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CONTENTS

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FOURTH FEDERAL RESERVE DISTRICT

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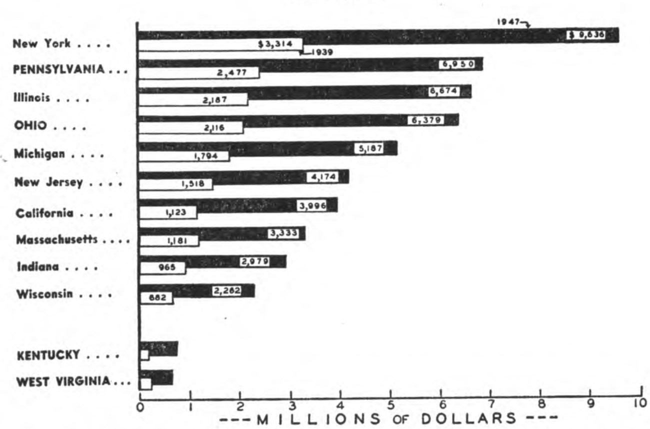
Importance of Fourth District Manufacturing 1947 as Against 1939

DESPITE the wartime and postwar expansion of industrial facilities in newer sections of the nation, the value added by manufacture in the four Fourth District states was proportionately as large in 1947 as it had been at the time of the 1939 Census of Manufactures.

This maintenance of relative position may be of considerable significance in evaluating the industrial future of this area. The fact that industrial expansion and productivity in this region kept abreast of the rest of the country in the face of conspicuous developments in the South and West, implies that the economic advantages of this area are not easily duplicated elsewhere.

The Fourth District states of Pennsylvania, Ohio, Kentucky and West Virginia, according to the preliminary industry report of the 1947 Census of Manufactures, were the home of 33,000 manufacturing establishments or nearly 14 percent of the United States total. These 33,000 concerns were employing on the average, a total of 2,430,00 production and related workers, or 20 percent of the national total and paid them 21 percent of the nation's wage bill, or $6,344 million.

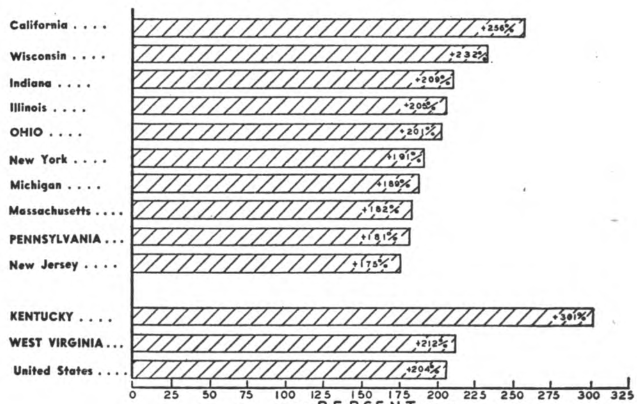
VALUE ADDED BY MANUFACTURE
Selected States
1947-1939



. . . . Pennsylvania and Ohio maintained their second and fourth positions among the leading states.

Source: Bureau of the Census.

VALUE ADDED BY MANUFACTURE
Selected States
Percentage Increase 1939-1947



. . . . some of the newer industrialized states show greater percentage gains than Ohio and Pennsylvania and other Eastern states.

Source: Bureau of the Census.

The value added by manufacturers in these four states amounted to $14,738 million, again 20 percent of the value added by all manufacturers.

These proportions were identical with those of 1939 with one exception. In 1939, these states had 14.6 percent of the total number of establishments whereas by 1947, this had declined to 13.7 percent. This relative drop in the number of firms was due in large part to the more rapid multiplication of new small manufacturing businesses in such states as California where the growth of industrialization had quickened. The average size of firms in the Fourth District, however, continued to expand enough to offset this above-average rate of spawning elsewhere.

Value Added by Manufacture "Value added by manufacture" is one of the most common measures of the importance of manufacturing activity to the economy, or to a specific region. The Bureau of the Census defines this term to mean the amount by which the value of shipments exceeds the cost of materials and supplies.

Total value added by all manufacturers in the United States amounted to $74,364 million in 1947. The two Fourth District states of Pennsylvania and Ohio contributed $13,329 million to this total or 18 percent. West Virginia and Kentucky each accounted for an additional 1 percent.

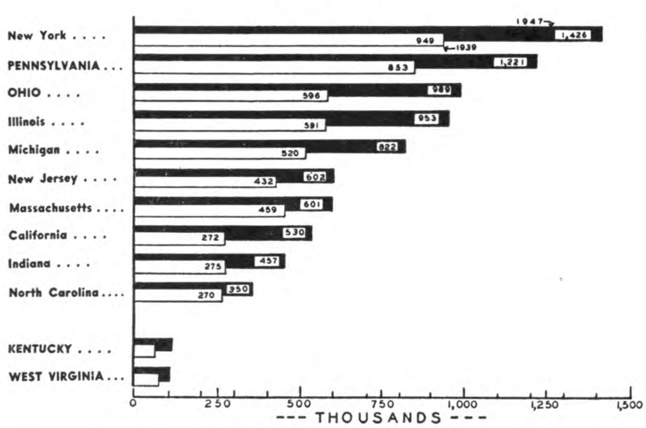
The preceding bar chart ranks the first ten states in descending order plus West Virginia and Kentucky. Pennsylvania ranks second and Ohio ranks fourth according to this measure of importance. It is of interest to note that these two states together account for as much production as the smallest ranking 32 states in the nation. Also shown on the chart is the value added by manufacture for each of the leading states in 1939.

Another chart shows the percentage increase in value added by manufacture by the leading states from 1939 to 1947. The states are ranked according to the gains achieved. The increase in value added was affected by changes in the number of firms, employment, output, and prices between the two periods of time. Other things being equal, an area such as the Fourth District which concentrates in the production of steel, machinery and other heavy goods whose prices had not advanced as much as most kinds of consumer goods, would show a smaller increase in this period of inflation than other regions.

For the United States as a whole, value added rose from $24,487 million in 1939 to $74,364 in 1947, or a gain of 204 percent. Kentucky in this period gained 301 percent, West Virginia 212 percent, Ohio 201 percent, Pennsylvania 181 percent, and the four states combined, 195 percent. California led the ten top manufacturing states with a gain of 256 percent which is explained in great part by the fact that it ranked second in percentage increase in the number of new establishments and first in the rate of growth in the number of production workers. Both Kentucky and West Virginia showed above-average rates of increase with gains of 301 percent and 212 percent, respectively.

NUMBER OF MANUFACTURING PRODUCTION WORKERS

Selected States
(average for the year)
1947 - 1939

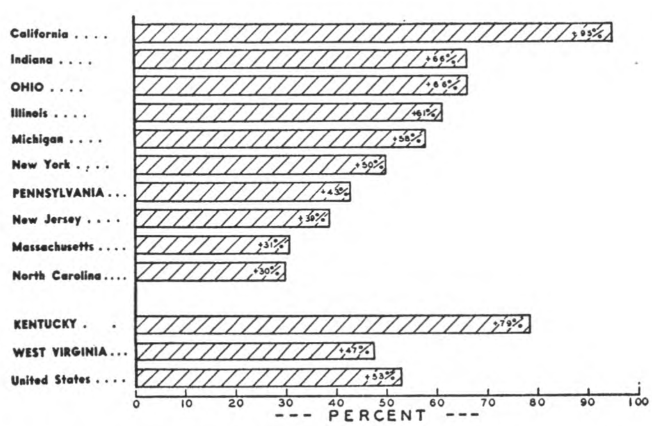


. . . . in 1947 there were more production workers employed in both Ohio and Pennsylvania than in any other state except New York.

Source: Bureau of the Census.

NUMBER OF MANUFACTURING PRODUCTION WORKERS

Selected States
Percentage Increase 1939 - 1947



. . . . in two Fourth District states, the increase in production workers was greater than the national average of 53 percent.

Source: Bureau of the Census.

Changes in Average Number of Production Workers
(1,000's)

State	1947	1939	Increase	Percentage Change
1. New York	1,426	949	477	+50%
2. OHIO	989	596	393	+66
3. PENNSYLVANIA	1,221	853	368	+43
4. Illinois	953	591	362	+61
5. Michigan	822	520	302	+58
6. California	530	272	258	+95
7. Indiana	457	275	182	+66
8. New Jersey	602	432	170	+39
9. Massachusetts	601	459	142	+31
10. North Carolina	350	270	80	+30
KENTUCKY	111	62	49	+79
WEST VIRGINIA	109	74	35	+47

Source: Bureau of the Census.

Number of Production Workers A second method of measuring the importance of manufacturing activity is by the number of production workers employed. In 1939, the average number of production workers engaged in manufacturing in the United States was 7.8 million as compared with 11.9 million in 1947. Employment in factories thus expanded 4.1 million persons or a gain of 53 percent in eight years.

New York state ranked first in 1947 with 1.4 million production workers and was followed closely by Pennsylvania and Ohio with 1.2 million and 1 million respectively. West Virginia and Kentucky each gave employment to about 110,000 factory workers. An accompanying chart ranks the first ten states in average number of production workers.

Another chart shows the percentage gain in number of production workers between the two census years in the first ten states as well as Kentucky and West Virginia. Ranked in this fashion, California had the greatest gain among the most important industrial states with a rise of 95 percent as compared with the United States rate of increase of 53 percent. Indiana and Ohio each gained 66 percent, or well above the national average while manufacturing employment in Pennsylvania advanced 43 percent. Kentucky also scored an above-average rise of 79 percent. Employment of production workers in the four District states combined, amounted to 2.4 million in 1947. This number of workers was equal to the combined employment of the thirty remaining less industrialized states in the country.

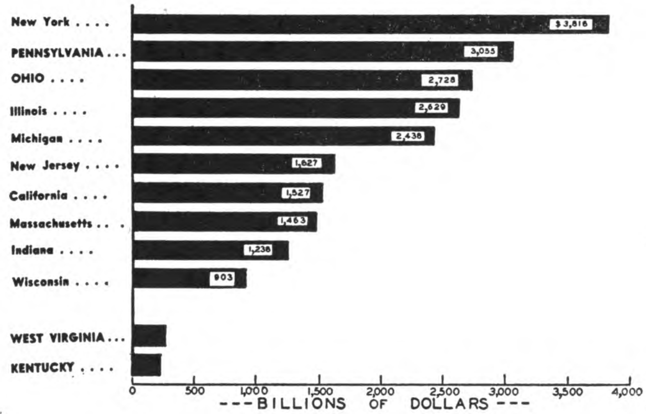
Analyzing rates of growth in employment by percentage change tends to obscure the expansion in older industrial areas that already had large numbers of workers employed in the period from which the change is being measured. The above table was constructed to show the actual increase in the numbers of production workers employed, and ranked accordingly. On this basis, New York is first with a gain of 477,000 workers with Ohio and Pennsylvania second and third, respectively, with gains of 393,000 and 368,000 employees. California is a poor sixth with an advance in employment of 258,000 or two-thirds the increase in Ohio.

Wages Paid A third method of measuring the importance of manufacturing activity is by the amount of wages paid production workers. Production workers in the United States in 1947 were paid $30,248 million. It is not possible to compare this figure directly with 1939 wage data since the Bureau of the Census revised its definition of manufacturing activity in 1947 to exclude retail bakeries, repair shops, and other nonmanufacturing activities included in the 1939 Census. While other 1939 data were retabulated to make them directly comparable with 1947, this has not yet been done with wages.

As might be expected, a ranking of states according to total wages paid is exactly the same as the ranking according to number of workers, with two exceptions. First, the positions of California and Massachusetts are reversed. The motion picture industry in the former state, with average wages of $8,400 per worker, explains to a large degree this reversal of position. The second exception is the replacement in tenth position of North Carolina by Wisconsin. The latter state's 7,000 fewer workers received 41 percent more in total wages than did North Carolina workers.

Pennsylvania and Ohio again ranked second and third, respectively, with 1947 wage bills of $3,055

WAGES PAID TO PRODUCTION WORKERS
Selected States
in 1947



. . . . Pennsylvania and Ohio manufacturing payrolls rank second and third respectively in the nation.

Source: Bureau of the Census.

Average Annual Wages and Value Added by Manufacture, per Production Worker—1947

	Average Wage	Value Added by Manufacture	Wages as Percent of Value Added
Michigan	$2966	$6310	47%
California	2881	7540	38
OHIO	2814	6450	44
Illinois	2759	7003	39
Indiana	2709	6519	42
New Jersey	2703	6934	39
New York	2676	6757	40
Wisconsin	2633	6595	40
PENNSYLVANIA	2502	5692	44
Massachusetts	2434	5546	44
WEST VIRGINIA	2459	6092	40
KENTUCKY	2144	6712	32
United States	2538	6240	41

Source: Bureau of the Census.

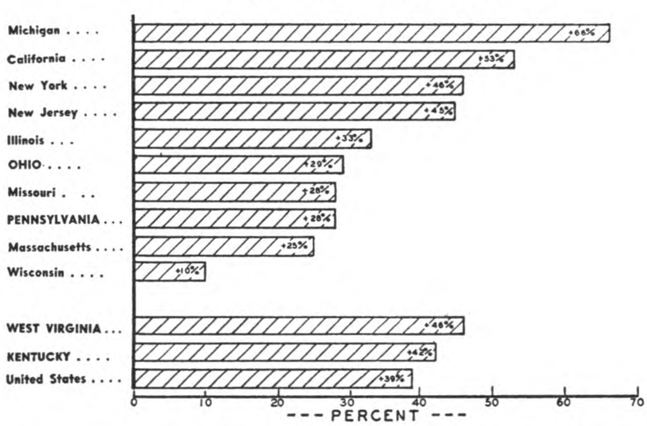
million and $2,783 million. West Virginia workers received $268 million compared with $238 million for Kentucky. Total wage payments in these four states amounted to $6,344 million or more than was earned by the total number of workers in the thirty-two remaining least industrialized states.

The preceding table ranks the ten largest wage paying states according to average annual wage per production worker. Average wage rates, of course, are influenced by the character of a state's major industries, by the extent of unionization, competitive position of major employers, as well as many other factors.

Also shown in this table is the average value added by manufacture per production worker, and wages

NUMBER OF MANUFACTURING ESTABLISHMENTS

Percentage Increase 1939 - 1947



. . . . the spawning rate of industrial concerns in Ohio and Pennsylvania was below the national average but West Virginia and Kentucky showed increases of over 40 percent.

Source: Bureau of the Census.

Average Number of Production Workers Per Establishment

	1947	1939	Percentage Change
Michigan	83	87	— 5%
OHIO	80	62	+29
PENNSYLVANIA	73	65	+12
Illinois	60	49	+22
Massachusetts	57	54	+ 6
New Jersey	56	58	— 3
Wisconsin	49	31	+58
Missouri	47	39	+21
New York	30	29	+ 3
California	30	24	+25

Source: Bureau of the Census.

expressed as a percentage of value added. In the heavily industrialized and unionized states of Michigan, Ohio, Pennsylvania and Massachusetts, workers obtained in wages from 47 percent to 44 percent of the value added by manufacture as compared with the national average of 41 percent.

Number of Establishments Another measure of the importance of manufacturing industry is the number of individual establishments engaged in this activity.

In 1947 there were 240,801 manufacturing establishments in the United States, a gain of 38.5 percent from 1939. New York state with nearly 48,000 firms ranked first and was followed in order by California, Pennsylvania, Illinois and Ohio. New York alone had nearly half again as many manufacturers as the four Fourth District states combined.

An accompanying chart indicates the percentage change between these two periods. Michigan registered the greatest percentage increase in the number of manufacturers with a gain of 66 percent and was followed by California, New York, New Jersey and Illinois in that order. Ohio and Pennsylvania increased their number of new firms by 29 percent and 28 percent, respectively, or somewhat below the national average.

On the basis of the number of employees per establishment, manufacturers in the central industrial area, however, are on the average much larger than those in other parts of the United States. Michigan averaged 83 production workers per establishment, a drop of 5 percent from 1939. This decline in the average size company is undoubtedly related to the 66 percent increase in the number of firms. Ohio ranked in second place with 80 employees per establishment, a gain of 29 percent over the previous census year, while Pennsylvania rated third with 73, a rise of 12 percent. The average manufacturer in the United States employed 49 production workers in 1947 as compared with 45 in 1939, an increase of about 9 percent. The accompanying table indicates the average number of production workers in each of the ten states with the most manufacturers.

Recent Banking Trends

BY FAR the most significant development in the banking situation in the past half year has been the widespread decline in commercial, industrial, and agricultural loans. Since late December 1948, these loans outstanding at weekly reporting member banks in leading cities* throughout the United States have fallen by 14 percent. This stands in contrast to the previous rapid increase in commercial loans which more than doubled from 1946 through 1948.

In the Fourth District, the downturn came later and has been somewhat sharper than in the country as a whole. Loans to business at leading banks reached a belated postwar peak in mid-March and then slid for eleven successive weeks to the end of May, registering a decline of 10 percent as against 14 percent for the country as a whole. Since then, a lower rate of repayments and an increased volume of new loans have combined to halt the downtrend and to maintain a more nearly stable level, at least temporarily, at a point about 7 percent below the year-ago figure.

In contrast to the rapid decline in business loans at the large urban banks, total loans at outlying or country banks where agricultural credit is more prevalent have remained virtually stationary during the past three months at a level about 5 percent in excess of last year.

Causes of Commercial Loan Contraction

There seems to be a strong presumption in favor of attributing the recent commercial loan contraction in considerable measure to inventory liquidation, particularly by retailers and wholesalers. The termination of the sellers' market and the sectional break in prices which began to develop before the end of last year, initiated a movement to reduce bank debt which had been incurred in building up large stocks at constantly rising prices. Hand-to-mouth buying became more widespread, and as the current year progressed, increasingly attractive price reductions were made in order to clear existing stocks. While the 1946 survey of commercial and industrial loans indicated that about half the total volume of loans were made to manufacturing and mining concerns, and only 12 percent were made to retailers in this District, retailers' inventories are noticeably smaller than they were last year. Moreover a retailer, for example, may have borrowed solely in order to carry the last 10 percent of his inventory; consequently, a 10 percent reduction in inventory could mean a hundred percent reduction in the firm's borrowing. The hypothesis that the commercial loan contraction is due primarily to inventory liquidation, accelerated by the drying up of new business, is further substantiated by the fact that during the period of contraction the rate of repayments has increased considerably.

Not only has the rate of repayment of loans increased, but also the volume of new loans made has dipped somewhat. This is most probably due to a revaluation of investment opportunities resulting from continued high capital costs and a less optimistic attitude toward the business future to which a somewhat uncertain conception of "normality" has contributed. The net effect is a more cautious approach to expansion programs, and increasing resistance to incurring further bank indebtedness.

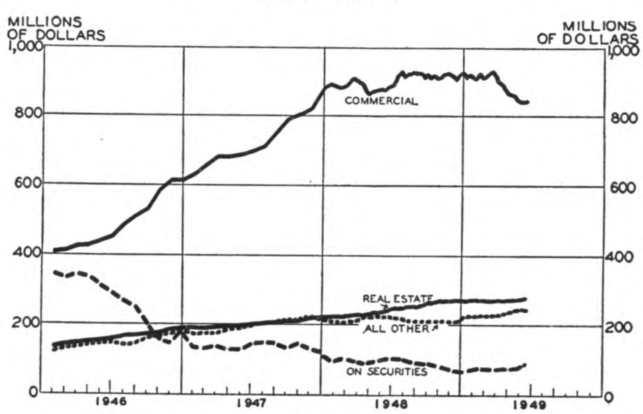
Anticipation of lower interest rates, particularly since the reduction of member bank reserve requirements early in May, has probably served to strengthen the "wait and see" attitude of business. As yet no noticeable easing of terms or charges has taken place, and it is doubtful if any moderate action by the banks could stimulate borrowing to any considerable extent.

Real Estate And Other Loans

In contrast to the marked deflationary tendency in commercial loans, all other types of bank lending have shown a slight but definite rise in recent months. Real estate loans, which remained virtually static during the first quarter reached the record figure of $280,000,000 at weekly reporting banks in this District in the first week of June,

LOANS OF REPORTING MEMBER BANKS

Fourth District



. . . . commercial loans declined rapidly during the second quarter to a new low since December 1947, while real estate loans maintained a slow expansion and all other types of lending rose somewhat.

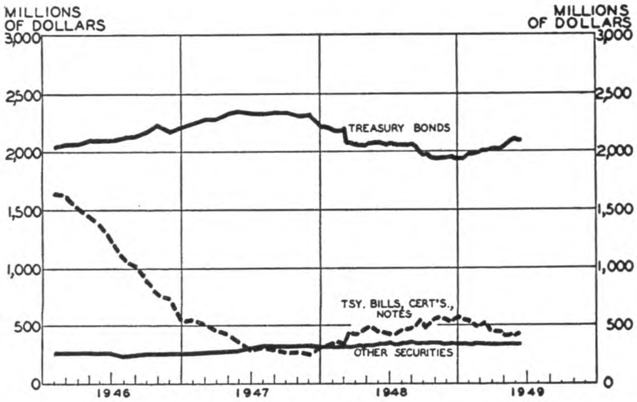
* Weekly Reporting Banks in leading cities account for about 75 percent of commercial, industrial, and agricultural loans outstanding at all insured commercial banks.

though the increase in actual volume was insignificant. This was contrary to the stability of the nationwide trend, but was in accord with the continued expansion of mortgage indebtedness as reported by other lending agencies. While the total volume of mortgages held by banks has risen to a new high, it has been going up at a considerably slower rate than in the first half of last year. In fact, the decline in demand for high-priced new homes, and for used homes more than ten years old, together with general price declines, increasing price-resistance, and the difficulty of fulfilling the existing demand for new lower-priced houses under $10,000, owing to continued high construction costs and high construction standards, has resulted in a somewhat lower volume of new loans being made than in the corresponding period of 1948. The rate of repayment has fallen somewhat, however, and it is to this factor that the continued expansion of bank-held mortgages is due.

New highs have been established consistently in recent weeks by the "all other loans" category, which includes consumer loans. The volume of consumer instalment credit outstanding has continued to expand, though at a slower rate than in the early months of 1948. At the end of May this credit outstanding at 25 reporting banks was 25 percent greater than a year ago, but only 2 percent higher than at the end of December. While more new loans are being made now than a year ago, they are being paid off at an appreciably faster rate. Virtually all the impetus for the continued rise in outstanding instalment credit and in new loans made has come from automobile loans, including both direct loans and paper purchased. In May, 62 percent more direct automobile instalment loans were made than a year ago.

INVESTMENTS OF REPORTING MEMBER BANKS

Fourth District



. . . . the shift from short-term Government securities to Treasury bonds has continued throughout the year to date. Holdings of all Government securities combined are at the highest level since last September.

Investment Policies

Reporting banks in the Fourth District have continued to reduce their holdings of short-term Government securities. After reaching a peak in December of last year, these holdings have declined some 28 percent, and stand at a lower figure than at any time since July of last year, except for the first week in May when portfolios were undergoing adjustment to meet the lower reserve requirements. This decline in short-term Governments represents in the main a shift to Treasury bonds, holdings of which have increased consistently throughout the year to date. Following a moderate decline during the first four months of the year, investments in all Government securities by reporting member banks have risen to a level only nominally below that which obtained immediately antecedent to the imposition of higher reserve requirements last September. The impetus for this expansion came from the reduction of required reserves in May, which made available to member banks in the Fourth District about $72 million (or about 5 percent) for investment or loan expansion and resulted in a sharp jump in Treasury bond purchases and a moderate addition to the volume of certificates of indebtedness held. Since the short period of readjustment, reserve city banks have brought their excess reserves slightly below the 2.2 percent (of required reserves) maintained during the first quarter of the year, while country banks have regained the 12-13 percent margin of the early months of the year. This represented a reduction of excess reserves of both reserve city and country banks by more than the amount released by the diminution in legal reserves. In the second half of April, anticipating the change in requirements, member banks allowed their excess reserves to fall to $60 million, the lowest in a number of years. A nominal upward movement in corporate and municipal securities, together with the 2 percent rise in holdings of Governments in recent weeks, have combined to lift total investments to a level higher than a year ago at this time, and only slightly under that of September 1948, before the most recent increase in reserve requirements became effective.

Changes in Deposits and Turnover

The expansion of the money supply, which by the end of 1948 had slowed down perceptibly, came to a definite halt in the early months of this year. In the Fourth District, demand deposits owned by individuals, partnerships and corporations have shown considerable fluctuations from week to

(CONTINUED ON PAGE 12

Note: Country member bank reserve requirements against net demand deposits were reduced on May 1, 1949, from 16 percent to 15 percent, and not from 22 percent to 21 percent as was erroneously stated in the June 1 *Review.*

Quarterly Review of Industrial Activity

INDUSTRIAL production has drifted downward steadily in the Fourth District, as well as in the rest of the nation, since the beginning of the year, with some acceleration in this area in recent weeks. Evidence of this may be found in the sharp decline in the United States rate of steelmaking from 102 percent of rated capacity in the week ended March 19, to 84.4 percent in the week ended June 25.

From January through May, the physical volume of production as measured by the Federal Reserve Index declined nearly 10 percent. The index stood at 174 in May as compared with 191 in January and the postwar peak of 195 in November 1948.

In general, the course of industry in the Fourth District parallels that of the nation. Those industries which are tied closely to the manufacture and assembly of new passenger cars have maintained high rates of output to match the near record-breaking performance of motor car producers that has prevailed so far this year. Other industries have not fared so well. Independent truck and bus producers and manufacturers of truck parts, for example, have suffered with the decline in the volume of truck production.

Foundries, metal working plants, metal fabricators, and manufacturers of both electrical and non-electrical machinery and of auto replacement parts have sharply curtailed operations with the decline in consumer and industrial demand. Nondurable lines such as paper and paperboard products, textiles, paint, and ceramic products have also experienced reduced demand. A common complaint of manufacturers is that their dealers or customers have reduced ordering so that inventories may be worked down.

Nearly everyone expects a further decline in the general price level. Buyers are not taking more of any given product than is absolutely necessary and are reducing or holding inventories to a minimum until they are convinced that prices have reached solid ground.

Iron and Steel American steel furnaces operated at virtually 100 percent of rated capacity in the first five months of the year to produce a record-breaking 39.5 million net tons of steel ingots and steel for casting.

This cumulative five-month record obscures the fact that the steelmaking rate reached a peak of 102.7 percent of capacity in March, but by May had dropped to about 94 percent, or about the same as a year ago in terms of tons produced. Steel operations deteriorated further in June and the American Iron and Steel Institute estimated production at 84.4 percent of capacity in the week ended June 25. It appeared likely that steel production would contract further in July.

The decline in order backlogs for steel in the past few months has been the result of two factors: the high rate of output, and order cancellations. Delivery schedules on nearly all items have been reduced to the time necessary to process an order through the mills, and in some cases, such as cold finished carbon bars, delivery can be made immediately from stock.

The decline in electric furnace operation has been very sharp. Operations averaged 95.4 percent of capacity in the first quarter, but in May were down to only 57.4 percent. The demand for alloy steels has shrunk so much that some important District producers are operating at about a third of capacity.

As recently as May it was still difficult to measure the extent to which steel production was in excess of current consumption. Two different forces were at work in the market. Some consumers were reported to be reducing inventories and holding orders to a minimum in the hope of substantial price adjustment in the near future. On the other hand, other buyers were taking more steel than was currently needed on the theory that labor disputes this summer might cause long delays in steel procurement. The automobile and construction industries appeared to be the sole consumers whose actual consumption of steel increased through the second quarter of the year.

The decline in steelmaking has also affected pig iron production. Some blast furnaces that were producing steelmaking grades of iron have been blown out and some producing merchant or foundry grades of iron have also closed for lack of orders. Sufficient stocks of iron have been accumulated in these latter cases to meet consumer demand for some time to come. Coke supplies are also reported to be abundant.

The pressure on steel producers to reduce prices is said to be severe, but it appears likely that no major price changes will be made until the current wage negotiations are settled. In the meantime consumers are actually receiving price concessions through the elimination of nearly all premium prices and the termination of all but a few "conversion deals". Further savings are also being made by purchasing steel from nearby sources and the consequent reduction of freight charges. Galvanizing and coating extras have been reduced in line with the price declines of zinc and lead. The steel scrap market in the third week of June continued very weak. *Steel's* composite scrap price stood at $21.25 a ton as compared with $40.67 a year ago.

With the exception of the automobile and construction industries, the demand for both iron and steel products has been diminishing since the turn of the year. Even the automobile replacement part manufacturers have experienced a slump in demand as inventories became adequate and the impact of a growing volume of new cars reduced the demand for repair parts.

Shipments of malleable iron castings during April were little more than 61,000 tons, the lowest in three years and 24 percent below the April 1948 total. Unfilled orders at the end of the month amounted to 98,000 tons as compared with 200,000 tons a year ago.

Steel casting shipments in April amounted to 120,000 tons, down 20 percent from the same month in 1948. While total April gray iron castings shipments were only 12 percent lower than a year ago, shipments of miscellaneous castings for sale dropped 37 percent and unfilled orders were less than half of the outstandings at that time last year. The miscellaneous category includes the host of iron products that are sold to producers of auto replacement parts, farm machinery, and industrial and office equipment of every sort. "Captive" foundry operations, and production of molds for steel ingots and pressure pipe have held up better than the smaller independent operations.

Bituminous Coal Production of bituminous coal in the Fourth District was somewhat lower during the first five months of the year than elsewhere in the nation. District output totaled slightly more than 80 million tons, down nearly 8 percent from the corresponding months of 1948, while United States output through May amounted to 219 million tons, a loss of 5 percent.

Mine operation has been reduced in many cases to three or four days a week in an effort to restrict output to the reduced demand for coal from both industry and individual consumers. In addition, a two-week strike was called in April in order to reduce coal inventories and to strengthen the bargaining position of the miners. Despite these restrictions, however, coal inventories continued to mount and at May 1 were estimated at 65.2 million tons, as compared with 34.4 million tons at the same time last year. Total industrial coal stocks were estimated to equal about 60 days' supply requirements.

Production in June will be considerably below a year ago as the result of a second coal strike during the week ended June 18. This strike, like the earlier one, was called to "stabilize" the market and to strengthen further the bargaining position of the miners during wage contract negotiations.

In this connection, the competition of other fuels is not a matter that can be dismissed lightly by the coal industry. More natural gas is now available and fuel oil is also abundant as well as considerably cheaper than a year ago. What the nation's electric utilities have done in the past few months is a strong example of what may be in store for coal producers if prices continue to advance. Electric utility power production in April rose 4 percent over a year ago. Bituminous coal consumed, however, dropped 9 percent as natural gas consumption rose 18 percent and fuel oil burned advanced 9 percent. While it must be conceded that the new coal burning generating facilities require less fuel per kwh of electricity produced than older equipment in service, it is nevertheless apparent that utilities are using the lowest cost fuel whenever it is available.

Bituminous coal loaded into vessels at lower lake ports totaled 12.8 million tons for the season through the month of May, to exceed last year's shipments at this date by nearly 30 percent. With the exception of the war year 1944, this was the heaviest loading on record, and may indicate that shippers were preparing for a lengthy work stoppage this summer in the mines.

Machine Tools The machine tool new order index slid to 63.7 (1945-1947=100) in May, the lowest since September 1947.

May shipments were off fractionally from the previous month to 72.8 and were about 12 percent under May 1948. Some further slackening in June shipments is indicated. Order backlogs on June 1 were equivalent to about 4½ months' shipments.

Despite the present depressed level of machine tool activity there are some bright spots on the industry's horizon. Substantial business is expected in the near future from contractors working on the Air Force program. In addition, the ECA allocations for Europe are some 50 percent above those of the past fiscal year.

Recent reports from Detroit also indicate that important motor and car design improvements are scheduled for this fall by several manufacturers which may result in considerable new tool ordering. The general drive by nearly all manufacturers to reduce costs should ultimately force the replacement of old inefficient tooling. In this connection, the National Machine Tool Builders' Association has long been an advocate of revising present tax depreciation regulations to permit industry to write off the cost of new tooling in five years, on the grounds that such a change would definitely stimulate new capital investment.

Automotive Tires Automobile passenger tire production scored a 11 percent gain in April over the same month a year ago but cumulative output in the first four months of the year was down 8 percent. Preliminary estimates indicate that production in May increased slightly over the preceding month.

This relatively good record in comparison with other District industries is directly related to the high rate of new car assembly. Original equipment shipments to automotive plants in these months outran 1948 by 18 percent. In April, original equipment sales scored a 37 percent advance from a year ago. Replacement sales to dealers, on the other hand, were off 21 percent in April and down 13 percent for the four months. Original equipment sales in May were probably down somewhat due to a labor dispute in the automobile industry, while replacement sales are estimated at about the same as a year ago.

Lagging retail sales are blamed for the price war that was touched off in mid-May. A major oil company slashed selling prices 19 percent on first line tires. Subsequently, the leading tire producers cut their selling prices 7½ percent on standard line tires and 5 percent on low pressure tires.

Informed sources in Akron state that retail tire sales by dealers are, as a matter of fact, very good in comparison with 1948. Reduced factory shipments to the trade are believed due to a widespread movement by dealers to work off inventories. Total industry shipments, as estimated by the Rubber Manufacturers' Association were down only 2 percent from the first four months of 1948.

Factory inventories at the end of April were 10.7 million units, or less than two months' supply, as compared with 8.8 million units a year ago. Inventories are traditionally accumulated in the spring to meet the peak summer selling season.

Truck and bus tire production and shipments have not fared as well as passenger car tires. Production declined 13 percent in the first four months of the year while shipments were down 15 percent. Replacement shipments were off only 9 percent, but original equipment demand dropped 24 percent. Since United States truck production was down only 10 percent in this period, it is evident that truck manufacturers have allowed tire inventories to run off to a considerable extent. The proportion of light trucks produced this year is much larger than in 1948, and many of these trucks are equipped with passenger type casings rather than the heavier truck type tires.

Factory inventories of truck and bus casings amounted to nearly 2.5 million units on May 1, up 19 percent from last year, and about equal to two and a half months' output.

It is estimated that truck tire production declined perhaps 5 percent in May and that further inventory accumulation took place at the factory. Production schedules are reported to have been reduced somewhat in June to correct this inventory situation.

Paints and Varnishes Paint, varnish, and lacquer sales by manufacturers in the United States have been below year-ago levels every month since December 1948 according to monthly data published by the Bureau of the Census.

Total dollar sales in the first quarter were off 11 percent as compared with a year ago. Sales to industrial establishments were down 13 percent and reflected reduced manufacturing operations of a wide range of industries. Trade sales were off only 7 percent. In April, total sales were at the same reduced first quarter rate, but industrial sales were down 16 percent and trade sales were off about 9 percent.

District paint manufacturers report that retail paint and varnish sales have held up well so far this year, but that dealers are permitting their stocks to run off and consequently have been buying well below their current rate of sales. Industrial finish purchases, however, are usually related very closely to current operating rates, and under normal conditions, inventories of these items are held to a minimum by consuming manufacturers. The sharp drop in sales to industrial establishments, may therefore be taken as a measure of curtailed general manufacturing activity. District paint producers report that orders received from industrial accounts in May and the first two weeks of June continued to shrink.

Glass and Pottery The principal bright spot remaining in the glass and pottery industries is in the segment producing glass for the automotive industry. Sales of automotive glass have risen in line with the increase in new car production and may be expected to follow closely the trend of new car sales.

Figures for plate glass production have not been available since September 1948 when the flat glass producers were enjoined by the Department of Justice from revealing production data. It is known, however, that window glass sales have declined considerably with the decline in residential and industrial building. Dealers are also reported to be reducing inventories, a step which has contributed to further curtailment of factory output. Indicative of this trend is the closing and abandonment of a high cost window glass producing plant in western Pennsylvania about the first of June.

(CONTINUED ON PAGE 12)

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—May 1949

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)
(Compiled June 27, and released for publication June 28)

Fine Jewelry and Watches	+71
Toys and Games	+22
Aprons, Housedresses and Uniforms	+21
Gift Shop	+12
Girls' Wear	+ 4
Draperies, Curtains, etc.	+ 3
Inexpensive Dresses (Women's and Misses')	+ 1
Better Dresses (Women's and Misses')	—0—
Blouses, Skirts and Sportswear	—0—
Corsets and Brassieres	—0—
Housewares	— 1
Infants' Wear	— 1
Juniors' Coats, Suits and Dresses	— 2
Men's Furnishings and Hats	— 2
Millinery	— 3
Shoes (Women's and Children's)	— 3
Notions	— 3
Radios, Phonographs and Television	— 5
Books and Stationery	— 5
Toilet Articles and Drug Sundries	— 5
Domestics, Muslins and Sheetings	— 5
Boys' Wear	— 6
Shoes (Men's and Boys')	— 6
Underwear, Slips and Negligees	— 6
Art Needlework	— 6
Handbags and Small Leather Goods	— 7
Furniture and Bedding	— 7
Silverware and Clocks	— 7
Luggage	— 9
Linens and Towels	— 9
Blankets and Comforters	— 9
Cotton Wash Goods	— 9
Neckwear and Scarfs	—10
China and Glassware	—10
Costume Jewelry	—11
Men's Clothing	—11
Domestic Floor Coverings	—12
Hosiery	—12
Gloves (Women's and Children's)	—13
Lamps and Shades	—13
Handkerchiefs	—15
Sporting Goods and Cameras	—16
Coats and Suits (Women's and Misses')	—17
Candy	—20
Furs	—20
Silks, Velvets and Synthetics	—22
Records, Sheet Music and Pianos	—24
Laces and Trimmings	—25
Major Household Appliances	—26
Woolen Dress Goods	—33
GROUP TOTALS	
BASEMENT STORE TOTAL	+ 3
Women's Apparel and Accessories	— 3
Small Wares	— 4
GRAND TOTAL (reporting stores)	— 5
MAIN STORE TOTAL	— 6
Men's and Boys' Wear	— 7
Miscellaneous Merchandise Departments	— 8
Housefurnishings	— 9
Piece Goods and Household Textiles	—11

Sales during May by Fourth District department stores were lower than a year ago for all departments except a few women's apparel lines and some of the small wares. Several important housefurnishings departments, however, showed significant gains over April even after allowance for seasonal influences. In comparison with last year as well as with the previous month, unfavorable sales reports were made by the men's and boys' wear group, and also by women's and misses' **coats and suits,** which is one of the largest departments of the store.

As a result of special sales of watches, the **fine jewelry and watches** department for the first time in years led all departments in year-to-year gains, scoring a 71% gain in sales over year-ago May. Sales of **toys and games,** up 22% from last year, were at a new high for the month. Among the women's wear lines, sales of **aprons, housedresses and uniforms,** were at a new all-time high, 21% above a year ago. Sales of **dresses** were about even with the all-time high of a year ago, and were up substantially from April, with gains shared almost equally between inexpensive dresses and better dresses.

Sales of housefurnishings as a group were down 9% from a year ago, continuing in part the recently lowered levels of sales in these lines. However a number of departments made important gains over April. For example, sales of **major household appliances** and of **furniture and bedding,** although down 26% and 8% respectively from year ago levels, were appreciably higher than in April even after allowances are made for seasonal factors. Sales of **domestic floor coverings** and of **draperies, curtains, etc.** were also higher than in April but lower than a year ago.

With May ordinarily a somewhat inactive month for the women's and misses, **coats and suits** department, sales in this department dropped even more than seasonally from the favorable showing of April, and were at a four-year low for the month, 17% below a year ago.

The men's and boys' wear group was down 7% from a year ago. Sales of **men's clothing,** off 11% from last year, were slightly higher than in April but the margin was less than the seasonal expectation. Sales of **men's furnishings and hats,** were 2% below a year ago, a new four-year low for the month.

All comparisons refer to dollar volume, without adjustment for price changes.

Department Store Inventories—May 31, 1949

Percentage Changes rom a Year Ago
(Fourth District Reporting Stores)
(Compiled June 29, and released for publication June 30)

Coats and Suits (Women's and Misses')	+16
Gift Shop	+12
Laces and Trimmings	+11
China and Glassware	+10
Radios, Phonographs and Television	+ 8
Better Dresses (Women's and Misses')	+ 8
Woolen Dress Goods	+ 7
Men's Clothing	+ 4
Sporting Goods and Cameras	+ 4
Toys and Games	+ 3
Inexpensive Dresses (Women's and Misses')	+ 3
Blouses, Skirts and Sportswear	+ 3
Juniors' Coats, Suits and Dresses	+ 3
Shoes (Women's and Children's)	+ 3
Shoes (Men's and Boys')	+ 2
Costume Jewelry	+ 2
Domestic Floor Coverings	+ 1
Books and Stationery	+ 1
Handbags and Small Leather Goods	+ 1
Silverware and Clocks	— 1
Corsets and Brassieres	— 3
Furs	— 4
Toilet Articles and Drug Sundries	— 4
Luggage	— 4
Lamps and Shades	— 4
Housewares	— 5
Notions	— 5
Underwear, Slips and Negligees	— 5
Art Needlework	— 5
Fine Jewelry and Watches	— 6
Boys' Wear	— 6
Draperies, Curtains, etc.	— 6
Major Household Appliances	— 7
Girls' Wear	— 7
Men's Furnishings and Hats	— 8
Furniture and Bedding	— 9
Gloves (Women's and Children's)	— 9
Records, Sheet Music and Pianos	—10
Neckwear and Scarfs	—11
Aprons, Housedresses and Uniforms	—12
Linens and Towels	—12
Handkerchiefs	—13
Infants' Wear	—14
Millinery	—14
Blankets and Comforters	—14
Silks, Velvets and Synthetics	—15
Domestics, Muslins, Sheetings	—15
Hosiery	—17
Cotton Wash Goods	—18
Candy	—21
GROUP TOTALS	
Miscellaneous Merchandise Dept's	— 1
Men's and Boys' Wear	— 2
Women's Apparel and Accessories	— 3
Small Wares	— 3
MAIN STORE TOTAL	— 4
Housefurnishings	— 4
GRAND TOTAL (reporting stores)	— 4
BASEMENT STORE TOTAL	— 7
Piece Goods and Household Textiles	—12

Total inventories of Fourth District department stores held almost unchanged during May, and at the month's end were approximately 4% below year ago levels. Sharp contrasts prevailed in that stocks in some departments continued to decline because of lagging sales, whereas conversely in certain other departments stocks were replenished during May under the impetus of good sales volume.

Six departments in the women's wear group, chiefly in accessories lines, showed declines in stocks from a year ago in excess of 10%, with percentage drops ranging from 11% in **neckwear and scarfs** to 17% in **hosiery.** For most of these departments such a reduction in stocks to the lowest point for the season reached in the last three to six years occurred in lines where sales declined during May and were substantially under year ago levels.

A trimming of stocks to keep pace with lagging sales was also evidenced in the case of **piece goods and household textiles** where end-of-May stocks were 12% below last year, and in **men's furnishings and hats** where stocks were down 8% from a year ago, a three-year low for the month.

An entirely different inventory position appeared in the reports of certain departments where both stocks and sales were picking up in May. Stocks of **dresses,** for example, reached a new high for the month, 5% above a year ago, along with a favorable sales showing in May. Stocks of **blouses, skirts and sportswear,** which also sold well in May, were up 3% from last year and were at a three-year high for the month. Likewise, **toys and games,** which sold very well for the season during May, reported month-end stocks 3% above a year ago.

A third group of departments reported gains in inventories accompanying unfavorable sales performance during May. Stocks of **women's coats and suits,** after a month of especially weak sales, reached a four-year high for the month, 16% above year-ago levels. Stocks of **china and glassware,** up 10% from last year, were nearly at record levels and stocks of **radios, phonographs and television** at month's end were 8% above a year ago, while sales in both of these departments lost ground during May.

All comparisons refer to dollar value of inventory at retail, without adjustment for price changes.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

(Compiled June 3, and released for publication June 6)

City and Number of Banks	Time Deposits May 25, 1949	Average Weekly Change During: May 1949	April 1949	May 1948
Cleveland (4)	$ 897,983,000	—$ 688,000	—$471,000	—$105,000
Pittsburgh (11)	460,074,000	— 107,000	+ 30,000	+ 463,000*
Cincinnati (8)	182,858,000	— 163,000	+ 269,000	— 128,000
Akron (3)	103,517,000	— 40,000	—0—	— 117,000
Toledo (4)	101,299,000H	+ 96,000	+ 64,000	+ 31,000
Columbus (3)	83,601,000H	+ 34,000	+ 26,000	+ 100,000*
Youngstown (3)	64,757,000	— 91,000	+ 15,000	+ 116,000*
Dayton (3)	46,673,000	— 63,000	— 22,000	— 14,000
Canton (5)	43,409,000	— 57,000	— 10,000	— 4,000
Erie (4)	40,087,000	— 7,000	+ 58,000	+ 135,000*
Wheeling (5)	28,213,000	— 2,000	— 44,000	— 18,000*
Lexington (5)	10,630,000	+ 8,000	+ 1,000	+ 18,000
Total—12 Cities	$2,063,101,000	—$1,080,000	—$ 84,000	+$477,000*

H—Denotes new all-time high.

The general upward trend in time and savings deposits, which prevailed during the earlier months of this year, was reversed during May.

Time deposits at the 58 reporting banks in this District declined at the rate of $1,080,000 per week during the latest reporting period (four weeks ended May 25) as opposed to an expansion of $477,000 per week over the same interval last year.

Time deposits declined during May at 33 out of the 58 reporting banks, and increases at the remaining 25 were nominal in most instances. Moreover, the trend was positive in relation to a year ago in only three out of the 12 cities covered.

Individual Cities

In **Akron** the $40,000 weekly decline was considerably smaller than in the 1948 period. **Wheeling** is another city where the reduction in deposits was less noticeable than a year ago, and in **Toledo,** time deposits ran against the general trend with a gain of $96,000 per week in contrast to a weekly rise of only $31,000 in the 1948 period.

In **Columbus** and **Lexington** time deposits also increased last month, but not as much as last year. In **Pittsburgh, Youngstown,** and **Erie,** time deposits declined at varying rates as compared with increases during the same month in 1948.

*Adjusted for mergers during past year.

Changes in Consumer Instalment Credit May 1949

25 Fourth District Member Banks

(Compiled June 20, and released for publication June 21)

New Loans Made Compared With Mo. Ago	Yr. Ago	Type of Credit	Outstanding at End of Mo. Compared With Mo. Ago	Yr. Ago
+13.5%	+31.7%	Total consumer instalment credit	+ 3.0%	+24.9%
+ 1.1	+ 4.6	Personal instalment cash loans	+ 0.4	+ 0.3
+30.7	+ 6.7	Repair and modernization loans	+ 3.0	+30.3
		Direct retail instalment loans		
+ 0.1	+61.6	(a) Automobile	+ 5.5	+46.4
— 8.5	+ 2.6	(b) Other	— 0.1	— 3.8
		Retail instalment paper purchased		
+ 1.4	+63.0	(a) Automobile	+ 2.8	+86.8
+54.6	+63.6	(b) Other	+ 5.0	+21.5

May was the third consecutive month in which the volume of consumer credit extended by the 25 reporting banks of this District was larger than in the comparable period of a year ago. The amount of new loans made (including paper purchased) was the largest on record in May, and 31.7% above the May 1948 total.

The high rate of automobile production and sales is reflected in the volume of direct loans to automobile buyers, which in May ran 61.6% above the year-ago dollar volume. The reporting banks also purchased substantially (about 63%) more automobile and other instalment paper than in the same month of 1948.

The volume of new personal instalment cash loans has been comparatively stable over the past year, and the amount outstanding at the close of May was approximately equal to that of a year ago.

The amount of new credit extended in the form of repair and modernization loans reached a new high in the postwar period, 6.4% above the total for May 1948.

Bank Debits*—May 1949

(In thousands of dollars)
(Compiled June 13, and released for publication June 14)

No. of Reporting Banks			May 1949	% Change from Year Ago	3 Months Ended May, 1949	% Change from Year Ago
191	ALL 31 CENTERS		$6,602,748	+ 0.8%	$20,840,462	+ 2.0%
	10 LARGEST CENTERS:					
5	Akron	Ohio	$ 211,749	— 5.9%	$ 684,353	+ 0.4%
5	Canton	Ohio	102,259	— 6.5	337,259	+ 2.1
16	Cincinnati	Ohio	802,951	— 0.9	2,532,444	— 2.9
10	Cleveland	Ohio	1,704,004	+ 1.4	5,310,200	+ 2.2
7	Columbus	Ohio	523,582	— 1.5	1,685,130	+ 4.3
4	Dayton	Ohio	206,702	— 8.1	658,318	— 4.6
6	Toledo	Ohio	302,921	— 7.8	975,883	— 9.2
4	Youngstown	Ohio	144,320	+ 0.5	442,858	— 0.4
6	Erie	Penna.	81,753	— 7.6	254,678	— 4.5
51	Pittsburgh	Penna.	1,927,392	+ 7.2	6,094,007	+ 7.8
113	TOTAL		$6,007,633	+ 1.1%	$18,975,130	+ 2.2%
	21 OTHER CENTERS:					
9	Covington-Newport	Ky.	$ 37,246	— 0.6%	$ 114,780	— 2.6%
6	Lexington	Ky.	53,772	— 3.0	166,809	— 1.7
3	Elyria	Ohio	16,201	—18.7	55,844	— 7.5
3	Hamilton	Ohio	35,407	— 5.4	109,762	— 5.4
2	Lima	Ohio	38,011	— 6.2	123,192	— 3.0
5	Lorain	Ohio	16,934	— 6.0	53,745	— 3.4
4	Mansfield	Ohio	37,828	—10.0	125,171	— 0.7
2	Middletown	Ohio	31,316	— 1.1	100,566	— 1.3
3	Portsmouth	Ohio	19,907	— 4.4	61,664	+ 0.6
3	Springfield	Ohio	44,652	— 1.0	134,374	— 2.3
4	Steubenville	Ohio	21,144	—11.5	65,115	— 4.0
2	Warren	Ohio	36,142	+ 4.1	112,417	+ 3.9
3	Zanesville	Ohio	24,742	—10.0	81,060	+ 3.1
3	Butler	Penna.	29,956	— 1.1	90,837	— 1.1
1	Franklin	Penna.	6,507	— 8.5	20,512	— 1.9
2	Greensburg	Penna.	20,339	+ 0.3	64,253	+ 3.9
4	Kittanning	Penna.	9,391	+ 6.3	28,775	+ 1.9
3	Meadville	Penna.	10,624	—10.9	34,919	— 4.5
4	Oil City	Penna.	17,605	— 9.1	54,872	—15.1
5	Sharon	Penna.	25,965	+ 1.0	83,697	+ 8.7
6	Wheeling	W. Va.	61,426	+11.3	182,968	+ 8.9
78	TOTAL		$ 595,115	— 3.0%	$ 1,865,332	— 0.6%

*Debits to all deposit accounts except interbank balances.

Debits to deposit accounts (other than interbank) in 31 Fourth District cities during May fell slightly more than seasonally to $6,602,748,000 but were still nominally ahead of the year ago level. The rate of turnover, however, was slightly slower than in May of last year.

The shrinkage in debits continues to be somewhat more visible in the smaller cities, where the May-to-May decline totaled 3.0 percent whereas in the ten largest centers, the debit total was approximately on a par with a year ago. This is the second successive month in which the smaller centers have registered a debit total less than in the corresponding month of last year.

TEN LARGEST CENTERS

In **Pittsburgh,** debits during May were 7% greater than a year ago. In **Cincinnati, Cleveland, Columbus,** and **Youngstown,** the debit aggregate was approximately equal to last year's, while in **Akron, Canton, Dayton, Toledo,** and **Erie,** the year-to-year decline ranged from about 6 to 8%.

TWENTY-ONE SMALLER CENTERS

The year-to-year decline was widespread, with only five centers showing a higher debit total than in May of 1948. The most outstanding declines were registered in **Elyria, Steubenville,** and **Meadville, Pennsylvania.** For the past three months combined, debits have attained year ago levels in only six centers, with **Sharon** and **Wheeling** showing the only substantial gains.

Indexes of Department Store Sales and Stocks

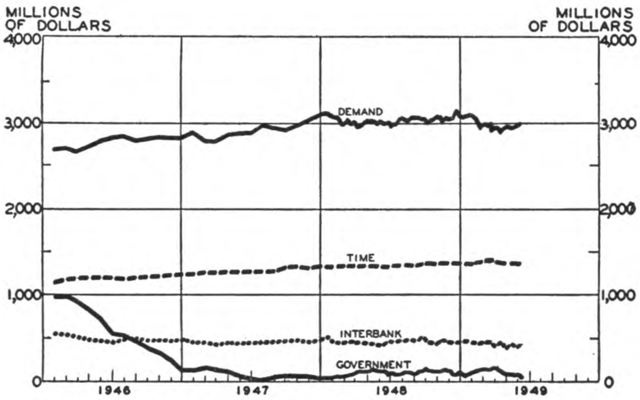
Daily Average for 1935-1939 = 100

	Adjusted for Seasonal Variation May 1949	April 1949	May 1948	Without Seasonal Adjustment May 1949	April 1949	May 1948
SALES						
Akron (6)	307	308	328	298	307	318
Canton (5)	366	376	390r	363	380	386
Cincinnati (8)	314	305	326r	314	305	326
Cleveland (10)	281	271	284	272	276	275
Columbus (5)	353r	346r	360	336r	346r	342
Erie (3)	334	352r	333r	317	352	316
Pittsburgh (8)	275	284	292r	275	296	292
Springfield (3)	283	259	302	283	264	302
Toledo (6)	286	297r	294r	277	303	285
Wheeling (6)	253	261	276r	248	272	271
Youngstown (3)	336	346	350	326	356	339
District (96)	295	301	307r	292	304	304
STOCKS						
District	267	260	277	269	265	280

r—Revised. Back Figures: Revised indexes for months not shown above are available on request, and will be published in a subsequent issue.

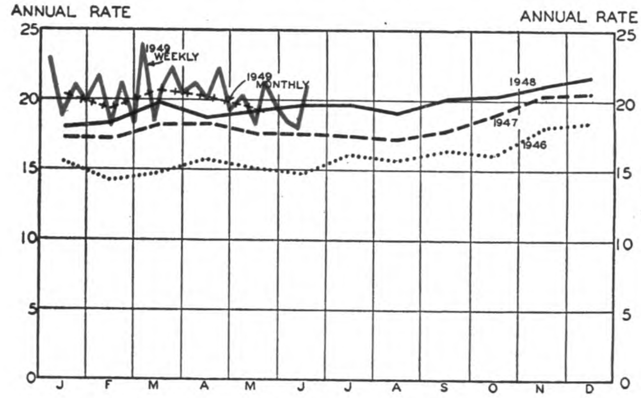
DEPOSITS OF REPORTING MEMBER BANKS

Fourth District



. . . . the rise in demand deposits of individuals and corporations during the last two months is largely attributable to a corresponding decline in Government deposits over the same period.

ANNUAL TURNOVER RATE OF ADJUSTED DEMAND DEPOSITS
(Weekly Reporting Member Banks—Fourth District)



. . . . earlier this year the turnover of checking account balances continued at a faster rate than in 1948, but in May the rate of turnover fell below the year-ago level for the first time in the postwar period.

RECENT BANKING TRENDS

(CONTINUED FROM PAGE 6)

week, but with a general and somewhat more than seasonal downtrend to a mid-April level lower than at any time since August of 1947. This decline was due primarily to income tax payments, which were reflected in the 100 percent increase in Government deposits to a postwar peak at the end of March. Since then, the transfer movement has been reversed with Government deposits having dropped sharply by over $100 million, while demand deposits of individuals, partnerships and corporations have risen concurrently by about the same amount to record a volume slightly in excess of year-ago levels in the last four weeks.

While the dollar volume of reduction in the money supply has been only slight, the velocity of circulation as indicated by demand deposit turnover dropped slightly more than seasonally during May to register the first year-to-year decline of the postwar period. Preliminary figures for June suggest that the rate of turnover of checking accounts will be somewhat further below that of June 1948. On a seasonally adjusted basis, turnover of demand deposits has fallen for four successive months, illustrating a trend similar in direction, but not in extent, to the slide from the peak rate late in 1937, which continued for a year.

The reduced rate of turnover is the product of a greater percentage decline in debits than in deposits, although until May, debits continued to run in excess of the corresponding monthly levels of last year. The chief drop has been in the active category of debits to demand deposits, while debits to other accounts —time and Government primarily—have remained at an adequately high and stable level to keep the total of debits to all accounts except interbank, both actual and after seasonal adjustment, higher than in the first five months of 1948.

The various divergent movements in deposits, loans and investments seem to be for the most part a reflection of the diverse deflationary tendencies in the economy rather than a propagating factor. They illustrate the flexibility of the banking structure in making rapid minor adjustments according to need, with the over-all effect of minimizing the extent of major fluctuations in production and prices.

QUARTERLY REVIEW OF INDUSTRIAL ACTIVITY

(CONTINUED FROM PAGE 9)

Production of 7 million gross of glass containers in April was about the same as in previous months this year but 21 percent below April 1948. Shipments were slightly above production and 9 percent under a year ago. Inventories, on the other hand, stood at 9.8 million gross, or a rise of 24 percent in the past 12 months. Stocks at this level could not be considered excessive in relation to sales since they were about the same as in 1940 when shipments averaged only 4.4 million gross a month.

Producers of glass tableware, decorative ware, and glass oven ware report production on a hand-to-mouth basis with incoming orders rather meager. Numerous vacation shutdowns are anticipated in July with some reopenings dependent upon accumulation of sufficient orders to justify a renewal of operations.

The tableware branch of the ceramic industry also reports order backlogs approaching zero and most plants are operating as much as one-third below capacity. Imports from Germany and Japan as well as reduced retail sales are contributing to this slump in production.