reflected effects of the advance buying which occurred earlier and possibly some decrease in stocks of particular items.

Living costs in April, the month before the price ceiling order became effective, averaged 1½ percent higher than a month before in the seven fourth district cities for which such information is available. This advance extended the year-to-year increase to 13 percent. Since the outbreak of World War II, there has been a 15 percent rise.



FINANCIAL

War Industry Financing Opportunities for banks to aid in financing industries doing war work have been broadened considerably by Executive Order 9112 and Regulation V of the Board of Governors, which were discussed in a general way last month. Since issuance of the April REVIEW, terms of the guarantee agreement to be entered into by a bank or other financing institution and the Army, Navy, or Maritime Commission have been announced. In a legal sense, the military procurement agency gives a commitment to purchase from the financing institution, under certain conditions, a specified portion of a loan made to finance a war work contractor or subcontractor.

At the time of the First World War, no provision was made for repayment of loans extended on the basis of war contracts that subsequently were canceled. Many concerns were placed in a difficult financial position when banks found it necessary to press for collection of loans made on war production contracts that were canceled, and some banks consequently suffered losses. The present program has been designed to make possible greater participation by banks in the financing of war industries by extending protection to banks and borrowers should a war production contract be cancelled.

Interest among fourth district banks in such financing is evidenced by the fact that Federal Reserve Bank of Cleveland between April 1 and May 28 received 77 applications in the amount of \$54,728,000 for loans to finance war industries under provisions of Executive Order 9112 and section 13b. The average loan applied for was somewhat larger than might have been expected, though the smallest one that has been handled was for \$1,500.

Member Bank Credit In contrast to the sizable decline in total loan volume of all weekly reporting member banks in the country that has occurred recently, aggregate loan accounts of fourth district weekly reporting banks have fluctuated narrowly. Commercial, industrial, and agricultural loans of reporting institutions in this district amounted to \$436,000,000 on April 15 and \$434,000,000 on May 13. This latter figure, which includes credit extensions made to war industries under Executive Order 9112, represents an eleven percent increase over a year ago.

Fourth district reporting banks reduced their holdings of Treasury obligations somewhat early in May. Portfolios of Government bonds totaling \$1,161,000,000 on April 15 were increased \$8,000,000 during the next two weeks to an all-time peak. Subsequently they have been reduced to \$1,155,000,000, compared with \$850,000,000 on May 14, 1941. During the latest period some Government guaranteed securities were disposed of, but "other" security holdings were unchanged.

Adjusted demand deposits of these banks exceeded \$2,000,000,000 for the first time in history on the April 29 report date. Since then there has been a moderate decrease, but the total in mid-May was 17 percent greater than that of a year previous. Time deposits, by contrast, declined slightly further during the four weeks ended May 13. Reports from 40 Ohio and western Pennsylvania banks at the end of April revealed that savings deposits of these institutions were down fractionally in the month and three percent from those of a year previous.

Reserve Bank Credit The Cleveland reserve bank's proportionate share of the System's holdings of Treasury obligations increased \$23,781,000 to \$252,607,000 in the four weeks ended May 13, a period in which the System bought a substantial amount of Government securities. Discounts and advances of this bank continued at a low level.

Demand for currency has continued to expand, and this bank's note circulation rose to successive new peak levels during April and the first part of May. On the latest date it was \$849,702,000, or 44 percent greater than a year before.

War Bond Sales War Bond sales through qualified fourth district agencies, other than post offices, increased in May. The daily average rate of sales advanced to the second best level since the securities first became available as Defense Savings Bonds a year ago; it was higher only in January. The improvement in May reflected, to a considerable extent perhaps, results of the house-to-house campaign conducted by volunteer workers for the Treasury Department.

During the first 28 days of May \$42,070,000 of Series E, F, and G bonds were sold in the fourth district by all issuing institutions, except post offices. The April total was \$38,715,000 and that for May 1941 was \$25,349,000.

NEW MEMBER BANK

The Farmers State Bank of Englewood, Ohio, Englewood, Ohio.

LAKE SHIPPING

Steps designed to speed up the flow of iron ore from northern Great Lakes' ports to consuming furnaces and lower lakes' storage yards were taken in May. Effective May 15, the Office of Defense Transportation banned the transportation of grain, except by special permit, between points on Lake Michigan or from any Canadian port in American vessels capable of carrying iron ore. Boats equipped with self-unloading devices were exempted; 37 freighters are in this class. Under terms of a second order, a permit system was established as of June 1 for coal shipments on Lake Erie and Lake Ontario or between Lake Erie ports and those on the Detroit and St. Clair Rivers or on lower Lake Michigan.

Movement of approximately 340 Great Lakes' boats with a gross carrying capacity of nearly 3,000,000 tons per trip was placed under control of the Office of Defense Transportation by the order restricting grain shipments.

The Great Lakes ore-carrying fleet, exclusive of bulk freighters that heretofore have handled grain or mixed cargoes, numbers 298 vessels this year, seven more than in 1941. Trip capacity was increased from 2,688,040 gross tons to 2,724,540 tons by the addition of seven former automobile carriers. Vessels were fitted out earlier this year than ever before in history, and first cargoes of iron ore were received at Lake Erie docks in March. By mid-April, 283 American flag freighters had been commissioned in the ore trade; a month later 291 were active, and about a dozen Canadian registry boats had loaded ore for American destinations. During the season to May 1, these vessels transported 8,582,000 gross tons of iron ore from northern lake ports and loaded 6,706,000 net tons of coal at lower Great Lakes' docks. Both of these figures repre-

sent record tonnages for the period from opening of navigation to May 1.

Present plans are to bring approximately 90,000,000 tons of iron ore down the Great Lakes before winter. Last year an all-time record of a little more than 80,000,000 tons was moved.

MANUFACTURING, MINING

Iron and Steel

The chief factor determining the national steelmaking rate recently has been the necessity for repairing open hearth furnaces that have been producing record tonnages of steel for more than a year and a half. Scrap has been moving to mills in larger quantities than earlier this year when the supply of metal for melting was the principal determinant. Collection efforts have been intensified, and weather conditions have been more favorable for such work. Some tonnages have been received from northern Great Lakes' points since opening of lake navigation. Amounts of scrap available in the largest fourth district steel producing centers—Pittsburgh, Youngstown, and Cleveland-Lorain—however, are reported still to be relatively limited. This situation arises chiefly from the fact that these areas, Pittsburgh and Youngstown particularly, are very heavy consumers of scrap, but comparatively little is produced there.

Steelmaking operations in the Pittsburgh section were at 95-97 percent of capacity during April and the first weeks of May. The Youngstown area rate was 94 percent during the period; that of mills in both the Cleveland-Lorain and Cincinnati territories fluctuated between 87½ percent and 94½ percent. Activity in the Wheeling-Weirton section declined from 82½ percent in mid-April to 78 percent in late May. Aggregate output of all fourth district steel plants was estimated to be slightly smaller in recent weeks than a year previous.

During April, the American steel industry made 7,122,000 net tons of ingots and castings, compared with an all-time monthly record of 7,393,000 tons in March. Production a year ago was 6,754,000 tons. Raw steel output during the first four months of 1942 was at an annual rate approximating 84,500,000 tons and four percent more than that of the corresponding period last year.

National pig iron production figures are no longer available for publication. Judged by the consumption of iron ore at United States blast furnaces that depend primarily upon supplies from the Lake Superior district and reports of some manufacturers, April output, on a daily average basis, was at a new high level. The 187 stacks in blast at the month end used 6,807,000 gross tons of ore during April. This is the second heaviest consumption for any month in history, being exceeded by 93,000 tons in March, which had one more working day.

During April, approximately 1,150,000 tons of ore were added to inventories at lower lake docks and at American furnaces. On May 1 stocks totaled 20,695,000 tons, compared with 16,937,000 tons a year earlier.

Coal

April production of bituminous coal in the fourth district, as the accompanying chart indicates, was the third best for any month since late 1929, when solid fuel was somewhat more widely used as an industrial power source and for household heating. The 19,206,000 net ton total was four percent greater than that of the previous month and was exceeded only by narrow margins in March 1937 and Oc-

tober 1941. Output in the earlier period reflected a large amount of consumer buying in anticipation of a mine strike when labor contracts expired at the end of the month. During October last year industrial demand was heavy and a record tonnage of bituminous coal was shipped from lower Great Lakes' ports.

A strong market existed for all types of coal during April and the first part of May. Industrial users continued to accumulate stocks as they had in March after allowing them to decline during the winter. Domestic consumers, in line with the recommendations of various organizations and Governmental agencies, appeared to be buying much of their next winter's requirements. As has been noted elsewhere in this review, more coal moved by bulk freighter to northern Great Lakes' destinations during the season to May 1 than in any similar period in history.

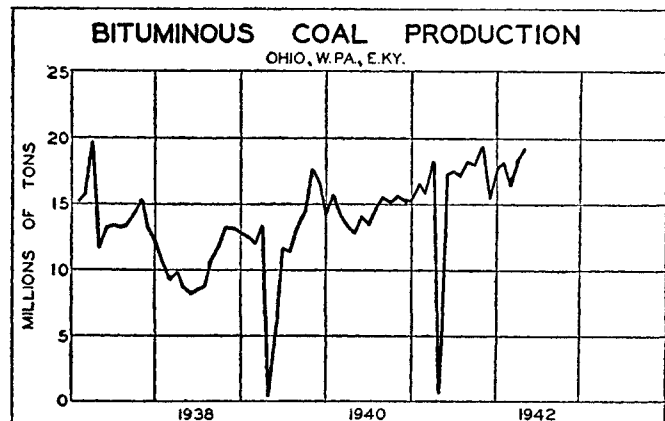
Coincident with the issuance of the general maximum price regulation, ceiling prices were established for bituminous coal sold at mines or preparation plants. The ceilings became effective May 18; the basis for their computation reportedly permitted the industry to realize somewhat higher prices than prevailed between October 1-15, 1941. Maximum distributors' prices also were established officially late in April at the highest level existing in the period, December 1-15, 1941. Previously, the agreement between coal wholesalers and retailers and the Office of Price Administration had been an informal one.

Apparel Industries

Conditions in the fourth district apparel industries were in a state of flux in April and early May. Various uncertainties with respect to material supply existed; both clothing and shoe manufacturers experienced difficulty in obtaining certain items for non-military use. Several questions raised by the Federal price ceiling order that became effective at the wholesale level on May 11 had not been finally resolved.

Some men's ready-to-wear clothing makers in mid-May were completing production and deliveries to dealers of light-weight merchandise, shipments of which had been delayed earlier in the season because cloth deliveries from textile mills were extended. Total employment in needlework shops in principal producing centers of the district consequently was larger than usual for that time of year.

Fourth district clothing manufacturers generally postponed initial showings of fall and winter season merchandise until the last part of May or later; in most previous



years they had been earlier. According to reports, many textile mills had offered only a limited variety of heavier weight cloths by the middle of May. Soft fabrics, such as shetlands and tweeds, were more readily obtainable than harder finished ones like whipcords, coverts, gabardines, and worsteds, which were being taken in large quantities by the armed forces. Supplies of linings, particularly certain kinds of rayons, and trimmings also were said to be short. A number of clothing makers which had been using slide fasteners have had to change back to buttons or hooks because the former are no longer available for civilian use.

The use of vat dyes in the production of both wool and cotton cloth has been restricted under Governmental order, since many of the basic ingredients are needed in the manufacture of explosives. As a consequence, the variety of colored yard goods which may be had is limited, and the amount of dye used for the kinds of cloth still being made has been reduced.

The most perplexing problem confronting the shoe industry is that of sole leather supply. Top grades of this material are being set aside for military purposes, under Federal order. Lower quality sole leather is available for civilian use, but the supply apparently is small. Some correspondents in mid-May indicated that their operations between then and October would depend principally upon their ability to obtain such material. Several concerns reported that incoming business for fall lines was in a volume that ordinarily would keep their facilities fully occupied until October 1. Sizable orders for current season merchandise were received during April, but the rate slackened somewhat early in May, prior to the establishment of price ceilings.

April output of fourth district shoe factories, which make mostly women's footwear, was the third largest for that month in the twenty years of record, being exceeded only in April 1941 and April 1937. Production declined less than seasonally from the high rate prevailing in March.

Other Manufacturing Additional conversions of facilities to war work were being made by numerous other important fourth district manufacturing concerns in April and the forepart of May. A few projects were proceeding slowly, however, because deliveries of equipment or materials were delayed or difficult to obtain. Generally, the output of military items was expanded. Civilian production of some consumers' durable goods ceased during the period, but very few mass labor layoffs occurred, most workers being transferred to war work in the same or other plants.

Activity in the tool and machinery industries remained at a record level in April and early May. Foundries making bases and the like for machine tools were very busy, as they had been in previous months, but some shops reportedly had reduced length of the work week due to a decrease in new order volume.

Glass and paper manufacturers experienced a slackening in the rate of incoming business early in May, but the unfilled order backlog held by some flat drawn glass makers was reported to be large enough to maintain a high rate of operations for thirty to sixty days. Production of window glass in April, amounting to 1,644,000 boxes, was the second best for any month on record. Compared with that of March it was 14 percent larger, chiefly because

some fourth district facilities that had been down for repairs were again in operation. Plate glass output of 5,570,000 square feet in April was slightly larger than that of March, but with that exception it was the smallest for any month in nearly four years. Federal restrictions on the use of a number of materials have reduced activity at pressed and blown glassware plants somewhat recently. Considerable standardization and simplification of bottles and glass containers is to be effected, under Governmental order, in the interests of increased production.

Paper and paperboard output has decreased during recent weeks, as demand has declined. The index of paper mill activity computed by the *American Paper and Pulp Association* the first week in May dropped below that reported a year ago for the first time in fifteen months. Plants generally have returned to a five-day week basis.

Dinnerware manufacturers expect to discontinue, or sharply curtail, production of some lines within the next four to six weeks, when present inventories of decorating and glazing materials are exhausted. Operations continued at a near-capacity rate during April and the first part of May, though scarcity of skilled labor affected activity at several plants.

Demand for paint was reported to have decreased early in May, contrary to seasonal experience in past years. Much of the decline was attributed to the fact that many concerns have ceased making articles for civilian use, or are about to do so. The material supply situation was said to have improved considerably during recent weeks.

CONSUMER CREDIT REGULATION

The President, in his special message of April 27, 1942, said, "To keep the cost of living from spiraling upward we must discourage credit and instalment buying, and encourage the payment of debts, mortgages, and other obligations, for this promotes savings, retards excessive buying, and adds to the amount available to the creditors for the purchase of war bonds." In keeping with the spirit of this message the Board of Governors of the Federal Reserve System, as of May 6, 1942, revised Regulation W relating to consumer credit. The regulation now covers a comprehensive list of durable and semidurable goods for civilian consumption. It contemplates that the volume of outstanding consumer credit, which has declined each month this year, will be further contracted in keeping with the Government's purpose to prevent a rapid bidding up of prices.

At banks in this district from which regular monthly reports on consumer credit outstanding are received, the total volume of such credit was reduced three percent in April and at the month end it was down eleven percent from the amount outstanding at the beginning of the year. No comparison with a year ago is available.

Credit outstanding at department stores in this area on April 30 was fifteen percent greater than a year previous, although since January there has been a slight decline in the volume of consumer credit outstanding at these reporting department stores. In the first four months of 1941 there was a slight increase in the aggregate amount of credit outstanding. The fifteen percent rise in the total this year was not considered large in view of the fact that total sales of these same stores averaged 25 percent larger in the first four months of 1942 than in the year

previous. As was pointed out last month, strictly cash sales have increased relatively more in recent months than have either regular charge or instalment sales.

There has been a tendency over the past year for persons to anticipate their needs for goods, the supply of which was expected to be limited. Such advance buying, or hoarding, was especially noticeable last August prior to the time regulation of instalment credit was first attempted. It occurred again in January following the outbreak of war, when it was realized that production of much durable consumers' goods would cease entirely.

Now that price ceilings have been ordered on most goods sold at retail and the production of the majority of consumers' durable goods has been restricted or forbidden, it is necessary, in the absence of rationing, to take all steps possible to see that the nation's diminishing supply of goods is more equitably distributed. In keeping with this thought, more rigid restrictions on consumer credit extension have been ordered.

Regulation W has been extended to cover a comprehensive list of durable and semidurable goods for civilian consumption. It now includes bedding, draperies, used furniture, clothing, yard goods, glassware, and jewelry. If these goods and many others are bought on the instalment plan, the maximum permissible maturity of the obligation, with a few exceptions, has been reduced to twelve months, and the required down payment for most listed articles has been increased to 33 1/3 percent.

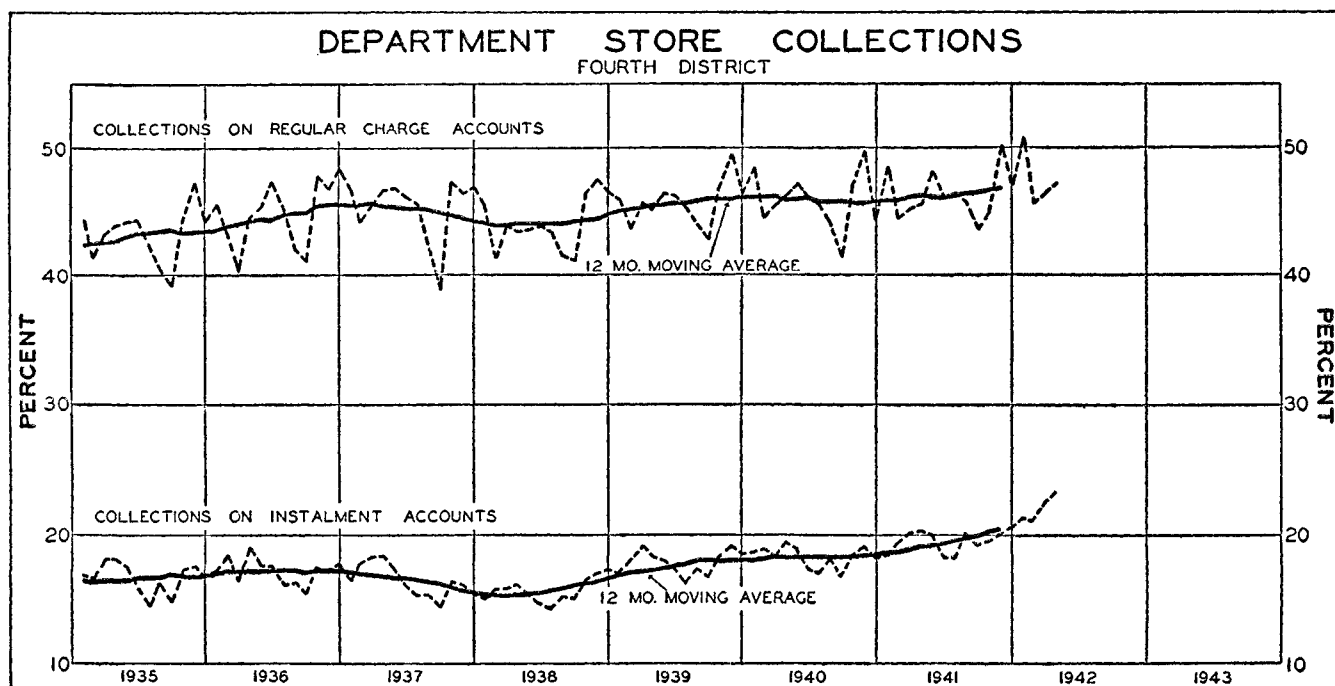
In addition, and of special significance to all business in listed articles done on a credit basis, is the provision of Regulation W having to do with regular charge sales of such articles. It provides that unless payment is made by the tenth day of the second month following the purchase of any listed or unlisted article, no further credit may be extended to purchase any listed article until the items previously charged and in default have been paid for in full or have been placed on an instalment basis for payment within six months.

Department Store Collections In view of this requirement the experience of department stores in this area with respect to collections on both regular thirty-day charge and instalment accounts is timely. Monthly collection ratios are shown on the accompanying chart. The lower curves show collections on instalment accounts receivable at department stores in leading cities of this district from 1935 to date. The heavy line represents the moving average of the twelve monthly ratios. Reasonable stability is evident in these instalment collections. Even in such years as 1937 and 1938 the curve dropped below 15 percent in only two months. Since mid-1941 there has been marked improvement in instalment collections and in the 12 latest months collections on instalment accounts outstanding have averaged slightly more than 20 percent.

The monthly collection ratios on regular charge accounts at reporting department stores are shown by the curves in the upper part of the chart. A distinct seasonal movement is noticeable in these collection figures, with a low point each February and September. This may result from the fact that February is a short month and that in this area special sales of house furnishings, furs, and winter apparel occur each August. Accounts receivable rise seasonally at that time and payments carry over into the second and even third months.

In the entire year 1941 the collection ratio on regular charge accounts was 46 percent. This would indicate that, on the average, regular department store accounts were paid in about two and one-quarter months. There has been some improvement so far this year in this respect when comparison is made with corresponding periods of previous years.

The new requirements of Regulation W, in view of the above discussed experience of local department stores, should work no particular hardship on the average charge account customer. However, it has necessitated some changes in accounting procedure. The Regulation uses the calendar month, whereas many stores have closed their



books around the 25th of the month. Goods purchased after that date were not billed until the 25th of the following month. If payment for such merchandise were not received by the tenth of the month following the period for which the statement was received, the account would be in default, according to the terms of Regulation W. Store billings now have to include all goods purchased in a calendar month, and in order to avoid default such bills have to be paid for by the tenth of the month following the one in which the bill or statement is received. As a result, regular collection ratios should improve, but there also might be a shift from a regular charge account to an instalment basis for listed articles.

Further information on this subject, or copies of the revised regulation which includes a description of all articles covered by the Regulation may be obtained from Consumer Credit Department, Federal Reserve Bank of Cleveland, or from either of its branches at Cincinnati or Pittsburgh.

TRADE

Retail Dollar sales of reporting fourth district department stores did not expand seasonally in April from the very high March level. The seasonally adjusted index consequently dropped to 121 percent of the 1923-25 average from 139 percent. A year ago it was 115. Although year-to-year changes are distorted somewhat by the fact that Easter occurred one week earlier this year than last, it might be noted that the widest gains in April over a year previous were registered by departments handling piece goods, housewares, and notions.

Department stores generally increased stocks further during April. On May 1 dollar value of aggregate inventories carried was nine percent greater than a month before; ordinarily a small seasonal decrease has been recorded from April 1 to May 1. Compared with those of a year ago, stocks on the latest date were 64 percent larger. Outstanding orders at that time were up 91 percent. Inventories and commitments of wearing apparel shops on May 1 were 50 percent and 147 percent, respectively, larger than those of a year earlier, further increases occurring during April.

Individual stores in grocery chains sold 35 percent more merchandise, on a dollar basis, in April this year than last. Sales of chain drug companies, also per unit store, were up 14 percent. For reporting furniture stores, the year-to-year increase was five percent, while that for wearing apparel shops was six percent.

Wholesale Dollar sales of fourth district wholesale concerns were three percent greater in April than in March. The increase was attributable largely to an expansion in demand for such seasonal items as hardware, paints, varnish, and the like. Aggregate dollar volume of the 202 wholesalers reporting to the *Bureau of the Census* was 18 percent larger this April than last. Reflecting retailer buying of metal articles, many of which will not be manufactured after mid-year, wholesale hardware sales in April were 37 percent greater than those of a year ago. Year-to-year in-

creases in excess of 35 percent also were registered by machinery dealers and meat distributors.

Wholesale merchants generally reduced inventories moderately during April. Total stocks of all reporting firms on May 1 were two percent smaller than those of a month before, but twelve percent larger than those carried on the same date last year. Principal increases were in seasonal lines such as fresh vegetables and fruits, paints, varnishes, and groceries.

Collections were slightly better in April than in March, a two percent improvement being registered. Compared with those of a year ago, they were 23 percent larger. During April, 86 percent of all accounts receivable on the first of the month was collected; the percentages were 85 in March and 79 last year.

CONSTRUCTION

The volume of new construction contracted for in the fourth district increased slightly in April, the month that restrictions were placed on non-essential building, from the relatively high March level; it was the largest for any similar month since 1929. April contracts totaled \$50,181,000, compared with \$48,519,000 in March and \$37,371,000 a year ago.

Aggregate awards for nonresidential and heavy engineering work were 19 percent larger in April than in the previous month; compared with those of a year ago, they were up 81 percent. These gains reflected principally an increased amount of factory building. Dollar value of factory contracts awarded in fourth district areas during April was the third largest for any month in twelve years, being exceeded only in July 1937 and November 1940. More than half the work started during April this year is in southern sections of the district and includes some new ordnance plant projects.

Activity in the residential field declined in April from March, reflecting, to some extent at least, effects of the Federal order, promulgated early in the month, requiring that all construction be specifically approved as essential to the war effort before work is started. What might not have been expected was the relative increase in the proportion of residential contracts financed by private capital. Such funds were utilized in 87 percent of all cases, a markedly greater percentage than in any month since late last fall. Most of this building represented war housing. In at least one locality work was stopped on some dwellings which when completed would cost more than \$6,000, including land.

In mid-May the War Production Board froze for sixty days all sales and deliveries of softwood construction lumber by large producers, except those to meet the needs of the Army, Navy, and Maritime Commission. Stocks in retail yards were not covered by the order and were officially estimated to be sufficient to supply essential civilian demands during the two-month period. During April and early May, several distributors and dealers in the fourth district experienced difficulty in obtaining numerous grades of lumber. As a consequence, yard inventories in many instances were considered to be poorly related to demand. New orders for lumber to be used in war housing projects continued large in those areas where such building was being done, but elsewhere, particularly in small towns and rural sections, demand slackened further in April and the first part of May.

AGRICULTURE

Weather conditions in the fourth district have varied greatly this spring, being first favorable and then unfavorable for farm field work. April was warm and dry in most sections of the district. Preparation of seed beds progressed well during the forepart of the month, but later the ground dried out considerably and became rather hard to work. Precipitation for the entire month was somewhat below average in practically all localities. General crop prospects on May 1, however, were quite favorable. Both winter wheat and rye gave promise of larger than average yields per acre. While relatively high in parts of northwestern Ohio, abandonment of seeded wheat acreage averaged but two percent for the State as a whole, much less than usual. Ohio pastures on May 1 were in slightly better condition than a year ago; elsewhere in the district they were not so good, though improvement over the 1930-39 ten-year average was marked.

During the first three weeks of May it was cool and wet. Rains fell generally throughout the district, delaying field work in many localities. Fields that had only been

plowed appeared to be in better condition than those which had been more completely prepared, but not seeded. In southern sections of the district an estimated ten percent or more of the corn crop had been planted before the rains. Cutworm damage was reported in central Kentucky, most notably to the hemp crop. Plantings of hemp, both for fiber and seed, were increased substantially in that area this year.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	April 1942	% change from 1941	Jan.-April 1942	% change from 1941
Bank Debits—24 cities	\$3,533,000	+15	13,638,000	+18
Savings Deposits—end of month:				
40 banks O. and W. Pa.	\$ 770,317	- 3		
Life Insurance Sales:				
Ohio and Pa.	\$ 64,877	-27	373,192	+12
Retail Sales:				
Dept. Stores—96 firms	\$ 37,596	+ 8	133,853	+25
Wearing Apparel—16 firms	\$ 1,381	+ 6	5,444	+28
Furniture—40 firms	\$ 1,569	+ 5	5,295	+16
Building Contracts—Total	\$ 50,181	+34	165,541	+27
—Residential	\$ 16,933	-11	70,228	+25
Commercial Failures—Liabilities	\$ 461	-48	2,416	-45
—Number	37	-39	188	-28
Production:				
Steel Ingot—U. S.	net tons 7,122	+ 5	28,161	+ 4
Bituminous Coal, O., W. Pa., E. Ky.	net tons 19,206	a	72,154	+41
Cement—O., W. Pa., W. Va.	bbls. 1,134	- 4	4,065	+17
Elec. Power, O., Pa., Ky.	Thous. k.w.h. 2,497b	+14	7,323c	+12
Petroleum—O., Pa., Ky.	bbls. 2,190b	+ 9	6,241c	+ 4
Shoes	pairs d	- 3	d	+ 9
Bituminous Coal Shipments:				
Lake Erie Ports	net tons 5,445	a	6,706	+166

a mine strike 1941
b March
c January-March
d confidential

Wholesale and Retail Trade

(1942 compared with 1941)

DEPARTMENT STORES (96)	Percentage Increase or Decrease		
	SALES April 1942	SALES first 4 months	STOCKS April 1942
Akron	+17	+33	+75
Canton	+10	+29	a
Cincinnati	+10	+22	+64
Cleveland	+10	+30	+64
Columbus	+ 8	+22	+64
Erie	+17	+33	+55
Pittsburgh	+ 7	+23	+62
Springfield	- 3	+18	a
Toledo	+13	+25	+57
Wheeling	+ 3	+25	+36
Youngstown	+ 3	+17	a
Other Cities	- 5	+20	+72
District	+ 8	+25	+64
WEARING APPAREL (16)			
Canton	+ 9	+31	+64
Cincinnati	- 2	+25	+50
Cleveland	+ 7	+31	+34
Pittsburgh	+ 1	+28	+62
Other Cities	+12	+26	+53
District	+ 6	+28	+50
FURNITURE (40)			
Canton	- 1	+12	a
Cincinnati	-10	+11	a
Cleveland	+ 4	+14	a
Columbus	+ 3	- 0	a
Dayton	+53	+45	+45
Toledo	+24	+28	+28
Other Cities	- 8	+21	+21
District	+ 5	+16	+16
CHAIN STORES*			
Drugs—District (5)	+14	+17	
Groceries—District (4)	+35	+38	
WHOLESALE TRADE**			
Automotive Supplies (10)	+ 6	+18	+25
Beer (4)	+21	+26	-13
Clothing and Furnishings (3)	- 7	+13	a
Confectionery (5)	+32	+29	+14
Drugs and Drug Sundries (8)	+15	+15	+17
Dry Goods (7)	+33	+41	+21
Electrical Goods (13)	+12	+19	+23
Fresh Fruits and Vegetables (6)	+18	+18	+55
Furniture & House Furnishings (3)	- 2	a	a
Grocery Group (42)	+13	+24	+31
Total Hardware Group (34)	+37	+39	-0-
General Hardware (9)	+22	+39	- 2
Industrial Supplies (13)	+58	+44	+ 5
Plumbing & Heating Supplies (12)	+14	+28	- 7
Jewelry & Optical Goods (3)	+24	a	a
Lumber and Building Materials (4)	- 3	- 3	a
Machinery, Equip. & Sup. (exc. Elect.) (6)	+50	+ 2	- 2
Meats and Meat Products (6)	+40	+34	+14
Metals (3)	-17	-16	a
Paints and Varnishes (5)	+ 7	+26	+36
Paper and its Products (7)	+17	+34	a
Tobacco and its Products (16)	+15	+14	+ 2
Miscellaneous (17)	+18	+22	- 1
District—All Wholesale Trade (202)	+18	+23	+12

* Per individual unit operated.
** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.
a Not available.
Figures in parentheses indicate number of firms reporting sales.

Debits to Individual Accounts

(Thousands of Dollars)

	3 Weeks ended May 6, 1942	% change from 1941	Year to Date		% change from 1941
			Jan. 2, 1942 to May 6, 1942	Jan. 2, 1941 to May 7, 1941	
Akron	82,202	+23.2	459,699	364,084	+26.3
Butler	9,711	+ 4.2	55,640	48,400	+15.0
Canton	40,644	+10.5	248,884	208,155	+19.6
Cincinnati	364,099	+30.7	2,067,082	1,686,568	+22.6
Cleveland	750,585	+40.6	3,739,480	3,074,091	+21.6
Columbus	164,994	-12.4	977,759	859,565	+13.8
Dayton	74,270	+11.5	444,629	374,960	+18.6
Erie	33,820	+24.5	190,420	148,160	+28.5
Franklin	3,129	+12.6	19,659	15,667	+25.5
Greensburg	7,516	+ 6.6	44,116	35,634	+23.8
Hamilton	13,010	+17.0	72,844	57,922	+25.8
Homestead	3,189	+ 7.7	19,648	12,852	+52.9
Lexington	15,034	+ 3.2	123,693	113,291	+ 9.2
Lima	13,688	+11.1	85,433	71,410	+19.6
Lorain	4,450	-13.0	28,321	25,263	+12.1
Middletown	13,296	+15.9	77,035	61,035	+26.2
Oil City	9,653	+34.2	55,891	42,501	+31.5
Pittsburgh	778,741	+25.6	4,237,525	3,800,926	+11.5
Sharon	10,300	+26.4	57,046	44,633	+27.8
Springfield	16,575	+10.4	99,379	87,854	+13.1
Steubenville	8,181	+ 1.9	48,826	44,948	+ 8.6
Toledo	146,707	+33.0	792,264	636,436	+24.5
Warren	12,916	+18.7	75,711	62,889	+20.4
Wheeling	23,532	+ 5.4	130,501	135,124	- 3.4
Youngstown	46,864	+ 0.2	290,921	253,905	+14.6
Zanesville	7,072	+ 3.7	45,837	40,571	+13.0
Total	2,654,178	+24.6	14,488,243	12,306,844	+17.7

Fourth District Business Indexes

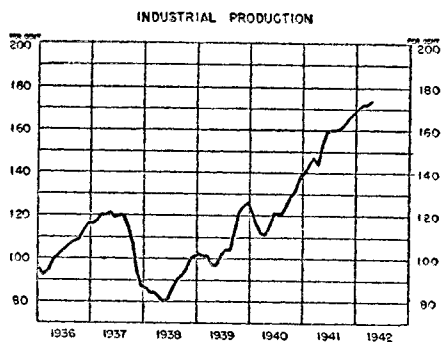
(1923-25 = 100)

	April 1942	April 1941	April 1940	April 1939	April 1938
Bank debts (24 cities)	130	113	86	74	76
Commercial Failures (Number)	25	42	32	63	63
(Liabilities)	10	20	11	47	42
Sales—Life Insurance (O. and Pa.)	67	92	84	73	71
—Department Stores (48 firms)	128	115	90	92	89
—Wholesale Drugs (8 firms)	111	97	92	90	89
—Dry Goods (7 firms)	75	56	46	39	40
—Groceries (42 firms)	87	77	68	61	65
—Hardware (34 firms)	176	129	85	67	71
—All (91 firms)	108	88	70	61	64
—Chain Drugs (4 firms)*	124	109	91	a	91
Building Contracts (Total)	105	78	66	80	37
(Residential)	98	110	72	68	41
Production—Coal (O., W. Pa., E. Ky.)	106	3	71	3	49
—Cement (O., W. Pa., E. Ky.)	94	98	73	68	55
—Elec. Power (O., Pa., Ky.)**	297	261	220	202	178
—Petroleum (O., Pa., Ky.)**	119	109	121	116	131
—Shoes	122	125	94	113	94

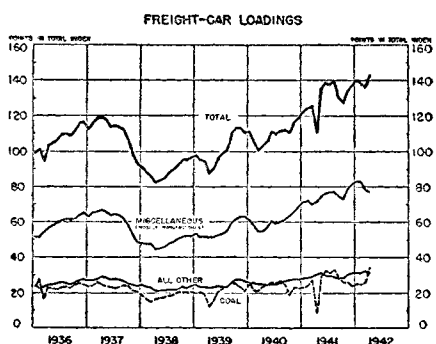
* Per individual unit operated.
** March
a Not available

Summary of National Business Conditions

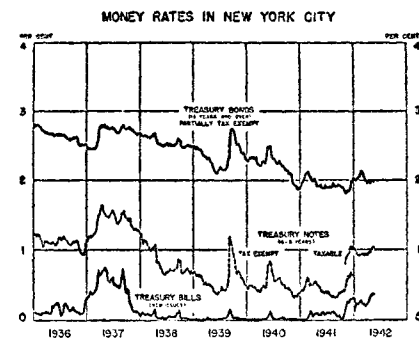
By the Board of Governors of the Federal Reserve System



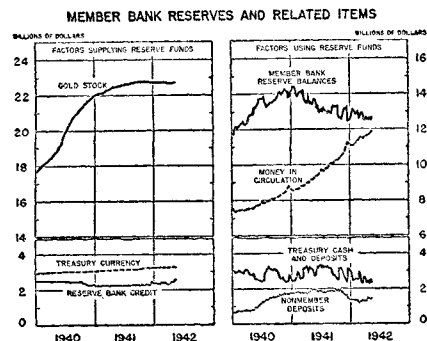
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for April 1942.



Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for April 1942.



Weekly averages of daily yields on Treasury notes and bonds and average discount on new issues of Treasury bills offered within week. Latest figures shown are for week ending May 16, 1942.



Wednesday figures. Latest figures shown are for May 13, 1942

Industrial activity increased in April and the first half of May reflecting continued advances in armament production. Following an increase in buying during the first quarter, retail trade declined somewhat. Wholesale commodity prices advanced further.

Production

Expansion of industrial production in April was reflected in an advance in the Board's seasonally adjusted index from 172 to 174 per cent of the 1935-39 average. This increase followed upon a period of relative stability during the first quarter of the year, when growing war production was offset by decreased civilian output.

Since the beginning of the year total volume of industrial output has shown little change but there have been marked differences among individual industries. In general output of machinery, chemicals, and armament of all kinds has continued to expand at a rapid rate. There have also been substantial increases in output of electric steel, nonferrous metals, glass containers, wood pulp, and coal. On the other hand, output of many products for civilian use such as automobiles, tires and tubes, wool textiles, electrical appliances, alcoholic beverages, petroleum, and petroleum products has been sharply reduced either by direct order or by shortages of material or transportation facilities. In the month of April crude petroleum and petroleum products were the principal commodities showing a decline in output. Output of furniture, cotton and rayon textiles, manufactured foods, paper products, and tobacco products has been maintained in large volume.

Value of construction contracts awarded in April, as reported by the *F. W. Dodge Corporation*, was almost one-fifth below the high March total, reflecting a decline in publicly financed construction. Residential contracts decreased by one-fourth and for the month were at about the same level as last year. Awards for non-residential building increased slightly, mainly because of a 40 per cent increase in awards for factory construction, practically all publicly financed.

Distribution

Retail sales declined somewhat in April, following a considerable amount of anticipatory buying during the first quarter of this year. At department stores, dollar sales in April were about 10 per cent below the first quarter average, making allowance for usual seasonal variations, but were 5 per cent above the level prevailing during the latter part of 1941. During the first half of May sales showed a further decrease and were around 6 per cent larger than a year ago in contrast with price increases amounting on the average to about 20 per cent over the year period.

Total freight car loadings increased sharply in April owing chiefly to larger shipments of coal and forest products, and to a sharp rise in iron ore loadings as the Great Lakes shipping season got underway. Shipments of merchandise in less than carload lots, which had begun to decline in March, were reduced sharply further in April, reflecting Government action to increase the average load per car in order to effect fuller utilization of railroad equipment.

Commodity Prices

Beginning on May 11, wholesale prices of most commodities were limited to the highest levels reached during March, according to the general maximum price regulation issued April 28. Effective May 18, retail prices of most commodities were likewise limited. Retail prices of related services will be limited beginning July 1.

About 30 new maximum price schedules for industrial products were issued from the middle of April to the middle of May. Most of these covered wholesale prices of items previously subject to informal or temporary controls. Upward adjustments in maximum prices were allowed for coal, ferromanganese, tires, petroleum products, and a few other items.

Wholesale prices of most farm products and basic foods, which are exempt from direct control, showed little change in this period, following sharp increases earlier in the year.

Bank Credit

During the five weeks ending May 20 Federal Reserve Bank holdings of Government securities increased by about 200 million dollars, while currency in circulation rose by 260 million. Member bank deposits increased during the period and required reserves showed a corresponding growth. The net result was a decline of 300 million in excess reserves. Holdings of United States securities at banks in leading cities increased further, while commercial loans declined. Liquidation of loans was concentrated at banks in New York City and in the Kansas City district.

United States Government Security Prices

Prices of U. S. Government bonds declined in the last half of April, but steadied in the first half of May.