

Monthly Business Review

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and agricultural conditions

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

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FINANCIAL

Time Deposit Growth One of the most significant developments of recent months is the acceleration in the growth of time deposits. Such deposits not only established new record highs each week without a break since June 28, but the weekly increments have been of unprecedented size. Since early August, despite the fact that factory payrolls have declined and national income estimates have shown little change, time deposits at leading banks in this district have increased at a more rapid rate than in earlier months of this year or in the comparable period of 1943. As the chart shows, in the past three months the weekly rise has averaged over \$4 millions, whereas a year ago it was \$1.5 millions.

A possible explanation for this step-up in the rate of savings is that military successes of recent months may have engendered a growing sense of caution regarding the probable duration of war-inflated incomes, thus inducing some individuals, and perhaps some corporate savers, to set aside a larger portion of cash receipts for possible future needs.

Unless the Sixth War Loan proves to be an exception, the rate of savings will be interrupted but slightly by the present drive for funds. Virtually all previous subscriptions by nonbanking investors seem to have been financed out of demand deposits and some borrowing rather than out of savings deposits and currency accumulations.

Adjusted demand deposits of fourth district weekly reporting member banks, which dropped sharply during the Fifth Drive, did not recover that shrinkage (as War Loan proceeds were disbursed by the Treasury) until late October and early November, when the June 14, 1944, former high was finally exceeded by a small margin.

Because of these increases in time and demand deposits, reserve requirements have also moved into record-high ground, although the volume of reserves actually maintained stopped slightly short of the March 1943 all-time high. This implies greater utilization of existing balances. On that date in 1943, excess reserves of fourth district member banks totaled \$300,-\$350,000,000, as compared with only around \$130,000,000 in recent months.

Notwithstanding the trend in time and demand deposits

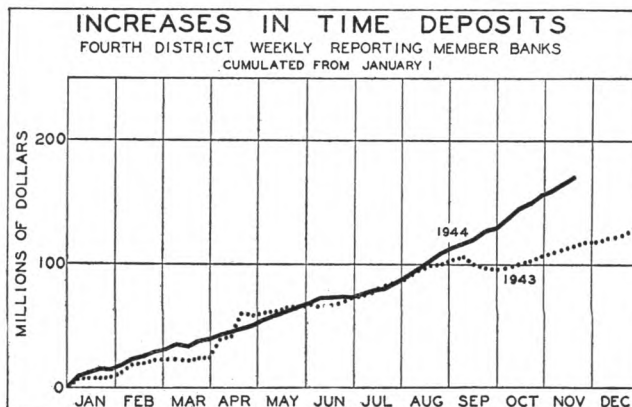
and in reserve requirements, total deposits have shown a moderate contraction since late July. The rise in privately-owned deposits has not been sufficient to compensate for the sharp contraction in Government-owned deposits. The explanation of this lag lies in the continued net outflow of currency. During the past four months, weekly reporting member banks in this district have paid out an estimated \$100,000,000 in currency which has not been redeposited—an amount more than large enough to account for the \$85,000,000 (1.6 percent) shrinkage in total deposits.

Collateral Loans Liquidation of loans to others than brokers, and secured chiefly by U. S. Government obligations, has also contributed to the modest shrinkage of deposits. This liquidation, however, has not reached the proportions experienced in previous inter-drive periods, in relation to indebtedness incurred during the drives:

Fourth District Weekly Reporting Member Banks		
	Increase in Secured Loans to Others Than Brokers	Subsequent Liquidation
Third Drive	\$17,000,000	\$12,000,000
Fourth Drive	44,000,000	35,000,000
Fifth Drive	111,000,000	59,000,000*

*To November 15, 1944.

Prior to the Third War Loan, secured loans to others than brokers were unaffected by war financing. The



borrowing during the Third and Fourth Loans was largely repaid during the ensuing months, prior to the next campaign. However, only about one-half of the collateral loans negotiated during the Fifth Loan had been paid off on the eve of the Sixth War Loan Drive.

Business Loan Fluctuations Considerable variation in the volume of commercial loans outstanding at leading banks of the district has been evident over the war period.

For the fourth district as a whole, commercial, industrial, and agricultural loans of all banks, as well as leading industrial banks as a group, established their wartime lows (to date) on June 30, 1943. The shrinkage began in April 1942, became most noticeable during the ensuing twelve months, and then gradually came to a halt in June 1943. Although the interval since mid-1943, when such loans had fallen 22 percent below their 1942 peak, has been characterized by a series of irregular movements, the net gain to mid-November was roughly 11 percent.

The manner in which business loans of weekly reporting member banks in the several localities conformed to, or deviated from, the district pattern is indicated on the adjoining chart. Each of the seven groups plotted had experienced a net decline by June 30, 1943, when the district low was reached. However, the shrinkage in business loans outstanding had been rather nominal in the case of Pittsburgh and Cincinnati-Lexington reporting banks. On the other hand, the decline in the Columbus-Toledo, Akron-Canton-Youngstown, and Dayton banks had reached rather substantial proportions. By June 30, 1943, commercial, industrial, and agricultural loans at Dayton reporting member banks had decreased nearly 45 percent, as against only 6 percent at Pittsburgh banks.

Even greater divergences are observable in the period of modest recovery (in the aggregate) of the past 17 months. Only two groups show any appreciable expansion. The weekly reporting banks in Cleveland led the list with a rise of 27 percentage points, bringing their commercial loan total 9 percent above the level prevailing shortly after Pearl Harbor. Banks in Toledo and Columbus also experienced a better-than-average gain.

Business loans in Cincinnati-Lexington and in Dayton, although reflecting some short-lived gain, evidenced no marked net change since mid-1943.

In contrast to the foregoing, aggregate business loans of Akron-Canton-Youngstown and Erie banks continued their decline through part or all of the past 17 months.

Changes in business loan aggregates always reflect a myriad of interacting influences. Under wartime economic conditions, entailing wide swings in inventories, price changes, tremendous expansion in some lines, and complete disappearance of others, the need for credit tends to fluctuate also.

New loans are always being made at the time others are being paid down. Published loan data reflect only the net of these varying forces.

Differences in loan trends at banks in leading cities of the district cannot be attributed entirely to wartime changes in the need for credit within respective localities. Some of the banks have participated in large war pro-

duction credits of the V, V-T, or T loan types to firms located outside the lending banks' industrial areas.

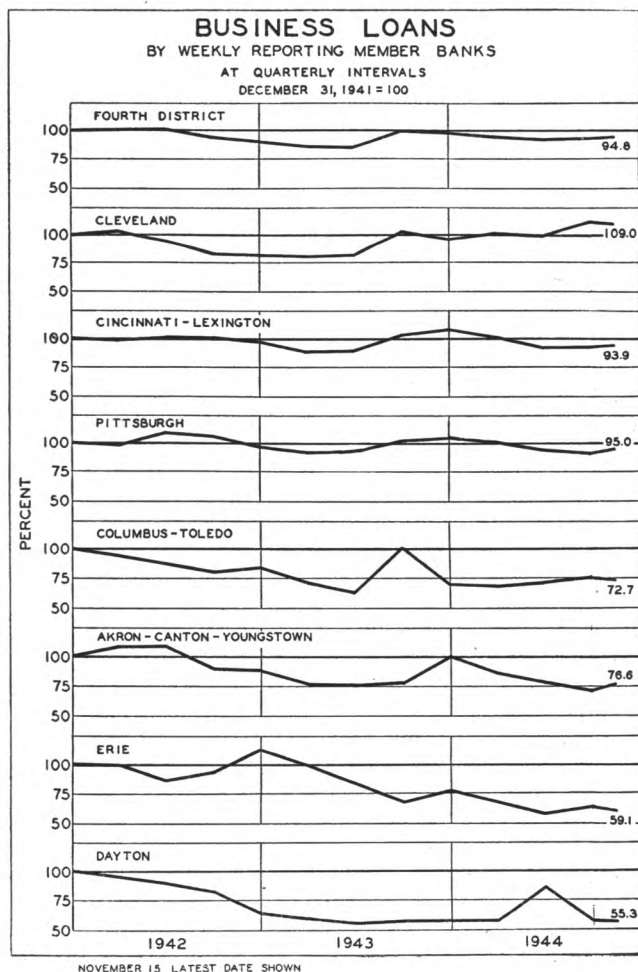
New Member Bank

The Farmers and Citizens Bank, Trotwood, Ohio

MANUFACTURING AND MINING

Reports from both civilian and war industries continue to stress the manpower shortage as a deterrent of production. The problem appears to be such that some production goals are nearly impossible of attainment unless there is a decrease in the demand for war goods or an increase in the supply of labor. As could be expected, the manpower shortage is more pronounced in civilian goods industries than in the war industries, although the effects are of less consequence. With the passage of time, it becomes increasingly clear that the war production picture is generally satisfactory and that the pressure for essential production is not as great as a piecemeal consideration of complaints would portend. There are, of course, some shortages of war goods, such as heavy artillery and shells, heavy bombers, truck tires, and castings, which are partly based on inadequate manpower but primarily are due to new programs and design changes arising from unforeseen war developments. This type of shortage will continue to occur as the progress of the war demands new armament and equipment.

Many reasons are advanced for the manpower pinch,



but the basic difficulty is an actual scarcity of labor in terms of jobs. In the past few months, there has been a considerable loss of manpower to the home and through "retirement", through the return of labor to the south with the coming of cold weather, and because of the feeling which many workers have that, with the foreseeable end of the European phase of the war, they have done their part and can now properly think of their post-war position.

While there has been a loss of manpower through reduction of the number of employees, another serious problem results from absenteeism. Although there is an endless variety of reasons causing absence from work, the problem is magnified in wartime because the pressure for continuous production makes it necessary to include a large proportion of marginal workers in the labor force. Workers undoubtedly are absent as a substitute for vacations; because they are tired of work, or have acquired a sufficient backlog of security; because they seek leisure time in which to enjoy their expanded purchasing power; or because their high average age makes protracted work periods extremely arduous. In some industries, inability to achieve production goals may be attributable more to absenteeism than to a shortage of employees. In this connection, one large coal company reports that it "has sufficient men to maintain about 95% production" but because the men do not report regularly, "the majority of our mines in the south are running anywhere from 75% to 90% of normal production". In general, however, the shortage of manpower as a determinant of production levels is much more important than the problem of absenteeism.

Manpower apparently will remain tight, despite the fact that demobilization already has reached a rate higher than the service drafts from industrial ranks. It is possible, however, that, even if the European war continues for some time, the manpower demand may slacken and employee resources expand, particularly if the services do not reverse themselves on registrant deferments in the 26 through 29 year old group who are essential to war production, national health, or safety. It seems reasonable to expect that, as long as the war lasts, shortages of certain armaments will appear with consequent pressures on production facilities. Many other kinds of war equipment already exist in huge quantities, however, and it is plausible to believe that cutbacks in their production will occur periodically. As the latter condition begins to pyramid, manpower unquestionably will be released to supply a labor force for more pressing military production or an expansion of civilian industries.

The prospect of such a shift raises the question of what percentage decrease in war industry employment would result in a "sifting down the line" to fill the gap, especially after the backlog of current orders is reduced. Certainly the end of the European war, with its anticipated decrease in war equipment requirements, should provide all the flexibility in the labor force which the transition period will necessitate. It is from this standpoint that a continuing study of possible transitional unemployment is essential.

Iron and Steel October production of steel ingots and steel for castings totaled 7,578,304 net tons, compared with 7,193,496 and 7,814,117 net tons for the

previous month and the same month last year, respectively. Operations were at 95.1 percent of capacity. An increased demand for shells and other types of heavy ammunition, along with the emphasis currently placed on production of combat tanks and heavy trucks, accounted for the October spurt in production. Despite increased production during the past month, the over-all trend since last spring continues toward an easing of pressure on the steel industry.

Reflecting this now well-defined trend, production of steel plates for the shipbuilding program has declined from the peak of last March, when operations held at 91.2 percent capacity, to 73.9 percent capacity for September. Further cancellations in the Maritime Commission program are anticipated by the industry for the first quarter of next year. As a result of this declining demand, more and more of the converted sheet-making mills are reconverting to their pre-war product. In this connection, it is noteworthy that approximately 59 percent of the 1943 output of steel plates was made in converted strip-sheet mills.

Pig iron production increased in October and movement is well balanced with production. Output for the month totaled 5,200,175 net tons. Part of the increased production may be accounted for by the report that melters are replenishing inventories that had deteriorated during the summer months under current Governmental restrictions.

Shipment of iron ore from the Upper Lakes totaled 10,594,988 gross tons for October, making cumulative shipments for this season to November 1 of 76,498,172, as compared with 76,714,837 gross tons to the same date last year. Stocks of ore on hand at furnaces and Lake Erie docks totaled 45,342,562 gross tons on November 1, the lowest inventory on this date since 1941. That the supply is considered adequate for anticipated production is best evidenced by the withdrawal of some of the boats from the fleet before the end of the season.

Coal Bituminous coal output in the Fourth Federal Reserve District equaled 19,500,000 tons during October, exceeding the production of the previous month by approximately 275,000 tons. National production for October totaled 51,500,000 tons. Output has fallen steadily from the peak of late 1943 and early spring of this year. Further manpower loss this year, estimated by the *Department of Labor* at six to seven percent, has been a factor in this decline. Another factor cited by coal operators of this district repeatedly during this past year has been the high rate of absenteeism from the mines. This has averaged twelve percent for the industry. Since substantial additions probably cannot be made to the labor force, the supply of coal this winter will depend in great part on how many hours the existing labor force spends in the mines.

Anticipated outlook for coal this winter is approximately the same as last—a fine balance between supply and demand. Affecting this area in particular, the end of the lake shipping season this month will find record totals of coal moved to the Upper Lakes, and supplies formerly diverted to this shipping will be used to meet the needs of winter consumption in this area. Shipment of coal from lower lake docks totaled 7,103,449 tons for October, an increase over the previous month, when 6,-

752,000 tons were loaded into vessels. To November 1, cumulative shipments of coal totaled 48,091,000 tons, as compared with the total for the previous year to that date of 40,064,000 tons. Last year's loadings were held down by both an emphasis on ore shipments and unfavorable weather throughout the shipping season.

Miscellaneous Manufacturing Tires Heavy duty truck and bus tires are high on the list of critically short materials needed by the military. Industry estimates indicate a current capacity of approximately 3,930,000 tires per quarter, although no public release of tire production has been made recently. The War Production Board late in November called for a 25 per cent increase in production for the first quarter of 1945 to meet essential needs. This represents a substantial increase over mid-summer estimates of military demands. Minimum civilian and military requirements for the first quarter of 1945 have been established at 4,941,864 tires. To achieve this quota without additional plant facility will necessitate a greater production drive than that experienced by the industry early this fall. Further restrictions, at best no increase in supply, are indicated for civilian consumers.

Machine Tools Machine tool shipments have increased slightly for the second consecutive month. Output for September, valued at \$35,876,000, exceeded August production, when \$35,177,000 worth of machine tools was produced. Manufacturers in this district report receipt of Russian orders, although over-all reports indicate business from this source is approximately the same as in earlier years. The manpower problem continues as the greatest concern of the industry and the most important factor limiting output.

Paper The requirements of war agencies for paper, paperboard, and converted paper products reached their highest level during October. Demand for November indicates an even higher peak. Pennsylvania and Ohio, ranking fifth and sixth, respectively, among states in the consumption of wood pulp in the production of paper and paperboard, are in an area of acute shortage of pulpwood supplies for the ensuing several months. In addition to a shortage of raw materials, manufacturers in this district continue to report a difficult manpower situation which would limit production to current levels even if more materials were available. The paper industry confidently anticipates a continued high demand into the foreseeable future. Domestic inventories that have all but disappeared as a result of the restricted production of the past few years will have to be replenished at the end of hostilities. The industry also expects to be called upon to supply part of the needs of the war-torn countries of Europe.

Pottery Manufacturing potters in the district continue production at levels which have prevailed for several months past. Manpower holds output at approximately 75 to 80 percent capacity. The backlog of orders grows ever larger, and inventories of supplies in the hands of dealers decline further. One optimistic note for future production is the supply of natural gas, which should be adequate this coming winter in contrast to the difficulties encountered last year. The supply from the West Virginia fields has been augmented by a new pipeline from the Texas fields.

Glass Output of polished plate glass, although far below pre-war production, has grown throughout the war years, indicating an increasingly important application of plate glass in new uses. The container branch of the glass industry has experienced an enormous increase in output during the war years as a direct result of restrictions on the use of tin. September container output of 7,737,000 gross represents the lowest output since December of last year. However, total production for the year is expected to establish a new record in the industry.

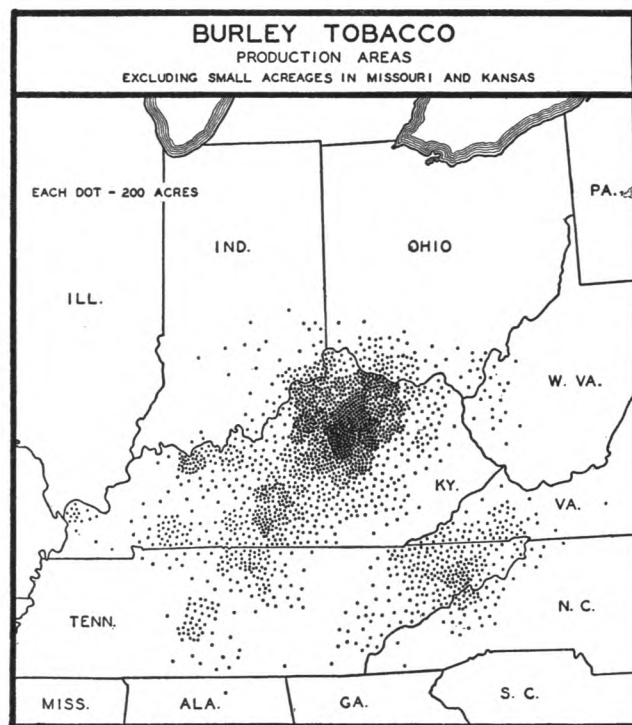
AGRICULTURE

Cigarettes and Burley Tobacco Many explanations have been given for the current cigarette shortage and few of them have been in accord. The disagreement appears to arise largely from the attempt of each of the analysts to account for the inadequate supply by giving credence to only one of several interrelated factors. At the same time, the cigarette-consuming public appears to want an easy single answer to its supply problem.

Careful study of the situation indicates that not one, but many factors are responsible for the cigarette deficit—so many, in fact, that it is difficult, if not impossible, to weight their importance accurately. Nevertheless, it is probable that the following major influences, together with their many minor ramifications, explain the cigarette shortage fully. Because it is difficult to forecast changes in these factors, they cannot be used to predict the likely length of the deficiency period.

On the demand side:

1. Large military requirements.
2. Necessity for larger military reserve supplies as the number of men increase and the area of combat widens.
3. Shipments to Allied Nations.



SOURCE: U. S. DEPARTMENT OF AGRICULTURE, 1942

4. Record civilian consumption.

On the supply side:

1. Shortage of labor and machines in the cigarette industry together with insufficient packaging materials. (The cigarette industry is "non-essential.")
2. Lowered reserves of aged tobacco in relation to current disappearance.
3. Restriction of tobacco acreage.
4. Hoarding of cigarettes.
5. Cigarette black markets.

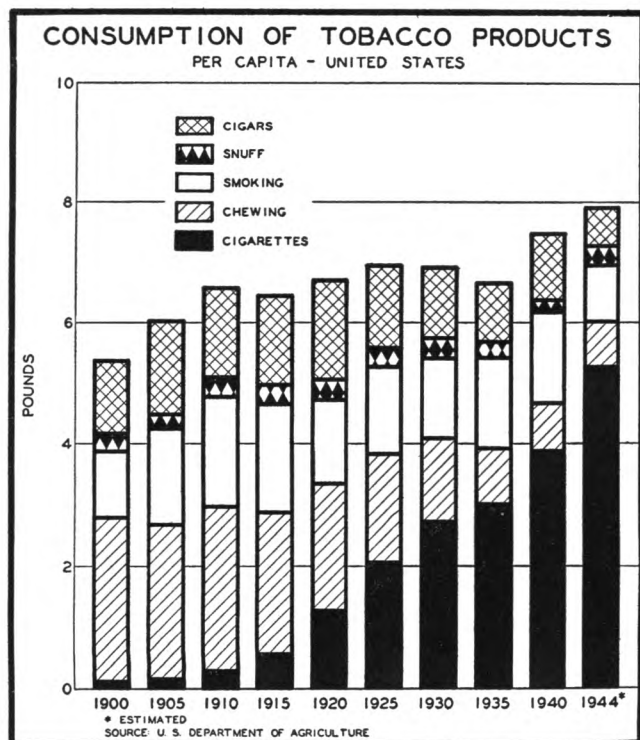
Last year about 258 billion cigarettes were consumed in the United States. This represents an increase of 85 billions, or about 50 percent, over the number used in 1939, the first year of the war. But even this great increase does not measure the vast expansion which the cigarette industry has made, for in 1939, total exports amounted to only about 7 billion cigarettes, whereas in 1943, exports (including military shipments) exceeded 50 billions and this year they are expected to exceed 90 billions. Although shipments to the armed forces have reduced this year's domestic supply to about 237 billion cigarettes, this number when combined with an estimate of 90 billions for export indicates the greatest total production in history. This record production has been achieved even though the industry has operated with a "non-essential" rating and has encountered all of the attendant obstacles. Additional difficulties have arisen through the low supplies, in relation to disappearance, of certain aged tobaccos necessary for production of a quality blended cigarette. Although adequate supplies of "green" tobacco are available, despite acreage restrictions, it is doubtful, because of manpower, machinery, and packaging shortages, if today's immense demand could be met even if these supplies were used.

About one-third (34 percent) of an average United

States cigarette is composed of burley tobacco, a fact which makes the cigarette shortage of special interest to tobacco growers and others in the southern part of the Fourth Federal Reserve District. About 40 percent of the total burley tobacco production of the country is produced within the fourth district, where the area of heaviest production centers around Lexington, Kentucky (see map). In Fayette County (Lexington) and the six adjoining counties, about one-fifth of the cultivated farm land is used for the growing of burley, which, considering the high labor requirements of the crop, makes this section one of the most highly specialized farm areas in the district.

Despite the fact that nearly three-fourths of the entire burley crop has gone into cigarettes in recent years, burley is second in importance as a cigarette constituent. The flue-cured types of the five southeastern Coastal States make up about 53 percent of the average cigarette, compared with 34 percent burley, 10 percent Turkish, and 3 percent Maryland. These percentages are pre-war estimates made by the *United States Department of Agriculture* and are based on tobacco disappearance into various trade channels. It is probable that the average cigarette manufactured today contains somewhat less Turkish tobacco, owing to shipping difficulties. Burley's importance in the manufacture of other tobacco products is indicated by the following composition estimates:

Pipe Tobacco		Granulated Tobacco	
Burley	82%	(For hand-rolled cigarettes)	
Flue-cured	17	Flue-cured	61%
Maryland	1	Burley	33
	100%	Maryland	4
		Dark air-cured	2
			100%
Plug Chewing Tobacco		Snuff	
Burley	56%	Fire-cured	85%
Flue-cured	25	Dark air-cured	15
Dark air-cured	18		100%
Fire-cured	1		
	100%		



Package chewing tobacco contains no burley, but is made mostly from the lower grades of Ohio and Wisconsin cigar leaf together with a small amount of the leaf remaining after cigar manufacture.

Thus, burley tobacco has uses other than as a cigarette filler, but it is the amazing increase in the consumption of cigarettes that has made it one of the major crops of the fourth district. At the beginning of World War I, the total acreage of burley was less than one-half the present area, and the farm value of the crop was less than 15 percent of the current figure. According to the University of Kentucky, these changes have had a marked influence on the farm economy of the Bluegrass State. The University has pointed out, for example, that the increased demand for burley tobacco has been one of the major causes of the large increase in the price of Kentucky farm real estate. As of March 1944, Kentucky farm land prices had risen 70 percent from the 1935-39 average, a larger increase than that experienced by any other state. To the extent that these high prices are built on the expanded wartime incomes of tobacco growers, Kentucky's farm economy may be vulnerable to possible post-war decreases in tobacco demand.

Today, tobacco demand is largely a cigarette demand for, of the total per capita consumption of tobacco, approximately 66 percent is estimated to be in the form of cigarettes. Preliminary data indicate a per capita consumption of 7.9 pounds of tobacco (leaf equivalent) in the

United States this year (see bar chart). Of this total, 5.2 pounds will be used as cigarettes—a consumption figure which is up one-third from the beginning of the war, double the consumption of ten years ago, and four times what it was at the end of the first world war. The great expansion in the use of cigarettes has been mainly a phenomenon of the twentieth century. Comparatively little use was made of them before 1900, although tobacco users had been generally acquainted with cigarettes since the time of the Civil War. Since 1900, there has been a fairly regular increase in the consumption of tobacco, amounting to almost 50 percent in the 44 years. However, in this period, the annual consumption of cigarettes has increased more than 40 times, which means that other tobacco products have become relatively less important in the total picture. Chewing tobacco, for example, amounted to about one-half of the total tobacco consumed in 1900, whereas today it amounts to only a little more than ten percent. Since the beginning of the present war, however, there have been some increases in the consumption of chewing tobacco and also in the use of snuff, both occasioned to a large extent by the prohibition of smoking in many war plants.

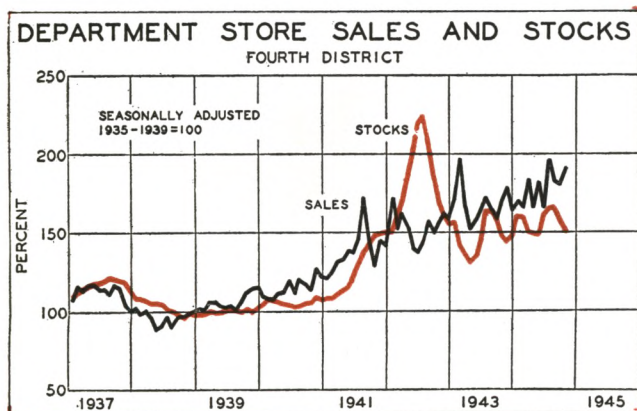
TRADE

Retail Fourth district department store sales, which usually advance only slightly from September to October, increased considerably this year. As shown on the accompanying chart, the seasonally adjusted sales index rose ten points to 190 percent of the 1935-39 daily average, the third highest point on record, being exceeded only during July of this year and February a year ago. The unusually large volume of business done during October reflected early Christmas shopping, which has been encouraged in recent years. The year-to-year gains registered during October were largest during the first part of the month, as heavy purchases were made prior to the deadline for overseas mailing, after which business dropped off somewhat. However, there was some recovery this month, and sales during the three weeks ended November 18 were nine percent larger than they were in the corresponding period last year. The requests stores made to their customers to shop early, the promotion of Christmas merchandise nearer the first of November than was formerly the practice, and the early mailing dates established by post offices have all contributed to the recent gains over the exceptionally high level of sales that stores experienced during November last year.

October sales at all reporting stores in the district were up 12 percent from the same month last year, with gains among the leading cities of the district showing considerable variation. Sales in Erie were up three percent, Akron six percent, and Cleveland eight percent. Stores in Cincinnati, Columbus, Pittsburgh, Toledo, and Wheeling reported greater improvement in their sales over last year, with increases ranging up to 19 percent in Wheeling.

Whether the gains that fourth district stores have been experiencing in their sales recently will carry over into late November and December will depend largely upon the amount of merchandise they have on hand. With money in circulation continuing its upward trend and income payments remaining at a very high level, it would appear that the only limiting factor to the achievement of a record dollar holiday business might be the difficulty that stores have encountered in securing an adequate supply of goods to meet consumer demand. Fourth district merchants entered the November-December selling season with the dollar value of inventories slightly larger than a year ago. While stocks in certain gift departments were at an exceptionally high level, other departments such as hosiery, luggage, silverware, and jewelry, which usually bulk large in holiday dollar volume, had smaller dollar inventories this year than last. Department store customers will probably have less difficulty in purchasing cosmetics, handkerchiefs, women's underwear, and books and stationery, as dollar stocks of all these at the end of last month were the largest they have been at any time over the entire war period. Inventories of toys and games were up 13 percent from October 31, 1943, but still considerably smaller than those of two years ago. The bulk of this merchandise consists of wood and paper articles. Piece goods departments had approximately as much merchandise on hand this year as last. Many stores again this year are promoting sales of yardage to make gifts, including not only the usual novelties but also ready-to-wear accessories, such as blouses, lingerie, handbags, infants' wear, and men's ties.

Although the dollar value of department store stocks at the end of last month was slightly larger than on the same date a year ago, this does not indicate necessarily that the physical volume of goods on hand was larger or that the wants of department store customers will be completely satisfied. Prices of staple items have remained at ceiling levels, but many of these are available only in limited quantities or have deteriorated in quality, which amounts to an increase in price. Then, too, the introduction of many new articles and models for which there is no measure to establish ceiling prices has resulted in increasing the dollar volume of inventories, while actually there may have been a decline in the physical volume. Many manufacturers, with a limited amount of raw materials and manpower, have used these to turn out more expensive goods or have chosen to "overfinish" or "fancy-up" their pre-war products in hope of obtaining much higher prices for these. As a consequence, the supply of many low-priced lines is limited and customers must purchase more expensive articles. This introduction of new types of merchandise at high prices is reflected in the dollar value of inventories. There is probably less merchandise from which customers may make their gift purchases this year, and the prices they pay will be higher than they were accustomed to spending in the



past. Dollar inventories, however, at a level one percent greater than October 31 last year, could support a dollar sales volume during the holiday season as large as that experienced a year ago.

Wholesale The Department of Commerce reports that sales at 171 wholesale firms in the fourth district during October were up five percent from those of the same month of 1943. Firms selling automotive supplies, electrical goods, confectionery products, and meats experienced increases in their business, while sales of paints, farm supplies, metals, and paper and its products were smaller this October than last. Wholesale inventories were reduced slightly during October, but at month-end were up two percent over those of October 31, 1943.

Fourth District Business Indexes

(1935-39=100)

	Oct. 1944	Oct. 1943	Oct. 1942	Oct. 1941	Oct. 1940
Bank Debts (24 cities).....	212	203	185	162	122
Commercial Failures (Number).....	6	10	53	74	76
(Liabilities).....	7	6	20	40	38
Sales—Life Insurance (O. and Pa.).....	117	105	78	122	102
—Department Stores (97 firms).....	204	182	167	135	119
—Wholesale Drugs (7 firms).....	202	177	164	143	132
—Dry Goods (4 firms).....	195	193	182	166	134
—Groceries (48 firms).....	158	148	141	128	109
—Hardware (18 firms).....	177	172	198	215	138
—All (77 firms).....	180	170	168	160	121
—Chain Drugs (5 firms)*.....	171	173	163	124	109
—Chain Groceries (4 firms).....	154	158	147	121	104
Building Contracts (Total).....	35	81	257	188	155
(Residential).....	20	112	160	253	218
Production—Coal (O., W. Pa., E. Ky.).....	156	151	152	156	125
—Cement (O., W. Pa., E. Ky.)**	87	128	186	173	187
—Electric Power (O., Pa., Ky.)**	190	187	167	148	122
—Petroleum (O., Pa., Ky.)**	103	104	97	96	92
—Shoes.....	87	90	91	107	77

* Per individual unit operated.

** September.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	October 1944	% change from 1943	Jan.-Oct. 1944	% change from 1943
Bank Debts—24 cities.....	\$4,719,000	+ 5	46,776,000	+ 9
Savings Deposits—end of month: 39 banks O. and W. Pa.....	\$1,117,588	+23		
Life Insurance Sales:				
Ohio and Pa.....	\$ 98,958	+12	933,684	+12
Retail Sales:				
Dept. Stores—97 firms.....	\$ 49,770	+12	395,187	+ 7
Wearing Apparel—16 firms.....	2,433	+10	19,255	+ 8
Furniture—75 firms.....	2,892	+21	25,117	—1
Building Contracts—Total.....	8,647	—56	135,849	—37
—Residential.....	1,556	—82	28,337	—66
Commercial Failures—				
Liabilities.....	\$ 109	+31	1,295	—49
Commercial Failures—Number.....	4	—43	63	—55
Production:				
Pig Iron—U. S.....	5,200	—2	52,037	+ 2
Steel Ingot—U. S.....	7,587	—3	74,787	+ 1
Bituminous Coal—O., W. Pa., E. Ky.....	19,518	+ 3	197,923	+ 8
Cement—O., W. Pa., W. Va. Bbls.....	721a	—32	4,952b	—45
Electric Power—O., Pa., Ky.....	2,903a	+ 2	26,625b	+ 6
Petroleum—O., Pa., Ky. Bbls.....	2,270a	+ 2	19,851b	—2
Shoes.....	c	—3	c	—2
Bituminous Coal Shipments:				
Lake Erie Ports.....	7,103	—2	49,464	+20

a September.

b January-September.

c Confidential.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-39=100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	Oct. 1944	Sept. 1944	Oct. 1943	Oct. 1944	Sept. 1944	Oct. 1943
SALES:						
Akron (6).....	241	222	226	227	218	213
Canton (3).....	253	244	236	232	246	216
Cincinnati (9).....	206	195	179	194	191	169
Cleveland (10).....	191	183	177	191	161	177
Columbus (5).....	238	218	201	227	218	192
Erie (3).....	223	211	215	208	213	201
Pittsburgh (8).....	185	172	162	175	169	153
Springfield (3).....	245	229	229	232	231	216
Toledo (6).....	215	197	189	198	189	174
Wheeling (6).....	183	169	150	181	164	149
Youngstown (3).....	222	208	189	211	202	180
District (97).....	204	191	182	190	180	170
STOCKS:						
District (51).....	170	164	168	148	155	146

Wholesale and Retail Trade

(1944 compared with 1943)

	SALES October 1944	Percentage Increase or Decrease SALES first 10 months	STOCKS October 1944
DEPARTMENT STORES (97)			
Akron.....	+ 6	+ 1	—10
Canton.....	+ 7	+ 4	—
Cincinnati.....	+15	+10	+ 1
Cleveland.....	+ 8	+ 4	—2
Columbus.....	+18	+13	+ 5
Erie.....	+ 3	+ 4	+ 9
Pittsburgh.....	+15	+10	+ 4
Springfield.....	+ 7	+ 3	+ a
Toledo.....	+14	+11	+ 4
Wheeling.....	+19	+16	+18
Youngstown.....	+18	+12	+ a
Other Cities.....	+ 9	+ 1	+ 1
District.....	+12	+ 7	+ 1
WEARING APPAREL (16)			
Canton.....	+10	+11	+ 5
Cincinnati.....	+10	+ 3	+ a
Cleveland.....	+14	+10	+11
Pittsburgh.....	+ 7	+21	+31
Other Cities.....	+ 4	—1	—5
District.....	+10	+ 8	+12
FURNITURE (75)			
Canton.....	+23	+11	—21
Cincinnati.....	+29	—2	+11
Cleveland.....	+ 8	—11	—14
Columbus.....	+18	+ 5	—31
Dayton.....	—17	—25	+ a
Pittsburgh.....	+30	+ 5	—17
Toledo.....	+35	+ 1	—8
Other Cities.....	+25	—1	—6
District.....	+21	—1	—14
CHAIN STORES*			
Drugs—District (5).....	— 1	+ 1	+ a
Groceries—District (4).....	—0—	+ 7	+ a
WHOLESALE TRADE**			
Automotive Supplies (8).....	+17	+20	—10
Beer (5).....	—5	+ 4	—13
Clothing and Furnishings (3).....	+30	+ a	+ a
Confectionery (4).....	+28	+ a	+ a
Drugs and Drug Sundries (7).....	+14	+ 8	+ 4
Dry Goods (4).....	+ 1	+ a	+17
Electrical Goods (9).....	+14	—2	—0—
Fresh Fruits and Vegetables (7).....	—2	—2	+ 8
Grocery Group (48).....	+ 7	+ 3	+ 4
Total Hardware Group (18).....	+ 3	+ 3	+ 4
General Hardware (4).....	—2	+ 4	—6
Industrial Supplies (9).....	+ 3	—12	+21
Plumbing & Heating Supplies (5).....	+ 7	—3	+ a
Jewelry (5).....	+ 1	—7	—21
Lumber and Building Materials (3).....	+ 5	+ a	—21
Machinery, Equip. & Sup. (exc. Elect.) (4).....	+ 7	+ a	—9
Meats and Meat Products (5).....	+13	+20	—16
Metals (3).....	—2	+ a	+ a
Paints and Varnishes (5).....	—6	+10	+ a
Paper and its Products (6).....	—8	+ 8	+ a
Tobacco and its Products (13).....	—0—	—3	+ a
Miscellaneous (11).....	+10	+ 3	—0—
District—All Wholesale Trade (171).....	+ 5	+ 2	+ 2

* 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

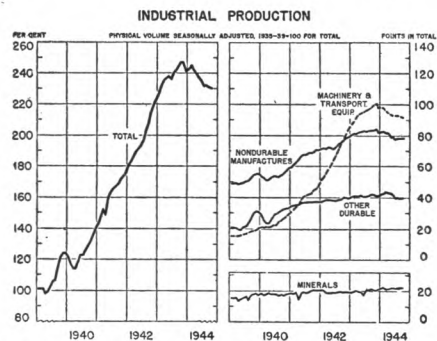
Debts to Individual Accounts

(Thousands of Dollars)

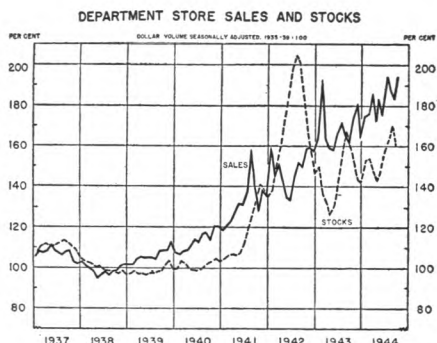
	October 1944	% change from 1943	Jan.-Oct. 1944	Jan.-Oct. 1943	% change from 1943
Akron.....	191,890	— 2.0	1,817,654	1,752,334	+ 3.7
Butler.....	18,795	+ 1.1	178,586	153,812	+16.1
Canton.....	79,183	+ 9.4	819,477	732,846	+11.8
Cincinnati.....	632,118	+ 7.5	6,093,715	5,794,393	+ 5.2
Cleveland.....	1,407,123	+11.0	13,257,672	11,648,818	+13.8
Columbus.....	296,398	+ 1.3	3,159,344	2,882,115	+ 9.6
Covington.....					
Newport.....	23,829	+ 5.4	246,359	226,997	+ 8.5
Dayton.....	146,333	+ 3.0	1,442,061	1,398,964	+ 3.1
Erie.....	57,457	— 3.5	633,954	602,000	+ 5.3
Franklin.....	6,300	+17.8	61,367	51,732	+18.6
Greensburg.....	12,327	+14.3	123,358	105,775	+16.6
Hamilton.....	20,859	— 2.5	202,858	201,110	+ 0.9
Homestead.....	4,713	— 6.0	49,390	46,957	+ 5.2
Lexington.....	29,206	+15.1	355,719	317,011	+12.2
Lima.....	28,673	+14.7	274,565	239,911	+14.4
Lorain.....	8,698	+12.0	86,833	72,013	+20.6
Mansfield.....	21,552	+17.0	213,027	177,359	+20.1
Middletown.....	18,766	— 2.9	197,652	199,391	— 0.9
Oil City.....	14,417	—10.4	152,767	157,603	— 3.1
Pittsburgh.....	1,283,566	+ 1.1	13,195,550	12,362,513	+ 6.7
Portsmouth.....	12,789	+ 9.0	116,103	102,598	+13.2
Sharon.....	16,682	— 1.1	168,156	150,408	+11.8
Springfield.....	30,289	— 2.6	324,752	310,653	+ 4.5
Steubenville.....	13,844	+ 1.7	137,251	126,610	+ 8.4
Toledo.....	257,278	—0—	2,665,772	2,409,923	+10.6
Warren.....	23,610	—12.2	241,589	239,608	+ 0.8
Wheeling.....	42,315	+ 9.2	427,717	392,772	+ 8.9
Youngstown.....	94,695	+ 1.6	870,642	827,496	+ 5.2
Zanesville.....	12,584	+ 0.7	129,485	128,886	+ 0.5
Total.....	4,806,489	+ 4.8	47,643,175	43,812,628	+ 8.7

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 October 1944.



Federal Reserve indexes. Monthly figures, latest shown are October for sales and September 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 November 15, 1944.



Wednesday figures, latest shown are for November 15, 1944.

Output and employment at factories and mines showed little change from September to October. Value of department store trade increased further in October and the early part of November, while commodity prices were stable.

Industrial production

The Board's seasonally adjusted index of industrial production was 230 per cent of the 1935-39 average in October as compared with 231 in September. Output of durable manufactures continued to decline slightly, while production of non-durable goods and minerals was maintained at the level of the preceding month.

At steel mills production increased slightly in October but for the month was 7 per cent below the peak of a year ago. Production of copper and other nonferrous metals continued to decline, with output of aluminum and magnesium curtailed more than 50 per cent from the peak rates reached at the end of last year. In the machinery and transportation equipment industries activity declined slightly in October. Lumber production showed little change in October from the September rate which was 10 per cent above the pre-war level. Output of lumber and also pulpwood has been limited during the past two years because of the difficulty of recruiting labor in these industries.

Activity at cotton textile mills and at shoe factories declined in October, while output of manufactured food products increased, after allowance for the customary seasonal changes. The rise in food manufacturing was mainly at canneries and was made possible by increased farm production of fruits and vegetables. Newsprint consumption showed a greater than seasonal increase in October. Output of chemicals, rubber products, and other nondurable goods continued at about the level of the preceding month.

Output of coal and crude petroleum was maintained, while production of iron ore continued to decline seasonally.

Distribution

Department store sales increased considerably in October and were 13 per cent larger than last year, which is about the same year-to-year increase that has prevailed in recent months. In the first half of November sales rose further and exceeded by 8 per cent the exceptionally high level of a year ago.

Railroad freight traffic was maintained at a high level during October and the early part of November.

Bank credit

On the eve of the opening of the Sixth War Loan Drive bank deposits and currency owned by individuals, partnerships, and corporations were larger than at any previous time. Such holdings of deposits and currency have increased in recent months as the Treasury expended funds raised during the Fifth War Loan Drive.

Adjusted demand deposits of individuals, partnerships, and corporations at reporting banks in 101 cities increased by around 6 billion dollars between July 12 and November 15; this brought the total outstanding to a level about a billion dollars above that reached before the Fifth War Loan Drive. Time deposits increased by about a billion dollars. At country banks outside the leading cities it is estimated that demand and time deposits are slightly more than three billion dollars larger than they were prior to the Fifth Drive. Currency in circulation has increased by about 2.5 billion since the middle of June.

As a result of the deposit expansion, the average level of reserves required by all member banks rose sharply during the inter-drive period and are about a billion dollars greater than at the beginning of the Fifth Drive. Reserve funds to meet the increasing requirements, as well as a currency outflow, were supplied largely through substantial additions to the Government security portfolio of the Reserve Banks; holdings were increased by over 3 billion dollars between July 12 and November 15. Member bank borrowings at the Reserve Banks also increased as they had done prior to the Fifth Drive. Excess reserves, which increased during the war loan drive, declined at a fairly rapid rate immediately following the close of the drive and then fluctuated generally around a billion dollars. About three-fourths of these excess reserves are held by country banks.

At reporting banks in 101 cities, bill and certificate holdings declined by around 2¾ billion dollars during the inter-drive period reflecting sales, largely to the Reserve Banks, as member banks adjusted their reserve positions. Bond holdings were increased by around 800 million dollars.

Loans to brokers and dealers for purchasing or carrying Government securities, which had declined in August to a level comparable to that prevailing prior to the Fifth Drive, fluctuated somewhat over the following period but began to increase early in November. Other loans for purchasing or carrying Government securities continued to decline. Loans for handling other securities, reflecting substantial flotations of new corporate issues, increased during the late fall. Commercial loans also rose.