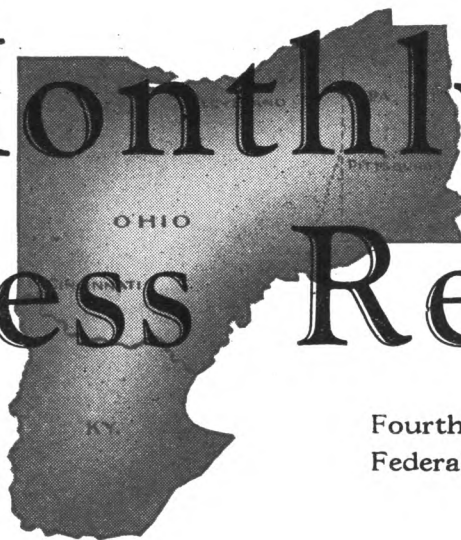


Monthly Business Review

Covering financial, industrial and agricultural conditions

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland



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FINANCIAL

Demand Deposit Changes A bank investment policy that is soundly conceived involves a careful analysis of the sources of available funds and an estimate of the probable trend of demand deposits by classes of owners. It is necessary for each individual bank to weigh carefully the probabilities that (1) a further increase in demand liabilities may take place, (2) a period of deposit shrinkage might set in, or (3) the gross volume of deposits will stabilize near present levels.

These probabilities develop in response to economic influences which are susceptible to some degree of analysis. The deposit ownership survey as of July 31, 1944, in which the demand deposit structure of a carefully selected group of fourth district banks was studied, provides background material for such analysis.

This latest of a series of surveys reaffirms the principle that the problem varies considerably in terms of size of banks.

In the case of banks with demand deposits in excess of \$100,000,000—the largest banks in the district—the problem of formulating an effective investment policy is largely a matter of anticipating future trends in bank balances maintained by manufacturing and mining enterprises. A ten percent miscalculation with respect to such funds might involve a larger sum and, therefore, have a greater effect upon future cash reserves than a 100 percent error of judgment in nearly every other type of account.

Manufacturing and mining accounts are likewise the dominant factor in the deposit structure of banks in the next smaller size group. The dollar volume of all accounts below \$10,000 is also of rather significant proportions. In estimating the future volume of funds available for investment, institutions in this category must give principal consideration to these two types of deposit accounts which, in combination, constitute nearly two-thirds of total demand deposits.

Banks with demand deposits of under \$10,000,000 may devote much less attention to manufacturing and mining balances. Whether such banks are to experience a future increase—or decrease—in available funds will de-

pend largely upon the probable behavior of deposit accounts carried by retailers and wholesalers and by individuals. The proportion of personal accounts above \$3,000 (35.6 percent) in the smallest banks seems especially noteworthy.

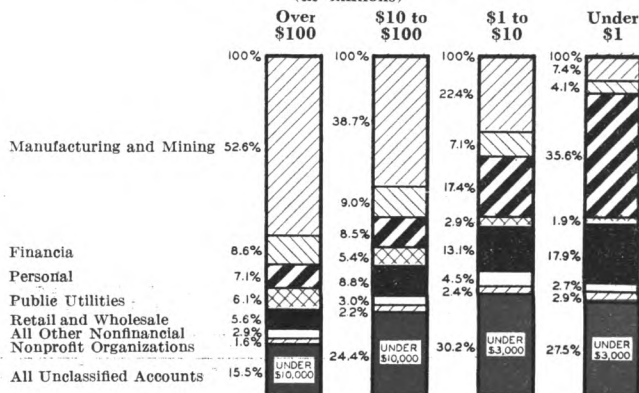
Thus, a substantial transfer of funds from retail and wholesale and from personal accounts, in response to post-war economic developments, into manufacturing balances would tend to reduce the volume of funds in possession of smaller banks and increase the aggregate of funds available for investment or loans at the larger banks. Conversely, if the flow should be in the opposite direction, total demand deposits of larger city banks might decline, relatively speaking, while the smaller banks' problem of putting idle funds to work might become intensified.

In evolving a sound investment policy, it is necessary to estimate not only the probable future trend of deposits in general, but also the potential shifts among the various classes of deposits which might accompany any assumed economic development such as a substantial increase in the production and sale of civilian goods. Even under conditions of relative stability in the nation-wide

COMPOSITION OF DEMAND DEPOSITS

Fourth District
July 31, 1944

Selected banks having demand deposits of individuals, partnerships, and corporations of—
(in millions)



deposit total, individual banks might experience substantial deposit fluctuations if their depositors consisted predominantly of manufacturers, of individuals, or of some other specific type of ownership.

The nature, volume, and direction of the shifts in the recent past are reflected, in part, in the accompanying table covering the year ended July 31, 1944. (Comparable data for banks under \$1,000,000 are not available.)

The year covered by this analysis was one of comparatively small, but fairly general, increases in deposits. Although each of the three size groups shows a net gain, the causative factors vary greatly.

For example, with respect to the largest banks, the \$37,774,000 increase in demand deposits is due chiefly to a continued inflow of funds from large mining and manufacturing depositors. If, at some future time, manufacturing and mining balances are drawn upon for corporate purposes, these large banks might show a net decline in deposits, for their accounts are predominantly of this type.

The next smaller class of banks shows a gain (2.1 percent) in total demand deposits almost identical with the largest banks. In this instance, the gain can be credited almost entirely to the unclassified miscellaneous accounts with balances under \$10,000 each. It should be noted that a one percent increase in manufacturing accounts involves nearly five times as many dollars as a one percent increase in personal balances. In the future, any given percentage change will be more significant with respect to cash reserves if it takes place in manufacturing deposits than in any other type of account.

Banks in the \$1,000,000-\$10,000,000 demand deposit range are exposed to a still different set of influences. The 52 banks for which comparable data were available had a considerably larger percentage increase (7.8 percent) in total demand deposits than did the larger banks. This \$16,414,000 inflow of funds was caused in large part by the growth of personal balances, both above and below \$3,000. Should individuals and small businesses continue to accumulate funds, with or without converse effect upon manufacturing balances, banks of this size would almost inevitably acquire additional funds for investment. On the other hand, a movement in the opposite direction might reduce the volume of cash reserves of country banks to considerably lower levels.

In summary, this analysis of deposit structure and re-

cent deposit trends of fourth district banks seems to indicate that:

1. A mere shift of ownership of existing deposits could engender marked changes in the volume of investment funds available to any specific bank or group of banks.

2. Future changes in the cash resources of mining and manufacturing enterprises are of utmost significance to the largest banks. Investment policy should give major consideration to the source of such funds and the probable magnitude and direction of future changes.

3. Smaller sized banks, especially those with demand deposits of less than \$10,000,000, should devote their attention chiefly to the problem of projecting probable future changes in aggregate cash resources of individuals and small business establishments. It is the trend of those accounts that largely determines the volume of funds available for loans and investment by banks in this group.

Recent Banking Developments At the end of September, Government deposits at reporting member banks in leading cities of the fourth district had been reduced by nearly 40 percent from the high point reached at the time of the Fifth War Loan Drive. The contraction in these deposits has been somewhat more rapid in recent weeks than in July. However, since other deposit accounts increased as funds have been transferred through the Government's hands from reserve-free accounts to those subject to reserve requirements, total deposits at fourth district banks were down less than two percent from the peak of late July.

Demand deposits have expanded by eleven percent since the war loan drive, but they are still slightly below the peak reached just prior to the bond campaign. The trend of time deposits continues uninterruptedly upward, but the increase in recent weeks has been somewhat larger than earlier in the year. Time deposits are up 18 percent from last year at this time. The increase in time deposits and the accelerated rise in currency outstanding, in part, may reflect a slowing down in the rate of war bond purchases, while redemptions remain at recent high levels. A continued outflow of currency has been partly responsible for retarding the increase in demand deposits. Circulation of this bank's Federal reserve notes increased over \$9,000,000 per week in the four latest weeks, compared with a year-to-date increase of \$6,500,000.

Changes in Types of Demand Deposits—Year Ended July 31, 1944

(000 omitted)

Type of Depositor	Fourth district selected banks having demand deposits of individuals, partnerships, and corporations of—								
	Over \$100,000,000 (8 banks)		\$10,000,000 to \$100,000,000 (25 banks)		\$1,000,000 to \$10,000,000 (52 banks)				
	Increase	Decrease	Increase	Decrease	Increase	Decrease			
Manufacturing & Mining	\$46,469	5.4%	\$ 3,548	1.0%	\$ 621	1.2%			
Retail & Wholesale Trade	5,680	6.3	4,694	6.1	1,196	4.1			
Nonprofit Associations	3,309	13.5					\$ 438	7.2%	
Public Utilities	1,356	1.3			\$ 909	4.3%			
All Other Nonfinancial	922	1.9			3,563	6.7			
All Financial			969	3.6			1,025	18.2	
Personal, including Farmers		\$ 5,303	3.4%				1,882	21.6	
All Under \$10,000		6,091	4.8	714	0.9	7,068	22.1	70	0.4
All Under \$ 3,000		8,568	3.1	23,997	12.0	5,130	8.2	XXXX	XXXX
	XXXX	XXXX		XXXX	XXXX				
Total Demand Deposits	\$37,774	2.3%			\$19,098	2.1%	\$16,414	7.8%	

The shift of funds out of reserve-exempt deposits into accounts subject to reserve requirements and the continued demand for currency absorbed a considerable quantity of excess reserves, the contraction at banks in this district being about \$60,000,000 since the end of the Fifth Drive. To replenish their reserves, member banks have resorted to discounting to a limited extent and to the sale of Treasury bills under repurchase option in considerable volume in recent weeks. Bills discounted rose from the nominal levels of recent years to \$9,600,000 on September 27. On that date, the quantity of optioned bills held by the Cleveland bank was the largest since late April. Member banks have shown little inclination to sell other types of Treasury obligations; holdings of certificates and bonds actually increased moderately to new record-high levels during September. This apparent preference for securities of greater than 90-day maturity, and with better than .375 yield, has been evident for some time.

Reflecting a liquidation of about 30 percent in loans on Government securities to others than brokers and dealers negotiated during the Fifth War Loan Drive, a slight contraction in brokers' loans on Governments, and a further contraction of "other loans" to new low levels, have resulted in a \$38,000,000 liquidation in total loans at weekly reporting member banks since the end of the Fifth War Loan Drive. While commercial loans have shown little change in recent weeks, they are about five percent below the level of last year at this time.

MANUFACTURING, MINING

Manufacturing employment in Ohio has paralleled the national trend and recently has been running four percent below the same period of 1943. There was, however, considerable variation in the employment picture among leading district manufacturing centers. Cleveland employment was down three percent in the first six months of 1944 as compared with the same period of 1943. Comparable data for Pittsburgh and Cincinnati reflected employment stability over the period, while Akron and Dayton employment declined four percent. Toledo employment for the first six months of 1944 was eight percent above the 1943 comparable period, with Youngstown and Columbus reporting fractional increases.

The reduction of total district manufacturing employment does not indicate a current surplus of workmen, but it does definitely emphasize that industrial employment and production peaks have been passed. That the manpower situation can change rapidly is implied in the announcement of the War Manpower Commission that many of its controls will be ended shortly after V-E Day. The present period presents many contradictions in the manpower picture, and the partial reconversion period, in the face of continuing war with Japan, may tend to accentuate them.

Although the reconversion period may be accompanied by considerable unemployment, at least of a temporary character, reports from fourth district business and financial leaders indicate their belief that the number of persons presently employed should remain relatively constant, but that there will be a reduction in hours of work. This is illustrated by the estimate that, at the end of hostilities in Europe, coal production may drop 30 per-

cent, but that employment should remain near present levels on the basis of a return to the five-day week.

Steel The iron and steel market continues to reflect progress of the war as new orders fall behind shipments and manufacturing companies examine their inventories more closely. According to the American Iron and Steel Institute, national production of steel ingots fluctuated between 94 and 95 percent of capacity during August, when production of 7,469,800 tons of steel was reported. August production was slightly below that of the previous month and also below that of August last year. However, output so far this year totaled 60,005,971 tons, as compared with 58,880,791 tons for the first eight months of 1943.

Fourth district mills show considerable variation in operating rates from week to week. However, through the first three weeks of September, Pittsburgh and Youngstown district mills have operated at approximately 90 percent capacity, while Cleveland, Cincinnati, and Wheeling mills have varied up to seven points higher.

The industry still has a heavy backlog of orders. In the case of products booked to the end of the year, civilian orders are being placed on file, but not scheduled.

In mid-September, the War Production Board announced allocation of 100,000 tons of carbon steel and 25,000 tons of alloy steel to be used primarily in connection with the "spot order" reconversion program during the fourth quarter. In addition to this amount, 37,000 tons of carbon steel were allocated for manufacturers in carrying out a number of "contingent" programs for production of civilian goods. This tonnage will supplement the 220,000 tons of carbon steel already allocated to civilian production in the fourth quarter. Plants will be permitted to start production only if they have available war-free facilities, manpower, and material. The continuation of cutbacks will be a factor in determining the extent to which the program will be carried out.

Several mills in the Youngstown district are reported to be curtailing operations due to a shortage of coal. "Inventories of coal are being used now and will have to be replaced soon to assure fuel supplies during the winter." Some blast furnaces are operating on a "slow" blast due to the tight coal situation. These reports are difficult to reconcile with releases from the Bureau of Mines which show stocks of coal held by steel and rolling mills on August 1 totaling 806,000 tons, an increase of 2.7 percent over stocks for the previous month. This is approximately 32 days' supply for the industry.

Shipments of ore on the Great Lakes amounted to 12,288,253 tons during August, a slight decrease from the total shipped during the previous month. Cumulative shipments for the season are 54,574,155 tons. Consumption of ore during the month reached 7,341,964 tons. Stocks of ore at furnaces and on docks were 37,243,322 tons on September 1, a decline of over 1,000,000 tons from the same date last year.

Steel and iron scrap move slowly with some grades selling below ceiling prices. Consumers evince little desire to add to inventory under present market conditions. The present scrap situation is a fulfillment of the normal expectancy wherein there is a shortage of scrap until peak steel production is achieved and thereafter an increasingly plentiful supply.

Coal August production of bituminous coal totaled 54,200,000 net tons. Production in the fourth district for the same period amounted to 20,355,000 net tons, an increase above the previous month of 1,622,000 tons. This is an increase of 3.6 percent over production for the same period last year.

Stocks of coal in the hands of consumers were reported at 61,429,000 net tons on August 1, an increase of 2.9 percent over the previous month. One of the largest operators in the district estimates this inventory to be 25 million tons above normal, and that "production is probably slightly above consumption." Consensus of operators seems to be that the coal situation will remain tight until January and that there will be shortages of some grades, but over-all adequate supplies.

Considerable interest has been evidenced lately in the proposed development of new coal fields in Harlan and Pike Counties, Kentucky. New rail facilities are being constructed now to open virgin fields of considerable size from which production is expected by mid-1945.

Rubber Further progress in the substitution of synthetic for natural rubber is shown with a revision of regulations released late in August by the Office of Rubber Director, now dissolved. The new orders, in general, call for an increase in the percentage of synthetic combined with natural rubber in the manufacture of all medium-sized highway truck tires (changed from 70 to 90 percent synthetic) and special purpose tires. All truck and a large group of airplane tire inner tubes are now being made of synthetic. Restrictions on the use of Neoprene and Buna N have been removed, while the use of crude is further curtailed in some applications.

Progress in the use of GR-S synthetic is matched by recent changes in techniques employed in its production. Announcement has been made of two major improvements in production processes with a consequent increase in output. Replacing the batch type method now in use, one of the new processes involves continuous polymerization or blending of butadiene, styrene, and other chemicals in making GR-S synthetic rubber latex. Another improvement recently announced provides for suspension of carbon black in the liquid latex. This eliminates necessity for milling carbon black into the rubber after it has been rolled into sheets. Savings in milling time amount to an approximate 35 percent.

Miscellaneous Manufacturing New orders for machine tools have exceeded shipments in that industry since March. As a consequence, unfilled orders have risen steadily from \$147 to \$194 millions. The industry reports that most of the new orders are for special purpose tools and equipment. It will, however, be interesting to observe the ultimate disposition of this backlog in view of the estimated \$2,000,000,000 plus of machine tools owned by the Government. The Defense Plant Corporation has begun sale of this property through district offices of the Reconstruction Finance Corporation. New orders for machine tools are screened by the War Production Board against available equipment, and sales of such surplus have been totaling approximately \$28,000,000 monthly. It is reported that orders for post-war tools, permitted since July 29, have been

delayed with the expectation that the deluge of Government-owned tools will force prices of new tools down.

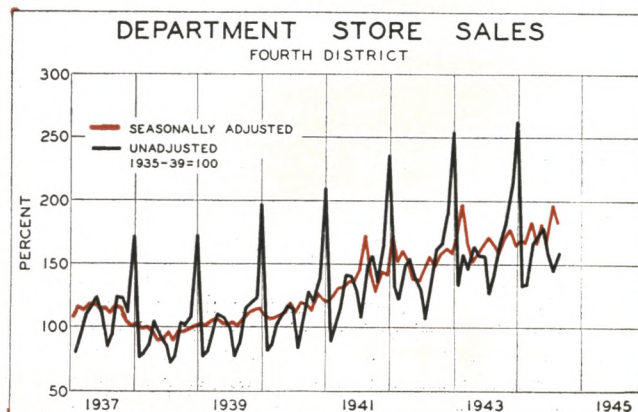
Paper manufacturers expect an enormous demand for civilian production when war orders are filled. Production currently is restricted by lack of manpower and difficulty in securing raw materials. Post-war advertising plus the necessity of restocking civilian inventories of wrapping and packaging materials should maintain production at high levels.

TRADE

Retail The index of department store sales in the fourth district was revised recently to reflect the changes in total department store business in the district from 1929 to 1939, as measured by Census data for these two years, and to reflect changed buying habits since the war began. The first adjustment was considered desirable because most of the stores reporting to this bank are located in the larger cities. Coverage in the smaller cities is less complete, and the sales experience of these units from 1929 to 1939 differed from that of the stores located in larger localities. According to Census data, sales in the latter declined over this ten-year period, while there was an increase in the smaller cities. Therefore, in an attempt to make the index as representative of the experience of all department stores in this district as possible, a correction was made.

Wartime conditions have changed somewhat the former buying habits of many consumers. As a result, the seasonal pattern of department store sales has been altered, and several changes were made in the factors used to adjust the fourth district index for these variations. The factors for January, March, August, October, and November were increased, while the importance of business done during May, June, September, and December declined. The largest revisions were made in the November and December factors as a result of the shift that has occurred in Christmas shopping since the start of the war. The encouragement to shop early, growing out of a fear of shortages, and the necessity of buying merchandise for overseas shipment prompted many customers to purchase more in November, and even as early as October, than they had done previously. Nevertheless, December continues to be the most important trading month of the year, followed by November. July sales are usually of least importance.

The seasonal factors used to adjust the department store



sales indexes for each of the eleven cities in the district for which separate indexes are prepared each month also were revised for the years 1941, 1942, and 1943. Copies of the revised indexes for each of these cities and the district may be obtained from the Research Department, Federal Reserve Bank of Cleveland.

As the chart shows, the trend of sales since 1938 has been upward, and this tendency was accelerated during recent years by the heavy purchases of many types of goods on the part of consumers whose incomes were greatly enlarged as a result of the war. During the first eight months of this year, sales were up six percent from January-August 1943 and were the largest for any similar period on record. The all-time high in the seasonally adjusted index was reached in July of this year, and, although daily average sales last month failed to show the usual increase from July, the adjusted index for August was still at a very high point. Total sales during August this year were the largest on record for that month and were at a level 15 percent above the same month a year ago. The year-to-year gains for the principal cities of the district ranged from five percent in Erie to 23 percent in Cincinnati. Sales in Akron were up 10 percent, Cleveland 11 percent, Pittsburgh 16 percent, and Toledo 18 percent. During the first half of September, sales at all reporting stores in the fourth district were 15 percent larger than they were in the corresponding period of 1943.

Retailers made large additions to their inventories during August, and at month-end total stocks were up ten percent from July 31. However, this increase was seasonal, and the adjusted index advanced only one point to 165 percent of the 1935-39 average. This was two percent higher than the index number for August 31, 1943.

Wholesale Sales at 177 wholesale firms in this district during August were six percent larger than they were in the same month of 1943, according to reports received from the *Department of Commerce*. Sales of automotive supplies were 22 percent larger, electrical goods 21 percent, clothing and furnishings 16 percent, and lumber and building materials 14 percent. Hardware and beer sales were only slightly larger this August compared with last, while firms selling paints and varnishes, furniture, and jewelry reported declines in their business.

Inventories carried by reporting wholesalers were re-

duced four percent during August, but at the end of the month were up eight percent from August 31, 1943.

AGRICULTURE

A Record Agricultural Production From the point of view of production achievement, the record of American agriculture during the war period has been nothing short of phenomenal. When the slowness of the physiological processes fundamental to agriculture are considered, no other item in the total war production of the last five years outshines the performance of the Nation's farms. This record has not only contributed immeasurably to military victories, but it has also assisted more than generally realized in the home front battle against inflation. By producing the greatest volume of farm commodities in history, the American farmer has done much to prevent the scarcities upon which inflation grows.

One of the most meaningful measures of farm production, especially as it applies to the war effort, is the index of the physical volume of farm marketings. Using the average of 1935-39 marketings as a base (100), the indexes of the volume of marketings during the war years, beginning with 1939, have been 109, 112, 115, 128, and 135. It now appears that this impressive series of increases will have still another addition when complete 1944 data become available, owing to the fact that the index for the first six months of the year stands at 148.

Even when compared with advances in agricultural output during the first World War, the accomplishment of the last half decade is impressive (see bar chart). Average yearly production during the 1914-18 period was only six percent more than the average of the previous five years, whereas the mean production of 1939-43 was twenty percent greater than the output of 1934-38.

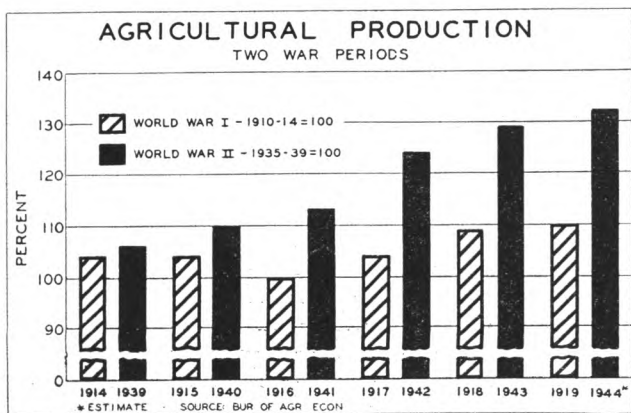
What factors have been responsible for the amazing farm production of World War II, and why has the increase been so much greater than during World War I?

Acreege expansion does not provide the answer because, on a relative basis, both periods—at least in the first four years—experienced about the same increase. It appears likely that the solution to the question lies to a large extent in the unusually favorable weather of recent years and in the increased farm efficiency since the first war.

With respect to production advances in crops alone, the influence of the favorable weather of the last few years can scarcely be overstressed. The following index numbers of yields per acre indicate the importance of the weather factor, although it should be kept in mind that other factors such as improved varieties and better cultural methods have also been instrumental in building higher yields.

1914—109	(1923-32 = 100)	1939—114
1915—110		1940—120
1916—97		1941—121
1917—101		1942—137
1918—98		1943—124

In a discussion of wartime farm production, the Review of Economic Statistics stated recently that, if yields per acre for wheat, feed grains, and hay in 1942, instead of being above average as they were, had been equal to the average of the five preceding years, the effect would



have been: "(1) A wheat crop only two-thirds the size actually harvested. (2) A 19 percent smaller corn crop. (3) A reduction of 4 million tons in the production of oats, barley, and grain sorghums. (4) A reduction of about 10 percent in hay production. (5) A reduction in feed production from range and pastures of about 10 percent."

Livestock production has been stimulated markedly by the better growing conditions for the production of livestock feed. In addition, World War II began with larger stocks of grain, cotton, and tobacco than World War I. The large stocks of cotton and tobacco have made it possible to step up the acreage of peanuts and feed crops in the South to augment the initial feed supplies for livestock. As a result, the volume of livestock production in 1943 was the greatest in history.

The improvement in agricultural efficiency of the last three decades also has had much to do with the farm record of World War II. Technological advances unknown in the days of World War I have provided farmers with means of taking full advantage of production opportunities provided by favorable weather. Improvements in plant and animal breeding, the use of power machinery, and the development of a more informed and skilled farm population, all have contributed to building an amazingly productive agriculture.

(A discussion of the economic difficulties and problems arising out of the super production of American farms will be carried in the next issue of the Monthly Business Review.)

District Crop Conditions National crop prospects improved about two percent during August as a result of abundant rainfall during the second half of the month.

On September 1, crop production for 1944 seemed likely to be above that in any previous year except 1942. According to Bureau of Agricultural Economics, the indicated aggregate crop production for this year is about 4 percent above last year's production, 9 percent above any year prior to 1942, and 22 percent above the 1923-32 "predrought" years. During the month of August, fourth district prospects improved for corn, hay, and tobacco while estimates for oats and potatoes fell.

National corn prospects for 1944 improved 172 million bushels during the month of August, with the present forecast of 3.1 billion bushels, higher than any previous year except 1942. This indicated production represents not only a recovery of the decline in corn prospects from July 1 to August 1, but is also an actual increase of four percent over the July 1 forecast. The condition of the corn crop in the Fourth Federal Reserve District is not, however, as favorable as for the Nation as a whole. Although the prospects improved during the last month when rains broke the severe drought in the southern and central parts of the district, they were still below the July 1 forecast and 15 percent below last year's production. Further improvement is expected if frost holds off until the crop can mature.

Fourth district wheat conditions improved throughout the season and produced a crop second only to that of 1941. For the Nation as a whole, the 1944 wheat production is placed at 1.1 billion bushels—a new record. This year's volume of oats production is expected to be greater than last year's and greater than average for the

fourth district as well as the United States. Volumes smaller than last year are estimated for both hay and potatoes. The aggregate tonnage of the eight major deciduous fruits is indicated at one-fifth greater than last year and ten percent greater than the ten-year average. The total tobacco crop for 1944 is expected to be the second highest on record—second only to that of 1939. The fourth district crop promises to be the largest since 1940.

Ohio: Prospects for most late-maturing crops declined in Ohio during August because of the hot, dry weather during the first half of the month. However, good rains in most parts of the State during the second half of the month prevented further declines and even brought about some improvement over mid-month conditions.

On September 1, the corn crop was estimated at 144 million bushels, a decline from the estimate of the beginning of the season, and 17 percent below last year's production. Soybean production is placed at 21 million bushels as compared with 28 million bushels last year, partly a result of an estimated decrease of five bushels per acre in the yield. More soybeans have been cut for hay than was intended earlier this year, some of them being cut green and dehydrated. The oats crop is placed at about one-fourth above last year's small production. Productions smaller than last year are forecast for barley, potatoes, and hay. Fruit crop estimates are well above last year's small crops.

Kentucky: Current Kentucky prospects indicate that the production of tobacco and the small grains will be greater than either the 1943 crops or the ten-year averages. Tobacco in central Kentucky has made enormous growth during the first part of September, and some observers in that area feel that the yield will be far above the average. However, crops of corn and potatoes are likely to be abnormally low. Hay production apparently will total more than average, but it will be sharply lower than last year's heavy output.

As of the second week of September, Kentucky tobacco farmers were about two weeks behind in the housing of the burley crop because of wet weather and the shortage of help, and faced the possibility that part of the crop would be lost unless additional help was received. The wet curing season has made it necessary for some farmers who had already cut their tobacco to heat their barns artificially to prevent houseburn.

Many appeals were made to secure much needed labor to cut and house the burley crop. Merchants, manufacturers, bankers, school children, and jurors were among those that have responded to the appeal during September. The most recent means to provide extra labor to aid in the harvesting of the burley crop was the plan to receive about 1,500 prisoners of war at stockades set up at Lexington, Frankfort, Maysville, and Eminence during the third week of September. Regulations provide that prisoners may not be worked more than nine hours a day and must not be kept away from camp more than twelve hours a day. Each man must have one work-free day each week, and they must be employed in units of ten. Wages which must be paid by farmers employing war prisoners in housing tobacco were determined by the Central Kentucky Farm Wage Board at a meeting in Lexington on September 18. The scale of wages for prisoners was set at 40 and 45 cents an hour, and the farmer must transport them to and from his farm.

Pennsylvania: Hot, dry weather during August further reduced prospects for corn, buckwheat, potatoes, apples, peaches, and grapes. The indicated corn crop declined about three million bushels during the month of August, but is still forecast at more than last year's production. Many silos were filled by mid-August in order to salvage some feed from the deteriorating crop. By September 1, some late-planted fields were still green and were aided by showers during the last week of August. Neither oats nor buckwheat yielded crops as large as were expected. Potato prospects declined during the month and were about one million bushels less than last year's production. Hay production was estimated at ten percent less than a year ago. Second crops of both alfalfa and clover and third cuttings of alfalfa were exceptionally light in most localities. Recent showers in the northern and western parts of the State were very beneficial to all grasses. The set of all fruits was generally full, but most did not size well because of dry weather and insufficient help for proper thinning. In most areas, drop was prolonged and rather heavy. Late August rains improved peaches in the western part of the State, but they were small in other areas. Rains during the latter part of the month prevented further declines in the condition of the Erie Belt grape crop.

Wholesale and Retail Trade

(1944 compared with 1943)

	SALES August 1944	Percentage Increase or Decrease SALES first 8 months	STOCKS August 1944
DEPARTMENT STORES (97)			
Akron.....	+10	-0	-15
Canton.....	+12	+2	+1
Cincinnati.....	+23	+9	+1
Cleveland.....	+11	+2	+1
Columbus.....	+22	+12	+6
Erie.....	+5	+4	+9
Pittsburgh.....	+5	+8	+8
Springburgh.....	+16	+2	+8
Springfield.....	+7	+2	+4
Toledo.....	+18	+10	+4
Wheeling.....	+20	+15	+16
Youngstown.....	+16	+9	+1
Other Cities.....	+13	+2	+1
District.....	+15	+6	+2
WEARING APPAREL (16)			
Canton.....	+13	+10	-1
Cincinnati.....	+22	-0	a
Cleveland.....	+21	+8	+9
Pittsburgh.....	+12	+25	+22
Other Cities.....	+5	-3	-16
District.....	+15	+7	+6
FURNITURE (75)			
Canton.....	+1	+9	-28
Cincinnati.....	-6	-7	-4
Cleveland.....	-9	-15	-14
Columbus.....	-0	+1	-21
Dayton.....	-10	-27	-17
Pittsburgh.....	+11	+1	-12
Toledo.....	-9	-6	-9
Other Cities.....	-0	-5	-9
District.....	-1	-5	-15
CHAIN STORES*			
Drugs—District (5).....	+2	+1	a
Groceries—District (4).....	+16	+7	a
WHOLESALE TRADE**			
Automotive Supplies (8).....	+22	+23	-15
Beer (6).....	+2	+5	a
Clothing and Furnishings (3).....	+16	+7	+8
Drugs and Drug Sundries (7).....	+10	+2	+11
Dry Goods (4).....	+21	a	+36
Electrical Goods (13).....	+17	-3	+19
Fresh Fruits and Vegetables (7).....	-30	a	a
Furniture & House Furnishings (3).....	-13	+3	+1
Grocery Group (41).....	+3	-4	+21
Total Hardware (7).....	+29	+4	+27
Industrial Supplies (9).....	-13	-13	+14
Plumbing & Heating Supplies (9).....	-5	-5	-0
Jewelry (8).....	-23	-9	-9
Lumber and Building Materials (4).....	+14	a	-19
Machinery, Equip. & Sup. (exc. Elect.) (5).....	+1	a	-5
Meats and Meat Products (5).....	+21	+23	+26
Metals (3).....	-17	+12	a
Paints and Varnishes (4).....	+13	+14	a
Paper and its Products (5).....	-2	-3	+2
Tobacco and its Products (13).....	+1	+5	+7
Miscellaneous (10).....	+6	+3	+8
District—All Wholesale Trade (177).....	+6	+3	+8

* 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)

	Aug. 1944	Aug. 1943	Aug. 1942	Aug. 1941	Aug. 1940
Bank Debts (24 cities).....	202	185	159	147	110
Commercial Failures (Number).....	3	16	45	70	68
(Liabilities).....	3	16	17	51	47
Sales—Life Insurance (O. and Pa.).....	111	100	75	99	91
—Department Stores (97 firms).....	159	143	136	148	102
—Wholesale Drugs (7 firms).....	186	169	139	117	106
—Dry Goods (4 firms).....	156	139	122	128	89
—Groceries (41 firms).....	138	158	144	127	102
—Hardware (25 firms).....	147	143	154	169	104
—All (77 firms).....	161	169	160	151	109
—Chain Drugs (5 firms)*.....	163	160	145	123	118
—Chain Groceries (4 firms)*.....	152	139	143	126	103
Building Contracts (Total).....	68	77	213	216	145
(Residential).....	30	128	99	322	203
Production—Coal (O., W. Pa., E. Ky.).....	162	157	145	144	124
—Cement (O., W. Pa., E. Ky.)**.....	80	129	159	184	154
—Electric Power (O., Pa., Ky.)**.....	187	185	166	146	120
—Petroleum (O., Pa., Ky.)**.....	91	108	100	96	98
—Shoes.....	93	93	101	124	110

* Per individual unit operated.

** July.

Debts to Individual Accounts

(Thousands of Dollars)

	August 1944	% change from 1943	Jan.-Aug. 1944	Jan.-Aug. 1943	% change from 1943
Akron.....	191,946	+14.5	1,446,785	1,347,173	+7.4
Butler.....	17,748	+14.8	141,243	113,983	+23.9
Canton.....	81,968	+10.9	657,877	577,440	+13.9
Cincinnati.....	572,158	+10.7	4,864,720	4,514,009	+7.8
Cleveland.....	1,279,088	+10.0	10,519,488	8,948,219	+17.6
Columbus.....	311,397	+14.9	2,562,533	2,241,578	+14.3
Covington-Newport.....	24,079	+14.7	198,642	178,572	+11.2
Dayton.....	139,891	+5.2	1,153,074	1,098,040	+5.0
Erie.....	60,194	+3.9	510,423	465,626	+9.6
Franklin.....	5,893	+18.7	48,766	39,978	+22.0
Greensburg.....	11,754	+11.8	98,273	83,099	+18.3
Hamilton.....	19,596	+10.2	161,535	154,882	+4.3
Homestead.....	4,965	+7.0	39,809	36,308	+9.6
Lexington.....	28,534	+15.3	297,473	262,865	+13.2
Lima.....	27,416	+16.2	216,645	187,847	+15.3
Lorain.....	8,189	+14.8	69,682	55,283	+26.0
Mansfield.....	24,497	+34.2	168,836	138,071	+22.3
Middletown.....	19,041	+3.8	160,002	157,325	+1.7
Oil City.....	15,182	+3.8	122,178	124,200	-1.6
Pittsburgh.....	1,226,002	+4.7	10,582,744	9,630,267	+9.9
Portsmouth.....	11,228	+13.5	91,142	79,088	+15.2
Sharon.....	16,424	+12.8	135,239	115,973	+16.6
Springfield.....	32,987	+8.8	260,651	244,381	+6.7
Steubenville.....	13,874	+14.0	109,023	99,391	+9.7
Toledo.....	264,373	+12.2	2,145,589	1,880,635	+14.1
Warren.....	23,905	+7.5	194,762	187,382	+3.9
Wheeling.....	43,867	+19.8	343,171	305,352	+12.4
Youngstown.....	85,932	+5.1	686,444	638,801	+7.5
Zanesville.....	13,558	-1.0	103,868	103,030	+0.8
Total.....	4,575,686	+9.1	38,090,617	34,008,798	+12.0

Fourth District Business Statistics

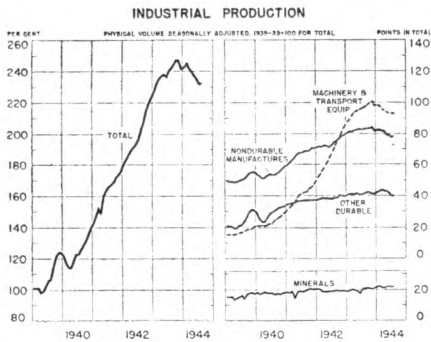
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	Aug. 1944	% change from 1943	Jan.-Aug. 1944	% change from 1943
Fourth District Unless Otherwise Specified.....	\$4,488,000	+9	37,399,000	+12
Bank Debts—24 cities.....	\$1,066,224	+19		
Savings Deposits—end of month: 39 banks O. and W. Pa.....	\$93,224	+10	749,290	+13
Life Insurance Sales: Ohio and Pa.....	\$40,305	+15	300,493	+6
Retail Sales: Dept. Stores—97 firms.....	\$1,966	+15	14,595	+7
Wearing Apparel—16 firms.....	\$2,463	-1	19,861	-5
Furniture—75 firms.....	\$16,604	-12	110,929	-38
Building Contracts—Total.....	\$2,350	-76	24,125	-64
Commercial Failures—Residential.....	\$43	-82	1,119	-54
Liabilities.....	2	-82	53	-60
Commercial Failures—Number.....				
Production: Steel Ingot—U. S.....	7,470	-2	60,006	+2
Bituminous Coal—O., W. Pa., E. Ky.....	20,355	+4	159,161	+10
Cement—O., W. Pa., W. Va.....	661a	-38	3,548b	-49
Electric Power—O., Pa., Ky.....	2,849a	+1	15,033	+3
Thous. K.W.H.....	2,005a	-16	20,721b	+7
Petroleum—O., Pa., Ky. Bbls.....	c	-0	15,033b	-3
Shoes.....				-2
Bituminous Coal Shipments: Lake Erie Ports.....	7,699	+18	35,609	+31

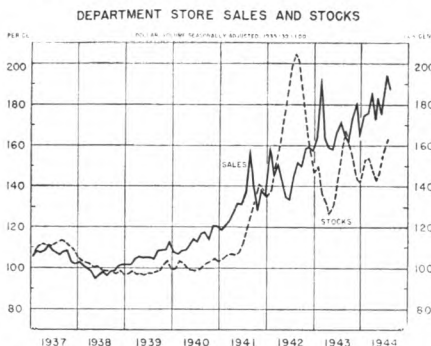
a July.
b January-July.
c Confidential.

Summary of National Business Conditions

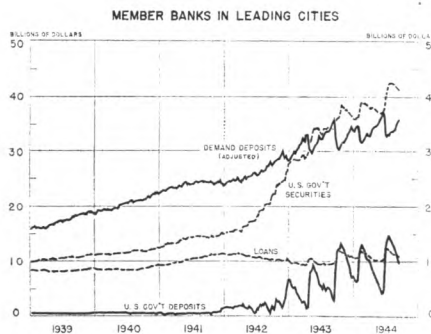
By The Board of Governors of the Federal Reserve System



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for August 1944.



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



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 13, 1944.



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for September 20, 1944.

Industrial output and employment showed little change in August. Retail trade was at a new high level for the month. There was a small further rise in retail commodity prices.

Industrial production

Output at factories and mines was 232 per cent of the 1935-39 average in August as compared with 231 for July, according to the Board's seasonally adjusted index of industrial production. Steel production was maintained, while output of nonferrous metals continued to decline. Overall, activity in the metal fabricating industries continued at the level of the preceding month. There were large increases in output of heavy trucks, tanks, and some other critical ordnance items in August; aircraft production showed little change; while shipbuilding declined.

Output increased in the shoe, woolen and worsted, and paper industries in August following a drop in July which reflected chiefly the curtailment of operations around the Fourth. Output of manufactured foods, after allowance for seasonal changes, declined in August, largely reflecting decreases in output of meats, dairy products, and sugar products. Distilleries were shifted for the month of August from production of industrial alcohol for war purposes and output of about 50,000,000 proof gallons of beverage spirits was reported. Production of other nondurable goods was maintained at the level of the preceding month.

Minerals output in August rose 2 per cent from July, reflecting increases in coal and crude petroleum. Crude petroleum production was at a rate 11 per cent above the same month last year.

Distribution

Value of department store sales, according to the Board's seasonally adjusted index, was larger in August and the first half of September than in the first half of 1944 and averaged 12 per cent above the corresponding period of last year. In the third quarter the index at 90 per cent above the 1935-39 average has been at the highest level on record.

Carloadings of railroad freight were maintained in large volume in August. During the first three weeks in September loadings were slightly less than during the same period a year ago, owing to decreases in all classes of freight except merchandise in less than carload lots and miscellaneous shipments.

Commodity prices

Wholesale prices of farm products and foods showed small seasonal decreases from the middle of August to the middle of September. Maximum prices of such industrial goods as cotton fabrics, cement, and bricks were increased.

Retail prices of food and other cost of living items increased slightly in August and the average of all items was 2 per cent higher than a year ago, according to the Bureau of Labor Statistics index.

Agriculture

Crop prospects improved during August and the early part of September and harvests of most major crops are expected to be larger than last season. Marketings of livestock products, which were at a record level earlier this year and 15 per cent higher than during the first six months of 1943, have declined in July and August to about the same level as that prevailing last year.

Bank credit

Bank deposits of businesses and individuals, as well as currency in circulation, have increased since the end of the Fifth War Loan Drive. This increase in the money holdings of businesses and individuals is largely a reflection of the expenditures made by the Treasury from its war-loan accounts built up during the drive. Adjusted demand and time deposits at member banks in leading cities increased by nearly 4 billion dollars between the close of the drive and mid-September, or by over three-quarters of the amount of reduction in such funds during the drive. Deposits at non-reporting banks probably increased by nearly 2 billion dollars. Treasury war loan accounts at banks declined by nearly 8 billion dollars.

In the same period loans and investments at weekly reporting member banks in 101 leading cities declined by 2.2 billion dollars. Loans to brokers and dealers for purchasing and carrying Government securities declined to a level approximately equal to that of the pre-drive period. There was, however, a temporary increase in such borrowings in late August and early September presumably associated with market transactions stemming from the Treasury offer to exchange certificates maturing on September 1 and notes maturing on September 15 for new issues. Loans to others for purchasing and carrying securities declined steadily, but on September 13 were still well above the pre-drive level. Government security holdings showed a net decline of 800 million dollars over the period, reflecting mainly substantial bill sales by reporting banks partially offset by some increase in bond holdings.

As the result of the increase in deposits of businesses and individuals, the average level of required reserves at all member banks rose by about a billion dollars between the close of the Fifth Drive and mid-September. In addition, a billion dollar increase in money in circulation and some further decrease in gold stock served to absorb reserve funds. Member bank needs for reserves due to these factors were met largely through an increase of 1.7 billion dollars in the Government security portfolio of the Federal Reserve Banks and there was also a slight increase in Reserve Bank discounts. Excess reserves declined from an average level of 1.4 billion at the close of the drive to somewhat less than a billion by early September.