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Developments in the international situation since December 7 already have produced repercussions in the United States and especially in the Fourth Federal Reserve District. So far as the country is concerned, the war problem in 1942, according to reports, is to be more a matter of turning out urgently needed materials than of supplying men for the actual military effort itself. Today this task falls on the nation's entire productive resources, including agriculture.

In this highly industrialized area, where approximately half of all the iron and steel is made and where work of the subcontracting sort always has been highly important, the extent of the district's industrial contribution to the war effort cannot be measured solely by contracts awarded by the armed services or the Government, even if they were available. Many companies that have received few, if any, direct war or defense orders are fully engaged in war work on a subcontract basis. Some plant expansion programs financed by the Defense Plant Corporation have been doubled, and then increased further. While even these factories have only a limited number of direct Government orders, they are working full time manufacturing war materials which are being shipped to all parts of the country for final assembly into fighting machines.

Scores of fourth district plants make semifinished and finished steel, foundry items and equipment, machine tools, and components for airplanes, tanks, ships and other military articles. All are now called upon to increase their war effort. Due to the emergency, much civilian goods' production has been further restricted and output of some nonmilitary articles is to cease. These Governmental rulings have most directly affected automobile parts manufacturers and rubber processors, both very important industries in the district. For such reasons, impact of the shift to an all-out war production basis already has been felt to a considerable degree.

In a few instances, Government requirements are not greatly different from ordinary commercial specifications. Transition to war work in these lines, therefore, has been a relatively simple matter. In those areas and plants of the district where production of goods now termed "nonessential to the war effort" has been at high levels and the conversion to war work has been slow or impossible, marked changes have been necessary to conserve vital materials and to make manpower available in order that the high war

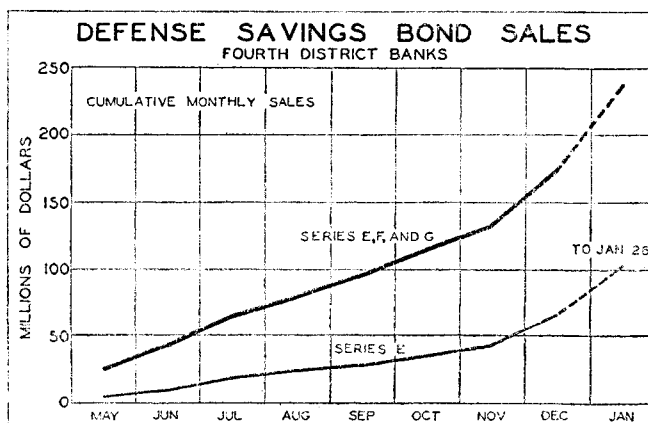
production goals which have been set might be achieved. The full extent of these shifts may never be known. Many workers are having to relocate themselves and their families in order to obtain new jobs.

Total demand for industrial help has been increasing, and surveys indicate that it will be even greater as time passes and new plant facilities are completed, enlarged, or converted. Employment in principal fourth district manufacturing centers continued at very high levels in December and early January, even in those cities where the principal activity formerly was the production of automobile parts or mechanical refrigerators and other household equipment. Operations in industries contributing directly or indirectly to the war effort were expanded somewhat further to new peaks, and working forces were augmented.

Most companies in practically all lines have been carrying record inventories of materials, and those that had the opportunity accumulated large stocks of finished goods. Indications in mid-January pointed to some reversal in such a policy. Supplies of many materials have become more limited. Ceiling prices lower than those prevailing in the market at the time maxima were set have been established on an ever greater variety of items by the Office of Price Administration. More urgent demand for goods has speeded up shipments and fabricated inventories recently have been reduced moderately.

DEFENSE BONDS

The immediate and sharp increase in the sale of de-



fense bonds in this district, and also in most parts of the country in December, following the entrance of the United States into actual war, was extended in January. Demand for bonds through qualified sales agencies has stepped up to such an extent that, despite the fact deliveries of unissued bonds from the Treasury to the Cleveland reserve bank were increased, supplies of unissued bonds, especially the smaller denominations, were exhausted on several occasions.

Interest in defense bonds denotes a gratifying patriotic public effort to do its share toward supplying the needed funds in increasing volume for war purposes. In addition, the recent increase reflects the operation of payroll deduction programs inaugurated in some of the larger industrial and commercial organizations in the district whereby regular amounts are taken from current income. These funds are allowed to accumulate until such time as a sufficient amount is available to purchase a defense bond for the individual worker. In organizations where payroll deduction programs were inaugurated last year, full effectiveness of setting aside regular amounts for the purpose of purchasing defense bonds is beginning to show up. Since participation in the war effort became a reality, there has been considerable extension of the payroll deduction and defense savings stamp purchase programs. Funds now being set aside for this purpose will begin to flow into the Treasury at a later date. It is now possible for reliable companies employing "a large number" of persons to become consignment agents for the issuance of defense bonds. This will enable a better distribution of bonds than has hitherto been possible.

The desirability of broadening the program of systematic purchase of defense bonds by setting aside a share of current income each month cannot be over-emphasized. To the extent that funds needed by the Treasury are thus made available, the inflationary aspects of the war effort are lessened and the need for obtaining such funds through taxes or by the sale of securities to banks is reduced.

In the first 26 days of January, sales of Series E bonds through qualified issuing agencies in this district, including commercial and savings banks, loan associations, credit unions, a number of individual qualified corporations, and the Federal Reserve Bank of Cleveland, totaled \$35,891,000. This compares with \$24,531,000 in all of December. Since May 1, when Series E bonds were first offered for sale, \$101,031,000 have been made available to the Treasury through issuing agencies in this district alone, not including sales through post offices.

Sales of Series F and G bonds also rose to new high levels in January, even exceeding the large volume last May when these bonds first became available and were taken in large quantities for trust accounts, etc. In the first 26 days of January, fourth district sales of Series F bonds totaled \$6,633,000, and Series G bonds \$23,747,000. In the entire month of December, combined sales of these two types of bonds aggregated \$18,500,000. Sales of Series E, F, and G defense bonds, through fourth district sources, other than post offices, have aggregated \$239,566,000 since they were placed on sale May 1, 1941.

FINANCIAL

Member Bank Credit

After attaining a new high level in mid-December, credit extended through loans made by weekly reporting member banks

in leading cities of the fourth district declined over the year end and in the first three weeks of January. All types of loans were reduced. Investments also declined in late December and the first half of January, but a sharp increase in holdings of Treasury bonds occurred in the third week as banks subscribed to the recent offering of Treasury bonds. Holdings of Treasury notes, bills, and guaranteed securities were reduced proportionately. Combined holdings of securities on January 21 were at a new high level.

Time deposits at reporting banks have declined steadily in recent months with the falling-off more noticeable since the second week of December. This contraction is in part a direct result of the increase in the purchase of defense bonds. Between December 3 and January 21 time deposits of reporting banks were reduced three percent. They were smaller than at any time since 1937.

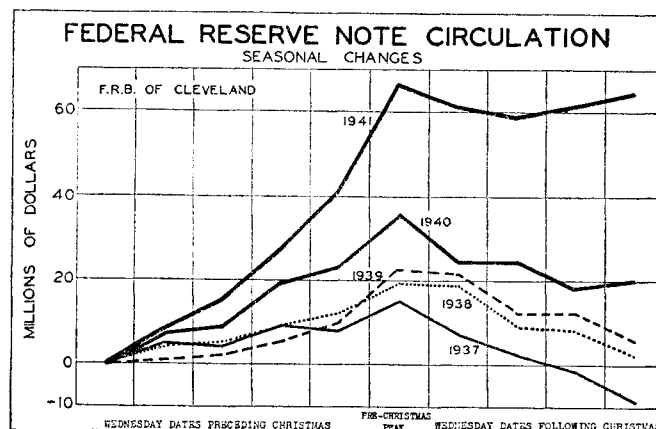
Demand deposits declined rather sharply over the year end, but recovered most of the ground lost in the second and third weeks of January. On the latest date, demand deposits of these leading banks were 14 percent larger than in January last year, and since 1936, demand deposits have doubled. An acceleration of this movement as a result of the necessary war financing program should not be contemplated with equanimity.

Bank Reserves

Member bank reserve balances increased rather sharply in January as Treasury deposits were reduced and the flow of monies to this district exceeded the outward movement of funds. Reserve balances rose from \$920,000,000 on December 31 to \$976,000,000 on January 21. They were \$20,000,000 larger than a year ago. In the last half of December reserve balances were rather sharply reduced as seasonal demands for currency developed and funds were withdrawn from banks, in part for the purchase of defense bonds. Excess reserves of all member banks dropped to the lowest level since early 1940, but they were still 64 percent larger than required. This was the smallest percentage excess since 1939, but it was still approximately twice as large as the excess of all member banks in the country.

Note Circulation

The accompanying chart shows fluctuations in circulation of this bank's Federal reserve notes prior to, and following, Christmas of the past five years. Generally, accompanying the rise in retail trade activity in December, there is a rather marked increase in the demand for currency. In the nine years 1932-1940 this seasonal rise in note



circulation between the last week in November and the peak prior to Christmas has averaged \$17 millions. In the season just passed the expansion in note circulation in the same period was \$58 millions. In no previous holiday period has the increase been so large.

As the need for currency declines following Christmas, there usually is a return flow of funds from the banks to the reserve bank in January. In the same nine-year period the average decrease in note circulation from the December peak to the January low point was \$16 millions. This year, however, note circulation dropped from \$784 millions on December 24 to \$776 millions on January 7 and then increased to \$782 millions by January 21. The net reduction of the pre-holiday increase of \$58 millions thus was only \$2 millions.

The persistent increase in money in circulation and some of the factors responsible for it have been commented on several times. At present, circulation of this bank's notes is \$246 millions greater than a year ago and it is four times as large as in 1929. Since this situation exists in all parts of the country, excess reserves of member banks have been reduced by the amount of the increase.

NEW MEMBER BANK

The Farmers and Merchants' State and Savings Bank, Montpelier, Ohio.

MANUFACTURING, MINING

Iron and Steel Limited supplies of scrap continued to be the principal factor influencing steel-making activity in this district and throughout the country in January. Cold weather and snow in many sections in mid-month hindered scrap collection, with the result that smaller tonnages moved to market. Melters were forced to reduce their already limited yard stocks somewhat further and, in numerous instances, to withdraw open hearth furnaces from production because of shortages. Surveys by the *Bureau of Mines* reveal that on most recent inventory dates consumers and suppliers in Ohio, West Virginia, and western Pennsylvania have held relatively less scrap than have users and dealers in other areas. A few scrap collection campaigns have been undertaken in this district and elsewhere, with varying degrees of success; others have been planned.

The national steel operating rate averaged 98 percent of theoretical capacity in December, when 7,164,000 net tons of raw steel were poured. This is the second best monthly production in history, being exceeded only fractionally in October 1941. Output last year totaled 82,928,000 tons, a new all-time record tonnage, 24 percent greater than that of 1940, the previous peak. By late January, operations had dropped to about 96-97 percent of capacity, a decline of some 20,000 to 40,000 tons per week.

In the Pittsburgh area, the rate dropped from 98 percent to 95 percent between mid-December and late January. Cincinnati mills, which had operated at 91 percent the second week in December, were working at 88 percent of capacity the third week in January. Changes were greatest in the Wheeling and Youngstown territories where declines of six points to 88 percent and 86 percent, respectively, were registered. During the same period, Cleveland-Lorain schedules fell from 94½ percent to 90 percent and then recovered.

Although some slackening was noted immediately following America's entrance into war, aggregate demand for steel since that time has continued in about the same large volume reported last fall. However, there has been a noticeable change in the source of inquiries and the type of material sought. Civilian business has dropped off markedly. It has been estimated that approximately three-fourths of all new bookings for steel represent direct and indirect war needs. As late as midsummer 1941, orders carrying priority ratings constituted about one-third of total business. The heavier grades of steel recently have accounted for the bulk of sales volume.

One newly completed blast furnace in the fourth district was lighted for the first time in mid-December; it has a daily rated capacity of 850 net tons. Two other stacks were withdrawn for relining, leaving 99 out of 107 active. National pig iron production in December was the best for any month in history; 5,068,000 tons were cast. Annual output of 55,918,000 tons also was at an all-time peak 8,600,000 tons higher than the previous record established in 1929.

Monthly consumption of 7,062,000 gross tons of Lake Superior iron ore in December was the heaviest ever reported, as was the annual total of 76,336,000 tons. Stocks on Lake Erie docks and at furnaces were reduced 5,100,000 tons during December to 40,457,000 tons on January first. A year before 36,073,000 tons were in storage.

Coal

Though a few concerns reportedly were ordering their next season's requirements, the industrial coal market early in January was slow, further extending the trend noted in the previous month. Coking grades, used principally by ironmakers and coal gas producers, continued in strong demand as pig iron output was maintained at record levels and very cold weather in many localities placed a heavy drain on both artificial and natural gas supplies. Activity at retail coal yards also increased because of greater household heating requirements. Dealers in some cities stated that shortages of truck drivers delayed home deliveries.

December coal loadings at lower Great Lakes ports established a new peak for that month at 1,228,000 net tons. During all of 1941, shipments totaled 51,394,000 tons, an all-time record which exceeded the previous one reported in 1940 by approximately 3,000,000 tons. The lake trade virtually ceased after mid-December, though relatively small tonnages still moved as far north as the Detroit River.

More soft coal was stored at industrial plants and in retail yards when war broke out than at any time since mid-1927, when solid fuel was more widely used as a power source. Uncertainty with respect to fuel oil supplies and availability of necessary amounts of natural gas caused some manufacturing concerns to change over to coal-burning equipment last year. As a result, mines in this district, notably in western Pennsylvania, have experienced a somewhat wider diversity of demand, even from New England sources. The amount of coal moved to market by independent truck operators has declined moderately since control was established over distribution of tires.

Fourth district mining activity increased substantially in December, though a seasonal decline customarily is registered. Output of 17,766,000 net tons compares with 15,560,000 tons in November, when mines operated by steel mills and other large consumers were closed by

strike. December production was the best for that month since 1926.

Automobiles Retail distribution of new passenger cars and light commercial trucks was banned January 1, pending formulation of a rationing program. Production, however, was permitted to continue at a restricted level so that manufacturers might deplete inventories of previously fabricated parts and equipment. In this way a larger stock of new vehicles was accumulated for future essential needs. A maximum of 205,000 passenger cars for civilian use was allowed to be assembled during January. After February 2 all output for other than military and necessary domestic transportation purposes is scheduled to cease entirely.

December production approximated 170,000 passenger cars and 100,000 trucks, busses, and road tractors. During all of 1941, automobile manufacturers assembled about 4,800,000 motor vehicles. Despite the fact that output was restricted under Governmental order during final months of the year, this is the second largest annual production in history, being exceeded by only 500,000 units in 1929. Last year, for the first time on record, more than 1,000,000 trucks were made. A great proportion of these was Army vehicles.

Fourth district parts and accessories suppliers stopped producing passenger car and light truck items by mid-December, in line with the limitation originally placed on assembly of such automobiles. A number of these concerns have converted much of their equipment to the manufacture of ordnance and ammunition components and continued employment at near-record levels. Companies which are equipped to do light metal stamping work have had more difficulty changing over to the production of military articles since comparatively few pressed or formed items are required. Some plants are completely idle, but others which were closed late in December have reopened on a limited basis. Scattered reports from several fourth district cities in which automotive parts and equipment manufacture has been important reveal that total industrial working forces early in January were considerably larger than at the same time in past years.

Between 614,000 and 674,000 new automobiles were judged to be available for Governmentally controlled distribution after February 2. Some 130,000-140,000 of these were scheduled to be set aside for about a year to provide a stockpile for future essential needs.

Rubber, Tires New automobile tires were the first commodity to be rationed to consumers and on which maximum prices were set at the retail level. Inventories held by manufacturers, distributors, and dealers were frozen in mid-December, and all trade, wholesale and retail, was stopped. Early in January, a program controlling distribution was established whereby tires could be made available to a limited number of essential civilian services.

When it became evident that new passenger car tires would not soon again be available to most motorists, there was a sharp rise in the volume of tire retreading. By this process, a new tread or tread and sidewalls are vulcanized to a worn tire carcass, increasing its serviceable mileage. About half as much rubber is needed to retread a used tire as to make a new one.

Tire retreading, up until now, has grown considerably in importance during the past few years. Trade observers have

estimated that 1,500,000 pneumatic casings were retreaded in 1935 and 6,000,000 in 1940. It is judged that 8,000,000 tires were retreaded last year. Heavy duty truck and bus tires retreaded under service arrangements between fleet operators and tire manufacturers or those whose principal business is retreading formerly accounted for the major portion of the volume, but more recently an increasing number of passenger car tires have been retreaded.

After February 1, however, crude rubber may not be processed for retreading purposes without prior Governmental approval, according to an order issued by the War Production Board late in January. The ruling also specifies an extensive variety of rubber products, in the manufacture of which crude rubber may or may not be used. It thus further regulates consumption of this strategic import commodity.

Truck tire production reportedly continued in heavy volume during December. Consumption of crude rubber, if it were used for such manufacture, was not restricted, and large quantities were said to have been used. Limitations were placed on January consumption. Late in the month divisions producing heavy duty tires were operating on a thirty hour week basis. Activity in departments making civilian items was more curtailed. Military output was expanded further, as additional workers and facilities were transferred to war production. Because of these conversions and the fact that labor contracts in the rubber industry defer layoffs until hours have been cut below 24 a week, total employment in Akron and vicinity has continued at advanced levels, according to a January survey.

Textiles, Clothing

Fourth district needlework shops were about midway through their spring season when restrictions on civilian use of raw wool were announced early in January. Most manufacturers already had received the major portion of their cloth requirements by that time, having accepted larger shipments from mills earlier than usual. Although a few companies expressed some concern over the extent to which cloth orders not yet received would be reduced, it was evident that full effects of the limitation order would be deferred until the beginning of the fall manufacturing season in April.

Under provisions of the Governmental ruling, first quarter consumption of raw wool by producers of woolen goods for civilian purposes is restricted to 40 percent of the amount used during the same 1941 period. This step apparently was taken in the interests of conservation. January 1 raw wool stocks in this country, totaling 558,000,000 pounds, grease basis, were the largest for the beginning of any year in two decades. During 1941, inventories were practically doubled, in considerable part by Argentinian imports and impounded receipts from Australia.

Fourth district wool processing capacity is rather small, with blanket manufacture relatively more important than the production of woolen cloth. Military work in recent months has accounted for an increasingly large proportion of numerous concerns' output, and mid-January reports indicated that additional facilities were being converted to this activity.

The vastly enlarged Army requirements for cotton cloth, particularly heavy duck, already have necessitated transfer of more loom capacity from civilian to military output. Fourth district cotton garment makers in the middle of January reported that they had not yet noted any

great change in conditions, but they expected to within a comparatively short time. New order volume continued at advanced levels, as did production and shipments.

Other Manufacturing Activity in other important fourth district industries recently has become more related to the extent to which plant facilities are being utilized in the war effort than heretofore. Concerns making articles used directly or indirectly in the production of armament and ordnance increased schedules in December and early January to new high levels. Many manufacturers of civilian goods have had additional Governmental restrictions placed on their output. Others have had increasing difficulty in securing materials; this applies even to a number of companies producing military items. A few that use easily obtainable materials have continued near capacity operations, where demand warranted.

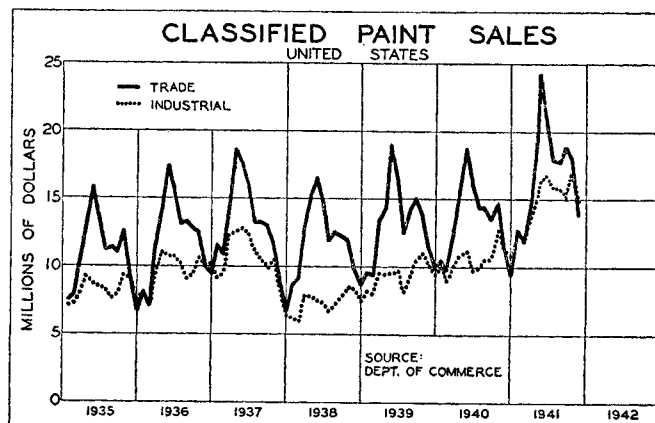
Metal Industries Reaching a new monthly peak at \$85,100,000, December deliveries by the machine tool industry were considerably larger than originally estimated. Shipments made during the entire year 1941 were valued at \$775,300,000, compared with \$450,000,000 in 1940. In view of the vastly greater military undertaking this year, a 1942 production goal of \$2,000,000,000 has been set. Some fourth district companies that already had expanded greatly within the past year or two are starting construction of additional manufacturing facilities.

Foundries in this district have been fully occupied, chiefly on defense items, for several months. A number of independent shops are devoted exclusively to the manufacture of castings for machine tools. Pig iron allocations appear to be working out satisfactorily, with most foundries well supplied.

Record new equipment sales and repair orders raised the orders index of the *Foundry Equipment Manufacturers' Association* to an all-time peak in December. At 481 percent of the 1937-39 average, it was about 50 percent higher than in January 1941.

Drop forging shops in mid-January were making mostly items for the war effort. A few raw materials were said to be scarce, thus limiting output slightly. Dies reportedly were rather difficult to obtain. With few military items calling for die castings and use of the principal materials entering into their manufacture—zinc and aluminum—restricted, companies making them are largely idle.

Products of screw machine concerns have continued in heavy demand, with more prompt deliveries being requested. Supplies of steel were reported to be the factor determining output.



Electrical Equipment Several companies making electrical household appliances and equipment have transferred workers and facilities to the manufacture of military articles, but much equipment cannot readily be converted to produce required war items. Activity in heavy apparatus divisions has continued to expand.

Glass, Dinnerware With civilian automobile assemblies scheduled to cease February 2, orders for plate glass have declined sharply in recent weeks, further extending the trend noted since restrictions on motor vehicle production were first announced. Commercial output of polished glass dropped to 10,310,000 square feet in December, the lowest level in seventeen months. At least one fourth district plate glass factory has closed.

Mid-January reports indicated that demand for building glass has declined recently. Manufacturers still had large order backlogs which equalled two or three months' production, however, and operations continued at practical capacity levels. December output, amounting to 1,696,000 boxes, was the best for any single month in history.

The most active division in the glass industry for the past several months has been the one making bottles and containers. Monthly production has exceeded 6,000,000 gross since May 1941. Sustained heavy demand for such ware is indicated by the tight tin supply, which in mid-January was expected by can manufacturers to result soon in some restriction on output of plated metal containers.

Producers of glassware and dinnerware recently closed their annual winter show in Pittsburgh. Orders taken were reported to be large enough to maintain close to capacity operations for about sixty days. Price advances have been announced on dinnerware effective February 1, on which date certain wage increases go into effect. Flat glass prices were raised in December, but the action was later rescinded at the request of the Office of Price Administration.

Paint The immediate problems confronting the paint industry are the availability of raw materials and the substitution of new ingredients for ones which are in tight supply. Use of some items, most notably toluol, has been prohibited in paint making and supplies of other chemicals have been sharply restricted since they are essential in the manufacture of powder and explosives. Industrial paint sales, as well as those through ordinary trade channels, continued at higher than customary levels all last fall, as the accompanying chart indicates. This resulted, to a considerable extent, from the large amount of factory and residential building which was being completed. According to trade reports, volume declined seasonally in December and January, but even then it was greater than that of a year ago.

Paper, Paperboard Conversion from civilian production to the manufacture of goods for use by the armed forces has been comparatively simple in the paper and paperboard industries, since specifications are quite similar. Operations in both lines were being maintained at better than theoretical capacity in mid-January, though some difficulty was being encountered in securing raw materials, especially waste paper. Orders for paper continued in volume during January. Considerably more new business was being booked by paperboard manufacturers in mid-January than a month previous.

Shoes Fourth district shoe production expanded somewhat less than seasonally in December from the high No-

vember level, but output was sharply larger than at any similar time in recent years. These factories generally are equipped to handle only the lighter weight leathers used to make women's shoes and consequently have been doing only a limited amount of Government work. The spring selling season had about ended by mid-January. Most companies had orders which would maintain operations for sixty to ninety days. Since ceiling prices have been established on leather, there has been a disposition on the part of manufacturers to reduce inventories which previously had been built up considerably.

TRADE

Retail

Fourth district department store sales early in January were sharply larger than those of a year before, following a substantially less than seasonal rise in December. A 59 percent increase over 1941 volume was reported for the week ended January 17. Consumer interest recently has centered chiefly on those lines which buyers expect to be scarce, of poorer quality, or higher priced later. Though many stores held customary January clearance sales, the variety of merchandise offered was considerably more limited than in past years.

Department store trade was relatively slow during the first three weeks of December, and then it increased rather markedly. For the entire month, dollar volume was 17 percent greater than that of December 1940. Compared with a year previous, December sales of wearing apparel shops and furniture stores were up 14 percent and 15 percent, respectively. Chain groceries, on a unit operated basis, sold 38 percent more merchandise during December 1941 than in December 1940. Individual stores in reporting drug chains experienced a 23 percent year-to-year gain.

January 1 stocks carried by department stores in this district were less than seasonally smaller than those of a month earlier and 42 percent greater than those of a year before. Outstanding order volume was 63 percent higher on that date this year than last. Wearing apparel shop inventories were up 15 percent on January 1, 1942 from January 1, 1941.

Credit sales of reporting department stores represented 54 percent of total December business, a slightly smaller proportion than in other recent months or a year ago. Accounts receivable on January 1, however, were ten percent larger than those twelve months before; wearing apparel shops reported an increase of eleven percent. During December both collected about 38 percent of their outstanding accounts at the beginning of the month. This is roughly the same percentage shown in November 1941 and December 1940.

Wholesale

Seasonal factors exerted little influence upon the volume of fourth district wholesale trade in December. While a decline in dollar sales customarily has been registered between November and December, there was a ten percent increase from November to December 1941. In the latter month, wholesalers reporting to the *Bureau of the Census* distributed 30 percent more merchandise than a year before. All lines, with the exception of clothing, moved in markedly greater quantities. Sales of machinery and equipment suppliers were twice as large in December 1941 as in December 1940, and dollar volume of paint and varnish wholesalers, coal dealers, and hardware merchants was up more than 50 percent.

Despite this great sales activity in December, fourth district wholesalers generally maintained inventories at the advanced November level. Aggregate stocks on December 31 were one-fifth larger than those of a year before. Food distributors, dry goods merchants, and hardware dealers all had greater than average increases.

Wholesalers' collections in December were up sharply from those of either the previous month or the year before. On the average, 91 percent of total accounts outstanding December 1 were collected during the month. This is a markedly greater proportion than was reported in any recent past period and compares with 81 percent in November and 80 percent in December 1940.

CONSTRUCTION

Building activity in fourth district areas increased rather sharply during the last two weeks in December, when marked improvement was noted in the residential field. According to *F. W. Dodge Corporation* data, December contracts aggregated \$34,206,000. This is 19 percent greater than the December 1940 total and the second best for any similar month in fourteen years, being exceeded by \$6,000,000 in December 1938 when contracts were let for a large Federal project in Youngstown. The late December increase, however, was not great enough to offset the small volume reported earlier in the month, and aggregate value of awards fell below that of the previous month for the fifth consecutive time since July.

Approximately half of all construction and engineering work contracted for during December in this district was publicly financed. This is the average proportion for the entire year. In 1940, three-fifths of total building was undertaken by private capital. During both years, Government funds were utilized for less than one-fourth of all residential work.

A noteworthy feature of construction activity in fourth district areas last year was the large amount of factory building. Contracts awarded for this type of work continued at high levels throughout 1941, with less month-to-month fluctuation than was evident in prior years. Expansion of existing plants and erection of new ones for the manufacture of military items or the machines, equipment, and materials needed to make them were chiefly responsible in raising total factory awards to more than \$115,500,000. This is a new peak for the fourteen years for which detailed figures are available.

Residential building in 1941 accounted for about the same proportion of total construction as in other recent years—roughly 45 percent. There was a sharp increase in the number of homes built for sale or rent, however. To some extent, this represented greater activity on the part of Federal housing agencies, but recently an increasing amount of so-called defense housing construction has been privately financed.

Fourth district lumber and builders' supplies dealers experienced some further slackening in inquiries for new residential work early in January, but a marked pickup in industrial business. Furniture woods continued in strong demand. Sizable deliveries were being made to housing projects already well under way. Heavy Government purchases early in January virtually cleared the market of soft pine lumber, and dealers reported that there were orders on hand for practically all dry wood carried in stock. In general, total inventories of builders' items on January 1 were about as large as those of a year previous, though

lumber supplies in some instances were short.

AGRICULTURE

Principal agricultural commodity prices rose sharply during the forepart of January, chiefly on news that pending price control legislation might prohibit ceilings on farm product prices of less than 110 percent of parity. It also was proposed to place final control over agricultural prices with the Secretary of Agriculture rather than the Price Administrator. Markets late in December were relatively stable. Immediately following outbreak of war there had been marked advances.

Higher farm prices have occasioned a substantial increase in prices of foodstuffs in recent weeks. The *Bureau of Labor Statistics* daily index of such prices advanced from 168.9 percent of the August 1939 average on December 5 to 181.1 percent on January 23. During the same period, the agricultural price index rose 14½ points, or 8.8 percent.

Tobacco Kentucky tobacco auctions closed for two weeks instead of the usual one at the year end because redrying facilities were overloaded by the extraordinarily large quantity of burley tobacco that had been sold during the initial

weeks of the 1941-42 marketing season. Following the re-openings, average prices rose to new high levels. Later in January, however, the quality of offerings declined, and prices moved somewhat irregularly. For the season to January 23, however, Kentucky farmers had received over \$73,-000,000 for 249,377,000 pounds of tobacco. This is more than any crop has sold for since 1919.

Wholesale and Retail Trade

(1941 compared with 1940)

	SALES December 1941	Percentage Increase or Decrease SALES Twelve months	STOCKS December 1941
DEPARTMENT STORES (95)			
Akron.....	+21	+28	+59
Canton.....	+28	+35	a
Cincinnati.....	+13	+16	+41
Cleveland.....	+20	+22	+42
Columbus.....	+14	+16	+36
Erie.....	+24	+26	+29
Pittsburgh.....	+13	+16	+40
Springfield.....	+19	+23	a
Toledo.....	+15	+17	+39
Wheeling.....	+17	+23	+22
Youngstown.....	+16	+23	a
Other Cities.....	+23	+26	+44
District.....	+17	+20	+42
WEARING APPAREL (16)			
Canton.....	+17	+24	+23
Cincinnati.....	+6	+11	+7
Cleveland.....	+17	+16	+14
Pittsburgh.....	+19	+10	+23
Other Cities.....	+12	+14	+18
District.....	+14	+15	+16
FURNITURE (39)			
Canton.....	+13	+26	
Cincinnati.....	+34	+38	
Cleveland.....	+10	+25	
Columbus.....	+1	+13	
Dayton.....	+17	+21	
Toledo.....	+16	+37	
Other Cities.....	+36	+36	
District.....	+15	+26	
CHAIN STORES*			
Drugs—District (5).....	+23	+13	a
Groceries—District (4).....	+38	+23	a
WHOLESALE TRADE**			
Automotive Supplies (9).....	+43	+26	+17
Beer (5).....	+29	+22	+6
Clothing and Furnishings (4).....	—9	+15	a
Confectionery (4).....	+24	+12	+28
Drugs and Drug Sundries (9).....	+24	+10	a
Dry Goods (5).....	+21	+28	+26
Electrical Goods (6).....	+22	+64	a
Fresh Fruits and Vegetables (7).....	+29	+10	+40
Grocery Group (34).....	+22	+15	+39
Total Hardware Group (32).....	+51	+54	+26
General Hardware (9).....	+37	+40	+20
Industrial Supplies (13).....	+72	+83	+46
Plumbing & Heating Supplies (10).....	+43	+47	+24
Lumber and Building Materials (4).....	+5	a	a
Machinery, Equip. & Sup. (exc. Elect.) (5).....	+102	+77	+19
Meats and Meat Products (6).....	+38	a	+38
Metals (4).....	+12	a	a
Paints and Varnishes (7).....	+80	+19	+20
Paper and its Products (6).....	+47	+34	a
Tobacco and its Products (14).....	+22	+12	+3
Miscellaneous (18).....	+18	+32	+4
District—All Wholesale Trade (183).....	+30	+31	+20

*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)

	Dec. 1941	Dec. 1940	Dec. 1939	Dec. 1938	Dec. 1937
Bank debits (24 cities).....	159	125	105	97	102
Commercial Failures (Number).....	30	30	24	39	47
" " " (Liabilities).....	10	32	14	22	38
Sales—Life Insurance (O. and Pa.).....	137	88	79	119	87
" —Department Stores (48 firms).....	197	178	171	152	151
" —Wholesale Drugs (9 firms).....	173	139	129	120	114
" " " Dry Goods (5 firms).....	62	52	48	48	44
" " " Groceries (34 firms).....	85	70	64	66	73
" " " Hardware (32 firms).....	192	127	100	84	81
" " " All (183 firms).....	106	82	71	70	74
" —Chain Drugs (4 firms)*.....	171	140	132	126	120
Building Contracts (Total).....	72	61	62	84	57
" " " (Residential).....	111	70	69	61	19
Production—Coal (O., W. Pa., E. Ky.).....	98	84	79	72	69
" —Cement (O., W. Pa., E. Ky.).....	114	89	55	45	59
" —Elec. Power (O., Pa., Ky.)**.....	280	241	225	194	192
" —Petroleum (O., Pa., Ky.)**.....	108	108	123	113	125
" —Shoes.....	116	96	87	89	83

* Per individual unit operated.

** November.

Debits to Individual Accounts

(Thousands of Dollars)

	5 Weeks ended Jan. 21, 1942	% change from 1941	Year to Dec. 26, 1940	Year to Dec. 28, 1939	% change from 1940
			Dec. 31, 1941	Dec. 25, 1940	
Akron.....	130,836	+34.6	1,223,137	903,891	+35.3
Butler.....	16,951	+34.1	157,843	121,263	+30.2
Canton.....	71,601	+30.3	667,912	488,434	+36.7
Cincinnati.....	600,941	+30.0	5,495,574	4,110,027	+33.7
Cleveland.....	1,125,101	+21.3	10,404,664	7,799,811	+33.4
Columbus.....	282,253	+33.2	2,729,061	2,234,984	+22.1
Dayton.....	134,716	+36.4	1,200,161	883,169	+35.9
Erie.....	54,374	+37.7	494,100	362,315	+36.4
Franklin.....	5,984	+42.9	52,025	38,914	+33.7
Greensburg.....	13,302	+30.4	116,285	94,929	+22.5
Hamilton.....	20,401	+35.7	192,002	143,042	+34.2
Homestead.....	5,910	+33.3	57,748	44,148	+30.8
Lexington.....	68,931	+40.2	329,395	287,994	+14.4
Lima.....	23,811	+20.2	221,700	181,866	+21.9
Lorain.....	8,805	+28.8	82,641	68,325	+21.0
Middletown.....	21,429	+34.6	200,142	148,345	+34.9
Oil City.....	16,913	+35.6	147,844	124,351	+18.9
Pittsburgh.....	1,336,919	—4.9a	11,908,492	9,014,868	+32.1
Sharon.....	15,444	+35.6	145,534	107,593	+35.3
Springfield.....	28,830	+24.2	274,673	212,893	+29.0
Steubenville.....	12,995	+5.7	144,924	123,794	+17.1
Toledo.....	223,664	+22.9	2,110,681	1,604,191	+31.6
Warren.....	21,973	+35.7	206,915	139,054	+48.8
Wheeling.....	42,155	+8.3	419,148	343,377	+22.1
Youngstown.....	87,988	+29.8	831,570	642,006	+29.5
Zanesville.....	14,333	+17.8	131,089	108,439	+20.9
Total.....	4,386,560	+15.1	39,945,260	30,332,023	+31.7

a Large refinancings occurred in 1941 period.

Fourth District Business Statistics

(000 omitted)

	Dec. 1941	% change from 1940	Jan.-Dec. 1941	% change from 1940
Fourth District Unless Otherwise Specified.....				
Bank Debits—24 cities.....	\$4,300,000	+27	38,896,000	+28
Savings Deposits—end of month: 40 banks O. and W. Pa.....	\$ 801,764	+1	a	
Life Insurance Sales: Ohio and Pa.....	\$ 132,232	+56	1,085,315	+14
Retail Sales: Dept. Stores—95 firms.....	\$ 57,430	+17	400,082	+21
Wearing Apparel—16 firms.....	\$ 2,003	+15	15,248	+15
Furniture—39 firms.....	\$ 1,450	+15	15,323	+26
Building Contracts—Total.....	\$ 34,206	+19	525,867	+33
" —Residential.....	\$ 19,071	+59	237,964	+31
Commercial Failures—Liabilities.....	\$ 434	—70	8,594	—29
" —Number.....	44	+2	642	—3
Production: Pig Iron—U. S.....Net tons	5,015	+10	55,918	+19
Steel Ingot—U. S.....Net tons	7,164	+10	21,377	+9
Bituminous Coal, O., W. Pa., E. Ky.....Net tons	17,766	+16	192,259	+9
Cement—O., W. Pa., W. Va. bbls.	1,368	+28	15,117	+13
Elec. Power, O., Pa., Ky.....				
" —Thous. k.w.h.....	2,354c	+16	24,604d	+19
Petroleum—O., Pa., Ky.....bbls.	2,002c	+1	22,623d	—4
Shoes.....pairs	e	+21	e	+21
Tires, U. S.....casings	2,967	—40	61,533	+4
Bituminous Coal Shipments: L. E. Ports.....Net tons	1,228	+96	51,395	+7

a not available

b actual number

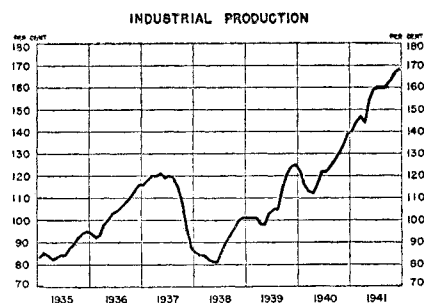
c November

d January-November

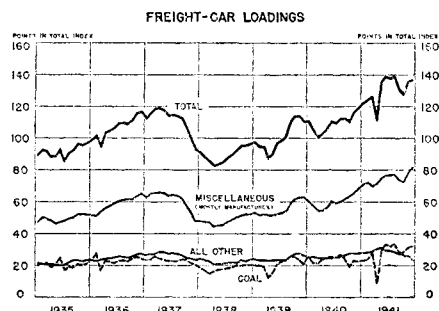
e confidential

Summary of National Business Conditions

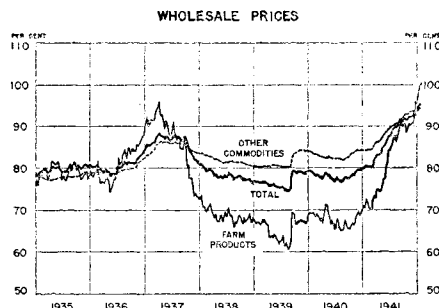
By the Board of Governors of the Federal Reserve System



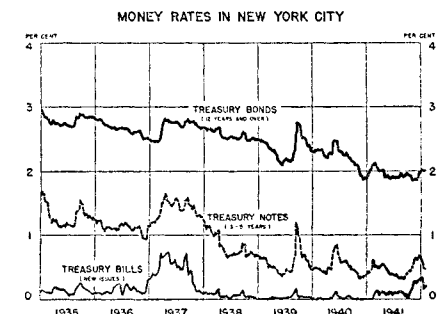
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. By months, January 1935 to December 1941.



Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to December 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending January 17, 1942.



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 January 17, 1942.

Industrial activity declined less than seasonally in December and the first half of January, retail trade continued in large volume, and prices of many commodities rose further.

Production

In December total volume of industrial output declined less than is usual at this season and the Board's adjusted index rose further to 168 per cent of the 1935-1939 average. In the armament industries output continued to advance and at machinery plants activity rose sharply, following little change in November. Output of materials, such as iron and steel and nonferrous metals, continued at peak levels and lumber production showed less than the usual seasonal decrease. Automobile production declined sharply in the latter half of December, following announcement of sharp reductions in passenger car quotas, but early in January quotas for that month were increased and output rose considerably. Sales of new automobiles to civilians were halted at the beginning of January pending the establishment of a rationing system.

Textile production declined somewhat in December owing to a reduction in activity at cotton mills from the record level reached in November. Output of wool and rayon textiles was sustained at about capacity. Output of manufactured food products and shoe production showed about the customary seasonal declines. Coal output decreased somewhat in December, while petroleum production and mining of nonferrous metals were maintained at the high November rate.

Value of construction contracts awarded in December declined less than is usual at this time of year, according to figures of the *F. W. Dodge Corporation*. Awards for public projects showed little change, while those for residential construction declined less than seasonally following a considerable reduction in November.

Distribution

Volume of retail trade, which had been large during most of the autumn, increased less than seasonally in December. This reflected to some extent a temporary slackening in sales around the middle of the month following this country's entry into the war. In the first half of January sales at department stores showed less than the customary sharp reduction from the Christmas buying peak and were at a level substantially higher in comparison with a year ago than that prevailing in other recent months.

Freight-car loadings of most products decreased by less than the customary seasonal amount in December. Coal shipments declined considerably in the latter part of the month but then increased sharply in the first half of January. Shipments of miscellaneous freight, which includes most manufactured products, were maintained in large volume for this season of the year.

Commodity Prices

Wholesale commodity prices increased sharply when this country entered the war early in December and then showed little change during the latter half of the month. In the first half of January prices again advanced, the principal increases being in agricultural commodities and chemicals.

Federal action to impose maximum prices was accelerated with the outbreak of war and applied on a wider scale to industrial products. Ceilings were extended to products in later stages of production and distribution and in most instances covered consumers' goods. Certain of the actions, like those relating to rubber and wool products, were associated with new Federal production restrictions. In this period also there were advances in a number of price ceilings established earlier.

Bank Credit

Total loans and investments of banks in leading cities, which had advanced sharply during the first half of December, have subsequently shown little further change.

Treasury financing in the middle of December and heavy currency withdrawals during the holiday season absorbed close to 700 million dollars of excess reserves during the month. About 500 million of this was recovered in the first half of January, as the result of a decline in Treasury deposits at the Reserve Banks and a return of currency from circulation. Recent changes in excess reserves have been almost entirely at banks outside of New York City.

United States Government Security Prices

Prices of Government securities were steady in the first half of January, following a decline in December after the entry of the United States into the war.