

# MONTHLY BUSINESS REVIEW

Covering financial, industrial  
and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

Vol. 24

Cleveland, Ohio, September 30, 1942

No. 9

Shortages of both men and materials became more evident at fourth district factories during August and the first half of September. Output of war products, however, continued to expand as new facilities came into production and workers were drawn from civilian industries or persons who formerly were not members of the labor force were hired. These new workers, most of whom are women, have been making ever-increasing contributions to the war effort.

The influx of women workers has been most marked in Government arsenals, airplane parts factories, and rubber plants where work on such products as shells, precision parts, life rafts, barrage balloons, and bullet-sealing gasoline tanks is done largely by women. New plants and products have been specifically designed to provide for a large proportion of female labor and an increasing number of old plants and processes are being redesigned. This is true even in such heavy industries as drop forgings and castings.

The constantly rising volume of employment has been reflected in retail trade in this district. Department store sales rose sharply more than seasonally from July to August and continued to gain in the first three weeks of September. This constitutes a reversal of the downward trend which occurred during the first half of the year.

The recent expansion of Regulation W to provide for freezing of delinquent charge accounts seems to have had little effect on consumer buying, but collections have been stimulated. Figures from a representative group of fourth district department stores show that all three types of sales—cash, regular charge, and installment—increased more than seasonally from July to August. August collections on 30-day charge accounts represented 61 per cent of accounts outstanding at the end of July. A year ago this ratio was only 46 percent.

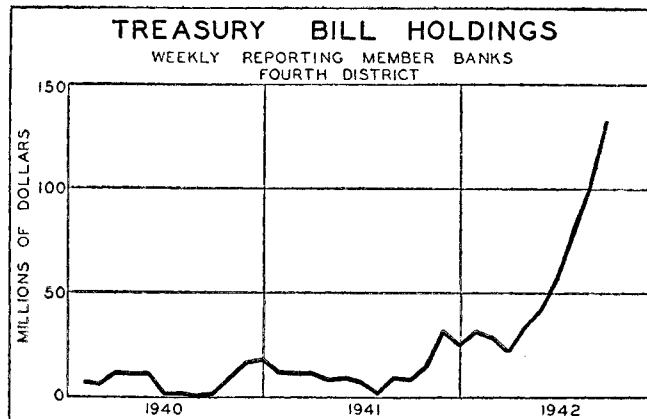
Steel production remains as close to rated capacity as necessity for furnace repairs will permit. Scrap shortages have not forced shutting down any local furnaces, but they have resulted in use of inferior grades which require longer melting time and more frequent furnace repairs. Ore movement remained heavy in August. Although hampered by unfavorable weather in the early part of September, the trade expects to exceed the Government's objective of 90,000,000 tons for the season.

## FINANCIAL

The Treasury and Federal reserve authorities have been encouraging the purchase of Treasury bills by banks who possess large amounts of idle funds. In addition to financing the war effort, such purchases would utilize reserves of interior banks who now have considerable volume in excess of requirements. Last April 30 the Open Market Committee directed the Federal reserve banks to purchase all Treasury bills offered to them on a discount basis at the rate of  $\frac{3}{8}$  percent per annum. On August 3 it was announced that such purchases, if desired by the seller, should be upon the condition that the Federal reserve bank, upon request of the seller before the maturity of the bills, would sell to him Treasury bills of like amount and maturity at the same rate of discount. These two actions established complete liquidity for Treasury bills. Banks and individuals, therefore, can exchange idle balances for these earning assets without sacrificing immediate availability of funds.

The response of leading banks in this district to these actions is shown in the chart at the bottom of the page. Treasury bill holdings of weekly reporting member banks have increased from \$33,000,000 on April 29 to \$133,000,000 on September 23. This is a much faster rate than has been true of all weekly reporting member banks.

During the past four weeks the Federal Reserve Bank of Cleveland received 276 tenders for Treasury bills, totaling \$101,000,00. The Treasury accepted 250 of these tenders for sales of \$80,000,000. As recently as



last March only 67 tenders for Treasury bills were made to this bank in the entire month, and only eleven were accepted. Fourth District Treasury bill sales in March were only \$2,578,000. During that month the Treasury's weekly bill offerings amounted to \$150 millions. These offerings have been increased steadily, reaching \$400 millions in mid-September.

Other data pertaining to banks in this district reveal little change during recent weeks. Commercial, agricultural, and industrial loans at banks in leading cities declined slightly during September and are now at about the same level as last year. Installment loans continued to contract. Holdings of Treasury certificates of indebtedness increased to a new high level of \$191 millions on September 23, reflecting bank participation in the new issue dated September 21. Bank purchases of the recent issue of Treasury notes have not yet been reflected in the latest condition reports. Total direct Government obligations held by weekly reporting member banks in this district amounted to \$1,554,000,000 on September 23, compared with \$920,000,000 a year ago.

#### New Member Bank

The Colonial Savings Bank, Fremont, Ohio.

#### MANUFACTURING, MINING

##### Iron and Steel

Low grades of scrap and necessity for furnace repairs were the greatest deterrents to capacity ingot production in August. Although no fourth district furnaces have been forced out of production by the scrap shortage, it is reported by the industry that lower grades of scrap and, in many cases, the dependence upon day-to-day receipts have been the major reasons for production at less than capacity levels. Some relief in the scrap situation may develop, however, as a result of current salvage drives and shipments from Canada. Buffalo mills already have benefited from surplus Canadian scrap. Producers of ingots have also reported that the sustained high rate of activity is now forcing increasing numbers of furnaces to be shut down for repairs.

Production of all types of steel ingots amounted to 7,233,451 tons in August, representing 95.4 percent of rated capacity. This was the third highest month of 1942, being exceeded by both March and May, but was higher than any previous month except last October. During the first eight months of 1942 there were 56,952,552 tons of steel ingots produced. Total 1942 output will probably reach 86,000,000 tons according to an estimate made by the War Production Board. This estimate can be compared with output of 83,000,000 tons in 1941, 67,000,000 tons in 1940, and 53,000,000 tons in 1939.

Shipments of Lake Superior iron ore continued at record levels. Total August tonnage, excluding Canadian shipments, equaled 13,176,906 tons, an all-time high for August and second only to July of 1942. Only 20 million additional tons need be shipped to establish a record season. During the first two weeks of September fogs of unusual density occurred. Only 5,224,000 tons were shipped, indicating that shipments for this month will probably fall below recent periods. However, efforts will be made to keep the shipping lanes open through November and possibly early December, and it appears likely that last year's record season will be exceeded by a substantial margin.

Consumption of Lake Superior iron ore at blast fur-

naces, a good indicator of pig iron production, totaled 7,155,202 tons in August. For the year to September 1, ore consumption was 13 percent above the same period of 1941. Nevertheless, stocks of Lake Superior iron ore at furnaces and on Lake Erie docks were higher on September 1 than on any similar date on record, totaling 43,236,172 tons. On the same date last year stocks were only 36,468,769 tons and on December 1, 1941, at the end of the shipping season, they amounted to only 45,534,638 tons.

##### Coal

Stocks of bituminous and lignite coal in the yards of industrial consumers and retail dealers reached an all-time high in August of over 77 million tons. Nevertheless, all classes of consumers are still being urged to add to their supplies in order that the winter fuel requirements can be met without danger of a shortage in transportation facilities.

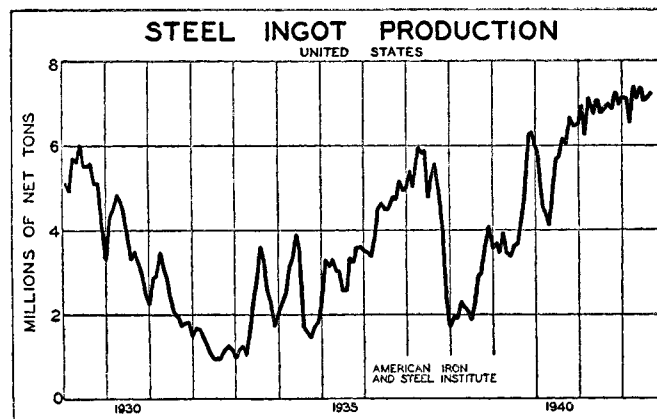
August production of western Pennsylvania, Ohio and eastern Kentucky fields amounted to 18,240,000 tons, a figure about the same as that for recent months. Reports from the industry, however, indicate that labor shortages are beginning to be felt and may reach serious proportions in future months if workers continue to join the armed forces and drift to other industries. Absenteeism is said to be a particularly serious problem.

Coal loaded into vessels at lower lake ports in August increased over July to reach a total of 6,187,344 tons. This figure, however, is the lowest for any similar month since 1938. Heavy demands of eastern industrial consumers reached by land transportation and the speed of the ore shipping program which forces many ships to return to Upper Lake ports light, have caused the smaller shipments.

##### Other

Reports from miscellaneous manufacturing industries of importance in this district revealed considerable variation in conditions prevailing during August and the first half of September. Machinery and metal working plants were continuing to expand output of products more or less directly connected with the war effort. Glass and paper factories were operating at reduced schedules because of the low level of incoming business. Apparel industries were busy on fall lines.

Material shortages and scarcity of skilled manpower again were said to be the most serious problems facing metal working plants. Loss of manpower to war industries and the Army and Navy was causing all types



of enterprises to resurvey labor requirements and to plan for use of women wherever possible. This was true even of the heavier industries such as makers of forgings and castings.

Machine tool output has continued to expand as new plants come into production. The rate of expansion, however, has slowed down somewhat because of near-completion of most new tool-making facilities. Machine tool output this year is estimated at about \$1½ billions, compared with \$775 millions in 1941. Production of machine tools during the past four years is said to exceed output of the previous forty years. Trade reports indicate a slowing-down in the rate of incoming orders, but backlogs remain large.

Plants formerly engaged in production of automobile parts likewise continued to expand their output of a wide variety of war products in August and the early part of September. An increasing proportion of executives' time was being devoted to preparation for and training of women workers. The uneven flow of materials was said to have resulted in an increase in overtime payments as attempts were made to meet delivery dates.

Electrical machinery and appliance manufacturers experienced some falling-off in new business during August, but incoming orders still exceeded shipments of finished goods. Shortages of materials, particularly copper, have hindered expansion of production in this industry. Nevertheless, employment continues to increase as materials become available.

Can manufacturers have been limited almost exclusively to production of food containers. Paint companies, therefore, are being forced to turn to wood, plastics, and paper, but the industry fears facilities for making containers from these materials are inadequate. Lack of cans, therefore, may place a limit on paint production. Makers of dog foods and tobacco are turning to paper packages. Although a large volume of food products is now being packed in glass, total production of glass containers has declined from the record levels attained late last spring. Inability to obtain metal caps has reduced the demand for bottles used by the medicinal and cosmetics industries.

There has been little change in underlying conditions in the flat glass industry in recent weeks. Output of both plate and window glass declined further from July to August. Few war uses have been developed for these products. Curtailment of the automobile and private construction markets have been serious losses to this industry. No shortages of materials for production of these types of glass have been reported. Production of heat resisting glass, however, has been limited by W.P.B. orders affecting use of certain specialized ingredients.

The dinnerware branch of the ceramics industry continued to operate close to capacity in August and early September. It has been necessary to restrict the use of certain colors in glazing and decorating processes, but demands for other lines have offset any declines occasioned by this factor.

Office equipment makers in this area either have converted their facilities completely to war production or they are making wooden filing cases, desks, etc. Inability to obtain properly seasoned wood, however, has made expansion of output of these substitute products exceedingly difficult.

A slight pickup occurred in the demand for paperboard in August and the first half of September. Operating rates reflected this improvement in demand, and production of paperboard rose to a level of about 80 percent of capacity in mid-September after having remained quite stable at about 75 per cent of capacity in July and the early part of August. Current levels, however, are still far below the rates at which paperboard mills operated during the late winter and early spring. At that time it was feared that requirements for packaging war products would strain material supplies and production facilities. Anticipatory buying, therefore, was heavy. Government requirements, though increasing, have not come up to expectations, and with the present uncertainty regarding the future production of civilian goods, buyers of packaging materials are not stocking up on paperboard and cartons. Many paperboard mills, therefore, have been forced to reduce work weeks to four or five days.

Rubber plants have been converted almost 100 percent to war production. Despite cessation of output of many civilian products, total production of the industry is now said to exceed pre-Pearl Harbor levels. Consumption of crude rubber, however, is considerably below the pre-war rate, but this drop in use of crude rubber has been partly offset by increased consumption of reclaimed rubber and synthetics. In addition, many war products are made with a smaller proportion of rubber than was used in tires and other peace-time goods.

Apparel industries generally reported little change in underlying conditions in August and the early part of September. The task of procuring materials, even when Government contracts provided priorities, was said to be growing more difficult. Likewise, labor shortages were becoming more acute. In mid-September makers of men's clothing were making deliveries against fall orders but it was still too early to gauge consumer demand for the coming season. Sales of men's clothing in fourth district department stores in August were 22 percent under a year ago. Demand for work clothing reflects the high level of factory employment. Producers of this type of garment indicated that output would be expanded considerably if workers were available.

Shoe production in the fourth district has suffered from the increasing number of Government restrictions and loss of manpower to the armed forces and war industries. Contrary to the experience of past years, output of local plants fell from July to August; the number of pairs produced in the latter month was 17 percent less than last year. Because of inability to keep production at high levels, shoe factories are behind on deliveries and the usual slack period between fall and spring seasons is not expected to occur this year.

Early in September the War Production Board announced additional restrictions which are expected to have particularly marked effects on the fourth district shoe industry. With the primary purpose of saving leather by reducing the number of fancy shoes in consumers' wardrobes, the W.P.B. prohibited manufacture of two-color shoes and reduced the variety of colors and styles of shoes to be made for spring and summer consumption in 1943. Since local shoe factories specialize on women's shoes for which the style factor is important, these new regulations will bring about greater changes than will be true of the entire industry.

## DEPARTMENT STORE SALES

The indexes of fourth district department store sales prepared by this bank have been completely revised. Both unadjusted and seasonally adjusted indexes are now available for 96 stores in the fourth district and for a representative sample of stores in each of ten fourth district cities. A table, listing these cities, and showing the number of stores included in each sample, as well as the adjusted and unadjusted index numbers for the most recent months, appears on page 7 of this issue and will be published each month as a regular feature of the "Monthly Business Review".

Those readers who are familiar with the former index of department store sales will notice that the number of reporting firms included in the sample has been exactly doubled. It was believed that the former 48-store sample was inadequate because it included no retail outlets of such organizations as Montgomery Ward, J. C. Penney, and Sears, Roebuck, which are becoming of increasing importance in the department store field. The new index is based on a more representative sample since the additional 48 stores include many retail outlets of these organizations.

Another major revision involved changing the base period for the index from 1923-25 to 1935-39. An index number of 100, therefore, on the new index indicates a sales level equal to the average for 1935-39. As an increasing number of business indexes are being converted to the 1935-39 base, it seemed advantageous for comparative purposes to adopt the later base period. The more recent base also makes it possible to include stores for which 1923-25 sales were not available.

Modifications were also made in the technique followed in constructing the index. A detailed description of the index and back figures, by months, for each of the ten cities can be obtained by writing to the Department of Business Statistics, Federal Reserve Bank of Cleveland.

The chart at the bottom of page five shows the revised district index. The fluctuations in this series are only slightly different from those of the old index, although the whole level of the new index numbers is

considerably higher. This is due largely to the changed base period, for sales in 1935-39, which are equal to 100 on the revised index, were equal to only 86 on the 1923-25 base.

The other factor which raised the average level during the past decade was the nature of the 48 additional stores included in the revised index. These include many stores whose sales have increased considerably faster than the stores formerly comprising the index. This naturally lifted the index which includes such stores to a higher level in recent years than the index which omitted them. The spread caused by this factor was measured by calculating indexes for both the 48-store sample and the 96-store sample on the same base period. In 1937, the 96-store index was two percent above the 48 stores, rising to a level four percent higher in 1940 and six percent higher in 1941.

Seasonal adjustment factors for the index were also revised. The seasonal factors for second half months, in general, were raised, while those of the first half were lowered. Fourth district data indicate that there has occurred a gradual shift in the seasonal buying habits of department store shoppers. While the relative volume of sales in April, May, and June is declining, August, September, and November are increasing. It is hard to trace the reasons for changes in the typical monthly fluctuations of department store sales. The district index is a composite of 96 individual stores, the seasonal pattern for each being determined to a large degree, by special annual sales and local sales promotion policies. Publicity urging gift buyers to shop early for Christmas increased the importance of November. The earlier Thanksgiving Day may have contributed to this shift. With part of the Christmas load shifted to November, the relative volume of December sales, which has almost constantly increased, has now begun to level off. The twelfth month, however, still accounts for about 14 percent of the year's sales.

Revised annual index numbers for the ten cities for which individual indexes are prepared are shown in the table on the next page. In comparison to their 1935-

**Department Store Sales—Fourth District**

(Index of Daily Averages of Dollar Volume of Sales; 1935-39=100)

|                                 | Index of Dry Masses of Bombs at End of Series, 1927-39 (1937) |      |      |      |      |          |      |      |      |      |            |      |      |      |      |      |  |
|---------------------------------|---|------|------|------|------|----------|------|------|------|------|------------|------|------|------|------|------|--|
|                                 | Without   |      |      |      |      | Seasonal |      |      |      |      | Adjustment |      |      |      |      |      |  |
|                                 | 1927  | 1928 | 1929 | 1930 | 1931 | 1932     | 1933 | 1934 | 1935 | 1936 | 1937       | 1938 | 1939 | 1940 | 1941 | 1942 |  |
| Jan.....                        | 96  | 97   | 97   | 89   | 84   | 64       | 49   | 60   | 69   | 68   | 80         | 76   | 75   | 80   | 87   | 130  |  |
| Feb.....                        | 98  | 97   | 101  | 95   | 86   | 67       | 51   | 64   | 63   | 75   | 93         | 78   | 80   | 84   | 98   | 120  |  |
| Mar.....                        | 103   | 108  | 119  | 101  | 98   | 71       | 47   | 82   | 78   | 80   | 108        | 86   | 94   | 100  | 113  | 147  |  |
| Apr.....                        | 127   | 117  | 118  | 127  | 114  | 81       | 77   | 86   | 92   | 104  | 116        | 103  | 108  | 108  | 139  | 153  |  |
| May.....                        | 120   | 117  | 122  | 120  | 107  | 79       | 73   | 92   | 86   | 110  | 123        | 92   | 106  | 114  | 139  | 137  |  |
| June.....                       | 108   | 111  | 122  | 106  | 97   | 68       | 69   | 81   | 87   | 99   | 111        | 87   | 97   | 114  | 129  | 128  |  |
| July.....                       | 89  | 90   | 92   | 81   | 74   | 50       | 56   | 60   | 64   | 77   | 84         | 70   | 75   | 82   | 106  | 105  |  |
| Aug.....                        | 98  | 91   | 102  | 90   | 78   | 51       | 70   | 70   | 72   | 86   | 93         | 75   | 85   | 101  | 147  | 134  |  |
| Sept.....                       | 108   | 122  | 126  | 109  | 91   | 69       | 79   | 84   | 91   | 106  | 123        | 102  | 113  | 126  | 155  |      |  |
| Oct.....                        | 125   | 119  | 133  | 117  | 95   | 73       | 79   | 84   | 93   | 116  | 122        | 101  | 116  | 118  | 134  |      |  |
| Nov.....                        | 128   | 127  | 131  | 113  | 94   | 70       | 75   | 86   | 97   | 117  | 110        | 106  | 122  | 137  | 163  |      |  |
| Dec.....                        | 194   | 201  | 205  | 174  | 144  | 105      | 124  | 141  | 153  | 181  | 171        | 171  | 195  | 206  | 232  |      |  |
| Yearly Average                  | 116   | 116  | 122  | 110  | 97   | 71       | 71   | 82   | 87   | 102  | 111        | 96   | 105  | 113  | 137  |      |  |
| Adjusted for Seasonal Variation |   |      |      |      |      |          |      |      |      |      |            |      |      |      |      |      |  |
| Jan.....                        | 121   | 123  | 124  | 114  | 109  | 83       | 64   | 79   | 91   | 90   | 107        | 102  | 101  | 109  | 119  | 177  |  |
| Feb.....                        | 116   | 115  | 121  | 115  | 105  | 83       | 63   | 80   | 79   | 94   | 116        | 98   | 100  | 106  | 123  | 150  |  |
| Mar.....                        | 115   | 115  | 122  | 114  | 103  | 73       | 54   | 85   | 90   | 90   | 113        | 99   | 104  | 106  | 131  | 161  |  |
| Apr.....                        | 117   | 112  | 119  | 117  | 111  | 81       | 71   | 87   | 85   | 98   | 117        | 95   | 104  | 109  | 131  | 151  |  |
| May.....                        | 115   | 113  | 117  | 114  | 101  | 74       | 68   | 87   | 81   | 104  | 117        | 88   | 102  | 111  | 136  | 134  |  |
| June.....                       | 110   | 112  | 124  | 108  | 99   | 70       | 70   | 83   | 90   | 102  | 114        | 89   | 101  | 118  | 134  | 134  |  |
| July.....                       | 118   | 120  | 122  | 109  | 99   | 67       | 75   | 80   | 87   | 104  | 114        | 95   | 102  | 111  | 145  | 143  |  |
| Aug.....                        | 121   | 111  | 125  | 109  | 94   | 62       | 85   | 84   | 86   | 102  | 110        | 89   | 100  | 118  | 171  | 157  |  |
| Sept.....                       | 111   | 124  | 127  | 109  | 90   | 67       | 77   | 81   | 87   | 100  | 116        | 96   | 105  | 116  | 141  |      |  |
| Oct.....                        | 115   | 110  | 123  | 109  | 88   | 68       | 73   | 78   | 87   | 109  | 115        | 95   | 110  | 112  | 128  |      |  |
| Nov.....                        | 116   | 116  | 121  | 105  | 88   | 67       | 71   | 82   | 92   | 110  | 103        | 98   | 113  | 125  | 148  |      |  |
| Dec.....                        | 119   | 122  | 124  | 104  | 86   | 63       | 74   | 84   | 90   | 107  | 100        | 100  | 114  | 120  | 135  |      |  |

39 averages, Canton had felt the greatest increase by 1941 (58 percent) and Wheeling the least (21 percent). The greatest increases have been felt at the smaller war industry centers, Canton, Akron, Erie, and Youngstown, and to a lesser degree at the older heavy steel centers, Pittsburgh and Wheeling. Department store sales in Columbus, with little war industry, have also increased only moderately. Of the eight cities for which our data are complete since 1919, six have exceeded their peak for the 1920-30 period, while Pittsburgh and Wheeling still remain below their previous high. These same two cities reached their predepression peak in 1923, while the remaining six reached theirs in 1929.

Since June of 1941, consumer psychology regarding anticipatory buying has been as important as normal seasonal buying habits in determining monthly fluctuations of department store sales. The seasonally adjusted index has, therefore, shown extreme variations over the past 14 months as can be seen on the chart at the bottom of the page. Each of the two outstanding peaks, August of 1941 and January of 1942, reflected public psychology. Early in August a buying wave for silk hosiery began. This spread to other items, particularly women's apparel, and in the latter part of the month the announcement of regulation of consumer credit to begin on September 1 precipitated buying of articles affected, particularly major household appliances. The January peak reflected fears of shortages and curtailed purchases brought on by United States' entry into the war. All articles in which the public feared scarcity would develop—household appliances, rubber and elastic goods, and men's clothing—were purchased in heavy volume.

Subsequent to January, however, a reaction occurred which reduced the seasonally adjusted index from 177 to 134 in May. Sales were stabilized in June and an upward trend was resumed in July.

Sales in August continued to rise as purchase of soft

### Department Store Sales—Major Fourth District Cities

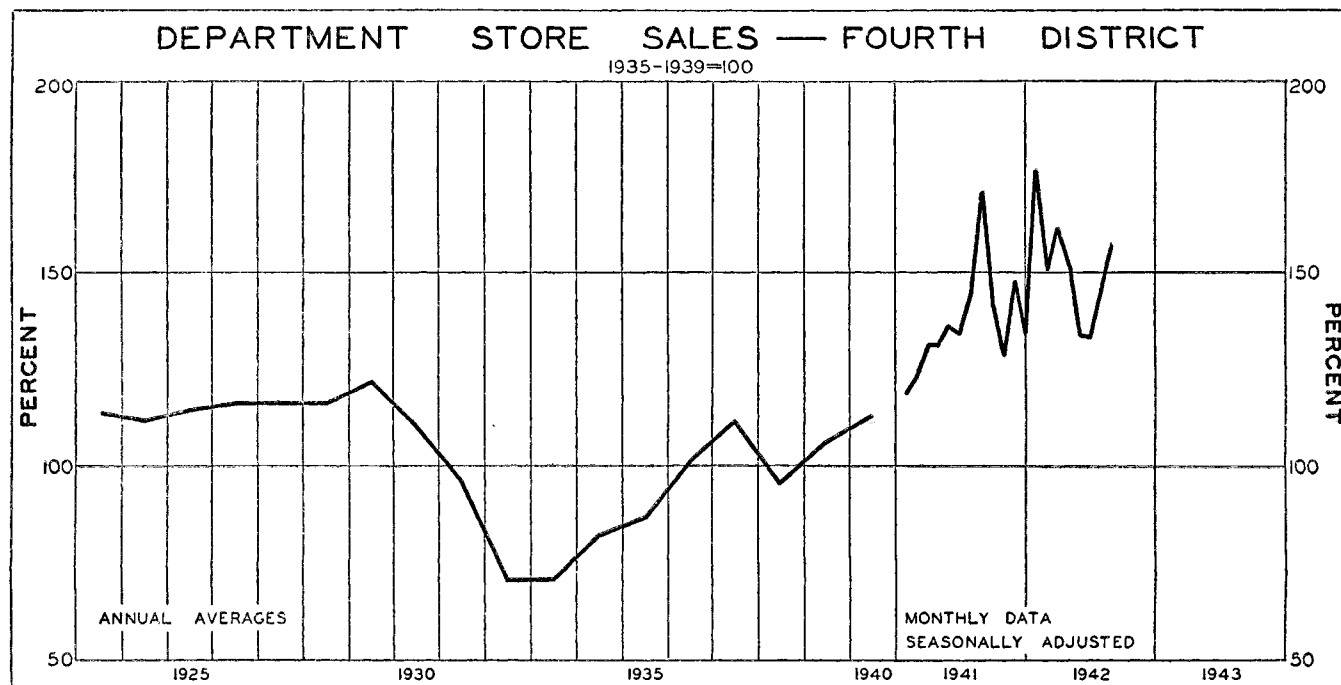
(Indexes of Annual Dollar Volume of Sales; 1935-39=100)

|        | Akron | Canton | Cincinnati | Cleveland | Columbus | Erie | Pittsburgh | Toledo | Wheeling | Youngstown | District |
|--------|-------|--------|------------|-----------|----------|------|------------|--------|----------|------------|----------|
| 1919.. | 83    |        | 83         | 81        | 60       |      | 107        | 70     | 114      | 87         | 89       |
| 1920.. | 102   |        | 105        | 106       | 70       |      | 137        | 85     | 144      | 102        | 112      |
| 1921.. | 70    |        | 102        | 90        | 74       |      | 125        | 78     | 145      | 80         | 100      |
| 1922.. | 76    |        | 96         | 94        | 80       |      | 121        | 80     | 144      | 80         | 100      |
| 1923.. | 86    |        | 98         | 107       | 91       |      | 141        | 93     | 171      | 101        | 114      |
| 1924.. | 86    |        | 98         | 105       | 88       |      | 138        | 88     | 162      | 102        | 112      |
| 1925.. | 91    |        | 102        | 108       | 95       |      | 138        | 92     | 156      | 105        | 115      |
| 1926.. | 91    |        | 107        | 108       | 103      |      | 137        | 93     | 153      | 113        | 116      |
| 1927.. | 94    |        | 110        | 109       | 113      |      | 132        | 100    | 146      | 116        | 116      |
| 1928.. | 105   |        | 112        | 109       | 115      |      | 126        | 108    | 146      | 117        | 116      |
| 1929.. | 107   |        | 117        | 119       | 115      |      | 131        | 120    | 137      | 121        | 122      |
| 1930.. | 88    |        | 115        | 105       | 110      |      | 123        | 102    | 121      | 103        | 110      |
| 1931.. | 80    |        | 104        | 94        | 99       |      | 104        | 91     | 101      | 80         | 97       |
| 1932.. | 60    |        | 78         | 69        | 75       |      | 73         | 70     | 72       | 57         | 71       |
| 1933.. | 67    |        | 76         | 71        | 71       |      | 72         | 82     | 73       | 60         | 71       |
| 1934.. | 88    |        | 85         | 84        | 83       |      | 80         | 84     | 83       | 76         | 82       |
| 1935.. | 92    | 92     | 91         | 87        | 87       | 85   | 86         | 91     | 90       | 84         | 87       |
| 1936.. | 105   | 100    | 102        | 102       | 99       | 99   | 101        | 110    | 104      | 101        | 102      |
| 1937.. | 108   | 109    | 109        | 110       | 106      | 110  | 115        | 109    | 110      | 113        | 111      |
| 1938.. | 89    | 89     | 99         | 96        | 100      | 99   | 95         | 93     | 96       | 93         | 96       |
| 1939.. | 107   | 109    | 107        | 105       | 109      | 108  | 103        | 102    | 100      | 109        | 105      |
| 1940.. | 116   | 117    | 116        | 114       | 116      | 117  | 112        | 108    | 98       | 118        | 113      |
| 1941.. | 148   | 158    | 136        | 140       | 129      | 148  | 131        | 128    | 121      | 146        | 137      |

lines expanded, bringing the revised index, adjusted for seasonal variation, to 157. Although eight percent below the peak of August 1941, last month's sales, after allowing for seasonal factors, were the highest for any month since March. A continuation of this buying wave is indicated by reports covering the first three weeks in September.

### WHOLESALE TRADE

Sales by wholesalers in August, as reported by the *Bureau of Census*, increased fractionally from July, but were two percent lower than the same month of 1941. Greatest declines from a year ago continued in electrical goods lines, where priorities and shortages of copper were important factors, and in furniture and house furnishings. Substantial increases over August of 1941 were recorded in food lines and in drugs and sundries.



Stocks of 101 fourth district wholesalers decreased in dollar volume from July, dropping to a level almost exactly equal to that of a year ago. Taking price changes since August of 1941 into consideration, however, the present physical volume is substantially below the 1941 figure. Again it was inventories of articles dependent upon scarce raw materials—machinery of all types and plumbing and heating supplies—that recorded the heaviest losses. On the other hand, the dollar volume of food, drug, dry goods, and paint and varnish inventories increased.

### CONSTRUCTION

Awards of construction contracts for the fourth district declined to the lowest level since February, according to statistics of the *F. W. Dodge Corporation*. Total contracts awarded fell to \$51,892,000, compared with \$83,939,000 in July and \$52,589,000 in August of last year. The major cause of the decline from the previous month was a drop of more than \$25,000,000 in contracts for manufacturing buildings. Residential construction remained fairly steady at low levels, August awards rising moderately from the July low point to reach \$7,632,000. Public construction continued to account for more than 80 percent of total contracts awarded.

Revision of Conservation Order L-41, effective September 7, placed further limitations on non-essential construction. Residential building without specific authorization is now limited to \$200 a year, and the limit on certain types of commercial construction has been lowered from \$5,000 to \$200. Other types of commercial building are now permitted up to \$1,000 a year.

Reports from the lumber industry indicate that the supply of both soft and hard woods is running considerably behind demand. Scarcity of skilled labor in the mills and rubber for transportation are the major factors contributing to the shortage. The War Production Board is now urging the use of brick and other clay products as substitutes for lumber. They report that even temporary structures can be built from permanent fireproof materials at only a small increase in cost. Lime mortar instead of cement mortar is used to facilitate dismantling when the time arrives.

### AGRICULTURE

The President's request for authority to stabilize farm prices at the higher of parity or recent levels followed a period of relative stability in the prices of products purchased by farmers, but sharp advances in prices received for farm produce. As shown in the chart at the bottom of the page, the general level of prices paid by farmers remained constant from May through August, but prices received advanced from an index of 151 in June to 163 in August. In comparison to their pre-World War (1909-14) base, therefore, farm prices in mid-August were seven percent higher than prices paid by farmers.

Prices of most major fourth district farm products exceeded parity in mid-August. Hogs were 28 percent

over parity, beef cattle exceeded parity by 37 percent, and wholesale milk six percent. Grains such as wheat, corn, and oats were the only major products of this area whose prices were less than parity. Since corn and oats produced in the fourth district are fed locally to a great extent, market prices of these crops are of less importance to farmers in this area than prices of meat animals and dairy products.

#### Corn

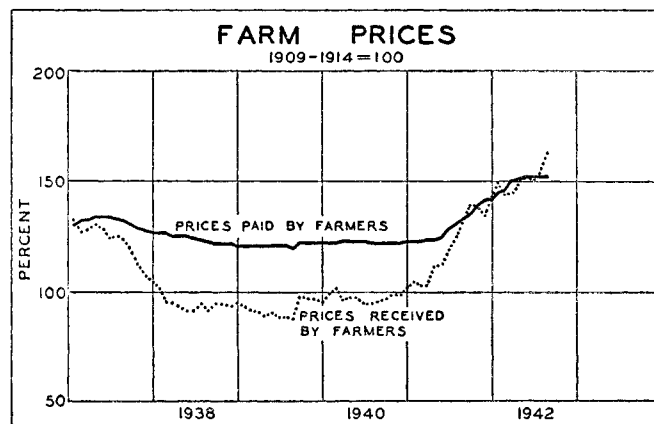
Marked improvement occurred in prospects for corn during the month of August. Although much of the crop was late and would require frost-free weather for some time in order to mature properly, the *Department of Agriculture* estimated on September 1 the fourth district harvest at 222 million bushels. If this estimate proves accurate, the 1942 crop will be the largest since 1925. There were 201 million bushels harvested last year and only 158 million bushels in 1940. The indicated yield per acre in Ohio was 53 bushels, the highest on record.

#### Soybeans

Prospective production of soybeans, both in this district and nationally, is the largest in history. Indicated production in Ohio is 25 million bushels compared with only 13 million last year. Official sources attribute this large increase to the minimum market price guarantee, the urge to meet the greatly increased production goal needed to further the war effort, and the favorable hay crop which permitted acreage to be harvested for beans instead of being cut for forage.

#### Tobacco

Frequent rains during August and the early part of September caused some deterioration in the tobacco crop, both before cutting and during the process of curing. Rust became quite prevalent and much tobacco was cut green to prevent further losses from this source. As a result of this green cutting and the usual effects of wet weather, the crop is expected to cure out light. Nevertheless, the September 1 report of the *Department of Agriculture* placed this year's production of burley tobacco at 342 million pounds, or slightly better than last year.



## Wholesale and Retail Trade

(1942 compared with 1941)

|   | SALES<br>August<br>1942 | Percentage<br>Increase or Decrease<br>SALES first 8<br>months | STOCKS<br>August<br>1942 |
|---|-------------------------|---|--------------------------|
| <b>DEPARTMENT STORES (96)</b>                   |                         |   |                          |
| Akron.....                                      | + 3                     | +18   | +48                      |
| Canton.....                                     | - 2                     | +13   | a                        |
| Cincinnati.....                                 | - 6                     | + 9   | +67                      |
| Cleveland.....                                  | -11                     | +13   | +45                      |
| Columbus.....                                   | + 2                     | +12   | +50                      |
| Erie.....                                       | + 2                     | +19   | +41                      |
| Pittsburgh.....                                 | -12                     | + 8   | +61                      |
| Toledo.....                                     | + 2                     | +13   | +35                      |
| Wheeling.....                                   | -22                     | + 3   | +45                      |
| Youngstown.....                                 | - 7                     | + 1   | a                        |
| Other Cities.....                               | -13                     | + 1   | +46                      |
| District.....                                   | - 8                     | +10   | +53                      |
| <b>WEARING APPAREL (16)</b>                     |                         |   |                          |
| Canton.....                                     | -11                     | +14   | +34                      |
| Cincinnati.....                                 | -18                     | + 6   | +26                      |
| Cleveland.....                                  | - 9                     | +16   | +52                      |
| Pittsburgh.....                                 | -15                     | +10   | +32                      |
| Other Cities.....                               | -30                     | +11   | +27                      |
| District.....                                   | -17                     | +12   | +36                      |
| <b>FURNITURE (87)</b>                           |                         |   |                          |
| Canton.....                                     | -21                     | - 6   | +56                      |
| Cincinnati.....                                 | -26                     | -11   | a                        |
| Cleveland.....                                  | -25                     | - 9   | +48                      |
| Columbus.....                                   | -33                     | -14   | +49                      |
| Dayton.....                                     | -12                     | -24   | +62                      |
| Erie.....                                       | -19                     | + 1   | a                        |
| Pittsburgh.....                                 | -46                     | -17   | +87                      |
| Toledo.....                                     | -33                     | - 4   | +33                      |
| Other Cities.....                               | -29                     | - 8   | +43                      |
| District.....                                   | -31                     | -12   | +60                      |
| <b>CHAIN STORES*</b>                            |                         |   |                          |
| Drugs—District (5).....                         | +18                     | +16   | a                        |
| Groceries—District (4).....                     | +23                     | +32   | a                        |
| <b>WHOLESALE TRADE**</b>                        |                         |   |                          |
| Automotive Supplies (11).....                   | -14                     | + 4   | - 2                      |
| Beer (5).....                                   | +38                     | +25   | -14                      |
| Confectionery (5).....                          | +18                     | +26   | -22                      |
| Drugs and Drug Sundries (4).....                | +19                     | +14   | -20                      |
| Dry Goods (6).....                              | - 5                     | +21   | +25                      |
| Electrical Goods (14).....                      | -33                     | - 6   | -32                      |
| Fresh Fruits and Vegetables (6).....            | +25                     | +14   | +60                      |
| Furniture & House Furnishings (3).....          | -44                     | a   | a                        |
| Grocery Group (44).....                         | +13                     | +16   | - 1                      |
| Total Hardware Group (31).....                  | - 9                     | +24   | - 8                      |
| General Hardware (8).....                       | -14                     | +14   | - 6                      |
| Industrial Supplies (13).....                   | + 9                     | +30   | - 6                      |
| Plumbing & Heating Supplies (10).....           | -26                     | + 6   | -38                      |
| Jewelry (4).....                                | + 1                     | a   | a                        |
| Machinery, Equip. & Sup. (exc. Elect.) (5)..... | -12                     | +19   | -11                      |
| Meats and Meat Products (6).....                | +23                     | +28   | - 3                      |
| Metals (3).....                                 | -26                     | -17   | a                        |
| Paints and Varnishes (6).....                   | -10                     | -0-   | +14                      |
| Paper and its Products (6).....                 | -33                     | + 8   | a                        |
| Tobacco and its Products (16).....              | + 3                     | +11   | - 8                      |
| Miscellaneous (16).....                         | + 3                     | +13   | + 2                      |
| District—All Wholesale Trade (191).....         | - 2                     | +12   | -0-                      |

\* 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.

## Indexes of Department Store Sales

Daily Average for 1935-1939=100

|                     | Without<br>Seasonal Adjustment |              |                | Adjusted<br>for Seasonal Variation |              |                |
|---------------------|--------------------------------|--------------|----------------|------------------------------------|--------------|----------------|
|                     | August<br>1942                 | July<br>1942 | August<br>1941 | August<br>1942                     | July<br>1942 | August<br>1941 |
| Akron (6).....      | 162                            | 139          | 159            | 200                                | 163          | 197            |
| Canton (5).....     | 178                            | 151          | 170            | 215                                | 189          | 205            |
| Cincinnati (9)..... | 131                            | 103          | 140            | 166                                | 145          | 177            |
| Cleveland (10)..... | 138                            | 108          | 155            | 161                                | 145          | 180            |
| Columbus (5).....   | 131                            | 113          | 129            | 162                                | 145          | 159            |
| Erie (3).....       | 163                            | 123          | 160            | 201                                | 158          | 197            |
| Pittsburgh (8)..... | 124                            | 88           | 143            | 149                                | 135          | 172            |
| Toledo (6).....     | 128                            | 90           | 127            | 167                                | 127          | 165            |
| Wheeling (3).....   | 93                             | 85           | 124            | 117                                | 116          | 154            |
| Youngstown (6)..... | 140                            | 107          | 152            | 173                                | 146          | 187            |
| District (96).....  | 134                            | 105          | 147            | 157                                | 145          | 171            |

Figures in parentheses indicate number of firms.

## Fourth District Business Statistics

(000 omitted)

| Fourth District Unless<br>Otherwise Specified                | August<br>1942 | % change<br>from 1941 | Jan.-Aug.<br>1942 | % change<br>from 1941 |
|--|----------------|-----------------------|-------------------|-----------------------|
| Bank Debits—24 cities.....                                   | \$3,522,000    | + 8                   | 28,306,000        | +16                   |
| Savings Deposits—end of month:<br>40 banks O. and W. Pa..... | \$ 784,306     | - 1                   |                   |                       |
| Life Insurance Sales:<br>Ohio and Pa.....                    | \$ 62,942      | -24                   | 634,135           | - 6                   |
| Retail Sales:<br>Dept. Stores—98 firms.....                  | \$ 33,087      | - 8                   | 257,959           | +10                   |
| Wearing Apparel—16 firms.....                                | \$ 1,334       | -17                   | 10,017            | +12                   |
| Furniture—87 firms.....                                      | \$ 3,194       | -31                   | 25,860            | -12                   |
| Building Contracts—Total.....                                | \$ 51,892      | - 1                   | 477,940           | +32                   |
| —Residential.....  | \$ 7,632       | -69                   | 123,763           | -23                   |
| Commercial Failures—Liabilities \$                           | 254            | -66                   | 4,013             | -41                   |
| —Number.....   | 30             | -36                   | 339               | -27                   |
| Production:<br>Steel Ingot—U. S..... Net tons                | 7,233          | + 3                   | 56,953            | + 4                   |
| Bituminous Coal, O., W. Pa.,<br>E. Ky..... Net tons          | 18,240         | + 1                   | 147,769           | +22                   |
| Cement—O., W. Pa., W. Va. bbls.                              | 1,517          | - 5                   | 9,760             | + 3                   |
| Elec. Power, O., Pa., Ky.....                                | 2,527a         | +13                   | 17,215b           | +13                   |
| Petroleum—O., Pa., Ky..... bbls.                             | 2,206a         | + 4                   | 15,106b           | + 6                   |
| Shoes..... pairs   | c              | -17                   | c                 | - 7                   |
| Bituminous Coal Shipments:<br>L. E. Ports..... Net tons      | 6,187          | -16                   | 30,733            | + 8                   |
| a July   |                |                       |                   |                       |
| b Jan.-July  |                |                       |                   |                       |
| c confidential   |                |                       |                   |                       |

## Fourth District Business Indexes

(1935-39=100)

|   | Aug.<br>1942 | Aug.<br>1941 | Aug.<br>1940 | Aug.<br>1939 | Aug.<br>1938 |
|---|--------------|--------------|--------------|--------------|--------------|
| Bank debits (24 cities).....              | 159          | 147          | 110          | 95           | 86           |
| Commercial Failures (Number).....         | 45           | 70           | 68           | 68           | 120          |
| (Liabilities).....                        | 17           | 51           | 47           | 50           | 68           |
| Sales—Life Insurance (O. and Pa.).....    | 75           | 99           | 91           | 80           | 75           |
| —Department Stores (96 firms).....        | 157          | 171          | 118          | 100          | 89           |
| —Wholesale Drugs (4 firms).....           | 139          | 117          | 106          | 105          | 99           |
| —Dry Goods (6 firms).....                 | 122          | 128          | 89           | 103          | 82           |
| —Groceries (44 firms).....                | 144          | 127          | 102          | 102          | 99           |
| —Hardware (31 firms).....                 | 154          | 169          | 104          | 91           | 82           |
| —All (85 firms).....                      | 160          | 151          | 109          | 98           | 93           |
| —Chain Drugs (4 firms)*.....              | 148          | 126          | 121          | 98           | 97           |
| Building Contracts (Total).....           | 213          | 216          | 145          | 129          | 136          |
| (Residential).....                        | 92           | 322          | 203          | 136          | 152          |
| Production—Coal (O., W. Pa., E. Ky.)..... | 145          | 144          | 124          | 106          | 86           |
| —Cement (O., W. Pa., E. Ky.).....         | 184          | 193          | 178          | 181          | 151          |
| —Elec. Power (O., Pa., Ky.)**.....        | 166          | 146          | 120          | 102          | 92           |
| —Petroleum (O., Pa., Ky.)**.....          | 100          | 96           | 98           | 98           | 98           |
| —Shoes.....                               | 102          | 124          | 110          | 126          | 127          |

\* Per individual unit operated.

\*\* July

## Debits to Individual Accounts

(Thousands of Dollars)

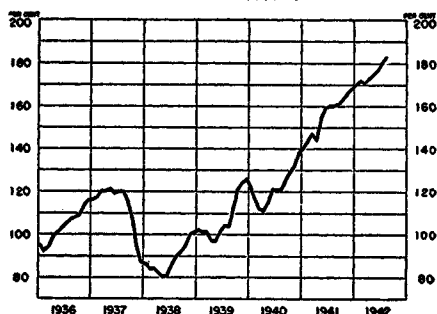
|                   | Aug. 1942 | % change<br>from<br>1941 | Jan.-Aug.<br>1942 | Jan.-Aug.<br>1941 | % change<br>from<br>1941 |
|-------------------|-----------|--------------------------|-------------------|-------------------|--------------------------|
| Akron.....        | 134,684   | +27.5                    | 956,358           | 748,488           | +27.8                    |
| Butler.....       | 13,132    | - 4.0                    | 105,745           | 98,896            | + 6.9                    |
| Canton.....       | 64,569    | +15.7                    | 503,736           | 420,365           | +19.8                    |
| Cincinnati.....   | 493,771   | +13.7                    | 3,976,483         | 3,363,626         | +18.2                    |
| Cleveland.....    | 948,655   | + 7.5                    | 7,471,055         | 6,369,090         | +17.3                    |
| Columbus.....     | 257,704   | + 8.2                    | 1,930,017         | 1,709,466         | +12.9                    |
| Dayton.....       | 112,794   | +16.5                    | 875,553           | 749,090           | +16.9                    |
| Erie.....         | 48,240    | + 8.9                    | 376,937           | 309,383           | +21.8                    |
| Franklin.....     | 4,915     | +19.7                    | 37,740            | 31,338            | +20.4                    |
| Greensburg.....   | 9,811     | - 3.5                    | 84,088            | 73,241            | +14.8                    |
| Hamilton.....     | 16,828    | + 5.0                    | 139,804           | 118,590           | +17.9                    |
| Homestead.....    | 4,733     | + 0.4                    | 37,810            | 34,301            | +10.2                    |
| Lexington.....    | 25,278    | +29.8                    | 218,698           | 191,805           | +14.0                    |
| Lima.....         | 21,531    | +20.3                    | 165,598           | 139,699           | +18.5                    |
| Lorain.....       | 6,225     | -11.2                    | 54,032            | 51,861            | + 4.2                    |
| Middletown.....   | 18,882    | + 0.6                    | 150,831           | 122,534           | +23.1                    |
| Oil City.....     | 13,105    | + 7.2                    | 106,875           | 89,241            | +19.8                    |
| Pittsburgh.....   | 1,015,975 | +17.6                    | 8,317,020         | 7,312,010         | +13.7                    |
| Sharon.....       | 14,134    | +10.7                    | 109,215           | 91,093            | +19.9                    |
| Springfield.....  | 24,906    | +10.7                    | 197,632           | 173,391           | +14.0                    |
| Steubenville..... | 10,507    | -16.7                    | 92,692            | 92,033            | + 0.7                    |
| Toledo.....       | 209,318   | +16.8                    | 1,581,839         | 1,307,243         | +21.0                    |
| Warren.....       | 22,366    | +28.5                    | 155,360           | 127,941           | +21.4                    |
| Wheeling.....     | 31,569    | - 0.4                    | 254,096           | 265,299           | - 4.2                    |
| Youngstown.....   | 70,547    | - 0.1                    | 568,839           | 518,581           | + 9.7                    |
| Zanesville.....   | 10,781    | + 0.2                    | 90,361            | 81,897            | +10.3                    |
| Total.....        | 3,604,960 | + 9.7                    | 28,558,474        | 24,590,522        | +16.1                    |



## Summary of National Business Conditions

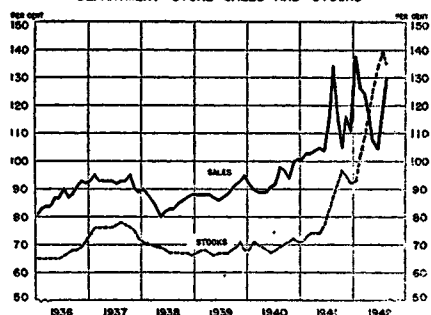
By the Board of Governors of the Federal Reserve System

INDUSTRIAL PRODUCTION



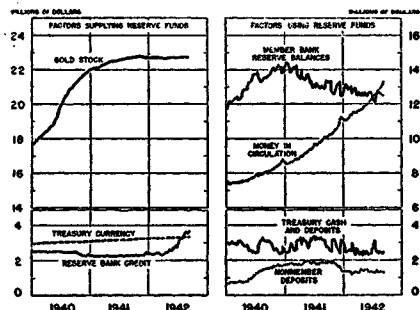
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for August 1942.

DEPARTMENT STORE SALES AND STOCKS



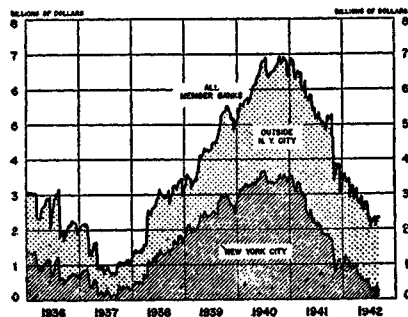
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for August 1942.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for September 9, 1942.

EXCESS RESERVES OF MEMBER BANKS



Wednesday figures, partly estimated. Latest figures shown are for September 9, 1942.

Industrial output continued to rise in August and the first half of September and retail distribution of commodities also increased. Prices of farm products and foods advanced further.

### Production

Industrial output increased in August and the Board's seasonally adjusted index rose 3 points to 183 per cent of the 1935-1939 average. There were further marked increases in activity in the machinery, transportation equipment, and other armament industries. Crude petroleum production increased considerably from the reduced level of recent months and output of manufactured food products rose more than is usual at this time of year. Production of materials, such as steel, nonferrous metals, coal, and lumber, continued in large volume.

Value of construction contracts awarded in August declined from the record high levels of June and July, according to figures of the F. W. Dodge Corporation. The extent to which the continuing large volume of construction reflects the war program is indicated by the fact that in the first eight months of this year 84 per cent of total awards have been for publicly financed projects and in recent months the percentage has been higher.

### Distribution

Distribution of commodities to consumers increased considerably in August, reflecting particularly marked increases in department store sales and in sales of general merchandise in small towns and rural areas. Dollar value of sales to consumers in August was somewhat lower than the unusually large sales a year ago, when there was a considerable amount of anticipatory buying, while average prices were about 12 per cent higher. On the basis of physical volume, therefore, sales were smaller than a year ago.

Railroad freight-car loadings were sustained at a high level during August and the first half of September, reflecting continued large shipments of most classes of freight.

### Commodity Prices

During August and the first half of September the general wholesale price index advanced about half a point to 99.2 per cent of the 1926 average, reflecting chiefly increases in prices of livestock products. Prices of wheat, flour, and some other uncontrolled commodities also advanced. New crop tobacco prices showed sharp increases over last year and a temporary ceiling at current levels was established for flue-cured types.

Retail food prices continued to rise from the middle of July to the middle of August and further increases are indicated in September. Prices of uncontrolled foods in August were 10 per cent higher than in May.

### Agriculture

Crop prospects improved considerably during August and aggregate production this year is expected to be about 15 per cent greater than in 1941, which was close to a record year for crops. Unusually high yields per acre are indicated for most major crops and for some others, like oil-seed crops, substantially increased acreages are expected to be harvested. Feed grain supplies are expected to be of record proportions, but owing to the growing number of livestock on farms the supply per animal will probably be about the same as last season.

### Bank Credit

Excess reserves of member banks, which have generally fluctuated between 2.0 and 2.5 billion dollars in recent months, rose temporarily to over 3 billion on September 16. This increase was due partly to a further reduction in reserve requirements on demand deposits at central reserve city banks from 24 to 22 per cent and partly to Treasury disbursements out of its balances with the Reserve Banks in connection with September 15 tax collections and fiscal operations. Funds for these disbursements arose in part from the issuance of special one-day certificates to the Reserve Banks.

Excess reserves of New York City banks have been declining for a number of months owing principally to the excess of funds raised in that city by the Treasury over amounts expended there. The effect of this drain has been offset in part by purchases of Government securities by the Federal Reserve System and by the two successive reductions in reserve requirements.

At banks outside New York City excess reserves have shown little change in recent months. These banks have lost reserves through currency drain and their required reserves have increased owing to growth of their deposits; both these factors, however, have been largely offset by transfers of funds from New York.

Holdings of Government securities at New York City banks, which increased substantially in July and August, declined somewhat in the first half of September. At banks outside New York City holdings have continued to increase.

### United States Government Security Prices

The recent 3 billion dollar Treasury cash financing operation had little effect on the Government securities market, and prices continued steady.