Monthly Business Review

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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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BUSINESS developments in recent weeks have been replete with incidents which have not been conducive to expanding output and some of which have resulted in curtailed production. Ultimately this may be evident in the military program as well as in the domestic economy.

Operating under forced draft because of the late start of the season, the lake shipping fleet has experienced an unusual number of mishaps for this time of year. Ore movement has been hampered and the season's estimates have been revised downward. Recurring work stoppages at coal mines and the slow rate at which miners returned to their jobs in late June have adversely affected coke and by-product plant operations. Interruptions to the regular flow of coke from such plants have seriously curtailed production of steel at some mills in this area. The efficient use of coal cars, loading equipment, and lake boats also was affected at a time when all should be operating at capacity. Ore and coal stocks should be rising rapidly at this season of the year; failure to do so may not be felt until next winter and spring when coal and ore movements are restricted in some parts of the country.

Manpower shortages are affecting industrial operations more than any other single factor. Material and machinery bottlenecks have largely been eliminated through the controls that have been set up, but despite the widespread use of women in jobs for which they previously were considered unsuited, the total number employed has declined. Income of industrial workers, however, shows no tendency toward leveling off.

Incoming orders have tapered off in several of the metal lines, notably those connected with construction, machinery equipment, and small tools. Foundry equipment orders are less than one-third as large as a year ago. Sizable backlogs exist to be worked down in all industries, however, and operations generally continued close to, it not at peak levels.

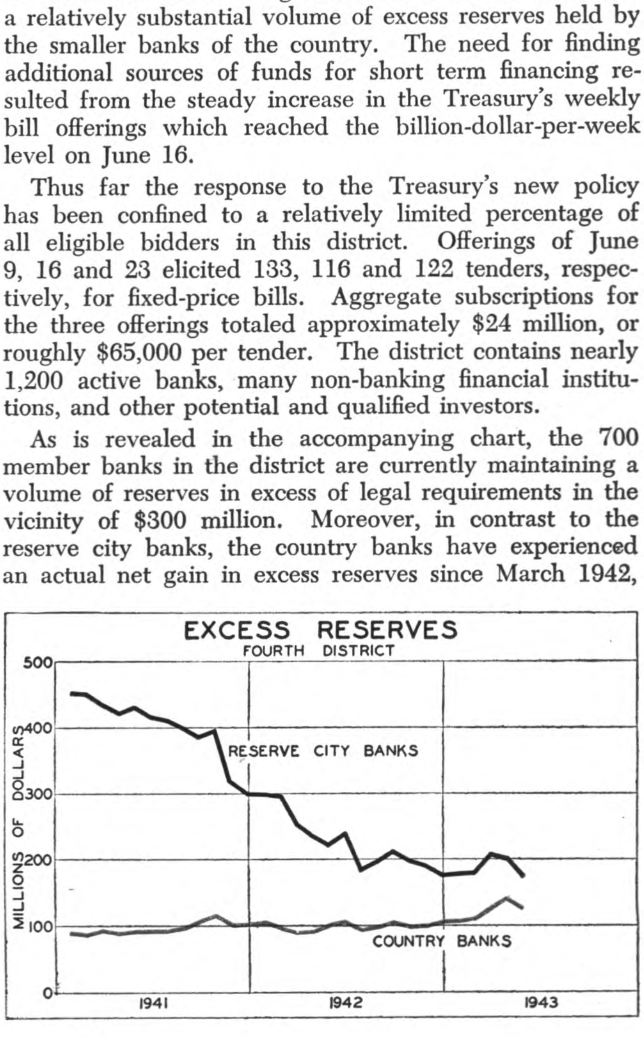
FINANCIAL

Treasury Bills On May 12 the Treasury announced a modification of its regular weekly bill offerings. Instead of submitting the entire offering under conditions of competitive bidding it was provided that any bank, or other bidder, could subscribe up to $100,000 per issue at a fixed price of 99.905 (to yield approximately ⅜ of one percent) with the assurance that the subscription would be allotted in full.

This innovation was motivated by the belief that it would attract from among various reservoirs of idle funds a relatively substantial volume of excess reserves held by the smaller banks of the country. The need for finding additional sources of funds for short term financing resulted from the steady increase in the Treasury's weekly bill offerings which reached the billion-dollar-per-week level on June 16.

Thus far the response to the Treasury's new policy has been confined to a relatively limited percentage of all eligible bidders in this district. Offerings of June 9, 16 and 23 elicited 133, 116 and 122 tenders, respectively, for fixed-price bills. Aggregate subscriptions for the three offerings totaled approximately $24 million, or roughly $65,000 per tender. The district contains nearly 1,200 active banks, many non-banking financial institutions, and other potential and qualified investors.

As is revealed in the accompanying chart, the 700 member banks in the district are currently maintaining a volume of reserves in excess of legal requirements in the vicinity of $300 million. Moreover, in contrast to the reserve city banks, the country banks have experienced an actual net gain in excess reserves since March 1942,



whereas during the same interval, for the System as a whole, excess reserves have been cut in half.

Repurchase Options As of June 9 all reporting member banks of the System had sold to the Federal reserve banks, under repurchase option, a quantity of Treasury bills equivalent to 34 percent of their remaining holdings of bills. In the fourth district, however, such sales constituted only about one percent of the banks' holdings. Presumably member banks of this district have made moderate use of the sale and repurchase facilities for the reason that their reserves are measurably in excess of requirements. During recent months excess reserves of reserve city banks of this district exceeded those of all other reserve districts, and excess reserves of country banks now exceed those of all but one other district. Under the fixed-price method of subscribing for Treasury bills, a substantial portion of such reserves with little effort can be made to yield quite consistently a rate of ⅜ of one percent.

Member Bank Credit Liquidation of real estate indebtedness seems to be continuing. At mid-June real estate loans of reporting member banks of this district stood at a new low since 1935, having penetrated below the level which prevailed for a time at the first half of 1939. This is typical of the trend in effect throughout the banking system.

Holdings of open market commercial paper have shrunk to the extent that they are no longer required to be reported separately by the weekly reporting banks.

The contraction in commercial, agricultural and industrial loans—which are the essence of commercial banking—has given no evidence of having run its course. Such loans on the books of this district's reporting banks have receded to a point where they aggregate less than the same banks' holdings of the shortest-term Treasury obligations.

The category "All Other Loans", which reached its peak in April 1941 and then receded rather sharply, seems to have attained some measure of stability. These loans are now no lower than they were last January.

Earning Assets Although total loans are not far from a three-year low, earning assets of reporting member banks continue to show a persistent increase week after week. This growth in loans and investments is the result exclusively of a steady expansion in the banks' holdings of direct United States Treasury obligations.

Demand Deposits Receding somewhat from the April 7 peak, adjusted demand deposits of weekly reporting banks have resumed their expansion, and on June 16 established a new high record.

This rise in demand deposits may be accounted for by the series of drafts by the Treasury on its war loan accounts, which process results in the conversion of government deposits into deposits payable to individuals, partnerships, and corporations. Another contributing factor is the persistent net inflow of funds into this district. This phenomenon always has been in evidence during periods of great industrial activity and is largely responsible for the fact that banks of this district experience relatively little difficulty in maintaining legal reserves at the required level.

Withheld Tax Funds A new deposit liability account will soon appear on the books of many banks. It will be unlike other types of bank credit outstanding in that this account is payable, strictly speaking, neither upon demand nor in the traditional manner of the time deposit. It is payable either on the last business day of each calendar month, or when the credit balance reaches $5,000, whichever occurs sooner. In no event, however, does this account become payable more than once a day.

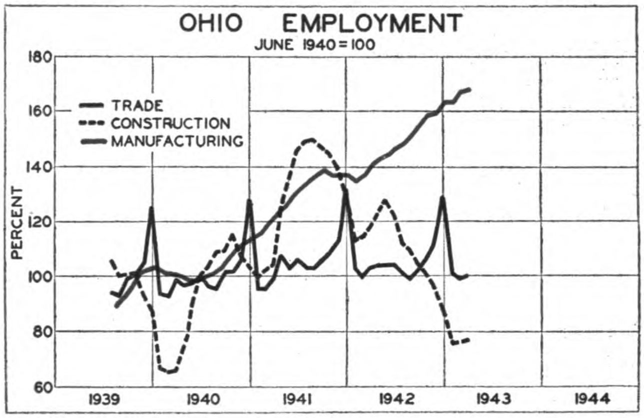
This new account arises out of the fact that employers whose withheld payroll taxes exceed $100 per month are required to deposit such withheld funds by the tenth of the following month with authorized depositary banks. The employer's deposit must be in funds immediately available.

Receiving banks will supply the employer-depositor the original copy of an approved Depositary Receipt the first carbon of which is forwarded to the Federal reserve bank (or branch) when the balance becomes payable as described above. Care should be exercised to insure that successive remittances to the Federal reserve bank are supported by matched depository receipts.

All insured banks wishing to participate in this function must apply specifically for designation as "Depositaries for Withholding Taxes". They become eligible upon receiving notice of approval from the Federal reserve bank.

Provision has been made for the reimbursement of participating banks. Two alternative plans are provided, both of which involve the purchase of a determinable quantity of two-percent depositary bonds, the maximum being governed by the volume of business transacted monthly. Under Plan No. 1, which permits the larger holdings, the bonds are purchased with the depositary's own funds; under Plan No. 2 the funds are advanced by the Treasury. Regulations provide that depositaries may shift from one option to the other as of December 31 and at intervals of six months thereafter.

It is not anticipated that this process will alter in any appreciable degree the total deposits of the banking system. However, inasmuch as employers may elect to remit withheld taxes directly to the Collector of Internal Revenue for the third month of each quarter, some minor fluctuation in total deposits may result at that time. Also, employers whose monthly withholdings total less than $100 have a choice of remitting directly to the Internal Revenue Collector or of using the mechanism described



above. Conceivably widespread choice of direct remittance might also have a very slight effect on aggregate deposits.

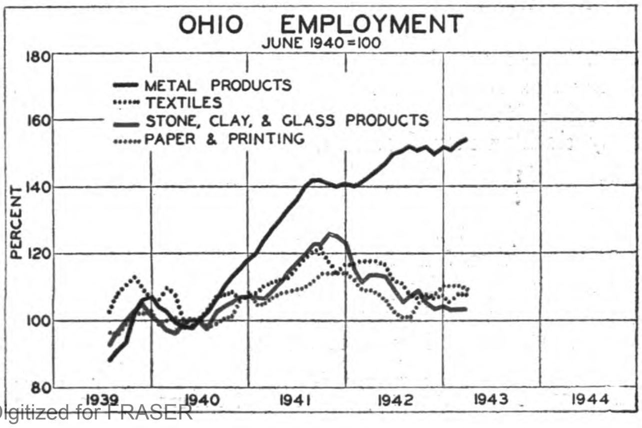
MANUFACTURING, MINING

Employment It is becoming increasingly apparent from the reports of fourth district industrialists that manpower is the major problem confronting the manufacturer today. As the demands of both military and civilian consumers have mounted, the labor needed to produce the required goods has become more and more difficult to secure. Marginal workers have been called into service and working hours have been lengthened, but these solutions have not been sufficient, in the face of increased production, to offset the drain of the military services.

Estimates of employment prepared by the *Bureau of the Census* show that in May of this year there were 41.3 million persons engaged in nonagricultural industries compared with 41.4 million a year earlier. Women constituted 14.1 million of the total, whereas a year ago only 11.8 million were so employed. Female workers hired during the last year, therefore, have not even replaced men lost to the services.

Individual industries of the district have been affected differently by the manpower shortage. The two accompanying charts show indexes of Ohio employment prepared by Ohio State University. One shows the number employed in manufacturing, trade, and private construction; while the other shows four of the ten major components of the manufacturing employment index. The number of wage earners engaged in Ohio manufacturing has risen steadily since the Defense Program was inaugurated in June 1940, with the only major interruption occurring late in 1941. Employment in private construction reached its peak in August 1941 when both residential and industrial building were at high levels. About one-half of the wage earners on private projects have since been released for other work. Most of them probably found employment on Government-sponsored industrial construction which reached its highest level in mid-summer 1942. Since that time some such workers have been available to facilitate the employment expansion in manufacturing industries. The number of wage earners engaged in trade has remained fairly steady, although the attraction of higher wages elsewhere and the drain of the armed services have made it increasingly difficult for such establishments to maintain their staffs.

The trend of employment in the manufacture of metal



products is typical of that for war industries. Paying overtime premiums and offering draft deferment, they have been able to attract additional workers until very recently. Producers of finished war materiel, in many cases, have expanded their working force even more sharply. The motor vehicle classification, for example, employed nearly three times as many workers in March 1943 as it did in June 1940. As a result of intensive recruiting of war workers, however, civilian industries had to sacrifice much of their labor force. Each of the other three industries shown on the chart is representative of this group. Having expanded their employment during the 1941 period of heavy consumer buying they were forced to contract during 1942 as their workers were attracted to war work and as governmental controls limited their production. These industries have felt the labor pinch for many months. Throughout 1942 their contraction facilitated the expansion in war industries. Now, however, as the reservoir of workers in nonessential lines is drained off, they also are faced with serious manpower problems.

Iron and Steel Repercussions of the soft coal controversy adversely affected steel operations at fourth district mills during June. Supplies of coke, depleted when the mines were idle in May, were not sufficient, in many cases, to maintain blast furnace operations more than a few days. Units dependent upon beehive coke were most seriously affected; although the reduced production of gases manufactured in by-product ovens also lowered operations at blast furnaces where such gases are used to enrich the furnace mixture. Finishing mills using coke oven gas for reheating steel also were forced to curtail production in some areas.

The industry was better prepared for the first mine walkout, early in May. Consequently, production of both steel ingots and pig iron declined only slightly, on a daily average basis, from April. The necessity of furnace repairs took several units out of production, although the industry has done an excellent job in keeping repairs at a minimum. Steel output for May totaled 7,545,000 tons, two percent more than a year earlier, while pig iron production rose three percent above May 1942 to 5,178,000 tons. For the first time this year iron ore consumption was less than the amount of ore shipped from the upper lakes, permitting consumers to replenish their dwindling stocks of this raw material. Consumption totaled 7,374,000 tons during May, while ore stocks rose about 3 million tons to 21,297,000 tons. Adverse shipping conditions, however, still kept ore inventories approximately 15 percent smaller than a year ago.

Fourth district steel capacity was augmented early in June by the opening of two giant open hearths near Pittsburgh. These were the first of eleven such furnaces to be completed. Larger than any American furnaces of this type, the new open hearths have a capacity of 225 tons, more than enough steel to make a section of armor plate for a battleship. When the new plant is completed it will have an annual output of 1,500,000 tons, increasing the fourth district's total capacity by almost four percent. The new Defense Plant Corporation's facilities will also include mills and shops for the production of slabs, plates, machined forgings, and rough-forged armor plate.

Despite efforts of the Steel Advisory Committee to obtain at least partial exemption from the War Manpower Commission's original order calling for a 48-hour week in the industry, steel producers now are preparing to adopt the longer week by August 1. This is being done to conform to a later War Manpower Commission order issued June 1. The order forbids hiring of additional workers unless the mill is operating on a 48-hour week or has been authorized by the WMC to work fewer hours. Requests for exemptions must have the approval of the recognized bargaining agency for the company involved. This requirement that labor unions must approve the requests for exemptions is considered by steel officials as an unusual feature of the order. At the present time the steel industry is hiring about 20,000 new workers each month, with turnover averaging about four percent.

Coal The situation with respect to coal production remained unsettled late in June, after a third work stoppage had halted operations in the nation's mines. As a result of the controversy arising out of the termination of the miners' contract on April 1, a serious curtailment in output has resulted not only from idle mines, but also by a general slowdown throughout the industry. The latest work stoppage occurred after the most recent truce expired on June 20, coming only two days after a War Labor Board ruling which was interpreted by most miners as being opposed to granting a portal-to-portal pay allowance.

It is difficult to estimate the total amount of coal that might have been mined if it were not for the controversy. Government estimates have placed the total loss arising out of the first two stoppages at approximately 13 million tons, although this figure does not include the lower production due to slowdowns nor output lost during the third work stoppage. Equally important, however, from the point of view of its effects on war production, was the interruption in the steady flow of coal to consumers. Beehive coke ovens are dependent upon a steady stream of the raw material and any interruption in the flow reduces their output almost immediately. Consequently, several blast furnaces, dependent upon beehive coke, were shut down during each of the last two stoppages. Other consumers had to draw heavily upon their inventories which normally are replenished at this time of year.

The most recent data pertaining to stocks show that there were 49 days' supply above ground on May 1. This figure, however, does not show the effects of the two most recent disputes, nor does it reveal the maldistribution of supplies among individual users. Consumption by industrial users during April amounted to 38,580,000 tons, to which may be added 9,580,000 tons delivered by retail dealers, making a grand total of 48,160,000 tons. This was a decline of ten percent from March, with retail deliveries dropping 19 per cent.

Production of fourth district mines increased slightly in May over April, their output amounting to 18,877,000 tons. This was two percent below May of last year when the industry was on a 35-hour week and considerably below the record production of almost 21 million tons established in March, prior to the termination of contract. Production of both beehive and by-product coke suffered as a result of the controversy, although the effects were felt more seriously at beehive ovens than at by-product furnaces. Beehive ovens in Pennsylvania, nearly all of which are located in the fourth district, produced only 49,500 tons during the week ended June 5 when the mines were idle. This was approximately one-third of their weekly output during March and April. Production of by-product coke fell 16 percent during the same week.

Other Manufacturing Machine tool shipments continued to be well in excess of new orders throughout May, and backlogs were reduced further. Industry sources state that orders now are running between one-third and one-half of shipments, with a good many cancelations reported by some manufacturers. Nevertheless, unfilled orders amounted to approximately $644 millions in April, assuring continued production at a high rate for many months. New orders emphasize special purpose tools, indicating that manufacturers are attempting to offset a tight labor situation by using more automatic machinery.

The fourth district glass and ceramics manufacturers constitute one of the few industries which produces much of its product for civilian needs and yet has been able to maintain operations at capacity or near-capacity levels. War orders are limited, for the most part, to hotel china and glassware for use by the Army and Navy. Ceramics manufacturers report that orders continue to exceed shipments, so that backlogs are sufficiently large to assure full production for the balance of the year. Manufacturers of window glass, however, are suffering from a sharp decline in the demand for their product. Such production employed only 58 percent of the industry's capacity in May, compared with 62 percent in April.

Emphasis on home food preservation as well as the substitution by many industries of glass for metal containers (paint, baby foods, wallpaper cleaner, etc.) has resulted in a sharp increase in the demand for glass bottles and jars. Shipments of such containers in April amounted to 8,132,000 gross, 19 percent above last year and 46 percent above 1939. The greatest increase in demand is reported for domestic fruit jars, indicating the anticipated popularity of home canning in the face of rationing and food shortages.

Orders for additional textiles and clothing continue to keep fourth district mills operating at as high a rate as possible. Labor shortages, however, and in some cases raw material scarcities, prevent complete utilization of existing equipment. Wool consumption reached an all-time high in March, reflecting a record civilian and military demand. Although imports of wool are increasing, major suppliers are unable to satisfy all users and as a result have found it necessary to postpone deliveries by as much as two months. This has complicated production scheduling and the problem of retaining workers for many clothing manufacturers.

Production of footwear declined somewhat in April and was substantially lower than a year ago. The output of Ohio factories for the first four months of the year totaled slightly less than 5 million pairs, or about 14 percent below the same period a year ago. The demand for certain types of footwear, however, has increased since the advent of rationing. Manufacturers of street type footwear report more business than they are able to handle. Such firms have found it necessary to allot orders among their customers and to turn down virtually all new buyers.

The supply of labor continues to be the chief deterrent to increased paper and paper products production. Manpower shortages are reported in all stages of manufacture from the timber lands to the finished paper manufacturers. Paper requirements are great, orders received being far in excess of production.

AGRICULTURE

1943 Crop Indications When the U. S. Department of Agriculture released the 1943 Prospective Plantings as of the middle of March a general optimistic attitude prevailed with regard to possible farm production for the year. Since that time frost, flood, drought in the Great Plains and persistent rains in the Central States have greatly diminished the prospects of aggregate yields as high as those of last year.

During May continuous rains fell from southwestern Oklahoma to central Michigan and northern New York. This strip is roughly 1,500 miles long and 300 miles wide and includes about 90 million acres of crop land, or about one-fourth of all the crop land in the United States. As a result of the excessive moisture farmers in the fourth district have been weeks late with their usual operating schedules. This delay has concentrated the work of several months into a few weeks and many necessary activities have competed for the scant supply of farm labor.

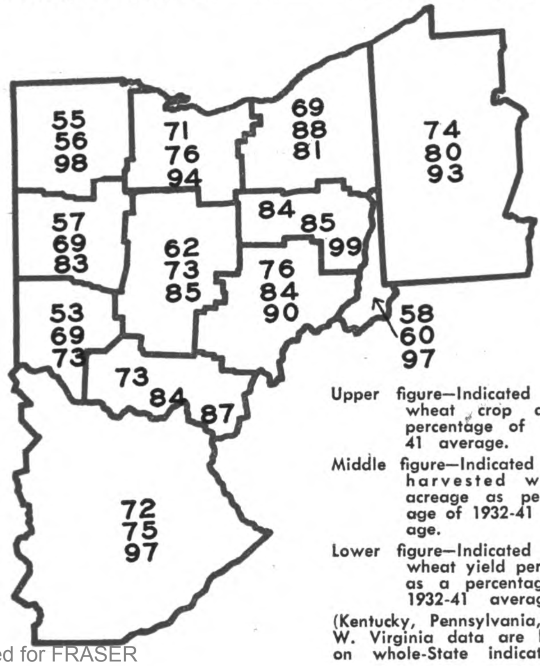
As the accompanying map shows, this year's wheat production in the fourth district will likely be considerably less than the average during the period 1932-41. The indicated production will be low owing to the effects of both decreased acreage and lower yields, but it is evident that decreased acreage is the major causal factor.

Despite the fact that weather prevented the planting of oats in many sections of the fourth district, a total production of about 5 percent over the 10-year period, 1932-41, has been forecast. Meadow and pasture conditions in the fourth district were reported to be generally good and above the 10-year average in June. However, alfalfa production for the year is expected to be somewhat less outstanding than the production of timothy and clover. As of June 15 most of the tobacco in the Burley Belt had been set, the transplanting season being delayed about two weeks by adverse weather.

Prospects of fruit production in the fourth district are not promising. Wet weather hampered adequate pollination of fruit flowers in many areas.

1943 WHEAT CROP

Production, Acreage, and Yield Indicated on June 1, 1943



Upper figure—Indicated 1943 wheat crop as a percentage of 1932-41 average.

Middle figure—Indicated 1943 harvested wheat acreage as percentage of 1932-41 average.

Lower figure—Indicated 1943 wheat yield per acre as a percentage of 1932-41 average.

(Kentucky, Pennsylvania, and W. Virginia data are based on whole-State indications.)

Regional Agricultural Credit Corporations Regional agricultural credit corporations made their first loans in October, 1932. In the States of the Fourth Federal Reserve District their loan volume reached a total of approximately $1,200,000 in 1933 and declined in the following eight years of liquidation to about $8,000 in 1942.

In the four months following the revival of the corporations in January, 1943, disbursements amounting to $1,130,462 were made in the fourth district States (see table). Of this amount F-1 loans made up $631,252 or 56 percent; F-2 advances made up the remainder. F-1 loans are general production loans established to assist in financing increased production of essential farm commodities. They are secured by collateral to the extent necessary for adequate protection of the debt in the judgment of the County War Board or the RACC's loan representative. F-2 advances are made to finance the extraordinary production of essential farm commodities. A borrower of an F-2 advance is personally liable for the full amount of the advance. A lien is required on the crop to be produced and insurance must be taken where available. If however, the County War Board certifies that the borrower has acted in good faith, has used principles of good husbandry, has applied all returns from the crop financed to the repayment of the advance, and if such returns are insufficient to pay the advance in full, then the RACC will cancel the borrower's obligation for the remainder of the advance.

Amount of Disbursements on Loans and Special War Crop Advances through May 29, 1943

State	F-1 Loans	F-2 War Crop Advances	Loans and Advances
Ohio	$216,933	$105,536	$322,469
Kentucky	77,226	138,010	215,236
Pennsylvania	318,138	252,978	571,116
West Virginia	18,955	2,686	21,641
Total	$631,252	$499,210	$1,130,462

Approximately 16,300 acres of crops had been financed by F-1 loans in the four States of the fourth district through May 31, 1943. This acreage was divided among the States as follows: Ohio—7,300; Pennsylvania—6,700; Kentucky—2,100; West Virginia—200. Feed grains accounted for 57 percent of the financed acreage and soybeans for 26 percent. The remaining F-1 acreage was devoted in the main to potatoes and fresh vegetables.

The number of head of livestock financed by F-1 loans through May 31, 1943 is shown by the following table:

Type of Livestock	Ohio	Kentucky	Penna.	W. Va.
Beef cattle	122	133	361	6
Milk cows	470	138	793	50
Hogs (including sows)	1,026	49	1,090	36
Sheep and lambs	209	30	128	25
Poultry	41,125	12,230	125,700	12,538

Total acreage of all crops financed by F-2 advances amounted to the following as of May 31, 1943: Ohio—7,693; Kentucky—9,041; Pennsylvania—6,276; West Virginia—45. In Ohio the major portion of the acreage financed by F-2 advances has been devoted to soybeans. In Kentucky the F-2 acreage has been divided about evenly between soybeans and hemp; in Pennsylvania and West Virginia the F-2 acreage has been used mainly for the production of potatoes.

The average size of F-1 loans has been approximately the same as the average size of F-2 advances in each of the fourth district States, although there has been some variation between states as the following average amounts indicate: Ohio—$550; Kentucky—$250; Pennsylvania—$400; West Virginia—$825.

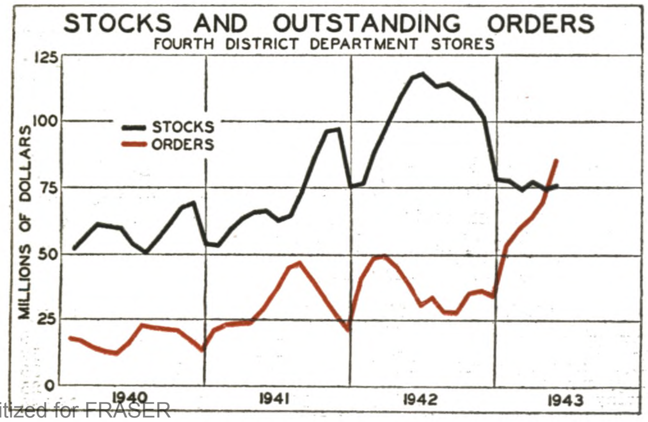
TRADE

Retail Sales at reporting department stores in this district during May were the largest for any similar period on record and 13 percent greater than those in the corresponding month last year.

During the first three weeks of June sales advanced 14 percent over those of the same period last year. Shoe departments experienced an unusually large amount of business, as customers were using their ration coupons before they expired. This buying stimulated purchases of other types of merchandise.

Sales of clothing were responsible for the large amount of business that retailers experienced last month. Stores sold 76 percent more women's coats and suits this year than last and 31 percent more juniors' and girls' wear. Sales of furs were over four times as large as those of May 1942. Fourth district retailers reported that sales of men's and boys' wear were up twelve percent compared with a year ago. Five percent more men's furnishings were sold, while sales of men's clothing and boys' wear were approximately one-fifth greater than they had been a year ago.

Stocks carried by department stores in this area on May 31 were down 34 percent compared with those of the same date last year. A large volume of sales during the past year, difficulty in obtaining goods, and, in some cases, anticipation of the limitation of inventories by WPB, effective May 1, were factors contributing to this reduction. With stores passing the May 1 date with stocks averaging less than the amounts prescribed by the WPB limitation, and with sales being maintained at somewhat higher levels than had been anticipated, buyers, in order to replenish stocks or substitute for goods no longer available, were placing orders for merchandise in unprecedented volume, in most cases. As the accompanying chart shows, the volume of orders outstanding at 37 reporting stores increased steadily since late last year and on May 31 was 123 percent greater than it had been the same date a year ago. Stores in all principal cities of the district reported that their outstandings were larger this year than last. However, these year-to-year gains varied widely, ranging from 56 percent for stores in Wheeling to 224 percent for Akron retailers.



Outstanding orders for these 37 firms totaled $87,104,469 on May 31. This sum was 16 percent larger than the amount of stocks carried by these same stores, and it was the first time on record that the dollar volume of commitments exceeded inventories. On January 31, 1940, orders were approximately one-third of the merchandise on hand.

Slow delivery of goods was one of the factors resulting in this sharp rise in commitments. Stores reported that some merchandise ordered last fall still has not been received. Where there is any possibility at all of obtaining the goods on order, these stores say that their buyers are reluctant to make cancellations. This is especially true of staple wares on order from wholesale firms with which the stores have done business for a long time. As a result, many of the same orders are carried from month to month. Retailers report that they do not expect to receive delivery on some of their present outstandings until late this fall. Buyers are spending as much time in the markets trying to secure merchandise already purchased as they are placing new orders. Moreover, they are buying goods in markets which they did not visit before.

Some firms have resorted to duplicate ordering of merchandise, not expecting to receive all they had ordered. Although not all stores reported this practice, it appeared to be quite general.

Stores estimate that at the present time they are receiving deliveries of from one-half to two-thirds of their outstandings. Some indicated that they would be fortunate if they received 75 percent of the merchandise they had ordered. The proportion of the large volume of orders outstanding on May 31 that will be delivered to the stores will probably depend on the amount of materials made available for the production of civilian goods and on the supply of manpower to convert these materials into finished goods.

CONSTRUCTION

A continued decline in fourth district industrial construction during May resulted in a lowering of the level of contracts awarded to $26,067,000, according to statistics prepared by the *F. W. Dodge Corporation.* The month's total was 56 percent below a year ago when construction activity was involved in war expansion. The current emphasis on defense housing was responsible for keeping residential building close to last year's level.

The decline in construction activity which has resulted from the completion of war facilities during recent months is reflected in a lower demand for building materials. Shipments of structural steel in May were less than one-half of those for a year earlier, while new orders received during that month were down 82 percent. Order backlogs are consequently being reduced rapidly.

Suppliers of lumber are welcoming the decline in the demand for their product resulting from the lower level of construction. Pressed by a severe labor shortage, and an unprecedented demand for packaging and shipping lumber, they are unable to keep production in pace with consumption. They estimate that construction requirements in 1943 will total 11 billion feet, with an additional 1.7 billion feet needed for building outside the continental United States. This is approximately 40 percent less than was consumed in 1942.

Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	May 1943	April 1943	May 1942	May 1943	April 1943	May 1942
SALES:						
Akron (6)	189	201	155	191	188	156
Canton (5)	205	211	147	209	219	150
Cincinnati (9)	153	157	136	140	154	125
Cleveland (10)	151	162	131	157	138	136
Columbus (5)	164	170	126	161	174	123
Erie (3)	172	190	157	176	181	160
Pittsburgh (8)	142	146	137	129	135	125
Springfield (3)	202	205	158	184	197	143
Toledo (6)	155	167	132	150	157	128
Wheeling (6)	129	130	124	118	127	113
Youngstown (3)	162	166	133	153	151	125
District (97)	154	162	137	152	151	134
STOCKS:						
District (51)	135	134	204	133	129	200

(Figures in parenthesis indicate number of firms)

Debits to Individual Accounts

(Thousands of Dollars)

	May 1943	% change from 1942	Jan.-May 1943	Jan.-May 1942	% change from 1942
Akron	163,135	+36.0	815,416	557,435	+45.9
Butler	14,201	+ 9.9	68,243	65,609	+ 4.0
Canton	67,677	+11.9	351,478	298,336	+17.8
Cincinnati	531,049	+ 9.0	2,823,190	2,449,588	+15.3
Cleveland	1,102,485	+16.7	5,376,226	4,490,281	+19.7
Columbus	299,166	+10.3	1,405,733	1,195,606	+17.6
Covington-Newp't	23,163	+32.8	......	......	....
Dayton	137,291	+29.8	676,112	530,322	+27.5
Erie	56,210	+18.5	281,596	227,965	+23.5
Franklin	5,059	+14.7	24,354	23,217	+ 4.9
Greensburg	10,199	+ 1.3	50,032	51,970	— 3.7
Hamilton	19,013	+ 5.5	98,560	87,116	+13.1
Homestead	4,353	— 2.3	21,662	23,099	— 6.2
Lexington	26,004	+ 9.2	183,497	142,828	+28.5
Lima	21,664	+18.5	117,858	100,221	+17.6
Lorain	6,802	— 4.0	33,076	34,106	— 3.0
Mansfield	16,187	+10.9	......	......	....
Middletown	20,421	+ 7.2	96,247	91,542	+ 5.1
Oil City	16,188	+24.6	77,867	66,462	+17.2
Pittsburgh	1,135,420	+ 9.3	5,811,463	5,040,660	+15.3
Portsmouth	9,989	+ 2.4	......	......	....
Sharon	13,790	+ .7	71,025	67,519	+ 5.2
Springfield	29,630	+19.1	149,229	120,065	+24.3
Steubenville	11,703	+ 1.0	62,095	57,980	+ 7.1
Toledo	216,183	+12.0	1,122,738	944,655	+18.9
Warren	22,809	+22.2	116,211	90,903	+27.8
Wheeling	37,004	+15.4	185,908	154,825	+20.1
Youngstown	80,803	+14.8	386,847	349,055	+10.8
Zanesville	11,993	+14.5	61,081	54,414	+12.3
Total	4,109,591	+13.4	20,465,744	17,315,779	+18.2

Fourth District Business Indexes

(1935-39=100)

	May 1943	May 1942	May 1941	May 1940	May 1939
Bank Debits (24 cities)	182	160	140	110	93
Commercial Failures (Number)	24	79	97	117	113
" " (Liabilities)	20	35	36	77	42
Sales—Life Insurance (O. and Pa.)	98	74	103	96	90
" —Department Stores (97 firms)	154	137	139	114	106
" —Wholesale Drugs (6 firms)	113	95	89	88	89
" — " Dry Goods (4 firms)	155	146	132	106	93
" — " Groceries (41 firms)	130	107	105	97	90
" — " Hardware (33 firms)	184	198	167	106	94
" — " All (84 firms)	153	139	126	98	91
" —Chain Drugs (5 firms)*	158	136	122	99	a
" — " Groceries (4 firms)	158	153	129	110	99
Building Contracts (Total)	107	254	260	140	127
" " (Residential)	127	172	326	210	152
Production—Coal (O., W. Pa., E. Ky.)	151	153	138	112	48
" —Cement (O., W. Pa., E. Ky.)	...	187	171	137	115
" —Elec. Power (O., Pa., Ky.)**	...	159	135	118	100
" —Petroleum (O., Pa., Ky.)**	99	102	94	103	94
" —Shoes**	93	111	114	85	103

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

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	May 1943	% change from 1942	Jan.-May 1943	% change from 1942
Bank Debits—24 cities $	4,036,000	+13	$20,345,000	+18
Savings Deposits—end of month: 39 banks O. and W. Pa. $	852,155	+11		
Life Insurance Sales: Ohio and Pa. $	82,407	+31	408,071	— 6
Retail Sales:				
Dept. Stores—97 firms $	36,657	+13	180,314	+ 8
Wearing Apparel—16 firms $	1,436	+24	8,196	+27
Furniture—76 firms $	3,198	+ 7	12,387	— 5
Building Contracts—Total $	26,067	—58	117,956	—48
" " —Residential $	9,821	—26	42,498	—49
Commercial Failures—Liabilities $	296	—42	1,510	—48
" " —Number	16a	—70	102a	—58
Production:				
Steel Ingot—U. S. Net tons	7,545	+ 2	36,840	+ 4
Bituminous Coal, O., W. Pa., E. Ky. Net tons	18,877	— 2	93,919	+ 3
Cement—O., W. Pa., W. Va. bbls.	951b	—16	3,747c	— 8
Elec. Power, O., Pa., Ky. Thous. k.w.h.	2,722b	+12	11,014c	+13
Petroleum—O., Pa., Ky. bbls.	2,185b	— 3	9,580c	+13
Shoes pairs	bd	—16	cd	—15
Bituminous Coal Shipments: L. E. Ports Net tons	5,421	—13	10,120	—22

a actual number
b April
c January-April
d confidential

Wholesale and Retail Trade

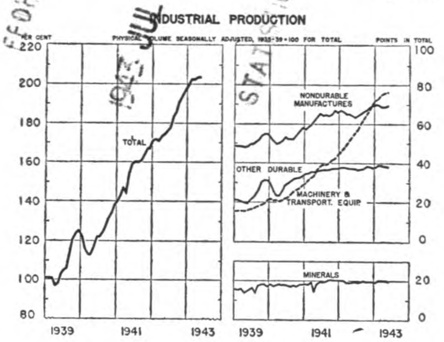
(1943 compared with 1942)

	Percentage Increase or Decrease		
	SALES May 1943	SALES first 5 months	STOCKS May 1943
DEPARTMENT STORES (97)			
Akron	+22	+19	—22
Canton	+11	+14	a
Cincinnati	+13	+10	—38
Cleveland	+16	+ 4	—37
Columbus	+30	+29	—20
Erie	+10	+13	—23
Pittsburgh	+ 3	+ 1	—40
Springfield	+29	+33	a
Toledo	+17	+14	—21
Wheeling	+ 5	+ 6	—29
Youngstown	+22	+13	a
Other Cities	+ 6	+ 2	—25
District	+13	+ 8	—34
WEARING APPAREL (16)			
Canton	+21	+30	—12
Cincinnati	+19	+17	—16
Cleveland	+26	+17	— 9
Pittsburgh	+32	+25	—23
Other Cities	+22	+43	—18
District	+24	+27	—15
FURNITURE (76)			
Canton	— 9	— 6	—36
Cincinnati	+14	— 1	—23
Cleveland	+ 5	— 4	—19
Columbus	+36	+11	-0-
Dayton	— 7	—17	—17
Pittsburgh	— 3	—16	—14
Toledo	+21	— 2	—15
Other Cities	+10	— 3	—23
District	+ 7	— 5	—19
CHAIN STORES*			
Drugs—District (5)	+16	+17	a
Groceries—District (4)	+ 3	+ 5	a
WHOLESALE TRADE**			
Automotive Supplies (9)	— 6	—10	—41
Beer (4)	+19	+33	+ 7
Clothing and Furnishings (3)	+63	+47	a
Confectionery (4)	+24	+16	—61
Drugs and Drug Sundries (6)	+20	+18	+ 3
Dry Goods (4)	+ 6	+ 7	—39
Electrical Goods (15)	—39	—41	—55
Fresh Fruits and Vegetables (6)	+ 9	+22	+ 5
Furniture & House Furnishings (3)	—26	a	a
Grocery Group (41)	+21	+ 9	—12
Total Hardware Group (33)	— 7	—12	—40
General Hardware (11)	—14	—19	—43
Industrial Supplies (11)	+ 7	— 1	—17
Plumbing & Heating Supplies (11)	— 7	—13	—42
Jewelry (4)	+18	a	a
Machinery, Equip. & Sup. (exc. Elect.) (5)	—18	+ 2	—41
Meats and Meat Products (5)	—12	+ 2	—22
Paints and Varnishes (4)	— 9	—21	a
Paper and its Products (6)	+ 2	—27	a
Tobacco and its Products (14)	+ 2	+ 7	— 6
Miscellaneous (18)	-0-	— 2	— 3
District—All Wholesale Trade (184)	-0-	— 3	—22

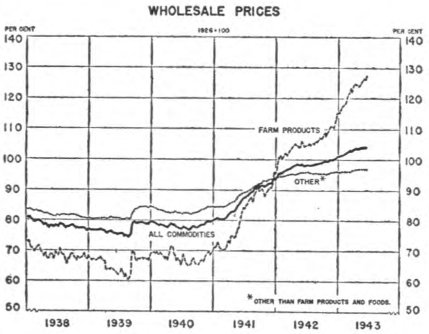
* Per individual unit operated.
** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.
a Not available.
Figures in parentheses indicate number of firms reporting sales.

Summary of National Business Conditions

By the Board of Governors of the Federal Reserve System

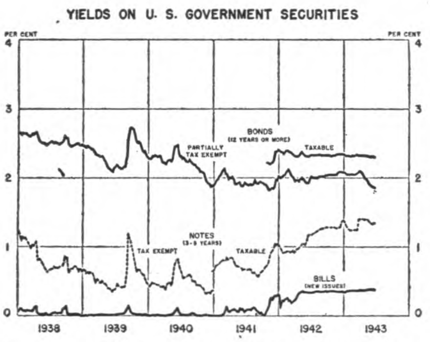


Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for May 1943.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for the week ending June 12, 1943.

Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for June 16, 1943.



Averages of daily yields on notes and bonds and average discount on bills offered. Bills are tax-exempt prior to March 1941, taxable thereafter. Weekly figures, latest shown are for week ending June 19, 1943.

Industrial activity and retail trade were maintained in large volume during May and the early part of June. Retail prices, particularly foods, increased further in May.

Production

Total volume of industrial production, as measured by the Board's seasonally adjusted index, remained in May at the level reached in April. Activity in munitions industries continued to rise, while production of some industrial materials and foods declined slightly. Aircraft factories established a new record in producing 7,000 planes in May.

In most nondurable goods industries there were small increases or little change in activity. Meat production, however, reached a record high level for May reflecting a sharp advance in hog slaughtering. Seasonally adjusted output of other manufactured foods continued to decline. Newsprint consumption showed little change, and publishers' stocks declined further to a 50-day supply on May 31. Consumption for the first five months of 1943 was only 5 per cent below the same period in 1941, whereas a reduction of 10 per cent had been planned.

The temporary stoppage of work in the coal mines at the beginning of May brought production of bituminous coal and anthracite down somewhat for the month. Iron ore shipments on the Great Lakes continued to lag in May behind the corresponding month of 1942.

The value of contracts awarded for construction continued to decline in May, according to reports of the *F. W. Dodge Corporation.* Total awards were about 65 per cent smaller than in May a year ago.

Distribution

During May the value of sales at department stores decreased more than seasonally, and the Board's adjusted index declined 5 per cent. Sales, however, were about 15 per cent above a year ago, and during the first five months of this year showed an increase of 13 per cent over last year. In general, the greatest percentage increases in sales have occurred in the Western and Southern sections of the country where increases in income payments have been sharper than elsewhere.

Freight-car loadings advanced seasonally in May but declined sharply in the first week in June, as coal shipments dropped 75 per cent from their previous level, and then recovered in the second week of June as coal production was resumed.

Commodity Prices

Prices of farm products, particularly fruits and vegetables, advanced during May and the early part of June, while wholesale prices of most other commodities showed little change.

Retail food prices showed further advances from the middle of April to the middle of May. On June 10 maximum prices for butter were reduced by 10 per cent and on the 21st of the month retail prices of meats were similarly reduced with Federal subsidy payments being made to processors.

Agriculture

Prospects for major crops, according to the Department of Agriculture, declined during May while output of livestock products continued in large volume, as compared with earlier years. Indications are that acreage of crops may not be much below last year but that yields per acre will be reduced from the unusually high level of last season.

Bank Credit

Excess reserves at all member banks declined from 2 billion dollars in early May to 1.5 billion in the latter part of the month and remained at that general level through the first half of June. As the Treasury expended funds out of war loan accounts which require no reserves, the volume of deposits subject to reserve requirements increased and the level of required reserves rose by 600 million dollars in the four weeks ending June 16, while continued growth of money in circulation resulted in a drain on bank reserves of 400 million dollars. These reserve needs were met in part by Treasury expenditures from balances at the Reserve Banks and in part by Federal Reserve purchases of Treasury bills. Reserve Banks continued to reduce their holdings of Treasury bonds and notes in response to a market demand for these issues.

During the four weeks ending June 16, Treasury bill holdings at member banks in 101 leading cities fluctuated widely, reflecting primarily sales and repurchases on option account by New York City banks in adjusting their reserve positions. Holdings of bonds and notes declined somewhat while certificate holdings increased. Loans to brokers and dealers in securities declined sharply during the period, as repayments were made on funds advanced for purchasing or carrying Government securities during the April War Loan Drive. Commercial loans continued to decline.

Government security prices advanced during May following the close of the Second War Loan Drive, but in the early part of June there were small declines.