

MONTHLY BUSINESS REVIEW

Covering financial, industrial
and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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For the year 1941 as a whole, business activity in the fourth district was at new high levels. Total employment was the largest in history, and payrolls were up even more sharply, as a result of wage increases and overtime payments. Production of metals and metal products was the greatest ever reported, in part because of the urgency of defense preparations. Civilian goods output was extraordinarily large during the first three quarters of the year. The later curtailment reflected diversion of materials to armament manufacture, which broadened somewhat in scope as time passed. Consumer purchasing power increased considerably during the year, and much of it was spent on a wide variety of merchandise. New car registrations in principal counties of the district prior to introduction of 1942 models were the best in a decade. Retail stores sold record quantities of so-called luxury goods, particularly during the summer before regulation of installment credit and higher excise taxes became effective. Expanded payrolls and the greater volume of trade occasioned a marked rise in money in circulation. Farm crops generally were large and brought good prices. Agricultural income from marketings in states, parts of which make up the fourth district, averaged about one-fifth greater this year than last.

Industry in this district rather quickly felt effects of the nation's entrance into war. Open hearth departments of steel mills operated on Christmas because of the urgent demand for metal. Usually that day is observed generally as a holiday, and is so specified in labor contracts. In an effort to conserve strategic materials for war purposes, rubber processors were prohibited, until further notice, from consuming any crude rubber except for certain defense and essential civilian uses. Most trade in tires, at both wholesale and retail, also was stopped on December 11, pending formulation of a system controlling distribution.

December production quotas for passenger cars and light trucks were cut further to approximately 154,000 units, or a little more than 60 percent below 1940 levels. At this date, January assemblies are restricted to 102,400 vehicles. There is no guarantee that necessary materials will be available for even this limited number. Local plants engaged in the manufacture of automotive parts and equipment were adjusting operating schedules accordingly in mid-December, with some closing down entirely.

Electrical household appliance makers by that time had largely rearranged their work in line with Governmental

orders limiting output, but increasing scarcity of materials appeared to necessitate additional retrenchment. Heavy equipment divisions, in contrast, continued virtual capacity production. Several appliance companies have received sizable orders for ammunition and ordnance components. Some office equipment and appliance manufacturers have converted part of their facilities to war purposes.

Late in December the Office of Price Administration requested that there be no increase in prices of a variety of consumers' goods, several of which are important manufactures of this district. In general, concerns in these lines were operating at rather high rates, as they had been for some months. Previous Governmental action had been taken chiefly with respect to industrial materials.

Retail trade volume slumped considerably the week following outbreak of hostilities. Dollar sales of reporting fourth district department stores were only five percent larger than those of a year ago. In the week immediately preceding Christmas, however, a ten percent increase was registered.

Unfounded rumors to the effect the Federal Government "was going to take over all savings deposits" or "that the Treasury is planning to force those with savings deposits to buy defense bonds" have been heard in several sections of the country. The following communication from D. W. Bell, Under Secretary of the Treasury Department at Washington should clear up any doubts on this point.

In reply to your telegram today that rumor has been circulated in your community that Federal Government plans to confiscate savings deposits, I wish to state most emphatically there are no foundations whatever for the rumors and Federal Government does not have under consideration any proposal involving the confiscation of savings deposits of this country for any purpose. Anyone circulating rumors of this character is acting against interest of the Government and the people of the country.

*Washington, D. C.
December 11, 1941.*

(Signed) D. W. Bell

FINANCIAL

The impact of transition to a full wartime basis, coupled with the stimulus of the most active retail holiday season on record were reflected in financial developments in late November and the first three weeks of December. Both volume and number of checks handled by Federal Reserve Bank of Cleveland and branches increased sharply in November and the daily total rose further to a record high level in December. Demand for currency, which always increases at this season of year, caused note circulation of this bank to rise over \$66,000,000 between November 19 and December 24. On that date it was \$230,000,000 or 42 percent above a year ago. Record wage payments, retail trade, and higher retail prices contributed to the rise in money in circulation.

Defense Bonds

Sales of defense bonds through financial institutions in this district increased sharply following declaration of war. Between December 8 and December 26 \$16,100,000 of Series E bonds were sold by the reserve bank or local consignment agencies. The best previous month was July when total sales were \$7,356,000. In November, sales of Series E bonds totaled \$6,178,000. Payment of annual bonuses and use of bonds for gifts were factors accounting for increased sales, but direct purchases of bonds by individuals were responsible for the greater part of the increased demand which at times completely exhausted the supply of engraved bonds. Sales of Series F and G bonds were only slightly increased. Since the defense bonds were placed on sale in May distribution through financial agencies in the fourth district of all three series has exceeded \$162,000,000. Data regarding sales of Series E bonds through post offices in this district are not available.

Reserve Bank Credit

Opening of hostilities in the Pacific was followed by some weakness in prices of Government securities. This was accompanied by moderate purchases of Treasury bills at New York in the week ended December 10 and Treasury bonds in the week ended December 17 by the Federal Reserve System to keep the market orderly. The System's aggregate security holdings were thus increased \$56,000,000 or 2.5 percent. Allocations of Government securities to this bank's account amounted to less than \$6,000,000 and total Government's holdings were still below the peak of late summer and slightly above a year ago.

Member bank borrowings increased moderately in mid-

December, partly seasonal, but total loans including industrial advances were only \$680,000 on December 17. Only six out of 673 member banks were borrowing.

Reserve deposits of member banks declined in December as demand for currency increased, but reserves remained approximately 70 percent in excess of requirements. In this district, notwithstanding the increase in reserve requirements on November 1, excess reserves have decreased approximately \$100,000,000, or less than 20 percent in the year, whereas for all member banks of the country the decrease has been approximately \$3,800,000,000, or 55 percent. Importance of defense activity, direct and indirect, in this industrial area has resulted in large net transfers of funds to banks in this district.

Member Bank Credit

A sharp increase in commercial loans and investments in Government securities occurred at leading member banks in the fourth district during the first half of December. Loans were at the highest level of the year, and 35 per cent above a year ago. Investments of these 41 weekly reporting banks in Government securities passed \$1,000,000,000 for the first time. The rise in security holdings for the entire year was more than 25 percent. Total credit extended by reporting banks increased 20 percent during 1941, there being only moderate changes in real estate, security, "other" loans, or investments in other than Government securities.

Total deposits at the year end were \$350,000,000, or 12 percent, larger than at the beginning of 1941. The increase was chiefly in demand deposits. Time deposits were down slightly principally as a result of withdrawals in December.

NEW MEMBER BANK

The Farmers and Merchants Bank of Logan, Ohio.

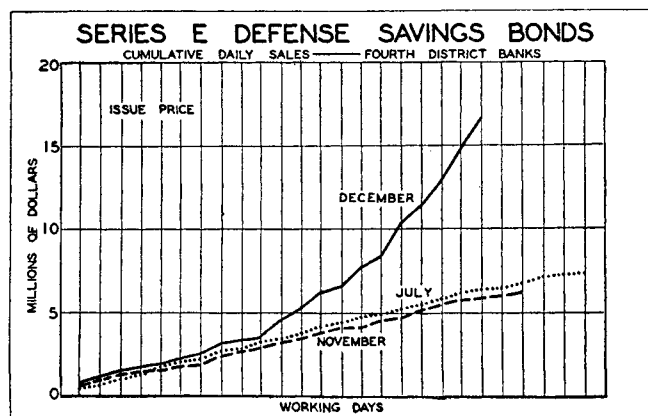
MANUFACTURING, MINING

Iron and Steel

The character and volume of inquiries for steel changed noticeably after mid-December. During November, producers had continued to book new orders at about the same high rate prevailing in October, though late in the month some slackening in demand was reported by a few fourth district mills, among others. Further curtailment of automobile and household appliance production, ordered after United States' entrance into war, resulted in many of these manufacturers requesting steelmakers to cancel tonnages, or to delay deliveries as originally scheduled until the situation could be clarified. New nondefense business virtually disappeared. January pig iron requirements filed with allocation authorities also were smaller than those of previous months, in the case of numerous melters. To some extent, this was attributed to lessened demand for castings where their use was delayed by shortages of other materials.

Iron and steel production in November was maintained at the second highest daily rates on record. Steel ingot output of 6,969,987 net tons raised the eleven months' total to 75,763,558 tons, or 13 percent more than was made in 1940—the best full year in history. During the first eleven months of the year, 50,903,091 net tons of pig iron were cast—4,707,194 tons in November. This exceeds production in all of 1929, the previous best year, by 7½ percent.

Blast furnaces depending primarily on Lake Superior iron ore used 6,501,027 gross tons during November, compared



with 6,612,186 tons in the longer month of October and 5,973,000 tons a year ago. Ore loadings at upper lake ports continued in record volume during November and December. By the time the bulk carrier fleet tied up in mid-December, 80,116,360 tons had been shipped. This is an all-time record tonnage. December 1 ore stocks at consuming furnaces and on Lake Erie docks totaled 45,534,633 tons, the most held in storage at any time in history. At the November rate of consumption these inventories represent about seven months' supply.

Despite reported scrap shortages and the necessity for making open hearth repairs, steelmaking operations in the fourth district were well maintained late in the year, with total output only a few points below rated capacity.

Coal Seasonal factors and work stoppages at captive mines and some commercial shafts reduced fourth district bituminous coal output from 19,526,000 net tons in October to 15,560,000 tons in November. A year ago 15,233,000 tons were mined.

There was an unusual amount of labor trouble in the soft coal industry during 1941. Most mines in this district and throughout the country were closed for a month last spring while a new two-year wage contract was negotiated. Since September, mines operated by large industrial consumers have suspended several times due to disagreement between the union and operators as to conditions of employment. Even so, eleven months' output of fourth district mines was the largest for any comparable period in twelve years by a rather substantial margin; 174,493,000 tons were produced. This total actually exceeds that of any full year since 1930, with the exception of 1940, when there was no strike.

Termination of the Great Lakes' navigation season in mid-December, save for comparatively small shipments as far north as the Detroit River as long as channels are ice-free, was reflected in curtailed activity at local mines. According to reports, the New England trade, which draws some coal from Western Pennsylvania, was well stocked; orders from this source consequently declined. Rather mild weather continued late into December in most localities, and this also influenced the demand for coal because domestic consumption for home heating was held below customary levels. On the other hand, industrial grades of coal during the forepart of December moved in about the same large volume as in other recent months.

Automobiles Fourth district companies manufacturing automotive parts and equipment were affected differently by the mid-December order curtailing passenger car and light truck assemblies sharply below quotas originally established. A few concerns carried through plans to suspend ordinary operations during the last two weeks of the month. Others that had expected to continue a relatively high rate of output in non-defense divisions were faced with the necessity of making more immediate adjustment.

In numerous instances, manufacturers early in December had received new business in slightly greater volume than in November, and shipments generally were larger than in either that month or a year ago. A considerable, but unmeasured, proportion of this activity represented deliveries against defense contracts and subcontracts, which in recent months have accounted for an increasing amount

of total work done. This factor has been chiefly responsible for the continued large employment in the industry.

Permission to use accumulated stocks of so-called bright work until December 31 delayed changes in automotive assembly procedure. Civilian vehicle output consequently remained at a relatively high rate during November and early December. Including all types of cars and trucks, November production aggregated 352,300 units, compared with 382,000 in the longer month of October and 487,400 a year before. Passenger car and light truck quotas for the period August to November generally were met even though some material shortages were experienced.

Weekly data indicate that approximately 125,000 civilian automobiles were assembled in December before the monthly quota was reduced to 154,000 units. With such a narrow margin of production remaining, output dropped sharply in the week prior to Christmas. Some motor car manufacturers previously had announced intentions to close commercial divisions completely during the holiday weeks, and others followed suit. Army vehicle assembly continued uninterrupted, as did heavy-duty truck production, which is not under the limitation order.

Textiles, Clothing

The year 1941 was an especially busy one in the textile and clothing industries.

Outfitting of the rapidly expanding Army required practically all loom capacity which could make the closer-woven, harder-finished fabrics used for uniforms. An estimated 30 percent of the record cotton cloth output was manufactured for the armed forces. Civilian demand for men's and women's ready-to-wear garments was unusually heavy during most of the year.

Activity in the clothing industry was at a seasonally low ebb in November and early December, since shipments of new season merchandise were not scheduled in any great volume until after the holidays. Employment in the principal producing centers, however, continued at higher than customary levels. A number of concerns reported a good volume of business for immediate delivery. Advance bookings for spring lines were generally larger than those held at the same time last year. At least one manufacturer noted a tendency on the part of some retailers to purchase ahead in greater quantities than they had in most past years. Few cancellations were received after outbreak of war, according to correspondents.

Operations in the cotton garment industry during November and the forepart of December continued at the high rate of previous months. Shipments have declined somewhat in recent weeks, however, because most sales have been for delivery after the first of the year. Finished goods inventories consequently have increased, as have stocks of raw materials. A few items were reported to be scarce, but most fabrics were readily available.

Rubber, Tires

The fourth district industry which thus far has been most affected by outbreak of war is the one manufacturing tires and mechanical rubber goods. Immediately after the Japanese attack, Governmental orders further restricted crude rubber processing and suspended trade in new tires for replacement purposes. Merchant vessels in Oriental waters bringing crude rubber to this country were ordered back to the safety of ports where they were loaded, consequently reducing the amount of rubber scheduled to arrive in the

United States within the next month or two. Additional sailings have been prohibited so long as navigation in the Pacific is menaced. This cuts off, for the time being at least, most supplies of crude rubber other than those in storage here or on ships in hemisphere waters. Small quantities are available in Latin America and West Africa, but these regions during the past two years have accounted for only about two or three percent of total imports.

Figures on crude rubber imports, consumption, and stocks have not been published by the *Rubber Manufacturers' Association* for general use since the war. The Office of Production Management, however, has estimated inventories in this country early in December at more than 570,000 tons, with an additional 60,000 tons still on the way. At 1940-41 rate of consumption, this aggregate represents somewhat less than one year's supply. Conservation has been ordered, with the announced intention to cut processing for the manufacture of civilian items from 47,000 tons per month to 10,000 tons.

At the same time, more extensive use of reclaimed rubber was advocated. As the accompanying chart indicates, larger quantities of rubber have been reclaimed during the past two years than have been used. Inventories consequently have been accumulated. Most rubber compounds include a greater or less proportion of reclaimed rubber to crude rubber, but beyond a certain point further additions of reclaimed rubber result in some deterioration of quality. No one formula is generally applicable because the primary consideration is the use to which the finished product is to be put.

Reclaimed rubber production has been increased in recent years, as the chart shows. Consumption also has been heavier, though the ratio between the amount of reclaimed rubber and crude rubber used has remained fairly constant.

Distribution of replacement tires will be controlled after January 4, under Office of Production Management order. Original equipment casings are to be made available, four tires to the vehicle, for passenger cars and trucks coming off assembly lines, as they were in December.

Curtailement of activity at rubber processing plants in this district has resulted in considerable confusion. Operating schedules have been revised, and hours of work in commercial divisions reduced, such steps being taken under labor contracts that defer layoffs until hours have been cut sharply to below 24 a week.

Other Manufacturing Prior to outbreak of hostilities in the Pacific, many other important fourth district industries continued to receive

new business in excess of shipments, though a few metal fabricators, some of whom had booked extraordinarily large orders in previous months, experienced a slackening in demand. Later in December conditions were confused. Increased production of war materials was required, and greater curtailment of many civilian goods ordered. In certain instances, this has resulted in further expansion and retrenchment in different departments of the same concern.

Machine Tools After allowance for difference in length of the work month, shipments by members of the *National Machine Tool Builders' Association* reached a new high in November. Deliveries to customers were valued at \$74,600,000, compared with \$77,200,000 in October and \$46,400,000 a year ago. Shipments for all of 1941 were officially estimated at \$765,000,000. This exceeds last year's total by 70 percent, and establishes a new record for the industry.

Metal Industries Foundries continued to operate at practical capacity during November and the first three weeks of December. Reflecting this high rate of activity, orders received during November by members of the *Foundry Equipment Manufacturers' Association* for both new equipment and repair work were the largest ever reported.

Screw machine manufacturers reported a continued heavy volume of new business during the forepart of December. Raw materials stocks were being reduced because required grades of steel could not readily be replaced. On the other hand, certain small tool makers experienced no particular difficulty in obtaining alloy steels. High rates of operation enabled these producers to reduce order backlogs moderately during November.

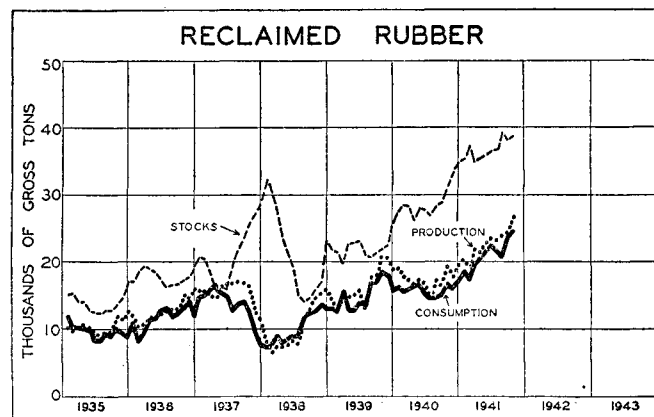
Glass As a result of the mid-December order further curtailing passenger car output, some automotive consumers of plate glass held up shipments scheduled for the last two weeks of the month. Demand from other sources was off seasonally. Commercial plate glass production in November totaled 14,277,000 square feet, ten percent less than in October and eleven percent less than a year ago. A few fourth district plate glass plants closed some manufacturing facilities in November. Prices on polished glass recently were increased moderately.

New orders for window glass continued in good volume during November and early December. During November 1,300,000 boxes of flat glass were made, more than during any similar month on record. October output was 1,524,000 boxes.

Pressed and blown glassware manufacturers delivered large quantities for the Christmas trade. The volume of incoming business in early December indicated that operations following the holidays would average 80 percent of capacity, an unusually high rate for that season.

Paper, Paperboard Some fourth district papermakers in mid-December reported an increase in inquiries, especially for Government work. During prior months, they had endeavored to make deliveries on a quota basis. New business volume declined somewhat in November. The industry generally has maintained six day a week operations recently, and order backlogs have been reduced slightly.

Paperboard production also has been at record levels since early fall. Incoming orders were contraseasonally large in early December, but over a period of weeks they did not exceed output. Unfilled orders consequently declined moderately from the peak volume reported in September.



Shoes Decreasing much less than seasonally from the previous month, record November production raised eleven months' output of fourth district shoe factories to an all-time peak for such a period. Some women's shoe manufacturers reported that initial orders for spring merchandise were received in slightly greater volume this year than last, with the war having little immediate effect on the situation. Others noted a tendency on the part of retailers to be more cautious than theretofore. Prices on domestic as well as imported hides recently have been firmer.

TRADE

Retail Following a decline in October, fourth district retail trade increased substantially in November, and it was markedly above a year ago. The seasonally adjusted index of department store sales rose 22 points from the October level to 127 percent of the 1923-25 average in November. Only once before in the 22 years of record had it been higher. In August 1941, when there was an extraordinary amount of consumer buying, part of which was anticipatory, the index was 145. During November, reporting wearing apparel shops sold nine percent more merchandise than a year before. Chain grocery and drug chain sales, both on an individual unit operated basis, were up 22 percent and 12 percent, respectively. Dollar volume of furniture stores was eight percent greater this November than last.

November departmental figures continued to reflect the extent to which advance buying in certain lines occurred prior to regulation of installment credit and higher excise taxes. Fur sales were 49 percent smaller in November than last year, and major household appliance volume was down five percent. On the other hand, department stores moved about one-fifth more furniture and similar household items than a year ago. This is in contrast to the experience of stores handling principally that type of merchandise, though cumulative gains of furniture shops were sizeable.

Some further evidence of the tendency on the part of consumers to "trade-up" was noted in November. With total department store sales 14 percent larger than those of last year, dollar volume of basement stores of organizations operating these departments increased eleven percent.

Both department stores and wearing apparel shops during November collected a somewhat greater proportion of their accounts receivable at the beginning of the month than in other recent months. However, the percentages were practically the same as at that season in previous years. The ratio between department store charge sales and total sales also was essentially unchanged in November from last year or a month before.

Reporting department stores on December 1 held inventories which were 39 percent larger than those of a year before, and their outstanding orders were 59 percent greater. Stocks and commitments of wearing apparel merchants were up 22 percent and 38 percent, respectively. The increase in November inventories, however, was less than seasonal.

Wholesale In November, for the thirteenth consecutive month, fourth district wholesalers reporting operations to the *Bureau of the Census* sold more merchandise than a year before. Dollar sales of the 215 cooperating firms averaged 26 percent greater this November than last. As in other recent months, distributors of paper and its products, electrical goods, and

hardware had the largest gains, all of them showing increases of more than 45 percent. Volume in such diverse classifications as machinery, home furnishings, jewelry, and coal was up 35-37 percent.

Merchants in practically all of the principal wholesale centers of the district experienced a greater demand for goods in November than a year ago. Improvement was most marked in Northern and Eastern Ohio cities, both large and small.

Inventories in all lines, with the exception of jewelry, were larger on December 1 than a year earlier, being up 19 percent on the average. Electrical supply houses held 42 percent more goods, and beverage, grocery, confectionery, and produce dealers' stocks were 30-40 percent larger.

Wholesalers during November collected 78 percent of their accounts outstanding at the beginning of the month. This compares with 74 percent a year ago, and 83 percent in October.

CONSTRUCTION

A sharp pick-up in nonresidential and heavy engineering activity late in November raised the average daily rate of construction awards slightly above the October level. Although total dollar contracts as reported by the *F. W. Dodge Corporation* were 18 percent smaller this November than last, they were the second largest for any similar month since 1928. Amounting to \$39,947,000, they compared with awards of \$45,776,000 in October, which had four more building days.

Nonresidential and engineering work represented three-fifths of all November contracts. Many of the engineering projects undertaken were in Northern Ohio and Western Pennsylvania, while much of the factory construction was in southern sections of the district. The major part of all this activity was publicly-financed, whereas only one-eighth of total home building utilized Government funds. This is a further extension of general trends evident in previous months.

Excluding November 1940 when \$19,227,000 worth of home building was contracted for, residential awards last month, amounting to \$16,331,000, were the greatest for any November in fourteen years. They compare with an October total of \$19,522,000. Effects of the Governmental order limiting use of materials made of critical metals to what is considered essential construction became more apparent as the month passed. The average daily rate of awards declined slowly but steadily during November.

Fourth district lumber and builders' supply dealers noted this trend. Wholesalers reported in mid-December that retail yard buying was slow, and these merchants, in turn, said that deliveries were confined principally to projects which had been under way for some time. Supplies of metal items, notably nails, continued limited.

AGRICULTURE

Domestic agricultural commodity prices rose rather sharply following the Japanese attack on Hawaii. Trading activity in small grains increased substantially on the war news, and total volume was about twice that of early November and three times as large as that of a year before. Spot corn prices on the principal Middle Western market were the highest since 1934. Subsequently, volume fell off considerably, but quotations moved within a relatively narrow range. Livestock prices also advanced appreciably.

Tobacco Tobacco auctions in Kentucky and Southern Ohio opened the first week in December, with full offerings on all markets. Despite the adverse weather conditions that prevailed generally during the growing season, the burley crop was reported to be surprisingly good, judged from the standpoint of cigarette and smoking tobacco manufacturers. Purchases were large, and in mid-month prices were the highest in five years. During the first three weeks of the trading season, 147,000,000 pounds of burley tobacco were sold on the 21 Kentucky auctions at an average price of \$28.12 per hundredweight. Last year prices averaged \$15.77. Prior to that time annual crops had sold for as much as \$35.80 per hundred pounds and as little as \$8.60. One feature of the market this year has been the small difference in price between the highest grade of leaf and the medium grade. Redriers were unusually busy in mid-December, and auctions closed for two weeks instead of the usual one at the year end.

COST OF LIVING

Living costs of fourth district wage earners and lower-salaried workers, as indicated by changes recorded in the three largest cities of the district, have advanced about eleven percent during the past year to the highest level in a decade, but factory payrolls in Ohio and Western Pennsylvania have increased even more. While Ohio industrial employment in November was 21 percent greater than a year previous, payrolls, augmented by higher wage rates and payments for overtime, were up 42 percent. Similar increases were shown in fourth district counties in Western Pennsylvania. Average weekly earnings of individuals in this district, as elsewhere throughout the country, are the largest in history. On the other hand, living costs in November were still substantially lower than those prevailing during the entire 1920s.

It is too early to appraise the full effect war has had or will have on fourth district industry, employment, and cost of living, but scattered weekly data for December suggest that general trends evident in other recent months were extended further.

The Bureau of Labor Statistics regularly compiles cost of living information for Cincinnati, Cleveland, and Pittsburgh. Cleveland data are available back to 1914, but surveys in Cincinnati and Pittsburgh have been made only since 1917. As an indicator of living costs in the fourth district, figures for costs of certain types of necessary goods and services as well as total costs in the three major cities have been combined, and changes during the past 27 years in the general index and the indexes for food and clothing,

two of the principal items in wage earners' budgets, are shown in the accompanying chart.

Information is for selected dates prior to September 1940, when monthly data first became available. Estimates for Cincinnati and Pittsburgh were computed for years preceding 1917 on the basis of relationships existing between Cleveland figures and those of the other two cities in subsequent years. Base period of the index and its components is 1935-39.

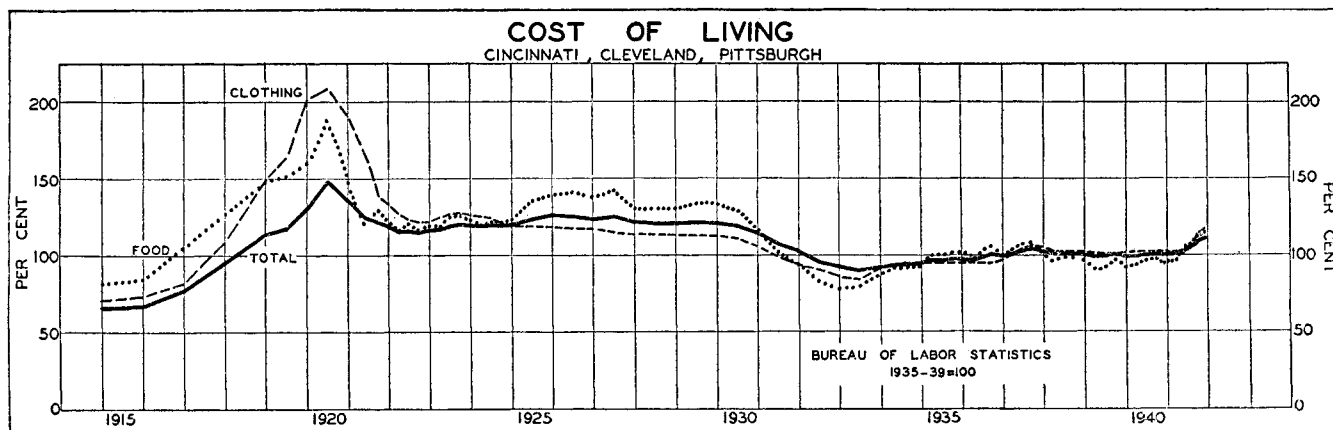
Rising food and clothing prices have been important factors contributing to the increase in cost of living in the three principal fourth district cities, with clothing costs recently showing the greater advance. In November, the general index was 10.9 percent higher than a year before. Food costs were up 19.5 percent. This rise may be attributed in part to Governmental action supporting prices of a variety of agricultural products. In addition, purchases of foodstuffs for the armed forces and Lend-Lease purposes have been heavy.

Clothing costs were 13.7 percent higher this November than last. All but a fractional part of that increase has taken place during the past six months, while two-fifths of the advance in food costs occurred in the earlier period.

Another component of the general index that has risen more since early summer than during the six months previous is housefurnishings. Cost of these items, which do not bulk so large as food, clothing, and rent in the average budget, were up 17.5 percent in November from those of a year ago. Three-fourths of the rise has been in the past six months.

Rents in the three cities advanced on an average of 2.6 percent during the year ended in November, with the increase a gradual one. Information from a source other than the Bureau of Labor Statistics indicates that in certain of the smaller fourth district cities, higher rents have accounted for much of the total rise in living costs. This has been particularly true in manufacturing centers where unusually large defense orders, in proportion to the resident labor supply, have resulted in a substantial in-migration of workers.

On the whole, fuel, electricity, and similar costs have tended to be more stable than most other living expenses. This component of the general index has risen 3.5 percent during the past year. In November these costs actually were slightly lower than earlier in the fall, probably because comparatively mild, open weather so far this winter in most localities has reduced somewhat the need for household heating.



The miscellaneous index, like that for housefurnishings, in November was above levels prevailing during the 1920s, having advanced 5.7 percent from last year. Individuals in recent years have spent more for recreation, automobile operation, cosmetics, and the like, in relation to total expenditures, than in earlier periods. A rather large increase has occurred since September. Included in this classification is a variety of items, many of them subject to excise taxes which were raised October 1.

The *Bureau of Labor Statistics* states that as a result of heavier defense taxes national living costs as a whole are now $\frac{1}{2}$ percent higher than they were in the base period, 1935 to 1939. Such an increase represents $4\frac{1}{4}$ percent of the total rise. Thus it is evident that at least one factor which heretofore perhaps has not been considered of essential significance will have a direct bearing on future changes in the cost of living.

Wholesale and Retail Trade

(1941 compared with 1940)

| | Percentage Increase or Decrease | | |
|---|---------------------------------|----------------------------|----------------------|
| | SALES November 1941 | SALES first 11 months 1941 | STOCKS November 1941 |
| DEPARTMENT STORES (95) | | | |
| Akron..... | +20 | +29 | +57 |
| Canton..... | +31 | +36 | a |
| Cincinnati..... | +11 | +17 | +46 |
| Cleveland..... | +15 | +23 | +40 |
| Columbus..... | +8 | +17 | +42 |
| Erie..... | +28 | +27 | +32 |
| Pittsburgh..... | +13 | +17 | +31 |
| Springfield..... | +19 | +23 | a |
| Toledo..... | +12 | +17 | +37 |
| Wheeling..... | +28 | +22 | +24 |
| Youngstown..... | +11 | +24 | a |
| Other Cities..... | +14 | +26 | +40 |
| District..... | +14 | +21 | +39 |
| WEARING APPAREL (16) | | | |
| Canton..... | +19 | +26 | +27 |
| Cincinnati..... | +6 | +12 | +10 |
| Cleveland..... | +17 | +16 | +22 |
| Pittsburgh..... | +6 | +9 | +31 |
| Other Cities..... | -0- | +15 | +24 |
| District..... | +9 | +15 | +22 |
| FURNITURE (40) | | | |
| Canton..... | -1 | +28 | |
| Cincinnati..... | +15 | +38 | |
| Cleveland..... | +11 | +26 | |
| Columbus..... | -3 | +15 | |
| Dayton..... | +11 | +21 | |
| Toledo..... | +4 | +40 | |
| Other Cities..... | +8 | +33 | |
| District..... | +8 | +27 | |
| CHAIN STORES* | | | |
| Drugs—District (5)..... | +21 | +12 | |
| Groceries—District (4)..... | +23 | +22 | |
| WHOLESALE TRADE** | | | |
| Automotive Supplies (11)..... | +13 | +24 | +14 |
| Beer (6)..... | +21 | +21 | +40 |
| Clothing and Furnishings (4)..... | +3 | +18 | a |
| Coal (3)..... | +35 | a | a |
| Confectionery (4)..... | +23 | +11 | +33 |
| Drugs and Drug Sundries (11)..... | +8 | +8 | +26 |
| Dry Goods (7)..... | +24 | +28 | +15 |
| Electrical Goods (15)..... | +64 | +65 | +42 |
| Fresh Fruits and Vegetables (6)..... | +12 | +8 | +32 |
| Furniture & House Furnishings (4)..... | +36 | a | a |
| Grocery Group (39)..... | +8 | +15 | +33 |
| Total Hardware Group (37)..... | +46 | +54 | +24 |
| General Hardware (13)..... | +33 | +40 | +26 |
| Industrial Supplies (13)..... | +75 | +84 | +15 |
| Plumbing & Heating Supplies (11)..... | +28 | +47 | +30 |
| Jewelry & Optical Goods (8)..... | +29 | a | -15 |
| Lumber and Building Materials (4)..... | +12 | a | a |
| Machinery, Equip. & Sup. (exc. Elect.) (5)..... | +37 | +76 | +13 |
| Meats and Meat Products (5)..... | +32 | a | +19 |
| Metals (4)..... | +9 | a | a |
| Paints and Varnishes (6)..... | +14 | +16 | +14 |
| Paper and its Products (7)..... | +61 | +33 | +9 |
| Tobacco and its Products (15)..... | +5 | +11 | +3 |
| Miscellaneous (14)..... | +18 | +33 | +3 |
| District—All Wholesale Trade (215)..... | +26 | +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 Statistics

| | | (000 omitted) | | | |
|--|----------------------|---------------|--------------------|----------------|--------------------|
| | | November 1941 | % change from 1940 | Jan.-Nov. 1941 | % change from 1940 |
| Fourth District Unless Otherwise Specified | | | | | |
| Bank Debits—24 cities..... | \$3,275,000 | | +23 | 34,596,000 | +28 |
| Savings Deposits—end of month: | | | | | |
| 40 banks O. and W. Pa..... | \$ 799,182 | | +2 | a | |
| Life Insurance Sales: | | | | | |
| Ohio and Pa..... | \$ 86,882 | | +16 | 953,083 | +10 |
| Retail Sales: | | | | | |
| Dept. Stores—95 firms..... | \$ 37,155 | | +14 | 342,751 | +21 |
| Wearing Apparel—16 firms..... | \$ 1,440 | | +9 | 13,245 | +15 |
| Furniture—40 firms..... | \$ 1,097 | | +8 | 14,076 | +27 |
| Building Contracts—Total..... | \$ 39,947 | | -18 | 495,363 | +35 |
| —Residential..... | \$ 16,331 | | -15 | 218,893 | +29 |
| Commercial Failures—Liabilities..... | \$ 316 | | -67 | 8,160 | -24 |
| —Number..... | \$ 45b | | -21 | 598b | -4 |
| Production: | | | | | |
| Pig Iron—U. S..... | Net tons 4,707 | | +7 | 50,903 | +20 |
| Steel Ingot—U. S..... | Net tons 6,970 | | +8 | 75,764 | +25 |
| Auto—Passenger Car—U. S..... | 256,101b | | -37 | 3,569,338b | +8 |
| Auto—Trucks—U. S..... | 96,246b | | +20 | 986,987b | +43 |
| Bituminous Coal, O. W. Pa. E. Ky..... | Net tons 15,560 | | +2 | 174,493 | +9 |
| Cement—O. W. Pa., W. Va. bbls. | 1,242 | | -0- | 13,749 | +11 |
| Elec. Power, O. Pa., Ky..... | Thous. k.w.h. 2,446c | | +20 | 22,250d | +19 |
| Petroleum—O. Pa., Ky..... | bbls. 2,198c | | +2 | 20,621d | -4 |
| Shoes..... | pairs c | | +41 | e | +21 |
| Tires, U. S..... | casings 3,964 | | -16 | 58,565 | +8 |
| Bituminous Coal Shipments: | | | | | |
| L. E. Ports..... | Net tons 6,758 | | +50 | 50,166 | +6 |

a not available

b actual number

c October

d January-October

e confidential

Fourth District Business Indexes

(1923-25 = 100)

| | Nov. 1941 | Nov. 1940 | Nov. 1939 | Nov. 1938 | Nov. 1937 |
|--|-----------|-----------|-----------|-----------|-----------|
| Bank debits (24 cities)..... | 121 | 98 | 89 | 76 | 85 |
| Commercial Failures (Number)..... | 31 | 39 | 32 | 44 | 43 |
| (Liabilities)..... | 7 | 22 | 16 | 19 | 42 |
| Sales—Life Insurance (O. and Pa.)..... | 90 | 77 | 81 | 76 | 85 |
| —Department stores (48 firms)..... | 136 | 116 | 107 | 93 | 96 |
| —Wholesale Drugs (11 firms)..... | 141 | 131 | 128 | 115 | 119 |
| —Dry Goods (7 firms)..... | 75 | 60 | 65 | 48 | 50 |
| —Groceries (39 firms)..... | 80 | 74 | 72 | 72 | 82 |
| —Hardware (37 firms)..... | 134 | 92 | 84 | 79 | 89 |
| —All (94 firms)..... | 99 | 80 | 76 | 73 | 81 |
| —Chain Drugs (4 firms)*..... | 119 | 98 | 96 | 91 | 87 |
| Building Contracts (Total)..... | 84 | 102 | 55 | 78 | 53 |
| (Residential)..... | 95 | 112 | 70 | 46 | 59 |
| Production—Coal (O. W. Pa., E. Ky.)..... | 86 | 84 | 93 | 73 | 73 |
| —Cement (O. W. Pa., E. Ky.)..... | 103 | 103 | 91 | 66 | 88 |
| —Elec. Power (O. Pa., Ky.)**..... | 291 | 243 | 224 | 181 | 198 |
| —Petroleum (O. Pa., Ky.)**..... | 119 | 117 | 124 | 118 | 127 |
| —Shoes..... | 101 | 71 | 87 | 78 | 60 |

* Per individual unit operated.

** October

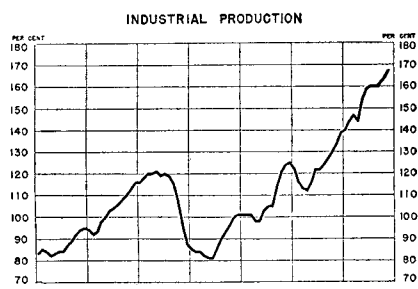
Debits to Individual Accounts

(Thousands of Dollars)

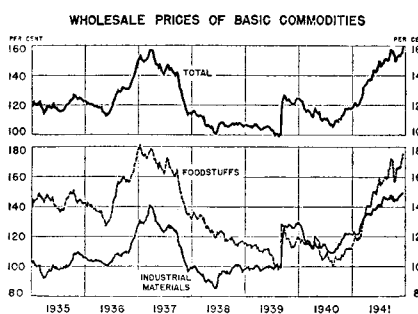
| | 4 Weeks ended Dec. 17, 1941 | % change from 1940 | Year to Date Dec. 26, 1941 to Dec. 17, 1941 | Year to Date Dec. 28, 1939 to Dec. 18, 1940 | % change from 1940 |
|-------------------|-----------------------------|--------------------|---|---|--------------------|
| Akron..... | 102,819 | +31.4 | 1,165,171 | 886,619 | +31.4 |
| Butler..... | 13,518 | +22.3 | 150,676 | 118,848 | +26.8 |
| Canton..... | 54,265 | +22.4 | 638,385 | 477,405 | +33.7 |
| Cincinnati..... | 476,278 | +33.5 | 5,231,539 | 4,019,900 | +30.1 |
| Cleveland..... | 861,720 | +19.7 | 9,875,330 | 7,616,681 | +29.7 |
| Columbus..... | 233,776 | +22.2 | 2,599,490 | 2,193,289 | +18.5 |
| Dayton..... | 96,150 | +29.1 | 1,137,361 | 864,293 | +31.6 |
| Erie..... | 41,087 | +32.3 | 470,134 | 355,292 | +32.3 |
| Franklin..... | 5,376 | +61.6 | 49,734 | 37,974 | +31.0 |
| Greensburg..... | 9,557 | +28.6 | 111,244 | 93,044 | +19.6 |
| Hamilton..... | 16,735 | +36.4 | 183,364 | 140,262 | +30.7 |
| Homestead..... | 5,014 | +45.0 | 55,284 | 43,293 | +27.7 |
| Lexington..... | 38,311 | +42.7 | 299,439 | 276,769 | +8.2 |
| Lima..... | 18,330 | +21.3 | 212,425 | 178,287 | +19.1 |
| Lorain..... | 6,436 | +9.8 | 79,071 | 66,869 | +18.2 |
| Middletown..... | 19,921 | +47.8 | 191,020 | 145,333 | +31.4 |
| Oil City..... | 14,119 | +42.4 | 140,306 | 122,097 | +14.9 |
| Pittsburgh..... | 1,063,154 | +38.0 | 11,223,265 | 8,638,453 | +29.9 |
| Sharon..... | 12,328 | +37.7 | 139,093 | 105,504 | +31.8 |
| Springfield..... | 22,144 | +24.9 | 262,210 | 208,562 | +25.7 |
| Steubenville..... | 12,110 | +17.9 | 140,342 | 121,262 | +15.7 |
| Toledo..... | 176,435 | +16.9 | 2,010,750 | 1,571,092 | +28.0 |
| Warren..... | 17,563 | +27.9 | 197,258 | 135,818 | +45.2 |
| Wheeling..... | 34,612 | +23.5 | 397,958 | 337,158 | +18.0 |
| Youngstown..... | 65,699 | +18.8 | 793,500 | 629,505 | +26.1 |
| Zanesville..... | 10,454 | +15.4 | 124,695 | 105,847 | +17.8 |
| Total..... | 3,427,911 | +28.4 | 37,879,044 | 29,489,456 | +28.4 |

Summary of National Business Conditions

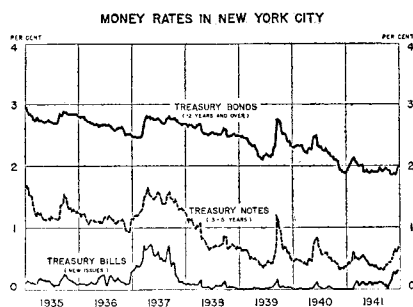
By the Board of Governors of the Federal Reserve System



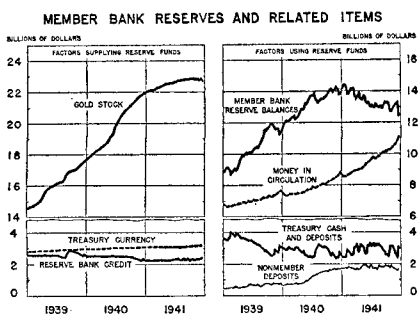
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to November 1941



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939 = 100. Thursday figures, January 3, 1935 to December 13, 1941.



Weekly averages of daily yields of 3- to 5-year tax exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to December, 1941.



Wednesday figures, January 4, 1939 to December 13, 1941.

Industrial activity was maintained at a high rate in November and the first half of December and distribution of commodities continued in large volume. Our entry into the war was reflected in a sharp advance in the prices of some commodities, some decline in security prices, and further curtailment of nonmilitary production.

Production

Volume of industrial output was sustained in November at the high rate of the previous two months, although a decline is usual at this season. The Board's adjusted index advanced from 163 to 167 per cent of the 1935-39 average. In industries engaged in production of armament and munitions activity continued to increase and in most other lines volume of output was maintained or declined less than seasonally.

Output of materials, such as steel and nonferrous metals, was maintained at about capacity. In the automobile industry activity increased, reflecting larger output of both military and civilian products, and at lumber mills and furniture factories activity declined less than seasonally. At cotton and rayon textile mills activity rose to new record levels, and at woolen mills the high production rate of other recent months was maintained. Less than seasonal declines in output were indicated for shoes and manufactured food products.

Crude petroleum production increased further in November. Bituminous coal production declined somewhat owing to temporary shut-downs at some mines during November, and anthracite production was curtailed.

Following a declaration of war by this country in early December further steps were taken to curtail output of nondefense goods using critical materials. Output quotas for passenger cars and household appliances were greatly reduced and cessation of output of some other products was ordered as of the end of January. Also, the production and sale of new automobile tires and tubes for civilian use were halted temporarily.

Value of construction contracts awarded in November declined sharply from the high level of other recent months, according to figures of the *F. W. Dodge Corporation*. Total awards in November were about a fifth larger than a year ago, while for the first ten months of the year they were three-fifths larger.

Distribution

Volume of retail trade increased in November following some decline in the previous month. Department store sales, as measured by the Board's seasonally adjusted index, advanced to 115 per cent of the 1923-25 average as compared with 105 in October and 116 in September. Larger sales in November were also reported by variety stores. Sales of automobiles increased somewhat, according to trade reports.

In the second week of December sales at department stores rose less than seasonally, particularly in the coastal regions.

Freight traffic on the railroads continued in large volume in November and the first half of December. Grain shipments increased considerably and loadings of miscellaneous merchandise were maintained at the high level reached several months earlier.

Commodity Prices

Following the entry of the United States into the war, prices of grains, livestock, and foods rose sharply. Prices of most industrial materials traded in the organized markets, being limited by Federal regulations, showed little change. Additional measures to prevent advances in wholesale prices were soon announced for wool and shellac and for such imported foods as cocoa, coffee, pepper, and fats and oils.

Retail food prices, as measured by the *Bureau of Labor Statistics'* index, increased $1\frac{1}{2}$ per cent further from the middle of October to the middle of November to a level 18 per cent above a year ago. Indications are that retail prices of both foods and other commodities continued to rise in December.

Bank Credit

Total loans and investments at banks in leading cities continued to advance during November and the first two weeks of December.

Excess reserves increased through most of the period as a result of Treasury expenditures from Reserve Bank balances, but declined sharply on December 15 when these balances were replenished in connection with the issue of 1.6 billion dollars of new Government securities. Money in circulation has continued to show a marked increase.

Yields on United States Government Securities

The yield on $2\frac{1}{2}$ per cent United States Government bonds of 1967-72, which reached a record low level of 2.32 per cent on November 5, advanced somewhat in November and, after the entry of the United States into the war, rose to 2.50 per cent.