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Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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The increasing tempo of defense production at both new and previously existing plants in the fourth district during late September and the first weeks of October was more than sufficient to offset declines in those industries which, for various reasons, were finding it necessary to curtail production or cease operations entirely. Demand for labor by new airplane engine, powder, and shell-loading plants as well as companies making parts on a subcontract basis was great enough to cause general employment indexes to rise moderately to record high levels; payroll series were steady to fractionally lower, reflecting customary seasonal declines in such industries as clothing and shoes.

Even in most durable consumers' goods lines, where priorities have become limiting factors, output in recent weeks has remained above that of a year ago. Inventories accumulated earlier this year have enabled many manufacturers to continue filling orders for merchandise which still was being bought in large quantities by wholesalers, retailers, and consumers generally.

Owing to anticipatory tax buying in September and to other factors, evidence as to the effect of the Board's installment credit regulation is as yet inconclusive so far as sales of durable consumers' goods and luxury items at stores in this district are concerned. Installment sales of department stores represented the same proportion of aggregate store sales this September as last. While year-to-year increases in dollar sales of most housefurnishings were smaller in September than in other recent months, the gains registered were greater than those in total sales.

In lines more closely related to the defense effort, production continued near practical capacity limits of existing facilities. Steel ingot output of a few fourth district mills early in October was the largest in history. Reported scrap shortage did not appear to be such a rate determining factor as did the necessity for maintenance work. Wider distribution of pig iron was noted under the priorities allocations for October as liquidation of large inventories held by some melters continued. This policy of assigning material on the basis of actual consuming need reportedly enabled a number of small foundries without direct defense work to maintain operating schedules. Many automotive parts plants increased production of defense items to a greater extent than ordinary output was curtailed, and total employment in this industry rose further in September to levels sharply above those of a year ago. Activity in the

rubber industry was well maintained in September. Working forces in all divisions of Ohio factories were the largest since the decentralization movement of the mid-1930's, principally because several companies have expanded their metalworking facilities greatly for the manufacture of armament components and have increased employment accordingly.

Labor disputes have occurred recently at several fourth district plants, temporarily tying up production and occasionally interrupting operations at other factories dependent upon parts from these suppliers. Wages or hours of work generally have not been responsible for the stoppages, but increases in rates often have been specified in the settlements.

FINANCIAL

Member Bank Credit

For the first time this year commercial, industrial, and agricultural loans of member banks in leading cities of the fourth district failed to extend their upward trend. In fact, since the week ended September 17 "business" loans have contracted \$8,000,000, and loans not readily classified, but which in all probability are chiefly commercial, also were down \$8,000,000. There was an increase in loans to brokers and on real estate, but this was insufficient to offset the contraction in commercial borrowing, and total loans extended on October 22 were \$5,000,000 smaller than in the third week of September.

Reflecting chiefly the largest cash Government financing in recent years, weekly reporting member banks added \$23,000,000 to their holdings of Treasury bonds between September 17 and October 22, all but \$8,000,000 of the increase occurring in the latest week. Treasury bills held by local banks rose to the highest level of the year. Holdings of other securities were reduced moderately, but total investments exceeded \$1,400,000,000 for the first time. They represented more than 60 percent of total earning assets of these 40 banks.

Payment for these Government securities was made chiefly by transferring deposits (reserves) with the Federal reserve bank to the Treasurer's account, although war loan deposit accounts also were used, for Government deposits at banks in this area, which had declined to very low levels as a result of recent Treasury withdrawals, increased \$13,000,000 in the latest week. At the reserve bank the Treasurer's general account rose \$67,000,000 in the week ended

October 22, while reserve deposits of member banks were reduced \$41,000,000 in the same period.

Reserve deposits of all member banks in this district exceeded \$1,000,000,000 in mid-October, for the first time. Excess reserves of member banks in the last half of September averaged 106 percent, the same as in August, and present reserves are sufficient to meet the higher reserve requirements and leave an excess of approximately \$425,000,000, or 78 percent. In mid-October the excess was somewhat greater.

Demand deposits at member banks increased quite sharply in the first three weeks of October to new all-time high levels, but time and savings deposits continued little changed.

Defense Bonds

Sales of Series E savings bonds through banks in the fourth district were being made at a slightly higher rate in October than in September or August, but the volume was behind that of July. To October 28, \$34,000,000 in Series E, \$15,000,000 in Series F, and \$62,000,000 in Series G bonds have been sold through banks in this area. Sales of tax anticipation notes aggregated \$197,000,000 up to October 28, of which \$3,000,000 represented sales of Series A tax notes which are usable by individuals in payment of income taxes.

Note Circulation

During the past decade circulation of the Cleveland bank's Federal reserve notes has increased two and one-half times. So far this year the expansion has been \$160,000,000, or 30 percent, in contrast with a gain of 17 percent in all of 1940. In the four latest weeks note circulation in this district rose \$16,000,000, somewhat more than seasonally.

Efforts to ascertain the reason or reasons for this continued demand for currency have not been too fruitful. Over the 13-year period shown on the chart, a number of causes have contributed to the rise; several of these have been discussed before. Some of them have been of a short-term nature such as those in 1933 just prior to the banking holiday, but even though declines have occurred following such increases, the culmination of each of these movements has left money in circulation at a higher level than it was when the outward flow of funds began.

The rise in business activity and the defense program appear to be responsible directly for a good share of the increased demand for currency evident in the past two years in this district. The initial effects of such factors as the decreased use of banking facilities as a result of banking difficulties of about ten years ago, service charges, low in-

terest rates, taxes on bank deposits, and the like, probably have worn off insofar as responsibility for increased currency circulation is concerned. However, as the tempo of business has increased, and more funds are available to a greater number of persons, these same factors probably have contributed, to an unknown extent, to the rise in currency in circulation. This is especially true with respect to the circulation of the smaller denomination currency. Many persons, being accustomed to getting along without banking connections in the years of depression, continue to do without such facilities, thereby contributing to the larger volume of currency outside banks. Low interest rates and the almost universal levying of service charges on checking accounts have been two important factors which have retarded the re-establishing of banking connections by individuals. As of June 30, 1940, the latest date for which information is available, Ohio banks had 2,457,000 savings deposits, 500,000 fewer than a decade before. Comprehensive data concerning the number of commercial accounts at all banks are unavailable. A check of Cleveland banks, however, indicates that there are appreciably fewer commercial accounts than there were ten years ago. The decline approximates 30 percent.

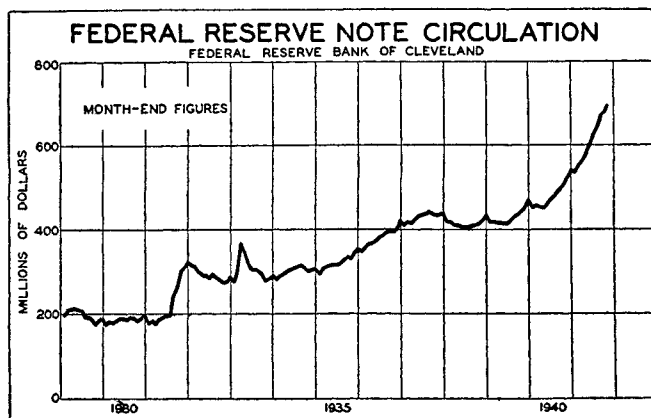
A detailed analysis of note circulation of Federal Reserve Bank of Cleveland is complicated by at least three factors. Gold certificates no longer circulate; and retirement of national bank notes was begun in 1935. To a considerable degree, these were replaced by Federal reserve notes. Also beginning in 1936, circulation of silver certificates expanded quite rapidly. To the extent these silver certificates, which have been paid out by Federal Reserve Bank of Cleveland in \$1, \$5, and \$10 denominations, replace Federal reserve notes, a breakdown of Federal reserve note circulation into small and large-denomination currency is nonconclusive. However, all large-denomination currency in circulation (\$50 and over) is Federal reserve notes. During the past three years there has been an increase of 60 percent in the dollar volume of this bank's \$50 to \$10,000 Federal reserve notes outstanding, while total note circulation (not including silver certificates) has risen 54 percent in the same period. So far as total currency in circulation is concerned, silver certificates issued have more than offset national bank notes retired from circulation.

Increased circulation of large-denomination bills has been taken as a sign of hoarding. To the extent these large bills are located in bank vaults as increased cash on hand (the total of which is up 30 percent at fourth district member banks in the past three years); or in the hands of state, county, or municipal authorities who are unsuccessful in finding banks that are able to accept such funds, which consequently must be kept as cash, figures of currency hoarding may be reduced.

With business activity, retail trade, employment, and payrolls at record levels, with prices advancing, and with the number of accounts at banks well below their peak of a decade ago, when the population in this area was four percent smaller than it is now, demand for currency to transact the record volume of business that is being done this year may account for the major portion of the recent increase in circulation of Federal reserve notes and silver certificates in this area.

New Member Bank

The St. Henry Bank, Saint Henry, Ohio.



MANUFACTURING, MINING**Iron and Steel**

Both iron and steel production, on an average daily basis, were expanded from August to September. Pig iron, as the accompanying chart shows, rose to a new all-time high for the third consecutive month. Daily average ingot output, despite the reportedly critical scrap situation, was the third largest for any single month in history, being exceeded only fractionally in March and May. Labor disputes at mills in other districts interrupted national steelmaking operations in early October, but nevertheless production was advanced to a record rate in mid-month. Subsequently there was a slight decline, apparently occasioned more by labor stoppages and the necessity for equipment repairs rather than shortages of scrap. In the fourth district, output by mid-October had regained the high mid-summer level, after dropping moderately in late September when some open hearths were withdrawn as scrap supplies ran low. The Office of Price Administration's revision of scrap price schedules enabling old metal to move greater distances to steel mills resulted in receipt of some barge shipments at Ohio River points.

Steelmaking grades of scrap were placed under complete priority control in mid-October. Terms of the order, which expressly prohibit excess inventories, authorize the Office of Production Management to issue specific directions for deliveries of scrap and to require from producers, dealers, brokers, consumers, or other persons having scrap complete information as to production, sales, purchases, deliveries, receipts, consumption, and inventories. Such reports are to be filed monthly beginning November 15. Slight temporary improvement in the scrap situation was reported late in October when some tonnages that apparently had been held back in anticipation of increased maximum prices were released prior to the inventory taking date.

Lake Superior iron ore consumption was at the all-time record rate of 214,918 gross tons daily in September—4,200 tons above the previous high reported in August. Heavy ore movement from upper Great Lakes' ports continued last month. September shipments, totaling 10,311,517 tons, were the largest for any similar period in history. Inclement weather and an accident early in the month which closed the Sault Ste. Marie canal for two days slowed down vessel movement in October, but by mid-month more iron ore had been sent to lower Great Lakes' destinations than in any full year on record, over 62,500,000 tons having been loaded.

The second largest inventories of iron ore ever held on October 1 at blast furnaces and on Lake Erie docks were on hand this year; 40,770,000 tons were in storage, 35,000 tons less than on October 1, 1922, when consumption was sharply under the current rate.

Coal, Petroleum

Weekly fourth district bituminous coal production was increased rather rapidly to about the highest level in a decade, following reopening of "captive" mines late in September pending final settlement of a labor dispute that had closed them earlier in the month. While these and some other work stoppages resulted in a small contraseasonal decline in output in September from the unusually high August total, last month's 18,116,000 net ton production of mines in this district was the best for any September since 1926. Work at most "captive" mines, in this district

and elsewhere, was stopped again the last week in October.

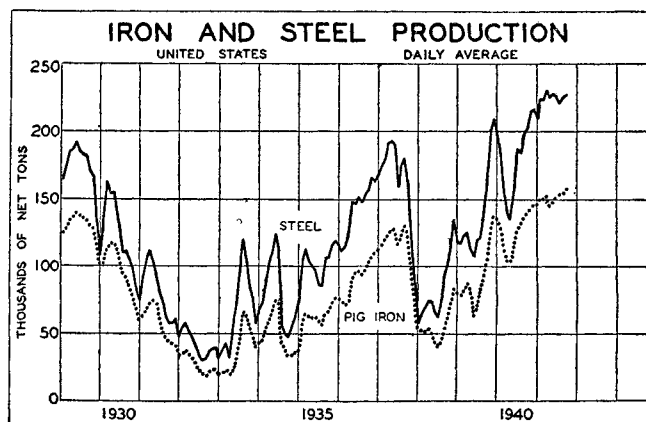
Because unseasonably mild weather prevailed in most localities during the first weeks of October, burning of coal for household heating was held to a minimum. Domestic consumers generally had bought their initial winter requirements earlier this fall, with the result that comparatively little tonnage was moved out of retail yards during the forepart of October. This in turn brought about an unbalanced condition in stocks of prepared coal at many mines. Some users of industrial grades also reduced their orders for solid fuel, but larger consumers continued to buy heavily. Upper Great Lakes demand was brisk, and 6,921,691 tons were shipped north from Lake Erie ports last month, more than for any other September in history.

Greater amounts of crude oil recently have been moving by barges up the Ohio River to refineries in the Cincinnati and Pittsburgh areas. Tank car shipments of both oil and gasoline to the Atlantic Coast from pipe line terminals in this district also have increased since rail freight rates between these points and seaboard refining centers were reduced this summer.

Automobiles

Domestic automobile production in September dropped behind that of the corresponding month a year ago for the first time since August 1940. Factory sales totaled 234,255 units, compared with 269,108 last year and 147,000 in the previous month. Aggregate third quarter output of 826,096 passenger cars and trucks, however, was the third largest for any similar period in twelve years, more vehicles being produced only in the third quarters of 1936 and 1937. This year's high third quarter output came about for two reasons. An unusually large number of 1941 model automobiles were assembled during July, prior to the initial Governmental order restricting passenger car and light truck production which established quotas for the first four months of the 1942 model year—August to November, inclusive. Monthly quotas have since been promulgated for December and January.

The rate of assemblies was increased during September and the first weeks of October, but only to a level which, if maintained virtually unchanged through November, would keep within the quota set. Material shortages early in October appeared to hamper assembly plant operations only slightly. However, some fourth district automotive parts and accessories manufacturers reported in mid-month that many raw material supplies were becoming tighter, possibly foreshadowing an altered situation later in the model year.



While October 1 stocks of several parts companies were larger than those of either the previous month or a year ago, many of them were partially assembled items lacking a small but essential part. In a number of instances, finished goods inventories were high in relation to the volume of incoming business, and manufacturers were attempting to bring them more in line. As a result, operating schedules were being curtailed in the forepart of October. Total working forces, however, continued to be increased since the production of defense items was being expanded further. In some plants, employment was at new high levels for this season.

Incomplete data for the automobile industry indicate that as a result of the well maintained rate of production early this fall distributors and dealers by mid-October had been able to build up showroom stocks to about the highest level for this season in four years. On the other hand, retail deliveries since introduction of new models have been running considerably behind those of a year ago, as well as those of mid-summer. Several factors appear to have influenced the current sales situation, perhaps accounting for some consumer resistance, these include advance buying during the spring and summer, higher prices on 1942 model cars, new taxes, and restriction on installment credit. Changes in merchandising methods, particularly with respect to dealers' trade-in policy, also have been noted.

Rubber and Tires

Previously established quotas on crude rubber consumption for September were revised upward in some instances, particularly to enable processors filling comparatively large defense orders, but having relatively small monthly crude rubber allotments to maintain competitive commercial positions. This, and the fact that manufacturers using less than ten tons of crude rubber per month are not subject to the restriction order, was responsible for the fact that September consumption exceeded the original quota by six percent. During the month 53,655 gross tons were used, compared with 55,365 tons in August and 52,469 tons a year ago.

Fewer vessels arrived at American ports from the Orient during September than in the previous month, and crude rubber imports declined from the all-time record of 105,456 tons in August to 81,743 tons last month, but this was still 3½ percent more than was received last year. As in other recent months, the greater proportion of these imports was added to inventories of brokers, dealers, and manufacturers. Whereas Rubber Reserve Company stocks were increased 7,500 tons to 236,090 tons on October 1, total inventories rose from 444,890 tons to 473,684 tons. Final additions to the 90,000-ton stockpile built up under terms of the original cotton-rubber barter agreement were made during September. On October 1, a new record amount of crude rubber was stored in this country, nearly three times as much as a year before. Fire at an Eastern warehouse early in October destroyed about 18,000 tons of total inventory.

Considerable retail buying of tires for replacement purposes was reported in late September and early October; increased excise taxes were levied after October 1 and manufacturers, with Office of Price Administration approval, raised list prices further the third week in the month. Factory shipments of both original equipment and replacement casings totaled 5,264,357 units in September, 135,000 fewer

than in August, but approximately 800,000 more than a year ago.

For the sixth consecutive month, production in September fell behind deliveries to distributors and dealers. Output was 4,583,324 tires, compared with 5,004,912 in the previous month and 4,412,574 in September last year. As a consequence, manufacturers' tire inventories dropped further to 5,170,008 casings. This is the second lowest level for stocks in twenty years, fewer tires being in producers' hands only on July 1, 1932.

Textiles, Clothing

Operating rates of fourth district needlework shops were curtailed moderately in late September and early October. Working forces in principal manufacturing centers of the district were reduced slightly as producers neared the end of the fall season. However, some concerns making men's wear still were filling rather sizable orders for heavy weight merchandise in mid-October. General indications then were that there would be virtually no slack period this fall, production of spring lines starting early in November.

Salesmen went on the road with new season merchandise somewhat earlier than usual this year. Initial retailer response was said to be good, with sales volume approximating that of a year ago.

While practically all clothing manufacturers have experienced some delay in receipt of certain materials, scheduled operations reportedly have not been interrupted to any great extent. Silk thread and various types of rayon cloth have become scarce, principally as a result of Governmental action limiting supplies or diverting them into other channels. Machine repair parts, particularly those made of metal, had offered the most perplexing problem, but the Supply Priorities and Allocations Board order assigning a priority rating to maintenance and repair items used by producers and wholesalers was expected to alleviate the situation. Woolen cloth requirements for the new season reportedly were well covered, and men's wear manufacturers in mid-October were replenishing inventories to about the levels of a year ago.

Mid-October raw material stocks of cotton garment makers were larger than those of the previous month, but since numerous fabrics were not available on the market, inventories were expected to be reduced substantially in the near future because some increase in production schedules was planned to meet requested delivery dates. Shipments have continued to run sharply above last year's volume.

Other Manufacturing

Operating rates of many other manufacturing industries important in the fourth district were being well maintained in early October. Factory employment generally continued near the high levels of other recent months, though a restricted flow of materials necessitated some curtailment of civilian production in certain lines. While a leveling off in new order volume was noted in September and the first part of October, demand for most types of goods remained comparatively brisk.

Machine Tools The average work week per man throughout the machine tool industry currently is the longest in American industry. As a result of this high rate of activity, shipments of the industry have been expanded to successive record levels. September deliveries had a dollar value of \$68,653,000, or \$4,350,000 more than in August. During

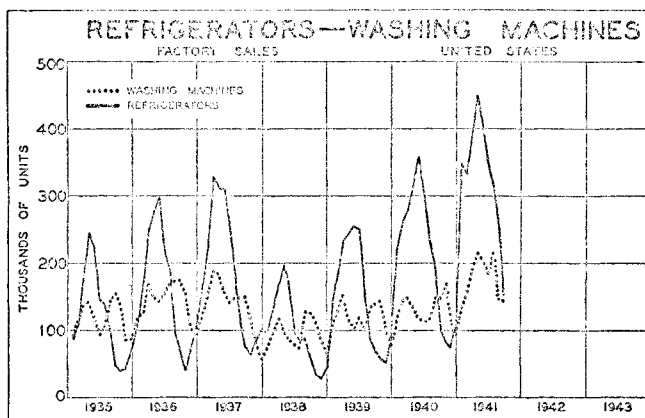
September a year ago, \$42,300,000 worth of tools were shipped to users.

Electrical Equipment and Appliances Electrical goods manufacturers noted a slackening in the volume of new business in September, but orders for heavier equipment still were sharply larger than those of a year ago. The mid-October Governmental order restricting consumption of copper was expected to curtail operations at household appliance factories only nominally since output already had been cut because of material shortages. Early in October, domestic mechanical refrigerator production for the five months beginning August 1 was ordered reduced by 43.2 percent of the average monthly factory sales for the year ended June 30, 1941.

The accompanying chart shows that plant deliveries of electrical refrigerators reached an all-time peak in April, as did those of household washing machines. Since that time, factory sales of refrigerators have declined less markedly than in other recent years, continuing at record high levels for the season throughout the second and third quarters. During the first nine months of 1941, manufacturers delivered 472,000 more refrigerators than in any full year in history. Factory sales of household washing machines exceeded those of corresponding months in previous years until September, when they dropped fractionally below the level of a year ago.

Glass, Dinnerware With several plants, including three in the fourth district, closed during the first part of September by a labor dispute, national production of window glass declined from 1,267,000 boxes in August to 1,123,000 boxes last month. A year ago, 1,002,000 boxes were made. Operations at plate glass factories were not affected by the stoppage, and during September 14,906,000 square feet of glass were polished, 780,000 square feet more than in the previous month. Commercial production in September 1940 was 14,091,000 square feet. Manufacturers in mid-October reported fewer orders for plate glass than earlier this season, not only from automobile body builders, but also from jobbers and mirror makers, who had been buying heavily and perhaps accumulating inventories. Demand for window glass continued strong, and one fourth district company put additional producing facilities in operation early in October. Working forces were increased accordingly.

Pressed and blown glassware manufacturers in mid-October were busy working on unusually large Christmas orders. Sales of heat-resisting glass cooking utensils were particularly good. Prices on most glassware items were raised about ten percent in September.



Conditions in the dinnerware division of the ceramics industry were virtually unchanged during September, as producers continued to operate at practical capacity, compared with about 85 percent a year ago.

Paper, Paperboard Paper production in the United States reached an all-time peak the first week in October; more mills were working seven days, and operations were expanded to 106.7 percent of six-day capacity. Subsequently the rate declined. Some plants in mid-month experienced a scarcity of waste paper, a necessary raw material, but the situation apparently was not serious enough to result in suspensions. Where there was curtailment, work generally was spread, and there were few, if any, furloughs. Additional indications were reported in mid-October that book and wrapping papers were being bought for inventory.

Paperboard makers also increased production to record high levels in October. New orders continued unusually large, and backlogs were being reduced only nominally.

Some fourth district carton manufacturers in mid-October reported a slight decline in the volume of incoming business, but the movement was considered of a seasonal nature. Deliveries were delayed, though somewhat less so than earlier this season.

Shoes Production of fourth district shoe factories declined slightly more than seasonally in September from the unusually high August level. Actual output last month, however, was the third best for any September in the eighteen years of record, being exceeded by small margins only in 1936 and 1939. Some companies have experienced difficulty in getting supplies of metal items and cements. Formal presentation of spring merchandise was made the last week in October.

TRADE

Retail

Many retail organizations in this district in September experienced another buying wave which resulted in gains exceeding 40 percent, compared with a year ago, being recorded in monthly sales. At department stores the increase in September sales over the record high level of August was eight percent, somewhat less than seasonal, but still a good increase in view of the large August volume. The bulk of the buying occurred in the latter half of the month when purchase of luxury goods, on which new excise taxes have been levied since October 1, assumed record proportions. In those two weeks, gains of 45 and 50 percent were recorded in total department store sales alone. For the entire month of September sales of such merchandise as toilet articles were up 61 percent, furs 91 percent, silverware and jewelry 51 percent, sport goods 56 percent, and major household appliances 80 percent. The latter increase is particularly significant in view of the restrictions on installment credit which became effective September 1. In August sales of such merchandise were more than twice those of the year before. Sales of hosiery in September reflected the tremendous buying in August and were smaller than those of a year ago by 13 percent. The August year-to-year gain was 119 percent at stores in this area.

Wearing apparel sales, both at department stores and specialty shops, also were considerably larger in September than a year ago. Women's and misses' ready-to-wear departments at department stores reported an increase of

33 percent in sales, with basement departments handling these same items experiencing an increase of 19 percent. At women's specialty shops total sales were 24 percent larger than those of a year ago. Sales of men's wear were up 18 percent.

Furniture continued to be sold in considerably larger volume in September than a year ago. Fourth district furniture store business was up 25 percent, and department stores reported an increase of 37 percent in their sales of housefurnishings. Neither of these increases was as large as the 44 and 45 percent gains experienced in August when the then forthcoming installment credit regulation stimulated buying of such merchandise.

September sales at chain grocery and drug stores were up 30 and 12 percent, respectively, from those of last year, the gains being slightly larger than the cumulative increases for the year to date.

Higher prices contributed to all retail trade increases to some extent, food costs in leading cities of this district being up 12 percent from a year ago, while *Fairchild's* index of prices at department stores was up 13 percent, and was higher than since 1930.

Despite the large volume of sales at department stores in August and September, these organizations increased their stocks on hand considerably during these two months. At the end of September dollar value of stocks was 37 percent greater than a year ago and the increase in September over August was 16 percent, considerably more than seasonal. Allowing for the fact that inventories usually are increasing at this time in preparation for the holiday season, there was more goods on retailers' shelves in this area than since 1930. In addition, department stores in this section had outstanding orders for merchandise not yet received which were nearly twice as large as those of a year ago at this time. In some cities the increase was considerably more than that.

While advance buying in anticipation of new excise taxes and other factors stimulated late September sales of merchandise covered by Regulation W, which has to do with the extension of installment credit, its enactment appeared to have little effect on the volume of installment sales at department stores in this area. In September, installment sales represented nine percent of total sales at stores reporting, the same as in September 1940. Compared with August, when installment buying was at a high level, partly seasonal, there was a decline. Regular charge sales also accounted for the same share of total sales in the latest month as a year ago. Collections, both on installment and regular charge accounts, were reported in good volume during September and the collection ratios were somewhat higher than a year ago.

Wholesale The gain of 41 percent in wholesale trade last month over that of September a year ago was the largest change in recent years. Increases in sales of machinery and industrial supplies were especially great, reflecting the influence of the defense program. Dealers in all other types of goods, except lumber and building material, concerns which experienced a decline of 14 percent, had gains. During the first nine months of this year, wholesale firms in this area reporting to the *Bureau of the Census* sold 31 percent more merchandise than in the same period of 1940.

Combined inventories of these same companies were in-

creased only slightly last month; however, compared with a year ago, month-end stocks were up 19 percent. There was considerable variation in inventories held, hardware dealers carrying inventories of from one-third to one-half greater than those of last year, while stocks of machinery, equipment, and supplies were down one-third. Wholesale automotive and paint inventories were slightly smaller than those of a year ago.

During September, 84 percent of wholesalers' accounts receivable on the first of the month was collected, compared with 74 percent last year. The percentage increase in the volume of collections from September 1940 to this year was greater than either that of sales or accounts receivable.

CONSTRUCTION

Although daily average dollar value of residential awards was down 1½ percent in September from the unusually high August level, more such building was started in the fourth district during the month than in any similar period in the eighteen years of record. Contracts aggregated \$21,779,000, compared with \$16,735,000 a year ago. Approximately three-fourths of this work is in Northern Ohio, and the major portion of it is one-family houses being built for sale or rent. Included in the district total were three defense housing developments valued at \$2,485,000, or one-fifth of all United States Housing Authority awards made during September.

Low-cost housing of all types in localities adjacent to principal fourth district industrial centers where there is considerable defense activity accounts for much of total residential building. Many projects have been undertaken by private capital, but in recent months Government funds have been utilized for these developments to a somewhat greater extent in this district than in the 37 Eastern States for which complete construction data are available. Whereas during the third quarter of the year 32 percent of all dwelling construction in these States was contracted for by Federal agencies, 38 percent of residential building in fourth district areas was publicly financed.

Contracts for nonresidential construction in this district on an average daily basis increased slightly from August to September, and the \$25,086,000 volume was 40 percent larger than that of September 1940. There was a marked decrease in the amount of factory building as compared with that of either the previous month or last year. Contracts for engineering work, however, were substantially larger than in August or September a year ago, more projects being started in the eastern and southern sections of the district last month.

Several fourth district lumber and building supplies dealers in mid-October reported that the rate of incoming business slackened somewhat more than usual this fall even before the Supply Priorities and Allocations Board order restricting new construction to that necessary for defense purposes or the public health and safety. Shipments continued heavy, however, as the sizable backlogs of unfilled orders built up during the summer were reduced. Only nominal additions were being made to inventories as a consequence, but lumber stocks in many instances were better proportioned as between various grades than previously. Plumbing and heating supplies and hardware of all types had become so scarce as to curtail somewhat new home building prior to the limitation order.

AGRICULTURE

Fall-harvested fourth district crops such as corn, soybeans, potatoes, and late fields of tobacco matured under very favorable conditions this year. The weather was warm and dry during September, well suited for harvesting, but not particularly good for planting of small grains. Rains early in October materially increased the moisture content of both top soil and subsoil throughout the Ohio Valley. There was little damage from frost to crops still in the fields until comparatively late in October, but high winds the last week in September blew much unpicked fruit from trees or otherwise bruised it.

Prices Rising consumer purchasing power, with the coincident increased demand for farm products, large purchases of foods for the armed services and lend-lease purposes, and Government price supporting actions further strengthened market quotations on farm commodities early in September. By mid-month, the latest period for which complete data are available, the index of prices received by farmers exceeded the average of prices paid, interest, and taxes for the first time in 21 years. Markets for most domestic agricultural items broke sharply during the first weeks of

October on reports of unfavorable foreign developments. Prices for basic foodstuffs in mid-October were nearly eight percent lower than a month before.

Debits to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended Oct. 15, 1941	% change from 1940	Year to Date Dec. 26, 1940 to Oct. 15, 1941	Year to Date Dec. 28, 1939 to Oct. 16, 1940	% change from 1940
Akron.....	101,041	+13.1	927,775	717,045	+29.4
Butler.....	12,525	+25.8	121,126	94,950	+27.6
Canton.....	53,161	+37.4	515,411	378,796	+36.1
Cincinnati.....	461,666	+42.3	4,161,261	3,232,347	+28.7
Cleveland.....	854,566	+24.2	7,928,356	6,073,668	+30.5
Columbus.....	196,285	+11.3	2,077,104	1,776,642	+16.9
Dayton.....	88,984	+23.0	916,941	696,932	+31.6
Erie.....	37,563	+32.0	378,522	287,999	+31.4
Franklin.....	4,146	+37.7	38,787	30,509	+27.1
Greensburg.....	9,016	+23.0	89,405	76,742	+16.5
Hamilton.....	15,656	+34.4	146,526	113,003	+29.7
Homestead.....	5,199	+46.3	43,287	35,335	+22.5
Lexington.....	19,180	+5.2	229,384	224,787	+2.0
Lima.....	18,277	+18.3	171,959	144,124	+19.3
Lorain.....	6,712	+21.0	64,079	54,102	+18.4
Middletown.....	15,342	+33.8	150,733	116,836	+29.0
Oil City.....	11,022	+13.5	110,277	100,606	+9.6
Pittsburgh.....	913,719	+30.4	9,019,280	6,991,909	+29.0
Sharon.....	13,274	+43.9	111,463	85,168	+30.9
Springfield.....	21,304	+27.8	211,800	168,204	+25.9
Steubenville.....	11,963	+21.6	113,316	98,059	+15.6
Toledo.....	155,248	+17.4	1,599,524	1,243,136	+28.7
Warren.....	16,450	+41.1	157,725	106,460	+48.2
Wheeling.....	30,349	+11.3	322,777	273,137	+18.2
Youngstown.....	69,208	+23.3	641,184	506,765	+26.5
Zanesville.....	10,026	+16.0	100,515	85,565	+17.5
Total.....	3,151,882	+26.8	30,348,517	23,712,826	+28.0

Wholesale and Retail Trade

(1941 compared with 1940)

DEPARTMENT STORES (95)	Percentage Increase or Decrease		
	SALES September 1941	SALES first 9 months 1941	STOCKS September 1941
Akron.....	+41	+33	+17
Canton.....	+35	+38	a
Cincinnati.....	+20	+18	+21
Cleveland.....	+33	+25	+9
Columbus.....	+26	+18	+26
Erie.....	+34	+27	+27
Pittsburgh.....	+23	+18	+16
Springfield.....	+18	+26	a
Toledo.....	+16	+18	+20
Wheeling.....	+29	+25	+22
Youngstown.....	+35	+28	a
Other Cities.....	+25	+30	+15
District.....	+27	+23	+16
WEARING APPAREL (16)			
Canton.....	+38	+28	+26
Cincinnati.....	+24	+13	+4
Cleveland.....	+24	+17	+20
Pittsburgh.....	+16	+12	+19
Other Cities.....	+20	+19	+32
District.....	+24	+17	+19
FURNITURE (40)			
Canton.....	+10	+34	+3
Cincinnati.....	+48	+43	+3
Cleveland.....	+30	+30	+18
Columbus.....	+3	+18	+3
Dayton.....	+46	+25	+29
Toledo.....	-1	+49	+49
Other Cities.....	+31	+42	+42
District.....	+25	+32	+32
CHAIN STORES*			
Drugs—District (5).....	+12	+11	
Groceries—District (4).....	+30	+21	
WHOLESALE TRADE**			
Automotive Supplies (11).....	+55	+26	-3
Beer (5).....	+41	+23	+18
Clothing and Furnishings (4).....	+1	+22	a
Confectionery (4).....	+10	+9	+14
Drugs and Drug Sundries (10).....	+22	+8	+16
Dry Goods (7).....	+35	+30	+14
Electrical Goods (14).....	+73	+7	+26
Fresh Fruits and Vegetables (6).....	+6	+7	-0-
Furniture & House Furnishings (3).....	+12	+40	a
Grocery Group (42).....	+28	+15	+27
Total Hardware Group (34).....	+71	+35	+40
General Hardware (11).....	+61	+40	+39
Industrial Supplies (13).....	+110	+88	+47
Plumbing & Heating Supplies (10).....	+65	+51	+35
Jewelry (4).....	+61	a	a
Lumber and Building Materials (4).....	-14	a	a
Machinery, Equip. & Sup. (exc. Elect.) (4).....	+185	+87	-33
Meats and Meat Products (5).....	+45	+22	+38
Metals (4).....	+35	a	a
Paints and Varnishes (5).....	+26	+17	-6
Paper and its Products (7).....	+70	+26	+4
Tobacco and its Products (15).....	+20	+12	-0-
Miscellaneous (16).....	+45	+37	-4
District—All Wholesale Trade (204).....	+41	+31	+19

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

Fourth District Business Indexes

(1923-25=100)

	Sept. 1941	Sept. 1940	Sept. 1939	Sept. 1938	Sept. 1937
Bank debits (24 cities).....	122	96	85	74	93
Commercial Failures (Number).....	28	25	26	52	33
(Liabilities).....	11	24	18	22	16
Sales—Life Insurance (O. and Pa.).....	89	75	66	61	74
—Department Stores (48 firms).....	130	107	96	89	103
—Wholesale Drugs (10 firms).....	148	122	121	113	124
—Dry Goods (7 firms).....	97	72	79	55	71
—Groceries (42 firms).....	98	76	92	77	91
—Hardware (34 firms).....	146	85	81	78	99
—All (93 firms).....	117	83	91	77	93
—Chain Drugs (4 firms)*.....	116	104	93	91	98
Building Contracts (Total).....	98	73	72	66	56
(Residential).....	127	97	72	47	50
Production—Coal (O., W. Pa., E. Ky.).....	100	83	81	66	80
—Cement (O., W. Pa., E. Ky.).....	118	128	105	93	88
—Elec. Power (O., Pa., Ky.)**.....	274	227	198	182	194
—Petroleum (O., Pa., Ky.)**.....	110	115	123	125	135
—Shoes.....	128	93	138	118	115

* Per individual unit operated.
 ** August.

Fourth District Business Statistics

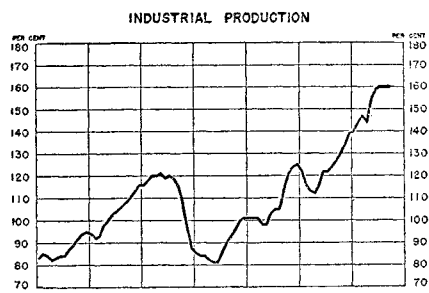
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Fourth District Unless Otherwise Specified	September 1941	% change from 1940	Jan.-Sept. 1941	% change from 1940
Bank Debts—24 cities.....	\$3,297,000	+27	27,725,000	+28
Savings Deposits—end of month:				
40 banks O. and W. Pa.....	\$ 791,641	+1	a	
Life Insurance Sales:				
Ohio and Pa.....	\$ 86,162	+20	763,596	+8
Retail Sales:				
Dept. Stores—95 firms.....	\$ 36,868	+27	271,273	+23
Wearing Apparel—16 firms.....	\$ 1,461	+24	10,473	+17
Furniture—40 firms.....	\$ 1,231	+25	11,871	+32
Building Contracts—Total.....	\$ 46,865	+35	409,640	+46
—Residential.....	\$ 21,779	+30	183,040	+38
Commercial Failures—Liabilities.....	\$ 490	-53	7,265	-21
—Number.....	41	+14	503	-2
Production:				
Pig Iron—U. S..... net tons	4,725	+13	41,340	+23
Steel Ingot—U. S..... net tons	6,820	+13	61,551	+30
Auto—Passenger Car—U. S.....	167,790b	-25	3,017,669b	+22
Auto—Trucks—U. S.....	66,465b	+49	804,309b	+50
Bituminous Coal, O., W. Pa., E. Ky..... net tons	18,014	+19	139,407	+8
Cement—O., W. Pa., W. Va. bbls.	1,425	-8	10,890	+14
Elec. Power, O., Pa., Ky. thous. k.w.h.	2,303c	+21	17,540d	+19
Petroleum—O., Pa., Ky..... bbls.	2,032c	-4	16,305d	-6
Shoes..... pairs	e	+38	e	+18
Tires, U. S..... casings	4,583	+4	49,772	+12
Bituminous Coal Shipments:				
L. E. Ports..... net tons	6,922	+20	35,259	-7

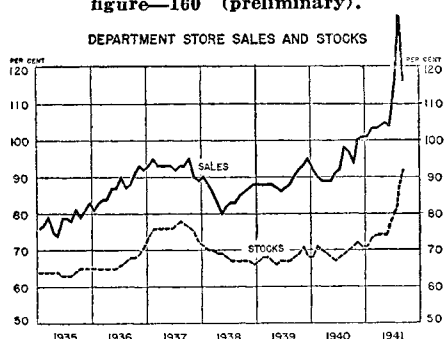
a not available
 b actual number
 c August
 d January-August
 e confidential

Summary of National Business Conditions

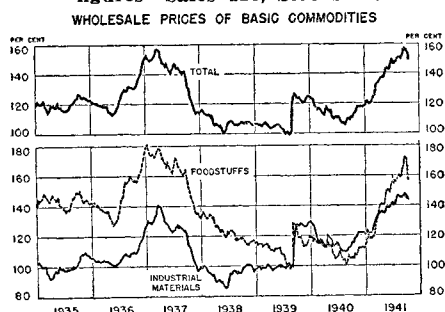
By the Board of Governors of the Federal Reserve System



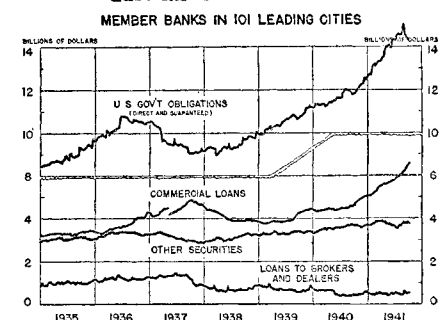
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to September 1941. Latest figure—160 (preliminary).



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to September 1941. Latest figures—Sales 116, Stocks 92.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939 = 100. Thursday figures, January 3, 1935 to October 9, 1941. Latest figures—Total 154.2, Foodstuffs 165.6, Industrial materials 146.0.



Wednesday figures, January 2, 1935 to October 8, 1941. Latest figures (millions of dollars) Government obligations 14,307, Other securities 3,749, Commercial loans 6,501, Loans to brokers and dealers 493.

Industrial activity continued at a high rate in September and the first half of October. Further advances in the output of defense products were accompanied by curtailment in some lines of civilian goods, particularly automobiles, rubber, and silk. Prices of industrial products increased further but agricultural prices declined after the middle of September.

Production

Industrial output increased by about the usual seasonal amount in September and the Board's adjusted index remained at 160 per cent of the 1935-1939 average, the same as in July and August. Continued increases in activity were reported in the machinery, aircraft, and ship-building industries. At steel mills activity in September and the first half of October was maintained at about 97 per cent of capacity. Output and deliveries of nonferrous metals likewise remained at about capacity levels, while lumber production declined somewhat from the high August rate. Automobile production increased less than seasonally in September, following the changeover to new models.

In the textile industry activity declined somewhat in September, reflecting mainly a further sharp reduction at silk mills. Activity at wool mills rose to a new high level, while at cotton mills there was little change from a rate slightly below the peak reached last May. Shoe production continued in large volume, and output of manufactured food products was maintained near the peak August level. Output of chemicals likewise continued at earlier high rates, but at rubber plants activity was considerably below the level of last summer owing to curtailment programs ordered by the Government.

Coal production, which during the summer months had been unusually large, increased less than seasonally in September, owing in part to temporary work stoppages at some bituminous and anthracite mines. Crude petroleum production advanced to record levels in September and the first half of October, and output of metals continued at about capacity.

Value of construction contract awards declined in September, according to figures of the *F. W. Dodge Corporation*, reflecting chiefly decreases in awards for public projects which had been exceptionally large in August. Awards for private residential building also declined, while contracts for other private work increased somewhat further. Total awards in September, as in August, were 80 per cent larger than in the corresponding period of last year.

On October 9, the Supply Priorities and Allocations Board announced that, effective immediately, no public or private construction projects which use critical materials could be started during the emergency unless these projects were either necessary for direct national defense or essential to the health and safety of the nation.

Distribution

Distribution of general merchandise showed less than the customary seasonal rise in September, following an unusually large volume of sales in August. During the past three months sales have been larger than in the corresponding period of any previous year. In the first half of October sales at department stores declined from the peak reached in late September when there were considerable consumer purchases, particularly of articles subject to higher taxes on October 1.

Loadings of revenue freight in September increased less than seasonally, particularly those of miscellaneous freight, which have been high in recent months, and loadings of coal, which were curtailed during part of the month by work stoppages at some mines.

Commodity Prices

Prices of industrial products continued to advance in September and the first half of October and Federal price ceilings were announced for additional commodities, including leading types of lumber, coke, waste-paper, paperboard, acetic acid, alcohols, and carded cotton yarns. In some cases these ceilings were below previously existing market quotations. Price advances were permitted, however, for some other commodities under Federal control. Prices of cotton and of foodstuffs increased further in the first half of September, but subsequently declined, owing partly to seasonal influences.

Bank Credit

Commercial loans at member banks continued to rise during September and the first half of October, reflecting in part defense demands. Holdings of United States Government obligations decreased, mainly at banks in leading cities outside of New York.

United States Government Security Market

Following a slight decline in the first half of September, prices of long-term Treasury partially tax-exempt bonds increased during the latter half of September and in the first part of October.