Monthly Business Review

Covering financial, industrial and agricultural conditions

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 25 — Cleveland, Ohio, September 30, 1943 — No. 9

FINANCIAL

Third War Loan Drive The fourth district was the first of the twelve Federal reserve districts to exceed its goal in this Third Drive. Funds in excess of the $1,060 million quota were on hand at the close of business on September 25.

Although commercial banks were ineligible to participate in this War Loan offering, their activities and accounts were nevertheless somewhat affected by the operations of the Drive. United States Treasury deposits, commonly termed "war loan accounts," increased substantially through the process wherein banks transferred to the Treasury's credit those sums which previously stood credited to individuals, partnerships, corporations, and other subscribers.

Inasmuch as Government depositaries are not required to maintain reserves against war loan accounts, a certain quantity of legal reserves was thus converted into excess reserves. Presumably it was this easing of their reserve position that led reporting member banks of this district to acquire nearly $60 million of already-outstanding Treasury obligations during the first two weeks of the Third Loan.

The contraction in Federal reserve notes in circulation during the second half of September is also attributable largely to the workings of the War Loan. Currency which subscribers had previously accumulated, perhaps in anticipation of the Drive, was tendered in payment in sufficient volume for the banking system's day-to-day needs, and thus for the time being made currency requisitions generally unnecessary. A similar reversal of the persistent trend took place during the closing days of the April Loan.

Ownership of Demand Deposits The subject of demand deposit ownership recently has assumed a prominent place in the banking field because of the unprecedented rise in deposit totals which has resulted from the war financing process. Individual banks are interested especially in the probable permanency of this influx of recent years. The retention of these newly-added funds is probably determined in considerable measure by the channels through which they have been received. It is felt that an analysis of the present composition of deposits, supplemented by future periodic surveys would be of assistance in formulating sound investment policies. This bank has undertaken to set up a program as part of a national survey whereby data could be obtained regularly from a group of representative banks. The 92 banks included in this first comprehensive survey covered, as of July 31, approximately 75 percent of the demand deposits owned by individuals, partnerships, and corporations.*

The location of the 92 reporting banks throughout the four States, or parts thereof, is as follows:

State	Large Banks	Smaller Banks	Total Banks
Eastern Kentucky	1	12	13
Ohio	23	23	46
Western Pennsylvania	12	19	31
West Virginia Panhandle	2	0	2
	38	54	92

For the purposes of this analysis, the 92 cooperating banks were segregated into the following groups:

Number of Banks	Demand Deposits, July 31	Approximate Size Range
8 Largest Banks	$1,677,000,000	$125,000,000 to over $300,000,000
30 Large Banks	996,000,000	$10 000,000 to $100,000,000
54 Smaller Banks	215,200,000	Nearly all in $2-$5,000,000 range
	$2,888,200,000	

The first two groups of banks (8 largest and 30 large) classified only those accounts with balances of $10,000 and over, as of July 31, 1943. The 54 smaller banks catalogued all accounts with balances of $3,000 and upward.

Differences in the composition of demand deposits outstanding, among these three size groups are depicted in the accompanying chart.

Most significant, perhaps, is the fact that over 50 percent of the largest banks' demand deposits of $10,000-and-up were owned by manufacturing and mining enterprises. A further breakdown revealed that two-thirds of that big block was owned by establishments mining or working in metal.

Noteworthy also is the relative unimportance, in terms of dollar volume, of accounts with balances of less than $10,000. A 25 percent increase—or decrease—in these

*Hereinafter referred to merely as demand deposits.

accounts' aggregate balances would affect total demand deposits by only 4 percent. A similar fluctuation in manufacturing and mining balances, on the other hand, would alter the total by as much as 12½ percent.

In the case of the 30 large banks, whose deposits ranged from $10 million to $100 million, the manufacturing and mining subdivision was less preponderant, although within that group, the metal industries maintained their 2:1 dollar ratio.

Within the "Other Trade and Industrial" group, the retail and wholesale trade accounts rose in importance from 5½ percent (eight largest banks) to 8½ percent. Likewise the accounts with balances of less than $10,000 —the unclassified accounts—were of considerably more prominence, constituting nearly 25 percent of the demand deposit total.

The statistics of the 54 smaller banks ($2-$5,000,000 totals) reveal a still different picture. In this instance, all accounts below—not $10,000, but $3,000—comprise the largest single mass of demand deposits.

Because of the lower classification limit observed by this group, the financial and manufacturing and mining group of depositors occupied a position of much lesser importance. Conversely, the inclusion of all accounts above $3,000 presumably was somewhat responsible for the larger percentage shown by "Other Trade and Industrial" and "Personal and Non-Profit Associations" accounts.

A more detailed analysis of these smaller banks, on a regional basis reveals the following variations:

DEMAND DEPOSITS OF SMALLER BANKS BY STATES

Type of Depositor	Fourth District 54 Banks	Kentucky 12 Banks	Ohio 23 Banks	Penna. 19 Banks
	—Percent of Total Demand Deposits—			
1. All Accounts Below $3.000	29.7%	40.2%	26.8%	29.5%
2. Manufacturing & Mining	23.8	12.9	27.6	23.2
3. Retail & Wholesale Trade	13.7	11.3	14.2	13.9
4. Non-Farm Personal	13.5	12.2	11.0	16.6
5. All Financial	7.9	9.1	8.0	7.4
6. All Other Non-Financial	4.1	2.8	4.8	3.6
7. Non-Profit Associations	2.9	1.8	2.5	3.7
8. Public Utilities	2.7	4.4	3.0	1.8
9. Farmers	1.7	5.3	2.1	.3
	100.0%	100.0%	100.0%	100.0%

(1) Kentucky. In the case of the 12 Kentucky banks, it is revealed that the below-$3,000 accounts are relatively more important (40.2 percent) than elsewhere in the district. Farmers' accounts (over $3,000) also occupy a much higher rank in the Kentucky banks than in the other 42 banks. The "Public Utilities" and "All Financial" accounts are likewise of above-average proportions. Conversely, the demand deposits of mining and manufacturing enterprises represent only 12.9 percent of all demand deposits as against 23.8 percent for the district as a whole. "All Other Non-Financial" and "Non-Profit Associations" deposits also are below the prevailing district level.

(2) Ohio. The deviations from the district-normal are less noticeable in Ohio. The emphasis on trade and industry is indicated by the fact that (a) manufacturing and mining, (b) all other non-financial, and (c) retail and wholesale trade deposits are relatively larger in Ohio than in Kentucky and Pennsylvania. On the other hand, the non-farm personal, and the below-$3,000 deposits are of lesser importance to the smaller banks of this State.

(3) Pennsylvania. The deposit structure of the 19 Pennsylvania banks differs noticeably from the district average in at least three respects. Both non-farm personal deposits and non-profit associations' deposits occur in larger volume; but farmers' accounts (above $3,000) constitute only 0.3 percent of these banks' deposits as against 5.3 percent in Kentucky.

New Member Banks

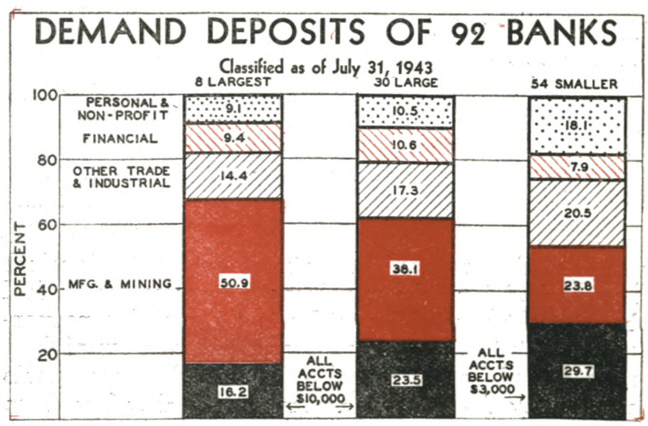
The Hamler State Bank, Hamler, Ohio
The Farmers Bank, Sunbury, Ohio
Farmers and Merchants Trust Company, Greenville, Pennsylvania

MANUFACTURING, MINING

Manufacturing concerns, in general, reported no significant change in their activity during the past month. With a few exceptions, orders were still being received in as large a volume as could be handled with the present labor, materials, and machinery situation. Manpower remained the most troublesome problem, tending to become even more difficult, rather than to improve.

Iron and Steel Considerable optimism prevailed during August and early September regarding the "Steel for Victory" drive, whose purpose has been to add at least two million tons to the third and fourth quarter supplies of steel. This hopefulness is predicated upon the success of the "Share the Steel" phase of the program and upon the ability of steel producers to increase their output from existing facilities. Under the "Share the Steel" program, through which a redistribution of steel inventories was sought, more than one million tons of steel have been released for essential consumers. The high rate of ingot operations in August and early September indicated, in part, the success of the mills in increasing output from existing capacity. Production during August totaled 7,562,000 tons, more than in any previous month except March, and September operations continued at a high rate, rising above 100 percent of theoretical capacity on several occasions, and reaching a wartime high during the week ended September 26.

The steel expansion program, however, is running behind its original schedule, the necessary materials having been allotted in many cases to more vital uses. Instead of the 96 million ton capacity which was scheduled to be in operation by July 1, 1943, only 90,881,000 tons of annual ingot capacity were listed in the latest semi-annual calculation made by the American Iron and Steel Institute. This represented a net increase of 9,262,000 tons in the nation's steelmaking capacity since January 1, 1940, and an addition of 589,000 tons during the first six months of 1942.

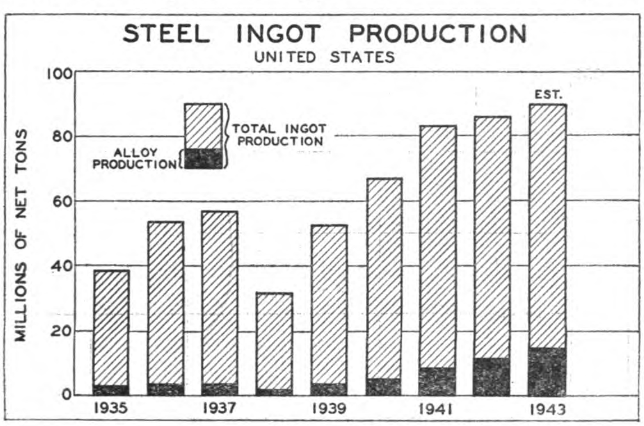


The expansion of steelmaking facilities since the start of the war has not materially altered the geographical pattern of the industry, although a slight shift towards the south and west has occurred. In 1940, 3.8 percent of the nation's capacity was located in southern states which on July 1, 1943 had 4.3 percent. This increase was due entirely to expansions in Alabama and Texas. The additions of facilities in California and Washington increased their share of the total from 1.3 percent to 2.3 percent, with capacity in California more than doubling. The major steel producing states, however, continued to be Pennsylvania, Ohio, Indiana, and Illinois, in that order. Their share of the total capacity fell from 73.7 percent on January 1, 1940 to 72.6 percent on July 1, 1943, reflecting the growing importance of the West and South. Eastern mills also declined slightly in importance.

The major trend in steelmaking as reflected in capacity data is the growing importance of the electric process, used almost entirely for high grade alloys. Although electric furnaces accounted for less than six percent of the total capacity on July 1, 1943, their rated capacity was more than two and one-half times as great as on January 1, 1940. This in turn, reflects the growing importance of alloy metals in steel production. As is shown in the accompanying chart, the alloy output of electric and open hearth furnaces has increased from less than 2.5 million tons in 1935 to an estimated total of almost 15 million tons in 1943. Expressed as a percent of the total ingot output, this is an increase from 6.2 percent in 1935 to 16.3 percent in 1943.

Coal Although coal production continued at a high level during August and early September, the effects of labor shortages and the spring work stoppages upon coal distribution were beginning to be felt. Many consumers, viewing the uncertain labor situation with alarm, have hastened to protect themselves by adding unduly to their coal stocks. This has left other consumers with inadequate supplies. Many plants have 75 or more days' storage on hand, while other consumers have only 30 days' or less. Unfortunately many railroads and by-product coke plants, relatively essential industries, are in the latter group. Attempts to correct this situation are being made by restricting the amount of coal that can be sent to consumers who have over two months' supply, and by restricting shipments to dealers within the next 60 days to ten percent of the tonnage sent to dealers during the calendar year 1942.

Coal supplies are poorly distributed geographically as well. Ordinarily coal is shipped from the lower lake ports to docks at the head of the lakes where it is then carried by rail to middle western consumers. Stocks at upper lake ports, however, have been depleted by, (1) interruptions in production at the mines, (2) the emphasis on moving iron ore, which has resulted in reducing the number of lake vessels carrying coal, and (3) a labor scarcity in western mines, which has necessitated heavy rail shipments from upper lake ports to Washington and Oregon in order to avert a shortage in that area. Stocks at the Duluth-Superior docks, from which middle west consumers should be supplied, have dropped to only 2,500,000 tons compared with more than 4,000,000 tons a year ago. To offset this shortage an additional 5,000,000 tons has been ordered shipped to upper lake ports during the last three months of the lake shipping season. This, in turn, will limit the supplies of coal available for lower lake ports until after ice closes the lakes and also may have important repercussions on the amount of iron ore that can be moved down the lakes during the remainder of this season.



Production of fourth district mines during August was higher than in any post-depression month except March of this year. Output rose to 19,657,000 tons, compared with 19,263,000 tons in July. Although the nation's total bituminous coal output for the first eight months of the year was somewhat above the same period of 1942, the fourth district's cumulative production through August 31 remained almost two percent below a year ago.

Output of both beehive and by-product coke has been maintained at a high level recently. By-product furnaces are operating at a higher rate than at any time in their history, plants in this area producing well above 690,000 tons a week. A year ago their output was approximately 670,000 tons per week. Production of Pennsylvania beehive coke, which is used to make up the deficit between total coke demand and the supply of by-product fuel, has been maintained at a weekly level of approximately 147,000 tons, moderately above the level of a year ago. A scarcity of good coking coal and labor shortages are causing beehive producers a constantly-growing difficulty in maintaining output.

Machine Tools, Metal Working As order backlogs of machine tool builders declined further, some members of the industry showed a growing tendency during August and early September to shorten hours, eliminate Sunday work, and to make no attempt to replace workers lost to the armed services and other industries. Only under a war emergency would the machine tool industry continue to operate at present high rates, faced as it is, with rapidly declining orders, which during July were estimated at only 29.5 percent of shipments. In more normal times an attempt would be made to spread the work more evenly and to eliminate costly overtime wages which must be paid. Workers in machine tool industries during July averaged 51.1 hours per week, well above the 46.8 hour average for all durable goods manufacturing concerns and considerably above 40 hours at which point premium wage payments commence.

Activity of other metal and metal products manufacturers continues to be determined by the nature of their war production. Most of them report no important change from last month. Manufacturers of automobile parts, in addition to a large volume of war activity, report an increase in the demand for spare auto parts. Such orders are expected to continue to increase until new auto production is resumed. It reflects, of course, the gradual wearing-out of prewar automobiles, necessitating replacement parts.

Rubber Major interest in the rubber industry recently, has centered on the problems involved in the production of 30 million synthetic tires which are considered the minimum requirements for 1944. Inventories of finished tires and tubes are dwindling and civilian demand is rising rapidly as prewar tires now are showing wear. The major bottleneck appears to be labor, both at tire-making factories and in cotton mills, the latter situation being reflected in a scarcity of fabric for tire production. Moreover, increased military requirements are drawing heavily upon present supplies, warranting little optimism concerning the possibility of providing tires for nonessential civilian use in the near future. Output of synthetic rubber is reported to be quite large, greater, in fact, than the present ability of the rubber-manufacturing industry to absorb it.

Ceramics Stone, clay, and glass manufacturers continue to operate as near capacity as the labor supply will permit. Fourth district pottery manufacturers report large order backlogs, many concerns being unable to promise delivery before late summer of next year. Although output of glass containers dropped moderately in July, production still continued well above a year ago. Output of window glass rose in August to 1,296,000 boxes, 18 percent above July.

Clothing Clothing manufacturers in the fourth district are receiving orders for all the business they can handle. Labor continues to be the major limiting factor, with reports from the industry showing a marked optimism concerning the materials outlook, particularly in regard to supplies of wool. The WPB and War Department have recently approved a program which postpones certain of their contracts for woolen and worsted goods. This will release some men and machinery for civilian production and in certain areas may do much to alleviate the present civilian clothing labor situation. An estimated 10 million yards of goods may be made available for civilians by such conversions, providing, of course, that makers of the finished apparel items are able to secure the manpower to utilize the additional fabric.

Leather, Shoes Shoe manufacturers are encountering difficulty in obtaining both men and materials with which to maintain production. The shortage of sole and upper leather is quite acute. Fourth district output of shoes during July fell 16 percent from the same month of last year. Problems of the industry have necessitated a reduction in the shoe ration, according to recent OPA announcements.

Paper The paper and paperboard industry is caught between an unprecedented demand on one side and shortages of both men and materials on the other. Much of the additional requirements are due to the excessive needs of war industry for both paper and paperboard products, used largely in packaging war materiel for domestic and overseas shipments. While labor shortages at paper mills still remain critical, the major problem continues to be the shortage of lumberjacks in the timberlands. The WPB in an endeavor to stretch the pulp supply, recently issued further orders simplifying the grades of paper and paper products which may be manufactured.

Lake Shipping In spite of the addition of 13 vessels to the lake trade since September 15, 1942, the tonnage of iron ore handled by the ore fleet prior to September 1 of this year was still eight million tons below the same period of 1942. August shipments, after being hindered by fogs late in the month, failed to reach the 14 million-ton mark, although a new all-time record was set at 13,977,000 tons. August is normally a month of very favorable shipping conditions, so it is doubtful if any substantial part of the 1943 season's deficit compared with a year ago will be erased during the remainder of the year.

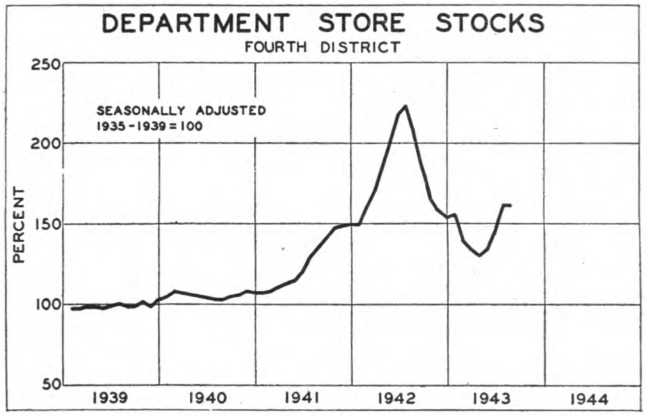
With the new order requesting shipment of five million tons of coal up the lakes, the larger vessels will be required to wait at lower lake ports to load fuel, thus increasing their turn-around time and hindering still further the movement of ore. Coal shipments for the season through August were 3,500,000 tons below those for 1942, totaling 27,221,000 tons.

Stocks of iron ore rose during August to 38,572,000 tons, still 5 million tons below a year earlier. The steel industry, however, is not particularly concerned over this comparison, pointing out that these stocks, plus the shipments of the next three months are more than adequate to keep ore flowing to the mills throughout the winter. Consumption of Lake Superior ore during August totaled 7,617,000 tons, slightly above the level of recent months.

TRADE

Retail Stocks Despite increasing shortages of many types of goods and the large volume of business that stores experienced recently, retailers in this district were able to secure more merchandise than they sold. Both the seasonally adjusted and the unadjusted stocks indexes have advanced somewhat during the past several months. During August the unadjusted index rose 13 points to 156 percent of the 1935-39 average. This increase was seasonal, and the adjusted index remained at 161 percent. August 31 inventories were 22 percent smaller than those of the same date last year, but 19 percent larger than they were two years ago.

Stores report that there has been some improvement in their receipts of certain types of merchandise, especially women's clothing. Ready-to-wear stocks at the end of



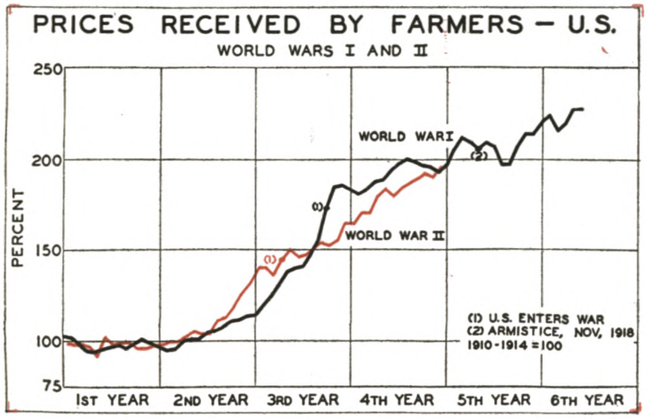
last month were up 34 percent compared with those of August 31 a year ago. Inventories of men's clothing were 31 percent smaller. Retailers say that men's wear is somewhat more difficult to secure, partly because the mills are engaged in the manufacture of uniforms and do not have adequate manpower or facilities to fill their backlogs of orders. Woolen articles are generally easier to obtain than those made of rayon and cotton, especialy infants' wear, women's underwear and blouses, and some men's furnishings, such as pajamas and underwear.

Furniture stocks present a troublesome problem to merchants, according to reports. Deliveries of such goods are very slow, and many articles are substitutes for prewar merchandise. This is especially true of upholstered pieces, since springs and down are no longer used in manufacturing these. Buyers are cautious in their purchases of the so-called Victory merchandise in order to avoid being overstocked. However, they desire to have an adequate supply of goods on hand to meet the demands of their customers. Furniture inventories on the first of this month were 42 percent smaller than they were on September 1, 1942. Stocks of draperies and housewares were down 34 percent compared with last year, and domestics and blankets 35 percent. Stocks of all housefurnishings declined 41 percent.

Buyers are spending a considerable amount of time in the markets, not only to make purchases but also to determine the status of orders already placed. The volume of orders outstanding at the end of last month was 218 percent greater than it had been the same date last year Stores are continuing to make commitments for a large amount of merchandise and in some cases already are placing orders for spring goods. Some report that they are sending their buyers to the newer markets, especially those located in the southern states and California.

Retail Sales Department store sales in this district during August increased less than seasonally from those of the previous month, and the adjusted sales index declined five points to 165 percent of the 1935-39 daily average. However, total dollar volume was six percent greater than that of the same month of 1942 and the second largest for any similar period on record. Stores in Columbus, Springfield, and Wheeling continued to report substantial increases in their business. Sales in Toledo were ten percent larger this August than last, Akron seven percent, Cleveland five percent, and Cincinnati and Pittsburgh three percent. Sales at all reporting stores in this district were ten percent larger during the first eight months of this year than in the corresponding period of 1942.

Cool weather was one factor which apparently stimulated buying during the first part of September. Sales during the three weeks ended September 18, 1943, were up 12 percent compared with those of the same period last year.



Wholesale Trade *Department of Commerce* reports show that sales at fourth district wholesale firms were six percent larger this August than last. Sales of paper and its products were up 64 percent, paints and varnishes 36 percent, clothing 31 percent, and groceries 10 percent. Year-to-year declines were reported by firms selling electrical goods, furniture, and hardware.

Inventories carried by reporting wholesalers on August 31, 1943, were 12 percent smaller than those of the same date a year ago. Stocks of dry goods, electrical goods, and confectionery products were approximately 50 percent lower this year than last. Hardware stocks were down 28 percent.

AGRICULTURE

Agricultural Price Conditions In the month of August, prices received by the Nation's farmers were almost twice as high as they were at the beginning of the war, September 1939. It is coincidental that in August, the last month of the fourth year of war, prices received by farmers stood at 193 (1910-14 = 100) which was exactly where they were at the end of the fourth year of the First World War (see chart). Compared with the same month last year, prices received by the U. S. farmers in August were up 18 percent.

In the fourth district, prices received by farmers have followed fairly closely the country-wide developments. In Ohio, farm commodity prices displayed irregular trends in July and August, but with the exception of hogs, on August 15 all prices were above a year earlier. Prices received by Kentucky farmers in August were the same as they received in July, but were up 17 percent over a year before. The index of prices received by Pennsylvania farmers in August stood at 204 (1910-14 = 100), and was unchanged from July, although 25 percent above last year. On the same base period, the index of prices received by West Virginia farmers stood at 197 in August, a rise of eight percent from July, and 35 percent from August of last year.

Country bankers in several parts of the fourth district are of the opinion that farmers' costs are catching up with their mounting cash returns. In view of this situation, these bankers believe that some upturn in loans to farmers is imminent. Usually they point to the high prices of feeder cattle in relation to the prices of slaughter animals as verification of their impression. However, according to the official indexes of prices farmers receive for their products and the official indexes of prices they pay for commodities, interest, and taxes, there is very little to support the idea. Since the beginning of the war, prices paid *to* farmers have risen much faster than prices paid *by* farmers. Since September 1939, prices *received* have risen 97 percent and prices *paid* have risen only 31 percent. To date, there are no indications of a movement away from this condition, at least as far as official data are concerned. For example, in the thirty days from July 15 to August 15, prices *received* by farmers increased about three percent and prices *paid* remained stationary.

It will be noted that the basic data on prices referred to above were characterized as *official* indexes. There is a growing impression among some of those who work with official price indexes that these indexes may not indicate the true price condition in the market. To the extent that black market conditions prevail, the official price indexes fail, of course, to reflect actual "pocketbook prices." Then too, for many commodities and services, prices of most lines are still quoted although only the more expensive lines are available for purchase. It seems evident, if official indexes are constructed by inclusion of commodities and services in the lower price brackets that are available only to a limited degree, these indexes fail to portray market conditions as they actually exist.

The Redemption Plan

The redemption plan, which is one of the latest developments of the War Food Administration in its food supply and price activity, is expected to make its debut soon in the marketing of the country's potato crop. This potato crop incidentally, is expected to be the largest on record, with phenomenal production in the western late states minimizing the decline from average in Ohio, Pennsylvania, and several other eastern and central states. The aim of the redemption program according to the War Food Administration is to facilitate orderly marketing of the product, provide for increased returns to the grower, and enable the consumer to make his purchases at lower prices.

Several steps are contemplated in the operation of the plan. First, the War Food Administration would make non-recourse loans directly to growers. These loans would be based on a per bushel price high enough to cover production and storage costs. Conventional credit extension would, of course, imply that the farmer redeem his crop at some later time by repayment of the full amount borrowed. It is the waiving of this standard procedure that constitutes the heart of the redemption plan. Instead of repaying the full amount borrowed the grower may eventually be permitted to redeem his potatoes at something less than the loan value. After redeeming the commodity and pocketing the difference between the loan and redemption values, he would be free to sell the commodity on the market at a ceiling price which presumably would be set at the per unit redemption value of the commodity.

According to the sponsors of the idea it would reconcile the divergent positions of the producers and the consumers with regard to price The cost of this reconciliation, admittedly would be borne by taxpayers generally. The arrangement in effect permits the payment of a subsidy, and is aimed at the orderly marketing of the season's heavy crop

Details of the plan as it applies to potatoes call for the disbursement of the loans through local county agricultural War Boards. The loans will be on the basis of the potato support prices which range from $1.85 to $2.10 per cwt. in the Great Lakes Region and which increase 20 cents per cwt. on December 1 and 10 cents on January 1.

Food Distribution Order 79

Owing to the fact that the Fourth Federal Reserve District has a number of heavily populated urban areas, the dairy industry as well as consumers throughout the district will be vitally concerned with the control of fluid milk sales under Food Distribution Order 79. This Order, which became effective on September 10, provides for a limitation of fluid milk and cream sales through a system of daily quotas for dealers. It probably will be established in the larger cities first.

Data collected by the United States Department of Agriculture indicate that total milk production is now at about the highest level which can be expected under present conditions. However, consumption of fluid milk is continuing to advance generally in the Nation at about one percent a month. Food Distribution Order 79 was established to forestall widespread individual consumer rationing which might otherwise become necessary as a result of supply and demand conditions. The program calls for the establishment of "milk sales areas" and for the employment of "market agents" who are to administer the Order with the aid of "advisory committees." In most instances, dealers' quotas for fluid milk will be set at approximately the level of their sales in recent months.

CONSTRUCTION

New construction started in the fourth district during August changed only slightly from the low levels of recent months, totaling $19,041,000 compared with $17,548,000 in July. Residential building amounted to $9,887,000, with the remainder being divided almost evenly between public works, utilities, and miscellaneous nonresidential building. All of the housing units constructed consisted of war housing in areas where housing shortages exist. Most of this construction is being accomplished under difficult conditions. Critical war materials such as iron and steel, copper, brass, and wood have been drastically limited in their use. In many cases substitute materials have been employed—particularly in the temporary dwellings being approved by the Federal Public Housing Authority.

Occasionally comment is heard regarding the possibility of an early relaxation of construction restrictions. Little credence should be given to these reports. With the completion of the construction phase of the war came a need for men and materials to be used in producing articles of war in the expanded plant facilities provided by the construction industry last year. To permit a relaxation of building limitations would cause nonessential construction to compete with war industries for these factors of production, and might seriously disrupt the war program.

Fourth District Business Indexes

(1935-39=100)

	Aug. 1943	Aug. 1942	Aug. 1941	Aug. 1940	Aug. 1939
Bank debits (24 cities)	185	159	147	110	95
Commercial Failures (Number)	16	45	70	68	68
" " (Liabilities)	16	17	51	47	50
Sales—Life Insurance (O. and Pa.)	100	75	99	91	80
" —Department Stores (97 firms)	142	134	147	101	85
" —Wholesale Drugs (5 firms)	169	139	117	106	105
" — " Dry Goods (6 firms)	139	122	128	89	103
" — " Groceries (39 firms)	158	144	127	102	102
" — " Hardware (31 firms)	143	154	169	104	91
" — " All (81 firms)	169	160	151	109	98
" —Chain Drugs (5 firms)*	160	145	123	118	96
" — " Groceries (4 firms)	139	143	126	103	87
Building Contracts (Total)	78	213	216	145	129
" " (Residential)	128	99	322	203	136
Production—Coal (O., W. Pa., E. Ky.)	157	145	144	124	106
" —Cement (O., W. Pa., E. Ky.)**	...	159	184	154	166
" —Elec. Power (O., Pa., Ky.)**	185	166	146	120	102
" —Petroleum (O., Pa., Ky.)**	108	100	96	98	98
" —Shoes	84	101	124	110	126

* Per individual unit operated.
** July.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	August 1943	% change from 1942	Jan.-Aug. 1943	% change from 1942
Bank Debits—24 cities	$4,107,000	+17	$33,353,000	+18
Savings Deposits—end of month: 39 banks O. and W. Pa.	$ 896,987	+14		
Life Insurance Sales: Ohio and Pa.	$ 84,788	+35	662,110	+ 4
Retail Sales:				
Dept. Stores—97 firms	$ 34,964	+ 6	284,008	+10
Wearing Apparel—16 firms	$ 1,625	+14	12,629	+27
Furniture—78 firms	$ 2,644	+ 1	22,235	-0-
Building Contracts—Total	$ 19,041	—63	178,263	—63
" " —Residential	$ 9,887	+30	67,205	—46
Commercial Failures—Liabilities	$ 237	— 7	2,432	—39
Commercial Failures—Number	11	—63	131	—61
Production:				
Pig Iron—U. S. ... Net tons	5,316	+ 6	40,682	+ 3
Steel Ingot—U. S. ... Net tons	7,562	+ 5	58,805	+ 3
Bituminous Coal, O., W. Pa., E. Ky. ... Net tons	19,657	+ 8	145,154	— 2
Elec. Power, O., Pa., Ky. ... Thous. k.w.h.	2,826a	+12	19,433b	—13
Petroleum—O., Pa., Ky... bbls.	2,382a	+ 8	15,564	+ 3
Shoes ... pairs	c	—16	c	—18
Bituminous Coal Shipments: L. E. Ports ... Net tons	6,541	+ 6	27,221	—11

a July
b Jan.-July
c Confidential

Wholesale and Retail Trade

(1943 compared with 1942)

	Percentage Increase or Decrease: SALES August 1943	SALES first 8 months	STOCKS August 1943
DEPARTMENT STORES (97)			
Akron	+ 7	+19	— 1
Canton	+ 6	+15	a
Cincinnati	+ 3	+11	—22
Cleveland	+ 5	+ 7	—26
Columbus	+20	+29	— 2
Erie	+ 1	+12	—18
Pittsburgh	+ 3	+ 4	—32
Springfield	+21	+32	a
Toledo	+10	+16	— 7
Wheeling	+21	+11	—16
Youngstown	+ 8	+16	a
Other Cities	— 6	+ 4	—11
District	+ 6	+10	—22
WEARING APPAREL (16)			
Canton	+10	+29	+30
Cincinnati	— 5	+16	—19
Cleveland	+19	+21	+ 1
Pittsburgh	+29	+30	+ 2
Other Cities	+13	+37	+17
District	+14	+27	+ 5
FURNITURE (78)			
Canton	— 3	— 1	—25
Cincinnati	+ 4	+ 3	—39
Cleveland	— 1	+ 3	—31
Columbus	+16	+15	a
Dayton	—33	—17	a
Pittsburgh	+ 5	— 8	—37
Toledo	+17	+12	—28
Other Cities	— 2	+ 2	—36
District	+ 1	-0-	—33
CHAIN STORES*			
Drugs—District (5)	+10	+16	a
Groceries—District (4)	+ 7	+16	a
WHOLESALE TRADE**			
Automotive Supplies (9)	+ 8	— 3	—20
Beer (5)	+ 1	+22	—35
Clothing and Furnishings (4)	+31	a	a
Confectionery (4)	+ 2	+18	—50
Drugs and Drug Sundries (5)	+22	+21	+ 2
Dry Goods (6)	+14	+11	—48
Electrical Goods (14)	—26	—36	—49
Fresh Fruits and Vegetables (6)	+14	+19	a
Furniture & House Furnishings (4)	—10	a	a
Grocery Group (39)	+10	+11	— 1
Total Hardware Group (31)	— 7	— 9	—28
General Hardware (9)	—11	—14	—31
Industrial Supplies (10)	— 9	— 3	—10
Plumbing & Heating Supplies (12)	+ 4	— 6	—17
Jewelry (4)	— 1	a	a
Machinery, Equip. & Sup. (exc. Elect.) (3)	-0-	— 7	a
Meats and Meat Products (5)	— 6	— 3	—12
Metals (3)	+27	a	a
Paints and Varnishes (5)	+36	— 9	a
Paper and its Products (6)	+64	—11	a
Tobacco and its Products (16)	+ 2	+ 6	a
Miscellaneous (16)	+ 4	— 1	+16
District—All Wholesale Trade (185)	+ 6	-0-	—12

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

Debits to Individual Accounts

(Thousands of Dollars)

	August 1943	% change from 1942	Jan.-Aug. 1943	Jan.-Aug. 1942	% change from 1942
Akron	167,706	+24.5	1,347,173	956,358	+40.9
Butler	15,464	+17.8	113,983	105,745	+ 7.8
Canton	73,906	+14.5	577,440	503,796	+14.6
Cincinnati	516,914	+ 4.7	4,514,009	3,976,483	+13.5
Cleveland	1,162,401	+22.5	8,948,219	7,471,055	+19.8
Columbus	271,096	+ 5.2	2,241,578	1,930,017	+16.1
Covington-Newport	21,001	+ 0.1	a	a	a
Dayton	132,962	+17.9	1,098,040	875,553	+25.4
Erie	57,917	+20.1	465,626	376,937	+23.5
Franklin	4,966	+ 1.0	39,978	37,740	+ 5.9
Greensburg	10,516	+ 7.2	83,099	84,088	— 1.2
Hamilton	17,778	+ 5.6	155,754	139,804	+11.4
Homestead	4,640	— 2.0	36,308	37,810	— 4.0
Lexington	24,749	— 2.1	262,865	218,719	+20.2
Lima	23,586	+ 9.5	187,847	165,598	+13.4
Lorain	7,134	+14.6	55,283	54,032	+ 2.3
Mansfield	18,255	+16.5	a	a	a
Middletown	19,322	+ 2.3	157,325	150,831	+ 4.3
Oil City	14,623	+11.6	124,200	106,875	+16.2
Pittsburgh	1,171,102	+15.3	9,630,267	8,317,020	+15.8
Portsmouth	9,895	+11.9	a	a	a
Sharon	14,558	+ 3.0	115,973	109,307	+ 6.1
Springfield	30,324	+21.8	244,381	197,632	+23.7
Steubenville	12,173	+15.9	99,391	92,692	+ 7.2
Toledo	223,901	+ 7.0	1,818,833	1,581,839	+15.0
Warren	22,231	— 0.6	187,382	155,360	+20.6
Wheeling	36,632	+16.0	305,352	254,096	+20.2
Youngstown	81,750	+15.9	638,801	568,839	+12.3
Zanesville	13,693	+27.0	103,030	90,361	+14.0
Total	4,181,195	+14.5	33,552,137	28,558,587	+17.5

(a) Not available.

Indexes of Department Store Sales

Daily Average for 1935-1939=100

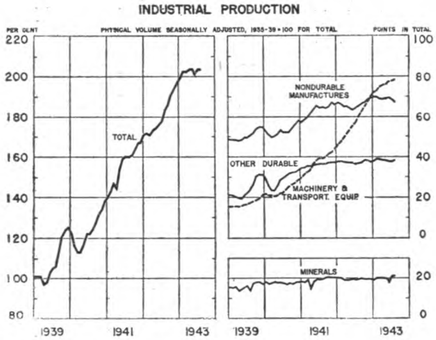
	Without Seasonal Adjustment: August 1943	July 1943	August 1942	Adjusted for Seasonal Variation: August 1943	July 1943	August 1942
SALES:						
Akron (6)	173	170	162	214	200	200
Canton (5)	189	183	178	228	229	215
Cincinnati (9)	135	122	131	171	172	166
Cleveland (10)	146	126	138	169	166	161
Columbus (5)	157	145	131	194	185	162
Erie (3)	165	149	163	204	191	201
Pittsburgh (8)	127	100	124	153	153	149
Springfield (3)	183	178	155	241	240	204
Toledo (6)	141	126	128	183	178	167
Wheeling (6)	112	99	93	140	135	117
Youngstown (3)	152	137	140	187	187	173
District (97)	142	124	134	165	170	157
STOCKS:						
District (51)	156	143	200	161	161	206

Figures in parentheses indicate number of firms reporting.

Summary of National Business Conditions

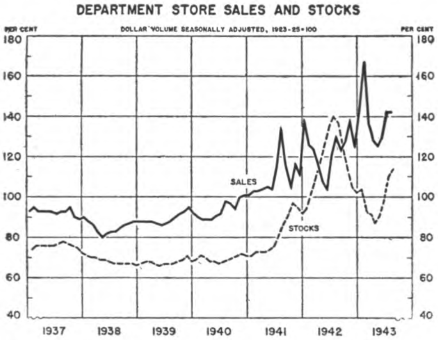
By the Board of Governors of the Federal Reserve System

INDUSTRIAL PRODUCTION



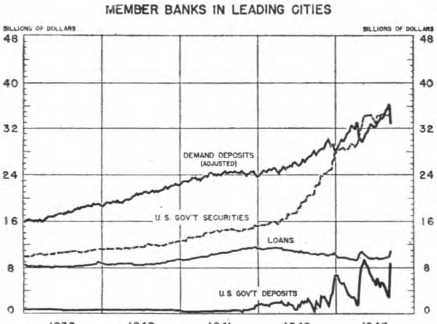
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for August 1943.

DEPARTMENT STORE SALES AND STOCKS



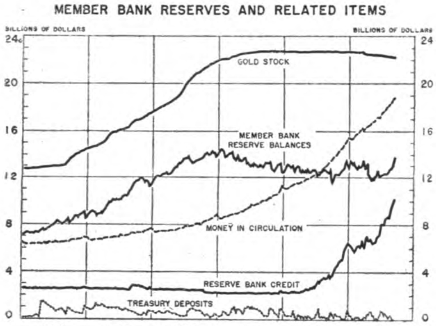
Federal Reserve indexes. Monthly figures, latest shown are for August—for sales, and July—for stocks.

MEMBER BANKS IN LEADING CITIES



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 September 15, 1943

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for September 15, 1943.

Industrial activity and war expenditures were maintained in August at a high level. Commodity prices showed little change. Retail trade continued in large volume.

Industrial Production

Output of manufactures and minerals showed little change in August and the Board's seasonally adjusted total index of industrial production remained at the July level. Production of durable manufactures increased. Output of iron and steel continued to advance and reached the peak levels achieved earlier this year. There were further slight increases in activity at war plants in the transportation equipment industries. Output of other durable products showed little change.

Production of nondurable goods declined in August, reflecting further decreases in output of textile, leather, and food products. Cotton consumption in August was about 15 per cent lower than the same period a year ago and was at the lowest level since the beginning of 1941. Leather output has also declined in recent months and is currently close to prewar levels. Activity at meatpacking plants showed the usual seasonal decline in August but preliminary figures indicate that output was about one-fifth larger than a year ago. Output of most other manufactured foods declined somewhat further. Production of petroleum, coke, and rubber products continued to advance in August while chemical production showed little change. Production of crude petroleum continued to rise and in August was in the largest volume on record. Lake shipments of iron ore likewise reached a record level. Production of coal and metals was maintained in large volume.

Distribution

Department store sales continued large in August and the first half of September. Increases during this period were less than seasonal, however, following maintenance of sales at a comparatively high level during July. For the year to date value of sales at department stores has been about 13 per cent greater than in the corresponding period last year, reflecting in part price increases. Inventories at department stores have increased in recent months and are now somewhat higher than at the beginning of this year, indicating that receipts of new merchandise have been in excess of the value of goods sold.

Commodity Prices

The general level of wholesale commodity prices continued to show little change in August and the early part of September. Prices of lumber and newsprint were increased, while prices of fruits and vegetables showed further seasonal declines.

In retail food markets prices of apples and fresh vegetables decreased further from mid-July to mid-August. The Bureau of Labor Statistics cost of living index declined one-half of one per cent as decreases in foods were partly offset by small increases in retail prices of other goods and services.

Agriculture

General crop prospects declined slightly in August according to official reports. The forecast for corn production was raised by 3 per cent to almost 3 billion bushels, while prospects for other feed crops declined. Production of cotton indicated on September 1 was 11.7 million bales as compared with a crop of 12.8 million last season. Milk production in August was estimated to be 2 per cent smaller than output a year ago, while marketings of most other livestock products continued in larger volume than last year.

Bank Credit

In mid-September excess reserves of member banks rose sharply to about 2 billion dollars from the average level of about 1.1 billion which had prevailed in the latter part of August and early in September. This increase was due in part to the fact that the Treasury was making disbursements out of temporary borrowing from Reserve Banks on special certificates in anticipation of tax collections and receipts from the Third War Loan Drive. It also reflected in part a substantial decrease in required reserves at the middle of the month when funds from individual and corporate deposits were transferred to Government loan accounts which are not subject to reserve requirements. During the four weeks ended September 15 the Reserve System holdings of Government securities increased by about 1 billion dollars in addition to the special certificates taken directly from the Treasury. Most of the increase was in the form of Treasury bills sold to the Reserve Banks with sellers retaining the option to repurchase. Over this four-week period currency in circulation increased by about 560 million dollars to a total of 18.8 billion.

In the last two weeks of August and the first week of September, reporting member banks in 101 leading cities showed a net decline in security holdings as a result of the sale of bills to the Reserve System. In the week ending September 15, however, some non-banking holders sold securities to the banks in anticipation of purchases during the Drive, and bank holdings also increased through repurchase of bills from the Reserve System.

Commercial loans, which had expanded by 100 million dollars in July and in August, increased by 250 millions during the week ending September 15. This increase in commercial loans was shared by both New York and other reporting member banks. In the week ending the 15th, loans to brokers and dealers in New York City increased 370 million dollars, most of which was for purchasing and carrying Government securities, and there was also an increase in loans on securities to others.