

MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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No. 1

Industrial production in the fourth district continued to increase during December and the first three weeks of January as new facilities for fabricating war materials were placed in operation, additional workers were employed, and processes were improved. A temporary set-back occurred late in December, when floods in the Ohio River valley caused some steel mills and other war plants to suspend operations. Recovery was rapid, however, and by mid-January production was again at peak levels.

Changing war requirements were said to be causing fewer interruptions to production schedules than was the case last fall, but adaptations to new programs and specifications continued to pose major problems. Output of steel plate, for example, was expanded materially in January to provide material for the larger tonnage of shipping now on the ways.

There seemed to be little change in the flow of semi-finished goods from plants during December and early January, although some improvement occurred in deliveries of certain types of steels. This was attributed to more strict control over allotments rather than to any decrease in demand. Coal shipments were sufficient to satisfy immediate needs, despite heavier demands for output of fourth district bituminous mines during a partial shutdown of anthracite mines in January.

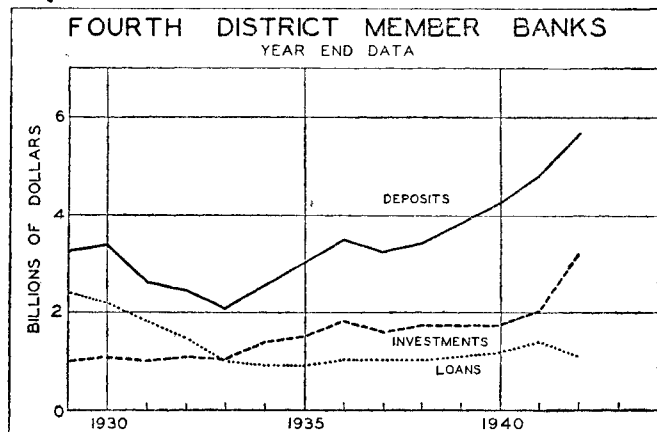
Labor shortages have continued to limit production in many lines, particularly in those civilian industries such as glass and pottery where materials are still plentiful. Early in January the War Manpower Commission announced a revision of its classification of industrial areas with respect to their status in the labor market in an endeavor to provide a more useful guide to the war procurement agencies. The new classification sets up four categories in place of the three formerly provided. As it affects this district, Akron and Dayton remain in Group I, areas in which an acute labor shortage exists and contracts should not be let to concerns located therein if facilities are available elsewhere. Group II, areas in which there is a current balance of labor supply and demand, includes the other fourth district cities formerly listed as having a labor shortage. Contracts can be renewed in these

cities at the present level of production. The two remaining categories are roughly comparable to those formerly listed as anticipating a labor shortage or experiencing a labor surplus. A significant change in classifications occurred, however, when Erie, Pittsburgh, and Washington, Pennsylvania, were recognized as areas in which a current balance of labor supply and demand exists.

In an attempt to reduce labor turnover at war plants and thereby to increase efficiency of operations, so-called "job-freezing" orders have been promulgated affecting several industrial areas in this district. Although these orders do not follow a uniform pattern, in general they require workers leaving war industries or specified essential occupations to present clearance certificates signed by their former employers or the United States Employment Service before they are given jobs in other war industries.

FINANCIAL

Member Bank Credit Fourth district member banks increased their holdings of direct and guaranteed Government obligations by 75 percent during 1942. At the end of the year they amounted to \$2,715,000,000 compared with \$1,552,000,000 on December 31, 1941. Total loans and investments, however, increased only 28 percent; loans decreased 14 percent during the year to \$1,196,000,000 on December 31, 1942. As shown in the chart, loans



Loans, Investments, and Deposits
Member Banks — Fourth District
Year-End Figures (in millions of dollars)

	Reserve City Banks		Country Banks		All Banks	
	1942	% change from 1941	1942	% change from 1941	1942	% change from 1941
Loans and Discounts	721	- 14	475	- 15	1,196	- 14
U. S. Government Securities	1,877	+ 63	838	+108	2,715	+ 75
Other Investments	257	+ 10	274	+ 6	531	+ 8
Total Loans and Investments	2,855	+ 29	1,587	+ 30	4,442	+ 29
Demand Deposits of Individuals, Partnerships, and Corporations	2,109	+ 23	1,127	+ 39	3,235	+ 28
Time Deposits of Individuals, Partnerships, and Corporations	674	+ 1	734	+ 4	1,409	+ 2
Government Deposits	223	+272	78	+550	300	+317
Total Deposits	3,679	+ 17	2,105	+ 25	5,783	+ 20

reached their post-depression peak at the end of 1941. They began to decline in the first quarter of 1942, continued a slow downward trend in the second quarter, and dropped more rapidly during the second half. This decline in the volume of outstanding loans reflects repayments of consumer instalment debt and real estate mortgages during a period when the supply of new durable consumers' goods and housing was limited, and reduced demand from business enterprises to finance finished goods inventories. Increased volume of loans to war industries failed to offset factors leading to less activity in bank loan departments.

Developments during the year brought country and reserve city banks more closely into line with each other in respect to their loan and investment portfolios. In recent years all banks have been finding it necessary to depend more and more on income from investments to cover operating expenses and to provide earnings, but country banks have been more successful than city banks in maintaining the relative importance of loans in their earning assets. In 1942, however, country banks in this district more than doubled their holdings of Treasury securities whereas reserve city banks added 63 percent to their Government portfolios. Since loans declined by about the same percentage at both types of institutions, the distribution of their assets between loans and Government securities became more nearly similar. At the beginning of 1942, Government obligations accounted for 52 percent of total loans and investments of reserve city banks; at the end of the year 66 percent of these assets were Governments. The relative importance of Treasury securities held by country banks rose from 33 percent of total loans and investments at the beginning of 1942 to 53 percent at the end of the year.

The uneven nature of the flow of funds resulting from the varying impact of the war program was one of the factors accounting for the relatively larger purchases of Government obligations by country banks. Demand deposits of individuals, partnerships and corporations held by country banks increased 39 percent during 1942 whereas the corresponding increase at reserve city banks was 23 percent. Despite the relatively larger increase in reserve requirements resulting from this growth in deposits, country banks in this district still possess much larger idle reserves than do reserve city banks. During the year excess reserves of reserve city banks decreased from 62 percent of requirements to 28 percent; excess reserves of country

banks declined from 71 percent at the end of 1941 to 54 percent at the end of 1942.

War Loan Deposits Total Government deposits held by fourth district member banks at the end of 1942 amounted to \$300,000,000, compared with \$72,000,000 a year earlier. This sharp increase was due in large part to the fact that the year end happened to coincide with the close of a period of heavy Treasury financing during which the "book credit" method of paying for new issues was used extensively. In fact, one of the features of the December financing was the extent to which banks both in this district and throughout the country used the book credit method of paying for their own and their customers' subscriptions to new Treasury issues. Credits to War Loan deposit accounts of fourth district banks aggregated \$257,000,000 in December; nearly one-third of all Treasury securities other than bills issued in this area during the month were paid for by book credits rather than by immediate transfers of funds.

This method of paying for new Treasury securities was first used extensively during World War I, when it was devised as a means whereby Treasury receipts from the sale of new securities could be synchronized with Treasury expenditures, thereby reducing the strain on bank reserves during periods of heavy Government financing. Any incorporated bank or trust company may set up a War Loan deposit account by making proper application to the Federal reserve bank of its district and by pledging securities as collateral for the amount of funds actually maintained in the account. Thereafter the bank may pay for Government obligations purchased by itself or its customers by credits to its War Loan deposit account. When funds are required by the Treasury, request is made for remittance of a definite amount, based upon the ratio of the current need for funds to the aggregate of all War Loan deposit balances. The book credit method of payment, therefore, makes it unnecessary for banks to provide immediately available funds; rather, such funds are retained in the community until required by the Treasury. Since these funds are soon returned to the banking system, as checks are drawn to cover Government expenditures, there is a minimum disturbance to the banking system's reserve position. Insofar as any one bank is concerned, it is true, receipts of reserve funds through deposit of Government checks by its customers may not offset the amounts of its War Loan deposit called by the Treasury, but for the country as a whole rough equality is achieved.

At a time when Treasury borrowing is at its present and prospective high level, the War Loan deposit privilege becomes of vital importance to banks since payments for securities purchased for their own account may be due at the same time depositors make heavy withdrawals in payment for new issues. Nevertheless, until recently banks in this reserve district made little use of War Loan deposit accounts. As of October 1, only 191 of the more than 1,200 banks located in the fourth district were authorized to carry such accounts, with an aggregate maximum of \$325,100,000. The Treasury, the Victory Fund Committees,

and the Federal reserve bank have been active in pointing out the benefits to be derived from making payments in this manner; by late January the number of qualifying banks had been increased to 451, with aggregate authorized deposits of \$573,800,000.

Federal Reserve Operations United States Government securities held for the account of the Federal Reserve Bank of Cleveland totaled \$509,000,000 at the end of 1942, compared with \$223,000,000 a year earlier. Current earnings of the bank rose to \$4,975,000 in 1942 compared with \$4,124,000 in 1941, despite a decrease in the rate of interest received on earning assets from 1.84 percent in 1941 to 1.63 percent in 1942. Only \$3,000 was earned on discounted bills.

Note circulation of this bank increased by \$357,000,000 during the year to a total of \$1,135,000,000 at the end of 1942. This increase in the amount of money in circulation resulted in a rise in the cost of Federal reserve currency to this bank from \$300,000 in 1941 to \$387,000 in 1942.

NEW MEMBER BANKS

The Mogadore Savings Bank, Mogadore, Ohio

The Seville State Bank, Seville, Ohio

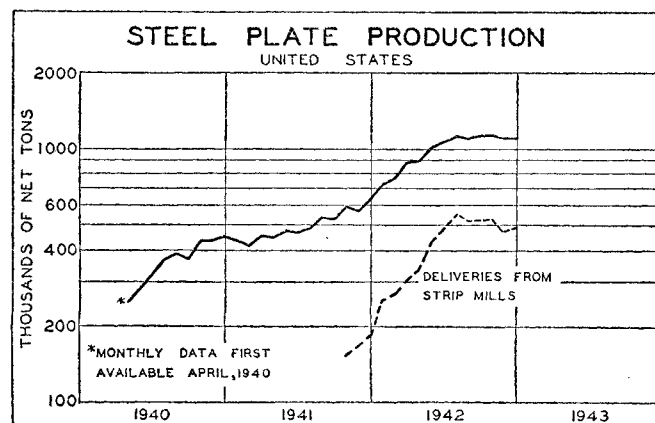
*The Whitehouse State Savings Bank, Whitehouse, Ohio

*Admitted December 11, 1942

MANUFACTURING, MINING

Iron and Steel More iron and steel was produced in the United States during the year just ended than at any other time in the Nation's history as a result of near capacity operations and expanded facilities. Steel operations for the year averaged 96.9 percent of capacity; output totaled 86,000,000 net tons, four percent above the previous record established in 1941. December production stood at 7,303,000 tons, or approximately 250,000 tons above a year previous.

December output of pig iron was the second highest month on record, being exceeded by only a slight margin in October. Annual production of blast furnace products totaled almost 60,000,000 tons, representing operations at 99.2 percent of capacity. This was seven percent above 1941 and 70 percent above 1939, the last pre-war year.



Flood conditions along the Ohio and Mahoning rivers resulted in idle blast furnaces and open hearths at some fourth district plants early in January. Plants at Youngstown, Pittsburgh, Wheeling, and Portsmouth were most seriously affected, although operations were rapidly resumed when the high waters receded. Careful flood precautions and the immediate repair of all damaged facilities were responsible for the quick return to normal operations. Conditions in the scrap market were somewhat interfered with by the flood, although ample supplies at most mills minimized the problem. With the resumption of operations, fourth district steel production again attained a high level in mid January.

Wartime conditions have brought a need for additional flexibility in the steel industry. As the war progresses, makers of finished steel must be able to shift their production schedules on relatively short notice in order to meet the requirements of the military services for the type of weapons needed currently. The recent demand for additional plate production reflects this kind of situation. As the accompanying chart illustrates, steel plate deliveries rose steadily throughout the first two and one-half years of war in Europe. The output of converted strip mills which formerly had been manufacturing sheets for the automobile industry and other consumers' goods accounted for most of this rise. In mid-1942, however, the demand for plates again became stabilized and it was necessary to hold production fairly steady at a monthly rate of about 1,101,000 tons. Output remained at approximately this level throughout the following five months, declining moderately in November and December. An enlarged shipbuilding program now has made it necessary again to expand plate output. Preliminary reports indicate that January production rose considerably above recent months and may have exceeded the record established last July.

Other Manufacturing There was little change in most other important fourth district manufacturing industries during December and the first three weeks of January.

Operations continued to be dominated by problems arising from expanding war production and Governmental restrictions on consumption of raw materials in the making of civilian merchandise. Metalworking industries, generally, reported the major factor limiting expansion of output was inability to obtain raw materials, whereas in those civilian lines where materials were still available the limiting factor was shortage of manpower. Revisions of military requirements were reported to have occasioned less interruption to production schedules than in October and November, but several adjustments to altered war needs were being made.

The material situation in metalworking industries continued to be as important a bottleneck as the shortage of skilled workers. Even though steel deliveries have been placed on a more nearly current basis, this has been due more to a scaling-down of allotments than to near satisfaction of requirements. Machine tool makers and others with equally high priorities have been able to maintain a uniform rate of opera-

tions, but in some cases they have been interrupted by failure to receive materials on schedule. Foundries have been able to secure sufficient pig iron for current production, but inventories are very low.

Furniture and office equipment manufacturers are expanding their production of wooden sub-assemblies for transport planes, gliders, and small naval craft. Demand from these sources has absorbed all available supplies of seasoned lumber of the proper grades. Orders for office fixtures and equipment declined in December from November, as a general let-up in purchasing by both Government and civilians occurred.

Previous restrictions on paper and paperboard were revised and additional limitations on paper consumption were announced early in January. The effect of these orders was to permit current output to increase about eight percent from the level of late 1942, but consumption of most major paper products is to be strictly controlled. Newspaper, magazine and book publishers are limited to 90 percent of their 1942 consumption. Commercial printers are limited to the same percentage of their 1941 consumption, and manufacture of some paper products is to be stopped altogether. Fourth district paper and paperboard mills reported in mid-January that announcement of these orders had been accompanied by an influx of new business. Backlogs were built up and deliveries were delayed. Prices, which had sagged during 1942, were again at ceiling levels.

Rubber companies continued to expand their production of non-rubber war materials in December and early January. Revised specifications caused layoffs in some departments, but on the whole, output was maintained at high levels. Original plans leading to production of passenger tires for civilian use from reclaimed rubber have been curtailed sharply.

Demand for flat glass continued on a low level during December and the first three weeks of January. Sales of other glass and clay products, however, have maintained their high rates of the recent past. Orders booked at the annual crockery and glass show held in Pittsburgh early in January were in record volume and shipments against new orders cannot now be made until May or June, with a few plants not promising deliveries until July. Raw materials are still said to be plentiful for most common glass and dinnerware products, but output is held below a year ago by shortage of skilled workers. Production per employee has decreased since the inexperienced men and women being employed are less efficient than skilled workers lost to the armed forces and war industries.

Apparel industries also reported their most serious difficulty was maintenance of adequate working forces, although Government regulations channeling materials into war production have left some plants in this area without sufficient volume to keep former working forces busy. Output of worsted fabrics has continued at a steady rate, being regulated by delivery schedules on Government orders and limitations on the amount of fabric which can be made for civilians. Men's clothing manufacturers are making increasing numbers

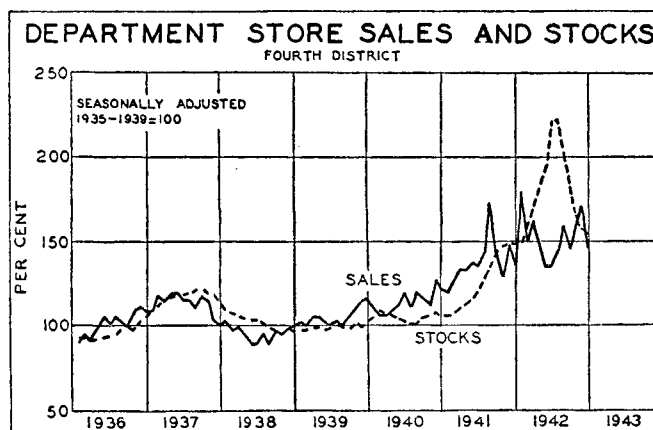
of military uniforms, but civilian business is limited and orders for spring delivery have been taken on a quota basis. Makers of work clothing report a record volume of new business. In mid-January it was said that shortages of cotton textiles had become a new factor limiting further expansion of output. In prior months the difficulty of establishing and maintaining an experienced labor force had been the dominant problem for the industry.

Fourth district shoe production in December was 13 percent less than a year ago, mainly because of shortage of sole leather and loss of experienced workers.

Coal

During December and early January many additional fourth district bituminous coal producers lengthened or made plans for lengthening the 35-hour work week to 42 hours. By mid-January all but one of the mines owned by steel companies and most of the major commercial mines in western Pennsylvania were operating six days a week. Agreements which are completed grant the miners time and a half wage rates for the sixth day, and operators are permitted by the Office of Price Administration to cover the extra wage cost by raising their price schedule about 20 cents a ton. Statistics on coal output for this area are not yet available to determine to what extent solid fuel production has risen as a result of this change, but it is hoped by members of the industry that the increase will be considerable. Output during the second and third weeks of December rose substantially at fourth district mines, although the increase was more than offset by lower production during the two holiday weeks which followed. A flood in the Ohio Valley also contributed to the slump in output.

Industrial and retail coal stocks on December 1 were at an all-time high of 91 million tons, compared with 62 million tons a year earlier. Such inventories, equivalent to about two months' supply, are a much-needed reservoir from which a small part of the requirements of 1943 can be drawn. Stocks, however, were not distributed evenly among all users. Electric power utilities, which normally carry heavy inventories of fuel, held 110 days' supply, while steel and rolling mills had on hand only sufficient coal to maintain their October output for 41 days. Retail dealers had stocks equal to requirements of 45 days.



Lake shipments of bituminous coal declined about 2 million tons from 1941 for a season total of 48 million tons in 1942. Almost a third of the tonnage was loaded at Toledo docks; Sandusky cargoes ranked second with about 10 million tons. Shipments from these two cities were higher than in 1941 in spite of the Government restrictions on lake cargo space which caused the decline in total loadings at lower lake ports.

TRADE

Retail Sales at fourth district department stores during December were the largest in history and eight percent greater than a year ago. However, the increase from November was less than usual and the seasonally adjusted index dropped 24 points to 146 percent of the 1935-1939 average. Responsible for this decline in the index was the fact that a large amount of Christmas shopping was done earlier than has been customary. Dollar volume during the last quarter of the year, the period over which holiday buying extended, was 14 percent larger than a year ago. For the year as a whole sales were more than 10 percent larger than they had been in 1941. The annual index was 152 percent of the 1935-1939 average, the highest on record.

During the past year there was a steady improvement in collections on charge accounts. December collections amounted to 67 percent of the regular 30-day receivables due the first of the month, compared with 47 percent for the same period in 1941. Over 30 percent of the installment accounts outstanding on December 1, 1942 were collected during the month. The instalment collection ratio for the corresponding month of the previous year was 21 percent. The total volume of accounts receivable at reporting stores in this district at year-end was 30 percent smaller than on January 1, 1942. The sharpest decrease was that of 43 percent on instalment accounts. Regular 30 day accounts were down 24 percent. Two amendments to Regulation W during the first part of 1942 contributed to this change in the credit statistics of reporting department stores. One of these extended the provisions of the Regulation to a wide range of durable and semidurable goods for civilian consumption. The other provided for the default of any charge account whenever payment is not

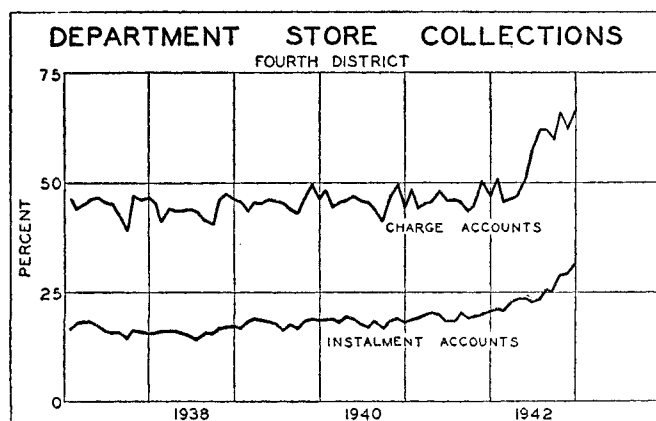
made for any article by the tenth day of the second month following the purchase of the item.

Wholesale Statistics on wholesale trade during 1942 are in some respects misleading because of the inability to adjust accurately for changes in the price level. The rise in dollar volume of foods sold in 1942 as compared with 1941, for example, reflects higher prices to a considerable degree, as is shown by the fact that the *Bureau of Labor Statistics* index of wholesale food prices rose 27 percent during 1942. Dollar volume of sales made by each type of fourth district wholesale food distributor reporting to the *Department of Commerce* rose somewhat less than this average increase in prices during the year just ended. The gain over 1941 ranged from 15 percent in the case of groceries to 26 percent for confectioneries. Dollar volume of clothing, drug, and hardware sales also rose substantially.

Inventories of wholesalers on December 31 were 20 percent lower than a year earlier. All hard lines, except nonelectrical machinery, were down by substantial margins from the 1941 year-end figure; plumbing supplies and electrical goods fell 73 and 63 percent, respectively. Food items, in general, were also well below a year ago. The only marked increases in inventories occurred in beer, tobacco, non-electrical machinery, and drugs.

Inventory Control In an endeavor to provide for a more equitable distribution of the limited supply of consumers' goods available at the present time, the War Production Board late in December issued order L-219 restricting a wide range of consumers' goods inventories of the larger wholesalers and retailers to levels approximating their pre-war relationship to sales. If a store's stocks are in excess of its allowable inventory it will be limited in the amount of goods it may buy. In addition, it must submit to the WPB a monthly report on inventories and current purchases. However, regardless of the amount of excess stocks a store has, it is permitted to buy up to one-third of the cost of goods sold during the preceding quarter in order that it may balance its lines.

The order does not become effective until the second quarter of the 1943 accounting period which, in the case of most department stores, will be May 1. However, in order to determine what effect the regulations will have on department stores in this district, the inventory limit was computed for each reporting unit as though L-219 were to become operative at the beginning of the first, rather than the second, quarter. A comparison of these figures with the January 1 actual inventories indicates that 20 out of a total of 50 stores would have to reduce their stocks an average of 14 percent during January or have their first quarter purchases limited if the order were to become effective on February 1. There is usually a reduction of two percent in stocks during January. The combined total of February 1 allowable inventories of the 50 stores amounts to \$86,476,000 compared with \$83,151,000 reported by these same outlets for January 1. The larg-



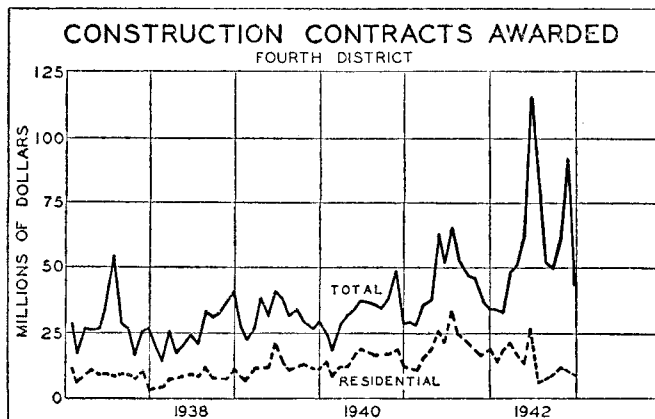
est reduction for any single store is 34 percent, which, in terms of dollar sales, would amount to less than one month's selling, based on first quarter 1942 volume.

Statistics on the inventories carried by the 50 reporting fourth district department stores do not reflect any heavier purchasing on the part of the largest stores than that of medium sized units. Of the ten stores whose 1942 sales totaled more than \$10,000,000, seven had inventories smaller than their respective February 1 limits. The 17 medium-sized retailers with excessive stocks on December 31 were well distributed throughout the remaining 40 stores. Few small retailers of the size not covered by this order are represented in the sample.

CONSTRUCTION

Construction contracts awarded during December in the fourth district dropped to less than half of the November valuation, amounting to \$43,584,000 according to statistics prepared by the *F. W. Dodge Corporation*. This was a return to approximately the same level of new construction as the average for the first quarter of 1942. Although the value of contracts awarded in December was high in relation to previous years, the chart at the bottom of the page shows that it represented a sharp decline from the volume of construction started during the May-November period. As a result of this record summer and fall level, new building for the full year just ended was higher than that for any previous twelve-month period, being valued at \$727 millions, 38 percent above 1941.

Although total construction in fourth district States rose at approximately the same rate during 1942 as the aggregate compiled by the Dodge Corporation for the 37 eastern States, building of individual types of structures varied considerably. Residential construction declined almost 30 percent in this region while in the entire area east of the Rocky Mountains the drop was only seven percent from 1941. Non-residential construction, largely reflecting the expansion of industrial plants, rose 114 percent in Ohio, western Pennsylvania, Kentucky, and West Virginia, compared with a rise of only 68 percent in the 37 States. Public works in fourth district States declined two percent, against a 17 percent increase for the 37 States, while public utility construction increased substantially more than the total for the area covered by the Dodge re-



ports, rising 149 percent compared with a 37-State increase of 97 percent.

AGRICULTURE

Prices of agricultural commodities have continued to rise despite price ceilings on many food products at the retail and wholesale levels. Direct control of farm prices has been instituted in only a few cases, the most important of which are tobacco and corn. As described in last month's Review, maximum prices were set for each of the various grades of burley tobacco sold on auction markets; this control has been extended to all sales of burley tobacco. In mid-January a second major fourth district crop was subjected to direct control when the Office of Price Administration established temporary ceilings on corn equal to prevailing market prices. Control over the first of these commodities was instituted in order to prevent a sharp increase in prices in response to heavy consumption and less-than-anticipated supply. Control over corn prices was authorized in order to prevent them from rising to the point where it would become uneconomic to feed large quantities to livestock. Upward adjustments in retail milk prices have been permitted by the O.P.A. in many fourth district cities in order to stimulate production and correct inequitable distribution of supplies between markets.

Livestock Record supplies of corn and other feed grains, together with the prospects of continued high prices for meat animals, have been reflected in expansion of feeding operations in this district. According to the *Department of Agriculture*, the number of cattle on feed in the corn belt January 1 was the largest on record, and eight percent greater than a year ago. In Ohio the gain over last year was six percent. Cattle on feed were reported generally lighter than a year ago and, therefore, they would require longer preparation for market.

The fall pig crop in Ohio was 18 percent larger than last year and 16 percent higher than the previous record established in 1939. Sows to farrow in the coming spring season are 20 percent more numerous than a year ago.

Tobacco In the pre-Christmas portion of the current marketing season for burley tobacco demand proved so great that nearly all sales were made at ceiling prices and auctioneers were forced to apportion supplies between bidders. When the markets reopened in January this informal system was replaced by an allotment plan formulated by the *Department of Agriculture*. According to the system now in effect, manufacturers' purchases of the 1942 crop of burley tobacco are limited to 90 percent of their average acquisitions from crops of 1939-41. Dealers must limit their purchases to 100 percent of 1939-41 acquisitions. It is estimated that total allowable purchases are slightly in excess of the available supply, and prices have remained at ceilings in nearly all cases.

Department Store Sales and Stocks

Daily Average for 1935-1939=100

Without Seasonal Adjustment Adjusted for Seasonal Variation

	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1942	Nov. 1942	Dec. 1941
SALES:						
Akron (6).....	307	234	242	182	207	143
Canton (5)....	329	252	291	168	223	148
Cincinnati (9).	249	192	233	139	160	130
Cleveland (10).	253	187	232	152	179	140
Columbus (5)..	267	198	239	141	173	127
Erie (3).....	312	236	284	164	221	149
Pittsburgh (8).	229	168	218	134	157	128
Springfield (3).	343	213	277	181	199	146
Toledo (6)....	253	186	240	144	171	137
Wheeling (6)..	217	143	231	104	137	110
Youngstown (3)	257	195	245	151	180	144
District (97)...	252	187	232	146	170	135
STOCKS:						
District (51)...	139	181	135	153	158	149

Figures in parentheses indicate number of firms.

Fourth District Business Indexes

(1935-39=100)

	Dec. 1942	Dec. 1941	Dec. 1940	Dec. 1939	Dec. 1938
Bank debits (24 cities).....	215	194	153	128	119
Commercial Failures (Number).....	43	65	64	52	85
(Liabilities).....	53	30	98	43	66
Sales—Life Insurance (O. and Pa.).....	89	157	101	90	136
—Department Stores (97 firms).....	252	232	206	195	171
—Wholesale Drugs (8 firms).....	176	167	134	124	116
—Dry Goods (4 firms).....	98	99	106	128	129
—Groceries (38 firms).....	89	100	95	116	126
—Hardware (28 firms).....	108	129	164	248	203
—All (78 firms).....	96	98	113	147	147
—Chain Drugs (5 firms)*.....	230	181	148	139	133
—Groceries (4 firms).....	155	113	138	115	109
Building Contracts (Total).....	179	140	118	122	165
—(Residential).....	124	247	155	153	135
Production—Coal (O., W. Pa., E. Ky.).....	142	122	113	104	104
—Cement (O., W. Pa., E. Ky.).....	166	130	80	65	65
—Elec. Power (O., Pa., Ky.)*.....	174	154	133	124	107
—Petroleum (O., Pa., Ky.)*.....	95	91	90	102	94
—Shoes.....	91	104	87	79	81

*Per individual unit operated.
**November

Wholesale and Retail Trade

(1942 compared with 1941)

	Percentage Increase or Decrease		
	SALES Dec. 1942	SALES year 1942	STOCKS Dec. 1942
DEPARTMENT STORES (97)			
Akron.....	+28	+24	- 4
Canton.....	+ 6	+13	a
Cincinnati.....	+ 8	+ 9	+ 6
Cleveland.....	+10	+13	- 4
Columbus.....	+12	+15	+ 9
Erie.....	+10	+19	+ 1
Pittsburgh.....	+ 4	+ 8	+ 6
Springfield.....	+24	+24	a
Toledo.....	+ 7	+14	+ 5
Wheeling.....	- 5	- 0	+ 2
Youngstown.....	+ 5	+ 4	a
Other Cities.....	+ 2	+ 2	+12
District.....	+ 8	+11	+ 3
WEARING APPAREL (16)			
Canton.....	+16	+16	+25
Cincinnati.....	+10	+ 7	+22
Cleveland.....	+30	+20	+30
Pittsburgh.....	+ 6	+ 9	+22
Other Cities.....	+28	+17	+ 8
District.....	+20	+15	+22
FURNITURE (77)			
Canton.....	-10	- 6	+37
Cincinnati.....	-14	-10	+17
Cleveland.....	+10	- 3	+17
Columbus.....	+ 4	- 7	+21
Dayton.....	+26	+15	a
Pittsburgh.....	-28	-21	- 1
Toledo.....	+ 3	- 0	a
Other Cities.....	-10	- 5	+22
District.....	- 8	- 9	+14
CHAIN STORES*			
Drugs—District (5).....	+27	+19	a
Groceries—District (4).....	+23	+29	a
WHOLESALE TRADE**			
Automotive Supplies (8).....	-26	- 6	-40
Beer (4).....	+14	+23	+64
Clothing and Furnishings (3).....	+28	a	a
Confectionery (5).....	+21	+26	-61
Drugs and Drug Sundries (8).....	+ 6	+11	+14
Dry Goods (4).....	+ 1	+13	+ 3
Electrical Goods (12).....	-53	-16	-63
Fresh Fruits and Vegetables (6).....	+19	+18	+ 4
Grocery Group (38).....	+ 9	+15	-14
Total Hardware Group (28).....	-18	+13	-33
General Hardware (8).....	-37	- 0	-33
Industrial Supplies (10).....	+ 7	+23	-17
Plumbing & Heating Supplies (10).....	-17	- 5	-73
Jewelry (3).....	- 8	a	a
Machinery, Equip. & Sup. (exc. Elect.) (3).....	-66	+ 8	+23
Meats and Meat Products (5).....	- 5	+24	-37
Metals (3).....	-15	-16	a
Paints and Varnishes (5).....	-32	- 7	+ 3
Paper and its Products (6).....	-21	- 5	a
Tobacco and its Products (15).....	+ 5	+ 8	+42
Miscellaneous (15).....	-13	+ 7	-15
District—All Wholesale Trade (172).....	- 9	+ 7	-20

* 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.

Debits to Individual Accounts

(Thousands of Dollars)

	December 1942	% change from 1941	Jan.-Dec. 1942	Jan.-Dec. 1941	% change from 1941
Akron.....	170,517	+35.4	1,569,586	1,201,854	+30.6
Butler.....	15,876	- 1.1	160,822	155,436	+ 3.5
Canton.....	73,510	+13.7	775,431	657,331	+18.0
Cincinnati.....	645,533	+11.2	6,284,250	5,404,054	+16.3
Cleveland.....	1,284,756	+18.1	11,852,105	10,182,728	+16.4
Columbus.....	325,905	+15.9	2,998,035	2,685,891	+11.6
Dayton.....	144,398	+13.5	1,382,023	1,179,410	+17.2
Erie.....	59,408	+15.0	592,118	485,928	+21.9
Franklin.....	5,530	- 4.4	56,728	51,388	+10.4
Greensburg.....	11,172	+ 1.0	125,038	114,279	+ 9.4
Hamilton.....	21,173	+ 7.2	218,502	189,122	+15.5
Homestead.....	5,435	- 6.5	56,808	56,960	- 0.3
Lexington.....	63,656	+ 4.3	363,635	322,250	+12.8
Lima.....	42,017	+93.9	280,041	218,100	+28.4
Lorain.....	7,744	- 0.8	81,856	81,398	+ 0.6
Middletown.....	19,489	-14.4	224,391	197,298	+13.7
Oil City.....	16,493	- 4.7	162,179	145,240	+11.7
Pittsburgh.....	1,421,493	+ 2.6	13,127,257	11,634,940	+12.8
Sharon.....	15,157	+ 2.8	168,826	145,693	+15.9
Springfield.....	31,312	+14.8	309,597	270,130	+14.6
Steubenville.....	13,719	+ 8.8	142,567	142,637	- 0.0
Toledo.....	241,499	+10.3	2,468,734	2,071,244	+19.2
Warren.....	26,022	+22.6	252,681	203,992	+23.9
Wheeling.....	39,839	-10.1	391,499	409,293	- 4.3
Youngstown.....	81,229	+ 2.2	882,472	818,370	+ 7.8
Zanesville.....	11,623	-10.9	137,015	128,889	+ 6.3
Total.....	4,794,505	+10.8	45,064,196	39,153,855	+15.1

Fourth District Business Statistics

(000 omitted)

	Dec. 1942	% change from 1941	Jan.-Dec. 1942	% change from 1941
Fourth District Unless Otherwise Specified.....				
Bank Debits—24 cities.....	\$4,768,000	+11	\$44,711,000	+15
Savings Deposits—end of month:				
39 banks O. and W. Pa.....	\$ 815,605	+ 2		
Life Insurance Sales:				
Ohio and Pa.....	\$ 75,207	-43	900,515	-17
Retail Sales:				
Dept. Stores—97 firms.....	\$ 62,122	+ 8	443,264	+11
Wearing Apparel—16 firms.....	\$ 2,400	+20	17,490	+15
Furniture—77 firms.....	\$ 3,443	- 8	32,205	- 9
Building Contracts—Total.....	\$ 43,584	+27	726,669	+38
—Residential.....	\$ 9,570	-50	164,642	-31
Commercial Failures—Liabilities \$.....	775	+79	5,662	-34
—Number.....	29	-34	473	-26
Production:				
Steel Ingot—U. S..... Net tons	7,303	+ 2	86,092	+ 4
Bituminous Coal, O., W. Pa., E. Ky..... Net tons	19,348a	+24	204,877b	+17
Elec. Power, O., Pa., Ky..... Thous. k.w.h.	2,647a	+12	27,617b	+12
Petroleum—O., Pa., Ky..... bbls.	2,099a	+ 5	23,641b	+ 4
Shoes..... pairs	c	-13	c	- 9
Bituminous Coal Shipments:				
L. E. Ports..... Net tons	803	-35	49,454	- 4

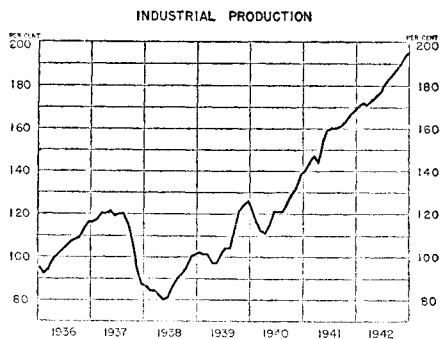
a November

b January-November

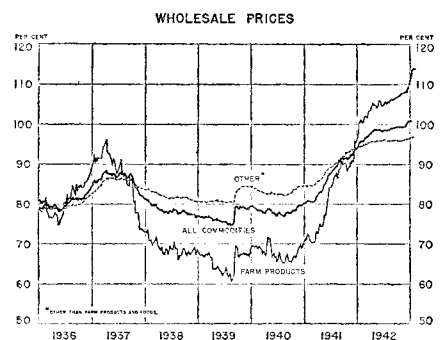
c Confidential

Summary of National Business Conditions

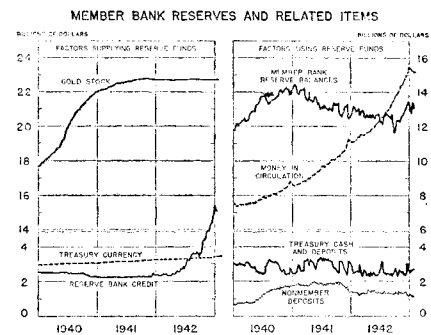
By the Board of Governors of the Federal Reserve System



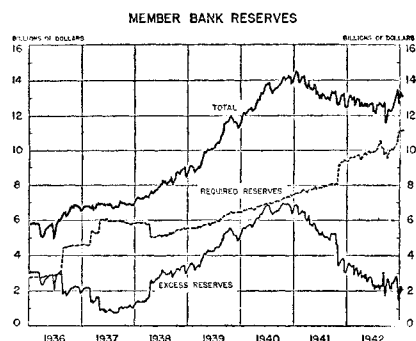
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for December 1942.



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending January 16, 1943.



Wednesday figures. Latest figures shown are for January 13, 1943.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.

Industrial activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

Production

Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of nondurable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

Output of nondurable goods showed little change from November to December. Textile production continued at the high level which has prevailed for the past year and a half. Meat packing increased sharply, reflecting exceptionally large hog slaughter, and output of most other manufactured foods was maintained at a high level.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 per cent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages. In the first half of January production of bituminous coal and petroleum was maintained, but a number of anthracite mines were closed by an industrial dispute.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder.

Distribution

Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

Freight carloadings declined about the usual seasonal amount in December, and the Board's adjusted index remained at 134 per cent of the 1935-39 average. Grain, livestock, and miscellaneous loadings rose somewhat on a seasonally adjusted basis, while coal and other products declined slightly.

Commodity Prices

Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

From mid-November to mid-December retail food prices advanced 1.6 points to about 133 per cent of the 1935-39 average. Further increases in these prices are indicated in January as a result of advances permitted recently in maximum levels for such items as flour, milk, and poultry.

Bank Credit

Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.