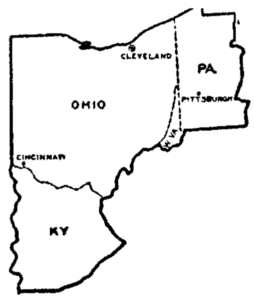
MONTHLY BUSINESS REVIEW

Covering financial, industrial and agricultural conditions



Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 25 | Cleveland, Ohio, March 31, 1943 | No. 3

THE SECOND WAR LOAN DRIVE

The Second War Loan Drive, designed to raise at least $13 billions, will begin April 12 and continue for several weeks. This sum is only a little less than one-third of the entire direct national debt when our Defense Program began in June 1940. War expenditures are now on such a scale and receipts from taxes and from the regular sale of Tax Notes and War Savings Bonds so limited in view of the amounts required that additional sums of this magnitude now must be raised every three or four months.

The Government spent about $56 billions in 1942, and this year plans call for spending $100 billions, of which only about one-third will be provided by tax laws now in effect. Unless the tax laws are changed this means that between $60 and $70 billions, or an average of about $5½ billions per month, must be borrowed in 1943, as compared with an increase of $50 billions in the gross direct debt last year.

The inflationary potentialities of this large borrowing, if the banking system is relied upon to absorb a major portion, is apparent. Last year net purchases of securities by commercial and Federal Reserve banks accounted for approximately half of the increase in the public debt and resulted in addition of about $20 billions to the nation's supply of demand deposits and currency. Commercial bank deposits at the end of 1942 were nearly 30 percent larger than at the beginning of the year.

The peculiar attribute of bank purchase of securities is that such purchases create new spending power. In brief outline, new Government issues are paid for largely by credits to the banks' War Loan Deposit accounts. The Treasury draws on these deposits to meet its needs, and the funds enter the general income stream in payment for goods and services rendered the Government. Thus, borrowing from banks increases the supply of spendable bank deposits or currency.

If this occurs under present circumstances, when every effort is being made to reduce the supply of civilian goods and services available to the minimum amount which will still permit maximum productive efficiency, the supply of bank deposits and currency has no place to go except into savings, payment of higher taxes, or to bid up the prices of available goods. This process of bidding up prices, in regular or so-called black markets, is inflation. The disparities in price movements which stem from inflation cause many injustices, particularly to those persons whose incomes are relatively fixed in money terms. Price increases already have added materially to the cost of the war. Price distortions which arise in an inflationary period also render the transition to a stable post-war economy more difficult.

Because of these considerations, a major objective of the Second War Loan Drive will be to sell securities to as large a number of individuals as possible, and to rely on commercial banks only for the remainder of the funds required. To this end, a wide variety of securities is being offered to meet the needs of as many types of investors as possible. War Savings Bonds and Tax Notes will be given a major place in the campaign, and weekly issues of Treasury bills will be expanded. In addition, the following new securities will be offered:

2½ percent Treasury Bonds of 1964-69
2 percent Treasury Bonds of 1950-52
⅞ percent Certificates of Indebtedness due April 1, 1944

Commercial bank allotments will be limited to two billion dollars each of the two percent bonds and the Certificates of Indebtedness. An increase in the volume of outstanding Treasury bills, most of which are held by banks, is expected to raise total bank holdings of Government obligations by $5 billions during the month of April. The remaining $8 billions or more is to be raised from private and institutional investors.

To assure success of the campaign, large sums must be raised by sale of War Savings Bonds to the small investor. These securities are peculiarly adapted to his needs in that they are provided in small denominations, yield a greater return than by law is permitted on savings accounts, and are redeemable on demand in case of emergency.

MANUFACTURING, MINING

Little change occurred in production schedules of most fourth district factories during February and the first three weeks of March. Steel production remained as close to rated capacity as physical factors would permit, and output of aircraft parts and materials for both naval and merchant ships continued to expand as new plants came into production and greater amounts of materials were made available to these industries. The expansion in industrial production, however, was not universal. Requirements of the Armed Forces are undergoing continuous adjustment in response to battle experience and changing strategy. The ever-increasing manpower shortage has been a factor preventing further expansion of output, particularly in textile and apparel industries, shoes, ceramics, and paperboard.

The manpower controls announced in February had little effect on general business activity of the district in March. Plants in the Akron and Dayton areas, where the 48-hour week is to be mandatory after April 1, took steps to lengthen the work week in the relatively few departments which were not already on this basis. Partly because of gains made by means of the 48-hour week, but also because present employment is approaching projected peaks, Akron has been removed from the list of critical labor shortage areas in which no new contracts or renewals may be placed if facilities are available elsewhere. Renewal contracts at the existing level of employment may now be made in that city even though facilities may be available in other parts of the country. Removal from the list of critical labor shortage areas, however, has not affected application of the 48-hour week in Akron. Early in March representatives of the War Production Board urged all textile mills to adopt the 48-hour week on a voluntary basis, but thus far this step has been taken by only a small part of the local industry.

Steel production during February, on a weekly average basis, was greater than in any other previous month with the exception of last October. Because of the shorter month, however, total output fell from 7,409,000 tons in January to 6,812,000 tons in February. Plate production rose to a new daily average record under the impetus of the expanding shipbuilding program, and trade reports indicated March plate output was at least as great as in February. The War Production Board has announced that all steel production is now regulated by directives issued to more than 200 companies. These directives tell each company the amounts and kinds of steel it may produce.

The heavy drain on stocks of Lake Superior iron ore at furnaces and lower lake docks, which has averaged seven million tons monthly since close of the shipping season last fall, reduced stocks on hand to 33 million tons on March 1. This is approximately five million tons more than on the same date last year, but the 1943 shipping season is getting a much later start than it did in 1942. A year ago the first ore reached the lower lakes the last week in March, and April shipments totaled 7,800,000 tons. This year unusually thick ice is still blocking upper lake channels and harbors, so that ore movement is not expected to reach substantial proportions until late in April. Nevertheless, shipping companies expect little difficulty in reaching the goal of 95 million tons even though it exceeds the amount moved in the long 1942 season by three million tons. Eight new United States Maritime Commission vessels have brought the fleet's size to 313 boats, and eight more Maritime Commission vessels are scheduled for delivery in August.

Activity among iron and steel consumers in recent months has depended entirely on their particular part in the war program. Now that the construction and tooling phase apparently has passed its peak, machine tool builders in this district are laying plans for conversion to other products, but the urgent nature of orders still on their books thus far has prevented much actual conversion. Shipments of the industry established an all-time record of $130 millions in December, but have failed to equal that total in any of the last three months. Orders have fallen off, and backlogs have been reduced to an average of about six months' production. The situation is quite spotty, however, with some producers still having enough business to keep them operating at capacity for more than a year. Others can make delivery in only four or five months on most machines.

The decline in orders for machine tools in January and early February was also noted by manufacturers of other types of tools and machinery, but requests of the War Production Board that orders for the balance of the year be placed prior to March 1 brought a new influx of business.

Flat glass production has been well sustained recently despite limitations on building and loss of the automobile market. Window glass production averaged about 70 percent of capacity during the first two months of the year. Trade reports indicated in mid-March that storm sash manufacturers were maintaining operations in anticipation of good demand next fall. Monthly plate glass production has fluctuated between 4,600,000 and 5,000,000 square feet the past six months, compared with an average of 18,000,000 square feet in the first half of 1941. Mirror manufacturers are absorbing a major portion of current production.

Other branches of the ceramics industry continue to operate as close to capacity as limited labor supplies will permit. Production of glass containers remains at record levels, but manufacturers are falling further behind on deliveries. Backlogs of china and dinnerware plants also are increasing. Since this industry has not been declared essential to the war effort, there has been a steady drain of employees to higher paid jobs in war plants. Although total employment in the industry has been maintained at a high level by hiring large numbers of women, production is less than it was at this time last year.

Operations of paint manufacturers have been restricted by W.P.B. orders which limit use of oils for civilian paints to 70 percent of their average 1940-41 consumption. The problem of securing an adequate supply of containers, however, is proving to be an even more important limiting factor than restrictions on use of materials. New steel containers cannot be purchased except for paint destined for Government work. Steel barrels and drums are being returned for re-use, but the supply is gradually wearing out. Fibreboard pails and smaller paper cans with metal ends have been developed, but the available supply is not sufficient for current needs.

The inability to obtain sufficient containers is typical of many other producers of final products. Lumber manufacturers report the Government's rising demand for boxing and crating lumber has offset to a considerable degree the decline in requirements for construction lumber. The demand for various types of paperboard containers has proved so great that late in February the War Production Board removed all limitations on production of specified types and allocated March production of many paperboard mills to the manufacture of overseas shipping containers. The resulting uncertainty as to deliveries, and heavy current requirements, caused a new influx of orders, and by mid-March backlogs increased to the highest level in more than a year. Paperboard production had been increased to 93 percent of rated capacity. Trade reports indicated further expansion was limited by inability to obtain a sufficient number of workers, despite the fact the industry has been included on the list of those essential to the war effort.

Production of textiles and clothing in this district also has been limited by shortage of workers. Men's clothing manufacturers have been devoting a considerable portion of their facilities to production of Army and Navy uniforms, with the result that civilian orders have remained unfilled. Woolen textile mills also have been producing large quantities of military fabrics. Government limitations on use of wool for worsteds has resulted in diverting some capacity to production of woolen goods for women's apparel.

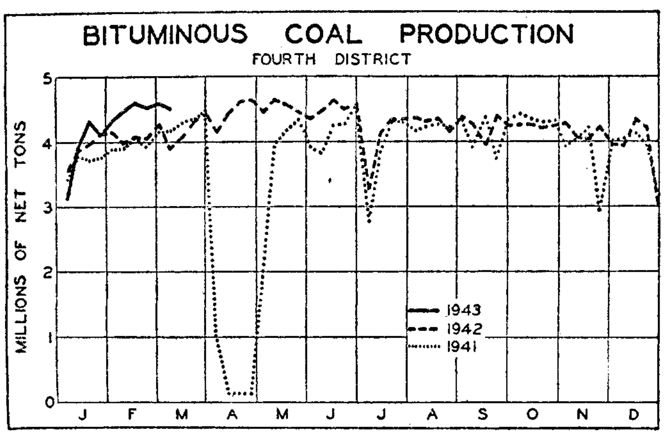
All but a few fourth district coal mines have now adopted the six-day week, and a fairly substantial rise in output has occurred. Although the production increase caused by the shift to the longer week was superimposed upon a period of normal seasonal expansion, it is quite evident, as can be seen on the accompanying chart, that a new level of fourth district weekly production, about 400,000 tons above last year, has been established.

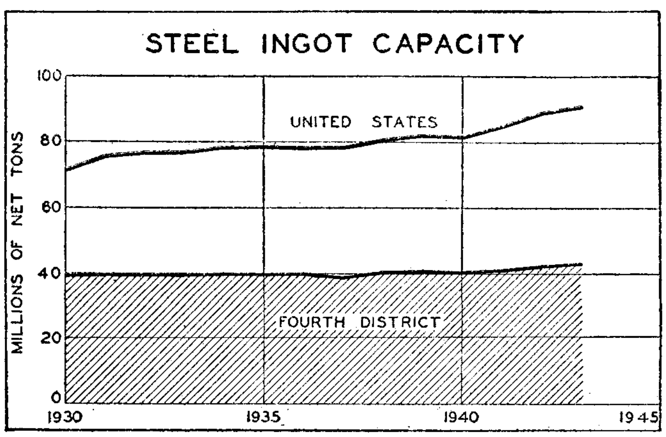
Negotiations were begun in March leading to renewal of contracts between the United Mine Workers and mine operators which expired March 31. These contracts are renewed every two years, at which times work stoppages sometimes occur. The effect of the work stoppage during the last period of negotiations in April 1941 is clearly shown on the chart. This year, however, the contracts have been extended in order to continue output during the period of negotiations.

Steel Capacity The American Iron and Steel Institute recently has announced that the Nation's steelmaking capacity on January 1, 1943 was 90,293,000 net tons per annum. This reflected a continuation of the steel industry's expansion program, as can be seen on the accompanying chart showing steel ingot capacity for the United States and the Fourth District. There were few additions to facilities for making steel ingots during the 1933-1940 period, although sufficient investments were made to replace worn out and scrapped equipment and to cause a small net increase for the period. The outbreak of war, however, resulted in substantial additions since 1939, so that total steel capacity has risen approximately 14 percent during the last three years. As can be seen, the fourth district accounts for about one-half of the Nation's total, a share which has declined only negligibly over the entire period shown on the chart.

The table on the next page classifies the expansion during the past eighteen months according to the three major types of furnaces in use—open hearth, Bessemer, and electric. Crucible steel is included in the electric classification, although such facilities account for less than 4,000 tons of the total.

The greatest expansion has been in the more com-





mon open hearth facilities, with an increase of 1.5 million tons for the Fourth District. The capacity for producing electric steel, however, has shown a much sharper percentage rise, having increased 58 percent compared with less than five percent for open hearths. Moreover, fourth district electric capacity has increased far more sharply than the industry as a whole, 70 percent of the additional furnaces being located in this district. Electric furnaces are well-suited to producing the special alloy metals essential to the war program. The Bessemer process is continuing to decline in importance, although such converters are in some cases being used to make so-called "synthetic" scrap.

Fourth District Steelmaking Capacities

(thousands of net tons)

	—January 1, 1943—		—July 1, 1941—	
	Fourth District	% of U. S. Total	Fourth District	% of U. S. Total
Open hearth	35,306	44.6	33,784	44.4
Bessemer	5,223	79.7	5,364	79.0
Electric & Crucible	2,455	53.9	1,553	47.4
Total	42,984	47.6	40,701	47.2

CONSTRUCTION

The *F. W. Dodge Corporation* statistics on construction contracts awarded in fourth district States during February show a substantial rise in residential building and a further decline in the nonresidential classification. The heavy volume of nonresidential construction during 1942 resulted from a definite program of industrial expansion which is now nearing completion, while residential building was curtailed to give the right-of-way to such factory additions. The fact that residential construction now exceeds all nonresidential building, therefore, is significant. The sharp decline in contracts for manufacturing facilities is evident in that such contracts awarded in February amounted to only eleven percent of the total for the peak month of July. The volume of total contract awards in the fourth district dropped 20 percent from January to $16,404,000 in February, while the ratio of privately-financed building rose one point to 23 percent.

TRADE

Retail Heavy purchases of clothing articles by fourth district consumers resulted in an unusually large volume of retail business during February. The announcement of shoe rationing early in the month stimulated buying in all apparel departments, since many people feared that purchases of clothing items might be restricted also. The seasonally adjusted index of fourth district department store sales rose in February to 194 percent of the 1935-1939 daily average and was at an all-time high for the second consecutive month. The year-to-year increase of 29 percent was the largest such advance reported in recent months.

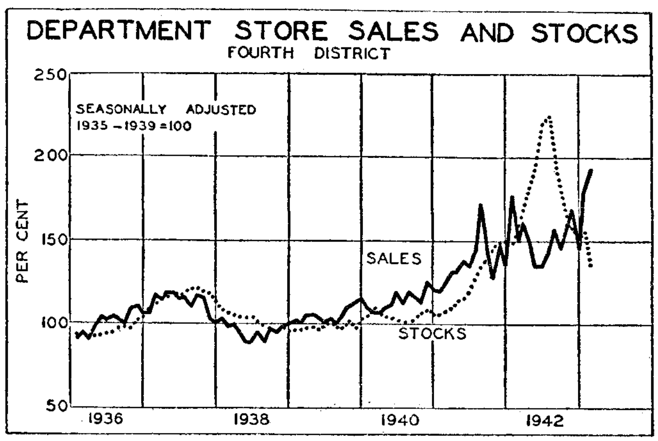
The greatest gains over last year were experienced by departments selling women's apparel. The dollar volume of coats and suits and juniors' and girls' wear sold was over twice as large as that of February 1942. Sales of dresses were up 85 percent, leather goods 74 percent, furs 71 percent, and millinery 62 percent. Shoe rationing stimulated sales of better quality foot-wear but cheaper grades moved quite slowly. Women's and children's main store shoe departments did 61 percent more business last month than they did during the same period of 1942, and sales of men's and boys' shoes were up 16 percent. These gains were considerably larger than that of eight percent reported by basement shoe departments, which specialize in the lower price field.

Men's clothing sales were 16 percent greater this February than last. This was the first year-to-year increase reported by fourth district retailers since early in 1942. Men's furnishings departments sold 34 percent more merchandise during February, while sales of boys' clothing were up 56 percent from the corresponding period a year ago. The increase for men's and boys' wear as a whole was 30 percent.

These large gains reported for February have failed to carry over into March. For the three weeks ended March 20, 1943, sales at reporting stores in this district were only one percent greater than they had been during the corresponding period a year ago. The reaction to the heavy February sales, large income tax payments and the later Easter date this year probably contributed to this smaller year-to-year gain.

The unusually large volume of business that stores experienced during January and February, along with their difficulty in obtaining many types of goods, resulted in a reduction of their inventories. The seasonally adjusted stocks index for February was 139 percent of the 1935-1939 average, the lowest since August, 1941. At the month-end the value of merchandise on hand at 52 fourth district stores was three percent smaller than it had been the previous month and 14 percent less than on February 28, 1942.

Wholesale Sales at 181 fourth district wholesale firms during February were slightly smaller than those of the same month of 1942, according to Department of Commerce data. The large losses reported for dealers of hardware, paints, paper products, electrical goods, and house furnishings were approximately offset by the gains experienced by firms selling clothing and food.



AGRICULTURE

Production Possibilities The importance of food in the war effort, the introduction of food rationing, and the shortages of some unrationed foods have stimulated an unusual interest in this year's farm production forecasts. The food supply, and to a more limited extent, the clothing supply, have become everybody's problems. With these conditions it is natural that many who have given little thought to the problem now focus a great deal of attention on the coming harvests.

In 1942, the farmers of the United States struck a bonanza. Agricultural production increased more than 12 percent over 1941, farm prices jumped 29 percent, and farm income rose to an all-time high. For the country as a whole, net farm income for last year is now estimated at $10.2 billions, which eclipsed the previous record of $8.8 billions in 1919. Cash farm income from marketings and Government payments last year amounted to $16.1 billions, another all-time peak. In the four States of the Fourth Federal Reserve District, cash farm income plus Government payments amounted to $1.3 billions and also represented a record return.

At a time when food production is so vital to our national welfare, there are good reasons for wondering if last year's Cornucopia can be refilled. However, it is important that forecasts made at this early date be made and used with caution. A widespread and severe drought could contradict the most optimistic predictions made at this time. There are, nevertheless, certain basic factors which do indicate production possibilities to some extent. These are the data on (1) livestock numbers and (2) farmers' intentions to plant.

As of January 1, 1943 the U. S. Department of Agriculture reported that sharp increases in the number of hogs and cattle had brought the number of livestock on the farms of the Nation to a new all-time record. The hog and cattle increase more than offset a reduction in sheep, horses and mules. This increase in numbers was accompanied by sharp increases in value per head of all species with a resulting inventory value of livestock on farms much higher than in any previous year. To a considerable extent this record number of livestock was a result of a record supply of grain and hay this season and abundant supplies the preceding 5 years.

Table 1: Number of Livestock on Farms in Fourth Federal Reserve District States January 1, 1943*

	Ohio		Kentucky		Pennsylvania		W. Virginia	
	Actual number 1-1-43 (Thous.)	Percent of 1942	Actual number 1-1-43 (Thous.)	Percent of 1942	Actual number 1-1-43 (Thous.)	Percent of 1942	Actual number 1-1-43 (Thous.)	Percent of 1942
Hogs, including pigs	3,658	115	1,881	131	806	115	289	123
All cattle and calves	2,196	103	1,396	105	1,560	102	604	103
Milk cows and heifers over 2 yrs. old	1,094	102	612	102	906	101	243	101
Heifers 1 to 2 yrs. old kept for milk cows	240	100	105	102	207	99	45	102
All sheep and lambs	2,303	100	1,057	97	377	102	438	98
Horses and colts	377	94	238	98	239	95	99	100
Chickens†	25	108	15	118	23	114	5	112
Turkeys	74	75	71	95	176	90	43	90

*Preliminary estimates. †Millions.
Source: "Livestock on Farms", U. S. Department of Agriculture.

Although the livestock population of the fourth district States (see table 1) reflects about the same condition as the national picture, the outlook is qualified to some extent in this area by the heavy toll which severe March weather took of the spring pig crop. In this area also industrial activity has drained labor away from the farms and the resultant farm manpower shortage may have an important bearing on the degree to which livestock numbers indicate production possibilities for the year. This factor is especially significant with regard to dairy cattle numbers and possible milk production. In Kentucky spring lamb producers will be handicapped by a shortage of spring pasture from rye and other small grains owing to the damage which these crops suffered during the winter.

On March 19 the U. S. Department of Agriculture released the 1943 "Prospective Plantings" which is a summary of reports from about 80,000 farmers on what they think the spring planting situation will be in their respective localities. This summary shows that all parts of the country will make a strong effort to increase production despite difficulties in the form of shortages of labor, supplies, and equipment. The release also points out that since conditions appear generally favorable except for a shortage of surface moisture in parts of the Southwest, crop losses in 1943 are likely to be moderate and the total acreage of crops harvested this year may easily be the largest since 1932.

Based on March reports there will be increases in acreages planted in the United States amounting to 6 percent for corn, 10 percent for soybeans, and 14 percent for potatoes. Acreages devoted to oats, barley and hay are expected to remain about the same as last year. Sugar beet acreage is expected to decline as much as 30 percent owing primarily to the farm labor shortage. Combining the slightly increased acreages with only normal yields the U. S. Department of Agriculture expects aggregate crop produc-

Table 2: Indicated 1943 Crop Acreage for States of Fourth Federal Reserve District As of March 1, 1943

	Ohio		Kentucky		Pennsylvania		W. Virginia	
	Indicated acreage for 1943 (Thous.)	Percent of 1942 plantings	Indicated acreage for 1943 (Thous.)	Percent of 1942 plantings	Indicated acreage for 1943 (Thous.)	Percent of 1942 plantings	Indicated acreage for 1943 (Thous.)	Percent of 1942 plantings
All corn	3,493	105	2,822	102	1,360	104	425	102
Oats	1,326	102	140	128	910	101	105	103
Barley	55	92	189	105	143	94	11	92
Hay	2,414	104	1,642	103	2,233	100	785	105
Soybeans	1,541	107	246	110	173	160	53	133
Tobacco	21	94	325	106	33	96	3	110
Sugar beets	41	80	....	...	....	...	...	...
Potatoes	92	102	51	106	184	110	35	103

Source: "Crop Production", March 19, 1943, U. S. Department of Agriculture.

tion this season to be about 9 percent below last year's record output. Although this decrease in crop production is indicated, total food production in the United States probably will be somewhat greater than last year, owing to the large increase expected in livestock.

Planting intentions of farmers in fourth district States are similar to those for the country as a whole (see table 2). Exceptional increases in soybeans are planned in Pennsylvania and West Virginia. Potato production for the four States is expected to show less increase than other areas in the country. It is probable that tobacco acreages as shown in table 2 will be revised upward since many farmers made their forecasts before the announcement of the 15 percent increase in this year's acreage allotments.

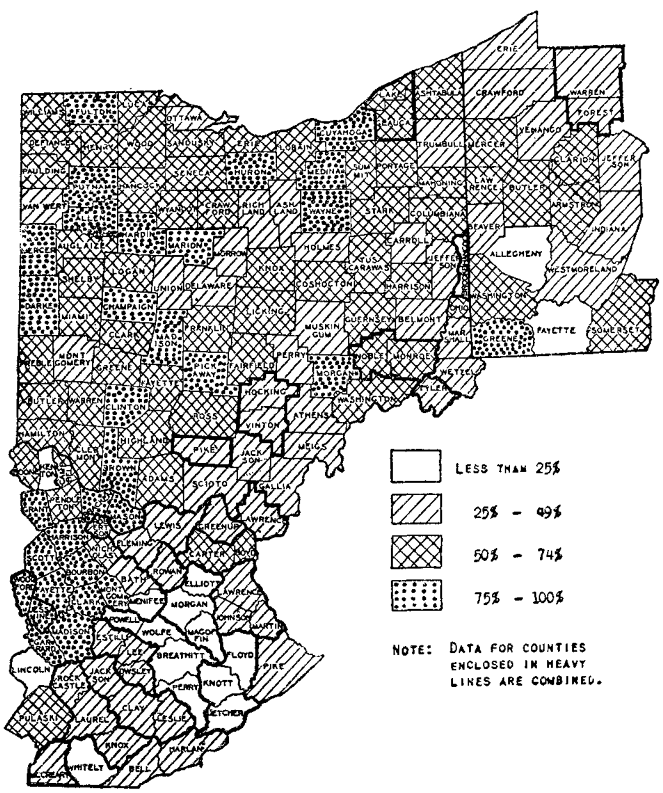
Farm Credit Distribution A brief discussion of Federal Acts and Executive Orders relating to short-term farm credit was presented in the February issue of the Review. Data on the volume of short-term agricultural loans outstanding from insured commercial banks and from the major government agencies were also given. The two maps shown on this page were prepared to follow up last month's introduction with more detailed information on the proportion of both real estate and nonreal estate farm loans held by insured banks as of July 1, 1942.

As of the middle of 1942, insured commercial banks held 64.4 percent of the short-term farm credit and 41.4 percent of the long-term farm credit outstanding from major lending agencies in the Fourth Federal Reserve District. In the portions of the four States which comprise the district, insured banks held the following percentages of short-term and long-term farm loans respectively: Ohio—65.5 and 40.2 percent; Kentucky—67.8 and 48.9 percent; Pennsylvania—50 and 35.8 percent; West Virginia—38.5 and 45.9 percent.

Although most persons examining these maps will be interested in their own localities, there is one striking relationship that becomes apparent when the two maps are compared from a superficial standpoint. There appears to be a tendency in counties where banks hold a *high* proportion of the short-term farm loans for these same banks to hold a *low* proportion of the long-term farm loans, and *vice versa.* For example, as of last July, there were 94 counties in the district where insured banks held *more* than 50 percent of the short-term farm loans outstanding from the three major lending agencies. In 65 of these same counties banks held *less* than 50 percent of the outstanding long-term loans. Although several factors including the aggressiveness and lending policies of all credit agencies as well as the degree to which government farm credit agencies superseded banks during the depression are helpful in explaining this relationship, a complete in-

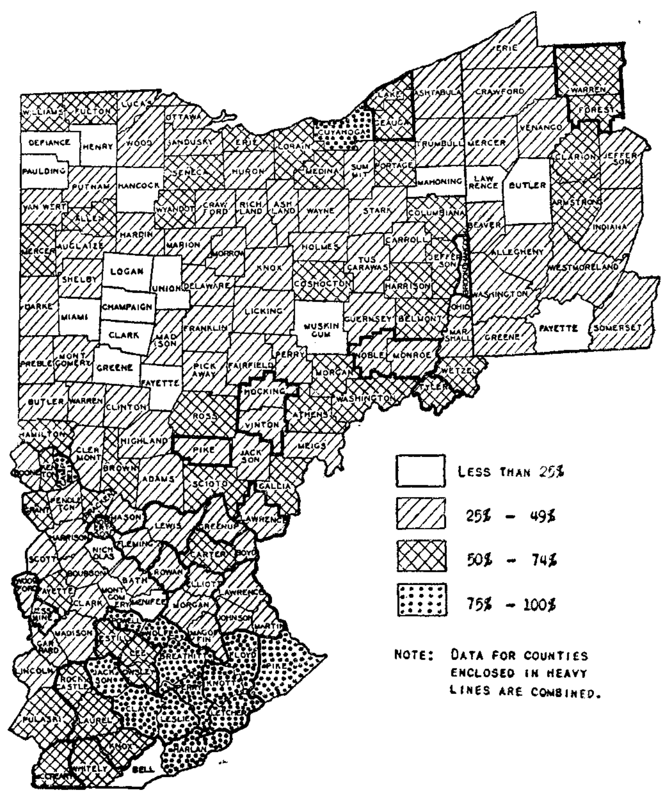
PERCENTAGE OF TOTAL FARM NONREAL ESTATE LOANS OUTSTANDING FROM THREE LENDING AGENCIES HELD BY INSURED COMMERCIAL BANKS

(Includes Commercial Banks, Production Credit Associations, and Farm Security Administration, July 1, 1942. Commercial bank data classified by counties according to location of bank; other lending agencies classified by counties according to location of borrower or security.)



PERCENTAGE OF TOTAL FARM REAL ESTATE LOANS OUTSTANDING FROM THREE LENDING AGENCIES HELD BY INSURED COMMERCIAL BANKS

(Includes Commercial Banks, Federal Land Banks, and Land Bank Commissioner, July 1, 1942. Commercial bank data classified by counties according to location of bank; other lending agencies classified by counties according to location of borrower or security.)



terpretation must rest on local conditions.

In preparing the maps it was necessary to make calculations on areas of sufficient size to include at least three insured commercial banks. Whenever possible, adjoining counties were used in this combining process, although there are two exceptions to this—Pike and Lawrence Counties in Ohio, and Greenup and Rowan Counties in Kentucky. It should also be noted that the information for McCreary County in Kentucky and for Tyler County in West Virginia is combined with counties which are not within the District.

New Member Bank

The Holgate State Bank, Holgate, Ohio

Wholesale and Retail Trade

(1943 compared with 1942)

	Percentage Increase or Decrease SALES February 1943	SALES first 2 months	STOCKS February 1943
DEPARTMENT STORES (97)			
Akron	+40	+25	—11
Canton	+38	+16	a
Cincinnati	+34	+14	— 9
Cleveland	+29	+ 8	—20
Columbus	+56	+35	— 7
Erie	+30	+14	— 1
Pittsburgh	+15	+ 4	—16
Springfield	+61	+38	a
Toledo	+40	+17	— 2
Wheeling	+31	+ 9	—14
Youngstown	+33	+14	a
Other Cities	+23	+ 9	—11
District	+29	+12	—14
WEARING APPAREL (15)			
Canton	+81	+45	— 3
Cincinnati	+58	+26	+15
Pittsburgh	+89	+48	— 7
Other Cities	+79	+48	— 7
District	+77	+43	— 2
FURNITURE (75)			
Canton	— 5	—12	+10
Cincinnati	+ 1	— 4	—11
Cleveland	+ 4	-0-	+ 6
Columbus	+ 9	+ 6	+ 8
Dayton	—28	—25	a
Pittsburgh	—23	—28	—10
Toledo	— 8	— 9	—15
Other Cities	—18	—12	— 2
District	—11	—13	— 3
CHAIN STORES*			
Drugs—District (5)	+16	+15	a
Groceries—District (4)	+21	+14	a
WHOLESALE TRADE**			
Automotive Supplies (10)	— 9	—20	—41
Beer (5)	+46	—39	+69
Clothing and Furnishings (3)	+35	+32	a
Confectionery (4)	+17	+10	+67
Drugs and Drug Sundries (5)	+14	+11	— 2
Dry Goods (3)	+ 7	+ 6	a
Electrical Goods (14)	—37	—45	—53
Fresh Fruits and Vegetables (6)	+32	+21	+18
Furniture & House Furnishings (3)	—36	a	a
Grocery Group (39)	+10	+ 1	—20
Total Hardware Group (31)	—11	—14	—37
General Hardware (8)	—21	—24	—37
Industrial Supplies (12)	+ 7	— 3	—26
Plumbing & Heating Supplies (11)	—21	—12	—51
Jewelry & Optical Goods (3)	+35	a	a
Machinery, Equip. & Sup. (exc. Elect.) (4)	+ 3	— 6	— 4
Meats and Meat Products (5)	+15	+ 2	—16
Metals (3)	+ 7	a	a
Paints and Varnishes (5)	—36	—39	— 4
Paper and its Products (5)	—24	—26	a
Tobacco and its Products (18)	+ 7	+ 4	+ 4
Miscellaneous (15)	+ 6	— 5	—14
District—All Wholesale Trade (181)	— 1	— 7	—23

* 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.

Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Without Seasonal Adjustment February 1943	January 1943	February 1942	Adjusted for Seasonal Variation February 1943	January 1943	February 1942
SALES:						
Akron (6)	211	168	151	242	241	173
Canton (5)	194	166	131	266	216	180
Cincinnati (9)	147	139	109	204	188	152
Cleveland (10)	157	136	121	221	166	170
Columbus (5)	157	147	101	227	194	146
Erie (3)	179	155	138	211	210	162
Pittsburgh (8)	146	117	127	164	170	143
Springfield (3)	199	160	123	272	246	168
Toledo (6)	151	119	108	204	172	145
Wheeling (6)	121	96	94	148	161	114
Youngstown (3)	165	134	124	217	176	163
District (97)	155	132	120	194	179	150
STOCKS:						
District (51)	133	138	153	139	155	159

Debits to Individual Accounts

(Thousands of Dollars)

	February 1943	% change from 1942	Jan.-Feb. 1943	Jan.-Feb. 1942	% change from 1942
Akron	147,170	+49.1	297,350	205,242	+44.9
Butler	11,918	+ 1.7	24,385	25,944	— 6.0
Canton	60,576	+13.8	125,401	116,099	+ 8.0
Cincinnati	489,939	+ 9.0	1,027,045	950,600	+ 8.0
Cleveland	890,869	+15.8	1,919,322	1,654,067	+16.0
Columbus	234,491	+ 6.6	470,963	442,843	+ 6.3
Dayton	111,368	+17.0	236,786	201,334	+17.6
Erie	47,814	+15.2	98,124	86,437	+13.5
Franklin	4,110	— 7.2	8,685	9,541	— 9.0
Greensburg	8,476	— 6.3	18,459	20,905	—11.7
Hamilton	17,009	+ 8.2	35,965	33,033	+ 8.9
Homestead	3,760	—10.2	7,889	9,429	—16.3
Lexington	31,672	+40.7	102,671	76,438	+34.3
Lima	21,577	+12.1	45,934	40,512	+13.4
Lorain	5,537	— 9.3	11,671	13,556	—13.9
Middletown	17,415	+ 3.8	35,003	35,333	— 0.9
Oil City	13,281	+12.1	26,263	25,613	+ 2.5
Pittsburgh	1,016,808	+10.6	2,103,051	1,935,169	+ 8.7
Sharon	12,772	— 1.9	26,487	26,658	— 0.6
Springfield	25,770	+20.8	53,792	45,651	+17.8
Steubenville	11,381	+ 8.5	22,678	22,877	— 0.9
Toledo	200,430	+21.8	397,966	351,382	+13.3
Warren	18,914	+23.2	40,000	33,210	+20.4
Wheeling	30,271	+ 7.5	64,065	59,396	+ 7.9
Youngstown	65,286	+ 2.8	137,824	136,667	+ 0.8
Zanesville	10,343	— 1.3	22,135	22,351	— 1.0
Total	3,508,957	+13.4	7,359,914	6,580,287	+11.8

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	February 1943	% change from 1942	Jan.-Feb. 1943	% change from 1942
Bank Debits—26 cities	$3,508,957	+13	$7,359,914	+12
Savings Deposits—end of month:				
39 banks O. and W. Pa.	$ 834,179	+ 7	......	....
Life Insurance Sales:				
Ohio and Pa.	$ 75,492	—13	146,161	—37
Retail Sales:				
Dept. Stores—97 firms	$ 35,405	+29	66,754	+12
Wear Apparel—15 firms	$ 1,702	+77	3,168	+43
Furniture—75 firms	$ 2,359	—11	4,488	—13
Building Contracts—Total	$ 16,404	—50	37,215	—44
" " —Residential	$ 8,809	—52	13,546	—59
Commercial Failures—Liabilities	$ 411	— 1	735	—35
" " Number	27	—34	50	—46
Production:				
Pig Iron—U. S. ...... Net tons	4,766	+ 6	9,484	— 5
Steel Ingot—U. S. ..... Net tons	6,812	+ 4	14,221	+ 4
Electric Power, O., Pa., Ky.				
............Thous. k.w.h.	2,840a	+12	......	....
Petroleum—O., Pa., Ky... bbls.	2,118a	-0-	......	....
Shoes .... pairs	b	—4	b	—13

a January
b Confidential

Fourth District Business Indexes

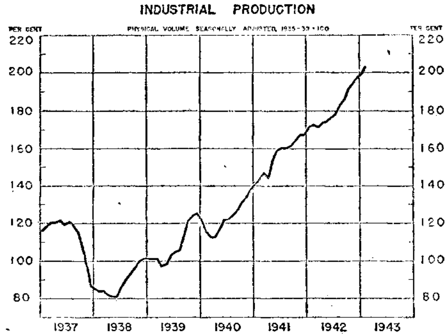
(1935-39=100)

	Feb. 1943	Feb. 1942	Feb. 1941	Feb. 1940	Feb. 1939
Bank Debits (24 cities)	157	138	111	97	82
Commercial Failures (Number)	40	61	100	79	89
" " (Liabilities)	28	28	80	64	53
Sales—Life Insurance (O. and Pa.)	89	103	94	89	91
" —Department Stores (97 firms)	155	120	98	84	80
" —Wholesale Drugs (5 firms)	137	120	106	112	103
" — " Dry Goods (3 firms)	172	160	111	94	84
" — " Groceries (39 firms)	139	127	96	92	84
" — " Hardware (31 firms)	151	170	121	87	74
" — " All (78 firms)	147	141	106	93	84
" —Chain Drugs (5 firms)*	162	140	121	107	107
" —Chain Groceries (4 firms)*	152	138	111	102	95
Building Contracts (Total)	67	135	115	76	93
" " (Residential)	114	238	133	108	92
Production—Coal (O., W. Pa., E. Ky.)	a	131	127	113	96
" —Elec. Power (O., Pa., Ky.)**	186	167	143	130	112
" —Petroleum (O., Pa., Ky.)**	96	96	95	98	85
" —Shoes	85	88	114	111	111

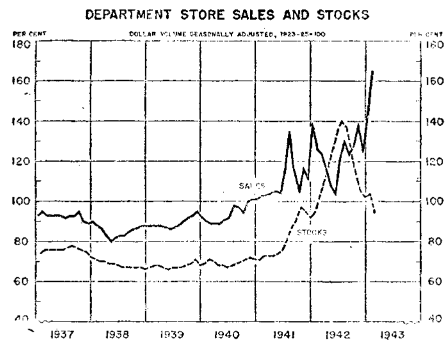
* Per individual unit operated.
** January.
a Not available.

Summary of National Business Conditions

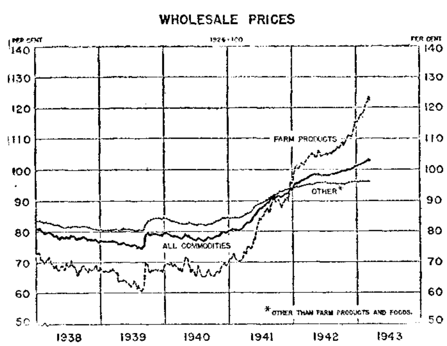
By the Board of Governors of the Federal Reserve System



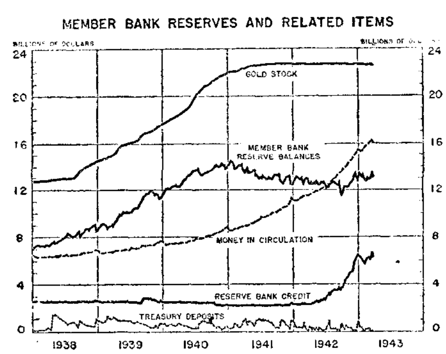
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for February 1943.



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



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending March 20, 1943.



Wednesday figures. Latest figures shown are for March 24, 1943.

Industrial activity continued to advance in February and the early part of March. Retail sales of merchandise, particularly clothing, were exceptionally large in February but declined somewhat in March. Wholesale prices, particularly of farm products, advanced further.

Production

Total industrial output continued to increase in February and the Board's adjusted index rose to 203 per cent of the 1935-1939 average as compared with 199 in January. Larger output at coal mines, steel mills, and armament plants was chiefly responsible for the rise in the index. February deliveries of finished munitions, including a record of 130 merchant ships, considerably exceeded the previous month.

Activity at steel mills reached the peak set last October. Operations averaged 98 per cent of the mills' capacity, which has been increased since that time to a figure above 90 million tons of ingots annually.

Lumber production, which declined in January owing largely to unfavorable weather, increased in February somewhat more than is usual at this season.

Output of textile products remained at the high level of other recent months. Cotton consumption was slightly lower than the corresponding month of the previous year, while rayon and wool consumption were somewhat higher than last year. Shoe production, unchanged from January, was close to the level set by the War Production Board order which limits output of shoes for civilians in the six months beginning March 1 to the number produced in the last half of 1942. Meatpacking declined less than seasonally after a reduction in January, while output of most other foods was lower.

Coal output rose sharply in February with the general adoption of the six-day work week in the mines. Operations in the anthracite mines increased to the high level of last summer while output of bituminous coal was the highest in many years.

The value of construction contracts awarded in February was about the same as in January according to reports of the F. W. Dodge Corporation. Total Federal awards for war construction remained at a level about one-third as large as during last summer. Federal awards for housing continued to decline in February.

Distribution

Department store sales increased considerably in February and the Board's seasonally adjusted index rose to a new high level of 167 per cent of the 1923-25 average. Previous peaks had been 143 in January and 138 in January and November 1942. The increase in February reflected a new buying wave that began early in the month and centered chiefly in clothing items. In the first half of March the buying wave subsided somewhat and sales declined from the high level reached during February.

Freight carloadings showed more than a seasonal rise in February and the first two weeks of March and the Board's adjusted index averaged 4 per cent higher than in January. Large off-seasonal movements of grain continued to be the most unusual feature of carloadings.

Commodity prices

Prices of a number of commodities advanced further in February and in the early part of March. Farm products have continued to show the largest increases and prices received by farmers in the middle of March are estimated to be about 30 per cent higher than a year ago. Fruit and vegetable prices are considerably higher now than during the same season last year. Prices of bread grains and grains used for livestock feeding have advanced sharply in recent months and livestock prices have also risen further.

In retail markets the largest advances have continued to be in food prices. In the latter part of February maximum levels were established for leading fresh vegetables following sharp price increases resulting in part from the restrictions on retail sales of canned and dried vegetables and fruits.

Bank credit

Excess reserves of member banks remained generally above 2 billion dollars during the first two weeks of March, compared with an average of about 1.8 billion during the latter part of February. During the four weeks ending March 17 total Reserve Bank holdings of Government securities showed an increase of 470 million dollars. Purchases of special Treasury one-day certificates moderated the effect of large scale shifts of funds over the tax payment period. These purchases began early in March and on March 17 the certificate outstanding was 980 million dollars. Holdings of other United States Government securities declined by 510 millions.

Reflecting the payment of taxes in cash, money in circulation rose less rapidly early in March and declined slightly around the middle of the month.

The gain in reserve funds occurred mainly at banks outside the central reserve cities; at New York city and Chicago banks reserves remained close to requirements.

In the four week period ending March 17 member banks in 101 leading cities increased their holdings of Government securities by 920 million dollars. Prices of Government securities continued steady.