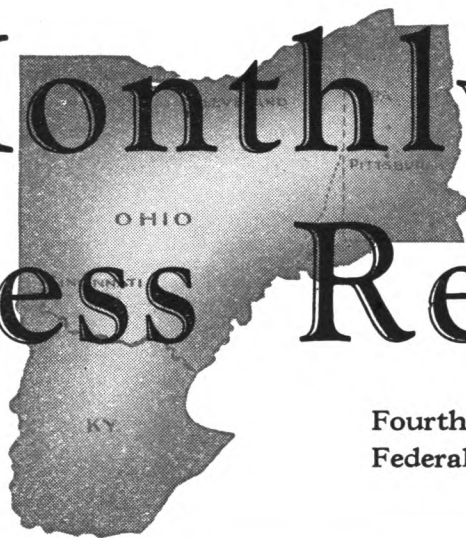


Monthly Business Review

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Fourth Federal Reserve District
Federal Reserve Bank of Cleveland



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FINANCIAL

War Expenditures For more than three years, the volume of business activity and financial developments in the fourth district, as well as in the entire country, have been determined almost exclusively by the needs and requirements of the armed forces of the nation. Unfilled orders, current rates of production, labor supply, and innumerable other aspects of economic conditions have been subject to this predominant influence. There has been no choice as to the general economic conditions under which all businesses—trade, financial, or manufacturing—have had to operate. Few calculations for the future can be made without first appraising the probable trend of this dominant factor in the business picture.

There are several ways by which this powerful economic influence is, or can be, measured. One is the munitions production index published at intervals by the War Production Board, which now stands at some six or seven times the Pearl Harbor level. Another method might be that of tabulating contracts awarded (after adjusting for cancelations and cutbacks) by the procurement services, month by month. So much of the fourth district's activity, however, is of the subcontract type (the supplying of parts and semi-finished articles) that the prime contracts awarded figure consistently understates the effect of war demand.

Perhaps the most practical single yardstick available is that of "War Activities Expenditures" as reported in the Daily Statement of the U. S. Treasury. This statistic includes all disbursements for war purposes, with the exception of transactions by the RFC and its subsidiaries. Because of the varying lengths of months, and for other reasons, monthly changes since 1939 have been somewhat irregular. Such short-term fluctuations have been smoothed on the accompanying chart by means of a three-month moving average, which in turn was converted into terms of an annual rate.

By June 1941 (actually May-June-July) war activities expenditures had risen to a rate equal to \$10 billions per year. Orders being placed by the Army, Navy, etc., had already become the most powerful single influence in shaping the business outlook. Since that time it has mere-

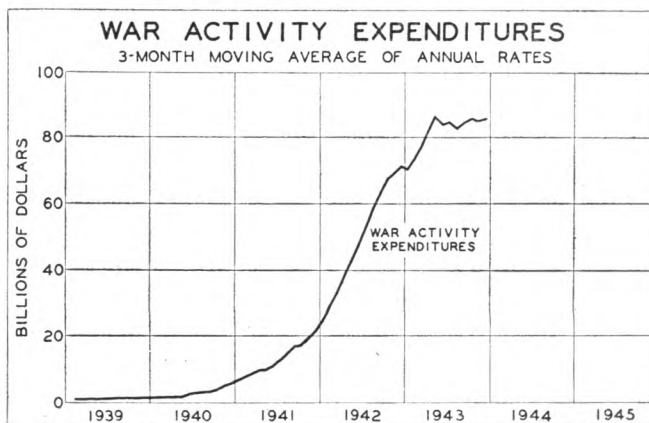
ly been a case of accentuating the degree of dominance.

Immediately before Pearl Harbor, the war effort had attained a \$20 billions-per-year rate, which broke the record for any fiscal year during 1917 to 1919. By the end of 1942, Treasury expenditures for war purposes had crossed the \$70 billions-per-year rate, with a corresponding change in the extent to which war work was excluding all other considerations.

Although there was some further expansion during the early months of 1943, the movement has been sidewise since the April-May-June 1943 peak of \$86 billions per year. This leveling-off has been interpreted in some quarters as representing the maximum war effort attainable. Moreover, an impression seems to have been created that changes or reductions in military requirements will cause a decline in the expenditure curve within the near future.

In that connection, it should be remembered that the fiscal 1945 budget submitted on January 13 estimated war activities expenditures at \$90 billions for the year beginning next July 1. If that schedule is to be fulfilled a further rise, rather than a drop, in the annual rate of Treasury expenditures is to be anticipated.

In any event, it is almost axiomatic that as long as the curve of war expenditures remains at the \$85 billions-per-year level, not to mention a possible increase beyond that, no great quantities of raw materials, labor services, or shipping facilities can be made available for non-war



purposes. Post-war planning is highly desirable and deserves encouragement; but post-war plans themselves can hardly be effected along a broad front until Treasury war expenditures decline from present levels and peacetime economic forces are allowed to become more influential.

A few materials, once critical, are now becoming available in varying quantities, but labor, and especially certain more or less standard component parts used for war production as well as peacetime products, are extremely short, resulting in a very unbalanced situation. Also, the problem as to how some concerns might be allowed to revert to peacetime production without penalizing competitors who are required to continue turning out needed military supplies has not been solved.

Decline in Bank Deposits The protracted decline in total deposits which has persisted from October 20 to date and has been evident at weekly reporting banks throughout the country as well as in the fourth district is an outstanding feature of recent banking trends. In terms of dollars the contraction has been moderate, amounting to only four to five percent, or \$210,000,000, for the weekly reporting member banks of this district. But the decline has been more prolonged than any other in a number of years, with the result that on January 12, the last reporting date prior to the Fourth War Loan Drive, total deposits showed a net gain of only 2½ percent for the preceding seven months. This is a much slower rate of increase than had prevailed prior to mid-1943.

An examination of the causes, visible and implied, may shed some light on the permanence of this most recent trend.

The \$210,000,000 decrease in total deposits of fourth district weekly reporting banks was the net result of these four movements:

Changes in Deposits—October 20, 1943 to January 12, 1944

Type of Deposit	Increase	Decrease
U. S. Government		\$445,000,000
Domestic Banks		3,000,000
Time Deposits	\$ 43,000,000	
Demand Deposits	195,000,000	
Net		\$210,000,000

The decline in Government deposits (over 50 percent) was anticipated. The proceeds of the Third War Loan were being disbursed. That some of those funds should find their way into time deposits of individuals, etc., was likewise a logical expectation. The significant development is that the gain in demand deposits failed by some \$210,000,000 of making up the difference.

A partial explanation can be found in the behavior of loans during this interval:

Changes in Loans—October 20, 1943 to January 12, 1944

Type of Loan	Increase	Decrease
To Brokers		\$56,000,000
"All Other"		52,000,000
Commercial, Industrial, and Agricultural		9,000,000
To Banks		8,000,000
On Real Estate		2,000,000
Other Secured	\$9,000,000	
Net		\$118,000,000

A maximum of \$118,000,000 of deposits was obliterated by the liquidation of bank loans. The \$52,000,000 contraction in so-called "all other" loans erased all of the remarkable rise which characterized the period of the September War Loan. The \$56,000,000 contraction in brok-

ers' loans retraced only about half of the Third War Loan credit expansion. It would have been desirable from the point of view of sound public finance if all or nearly all such war-bond-purchase loans had been retired before the advent of the Fourth Loan. If the current Drive is accompanied by borrowing on a scale comparable to that of September-October, total deposits will increase accordingly.

It is impossible to determine how much of the total deposit shrinkage was caused by loan liquidation as tabulated above, since in some cases the borrower probably sold his collateral to the lending bank, with no effect whatsoever upon total deposits.

Another important part of the \$210,000,000 decrease can be attributed to the continued public demand for hand-to-hand currency. During the twelve-week period under review, money in circulation increased nationally by nearly \$1,400,000,000. It is estimated that from \$75,000,000 to \$100,000,000 was provided through the medium of the weekly reporting banks of this district. Depositors' balances shrank correspondingly. Currency demands have always produced this result, but in recent years the increase in banks' investments generated deposits more rapidly than currency was being paid out. Thus the deflationary aspects of hoarding—or currency accumulation—were obscured by credit expansion elsewhere.

Changes in Investments—October 20, 1943 to January 12, 1944

Type of Investment	Increase	Decrease
Treasury Bills		\$127,000,000
Government-Guaranteed and Other Investments		24,000,000
Treasury Notes		2,000,000
Treasury Certificates	\$34,000,000	
Treasury Bonds	38,000,000	
Net		\$ 81,000,000

During this most recent interval, the reporting banks actually disposed of \$81,000,000 of investments on balance. However, these banks' cash resources increased only \$1,000,000 (net) from October 20 to January 12. Hence, it is a reasonable supposition that the disposal of a certain quantity of Treasury bills and other investments was necessary merely to maintain cash reserves at the October 20 level. Because of that liquidation, weekly reporting banks' holdings of Treasury 91-day bills have dropped below the aggregate of "other securities", such as corporate, municipal, and other securities, for the first time since early 1943.

In summary, the decline of deposits, as typified by the weekly reporting banks, can be ascribed to the following influences:

- Considerable liquidation of Third War Loan credit.
- Continued outflow of currency into circulation.
- Disposal of investments—a deviation from the trend of recent years.

Any conjecture as to the future trend of deposits must take into consideration the probability of permanence of these influences.

MANUFACTURING, MINING

Manpower The cutbacks and cancelations of war orders reported currently have had little effect on the local manpower situation. Labor conditions in industrial centers indicate that to date most workers so released have been re-employed promptly on other war work. In December the number of areas of acute labor shortage in the entire country was reduced from 69 to

67, according to the WMC. The number of areas anticipating a labor shortage within six months declined from 124 to 119. In general, the labor problem has eased slightly, but with continued demand from the armed services, need for workers in areas where an acute shortage still exists, and the requirements of agriculture in the spring, the relief would seem to be spotty and temporary.

Iron and Steel

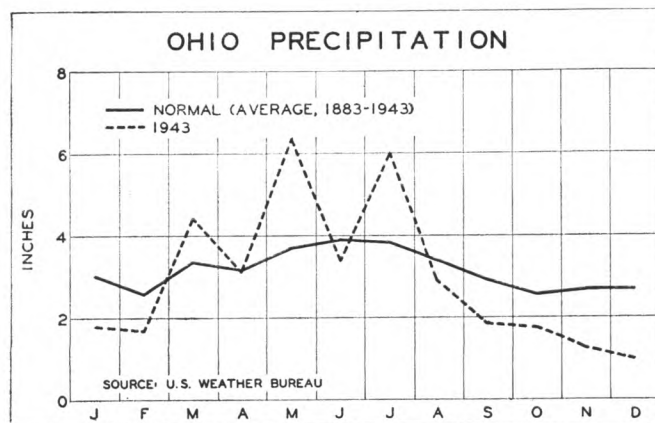
For the fourth consecutive year the American steel industry has established a new record output of steel ingots and castings. December production fell to 7,266,000 tons (94.3 percent of capacity) as a result of the Christmas layoff and work stoppage late in the month, but the total output for 1943, 88,873,000 net tons, was still nearly 3,000,000 tons greater than in 1942. By mid-January, steel production recovered to 99 percent of capacity, the approximate level of operation for the latter part of 1943.

December output of pig iron totaled 5,139,000 net tons, making a total annual production for the year of 61,000,000 net tons. This represents an increase in production over 1942 of more than 1,000,000 tons.

Due to the difficulties encountered during the Great Lakes shipping season, stocks of Lake Superior iron ore on hand at furnaces and on Lake Erie docks January 1, 1944, totaled 43,429,000 tons compared with 47,424,000 a year earlier. Despite the reduction, this supply is considered adequate for all needs until the 1944 navigation season opens.

Recent developments in contract cancelations and cutbacks and recommendations to hold up work on new steel plants indicate that wartime requirements in steel are equaled if not exceeded by our expanded production facilities. The backlog of orders, except for plates, has been reduced and deliveries shortened on many items. Allocations of steel are now being made for the most pressing civilian needs and although at present the tonnage so allotted is small, observers in the field feel that there are definite indications that the program may become more flexible as the pressure of war demand permits.

Demand for steel plates for the landing craft program continues. December's production was the highest ever recorded, 1,169,096 tons. For the year just ended, steel plate shipments totaled 13,382,000 tons, exceeding the 1942 output by 2,500,000 tons. It is expected that production will increase slightly before leveling off as capacity is fully utilized early in 1944.



Coal Total coal output of all types in 1943 exceeded output for 1942 by approximately 0.5 percent. Bituminous coal output in the fourth district for 1943 fell short of the 1942 production of 222,000,000 tons by approximately 3,200,000 tons. Coal shipments on the Great Lakes for 1943 totaled 52,007,690 tons; shipments for 1942 totaled 52,533,797 tons. The curtailed coal output in the fourth district can be accounted for by the labor difficulties of 1943, the effects of which were only partially offset by the increase in hours of the work week effective throughout the year.

Other Manufacturing

Total shipments during the past year for the machine tool industry have shown a steady decline from a high in March of \$125,445,000 to a low of \$61,000,000 in December. The output for 1943 totaled \$1,179,638,000. The volume of business estimated for 1944 is one-fourth of present capacity or about \$325,000,000 worth of machine tools. Some machine tool manufacturers have already accomplished one reconversion and are at present manufacturing subassemblies and parts for airplane and Diesel engines on subcontracts. Ultimate reconversion after the war is viewed with considerable anxiety, further complicated by renegotiation and Government ownership of comparatively new machine tools costing some \$500,000,000.

Government regulations continue to limit shoe manufacturers to 1942 production totals, but lack of skilled workmen has made it impossible for the industry even to equal that volume. Shoe production in the fourth district for 1943 fell approximately twelve percent under the total output for the previous year.

The ceramic industry, hampered by lack of manpower estimated at 25 percent under total working force needed, finds production further restricted through frequent curtailment of gas supply. Incoming orders continue to exceed shipments and production is estimated at 80 percent of capacity.

Construction Total construction awards as reported by the *F. W. Dodge Corporation* for the fourth district dropped sharply in December to \$24,121,000. This was \$5,000,000 less than the total for November and brings the total construction awards for the year to \$270,079,000, approximately 37 percent of the total for 1942.

AGRICULTURE

Rainfall and the Water Table

Rainfall: As 1943 crops grew and matured, there circulated many gloomy forebodings about the imminence of devastating drought.

Reasoning behind these presentiments ran all the way from hunches to analyses of meteorological cycles. Individuals skilled in the science of weather discounted the value of cyclical changes for forecasting purposes but indicated, nevertheless, that weather does tend to average out and that we have had seven years of relatively favorable rainfall.

With such prophecies as a background, the extremely low precipitation of the last five months of 1943 naturally raises the question of whether seven lean years may consume the seven fat years. Although rainfall in Ohio was 13.5 percent above normal during the first seven months of 1943, rainfall during the last five months was 38.7 per-

cent below normal. The accompanying chart shows that in addition to being below normal the trend during the last five months of the year was toward a consistently greater rainfall deficiency. These Ohio data depict the entire fourth district rainfall situation fairly accurately. In Kentucky the fall was extremely dry; in Pennsylvania and West Virginia the moisture deficiency was less marked than in Ohio. In the Blue Grass area of Kentucky the drouth was said to be the most severe in 75 years and meadows and pastures suffered considerable damage.

Some observers have pointed out that the rainfall pattern of 1943 was very similar to 1933 conditions—conditions which presaged, according to some, the drouth of 1934. Others place little reliance in what they call “chance occurrences” and emphasize that our weather history is not yet of sufficient length to shed much light on cyclical variations.

Water Table: In recent years changes in the Ohio water table have drawn a great deal of interest from many quarters. Much has been said, correctly and incorrectly, regarding the causes of changes, their effects, and what may be done about them. Usually the problem has been pointed to as “the declining water table,” with implications that the decline may be permanent. When wells go dry and farmers haul water for human and livestock consumption, they frequently blame “the declining water table.” Industrialists often voice the same lament when their wells prove inadequate. In seeking causes for the decline, many persons have attributed the lowering of the water table to the cutting of forests, to intensive farming, and to land drainage. Naturally, those who view these developments as causes find their remedies in the same factors.

Early in 1942 the Ohio Water Supply Board was created with the understanding that one of its principal functions would be the study and detailed observation of the water table. Since that time the Board has gathered a large body of information and is attempting to substitute fact for conjecture on many aspects of the water table controversy.

Most of the information assembled by the Ohio Water Supply Board on water table changes comes from voluntary reporters. These reporters, now submitting information from 60 counties, periodically measure the distance from some fixed point to the surface of the water in their wells. This procedure does not, of course, give any indication of the depth of the water table below the earth's surface, but it does provide accurate information on the amount of rise or fall from preceding observations. County agricultural extension agents coordinate the work in the cooperating counties.

Although the Board has been active only a short time in terms of weather cycles, it has issued two general reports on the water table and one specialized report dealing with water for Ohio industry. With regard to the water table, the Board recognizes no long-time trend toward a permanently lower level. The water table, according to Board spokesmen, is tied closely to rainfall, and the general water table problems of recent years are believed to be mostly repercussions of the “dry thirties.” It is expected that a recurrence of “wet years” will recharge the ground water and general water table difficulties will vanish until “dry years” come again.

The Board points out, however, that there are local

water table problems which have little or no relation to hydrological factors but are, in the main, results of excessive pumpage in industrial areas such as Canton and the Mill Creek Valley. It is reported that overpumping can completely obscure the natural effects of rainfall and its attendant phenomena. City and industrial requirements in Canton amount to about 60 million gallons of water per day. The Youngstown-Warren area provides an even more striking example of the heavy use of water by industry. It is estimated that the total flow of the Mahoning River is recirculated six times daily to meet the Youngstown-Warren demand. This recirculation during summer months has raised the temperature of the river to as high as 130 degrees Fahrenheit.

Reforestation and proper cultural practices on the part of farmers do have definite beneficial effects on the water table, according to the Board. However, it is maintained that though these practices may be very desirable, they still do not solve the water table problem by themselves, for rainfall is held to be the dominant factor. In its December 1943 report, the Board contended that the water table recession in the 1930's cannot be interpreted as a result of modern intensive farming, forest removal, and kindred practices because there were many similar extended periods of drouth during the 1880's, when Ohio was still largely in forest. According to the records of Ohio canal commissioners, the ground water was so low in 1824 and 1825 that it was impossible to operate the canal system.

Some intimation of the relationship of the Ohio water

COUNTY WATER TABLE CHANGES
Movement in Feet During Nine Months
Ending December 1943



table to rainfall can be obtained by comparing the map of water table changes with the chart of 1943 rainfall and normal rainfall. If a relationship exists between the two, the rainfall deficiency of the last five months of 1943 would logically exert an influence on the water table, assuming that the lag between cause and effect is no longer than the period involved. As a matter of fact, 40 of the 42 reporting counties showed lowered water tables as compared to previous readings (see map).

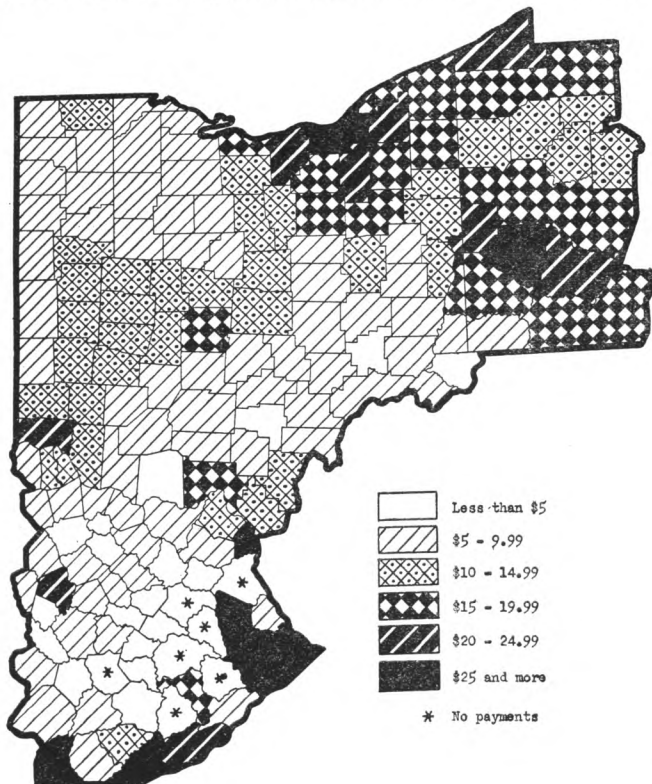
Eventually, as its information grows in coverage and accuracy, the Ohio Water Supply Board hopes to correlate water table and rainfall changes within a small margin of error. By using rainfall statistics it may be possible at some future time to predict accurately changes in the water table and, by this means, effect planned use of water resources.

Dairy Subsidy Payments For October As of December 31, subsidy payments to fourth district dairy farmers for their October production amounted to \$1,085,441.

Although payments on October production were still being made during the last week in January, the number and amount of daily disbursements of the Commodity Credit Corporation had dropped rapidly from the peak period during the first week of December. For this reason it is felt that the December 31 data represent a large share of the total which will ultimately be paid out, and thus comprise representative and adequate information on the October disbursements.

Of the total amount \$762,676 was paid to Ohio dairymen; \$59,938, \$251,164, and \$11,663, respectively, were paid to dairymen in Kentucky, Pennsylvania and West Virginia areas of the district. Subsidy claimants within the

AVERAGE SIZE OF OCTOBER DAIRY FEED PAYMENTS
(Calculated From Payments Authorized Through December 31)



district numbered 97,035, of which 71,916 were in Ohio, 8,791 in Kentucky, 14,986 in Pennsylvania, and 1,342 in the Panhandle of West Virginia.

The size of individual payments varied widely, ranging from a low of \$1 to more than \$100. The average size of individual payments for the district was \$11.19. On a county average basis Cuyahoga County, Ohio, was highest (\$36.65 per payment), whereas there were several counties in Kentucky where no payments were made at all (see map).

In analyzing individual and county payment data, it should be remembered that the basis of payment varied among the areas of the district. In 16 counties in northwestern Ohio milk producers received 30 cents per one hundred pounds, whereas producers in other Ohio counties and in Kentucky received 35 cents, and Pennsylvania and West Virginia producers received 40 cents. Cream producers received four cents per pound of butterfat in Ohio and Kentucky and five cents in Pennsylvania and West Virginia. This lack of uniformity limits somewhat the interpretations which may be given the data shown by the map. For example, owing to area differences in payment per unit of production, the map does not present an accurate picture of size of dairy units in the various counties, although it would serve this purpose admirably, if the basis of payment were uniform throughout the district.

Some speculation has developed regarding the proportion of dairy farmers eligible for subsidies who have actually submitted claims for their October payment. To be eligible an applicant must be a bona fide dairyman who has produced for sale during the month a quantity of milk or cream sufficient to establish a subsidy payment of \$1 or more.

An estimate of the number of eligible dairymen can be obtained from the Sixteenth Agricultural Census, 1939. For this purpose the number of farms reporting three or more cows milked probably provides the best available estimate of the number of dairymen eligible for subsidies. However, because these data are five years old and several assumptions underlie their use, they should be handled with extreme caution and only for areas involving several counties. For such value as they may have, these data together with actual number of October subsidy claimants are listed below for areas of the fourth district.

	Number of Farms Reporting Three or More Cows Milked—Census	Number of Dairymen Who Have Submitted October Subsidy Claims
State of Ohio	123,009	71,916
Kentucky portion of district	20,012	8,791
Pennsylvania portion of district	26,914	14,986
West Virginia portion of district	2,442	1,342
District	172,377	97,035

Farm Wage Rates Farm wages in the United States averaged \$76 per month last year, an all-time high.

This record, which is on the "without board" basis, was 30 percent higher than the 1942 average and 11 percent above the 1920 peak following World War I. Similar conditions prevailed in the four states comprising the Fourth Federal Reserve District. As of January 1944, Ohio and Pennsylvania farm wage rates "without board" were about 20 percent higher than a year earlier. Kentucky and West Virginia average rates increased 14 and 9 percent, respectively.

A recognition of the effects of these increasing farm

wages resulted in a plan of the War Food Administration to extend government control over farm wage rates where necessary. According to preliminary reports, the plan, announced January 22, is to appoint state agricultural wage boards to hold public hearings and to assist in establishing specific wage ceilings. They will function similarly to the War Labor Boards. Wages and salaries of agricultural workers earning more than \$2,400 a year were ordered frozen. Regulations were drawn up which provide that wages cannot be increased without approval of the WFA. At the same time, the lower limit for any specific kind of farm labor was set at the highest rate paid for the labor between January 1 and September 15, 1942.

TRADE

Retail As shown on the accompanying chart, fourth district department store sales increased steadily since 1938, reaching an all-time high last year. Sales at 97 reporting stores totaled \$482 millions during 1943, and the annual average index advanced to 166 percent of the 1935-39 base. This was nine percent higher than that of the previous year and 36 percent over the pre-depression peak of 1929. Twice during 1943 the seasonally adjusted index rose to over 190 percent of the 1935-39 daily average—in February and November—and dropped to its lowest level—151 percent—in April, September, and again in December, when sales were only three percent better than those of the same month of 1942. The adjusted index declined sharply from November to December, largely as a result of the fact that a substantial portion of gift merchandise was purchased in October and November.

Year-to-year gains in 1943 showed considerable variation among leading cities of this district. These increases ranged from five percent in Cleveland and Pittsburgh to 25 percent for Columbus retailers. Sales in Akron, To-

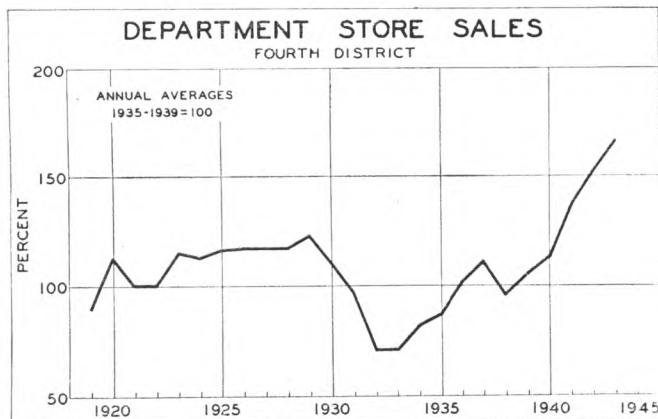
ledo, and Youngstown were up 14 percent, and in Cincinnati and Canton 11 percent.

Department store business was greater last year than during 1942 despite the fact that inventories were smaller. Apparently a large amount of last year's sales were made from stocks accumulated the previous year, when the dollar volume of merchandise on hand was the largest on record. On the average, stocks were 26 percent smaller during 1943 than 1942, but at year-end were only four percent less than those of December 31, 1942. The reduction in inventories that occurred during December last year was somewhat less than seasonal. As a result, the adjusted stocks index for the month advanced five points to 147 percent of the 1935-39 average. Orders outstanding at the close of 1943 were over twice as large as those of the previous year-end.

Women's apparel and accessories departments sold 24 percent more merchandise last year than in 1942, and piece goods sales were up 36 percent. In contrast to these sharp increases, sales of men's and boys' clothing and furnishings were only five percent greater, while the dollar volume of housefurnishings sold showed a four percent decrease. Retailers reported during the year that women's wear and textiles were generally somewhat less difficult to obtain than articles for the home. Reduced stocks of many housefurnishings were largely responsible for the smaller sales of these items last year.

A larger share of merchandise was paid for at the time of purchase in 1943 than during the previous years; cash transactions were over one-fourth greater than in 1942. Regular 30-day credit sales were only slightly larger, while instalment sales were down 19 percent. During December credit business accounted for 43 percent of total dollar volume at reporting stores, compared with an average ratio of 53 percent for 1942 and 60 percent for 1941.

Post-holiday buying was slightly smaller this year than last, when dollar volume was at an unusually high level. During the first half of the month sales were two percent smaller than those of the corresponding two weeks of January a year ago.



Wholesale According to *Department of Commerce* reports, sales at 154 wholesale firms in this district were six percent greater last December than during the same month of 1942. Sales of metals were up 47 percent, drugs 26 percent, paper 24 percent, and groceries four percent. Firms selling paints, dry goods, and electrical goods reported year-to-year declines in their business. During 1943 sales at all reporting wholesalers were up one percent from those of 1942.

During December wholesale inventories were reduced slightly, but at year-end were 15 percent greater than those of December 31, 1942.

Wholesale and Retail Trade

(1943 compared with 1942)

	Percentage		STOCKS December 1943
	SALES December 1943	SALES Year 1943	
DEPARTMENT STORES (97)			
Akron.....	+ 2	+14	- 1
Canton.....	+ 2	+11	- 1
Cincinnati.....	+ 8	+11	- 0
Cleveland.....	- 3	+ 5	- 8
Columbus.....	+16	+25	+16
Erie.....	+ 1	+10	- 9
Pittsburgh.....	+ 3	+ 5	- 9
Springfield.....	+ 5	+24	- 9
Toledo.....	+ 8	+14	- 0
Wheeling.....	+16	+15	+ 8
Youngstown.....	+11	+14	+ 1
Other Cities.....	- 2	+ 1	- 1
District.....	+ 3	+ 9	- 4
WEARING APPAREL (16)			
Canton.....	+14	+26	+ 8
Cincinnati.....	+ 4	+13	-24
Cleveland.....	+ 7	+20	- 4
Pittsburgh.....	+37	+35	+ 8
Other Cities.....	+ 6	+27	+16
District.....	+12	+24	- 0
FURNITURE (00)			
Canton.....	- 9	- 2	-31
Cincinnati.....	-16	- 0	-32
Cleveland.....	-13	- 0	-39
Columbus.....	- 0	+ 8	-22
Dayton.....	-45	-21	- 1
Pittsburgh.....	- 6	- 5	-41
Toledo.....	- 2	+ 9	-21
Other Cities.....	-15	- 2	-27
District.....	-11	- 2	-33
CHAIN STORES*			
Drugs—District (5).....	+ 7	+13	a
Groceries—District (4).....	+13	+15	a
WHOLESALE TRADE**			
Automotive Supplies (8).....	+16	+ 5	- 9
Beer (4).....	+30	+23	-70
Clothing and Furnishings (3).....	+15	+20	a
Drugs and Drug Sundries (5).....	+26	+23	+11
Dry Goods (3).....	-13	+11	+ 1
Electrical Goods (10).....	-15	-35	+ 2
Fresh Fruits and Vegetables (6).....	+23	+19	+19
Grocery Group (36).....	+ 4	+10	+24
Total Hardware Group (28).....	- 5	- 7	- 3
General Hardware (7).....	+ 4	- 9	- 3
Industrial Supplies (11).....	-14	- 7	-10
Plumbing & Heating Supplies (10).....	- 7	- 6	+22
Jewelry (3).....	+24	a	+5a
Meats and Meat Products (4).....	+17	- 3	+5a
Metals (3).....	+47	a	a
Paints and Varnishes (4).....	-13	- 6	a
Paper and its Products (6).....	+24	+ 3	+ 1
Tobacco and its Products (14).....	- 8	+ 4	+ 1
Miscellaneous (17).....	+ 5	- 0	+18
District—All Wholesale Trade (154).....	+ 6	+ 1	+15

* 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 Indexes

(1935-39 = 100)

	Dec. 1943	Dec. 1942	Dec. 1941	Dec. 1940	Dec. 1939
Bank Debts (24 cities).....	230	215	194	153	128
Commercial Failures (Number).....	9	43	65	64	52
" " (Liabilities).....	10	53	30	98	45
Sales—Life Insurance (O. and Pa.).....	110	89	157	101	90
" " Department Stores (97 firms).....	260	252	232	206	195
" " Wholesale Drugs (3 firms).....	222	176	167	134	124
" " Dry Goods (3 firms).....	112	129	128	106	99
" " Groceries (36 firms).....	131	126	116	95	100
" " Hardware (28 firms).....	192	203	248	164	129
" " All (72 firms).....	151	147	147	113	98
" " Chain Drugs (5 firms)*.....	246	230	181	110	139
" " Chain Groceries (5 firms).....	166	155	138	113	115
Building Contracts (Total).....	99	179	140	118	122
" " (Residential).....	82	124	247	155	153
Production—Coal (O., W. Pa., E. Ky.).....	154	137	142	122	113
" " Cement (O., W. Pa., E. Ky.)**.....	91	177	165	151	133
" " Elec. Power (O., Pa., Ky.)**.....	202	174	154	133	124
" " Petroleum (O., Pa., Ky.)**.....	102	95	91	90	102
" " Shoes.....	89	91	104	87	79

* Per individual unit operated.
 ** November.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939 = 100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	Dec. 1943	Nov. 1943	Dec. 1942	Dec. 1943	Nov. 1943	Dec. 1942
SALES:						
Akron (6).....	314	262	307	186	232	182
Canton (5).....	335	273	329	171	241	168
Cincinnati (9).....	269	215	249	151	179	139
Cleveland (10).....	245	213	253	147	205	152
Columbus (5).....	309	242	267	163	212	141
Erie (3).....	316	262	312	166	245	164
Pittsburgh (8).....	235	188	229	137	176	134
Springfield (3).....	364	272	343	193	254	181
Toledo (6).....	273	221	253	155	203	144
Wheeling (6).....	250	174	217	119	166	104
Youngstown (3).....	284	226	257	167	209	151
District (97).....	260	212	252	151	193	146
STOCKS:						
District (51).....	134	163	139	147	142	153

Fourth District Business Statistics

(000 omitted)

	Dec. 1943	% change from 1942	Jan.-Dec. 1943	% change from 1942	
Fourth District Unless Otherwise Specified.....					
Bank Debts—24 cities.....	\$5,099,000	+ 7	52,311,000	+17	
Savings Deposits—end of month: 39 banks O. and W. Pa.....	\$ 943,746	+16	
Life Ins. Sales—Ohio and Pa.....	\$ 92,643	+23	1,016,097	+13	
Retail Sales:					
Dept. Stores—97 firms.....	\$ 64,165	+ 3	482,241	+ 9	
Wearing Apparel—16 firms.....	\$ 2,680	+12	21,562	+24	
Furniture—78 firms.....	\$ 3,229	-11	33,622	- 2	
Building Contracts—Total.....	\$ 24,121	-45	270,079	-63	
" " —Residential.....	\$ 6,303	-34	100,709	-39	
Commercial Failures—					
Liabilities.....	\$ 147	-81	2,902	-49	
Commercial Failures—Number.....	6	-79	158	-67	
Production:					
Pig Iron—U. S.....	Net tons	5,213	- 0	61,777	+ 3
Steel Ingot—U. S.....	Net tons	7,266	- 1	88,873	+ 3
Bituminous Coal—O., W. Pa., E. Ky.....	Net tons	19,352	+13	218,771	- 1
Cement—O., W. Pa., W. Va.	Bbls.	753a	-48	10,831b	-26
Elec. Power—O., Pa., Ky.....	Thous. k.w.h.	3,072a	+16	31,322b	+13
Petroleum—O., Pa., Ky.....	Bbls.	2,244a	+ 7	24,795b	+ 5
Shoes.....	Pairs	c	- 2	c	-12
Bituminous Coal Shipments: L. E. Ports.....	Net tons	1,077	+34	47,455	- 4

a November
 b January-November
 c Confidential

Debts to Individual Accounts

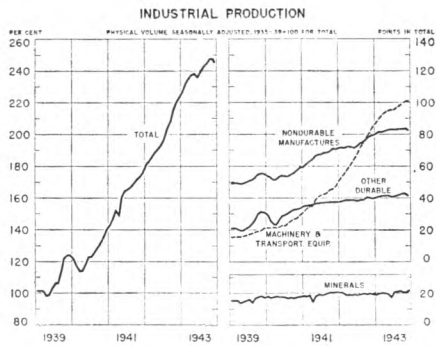
(Thousands of Dollars)

	December 1943	% change from 1942	Jan.-Dec. 1943	Jan.-Dec. 1942	% change from 1942
Akron.....	189,821	+11.3	2,110,301	1,569,586	+34.4
Butler.....	18,142	+14.3	189,121	160,822	+17.6
Canton.....	82,842	+12.7	886,042	775,431	+14.3
Cincinnati.....	637,920	- 1.2	6,994,009	6,284,250	+11.3
Cleveland.....	1,382,856	+ 7.6	14,230,096	11,852,105	+20.1
Columbus.....	351,967	+ 8.0	3,519,067	2,998,035	+17.4
Covington.....	24,716	+ 7.4	a	a
Newport.....	159,664	+10.6	1,694,421	1,382,023	+22.6
Dayton.....	71,470	+20.3	730,873	592,118	+23.4
Erie.....	6,507	+17.7	63,632	56,728	+12.2
Franklin.....	13,057	+16.9	129,582	125,038	+ 3.6
Greensburg.....	22,175	+ 4.7	243,593	218,502	+11.5
Hamilton.....	5,370	- 1.2	57,318	56,808	+ 0.9
Homestead.....	57,179	-10.2	398,988	363,656	+ 9.7
Lexington.....	28,219	-32.8	292,180	280,041	+ 4.3
Lima.....	8,610	+11.2	87,978	81,856	+ 7.5
Lorain.....	20,858	+11.9	a	a	a
Mansfield.....	22,328	+14.6	240,754	224,391	+ 7.3
Middletown.....	15,522	- 5.9	187,654	162,179	+15.7
Oil City.....	1,531,170	+ 7.7	15,104,747	13,127,257	+15.1
Pittsburgh.....	11,790	+ 7.5	a	a	a
Portsmouth.....	16,646	+ 9.8	182,684	168,918	+ 8.1
Sharon.....	35,041	+11.9	382,122	309,597	+23.4
Springfield.....	14,112	+ 2.9	153,059	142,567	+ 7.4
Steubenville.....	285,858	+18.4	2,834,557	2,468,734	+14.8
Toledo.....	25,076	- 3.6	286,864	252,681	+13.5
Warren.....	47,067	+18.1	477,291	391,499	+21.9
Wheeling.....	86,743	+ 6.8	992,036	882,472	+12.4
Youngstown.....	13,295	+14.4	153,917	137,015	+12.3
Zanesville.....	5,186,021	+ 7.0	52,622,886	45,064,309	+16.8
Total.....					

a Not available.

Summary of National Business Conditions

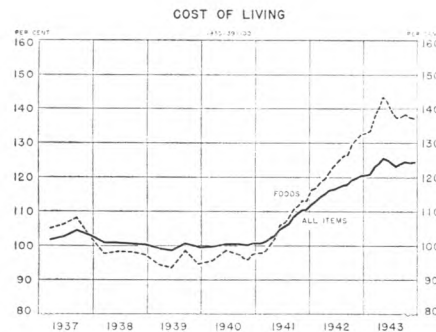
By the Board of Governors of the Federal Reserve System



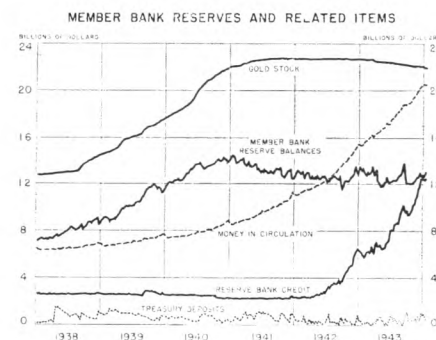
Federal reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for December 1943.



Federal Reserve indexes. Monthly figures, latest shown are for December for sales, and November 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 December 1943.



Wednesday figures, latest shown are for January 19, 1944.

Industrial activity declined slightly in December from the record levels reached in preceding months. Prices of commodities at retail showed little change and distribution was maintained in large volume.

Industrial production

The Board's seasonally adjusted index of industrial production, which had been at 247 per cent of the 1935-39 average in October and November, declined to 245 in December, reflecting largely decreases in output of steel and chemicals.

Steel production dropped 6 per cent in December to the same rate as in December 1942. Output for the year, however, totaled 88.9 million tons, which was 2.8 million tons larger than the year before. Activity in the transportation equipment and machinery industries was maintained in December at a high level. The number of aircraft accepted during the month was slightly larger than in November and was at approximately the average monthly rate scheduled for 1944. The average weight of planes to be produced, however, will continue to increase. Deliveries of merchant vessels in December were the largest on record, bringing the total for the year to 19,238,626 deadweight tons, as compared with 8,089,732 tons in 1942. Lumber production in the last two months of 1943 was above the level of a year ago in contrast to the first 10 months of 1943 when output averaged 10 per cent below the same period in 1942.

Activity in the chemical industry declined 5 per cent in December, reflecting a large reduction in output of small arms ammunition in accordance with plans of the armed forces. Cotton consumption declined further in December to a level 13 per cent below December 1942. Newsprint consumption declined seasonally. Further restrictions on its use, as well as on the use of printing paper in books and magazines, were made effective January 1, 1944, owing to inadequate supplies of pulpwood. Output in the petroleum refining and rubber products industries increased further.

Crude petroleum production showed little change in December and output of coal was restored to a high level. Bituminous coal production for the year exceeded 1942 output by 1.6 per cent. Iron ore production continued to decline seasonally in December and output for the year was approximately 4 per cent below 1942.

The value of construction contracts awarded in December, according to reports of the F. W. Dodge Corporation, was greater than in recent months, reflecting mainly increased Federal awards for manufacturing and other nonresidential buildings.

Distribution

December department store sales were slightly larger than a year ago and combined with November sales were 11 per cent larger than in the corresponding months last year. For the year 1943 total value of sales reached a new peak—about 12 per cent larger than 1942 and 55 per cent larger than 1939. Sales during the first two weeks of January were about the same as last year.

Railway freight traffic in December and the first part of January was unusually heavy for this season. For 1943 total freight loadings were about the same as in 1942. Shipments of grain and livestock averaged about 20 per cent above 1942, while loadings of ore, forest products, and less-than-carload-lot freight averaged 8 per cent lower.

Commodity prices

Wholesale prices of agricultural and industrial commodities showed little change from the middle of December to the middle of January and the general index of the Bureau of Labor Statistics remained at 103 per cent of the 1926 average.

Retail food prices declined slightly from mid-November to mid-December, while other groups of cost-of-living items increased and the total index advanced .2 to 124.4 per cent of the 1935-39 average.

Bank credit

During the latter part of December and the first two weeks of January excess reserves at all member banks were maintained at an average level close to 1.1 billion dollars. Purchases of Government securities by the Federal Reserve Banks offset the effect on reserves of increases in nonmember deposits at the Reserve Banks and the increase in currency in circulation. The System portfolio of Government securities increased by 900 million dollars in the five weeks ending January 19. After allowance for expected seasonal movements, currency in circulation increased less in December than in November but there was little post-Christmas return flow.

Loans and investments of reporting member banks in 101 leading cities, which had been decreasing steadily since late October, declined by an additional 620 million dollars during the five weeks ended January 19. A large part of the decline reflected sales of Government securities, principally Treasury bills, to the Federal Reserve Banks. Holdings of United States Government securities were reduced by 370 million dollars. Total loans declined by 230 million dollars, representing reductions in loans to banks, in commercial and industrial loans, and in "other" loans, mainly instalment credit. Adjusted demand deposits, which had increased sharply from the middle of October to the middle of December, declined somewhat over the year-end, but increased again in the first half of January. United States Government deposits at banks continued to decline.