

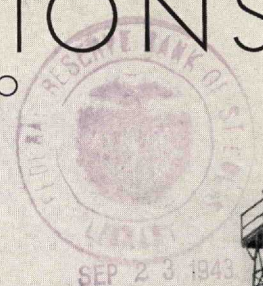
BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

FEDERAL RESERVE BANK
OF ST. LOUIS

1943 SEP 23 AM 9 50

STATISTICAL DIVISION



SEPTEMBER, 1943

Review of Seventh District Business

Income Payments Rise to New Record Level

Income payments to individuals are now estimated to have reached the unprecedented annual rate of 146 billion dollars in the nation, and more than 25 billion dollars in the Seventh Federal Reserve District states. These rates represent an increase of more than 11 per cent over comparable rates during the fourth quarter of 1942. Manufacturing wages and salaries, Federal government payrolls (including compensation of the armed forces), and incomes of farmers have accounted for most of the increases in the nation and the district.

The percentage increases in income payments between quarters have slackened during recent months, indicating in part the gradual attainment of peak productive capacity. Since price advances obviously influence income payment trends, these payments may expand further with little or no increase in the volume of goods and services produced.

CONSTRUCTION DECLINES FURTHER

The volume of Seventh District construction activity continues to decline. Following a downward trend which began in August 1942, construction contracts in July were valued at 29 million dollars, or 78 per cent below the same month a year ago. With the large government program of war plant construction now more than 80 per cent complete, construction activity in the nation has followed a similar trend. Activity for the first six months of the current year was 39 per cent less than during the preceding half year, and progressively sharper decreases are expected in the next several months.

The expanded steel and 100-octane gasoline programs will account for the bulk of construction during the remainder of the year.

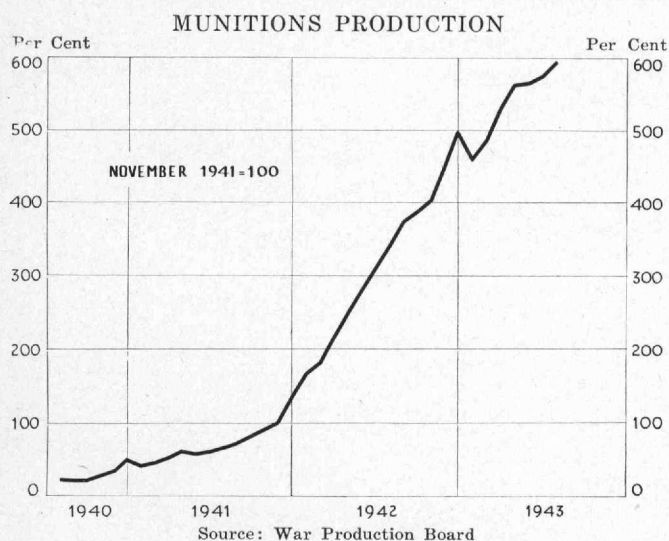
The WPB announcement on August 30, that more than one-third of the construction equipment in the United States is over 13 years old has aroused some comment about the post-war prospects of the construction equipment industry. The Federal government, of course, owns a substantial volume of such machinery which probably will become available for private use after the war. Fifty per cent or more of existing crushers, ditchers, hoists, and engines are 13 years old or over. Nearly one-half the cranes and hammers have been in use at least 13 years.

General munitions production, including ships, planes, tanks, and ordnance, quartermaster, and miscellaneous items, increased three per cent in July, moving ahead from the rather uniform level of April, May, and June. The WPB munitions index based upon November 1941 as 100 stood at 593 in July 1943 as compared with 573 in the previous month. While the WPB feels many production problems have been solved and peak rates have been achieved or are not far off, further important production increases are required in airplanes, signal equipment and some types of army ammunition. The ship construction program calls for some sharp expansions in the next several months but maximum desired rates are in sight. Of the 19 million tons of shipping scheduled to be built during 1943 ten million tons were completed by the end of July. Artillery, anti-aircraft guns, small arms, combat and motor vehicles, and quartermaster and miscellaneous items have either passed their peak requirements or offer no major problems as a group.

AUTOMOBILE WAR OUTPUT MOUNTS

On August 20 the automotive industry, concentrated largely in the Seventh District, was producing war materials at a rate in excess of 9.3 billion dollars a year. This is an increase of 81.4 per cent over the rate at the same time a year ago.

Output of the domestic steel industry for the first seven months of 1943 was 51,242,929 tons, and current estimates indicate that total production for the year will reach about 90 million tons as compared with 86 million tons in 1942. Steel ingot production in the Chicago area advanced from 97.5 to 99.5 per cent of capacity during August as against a smaller



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Third War Loan Drive

Sales to Individuals Emphasized

The Third War Loan Drive to raise a minimum of 15 billion dollars got under way September 9 under the direction of the new State War Finance Committees. The entire amount is to be obtained from sales to investors other than banks. The 15 billion dollar goal is more than double the sales of 6.8 billion dollars to nonbanking investors in the First War Loan Drive of last December, and compares with sales of 12.6 billion dollars in the Second War Loan Drive. The fullest support of every citizen is required to achieve this unprecedented goal.

Banks will be excluded from the drive, but will be offered a 2 per cent bond and a $\frac{7}{8}$ per cent certificate of indebtedness for their own subscription shortly after the drive terminates.

SECURITIES OFFERED

As in the First and Second War Loan, the Treasury is offering a "basket" of securities consisting of three marketable issues together with the continued sale of Series E, F, and G Savings Bonds and Series C Savings (Tax) Notes. The marketable issues consist of twenty-six year $2\frac{1}{2}$ per cent bonds of 1964-69, ten year 2 per cent bonds of 1951-53, and one year $\frac{7}{8}$ per cent certificates of indebtedness. All three marketable issues will be dated September 15.

In order to make the Series C Savings (Tax) Notes more attractive as investment media for the temporarily idle funds of corporations and other large investors, the Treasury has eliminated the provision requiring thirty days advance notice for the redemption of these notes. Hereafter they will be redeemed on demand at any time after six months from the date of issue. Also, to enable life insurance companies to place subscriptions in anticipation of funds to be received in October, it is provided that they make payment at par and accrued interest not later

Type of Investor	First War Loan Sales		Second War Loan Sales		Third War Loan Quotas	
	Amount	Per cent of total	Amount	Per cent of total	Amount	Per cent of total
Individuals, partnerships, and personal trust accounts	1,593	23	3,290	26	5,000	33
Corporations & associations	5,229	77	9,260	74	10,000	67
Total sales to nonbanking investors	6,822	100	12,550	100	15,000	100

TABLE 1
Quotas for Third War Loan Drive
(In Millions of Dollars)

Area	Grand Total	Corporations and Associations	Individuals and Personal Trust Accounts			
			Total	Savings	Bonds	Other Securities
				Series E	Series F & G	
Illinois	921	591	330	195	33	102
Cook County.....	746	528	218	117	19	82
Indiana	257	139	118	75	13	30
Iowa	196	96	100	60	20	20
Michigan	451	226	225	165	18	42
Wisconsin	298	195	108	67	12	24
Total—Seventh District States.....	2,123	1,247	876	562	96	218
United States	15,000	10,000	5,000	3,000	500	1,500

than November 1, 1943 for the 2's and $2\frac{1}{2}$'s subscribed for by them during the drive.

QUOTAS IN THE THIRD WAR LOAN

Quotas by type of purchaser for the United States and states lying wholly or partly in the Seventh District are shown in Table 1. These quotas were apportioned to the states by the Treasury in the following manner:

- (1) The quota for Series E War Savings Bonds was distributed on the basis of individual incomes.
- (2) The distribution of the quota for other securities to be sold to individuals was based partly on personal incomes, partly on bank deposits, and partly on Second War Loan performance. Allowance was made for Series F and G Savings Bonds purchased by trust funds, most of which are purchased through banks and trust companies located in the larger cities.
- (3) The quota for corporations and associations was allocated on the basis of bank deposits, except that expected purchases of insurance companies and mutual savings banks were distributed on the basis of total assets of these institutions.

County quotas both for corporations and individuals were prepared by the Treasury on the same basis as those for states, subject to approval and modification by the State War Finance Committee Chairmen.

EMPHASIS ON INDIVIDUAL SUBSCRIPTIONS

Major emphasis in the Third War Loan Drive will be placed on increasing the purchases of bonds by individuals. Accordingly the War Finance Committees will concentrate on a house-to-house selling

campaign. Table 2 shows that the proportion of the total goal to be raised from individuals, partnerships, and personal trust accounts is considerably greater than the proportionate amount raised from this source in either the First or Second War Loan Drives. The quota for individuals includes a quota of 3 billion dollars for Series E War Savings Bonds, which is more than double the amount of these bonds sold in the Second War Loan Drive.

From the standpoint of controlling inflation the success of the drive will depend upon meeting and surpassing the quota set for individuals. It is true that purchases of bonds by institutional investors other than banks do not increase the quantity of bank deposits, but they are made out of funds already saved, which in any case will probably not be used to bid up the prices of consumer and industrial goods. Similarly, purchases by corporations are made from funds which are not likely to be spent because of priorities and allocations and heavy tax liabilities.

Purchases by individuals are likewise made from funds which represent past and current savings. However, if these funds are converted into Government bonds it is less likely that they will be drawn upon for spending in the future than if they had been held in the form of cash.

OFFERINGS TO BANKS

At the conclusion of the drive, commercial banks will be offered a 2 per cent bond and a $\frac{7}{8}$ per cent certificate of indebtedness for subscription for their own account. In order to confine all sales in the September drive to nonbanking sources, the Treasury has requested commercial banks not to buy in the market, and has requested the market not to trade in any of the securities offered in the drive until the books for bank subscriptions are closed.

In order to avoid unnecessary transfers of funds from one locality to another, corporations and firms are requested to have their subscriptions entered and paid for through the banking institutions in which the funds are located. This procedure will enable such banks to use War Loan credit in making payment for these subscriptions and thereby prevent a reduction in their deposits. For the same reason it would be desirable for insurance companies to follow a similar procedure.

SALES CREDIT AND ALLOCATIONS

In accordance with instructions from the Treasury, credit for sales of the three marketable issues will be granted to the county and state corresponding to the address of the subscriber appearing on the subscription form. If no address for a subscriber is given, the sale will be credited to the

county and state corresponding to the address of the bank filing the subscription.

When Series E Bonds are issued by a post office, bank, savings and loan association, or credit union, credit is made to the county and state in which such issuing agent is located. When Series E Bonds are issued by any other issuing agent, the issue price is credited to the address of the purchaser. All sales of Series F and G Bonds and Series C Savings (Tax) Notes will be credited to the address appearing in the inscription on the bonds or notes.

Sales credited on the three marketable issues and the Series C Savings (Tax) Notes may be allocated to other localities if written instructions to that effect accompany the subscriptions, provided that no allocations will be made for amounts of less than \$50,000. However, no allocations may be made for subscriptions by insurance companies. These will be credited to the location of the home offices of these institutions, since quotas for insurance companies were allocated on this basis.

EFFECT OF THE DRIVE ON BANKS

During the April drive demand deposits-adjusted of the weekly reporting banks in the United States decreased 3,476 million dollars between April 14 and May 5 as banks' customers drew on their deposits to purchase Government securities. A similar decrease can be expected during the September drive. However, as in April, a substantial amount of the private deposits lost will be transferred to War Loan deposit accounts, probably resulting in no net decrease in total deposits for member banks on the average. Since there are no reserves required against War Loan deposit accounts, this transfer will result in a reduction in the required reserves of member banks and an increase in their excess reserves. The increase in excess reserves, however, will be only temporary. As the Treasury withdraws its funds in War Loan deposit accounts to meet its expenditures, they will be returned to the banking system in the form of private deposits. Since reserves are required against private deposits, this transfer from War Loan deposits to private deposits will cause required reserves to rise and excess reserves to decline again.

In these circumstances, banks can add to their income by investing these temporarily idle funds in Treasury bills either by repurchasing Treasury bills previously sold to the Federal Reserve banks under repurchase option, or by bidding for new issues and by purchasing bills in the market. As excess reserves subsequently decline, banks can sell bills to the Federal Reserve banks under the repurchase agreement.

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Winter Coal Supplies

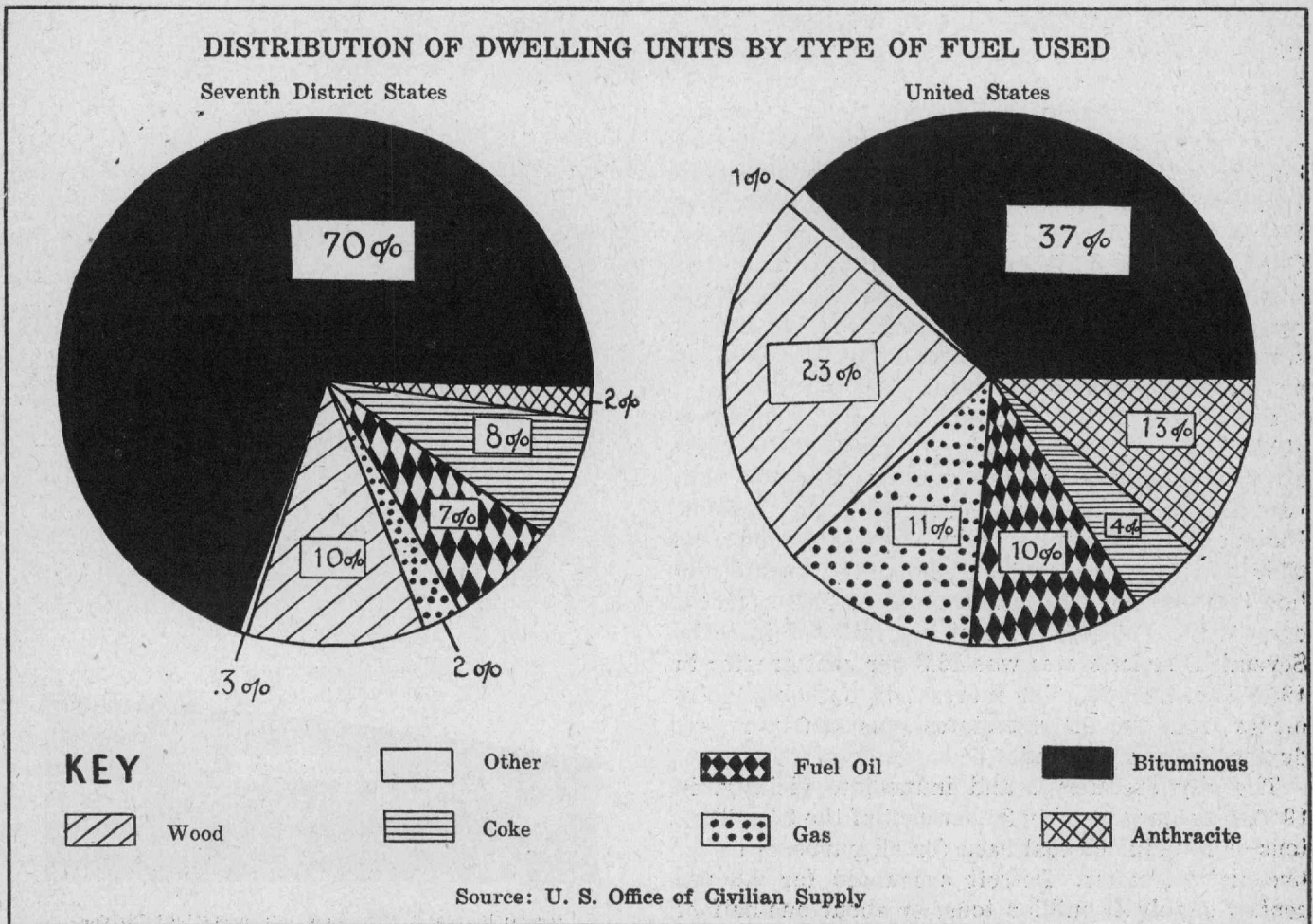
Moving Available Fuel to Consumers Raises Problems

Distribution more than production promises to be the principal bottleneck in meeting industrial and residential needs for coal during the coming winter months in the Seventh Federal Reserve District. Unless serious work stoppages interrupt production, or military victories greatly intensify the export demand over-all supplies of coal will probably be ample for basic requirements. The extent to which these supplies will reach consumers when needed, however, will depend largely upon the early placing of orders, the ability of distributors to avoid congested delivery schedules, available manpower, and transportation facilities. Coal rationing, as rumored, was officially denied in July by the Office of Price Administration, but plans are said to be completed to ration coal if conditions necessitate such action. Rationing, consequently, remains a possibility, and coal may be

allocated to distributors to equalize consumption in different areas.

A record national production goal of 665 million tons of bituminous and anthracite coal has been set for 1943, more than 90 million tons of which will be used for heating residences and other buildings. Since relatively more dwelling units are heated by bituminous coal in the Seventh Federal Reserve District states than in any other Federal Reserve district, the outlook for winter coal supplies is especially important here. Approximately seventy per cent of the dwelling units in the Seventh District states use bituminous coal as compared with about forty per cent in the nation as a whole.

The high level of industrial activity and the reduction in competition from fuel oil now afford a favorable outlook for the coal industry for the duration



of the war. Attainment of the 1943 production goals, however, has been impeded by several work stoppages during May and June. The United Mine Workers (UMW) have resumed work on an extended truce basis until October 31, 1943. The fundamental issues remain unsettled, and the Appalachian mines have been operating under government supervision since May 5, 1943. More than 540 anthracite and bituminous coal mines, producing twenty-three per cent of the nation's coal, have been returned to their owners. The government still had possession and control of 2,829 mines on September 7. The War Labor Board (WLB) did not approve the wage increases provided in an agreement between the UMW of Illinois and the Illinois Coal Operators' Association. Kentucky and Alabama miners have submitted their pleas for portal-to-portal payment to federal courts. The decisions rendered in these cases should set an important precedent for the yet to be determined Appalachian agreement, and will unquestionably influence the possibility of further work stoppages in the nation's coal mines.

COAL RESERVES ABUNDANT

Coal is the most abundant of the three natural fuels—coal, oil, and gas. The world's largest reserves of coal are in the United States, particularly in the Appalachian and Mid-West areas. Twenty-seven states produce commercial amounts of coal, but six account for 85 per cent of national output. In decreasing order by 1942 production, they are: Pennsylvania, West Virginia, Illinois, Kentucky, Ohio, and Indiana. Illinois produced 65 million tons in 1942, and Indiana 25 million tons. Small outputs came from Iowa and Michigan, and the five district states in 1942 produced 93 million tons or about one-sixth of the United States total.

Since most of the coal is consumed at a considerable distance from the mines, transportation has always assumed great importance. Revenue railroad shipments of bituminous coal from "Illinois, Indiana and Western Kentucky and west-bound from Ohio and the Appalachians" amounted to 207 million tons during 1942, an increase of 39.3 per cent over 1939. The flow of coal via railroad into the Seventh District states was 46.8 per cent greater in 1942 than in 1939. The increase in outbound shipments from the district states was 48.6 per cent during the same period.

The city of Chicago and immediate vicinity, in 1942, consumed roughly 35 per cent of the 84 million tons of bituminous coal used for all purposes in the five district states. Detroit accounted for 6.6 per cent. Roughly 43 million tons, or about one-half of

all coal consumed, came from mines within the five district states.

Great Lakes vessels play an important role in the transportation of coal. Shipments of bituminous coal to Great Lakes ports for cargo loading reached 48 million tons in 1942 as compared with 40 million tons in 1939. The total anthracite cargo coal loaded into vessels at Lake Erie ports was 575,000 tons in 1942, an increase of 44,000 tons over 1939.

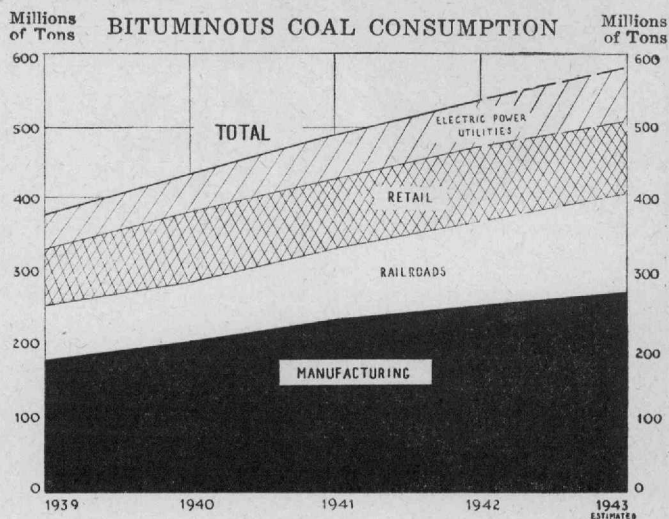
COAL VITAL TO WAR

Coal is the principal fuel in peace and war. Coal now supplies over half of the power needed to build planes, tanks, guns, and ammunition, drives four out of five of our railroad locomotives, and creates fifty-five per cent of the electrical power used in the United States.

War conditions, of course, bring record coal outputs. Bituminous coal production reached 580 million tons in 1918, but did not attain this height again until 1942. During 1943 it is expected that 600 million tons of bituminous and 65 million tons of anthracite coal will be produced.

Industrial uses of coal are by far the most important. Judged by their coal consumption during 1942 and the first four months of 1943, Class I railroads will consume roughly 137 million tons of bituminous coal during 1943. Nearly 92 million tons will go to by-product coke ovens, 72 million tons to electric power utilities, 14 million tons to beehive coke ovens, 11 million tons to steel and rolling mills, 7 million tons to cement mills, 3 million tons to be used as coal mine fuel, 2 million tons to coal-gas retorts, and 144 million tons to other industries.

Non-industrial consumers will use an estimated 130 million tons of bituminous coal in the United States during the 1943-1944 winter season, accord-



Source: Bureau of Mines, and Bituminous Coal Division

ing to the Bituminous Coal Consumers' Counsel. The precise amount, of course, will depend upon weather conditions and the ability of distributors to supply the needs of consumers. Approximately 83 per cent of the coal will probably move through retail outlets: 92 million tons for heating dwellings and other buildings and 16 million tons for "small" industries. Three-fourths of the coal moving through retail outlets will be shipped by rail and river transport facilities. The remaining one-fourth will move via lake, tidewater, and truck.

Nearly 9.5 million tons of coal will be required during the 1943-1944 season for domestic consumption in the immediate Chicago area alone. The Chicago Coal Merchants' Association reports that deliveries of coal are currently being made by Chicago coal merchants to 967 industries engaged in war work, 62 buildings housing government agencies, and 52 hospitals.

The value of bituminous coal at the mines was \$2.24 a ton in 1942 as compared with \$1.84 in 1939, an increase of 22 per cent. Chicago retail coal prices increased between 20 and 30 per cent from September 1939 to September 1943, depending upon different grades of coal and the transportation costs.

SUBSTITUTE FUELS

Since Pearl Harbor there has been an over-all increase in the amount of coal consumed in homes and small industries because of the scarcity of fuel oil, which prior to the outbreak of the war was being used more widely each year. Roughly 415,000, or seven per cent, of the dwelling units in the district states used fuel oil for heating purposes in 1940, consuming approximately 11.5 million barrels of fuel oil. Since 1940, many of these dwelling units and small industrial plants have converted from oil to coal. Sales of industrial size and power stokers in March 1943 amounted to 2,202 units as compared with 1,994 units during March 1942. Many of these replaced oil-fired plants. According to the Petroleum Administration for War (PAW) roughly 2,000 Midwestern industrial and commercial facilities, including thirty petroleum refineries, have converted from oil to coal. The PAW and the Petroleum Industry Marketing Committee have set a minimum Mid-West goal of fifteen million barrels of oil as the annual saving from the conversion of industrial and commercial facilities to coal. In late August two-thirds of the goal had been attained.

Colloidal fuel, a mixture of finely ground coal and fuel oil, although still in the experimental stage, has possibilities as an oil saver where oil-burning facilities cannot readily be converted to coal, such as

stationary power plants, marine service, locomotives, and home heating units. Probably very little use, however, will be made of colloidal fuel as a substitute for fuel oil during the war.

OUTLOOK FOR PRODUCTION

Threats to the attainment of the production goals set for coal in 1943 are manpower shortages, work stoppages in the mines, and the breakdown of mining machinery. Continuation of the six-day work week begun on May 3 when the government took over the mines and probable extensive 48-hour week operations will compensate to a large extent for manpower shortages in several areas. They also will help to recoup the losses in coal production caused by the mine stoppages this year which up to September 1 had cost the nation 27 million tons of coal.

When the last Appalachian coal agreement expired March 31, 1943, the UMW, headed by their president, John L. Lewis, demanded wage increases of two dollars per day, a minimum daily wage of eight dollars, portal-to-portal payment, unionization of all supervisory employees below superintendent, and payment for their lamps and other charges.

The extension of the former contract having expired, the coal miners were without a contract on April 30, 1943, and at midnight four hundred and eighty thousand of them halted work. The fifteen thousand Progressive Mine Workers in Illinois, however, stayed at their jobs. The government took control of the mines on May 3 and most of the miners were back at work the following day under a fifteen day truce.

On June 1 another general shutdown occurred, involving four hundred and fifty thousand bituminous coal miners and eighty thousand anthracite coal miners. The miners did not return to work until June 7.

The third work stoppage began on June 18, almost immediately after the WLB refused to order payments to the miners for underground travel. The Board held that any legal claims for such pay were a matter for a lawsuit or an out-of-court settlement with the mine owners. Lewis issued an order to the coal miners on June 22 to return to the mines until October 31. Full production of the mines was not resumed until the middle of July.

The Illinois Coal Operators' Association and the UMW of Illinois agreed upon a work pact, providing for an eight-hour day and six-day week with time and one-half pay for all hours in excess of thirty-five, and an allowance of \$1.25 per day, retroactive to April 1, 1943, for portal-to-portal payment.

The WLB, however, rejected on August 24 the \$1.25 per day proposal for portal-to-portal payment, stating that this wage increase would be contrary to the national price stabilization program. No objection was made to the miners working eight hours a day with time and one-half for the eighth hour.

Railroad cars and trucks to transport coal considerable distances and ultimately to consumers are now quite limited in number. There is obviously a much greater demand placed upon coal distributors during the fall and winter months than during the spring and summer. Because more coal must be moved this year with limited transportation facilities, it is absolutely essential that a substantial part of coming winter deliveries be made as early as possible. A goal of 35 million tons of coal to be moved by rail, lake, and river before September 1, 1943 to avoid a shortage next winter was attained, but the need continued for heavy pre-winter shipments.

Joseph P. Eastman, Director of the Office of Defense Transportation, has ordered that lakes coal shipments to Chicago and Buffalo be decreased during 1943 to eighty per cent of last year's quota which was only sixty per cent of normal peacetime shipments. Additional space requirements for ore and grain necessitated this order.

Manpower shortages have been not only acute in the mines but also among distributors. More than forty per cent of union coal yard workers and delivery truck drivers in Chicago are reported to have joined the armed forces or taken up work in other industries.

The consumption of bituminous coal in general depends upon the level of industrial activity, the importance of competing fuels, consumer incomes, and weather conditions. Industrial activity and consumer incomes are now both at a very high level. The scarcity of fuel oil and natural gas is, of course, well recognized. Anthracite is currently benefiting from the tight supplies of fuel oil.

The consumption of coal for heating purposes, of course, varies according to prevailing temperatures and the length of the winter. The 1942-1943 winter season was abnormally cold and prolonged. Hence, there is reason to believe that the 1943-1944 season will be no worse, and perhaps, it may be much better as regards heating fuel requirements. Increased stress has been placed on greater efficiency in the use of coal since the beginning of the war, which has no doubt reduced fuel needs somewhat. As the demand for coal has increased, methods of fuel saving have been publicized by public and private agencies.

District Summary

(Continued from inside front cover)

national rise from 98.5 to 99.0 per cent. Ingot production in Detroit rose to 102.5 per cent of capacity during the middle of August, but furnace repairs caused a drop to 97 per cent at the end of the month.

Electric furnace capacity has been increased greatly in the district and other steel centers during the past year. The WPB is now urging steel buyers to use electric furnace alloys instead of the open hearth variety so as to release open hearth capacity for the manufacture of carbon steel for which requirements are far in excess of supply. Alloy steel ingot capacity of electric furnaces in the nation rose from 150,000 tons a month in 1940 to 328,000 tons in July 1943, and is expected to reach 471,000 tons by the end of this year.

Great Lakes ore carriers moved 13,976,707 tons in August, a new all-time high for the second successive month, which brought the cumulative season total of iron ore shipments to 51,323,852 tons by August 30. These recent large shipments have reduced a substantial portion of the deficit on 1943 movements resulting from a prolonged lakes' freeze and bad weather. Shipments are now less than one-tenth of one per cent behind the cumulative schedule which must be maintained to meet the revised season's goal of 86.5 million tons. The initial goal for 1943 was 95 million tons.

SCRAP INVENTORIES LOW

A low scrap inventory continues to cause concern among government and industry officials. The Chicago scrap movement is reported slow, principally because of manpower shortages and a drying up of the supply of automotive and structural steel scrap. Limitations on new buildings are forcing owners to repair and recondition buildings which might normally be torn down and thereby provide substantial amounts of structural scrap.

The continued entrance of students into the labor market brought civilian employment in the nation to a new all-time high in July 1943 of 54.3 million persons, according to the Bureau of the Census. This high level of total employment, 900 thousand persons more than in June, has been attained despite the fact that over-all employment of men was 2.7 million below 1942. Female employment on the other hand was 3 million higher than a year earlier, and 50 per cent greater than in 1940. The bulk of the current increase in employment has been in response to the continued heavy seasonal demand for agricultural labor. Many persons who would normally return to school in September are expected to remain in em-

ployment. Nevertheless, the usual seasonal decline in the labor force during the late fall will no doubt occur.

In the Seventh District states total manufacturing employment increased 1.6 per cent between June and July. Employment in both durable and non-durable goods industries advanced. The most important factor in the increase in non-durable goods was a 16.4 per cent rise in Wisconsin to meet the requirements of the canning and preserving industry. Only Indiana showed a decline in all three employment groups.

At the end of August according to the War Manpower Commission there were seven areas of acute labor shortage in the Seventh District:

Illinois:	Michigan:
Sterling	Detroit
	Muskegon
Indiana:	Wisconsin:
Anderson	Racine
Gary-Hammond-	Sturgeon Bay
South Chicago	

Twenty district areas were considered to have labor stringencies and definitely anticipated labor shortages within six months:

Illinois:	Michigan:
Aurora-Elgin	Adrian
Chicago	Battle Creek
De Kalb	Benton Harbor
Rockford-Beloit	Flint
Springfield-Decatur	Monroe
	Saginaw-Bay City
Indiana:	Wisconsin:
Fort Wayne	Kenosha
Indianapolis	Manitowoc
Michigan City-LaPorte	Milwaukee
Muncie	
New Castle	
South Bend	

The fourteen district areas in which a general labor shortage may be anticipated within six months are:

Illinois:	Michigan:
Joliet	Grand Rapids
Moline	Jackson
Waukegan	Kalamazoo
	Lansing

Indiana:	Wisconsin:
Bloomington-	Madison-Merrimac
Burns City	Sheboygan
Kokomo	
Lafayette	
Logansport	
Marion	

Only ten district areas were reported to have labor supplies adequate to meet all known requirements:

Illinois:	Wisconsin:
Bloomington	Appleton
Champaign	Fond du Lac
Danville	Oshkosh
Galesburg	Wausau
Peoria	

Indiana:
Terre Haute

RAILROAD RECORD OUTSTANDING

In spite of manpower and equipment shortages, Class I railroads in the first seven months of 1943 performed nearly 19 per cent more revenue ton miles of service in the United States than in the same period of 1942. July revenue ton miles were nine per cent more than June. All materials requested for fourth quarter production of transportation equipment by the Office of Defense Transportation under the CMP were allowed by the WPB requirements committee. Particular attention is to be given to railroad construction projects in the western defense area. The first of 1,200 previously authorized troop sleepers are expected to be delivered at the end of September and deliveries will continue at the rate of about 20 a day.

The yearly seasonal peak in railroad freight shipments is expected to occur during late September and October. Westbound refrigerator cars are the only large remaining reservoir of unused freight car capacity, and new orders of the Interstate Commerce Commission require their use in preference to box cars.

The WPB announced in August that sufficient new and reconditioned automobile parts will be available through 1944 to maintain transportation by private automobile at an essential level. Scrap dealers and auto wreckers are now required to save the still usable or reconditionable parts from the cars that come into their hands. More than 400 million dollars in new parts also will be made yearly. Rubber Director Jeffers stated that 17 million passenger car tires are being released for essential civilian use this year and another 30 million will be manufactured and distributed in 1944.

A quota of nearly 7,500 new passenger automobiles will be available in September for rationing to Seventh District drivers. A reserve of an additional 1,000 cars will be on hand to fill essential demands in excess of the quotas. Nearly a fifth of the national quotas and reserves have been assigned to the Seventh District states.

Department store sales in principal cities in the Seventh District continue to show increases. Average sales in August were 12 per cent higher than last year, as compared with a national increase of 6 per cent. All classes of sales were reported above the comparable 1942 levels, with the largest increases noted in the piece goods and women's and misses' ready-to-wear classes, both of which were over 42 per cent greater than in July 1942. Retail sales of furs lead all individual items with a 123 per cent increase over last year. Department store stocks were reported lower in all classes except women's and misses' ready-to-wear. House furnishings stocks are down 32 per cent from 1942, and the supplies of major household appliances are less than a third of what they were in July last year. Reports from the recent Chicago wholesale marts indicate that while most merchants had more success in their fall buying than expected, few were able to purchase either their 1942 quantities or varieties. One result of this condition may be that store buyers will have to make more frequent trips to the markets.

CASH FURNITURE SALES GAIN

Retail furniture sales during July showed the usual seasonal decrease from June, but were above July 1942. Cash sales increased 38 per cent and credit sales, 19 per cent from a year ago. Inventories declined 19 per cent during the same period. Higher purchasing power is reflected in the relative increase in cash sales to total sales. Cash sales are currently 22 per cent of total sales.

Chicago has been showing a larger gain in both cash and credit sales than other principal cities of the district. Although July is not normally a "good" furniture month, sales of reporting stores in Chicago showed an increase of 6 per cent over June and 25 per cent over July 1942.

Cost of living for city workers in the nation in July, according to the Bureau of Labor Statistics, continued the downward trend established in June, with a drop of 0.8 per cent from mid-June to mid-July, led by a 2 per cent decline in retail food prices.

Clothing costs rose 0.5 per cent, and other costs, including house furnishings, utility rates and services, remained substantially the same. Cost of living in Chicago and Detroit followed the national pattern with declines of 1 and 0.6 per cent respectively. Retail food prices in both cities were respectively 2.4 per cent and 2 per cent lower. One of the principal reasons given for the lower price of foodstuffs is the abundance of victory garden produce, which coupled with adequate commercial supplies helped to accentuate seasonal declines in the prices of some fresh vegetables. Prices of meats also were lower because of cutbacks of OPA ceilings. Food costs as a whole, however, were still 36.7 per cent above the 1935-39 average in Chicago and 38.8 per cent higher in Detroit. Wholesale prices, according to the Bureau of Labor Statistics, also dropped during the last week of July to the lowest point in five months, 102.8 per cent of the 1926 average. Farm products and foods in primary markets lead the decline.

LIVESTOCK QUOTAS SUSPENDED

The War Food Administration announced on September 2 that quotas on livestock slaughter for individual slaughtering plants were being suspended. This is expected to facilitate a more normal flow of livestock through the usual marketing channels, and ease the problem of providing the necessary meat for military, lend-lease, and civilian ration requirements.

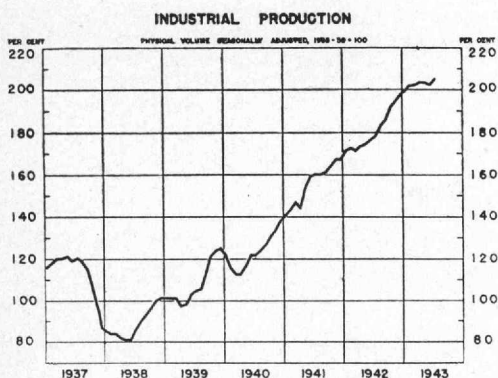
A lower support price, or "floor," under hog prices was announced September 9. The new support price of \$12.50 for 190 to 230 pounds good to choice butcher hogs. The support will apply from October 1, 1944 through March 31, 1945. It is reported that this move is designed to bring the scale of the hog industry more closely into line with the limited feed supplies. The period covered by the new support price is the normal time in which hogs would be marketed from current breeding operations.

Third War Loan Drive (Continued from Page 2)

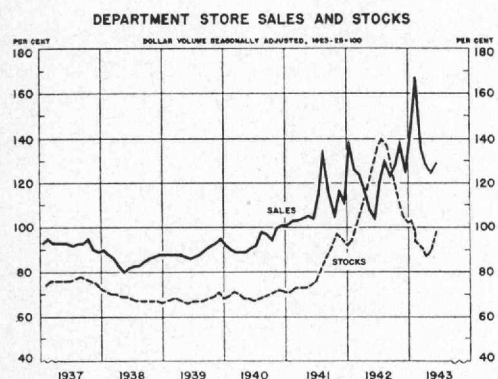
Although beginning with the offering of September 16, the amount of Treasury bills sold each week will be equal to the amount redeemed, there are over 13 billion dollars of these bills presently outstanding. On September 8, the Federal Reserve System held 5.9 billion dollars of these. Thus there should be a sufficient amount of these bills to meet the needs of banks for temporary investments.

NATIONAL SUMMARY OF CONDITIONS

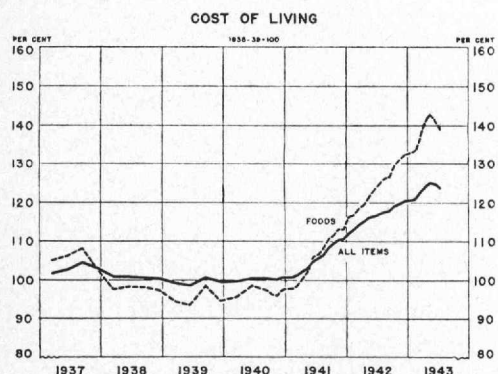
BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM



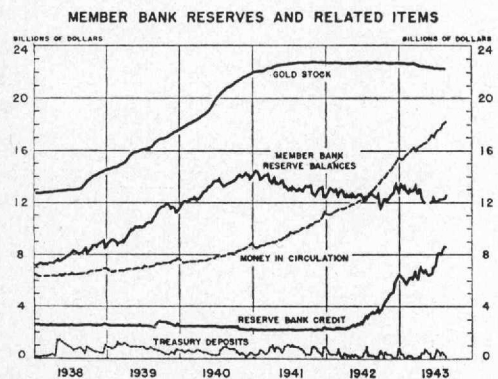
Federal Reserve index. Monthly figures, latest shown is for July, 1943.



Federal Reserve indexes. Monthly figures, latest shown are for June, 1943.



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940, monthly thereafter. Mid-month figures, latest shown are for July, 1943.



Wednesday figures, latest shown are for August 18, 1943.

Industrial production advanced to a new high level in July following a slight decline in June, both of the changes reflecting chiefly fluctuations in coal production. Maximum food prices were reduced recently with a consequent slight decline in cost of living in July. Retail sales continued in large volume.

Industrial production—Industrial activity increased in July, reflecting a large rise in mineral production. Output at coal mines advanced sharply from the reduced level in June, production of crude petroleum increased, and iron ore shipments reached the highest monthly rate on record.

In manufacturing industries, output of most durable products and chemicals continued to increase in July, reflecting chiefly a further rise in production of munitions. At meat packing plants and cigarette factories production was also larger in July. Output of leather and textile products had shown small decreases in June and further declines occurred in July. Activity in most other nondurable goods industries showed little change from June to July.

The decline in the value of construction contracts awarded continued during July, according to reports of the F. W. Dodge Corporation. Most of the decline is accounted for by a drop in awards for publicly-financed industrial facilities and for public works and utilities.

Distribution—Value of retail sales declined less than seasonally in July and continued substantially larger than a year ago. During the first six months of this year sales had averaged about 12 per cent larger than in the corresponding period of 1942 and in July the increase was somewhat greater. The higher level of sales this year as compared with last year reflects for the most part price increases. In the first half of August sales at department stores increased by about the usual seasonal amount.

Freight carloadings rose sharply in July and were maintained at a high level during the first half of August. Total loadings were 10 per cent higher than the previous month owing to the largest volume of coal transported in many years and shipments of grain and livestock showed a considerable increase over June.

Commodity prices—The general level of wholesale commodity prices showed little change in July and the early part of August.

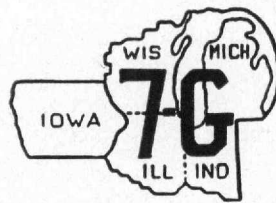
The cost of living declined somewhat from June 15 to July 15, according to Bureau of Labor Statistics data. Food prices declined by 2 per cent as a result of reductions in maximum prices for meats and seasonal declines in prices of fresh vegetables from earlier high levels.

Agriculture—General crop prospects improved somewhat during July according to Department of Agriculture reports. Forecasts for the corn and wheat crops were raised 6 per cent. Production expected for corn and other feed grains, however, is 10 per cent less than last year and for wheat is 15 per cent less than the large crop of 1942. Milk production in July was as large as the same period a year ago, while output of most other livestock products was greater.

Bank credit—The average level of excessive reserves at all member banks, which had been about 1.5 billion dollars in mid-July, declined to 1.2 billion in the latter part of the month and continued at that level during the first two weeks of August. There was some further decrease of excess reserves at reserve city banks, but most of the decline occurred at country banks, where there had previously been little change. Two factors were principally responsible for the decline in excess reserves: an increase in deposits subject to reserve requirements, as funds expended by the Treasury from war loan accounts returned to the banks in other accounts; and a growth of over 500 million dollars in money circulation. During the four weeks ending August 18 additional reserve funds were supplied to member banks by an increase of 580 million dollars in Reserve Bank holdings of Government securities, principally Treasury bills bought with option to repurchase.

During the four weeks ending August 11, member banks in 101 leading cities increased their holdings of Government securities other than Treasury bills by almost 800 million dollars. Of this amount, 570 million represented allotments to banks of new certificates of indebtedness issued in early August. Bill holdings declined as member banks made sales to adjust their reserve positions. Commercial loans increased somewhat over the four week period, but other loans declined.

SEVENTH FEDERAL



RESERVE DISTRICT

