

# MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District  
Federal Reserve Bank of Cleveland

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No. 10

The upward trend in output of fourth district war plants was extended in September and October. Lack of balance in the entire war production program, however, continued to prevent maximum effective utilization of available men and materials. Shortage of steel hampered operations in some shipbuilding and munitions plants despite the fact that steel production has been at record levels. Layoffs because of material shortages were infrequent, but the work week was shortened in several instances.

Although raw material and labor supplies have grown more scarce, local war industries generally were able to adhere to previously scheduled hiring plans during the past two months. Manufacturers report that the quality of female job applicants during this period was considerably above the quality of men applying for work, so that further impetus was given to the trend toward employing a greater proportion of women workers.

Cities in this district in which the manpower shortage is said to be most acute are Cleveland, Akron, and Ravenna in northeastern Ohio, Columbus and Marion in central Ohio, and Dayton and Springfield in southwestern Ohio. The Pittsburgh-Wheeling-Youngstown area also is beginning to feel the labor shortage because of loss of steel and coal workers to other war industries. Northeastern Ohio is particularly hard hit due to the fact that in earlier phases of the war production program this area drew heavily from other regions. Now that the war program has become more widely diffused, workers are returning to their former homes where jobs have become available.

Civilian industries contracted further in September and early October as Government restrictions on use of materials became more severe, or labor forces were lost to higher paying war plants. Shoe, paper, and printing industries were particularly hard hit by loss of workers to war plants. Production of passenger tires for civilian use was resumed in October under direction of the rubber administrator.

The improvement in retail sales in this district during July, August, and the first half of September failed to carry through the second half of the month.

## FINANCIAL

Effective October 27, the rate of discount charged by the Federal Reserve Bank of Cleveland for advances to member banks secured by direct or guaranteed obligations of the United States, having one year or less to maturity or to call date, was reduced from one percent to one-half percent per annum. The rate of discount for advances to individuals, partnerships, and corporations, other than banks, secured by direct obligations of the United States, was reduced from 3½ percent to 2 percent per annum. The schedule of rates now in effect is shown in the table at the bottom of the page.

The purpose of reducing the rate on advances secured by short-term Government securities was to interpose no obstacle to borrowing by banks which find it necessary to offer Treasury bills, Certificates of Indebtedness, or other short-term Government obligations as collateral for advances to meet temporary needs. With the certainty that funds can be secured in this manner without incurring too great financial sacrifice, fourth district banks may be encouraged to make a larger proportion of their idle reserve balances available for war financing by purchasing more short-term Government securities.

A recent special study of the maturity distribution of Government obligations held by member banks in this district confirmed the general opinion that the

### RATES FOR DISCOUNTS AND ADVANCES— EFFECTIVE OCTOBER 27, 1942

Federal Reserve Bank of Cleveland

|   |     |
|---|-----|
| Discount to maturity of eligible paper  | 1%  |
| Advances to member banks up to 90 days secured by:  |     |
| A. Eligible paper   | 1%  |
| B. Direct obligations of the United States maturing or callable in more than one year               | 1%  |
| C. Direct obligations of the United States maturing or callable in one year or less                 | ½%  |
| Advances to member banks up to 15 days secured by:  |     |
| A. Direct or guaranteed obligations of the United States maturing or callable in more than one year | 1%  |
| B. Direct or guaranteed obligations of the United States maturing or callable in one year or less   | ½%  |
| Advances to member banks up to four months  | 1½% |
| Advances to nonmember banks up to 90 days secured by:   |     |
| Direct obligations of the United States   | 1%  |
| Advances to individuals, partnerships, and corporations other than banks up to 90 days, secured by: |     |
| Direct obligations of the United States   | 2%  |

smaller banks hold the largest proportion of idle reserves, yet they have been hesitant to buy larger amounts of the shorter-term Government securities now on the market. As shown in the table below, reserves of the smallest banks in this district were almost double their reserve requirements at the end of September, whereas excess reserves of the largest banks were only 33 percent of requirements.

### MATURITY DISTRIBUTION OF GOVERNMENT SECURITIES

Fourth District Members Banks  
September 28, 1942

| Size of Bank<br>(assets in<br>thousands of<br>dollars) | 250 to 500 |              | 1,000 to 2,000 |                | 5,000 to 10,000 |                  | Over 10,000 |               | All |
|--|------------|--------------|----------------|----------------|-----------------|------------------|-------------|---------------|-----|
|  | to 500     | 500 to 1,000 | to 2,000       | 2,000 to 5,000 | to 10,000       | 10,000 to 50,000 | to 50,000   | 50,000 to All |     |
| No. of Banks   | 32         | 129          | 187            | 166            | 56              | 47               | 19          | 633           |     |
| % of Government Securities due in:                     |            |              |                |                |                 |                  |             |               |     |
| 1 year or less   | 8.9        | 13.0         | 14.3           | 15.6           | 21.1            | 18.8             | 22.0        | 21.2          |     |
| 1 to 3 years   | 4.3        | 7.4          | 10.8           | 13.5           | 9.4             | 11.0             | 13.0        | 12.7          |     |
| 3 to 5 years   | 4.7        | 9.8          | 11.5           | 11.2           | 9.7             | 11.8             | 12.7        | 12.5          |     |
| More than 5 years                                      | 82.1       | 69.8         | 63.4           | 59.7           | 59.8            | 42.3             | 52.3        | 53.6          |     |
| % Reserves Exceed Requirements                         | 98.9       | 78.8         | 69.0           | 72.4           | 61.4            | 40.0             | 33.4        | 39.4          |     |
| % of Total Assets made up by Governments               | 22.9       | 25.8         | 28.5           | 29.2           | 31.4            | 29.2             | 43.0        | 37.7          |     |

Government obligations accounted for 23 percent of the total assets of the smallest banks, and 43 percent of the largest. Less than nine percent of the small banks' Government securities matured in one year or less, whereas 22 percent of the large banks' Government holdings were in these short-term securities. Only nine percent of the small banks' Governments were in the intermediate one-to-five-year maturities, whereas the largest banks had concentrated 26 percent of their Government holdings in this bracket. From this study it is apparent that the smaller banks have ample resources which could be used without any substantial loss of liquidity for supporting a wider distribution of short-term Government obligations. The reduction in discount rates on securities maturing in one year or less may encourage these banks to use their funds in this manner.

The weekly condition reports of banks in leading cities of the district for the four weeks ended October 21 reflect participation of these banks in Treasury financing. In the four weeks these banks added \$127,000,000 to their portfolio of direct Government obligations, bringing their total Government security holdings to \$1,681,000,000 compared with \$956,000,000 a year ago. Loans continued to decline in the period under review, whereas adjusted demand deposits again reached an all-time high.

### MANUFACTURING, MINING

**Iron and Steel** Production of steel ingots in September totaled 7,067,084 net tons, or 96.5 percent of capacity. Results of the nation-wide scrap salvage drive, were beginning to be reflected in higher ingot production rates during the first three weeks of October. Production of steel ingots for the week starting October 19 was scheduled at 101 percent of capacity, according to the *American Iron and Steel Institute*. As can be seen on the chart at the bottom of this page, the percent of capacity on October 19, translated into net tons of ingots produced, resulted in a new weekly production record.

Reports from steel producers indicate that a scarcity of labor is replacing the scrap shortage as an industry problem. The industry points out that entering military service and the attraction of higher overtime wages in defense plants have resulted in losses of from seven to eight percent of its personnel, while the drain at some companies has reached as high as 16 percent. Training of women for jobs normally filled by men has thus become increasingly intensive.

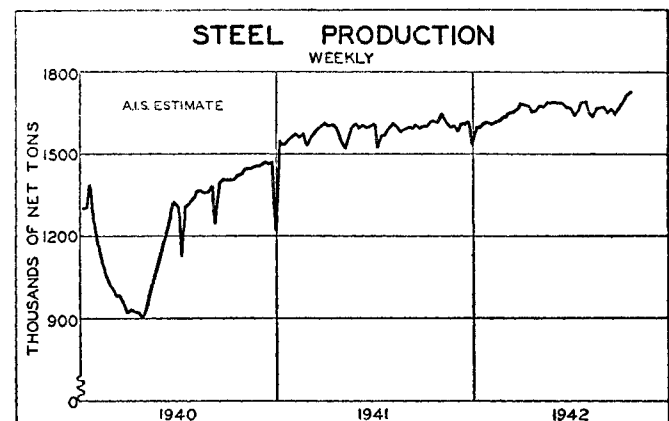
Increases in capacity are being limited by the inability to obtain materials used in the construction of new furnaces. Many such expansion projects are reported to be considerably behind schedule. Two blast furnaces in the Pittsburgh district, originally planned for completion in January or February, will not be blown in until next spring.

Inclement weather delayed ore boats during September so that total tonnage for the month dropped to 11,780,446 tons—the lowest since April. Fear of being caught below the intermediate season load line effective October 1 also contributed to the lower tonnage near the end of the month. During the 1942 season 72,052,916 tons had been shipped from United States ports before October 1. Ample stocks of ore for consumers to meet their winter requirements were assured by the 48,421,605 tons at furnaces and lower lake docks on October 1. Consumption of Lake Superior ore in September totaled 7,139,888 tons.

### Coal

Fourth district coal production in recent months has dropped below the high level of May and June. Total output for Ohio, Pennsylvania, and eastern Kentucky mines was 18,675,000 tons in September, or five percent less than June. Total production for the third quarter was 55,495,000 tons compared with 58,001,000 tons for the second quarter of this year.

The industry continues to report that growing scarcity of labor is one of the major factors causing the production decline. Surveys made by the *Department of Commerce* indicate that coal mines have lost nearly 50,000 employees to the armed forces and to other industries since the start of the year. Since the industry is still operating on a 35-hour week, however, it is possible that production can be increased with the present labor force if negotiations now under way between producers and the union result in adoption of a longer work week. In mid-October production was at about 92 percent of theoretical capacity, with capacity calcu-



lated on a 35-hour week in Appalachian mines.

Bituminous coal loaded into lake vessels during September declined moderately from August to 6,168,865 net tons and was substantially lower than the figure for a year ago. Total shipments for the season, however, were still fractionally above those for the same period last year, with most of the advance occurring during the second quarter. Total 1942 coal loadings prior to September 30 were 36,901,000 tons, compared with 35,258,000 tons for the same period in 1941.

**Rubber** Production of tires for civilian use was resumed in October. These tires, made of reclaimed rubber, are intended to supplement the Grade II tires and recaps now being made available to civilians in greater numbers than were provided for in earlier rationing quotas. It was not expected, however, that these all-reclaim tires would reach consumers in substantial volume until late in November. The industry reported that a manpower shortage would be the only difficulty in meeting the rapid increase called for by fourth quarter production schedules. War activities of the rubber manufacturing companies in this area have expanded so rapidly that not only have they absorbed all employees thrown out of work when civilian tire production was stopped, but large in-migration has been necessary.

Total output of rubber manufacturing companies is at all-time high levels, despite the fact that consumption of crude rubber continues well below pre-Pearl Harbor rates. This has been made possible by expansion into fields such as aircraft, anti-aircraft gun mounts, machine gun clips, etc., which have little or no direct connection with purely rubber manufacturing operations. Expansion of this type of activity in Akron has been so great that the local office of the War Manpower Commission has designated that city as one in which a labor shortage exists. Prior to this announcement, tire building departments were still working on the basis of six-hour shifts, but subsequent to official recognition of the manpower shortage, steps were being taken to increase the number of hours worked on such operations.

**Other Manufacturing** Activity in other fourth district manufacturing concerns during September and early October again depended on the extent to which individual plants had succeeded in converting to war production. War plants generally increased their output in September and the early part of October, although hampered to an increasing degree by material and manpower shortages. Loss of working forces to the Army, Navy, and higher paying war factories resulted in some reduction in output of civilian goods, even in those plants where materials were available.

Machine tool makers are reported to be reaching their proposed peak rate of activity, with a relatively small number of expansion programs still under way. Shortages of steel and skilled workers continue to prevent maximum output and, in fact, some new plants in this area are operating at only a fraction of their rated capacity.

Electrical equipment manufacturers continue to re-

port an increasing flow of orders, production, and shipments. Although exact employment figures for this industry can no longer be published because of its importance to the military effort, reports from individual plants indicate that the number of workers is at all-time high levels.

Office equipment manufacturers have generally been able to maintain manufacturing schedules despite an uneven flow of raw materials. This has been done by employing a large variety of substitutes, although the difficulty in securing raw materials of all kinds has been constantly increasing. Army and Navy requirements are absorbing increasing amounts of wood products, as well as steel and other metals.

Again there was little change in the flat glass industry during September and the first three weeks of October. Window glass production in September was at the rate of 68 percent of capacity. Although this was a slight improvement over August, it still compared unfavorably with the levels reached during the first part of the year when the industry was operating at capacity. Plate glass production rose from 3,863,000 square feet in August to 4,742,000 square feet in September, but even this increased output was only 25 percent of the monthly production peak reached early in 1941. This industry has been unable to convert its facilities, to any extensive degree, to production of war materials.

Conditions in the dinnerware branch of the ceramics industry have shown little change in recent weeks. Order backlogs are sufficient to permit full operating schedules for the remainder of the year and raw materials are not a major problem to this industry. Loss of manpower to the armed forces and war industries was not an important factor earlier in 1942, but it is now said to be limiting output.

Orders for paperboard continued to improve during September and the first three weeks of October, reaching a point of about 90 percent of the industry's capacity. Production, however, has gained at a slower rate and has averaged about 80 percent of capacity for the last five weeks, compared with 75 percent during most of July and August. This recent improvement is said to be largely seasonal, representing demands for Christmas packaging. Paperboard prices are still considerably below Office of Price Administration ceilings.

Output of shoes at fourth district factories reflects inability to obtain adequate supplies of sole leather and loss of manpower to the armed forces and war plants. The number of shoes produced in September was 23 percent less than a year ago, although the decrease for the first nine months of the year was only nine percent.

Textile mills were devoting the major part of their attention to filling orders for Government requirements. In fact, some plants reported as much as 80 percent of their production was for defense needs. The small volume of textiles available for civilian consumption has delayed opening of spring lines by men's clothing manufacturers. Incoming business of these firms was considerably less than last year, but the decline in production of civilian clothing has been more than offset by increased output of uniforms for the Army and Navy.

## DEPARTMENT STORE STOCKS

The index of month-end stocks for leading fourth district department stores has been revised to make it comparable to the sales index, the revision of which was described in the September 30 issue of the *Monthly Business Review*. The major changes are the base years used, the number of stores included, and the seasonal factors.

The index formerly on a 1923-1925 average base is now computed on a 1935-1939 average base. The data used are dollar value of end-of-month stocks at retail prices. The number of stores used in the sample has been increased from 42 to 51, and now includes units in Cleveland, Pittsburgh, Cincinnati, Columbus, Akron, Toledo, Wheeling, Erie, Dayton, Youngstown, Springfield, Portsmouth, Mount Vernon, and Uniontown. Since this bank does not receive stock reports from the retail outlets of mail order houses, the index is for a smaller number of stores than the sales index.

The seasonal factors used to adjust the index were also revised. These changes were relatively small, the largest revision being an increase of three points for the month of October. The seasonals for five months remained the same. However, these revisions show that department stores are carrying slightly heavier stocks in February and October than they had formerly, and lighter inventories during the early summer months of June and July.

The accompanying chart shows the trend of inventories during the past twenty-four years. In studying the chart it is important to remember that since the index is based on stocks at retail prices, changes in both the physical volume of inventories carried and the general price level are reflected in the movements of the index. During 1919 and 1920 there was a sharp rise as a result of the inflation of that period. The peak of 174 percent late in 1920 was surpassed only by the all-time high of this year, and it was followed by a sharp decline when the post-war depression and the downward movement of prices occurred. It was not until 1923 and early 1924 that retailers again augmented their stocks to any great degree. From then on through the business prosperity of the mid-twenties, the index

showed a period of remarkable stability; but in 1928 stores started to reduce their stocks and continued to do so until March 1933. During the pre-NRA days of mid-1933, there was an increase of over 20 points in the index, as stores stocked up in anticipation of rising prices. This was followed by a period of stability in the index and a relatively constant price level. During 1936 and 1937 retailers again built up their inventories as sales increased and as higher prices and delivery delays became imminent. In the latter part of 1937 the index reached 120 percent of the 1935-1939 average, the highest it had been in over six years. During the following year of business recession stores liquidated their inventories. There was little increase until early 1940, when manufacturers were filling orders that had been placed after the outbreak of war in September 1939.

Early in 1941 merchants started to make large additions to their volume of inventories, a major cause being fear of future shortages and inability to obtain goods. The index rose from 106 in January of that year to 223 on July 31 of this year, an increase of over 110 percent. However, during the past two months stores have liquidated their large stocks somewhat and the index has fallen to 185 percent. The decreasing volume of civilian goods produced and the anticipation by retailers of legal limitations on inventories have been responsible for this decline. This fear of governmental control led retailers to cancel many of their outstanding orders a few months ago. Stocks on September 30 were 29 percent greater than they were on the same date in 1941. This is considerably smaller than the year-to-year increases of 75 percent, and over, reported a few months ago.

The latter part of this month the Chairman of the War Production Board announced that an order was being drafted to establish control over inventories by reducing them to pre-war levels. According to the plan, each merchant will have to maintain the same relationship of his stocks to his sales which he had in the comparable quarters in 1939-40-41. Under this system sales increases or decreases will result in proportionate

*Department Store Stocks—Fourth District*

(Index of Dollar Volume of Stocks Priced at Retail; 1935-39=100)

|                  | Without Seasonal Adjustment     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
|------------------|---------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|                  | 1927                            | 1928 | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 | 1942 |
| January.....     | 134                             | 133  | 128  | 122  | 106  | 92   | 69   | 80   | 78   | 81   | 97   | 96   | 86   | 92   | 95   | 133  |
| February.....    | 148                             | 144  | 140  | 131  | 113  | 96   | 71   | 86   | 85   | 87   | 106  | 103  | 94   | 102  | 103  | 153  |
| March.....       | 161                             | 155  | 149  | 141  | 120  | 101  | 74   | 90   | 91   | 94   | 118  | 109  | 101  | 109  | 113  | 174  |
| April.....       | 161                             | 155  | 153  | 140  | 121  | 101  | 72   | 92   | 94   | 95   | 121  | 108  | 101  | 109  | 116  | 190  |
| May.....         | 156                             | 151  | 150  | 140  | 118  | 98   | 74   | 91   | 93   | 94   | 119  | 106  | 99   | 106  | 116  | 204  |
| June.....        | 149                             | 142  | 141  | 134  | 111  | 94   | 73   | 86   | 86   | 89   | 111  | 98   | 93   | 95   | 111  | 205  |
| July.....        | 143                             | 137  | 135  | 122  | 105  | 84   | 74   | 83   | 78   | 85   | 106  | 90   | 89   | 91   | 115  | 198  |
| August.....      | 150                             | 143  | 138  | 122  | 105  | 82   | 83   | 85   | 81   | 92   | 115  | 95   | 96   | 99   | 131  | 200  |
| September.....   | 165                             | 152  | 150  | 134  | 119  | 89   | 97   | 94   | 91   | 104  | 127  | 102  | 104  | 110  | 150  | 196  |
| October.....     | 171                             | 165  | 162  | 142  | 123  | 93   | 105  | 99   | 99   | 110  | 134  | 108  | 115  | 120  | 169  |      |
| November.....    | 177                             | 169  | 164  | 146  | 124  | 94   | 106  | 101  | 103  | 117  | 136  | 112  | 121  | 123  | 170  |      |
| December.....    | 142                             | 139  | 129  | 116  | 98   | 75   | 83   | 81   | 82   | 95   | 103  | 88   | 93   | 96   | 135  |      |
| Yearly Average.. | 155                             | 149  | 145  | 132  | 114  | 92   | 82   | 87   | 88   | 95   | 116  | 101  | 99   | 105  | 127  |      |
|                  | Adjusted for Seasonal Variation |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| January.....     | 155                             | 155  | 149  | 142  | 124  | 106  | 79   | 91   | 87   | 92   | 109  | 108  | 97   | 104  | 106  | 149  |
| February.....    | 155                             | 152  | 147  | 138  | 119  | 101  | 75   | 90   | 89   | 92   | 111  | 107  | 97   | 107  | 107  | 159  |
| March.....       | 156                             | 150  | 145  | 137  | 117  | 98   | 71   | 87   | 89   | 91   | 114  | 105  | 98   | 106  | 110  | 169  |
| April.....       | 155                             | 149  | 148  | 135  | 117  | 98   | 70   | 90   | 90   | 91   | 116  | 104  | 98   | 105  | 112  | 182  |
| May.....         | 153                             | 148  | 147  | 137  | 116  | 96   | 72   | 89   | 91   | 92   | 117  | 104  | 97   | 104  | 114  | 200  |
| June.....        | 153                             | 147  | 145  | 138  | 115  | 97   | 76   | 89   | 88   | 93   | 117  | 104  | 99   | 103  | 120  | 220  |
| July.....        | 155                             | 149  | 147  | 133  | 114  | 92   | 80   | 91   | 86   | 94   | 118  | 100  | 100  | 102  | 129  | 223  |
| August.....      | 154                             | 148  | 143  | 126  | 108  | 96   | 86   | 88   | 85   | 97   | 120  | 99   | 99   | 102  | 135  | 206  |
| September.....   | 158                             | 144  | 143  | 127  | 112  | 84   | 92   | 88   | 86   | 98   | 120  | 97   | 98   | 104  | 141  | 185  |
| October.....     | 153                             | 147  | 145  | 127  | 110  | 83   | 93   | 88   | 88   | 97   | 119  | 95   | 101  | 105  | 147  |      |
| November.....    | 155                             | 149  | 144  | 128  | 108  | 83   | 93   | 88   | 88   | 102  | 118  | 98   | 98   | 107  | 148  |      |
| December.....    | 153                             | 150  | 139  | 124  | 105  | 81   | 89   | 88   | 90   | 104  | 112  | 96   | 102  | 106  | 149  |      |

changes in allowable inventories. It is hoped that this order will achieve more equitable distribution of goods and that supplies will be available to all merchants rather than to only those with the greatest buying power.

**Retail Sales** Sales of 96 department stores in this district during September showed a less than seasonal gain and the adjusted index fell to 146 percent of the 1935-1939 average, compared with 157 percent in August. These same stores reported that sales were three percent greater this year than last, and for the first nine months of this year the increase was nine percent. Sales of hosiery during September were up 68 percent, infants' wear 50 percent, and women's and children's shoes 22 percent. Stores reported that people were buying shoes in anticipation of reduced inventories and rumored rationing. The house furnishings and men's clothing departments continued to experience declines in their volume of business. The loss of customers to the services and the heavy buying of men's wear earlier this year have contributed to the decreases in men's clothing sales, although this has been partly offset by the increased purchasing power of many war workers. Sales of men's furnishings during September were up seven percent from those of last year, indicating that while many men, uncertain of their future, are reluctant to buy suits and coats, they are willing to purchase smaller items.

Accounts receivable at the end of last month were 35 percent smaller than on the same date in 1941, and collections showed a decrease of 10 percent. September collections accounted for 47 percent of the accounts receivable on August 31, compared with 48 percent the previous month and 34 percent a year ago.

Sixteen wearing apparel stores in this district reported an increase of four percent in their sales this September over last. The chain drug and grocery

trades experienced gains of 17 per cent and 27 per cent, respectively.

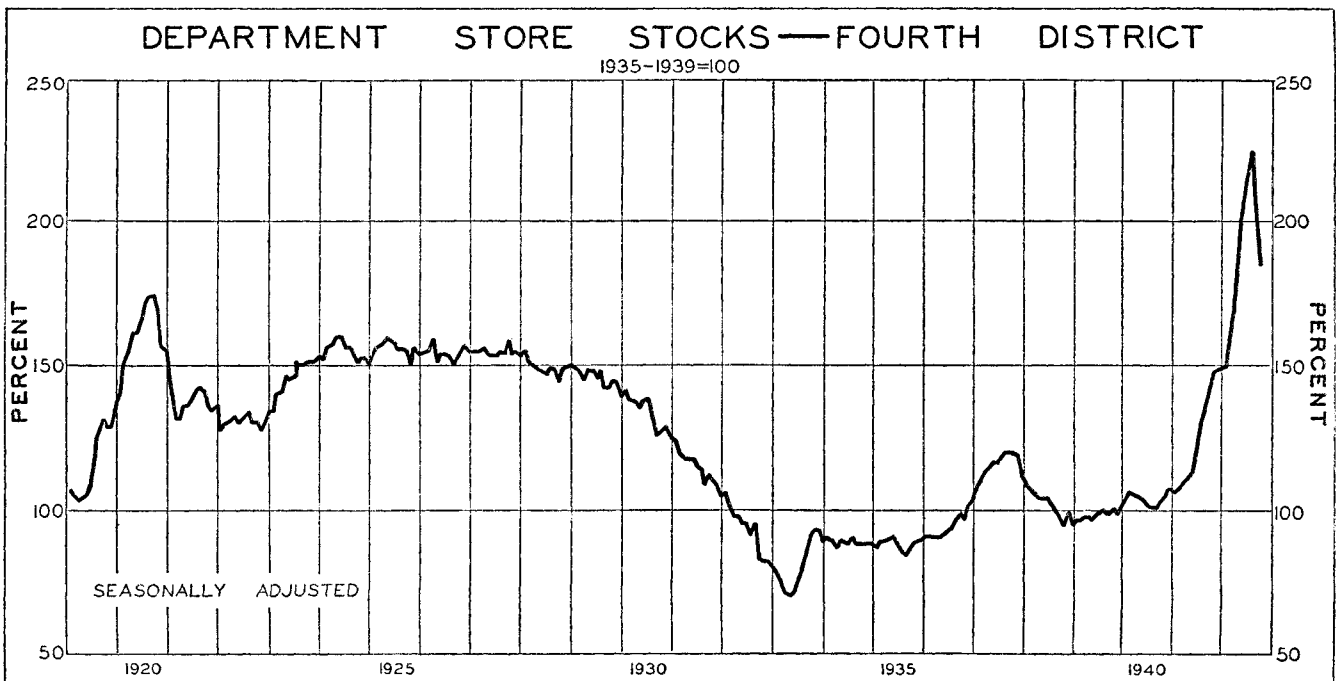
**Wholesale Trade**

Sales of fourth district wholesalers during September were six percent above August, according to reports of the *Bureau of the Census* covering 191 fourth district firms. Sales of electrical goods, groceries, and jewelry showed the greatest gains. Compared with September 1941, the dollar value of wholesale sales declined four percent, with physical volume showing a still greater decline because of the rising wholesale price level during the past year. The impact of the war program continued to be the major factor in determining the year-to-year changes, with important losses being reported for lines in which production for civilian use has been sharply curtailed. Among these items were automotive supplies, all types of hardware, machinery, and electrical goods. Declines were also reported for paints and varnishes and paper and its products. Both of these trades have suffered a serious shrinkage in consumer demand in spite of the fact that no shortages are reported. Partially offsetting the losses in these lines were substantial gains in food, beer, and clothing.

Inventories of fourth district wholesalers declined again in September, dropping six percent below August and nine percent below the same month of 1941. This was the first time since August 1939 that wholesalers' inventories at the end of the month dropped below those for the corresponding date of the previous year and reflected the growing difficulty wholesale firms are encountering in maintaining their stocks of restricted civilian lines. Inventories of fruits and vegetables, paints, and non-electrical machinery, however, continued to be considerably above a year earlier.

**CONSTRUCTION**

Construction contracts awarded in Ohio, western Pennsylvania, West Virginia, and Kentucky totaled



\$58,410,000 in September, according to *F. W. Dodge Corporation* statistics. As can be seen on the chart below, this is a continuation of the declining trend which has persisted since the peak of June. September was eleven percent above a year ago and higher than the same month in any year since 1929.

Private construction in September accounted for only 15 percent of the total and was at the lowest level in dollar volume since early in 1938. Construction in this area has now reached a point which is in sharp contrast to that of the first three months of 1941 when private building accounted for 66 percent of all construction.

Industrial projects continued to constitute the major part of the total contract awards. Construction of factories, public utilities, and public works totaled \$42,913,000, or 73 percent of the contracts awarded in September. All building, other than residential, public works, and utilities, was 192 percent above September 1941, while residential building declined 61 percent in the same period.

The recent War Production Board order bringing a halt to virtually "all construction not directly essential to the war effort" points to further curtailment in the field of construction. According to the chairman of this board, the needs of the military program require that men and materials now devoted to construction must be released for more urgent war work. A substantial part of the \$16 billions of private and public construction planned for 1943 has been forbidden by the order.

Estimates of war construction for the remainder of 1942 and the year 1943 have been released by the Director of the Statistics Division of the War Production Board. At the present rate, war construction this year is expected to reach a total of more than \$11 billions, or more than the all-time high for all types of construction established in 1927. Shortages of critical materials used in construction, however, will cause a reduction of about one-third in all building and engineering projects, exclusive of shipbuilding, scheduled for 1943.

The lumber shortage is becoming increasingly acute, according to reports from the industry, with unfilled orders running 40 percent above a year ago. It has been announced by the *National Lumber Manufacturers Association* that on October 3 unfilled orders equaled 72 percent of gross lumber stocks. The in-

dustry fears, however, that labor and transportation problems may prevent it from increasing the current rate of production in the future. Moreover, the demands for their product are expanding, not only in the usual construction channels, but also for such new uses as plywood aircraft.

## AGRICULTURE

Movements of agricultural prices during the past month were dominated by Government actions under the recently enacted amendment to the Price Control Act or by anticipation of such action. Although the general level of prices received by farmers has shown little net change since August, prices of individual commodities have shown considerable fluctuation. Hog prices fell in mid-September as heavy marketings followed reports that price ceilings were being considered. Early in October, however, hog prices again reached 22-year peaks as consumer demand remained high and purchases for Lend-Lease and military requirements were large. Beef cattle prices also rose to peak levels in October after a temporary reaction in September.

### Corn

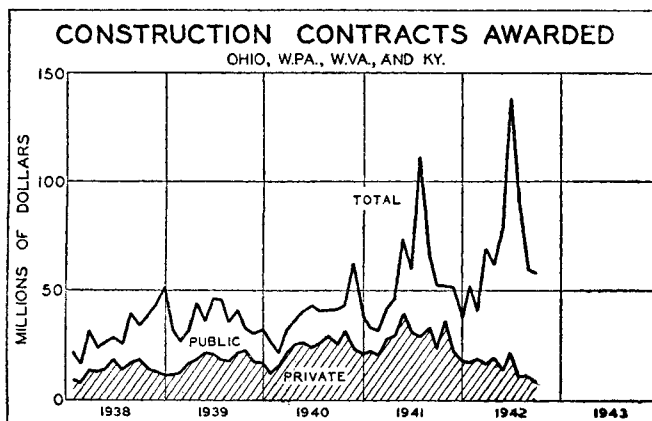
The latest estimate of corn production in this district placed the crop at 227,692,000 bushels, or more than in any other year since 1925. Production last year was 201,445,000 bushels and the ten-year 1932-1941 average 175,235,000 bushels. Improved yields per acre resulting from greater use of hybrid seeds and good growing conditions were the main factors accounting for the large 1942 crop. Conditions were very favorable for corn during the first three weeks of September, but killing frosts the last week of the month caught some of the corn before it was fully matured.

### Cattle

The high price of feeder cattle relative to prices for finished livestock and the uncertainty regarding future Government price control policy have caused farmers in this district to postpone decisions on feeding operations. Other conditions that usually determine actions of cattle feeders, however, are quite favorable, according to the *Department of Agriculture*. Supplies of feed grains, hay and roughage, and high protein concentrates are of near-record proportions. Prices of feeds are relatively low in relation to present fat cattle prices, last winter's feeding operations were generally quite profitable, and available supplies of feeder cattle are relatively large. Nevertheless, the small number of animals being purchased and the large amounts of cash received by farmers for 1942 marketings have combined to bring about an exceptionally small demand for feeder loans at local country banks.

### Tobacco

In mid-October tobacco stripping was in progress throughout the Burley tobacco belt. The crop was said to have cured fairly well, but there was some damage from unfavorable weather during the curing season. Burley production for the year is now estimated at 347,000,000 pounds, or about three percent greater than last year. Disappearance during the past twelve months is estimated to have exceeded this year's crop by from 25 to 30 million pounds.



**Wholesale and Retail Trade**

(1942 compared with 1941)

|   | Percentage Increase or Decrease |                                    |                         |
|---|---------------------------------|------------------------------------|-------------------------|
|   | SALES<br>Sept.<br>1942          | SALES<br>first 9<br>months<br>1942 | STOCKS<br>Sept.<br>1942 |
| <b>DEPARTMENT STORES (96)</b>                   |                                 |                                    |                         |
| Akron.....                                      | +21                             | +18                                | +20                     |
| Canton.....                                     | +15                             | +13                                | a                       |
| Cincinnati.....                                 | +1                              | +8                                 | +33                     |
| Cleveland.....                                  | +1                              | +11                                | +26                     |
| Columbus.....                                   | +10                             | +11                                | +39                     |
| Erie.....                                       | +16                             | +19                                | +13                     |
| Pittsburgh.....                                 | -2                              | +7                                 | +32                     |
| Toledo.....                                     | +12                             | +13                                | +16                     |
| Wheeling.....                                   | -11                             | +1                                 | +22                     |
| Youngstown.....                                 | -0-                             | +1                                 | a                       |
| Other Cities.....                               | +3                              | +1                                 | +32                     |
| District.....                                   | +3                              | +9                                 | +29                     |
| <b>WEARING APPAREL (16)</b>                     |                                 |                                    |                         |
| Canton.....                                     | +4                              | +13                                | +17                     |
| Cincinnati.....                                 | -6                              | +4                                 | +14                     |
| Cleveland.....                                  | +14                             | +16                                | +33                     |
| Pittsburgh.....                                 | -3                              | +8                                 | +28                     |
| Other Cities.....                               | +4                              | +10                                | +23                     |
| District.....                                   | +4                              | +11                                | +24                     |
| <b>FURNITURE (87)</b>                           |                                 |                                    |                         |
| Canton.....                                     | -13                             | -7                                 | +27                     |
| Cincinnati.....                                 | -28                             | -13                                | a                       |
| Cleveland.....                                  | -14                             | -9                                 | +72                     |
| Columbus.....                                   | +9                              | -12                                | +42                     |
| Dayton.....                                     | -1                              | +12                                | a                       |
| Erie.....                                       | +10                             | +2                                 | a                       |
| Pittsburgh.....                                 | -26                             | -18                                | +46                     |
| Toledo.....                                     | -2                              | -2                                 | +26                     |
| Other Cities.....                               | -4                              | -7                                 | +31                     |
| District.....                                   | -13                             | -11                                | +42                     |
| <b>CHAIN STORES*</b>                            |                                 |                                    |                         |
| Drugs—District (5).....                         | +17                             | +17                                | a                       |
| Groceries—District (4).....                     | +27                             | +31                                | a                       |
| <b>WHOLESALE TRADE**</b>                        |                                 |                                    |                         |
| Automotive Supplies (12).....                   | -27                             | -1                                 | -14                     |
| Beer (4).....                                   | +40                             | +26                                | +14                     |
| Confectionery (5).....                          | +29                             | +26                                | -33                     |
| Drugs and Drug Sundries (5).....                | +3                              | +12                                | +12                     |
| Dry Goods (6).....                              | -9                              | +16                                | +10                     |
| Electrical Goods (18).....                      | -17                             | -8                                 | -41                     |
| Fresh Fruits and Vegetables (7).....            | +38                             | +17                                | +35                     |
| Furniture & House Furnishings (3).....          | -46                             | a                                  | a                       |
| Grocery Group (39).....                         | +13                             | +15                                | -15                     |
| Total Hardware Group (30).....                  | -22                             | +19                                | -15                     |
| General Hardware (8).....                       | -28                             | +9                                 | -13                     |
| Industrial Supplies (10).....                   | -12                             | +27                                | -1                      |
| Plumbing & Heating Supplies (12).....           | -20                             | +1                                 | -46                     |
| Jewelry (5).....                                | -6                              | a                                  | -18                     |
| Machinery, Equip. & Sup. (exc. Elect.) (4)..... | -41                             | +16                                | +81                     |
| Meats and Meat Products (5).....                | +31                             | +29                                | +7                      |
| Metals (3).....                                 | -5                              | -15                                | a                       |
| Paints and Varnishes (6).....                   | -26                             | -4                                 | +18                     |
| Paper and its Products (5).....                 | -33                             | +4                                 | a                       |
| Tobacco and its Products (15).....              | +4                              | +4                                 | -3                      |
| Miscellaneous (16).....                         | -9                              | +10                                | -4                      |
| District—All Wholesale Trade (191).....         | -4                              | +10                                | -9                      |

\* 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 Seasonal Adjustment |                |               | Adjusted for Seasonal Variation |                |               |
|--------------------|-----------------------------|----------------|---------------|---------------------------------|----------------|---------------|
|                    | Sept.<br>1942               | August<br>1942 | Sept.<br>1941 | Sept.<br>1942                   | August<br>1942 | Sept.<br>1941 |
| Akron (6)....      | 195                         | 162            | 161           | 191                             | 200            | 158           |
| Canton (5)....     | 200                         | 178            | 162           | 207                             | 215            | 167           |
| Cincinnati (9).... | 146                         | 131            | 144           | 143                             | 166            | 141           |
| Cleveland (10).... | 185                         | 138            | 181           | 154                             | 161            | 152           |
| Columbus (5)....   | 150                         | 131            | 136           | 151                             | 162            | 138           |
| Erie (3).....      | 176                         | 163            | 152           | 178                             | 201            | 153           |
| Pittsburgh (8).... | 141                         | 124            | 142           | 139                             | 149            | 140           |
| Toledo (6)....     | 152                         | 128            | 137           | 133                             | 167            | 120           |
| Wheeling (6)....   | 116                         | 93             | 133           | 105                             | 117            | 121           |
| Youngstown (3).... | 162                         | 140            | 162           | 150                             | 173            | 150           |
| District (96)....  | 161                         | 134            | 155           | 146                             | 157            | 141           |

Figures in parentheses indicate number of firms reporting sales.

**Fourth District Business Statistics**

(000 omitted)

|  | Sept.<br>1942 | % change<br>from 1941 | Jan.-Sept.<br>1942 | % change<br>from 1941 |
|--|---------------|-----------------------|--------------------|-----------------------|
| Fourth District Unless<br>Otherwise Specified                |               |                       |                    |                       |
| Bank Debits—24 cities.....                                   | \$3,827,000   | +16                   | \$32,133,000       | +16                   |
| Savings Deposits—end of month:<br>40 banks O. and W. Pa..... | \$ 788,264    | -0-                   |                    |                       |
| Life Insurance Sales:  |               |                       |                    |                       |
| Ohio and Pa.....   | \$ 60,025     | -30                   | 694,160            | -9                    |
| Retail Sales:  |               |                       |                    |                       |
| Dept. Stores—96 firms.....                                   | \$ 38,048     | +3                    | 296,006            | +9                    |
| Wearing Apparel—16 firms.....                                | \$ 1,566      | +4                    | 11,583             | +11                   |
| Furniture—87 firms.....                                      | \$ 2,985      | -13                   | 30,451             | -11                   |
| Building Contracts—Total.....                                | \$ 49,939     | +7                    | 527,879            | +29                   |
| " — Residential.....   | \$ 8,438      | -61                   | 132,201            | -28                   |
| Commercial Failures—Liabilities.....                         | \$ 377        | -23                   | 4,390              | -42                   |
| " — Number.....  | 34            | -17                   | 373                | -26                   |
| Production:  |               |                       |                    |                       |
| Steel Ingot—U. S. .... Net tons                              | 7,067         | +4                    | 64,019             | +4                    |
| Bituminous Coal, O., W. Pa.,<br>E. Ky. .... Net tons         | 18,675        | +4                    | 166,444            | +19                   |
| Cement—O., W. Pa., W. Va. bbls.                              | 1,520         | +7                    | 11,280             | +4                    |
| Elec. Power, O., Pa., Ky.                                    |               |                       |                    |                       |
| Thous. k.w.h.  | 2,525a        | +10                   | 19,738b            | +13                   |
| Petroleum—O., Pa., Ky. .... bbls.                            | 2,142a        | +5                    | 17,248b            | +6                    |
| Shoes..... pairs   | c             | -23                   | c                  | -9                    |
| Bituminous Coal Shipments:<br>L. E. Ports..... Net tons      | 6,169         | -11                   | 36,901             | +5                    |

a August.  
b January-August.  
c Confidential.

**Fourth District Business Indexes**

(1935-39=100)

|   | Sept.<br>1942 | Sept.<br>1941 | Sept.<br>1940 | Sept.<br>1939 | Sept.<br>1938 |
|---|---------------|---------------|---------------|---------------|---------------|
| Bank debits (24 cities).....              | 172           | 148           | 117           | 104           | 90            |
| Commercial Failures (Number).....         | 51            | 61            | 53            | 56            | 113           |
| (Liabilities).....                        | 26            | 34            | 72            | 53            | 68            |
| Sales—Life Insurance (O. & Pa.).....      | 71            | 102           | 85            | 75            | 71            |
| —Department Stores (96 firms).....        | 161           | 155           | 126           | 113           | 102           |
| —Wholesale Drugs (5 firms).....           | 147           | 143           | 118           | 117           | 109           |
| " — Dry Goods (6 firms).....              | 182           | 199           | 147           | 163           | 114           |
| " — Groceries (39 firms).....             | 151           | 133           | 104           | 125           | 105           |
| " — Hardware (30 firms).....              | 147           | 188           | 110           | 105           | 101           |
| " — All (80 firms).....                   | 161           | 162           | 114           | 125           | 106           |
| —Chain Drugs (4 firms)*.....              | 146           | 126           | 113           | 101           | 99            |
| Building Contracts (Total).....           | 205           | 192           | 142           | 140           | 128           |
| (Residential).....                        | 109           | 282           | 217           | 161           | 104           |
| Production—Coal (O., W. Pa., E. Ky.)..... | 149           | 144           | 120           | 117           | 95            |
| —Cement (O., W. Pa., E. Ky.).....         | 184           | 173           | 187           | 153           | 136           |
| —Elec. Power (O., Pa., Ky.)**.....        | 166           | 151           | 125           | 109           | 100           |
| —Petroleum (O., Pa., Ky.)**.....          | 97            | 92            | 96            | 103           | 105           |
| —Shoes.....                               | 92            | 119           | 85            | 125           | 107           |

\* Per individual unit operated.

\*\* August.

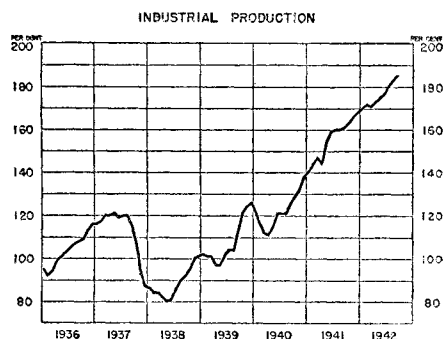
**Debits to Individual Accounts**

(Thousands of Dollars)

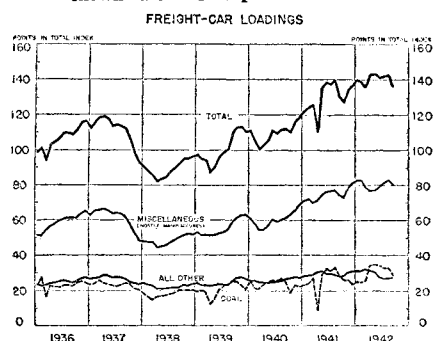
|                   | September<br>1942 | % change<br>from<br>1941 | Jan.-Sept.<br>1942 | Jan.-Sept.<br>1941 | % change<br>from<br>1941 |
|-------------------|-------------------|--------------------------|--------------------|--------------------|--------------------------|
| Akron.....        | 136,798           | +28.9                    | 1,093,156          | 854,595            | +27.9                    |
| Butler.....       | 12,907            | -0.8                     | 118,652            | 111,905            | +6.0                     |
| Canton.....       | 66,763            | +17.0                    | 570,559            | 477,449            | +19.5                    |
| Cincinnati.....   | 547,600           | +20.7                    | 4,524,083          | 3,817,250          | +18.5                    |
| Cleveland.....    | 1,026,833         | +14.8                    | 8,497,888          | 7,263,894          | +17.0                    |
| Columbus.....     | 226,906           | +3.3                     | 2,156,923          | 1,929,062          | +11.8                    |
| Dayton.....       | 120,400           | +22.7                    | 995,953            | 847,201            | +17.6                    |
| Erie.....         | 51,374            | +25.8                    | 428,311            | 350,217            | +22.3                    |
| Franklin.....     | 4,702             | +1.8                     | 42,442             | 35,955             | +18.0                    |
| Greensburg.....   | 10,325            | +9.7                     | 94,413             | 82,655             | +14.2                    |
| Hamilton.....     | 17,943            | +9.1                     | 157,747            | 135,036            | +16.8                    |
| Homestead.....    | 4,488             | -17.3                    | 42,298             | 39,729             | +6.5                     |
| Lexington.....    | 26,262            | +33.8                    | 244,960            | 211,430            | +15.9                    |
| Lima.....         | 22,304            | +19.1                    | 187,902            | 158,424            | +18.6                    |
| Lorain.....       | 6,377             | -12.1                    | 60,409             | 59,115             | +2.2                     |
| Middletown.....   | 18,307            | +8.9                     | 169,138            | 139,364            | +21.4                    |
| Oil City.....     | 12,701            | -1.6                     | 119,576            | 102,151            | +17.1                    |
| Pittsburgh.....   | 1,128,524         | +15.7                    | 9,445,544          | 8,287,009          | +14.0                    |
| Sharon.....       | 13,715            | +3.0                     | 122,930            | 104,407            | +17.7                    |
| Springfield.....  | 25,776            | +12.1                    | 223,408            | 196,381            | +13.8                    |
| Steubenville..... | 11,743            | -5.4                     | 104,435            | 104,441            | -0-                      |
| Toledo.....       | 218,460           | +28.3                    | 1,800,299          | 1,477,521          | +21.8                    |
| Warren.....       | 23,368            | +32.6                    | 178,728            | 145,568            | +22.8                    |
| Wheeling.....     | 30,799            | +0.1                     | 284,895            | 296,075            | -3.8                     |
| Youngstown.....   | 74,439            | +3.3                     | 643,278            | 590,660            | +9.9                     |
| Zanesville.....   | 11,471            | +7.0                     | 101,832            | 92,622             | +9.9                     |
| Total.....        | 3,851,285         | +16.0                    | 32,409,759         | 27,910,116         | +16.1                    |

## Summary of National Business Conditions

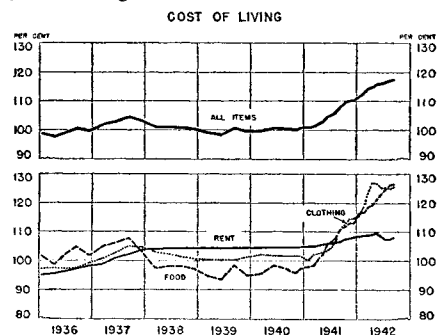
By the Board of Governors of the Federal Reserve System



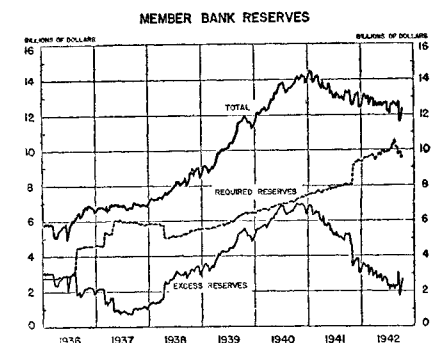
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. Latest figures shown are for September 1942.



Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for September 1942.



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter. Latest figures shown are for September 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for October 14, 1942.

Industrial activity expanded further in September and the first half of October. Prices of uncontrolled commodities continued to advance in September. Early in October an Office of Economic Stabilization was established with a view to more effective control of prices and wages affecting the cost of living.

### Production

Industrial production increased more than seasonally in September and the Board's adjusted index rose 2 points to 185 per cent of the 1935-1939 average. Armament production continued to advance. Steel production was maintained at a high level during September and then increased during October, reaching 101 per cent of rated capacity in the third week of the month. Cotton consumption continued at a high rate and output of manufactured food products rose more than seasonally owing chiefly to increased activity in the meatpacking and canning industries. Coal production, which had been maintained in large volume during the summer months, did not show the usual sharp seasonal rise in September and the first half of October. Output of crude petroleum showed little change following a considerable increase in August.

Value of construction contracts awarded in September was about the same as in August, according to reports of the F. W. Dodge Corporation. As in other recent months, awards were mainly for publicly-financed work which, in September, amounted to over 90 per cent of the total.

Contracts for manufacturing buildings reached the highest total yet reported, and increased awards for defense housing raised the total for residential building by about one-fourth despite a decline in privately-financed work. Awards for public works and utilities and for commercial buildings dropped substantially.

### Distribution

Department store sales, which had been unusually large in August, showed somewhat less than the usual sharp seasonal rise during September. In the first half of October sales were sustained near the high level prevailing at the beginning of the month. Variety store sales increased seasonally from August to September, while sales in small towns and rural areas rose by more than the usual seasonal amount.

Railroad freight-car loadings increased further in September and the first half of October. The rise was small for this time of year, however, owing mainly to the fact that shipments of many commodities, particularly coal, had been maintained at unusually high levels during the summer months.

### Commodity Prices

Prices of uncontrolled commodities advanced further in September. During the first half of October, after passage of an amendment to the Price Control Act of 1942, more widespread controls were announced. Maximum prices at the highest levels reached around the end of September were established for butter, cheese, eggs, and various other foods. These items constitute nearly one-third of the food budget and now the proportion of the total under control is about 90 per cent. Another action directed residential rents throughout the country to be limited to the levels of March 1, 1942, wherever rent control procedures were not already in effect.

### Agriculture

The October 1 official crop report confirmed earlier prospects that unusually heavy crop yields were in sight. The Department of Agriculture pointed out, however, that, as the harvest progresses under difficulties, particularly as to labor supply, farmers are showing less assurance that it can be completed in season. Record crops of grain, hay, oilseeds, sugar, vegetables, and probably fruits are still likely.

### Bank Credit

Following a temporary peak of 3 billion dollars in mid-September, excess reserves of member banks declined to 1.7 billion dollars in the latter half of September but increased considerably in the first three weeks of October. This increase resulted in part from the action of the Board of Governors of the Federal Reserve System in reducing reserve requirements on demand deposits at central reserve city banks from 22 to 20 per cent, which added about 400 million dollars to excess reserves. In addition member bank reserves were increased through purchases of Government securities by the Federal Reserve Banks. As a result of these developments excess reserves of all member banks on October 21 amounted to 2.4 billion dollars, of which about 500 million dollars were in New York City.

At reporting banks in leading cities heavy purchases of new Treasury certificates of indebtedness and Treasury notes were reflected in an increase of 1.6 billion dollars in Government security holdings during the four weeks ending October 14. Further large increases occurred in the following week as banks received their allotments of the new 1½ per cent notes and 2 per cent bonds. Commercial loans, after declining in August and September, increased in the first two weeks of October, mainly in New York City, while other loans declined further.

### United States Government Security Prices

Prices of United States Government securities continued steady last month. Long-term taxable bonds are yielding 2.33 per cent on the average and long-term partially tax-exempt bonds are yielding 2.05 per cent.