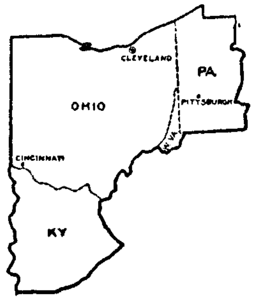
MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 25 | Cleveland, Ohio, February 27, 1943 | No. 2

Manpower controls are exerting an ever increasing influence on the fourth district economy. The first restrictions placed on goods ordinarily made for civilians were made necessary by shortages of plant, equipment and materials. Now, however, new plants designed for war production are having difficulty obtaining enough workers to permit them to attain projected operating schedules, and it has become evident that the ultimate limiting factor in the war effort is manpower.

In order to make more effective use of available working forces, the War Manpower Commission first placed several controlled hiring plans in operation and attempted to direct war contracts into labor surplus areas. It has also sought to encourage transfer of workers from unessential to essential occupations by announcing that draft deferment henceforth will result less from dependency status than from the essential nature of the work performed.

Another step taken to bring about more effective utilization of working forces was the official adoption early in February of 48 hours as the minimum desirable work week. The Executive Order decreeing this minimum, however, did not supersede existing legislation or collective bargaining agreements relating to hours of work or payment of overtime wages. In addition, the order so far has applied to only 32 labor shortages areas in the country.

The immediate effect of these manpower controls on fourth district industry has not been great, although personnel managers report that job stabilization plans placed in effect during December and January did seem to reduce the restlessness of their employees, particularly among the younger workers. Industries included in the list of essential occupations reported further improvement in this regard following announcement of the new Selective Service policy, but as yet there has been no mass movement out of unclassified or nondeferable occupations into essential jobs.

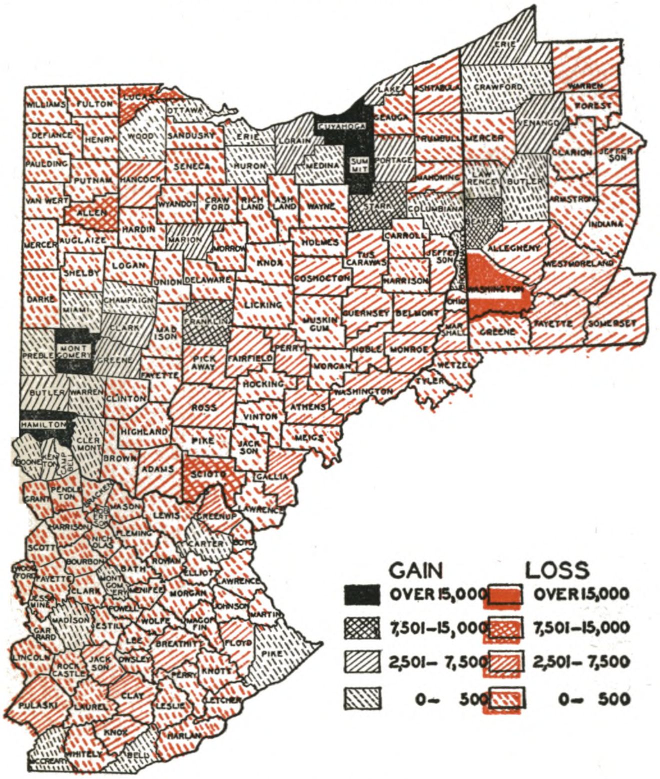
The 48-hour week thus far has had very limited application in this area since Akron and Dayton are the only fourth district cities listed as areas of critical labor shortage, and most war plants in these cities have been working 48 hours or longer whenever materials were available. In addition, when the new standard work week is established, employees are not to be released until April 1, at which time a schedule of proposed adjustments and releases is to be submitted to the area representative of the War Manpower Commission. The order will have much greater effect on the fourth district economy if it is applied to the cities now listed as areas of labor stringency or those anticipating a labor shortage within six months. Ohio cities in this group are: Cincinnati, Fostoria, Hamilton, Lorain, Mansfield, Toledo, and Youngstown. Other fourth district cities so listed, all of which are in Pennsylvania, are: Aliquippa, Erie, New Castle, Pittsburgh, and Washington. Since these cities include the major steel producing centers of the district, and since this industry's continuous operations have been geared to a 40-hour week, many adjustments will be necessary to achieve the longer week.

Except for these developments in the manpower field, there was little change in fourth district business activity during January and the first three weeks of February. Steel production continued at close to rated capacity, with January output the second largest monthly total on record. Supplies of scrap metal, which were extremely limited several months ago, are now said to be ample for current operations. Consumption of Lake Superior iron ore is at all-time high levels.

Construction activity in the district apparently has passed its war-time peak. Contracts awarded in January were the smallest since early 1940.

Retail trade has continued at exceptionally high levels. The seasonally adjusted index of department store sales rose to an all-time peak of 179 percent of the 1935-39 average in January, and preliminary figures indicate a further rise in February. The surprise announcement of shoe rationing so stimulated buying of apparel and accessories that total department store sales in the week ending February 13 were 50 percent greater than in the corresponding period last year.

FOURTH DISTRICT POPULATION CHANGES
APRIL 1940 – MAY 1942



POPULATION

The effects of defense and war activities on population movements in this district are illustrated graphically by the accompanying map showing the increase or decrease in civilian population of each fourth district county from April 1, 1940 to May 1, 1942. The changes depicted in the map are preliminary estimates based on the number of sugar ration books issued last year. Total civilian population of the district decreased by 85,000 persons, with a gain of 51,000 in Ohio being offset by losses in other fourth district counties. Changes by States are shown below:

Estimated Civilian Population

(in thousands)

	May 1, 1942	April 1, 1940	Change
Eastern Kentucky (56 counties)	1,319	1,377	—58
Ohio (all counties)	6,955	6,904	+51
Western Pennsylvania (19 counties)	3,246	3,317	—71
Northern West Virginia (6 counties)	198	205	— 7
Total Fourth District	11,718	11,803	—85
United States	131,315	131,324	— 9

The outstanding features of fourth district population movements during the period covered by these estimates were the sharp increase in population of the industrial areas of northern and southwestern Ohio and the almost universal decrease in population of the rural counties of southeastern and northwestern Ohio. As pointed out in the December *Review*, this shift was the direct opposite of the trend experienced from 1930 to 1940, when the population of rural fourth district areas and towns of less than 25,000 increased by 410,000 persons, whereas the population growth of larger centers amounted to only 90,000 in the decade.

Another interesting feature brought out by the map was that in the two-year period the population of Allegheny County (Pittsburgh) declined despite the high level of activity in the important basic steel industry. The decline in Lucas County (Toledo) reflected decreased employment opportunities in automobile parts plants which were still undergoing conversion to munitions production.

The major factor accounting for these population movements was, of course, the varying impact of the war program on general industrial activity, and in particular, the location of new industrial facilities. Although detailed information regarding the size and location of the new war industrial facilities cannot be published, it is safe to assume that population has flowed to those counties in which new plants have been built or old plants rehabilitated and operations expanded.

In the period since May 1942 a large volume of new construction has been started in areas other than those which had formerly benefited to the greatest degree from war contracts. For this reason the flow of population out of many southeastern and northwestern Ohio counties may have been reversed, but the extent of reversal, if any, will not be known until data relating to ration book number two, issued late this month, are tabulated.

An important factor having considerable bearing on population shifts is the matter of adequate housing in areas already crowded by war workers. An example of such a situation is Akron, where inability to obtain satisfactory living quarters has resulted in a very high turnover among the newer employees. A survey conducted by the *Bureau of the Census* late in January indicated that only six out of every thousand houses in the industrial area were vacant, and that only two of the six were rental units. Inadequate housing has prevented many new war plants from attracting and maintaining the working forces necessary to achieve maximum production.

FINANCIAL

Member Bank Credit Outstanding loans of banks in leading cities of the fourth district have been declining steadily since last April. At that time they amounted to $883 millions, whereas by mid-February they had fallen to $734 millions, or 17 percent below their 1942 peak. All types of loans participated in the decline; commercial loans decreased 15 percent and so-called "other" loans, a major portion of which is made up of advances to consumers, fell 28 percent in the ten-month period. Holdings of real estate mortgages in mid-February were only two percent below their April 1942 level. They have shown no net change thus far in 1943.

The volume of United States Government direct obligations held by these banks advanced to a new all-time high of $1,969,000,000 in mid-February, compared with $1,072,000,000 a year ago. Adjusted demand deposits also advanced to the record level of $2,488,000,000 or $592,000,000 more than at this time last year.

Despite rising deposits and the resulting increase in reserve requirements, reserves of city banks in this district in the first half of February averaged 30 percent greater than requirements; country banks held 55 percent more than necessary.

War Bonds Sales of war savings bonds throughout the country rose to a new high level of $1,240,000,000 in January, bringing the total amount of funds raised in this manner since they were first issued in May 1941 to nearly $13 billions. Series E, F, and G bonds issued through Federal Reserve Bank of Cleveland amounted to $100 millions in January, bringing the cumulative total to $955 millions. January sales benefited from purchases by investors who buy their full year's allotments at one time, so the daily average rate of sales declined from slightly over $4 millions in January to $3.2 millions in February.

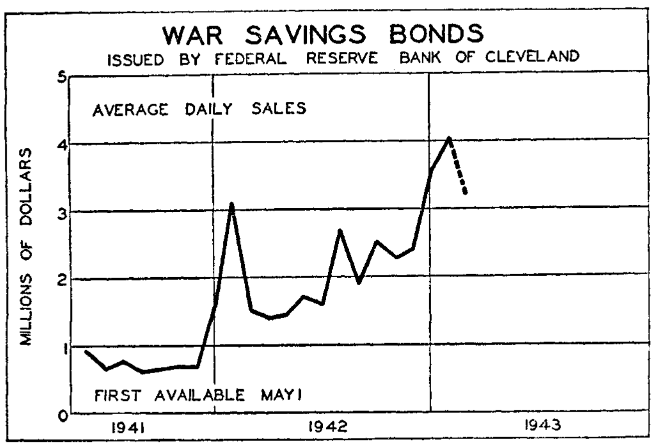
MANUFACTURING, MINING

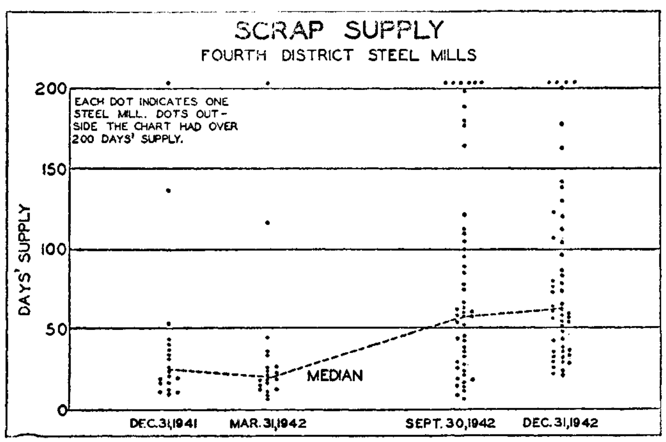
Iron and Steel More ingots and steel for castings were produced by United States mills during January than during any previous month with the exception of last October. The January output was 7,409,000 tons, compared with 7,585,000 tons in October and 7,303,000 in December. Pig iron production remained almost unchanged during the month at 5,194,000 tons, less than one percent below the October peak. As a result of the high level of iron and steel operations, consumption of Lake Superior iron ore rose to a new high of 7,765,000 tons and ore stocks at furnaces and Lake Erie docks fell to about 40 million tons. Output of steel plates rose to a new monthly record of 1,135,000 net tons. Exactly half of the plate production was at converted strip mills.

One of the major problems of the steel industry last summer and early fall was a serious shortage of scrap metal. At the present time, however, the supply of this raw material is more plentiful and no immediate shortage is foreseen by the industry.

The accompanying chart shows inventories of scrap metal at fourth district steel mills expressed as the number of days' operations such scrap would theoretically permit. Each dot on the chart represents the supply at one fourth district mill, with all but a few such plants being represented in the December 1942 figures. The sample is somewhat smaller, however, at earlier inventory dates. Daily consumption of purchased scrap has been used to determine the number of days' supply on the assumption that as long as a mill maintains production it can fulfill its own requirements of "home" scrap (the waste metal obtained in the process of manufacturing and finishing steel in the plant itself). The days' supply was thus calculated by dividing the total stocks by the average daily consumption of purchased metal during the previous month.

The chart illustrates clearly the improvement in the fourth district scrap situation since a year ago. Although the supply declined somewhat during the first quarter of 1942, such stocks had expanded markedly by September. During the fourth quarter of 1942 the metal became even more plentiful so that by the year-end, the median plant had about two months' stock, compared with an inventory equivalent to 23 days' consumption a year earlier. An important feature of the scrap situation, however, is the apparent maldistribution of fourth district stocks. At the end of 1942 a rather large fourth district producer had supplies at one plant equivalent to 470 days' requirements while at the opposite extreme was a steel mill which could maintain its output only 23 days without receiving additional scrap. Size of the mill had little to do with the number of days' supply on hand. Local units of large national concerns were found both high and low on the scale. Eleven mills, representing more than 18 percent of the district's steelmaking capacity, had over four months' requirements while about 10 percent of the district's capacity had a month's supply or less. Theoretically, therefore, if purchased scrap had become unobtainable on December 31, ten percent of the fourth district capacity would have been forced to remain idle at the end of one month while eleven mills held stocks permitting them to operate for three additional months, or more. One important consideration, however, was the ratio between purchased and home scrap used. A plant whose total requirements were filled largely by metal retrieved in its process of manufacture could maintain its operations longer than one more dependent upon purchased metal. Thus some of the plants represented by dots high on the scale consumed a very small proportion of purchased





scrap; the amount of such metal used by one major mill ran as low as seven percent of its total consumption. Conversely, the producer with the fewest days' supply used purchased scrap for 83 percent of its total consumption, and was therefore more dependent upon current conditions in the scrap market than other producers.

Other Manufacturing Operating rates in most other important fourth district manufacturing industries showed little fluctuation during January and the first three weeks of February. Metal working plants reported some improvement in the delivery situation on some types of steel, but aluminum and other critical materials remained extremely tight. Women were hired in increasing numbers to take the place of men.

Machine tool builders have, on the whole, reached their projected production peaks, but a few plants are still moving into new quarters. In recent months shipments exceeded new orders; backlogs have been reduced to the point where plans for conversion to manufacture of direct war products are being considered, but little such shift has actually taken place.

Flat glass manufacturers have continued to operate at low levels. January production of plate glass amounted to less than five million square feet, compared with nine million last year and 19 million in January 1941. Defense housing and other war uses have resulted in a more favorable market for window glass. Production during January was at the rate of 72 percent of industry capacity. Glass container manufacturers, on the other hand, have been operating at near-capacity levels since late 1940.

The demand for dinnerware and china has continued to exceed production facilities. Strong consumer sales have been supplemented by requests to stock large numbers of hardware, automotive supply, and tire dealers who are seeking to expand dish departments as a substitute for their regular merchandise. Production is limited by an inadequate supply of skilled workers.

Output of paper and paperboard products has remained quite stable at levels dictated by Government limitations. A large backlog of orders is reported as both dealers and large consumers have sought to build up stocks in anticipation of more drastic curtailment in the future. Late this month the War Production Board removed all limitations on manufacture of several types of boxboard in order to provide containers for shipment of military and essential civilian commodities. The major raw materials used in making containers are waste products.

Manufacturers of clothing and textiles reported in mid-February that labor shortages were their most important problem. Inability to maintain adequate working forces was preventing peak production, even when materials were available. Men's clothing manufacturers have diverted a considerable portion of their efforts to the making of Army and Navy uniforms, and sales of civilian merchandise for the spring season have been on an allotment basis. Demand for work clothing has been far greater than production capacity in light of the shortage of skilled workers.

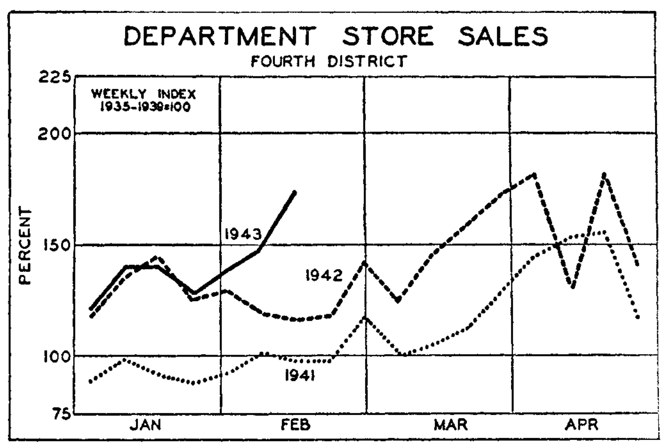
Addition of shoes to the list of rationed articles was welcomed by most local shoe manufacturers. The scarcity of sole leather and skilled workers had so reduced their production that they had been unable to meet demands. Fourth district production in January was 17 percent less than a year ago, despite large order backlogs.

Coal Fourth district coal production during January rose only slightly from the level of December and remained four percent lower than a year earlier. During the first month of the year, therefore, the adoption of the six-day week by additional fourth district mines apparently was not general enough to have much effect on over-all output. In mid-February, approximately 80 percent of the nation's soft coal was produced in mines operating on the longer week, while reports from negotiations throughout the country indicated that in the near future all but eight percent of the national output would come from such mines. As additional coal producing districts adopted the longer hours, the Office of Price Administration extended the application of authorized price increases to the product of such fields. These advances placed additional pressure on coke manufacturers so that a price increase of 50 cents a ton was permitted for their product to offset the higher raw material cost.

The seasonal decline in coal stocks, arising from heavy winter demands, resulted in withdrawal of approximately 5 million tons from industrial and retail stocks during December. Such inventories consisted of about 86 million tons on January 1, equivalent to about 51 days' consumption at current levels. Industrial stocks were about 88 percent of the total.

TRADE

Retail The surprise announcement of shoe rationing, effective February 9, stimulated "scare" buying of other apparel articles, as consumers feared the possible extension of rationing to clothing. Retailers reported that activity was not confined strictly to apparel lines but was also heavy in departments selling accessories, especially those made of leather. For the week ending February 13 the index of fourth district department



store sales shown on the accompanying chart advanced to 175 percent of the 1935-1939 average, an increase of 50 percent over last year. This was the largest year-to-year advance reported since January 1942, and was much greater than the gains of last October and November, when a considerable amount of early holiday shopping occurred. Retailers in all principal fourth district centers experienced substantial increases in their business. Columbus sales were up 86 percent during the week ending February 13, with gains in other cities ranging frim 44 percent in Pittsburgh to 58 percent in Akron.

The unusual activity subsided somewhat in the third week of February. Nevertheless, sales were reportedly still at the high levels of January, when the seasonally adjusted index rose 33 points from the previous month to 179 percent of the 1935-1939 average. This was the highest point on record. Sales of women's wear and piece goods were sufficiently large to offset the decreases experienced by departments selling furniture, household appliances, and men's clothing.

CONSTRUCTION

The first phase of the fourth district's industrial conversion to war production resulted in an unprecedented activity in building trades as new facilities were constructed for the production of war material, and housing was made available for the influx of workers into war production areas. The plant expansion phase of the war program apparently is now well past its peak, and emphasis has shifted to the curtailment of all nonessential building. Contemplated projects have been postponed and some unnecessary work already started has been halted.

As a result of these factors new contracts awarded in fourth district States continued to decline during January, reaching their lowest level since early in 1940. According to *F. W. Dodge Corporation* statistics, the total of all construction begun in the first month of 1943 was 57 percent less than in December and 53 percent below January 1942. Although 30 percent of all construction initiated in January consisted of factories and industrial facilities, such projects were less than one-half of their December volume and only about one-seventh of their peak reached in July 1942. Second in importance to factories were public works and utilities which made up 27 percent of the total. Residential construction accounted for an additional 21 percent. The absence of any large governmental projects in January caused the ratio of privately-financed construction to rise slightly during that month. Such building accounted for 22 percent of the month's total, compared with 17 percent during December and 33 percent a year ago.

The materials used in construction, particularly steel and lumber, are vital to other war work. It is essential, therefore, that all unnecessary building be stopped as soon as possible. With this objective in view, the Facilities Review Committee was established on October 23, 1942 to study the necessity of projects from the point of view of the war effort, location, use of critical materials, and other such considerations. Between October 23 and February 12, over $1,300 millions of such projects had been halted at the suggestion of this agency. Public works, including $413 millions of W.P.A. projects, made up the greatest part of the total.

AGRICULTURE

Short-Term Agricultural Credit On January 23, 1943 the Secretary of Agriculture issued a formal release stating that $225,000,000 would soon be made available to farmers in five percent one-year agricultural loans for the purpose of encouraging the growing of war food. The Secretary stated further that the Regional Agricultural Credit Corporation is to be revived for the purpose of extending this credit.

It is important in appraising this revival of interest in the Regional Agricultural Credit Corporation to view its development in its background of Federal Acts and Executive Orders relating to agricultural credit. With this aim in mind a brief review of the subject is presented here. Since the RACC was a production credit agency, it is this type of credit which will be discussed, although a more complete picture would also include farm mortgage credit.

A record of production credit agencies created by the Federal Government logically begins with the establishment of the Federal intermediate credit banks in 1923. Previous to that time no permanent short-term credit system had been sponsored by the Federal Government. The Federal intermediate credit banks were created to operate in conjunction with the twelve Federal land banks and are completely owned and controlled by the United States Government. The agitation for this new system in large part, grew out of the price depression of 1921. Farmers were clamoring for extension of their bank loans while banks were attempting to meet deposit withdrawals by converting loans into cash. This condition set the stage for a demand for Government assistance which culminated in the creation of the Federal Intermediate Credit Bank System. Immediately following its establishment some local agencies such as commercial banks, livestock loan companies, and agricultural credit corporations and others made use of the system by borrowing from it to a limited extent. However, the system did not expand appreciably until the advent of depression conditions and the establishment of the Production Credit System in 1933. At the beginning of 1941, all loans and discounts outstanding from the Federal intermediate credit banks in the United States amounted to $219,725,000, of which $33,116,000 was outstanding in loans to privately-financed lending institutions. As of the same period loans to privately-financed lending institutions in the four fourth district States amounted to $1,037,000; this excludes loans to and discounts for production credit associations, regional agricultural credit corporations, and banks for cooperatives which are either wholly or partially financed by the Federal Government.

In 1932 a system of twelve regional agricultural credit corporations, one in each Federal land bank district, was organized by the Reconstruction Finance Corporation. The RFC was required originally to provide each regional corporation with a paid-in capital of $3,000,000. These organizations were to obtain loan funds by rediscounting eligible paper, obtained in making loans, with the RFC, the Federal reserve banks, and the Federal intermediate credit banks. They were set up as temporary agencies to meet a serious need for short-term farm credit. Again, as in the early part of the preceding decade, commercial banks were attempting to gain liquidity to meet depositors' demands at a time when farm production credit was scarce. The regional agricultural credit corporations made their first loans during October, 1932 and no new loans, except for refinancing, were made after April, 1934. Unlike the Federal intermediate credit banks, the regional agricultural credit corporations had no local organizations for handling loans; they dealt directly with borrowers. Loans outstanding in the fourth district States are shown in the table.

Production credit associations, which were organized in 1933 by the Farm Credit Act, may be looked upon as additions or extensions of the Intermediate Credit Bank System. They were organized as permanent agencies in response to essentially the same conditions that prompted the formation of the regional agricultural credit corporations in the preceding year. Government capital was instrumental in establishing all production credit associations. The creation of the Production Credit Association completed the Intermediate Credit Bank System in that it provided a permanent local cooperative lending agency to transact business directly with farmers. As of July 1, 1942 there were 530 associations serving all major agricultural counties in the United States. An indication of their importance in the Fourth District is shown by the loan volume data in the table.

In April, 1935 the Federal Government began offering for the first time a specialized nation-wide loan service to low-income farm families. At that time the Resettlement Administration was created which immediately took over the rural rehabilitation program from the Federal Emergency Relief Administration. In 1936 the Resettlement Administration became a part of the United States Department of Agriculture and in 1937 its name was changed to the Farm Security Administration. It is a basic principle of lending by the Farm Security Administration that loans are not made to borrowers who can obtain credit from other sources at reasonable rates. The short-term loans made by this agency are called rehabilitation loans since they are made on the assumption that the borrower can be rehabilitated; they combine credit extension with training in sound farming methods. As of July 1, 1942, $397,229,000 in such loans was outstanding to farmers in the United States, and $19,875,000 in the States of the Fourth District.

Since the institution of the rehabilitation loan plan of the Farm Security Administration there have been no major changes in the Federal Government's short-term farm credit program. The commercial banks, the production credit associations, and the Farm Security Administration are now handling the bulk of short-term farm credit loaned by established agencies. As of the middle of 1942 these three agencies had nearly two billion dollars outstanding in such loans; of this amount 64 percent was held by commercial banks, 14 percent by production credit associations, and 22 percent by the Farm Security Administration. At the same time, in the fourth district States commercial banks had loaned 63 percent of the total outstanding from the three agencies, production credit associations had loaned 17 percent, and the Farm Security Administration 20 percent. By referring to the table it will be noted that non-real estate farm loans outstanding from banks in the four States decreased from $67,521,000 in 1940 to $63,771,000 in 1942. This decrease was significant in view of the fact that the combined loans of the production credit associations and the Farm Security Administration experienced an increase during the same period from $31,281,000 to $36,802,000. It was significant also in that it was the first major break in a five-year upward trend in non-real estate agricultural loans outstanding from banks.

Non-Real Estate Farm Loans Outstanding From Four Lending Groups in Fourth Federal Reserve District States

For selected periods
(In thousands of dollars)

		Ohio	Ky.	Penna.	W. Va.	Total
Insured Commercial Banks	July 1, 1942	27,502	16,096	17,198	2,975	63,771
	July 1, 1940	28,620	16,406	19,334	3,161	67,521
	July 1, 1938	24,752	11,960	19,250	2,230	58,192
	July 1, 1936	16,276	10,190	19,037	2,063	47,566
Production Credit Associations	July 1, 1942	6,801	4,906	4,023	1,197	16,927
	July 1, 1940	6,738	4,025	2,988	938	14,689
	July 1, 1938	5,842	2,454	2,659	684	11,639
	July 1, 1936	3,020	1,562	1,639	444	6,665
Farm Security Administration	July 1, 1942	7,661	4,811	4,447	2,956	19,875
	July 1, 1940	6,923	3,848	2,797	3,024	16,592
	July 1, 1938	4,366	2,157	1,269	1,968	9,760
	July 1, 1936	2,639	1,446	782	1,592	6,459
Regional Agricultural Credit Corporations	Jan. 1, 1941	*	*	*	7	7
	Jan. 1, 1936	12	17	10	18	57
	Jan. 1, 1935	86	100	18	55	259
	Jan. 1, 1934	491	351	79	225	1,146
	Jan. 1, 1933	95	0	0	0	95

*Less than $500.

Tobacco In the five-state area comprising the Burley Belt the United States Department of Agriculture reported sales for the season through February 12 of 351,874,435 pounds at an average price of $42.06 per hundred pounds. Kentucky's portion of this total amounted to 253,155,438 pounds and sold for an average of $43.16. Tennessee sold 63,091,760 pounds for $41.55 and the other burley States sold 35,627,237 pounds for an average price of $42.01. As of January 15, 1943 the average price of burley in the United States was reported at $41.50 which was 46 percent over the parity price of $28.40 for that month and 41 percent over the average price in January 1942. There was very little bidding on tobacco in the burley market this year. In most instances ceiling prices were accepted and the tobacco apportioned to the various buyers.

Government reports show that production of burley, flue-cured, and Maryland in 1942 totaled 1.2 billion pounds, compared with 1 billion pounds in 1941 and an average of 1.1 billion pounds for the period 1930-39.

Stocks of burley, flue-cured and Maryland tobacco owned by dealers and manufacturers on October 1, 1942 totaled about 2.2 billion pounds. This represented a decrease of only about four percent from the all-time high of 2.3 billion pounds on October 1, 1941.

In 1942, domestic consumption of cigarettes broke all previous records. About 236 billion cigarettes (1,680 per capita) were consumed domestically last year. This was an increase of 29 billion, or 14 percent over the 206 billion used in 1941, the previous record year.

These supply and demand factors coupled with the fact that labor and fuel problems have not been serious in the cigarette industry, have led the War Production Board to announce that no restrictions on the manufacture or distribution of cigarettes are necessary at present.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	January 1943	January 1942	% change from 1942
Bank Debits—26 cities $	3,850,957	3,486,021	+10
Savings Deposits—end of month:			
39 banks O. and W. Pa. $	824,228	785,142	+ 5
Life Insurance Sales:			
Ohio and Pa. $	70,669	147,199	—52
Retail Sales:			
Dept. Stores—97 firms $	31,349	32,217	— 3
Wearing Apparel—15 firms $	1,466	1,252	+17
Furniture—78 firms $	2,095	2,525	—17
Building Contracts—Total $	21,670	34,020	—36
" " —Residential $	4,752	14,232	—67
Commercial Failures—Liabilities $	324	722	—55
" " —Number	23	52	—56
Production:			
Steel Ingot—U. S. net tons	7,409	7,125	+ 4
Bituminous Coal, O., W. Pa., E. Ky. net tons	17,272	18,068	— 4
Elec. Power, O., Pa., Ky. Thous. K.W.H.	2,849a	2,566a	+11
Petroleum—O., Pa., Ky. bbls.	2,153a	2,245a	— 4
Shoes pairs	e	e	—17

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Debits to Individual Accounts

(Thousands of Dollars)

	January 1943	January 1942	% change from 1942
Akron	150,180	106,534	+41.0
Butler	12,467	14,228	—12.4
Canton	64,825	62,887	+ 3.1
Cincinnati	537,106	501,232	+ 7.2
Cleveland	1,028,453	885,056	+16.2
Columbus	236,472	222,965	+ 6.1
Dayton	125,418	106,139	+18.2
Erie	50,310	44,931	+12.0
Franklin	4,575	5,114	—10.5
Greensburg	9,983	11,857	—15.8
Hamilton	18,956	17,320	+ 9.4
Homestead	4,129	5,241	—21.2
Lexington	70,999	53,926	+31.7
Lima	24,357	21,263	+14.6
Lorain	6,134	7,452	—17.7
Middletown	17,588	18,561	— 5.2
Oil City	12,982	13,765	— 5.7
Pittsburgh	1,086,243	1,016,221	+ 6.9
Sharon	13,715	13,644	+ 0.5
Springfield	28,022	24,310	+15.3
Steubenville	11,297	12,385	— 8.8
Toledo	197,536	186,854	+ 5.7
Warren	21,086	17,860	+18.1
Wheeling	33,794	31,250	+ 8.1
Youngstown	72,538	73,159	— 0.8
Zanesville	11,792	11,867	— 0.6
Total	3,850,957	3,486,021	+10.5

Department Store Sales and Stocks

Daily Average for 1935-1939 = 100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	January 1943	December 1942	January 1942	January 1943	December 1942	January 1942
SALES:						
Akron (6)	168	307	146	241	182	209
Canton (5)	166	329	152	216	168	198
Cincinnati (9)	139	249	136	188	139	184
Cleveland (10)	136	253	143	166	152	175
Columbus (5)	147	267	119	194	141	156
Erie (3)	155	312	149	210	164	201
Pittsburgh (8)	117	229	121	170	134	175
Springfield (3)	160	343	130	246	181	200
Toledo (6)	119	253	118	172	144	171
Wheeling (6)	96	217	103	161	104	171
Youngstown (3)	134	257	132	176	151	173
District (97)	132	252	130	179	146	177
STOCKS:						
District (51)	138	139	133	155	153	149

Figures in parentheses indicate number of firms.

Wholesale and Retail Trade

(1943 compared with 1942)

	Percentage Increase or Decrease SALES January 1943	STOCKS January 1943
DEPARTMENT STORES (97)		
Akron	+11	+ 3
Canton	— 2	a
Cincinnati	— 1	+ 4
Cleveland	— 9	— 1
Columbus	+19	+ 6
Erie	-0-	+ 9
Pittsburgh	— 7	-0-
Springfield	+18	a
Toledo	— 3	+14
Wheeling	— 9	+ 3
Youngstown	— 3	a
Other Cities	— 3	+ 6
District	— 3	+ 2
WEARING APPAREL (15)		
Canton	+17	+18
Cincinnati	+ 4	+24
Pittsburgh	+16	+21
Other Cities	+23	+19
District	+17	+21
FURNITURE (78)		
Canton	—18	+30
Cincinnati	—12	+ 4
Cleveland	— 5	+17
Columbus	+ 5	+22
Dayton	—30	a
Pittsburgh	—33	— 1
Toledo	—17	-0-
Other Cities	— 9	+ 2
District	—17	+ 7
CHAIN STORES*		
Drugs—District (5)	+14	a
Groceries—District (4)	+ 8	a
WHOLESALE TRADE**		
Automotive Supplies (9)	—28	—39
Beer (4)	+29	—12
Clothing and Furnishings (3)	+28	a
Confectionery (5)	+ 6	—63
Drugs and Drug Sundries (6)	+ 8	-0-
Dry Goods (4)	+ 6	—14
Electrical Goods (10)	—55	—61
Fresh Fruits and Vegetables (6)	+11	—15
Grocery Group (38)	— 7	—19
Total Hardware Group (29)	—18	—33
General Hardware (9)	—27	—32
Industrial Supplies (10)	—17	—16
Plumbing & Heating Supplies (10)	— 4	—53
Machinery, Equip. & Sup. (exc. Elect.) (4)	—14	— 5
Meats and Meat Products (6)	— 4	—28
Paints and Varnishes (5)	—41	— 1
Paper and its Products (6)	—28	a
Tobacco and its Products (17)	— 1	+ 4
Miscellaneous (21)	—14	— 1
District—All Wholesale Trade (173)	—13	—22

* Per individual unit operated.
** Wholesale data compiled by U. S. Department of Commerce, Bureau the Census.
a Not available.
Figures in parentheses indicate number of firms reporting sales.

Fourth District Business Indexes

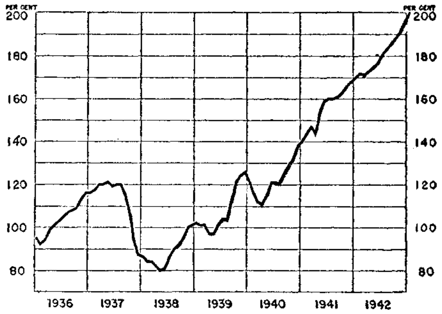
(1935-39 = 100)

	Jan. 1943	Jan. 1942	Jan. 1941	Jan. 1940	Jan. 1939
Bank debits (24 cities)	172	156	135	110	95
Commercial Failures (Number)	34	77	79	97	137
" " (Liabilities)	22	49	91	57	100
Sales—Life Insurance (O. and Pa.)	84	174	90	95	124
" —Department Stores (97 firms)	132	130	87	80	75
" —Wholesale Drugs (6 firms)	175	161	137	122	114
" — " Dry Goods (4 firms)	144	136	80	84	71
" — " Groceries (38 firms)	136	147	104	96	90
" — " Hardware (29 firms)	145	177	117	86	70
" — " All (77 firms)	146	157	110	96	86
" —Chain Drugs (5 firms)*	149	131	100	97	96
" —Chain Groceries (4 firms)	152	148	106	98	92
Building Contracts (Total)	89	140	121	101	112
" " (Residential)	61	184	143	184	107
Production—Coal (O., W. Pa., E. Ky.)	138	144	132	127	101
" —Cement (O., W. Pa., E. Ky.)	a	120	73	79	36
" —Elec. Power (O., Pa., Ky.)**	187	168	134	129	115
" —Petroleum (O., Pa., Ky.)**	97	101	98	101	98
" —Shoes	84	101	110	107	112

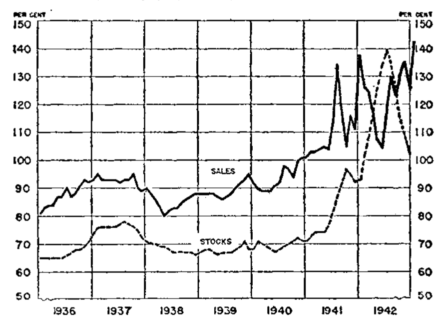
* Per individual unit operated.
** December.
a Not available.

Summary of National Business Conditions

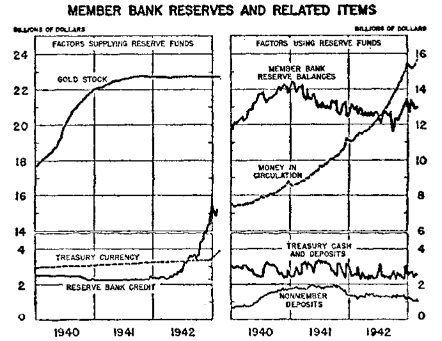
By the Board of Governors of the Federal Reserve System



Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for January 1943.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for January 1943.



Wednesday figures. Latest figures shown are for February 17, 1943.

Industrial activity rose further in January and the first half of February. Retail sales continued in large volume in January and were at an exceptionally high level early in February.

Production

Volume of industrial production showed another marked gain in January reaching a level of 200 per cent of the 1935-1939 average, according to the Board's adjusted index, compared with 197 in December. The increase reflected largely a growth in activity in the munitions industries, including production of chemicals for war purposes.

Activity at shipyards and in aircraft and machinery plants continued to expand sharply. Deliveries of completed merchant ships in January were somewhat less than in December but were still at the high level of over 1 million deadweight tons. Total iron and steel production rose to the level of last November, but was still slightly below the October peak, and electric steel output, important for munitions manufacturing, reached a record level 5½ times as large as in the 1935-1939 period. Operations at steel mills were near capacity during the first three weeks of February.

Nondurable manufactures, as a group, continued to show little change. Production of meats under Federal inspection, except beef, declined sharply from the high level in December. Output of most other foods was maintained; production for military and lend-lease needs, particularly of highly processed foods, rose further and there was a corresponding decline in output of these products for civilians. Newsprint consumption declined in January as a result partly of a Federal order restricting newsprint use.

Mineral production declined slightly in January, reflecting a small reduction in output of crude petroleum. Output at coal and metal mines showed little change. Anthracite production in the first half of January was reduced by an industrial dispute, but for the month of January as a whole, output was only 3 per cent lower than in December.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, was much smaller in January than in other recent months, but was still slightly higher than a year ago. Reductions occurred in all types of public awards, which now account for most of the total. A decline has been indicated for some time as a result of actions of the War Production Board designed to limit construction activity to projects that are essential. On October 23, 1942, it had established a committee to review proposals for new construction; through February 12, work on projects estimated to cost 1.3 billion dollars was stopped either by the War Production Board or by the Government agencies initiating them.

Distribution

Distribution of commodities to consumers was in large volume in January and the first half of February. Retail sales of merchandise declined less than seasonally in January and rose sharply in the first half of February when a buying wave developed, particularly in clothing. At department stores, sales increased considerably in the first week of February and then reached an exceptionally high level during the second week, stimulated partly by the announcement of shoe rationing.

Freight carloadings declined somewhat less than seasonally in January and the adjusted index increased 1 per cent. Miscellaneous loadings accounted for most of the rise. Substantial increases in loadings of most types of commodities occurred in the first two weeks of February.

Commodity prices

The average level of wholesale commodity prices continued to advance in January and the early part of February. Prices of most farm products showed further increases. Maximum wholesale and retail prices were raised for a number of miscellaneous commodities including coal, while reductions were effected in maximum prices for some items like rayon tops and waste.

Retail prices of foods continued to rise from mid-December to mid-January with increases largely in meats, dairy products, and processed fruits and vegetables.

Bank credit

Excess reserves of member banks declined from an average level of about 2.2 billion dollars in the last half of January to 1.6 billion early in February, but increased somewhat around the middle of the month. Increases in currency in circulation continued to be the major factor responsible for the decline, although substantial fluctuations occurred in Treasury balances and Reserve Bank credit. Most of the decline in excess funds was at banks in New York City and Chicago, where reserves have recently been close to legal minimum requirements. Over the five-week period ending February 17, the currency drain amounted to 520 million dollars, bringing total currency in circulation to 15.8 billion on February 17.

Holdings of Government obligations at reporting banks in leading cities outside New York and Chicago increased by 640 million dollars over the five-week period ending February 17. At banks in New York and Chicago, holdings of Government securities declined by 360 million, principally through sales to the Reserve Banks for the purpose of restoring reserves. Government deposits at banks were reduced in the period, while other deposits increased.