

# MONTHLY BUSINESS REVIEW

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## NATIONAL DEFENSE AND RESERVE BANKS

To assist in the National Defense Program, facilities devoted to defense work are being expanded at each of the twelve Federal reserve banks. This is part of the recently-announced program proposed by the newly-created Defense Contract Service, Office of Production Management. Mr. George C. Brainard has been appointed Fourth District Coordinator of Defense Contract Service by Mr. William S. Knudsen of the Office of Production Management. Mr. Brainard has been president of the General Fireproofing Company, Youngstown, Ohio, since 1928. He was appointed Class "C" director of the Federal Reserve Bank of Cleveland July 31, 1936. He has been Chairman of the Board since January 1939. From 1918 to 1920 he was staff expert with the Production Division of the Ordnance Department, United States Army, in charge of shell forging. At present, he is serving as Assistant Chief of the Cleveland Ordnance District.

Under Mr. Brainard's direction there is being established an organization which will endeavor to see that the second phase of the defense program, which is actual production of the needed articles, is speedily carried forward. The prime objective of the whole defense program is to obtain acceptable defense production in the shortest possible time, and it appears that this may be best accomplished by spreading the work, getting more bidders on direct Government contracts, and developing more subcontracting of these contracts.

The Federal Reserve System, with its twelve offices and twenty-four branches with headquarters in Washington, has facilities which can assist in speeding up the defense program. When the new defense organization is functioning, it will be able to answer questions with respect to Government purchasing procedure and offer counsel with respect to financing problems growing out of defense work. In addition, facilities are to be developed which may assist in bringing together principal contractors wishing subcontracting assistance and subcontractors who want a part in the defense program. To accomplish these objectives services of persons with engineering ability and industrial experience are to be made available at each Federal reserve bank.

The first phase of the defense program consisted of awarding contracts to companies equipped to handle such work by the War and Navy Departments. To date, contracts

have been awarded or funds committed for all but about \$1½ billions of the \$16 billions initial program. Contracts totaling approximately \$400 millions were directly to concerns in the Fourth Federal Reserve District. It has been announced that the defense program contemplated at the present time, without provisions for supplying materials to Great Britain under terms of the Lend-Lease Bill, will involve the expenditure of at least \$28 billions for defense materials and provisions.

It has been the practice of the armed service to award contracts for goods which can be produced in commercial plants to established concerns through competitive bidding. Contracts for special defense materials, for which limited or no production facilities exist, are negotiated with successful industrial organizations having managerial ability. Once the contract is awarded, the Government purchasing agencies look to the firm for complete performance under that contract.

The industrial system of this country has been described as the "subcontract solar system" whereby groups of skilled subcontractors revolve about major prime contractors. As was pointed out last month, subcontracting operations are very important in the fourth district. This, together with the fact that a major portion of the contracts awarded have been for shipbuilding and airplane manufacture—industries which are located largely outside of this district, accounts in part for the fact that a relatively small amount of direct Government contracts has been placed with plants in this area. At the present time, as a result of awarding large, and in some cases numerous contracts to relatively few concerns, the problem of subcontracting assumes more than usual importance. Facilities of parts and material concerns, which customarily supply the companies to which Government contracts have been awarded, are rapidly becoming completely occupied even though the production phase of the defense program is just getting under way.

At the same time, however, there is felt to exist facilities in other plants which are unknown to companies receiving Government contracts. A number of these might well be utilized in defense work. This is especially true of strategic equipment in such plants which is used only incidentally in the completion of the companies' peace-time products. Many of these concerns are anxious to obtain additional orders and also assist the defense program. The new program is designed to bring together the plants seek-

ing subcontracting assistance and the companies wishing additional work which are equipped to handle such work.

Information with respect to facilities available at subcontracting plants is to be assembled and cataloged in such a way that assistance may be given to principal contractors who might be seeking subcontracting facilities. Through the services of the Defense Contract Department now being organized, it may also be possible to advise some subcontractors how to adapt their facilities to defense work.

Not all companies wishing subcontract work are equipped mechanically or with personnel to do the type of work that is required in many cases. However, as defense production steps up and subcontracting facilities are needed by primary contractors, it is hoped concerns which can best do that part of the defense job will be drawn into such service so the program can be completed in the shortest possible time.

Any company wishing to make known its facilities which might be adapted to defense work and any company requiring subcontracting assistance should communicate with the Federal reserve bank of its district.

#### DISTRICT BUSINESS SUMMARY

Since many important fourth district industries have operated near the practical limits of capacity for some time, there was little fundamental change in the general rate of activity during January, save that several new monthly records were established. Operating schedules in a few continuous production industries like steel were rearranged early in February in order that deteriorated facilities might be renewed, but in many cases suspensions at one plant were offset by resumption of output at another. Incoming business continued in large volume, especially for heavy goods and other items directly related to the defense program, though some leveling off in demand for certain types of products, especially style merchandise, appeared in mid-February. Retailers generally had ordered spring and summer lines in somewhat greater quantities than usual when goods were first offered, and the subsequent decline consequently was largely seasonal in nature. Though reorders were received by manufacturers, they were not in sufficient volume to maintain backlogs, prompt shipments being made according to requests. In some other industries, unfilled orders continue large, after reaching record levels.

Further improvement was evident in Ohio industrial employment during January. The seasonally adjusted index computed by the *Bureau of Labor Statistics* rose one point to 118 percent of the 1926 average. A year ago the index was 95; at the peak in 1929 it was 118. Greatest gains reported last month were at electrical machinery factories and automobile plants.

Although dollar value of sales declined somewhat more than seasonally from the high December total, volume of retail trade at reporting fourth district department stores last month was the best for any January since 1929. Sizeable increases over a year ago were reported during the first weeks of February. Gains averaging approximately 20 percent were well distributed among principal trading centers.

Because coastal yards are filled with Navy and Maritime Commission work, shipbuilding on the Great Lakes has assumed a significance unapproached since World War years. Twelve anti-submarine net tenders are to be constructed by a fourth district firm. In addition, four ocean fishing trawlers, which in more ordinary times probably

would have been laid down at an Eastern yard, are to be built on Lake Erie between now and November. A large ore carrying company has announced its intentions to have two bulk freighters completed before the 1942 Great Lakes' navigating season. One of the Navy vessels was launched early in February, the first ship to come off construction ways into Lake Erie in recent years.

#### FINANCIAL

**Reserve Bank Credit** Federal Reserve Bank of Cleveland condition statements showed little change in the volume of credit outstanding during the four weeks ended February 19, save that there was a steady decline in the amount of bills discounted for member banks and in direct industrial advances. However, the dollar change was comparatively small in both cases. Discounts decreased to \$53,000 from \$93,000 during the four weeks. This amount of borrowing was done by only a few small banks, for most possessed large excess reserves. On January 31, reserves maintained by member banks in this district were 131 percent in excess of requirements.

Direct advances to industrial concerns under section 13b of the Federal Reserve Act increased slightly during the first two weeks of the latest period, but then receded to the lowest total—\$217,000—given on any reporting date in more than six years.

In addition to making direct loans for working capital purposes, or issuing commitments to make such loans, reserve banks may make commitments to take over all or an agreed portion of loans made by financing institutions (ordinarily the bank with which the concern involved does business) to established industrial or commercial businesses.

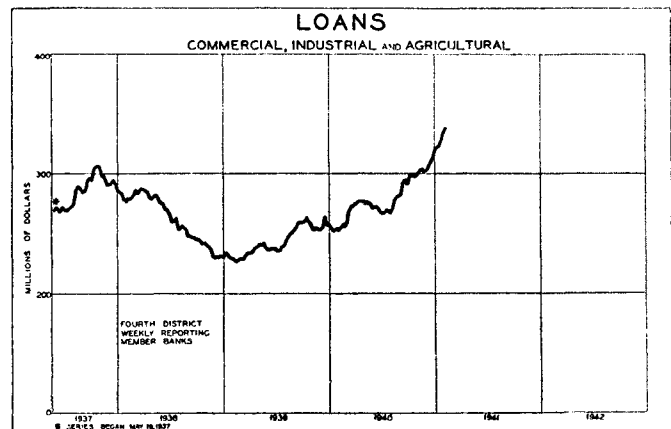
Rates established by Federal Reserve Bank of Cleveland on February 1 with respect to advances and commitments under section 13b of the Federal Reserve Act, are:

Advances direct to industrial or commercial businesses, 3½ to 5 percent per annum.

Advances to industrial or commercial businesses made through financing institutions, rate fixed by financing institution.

Advances to financing institutions secured by obligations evidencing working capital loans made under the provisions of section 13b:

On portion of such advances for which the financing institution remains obligated, 1 percent per annum less than the rate to the borrower.



On portion for which the financing institution is relieved of responsibility, same as rate to the borrower.

Commitments with respect to:

Direct loans by Federal reserve bank,  $\frac{1}{2}$  percent per annum.

Loans made by financing institutions:

On undisbursed portion of loan,  $\frac{1}{4}$  percent per annum.

On disbursed portion of loan, if rate to borrower is less than  $3\frac{1}{2}$  percent per annum, not to exceed  $\frac{3}{4}$  percent per annum.

On disbursed portion of loan, if rate to borrower is  $3\frac{1}{2}$  percent per annum, or more, not to exceed 1 percent per annum.

Commitments made by Federal Reserve Bank of Cleveland have increased slightly in dollar volume since the beginning of the year, but at \$745,000 on February 19 they were about 25 percent smaller than on the corresponding date a year ago.

Reserve bank holdings of Treasury obligations remained constant at \$215,303,000 during the four latest weeks. This compares with \$252,665,000 a year ago.

Note circulation of this bank declined during January from the pre-holiday level, only to expand considerably in the latest four weeks. On February 19, \$547,687,000 of Federal reserve notes were outstanding. This total is less than one percent under the seasonal peak reported Christmas week.

**Member Bank Credit** Commercial, industrial, and agricultural loans of fourth district weekly reporting member banks have risen almost uninterruptedly for 26 consecutive weeks, as the accompanying chart indicates. Most marked increases have occurred since late November when distribution of defense orders became more widespread and an increasing amount of subcontract work was arranged for by manufacturers holding direct Government contracts. A net increase of \$14,000,000 in commercial loans was reported by leading banks in this district in the two weeks ended February 19. Amounting to \$352,000,000 on February 19, such loans were  $7\frac{3}{4}$  percent larger than four weeks earlier and 19 percent above the total reported at the peak in 1937. Loans for other than commercial, industrial, and agricultural purposes showed practically no change since the beginning of the year.

Member bank security portfolios were altered somewhat during the four weeks ended February 19. Holdings of Treasury bonds were reduced \$12,000,000 while Treasury note ownership was increased \$34,000,000, continuing the exchange of long-term for short-term obligations evident in recent months. Part of the larger note holdings represented purchase by banks in this district of a portion of the defense issue sold by the Treasury late in January.

Adjusted demand deposits at fourth district banks which report weekly were slightly larger on February 19 than four weeks earlier; there had been a marked expansion late in January to the highest total—\$1,634,000,000—ever reported. Subsequently there was a moderate decline. Time deposits continued to increase during the period.

#### NEW MEMBER BANK

The Killbuck Savings Bank Company, Killbuck, Ohio.

#### MANUFACTURING, MINING

##### Iron and Steel

The expansion in steel production that had continued uninterrupted since mid-summer 1940, with the exception of the seasonally expected holiday recession at the year end, halted momentarily late in February. For six consecutive months previously, national output exceeded 6,000,000 net tons per period, a performance never before approached. January production established a new monthly record at 6,943,084 tons for all types of raw steel. The sustained high rate of activity resulted in deterioration of metal-producing facilities, and steelmakers late in February withdrew a considerable number of furnaces for relining. Operations were estimated at 94.6 percent of theoretical capacity the third week in the month, after averaging 97 percent during January. The following week the estimate was 96.3 percent.

Operations in both the Pittsburgh and Youngstown regions were hampered late in January and early in February by labor stoppages. A dispute closed all departments of one plant near Pittsburgh, but furnace additions at other mills offset any loss in raw steel production, the district rate remaining at  $95\frac{1}{2}$ - $96\frac{1}{2}$  percent of capacity from early January until mid-February. At that time several melters shut down a number of open hearths for relining, and the rate declined two points. In the Youngstown territory ingot production moved off from 94-95 percent to 90 percent. After operating at theoretical capacity for five consecutive weeks, Wheeling mills suspended for furnace repairs the third week in February, the rate dropping twelve points. Schedules in the Cincinnati and Cleveland-Lorain areas were held at 95 percent and  $84\frac{1}{2}$  percent, respectively, during the first three weeks of the month.

Three blast furnaces in the fourth district, two of which had not been operated for nearly 40 years, have been taken off the list of stacks available for use, leaving 186 in the territory where pig iron producers depend primarily upon Lake Superior iron ore; 167 of these were in operation on February 1, one more than a month earlier. The greatest proportion of these furnaces is located in this district. Throughout the nation, there are 229 stacks which might be operated; on February 1, 205 of this number were active. January pig iron production was 4,666,233 net tons. This record-breaking total compares with 4,542,864 tons in the previous month and 4,024,556 tons a year ago.

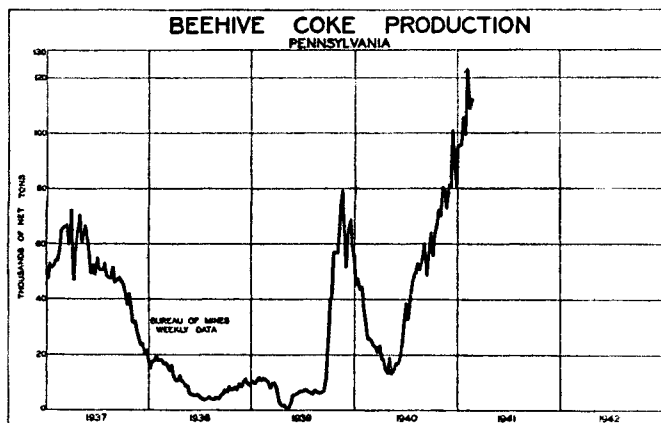
Consumption of iron ore has risen steadily during the last nine months. Reaching an all-time peak, 6,333,018 gross tons of Lake Superior ore were used during January. Stocks at consuming furnaces and on Lake Erie docks were reduced accordingly to 29,794,047 tons at the month end. A year before, when consumption was averaging approximately 4,750,000 tons per month, inventories were two percent greater.

Sales of many steel companies during January were larger than those of the previous month, comparing in some instances with October's, which were the best in 1940. Record shipments of finished products from mills were reported in January by several manufacturers, but backlogs of unfilled orders generally were increased further. Consumers recently have been purchasing farther ahead than was the practice late last year; a number of specifications call for third quarter delivery. Few mills have been accepting business from other than regular customers, and some have rationed types of steel in greatest demand.

**Coal** Stimulated by unusually heavy demand from pig iron and steel producers who in recent months have been making more raw metal than at any other time in the past, weekly output of coke at beehive ovens in Pennsylvania early in February was at the highest level since these data first were published four years ago. Supplies of by-product coke, made principally at fully-integrated steel plants, have been inadequate for record-breaking pig iron production, and manufacturers have purchased increasingly larger quantities of beehive coke as additional blast furnaces have been put in operation. To meet this expanding demand, great numbers of beehive ovens in Western Pennsylvania, the country's most important beehive coke producing area, have been rehabilitated and placed in production. More than 7,100 ovens in the Fayette County field were operating in mid-February, compared with approximately 5,000 three months earlier. Many ovens are operating for the first time since World War years, and others are being rebuilt.

At 16,603,000 net tons, last month's bituminous coal output at mines in this district was nine percent greater than it was in December, and the best for any January in a decade. National production was  $2\frac{1}{2}$  percent smaller this January than last. Some fourth district operators in mid-February noted that many industrial consumers continued to maintain stock piles, purchasing at about the rate supplies were used. Wholesale dealers reported no material change in demand from mid-January to mid-February, save that colder weather in the latter month increased retail deliveries.

**Automobiles** Automobile assembly schedules were stepped up rapidly after the year-end shutdown, and domestic production last month established an all-time record for January. Amounting to 500,931 units, according to the *Department of Commerce*, output was  $3\frac{1}{2}$  percent greater than that of December, and the best for any month since May 1937. Further expansion was reported in February; United States and Canadian production was estimated by *Ward's* at 129,240 units the third week in the month. The continued high rate of activity reflected not only unusually brisk retail demand for this season of year, but also efforts of manufacturers to provide large dealer stocks against the eventuality of possibly limited production should the industry participate more actively in the defense effort.



During January 371,800 passenger cars and trucks were delivered to purchasers, according to estimates of the *Automobile Manufacturers' Association*. This total compares with 379,700 units in the previous month and 285,400 a year ago. Since January production exceeded deliveries by approximately 120,000 cars, it is evident that inventories in transit, in warehouses, and on dealers' floors were enlarged last month, probably to record levels. In some fourth district cities, distributors contracted for storage space in public warehouses. Used car inventories also were reported larger than those at the peak late last spring.

Operations of many fourth district parts and equipment manufacturers were increased early in the year in anticipation of expanding output at automobile assembly plants. Working forces were substantially larger than those of a year ago, and a few additions were reported in early February when schedules were rearranged somewhat. One correspondent noted in mid-February a heavy demand for truck items. In addition to producing ordinary parts and accessories, several equipment makers have been doing subcontracting work for airplane, truck, and tractor companies. Some also have received sizable direct Government contracts for shells, fuzes, boosters, and other ammunition components.

**Rubber and Tires** Defense contracts received by major rubber companies in this district to a large extent have been superimposed on a somewhat better-than-ordinary demand for tires and mechanical goods. As a consequence, the continued high rate of activity in most divisions of the industry has been reflected in extraordinarily heavy consumption of crude rubber. United States manufacturers in January used 64,225 gross tons, a new high for a single month. This compares with consumption of 56,539 tons in December and 54,978 tons a year ago. Volume production of defense items, such as gas masks, tank tracks, barrage balloons, and special heavy-duty tires for mechanized artillery, fabrication of which requires comparatively large amounts of rubber, has been reported.

Although 10,000 tons less crude rubber were imported last month than in December, January receipts of 86,833 tons were the second best on record, and exceeded those of a year ago by 20 percent. Inventories were increased accordingly. However, a greater proportion of total imports was consigned to the Rubber Reserve Company last month than in other recent periods; 96 percent, or 21,527 tons, of the excess of receipts over consumption was added to the strategic material pool. Amounting to 340,847 tons, total stocks on January 31 were the largest for any inventory date in six years.

Tire production increased  $9\frac{1}{2}$  percent between December and January, somewhat less than did crude rubber consumption; 5,472,043 casings were made last month, compared with 4,998,520 in December and 4,953,585 a year ago. Manufacturers' shipments declined during January for the third consecutive month, largely as a result of smaller original equipment sales. Replacement demand increased about seasonally in January from the previous month, and exceeded shipments of a year ago by nine percent. Factory sales totaled 4,846,991 casings, compared with 4,270,137 last year. During December 4,971,504 tires were shipped.

**Clothing and Textiles** Clothing manufacturers began shipping spring and summer merchandise about the middle of January. Backlogs of unfilled orders were reduced seasonally after that time as shipments continued large. Employment at Ohio needlework factories declined three percent from December to January, according to *Bureau of Labor Statistics* data. Payrolls dropped more sharply, by 28 percent. Experience was not similar at all shops. A few were operating near capacity, on a single shift basis, during the first weeks of February, as they had done in the previous month. Incoming business was in sizable volume and some could not readily handle fill-in orders for heavy-weight goods specifying immediate delivery.

Though clothing makers still were concerned about supplies of cloth, they apparently were less apprehensive early in February than a month before. Prices on representative woolen fabrics for the fall and winter season announced by leading textile manufacturers late in January averaged approximately 25 cents per yard higher than quotations on comparable cloths published last August for the current season. Speculative buying reportedly was being discouraged, and in some instances cloth was being allocated on the basis of a clothing maker's average consumption during the last five years. In other cases, textile companies had limited the amount of goods for which their selling agents might contract. Congressional action permitting the Quartermaster Corps to advertise and accept bids for heavy-weight goods required next winter perhaps had a somewhat steadying influence on the market. In the past, such quotations could not be called for before late summer.

**Other Manufacturing** New business received by many important fourth district manufacturing industries continued in large volume during January and the first part of February, exceeding that of a year ago by a considerable margin. Despite the fact that production schedules were stepped up further in many instances, backlogs of unfilled orders generally increased during January.

Purchasers of small tools recently have been requesting more prompt deliveries than had been specified late last year, according to correspondents in mid-February. Operations have been maintained near capacity for several months, but production has not kept pace with the volume of incoming business.

The malleable and steel castings divisions of the foundry industry have been operating at about 90 percent of capacity, producing approximately 170,000 tons of castings per month. An estimated five to ten percent of recent production has been of war materials. A number of orders for shell and bomb castings have been received, but this type of work has accounted for only a small proportion of the industry's defense orders.

January sales for both new equipment and repair work by members of the *Foundry Equipment Manufacturers' Association* were the largest ever reported, the combined index reaching 285 percent of the 1937-39 base. This is 21 points above the previous peak reported last October.

Inability of manufacturers to get dies hampered operations at some drop forgings plants, with the result that unfilled orders piled up gradually. In the die castings' industry, a tight supply situation existed in zinc and aluminum. Nevertheless, production schedules in both cases were near capacity, though future operations were uncertain.

Further increases in the volume of new business booked by heavy electrical equipment manufacturers were noted last month. January orders outstripped production and backlogs rose accordingly. Demand was greatest for heavy apparatus, there being the customary seasonal decline in orders for heating devices and household appliances.

Flat glass makers expanded operations during January, and though there was some slackening in automotive buying the following month, schedules were only slightly curtailed. Operating at 96 percent of rated capacity, manufacturers in January made more window glass than during any other month in recent years. Production of 1,561,000 boxes compared with 1,458,000 boxes in the previous month and 1,413,000 boxes a year ago. Inventories of plate glass were reduced moderately during January, despite the fact that production of 19,350,000 square feet was the best for any month since June 1937.

Since much of the business written at the mid-winter china and glass shows held in January specified more prompt delivery than ordinarily is requested, unfilled orders of both dinnerware and glassware manufacturers have been reduced in recent weeks as these orders were filled. A high rate of activity has been maintained in both industries, production of pressed and blown glassware being unusually large for this season of year. In mid-February, operations in the dinnerware division of the ceramics industry were averaging approximately 95 percent of capacity.

Starting on the road somewhat earlier than usual last fall, shoe salesmen had covered their territories fully by mid-January; after that time there was some decline in the volume of new orders received by factories. Actual fourth district production last month was the best for any January since data first became available in 1923, but the increase from the high December level was slightly less than might have been expected seasonally.

Considerable improvement was evident in the paper, paperboard, and carton industries early this year. Some large paper manufacturers reported January sales to be 25 percent greater than those of the previous month; compared with a year ago, orders were up approximately one-third. Production continued to outstrip the volume of incoming business and inventories were increased somewhat further. Box makers' purchases of paperboard expanded markedly during January and the first part of February. Unfilled orders of National Paperboard Association members in mid-month were only slightly smaller than those at the peak early last summer. Some consumers of paper boxes and cartons who customarily make commitments for fall and Christmas goods late in the spring have been ordering such merchandise in recent weeks, according to correspondents. Ordinary requirements were being taken out more freely than during past months.

Paint makers in mid-February reported some shortage of essential materials; aluminum powder, toluol, and a few chemical products were rather difficult to obtain. Consequently, production was not expanded as the volume of new business increased. Incoming orders of some companies were nearly double those of a year ago.

## TRADE

**Retail** Dollar volume of retail trade in the fourth district declined somewhat more than seasonally during January from the high level attained in the closing months of 1940, but gains

over a year ago were marked. Reporting department stores had an average increase in sales of  $7\frac{1}{2}$  percent as compared with January 1940. Basement store volume was up four percent. The seasonally adjusted index of total department store sales at 100.3 percent of the 1923-25 average in January was the highest for that month since 1929. For the fiscal year ended January 31, sales of all reporting stores showed a gain of eight percent when compared with the previous twelve month period. Somewhat greater than average increases were noted in Cincinnati and Erie. Inventories at the end of January were slightly larger than those held a year earlier, in most instances.

Retail outlets other than department stores also reported volume of January trade over that of the corresponding month last year. On an individual unit operated basis, chain grocery sales were up 15 percent last month, declining only two percent from the December level. Chain drug sales, also per individual store operated, were off 33 percent in January from the high volume of the previous month, but three percent above those of a year ago.

Wearing apparel shops last month had a sales increase of five percent over January 1940. Accounts receivable were four percent larger at the end of the month this year than last. Collections during January were up seven percent when compared with a year ago.

**Wholesale** Total sales of 216 wholesale concerns in the fourth district cooperating with the Bureau of the Census were 20 percent larger this January than last. Greatest gains were reported in Cleveland and Canton, increases there being 35 percent and 29 percent, respectively. Sales in all groups except clothing and furnishings and dry goods were equal to or better than those of a year ago. Declines in the two lines were small, two percent and four percent, respectively.

Combined inventories of reporting merchants on January 31 were six percent larger than those of a year before, on the average. However, experience varied somewhat; dry goods firms reported a ten percent decline in stocks. Sharp increases of 30 percent in inventories of electrical goods, 27 percent in meats and meat products, and 22 percent in plumbing and heating supplies were noted.

### CONSTRUCTION

Comparatively mild and open weather in many parts of this district for a number of weeks after the beginning of the year was well suited for most outdoor construction work, and contracts awarded for residential buildings last month were the

second best for any January since 1928. Amounting to \$11,045,000, eight percent under the December total, awards were exceeded only in January last year when contracts were let for two United States Housing Authority projects in and near Pittsburgh costing \$7,000,000. No comparably large Federal program was undertaken this year; the only project of any considerable size was for 219 one-family dwellings costing \$794,000 to be erected in Barberton, Ohio. Privately-owned building accounted for 91 percent of the residential total last month, compared with 48 percent a year ago. More work was started in all sections of the district this January than last, but percentage gains were greatest in Southern Ohio and Western Pennsylvania. Dollar value of awards was twice as large as those of the previous year, in both instances. A greater amount of speculative building of one-family houses for sale or rent was the principal factor effecting this increase. In Northern Ohio, contracts for single-unit homes for owner occupancy were one-third larger last month than those of January 1940.

As indicated in the accompanying chart, labor and materials costs of building a frame residence in each of three large industrial areas of this district have risen steadily during the past two years. Since the base of each index is local 1926-29 costs expressed as percentages of United States average prices for these same years, direct comparisons between the computed indexes of the various territories should not be drawn because the 1926-29 base index was different in each instance. Greatest gains, in every case, were during the last four months of 1940 when extraordinarily heavy demand from both the Government and private builders, including industries enlarging plant facilities or erecting new factories, raised prices of building materials, especially lumber.

Dollar value of non-residential construction contracts let in this district also has remained at relatively high levels this winter. Though declining rather sharply from the unusually large totals reported monthly during the fourth quarter of 1940, awards for factory construction in January were the second best for that month in twelve years.

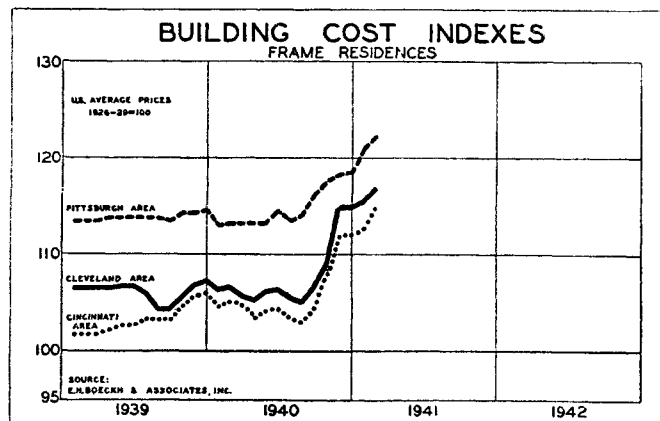
With retail distributors increasing deliveries of lumber and builders' supplies substantially so far this year in comparison with last January and February, several wholesalers in mid-month reported that February shipments of some items were twice those of a year ago. There also was a materially greater demand from industrial consumers for crating lumber and plant construction materials. Much of this business was attributed to the defense program.

### AGRICULTURE

**Acreage Allotments** The 1941 acreage allotments promulgated by the *Ohio Agricultural Conservation Committee*, for soil-depleting crops grown on Ohio farms indicate some reduction this year in planted acreage under conservation control. The accompanying table lists allotments by principal crops for the 1940 and 1941 growing seasons together with total acreage harvested last year.

#### STATE OF OHIO

Soil Depleting Crop	Acreage Allotment 1940	Acreage Harvested 1940	Acreage Allotment 1941
Corn	2,396,291	3,220,000	2,386,441
Wheat	1,838,127	1,960,000	1,847,042
Potatoes	32,100		24,912
Cigar Leaf Tobacco	17,649	16,200	17,471
Burley Tobacco	13,264	13,800	
Commercial Vegetables	75,684		60,579
Sugar Beets	44,781 (planted)	41,000	



Acreage allotments for burley tobacco and sugar beets have not yet been announced, though it is believed that this year's allotment for burley will be slightly higher than that for 1940. The State allotment for sugar beets perhaps will be cut proportionately to the national allotment which has been reduced 16¼ percent. The commercial vegetable and potato allotments are not directly comparable, since in 1941 fewer counties are included in what is considered to be the producing area for that portion of these crops which is sold on markets or is canned. Total acreages of commercial vegetables and potatoes harvested last year are not available.

**Tobacco** All Kentucky burley tobacco auctions closed before February 15, after six to ten weeks of sales. Offerings late in the season were of comparatively poor quality, and prices averaged as low as \$7.79 per hundredweight on some markets shortly before they closed. An unofficial total 294,765,000 pounds were disposed of on 22 Kentucky auctions during the marketing season at an average price of \$15.81 per hundred pounds. During the 1939-40 trading season, a seven percent smaller poundage of somewhat better quality tobacco sold for \$17.70 per hundredweight, on the average.

**Wholesale and Retail Trade**

(1940 compared with 1939)

	Percentage Increase or Decrease		
	SALES January 1941	STOCKS January 1941	COLLEC- TIONS January 1941
<b>DEPARTMENT STORES (52)</b>			
Akron.....	+16.1	+ 4.7	+15.2
Canton.....	+16.6	a	a
Cincinnati.....	+10.8	+10.4	+ 3.4
Cleveland.....	+ 8.5	+ 0.8	+ 9.9
Columbus.....	+ 0.8	+ 7.8	+ a
Erie.....	+12.8	+ 8.1	+ a
Pittsburgh.....	+ 5.4	+ 1.0	+ 6.8
Toledo.....	+ 2.7	+ 5.7	+12.0
Wheeling.....	+ 2.7	+ 5.0	+ 4.0
Youngstown.....	+ 5.1	a	a
Other Cities.....	+ 9.6	+ 1.7	+ 8.3
District.....	+ 7.7	+ 3.4	+ 7.1
<b>WEARING APPAREL (12)</b>			
Cincinnati.....	+16.9	+ 9.0	+ 6.5
Cleveland.....	+ 0.4	+ 6.4	+ 8.1
Pittsburgh.....	+ 2.3	+ 5.5	+ 1.3
District.....	+ 5.3	+ 5.1	+ 7.2
<b>FURNITURE (37)</b>			
Cincinnati.....	+40.0	a	+ 9.9
Cleveland.....	+16.0	a	+14.9
Columbus.....	+34.3	a	+16.8
Dayton.....	+36.4	a	+20.1
Toledo.....	+30.3	a	+ 2.1
Other Cities.....	+83.8	a	+19.5
District.....	+30.5	a	+14.9
<b>CHAIN STORES*</b>			
Drugs—District (5).....	+ 2.9	a	a
Groceries—District (4).....	+14.6	a	a
<b>WHOLESALE TRADE**</b>			
Automotive Supplies (10).....	+ 1.0	+ 3.8	+21.9
Beer (7).....	+25.0	+17.6	a
Clothing and Furnishings (5).....	+ 2.2	a	+ 3.8
Confectionery (3).....	0	a	+ 3.0
Drugs and Drug Sundries (6).....	+12.2	a	0
Dry Goods (7).....	+ 3.7	+10.2	+ 7.3
Electrical Goods (19).....	+47.7	+27.8	+30.4
Fresh Fruits and Vegetables (6).....	+ 7.9	+ 6.8	+10.1
Furniture & House Furnishings (3).....	+46.7	a	a
Grocery Group (48).....	+ 8.6	0	a
Total Hardware Group (37).....	+38.6	+11.9	a
General Hardware (7).....	+12.8	+13.3	+10.5
Heavy Hardware (4).....	+43.1	a	+31.1
Industrial Supplies (14).....	+50.4	+ 6.5	+33.9
Plumbing & Heating Supplies (12).....	+46.2	+22.3	+35.5
Jewelry & Optical Goods (3).....	+55.6	a	a
Machinery, Equip. & Sup. (exc. Elect.) (7).....	+41.1	+14.8	+87.2
Meats and Meat Products (4).....	+ 4.7	+26.5	+ 4.5
Paints and Varnishes (6).....	0	+ 8.2	+34.1
Paper and its Products (7).....	+ 9.0	+ 2.0	+ 9.3
Tobacco and its Products (17).....	+ 8.9	0	+ 9.7
Miscellaneous (21).....	+31.3	+11.3	+16.3
District—All Wholesale Trade (216).....	+19.5	+ 6.3	+15.9

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

**Fourth District Business Indexes**

(1923-25 = 100)

	Jan. 1941	Jan. 1940	Jan. 1939	Jan. 1938	Jan. 1937
Bank debits (24 cities).....	111	90	78	80	96
Commercial Failures (Number).....	36	45	69	64	34
(Liabilities).....	30	19	33	55	27
Sales—Life Insurance (O. and Pa.).....	79	83	109	73	86
—Department Stores (48 firms).....	75	70	67	67	69
—Wholesale Drugs (6 firms).....	142	126	118	111	117
—Dry Goods (7 firms).....	39	41	35	32	46
—Groceries (48 firms).....	77	71	66	69	70
—Hardware (33 firms).....	91	67	54	53	75
—All (94 firms).....	80	70	62	63	72
—Chain Drugs (5 firms)*.....	94	92	91	91	95
Building Contracts (Total).....	62	52	57	41	60
(Residential).....	64	83	48	22	65
Production—Coal (O., W. Pa., E. Ky.).....	92	88	70	59	84
—Elec. Power (O., W. Pa., E. Ky.).....	50	54	24	22	33
—Elec. Power (O., Pa., Ky.)*.....	243	234	208	193	207
—Petroleum (O., Pa., Ky.)*.....	116	121	117	128	127
—Shoes.....	126	99	123	109	98

\* Per individual unit operated.  
\*\* December.

**Debits to Individual Accounts**

(Thousands of Dollars)

	4 Weeks ended	% change from	Year to Date	Year to Date	% change from
	Feb. 19, 1941	1940	Dec. 26, 1940 to Feb. 19, 1941	Dec. 28, 1939 to Feb. 21, 1940	1940
Akron.....	72,339	+22.7	152,255	128,316	+18.7
Butler.....	9,654	+12.4	19,879	18,246	+ 8.9
Canton.....	43,320	+31.0	87,233	69,713	+25.1
Cincinnati.....	343,815	+16.2	715,796	610,337	+17.3
Cleveland.....	616,119	+17.9	1,360,720	1,132,389	+20.2
Columbus.....	163,400	+ 4.7	335,552	312,146	+ 7.5
Dayton.....	74,144	+23.4	154,000	127,463	+20.8
Erie.....	30,059	+17.8	62,523	53,536	+16.8
Franklin.....	3,040	+ 2.0	6,287	6,215	+ 1.2
Greensburg.....	7,224	+12.6	15,538	15,389	+ 1.0
Hamilton.....	11,876	+18.8	24,130	20,581	+17.2
Homestead.....	3,511	+24.0	7,089	5,871	+20.7
Lexington.....	29,826	+ 7.5	67,782	70,154	+ 3.4
Lima.....	14,435	+13.1	30,659	29,003	+ 5.7
Lorain.....	5,010	+ 5.1	10,388	9,489	+ 9.5
Middletown.....	12,518	+12.4	25,425	23,133	+ 9.9
Oil City.....	8,978	+ 5.8	19,199	20,869	+ 8.0
Pittsburgh.....	787,539	+21.9	1,816,824	1,320,546	+37.6
Sharon.....	9,647	+14.7	18,947	16,391	+15.6
Springfield.....	18,194	+18.9	37,074	30,796	+20.4
Steubenville.....	9,354	+ 5.3	19,119	17,876	+ 7.0
Toledo.....	127,577	+14.2	276,417	232,667	+18.8
Warren.....	12,549	+38.3	25,508	18,893	+35.0
Wheeling.....	29,346	+22.5	62,047	51,538	+20.4
Youngstown.....	50,388	+15.8	105,652	96,444	+ 9.5
Zanesville.....	8,416	+13.7	17,987	15,771	+14.1
Total.....	2,504,278	+17.6	5,474,030	4,453,772	+22.9

**Fourth District Business Statistics**

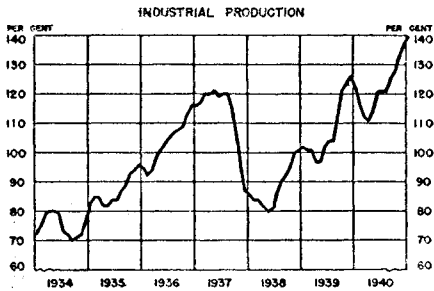
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	January 1941	January 1940	% change from 1940
Fourth District Unless Otherwise Specified.....	January 1941	January 1940	
Bank Debits—24 cities.....	\$3,009,644	2,436,936	+23.5
Savings Deposits—end of month 40 banks O. and W. Pa.....	\$ 796,491	787,758	+ 1.1
Life Insurance Sales: Ohio and Pa.....	\$ 76,243	80,292	+ 5.0
Retail Sales: Dept. Stores—52 firms.....	\$ 18,779	17,465	+ 7.5
Wearing Apparel—12 firms.....	\$ 733	696	+ 5.3
Furniture—37 firms.....	\$ 762	584	+ 3.5
Building Contracts—Total.....	\$ 29,475	24,843	+18.6
—Residential.....	\$ 11,045	14,193	+22.2
Commercial Failures—Liabilities.....	\$ 1,333	830	+60.6
—Number.....	53	65	+18.5
Production: Pig Iron—U. S..... net tons	4,666	4,025	+15.9
Steel Ingot—U. S..... net tons	6,943	5,769f	+20.4
Auto—Passenger Car—U. S.....	411,258b	362,736b	+13.4
—Trucks—U. S.....	86,673b	69,365b	+29.3
Bituminous Coal, O., W. Pa., E. Ky..... net tons	16,603	15,930	+ 4.2
Cement—O., W. Pa., W. Va..... bbls.	605	653	+ 7.4
Elec. Power, O., Pa., Ky..... thous. k. w. h.	2,042c	1,969c	+ 3.7
Petroleum—O., Pa., Ky..... bbls.	2,144c	2,243c	+ 4.4
Shoes..... pairs	5,472	4,954	+10.5
Tires, U. S..... casings	5,472	4,954	+10.5

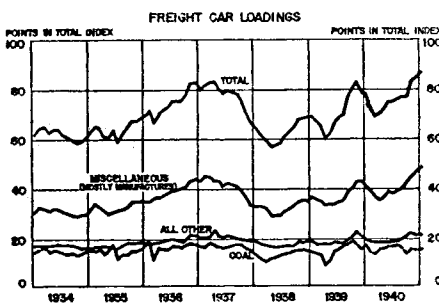
b actual number c December e confidential f revised

## Summary of National Business Conditions

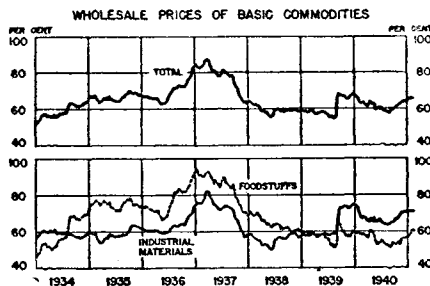
By the Board of Governors of the Federal Reserve System



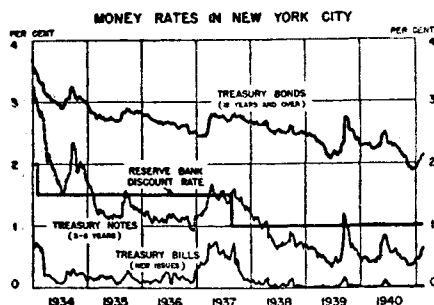
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to January 1941. Latest figure 139 (preliminary).



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to January 1941. Latest figures—Total 86; Coal 15.8, Miscellaneous 48.4, All other, 21.7



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending February 13, 1941. Latest figures—Total 65.7; Foodstuffs 60.0, Industrial Materials 70.8



For weeks ending January 6, 1934, to February 15, 1941. Latest figures—Treasury bonds 2.11, 3 to 5 year Treasury notes 0.60, 91-day Treasury bills (new issues) 0.007, Reserve bank discount rate 1.00.

Industrial activity continued at a high level in January and distribution of commodities was maintained in large volume.

### Production

In January volume of industrial production declined less than seasonally and the Board's adjusted index rose one point further to 139 per cent of the 1935-39 average. There were further considerable increases in activity in industries making machinery, aircraft, ships, and similar products important in the defense program, and output of industrial materials, such as steel and nonferrous metals, continued at near capacity rates. Lumber production also was in unusually large volume owing to demand arising from construction under the defense program as well as from private building.

Automobile production, which ordinarily declines considerably at this time of year, was maintained at a high rate in January and the first half of February. This reflected in part an unusually large volume of retail sales and in part the industry's efforts to build up dealers' stocks of cars as much as possible with a view to having an adequate supply on hand in case priorities or work on defense orders should necessitate curtailment of automobile production. Currently dealers' stocks of new cars are probably near record levels.

In the cotton textile industry, activity in January showed some further increase from the record level reached in December but the rise was less than usually occurs at this season. At wool textile mills there was some decline from the high level of November and December, while output at rayon mills was maintained in large volume. Defense program orders for textiles, particularly wool and cotton products, have been substantial for some time, and these combined with considerable civilian demand have resulted in the accumulation of large order backlogs at most mills. Activity at meatpacking establishments was reduced in January owing chiefly to a sharp decline in hog slaughter, which had been exceptionally large in the latter part of 1940. Shoe production advanced by less than the usual seasonal amount following a high rate of output in November and December.

At mines output of most metals continued at record levels in January. Production of fuels was sustained in large volume but was not at such high levels as output of other minerals owing in part to the existence of considerable stocks, particularly of petroleum products.

Value of construction contracts, as reported by the *F. W. Dodge Corporation*, declined in January. The decrease reflected chiefly a sharp reduction in awards for public construction from the exceptionally large December total, which had included a number of defense projects not previously reported by the *Dodge Corporation* for lack of detailed information. Contracts awarded for private nonresidential building declined somewhat in January but as in December were twice as large as the amount awarded in the corresponding period a year ago. Awards for private residential building increased and on a seasonally adjusted basis were at the highest level since the middle of 1929.

### Distribution

Distribution of commodities to consumers in January was maintained at the high level reached in the latter part of 1940. Sales at department and variety stores declined seasonally following an unusually large amount of Christmas trade, while sales of automobiles continued near the rate prevailing in December. In the early part of February department store sales were sustained in large volume.

Total freight-car loadings, which usually decline from December to January, showed little change this year and the Board's seasonally adjusted index rose two points further to 86 per cent of the 1923-25 average.

### Wholesale Commodity Prices

Prices of industrial materials and foodstuffs generally showed little change from the middle of January to the middle of February. Some imported commodities, principally coffee, cocoa, rubber, and tin, rose slightly and there were increases also in prices of lard and wool tops, while declines were reported for livestock and meats, hides, grains, lumber, and scrap metals. Prices of some finished commodities, particularly textile products, showed advances in this period.

### Bank Credit

Total loans and investments at reporting member banks in 101 leading cities increased substantially during January and the first half of February, reflecting largely purchases of new Defense Notes issued by the Government. Commercial loans at these banks increased further while loans to New York security brokers and dealers declined.

### United States Government Security Prices

Prices of United States Government securities continued to decline in the latter half of January and the first half of February, more than canceling the gains from the end of October to the December peak.