

MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 24

Cleveland, Ohio, July 31, 1942

No. 7

Production of war materiel by fourth district factories again increased in June and July as new war plants were placed in operation and more facilities formerly used in making civilian goods were converted to the war effort. The increased output for the armed forces has placed an added burden on raw material and labor supplies so that shortages of both men and materials are more evident than in the recent past.

Pressure for steel deliveries has become so intense that nearly all steel is now being allocated by the War Production Board. Priority ratings which were considered extremely high a short time ago lost their meaning as still higher ratings were issued. Steel production has been close to rated capacity for over two years. Trade sources say that output in excess of theoretical capacity would be possible if sufficient supplies of high quality scrap were available. The scrap shortage has necessitated use of low grade material, thus resulting in more frequent shutdowns for furnace repairs. Steel ingot production in June was at the rate of 96.4 percent of capacity versus 98.2 percent in May.

Construction of several new war plants and Defense Housing projects located in this district has been started. As is shown in the chart, construction contracts awarded reached the unprecedented volume of \$114,514,000 in June. Government activity accounted for 88 percent of the non-residential and 68 percent of residential construction.

Activity of most miscellaneous manufacturing industries in June and July depended largely on the extent to which they were able to contribute to the war effort. Machine tool plants were operating at capacity with some new facilities being brought into production. Flat glass manufacturers have reduced operating rates since sufficient war products have not yet been developed to take the place of markets formerly provided by the automobile industry and private construction. Glass container manufacturers, on the other hand, were producing at record levels as tin plate mills and can factories were being closed down. Operations of rubber reclaiming plants were being brought up to capacity following publication of the results of the nationwide scrap rubber drive.

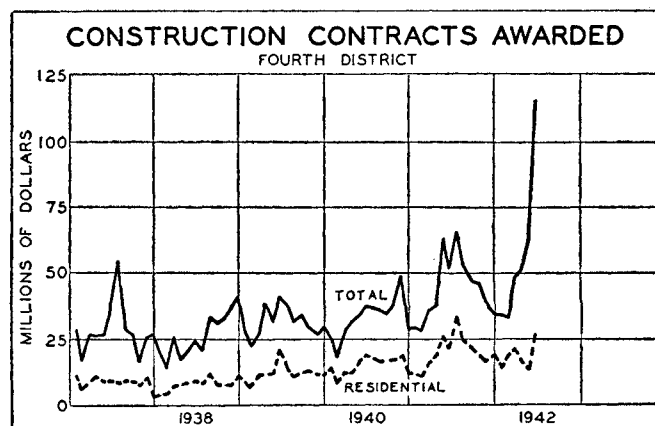
Department store sales have not reflected the extremely high level of consumers' incomes in recent months. Dollar volume of sales in fourth district stores in June was only two percent greater than last year despite higher prices than in 1941.

FINANCIAL

Liquidation of all kinds of debts continues to be evident in current banking figures and reports covering credit extended by retail organizations in this district. Acceleration of loan repayment schedules is quite common and consumer instalment credit outstanding at reporting banks declined more in June than in May. As of June 30, consumer instalment credit outstanding at 32 banks was 24 percent less than at the beginning of the year. Credit representing the purchase of automobiles had contracted more than 40 percent so far this year and was down 10.6 percent in June. F.H.A. repair and modernization loans, Title I, Class I, increased five percent in June, but at the month end they were 1.3 percent less than at the beginning of 1942. Personal instalment cash loans decreased nearly three percent in June and they were down 7.5 percent for the six-month period.

Other types of loans made by banks in this area also showed moderate declines in late June and the first three weeks of July. In the five weeks ended July 22 total loans of weekly reporting member banks in leading cities of the fourth district were reduced \$21,000,000 to the lowest level in more than a year. Commercial loans decreased \$11,000,000 between June 17 and July 22. This recent falling-off occurred despite the fact that the volume of war financing by banks, as evidenced by loans approved or under discussion with the reserve bank under terms of Regulation V, has continued to increase.

The survey of loans made by member banks in the



month ended May 18, which was discussed in part in last month's Review, revealed that despite the fact a large volume of new loans and renewals was reported, total loans outstanding declined in the month. This movement apparently was continued in June and early July.

Interest Rates As part of the survey made to determine what share of current loan activity represented financing of war production, information as to the rates of interest charged on various types of loans was obtained. The accompanying table shows the volume of total loans, war loans, and nonwar loans made in the month ended May 15 at various interest rates.

Rates of Interest and Discount Charged

New Loans & Renewals—Fourth District Member Banks April 16-May 15, 1942

Rate	All Loans		War Loans		Nonwar Loans	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Under 1%	\$1,347	1.0	\$	\$1,347	1.7
1%	3,750	2.8	1,250	2.5	2,500	3.2
1%-2%	16,217	12.3	5,717	11.2	10,151	13.0
2%	9,970	7.6	3,144	6.1	6,826	8.7
2%-3%	8,108	6.2	3,686	7.2	4,277	5.5
3%	21,041	16.0	12,546	24.5	8,154	10.4
3%-4%	4,610	3.5	1,335	2.6	3,205	4.1
4%	20,875	15.8	9,443	18.4	11,260	14.4
4%-5%	2,698	2.1	1,098	2.2	1,591	2.0
5%	18,840	14.3	7,543	14.7	10,668	13.7
5%-6%	411	0.3	60	0.1	300	0.4
6%	23,418	17.8	5,327	10.4	17,478	22.4
6%-7%	17	0.0	17	0.0
7% or over	448	0.3	65	0.1	381	0.5
Total						
Classified	\$131,750	100.0	\$51,214	100.0	\$78,155	100.0

Rates of interest or discount charged on all new loans and renewals made by the 588 reporting banks in the period, April 16 to May 15, ranged from less than one percent to eight percent. The most common rates reported were six percent, three percent, four percent, and five percent, 64 percent of all loans and renewals being made at those rates. Another 12 percent of all credit was extended at rates between one and two percent.

War loans and renewals were made at somewhat lower rates of interest or discount than were nonwar credit extensions. Approximately one-fourth of all loans and renewals to finance war activity carried a three percent rate, and roughly 90 percent of the total volume was at five percent or less. On the other hand, 22½ percent of nonwar loans and renewals were six percent loans.

Rates charged by larger banks were appreciably lower than those charged by smaller institutions. Reporting banks which had more than \$10,000,000 of commercial and industrial loans outstanding on December 31, 1941, made \$62,600,000 of new loans and renewals during the period April 16 to May 15, 1942, at interest rates of four percent or under. These credit extensions represent 88 percent of the total classified loan volume of this group of banks. At banks located in the smaller fourth district communities \$14,915,000 of loans and renewals, or 63 percent of all classified loans reported by these banks, carried a six percent interest or discount rate.

War Bond Sales While some withdrawal of savings deposits to purchase war bonds has been reported, the upswing in sales of Series E, F, and G bonds in July through issuing agencies other than post offices was not evident in withdrawals from time deposit accounts. The upswing lifted bond sales to

the second highest level experienced, the July daily average being exceeded only by the January figure. Up to July 27 sales of Series E bonds were \$31,492,000 in contrast with \$27,445,000 in the entire month of June. Sales of F and G bonds also improved materially, totaling \$28,000,000 up to July 27, compared with \$16,133,000 in the preceding month and \$39,000,000 in January when large purchasers took their entire year's quota in effect at that time. Raising the limit on the amount of F and G bonds that may be purchased in any one calendar year to \$100,000 of either or both from the \$50,000 limit which prevailed in the first half of the year may have been responsible for the rise in the sale of those bonds. Sales of all types of war bonds through fourth district issuing agencies, other than post offices, aggregated \$59,175,000 up to July 27. Tax anticipation note sales in the same period in this area amounted to \$21,711,000.

Reserve Bank Credit As a result of the System's extensive open market operations in recent weeks in an effort to offset the loss of reserves resulting from the rise in Treasury deposits, the increase in currency circulation and growth of individual deposits, this bank's holdings of Government securities have risen \$60,000,000 since mid-March. In the five weeks ended July 22 the net increase was nearly \$20,000,000. All of the recent gain represented a sharp expansion in Treasury bill and certificate holdings which rose \$37,000,000, while holdings of Treasury bonds and notes were reduced \$17,000,000. Short-term bill and certificate holdings of Federal Reserve Bank of Cleveland on the latest date were \$63,000,000, all of which have been taken since April.

Money in circulation, as reflected by note circulation of this bank, increased in the five weeks ended July 22 at a faster rate than was evident earlier this year. The rise for the period was \$36,000,000, whereas the average weekly gain so far this year has been around \$5,000,000. The total rise in Federal Reserve note circulation in the past year has been 43 percent in this district.

New Member Banks

The Citizen's Bank, Cardington, Ohio.
The Commercial and Savings Bank, Millersburg, Ohio.
The Pickering Bank, Pickerington, Ohio.
Citizens Bank of Follansbee, Follansbee, West Virginia.

MANUFACTURING, MINING

Iron and Steel Steel ingot production, both in the fourth district and nationally, continued at near-record levels during June and the first three weeks of July. Necessity for periodical repairs of open-hearth furnaces and lack of sufficient scrap were reported by the trade as the only deterrents to output in excess of rated capacity. Some units were still turning out more steel than the quantity for which they were designed.

Steel ingot production for the first six months of 1942, as reported by the *American Iron and Steel Institute*, totaled 42,570,247 net tons, four percent greater than for the first six months of 1941, the record year. June output was 7,002,155 tons in thirty days, compared with 7,386,890 tons in the longer month of May. In June 1941, production was 6,792,751 tons. The first-half total was at the rate of more than 85,000,000 tons for the year.

Demand for steel by war industries has become so

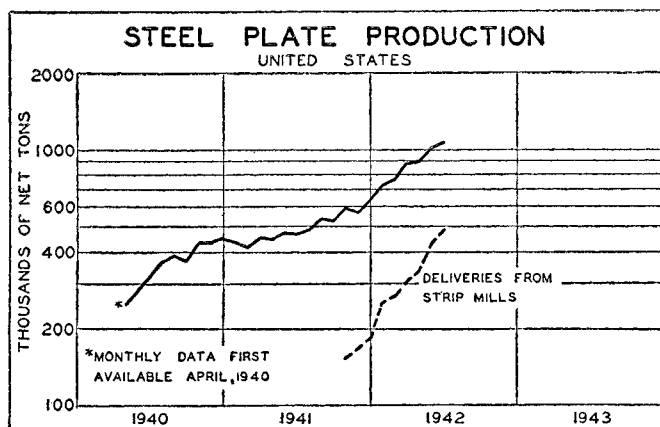
great that the War Production Board has found it necessary to distribute nearly all steel by allocations and directives. Former preference ratings of A-1-a and lower have lost much of their significance as higher ratings have become crowded. Close control of inventories by W.P.B. was preventing accumulations beyond 45 to 60 days' requirements.

Trade sources indicated late in July that scrap scarcity was becoming a real threat to continued steel production at present levels. Usually mills accumulate a supply of scrap during the summer months for use when winter weather conditions retard collection and flow of scrap to consuming centers. This year, however, scrap has been consumed as fast as it accumulated; in some cases reserves have been drawn down. Scrap shortages have been intensified recently by shipment of large quantities of raw and semi-finished steel under the Lease-Lend program. The scrap created by fabrication of this steel will not be available for remelting in American furnaces. A nationwide campaign for collection of all available scrap metals was getting under way late in July, but it is still too early to determine its effectiveness.

Shifts in types of steel required for the war effort have had considerable effect on mills located in the fourth district. Prior to outbreak of war a large part of steel rolling facilities in this area was devoted to making strip and light sheets for the automobile and other consumers' goods industries. Conversion of these mills to production of heavier steels for war purposes has involved extensive installations of new equipment and rearrangement of existing facilities.

The success with which this program is being achieved is indicated by the accompanying chart of steel plate shipments. For the second consecutive month, total plate shipments in June exceeded 1,000,000 tons. Most of the expansion in plate output has occurred at strip mills. In the month before Pearl Harbor total plate shipments amounted to 620,000 tons, of which strip mills provided 152,000 tons, or 27 percent of the industry's output. In June, former strip mills delivered 490,000 tons of plate, or 47 percent of total plate output.

Blast furnaces in the fourth district probably turned out more pig iron in June than in any other similar period. Daily average consumption of Lake Superior iron ore was at an all-time high level in June. On July 1 there were only 9 of the 190 furnaces which depend on Lake Superior ore not in blast.



Movement of iron ore continued in record volume in June and early July as every effort was made to pile up stocks at mills and lower lake ports. Shipments in June totaled 12,625,000 tons compared with 10,790,000 tons last year. At the end of June all 300 vessels in the American ore fleet were engaged in the ore trade, and 29 additional Canadian boats were carrying ore to American ports.

Coal

Demand for bituminous coal during June and the first half of July again reflected continued heavy industrial consumption and accumulation of stocks by both industrial and domestic consumers as they attempted to forestall transportation difficulties which might occur if accumulation of winter requirements were delayed until fall. As a result of this steady demand, output of fourth district coal mines amounted to 19,610,000 net tons in June, compared with 19,185,000 tons in May and 17,523,000 tons a year ago. Except for March 1937 when stocks were being built up in anticipation of the mines being closed during negotiation of new contracts, June production was the largest monthly output since 1927. The total for the first six months of the calendar year, 110,949,000 tons, was also the largest for any similar period since 1927. It was 26 percent greater than last year when output suffered from work stoppages following expiration of union contracts on March 31.

Production in the first half of July was at a somewhat lower rate than in June as vacations reduced working forces. No delays due to car shortages have been reported.

The nationwide campaign to anticipate coal requirements of the fall and winter has resulted in raising coal stocks to near-record levels. As of June 1, the latest date for which data are available, coal held by industrial consumers and retail dealers was estimated at 67,409,000 tons. This was the largest total since 1927 and compares with 37,483,000 tons a year earlier. Trade reports indicated further accumulation of stocks during June.

This heavy demand for coal from industrial consumers and retailers has resulted in limiting the supply of coal available for shipment to upper lake ports. This factor, as well as Government restrictions on shipping designed to expedite movement of iron ore down the lakes, resulted in a decline in coal shipments by way of the lakes during June. Movement of coal through lake ports totaled only 5,890,000 tons in June compared with 6,521,000 tons in May and 6,964,000 tons in June 1941. Ore boats customarily carry coal on the return trip up the lakes, but in a few instances recently they have been sent back empty in order to hasten ore shipments.

Rubber

Results of the nationwide drive for collection of scrap rubber were quite gratifying to the rubber industry. Total collections, as announced by the President on July 21, amounted to 454,155 net tons, not including collections still to be made from filling stations and scrap rubber in the hands of junk men. Prospective additions from these sources, plus scrap rubber which will become available as time goes on, and scrap rubber in the hands of reclaimers and rubber manufacturers prior to the collection campaign are said by industry representatives to assure sufficient scrap for capacity operations of reclaim plants for at least three years.

If all reclaimers work at capacity, approximately 350,000 tons of reclaimed rubber can be produced in a year. Thus far in 1942, however, reclaim production has been at less than capacity rates, and reclaim consumption has been limited by Government orders to still lower levels. Since consumers' inventories are also subject to regulation, there has been an accumulation of reclaimed rubber in manufacturers' hands. Trade sources say that since the first of the year storage difficulties have been a more important factor in limiting reclaim production than fears over scrap shortages. With what doubts there were over available scrap supplies resolved, increased attention has been given to the storage problem. In July efforts were being made to bring all reclaiming plants up to capacity, but no plans for increasing capacity had been announced.

Capacity production of reclaim, however, does not assure that rubber will be available for civilian tires or other civilian uses. Military needs may absorb the major portion of reclaimed rubber to be produced as well as crude rubber now on hand. War Production Board orders, announced late in July, further restricted the use of rubber for civilian purposes.

Although Army, Navy, and Lease-Lend requirements have increased substantially since Pearl Harbor, production to fill these requirements has by no means offset the reduction in crude rubber consumption achieved by eliminating use of rubber for most civilian purposes. Total consumption of crude rubber in recent months, therefore, has been at considerably lower levels than prior to outbreak of war.

Rubber companies, however, have been quite successful in converting equipment and working forces to fabrication of non-rubber war materiel. Total employment in Akron has risen to the highest level since 1929. A large part of the recent increase in employment has been achieved by hiring women for war work.

Clothing, Textiles

The outstanding development in the clothing field during the past month was announcement early in July of price ceilings for the men's clothing industry. Retail prices were frozen at levels prevailing in March 1942, but manufacturers' and wholesalers' prices of suits and overcoats were based on prices prevailing in September, October, and November 1941, plus specified percentages representing portions of the increases in costs which have occurred since the base period. Thus the burden of higher costs is to be shared by both manufacturers and retailers, with no further advances in retail prices beyond the level prevailing last March.

Pending promulgation of these prices, men's clothing manufacturers in this district had delayed opening of fall lines to the trade until about three months later than usual. During this period retail sales of men's clothing had failed to equal seasonal expectations and when salesmen were sent into the field early in July they found retailers generally hesitant to add to existing large clothing inventories. This reaction was welcomed on the part of some manufacturers since they had been forced to curtail production of civilian goods to the point where it was necessary to assign quotas to customers which were less than their purchases for the fall season last year.

Makers of light weight summer clothing were adversely affected by the relatively disappointing retail sales volume

of June and early July. Summer clothing inventories of department stores and other outlets were heavy and repeat orders unusually light.

Clothing manufacturers reported some delays in receipts of raw materials, but these delays were not said to be serious enough to cause interruption of operating schedules.

Worsted mills in mid-July were operating in conformance with Government restrictions on use of various materials. The number of fabrics had been reduced considerably and mills were planning to allot production to customers on the basis of amounts which could be manufactured.

Shoes

Production of shoes in fourth district factories showed little change from May to June and remained about the same as a year ago. Deliveries of summer merchandise, except for fill-in orders, had been completed and work was progressing on fall lines.

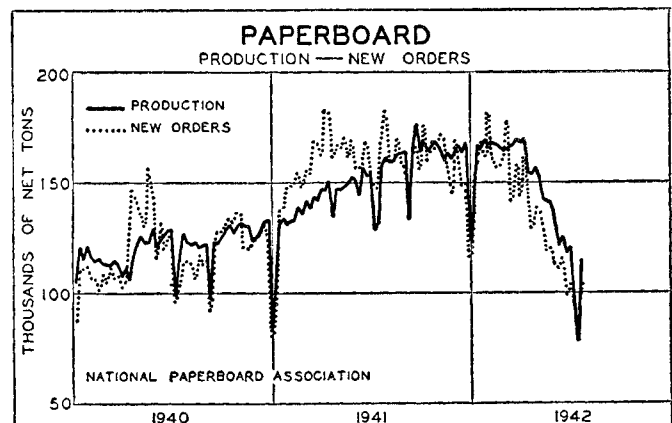
In mid-July manufacturers reported that repeat orders for summer lines were exceptionally light as shoe retailers sought to minimize inventories to be carried over to next year. Since most fourth district shoe manufacturers specialize on women's shoes the style factor is always an important reason for limiting out-of-season orders, but this year retailers were said to be more concerned over possibility of inventory controls than the style factor.

The industry was experiencing considerable difficulty in obtaining supplies of sole leather since certain qualities had been restricted for Government use, but there seemed to be enough sole leather available to permit completion of orders on hand for fall delivery.

Other

Conversion to war work continued to occupy the attention of most fourth district manufacturing plants in June and July as output of civilian goods was restricted further. Incoming business was said to be largely dependent on the success with which war requirements could be met. In general, expansion of war production more than offset curtailment of civilian goods output and both employment and payrolls continued to increase. Shortages of raw materials, particularly steel and copper, became more acute.

Stoves, washing machines, and cans are the latest civilian products whose output has been restricted or stopped altogether at most fourth district plants. Conforming to War Production Board limitation orders, major stove manufacturers in the fourth district brought production to a



halt late in July. Conversion of the home laundry appliance industry to war work has proceeded to the point where there are more workers in this industry making war products than were employed on appliances a year ago. Can manufacturers have been forced to curtail output and are meeting with varying degrees of success in converting to war production. Some of the less efficient tin plate mills in the fourth district have been closed down completely, causing a considerable amount of dislocation where the plants happen to be located in one-industry towns. Paint companies and other large users of cans have announced plans for use of paper or plastic containers.

Machine tool output has continued to expand as new plants come into production. Some firms reported all-time production records in June. Output in July usually suffers from vacations, but this year a large proportion of the employees have foregone their regular rest periods. In mid-July the shortage of skilled workers was still a problem for the industry, but most firms were able to expand production through continual addition of apprentices and learners.

The experience of small tool makers has been approximately the same as that of the machine tool industry. Operations were at capacity in mid-July with materials being secured under the highest priority ratings. Labor turnover was a problem for all metal-working plants.

Auto parts plants in the district, whose conversion to war work has been almost completely effected, continued to operate at high rates in June and early July. Makers of electrical machinery in this district have been called upon to provide a major share of such equipment required by the war program. Despite curtailment of production of civilian goods, incoming orders in June were double a year ago. Employment in some companies was as much as 25 percent higher than last year, and payrolls showed substantially larger increases.

The two important fourth district industries whose current trends seem directly opposite to experience of most local manufacturing concerns are paper and glass. Paper mills, which were operating at capacity a few months ago, have suffered a sharp falling-off in business and have been forced to shorten the work week. Flat glass manufacturers have been unable to find a place in the war effort comparable to their position in civilian industry and have also been forced to curtail operations.

Conditions throughout the paper industry are roughly comparable to those of the paperboard industry which are depicted on the accompanying chart. Early in 1941 orders for paperboard expanded sharply as rising defense needs

and heavy industrial demands combined to cause fear of shortages and delivery delays. Production was increased steadily until capacity operations were attained in mid-September. Orders continued at a high level through January, but for the past six months a pronounced downward trend in incoming business has been evident and production schedules have reflected the decline in order backlogs. Production during June averaged only 69 percent of capacity. Some fourth district mills which had been working seven days a week early in the year were working only four or five days per week in mid-July.

The flat glass industry has suffered heavily from elimination of automotive demand and the various restrictions on building. As yet few new uses for its products have developed from the war. Some companies are expanding production of non-glass war products, but these new operations have not yet become a major factor in the industry's operations.

Experience of other branches of the ceramics industry was in direct contrast to that of flat glass producers. Scarcity of tin has resulted in an unprecedented demand for glass containers. Output of these products, therefore, has expanded to all-time high levels.

Portland cement production of fourth district mills has failed to follow trends for the entire industry. June output in Ohio, western Pennsylvania and West Virginia was ten percent less than last year, whereas the industry's output was five percent larger than in June 1941. Fourth district production in June was at the rate of only 62 percent of capacity, although the entire industry averaged 79 percent. Only one other major producing area operated at a lower rate than the average for cement mills in this district.

TRADE

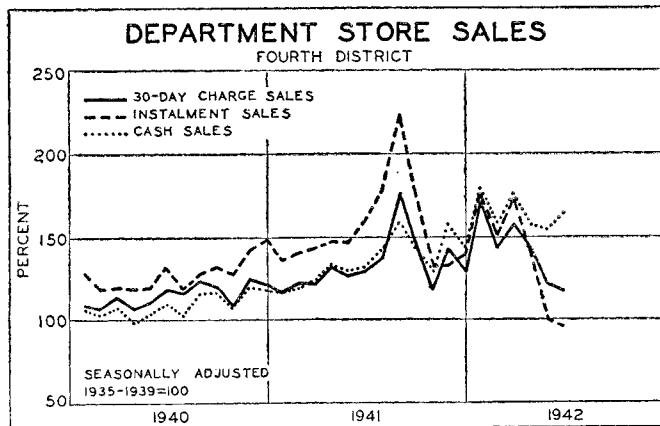
Retail

The several factors which have been influencing retail trade recently continued to have their effect on operations of department stores and some of the other retail outlets in this area in June and early July. Dollar sales of reporting department stores in leading cities of the fourth district were two percent larger in June than a year ago, but in the four weeks ended July 19 they were six percent smaller than the corresponding period of the previous year.

Among the leading cities, June sales showed considerable variation when compared with June 1941, as is evident from the table on page 7. June daily average sales, however, declined from May by less than the usual amount so that the seasonally adjusted index rose four points. It was still 27 percent below the all-time peak of January.

Furniture stores in this area reported a drop of 26 percent in total June sales; both from the preceding month and June 1941. Cash sales were up 35 percent, but instalment sales were down 34 percent from last year. Wearing apparel stores experienced an increase of eleven percent in dollar sales in June over the previous year, but higher prices account for a sizable part of this gain.

While there has been a rather sharp decrease in the total volume of sales, this has not been evenly distributed as between regular charge, instalment, and cash sales as is shown on the accompanying chart. Cash sales have remained at a level above 150 percent of the monthly average of 1935-39 while instalment sales have dropped sharp-



ly to 95 percent of the five-year average and regular charge sales are down to a somewhat smaller, but, nevertheless, significant, degree.

Frozen Accounts Restrictions of Regulation W prior to July 10 have had to do only with extension of instalment credit on "listed" articles. These undoubtedly have had considerable effect on instalment sales in recent months. They may have been indirectly responsible for the contraction in regular charge sales, although the provision of Section 5 of Regulation W, having to do with all charge accounts, did not become operative until July 10.

The Regulation now provides that, in general, "a charge account shall be deemed to be in default if any article (whether listed or unlisted) for which credit was extended in such account has not been paid for in full on or before the 10th day of the second calendar month following the calendar month during which the article was sold." It is too early yet to know what effect this may have on credit sales, since charge accounts were not in default until after July 10, and it is not known how many defaults were cured by the three methods provided in the Regulation. In an effort to determine how many regular charge accounts at leading types of stores were affected by the "freezing order" figures were obtained from 90 stores in Cincinnati, Cleveland, and Pittsburgh. The results of this check are shown in the accompanying tabulation. Twenty percent of the entire 977,000 accounts were reported frozen on July 10. While considerable variation is evident between the types of stores, these differences may result from the fact that the number of stores included in the sample is relatively small. Also it should be mentioned in connection with the small number of regular accounts shown for such lines as jewelry and furniture that the major share of such credit business is on an instalment basis. While no dollar data were requested as to size of accounts frozen, several comments were to the effect that in numerous cases the account frozen involved less than \$5.

CHARGE ACCOUNT SURVEY
Fourth Federal Reserve District
Cleveland, Cincinnati, and Pittsburgh

Kind of Business	Charge Accounts			% of Total in Default
	No. of stores reporting	Total number July 1, 1942	No. in Default July 10, 1942	
Department and general stores	21	875,839	175,198	20.0
Men's clothing and furnishings stores	19	28,454	6,309	22.2
Women's apparel and accessories stores	17	51,916	10,105	19.5
Furniture stores	17	11,293	4,068	36.0
Jewelry stores	16	9,120	1,488	16.3
Total	90	976,622	197,168	20.2

Dollar value of inventories at local retail stores as of June 30 was unchanged from May 31 despite the fact that production of certain types of merchandise has been restricted and that stocks usually decline at that season of the year. As a consequence, the seasonally adjusted index of department store stocks rose eight points in June and was 43 percent higher than at the beginning of the year and up 84 percent from last year at that time. June was the first month in a long time to show a smaller volume of outstanding orders than a year ago. The drop was ten percent. Furniture stores reported inventories up 58 percent from last year while at wearing apparel stores they were higher by 64 percent.

Wholesale June sales of the 200 fourth district wholesale houses reporting to the *Bureau of the Census* showed an average increase of ten percent over June 1941. This was also the increase for the first six months of 1942 over the corresponding period last year.

Inventories decreased approximately six percent from May to June, but remained eight percent over June 1941. Stocks of dry goods firms were 39 percent above last year, but the curtailed supply of so-called hard lines now available had resulted in reducing wholesale stocks of hardware, machinery, and electrical equipment to levels below a year ago. Supplies of electrical goods on hand were 17 percent less than at the end of June 1941.

CONSTRUCTION

Beginning of work on war plants and Defense Housing projects in June resulted in the largest volume of construction contracts awarded in the fourth district during any month on record. According to data compiled by the *F. W. Dodge Corporation*, total contracts amounted to \$114,514,000, compared with an average monthly total of less than \$46,000,000 in the first five months of the year and the highest recent peak of \$65,000,000 recorded in July 1941. Residential construction amounted to \$26,240,000, or 23 percent of the total.

The unprecedented volume of construction was due directly to the war effort, with 85 percent of all construction being financed by public funds. In the case of nonresidential construction, which was made up primarily of factories designed for production of arms and munitions, public funds accounted for 88 percent of the total. Defense Housing and other public housing projects comprised 68 percent of all residential building started in June. Contracts for construction of single houses to be occupied by the owners amounted to less than \$1,000,000 in the fourth district during June, a decline of over 90 percent from a year ago.

Limitation order L-121 and other Government directives have brought about almost complete cessation of construction not directly related to the war effort. According to this order producers of the more commonly used types of softwood lumber are prohibited from making deliveries except for use in war projects and certain designated other uses connected with the war effort. Originally scheduled to expire on July 13, the limitation has been extended until August 13 to provide time for development of a system of distribution based on the relative essentiality of lumber for war purposes.

As a result of this order, lumber dealers have been unable to replace inventories depleted by deliveries to other than war projects, but thus far dealers in the fourth district report little difficulty in supplying needs of customers whose projects were started prior to the present limitations. Repair and remodeling work is said to be continuing in good volume, but as noted above, construction of individual homes has been reduced sharply.

AGRICULTURE

An excessive amount of rainfall in June and early July stimulated growth of fourth district pastures and forage crops, but damaged grains and tobacco. Corn planting was delayed and cultivation interfered with by wet weather so that many fields became weedy. The July 1 crop report of

the Department of Agriculture indicated that 1942 corn production in Ohio would be slightly less than last year, despite an increase of three percent in acreage planted.

Combining and threshing of wheat was also hindered by rains and the quality of some grain was impaired. A considerable amount of hay was damaged by wet weather. Scarcity of farm labor was a factor in retarding hay and grain harvests.

Soybeans have continued to secure a more important place in fourth district agriculture. Acreage planted to this crop in Ohio was 52 percent larger than last year. It is exceeded only by corn, hay, and winter wheat in acreage devoted to their production. Sugar beet acreage was 26 percent larger than last year.

Recent heavy demand for meat products has been of considerable interest to farmers in this district. In mid-July hog prices, both nationally and on local markets, were at the highest levels since 1920 despite imposition of retail price ceilings on meats and meat products. If these high hog prices are maintained, farmers in this area stand to benefit materially. The spring pig crop in the four states, parts of which comprise the fourth district, was more than one-fourth larger than last year and 37 percent above the ten-year average. Sows to farrow in the fall are also one-fourth more numerous than last year. They exceed the ten-year average by 60 percent.

Debits to Individual Accounts

(Thousands of Dollars)

	June, 1942	% change from 1941	Jan.-June 1942	Jan.-June 1941	% change from 1941
Akron.....	130,454	+27.3	687,889	542,101	+26.9
Butler.....	13,608	+3.1	79,217	71,653	+10.6
Canton.....	71,381	+29.4	369,717	307,145	+20.4
Cincinnati.....	506,877	+8.5	2,956,465	2,483,561	+19.0
Cleveland.....	1,017,482	+20.0	5,507,763	4,619,551	+19.2
Columbus.....	236,637	+7.5	1,432,243	1,240,307	+15.5
Dayton.....	118,261	+17.1	648,583	551,061	+17.7
Erie.....	50,692	+20.5	278,557	221,445	+25.8
Franklin.....	4,837	+11.8	28,054	23,316	+20.3
Greensburg.....	11,340	+15.3	63,310	52,192	+21.3
Hamilton.....	17,815	+18.3	104,931	86,330	+21.5
Homestead.....	5,001	+2.2	28,100	24,608	+14.2
Lexington.....	25,242	+20.4	168,049	150,266	+11.8
Lima.....	21,399	+19.5	121,620	103,016	+18.1
Lorain.....	6,815	-1.7	40,921	37,823	+8.2
Middletown.....	20,830	+36.1	112,372	83,525	+26.9
Oil City.....	14,204	+13.5	80,666	63,633	+26.8
Pittsburgh.....	1,149,479	+19.3	6,190,139	5,423,533	+14.1
Sharon.....	13,864	+16.8	81,291	67,558	+20.3
Springfield.....	26,600	+21.1	146,665	127,772	+14.8
Stuebenville.....	11,948	-0.9	69,928	66,541	+5.1
Toledo.....	205,223	+13.7	1,149,878	945,775	+21.6
Warren.....	20,592	+22.8	111,495	92,551	+20.5
Wheeling.....	34,045	-2.8	188,870	198,208	-4.7
Youngstown.....	76,057	+9.4	425,112	376,298	+13.0
Zanesville.....	13,123	+21.1	67,537	59,887	+12.8
Total.....	3,823,806	+16.6	21,139,472	18,024,656	+17.3

Fourth District Business Indexes

(1923-25 = 100)

	June 1942	June 1941	June 1940	June 1939	June 1938
Bank debits (24 cities).....	140	120	91	81	74
Commercial Failures (Number).....	26	28	29	43	62
(Liabilities).....	12	8	20	21	28
Sales—Life Insurance (O. and Pa.).....	70	88	81	75	72
—Department Stores (48 firms).....	106	105	93	82	75
—Wholesale Drugs (7 firms).....	128	114	100	100	98
—Dry Goods (5 firms).....	68	57	45	45	36
—Groceries (44 firms).....	91	83	76	75	75
—Hardware (34 firms).....	177	139	97	81	72
—All (90 firms).....	111	95	77	72	69
—Chain Drugs (4 firms)*.....	130	112	104	89	89
Building Contracts (Total).....	240	108	77	85	52
(Residential).....	152	126	111	119	54
Production—Coal (O., W. Pa., E. Ky.).....	108	97	76	65	47
—Cement (O., W. Pa., E. Ky.).....	110	122	105	97	80
—Elec. Power (O., Pa., Ky.)*.....	294	261	216	187	171
—Petroleum (O., Pa., Ky.)*.....	117	113	125	126	122
—Shoes.....	115	111	95	105	86

* Per individual unit operated.

** May.

Wholesale and Retail Trade

(1942 compared with 1941)

	Percentage Increase or Decrease		
	SALES June 1942	SALES first 6 months 1942	STOCKS June 1942
DEPARTMENT STORES (96)			
Akron.....	+7	+22	+76
Canton.....	+5	+18	a
Cincinnati.....	+9	+14	+108
Cleveland.....	+6	+20	+69
Columbus.....	+10	+15	+73
Erie.....	+17	+26	+68
Pittsburgh.....	-5	+12	+94
Springfield.....	-1	+8	a
Toledo.....	+7	+16	+75
Wheeling.....	-2	+11	+69
Youngstown.....	-13	+5	a
Other Cities.....	-10	+5	+87
District.....	+2	+15	+84
WEARING APPAREL (16)			
Canton.....	+8	+21	+81
Cincinnati.....	+1	+12	+42
Cleveland.....	+20	+23	+64
Pittsburgh.....	+2	+18	+78
Other Cities.....	+17	+21	+65
District.....	+11	+19	+64
CHAIN STORES*			
Drugs—District (5).....	+16	+16	
Groceries—District (4).....	+33	+35	
WHOLESALE TRADE**			
Automotive Supplies (11).....	-9	+10	+13
Beer (5).....	+30	+23	-13
Confectionery (3).....	+20	+27	-4
Dry Goods (5).....	+13	+13	+36
Fresh Fruits and Vegetables (7).....	+19	+32	+39
Electrical Goods (13).....	-10	+5	-17
Furniture & House Furnishings (4).....	-3	+10	+37
Grocery (44).....	+25	a	a
Total Hardware Group (34).....	+10	+18	+16
General Hardware (9).....	+28	+31	-3
Industrial Supplies (13).....	-0-	+21	-4
Plumbing & Heating Supplies (12).....	+48	+46	+2
Jewelry (4).....	+2	+14	-11
Machinery, Equip. & Sup. (exc. Elect.) (6).....	+39	a	-9
Meats and Meat Products (4).....	+51	+31	a
Metals (3).....	+32	+31	+8
Paints and Varnishes (6).....	-10	-15	a
Paper and its Products (5).....	-23	+4	+19
Tobacco and its Products (18).....	-12	+24	-5
Miscellaneous (19).....	+16	+14	+1
District—All Wholesale Trade (200).....	-1	+16	+1
District.....	+10	+18	+8

*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.

Fourth District Business Statistics

(000 omitted)

	June 1942	% change from 1941	Jan.-June 1942	% change from 1941
Fourth District Unless Otherwise Specified.....	\$3,799,000	+17	\$20,995,000	+17
Bank Debts—24 cities.....	775,004	-2		
Savings Deposits—end of month: 40 banks O. and W. Pa.....	775,004	-2		
Life Insurance Sales: Ohio and Pa.....	66,969	-21	502,991	-1
Retail Sales: Dept. Stores—96 firms.....	31,416	+2	197,865	+15
Wearing Apparel—16 firms.....	1,171	+11	167,195	+18
Building Contracts—Total.....	114,514	+122	342,339	+40
—Residential.....	26,240	+21	109,801	+7
Commercial Failures—Liabilities.....	536	+53	3,464	-34
—Number.....	38	-7	279	-24
Production: Steel Ingot—U.S..... Net tons	7,022	+3	42,570	+4
Bituminous Coal, O., W. Pa., E. Ky..... Net tons	19,610	+12	110,949	+29
Cement—O., W. Pa., W. Va. bbls.	1,325	-10	6,934	+9
Elec. Power, O., Pa., Ky. Thous. k.w.h.	2,472a	+13	12,226b	+13
Petroleum—O., Pa., Ky. bbls.	2,167a	+3	10,663b	+5
Shoes..... pairs	c	+3	c	-5
Bituminous Coal Shipments: L. E. Ports..... Net tons	5,890	-15	18,848	+31

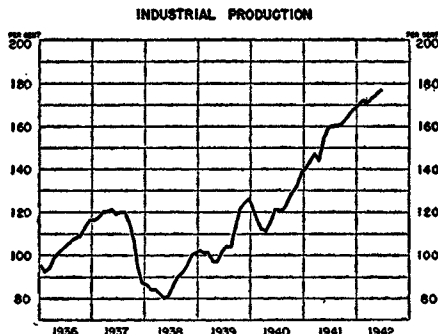
a May

b January-May

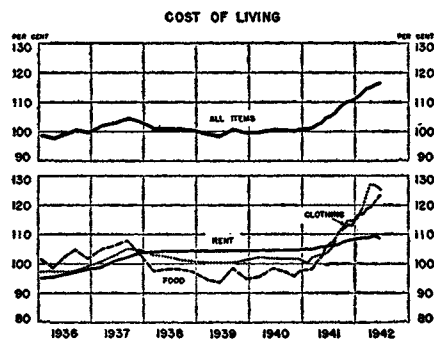
c confidential

Summary of National Business Conditions

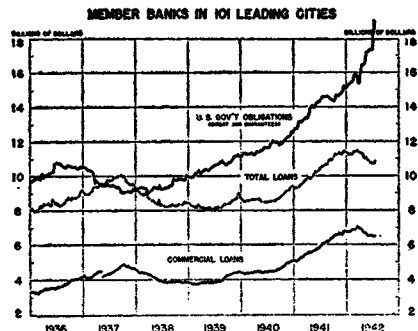
By the Board of Governors of the Federal Reserve System



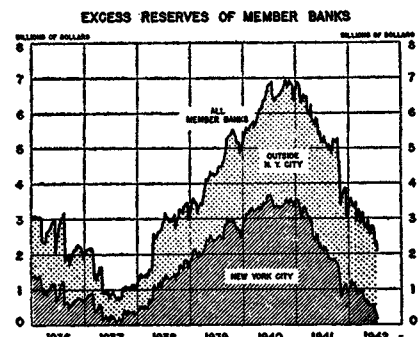
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for June 1942.



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter. Latest figures shown are for June 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for July 15, 1942.



Wednesday figures, partly estimated. Latest figures shown are for July 15, 1942.

Industrial activity continued to advance during June and the first half of July. Volume of goods distributed to consumers continue substantially below a year ago and commodity prices generally showed little change.

Production

Industrial output increased further in June and the Board's seasonally adjusted index rose from 174 to 177 per cent of the 1935-39 average. Production in the machinery, transportation equipment, and other armament industries continued to advance, reflecting further progress toward meeting the requirements of the war production program. Steel production declined somewhat in June but increased to earlier high levels in the first three weeks of July. Lumber production increased seasonally in June, while in the furniture industry, where activity usually rises at this time of year, there was a decline, reflecting in part the fact that a number of plants in the industry are being converted to the manufacture of war products.

In industries manufacturing nondurable goods, output as a whole showed little change from May to June. Textile production declined somewhat, reflecting a reduction in activity at cotton mills from earlier peak levels. Paperboard production decreased sharply further and there was also a decline in activity in the printing industry. On the other hand, output of manufactured food products increased and shoe production showed less than the customary seasonal decline.

Mineral production continued large in June. Coal production was maintained at peak levels; output of crude petroleum showed little change, following the sharp decline that occurred during March and April. Lake shipments of iron ore in June amounted to 12,600,000 gross tons and at the month end stocks at Lower Lake ports totaled 31,000,000 tons as compared with 26,600,000 tons a year ago.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, continued to increase in June and was 57 per cent above the previous record high month of August 1941. The sharp rise in June reflected a continued increase in awards for public projects, which accounted for about 93 per cent of all contracts let during the month.

Distribution

Distribution of commodities to consumers declined somewhat further in June. Smaller sales were reported by both department stores and mail-order houses, while sales at variety stores were maintained at about the May rate. In the first half of July department store sales showed less than the customary sharp seasonal decline.

Volume of railroad freight traffic was maintained in large volume during June and the first half of July. The number of cars loaded was below the level that prevailed a year ago, however, reflecting a sharp reduction in carloadings in less-than-carload lots as a result of orders by the Coordinator of Transportation which raised the minimum permissible weights for such loadings and thereby effected a fuller utilization of existing equipment.

Commodity Prices

Prices of most commodities both at wholesale and retail continued to show little change from the middle of June to the middle of July. Prices of cotton, wool, and some other agricultural commodities, which had declined in the early part of June, advanced in this period.

About twenty additional maximum price schedules were announced covering a wide variety of products and in some cases requiring price reductions. On the other hand, Federal approval was given for higher prices on various processed fruits and vegetables, textile products, petroleum products sold on the East Coast, and services supplied to consumers.

Retail prices of uncontrolled foods advanced sharply from May to June and the Bureau of Labor Statistics price index for all foods rose 1½ points to 123 per cent of the 1935-39 average—an increase of one-fourth since the beginning of the current advance in March 1941.

Bank Credit

Member banks in leading cities increased their holdings of Government securities sharply during the first half of July. Purchases included portions of increased Treasury bill issues and of the new 2 per cent 7- to 9-year bond. This followed a substantial growth in the second quarter of the year when member banks absorbed about 3.3 billion dollars, or more than half of the increase in Treasury open-market issues. All classes of banks showed large increases, the largest percentage increases being in Chicago and at reserve city banks.

Excess reserves of member banks have been at a lower level in July than in June, because of increased need for reserves arising out of deposit growth, the continued currency drain, and a large temporary increase in Treasury deposits at Reserve Banks. Substantial System open-market operations partially offset the loss of reserves from these sources.