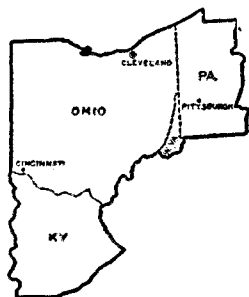


MONTHLY BUSINESS REVIEW

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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 4

Impact of modern total war upon the civilian economy was evident in two War Production Board statements issued early in April. One summarized a series of orders which specify that production of a long list of articles, mostly consumers' durable goods, must cease entirely in the near future. A few other items in this general category may continue to be made, but the use of critical materials, chiefly metals, is prohibited in their manufacture. The second directive stated that the national interest requires deferment for the duration of new construction which is not essential, directly or indirectly, to successful prosecution of the war and which uses labor and materials needed for primary and secondary military purposes.

These and other restriction and limitation orders that have been promulgated form part of a general Governmental policy to make men and materials available first to the war effort and secondarily to meet the more essential civilian requirements. A generally lower standard of living for the great majority of the population is thus indicated, since the supply of goods individuals ordinarily buy is dwindling and will decrease further as much additional civilian manufacture is curtailed or ceases altogether, and stocks on hand are rationed.

Considerable portions of total fourth district productive facilities already have been converted to war work, and the process is continuing. The further expansion in industrial activity in most fourth district localities during March and the forepart of April represented acceleration of the war production effort.

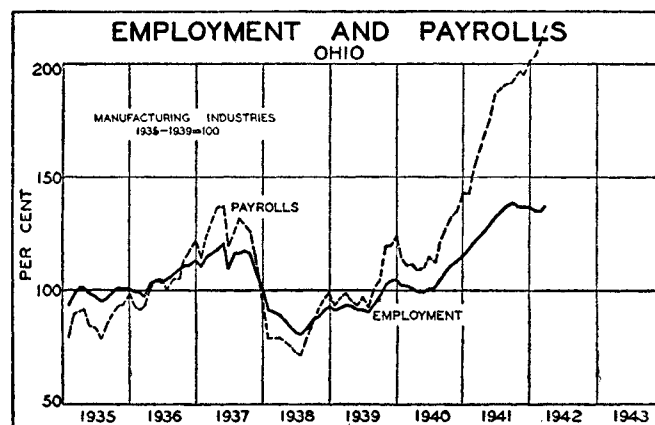
Steel output was increased due to some improvement in the scrap supply situation. Indications were that the largest fourth district pig iron producing capacity in history was in operation April 1. More bituminous coal was being mined than at any comparable time since the late 1920's. According to reports, coal consumers recently have again started to accumulate fuel inventories, in line with recommendations of numerous Governmental agencies and other organizations.

Machine tool builders received a record amount of new orders in March, following a Governmental statement advising plants planning to enlarge war production facilities to arrange promptly for equipment. The machine tool industry itself increased output further, and shipments were estimated to be at a new all-time peak in March. Foundries were operating at expanded capacity, as were small tool

makers and forge shops. Concerns formerly manufacturing automotive items have largely converted to war work and deliveries of military materiel have been stepped up markedly in recent months. Companies that heretofore have been making mechanical refrigerators, home laundry equipment, vacuum cleaners, and radios have started turning out war items, while preparing to cease ordinary production.

Operations at window glass plants in March were sharply higher than usual for that time of the year. Glass container manufacturers were very busy, primarily as a result of circumstances requiring changes in packaging styles and methods. The dinnerware branch of the ceramics industry was working close to capacity, a rate that has prevailed for several months. Papermakers have experienced some decline in new order volume for a few lines recently, but production has remained at a high level. In the paperboard industry, a sizable reduction in the backlog of unfilled orders occurred in March and early April, when demand from civilian sources slackened.

While total employment in Ohio manufacturing industries in March was still moderately below the peak reached early last fall, because of plant conversions under way, payrolls advanced to a new all-time record level. A survey by the United States Employment Service in Ohio at that time indicated that employers in the State probably would add more than 100,000 people to their working forces before Labor Day. Four out of every five were expected to be engaged in war work. In some areas, estimated labor requirements are thought to exceed the indicated supply.



FINANCE

War Industry Financing The Board of Governors of the Federal Reserve System early in April announced adoption of Regulation V, pertaining to the financing of war industries. This regulation, which became effective April 6, was based upon an Executive Order of the President dated March 26, and was issued pursuant thereto, after consultation with the War and Navy Departments and the Maritime Commission. The objective of the regulation, under terms of the Executive Order, briefly stated, is to facilitate and expedite all phases of war materiel production, including the obtaining or converting of manufacturing equipment and supplies, by arranging for the financing of contractors, subcontractors, and others engaged in war work. The program contemplates maximum participation of small business enterprises in war production.

The Federal Reserve Bank of Cleveland, together with the eleven other reserve banks, has been designated as fiscal agent of the United States to carry out the purpose of the Executive Order. Utilization of the reserve system facilities located in every section of the country makes possible a large degree of decentralization of the war financing program, which looks to the fullest practicable participation in such an effort by banks of the United States, whether members of the Federal Reserve System or not.

Under terms of the Executive Order, the three specified procurement agencies are authorized to guarantee commercial banks, Federal reserve banks, or other financing institutions against loss on loans made to finance companies doing war work. It is expected that a concern in need of financial assistance to carry out its military contract commitments will first take up its credit requirements with the commercial bank or other financing institution with which it customarily deals. When the necessary accommodation cannot be arranged without the assistance of the War or Navy Department or the Maritime Commission, the financing institution will apply to the Federal reserve bank of its district for a guarantee of a part or all of the proposed financing.

The War Department intends to appoint a liaison officer to serve at the Federal Reserve Bank of Cleveland; others will be stationed at the various reserve banks. These officers will review the application for the guarantee of a loan and may certify to the reserve bank that the applicant is qualified, from a technical and management standpoint, to carry out a contract, subcontract, or order for war supplies or equipment. Under initial instructions of the War Department, and upon appointment of a liaison officer, guarantees or loans up to a prescribed maximum to be determined by the Department can be made at the reserve bank without reference to Washington.

Regulation V specifies that rates of interest, fees, and other charges on loans made or guaranteed in part or entirely by the War or Navy Department or the Maritime Commission through the agency of any Federal reserve bank will be determined from time to time by the Board of Governors of the Federal Reserve System after consultation with the Government procurement agencies and the reserve banks. The maturity of any loan or guarantee shall be consistent with the needs of the borrower for fulfillment of the contracts or orders for which the financing is provided. Maturity of a loan made to finance the con-

struction, acquisition, or conversion of production facilities to be used for war goods manufacture shall be agreed upon by the parties concerned, but in no case shall it exceed five years.

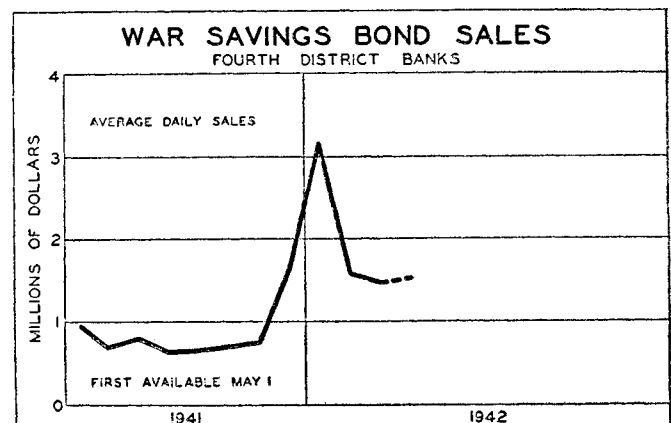
In this connection it should also be noted that the Comptroller of the Currency has advised national banks that the legal limitation on loans not to exceed ten percent of a bank's capital funds will not apply to loans made under Regulation V, provided the War or Navy Department or the Maritime Commission makes a commitment guaranteeing the credit extension. Similarly, the superintendents of banks in Ohio, Pennsylvania, and Kentucky have taken the position that restrictions on the size of a loan a bank might make should not apply to loans or parts of loans made by state-chartered institutions under Regulation V.

It is evident that Regulation V permits a greater participation on the part of member and nonmember banks in the financing of war industries. In line with the reserve banks' established policy, financial aid is to be provided first through customary banking and financing channels. If the amount of credit requested is too large for the individual institution to carry alone, the reserve banks stand ready to participate in the loan, as they already do on some types of credit extensions, under terms of section 13b of the Federal Reserve Act. If unusual circumstances are involved in a war industries loan, the reserve banks may arrange with the military procurement agency for which the work is being done to guarantee part or all of the loan, thus safeguarding the banking structure and minimizing delay in the production of needed war materiel for lack of adequate financing.

War Bond Sales

The accompanying chart graphically portrays the course of War Savings Bond sales through qualified issuing agencies other than post offices in the fourth district since they were first offered, as Defense Savings Bonds, in May 1941. Total sales for individual months have been reduced to an average daily basis to eliminate the bias resulting from differences in length of the months.

Prior to December, average daily volume fluctuated between a high of \$975,000 in May and a low of \$621,000 in August. Following entrance of the United States into the war, there was a sharp increase in sales to a daily average of \$1,655,000, and a further advance was recorded in January. Some investors in that month purchased the maximum amount that might be bought in any one calendar year. Partially as a consequence, volume dropped markedly



in February to a level slightly below that prevailing in December. Another decline occurred in March. During the first 28 days of April, daily sales made by commercial and savings banks, loan associations, credit unions, qualified corporations, the reserve bank, and other agencies in this district, except post offices, averaged slightly larger than those of the previous month, but they were only 91 percent of December volume.

Between May 1, 1941, and April 28, 1942, Series E, F, and G bonds having an issue price of \$363,751,000 were sold through qualified fourth district issuing agencies other than post offices. March sales totaled \$37,766,000, and during the first 28 days of April, purchasers bought \$36,253,000 of War Savings Bonds.

Total net Treasury receipts from the sale of these issues for the eleven month period, as shown in the Treasury's daily statement have amounted to nearly \$4,800,000,000. During the same period, war expenditures have amounted to \$17,000,000,000.

If commercial banks are not to be called upon to carry most of the increasing national debt, and thereby accentuate the inflationary possibilities, it is evident that ever greater amounts of War Savings Bonds must be purchased by individuals. The Treasury has announced intentions to solicit funds more actively and hopes to have individuals voluntarily invest ten percent of their current income, whether in the form of wages and salaries, or rents and dividends, in War Savings Bonds.

The person who buys War Savings Bonds out of current income does three things. He helps underwrite the cost of successful prosecution of the war. He sets aside a portion of his purchasing power at a time when military necessities require a reduction in the amount of goods and services individuals buy, thus reducing the inflationary pressure of excess purchasing power on prices. He also accumulates investments which might serve as a cushion against the readjustment that may be necessary when the transition to peace occurs.

Consumer Instalment Credit During the first six months of consumer credit regulation, under terms of Regulation W, the volume of consumer instalment debt held by financial institutions declined appreciably, judged by the experience of 32 reporting fourth district banks. Outstanding consumer credit loans of these institutions were 14 percent smaller on March 31 than six months earlier. The greater decline, as is indicated in the accompanying table, occurred in holdings of retail instalment paper purchased and the amount of direct retail instalment credit and repair and modernization loans made, which in aggregate were off 23 percent. Personal loan volume was down only one percent.

Changes since the first of the year and during the latest month present a slightly different picture. The amount of personal loan credit extended was five percent greater on March 31 than on December 31, reflecting a ten percent increase in volume during March. This would indicate that there might have been considerable borrowing on the part of individuals to meet income taxes or to buy goods which are expected to be scarce later. A decrease in other types of consumer instalment credit occurred during the first quarter of 1942. Part of the decline represented the maturity of loans made to finance the purchase of auto-

mobiles, though the amount of other retail instalment loans, both those purchased and made directly, and repair and modernization loans was correspondingly lower.

Changes in Consumer Instalment Credit Outstanding
(32 Reporting Fourth District Banks)

Percentage change	Instalment paper purchased, direct loans, repair and modernization loans	Personal loans	Total
March 31, 1942, from			
September 30, 1941	-23	-1	-14
December 31, 1941	-18	+5	-8
February 28, 1942	-2	+10	+2

Member Bank Credit A \$51,000,000 increase in Government security holdings of weekly reporting fourth district member banks in the four weeks ended April 15 reflected principally their purchase of \$43,000,000 of certificates of indebtedness. Issuance of these early in April marked the first time since 1934 that a short-term Treasury obligation carrying an interest coupon has been on the market. During the latest period, \$10,000,000 of Treasury notes were added to security portfolios, while Treasury bond holdings declined \$2,000,000.

Commercial, industrial, and agricultural loans were paid off somewhat more rapidly than new commitments were being made in late March, but during the first two weeks of April this trend was reversed, at least temporarily. On the latest reporting date, \$436,000,000 of these loans were outstanding, compared with \$431,000,000 four weeks earlier and \$384,000,000 a year ago. The present total of this type of loan is the largest since the classifications currently observed were adopted in May 1937. So-called "other" loan volume declined \$6,000,000 to \$202,000,000 between March 18 and April 15. Small, offsetting changes occurred in other loan and security accounts during the latest period.

Following a marked decrease at tax payment time in mid-March, adjusted demand deposits at weekly reporting member banks advanced from \$1,877,000,000 on March 25 to \$1,910,000,000 on April 15. A year ago the total was \$1,686,000,000. Time deposits have declined more or less steadily since last fall. At the end of March, savings deposits of 40 banks in Ohio and western Pennsylvania were one percent smaller than a month before; a three percent decrease has been experienced during the past year.

Member Bank Reserves Member bank reserve deposits with this bank fluctuated considerably during the four weeks ended April 15. On that date, they totaled \$885,875,000, a net decrease of \$30,962,000 since mid-March and approximately \$95,000,000 in the 4½ months since reserve requirements were raised to the highest level permissible by law. During the last half of March, the latest period for which data are available for all banks, both required and maintained reserves declined. On the average, fourth district banks carried reserves that exceeded requirements by 54 percent. The excess for reserve city institutions was 51 percent, while that for country banks was 62 percent. For all member banks in the country, the percentage of excess at the end of March was thirty-two.

Reserve Bank Credit Effective April 11, the general discount rate of the Cleveland reserve bank was reduced to one percent from 1½ percent. The higher rate had prevailed since May 1935. Most reserve banks recently have acted to establish a uniform discount rate for the entire country.

TRADE

There has been considerable discussion regarding what has happened in retail credit circles since the Board of Governors of the Federal Reserve System issued Regulation W. This was issued in order to carry out the President's Executive Order of August 9, 1941, which sets forth the necessity for and purpose of regulation of consumer credit.

In an endeavor to ascertain how changed conditions, some of which are a direct outgrowth of the war, have affected buying habits of persons accustomed to trade with department stores in this area, an analysis of the cash and various kinds of credit sales was undertaken. The charts on pages 4 and 5 present certain matters having to do with instalment, regular 30-day charge, and cash sales at department stores in leading cities of the fourth district.

The chart below shows indexes of cash, regular 30-day charge, and instalment sales at 24 identical stores, based on 1935-39 as 100 and adjusted for seasonal variations. As might be expected, the index of instalment sales shows relatively the widest swings over the seven year period. Although total retail sales were recovering along with employment and payrolls in 1935, the index of cash sales was somewhat above the indexes representing regular charge and instalment sales. Beginning in 1936, however, instalment buying at department stores picked up appreciably and the index advanced to a relatively high level in the spring of 1937, much above the level of the indexes of 30-day charge and cash sales.

Accompanying the business decline of late 1937 and 1938, the index of instalment sales receded for practically a year. Once the industrial advance which began in 1938 got under way, however, instalment sales again rose faster and to greater heights than did other types of sales.

Instalment buying seems to proceed in waves. In periods of active business, there is widespread mortgaging of expected future incomes. The general advance in instalment buying which started in 1938 culminated in the

record volume of August 1941, the month prior to the effective date of Regulation W. In that month the index of instalment sales was 225 percent of the 1935-39 average, while charge sales were 175 percent and cash sales 160 percent of this same base.

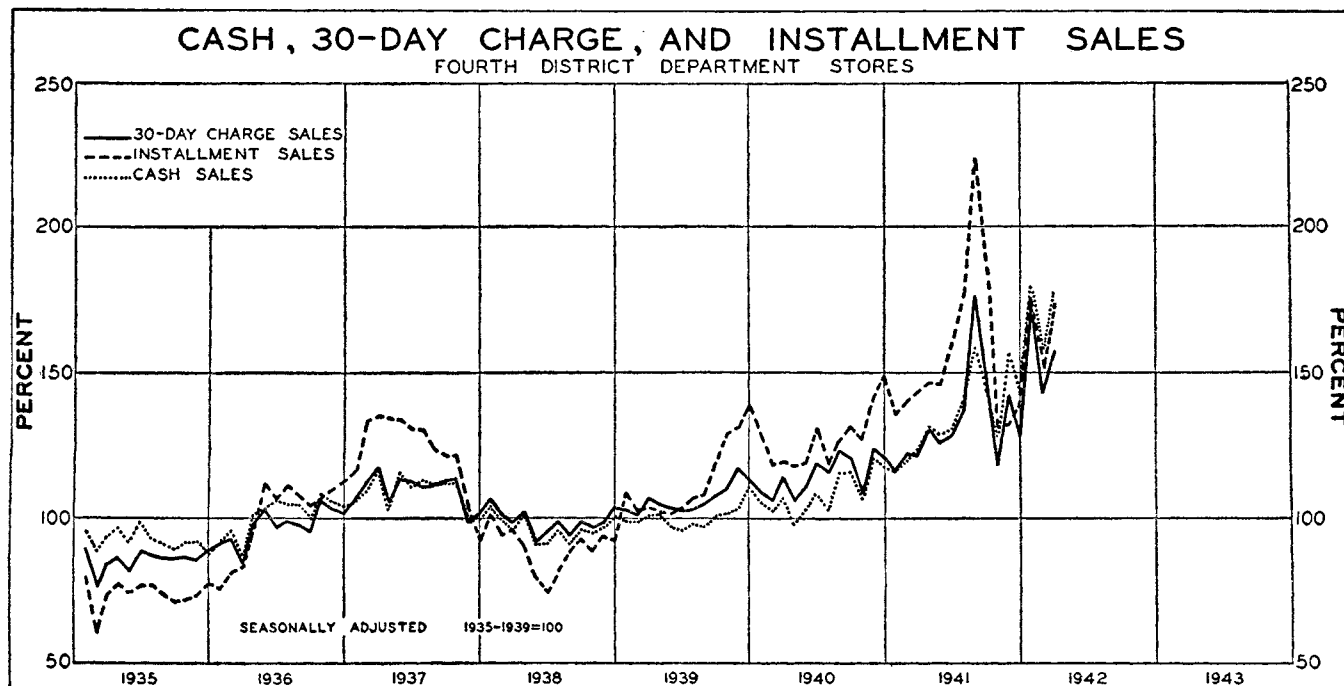
There was the expected sharp contraction in instalment sales following the effective date of the consumer credit regulation, but there has been some recovery in the index of instalment sales this year. Down payment requirements and a general shortening of length of the credit period, while undoubtedly restricting some sales, were offset in part by advance buying. Fear that goods might not be available or that prices would be higher was responsible for an unknown volume of purchases.

Starting in 1940 regular charge and cash sales also improved, and the indexes showed rather erratic movements as anticipatory buying occurred. As more persons have returned to work and because of increased earnings have had more money to spend, there has been a gradual increase in the ratio of cash to total sales.

As the chart on the bottom of page 5 shows, there also has been a gradual and continuous decline in the ratio of 30-day charge sales to total sales at stores in this district since 1938. In late 1938 and in 1939 this was offset by an increase in the ratio of instalment to total sales, but there was a leveling off in 1940, and since August 1941 there has been a contraction in instalment sales relative to total sales.

Retail

Following a marked decline in February from the extraordinarily high January level, the seasonally adjusted index of fourth district department store sales advanced ten points in March to 140 percent of the 1923-25 average. Only twice has it been higher—in August 1941 and January 1942. Compared with that of March a year ago, dollar volume last month was 30 percent greater. Several factors account for this year-to-year gain. Perhaps the most important is the change in price level.



Demand last month was heavy for woolen wearing apparel, reflecting consumer reaction to the War Production Board order further restricting the use of top grades of wool for nonmilitary purposes. Dollar sales of men's clothing departments were twice those of a year ago. Increases in excess of 50 percent were registered by departments handling infants' wear, women's and misses' coats, suits, blouses, knitgoods and sportswear, boys' clothing and a list of other merchandise that included leather articles, sport goods, games and toys. Independent wearing apparel stores in this district reported sales to be 42 percent larger this March than last.

Fourth district department stores generally made further additions to inventories during March. At the month end, stocks averaged 14 per cent greater than on March 1 and were more than half again as large as those of a year ago. Wearing apparel inventories on April 1 were up 32 percent from the level of last year. Outstanding orders of reporting department stores on the latest date were approximately double those of April 1, 1942, while commitments of apparel shops were 176 percent greater.

March sales of individual units in reporting fourth district grocery chains averaged one-fourth larger this year than last. Chain drug concerns, also on a unit store basis, showed a year-to-year increase of 11 percent.

Experience in the fourth district furniture trade varied considerably in March. While dollar sales of all reporting stores were 18 percent larger than those of a year ago, dealers in Dayton had an increase of 54 percent, compared with decreases in Canton and Cincinnati of two percent and 12 percent, respectively.

Wholesale March sales of 202 fourth district wholesale concerns reporting to the *Bureau of the Census* were 14 percent greater than those of the corresponding month last year. While this margin of gain over a year ago is the narrowest for any month since November 1940, it reflects a sharp advance in wholesale activity in March 1941 rather than any slack-

ening in aggregate demand in the latest month. In fact, March dollar volume of these firms was four percent larger than that of February. For the entire first quarter, total sales of all reporting wholesalers in this district were one-fourth greater this year than last.

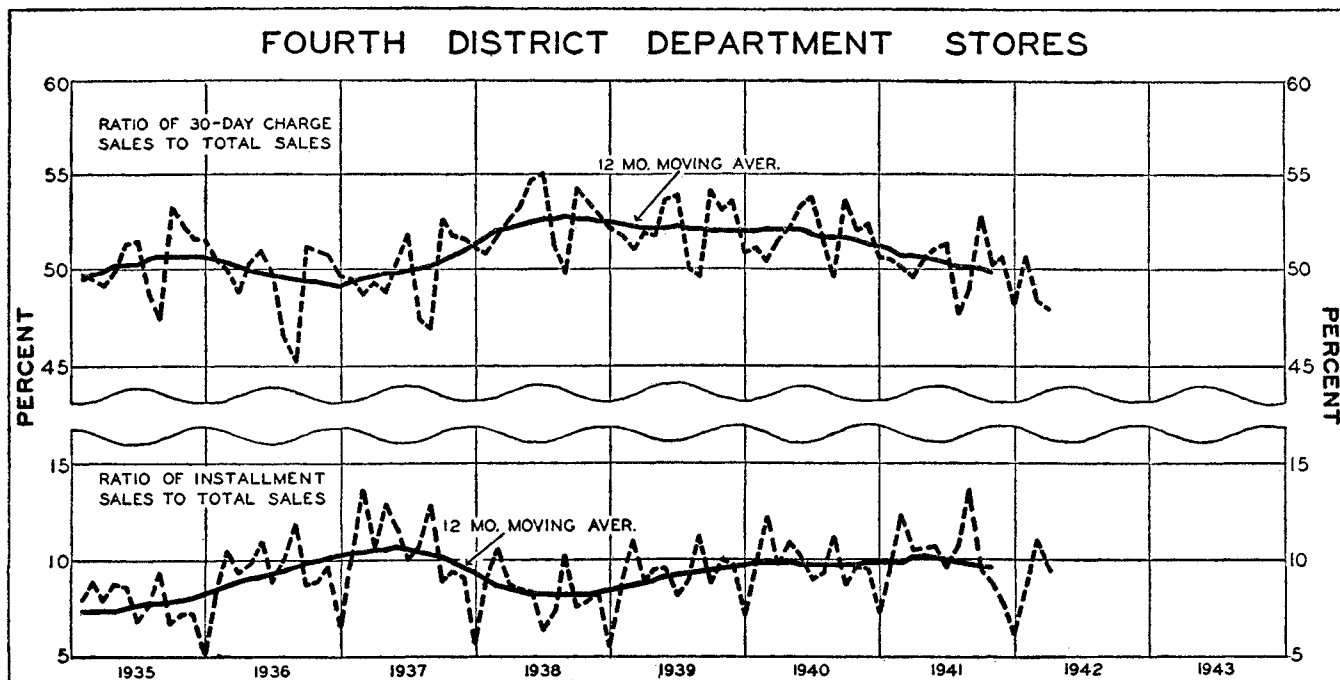
Early in April the War Production Board published an order restricting wholesale and retail inventories of a long list of supplies to twice the dollar value of February sales. A review of inventory and sales data of representative fourth district wholesalers indicated that in many instances stocks on hand April 1 were somewhat under the prescribed maximum.

MANUFACTURING, MINING

Iron and Steel The American steel industry made 7,393,000 net tons of ingots during March, more than in any other month in history. Pig iron production also was at an all-time peak of 5,113,000 net tons. National steelmaking operations continued at a near-record rate during the first three weeks of April. The scrap supply situation recently has improved considerably. The weather has become more seasonable, and collection efforts have been intensified. Sizable tonnages of old metal have been moving to melters from rural areas, more remote sections of the country, and automobile wrecking yards, though scarcity of labor to do this junking work has been reported occasionally. Some scrap also has been shipped down the Great Lakes since opening of navigation. Part of this scrap is of the nonrecurrent type and some sources may be exhausted.

Navigation on the Great Lakes started about two weeks earlier than ever before. During March, 793,000 gross tons of iron ore were loaded into bulk freighters at upper Great Lakes docks; this is the first time that any shipments have been made in March.

The Great Lakes ore-carrying fleet numbers 299 vessels this year, compared with 291 in 1941. Trip capacity has been increased from 2,681,000 gross tons to 2,730,000 tons. Seven boats formerly in the automobile trade have



been or are being converted to carry bulk cargoes. In mid-April, 284 vessels with a trip capacity of 2,643,000 tons were in commission.

Blast furnaces in the United States that depend principally on Lake Superior iron ore consumed 6,900,000 tons in March, 11 percent more than in the shorter month of February, and ten percent more than a year ago. On April 1, ore inventories on Lake Erie docks and at consuming furnaces in this country totaled 19,551,000 tons, compared with 26,677,000 tons a month previous and 17,258,000 tons on the same date last year.

Most new business booked by steel companies during March and the forepart of April represented either orders carrying exceptionally high priority ratings or direct allocations; all pig iron tonnage is being allocated.

Coal Mining activity in fourth district bituminous coal fields increased in March and early April. Demand for domestic grades was heavy, reflecting both the announcement of spring price schedules by most distributors and dealers, and the campaigns of various organizations and Governmental agencies advising consumers to purchase and store as much of their future fuel requirements as possible before additional transportation facilities are needed for primary and secondary war purposes. Industrial sizes of coal continued to move in large volume. Operations at by-product and beehive oven coke plants in this district remained at an advanced level; several mines in western Pennsylvania have been reopened to supply additional high volatile coal. At least one new mine is being dug in eastern Kentucky.

Large tonnages, particularly of industrial coals, recently have been moving to lower Great Lakes' ports for northern destinations. During March, 1,251,000 net tons were loaded into bulk freighters at Lake Erie docks. This is an all-time record for that month.

Fourth district mines produced 18,410,000 tons of coal in March, compared with 18,144,000 tons in the corresponding month last year, when consumers were building up stockpiles in anticipation of a mine strike. On a daily average basis, output last month was three percent greater than that of February. For the country as a whole, there was a decline in March from both the previous month and a year ago.

Apparel Industries The spring manufacturing season of fourth district consumers' style goods industries was drawing to a close in April.

Operations, however, were continuing at a higher than usual rate for that time of year, and working forces at needlework shops and shoe factories in principal producing centers of the district were contraseasonally large, having been reduced only nominally from the advanced level of immediately preceding months.

Some men's wear manufacturers in April were making deliveries against orders on which shipments had been delayed earlier due principally to material shortages. Several such concerns consequently were in a position to accept few reorders for current season goods. Bookings of firms specializing in summer weight suits and sportswear were reported to be of record size.

Partially because supplies of leather are somewhat limited, shoe styles are being simplified and some types are being eliminated altogether. Considerable concern has been ex-

pressed locally regarding manufacturers' ability to obtain sole leather in such quantities as to fulfill anticipated civilian demand now that top grades of such leather are allocated for use by the armed services.

Fourth district shoe production increased sharply in March following reopening of some factories that had been closed by labor disputes the previous month. Output was the best for any March in recent years.

CONSTRUCTION

The most important development in the construction field during the past month was the order issued early in April by the War Production Board which requires that most new construction be specifically authorized before work is started.

Prior to promulgation of the Federal order extending a Governmental policy announced last October that denied builders priority assistance to secure materials for residential or other construction of a nonessential character, a high rate of activity prevailed in the fourth district building industry. Construction contracts totaling \$48,613,000 were awarded in this district in March. This is the most work contracted for in any similar month since 1930. On an average daily basis, March volume was one-fourth greater than that of February. For the entire first quarter, fourth district building awards aggregated \$115,454,000, compared with \$92,518,000 in the corresponding 1941 period. One-third of work contracted for in fourth district areas during the first three months of 1942 was for private account; in the 37 eastern states for which the *F. W. Dodge Corporation* compiles data the proportion was 28 percent.

As might be expected, manufacturing buildings erected to expand war production facilities represented the greatest part of nonresidential construction activity in this district during the first quarter of the year, although a considerable amount of miscellaneous construction was started in southern sections of the district in March. While some multiple unit dwellings were built during the first three months of the year, residential work in this district was largely confined to one-family homes, and the majority of these were built for sale or rent.

A War Production Board order issued the first week in April strictly limits inventories of builders' and construction supplies in the hands of distributors or dealers to twice the dollar value of February 1942 sales. Several fourth district concerns consequently are having to reduce stocks, a few by appreciable amounts even though inventories generally were said to be poorly related to demand. Some correspondents reported in mid-April that only a few customers had canceled orders for lumber and other items after publication of the War Production Board directive deferring nonessential construction.

AGRICULTURE

The general level of agricultural commodity prices continued to advance during March and early April, principally as a result of further increases in livestock markets. Hog prices at principal stockyards in this district, as elsewhere throughout the country, rose to successive sixteen-year peaks.

Except for some grain planted late last fall, most of the fourth district wheat acreage came through the winter in good shape. Comparatively few seeded fields are expected

to be abandoned, according to the *Bureau of Agricultural Economics'* crop report for April 1. Though pastures were furnishing little feed at that time, conditions were sharply better than average for that date.

Field work has been delayed in many sections of the district due to wet weather which prevented plowing of sod land. Preparation of open ground, however, was going ahead on a somewhat limited basis early in April. Favorable conditions prevailed in the Kentucky burley belt late in March, when most tobacco beds were seeded. Prospects are that larger acreages of practically all spring-sown crops will be planted this year than last in Ohio. A 52 percent increase in soybean acreage was expected at the time of the April 1 crop report, and intentions then were to plant 20 percent more land to sugar beets this year than in 1941.

Wholesale and Retail Trade

(1942 compared with 1941)

	Percentage Increase or Decrease		
	SALES MARCH 1942	SALES first 3 months	STOCKS MARCH 1942
DEPARTMENT STORES (96)			
Akron.....	+34	+40	+61
Canton.....	+34	+39	a
Cincinnati.....	+27	+28	+59
Cleveland.....	+39	+39	+53
Columbus.....	+24	+29	+52
Erie.....	+35	+40	+42
Pittsburgh.....	+29	+31	+55
Springfield.....	+16	+29	a
Toledo.....	+26	+31	+52
Wheeling.....	+26	+30	+31
Youngstown.....	+13	+23	a
Other Cities.....	+26	+36	+55
District.....	+30	+33	+55
WEARING APPAREL (16)			
Canton.....	+49	+41	+39
Cincinnati.....	+46	+37	+33
Cleveland.....	+45	+42	+16
Pittsburgh.....	+43	+43	+45
Other Cities.....	+32	+32	+39
District.....	+42	+38	+32
FURNITURE (41)			
Canton.....	- 2	+15	
Cincinnati.....	+ 7	+25	
Cleveland.....	+21	+18	
Columbus.....	-12	- 1	
Dayton.....	+54	+42	
Toledo.....	+24	+31	
Other Cities.....	+44	+36	
District.....	+18	+21	
CHAIN STORES*			
Drugs—District (5).....	+11	+19	
Groceries—District (4).....	+25	+39	
WHOLESALE TRADE**			
Automotive Supplies (10).....	+ 2	+20	+22
Beer (5).....	+27	+27	+ 8
Clothing and Furnishings (4).....	+14	+21	a
Confectionery (5).....	+19	+28	+14
Drugs and Drug Sundries (6).....	+16	+16	+17
Dry Goods (7).....	+29	+45	+21
Electrical Goods (14).....	- 5	+21	- 6
Fresh Fruits and Vegetables (6).....	+14	+18	+49
Grocery Group (42).....	+13	+28	+41
Total Hardware Group (35).....	+33	+40	+ 9
General Hardware (10).....	+43	+47	+ 4
Industrial Supplies (13).....	+29	+35	+24
Plumbing & Heating Supplies (12).....	+20	+37	+18
Lumber and Building Materials (4).....	+10	- 2	a
Machinery, Equip. & Sup. (exc. Elect.) (6).....	+10	+20	-13
Meats and Meat Products (5).....	+27	+30	+ 7
Metals (4).....	-24	-16	a
Paints and Varnishes (6).....	+13	+37	+22
Paper and its Products (7).....	+43	+40	a
Tobacco and its Products (15).....	+18	+14	-0—
Miscellaneous (21).....	+19	+24	+ 1
District—All Wholesale Trade (202).....	+14	+25	+16

* 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.

Debts to Individual Accounts

(Thousands of Dollars)

	4 Weeks ended April 15, 1942	% change from 1941	Year to Date		% change from 1941
			Jan. 2, 1942 to Apr. 15, 1942	Jan. 2, 1941 to Apr. 16, 1941	
Akron.....	106,459	+23.2	377,497	297,351	+27.0
Butler.....	11,923	+ 9.2	45,929	39,081	+17.5
Canton.....	55,385	+18.0	208,240	171,388	+21.5
Cincinnati.....	440,459	+ 9.4	1,702,983	1,408,086	+20.9
Cleveland.....	810,697	+12.4	2,988,895	2,540,088	+17.7
Columbus.....	222,581	+20.7	812,765	671,204	+21.1
Dayton.....	100,129	+ 9.5	370,359	308,371	+20.1
Erie.....	41,660	+25.0	156,600	120,985	+29.4
Franklin.....	4,251	+14.2	16,530	12,888	+28.3
Greensburg.....	9,408	+25.2	36,600	28,581	+28.1
Hamilton.....	16,337	+23.1	59,834	46,803	+27.8
Homestead.....	4,220	+17.5	16,459	9,891	+66.4
Lexington.....	19,398	+ 6.7	108,659	98,730	+10.1
Lima.....	19,154	+19.8	71,745	59,089	+21.4
Lorain.....	6,241	+10.2	23,871	20,147	+18.5
Middletown.....	17,012	+22.4	63,739	49,563	+28.6
Oil City.....	11,941	+28.7	46,238	35,308	+31.0
Pittsburgh.....	915,013	+ 9.4	3,458,784	3,180,729	+ 8.7
Sharon.....	12,188	+19.4	46,746	36,486	+28.1
Springfield.....	22,278	+ 8.1	82,804	72,841	+13.7
Steuersville.....	10,887	+ 5.9	40,645	36,917	+10.1
Toledo.....	180,465	+27.4	645,557	526,148	+22.7
Warren.....	18,783	+23.6	62,795	52,005	+20.7
Wheeling.....	29,655	-11.1	106,969	112,803	- 5.2
Youngstown.....	66,787	+11.0	244,057	207,125	+17.8
Zanesville.....	9,866	+10.1	38,765	33,754	+14.8
Total.....	3,163,177	+12.7	11,834,065	10,171,362	+16.3

Fourth District Business Indexes

(1923-25=100)

	Mar. 1942	Mar. 1941	Mar. 1940	Mar. 1939	Mar. 1938
	Bank debts (24 cities).....	132	110	88	78
Commercial Failures (Number).....	40	56	53	52	57
" (Liabilities).....	19	23	33	38	45
Sales—Life Insurance (O. and Pa.).....	77	93	85	85	81
" —Department Stores (48 firms).....	126	95	86	82	76
" —Wholesale Drugs (6 firms).....	134	116	113	120	107
" " Dry Goods (7 firms).....	76	59	46	47	43
" " Groceries (42 firms).....	90	79	66	70	72
" " Hardware (35 firms).....	156	117	74	71	72
" " All (90 firms).....	108	90	69	71	71
" —Chain Drugs (4 firms)*.....	123	110	98	a	90
Building Contracts (Total).....	102	74	59	57	54
" (Residential).....	120	91	72	68	40
Production—Coal (O., W. Pa., E. Ky.).....	102	100	74	74	55
" —Elec. Power (O., Pa., Ky.)**.....	272	261	213	187	166
" —Petroleum (O., Pa., Ky.)**.....	104	101	117	101	115
" —Shoes.....	129	128	113	138	131

* Per individual unit operated.

** February.

a Not available.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	March 1942	% change from 1941	Jan.-Mar. 1942	% change from 1941
	Bank Debts—24 cities.....	\$3,572,000	+20	10,105,000
Savings Deposits—end of month: 40 banks O. and W. Pa.....	\$ 771,985	- 3
Life Insurance Sales: Ohio and Pa.....	\$ 74,545	-17	308,315	+26
Retail Sales: Dept. Stores—96 firms.....	\$ 36,455	+30	96,256	+33
Wearing Apparel—16 firms.....	\$ 1,722	+42	4,063	+39
Furniture—41 firms.....	\$ 1,419	+18	3,773	+21
Building Contracts—Total.....	\$ 48,613	+39	115,454	+25
—Residential.....	\$ 20,652	+32	53,295	+44
Commercial Failures—Liabilities \$	818	-18	1,955	-44
—Number	58	-28	151	-25
Production: Pig Iron—U. S..... net tons	5,113	+ 9	14,586	+ 8
Steel Ingot—U. S..... net tons	7,393	+ 4	21,039	+ 4
Bituminous Coal, O., W. Pa., E. Ky..... net tons	18,410	+ 1	52,948	+ 4
Elec. Power, O., Pa., Ky. thous. k.w.h.	2,286a	+ 4	4,826b	+10
Petroleum—O., Pa., Ky..... bbls.	1,929a	+ 4	4,051b	+ 2
Shoes..... pairs	c	+ 1	c	-10
Bituminous Coal Shipments: L. E. Ports..... net tons	1,251	+39

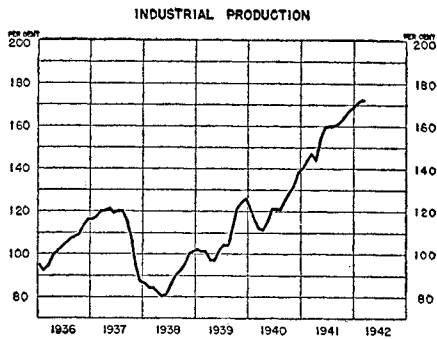
a February

b Jan.-Mar.

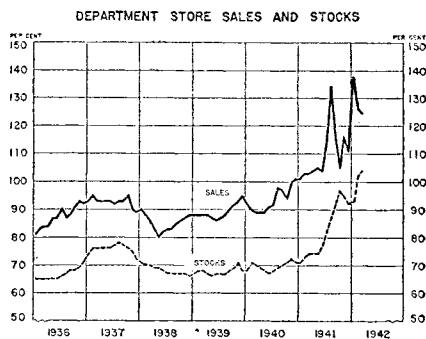
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Summary of National Business Conditions

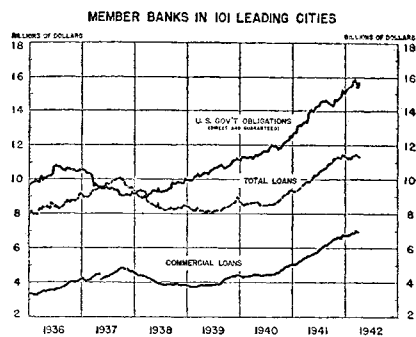
By the Board of Governors of the Federal Reserve System



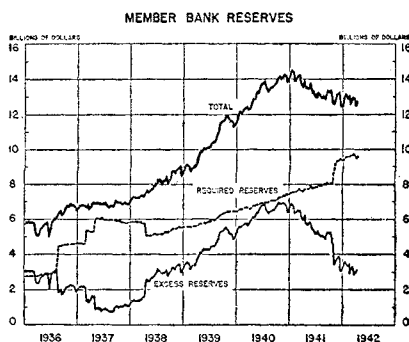
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Sub-groups shown are expressed in terms of points in the total index.



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



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



Wednesday figures. Required and excess reserves, but not the total, are partly estimated.

Industrial activity continued at a high rate in March and the first half of April. Distribution of commodities to consumers was maintained in large volume and commodity prices advanced further.

Production

Volume of industrial production increased seasonally in March and the Board's adjusted index remained at 172 per cent of the 1935-39 average. Output of durable manufactured products, now mostly war materials, continued to advance, reflecting mainly increased activity in the iron and steel, machinery, aviation, and shipbuilding industries. Production of lumber and cement, which had been maintained at unusually high levels during the winter months, increased less than seasonally in March.

In most industries manufacturing nondurable goods activity was sustained at earlier high levels. In some, however, notably wool textiles and petroleum refining, there were declines owing to restrictions on production for civilian use and, in the case of petroleum products, to transportation difficulties. Mineral production declined in March and the first half of April, reflecting sharp curtailment in output of crude petroleum. Coal production, which usually declines at this season, was maintained in large volume. The Great Lakes shipping season opened in the latter part of March and the first boatload of iron ore reached lower Lake ports 12 days earlier than the record set last year.

Value of construction contract awards continued to increase in March, according to figures of the *F. W. Dodge Corporation*, and the level of the first quarter of 1942 was the highest in recent years, being some 30 per cent above that of the corresponding period last year. Awards for public work amounted to close to 80 per cent of the total and in the residential field accounted for 52 per cent of the value of all projects. Publicly-financed contracts for factory construction showed a sharp increase, partly offset in the total by a decline in private factory construction.

On April 9 the War Production Board issued an order which required explicit permission of the Government for initiation of all new private construction involving expenditures in excess of specified small amounts and not covered by specific priority ratings.

Distribution

Value of retail trade in March continued at the high level of other recent months, making allowance for customary seasonal changes. Sales at department and variety stores increased by somewhat less than the usual seasonal amount while sales by mail-order houses rose more than seasonally.

On the railroads total loadings of revenue freight were maintained in large volume in March and the first half of April. Shipments of coal and coke declined less than seasonally and ore loadings increased sharply, while grain shipments declined further from the peak reached in January. Loadings of miscellaneous merchandise, which had been unusually large in the preceding three months, increased less than seasonally.

Commodity Prices

The general level of wholesale commodity prices advanced 1½ per cent further from the middle of March to the middle of April. Among manufactured products, finished consumers' goods, such as foods, clothing, and shoes, continued to show the largest price increases. Prices of most raw materials were unchanged or showed increases, which in a number of cases reflected the raising of Federal maximum price levels. There were declines in prices of wheat and of a few other commodities, including gasoline at Gulf ports and turpentine.

In retail markets maximum prices were fixed in this period for a number of electrical products, most of which will no longer be produced for civilian use after May 31. Prices of many other commodities and services advanced further.

Bank Credit

During the four weeks ending April 15 holdings of Government securities at banks in leading cities increased by nearly 700 million dollars, while commercial loans declined somewhat, following a rise in previous weeks. Changes in member bank reserves and deposits reflected principally the temporary effects of Treasury operations in connection with income tax collection and the sale of certificates of indebtedness. Money in circulation continued to increase.

United States Government Security Prices

Following an advance from the mid-February low, prices of U. S. Government bonds remained relatively steady in the first half of April.