

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 3

Fourth district industry operated at a high rate in February and the first part of March as additional gains in war lines counterbalanced further retrenchment in civilian industries. Transition to a full war basis was apparently being accomplished without the volume of physical output or total employment declining materially. Dislocations have occurred, of course, but indications are that workers displaced from ordinary civilian lines, that are being progressively curtailed by Federal order or otherwise, generally are being rehired after a comparatively short time by war industries that are continuing to expand. New claims filed in Ohio for unemployment compensation dropped from 48,535 in January to 23,095 in February.

No new mass layoffs have been reported in recent weeks, and prospects for reemployment of idle workers are said to be excellent in most sections of the district. Some lag probably should be expected. War industries often require new labor skills or techniques that differ enough from those used in civilian work as to necessitate special training of personnel. Courses of many different kinds have been instituted by various organizations.

As time has passed, additional trained persons have been taken into the working force and total output has increased. New manufacturing facilities also have been placed in operation, and this too has resulted in greater production. Improvement consequently was evident in most lines related to the war effort in February. Tool production was up slightly to a new high level, after allowance is made for length of the work month. Plants manufacturing parts and subassemblies ex-

panded output further. More coal was mined in this district last month than during any February in thirteen years.

Operations at steel mills advanced in late February and early March to successive record levels, as the accompanying chart indicates. Spotty improvement in the flow of scrap metal to melters and greater use of pig iron was reported. National ingot production the last week in March was estimated at an annual rate in excess of 87,500,000 net tons by the *American Iron and Steel Institute*; 1942 output approximated 83,000,000 tons.

The proportion of steel shipments carrying high priority ratings has increased rapidly in recent weeks; by late March, virtually all deliveries were reported to be for war purposes, direct and indirect. Nonintegrated steel companies have been much handicapped by short supplies of raw steel since ingot producers have needed practically all of their output for their own use. Standards for the steel plates used in blast furnace and merchant vessel construction recently have been established by the War Production Board, which also has limited the variety of alloy steels.

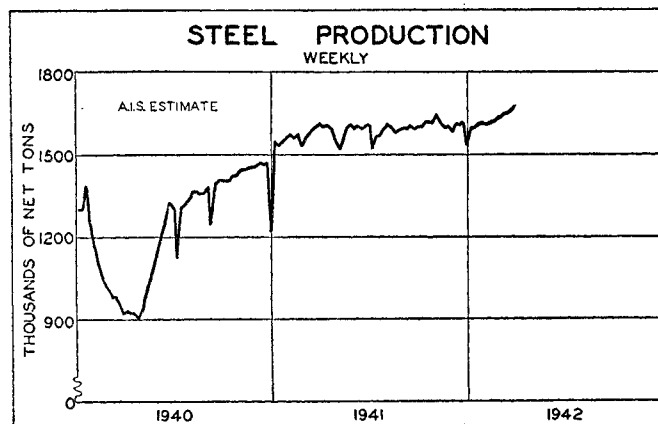
Changes in the specifications by which many goods are manufactured have been extended even to consumers' lines. Federal regulations are to govern the style of men's and boys' ready-to-wear clothing after April 1. The number of kinds of paperboard containers has been reduced by industry action.

Fourth district department store sales in February declined from the record January level, but exceeded those of a year ago by 22 percent. Merchants continued to add to inventories during February, and at the month end stocks, on a seasonally adjusted basis, were at an all-time peak, as is shown in the chart on page five. Dollar volume of reporting stores in the first three weeks of March was one-third greater than that of the corresponding period last year.

## FINANCIAL

### Defense Bonds

During February and the first three weeks of March, 127 additional banks, savings and loan and building and loan associations, credit unions, corporations, and other organizations in the fourth district qualified as United States Defense Savings Bond sales agencies. On March 21 there were in this district, 1,183 state and national banks, 386 Federal savings and loan institutions and state building and loan associations, 348 credit unions operating under Federal



or state charter, 51 corporations, seven members of the investment industry, and two other organizations authorized to issue these securities. This is a total of 1,977 qualified agencies, other than post offices.

Payroll allotment plans, under which persons may arrange to have a certain amount of their wages withheld regularly and accumulated toward the purchase price of a defense savings bond, recently have increased in importance. Such purchases out of current income are wholly to be desired, not only as a means of financing the war, but also from the longer-range economic point of view. With individual earnings rising at a time when the variety and quantity of goods and services available in the market are being limited, it becomes economically necessary to direct a portion of the income stream away from consumption. Savings out of current income are definitely anti-inflationary.

The number of corporations qualified to act as defense savings bond sales agencies does not reflect the widespread use of payroll allotment plans, however. Many concerns operate such programs, but acquire the bonds so purchased by employees from post offices, banks, or other qualified institutions, such as the employees' credit union. As more and more persons participate in these plans and the volume of bonds distributed increases, companies qualify to handle the securities directly, chiefly because better service may be given employees buying bonds.

Sales of United States Defense Savings bonds through this bank and qualified sales organizations in the fourth district declined from a record total of \$82,051,000 in January, when some investors purchased as many bonds as they may buy during the calendar year, to \$34,388,000 in February, which was the third best month, being exceeded in January and December. Daily volume decreased somewhat further in March. During the first 28 days of the month, \$34,109,000 of Series E, F, and G bonds were sold by other than post offices. Series E sales amounted to \$19,253,000, compared with \$21,404,000 in February and \$43,977,000 in January.

Since Defense Savings Bonds first became available in May last year, sales of all series through this bank and qualified agencies in the fourth district, with the exception of post offices, have totaled \$323,842,000. Series E volume has been \$149,773,000.

**Member Bank Credit** Weekly reporting fourth district member banks added \$33,000,000 worth of Government and Government-guaranteed securities to investment portfolios during the four weeks ended March 18. Other securities holdings were increased \$4,000,000. On the latest date, combined security accounts aggregated \$1,548,000,000, compared with \$1,215,000,000 a year previous.

A \$5,000,000 increase was noted in total loans in the four most recent weeks. Commercial, industrial, and agricultural loans were being paid off somewhat more rapidly than new commitments were being made during the latter part of February. The amount outstanding dropped from \$428,000,000 on February 18 to \$420,000,000 on March 4. Subsequently there has been a greater demand for such credit, and the total has risen to \$431,000,000. A year ago it was \$368,000,000. Real estate loan volume declined during the month ended March 18 when it was \$182,000,000, or \$2,000,000 higher than a year previous. "Other"

loans were up \$4,000,000 in the latest period, but at \$208,000,000 they were \$15,000,000 smaller than those of last year.

Adjusted demand deposits of weekly reporting member banks in this district have risen steadily from the first of the year to successive all-time peaks. On March 18 they totaled \$1,940,000,000, an increase of \$144,000,000 in ten weeks and \$294,000,000 in a year. A \$44,000,000 reduction occurred in the tax payment week, and time deposits were down an additional \$2,000,000 in that period. Savings accounts have declined practically without interruption for some time past. Totalling \$701,000,000 on March 18 they were \$32,000,000 smaller than at the beginning of 1942 and off \$50,000,000 from last year.

**Reserve Bank Credit** This bank's proportionate share of the System's Government securities holdings was increased from \$222,541,000 on February 18 to \$233,781,000 the following week and then reduced to \$222,435,000 on March 18. Discounts of the Cleveland bank at the end of the latest period, totaling \$414,000, were twice those of four weeks before. A year previous they were \$55,000. Member banks recently have borrowed only for limited periods, and the amount of bills discounted by the reserve bank has varied considerably from week to week.

Note circulation of this bank dropped \$3,430,000 between March 11 and March 18 to \$816,525,000 on the later date. This is the first decline registered since the beginning of the year, when the amount outstanding was \$778,072,000. The decrease perhaps reflected cash payments of taxes on 1941 income.

During the period February 16-28, the latest for which complete data are available, member banks in the fourth district maintained reserves at this bank that exceeded requirements by about two-thirds. This is proportionately more than twice as large as the excess of reserves carried by all member banks throughout the United States. For institutions in fourth district reserve cities the percentage of excess in the February period was 65, compared with 71 a month previous. Country banks had reserves which were 69 percent above requirements in the last half of February, as against 75 percent in the corresponding two weeks of January.

#### NEW MEMBER BANK

The Union Savings & Trust Co., Warren, Ohio.

#### MANUFACTURING, MINING

**Iron and Steel** Steel producers, manufacturing the basic material of modern industry and war, have found it necessary to use ever greater quantities of pig iron in the steelmaking process as available supplies of scrap have dwindled. The proportion of pig iron to old metal charged into open hearth furnaces has been increased markedly in recent months, and with prospects for relatively limited amounts of scrap moving into sight in the future, it appears as if pig iron would have to be relied upon to perhaps an even greater degree as a raw material in steelmaking.

Pig iron production has been at record or near-record levels recently. February output was 4,504,000 net tons, compared with 4,959,000 tons in January and 4,207,000 tons a year previous. On an average daily basis, last month's

production was the second best in history, being exceeded by only a narrow margin in December.

In the manufacture of the February tonnage, 6,403,000 gross tons of Lake Superior iron ore were used. Consumption in the longer month of January was at an all-time peak of 7,158,000 tons. The recent heavy use of ore has resulted in a greater than seasonal reduction in stocks held at consuming furnaces and on Lake Erie docks, as the accompanying chart shows. While March 1 inventories of 27,526,000 tons were somewhat larger than those of the same date in either of the last two years, they represented, in terms of days' supply at the existing rate of consumption, about the smallest tonnage ever on hand at that time of year. The problem, however, is not so much one of stocks now available—which would last approximately four months at the present rate of use—as of the tonnages that can be accumulated in inventories during the months that the Great Lakes are open to navigation. This will largely determine the amount of pig iron and steel made next year.

With iron ore requirements expanding, announced intentions for this year and next are to move the largest tonnages of ore ever brought down the lakes. During the 1941 season, 80,116,000 tons were shipped to lower Great Lakes' ports. Numerous steps have been taken so that the 1942 goal might be achieved. First bulk carriers reached northern loading docks this year much earlier than ever before. Many shaft mines at the head of the lakes were worked throughout the winter, and considerable ore had been accumulated at upper lake points. Vessels this year may be loaded heavier than previously, thus increasing the trip capacity of the fleet. During 1942, five new freighters are scheduled to be put into service; 292 boats were active in the ore trade most of last season, excluding 17 vessels of Canadian registry that made occasional trips. Under legislation in effect during 1941 and renewed this year, these vessels may carry cargoes between American ports. The Maritime Commission has ordered another 16 freighters that are expected to be completed in 1943. Six of them are being built in fourth district yards. The War Production Board has requested that 17 vessels formerly hauling automobiles be converted into ore carriers. All-rail shipments of ore to blast furnaces located nearest mines are expected to be increased moderately. An additional set of locks at Sault Ste. Marie has been approved, and plans call for its completion this year.

According to the *American Iron and Steel Institute*, 6,525,000 net tons of steel were made during February, when

mills operated at 96 percent of rated capacity. Calculated weekly production last month was the second best in history, being exceeded fractionally in October. Output in January, which had three more working days, was 7,129,000 tons. Trade journals have estimated operating rates in fourth district steelmaking centers to have been below the national average during February and the forepart of March, chiefly because of limited scrap supplies, though suspensions for furnace repairs and plant additions also were factors in some areas.

#### Coal

Fourth district bituminous coal production declined slightly in February from the very high January level, after allowance is made for difference in length of the work month. During February, 16,470,000 net tons, or 38 percent of all the soft coal produced in the United States last month, were mined in this district. This is the largest fourth district tonnage reported for any February since 1929, when solid fuel was used more widely not only as a power source, but also for household heating. Output a year ago was 15,949,000 tons.

Weekly data for the first part of March suggest that demand for coal from industrial sources has been decreasing recently as it usually does at this time in years when the wage contract between the union and operators does not come up for renewal. Distributors to the domestic trade also have been reducing inventories seasonally as warm weather approaches.

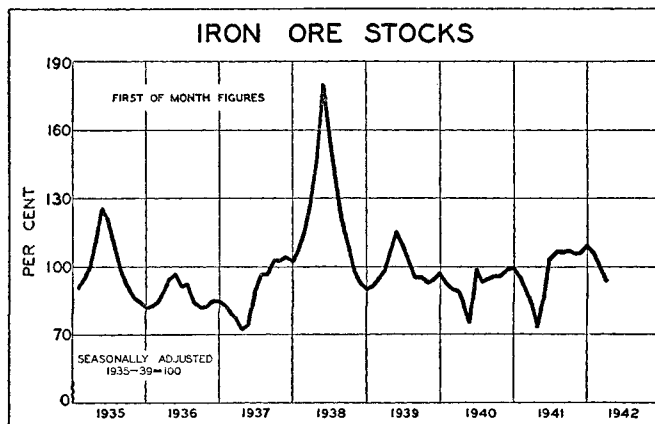
Coal started moving to Great Lakes' ports in mid-March, prior to opening of navigation, but movement thus far has not been particularly heavy because few bulk freighters are yet in the trade. Initial lake shipments were made from Toledo, the largest coal port on the lower lakes, the third week in March, about the same time as in past years.

In March, all coal dealers, both wholesalers and retailers, were requested by the Office of Price Administration to maintain prices no higher than those prevailing during the period December 15-31, 1941. The only increases permitted are those to cover additional costs of ocean freight, war-risk, and marine insurance actually incurred for coal transported via tidewater to Atlantic coast ports. This request follows one directed to retail dealers only in mid-January, asking maintenance of prices at December 15-31 levels.

#### Rubber, Tires

An additional step was taken late in March to conserve further the nation's dwindling rubber supply. Use of reclaimed rubber, which had been substituted in the manufacture of numerous civilian goods after crude rubber became unavailable under the Federal program restricting its consumption, was placed under Governmental control. Previously its use had been limited by informal agreement. The list of nonmilitary articles that may be made from reworked rubber is somewhat more comprehensive than that applying to crude rubber. Nevertheless, the plan as announced apparently will effect a substantial reduction in the amount of reclaimed rubber that may be used.

The full import of the restrictions on rubber consumption and distribution of principal rubber products may be judged, in part at least, by comparing the tire quotas established for the first quarter with manufacturers' shipments last year. During the January-March 1942 period, 333,040 casings



were made available for mounting on essential nonmilitary passenger cars, and an additional 728,425 new truck tires were released for distribution by rationing boards. These totals compare with 6,352,927 passenger car tires and 1,003,270 truck casings delivered for replacement purposes during the first three months of 1941.

Passenger car tire production was stopped in December. Heavy truck tire departments, by contrast, have continued to work at a high rate chiefly because of demand for casings for use on mechanized Army equipment. Mechanical goods divisions have been busy supplying not only military needs, but also filling orders from essential war industries. Several of the fourth district tire companies have received large war contracts for a wide variety of nonrubber articles, such as cartridge clips, gun mounts, aircraft parts, and the like. Total employment in the industry consequently has increased steadily to successive high levels. Some war materiel divisions are working exceptionally long hours; as a result, individual weekly earnings in these departments have risen sharply. This has created somewhat of a problem in other departments which are still working only 30-36 hours a week.

#### **Textiles, Clothing**

Further restrictions have been placed on civilian consumption of raw wool, and men's clothing styles have been ordered changed so that available cloth supplies might be used to better advantage.

Under terms of a War Production Board order, woolen and worsted cloth mills manufacturing for the civilian trade are not to consume more than ten percent and twenty percent, respectively, as much high-grade wool during the second quarter as they did during the first six months of 1941. No limitation has been placed on consumption of wool for military purposes. Weavers consequently have prepared to use greater quantities of low-grade wool, re-worked and reused wool, and of cotton and rayon in cloth, blankets, and rugs for other than the armed services. A few woolen and worsted cloth makers doing civilian work principally have found it necessary to curtail operations further or to close mills, at least temporarily.

Use of fabrics composed of a variety of fibers and simplification of men's clothing styles apparently will necessitate little, if any, change in needlework shop practice. Many fourth district men's wear manufacturers were working at practical capacity in mid-March on spring and summer lines. Textile industry employment in principal producing centers of the district was well above average for that time of year. Operations were expected to be continued for six to eight weeks, or somewhat longer than usual, due to the fact that cloth deliveries were slow. Some concerns also reported difficulty in obtaining certain kinds of rayon for linings and of trimming materials.

The wool restrictions were said to have affected a relatively small percentage of spring clothing deliveries since many makers had previously been carrying large inventories of yard goods. Future uncertainties, however, have caused some manufacturers to postpone initial showings of fall merchandise.

Cotton cloth supplies have become increasingly tight; some fabrics like duck and drills are virtually unobtainable without a high priority rating. The majority of the nation's heavy cotton cloth output has been allocated to the armed forces by the War Production Board. As a result, certain

kinds of cotton work garments have been discontinued; some civilian lines are no longer being made because slide fasteners are not available. Total production, however, has been stepped up to meet heavy incoming demand from ordinary commercial sources as well as from the Army and Navy. Shipments recently have been substantially larger than those of past months or a year ago, but the sizable finished goods inventories accumulated earlier have not been reduced greatly as yet.

#### **Other**

#### **Manufacturing**

Activity in other important fourth district manufacturing industries doing war work has continued at an advanced level recently, though tight material supply situations have faced a number of concerns. Some companies not experiencing such difficulties to any great extent have increased output; additional productive facilities have come into operation and newer members of the working force have become more efficient. Operating rates have varied considerably in industries where civilian production has been, and is being curtailed. Not only Federal restrictions, but also decreasing demand, limited material supplies, and other factors have been responsible.

Class I American railroads ordered more new freight cars during February than in any other month in recent years. On March 1, car builders, several of whom have shops in this district, held orders for 70,602, compared with 68,070 a month earlier and 39,353 a year ago. Supplies of steel bars and shapes, as well as plates, have been limited for some time, and car production schedules set have not been attained. Some easing in the material situation in February, however, raised deliveries of finished cars. According to the *Association of American Railroads*, 9,262 new cars were put in service last month, compared with 8,143 in January.

Fourth district concerns formerly manufacturing automotive parts and equipment continued to increase output of military items during February and the first part of March. Additional conversions to war work were being made at that time. Total employment at numerous plants recently has been expanded to record levels, as it has been in the machine tool industry. Small tool makers also have been adding to working forces. Operations in some plants currently are at a rate half again as high as that of a year ago. Incoming orders in all of these lines have remained well in excess of production and shipments. Foundries also have been very busy, and February orders for both new and repair foundry equipment were the largest in history.

Demand for flat drawn glass declined somewhat early in March; manufacturers, however, held unfilled orders that were large enough to maintain a high rate of operations for several months. February window glass production of 1,457,000 boxes, each containing 50 square feet of glass, was the largest for any similar month on record. It compares with output of 1,639,000 boxes in January, which had two more working days. Activity in polished glass divisions—which were operating at about half of capacity in mid-March—has declined steadily since cessation of automobile assemblies. Demand for plate glass recently has been principally from the furniture trade, chiefly for mirrors. Glass container output has continued in near-record volume. Restrictions on the use of tin to coat cans is occasioning changes in packaging methods. Indications are that so-called black plate may be used more extensively.

Numerous changeovers to glass are being made, but a complicating factor there is the availability of closures, which are made of rubber, zinc, and tin coated steel.

Shipments of dinnerware and pottery products since the first of January have approximated those of a year ago. This branch of the ceramics industry operated at 90-95 percent of capacity during February and the forepart of March. Orders recently have been booked at prices prevailing when deliveries are made; the increases announced following a general wage advance were withdrawn at the request of the Office of Price Administration. New business has continued in sizable volume.

Paper production has declined moderately in recent weeks, and in mid-March was approximately ten percent smaller than that of a year ago, judged by weekly data of the *American Paper and Pulp Association*. According to reports, there has been some slackening in demand for book papers, certain grades of tissue paper, and boxboards. Further restrictions on the use of chlorine are scheduled to become effective in April, and the War Production Board has ordered both paper and paperboard mills to reduce pulp inventories to a sixty-day supply, in terms of current consumption. Order volume for some types of paperboard reportedly decreased early in March. Mills continued to operate slightly in excess of theoretical capacity, with the result that order backlogs declined to the lowest level since last spring. Activity at carton plants varied considerably in mid-March. Some fourth district concerns were working at practical capacity, while others in the trade were less busy. Raw materials were said to be somewhat more available than formerly.

Some fourth district shoe factories were closed in February as a result of labor trouble. Production consequently declined contraseasonally; output was the smallest for any month in more than a year. Those concerns unaffected by the dispute were generally working at capacity on summer season merchandise. Little incoming business was reported, but order backlogs appeared large enough to maintain operations until mid-May. Initial showings of fall lines are scheduled for early May.

### TRADE

#### Retail

Customary seasonal movements were not evident in fourth district retail trade during the first two months of the year.

January sales of reporting department stores were extraordinarily large because consumers bought heavily in anticipation of future shortages, deterioration in the quality of merchandise available, and probable further advances in prices. Volume in February, which usually is greater than that of the previous month, declined. The seasonally adjusted index of fourth district department store sales dropped from 145 percent of the 1923-25 average to 130 percent, but, as the accompanying chart indicates, the index has been higher only twice before—in January and in August 1941. A year ago the index was 107.

In face of the continued heavy demand from customers for practically every type of merchandise, fourth district department stores increased inventories substantially more than seasonally during February. Stocks carried on March 1 averaged 48 percent greater than those held a year previous. Most stores made additional commitments for merchandise during February, and outstanding orders at the month end were slightly more than twice as large as those

of a year ago. Some reports indicate that, as durable consumers' goods become increasingly difficult to obtain due to Federal restrictions placed on their manufacture, retailers have been purchasing and featuring more prominently so-called soft lines.

Dollar sales of piece goods departments of reporting stores averaged one-third greater this February than last, with cottons moving in proportionately greater volume than silks, velvets, and woolen yard goods. A 24 percent increase was experienced in women's and misses' apparel and accessories items, while 31 percent more men's and boys' wear was sold last month than during February 1941. Major household appliance sales in February exceeded those of a year previous on an average of 55 percent. According to some reports, trade mark significance has dwindled. Consumers recently appear to have been more concerned about getting a refrigerator, stove, washing machine, or radio rather than one of a particular make.

Approximately three-fifths of all department store sales reported in February was made on credit. This is the same proportion prevailing in January; but compared with a year ago, there was a relative decrease in credit sales volume.

Accounts receivable of reporting stores at the end of February were 13 percent larger than those of last year. Collections were up somewhat more by 22 percent. During February, 38 percent of all accounts outstanding on the first of the month was collected, compared with 36 percent a year ago. In January, the proportion was 43 percent.

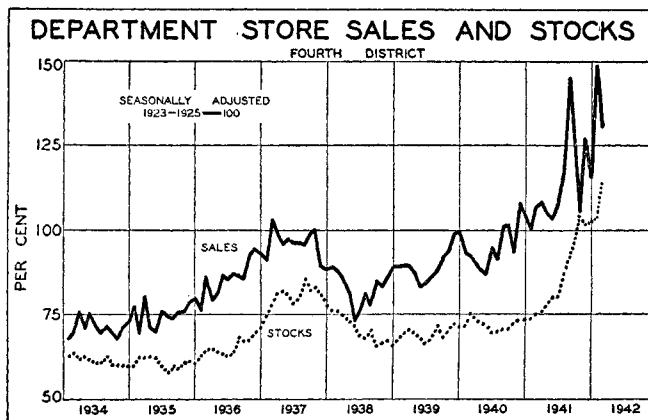
Fourth district wearing apparel shops sold 23 percent more merchandise this February than last, while dollar volume of reporting furniture stores was 17 percent greater. February sales per individual store in grocery chains were 34 percent larger than those of last year. A year-to-year increase of 15 percent was experienced by chain drug organizations, also on an individual unit basis.

Wearing apparel retailers made smaller additions to inventories during February than did department stores. At the month end, apparel shop stocks averaged about 25 percent larger than those of a year ago. During February these merchants collected one-third of all accounts receivable on the first of the month, the same proportion as last year, compared with 39 percent in January. Dollar volume of collections, however, was 20 percent greater this February than last.

#### Wholesale

Fourth district wholesale trade volume in February declined moderately from the contraseasonally high January level.

Sales of 201 merchants supplying data to the *Bureau of the*



*Census* were up 28 percent compared with those of a year ago. As in the recent past, widest year-to-year increases last month were experienced by electrical goods suppliers, dry goods distributors, and hardware dealers which had gains of 72 percent, 45 percent, and 41 percent, respectively. For the first time in several months, some wholesalers in February reported sales smaller than those of a year ago. Metals dealers sold 19 percent less merchandise this February than last, and lumber distributors' volume was off ten percent. Building supply concerns have been affected by the Federal order restricting use of certain materials in new construction.

Wholesale inventories, on the average, were reduced slightly during February. At the month end, however, aggregate stocks were still 18 percent larger than those of a year previous. Electrical goods distributors on March 1 were carrying 52 percent more merchandise than they held last year at that time. In other lines, the increases were much less.

February collections of reporting fourth district wholesalers, while slightly smaller than those of the longer month of January, were 36 percent larger than those of a year ago. On the average, 83 percent of all accounts receivable outstanding on the first of the month were collected during February, compared with 73 percent last year. In January the proportion was 87 percent.

### CONSTRUCTION

The scope of construction activity in the fourth district broadened in February, when there was a sharp increase in the residential field. Whereas there ordinarily has been a decline between January and February, dollar value of residential contracts let last month was two-thirds greater than that of January, on an average daily basis. Compared with a year ago, the February total of \$18,411,000 was 78 percent larger; in fact, awards last month were the second best for any February in the twenty years of record, being exceeded by a fairly narrow margin in 1926.

Approximately two-thirds of all residential work contracted for in this district during February was undertaken by private capital. In the 37 eastern states for which the *F. W. Dodge Corporation* compiles construction data, Federal funds were utilized to finance half of the new homes started. A similar situation has been commented upon in past months. Fourth district residential building has borne about the same relationship to all construction and engineering work as that reported in other areas, but a greater proportion of it has been privately financed.

The expansion of war industry in the fourth district, which was further reflected in the very large volume of awards for new factories in February, has occasioned a considerable migration of labor into this section, taxing housing facilities in some localities. Home building started in recent months, particularly since October last year when the use of critical materials in new construction was restricted by Governmental order, has been principally in those areas where war work is being done. Recently there has been some further concentration of residential construction as a result of the passenger car tire situation; many new developments apparently are being located with special consideration to accessibility to industrial plants and public transportation. Consequently, most construction work, both nonresidential and residential, currently is grouped in a

few sections of the district. Elsewhere there is comparatively little building activity.

Such a condition is, of course, reflected in the lumber and builders' supplies trade. Wholesale and retail yards in areas where war production is being expanded have been busy, while those in other localities have received little new business. Distributors have experienced some difficulty in replenishing lumber stocks, chiefly because producing mills are in a "sold out" position, having recently taken unprecedentedly large Government orders for prompt delivery. Inclement weather in the Southern lumbering region has hampered operations there somewhat.

A few fourth district material suppliers in mid-March reported a slackening in demand for lumber and other items from nonresidential sources. Aside from the large volume of factory construction already mentioned, February awards for other than residential building dropped below the level of January and other recent months, principally because of curtailed activity in the heavy engineering field. Contracts for all nonresidential work totaled \$14,410,000 in February, compared with \$21,015,000 in the longer month of January and \$11,045,000 last year.

### AGRICULTURE

The fourth district is one of the country's most diversified farming regions. In recent years, roughly eight percent of all the corn grown in the United States has been raised on fourth district farms. This district ordinarily has produced six percent of the nation's wheat and oats, fifteen percent of its soybeans, four percent of its sugar beets grown for sugar, nine percent of its tobacco, and five percent of its commercial white potato crop. Farmers in Ohio, Pennsylvania, Kentucky, and West Virginia have received on an average of nine to ten percent of the national cash income from farm marketings.

War has wrought a fundamental change in the basic agricultural situation, both locally and nationally. During the last decade or so large surpluses of foodstuffs and feeds were grown and accumulated. Federal farm policy recognized this fact and was designed to ameliorate the position of the farmer by production and marketing quotas and commodity loans. Future prospects, now that the world is at war, are not for surpluses of some agricultural products, but rather for deficiencies. It is apparent that the people of America and the United Nations need more meat, milk, eggs, vegetables, fruits, and oil crops.

The Secretary of Agriculture accordingly has called upon farmers throughout the country to put every acre of land, every hour of labor, and every bit of farm machinery, fertilizer, and other supplies to the use that best serves the nation's wartime need. An extensive Food for Freedom program has been detailed. It envisions the greatest production in the history of American agriculture.

Under the plan as recently revised, Ohio farmers this year are requested to plant 34 percent more acreage to soybeans, 11 percent more to corn, 15 percent more to potatoes, and 7 percent more to hay and forage than was grown in 1941. Hog slaughter is to be increased eight percent and lamb slaughter one percent over last year's numbers. Eight percent more cattle and calves are to be killed for meat than were slaughtered in 1940, the latest year for which complete data on marketings and farm slaughter are available. At the same time, milk and egg production each is to be raised nine percent above that of last year. Substan-

tial increases in production of chickens, turkeys, and tobacco also are urged, and no acreage restriction has been imposed on the planting of sugar beets.

If average yields are obtained from the larger plantings of field crops, the Ohio soybean harvest would be the largest ever, more than six times greater than the 1930-39 ten-year average. Production of corn, which yielded very well last year, and potatoes would be nearer the average for the past decade, as would the hay crop. This results from the fact that Ohio farmers in recent years, under production allotment programs, have reduced the acreage devoted to these crops, growing more soybeans, clovers, alfalfa, sugar beets, and the like.

The Food for Freedom program is complicated by two factors. Labor has been drawn away from farms by selective service and, perhaps more importantly, by rapidly expanding war industries, which offer shorter hours and higher pay. Steel and other metals have become scarce and necessitated Governmental restrictions on future production of farm machinery.

These problems have been met to some extent. According to the *Agricultural Marketing Service*, farm operators apparently are finding it expedient to add hired hands to their payrolls as early as possible this year since prospects are for a dwindling labor supply as the season progresses. Farm equipment dealers recently have experienced an unusually heavy demand for repair items, indicating that farmers, following recommendations of the Department of Agriculture, are getting their tools and machinery in shape for possibly greater use than formerly.

**Fourth District Business Indexes**  
(1923-25 = 100)

	Feb. 1942	Feb. 1941	Feb. 1940	Feb. 1939	Feb. 1938
Bank debits (24 cities).....	113	91	79	67	64
Commercial Failures (Number).....	28	46	36	41	66
(Liabilities).....	9	27	21	18	63
Sales—Life Insurance (O. and Pa.).....	90	82	78	80	69
—Department Stores (48 firms).....	103	84	73	71	70
—Wholesale Drugs (6 firms).....	124	110	116	106	98
—    "    Dry Goods (7 firms).....	78	54	46	41	35
—    "    Groceries (44 firms).....	93	71	67	62	63
—    "    Hardware (33 firms).....	131	93	67	57	56
—    "    All (90 firms).....	102	77	68	61	61
—Chain Drugs (4 firms)*.....	120	104	95	91	86
Building Contracts (Total).....	69	59	39	48	30
(Residential).....	107	60	49	41	26
Production—Coal (O., W. Pa., E. Ky.).....	91	88	79	66	51
—Cement (O., W. Pa., E. Ky.).....	73	60	50	19	15
—Elec. Power (O., Pa., Ky.).....	272	261	213	187	166
—Petroleum (O., Pa., Ky.)*.....	115	114	114	115	120
—Shoes.....	96	124	122	122	120

\* Per individual unit operated.  
\*\* January.

**Fourth District Business Statistics**  
(000 omitted)

	February 1942	% change from 1941	Jan.-Feb. 1942	% change from 1941
Fourth District Unless Otherwise Specified				
Bank Debts—24 cities.....	\$ 3,072,000	+24	6,533,000	+19
Savings Deposits—end of month: 40 banks O. and W. Pa.....	778,034	— 2		— 2
Life Insurance Sales: Ohio and Pa.....	\$ 86,571	+10	233,770	+51
Retail Sales: Dept. Stores—96 firms.....	\$27,501,135	+22	59,800,701	+35
Wearing Apparel—16 firms.....	\$ 1,021,584	+23	2,340,576	+37
Furniture—41 firms.....	\$ 1,201,464	+17	2,354,059	+22
Building Contracts—Total.....	\$ 32,821	+17	66,841	+16
—Residential.....	\$ 18,411	+78	32,643	+53
Commercial Failures—Liabilities.....	\$ 415	—64	1,137	—55
—Number.....	41	—39	93	—23
Production: Pig Iron—U. S..... net tons	4,504	+ 7	9,461	+ 7
Steel Ingot—U. S..... net tons	6,525	+ 5	13,654	+ 4
Bituminous Coal, O., W. Pa., E. Ky..... net tons	16,470	+ 3	34,538	+ 6
Cement—O., W. Pa., W. Va. .... bbls.	874	+22	1,866	+41
Elec. Power, O., Pa., Ky., thous. k.w.h.	2,286	+ 4	4,826	+10
Petroleum—O., Pa., Ky. .... bbls.	2,122a	+ 1	.....	.....
Shoes..... pairs	b	—23	b	—15

a January

b confidential

**Debits to Individual Accounts**

(Thousands of Dollars)

	4 Weeks ended March 18, 1942	% change from 1941	Year to Date Jan. 2, 1942 to March 18, 1942	Year to Date Jan. 2, 1941 to March 19, 1941	% change from 1941
Akron.....	100,907	+26.2	271,038	210,956	+28.5
Butler.....	12,052	+12.7	34,006	28,163	+20.7
Canton.....	55,709	+16.5	152,855	124,466	+22.8
Cincinnati.....	487,174	+29.5	1,262,524	1,000,526	+26.2
Cleveland.....	815,681	+20.0	2,178,198	1,818,525	+19.8
Columbus.....	228,490	+17.5	590,184	486,802	+21.2
Dayton.....	103,867	+24.2	270,230	216,901	+24.6
Erie.....	43,743	+31.3	114,940	87,656	+31.1
Franklin.....	4,557	+29.6	12,279	9,167	+33.9
Greensburg.....	9,799	+30.0	27,192	21,068	+29.1
Hamilton.....	16,212	+32.0	43,497	33,534	+29.7
Homestead.....	4,377	+32.8	12,239	6,301	+94.2
Lexington.....	20,237	+ 1.7	89,261	80,543	+10.8
Lima.....	19,534	+22.2	52,591	43,102	+22.0
Lorain.....	6,178	+15.7	17,630	14,484	+21.7
Middletown.....	17,606	+34.6	46,727	35,662	+31.0
Oil City.....	13,300	+40.9	34,297	26,032	+31.7
Pittsburgh.....	949,222	+18.5	2,543,771	2,344,282	+ 8.5
Sharon.....	12,428	+31.3	34,558	26,280	+31.5
Springfield.....	22,763	+15.5	60,526	52,241	+15.9
Steubenville.....	10,846	+ 9.6	29,758	26,634	+11.7
Toledo.....	174,722	+18.4	465,092	384,488	+21.0
Warren.....	16,139	+13.4	44,012	36,812	+19.6
Wheeling.....	28,278	+ 3.8	77,314	79,439	— 2.7
Youngstown.....	64,289	+18.0	177,270	146,948	+20.6
Zanesville.....	10,309	+14.5	28,899	24,789	+16.6
Total.....	3,235,991	+20.4	8,670,888	7,369,098	+17.7

**Wholesale and Retail Trade**

(1942 compared with 1941)

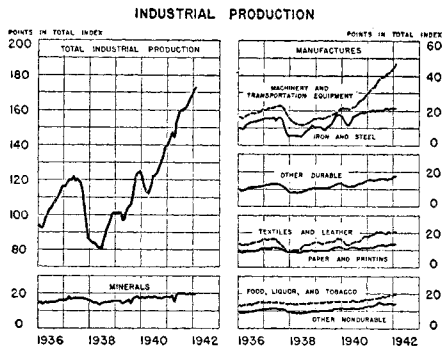
	SALES February 1942	Percentage Increase or Decrease first 2 months	STOCKS February 1942
DEPARTMENT STORES (96)			
Akron.....	+31	+45	+57
Canton.....	+28	+42	a
Cincinnati.....	+12	+28	+52
Cleveland.....	+30	+40	+52
Columbus.....	+18	+31	+43
Erie.....	+31	+43	+30
Pittsburgh.....	+17	+27	+47
Springfield.....	+27	+37	a
Toledo.....	+22	+34	+38
Wheeling.....	+14	+33	+26
Youngstown.....	+18	+29	a
Other Cities.....	+27	+43	+52
District.....	+22	+35	+48
WEARING APPAREL (16)			
Canton.....	+20	+40	+37
Cincinnati.....	+28	+31	+20
Cleveland.....	+24	+41	+14
Pittsburgh.....	+26	+42	+25
Other Cities.....	+20	+31	+31
District.....	+23	+37	+24
FURNITURE (41)			
Canton.....	+12	+26	
Cincinnati.....	+57	+42	
Cleveland.....	+6	+16	
Columbus.....	+21	+6	
Dayton.....	+25	+36	
Toledo.....	+40	+35	
Other Cities.....	+34	+32	
District.....	+17	+22	
CHAIN STORES*			
Drugs—District (5).....	+15	+23	
Groceries—District (4).....	+39	+47	
WHOLESALE TRADE**			
Automotive Supplies (12).....	+16	+30	+18
Beer (5).....	+28	+27	+33
Clothing and Furnishings (3).....	+18	+30	a
Confectionery (5).....	+36	+33	+3
Drugs and Drug Sundries (6).....	+13	+15	+13
Dry Goods (7).....	+45	+55	+17
Electrical Goods (13).....	+72	+49	+60
Fresh Fruits and Vegetables (6).....	+22	+20	+52
Furniture and House Furnishings (4).....	+26	+45	a
Grocery Group (44).....	+32	+36	+24
Total Hardware Group (33).....	+41	+45	+16
General Hardware (10).....	+47	+50	+11
Industrial Supplies (13).....	+30	+39	+29
Plumbing and Heating Supplies (10).....	+54	+52	+38
Lumber and Building Materials (4).....	—10	—10	a
Machinery, Equip. & Sup. (Exc. Elect.) (5).....	+ 8	+25	+14
Meats and Meat Products (4).....	+26	+31	+20
Metals (3).....	—19	— 9	a
Paints and Varnishes (7).....	+30	+52	+27
Paper and its Products (8).....	+34	+39	+20
Tobacco and its Products (13).....	+15	+12	+ 2
Miscellaneous (19).....	+27	+27	+11
District—All Wholesale Trade (201).....	+28	+33	+18

\* 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.

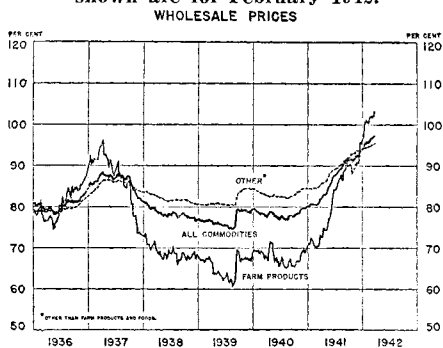


## Summary of National Business Conditions

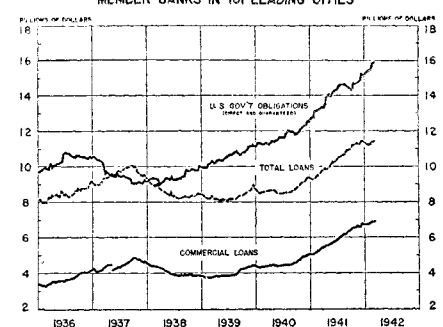
By the Board of Governors of the Federal Reserve System



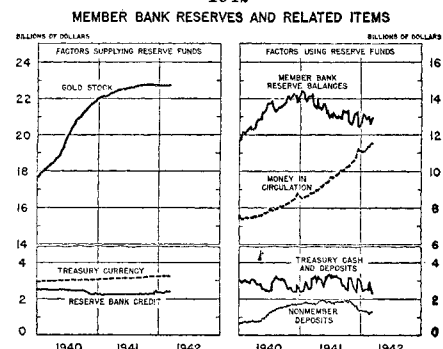
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for February 1942.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending March 21, 1942.



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported. Latest figures shown are for March 11, 1942.



Wednesday figures. Latest figures shown are for March 11, 1942.

Industrial activity increased further in February and the first half of March. Retail trade was sustained at high levels and commodity prices continued to advance.

### Production

In February the Board's seasonally adjusted index of industrial production rose from 171 to 173 per cent of the 1935-39 average. As in other recent months, activity in the durable goods manufacturing industries, where the majority of military products are made, continued to advance, while in industries making nondurable goods and at mines activity was maintained at about the levels reached last autumn.

Steel production rose to 96 per cent of capacity in February and increased further to 98 per cent in the third week of March—which corresponded to an annual rate of nearly 87 million net tons. Lumber production also increased, following less than the usual seasonal decline during the previous two months. In the machinery and transportation equipment industries, now engaged mainly in armament production, activity continued to advance rapidly as plant utilization increased and capacity expanded. Conversion to armament production in the automobile industry, where output of civilian products was discontinued in early February, is apparently being effected much more rapidly than had been anticipated.

There were further increases in output at cotton textile mills and at chemical factories, reflecting an increasing amount of work on military orders. At meatpacking establishments activity was maintained near the high rate reached in January. Shoe production increased by less than the usual seasonal amount. Anthracite production rose sharply in February and bituminous coal production was maintained near the high rate of other recent months. Output of crude petroleum, which had been at record levels in December and January, declined somewhat in the latter part of February and in the first half of March, reflecting transportation difficulties.

### Construction

Value of construction contract awards increased considerably in February, according to figures of the *F. W. Dodge Corporation*, owing mainly to a sharp rise in awards for public projects. Total awards in February were half again as large as last year, and public awards were about three times as large.

In nonresidential building, awards for public projects increased materially, while those for private projects continued to decline. There was a slight rise in awards for public utility construction.

In residential building, contracts for private work changed little from January, while those for publicly-financed projects increased sharply and amounted to about half of the total for the first time on record.

### Distribution

Value of retail trade continued large in February. Sales at general merchandise stores and variety stores increased more than seasonally, while sales at department stores declined. In the first half of March department store sales increased by about the usual seasonal amount.

Freight-car loadings, which in January had been unusually large for this time of year, declined somewhat in February owing to smaller shipments of coal, grain, and miscellaneous freight.

### Commodity Prices

Wholesale prices continued to advance from the middle of February to the middle of March, particularly those for finished consumer goods. Temporary maximum price orders were issued covering wholesale prices of some of these products. These orders, according to statute, used as maximums the prices prevailing within five days prior to issuance. They are effective for only 60 days and may be replaced by regular schedules.

### Treasury Financing and Bank Credit

In March income tax receipts by the Treasury for the first time reflected the higher schedule of rates. The effect of these receipts on the money market was largely offset by redemption of Treasury bills previously issued to mature during the tax collection period, by tax-anticipation notes turned in on payment of taxes, and by continued heavy Treasury expenditures. As a consequence a record volume of Treasury operations was effected with little influence on conditions in the market. Excess reserves of member banks showed no large change and on March 18 amounted to about \$3.2 billion.

United States Government obligations held by member banks in leading cities showed little change during the first three weeks of March following a sharp rise in February. Commercial loans increased further.

### United States Government Security Prices

Prices of United States Government bonds advanced steadily from the middle of February to the middle of March.