# Monthly Business Review

Covering financial, industrial and agricultural conditions

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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## FINANCIAL

**Sixth War Loan Drive** Preparations are under way all along the financial front for the launching of the Sixth War Loan Drive on November 20. The objective of this Drive is the raising of at least $14,000,000,000, of which it is planned to raise $5,000,000,000 from individuals, partnerships, and personal trust accounts.

| War Loans | Total Sales to all Investors | Sales to Individuals, Partnerships, & Personal Trust Accounts | National Income Payments (Current Annual Rate) |
|---|---|---|---|
| | (In billions of dollars) | | |
| 1st—Dec. 1942 .......... | $13 | $1.6 | $130 |
| 2nd—Apr.-May 1943 ..... | 18.5 | 3.3 | 140 |
| 3rd—Sept.-Oct. 1943 ..... | 19 | 5.4 | 146 |
| 4th—Jan.-Feb. 1944 ...... | 17 | 5.3 | 153 |
| 5th—June-July 1944 ..... | 20.5 | 6.4 | 156 |
| 6th—Nov.-Dec. 1944 ..... | 14 (goal) | 5.0 (goal) | 156-9 (est.) |

Both goals are somewhat smaller than the results achieved in several preceding drives, as shown in the table above. However, the Nation cannot afford to harbor the illusion that achievement will come easier this time because of the smaller sums sought. The effectiveness of appeals used heretofore may have been dulled somewhat by a succession of favorable military developments since the Fifth War Loan shortly after the European invasion. Conceivably, it may require as much effort to raise $14,000,000,000 under present circumstances as was exerted in the over-$20,000,000,000 drive last June-July.

There has been no diminution in the direct cost of war. The fronts are moving farther and farther from the base of supply, entailing a constantly growing need of men, equipment, and money per unit of military force kept in direct contact with the enemy.

On the domestic front, the threat of inflationary influences is still present. The volume of goods entering the market for civilian use and consumption is still grossly insufficient to absorb at prevailing price levels the steady stream of purchasing power generated by war expenditures, with the result that pressure on prices persists emphatically on the upside. Until supply and demand for nonmilitary goods and services are more nearly equal, it is imperative that surplus dollars be diverted into war savings bonds and other institutional savings channels to the greatest extent possible.

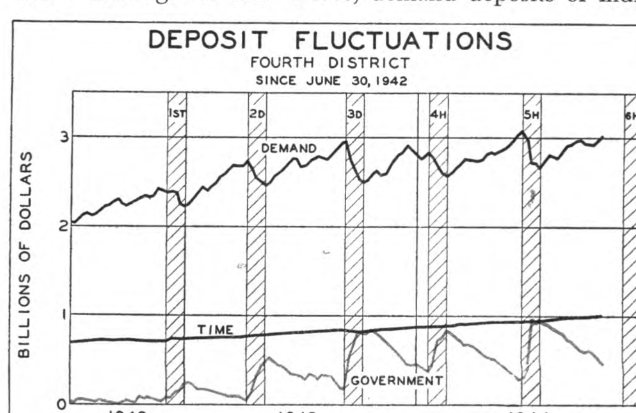
The Sixth War Loan offerings vary but little from those of the June-July campaign. The maximum amount of 2's and 2½'s which any commercial bank may purchase during the Drive has been raised from $200,000 to $500,000, provided that such subscription does not exceed ten percent of combined time and savings deposits of individuals, partnerships, and corporations.

The Drive is scheduled to cover four weeks extending from November 20 to December 16; however, during the first eleven days, only sales to individuals will be reported.

The Treasury again requests that all banks cooperate in refraining from making loans to finance speculative purchases of Government securities. It is likewise emphasized that loans made for the purpose of acquiring the Drive securities later, for a bank's own account, are decidedly inconsistent with the basic war loan objective.

The only type of subscription that is genuinely noninflationary is the purchase by nonbank investors out of funds that might otherwise have been spent for goods and services. Whenever bank credit is used in one form or another, some degree of inflation takes place.

**Effect on Fourth District Banks** These periodic money-raising campaigns bring about noteworthy changes in the deposit structure of commercial banks, as is revealed on the accompanying chart. During war loan drives, demand deposits of indi-



viduals, partnerships, and corporations shrink sharply in volume as subscribers surrender deposit credit in payment for war loan securities purchased. Concurrently, Treasury deposits expand rapidly as private funds are transferred into war loan accounts payable to the U. S. Treasury. If, as is expected, the Sixth War Loan conforms to this pattern, adjusted demand deposits will recede during the latter part of November from their present all-time highs, and Government deposits will reverse the general decline in effect since the last of July.

This transfer of deposit liabilities from a category with comparatively high reserve requirements into another which is wholly exempt from such requirements automatically releases some member banks' reserves, creating an excess which, however temporary, is frequently used by benefiting banks to repurchase optioned bills or to acquire other investments.

Another noteworthy feature is the almost complete immunity of time deposits. In effect, only a very small quantity of securities has been purchased out of more or less permanent savings. Apparently the bulk of subscriptions heretofore has been paid for with funds accumulated out of current receipts and income, with funds obtained by the sale of other investments, or by borrowing.

**Recent Banking Developments** Except for the shift of deposits out of Government balances into deposits owned by individuals, partnerships, and corporations, and a continued demand for currency, no pronounced trends are observable in recent banking figures.

Loans to brokers on non-Government collateral touched a new high for 1944, presumably as the result of considerable activity in corporate financing.

Both real estate loans and "all other" (miscellaneous) loans again established new wartime lows in recent weeks, as existing loans of this type continue to be paid off more rapidly than new ones are being made.

Treasury bill holdings of weekly reporting banks have dropped sharply, reaching a 19-month low on October 11, at $203,000,000 as against $317,000,000 on August 2, 1944. A substantial proportion of those sales were channeled through the repurchase option account by member banks in need of reserves. This need for reserves, also reflected in some increase in member bank borrowings, was caused partly by a steady increase in requirements and partly by the persisting outflow of currency into "circulation". The increase in requirements has been more evident with respect to country banks than with reserve city banks.

Meanwhile, holdings of other types of Government obligations were steady to higher at most reporting banks. There also has been a slight increase in the aggregate portfolio of other securities from the long-time low touched last July.

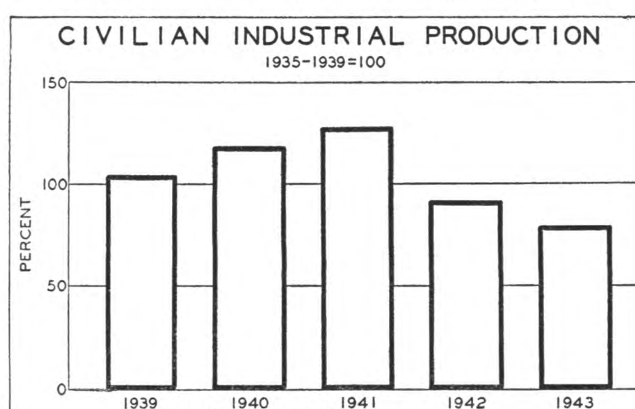
## WARTIME CIVILIAN PRODUCTION

At the outbreak of war in late 1941, the American people were confronted with dire prophecies of civilian goods shortages. It solemnly was predicted that the civilian economy would experience a belt-tightening period which would supply the essentials of life, but leave room for little else. Indeed, it was felt by many authorities that only through a stringent system of production rationalization could the civilian economy be kept going at all. The country now has been at war for nearly three years, and the quantity of goods and services available to consumers during this period emphasizes the point that the total civilian population has experienced no significant lowering of its standard of living, even though some of the accustomed products have not been available. As the reconversion period approaches, therefore, it seems appropriate to examine certain aspects of the civilian economy as they relate to the quantity and character of goods which have been accessible to civilian consumers during the war.

In the period between the opening of World War II in August 1939 and this country's entrance into war in December 1941, output of civilian goods increased some 25 percent. As it turned out, the most helpful feature of this expansion was the even higher production level achieved by the metal-using lines of consumers' durable goods such as automobiles, electric appliances, and household accessories. Not only did this permit unusually heavy sales of these articles to consumers, but the inventory which was created has been of extreme value during the war period itself.

Pressure for war production, however, ended all prospects for a gradual reduction of these civilian goods lines, since it was the manufacturers of these products who carried the brunt of the conversion program which took approximately 50 percent of the total production economy to war. That the over-all civilian production and consumption total has not been more drastically affected is an outstanding wonder of the war period, perhaps second only to war production itself.

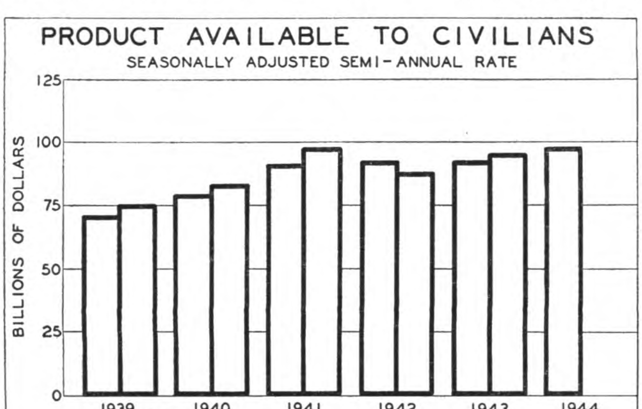
Various Government sources have estimated that the 1943-44 rate of civilian goods production is from 70 to 80 percent of the 1935-1939 level, but approximately 40 percent less than the peak reached in 1941. The chart "Civilian Industrial Production", shows the changes which have taken place in the volume of civilian industrial production during the war period. Much of the production decline can be attributed to the mid-1942 "cut-off", as a result of which no more iron or steel could be consumed in the manufacture of more than four hundred common civilian products, ranging from pie plates to bath tubs and from cigarette lighters to mail boxes. This does not mean that all civilian supplies using metal were eliminated because relatively high production levels were necessitated, at various times, for numerous types of civilian metal goods including farm and transportation equipment, parts, and



accessories. Nevertheless, there obviously has been a decline in domestic civilian production. Its extent, however, has been exaggerated in the mind of the consumer by inability to import many important products, while still other supplies could not be produced at a rate adequate to match the increased demand resulting from rising incomes. All of this has culminated in real or apparent shortages which undoubtedly have pinched some customary consumption habits. Those who currently have been affected most, however, are the formerly marginal consumers whose purchasing power has grown both rapidly and drastically with no accompanying proportional expansion of goods to match. This alteration in the consumption pattern of American families relative to wartime increases in income may be a fruitful field of study in the post-war period, particularly as it might be related to capacity of the economy to consume its potential product.

A somewhat different picture of the civilian economy is presented in the chart, "Product Available to Civilians." Comparison of these two charts, even though the latter is not corrected for price changes, shows that the decline in the volume of civilian industrial production has been much greater than the decrease in the dollar value of finished goods available to civilians. This is partly due to savings in the use of materials and equipment, to a dipping into high pre-war inventories, and to increased output in many non-industrial lines, such as food. In this connection it might be well to point out that just as the drop in civilian goods production did not affect supplies available to consumers in the war period to date proportionately, industrial reconversion to civilian goods will not increase total supplies in direct proportion to industrial expansion in those lines.

The present scarcity of certain essential goods, even in the face of generally large total civilian supplies, would seem to refute the position some have taken to the effect that the American civilian economy has enjoyed its highest real level of consumption during the war. However, that living standards have not been reduced seriously seems now beyond question. Even the European invasion, with its aftermath of high relief requirements, is not likely to be reflected in a reduction of either retail sales or inventories. In view of the general acceptance of the desirability to reconvert to civilian production as rapidly as the progress of war will permit, there seems every chance that the position of the civilian consumer may improve henceforth. If V-E day is followed by resumption of reasonably large-scale production of durable consumers' goods, the result, when added to the large supply of nondurable goods obtainable during the war period, may be the highest real level of production and consumption yet available to the American people. War requirements have clearly shown that ingenuity, flexibility, and expansive forces are dominant characteristics of the American economy. These factors, together with pent-up demand and the high level of present civilian output, provide a measure of assurance that new levels of civilian production and consumption may be attained in the post-war period.




## MANUFACTURING AND MINING

The output of civilian goods has begun to show small improvement in total amount and variety of products, particularly in light metal-using lines. The resumption of production of articles so long absent from consumers' shopping lists may result in a dangerous tendency of buyers, both dealers and consumers, to acquire anything and everything offered. The understandable urge of dealers to build inventories may lead to over-ordering in terms of production facilities yet released to these wares. This situation is receiving the concerned attention of Government agencies and business, especially purchasing agents.

Reports from the district continue to intimate that considerable activity is taking place in actual execution, as well as planning of reconversion. Industry apparently has taken seriously the statement of the War Production Board that it is the responsibility of business to become fluid on reconversion plans, and has shown considerable vigor in its aptitude to meet the challenge. Evidence is growing that peace in Europe will not catch business without some program, individualistic as it may seem, to meet the test of an economy with war demands reduced possibly by 50 percent.

From the viewpoint of business throughout the district, the general picture is one of better control of inventories, somewhat lower production and employment, and improved shipping schedules. All of this points to the need for continued examination of reconversion prospects and the likelihood that business is placing its house in order for the eventuality of peace in Europe. There is growing business confidence, too, that the Government has established the machinery to liquidate its commitments to industry in an orderly and rapid manner.

**Iron and Steel** Like many other war industries, steel has been making inroads into order backlogs as shipments and cancelations continue to exceed new orders. Operations for the year show a fairly steady decline since mid-February of this year, and it is generally expected that this trend will continue.

Cancelations in orders for sheet steel have advanced many items on rolling mill schedules. The bulk of these cancelations has resulted from a revision of the Army's landing mat program, amounting to a reduction estimated at approximately $20,000,000 and affecting operations in 21 plants scattered throughout the country. Demand for steel plate is declining and September shipments totaled 1,060,000 tons, as compared with 1,106,000 tons in the same month last year. Gradually there appears a lessening of pressure on this branch of the industry too.

Steel ingot production for September totaled 7,193,496 tons. This was under both the previous month and the same month last year, when 7,469,800 and 7,514,339 tons, respectively, were produced. Cumulative totals for operations during the first nine months of this year, however, equaled 67,199,467 net tons, a new record for the industry. Last year's tonnage for the same period amounted to 66,395,130 net tons.

Output of pig iron continues at close to the average rate for the year. September production totaled 4,987,645 net tons, bringing operations for the first nine months of this year to 46,836,301 net tons, as compared with 45,907,337 net tons for the same period in 1943. Price of scrap appears to have stabilized in most centers. Cast grades are relatively scarce and hold at ceiling price. Most other grades have advanced from the recent decline and are holding fairly firm.

Reflecting the easier position of the industry in contrast to the last two years, iron ore shipments for September totaled 11,329,029 gross tons, a decrease of 11.1 percent from the tonnage for September of last year. Cumulative ore shipments for this season total 65,903,184 gross tons, only 1.2 percent more than shipments for the like period of 1943 when shipping experienced one of its most difficult years. However, lake shipments for this year promise to establish new records for total freight. The easing of pressure on ore shipping has permitted a record movement of coal to the Upper Lakes region and a laying up of some tonnage rather early in the season.

**Coal** Production of bituminous coal during September totaled 52,214,000 net tons, a decline of approximately 220,000 tons from the total for August, but 2,200,000 tons more than were produced in the same month last year. Movement of coal on the lakes for the season to October 1 totaled 42,361,346 net tons, as compared with 34,042,156 and 36,901,445 net tons for 1943 and 1942, respectively.

Coal operators in this district anticipate no grave shortage of fuel. Supplies of strip coal are plentiful in the area. One of the largest operators states that peak of demand and production was probably reached during last June and July. It is expected that the current gradual decline in production and consumption may continue. Serious competitive conditions are anticipated for the industry in the post-war readjustment period.

**Other Manufacturing**

**Rubber, Tires** Although it is unlikely that the War Production Board's goal of 18,000,000 tires for 1944 will be met, a substantial increase in output of heavy duty tires has been achieved (estimated at 24 percent) as a result of the recent campaign to recruit additional labor, increase per man productivity, and reduce absenteeism in fabricating plants. Progress continues in quality control, and one of the major producers recently announced that the largest sizes, earth-moving and logging equipment tires, can now be produced with synthetic rubber and rayon cord. This type is the last to go synthetic.

In anticipation of the end of hostilities, the large rubber manufacturers evidence considerable interest in research in the production and consumption of synthetic by elaborate provision for laboratories and equipment designed for post-war use. When competition for markets returns to the industry, it will find each of the four largest district rubber goods manufacturers equipped with new and extensive facilities for devising new and improving old products.

**China, Pottery** Manufacturers report that current production problems continue to be largely confined to manpower. Orders exceed production, and dinnerware producers are booked throughout the coming year.

**Machine Tools** Revised War Production Board regulations now permit many machine tool builders to devote 25 percent of their capacity to non-military purposes and to give definite delivery date to customers. This change is intended to aid manufacturers in obtaining machine tools with which to prepare for reconversion and may be instrumental in cushioning the impact of the change from war to peacetime production. Anticipated future production, when added to the vastly expanded and technically superior product of the war period, seems to assure machine tool facility to create the product to match high prospective national income.

**Paper** Pulp and paper manufacturers indicate a continued tight manpower and raw material situation. Approximately 35 to 40 percent of production is being taken by the Army and Navy. Little relief is expected in principal raw material supplies before spring of 1945. Heavy demand for paper is expected to continue for at least six months after the end of the European phase of the war.

## TRADE

**Retail** Sales of furniture in the fourth district have held at a fairly high level so far this year, despite the fact that many of the articles that bulk large in dollar sales volume either have not been produced for approximately two years or have been available in only limited volume. Withdrawal of merchandise from inventories which were built up to abnormal levels in 1941 and the first nine months of 1942, higher prices, and greater demand for better-quality or even luxury merchandise have helped maintain dollar volume recently. In the first nine months of this year, dollar sales at reporting furniture stores were within three percent of the corresponding periods of 1943 and 1942, and only 14 percent below certain pre-war months of 1941. The accompanying chart shows sales and stocks indexes for a representative group of furniture stores. To eliminate the pronounced seasonal movement in furniture store sales, a twelve-month moving average of the sales index was superimposed on the sales curve. After declining late in 1941, this average fluctuated very little and during the latest months was down only four percent from the 1942 average.

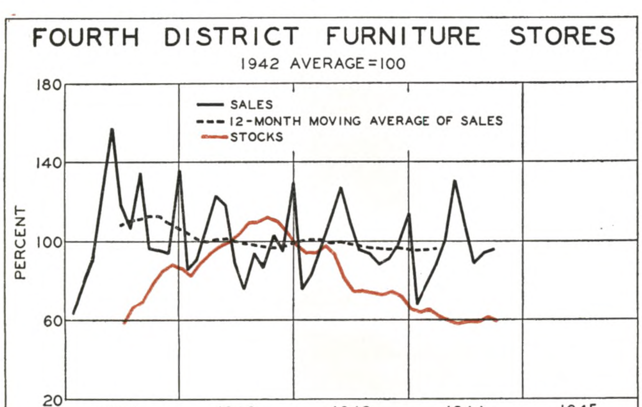
In contrast to this steady level of sales during the period under consideration, as reflected in the twelve-month moving average, the stocks index rose quite sharply, reaching its peak on September 30, 1942, and then declined almost as rapidly. The index dropped from 110 percent of the 1942 average two years ago to 59 percent at the end of last month. This represents a decline of 46 percent over the two-year period and 17 percent from September 30 a year ago. These decreases resulted largely from the difficulty that stores encountered in purchasing many types of merchandise and their unwillingness to accept the inferior quality of some types that were available. Recently, the rate of decline has leveled off somewhat, as there was some improvement in the ability to obtain certain articles and in the quality of goods.

Although there was not as much merchandise available at furniture stores, customers made large purchases of those articles which were most plentiful and which stores still had for sale. Apparently many consumers used part of their enlarged wartime incomes to refurnish their homes and to make long-needed replacements in certain of their household goods. A large portion of the sales volume of the past two years was made from stocks that had been built up prior to September 1942. The steady sales level, as shown by the twelve-month moving average, in the face of a constant decrease in inventories resulted in a sizable decline in the stocks-sales ratio for fourth district furniture stores. Whereas these merchants had more than eight months' supply of goods on hand two years ago, based on the September 1942 sales volume, the ratio declined to 4.0 by the end of last month.

The experience of fourth district furniture stores over the past two years was not unlike that of the housefurnishings divisions of department stores. Sales of all homefurnishings last month at department stores were up nine percent from those of the same month a year ago and were at the same level as September 1942 sales. However, stocks were liquidated quite sharply over this two-year period, and at the end of last month were down 41 percent from September 30, 1942, and 8 percent from the same date a year ago. Stocks of household appliances were 52 percent smaller this year compared with last, floor coverings 21 percent, draperies and curtains 2 percent, and furniture 6 percent.

Total sales at reporting department stores during September 1944 were 15 percent greater than they were in the corresponding month of 1943 and were the largest for any similar period on record. However, the increase from the previous month was slightly less than seasonal, and the adjusted index declined two points to 180 percent of the 1935-39 daily average. During the first two weeks of October, sales were up 19 percent from the corresponding period a year ago. The necessity of buying merchandise for overseas shipment before October 15 contributed to this large increase in early October business.

Department store inventories at the end of last month were one percent smaller than they were on the same date a year ago. This was the first time in many months that stores reported a year-to-year decline in their stocks. Although stores received two percent more merchandise than they sold during September, this increase was considerably less than usual for that month and, as a result, the seasonally adjusted stocks index declined from 165 percent to 155 percent of the 1935-39 base.




## AGRICULTURE

**The Surplus Problem**

(This is a brief discussion of the farm surplus problem and some attempts of the Federal Government to solve it. In some respects it is a continuation of the article in the September Monthly Business Review entitled, "A Record Agricultural Production.")

Within the last ninety days, anxiety over possible shortages of farm commodities has changed to fears of surpluses. Three developments are mainly accountable for this significant shift in thinking: (1) the marked improvement in crop conditions as the 1944 growing season progressed; (2) the advanced position of the Allied armies, pointing to a possible early end to the European phase of the war; and (3) the possibility of a contraction in industrial employment and payrolls.

Although these three factors form the major immediate causes of the revival of the surplus problem, its taproots are found in conditions of longer standing. Agriculture's productive ability has grown rapidly, particularly in the last three decades, but neither the total nor the type of agricultural production has been guided accurately by consumer requirements as reflected by the prices of farm products.

The seriousness of having a distributive system — by this is meant both marketing facilities and the pattern of wealth and income distribution — out-moded by production advances received its initial attention at the close of the first world war. Agriculture emerged from the conflict improved in production technique and with about 40,000,000 new acres under cultivation. At the same time, it became evident that domestic demand for farm products would probably decline from its high wartime level, and that political and economic events associated with the war had closed a large part of the foreign market for farm products. These conditions formed the nucleus around which grew the farm surplus problem, a problem which plagues the Nation's agriculture until the heavy needs of the present war helped balance supply with demand.

Today, with the end of the war in sight, the surplus specter has reappeard. Under present conditions, agriculture, geared to an amazingly high wartime production, faces the possibility of deep cuts in domestic and foreign demand. Also, there has been an accumulation of vast stocks of food as a safety factor in the military scheme. In view of these conditions and their similarity to those prevailing at the close of World War I, it seems desirable to review briefly the past major attempts of the Federal Government to solve the farm surplus problem. The McNary-Haugen Bill of the 1920's was one of the first efforts. The plan in its simplest form was to export all of the commodity above the quantity needed domestically. In order to keep products from flowing back into this country as a result of high domestic prices, a protective tariff was to be imposed. This, according to advocates of the idea, was to "make the tariff effective for agriculture." The price of that portion of the crop that was exported was to be equalized with the domestic price by appropriations from a governmental marketing board. The plan, although discussed for several years, was never put into effect, having been defeated twice by vote and twice by veto.

In 1929, a new and different attack was made on the surplus problem by the passing of the Agricultural Marketing Act. This Act was to "establish a Federal Farm Board to promote the effective merchandizing of agricultural commodities . . . . . and to place agriculture on a basis of economic equality with other industries." Under this plan, surpluses were to be prevented and controlled by educational and publicity work, through cooperative associations, and through stabilization corporations. The fundamental principle of the stabilization program was to smooth out year-to-year variations in the quantity of product reaching the market. This was to be accomplished in part by governmental selling of the stored product in years of below-average output. Although some aspects of the activities of the Federal Farm Board were successful, it was generally recognized by the end of 1932 that its largest stabilization operations, those in cotton and wheat, had been failures. In 1931, the annual report of the Board stated that "so long as farmers do not make the necessary readjustments, emergency stabilization measures can give only temporary relief," and thereby provided a clue as to the character of the next attempt to solve the surplus problem.

This attempt materialized in 1933 with the passing of the Agricultural Adjustment Act. This new measure marked a complete change in approach. Instead of devising further means of disposing of the farm surpluses after they are produced, it was considered more effective to prevent their formation. In other words, a resort was made to production control. Production was regulated through agreements by producers to adjust their output upon the inducement of benefit payments. The benefit payments were financed by processing taxes levied on the domestic consumption of the products involved. The AAA in its original form was not in operation long, for in January 1936 a Supreme Court decision declared it unconstitutional.

Eight weeks later, Congress enacted the Soil Conservation and Domestic Allotment Act of 1936. Under this Act, benefit payments are made to producers out of general Treasury funds for shifting from soil-depleting to soil-conserving crops and for following other soil conservation practices. One effect of the procedures required of participating farmers is the limitation of acreage of those crops that have produced the most troublesome surpluses. The soil conservation principle was continued in the Agricultural Adjustment Act of 1938, and payments have been kept up through the war years although farm production goals have negated their surplus-controlling effects.

Thus, there have been three major attacks on the farm surplus problem: (1) exporting all of the commodity above domestic needs (McNary-Haugen Bill); (2) removing surpluses by storing the commodity until years of below-average production (Federal Farm Board); (3) production control (Agricultural Adjustment Act and Soil Conservation Act). If surpluses materialize again, the experience gained in the last two and one-half decades of searching for an adequate solution to the problem should be of value. However, there is general agreement that none of the major methods tried or discussed has been satisfactory. Most students of the problem now believe that, to effect a workable and permanent solution to the surplus problem, much greater emphasis must be given its distributive and consumption aspects.

**District Farm Conditions** This year's United States crop harvest may rank with that of 1942 as the greatest ever produced, according to U. S. Department of Agriculture reports on October 10. Per acre yields higher than any past year except 1942 are being harvested from the largest acreage in more than ten years. Final reports are expected to show a total grain production equal to the record output of two years ago.

Harvests in the Fourth Federal Reserve District have not shown the favorable production record of most other parts of the country. No new all-time records have been made, and only the wheat and tobacco crops exceeded their 1942 output. Tobacco production may turn out to be the largest in more than ten years. Corn production for the year was smaller than the large 1942 crop for all fourth district States, and was less than the 1943 crop for all States except Pennsylvania. However, during the month of September, improvements were reported for corn, hay, and tobacco. September milk production per cow exceeded that of September a year ago in all fourth district States. A record egg production for the month was a result of greater numbers of layers and more eggs per bird.

**Ohio:** The Ohio corn crop, now estimated at 144 million bushels, is 17 percent less than the 1943 crop, but only two percent below the ten-year average. The yield is reported to be 38 bushels per acre, as compared with 49.5 bushels last year. Reduced hay yields due to midsummer drought, together with a five percent decrease in acreage, resulted in a crop eight percent below last year, but about equal to the ten-year average. Soybean yields of five bushels per acre less than last year indicate a crop about one-fourth smaller than 1943. This year's crops of apples, peaches, and pears were at least twice as large as last year, and grapes exceeded the 1943 production by about 50 per cent.

**Kentucky:** October 1 conditions indicated much improvement from a month earlier in all of Kentucky's major crops, especially tobacco and corn. The corn crop, estimated at 66 million bushels, was smaller than in any of the last three years, but greater than the 1933-42 average. The total Kentucky tobacco crop is expected to reach 387 million pounds, an all-time high. Government reports estimate the Kentucky burley crop at 334 million pounds, but some local warehousemen and farmers in central Kentucky believe these estimates are too high owing to smaller yields than last year. As of the middle of October, a month later than the usual time for harvesting to be completed, there was still much tobacco to be cut. Even those farmers who were able to get their tobacco cut are having difficulty curing it and some houseburn is reported.

**Pennsylvania:** September rains aided fall plowing and seeding, revived pastures, and benefited late crops. The total corn crop is estimated at 53 million bushels, larger than last year, but smaller than 1942. Damage by earworm and corn borer reduced yields in some sections, but the average yield remained the same as last year. The potato crop improved during the month of September to bring estimated production almost up to the 1943 level. All fruit crops have turned out much better than last year, and all except pears were above the ten-year average. The hay crop was estimated at 3.2 million tons, an improvement from a month earlier, but smaller than the preceding two years.

## Fourth District Business Indexes

(1935-39 = 100)

| | Sept. 1944 | Sept. 1943 | Sept. 1942 | Sept. 1941 | Sept. 1940 |
|---|---|---|---|---|---|
| Bank Debits (24 cities) | 210 | 231 | 172 | 148 | 117 |
| Commercial Failures (Number) | 9 | 3 | 51 | 61 | 53 |
| " " (Liabilities) | 5 | 2 | 26 | 34 | 72 |
| Sales—Life Insurance (O. and Pa.) | 101 | 99 | 71 | 102 | 85 |
| " —Department Stores (97 firms) | 191 | 168 | 162 | 156 | 127 |
| " —Wholesale Drugs (5 firms) | 184 | 181 | 147 | 143 | 118 |
| " — " Dry Goods | a | 231 | 182 | 199 | 147 |
| " — " Groceries (40 firms) | 161 | 164 | 151 | 133 | 104 |
| " — " Hardware (25 firms) | 141 | 136 | 147 | 188 | 110 |
| " — " All (70 firms) | 174 | 174 | 161 | 162 | 114 |
| " —Chain Drugs (5 firms)* | 174 | 164 | 148 | 127 | 114 |
| " —Chain Groceries (4 firms) | 168 | 152 | 143 | 121 | 104 |
| Building Contracts (Total) | 66 | 76 | 204 | 192 | 142 |
| " " (Residential) | 34 | 96 | 109 | 282 | 217 |
| Production—Coal (O., W. Pa., E. Ky.) | a | 156 | 149 | 144 | 120 |
| " —Cement (O., W. Pa., E. Ky.)** | 83 | 121 | 184 | 193 | 178 |
| " —Electric Power (O., Pa., Ky.)** | 197 | 192 | 166 | 151 | 125 |
| " —Petroleum (O., Pa., Ky.)** | 115 | 107 | 97 | 92 | 96 |
| " —Shoes | 83 | 85 | 96 | 119 | 85 |

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

## Fourth District Business Statistics

(000 omitted)

| Fourth District Unless Otherwise Specified | Sept. 1944 | % change from 1943 | Jan.-Sept. 1944 | % change from 1943 |
|---|---|---|---|---|
| Bank Debits—24 cities | $4,658,000 | — 9 | 42,057,000 | + 9 |
| Savings Deposits—end of month: 39 banks O. and W. Pa. | $1,089,509 | +22 | | |
| Life Insurance Sales: Ohio and Pa. | $ 85,436 | + 3 | 834,726 | +12 |
| Retail Sales: | | | | |
| Dept. Stores—97 firms | $ 44,924 | +15 | 345,417 | + 7 |
| Wearing Apparel—16 firms | $ 2,227 | +13 | 16,822 | + 8 |
| Furniture—75 firms | $ 2,539 | + 8 | 22,646 | — 3 |
| Building Contracts—Total | $ 16,149 | —13 | 127,124 | —35 |
| " " —Residential | $ 2,646 | —64 | 26,817 | —64 |
| Commercial Failures— | | | | |
| —Liabilities | $ 67 | +123 | 1,186 | —52 |
| —Number | 6 | +200 | 59 | —56 |
| Production: | | | | |
| Pig Iron—U. S. Net tons | 4,988 | — 5 | 46,836 | + 2 |
| Steel Ingot—U. S. Net tons | 7,193 | — 4 | 67,199 | + 1 |
| Cement—O., W. Pa., W. Va. Bbls. | 683a | —31 | 4,231b | —47 |
| Electric Power—O., Pa., Ky. Thous. K.W.H. | 3,001a | + 3 | 23,722b | + 6 |
| Petroleum—O., Pa., Ky. Bbls. | 2,548a | + 8 | 17,581b | — 2 |
| Shoes Pairs | c | — 2 | c | — 2 |
| Bituminous Coal Shipments: Lake Erie Ports Net tons | 6,752 | — 1 | 42,361 | +24 |

a August.
b January-August.
c Confidential.

## Indexes of Department Store Sales and Stocks

Daily Average for 1935-39 = 100

| | Without Seasonal Adjustment | | | Adjusted for Seasonal Variation | | |
|---|---|---|---|---|---|---|
| | Sept. 1944 | Aug. 1944 | Sept. 1943 | Sept. 1944 | Aug. 1944 | Sept. 1943 |
| SALES: | | | | | | |
| Akron(6) | 222 | 184 | 207 | 218 | 216 | 203 |
| Canton(5) | 244 | 205 | 215 | 246 | 233 | 217 |
| Cincinnati(9) | 195 | 161 | 168 | 191 | 192 | 165 |
| Cleveland(10) | 183 | 155 | 163 | 161 | 174 | 143 |
| Columbus(5) | 218 | 184 | 185 | 218 | 216 | 185 |
| Erie(3) | 211 | 167 | 197 | 213 | 194 | 199 |
| Pittsburgh(8) | 172 | 142 | 146 | 169 | 164 | 143 |
| Springfield(3) | 229 | 188 | 213 | 231 | 230 | 215 |
| Toledo(6) | 197 | 161 | 169 | 189 | 192 | 163 |
| Wheeling(6) | 169 | 133 | 136 | 164 | 165 | 132 |
| Youngstown(3) | 208 | 170 | 171 | 202 | 186 | 166 |
| District(97) | 191 | 159 | 168 | 180 | 182 | 158 |
| STOCKS: | | | | | | |
| District(51) | 164 | 160 | 165 | 155 | 165 | 156 |

## Wholesale and Retail Trade

(1944 compared with 1943)

Percentage Increase or Decrease

| | SALES September 1944 | SALES first 9 months | STOCKS September 1944 |
|---|---|---|---|
| DEPARTMENT STORES (97) | | | |
| Akron | + 7 | + 1 | —14 |
| Canton | +13 | + 3 | a |
| Cincinnati | +15 | +10 | — 1 |
| Cleveland | +13 | + 3 | — 3 |
| Columbus | +18 | +13 | -0- |
| Erie | + 7 | + 4 | + 4 |
| Pittsburgh | +18 | +10 | + 4 |
| Springfield | + 8 | + 2 | a |
| Toledo | +16 | +11 | + 1 |
| Wheeling | +21 | +16 | +12 |
| Youngstown | +21 | +11 | a |
| Other Cities | +17 | -0- | — 3 |
| District | +15 | + 7 | — 1 |
| WEARING APPAREL (16) | | | |
| Canton | +19 | +11 | — 6 |
| Cincinnati | +14 | + 2 | a |
| Cleveland | +17 | + 9 | +11 |
| Pittsburgh | +12 | +23 | +19 |
| Other Cities | + 4 | — 2 | —13 |
| District | +13 | + 8 | + 7 |
| FURNITURE (75) | | | |
| Canton | +15 | +10 | —29 |
| Cincinnati | +12 | — 5 | — 1 |
| Cleveland | + 3 | —13 | —13 |
| Columbus | + 7 | + 2 | —33 |
| Dayton | —20 | —26 | a |
| Pittsburgh | + 9 | + 2 | —15 |
| Toledo | + 4 | — 5 | —10 |
| Other Cities | +12 | — 3 | — 9 |
| District | + 8 | — 3 | —17 |
| CHAIN STORES* | | | |
| Drugs—District (5) | + 6 | + 1 | a |
| Groceries—District (4) | +13 | + 8 | a |
| WHOLESALE TRADE** | | | |
| Automotive Supplies (9) | +11 | +21 | +20 |
| Beer (6) | + 7 | + 5 | a |
| Clothing and Furnishings (3) | -0- | a | a |
| Confectionery (3) | —12 | a | a |
| Drugs and Drug Sundries (5) | + 2 | + 7 | + 5 |
| Electrical Goods (8) | — 2 | — 3 | +15 |
| Fresh Fruits and Vegetables (4) | — 7 | — 2 | — 8 |
| Furniture & House Furnishings (3) | — 6 | a | a |
| Grocery Group (40) | — 2 | + 2 | +11 |
| Total Hardware Group (25) | + 4 | — 3 | +14 |
| General Hardware (8) | +11 | + 4 | +10 |
| Industrial Supplies (8) | —10 | —13 | +26 |
| Plumbing & Heating Supplies (9) | + 5 | — 4 | a |
| Jewelry (9) | — 1 | — 8 | + 5 |
| Lumber and Building Materials (3) | — 6 | a | —17 |
| Machinery, Equip. & Sup. (exc. Elect.) (4) | + 1 | a | a |
| Meats and Meat Products (5) | + 5 | +20 | — 9 |
| Metals (3) | — 9 | a | a |
| Paints and Varnishes (4) | + 7 | +12 | a |
| Paper and its Products (5) | —10 | +10 | a |
| Tobacco and its Products (13) | — 6 | — 4 | a |
| Miscellaneous (11) | — 8 | + 3 | + 7 |
| District—All Wholesale Trade (166) | — 3 | + 2 | + 9 |

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

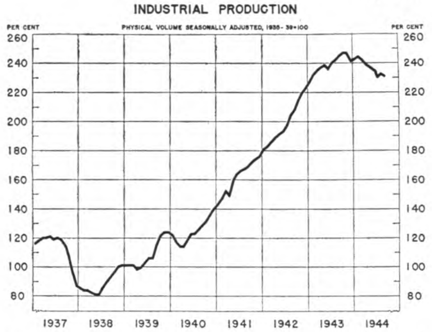
## Debits to Individual Accounts

(Thousands of Dollars)

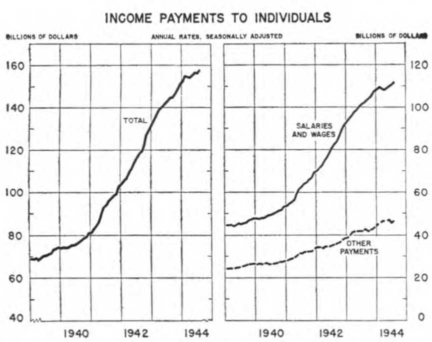
| | September 1944 | % change from 1943 | Jan.-Sept. 1944 | Jan.-Sept. 1943 | % change from 1943 |
|---|---|---|---|---|---|
| Akron | 178,979 | —14.5 | 1,625,764 | 1,556,456 | + 4.5 |
| Butler | 18,548 | —12.7 | 159,791 | 135,229 | +18.2 |
| Canton | 82,417 | — 0.8 | 740,294 | 660,494 | +12.1 |
| Cincinnati | 596,877 | —13.8 | 5,461,597 | 5,206,212 | + 4.9 |
| Cleveland | 1,331,061 | — 7.1 | 11,850,549 | 10,381,402 | +14.2 |
| Columbus | 300,413 | —13.7 | 2,862,946 | 2,589,541 | +10.6 |
| Covington-Newport | 23,888 | — 7.5 | 222,530 | 204,397 | + 8.9 |
| Dayton | 142,654 | —10.2 | 1,295,728 | 1,256,863 | + 3.1 |
| Erie | 66,074 | —14.0 | 576,497 | 542,435 | + 6.3 |
| Franklin | 6,301 | — 1.7 | 55,067 | 46,386 | +18.7 |
| Greensburg | 12,558 | + 7.0 | 110,831 | 94,833 | +16.9 |
| Hamilton | 20,464 | —17.6 | 181,999 | 179,709 | + 1.3 |
| Homestead | 4,868 | —13.6 | 44,677 | 41,942 | + 6.5 |
| Lexington | 29,040 | + 0.9 | 326,513 | 291,640 | +12.0 |
| Lima | 29,247 | + 8.1 | 245,892 | 214,911 | +14.4 |
| Lorain | 8,453 | — 5.7 | 78,135 | 64,250 | +21.6 |
| Mansfield | 22,639 | + 8.5 | 191,475 | 158,946 | +20.5 |
| Middletown | 18,884 | —17.0 | 178,886 | 180,065 | — 0.7 |
| Oil City | 16,172 | — 6.6 | 138,350 | 141,514 | — 2.2 |
| Pittsburgh | 1,329,040 | — 9.1 | 11,911,784 | 11,092,328 | + 7.4 |
| Portsmouth | 12,172 | + 3.4 | 103,314 | 90,863 | +13.7 |
| Sharon | 16,235 | — 7.6 | 151,474 | 133,536 | +13.4 |
| Springfield | 33,812 | — 3.9 | 294,463 | 279,557 | + 5.3 |
| Steubenville | 14,384 | + 5.8 | 123,407 | 112,992 | + 9.2 |
| Toledo | 262,905 | — 3.3 | 2,408,494 | 2,152,577 | +11.9 |
| Warren | 23,217 | — 8.3 | 217,979 | 212,703 | + 2.5 |
| Wheeling | 42,231 | —13.2 | 385,402 | 354,027 | + 8.9 |
| Youngstown | 89,503 | — 6.2 | 775,947 | 734,253 | + 5.7 |
| Zanesville | 13,033 | — 2.5 | 116,901 | 116,394 | + 0.4 |
| Total | 4,746,069 | — 9.0 | 42,836,686 | 39,226,455 | + 9.2 |

# *Summary of National Business Conditions*

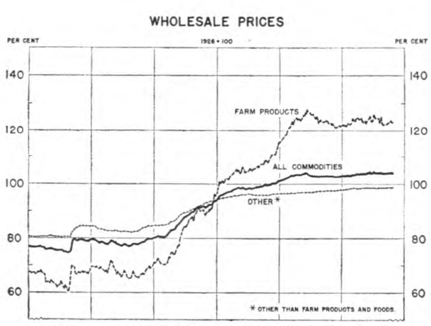
**By the Board of Governors of the Federal Reserve System**



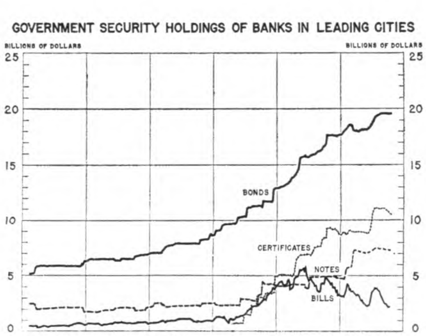

**Federal Reserve index. Monthly figures, latest shown is for September 1944.**




**Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for August 1944.**




**Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending October 21, 1944.**




**Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for October 18, 1944.**

Output at factories and mines in September and the early part of October was maintained close to the August level. Value of department store sales continued to show increases above last year. There were mixed movements in commodity prices with a sharp decline in the price of steel scrap.

### Industrial Production

Industrial production in September was 231 per cent of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 232 in August and 230 in July.

Activity in most industries manufacturing durable goods showed slight decreases in September and there were further large declines in production of aluminum and magnesium. Steel output averaged 93.4 per cent of capacity, somewhat below the August rate, but showed an increase during the first 3 weeks in October. Easing of military demand for steel led to some increase in allocations for civilian production during the fourth quarter. Aircraft production and output in the automobile industry were maintained during September at the level of the preceding month.

Output of textile and leather products continued to increase in September from the reduced July level. Shoe production advanced to the highest rate reached since the spring of 1942. Output of manufactured food products, as a group, was maintained at the level of the preceding month after allowance for seasonal change. Butter production continued about 15 per cent below last year. Hog slaughter declined further in September, while cattle slaughter continued to increase more than is usual at this season and reached a record rate for the wartime period—about 50 per cent above the 1935-39 average. Beverage distilleries resumed production of alcohol for industrial purposes in September after turning out an exceptionally large amount of whiskey and other distilled spirits during August.

Crude petroleum production continued to rise in September, while output of coal and other minerals showed little change.

### Distribution

Department store sales in September showed about the usual large seasonal increase and were 14 per cent larger than a year ago. In the first half of October sales rose sharply and were 16 per cent above the high level that prevailed in the corresponding period last year, reflecting in part the greater volume of Christmas shopping prior to the overseas mailing deadline.

Carloadings of railway freight during September and the first half of October were slightly lower than a year ago owing to decreases in shipments of raw materials, offset in part by increased loadings of war products and other finished goods.

### Commodity prices

Prices of grains and some other farm products were higher in the third week of October than in the early part of September and there were scattered increases during this period in wholesale prices of industrial products. Prices of steel scrap and nonferrous metal scrap, however, declined; steel scrap was reduced from ceiling levels by 3.40 dollars per ton, or 18 per cent, to the lowest prices offered since August 1939.

### Agriculture

Crop production in 1944 will rank with 1942 when the largest production in history was harvested. Corn production is estimated at 3.2 billion bushels; this, together with other feed grains, wheat, and good pastures, will go far to prevent too rapid marketings of livestock. Commercial truck crops for the fresh market will not only exceed 1943 production but appear likely to exceed the 1942 record by about 11 per cent; deciduous fruit production is about 20 per cent above 1943, and citrus fruit production may equal or possibly exceed that of last year in spite of recent storm damage.

### Bank credit

Expenditure by the Treasury of funds received during the Fifth War Loan Drive continued in large volume during the latter half of September and the first half of October, and United States Government deposits at banks declined. Time deposits at weekly reporting banks in 101 leading cities rose by about 300 million dollars in the five weeks ended October 18, and demand deposits of business and individuals, which decreased somewhat in the latter part of Septembr partly as a result of tax payments, increased again in October. Currency in circulation increased by 660 million dollars in the five weeks ended October 18. This unusually large outflow of currency may have been associated with purchases of overseas Christmas gifts during the period.

Reporting banks in 101 cities reduced their Government security holdings during the five weeks ended October 18 by about 900 million dollars. Treasury bill holdings declined by 370 million dollars and certificate holdings by 530 million. These sales were largely made to meet the currency drain and increased reserve requirements. During the same period the Reserve Banks purchased 680 million dollars in Government securities. Excess reserves continued to fluctuate during this period at a level of close to a billion dollars.

Commercial loans at weekly reporting banks increased steadily during September and early October. Loans to brokers and dealers in securities increased somewhat, reflecting in part large flotations of new corporate issues during the period. Loans to others for purchasing and carrying Government securities, although declining steadily, were in mid-October still about 280 million dollars above their predrive level in June.