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RECONVERSION IN THE FOURTH DISTRICT

Regardless of how and when the war ends, industry ultimately must face the task of reconversion because facilities used in the production of war materials in many cases are not suitable to consumer demands in peacetime. Conversion of many industries to war work, some on a complete basis, has created formidable problems of reconversion. Manufacturers, however, are not wholly unprepared for the job, since many of them have had experience in changing over productive facilities, both in peace and war. New automobile models cause many plants in this area, in effect, to "convert" each year.

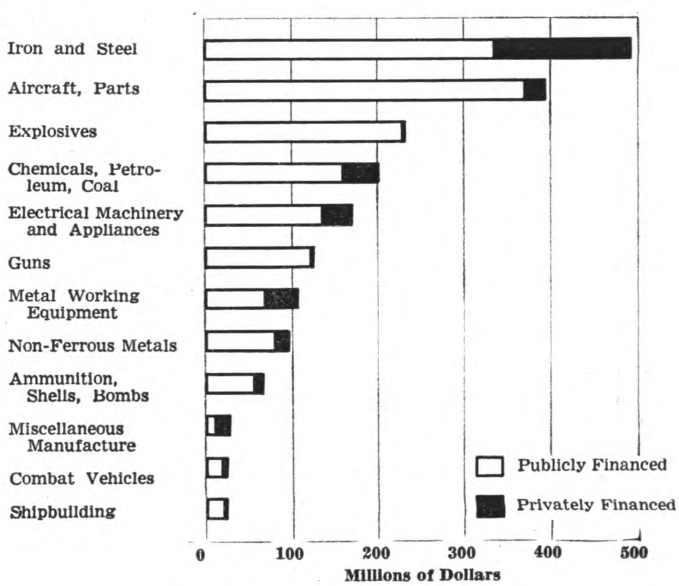
An examination of the expansion of war production facilities in the fourth district indicates that reconversion might be accomplished more quickly and with less difficulty here than in some other parts of the country. With the emphasis on war production, many manufacturers continued to make standard lines of products, but in vastly increased volume. Thus reconversion becomes largely a job either of curtailing expanded capacity or finding markets for the volume of production now coming from new capacities. It is not meant to imply that the changeover from war to peace is a simple procedure. The degree of reconversion is important for many, but that depends upon factors not now measurable, such as manufacturing costs and market demand.

No statistical measurement has been developed which will show this district's contribution to the war program. This results from the fact that, so far as production is concerned, industry's chief contribution is in the manufacture of parts, machinery, tools, and materials. As a result of the form the War Production Program assumed, the fourth district has become known as a subcontracting area; it always was that, however.

Concerns in this region have been accustomed to supply machinery, parts, and materials to other manufacturers in all parts of the country. When the automotive, agricultural implement, electrical and railroad equipment, and similar industries accepted large war materiel contracts, which caused them to convert existing plants and build new ones, it was quite natural for their purchasing agents to turn first to their established pre-war suppliers of raw materials, parts, and subassemblies for assistance. In many cases this meant merely that local plants were called upon to make new parts for a tank or half-trac instead of an automobile, or a new gauge of steel or type of bolt, nut or rivet, but all in greatly expanded quantities. There were articles that had never been made before, but orders for a large volume of these were placed with manufacturers who previously had demonstrated their skill in handling mass production problems.

Some idea of the magnitude of the reconversion problem of the district may be obtained from the data with respect to war facility contracts awarded through June 1943. Total Government- and privately-financed construction and equipment contracts placed in this district were valued at approximately $2 billions, of which 80 percent were Government financed.

FOURTH DISTRICT WAR FACILITY CONTRACTS
By Industry Groups
Through June 1943



War Expansion The largest concentration of new construction contracts in this district is in the iron and steel industry where 25 percent of the district total, or about $492 millions, represents productive facilities for pig iron, steel ingots, and semi-finished goods. This contrasts with construction contracts equaling $97 millions, or five percent of the district total, for capacity to produce nonferrous metals and products.

The second largest total of war facilities contracts represents expansion in the aircraft industry where new facilities in the amount of $395 millions, equal to 20 percent of the total, were projected for the manufacture of parts, sub-assemblies, and engines, as well as transport, trainer, and combat aircraft.

Slightly more than 15 percent of contracts for new war production facilities, amounting to $300 millions, were awarded to produce munitions in the form of explosives, shells, fuses, small arms ammunition, and bombs.

Another important category representing metalworking industries and electrical machinery received contracts equal to $281 millions, which was 14 percent of the total. Contracts in this group include facilities for the manufacture of lathes, presses, forge equipment, milling machines, generators, motors, and other electrical equipment.

Additional amounts have been provided to expand manufacture of chemicals, guns, ships, and motorized combat equipment.

Post-war reconversion in this area very likely will be influenced by the fact that 75 percent of new productive capacity under contract was in industries vital also to a peacetime economy. The remaining 25 percent of contracts were made to expand facilities which, for the most part, have a limited peacetime use.

The primary post-war problem in the iron and steel industry is not one of conversion, but utilization of the expanded capacity. A slowing down of shipbuilding and cessation of armored combat equipment production would shift the emphasis from plates and heavier gauge steels to the lighter gauges. Aside from that, the same type of steel ingot and semi-finished product serves as well for peace as for war. Steel ingot capacity in 1939 was 82 million tons. In 1943 it might top 90 million tons, and projected peak wartime capacity approximates 100 million tons. The stimulus of war in 1941, however, was necessary to boost steel ingot production above 80 million tons. The two previous high peacetime production years were 1940 and 1929 when 67 million and 63 million tons were made, respectively.

The rate at which the expanded iron and steel industry operates in peacetime depends largely upon conditions in five other major industries. These industries—automobile, construction, railroad, container, and agricultural implements—consumed more than 55 percent of steel output in 1938 and over 60 percent of output in the seven years 1932-38.

Aircraft Parts Manufacture of aircraft and parts constitutes virtually a new industrial activity in this district. However, the extent of conversion of present airplane productive facilities is contingent upon the development of commercial air transport and a safe private plane which will tap new markets. In 1941 there were only 359 planes in scheduled commercial operations in the United States. Production of all types of military aircraft in October 1943 equaled 8,362. The introduction of a network of feeder lines plus a ten-fold increase in freight and passenger traffic probably would require no more planes than could be manufactured in a single month. With a replacement rate lower for commercial planes than for military planes, there is not the same need for sustained operation. The question of converting the airplane parts, subassembly and engine facilities in this area, either to peacetime production or to some other type of activity, is likely to be a challenging one.

The outlook for the conversion of munitions capacity to peacetime use likewise is not bright. Munitions facilities are specialized in nature, not well located for shipping and receiving, and it is difficult to determine how such plant and machinery could be adapted for peacetime use. Even though a large standing armed force may be retained for some years after the war, only a fraction of the munitions capacity now in existence will be needed. Already some ordnance plants have experienced order cutbacks, and one plant in Ohio, now operating at a reduced rate, will be shut down completely before the end of the year.

Some machine tool makers in switching to subcontracts for direct war equipment, already have gone through one partial conversion period. Such subcontracting, however, is only a temporary stopgap, for the industry must plan to convert once again when the war ends. Optimistic manufacturers feel that new industries and redesigned products will require new types of machine tools. However, many in the industry feels it may have saturated its markets for as long as ten years ahead. Machine tool output was stepped up from $200 millions in 1939 to $400 millions in 1940, $775 millions in 1941 and $1,320 millions in 1942. Standard lines of machinery serve as well for peace as for war. Thus competition of war-built machine tools may overhang the market for some years to come, and an unprecedented demand would be necessary to assure operation at near expanded capacity output.

Plant conversion probably will not be a major problem in the electrical machinery and appliance industry. Development and manufacture of electronic devices, radio, and television can proceed directly from war production. A large backlog of demand exists for consumers' appliances such as stoves, refrigerators, irons and vacuum cleaners, and that will provide a volume of business capable of absorbing most of the new facilities. Skilled personnel should be available because of the numbers of persons trained in the armed forces and war plants to handle electrical equipment.

On the whole, industrial capacity of the fourth district has been greatly increased as a result of the war, but total conversion, meaning a complete revamping of industrial processes, actually has not been great. Preliminary checks indicate that production of peacetime products may be resumed rather quickly, in most cases. The expansion of facilities for the manufacture of airplane parts and accessories will be competitive with many pre-war plants in this district. Peacetime products of a majority of concerns are little different from what they are now making. They will supply steel, stampings, forgings, bolts, nuts, electrical apparatus, tools, equipment, rubber tires, and other products that are required by the durable and consumers' goods industries, and in the volume necessary to supply whatever post-war demand that may develop. The problem of this district, therefore, is more one of dealing with an economy which has been expanded to an unprecedented degree, and a large part of the reconversion problem, therefore, is to find markets for the output of increased plant capacity or decide what should be done with the unneeded portion of them.

MANUFACTURING, MINING

General Manufacturing Despite cancelations, cutbacks in some orders, manpower difficulties, and coal and other material shortages, output of fourth district factories apparently was stepped up slightly in recent weeks as operating efficiencies increased.

Both steel ingot and pig iron production reached a new all-time record in October with 7,787,359 net tons and 5,323,738 net tons, respectively. Work stoppages in the coal mines did not have widespread effects on steel production since mining was resumed in time to prevent serious shutdowns. However, coke supplies during the winter are likely to continue at uncomfortably narrow margins.

Bituminous coal production for the fourth district in October was 18,904,000 net tons compared with 19,559,000 tons in September and 20,900,000 net tons in March, the high for this year. The brewing coal miner wage controversy which retarded production in October caused national output in the first week of November to drop to an estimated 2,900,000 net tons, lowest weekly output since the strike of April 1941. Within one week, production had recovered to an estimated 11,270,000 net tons; however, aproximately 12,000,000 net tons of coal were not mined because of the wage dispute, thus leaving some consumers with small inventories of coal for coming winter months.

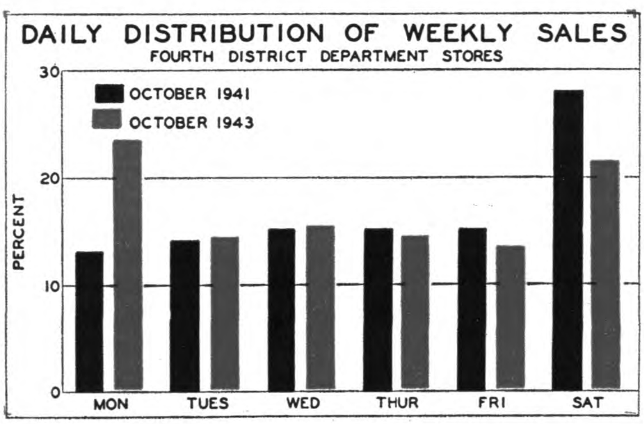
Iron ore shipments set a new record for October when 11,612,542 gross tons were moved on the Great Lakes. This was 195,468 tons more than October 1942, but not equal to shipments in July and August of this year.

Shoe manufacturers are having no trouble getting orders, but currently are occupied with manpower and raw material problems. New orders are in sufficient volume to keep some factories sold up from a capacity standpoint through the spring of 1944. Shortages of even those leathers used for uppers and linings continue to increase.

New orders for foundry equipment stood at about 376 percent of the 1937-1939 average. This was the third best figure for the past twelve months and compares with 539 in March of this year and 552 for October 1942.

Conditions in the ceramic industry continue with little change over recent periods. Order files continue to expand, but the manpower to reduce unfilled orders is not available. The uncertainty concerning adequate supplies of natural gas still exists, and several plants are now equipped with stand-by facilities for the use of fuel oil.

Paper board manufacturers still are trying to combat the shortage of waste paper and pulp. As yet, the salvage campaign has not gathered sufficient momentum to ease the situation, and a number of paper board mills have been forced to close. These stringencies are reflected in other industries, for a glass manufacturer reports having closed down several days because of a shortage of corrugated cartons.



TRADE

Retail In an endeavor to discover how consumer shopping habits have been altered by war conditions and the changes in hours many stores are open, data on the daily distribution of weekly dollar sales during October 1943 and two years ago were assembled from wearing apparel and department stores in the fourth district. The results of this study are shown on the accompanying chart. The volume of sales done on Monday two years ago amounted to 13 percent of total sales for the week and was smaller than the volume for any other day. By October of this year Monday had become the most important trading day of the week and nearly one-fourth of the weekly sales were made on that day. While Monday has increased in importance, the proportion of business done on Saturday has fallen off considerably. Last month 21 percent of the week's transactions were made on Saturday compared with 28 percent two years ago. The relative positions of Tuesday's and Wednesday's business remained the same, while the proportion of sales made on Thursday and Friday dropped only slightly.

The Monday evening hours that most fourth district stores are observing at the present time contributed more than any other factor to this shift of business from Saturday to Monday. Many housewives and others who were not gainfully employed before the war are working every day now and find it possible to do their shopping only on Monday nights. Moreover, many who formerly worked only five days a week and visited the department stores on Saturday, are now employed an additional day each week. They, too, find it necessary to take advantage of the Monday hours, which are now widespread throughout the district. Stores in all the larger cities, with the exception of Youngstown, report they are open Monday nights. Dayton retailers are open for business two evenings each week. Stores in many of the smaller cities are remaining open on Saturday nights, as they did before the war. At these smaller units Saturday continues to be the most important trading day of the week.

The dollar total of Monday sales during the four weeks ended October 30, 1943, was 125 percent larger than that for the Mondays of the corresponding four-week period of 1941. Tuesday and Wednesday sales were up 37 percent and 26 percent, respectively. The gains for Thursday and Friday were progressively smaller, while only two percent more merchandise was sold on the Saturdays of this year compared with those of two years ago. For the four-week period as a whole the increase in sales from 1941 was 32 percent.

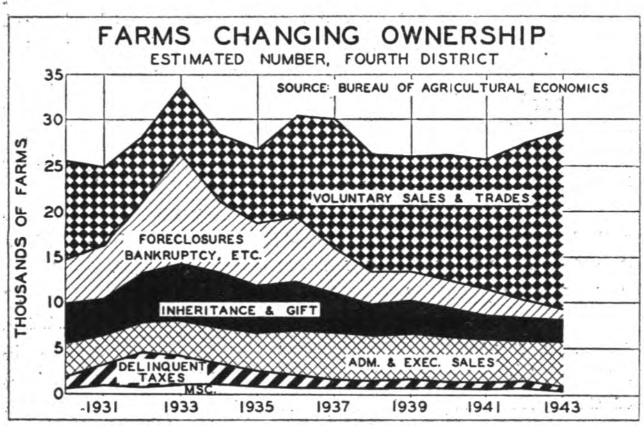
Fourth district department store sales last month were the largest for any October on record and five percent greater than those of October last year. The year-to-year increases for the leading cities of the district varied widely, ranging from two percent in Akron and Canton to 21 percent in Wheeling. Sales in Pittsburgh were up three percent, Cleveland seven percent, and Columbus 16 percent. October dollar volume was considerably larger than that of September. This increase was contraseasonal and the adjusted index advanced 21 points to 172 percent of the 1935-39 average, the highest since February of this year.

The necessity of purchasing gifts before October 15 for those in service overseas stimulated buying of civilian Christmas merchandise. Many of the gift departments did considerably more business this October than last. Sales of toys and games were up 38 percent, handerchiefs 35 percent, gloves 28 percent, cosmetics 24 percent, and leather goods 19 percent. Piece goods departments sold 29 percent more merchandise. It is reported that many stores are promoting the idea of customers' making their own gifts this year. In this way some retailers hope to ease the shortage situations that exist in other sections of their stores.

Sales of housefurnishings during October were three percent smaller than those of the same month a year ago, while clothing departments continued to experience year-to-year gains in their business. Fur sales were up 31 percent, women's coats and suits 21 percent, millinery 13 percent, and dresses 8 percent. Ten percent more men's and boys' wear was purchased last month compared with October 1942.

Apparently many customers are heeding the stores' requests to make gift purchases early this year. During the first three weeks of November sales at reporting department stores in this district were up 15 percent from those of the corresponding period last year. This increase was somewhat larger than the three percent and five percent gains that stores reported for their sales during September and October, respectively.

Department stores had only two percent more merchandise on hand at the end of last month than they had on September 30. This increase was less than seasonal for October, when stores usually make large additions to their inventories for Christmas gift selling. As a result, the adjusted index declined ten points to 146 percent of the 1935-39 average. October 31 stocks were eleven percent smaller than they were the same date last year, but were at approximately the same level that they were two years ago.



Wholesale Sales at 174 fourth district wholesale firms were only one percent larger this October than last, according to *Department of Commerce* reports. The substantial year-to-year gains reported by companies selling automotive supplies, clothing, metals, and paper and its products were offset by the decreases in sales of electrical goods, meats, and hardware products.

Wholesale dealers had slightly smaller inventories on October 31 this year than they did a year ago. Firms selling dry goods, electrical goods, and hardware had less merchandise on hand, while stocks of drugs, meats, and fresh fruits and vegetables were larger.

AGRICULTURE

Number of Farms Changing Ownership Recently considerable interest has centered about the upward trend of farm land prices. Apprehension has arisen on the possibility that the accelerated trend of the last three years may carry farm land prices above their long-time income-producing value.

In appraising the seriousness of the situation it should be pointed out that the ill effects of rising land values are purely potential if there are no land transfers. As an illustration of this principle, bankers in some parts of the fourth district have reported that rising land prices do not represent a serious condition in their communities because there has been little or no turnover of farms. Such reports come mainly from areas where the proportion of farms operated by owners is relatively high and where there is consequently less operator mobility, i.e., southeastern Ohio.

However, the difficulty of paying for farm land bought at excessive prices is not the only disadvantage of an inflationary land market. The high prices may in themselves serve to lengthen or even destroy the agricultural ladder (the step-by-step advancement from farm laborer to full owner).

The accompanying chart shows that, despite a continuous drop in distress transfers since 1933, voluntary sales and trades have increased enough in the last several years to create an upward trend in total transfers. In the year ending March 15, 1943, about 28,900 farms changed ownership in the fourth district. This was 12 percent more than the number of transfers in 1941, but 14 percent less than in 1933 when distress transfers reached their peak. Last year voluntary sales and trades constituted 68 percent of total transfers as compared with 63 percent in 1942 and 22 percent in 1933. Distress transfers (foreclosures, bankruptcy and tax sales), on the other hand, made up only six percent of all transfers in the year ending March 15, 1943, as compared with nine percent in 1942 and 45 percent in 1933.

Dairy Feed Payment Program Dairymen are now receiving Federal subsidy payments for milk and cream produced during October. After January 1 a single payment will be made for the milk and cream production of November and December. Unless enabling legislation is passed by the first of the year it is expected that payments will end at that time.

The Dairy Feed Payment Program, which was created by Executive Order, is designed to "protect dairy farmers against increases in the prices of dairy feeds above the level which prevailed in September 1942." According to the Bureau of Agricultural Economics this program is expected to stop the downward trend in milk production from reaching a level of 115 billion pounds annually. An annual rate of 119 billion pounds was maintained during the first seven months of 1943, but milk production in August was two percent less, and September production was 2.5 percent less than in the corresponding months of 1942.

The amount of the payment varies by regions depending on the quantity of feed normally purchased and on relative advances in feed and milk prices since September 1942. Payments range between 30 and 50 cents per hundredweight for milk, and between four and six cents per pound of butterfat where cream is sold. With the exception of 16 northwestern counties, milk producers in Ohio are receiving payments based on 35 cents per hundred pounds. Producers in the following counties received 30 cents per hundred: Allen, Crawford, Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, Wood and Wyandot. Payments in Kentucky are based on 35 cents per hundredweight whereas Pennsylvania and West Virginia both have 40-cent rates. The rate for cream production is four cents per pound of butterfat in Ohio and Kentucky, and five cents per pound in Pennsylvania and West Virginia.

Disbursement of payments began in the Fourth Federal Reserve District on November 4. Through November 22 a total of $143,126 had been paid to fourth district dairymen in 10,884 individual payments averaging $13.15. The smallest payment made during this period was $1.00; the largest, $237.00.

FINANCIAL

Small Coin Shortages The wartime demand for small coin seems to have expanded in proportions somewhat similar to the demand for articles of trade, and with corresponding results, namely, recurring shortages. It has never been necessary to measure the apparent need or use of small coin for the reason that, until recent years, the needs of trade could be met by the reserve banks on short notice, simply by placing additional orders with the Mint and obtaining prompt delivery therefrom.

However, because of the shortage of several metals, the supply of new minor coins on occasions has been rather substantially below current demand. This is particularly true at present in the case of one-cent coins.

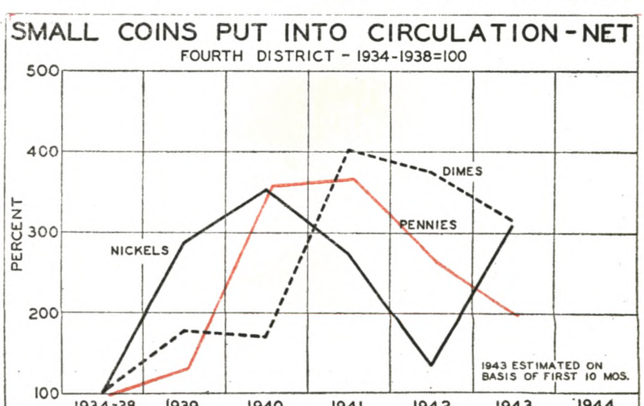
Each year since 1932, when there was a small net return flow of coin, the Federal Reserve Bank of Cleveland has paid out more small coin than was received from trade sources. At times such drafts could be met out of stock, at other times additional supplies were obtained from the Mint.

The accompanying chart indicates the extent to which this annual net outflow fluctuated, not only from year to year, but also with respect to three kinds of small coin, dimes, nickels, and pennies. In the case of each kind of coin, the average annual outflow during the five-year period 1934-38 was taken to represent 100 percent.

Dimes The net outflow of dimes (broken black line) reached its peak in 1941 when over $400 worth of dimes were paid out, on balance, for each $100 added to circulation during the base period. This record-breaking demand for dimes appeared during February 1941 and persisted to the end of December. That the demand has not entirely subsided is attested by the fact that during September, October, and November 1942, the demand exceeded similar months of 1941, and during June and August 1943, a new peak for those months was established. Lulls during the intervening months can probably be accounted for by the supply of dimes which emerged in response to the pleas addressed to the public for pennies and nickels in its possession. In any event, supplying commercial channels with an adequate amount of dimes involved no difficulties, inasmuch as silver has not been a critical commodity. The same cannot be said for nickel and copper.

Nickels The extraordinary demand for five-cent pieces (solid black line) during 1939-40 can be partially explained by the introduction of the Jefferson nickel late in 1938. The subsequent decline in the net outflow, during 1941, was due to the nickel (metal) shortage which became especially pronounced during the fourth quarter of 1941. A further shrinkage in outflow during 1942, when the volume was down almost to 1934-38 levels, came about partly because of a successful nickel-penny drive which yielded satisfactory results for over six months of that year. However, such reservoirs are not inexhaustible. From September 1942 onward, the demand for new nickels resumed. It was only because of substitution of silver for nickel in the five-cent coin that it was possible to meet this renewed demand. Except for that step, the nickel curve would have more nearly followed the trend in pennies during 1943.

Pennies The demand for pennies in this district rose sharply in 1940 with the expansion in trade and the more general adoption of the practice of including coin as change in cigarette packages sold in vending machines. Shortage of metal was a little slower materializing, so far as its effect on the supply of copper coins was concerned, than in the case of nickels, the net outflow of one-cent pieces from the bank in 1941 slightly exceeding 1940. In the past two years, however, despite the fact that requests received for pennies from banks in this area (which this bank has been unable to fill entirely) indicate that the demand for pennies is three to four times what it was in the period 1934-38, total penny



circulation in this district has been augmented by smaller amounts than in 1940 or 1941.

In an endeavor to make up the deficit, several pleas have been made to the public for the return of one-cent coins. The first one produced a relatively satisfactory supply of used pennies from February to July 1942. With receipts from the Mint greatly reduced, as a result of rising demand this supply was practically exhausted by October and another public campaign was conducted, yielding similarly gratifying results from December 1942 to April 1943. Business concerns and the public prove to be a rather short-lived source of used copper coins, with the result that by June the net outflow of one-cent pieces was again attaining record-breaking dimensions.

Production of new coin by the Mint has not been expanded by anywhere nearly enough to satisfy rising demand. Newly-minted pennies, both steel and copper, in the first ten months of this year were only 82 percent of the number minted in the comparable period of 1942.

So long as trade remains at high levels and current practices involving the use of copper coins are not changed, the penny situation is likely to remain tight until the coinage rate at the Mint can be stepped up. In lieu of that, trade demands might partially be satisfied by an educational campaign designed to impress tradesmen and people generally with the necessity of returning all pennies to circulation as quickly as possible.

Member Bank Credit The most logical point from which to measure recent changes in member bank credit is October 6, the first Wednesday after the close of the Third War Loan Drive. On that date total deposits of the fourth district weekly reporting member banks were at the lowest level reached since May. Cash on hand and due from banks was also smaller in amount than at any other time in recent years. Loans, on the other hand, were the largest in more than a decade.

The subsequent net changes in principal assets and liabilities of reporting banks have been as follows:

Weekly Reporting Member Banks
(Fourth District)
(In millions)

	Liabilities	Assets		
	Total Deposits	Loans	Investments	Cash
October 6	$4638	$967	$3103	$932
November 24	4,714	905	3208	966
Net Changes	up $ 76	off $ 62	up $ 105	up $ 34

Deposits The over-all gain of 1.7 percent in total deposits came about as a result of the following changes in the several kinds of deposit liabilities:

Type of Deposit	Increase	Decrease
Adjusted Demand Deposits	$256	
Time Deposits	20	
Due to Domestic Banks		$ 21
U. S. Government Deposits		179
Net Increase	$ 76	

The reciprocal relationship between Government deposits and demand deposits of individuals, partnerships, and corporations stands out quite clearly in the foregoing table. It is true that the Treasury's draft of $179 millions upon its war loan accounts with these banks was not all spent in this district. Perhaps most of it was disbursed elsewhere. However, between October 6 and November 24, the Treasury's working balance declined from over $18 billions to slightly less than $16 billions, indicating that war loan accounts were being drawn upon throughout the entire country. The extent to which disbursed funds gravitated to this district is indicated by the nearly $300 million increase in demand and time deposits. The inward flow of funds has been under way, with more or less regularity, ever since industrial production in this region reached a fairly active state.

By the end of October, time deposits had more than retraced the $9 million decline which had materialized during the Third Drive, and established new record highs on successive reporting dates thereafter. Demand deposits, on the other hand, had erased only about one-half of their decline by the end of November.

Just before the September Drive, Government deposits were slightly below $200 millions. By October 20, such deposits stood at the unprecedented level of $855 millions. On November 24, the balance was still relatively large, namely, $635 millions, with the prospect that there would be a further substantial shift of deposits of the kind noted above until January 18 when the Fourth War Loan Drive is scheduled to start.

Loans The trend of loans during the October 6 to November 24 interval was downward. The aggregate $62 million (six percent) decrease in total loans was the net result of the following changes in specific types of loans:

Type of Loan	Oct. 6 to Nov. 24 Decrease	Increase
To Brokers & Dealers	$39	
"All Other"	25	
Other Secured Loans	5	
Loans to Banks	1	
Real Estate		$1
Commercial, Industrial & Agricultural		5
Net Decrease	$62	

Loans to brokers and dealers, for the purpose of carrying securities, receded 26 percent from their October 6 post-depression high of $149 millions. However, nothing short of a 90 percent decline would bring these loans down to the level of the first week of September when for some time they had been fluctuating around $13 millions. Borrowing during war loan drives is perhaps unavoidable and under some circumstances quite legitimate. However, it is to be hoped that the January-February undertaking will be accompanied by fewer speculative loans.

The renewed decline in "all other" loans fortifies the conclusion that some quantity of security purchases were financed by this type of bank credit on a temporary basis. Such loans rose sharply during September, but since have resumed their steady 1942-43 decline.

Notwithstanding the small, but gratifying, increase in the customary commercial loan account, such loans are still some ten percent below their wartime high of $470 millions made in April 1942.

Investments The $90 million expansion in the combined investment portfolio is the outcome of several conflicting movements, to wit:

Type of Investment	Oct. 6 to Nov. 24 Increases	Decreases
Treasury Bonds	$75	
Treasury Certificates of Indebtedness	70	
Treasury Notes		$ 2
Other Investments		5
Government-Guaranteed		13
Treasury Bills		20
Net Increase	$105	

As of October 15, the Treasury offered a $1.5 billion bond issue and a certificate issue of similar size, both of which were eligible for subscription by commercial banks. In response to this offering, holdings of these types of securities show a net gain. However, the gains are disproportionately large in relation to the actual offerings. As a consequence of this Treasury financing, the total volume of certificates and bonds outstanding was increased by only seven and two percent, respectively, whereas fourth district reporting banks increased their holdings by 13 and five percent, respectively.

These banks thus acquired twice their pro rata share of these securities based on prior holdings. The steady inward flow of funds to this district probably accounts in part for this development. However, the concurrent reduction in bill holdings suggests a tendency toward a preference for somewhat higher yields. And finally there remains the possibility that some of these securities were acquired through the liquidation of collateral loans.

Cash The $34 million net increase in the residual item "Cash" can be attributed exclusively to the inflow of funds from beyond the confines of the fourth district.

Wholesale and Retail Trade

(1943 compared with 1942)

	Percentage Increase or Decrease SALES Oct. 1943	SALES first 10 months	STOCKS Oct. 1943
DEPARTMENT STORES (97)			
Akron	+2	+15	+5
Canton	+2	+13	a
Cincinnati	+6	+11	—8
Cleveland	+7	+5	—13
Columbus	+16	+26	+1
Erie	+4	+11	—12
Pittsburgh	+3	+4	—22
Springfield	+11	+28	a
Toledo	+5	+14	—1
Wheeling	+21	+13	—9
Youngstown	+6	+13	a
Other Cities	—11	+1	—5
District	+5	+9	—11
WEARING APPAREL (16)			
Canton	+21	+27	+10
Cincinnati	+8	+14	—24
Cleveland	+20	+21	+3
Pittsburgh	+39	+33	+6
Other Cities	+13	+31	+17
District	+19	+25	+2
FURNITURE (79)			
Canton	—19	—3	—28
Cincinnati	—7	+2	—38
Cleveland	—12	+1	—35
Columbus	—10	+10	—24
Dayton	—21	—17	a
Pittsburgh	—6	—6	—39
Toledo	—4	+10	—26
Other Cities	—19	—1	—33
District	—12	—1	—34
CHAIN STORES*			
Drugs—District (5)	+6	+14	a
Groceries—District (4)	+13	+16	a
WHOLESALE TRADE**			
Automotive Supplies (8)	+29	+2	—8
Beer (6)	+25	+21	—9
Clothing and Furnishings (3)	+45	a	a
Confectionery (5)	+8	+14	a
Drugs and Drug Sundries (8)	+8	+19	+24
Dry Goods (5)	+6	+12	—53
Electrical Goods (11)	—35	—36	—24
Fresh Fruits and Vegetables (6)	+22	+19	+12
Furniture & House Furnishings (3)	+3	a	a
Grocery Group (36)	+5	+10	+1
Total Hardware Group (27)	—13	—9	—16
General Hardware (6)	—3	—12	—18
Industrial Supplies (11)	—20	—6	—16
Plumbing & Heating Supplies (10)	—17	—8	+5
Jewelry (5)	+26	a	a
Meats and Meat Products (5)	—23	—7	+26
Metals (3)	+36	a	a
Paints and Varnishes (4)	+13	—6	a
Paper and its Products (6)	+30	—2	a
Tobacco and its Products (14)	+1	+5	—2
Miscellaneous (16)	—10	—1	+26
District—All Wholesale Trade (174)	+1	—0—	—1

* 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.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	October 1943	% change from 1942	Jan.-Oct. 1943	% change from 1942
Bank Debits—24 cities $	4,492,000	+9	42,962,000	+19
Savings Deposits—end of month: 39 banks O. and W. Pa. $	906,969	+14	......	....
Life Insurance Sales: Ohio and Pa. $	88,182	+33	833,425	+10
Retail Sales:				
Dept. Stores—97 firms $	44,424	+5	367,828	+9
Wearing Apparel—16 firms $	2,105	+19	16,609	+25
Furniture—79 firms $	2,587	—12	27,688	—1
Building Contracts—Total $	19,271	—69	215,816	—63
" " —Residential $	8,338	—33	82,938	—43
Commercial Failures—Liabilities $	83	—71	2,545	—46
Commercial Failures—Number	7	—81	140	—66
Production:				
Pig Iron—U. S. Net tons	5,324	+2	51,332	+3
Steel Ingot—U. S. Net tons	7,786	+3	74,080	+4
Bituminous Coal—O., W. Pa., E. Ky. Net tons	18,904	—1	183,617	—1
Cement—O., W. Pa., W. Va. Bbls.	1,057a	—31	9,014b	—20
Elec. Power—O., Pa., Ky. Thous. k.w.h.	2,860a	+12	25,216b	+13
Petroleum—O., Pa., Ky. Bbls.	2,308a	+8	20,237b	+4
Shoes Pairs	c	—2	c	—15
Bituminous Coal Shipments: L. E. Ports Net tons	7,263	+22	41,305	—4

a September
b January-September
c Confidential

Debits to Individual Accounts

(Thousands of Dollars)

	October 1943	% change from 1942	Jan.-Oct. 1943	Jan.-Oct. 1942	% change from 1942
Akron	195,878	+16.4	1,752,334	1,261,439	+38.9
Butler	18,583	+34.6	153,812	132,457	+16.1
Canton	72,352	+5.2	732,846	639,318	+14.6
Cincinnati	588,181	+0.7	5,794,393	5,107,901	+13.4
Cleveland	1,267,416	+15.3	11,648,818	9,597,582	+21.4
Columbus	292,574	+12.0	2,882,115	2,418,171	+19.2
Covington-Newport	22,600	+1.2	a	a	a
Dayton	142,101	+12.0	1,398,964	1,122,774	+24.6
Erie	59,565	+11.7	602,000	481,628	+25.0
Franklin	5,346	+16.0	51,732	47,049	+10.0
Greensburg	10,962	+6.4	105,795	104,716	+1.0
Hamilton	21,401	+7.3	201,982	177,685	+13.7
Homestead	5,015	+2.9	46,957	47,173	—0.5
Lexington	25,371	—12.2	317,011	273,879	+15.7
Lima	25,000	+0.9	239,911	212,672	+12.8
Lorain	7,763	+4.3	72,013	67,852	+6.1
Mansfield	18,413	+7.7	a	a	a
Middletown	19,326	+4.0	199,391	187,717	+6.2
Oil City	16,089	+18.5	157,603	133,156	+18.4
Pittsburgh	1,270,185	+7.4	12,362,513	10,628,229	+16.3
Portsmouth	11,735	+8.5	a	a	a
Sharon	16,872	+3.7	150,408	139,298	+8.0
Springfield	31,096	+4.4	310,653	253,182	+22.7
Steubenville	13,618	+5.0	126,610	117,410	+7.8
Toledo	243,381	+7.1	2,321,402	2,027,456	+14.5
Warren	26,905	+0.3	239,608	205,565	+16.6
Wheeling	38,745	+15.0	392,772	318,573	+23.3
Youngstown	93,243	+6.1	827,496	731,152	+13.2
Zanesville	12,492	+6.0	128,886	113,620	+13.4
Total	4,572,208	+9.2	43,218,025	36,547,654	+18.3

a Not available.

Fourth District Business Indexes

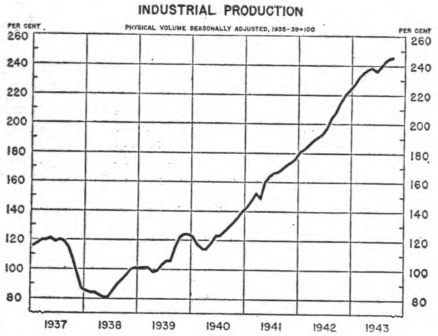
(1935-39=100)

	Oct. 1943	Oct. 1942	Oct. 1941	Oct. 1940	Oct. 1939
Bank Debits (24 cities)	202	185	162	122	110
Commercial Failures (Number)	10	53	74	76	77
" " (Liabilities)	6	20	40	38	92
Sales—Life Insurance (O. and Pa.)	105	78	122	102	95
" —Department Stores (97 firms)	180	165	134	118	116
" —Wholesale Drugs (8 firms)	177	164	143	137	124
" — " Dry Goods (5 firms)	193	182	166	134	157
" — " Groceries (36 firms)	148	141	128	109	98
" — " Hardware (27 firms)	172	198	215	138	124
" — " All (76 firms)	170	168	160	121	110
" —Chain Drugs (5 firms)*	173	163	124	109	101
" — " Groceries (4 firms)	158	147	121	104	98
Building Contracts (Total)		257	188	155	121
" " (Residential)		160	253	218	169
Production—Coal (O., W. Pa., E. Ky.)	151	152	156	125	142
" —Cement (O., W. Pa., E. Ky.)**	128	186	173	187	153
" —Elec. Power (O., Pa., Ky.)**	188	167	148	122	110
" —Petroleum (O., Pa., Ky.)**	104	97	96	92	94
" —Shoes	90	91	107	77	102

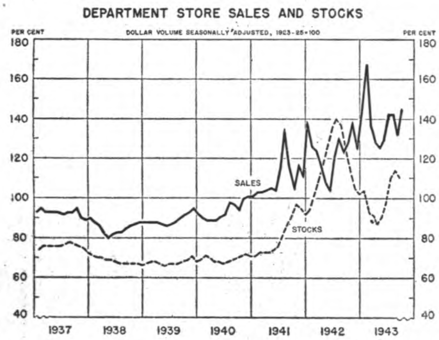
* Per individual unit operated.
** September.

Summary of National Business Conditions

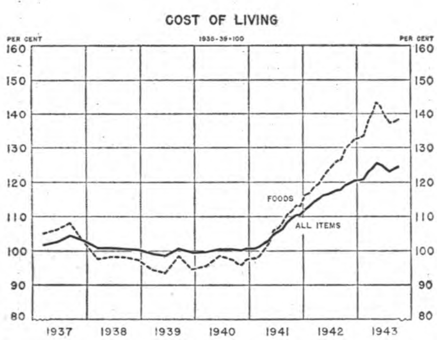
By the Board of Governors of the Federal Reserve System



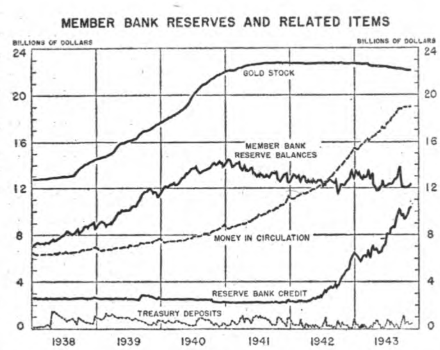
Federal Reserve index. Monthly figures, latest shown is for October 1943.



Federal Reserve indexes. Monthly figures, latest shown are for October for sales, and September for stocks.



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September 1940, monthly thereafter. Mid-month figures, latest shown are for October 1943.



Wednesday figures, latest shown are for November 17, 1943.

Industrial activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

Industrial production

The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was at 245 per cent of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,362, or 11 per cent more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 deadweight tons.

Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of this metal. Lumber production declined somewhat more than usual at this season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products as a whole showed little change and was at about the level of a year ago. Cement production in October was down 40 per cent from last year but production of other stone, clay, and glass products, like glass containers and asbestos and abrasive products, was considerably higher than last year.

Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume, allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11 per cent below last year in October and declined further in the early part of November. Meatpacking, however, was at an exceptionally high level in October and continued to increase sharply in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6 per cent in October and dropped sharply further during the first week of November, but increased in the middle of November.

The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corporation, continued at the low level of other recent months. Total awards this year have been 60 per cent smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

Distribution

Department store sales in October and the first half of November were 10 per cent larger in dollar volume than in the same period last year, and, allowing for seasonal changes, sales were somewhat higher than in the third quarter of this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

Commodity prices

Grain prices advanced in the early part of November, while prices of livestock declined as livestock marketings expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

The total cost of living which had declined 1.4 per cent during the summer, according to the Bureau of Labor Statistics, rose .8 per cent from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

Bank credit

The average level of excess reserves at all member banks was around 1.1 billion dollars in mid-November reflecting some decline from the comparable October period. During the four weeks ending November 17 reserve funds were supplied to member banks by an increase of over 900 million dollars in the Government security portfolio of the Reserve Banks; increased holdings consisted largely of bills purchased under option and in part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of 540 million dollars and a continued increase in required reserves as Treasury disbursements transferred funds from reserve-exempt war loan accounts to private deposits.

Following substantial bank purchases of special Treasury offerings in mid-October, Government security holdings at reporting member banks in 101 leading cities declined somewhat over the following month. The principal decrease was in holdings of bills at banks outside New York. Commercial loans while decreasing during the past two weeks, showed a net gain for the four week period, while loans on securities, which rose to a high level during the Third War Loan Drive, declined substantially.