

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 8

Maintenance of a balanced flow of materials through processing plants was the most pressing problem faced by manufacturing concerns in this area during July and August. Output of war materiel continued to expand, but inability to obtain adequate supplies of raw materials and essential parts on short notice caused some temporary shutdowns and prevented attainment of many production objectives. Industries largely dependent on civilian markets became further depressed, either because of restrictions on their use of materials, loss of markets, or loss of working forces to the army and navy or war plants.

The critical shortages of steel, copper, and lumber have not yet resulted in widescale abandonment of plans for expanding manufacturing facilities in this area. Total construction contracts awarded in the fourth district in June and July were the largest for any two-month period on record. Nevertheless, construction of new plants has become increasingly dependent on their need for filling immediate requirements for war production. Readjustment of the electric power expansion program by the War Production Board, for example, has resulted in suspending several utility construction projects being planned for the fourth district. Materials which would have been used by these plants have thereby been made available for other more pressing needs.

In view of the immediate demands for steel, expansion plans for this industry have been curtailed in order to conserve present supplies. Existing furnaces are being pushed to the limit of their capacity, but output in recent weeks has failed to equal second quarter records. In fact, average weekly production in July was the second lowest in the past ten months. Trade reports attribute this relatively low output to shutdowns for repairs made necessary by long-continued operation, and to shortage of scrap. In mid-August many mills were on a hand-to-mouth basis in so far as scrap was concerned. Use of inferior grades was necessitating longer heating in the furnaces, thus curtailing output of finished steel. The increased proportion of specialized alloy steels being used by war industries has also cut down tonnage because of the longer time required to produce such steels.

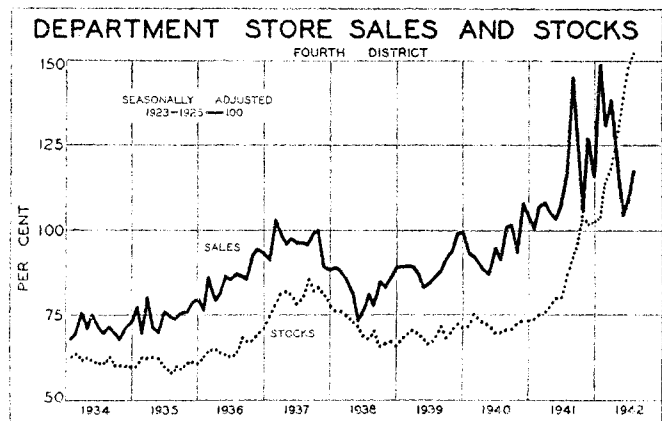
No shortage of iron ore is anticipated this winter. Lake shipments have been at record levels, and the amount of ore now on hand at lower lake docks and furnaces is larger than at any other similar time. With more than two months of good shipping weather remaining, the major concern now is to find storage space.

Coal production has been at unusually high levels this summer, both because of heavy industrial consumption and accumulation of stocks. Lake shipments in recent weeks, however, have been lower than last year. This is due in part to the heavy demand for local consumption and in part to the desire to speed ore deliveries.

Fourth district apparel factories reported considerable difficulty in obtaining materials in mid-August. Shoe factories had trouble securing adequate quantities of cements and soles; clothing plants expressed concern over supplies of buttons, threads, and linings. Retail sales of most clothing have not come up to expectations recently and retailers are working off inventories. Apparel factories have lost large numbers of employees to the military services and the war industries, but present working forces are said to be adequate in view of the reduced volume of operations.

In general, labor shortages throughout the district are said to be less critical than scarcity of materials. Although skilled workers have long been at a premium the supply of unskilled workers is still adequate for present needs. These unskilled persons are being absorbed by war industries in ever increasing numbers either through training programs, upgrading, or breaking down complicated operations into simple steps.

Retail trade in this area has recovered somewhat from the low levels of May and June. The seasonally adjusted index of department store sales rose from 105 in May to 118 in July and a further rise was indicated by reports covering the first half of August. Compared with last year, however,



July sales were down three percent and the first half of August showed a nine percent decrease.

### CONSUMER CREDIT

Consumer instalment credit became subject to Government regulation just a year ago, when Regulation W of the Board of Governors of the Federal Reserve System went into effect on September 1, 1941. The regulation was designed to combat inflation by reducing the civilian demand for goods and was to limit the volume of consumer credit. To this end, therefore, the Regulation established minimum down payments and maximum time limits for instalment loans made to finance purchases of a designated list of articles.

The terms provided for in the original order were approximately the same as those then being followed by the more conservative consumer finance agencies. During the past year, however, various amendments have resulted in progressive tightening of instalment credit conditions. In addition, regular thirty-day charge accounts have been made subject to regulation. As discussed in our last month's Review, effective with May purchases, articles bought on open book account have had to be paid for by the tenth day of the second following calendar month if further charge purchases of listed articles are to be permitted.

Since Regulation W has been in effect there has been a marked decline in the volume of consumer credit outstanding both in the entire country and in this district. Declines, of course, have varied widely depending on the type of financing agency and the availability of merchandise financed by each agency. By far the largest decline has occurred in the field of automobile financing, owing primarily to drastic restrictions on production and sale of motor vehicles for civilian use. A representative group of banks in the fourth district report an average decrease of nearly 50 percent in automobile instalment loans outstanding during the seven months ended July 31. This is approximately the same rate of decrease as that shown for automobile credit extended by sales finance companies operating throughout the country. Other types of consumer credit extended by reporting banks in this district show much less drastic liquidation. Personal instalment loans at the end of July were only ten percent under the December 31, 1941 figure, and repair and modernization loans were down only seven percent.

Instalment sales of department stores, furniture stores, and wearing apparel shops in this district have declined less sharply than automobile sales, but the reduction in outstanding accounts has been marked. As shown in the following table, department store receivables at the end of July were 28 percent under a year ago, and

the other types of stores showed corresponding declines. These decreases during the past twelve months have more than offset the expansion which occurred in the previous year.

### FOURTH DISTRICT RETAIL STORES

#### Outstanding Accounts

Percentage change from July 31 of previous year.

	1942	1941
Department Stores—Total .....	-28	+16
—Regular Charge .....	-28	+14
—Instalment .....	-29	+20
Furniture—Total (mainly instalment) ..	-23	+16
Wearing Apparel—Total (mainly charge) .....	-21	+10

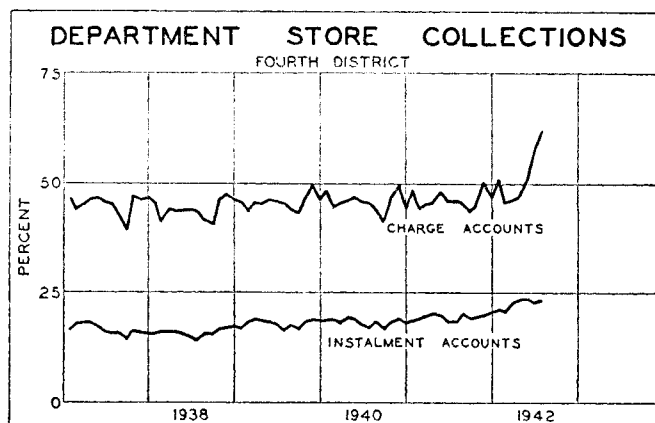
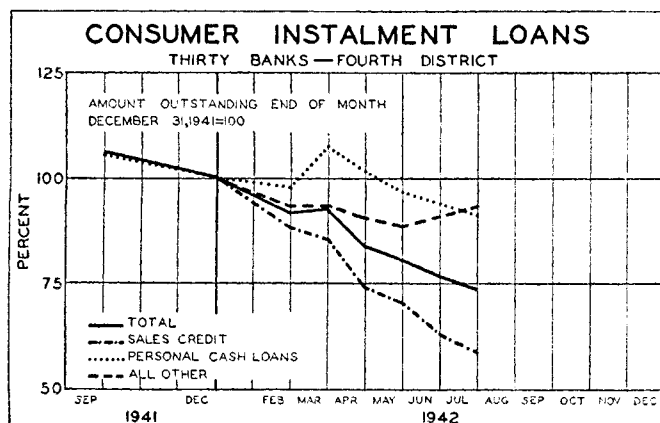
#### Collections

Percentage of Accounts Receivable June 30 collected during July.

	1942	1941
Department Stores—Total .....	49	36
—Regular Charge .....	62	47
—Instalment .....	23	18
Furniture—(mainly instalment) .....	18	13
Wearing Apparel (mainly charge) .....	44	34

The reduction in outstanding accounts at department stores and wearing apparel shops reflects improved collections and a greater proportion of cash sales, rather than a decline in total business. The high level of consumer incomes and the effects of more rapid amortization of instalment accounts under Regulation W are reflected in the fact that for the past four months approximately 23 percent of all such accounts outstanding at the beginning of the month at department stores were collected during the month whereas a year ago only 18 percent were collected. The recent expansion of Regulation W to provide for freezing of delinquent accounts explains a sharp increase in this collection ratio from 51 percent in May to 57 percent in June, and 62 percent in July. A year ago only 47 percent of the regular charge accounts outstanding at fourth district department stores on June 30 were collected during July.

For several months an increasing proportion of retail trade in this area has been done on a cash, rather than a credit, basis. This trend first became marked in April, prior to announcement of the plan to freeze delinquent charge accounts, but it has undoubtedly been accelerated by this regulation. In July, 52 percent of all fourth district de-



partment store sales were for cash, compared with only 42 percent last year. Instalment sales made up only five percent of total volume against eleven percent in July 1941, and charge sales were 43 percent of the total compared with 47 percent last year.

### FINANCIAL

**Member Bank Credit** There has been a marked contrast between developments in the commercial loan field in the fourth district and in the remainder of the country thus far in 1942. Commercial, industrial and agricultural loans of all weekly reporting member banks rose steadily from the beginning of 1939 until March of this year. During the past five months the trend has been downward; by mid-August this type of loans outstanding had been reduced to the level prevailing last October.

In the fourth district the expansion of commercial loans came to a halt earlier than was the case with the remainder of the country, but there has been no tendency for the volume of loans outstanding to contract. Since the first of the year they have fluctuated between \$420 millions and \$434 millions; on August 19 they were \$428 millions, exactly the same as last December 31. So-called "other" loans of member banks in this district have declined by about five percent since the beginning of the year.

Local member banks have added further to their holdings of all types of Government bonds in recent weeks, with certificates of indebtedness and regular Treasury bonds accounting for the major part of the gain.

**Federal Reserve Credit** Total credit extended by the Federal Reserve Bank of Cleveland increased \$40 millions in the four weeks ended August 19. The main factor in this increase was participation in the System's purchases of Government obligations, particularly Treasury bills and certificates of indebtedness. The amount of these short-term securities now held by the Cleveland bank exceeds \$100,000,000; last April none of these types of Government obligations were held. Total Government securities held by this bank reached an all-time high of \$321,749,000 on August 19. A year ago they were \$227,243,000.

As a further step to ease money market conditions and promote full use of banking resources in war financing, the Federal Reserve System announced on August 7 that any purchase of bills at the  $\frac{3}{8}$  of one percent buying rate established April 30 may be made, if the seller desires, on the condition that the Federal reserve bank upon the request of the seller before the maturity of the bills, will sell to him Treasury bills of like amount and maturity at the same rate of discount.

#### New Member Bank

First Jeannette Bank and Trust Company, Jeannette, Pennsylvania.

### MANUFACTURING, MINING

**Iron and Steel** Steel making continues as close to capacity as conditions will allow. Necessity for furnace repairs has prevented the operating rate from reaching 100 percent; during the past month it has remained in a narrow range of 97 to 98½ percent of capacity. Total production of steel ingots rose moderately in July to 7,148,824 tons, an increase of 4.9 percent

over last year. Consumption of Lake Superior ore at blast furnaces totaled 7,175,845 gross tons, the second highest for any month on record. Although statistics of pig iron production are not available for publication the present rate of ore consumption would indicate that present pig iron output is near an all time record.

Real concern is being expressed by the industry over the shortage of scrap since serious curtailment of steel output could occur during the winter months if diminishing scrap piles are not replenished. Trade sources report that during the past 18 months steel mill's inventories of this important raw material have fallen 40 percent. The present supply is sufficient to sustain the mills at their present operating rate for only two or three weeks. Part of the shortage has been met by feeding more pig iron into the furnaces and thus reducing the required amounts of scrap.

Shipments of ore from upper lake ports continued at record levels in July and the first half of August. Concern is beginning to be felt by the industry over a lack of storage facilities at lower lake destinations which may require some slackening in the current rate of shipments. Ore stocks at furnaces and on lower lake docks reached more than 37 million tons on August 1. This is only 8 million tons less than the record at the close of the shipping season in December 1941. At the present rate, last December's peak will be passed during early September at a time when the season would normally still be in full swing. Addition of 2 new boats to the lake fleet in the past month has added 20,000 tons to the trip capacity.

A significant development in lake shipping has been the approval by WPB of a program to construct a by-pass route for ore around the locks at Sault St. Marie, Michigan. Fear of ore shippers that the locks might be destroyed by sabotage or air raid has led to the proposal that an alternate rail-water route be developed. The program which has been approved includes the immediate construction of dock and harbor improvements at Escanaba and the improvement of railroad facilities between that city and Superior, Wisconsin. With such an alternate route, ore from Lake Superior fields could be shipped by rail to Escanaba and there loaded into ore boats for shipment down the lakes. The Escanaba by-pass is expected to be completed by the end of this year and will be capable of handling 60 million tons of ore a season.

**Coal** Output of Ohio, Pennsylvania, and Eastern Kentucky bituminous coal mines totaled 18,580,000 tons in July—eight percent above the same month of last year and more than the output for any similar month since 1923. July production, however, was moderately lower than the second quarter months, declining five percent from the June figure of 19,610,000 tons.

All classes of consumers have built up near record stocks. It is thus believed that a possible autumn shortage arising from inadequate transportation facilities may be averted. Bituminous coal stocks of industrial and retail users totaled 73,268,000 tons on July 1. This was more than for any previous date since March of 1927 and is equivalent to 55 days supply. Not included in these figures are the large stocks accumulated in the coal bins of homes and apartment houses throughout the nation, which are reported by the industry to be considerably above normal.

Shipments of coal from lower lake ports also declined from

earlier months. During July, 5,697,406 tons were loaded into vessels—three percent less than in June. Unlike coal production, however, the total tonnage of lake coal shipments was lower than in any July since 1938. This reflects, in part, the faster schedule of ore shipping which is in some cases requiring vessels to return to Lake Superior light rather than take the time to load and unload coal. Nevertheless, coal shipments in March and April of this year still keep the total 1942 tonnage 17 percent above the record 1941 year.

Requirements of the steel industry for coke have been so great that by-product ovens have been unable to meet the demand. As a result, bee-hive ovens which were outmoded by the more efficient by-product ovens have again been put into production. In mid-August it was estimated there were about 9,000 bee-hive ovens in operation in fourth district fields compared with only about 3,000 two years ago. Weekly production of beehive coke averaged about 135,000 tons in July, compared with less than 30,000 tons in June 1940. So great has been the demand for beehive coke that the Office of Price Administration has found it necessary to establish a higher price maximum to protect marginal producers and prevent a threatened shortage. Effective August 12, hand drawn ovens whose total coal supply must necessarily be trucked from the mine to the ovens were permitted to charge \$6.50 per ton f.o.b. Connellsville instead of the price of \$6.00 per ton in effect for other producers.

**Clothing, Textiles** Retail sales of men's and women's clothing have followed somewhat different trends in recent months and operations of local clothing plants reflect this situation. July sales of men's clothing in fourth district department stores and wearing apparel shops were 16 percent under last year whereas women's coats and suits showed a 20 percent gain. Retailers now hold larger stocks of both men's and women's wear than usual, and the disappointing sales volume in the men's field has caused them to curtail orders for fall and winter delivery. Men's clothing makers in this district, therefore, have been making a much smaller number of suits and overcoats for civilian use than they produced at this time last year. In most plants, however, manufacture of Army and Navy uniforms has taken the place of lost civilian business so that total output is about the same as last year's peak levels.

The Office of Price Administration took further action in August to prevent the necessity for price advances in the retail clothing field. Manufacturers' and wholesalers' prices of staple work clothing were reduced to provide increased margins for retailers, and ceilings on cotton fabrics used in making this type of clothing were lowered to relieve the pressure on manufacturers. The O.P.A. also announced specific dollar and cents prices for a large number of other cotton products in August.

**Shoes** Fourth district shoe factories were busy on fall lines in July and August but output was somewhat below a year ago as shortages of both men and materials prevented maximum production. Government orders limiting the use of the best quality sole leather to military requirements have made it increasingly difficult for factories in this district to obtain sufficient soles to permit continued operations on their type of product. Cements were also said to be exceedingly scarce.

A large portion of the industry's normal working force

is made up of young men who have been entering the armed forces in substantial numbers. This loss of manpower has been greater than new hirings, and trade sources expect labor shortages to limit production further in the coming season.

**Other Manufacturing** Activity in other manufacturing plants in the fourth district in July and the first half of August depended for the most part on the extent to which facilities had been converted to war work. Metal working plants generally were operating at capacity, with occasional delays due to unbalanced receipts of materials. Industries depending mainly on civilian demand were generally operating well below capacity, either because of Government restrictions or reaction from the over-buying which occurred late in 1941 and early this year.

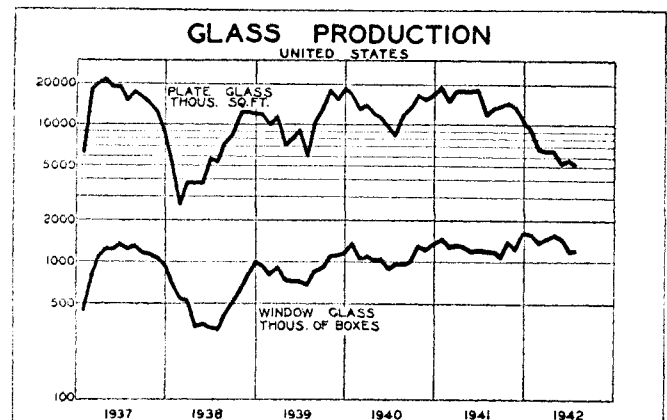
The War Production Board has announced that the value of new machine tools, presses, and other metal working machinery shipped during June had reached an annual rate of more than \$1,470,000,000. This represents a gain of more than 75 percent over 1941 production of \$840,000,000. Trade reports in mid-August indicated that production was still expanding as new facilities were placed in operation. Priorities for these types of products carry high ratings so that materials have been less of a problem than the shortage of skilled workers.

Nut and bolt manufacturers, on the other hand, reported difficulty in securing materials. Labor shortage was not a problem for this industry since it was said that there was still an ample supply of unskilled labor. Upgrading was being resorted to for replacement of skilled workers being lost to the armed forces.

Office equipment manufacturers have been making little metal furniture since May 31, when a limitation order affecting the industry went into effect. Early in August manufacturers were instructed by the War Production Board not to work on any orders except those specifically authorized by the director general for operations. Production of wood furniture and office equipment was being hampered by a shortage of hardwoods and metal parts such as screws.

Electrical equipment manufacturers continued to expand output in July and the first half of August. Exact figures on the extent to which employment and production of this industry have expanded is a military secret, but trade sources indicate that in most plants war work has more than offset the decline in civilian output.

Sales of both trade and industrial paints in recent months have fallen below the corresponding period in 1941. Because



of this situation, the industry reports no difficulty in obtaining materials. Last year at this time plants producing lead and zinc oxides were working at capacity with large order backlogs. In mid-August these same plants were operating at from 25 to 50 percent of capacity with very small backlogs. A few plants had been shut down completely because of lack of business. The most critical shortage facing the paint industry was said to be containers. Inability to obtain steel and tin has caused some companies to turn to paper and plastics, but these substitutes have not yet been proven entirely satisfactory.

Paper and paperboard production was at a relatively low level in July and the early part of August; paper mills were operating at about 80 percent of capacity and paperboard factories were on a four or five days per week schedule with output at about 75 percent of capacity. Production of paperboard still exceeded new orders, and backlogs had fallen to the lowest level since early last year.

Raw materials were plentiful for current operations but Government agencies have warned the industry that some shortages may occur because of restrictions on use of metals in pulp and paper machinery. Waste paper is now so plentiful that prices are well below O.P.A. ceilings. Some labor shortages were reported in mid-August, but lack of manpower was not a serious problem for the industry.

There was little change in conditions in the glass industry in July and the first half of August. Production of both plate and window glass remained at low levels as the result of loss of the automobile market and Government restrictions on building. Output of glass containers, on the other hand, was close to capacity. As shown in the accompanying chart, plate glass production of 4,198,000 square feet in July was the lowest monthly output since early 1938. For the year through July 31, production of 39,108,000 square feet was less than one-third as large as in the corresponding period of 1941.

Curtailment in the window glass industry occurred several months after the downward turn in plate glass production. During the first four months of this year, demand for glass to be used in smaller homes, Defense Housing, and army cantonments remained heavy. Production, therefore, rose to record levels; in some months output was in excess of rated capacity. Beginning in May, however, output began to decline. In June it was only 75 percent of capacity. Some pick-up occurred in July, but operations were still only 78 percent of capacity.

The china and dinnerware branch of the ceramics industry has enjoyed relative prosperity ever since outbreak of the war in 1939 eliminated important foreign competition. Although several materials which formerly were used quite extensively by the industry are no longer available, substitutes and slight changes in body and glazes have permitted uninterrupted manufacture without these materials. Labor turnover has not been a serious problem for many fourth district potteries since their workers are relatively skilled persons of high average age and few potteries are located near war industries.

In July and the first half of August potteries reported a seasonal decline in orders. Sales to department stores were less than in the same period last year as these stores were said to be attempting to reduce inventories. New orders from other sources, however, had taken up this slack. Former dealers in electrical household appliances are now preparing

to handle china and pottery. Because of these new outlets production and shipments in mid-August were said to be approximately the same as last year and about 90 percent of capacity.

The unfavorable record of fourth district portland cement mills was extended in July. Output in this area was at the rate of only 60 percent of capacity whereas the industry operated at 80 percent. A decrease of 14 percent compared with a year ago occurred despite an increase of 5 percent for the industry. Shipments during July exceeded production, and stocks declined 13 percent in this area, but this improvement in statistical position was not as great as that experienced in other producing regions.

### TRADE

**Retail** Department store sales decreased less than usual from June to July and the seasonally adjusted index of sales in this district rose nine points to 118 percent of the 1923-25 average. A further gain in the index was indicated by reports covering the first two weeks in August.

Sales in July were three percent under last year; in the first half of August a decline of nine percent was recorded. Sales were unusually high during the summer of 1941 as consumers made heavy purchases in an attempt to forestall price advances, scarcities, and credit regulations.

Detailed departmental figures reveal considerable divergence in sales trends between various departments. As shown in the table below, women's apparel and accessories sales in July continued to show increases over last year whereas sales of men's wear and household furnishings were less than a year ago. Despite the generally good showing made by women's wear, fur sales were 41 percent under July 1941. The largest decrease in house furnishing sales occurred in major appliances, many types of which are no longer available.

### DEPARTMENTAL SALES AND STOCKS

Fourth District Department Stores  
Percentage Change July 1942 Compared With July 1941

	Sales	Stocks
Women's Apparel and Accessories....	+11	+66
Piece Goods .....	+27	+74
Men's and Boys' Wear .....	-5	+72
House Furnishings .....	-17	+57
Total—All Departments .....	-3	+73

The over-all inventory picture indicates that department stores are still generally well stocked. Dollar value of total goods on hand at the end of July was 73 percent greater than a year ago. At the July rate of sales, stocks were sufficient for nearly six months' requirements whereas at the same time in both 1940 and 1941 stocks on hand were equal to only a little more than three months' sales at the then current rates.

### Wholesale

July sales of the 189 fourth district wholesale firms reporting to the *Department of Commerce* showed a slight increase from June to July. Dollar volume averaged exactly the same as last year, with gains in groceries, meats, drugs, and tobacco offsetting declines in electrical goods, general hardware, automotive supplies, and paper. With prices generally exceeding last year by substantial margins, physical

volume of trade was less than a year ago.

Most of the declines from 1941 were reported by firms which formerly handled goods whose production has been stopped or curtailed. Wholesale inventories of these materials have been depleted through heavy purchases by retailers and consumers. Electrical appliance houses, for example, reported in mid-August that inventories were so low that orders had to be routed direct from manufacturer to customer.

Collections in July were better than a year ago despite the fact there was no change in total sales. Accounts outstanding were about nine percent less than a year ago.

### CONSTRUCTION

Government restrictions have brought private construction activity in the fourth district to the lowest level since the winter of 1937-38. At that time building was almost at a standstill because of business depression and weather conditions.

The total volume of construction now under way, however, is at all-time high levels. Total contracts awarded in the fourth district during July amounted to \$83,939,000. Although this was considerably lower than the \$114,284,000 reported for June, it was still the third highest monthly total on record. Projects on which work was started during the first seven months of the year were valued at \$426,000,000. This was greater than in any full year from 1931 through 1940 and was 81 percent of the 1941 total. It exceeded the corresponding seven months last year by 37 percent.

Factories for the production of war materiel and Defense Housing projects account for this unprecedented volume of construction. Because of these developments public funds were to finance 94 percent of all non-residential construction, and 89 percent of all construction, for which contracts were awarded in July. For the seven months through July public projects accounted for 78 percent of all building.

A system of Government control over softwood lumber distribution was put into effect late in August.

### AGRICULTURE

Increased employment and rising consumer incomes, Lend-Lease requirements, and heavy purchases for the Army and Navy have combined to produce a marked rise in prices of agricultural products. The general level of prices received by farmers in the first seven months of 1942 averaged 35 percent higher than in the same period last year. By mid-July they had risen to the highest level since 1928. During

the succeeding six weeks prices fluctuated near the high July levels, with little net change.

Prices paid by farmers have advanced but little in recent months as the major portion of their purchases are subject to prices established under O.P.A. regulations. The ratio of prices received to prices paid, therefore, has shown a trend favorable to the farm population and has fluctuated around the 1910-14, or "parity", relationship.

### Livestock

The factors making for higher prices of agricultural products have had their primary effect on livestock values. With retail meat prices fixed, rising incomes have resulted in increased meat consumption. Government purchases have been heavy; in June the Federal Surplus Commodity Corporation bought approximately 30 percent of all pork produced under Federal inspection, and 45 percent of the month's federally inspected output of lard.

Hog prices reached a 22-year peak on primary markets in mid-July and have shown little net change since that time. Ohio farmers who sold their hogs for only \$5.00 per hundredweight in June 1940 have received over \$14.00 per hundredweight for hogs marketed this summer.

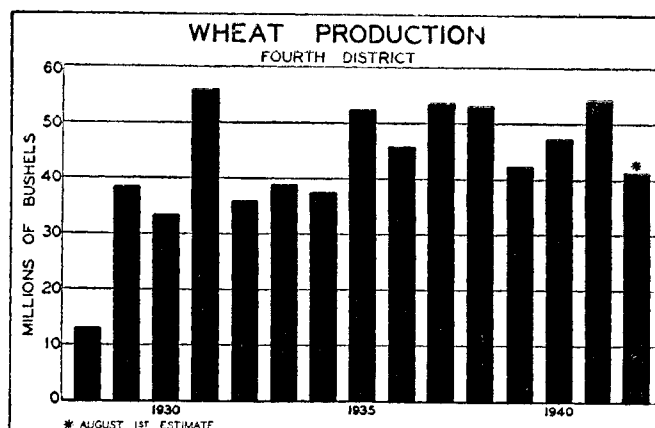
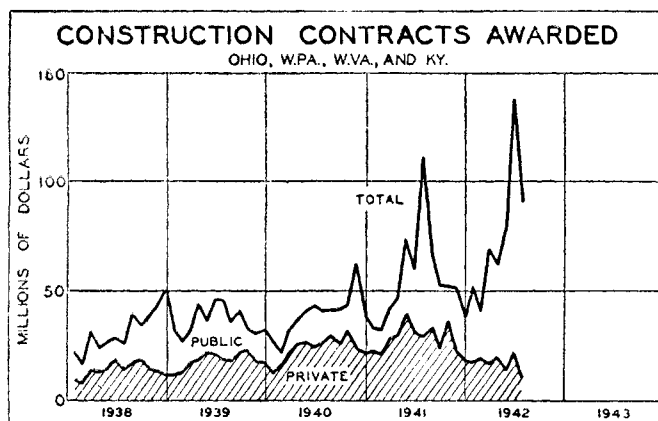
Record production of pork is indicated for the coming months. The Department of Agriculture estimates that the spring pig crop was 25 percent larger than last year and that the fall crop will show about the same increase over 1941. On the basis of these estimates total hog slaughter in the 1942-43 marketing year may exceed 90 million head, and the number butchered under Federal inspection 65 million head. The largest number of hogs slaughtered under Federal inspection in any other marketing year was slightly under 54 millions in 1923-24.

Corn prices have not advanced to the same extent as hogs, so that the corn-hog ratio is more favorable to heavy feeding than at any time since 1938.

Advances in prices of beef cattle have been less spectacular than in the case of hogs, but prices have remained at high levels. On August 1 there were 30 percent fewer beef cattle being fattened on Ohio farms than at the same time last year. The entire corn belt showed a decline of 19 percent. A relatively low margin between prices of grass-fed and corn-fattened cattle has discouraged feeder operations in this area.

### Wheat

The 1942 wheat crop is estimated to be the largest since 1915. Yields in many important winter wheat states proved to be better than expected earlier this year. The current crop of



955 million bushels plus a carry-over of about 620 million bushels will provide the largest supply in the country's history.

In contrast to the experience of the rest of the country, yields in this area were not up to expectations. Excessive rains continued through harvest, adding field losses to earlier

damage. Total fourth district production amounted to an estimated 41 million bushels. This was the smallest output since 1934 and 24 percent under last year.

Prices received by Ohio farmers averaged \$1.06 per bushel for this year's crop. This was a gain of about seven cents per bushel over 1941.

**Wholesale and Retail Trade**

(1942 compared with 1941)

	Percentage Increase or Decrease		
	SALES July 1942	SALES first 7 months 1942	STOCKS July 1942
<b>DEPARTMENT STORES (98)</b>			
Akron.....	+ 7	+20	+65
Canton.....	+ 2	+15	a
Cincinnati.....	- 2	+12	+103
Cleveland.....	- 2	+17	+66
Columbus.....	+ 5	+13	+60
Erie.....	+ 3	+22	+61
Pittsburgh.....	- 9	+10	+76
Springfield.....	+ 2	+ 7	a
Toledo.....	+ 5	+15	+52
Wheeling.....	-14	+ 7	+77
Youngstown.....	- 8	+ 3	a
Other Cities.....	-13	+ 3	+69
District.....	- 3	+13	+73
<b>WEARING APPAREL (16)</b>			
Canton.....	+15	+20	+48
Cincinnati.....	- 5	+10	+41
Cleveland.....	+12	+22	+78
Pittsburgh.....	+ 2	+16	+61
Other Cities.....	+12	+20	+46
District.....	+ 8	+18	+56
<b>FURNITURE (87)</b>			
Canton.....	-25	- 3	+65
Cincinnati.....	-36	- 8	a
Cleveland.....	-29	- 6	+51
Columbus.....	-21	- 9	+51
Dayton.....	- 5	+13	a
Pittsburgh.....	-43	-11	+110
Toledo.....	-24	+ 3	+40
Other Cities.....	-24	- 3	+52
District.....	-30	- 6	+66
<b>CHAIN STORES*</b>			
Drugs—District (5).....	+17	+16	a
Groceries—District (4).....	+26	+33	a
<b>WHOLESALE TRADE**</b>			
Automotive Supplies (11).....	-11	+ 7	+ 2
Beer (3).....	+13	+21	-24
Clothing and Furnishings (3).....	- 0	+11	a
Confectionery (4).....	+30	+27	a
Drugs and Drug Sundries (4).....	+13	+13	+33
Dry Goods (5).....	- 5	+26	+27
Electrical Goods (14).....	-27	- 1	-29
Fresh Fruits and Vegetables (6).....	+28	+13	+28
Furniture and House Furnishings (3).....	-51	- 1	a
Grocery Group (43).....	+ 8	+16	+ 9
Total Hardware Group (31).....	- 0	+28	- 5
General Hardware (9).....	-11	+18	- 3
Industrial Supplies (11).....	+16	+44	- 4
Plumbing & Heating Supplies (11).....	- 3	+11	-24
Jewelry (4).....	+17	a	a
Machinery, Equip. & Sup. (exc. Elect.) (6).....	+ 6	+25	+14
Meats and Meat Products (5).....	+13	+29	+20
Metals (3).....	-14	-15	a
Paints and Varnishes (6).....	-15	+ 1	+ 3
Paper and its Products (6).....	-28	+15	a
Tobacco and its Products (16).....	+ 8	+12	- 3
Miscellaneous (18).....	+10	+15	+ 4
District—All Wholesale Trade (189).....	- 0	+15	+ 5

\* Per individual unit operated.

\*\* Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.

a Not available.

Figures in parentheses indicate number of firms reporting sales.

**Fourth District Business Indexes**

(1923-25 = 100)

	July 1942	July 1941	July 1940	July 1939	July 1938
Bank debits (24 cities).....	140	120	92	80	73
Commercial Failures (Number).....	21	32	47	48	46
(Liabilities).....	7	17	41	21	43
Sales—Life Insurance (O. and Pa.).....	71	92	88	67	64
—Department Stores (48 firms).....	86	85	67	63	59
—Wholesale Drugs (4 firms).....	126	111	103	97	91
—Dry Goods (5 firms).....	64	67	39	32	27
—Groceries (43 firms).....	95	88	75	68	66
—Hardware (31 firms).....	142	142	89	71	61
—All (83 firms)*.....	105	100	74	64	60
—Chain Drugs (4 firms)*.....	132	113	105	90	90
Building Contracts (Total).....	176	137	77	79	44
(Residential).....	38	195	105	78	49
Production—Coal (O., W. Pa., E. Ky.).....	103	95	82	64	49
—Cement (O., W. Pa., E. Ky.).....	109	126	106	114	94
—Elec. Power (O., Pa., Ky.)*.....	293	260	209	188	166
—Petroleum (O., Pa., Ky.)*.....	121	109	108	119	119
—Shoes.....	130	135	113	113	100

\* Per individual unit operated.

\*\* June

**Tobacco**

The excessive rains which lowered the local wheat crop also damaged tobacco.

The August 1 estimate of fourth district tobacco production placed this year's output at 104 million pounds. This amount would be seven percent under last year and less than in any other year since 1936.

Harvesting was begun earlier than usual and it was well under way in mid-August. Considerable damage from rust was reported.

**Oats**

Oats were one of the few crops to benefit from the relatively cool damp weather which prevailed during the growing season.

Some damage occurred, however, before the grain was harvested. Fourth district production was estimated at 65 million bushels on August 1. This was the largest yield since 1931.

**Fourth District Business Statistics**

(000 Omitted)

Fourth District Unless Otherwise Specified	July 1942	% change from 1941	Jan.-July 1942	% change from 1941
Bank Debits—24 cities.....	\$3,789,000	+16	\$24,784,000	+17
Savings Deposits—end of month:				
40 banks O. and W. Pa.....	\$ 779,512	- 2		
Life Insurance Sales:				
Ohio and Pa.....	\$ 68,202	-23	571,193	- 4
Retail Sales:				
Dept. Stores—98 firms.....	\$ 25,608	- 3	223,473	+13
Wearing Apparel—16 firms.....	913	+ 8	8,683	+18
Furniture—87 firms.....	2,426	-30	21,998	- 6
Building Contracts—Total.....	\$ 83,939	+28	426,048	+37
—Residential.....	6,560	-80	116,131	-15
Commercial Failures—Liabilities.....	295	-61	3,759	-38
—Number.....	30	-36	309	-26
Production:				
Steel Ingot—U. S..... Net tons	7,149	+ 5	49,719	+ 4
Bituminous Coal, O., W. Pa., E. Ky..... Net tons	18,580	+ 8	129,529	+25
Cement—O., W. Pa., W. Va. bbls.	1,309	-14	8,243	+ 5
Elec. Power, O., Pa., Ky. Thous. K.W.H.	2,462a	+13	14,688b	+13
Petroleum—O., Pa., Ky..... bbls.	2,237a	+11	12,900b	+ 6
Shoes..... pairs	c	- 4	c	- 4
Bituminous Coal Shipments:				
L. E. Ports..... Net tons	5,697	-14	24,545	+17
a June				
b January-June				
c confidential				

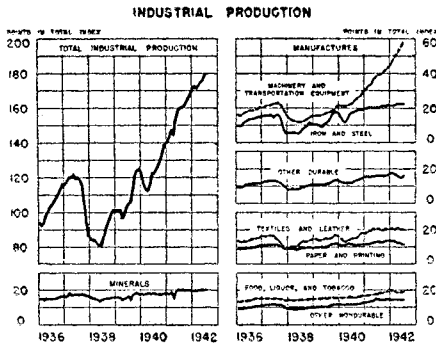
**Debits to Individual Accounts**

(Thousands of Dollars)

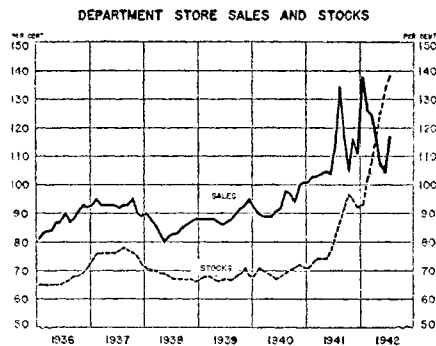
	July 1942	% change from 1941	Jan.-July 1942	Jan.-July 1941	% change from 1941
Akron.....	133,785	+32.8	821,674	642,880	+27.8
Butler.....	13,396	- 1.3	92,613	85,220	+ 8.7
Canton.....	69,510	+21.1	439,227	364,546	+20.5
Cincinnati.....	526,247	+18.0	3,482,712	2,929,389	+18.9
Cleveland.....	1,014,637	+17.0	6,522,400	5,486,438	+18.9
Columbus.....	240,070	+ 3.9	1,672,313	1,471,310	+13.7
Dayton.....	114,176	+12.8	762,759	652,295	+16.9
Erie.....	50,040	+14.7	328,697	265,073	+24.0
Franklin.....	4,771	+21.9	32,825	27,231	+20.5
Greensburg.....	10,967	+ 0.7	74,277	63,079	+17.8
Hamilton.....	18,045	+11.2	122,976	102,556	+19.9
Homestead.....	4,977	- 0.1	33,077	29,587	+11.8
Lexington.....	25,371	+15.0	193,420	172,335	+12.2
Lima.....	22,447	+19.5	144,067	121,798	+18.3
Lorain.....	6,886	- 2.0	47,807	44,849	+ 6.6
Middletown.....	19,577	+28.5	131,949	103,782	+27.1
Oil City.....	13,104	+ 1.5	93,770	76,537	+22.5
Pittsburgh.....	1,110,906	+18.1	7,501,045	6,364,365	+14.7
Sharon.....	13,790	+19.7	95,081	79,075	+20.2
Springfield.....	26,061	+12.8	172,726	150,885	+14.5
Steubenville.....	12,257	- 4.8	82,185	79,422	+ 3.5
Toledo.....	222,643	+22.1	1,372,521	1,128,104	+21.7
Warren.....	21,499	+19.6	132,994	110,534	+20.3
Wheeling.....	33,657	- 4.9	222,527	233,590	- 4.7
Youngstown.....	73,180	+ 2.1	498,292	447,954	+11.2
Zanesville.....	12,043	+ 7.0	79,580	71,137	+11.9
Total.....	3,814,042	+16.5	24,953,514	21,303,971	+17.1

## Summary of National Business Conditions

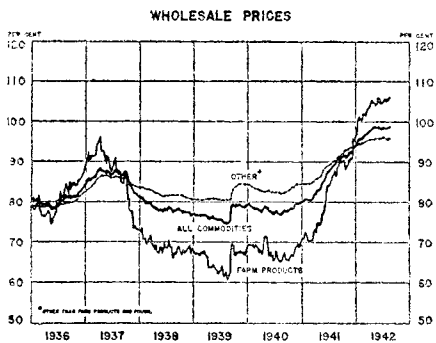
By the Board of Governors of the Federal Reserve System



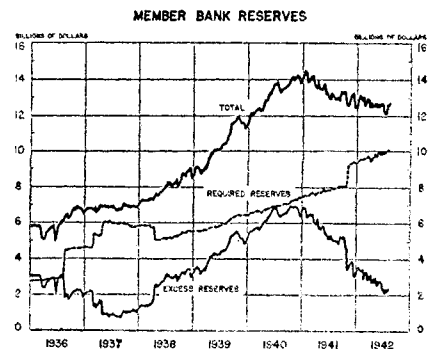
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for July, 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for July, 1942.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending August 15, 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for August 12, 1942.

Industrial activity increased further in July and the first half of August, reflecting continued growth in output of military products. Retail sales increased during this period, following a decline, on a seasonally adjusted basis, during the first half of the year.

### Production

Industrial output rose further in July and the Board's seasonally adjusted index advanced from 176 to 180 per cent of the 1935-39 average.

Activity continued to increase in the machinery and transportation equipment industries and in other lines producing war products. Shipbuilding expanded further and 71 merchant vessels were delivered in July. These had an aggregate dead-weight tonnage of 790,300 tons—an all-time record for a single month's deliveries. In the automobile industry armament production increased in July to an annual rate of about \$5 billion as compared with a peak year's civilian output of \$4 billion. Iron ore shipments down the Great Lakes reached a new record of 13.4 million gross tons in July and plans were announced for improving rail and harbor facilities so that shipments next season could exceed considerably prospective shipments of 90 million tons or more this year. Last season 80 million tons were shipped.

In most other lines of manufacturing and mining, activity in July was maintained at about the levels prevailing in June. There were reports that some plants were forced to curtail operations owing to lack of certain materials, and further investigations were undertaken to determine present and prospective availability of material supplies.

Value of construction contracts awarded in July showed a reduction of about 20 per cent from the record level reached in June, according to figures of the F. W. Dodge Corporation. Declines were reported for most types of construction; awards for manufacturing buildings, however, increased further and constituted about one-third of total contracts let. As in June, publicly-financed work amounted to over 90 per cent of the total. In the first seven months of this year, awards were about 50 per cent larger than in the corresponding period last year.

### Distribution

Distribution of commodities to consumers declined less than seasonally in July. The Board's adjusted index of department store sales, which had dropped from a peak of 138 per cent of the 1923-25 average in January to 104 in June, rose to 117 and sales by variety stores and mail-order houses also advanced, after allowance for usual seasonal changes. In the first half of August department store sales increased by more than the usual seasonal amount.

Railroad freight-car loadings increased more than seasonally in July and rose somewhat further in the first half of August. Shipments of miscellaneous merchandise, which include most manufactured products, and of forest products continued to rise. Grain shipments also increased but the rise was less than is usual at this time of year. Loadings of coal declined somewhat from the high level of other recent months.

### Commodity Prices

Wholesale and retail food prices advanced further in July and the early part of August, while prices of petroleum products on the East Coast were reduced, and those for most other consumer goods continued to show little change. In raw material markets price declines occurred for cotton, inedible fats and oils, and some scrap items, particularly nonferrous metals and paper. Demand for materials used more exclusively for war products continued strong and prices of these materials were sustained at ceiling levels.

Federal subsidies were arranged for additional commodities and Government war risk rates on shipments of imported commodities were reduced. These actions were taken to bring about price reductions, as in the case of petroleum products on the East Coast, and to prevent further price increases, particularly for imported commodities. About 30 new maximum price schedules were announced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.

### Bank Credit

Excess reserves of member banks declined by about 200 million dollars in the four weeks ended August 19. An increase of about 400 million dollars of currency in circulation during this period was paralleled by a corresponding amount of Reserve Bank purchases of Government securities. There was an increase of 300 million dollars in required reserves resulting from a growth in deposits at member banks. Excess reserves in New York and Chicago reached the lowest levels since the third quarter of 1937. Effective August 20 reserve requirements on demand deposits at central reserve city banks were reduced from 26 per cent to 24 per cent by action of the Board of Governors of the Federal Reserve System. This had the effect of converting over 400 million dollars from required to excess reserves.

Member banks in leading cities continued to increase their holdings of United States Government securities, particularly in the week ended August 19, in which delivery of the new 11½ months' 7½ per cent certificates of indebtedness was made. Loans, which had declined during the second quarter of the year, have recently shown little change.