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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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An increasing proportion of fourth district productive facilities is being converted to the manufacture of military items. War work was expanded further at most plants during recent weeks, largely offsetting the decreased activity in civilian goods' industries. Curtailment in consumers' lines is resulting both from direct Governmental orders restricting output and from additional material shortages. Scarcities have become more apparent since the magnitude of war requirements has been more clearly defined. As time passes, an ever greater variety of materials is available only on high priority, even to war industries. The very large inventories some manufacturers accumulated last year are beginning to be reduced.

Total industrial employment in many cities of the district, both large and small, continues at unusually high levels. Working forces generally are very much larger than at this season in past years; in a number of instances they are the greatest ever reported. More and more workers are being hired in expanding war industries. Many times, persons who have been released from divisions that had been making civilian goods are being employed in war work after comparatively short periods of training. Weekly earnings in these new jobs often exceed those formerly received, partially because of higher wage rates, but perhaps more importantly as a result of overtime payments. Many firms with war contracts or subcontracts have lengthened the work week materially, though a few concerns have reported that bids based on overtime work with its higher costs have not been accepted.

Retail trade volume was at a contraseasonally high level during January as consumers stocked up heavily against impending shortages, deterioration in the quality of goods available, and further rises in prices. Early in February there was some slackening in demand and increases over a year ago were markedly smaller than those shown in the previous month. For the first three weeks of February the gain approximated 20 percent, compared with a year-to-year rise of roughly 50 percent in January.

Debits to individual accounts at banks in 24 fourth district cities averaged 24 percent larger in the four weeks ended February 18 than those of the same 1941 period.

Living costs in fourth district cities for which data are available advanced on an average of $1\frac{1}{2}$ percent from December to January, according to the *National Industrial Conference Board*; food and clothing costs increased most.

INSTALMENT CREDIT

One of the requirements of Regulation W, which was adopted by the Board of Governors of the Federal Reserve System in order to carry out the President's Executive order of August 9, 1941, was that each person engaged in the business of making extensions of instalment sale credit arising out of the sale of certain specified articles, or instalment loan credit, or engaged in the business of lending on the security of or discounting or purchasing obligations or claims arising out of such extensions of credit shall be licensed. Such a license is obtainable by registration with the Federal reserve bank of the district in which the main office of the registrant is located on registration statement forms designed for that purpose. These forms call for certain information as to the type of business of the registrant and size of the registrant, based on either the total amount of instalment paper held, if a financial institution, or the total annual retail sales if the principal business is nonfinancial.

Prior to the receipt and tabulation of data called for on these registration statements, only general information was available with respect to instalment selling and instalment lending in this reserve district. The figures received, while probably not complete, and subject to some refinement as concerns not accustomed to reporting this type of information become more familiar with the preparation of such reports, shed considerable light on instalment loan and instalment credit business in the fourth district.

The accompanying detailed table summarizes the information obtained from nearly 14,500 individual registrants whose statements had been received up to January 16. Since that time, an additional 520 firms have been registered. Of the total tabulated, approximately 3,700 represented financial institutions. The group classified as miscellaneous financial companies includes building and loan associations, mutual savings banks, and mortgage companies. Commercial banks accounted for approximately one-third of the total instalment loan credit extended by financial institutions located in this district. Sales finance companies and state-licensed small loan companies ranked second and third in importance.

In the case of sales finance companies, instalment paper held represented, in large part, paper purchased which

originated as instalment sale credit, while licensed small loan companies' holdings represented chiefly personal instalment loans made direct.

In the retail field, automobile dealers accounted for more than 50 percent of total instalment sales made by reporting institutions in the year ended September 30. This was the fiscal period covered by the registration statement. By far the greater share of instalment paper arising out of the sale of automobiles was transferred to sales finance companies or other purchasers of such evidences of debt. Automobile dealers themselves held instalment receivables representing only 3.2 percent of their total annual sales as of September 30. Furniture and home furnishings establishments ranked second in importance in this district, so far as instalment sales are concerned, and a much greater proportion of total sales reported by these concerns was instalment sales than in the case of automobile dealers. Furniture dealers, however, held title to the greater share of their own instalment paper, instalment accounts receivable reported by these concerns representing 64 percent of total annual sales.

Total retail sales reported by 10,770 registrants in this district, nearly all of which dealt in articles "listed" in Regulation W, amounted to \$1,720,000,000 in the year ended September 30. Instalment sales accounted for 37 percent of this volume; other credit sales, 30 percent. Instalment accounts receivable of these registering dealers on September 30 represented 24 percent of total instalment sales made during the entire twelve months previous.

The period covered by the registration statement, i. e., the year ended September 30, 1941, was one in which sale of consumers' durable goods increased very rapidly. The rise in income payments during the first nine months of 1941 caused all trade to advance to record-high levels, with the sale of durable goods increasing at a faster than av-

erage rate. Prior to the effective date of the Regulation, consumer demand, partly because of the awareness of prospective shortages in consumers' durable goods, rose to record-high levels.

Since September 1, the general level of instalment selling has declined rather sharply from the peak rate evidenced just previous to that date. A large part of this decline is attributable to the falling off in demand for automobiles, but there also was some reduction in household appliance sales. While the decline happened to begin at the very time Regulation W became effective, limitation of credit terms was only one of a number of factors responsible for the contraction in retail volume. It is reported that instalment selling in fields not covered by Regulation W declined almost as much as in those fields covered by the Regulation. Regulation W, therefore, probably was not the dominant influence in the contraction in the durable goods field in the closing months of 1941.

FINANCIAL

Defense Bonds

Defense Savings Bond sales through the reserve bank and other qualified sales agencies in the fourth district, except post offices, declined in February from the record January rate, in part because some large investors purchased in January all the bonds they may buy during the calendar year. This fact was further demonstrated, to a certain extent, in mid-February when no Series F and G bonds were sold for several days. These issues are designed primarily for trust accounts and institutional investors that might not, under law, purchase more than \$50,000 worth, issue price, in any one year. Series E purchases during a calendar year are limited to \$5,000, maturity value.

Commercial and savings banks, loan associations, credit unions, qualified corporations, and the reserve bank dur-

STATISTICAL DATA OBTAINED FROM REGULATION W REGISTRANTS (thousands of dollars) FINANCIAL INSTITUTIONS

| | Number of Registrants | Number of Branches | Total Instalment Paper | Paper Purchased | Direct Loans | Personal Loans |
|--|-----------------------|--------------------|------------------------|-----------------|--------------|----------------|
| Sales Finance Companies | 132 | 125 | 78,343 | 59,878 | 2,092 | 16,373 |
| Commercial Banks | 1,083 | 183 | 105,333 | 37,335 | 37,429 | 30,569 |
| Industrial Loan Companies & Banks | 43 | 10 | 24,175 | 10,144 | 4,708 | 9,323 |
| State Licensed Small Loan Companies | 281 | 307 | 76,354 | 8,391 | 4,071 | 63,892 |
| Credit Unions | 1,033 | ... | 20,336 | 77 | 5,674 | 14,575 |
| Remedial Loan Companies | 9 | ... | 159 | 1 | 1 | 157 |
| Miscellaneous Financial Institutions | 1,108 | 59 | 29,005 | 4,911 | 18,187 | 5,907 |
| Instalment Credit held by Retail Dealers | (16)* | ... | 383 | 275 | 43 | 65 |
| Total | 3,689 | 684 | 334,088 | 121,012 | 72,205 | 140,861 |

RETAIL INSTALMENT INSTITUTIONS

| | No. of Registrants | No. of Branches | Total Sales | Instalment Sales | Other Credit Sales | Instalment Accounts Receivable | Other Receivables |
|--|--------------------|-----------------|-------------|------------------|--------------------|--------------------------------|-------------------|
| Department & General Stores | 428 | 333 | 426,940 | 49,057 | 217,496 | 24,786 | 41,071 |
| Automobile Dealers | 3,076 | 214 | 666,723 | 345,798 | 73,928 | 11,072 | 10,900 |
| Furniture & Home Furnishings Dealers | 1,368 | 159 | 140,237 | 102,997 | 17,485 | 66,003 | 5,441 |
| Household Appliance Dealers | 1,731 | 179 | 55,070 | 28,830 | 12,082 | 8,874 | 2,814 |
| Hardware & Auto Appliance Dealers | 1,070 | 209 | 52,801 | 10,998 | 18,568 | 3,290 | 5,240 |
| Dealers & Contractors in Heating, Plumbing, & Airconditioning Equipment | 858 | 58 | 27,287 | 7,128 | 13,406 | 1,251 | 3,283 |
| Dealers & Contractors in Other Repair & Construction Materials | 1,151 | 299 | 103,194 | 13,535 | 74,546 | 2,971 | 19,126 |
| Jewelry Stores | 287 | 47 | 23,027 | 17,185 | 1,388 | 7,786 | 525 |
| Piano, Organ & Music Dealers | 160 | 25 | 7,283 | 3,918 | 1,554 | 1,331 | 230 |
| Motorcycle, Aircraft, Boat, Bicycle, Business Supply, Fuel & Ice Dealers | 153 | 48 | 27,537 | 2,174 | 12,984 | 647 | 2,800 |
| Electric & Gas, Manufacturing, Farm Implement, & Miscellaneous Dealers | 488 | 840 | 190,166 | 53,281 | 79,414 | 24,067 | 18,606 |
| Total | 10,770 | 2,411 | 1,720,265 | 634,901 | 522,851 | 152,078 | 110,036 |
| Grand Total | 14,459 | | | | | | |

Note: Report covers only statements received through January 16, 1942. *Not included in total to avoid duplication.

ing the first 27 days of February sold \$33,587,000 worth of defense bonds, compared with \$82,051,000 in the full month of January, and \$43,023,000 in December. Sales of Series E bonds totaled \$20,935,000 during the February period, while volume of Series F and G bonds was \$3,450,000 and \$9,192,000, respectively. Since May 1, 1941, when these three issues first became available, \$288,932,000 worth have been sold in this district through sources other than post offices.

Member Bank Credit A number of fourth district banks experienced a further decline in savings deposits during January and the forepart of February. Some judged that a smaller proportion of these withdrawals was invested in Defense Savings Bonds than in other recent months, the remainder accounts for part of the additional increase in currency circulation. For the 40 banks in Ohio and western Pennsylvania reporting savings account activity, the decrease in such accounts between December 31 and January 31 was 2.1 percent, with twenty Ohio institutions showing the larger decrease. Previously, withdrawals had been proportionately greater at western Pennsylvania banks. Compared with a year ago, savings deposits of the Ohio banks were up slightly, while those of western Pennsylvania institutions were 4.8 percent smaller.

Earning assets of weekly reporting member banks in this district were at an all-time high level of \$2,392,000,000 on February 18, following a substantial rise in Treasury security holdings during the four latest weeks. Compared with a year ago, aggregate investment portfolios were \$302,000,000 larger; virtually the entire increase has occurred in direct Government and Government-guaranteed obligations. Total loans outstanding on February 18 were up \$9,000,000 in four weeks and \$92,000,000 during the past year. Most of the change occurred in commercial, industrial, and agricultural loan volume, though open market paper holdings of \$33,000,000 on the latest date were $2\frac{1}{4}$ times as large as those of a year ago.

Member Bank Reserves Deposits maintained by member banks at the reserve bank rose above \$1,000,000,000 in the last week of January for the second time in history. Member institutions during the last half of January carried reserves that averaged 72 percent in excess of requirements, compared with 64 percent in the corresponding December period and 131 percent a year before, when requirements were less. Proportionately, excess reserves of fourth district member banks were twice as large as those of all member banks in the United States at the end of January. The situation in this district reflected a decline in Treasury deposits with the reserve bank, and more importantly, a flow of funds into the district greater than the outward movement. This resulted principally from expanding war work activity here, most of which arises from material and parts production. During the forepart of February, member bank balances declined moderately, and Treasury deposits continued at a relatively low level.

Note Circulation Note circulation of this bank increased further to successive new record levels during the latest four-week period. There was virtually no return flow of currency in January, and

by February 18 the Federal Reserve Bank of Cleveland had a note liability of \$804,500,000 outstanding, \$22,600,000 more than a month earlier. A year ago it was \$547,700,000, or 32 percent smaller.

MANUFACTURING, MINING

Iron and Steel Improved allocations of steelmaking scrap and a slightly heavier flow of old metal to melters, principally from so-called automobile graveyards, resulted in increased ingot operations in February. The last week in the month, the *American Iron and Steel Institute* estimated national raw steel production to be the second best ever reported for a single week. The all-time high was established the last week in October 1941. January output, amounting to 7,129,000 net tons, was by three percent the largest for any similar month in history, though fractionally smaller than that of December.

Activity in fourth district steel producing centers continued virtually unchanged during late January and early February, averaging about 92 percent of theoretical ingot capacity. Mills in the Pittsburgh and Cleveland-Lorain areas worked at a somewhat higher rate than those in other localities. Operations in finishing departments generally have been at reduced levels recently; some older-type sheet mills in this district have been closed. The largest proportion of inquiries currently is for heavier steel products, such as plates, bars, and structural shapes, which require less finishing than lighter gauge flat-rolled items. Demand is so great and backlogs are so large that only orders carrying the highest priority ratings were being delivered with any degree of promptness, according to reports. In a move to speed up shipments, the War Production Board in mid-February placed steel plates under complete production, allocation, and consumption control.

National plate capacity at the present time is 932,100 net tons per month; about one-third of this represents the capacity of continuous strip mills that have been converted to roll heavier material. Under construction and scheduled for completion at various times this year and early in 1943 are facilities rated to produce 46,000 tons additional each month. Most of these mills will turn out sheared plates, which currently are in greatest demand.

Raw steelmaking capacity in the United States was increased by 4,418,000 tons, or $5\frac{1}{4}$ percent, last year, and four new blast furnaces, one of them located in this district, added 2,784,000 tons to annual pig iron capacity, raising it to 60,394,000 tons.

On February 1, there were 219 blast furnaces operating throughout the country, two more than at the year end. During January 4,959,000 net tons of pig iron were made. This is the second best monthly output in history, being exceeded by approximately one percent in December. In the fourth district, 101 stacks were in blast on February 1 and six were being rebuilt. A month earlier 99 were active.

Blast furnaces depending primarily upon Lake Superior iron ore consumed an all-time record tonnage during January; 7,158,000 gross tons were used. Inventories at consuming furnaces in the United States and Canada and on Lake Erie docks dropped to 33,919,000 tons on February 1. For that date, this total had been exceeded only once before, in 1938 when monthly consumption was roughly one-fourth what it has been recently.

Coal

With an increasing number of manufacturing concerns having curtailed civilian production, many in order to convert facilities to war work, several fourth district bituminous coal suppliers experienced at least a temporary slackening in demand for industrial fuel in mid-February. Even the market for domestic heating grades was irregular, despite cold weather in many localities. As a consequence, the entire wholesale price structure was soft, and some mines were carrying heavy tonnages of unbilled coal.

Mining activity in this district was curtailed moderately early in February, following nominal expansion in the previous month. January production, amounting to 18,068,000 net tons, exceeded that of December by two percent and was the best for any similar month since 1930. Weekly output during the first part of February declined somewhat more in western Pennsylvania fields than elsewhere in the district, even though coking coals continued in heavy demand.

Industrial consumers and retail dealers, following recommendations of various Governmental organizations that greater than ordinary quantities of bituminous coal be bought and stored so that shortages do not develop later as a result of transportation difficulties, have accumulated the largest total inventories held at any time during the past fifteen years. In terms of days' supply at existing rates of consumption, however, stocks carried by principal users in this district on the latest *Bituminous Coal Division* survey date were below the national average, in the case of by-product coke producers, steel mills, and cement plants sharply so.

**Rubber,
Tires**

Civilians were advised officially in mid-February that military requirements would take virtually all of the rubber available to this country and to go on the assumption that there would be no new passenger car tires until the war is over.

According to testimony of the Secretary of Commerce before a Congressional committee, 114,000 gross tons of crude rubber were received in the United States during December and January. About 40 percent of this was added to the Government-owned stockpile and the remainder was sold to be processed. An additional 114,000 tons were said to be on the way from Far Eastern ports. The size of inventories naturally was not specified, but it has been estimated that with judicious conservation present stocks would fill essential war needs, direct and indirect, for two or three years. By that time, synthetic rubber production is expected to meet such demand.

Activity in war divisions of fourth district rubber companies was at a high level in January and early February. Hours in military truck tire departments had been lengthened somewhat in January; demand for mechanical rubber goods from essential war industries was heavy. War goods production was further expanded. Total employment in the Akron area was the largest for this time of year in the recent past.

**Textiles,
Clothing**

Conditions in the fourth district textile industry were mixed early in February. Both weavers and clothing manufacturers had been affected by the wool conservation order promulgated by the War Production Board the previous

month, but to varying degrees. Some needlework concerns had to curtail operations almost immediately since they were not carrying material stocks large enough to maintain existing production schedules for any length of time. Others had sizable cloth inventories which were being reduced as spring merchandise was delivered and reorders for men's wear were filled. There was a fairly good volume of this type of business from retailers, the increase noted prior to Christmas continuing well into the new year. A few producers reported that more inquiries than usual were being received in advance of initial showings of fall lines, which will take place about the first of April.

Numerous needlework shops had specified early shipment of their spring manufacturing season material requirements. By mid-February, some had received about 85 percent of their wool cloth commitments. The status of remaining portions of these orders was uncertain. Purchasers expected a considerable reduction, and most were making plans accordingly. Weavers stated that deliveries on unfilled orders taken prior to announcement of the conservation ruling would be lengthened.

New orders, production, and shipments of cotton overalls and work garments continued in large volume during January and the forepart of February, though there was a slight decline in deliveries from the high December level. Manufacturers were experiencing increasing difficulty in obtaining certain materials, especially drill and duck cloth. Operations in this industry, as in the wool garment trade, generally have been on a one shift, 40 hours per week basis during recent months. Somewhat greater than seasonal changes in employment are expected by correspondents in both lines during the next few months, due to the material supply situation.

**Other
Manufacturing**

Activity in other important fourth district industries in January and the first part of February continued at a high level, with a greater number of concerns working on orders directly or indirectly related to the war effort. Increasingly, smaller companies were seeking war work. More and more materials and semifinished products have become scarce; many of them are available only on high priority rating. A few manufacturing firms consequently have begun to reduce accumulated inventories, but stocks generally still were larger than those of a year ago.

Metal Working Industries Plants which formerly had machined automobile parts and subassemblies have greatly expanded output of heavier items used in Army trucks and tanks while converting other facilities to a wide variety of war work. Retooling in numerous shops of this type has had to be much less extensive than in stamping factories since more of the existing equipment was of the general-purpose sort. Civilian passenger car and light commercial truck part production during the first six months of the year can be 150 percent of the entire 1941 volume, under Governmental order, so that a large stockpile of repair items for the cars now on the road might be accumulated. This has permitted continuation of a relatively high rate of activity in some divisions, but war production recently has been the more important.

Machine tool companies have stepped up output sharply during past months as new plants have come into operation and by subcontracting and extending the work week. January deliveries to users were at a new record level

of \$85,200,000, slightly in excess of December volume. Further expansion in the industry was indicated in February; at least five concerns in this district had building programs under way. Operations generally have been at a more constant rate since the so-called pool order system was adopted by the Government. Under this arrangement, individual firms are assigned a given number of machines to make, whether orders have been received or not; the Government may advance up to 30 percent of the cost to help meet the builder's working capital requirements. When machines are sold to ultimate users the advance is repaid. Deliveries consequently have been speeded up by this practice, which to some extent permits the accumulation of machine tool inventories.

Small tool manufacturers noted a slight downward trend in new order volume early in February. Pending inquiries, however, were large, and the expectation was that capacity demand would prevail again shortly. Operations and shipments continued to surpass those of a year ago by a wide margin, in part because of a longer work week.

The sustained high rate of activity in foundry divisions and independent shops has been reflected in the orders index of the *Foundry Equipment Manufacturers' Association*, which in January was at a new all-time peak at 533 percent of the 1937-39 average. New equipment and repair volume both were up sharply.

Electrical Equipment and Apparatus Household refrigerator production will cease April 30, under a War Production Board order. Between now and then, manufacturers may make 489,000 units to be placed with others already in inventory to form a pool of approximately 750,000 boxes for future essential needs. After completing this run, makers are to convert to war work. By mid-February some fourth district plants had changed over, but the transition has not been easy due to the difference in basic operations. Heavy equipment divisions are working on record order backlogs. Land turbine production reportedly has been curtailed slightly so that output of naval propulsion equipment might be speeded up as the tempo of activity at shipyards increases.

Glass, Dinnerware In January, for the second time in history, window glass divisions operated at better than theoretical capacity, turning out 1,639,000 boxes of flat drawn glass. This total exceeds last year's volume by five percent, and is three percent less than December production, the all-time record. Loss of the automobile market has occasioned sharp curtailment in operations at plate glass plants, as the accompanying chart indicates. January out-

put of 9,143,000 square feet of glass polished by commercial firms was the smallest in 18 months. Layoffs in these divisions reportedly have not been proportionate to the drop in production, however.

Companies making glass containers have been especially busy during recent months, in part because much packaging, especially of foods, has had to be redesigned, due to the tin situation. Early in February, the amount of tin to be made available for coating metal cans was restricted; numerous items may not be packed in tin coated containers after March 1. Can manufacturers consequently were using so-called black plate more extensively.

At the request of the Office of Price Administration, price increases on dinnerware, announced for February 1, when a ten percent wage advance became effective at potteries, were postponed. As a result, manufacturers have been accepting new orders at prices prevailing when shipments are made. Plants recently have maintained near-capacity operations, but some raw materials were reportedly becoming scarce.

Paper, Paperboard Orders for paper products have continued in unusually large volume, exceeding shipments by a rather sizable margin. Production in both paper and paperboard divisions has been at better than rated capacity since early winter.

Some carton makers in mid-February experienced a moderate slackening in new order volume as compared with other recent months, chiefly because of uncertainties with regard to supplies of articles available for packaging.

Office Appliances and Equipment Companies equipped to fabricate only metal office furniture and appliances have found it necessary to curtail activity somewhat because of Governmental restrictions. Some of these concerns with facilities to machine subassemblies have converted, at least in part, to war work. Others that have woodworking shops have expanded operations there. New orders for wooden desks, filing cases, and the like have been received in record volume recently.

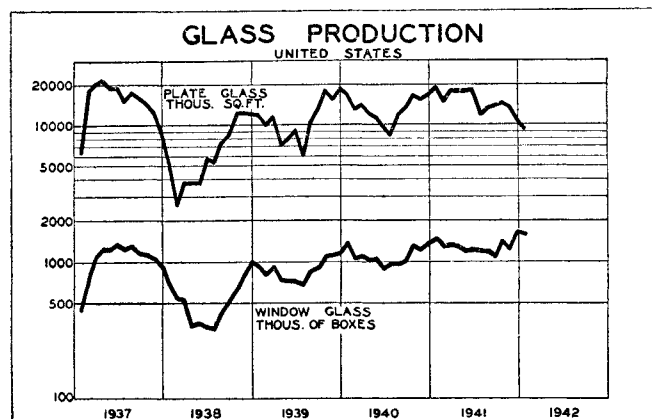
Shoes Fourth district shoe production in January and early February dropped contraseasonally, principally because labor disputes closed some shops. Those that continued operations generally were working one shift, 40 hours per week. Most advance spring orders had been placed by the first of the year, but fill-in business continued in good volume.

TRADE

Retail

Dollar volume of reporting fourth district department stores declined only moderately from December to January, whereas there usually is a sharp contraction, and the seasonally adjusted sales index rose to a new all-time peak. At 149 percent of the 1923-25 average, it was four points above the August 1941 level and up 49 percent from a year previous. Buying in January extended to a wide range of merchandise, with the greatest consumer interest shown in textiles, clothing, and articles made of rubber.

Experience at wearing apparel shops was similar to that at department stores, these outlets selling 47 percent more merchandise this January than last. Demand for major household appliances and furniture, at both department and furniture stores, also was markedly greater than that of a year ago. Some retailers noted that purchasers



were less interested in certain trade-marked goods than formerly.

Much of this retail buying evidenced a concern on the part of consumers that less merchandise would be available later in the year and that which could be had probably would be of poorer quality and higher priced. Fear of impending shortages extended to the grocery field. Sales per individual store in reporting fourth district chains were ten percent larger in January than in December, though there customarily is a decrease, and 55 percent greater than those of a year ago. Compared with last January, chain drug sales, also on a unit operated basis, were up 31 percent, but there was a 28 percent decline from December.

During the fiscal year ended January 31, department stores sold 23 percent more merchandise than in the previous year. Apparel shop volume was 18 percent greater, and furniture store sales were up 26 percent. Retail prices, according to the *Fairchild* index, advanced 17 percent during the period to the highest level since inception of this measure in 1930.

Department store volume early in February continued to exceed that of a year previous. The 20 percent margin, however, was much smaller than that shown in January, both because of a decrease in sales this year and an increase in dollar volume in corresponding weeks last year.

Approximately the same proportion of total department store sales in January were on credit as in December or January 1941, but collections were both absolutely and relatively greater. During January 43 percent of accounts outstanding on the first of the month were collected, compared with 38 percent in December and 39 percent last year. For wearing apparel shops, the percentages are 39 percent for January, 35 percent for December, and 36 percent for January 1941. Furniture store collections during January represented 15 percent of first of month receivables, the proportion was twelve percent in December and a year ago. February 1 accounts receivable of department and apparel stores were 16 percent greater this year than last; for furniture stores the increase was six percent.

Despite the unusually heavy consumer demand in January, total stocks held by reporting department stores were reduced less than seasonally. At the month end, they were 41 percent greater than those of a year ago. Wearing apparel shops had inventories which were 19 percent greater. Outstanding orders of department stores on January 31 were up 97 percent, compared with those of last year, while apparel shop commitments were 50 percent larger.

Wholesale

Like retail trade, wholesale volume did not decline seasonally in January. Whereas in most past years there has been an appreciable decrease in dollar sales of fourth district wholesalers, the 181 firms reporting to the *Bureau of the Census* sold slightly more merchandise during January than in the previous month. Compared with a year ago, sales of all groups, with the exception of lumber dealers, were up; the average gain for all concerns was 38 percent. Increases of 70 percent or more were experienced by paint and varnish wholesalers, furniture and housefurnishings distributors, and dry goods merchants.

Despite the increase in sales, wholesalers generally added further to their stocks during January. At the month-end,

inventories, on the average, were one-fifth larger than those of a year previous.

Collections, while much greater this January than a year ago, were smaller than those of December. In comparison with the outstanding accounts at the beginning of the month, relatively more receivables were collected during January than in similar periods of previous years. The proportion in January and December was approximately the same.

CONSTRUCTION

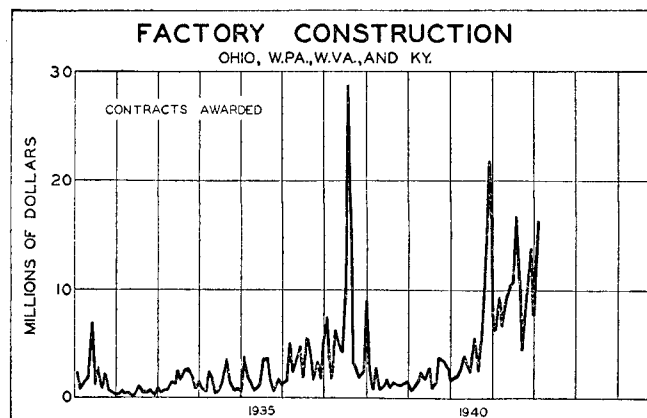
Shooting war has greatly increased military materiel requirements, and this fact in turn has recently occasioned a sharp upswing in factory construction in fourth district areas. Much of this work was contracted for late in January, and for the entire month dollar value of awards approximated the mid-summer 1941 high, as the accompanying chart shows. At \$16,447,000, the total of such contracts was more than twice that of December and over 2 2/3 times as large as that of a year previous. January volume has been exceeded only three times during the past eleven years. In July 1937 contracts were let for a large steel rolling mill in western Pennsylvania. Work on the Ravena shell loading plant was started in November 1940. Last July, as in January, a wide variety of factory awards was made, with no single project dominating.

Although there has been rather marked fluctuation in factory construction volume during recent months, the total for the period, July through January, is the largest for at least seven months since 1928.

January experience in fourth district areas differed from that of the 37 eastern states as a group. In this larger area, factory contracts last month declined one-third from the December volume, though they were 35 percent greater than those of January 1941.

All fourth district construction awards aggregated \$35,247,000 in January, according to *F. W. Dodge Corporation* data. This is three percent above the December total and the largest volume for any January since 1929.

Two-thirds of these contracts was publicly financed, a much greater proportion than in other recent months or a year ago. In part this reflects an unusual amount of heavy engineering work contracted for in western Pennsylvania by Governmental agencies. Federal funds were utilized to varying extents for residential construction. In northern Ohio all new home building was undertaken by private capital, although over half the total was one-family



dwellings for sale or rent. Only a small part of the residential work started in the southern section of the district was publicly financed, while the majority of such construction in eastern counties was Federally sponsored.

Home building activity varies markedly in different localities, according to mid-February reports from lumber and building supply dealers. Demand for lower-priced grades of materials has been brisk in regions where expanding war production has attracted workers from other areas and has caused housing problems. In sections where there is little or no war activity, retail lumber yards have received very few new orders.

AGRICULTURE

All burley tobacco auctions in Kentucky closed before the middle of February. Warehouse receipts during the final weeks of sales were small and quality generally was poor; bid prices, however, declined only moderately from the high early season level. Kentucky farmers received more money for their 1941 burley tobacco crop, which was one of the smallest in the last twenty years, than for any other since 1919. Commodity Credit Corporation activities in the tobacco markets were less extensive this

season than last, and growers' associations took over only a small part of the crop, since market prices, which on all Kentucky auctions averaged \$29.22 per hundred-weight for the season, compared with \$15.78 last year, were considerably higher than scheduled loan rates.

Wholesale and Retail Trade

(1942 compared with 1941)

| | SALES January 1942 | Percentage Increase or Decrease January 1942 | COLLEC- TIONS January 1942 |
|---|--------------------------|---|-------------------------------------|
| DEPARTMENT STORES (95) | | | |
| Akron..... | +60 | | +27 |
| Canton..... | +55 | a | a |
| Cincinnati..... | +42 | | +21 |
| Cleveland..... | +49 | | +16 |
| Columbus..... | +44 | | +20 |
| Erie..... | +56 | | a |
| Pittsburgh..... | +50 | | +16 |
| Springfield..... | +48 | | a |
| Toledo..... | +46 | | +18 |
| Wheeling..... | +54 | | +22 |
| Youngstown..... | +44 | | a |
| Other Cities..... | +56 | | +15 |
| District..... | +49 | | +18 |
| WEARING APPAREL (16) | | | |
| Canton..... | +50 | | +22 |
| Cincinnati..... | +34 | | +16 |
| Cleveland..... | +57 | | +19 |
| Pittsburgh..... | +57 | | +19 |
| Other Cities..... | +42 | | +18 |
| District..... | +47 | | +19 |
| FURNITURE (41) | | | |
| Canton..... | +44 | | |
| Cincinnati..... | +26 | | |
| Cleveland..... | +31 | | |
| Columbus..... | -2 | | |
| Dayton..... | +51 | | |
| Toledo..... | +31 | | |
| Other Cities..... | +30 | | |
| District..... | +29 | | |
| CHAIN STORES* | | | |
| Drugs—District (5)..... | +31 | | a |
| Groceries—District (4)..... | +55 | | a |
| WHOLESALE TRADE** | | | |
| Automotive Supplies (10)..... | +43 | | +43 |
| Beer (4)..... | +27 | | a |
| Clothing and Furnishings (4)..... | +44 | | -3 |
| Confectionery (5)..... | +30 | | +32 |
| Drugs and Drug Sundries (5)..... | +18 | | +24 |
| Dry Goods (6)..... | +70 | | +25 |
| Electrical Goods (8)..... | +32 | | +40 |
| Fresh Fruits and Vegetables (6)..... | +18 | | +23 |
| Furniture & House Furnishings (3)..... | +70 | | a |
| Grocery Group (42)..... | +41 | | +3 |
| Total Hardware Group (30)..... | +51 | | +46 |
| General Hardware (8)..... | +53 | | +37 |
| Industrial Supplies (13)..... | +49 | | +56 |
| Plumbing & Heating Supplies (9)..... | +50 | | +47 |
| Jewelry (3)..... | +7 | | a |
| Lumber and Building Materials (3)..... | -9 | | -6 |
| Machinery, Equip. & Sup. (exc. Elect.) (5)..... | +49 | | +20 |
| Meats and Meat Products (4)..... | +36 | | +25 |
| Metals (3)..... | -31 | | a |
| Paints and Varnishes (6)..... | +81 | | +51 |
| Paper and its Products (7)..... | +45 | | +38 |
| Tobacco and its Products (13)..... | +9 | | +10 |
| Miscellaneous (14)..... | +26 | | +34 |
| District—All Wholesale Trade (181)..... | +38 | | +35 |

* 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.

Debits to Individual Accounts

(Thousands of Dollars)

| | 4 Weeks ended Feb. 18, 1942 | % change from 1941 | Year to Date Jan. 2, 1942 to Feb. 18, 1942 | Year to Date Jan. 2, 1941 to Feb. 19, 1942 | % change from 1941 |
|-------------------|--------------------------------------|-----------------------------|---|---|-----------------------------|
| Akron..... | 97,261 | +34.4 | 170,131 | 130,972 | +29.9 |
| Butler..... | 12,170 | +26.1 | 21,954 | 17,472 | +25.7 |
| Canton..... | 55,072 | +27.1 | 97,146 | 76,652 | +26.7 |
| Cincinnati..... | 438,444 | +27.5 | 775,350 | 624,276 | +24.2 |
| Cleveland..... | 766,750 | +24.4 | 1,362,517 | 1,138,784 | +19.6 |
| Columbus..... | 209,012 | +26.4 | 361,694 | 292,382 | +23.7 |
| Dayton..... | 94,447 | +27.4 | 166,363 | 133,249 | +24.9 |
| Erie..... | 40,789 | +35.7 | 71,197 | 54,351 | +31.0 |
| Franklin..... | 4,029 | +32.5 | 7,722 | 5,650 | +36.7 |
| Greensburg..... | 9,132 | +26.4 | 17,393 | 13,532 | +28.5 |
| Hamilton..... | 15,522 | +30.7 | 27,285 | 21,250 | +28.4 |
| Homestead..... | 4,416 | +25.8 | 7,862 | 6,301 | +24.8 |
| Lexington..... | 30,049 | +0.7 | 69,024 | 60,637 | +13.8 |
| Lima..... | 18,521 | +28.1 | 33,057 | 27,115 | +21.9 |
| Lorain..... | 6,217 | +24.3 | 11,452 | 9,145 | +25.2 |
| Middletown..... | 16,814 | +34.3 | 29,121 | 22,581 | +29.0 |
| Oil City..... | 11,622 | +29.4 | 20,997 | 16,595 | +26.5 |
| Pittsburgh..... | 942,857 | +19.7 | 1,594,549 | 1,543,272 | +3.3 |
| Sharon..... | 13,127 | +36.1 | 22,130 | 16,813 | +31.6 |
| Springfield..... | 21,396 | +17.6 | 37,763 | 32,531 | +16.1 |
| Steubenville..... | 10,499 | +12.3 | 18,912 | 16,741 | +13.0 |
| Toledo..... | 166,637 | +30.6 | 290,370 | 236,980 | +22.5 |
| Warren..... | 15,557 | +24.0 | 27,873 | 22,585 | +23.4 |
| Wheeling..... | 28,071 | -4.3 | 49,036 | 52,192 | -6.0 |
| Youngstown..... | 63,063 | +25.2 | 112,981 | 92,452 | +22.2 |
| Zanesville..... | 10,651 | +26.6 | 18,590 | 15,787 | +17.8 |
| Total..... | 3,102,125 | +23.9 | 5,422,469 | 4,680,297 | +15.9 |

Fourth District Business Statistics

(000 omitted)

| | January 1942 | January 1941 | % change from 1941 |
|--|-----------------|-----------------|-----------------------|
| Fourth District Unless Otherwise Specified | | | |
| Bank Debits—24 cities..... | \$ 3,461,000 | 3,010,000 | +15 |
| Savings Deposits—end of month: 40 banks O. and W. Pa..... | \$ 785,142 | 797,146 | -2 |
| Life Insurance Sales: Ohio and Pa..... | \$ 147,199 | 76,243 | +93 |
| Retail Sales: | | | |
| Dept. Stores—95 firms..... | \$ 32,243 | 21,607 | +49 |
| Wearing Apparel—16 firms..... | \$ 1,319 | 895 | +47 |
| Furniture—41 firms..... | \$ 1,153 | 896 | +29 |
| Building Contracts—Total..... | \$ 35,247 | 29,475 | +20 |
| —Residential..... | \$ 14,232 | 11,045 | +29 |
| Commercial Failures—Liabilities..... | \$ 722 | 1,333 | -46 |
| —Number..... | 52 | 53 | -2 |
| Production: | | | |
| Pig Iron—U. S..... net tons | 4,959 | 4,666 | +6 |
| Steel Ingot—U. S..... net tons | 7,129 | 6,928 | +3 |
| Bituminous Coal, O., W. Pa., E. Ky. net tons | 18,068 | 16,603 | +9 |
| Cement—O., W. Pa., W. Va..... bbls. | 992 | 605 | +64 |
| Elec. Power, O., Pa., Ky..... thous. k.w.h. | 2,566a | 2,042a | +26 |
| Shoes..... b | b | b | -9 |
| Tires, U. S..... casings | 1,461 | 5,486 | -73 |

a December
b confidential

Fourth District Business Indexes

(1923-25 = 100)

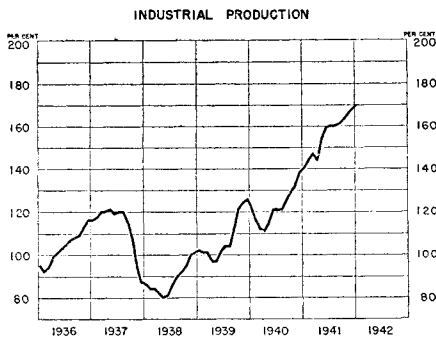
| | Jan. 1942 | Jan. 1941 | Jan. 1940 | Jan. 1939 | Jan. 1938 |
|---|--------------|--------------|--------------|--------------|--------------|
| Bank debits (24 cities)..... | 128 | 111 | 90 | 78 | 80 |
| Commercial Failures (Number)..... | 36 | 36 | 45 | 63 | 64 |
| (Liabilities)..... | 16 | 30 | 19 | 33 | 55 |
| Sales—Life Insurance (O. and Pa.)..... | 153 | 79 | 83 | 109 | 73 |
| —Department Stores (48 firms)..... | 112 | 75 | 70 | 67 | 67 |
| —Wholesale Drugs (5 firms)..... | 167 | 142 | 126 | 118 | 111 |
| —Dry Goods (6 firms)..... | 66 | 39 | 41 | 35 | 32 |
| —Groceries (42 firms)..... | 108 | 77 | 71 | 66 | 69 |
| —Hardware (30 firms)..... | 137 | 91 | 67 | 54 | 53 |
| —All (83 firms)..... | 114 | 80 | 70 | 62 | 63 |
| —Chain Drugs (4 firms)*..... | 123 | 94 | 92 | 91 | 91 |
| Building Contracts (Total)..... | 74 | 62 | 52 | 57 | 41 |
| (Residential)..... | 83 | 64 | 83 | 48 | 22 |
| Production—Coal (O., W. Pa., E. Ky.)..... | 100 | 92 | 88 | 70 | 59 |
| —Cement (O., W. Pa., E. Ky.)..... | 82 | 50 | 54 | 24 | 22 |
| —Elec. Power (O., Pa., Ky.)**..... | 305 | 243 | 234 | 209 | 193 |
| —Shoes..... | 110 | 121 | 118 | 123 | 109 |

* Per individual unit operated.

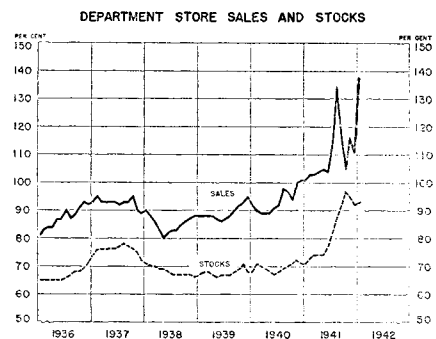
** December.

Summary of National Business Conditions

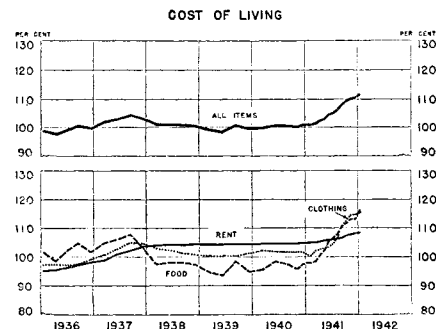
By the Board of Governors of the Federal Reserve System



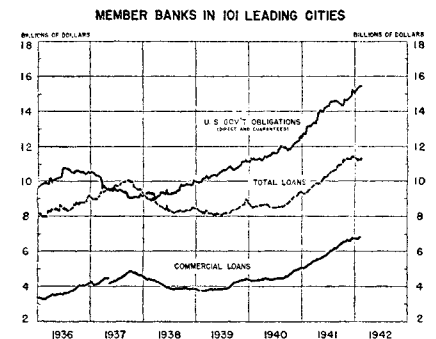
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100.



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported.

Industrial activity rose further in January and the first half of February, reflecting continued sharp advances in output of military products. Retail trade was unusually active and prices, particularly of unregulated commodities, advanced.

Production

Volume of industrial production increased in January, although usually there is some decline at this season, and the Board's adjusted index rose further to 170 per cent of the 1935-39 average. Continued rapid increases in activity were reported in the machinery and armament industries and production of chemicals likewise rose sharply. Activity at cotton textile mills reached a new high level, following some decline in December. In the meatpacking industry, where activity had risen to record levels in December, there was a further advance in January and output of most other manufactured food products was maintained in large volume for this time of year.

Production of steel and nonferrous metals continued near capacity in January and lumber production, which usually declines at this season, was sustained. In the automobile industry output of passenger cars and light trucks continued at about the December rate; in February, however, production of cars and trucks for civilian use was halted and the plants were shut down for conversion to armament production. Coal production increased in January, following a decline in December when demand was curtailed somewhat by unusually warm weather, and output of crude petroleum was maintained at record levels.

Value of construction contracts awarded in January was some two-fifths below the level of the last quarter of 1941, according to figures of the *F. W. Dodge Corporation*. Declines were reported in all classes of construction; the decrease in residential building being usual at this season.

Total awards in January were slightly larger than last year, but public projects accounted for a much larger proportion of the total than a year ago.

Distribution

In January retail trade was stimulated considerably by widespread anticipatory buying of many products resulting from announcements that distribution of new tires and tubes, new automobiles, and sugar would henceforth be rationed and that the amount of materials available for use in various other goods would be restricted. Sales at department stores, variety stores, and general merchandise stores declined much less than is usual after the Christmas season, while sales of tires and tubes were restricted to essential uses and sales of automobiles ceased pending the establishment of a rationing system. In the first half of February department store sales decreased somewhat from the high level reached in mid-January.

Total carloadings of revenue freight, which usually decline in January, showed little change this year and the Board's seasonally adjusted index advanced from 137 to 140 per cent of the 1935-39 average. Loadings of grain and forest products rose to unusually high levels for this time of year and coal shipments also increased, following a decline in December. Shipments of miscellaneous freight, which include most manufactured products, declined less than seasonally.

Commodity Prices

Prices of commodities and services continued to advance sharply in January and the first half of February. The Emergency Price Control Act of 1942 became a law on January 30 and former Federal maximum price schedules—approximately 100 in number—remained in effect under its terms. About one-half of these schedules were issued following the United States' entry into the war. In this period, price controls were extended to a number of finished consumers' goods and covered mainly items for which output for civilian use had been sharply curtailed or prohibited by Federal order. Retail prices of foods and textile products, which are not subject to direct control, showed exceptionally large increases from December 15 to January 15 and, according to preliminary indications, have continued to advance since that time.

Bank Credit

Since the beginning of the year loans and investments at banks in leading cities have increased, reflecting purchases of Government securities by city banks outside New York and increases in commercial loans by banks in New York. Demand deposits and currency in circulation have risen sharply. Member bank reserves have shown little change in recent weeks, and excess reserves have continued close to 3½ billion dollars.

United States Government Security Prices

Prices of United States Government bonds declined somewhat in the first half of February, following little change during the previous month, while prices of short-term securities, which had risen in January, were steady.