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CURRENT FINANCIAL DEVELOPMENTS

The contemporary financial situation is a singular combination of two dissimilar qualities. The earliest symptoms of financial reconversion have begun to appear, before the closing chapters of war finance have been written. This overlapping of influences may continue over a considerable period, for the financial vestiges of a \$300 billion war are not easily or quickly obscured.

Victory Loan Aside from its name, the current Victory Loan Drive differs little in its qualitative effects upon the banking situation from the seven preceding campaigns. Total bank deposits are expected to rise, perhaps to new record high levels, as a result of bank purchases of Government securities from other investors, and loans to individuals and others for the purpose of buying Victory Loan issues. Member bank reserves will decline as privately-owned deposits are transferred to the exempted war loan accounts, thus releasing reserves which can be used to pay off indebtedness to the reserve banks and to repurchase optioned bills.

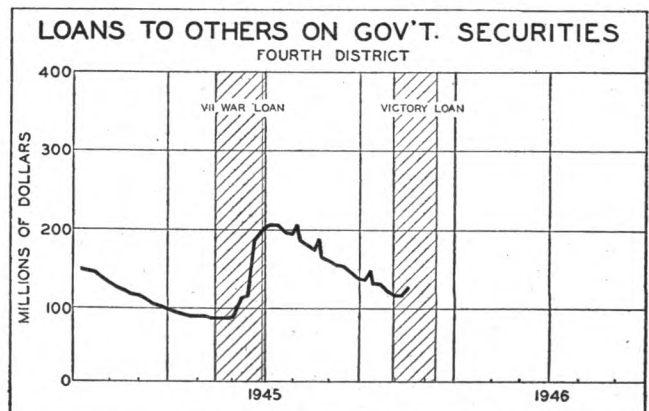
These current developments are a mere repetition of previous money-raising drives. Only the detail is found to vary. For example, in this presumably final effort, the volume of each bank's war loan account was "ceiled" at 30 percent of its total of other deposits. That limitation appears to have had no apparent effect upon the volume of sales, largely for the reason that only a relatively small number of banks had ever held a greater proportion of Government deposits.

In another respect, the current campaign appears to have induced some changes. The preference of individuals for the long-term 2½ percent Treasury bonds seems to be especially pronounced this Loan, at least in relation to the other six types of securities offered:

Sales to Individuals (Fourth District) (In Millions)

	Seventh War Loan	Victory Loan to 11-27-45
Series E Bonds.....	\$329.6	\$ 61.9
1½% Treasury Bonds.....	120.3	Not offered
2½% Treasury Bonds.....	104.6	136.9
2¼% Treasury Bonds.....	72.8	38.7
Series G Bonds.....	51.0	19.7
Certificates of Indebtedness..	21.4	4.8
Savings (Tax) Notes.....	11.2	4.5
Series F Bonds.....	5.5	1.7
	\$716.4	\$268.2

In the present Drive, subscriptions for Series E savings bonds are running far behind the total attained in the June-July Drive. Certificates of indebtedness and Series F and G savings bonds are likewise in much less demand. At the other extreme, sales of the 2½'s of '67-'72 had exceeded all previous records by November 27, with ten days of the Drive remaining. Presumably this issue inherited much or all of the demand which had been directed at the 1½'s offered during the Seventh Loan but omitted from the present Drive. The slightly shorter 2¼'s do not show a comparable gain in popularity. The 2¼'s and 2½'s offered in the Seventh Drive are currently selling at a premium of about one full point. The 1½'s are quoted at around 101½.



Borrowing Resumed at High Level

Loans to others than brokers, for the purpose of carrying Government securities, have again turned upward, as indicated on an accompanying chart.

This new sequence of borrowing is starting off from a considerably higher level than ever before in this district. By October 31, when the inter-Drive low was reached, only some 43 percent of the \$205 million outstanding in June had been liquidated, at the 41 weekly reporting banks. As was stated in last month's Review reduction of this type of indebtedness during the intervening months proceeded much more leisurely in the fourth district than, for example, in New York City. At mid-November such borrowings at the New York City banks aggregated not much more than twice those at fourth district reporting banks, whereas at the July peak the ratio was better than six to one.

The trend in Treasury bill holdings followed the typical pattern in recent months, except that this particular declining phase reduced commercial banks' bill portfolios to only nominal dimensions. On November 14, the weekly reporting banks held only \$26 million outright as against \$222 million at the year's beginning. On that same date over \$80 million had been sold to the reserve bank under repurchase option privileges, by those same member banks.

Moreover, early last month rediscounts and advances, which pursued a normal upward trend after the close of the Seventh Loan, reached a new high for a number of years at \$76 million. During that week 11 out of the 41 weekly reporting banks had obtained advances from the reserve bank.

Yet, curiously enough, in connection with the November 1 weekly bill offering, subscriptions in the fourth district reached the highest volume of the year to date. Apparently available funds were rather unequally distributed among the member banks—possibly as a result of a change in the pace of Treasury expenditures or other reconversion factors.

Smaller Banks More Liquid

Thus far there has been no pronounced change in the reporting banks' basic investment policy. The eight largest banks continue to keep their cash reserves, in the aggregate, at less than 20 percent of total assets—a proportion which has been in effect throughout most of the year. Smaller reporting banks, however, seem to have been striving for greater liquidity, especially during the past three months. In their case, the ratio has drawn close to the year's high of around 23 percent.

The behavior of adjusted demand deposits since the Seventh Loan has differed somewhat from precedent in that no new peak was established between the present and preceding War Loans. Heretofore such deposits had always risen by varying margins to successively higher levels between drives. That the most recent interval proved to be an exception is not directly attributable to the ending of the war but rather to the fact that the Treasury's balance did not drop below \$12.7 billion on the eve of the Victory Loan, in contrast to a low of \$8.5 billion last May. If

the current Loan had been delayed until another \$4 billion had been disbursed, adjusted demand deposits in the fourth district probably would have set another new record. Under existing circumstances, that event was merely postponed, for ultimately the Treasury's working balance will be much smaller—and other deposit accounts larger—than today.

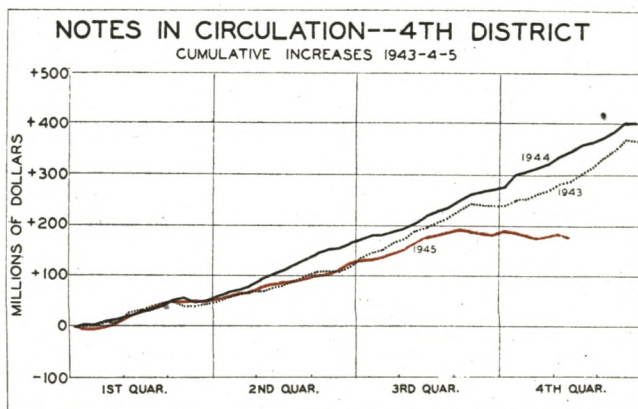
The foregoing developments are scarcely more than a modification or accentuation of previously established wartime trends. They represent a sector of finance which appears to have been rather unaffected thus far by postwar changes in the industrial picture.

The banking structure has not been entirely immune, however, from the cessation of hostilities and the subsequent decline in Treasury expenditures for war. One of the first items to reflect the new situation is the volume of currency in circulation, as indicated on an accompanying chart.

Currency Outflow Ends

During calendar 1943 the volume of this reserve bank's outstanding notes increased nearly \$370 million, in response to the persistent demand for currency in the fourth district. In 1944, the expansion totaled slightly over \$400 million. In the first six months of 1945, the outflow continued at the customary rate. After mid-year, the demand began to ebb, but it was not until September that the departure from the wartime gauge assumed significant dimensions. For the first time in seven years, there has occurred a contra-seasonal decline in currency requirements, presumably because of a contraction in payrolls, perhaps some "dis-saving" by individuals, and also gradual demobilization of the armed forces whose aggregate currency requirements reached a substantial figure.

The return flow has not been large enough to affect the volume of member bank reserves. Nevertheless, the mere fact that, at least for the time being, reserves have been relieved of this persistent drain is of salutary import. If currency demand had followed last year's schedule, member banks of this district would have required, in the past two months, another \$100 million of reserves, obtainable either by borrowing or by sale of securities. Excess reserves would hardly have been ample, having fluctuated around \$125-\$150 million in recent months, or not far above a workable minimum.



This novel phenomenon of a return flow of circulating currency has not been universal. Actually only one other Federal reserve district shows a similar experience:

Federal Reserve Notes in Circulation
Changes from September 12 to November 21, 1945
(In Millions)

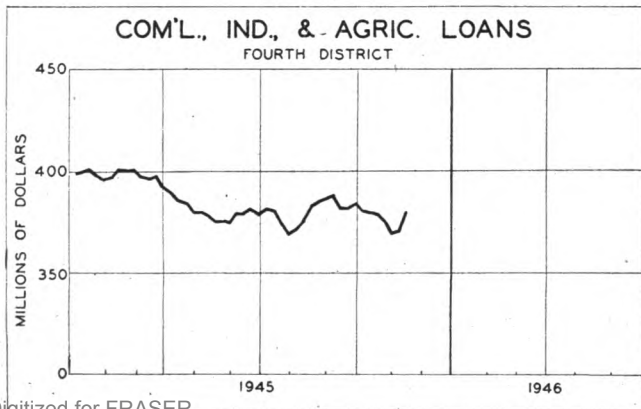
	Increases	Decreases
San Francisco.....	\$112	
Richmond.....	75	
New York.....	47	
Chicago.....	39	
Atlanta.....	38	
St. Louis.....	31	
Philadelphia.....	27	
Dallas.....	14	
Minneapolis.....	12	
Kansas City.....	9	
Boston.....		\$ 9
CLEVELAND.....		15
Total for U. S.....	\$380	

It remains to be seen whether this new tendency will eventually spread to the other ten districts or whether the contraction in Boston and Cleveland will prove to have been a transitory phase in a longer-term currency expansion.

Commercial Loans Turn Upward The preceding issue of this Review contained a brief reference to the recent sharp rise in commercial and industrial loans in New York City in contrast to the sidewise movement in the fourth district. The question was raised as to whether this upward movement would materialize elsewhere.

The rise has continued without interruption in New York City, amounting to over \$450 million in the three months following V-J Day. After duplicating the year's low on October 31, commercial loans have also begun to increase in this district. Although the expansion thus far has been comparatively moderate, the improvement has been rather general. The gain in the week of November 14 was the widest of the year to date. On these grounds bankers hope that a rise of some duration is under way.

Likewise, real estate loans have recovered all of the recent drop caused by a work stoppage at Cleveland title companies in September and October. By late November such loans had risen to the highest level in nearly eight months, despite the steady reduction in principal of existing loans outstanding. A considerable volume of new business is required merely to offset regular amortization of old loans.



Future Treasury Offerings Another comparatively new element in the situation is the growing apprehension regarding the future supply of new Treasury offerings. The investment market has apparently become accustomed, as it were, to a fairly predictable volume of new issues. Investment policy was largely predicated upon the Treasury's inevitable need for funds. Immediately upon the conclusion of one War Loan, corporate, bank, and individual investors began to contemplate the next one. Although the coupon rates, maturities, and eligibility provisions varied from time to time, there never was any question as to the volume available for purchase.

Now, with the close of the Victory Loan, the Treasury may withdraw from the new money market for a protracted period, depending somewhat upon the volume of subscriptions during this final campaign. The exigencies of war are no longer a basic and pre-determinable factor, and not only the date, but also the terms of future Treasury offerings become more speculative and conjectural.

The Government's policy in connection with forthcoming maturities will undoubtedly be observed and assayed with great interest, for indications as to the extent to which the practices in effect since late 1942 will be carried over into peacetime financial operations.

The following tabulation sets forth the various fixed maturities (or call dates) of the next six months:

Schedule of Maturities—to June 1, 1946
(In Millions)

Period	Amount	
Next 13 weeks	\$17,000*	
Feb. 1, 1946	5,043	3/8% Treasury Bills
Mar. 1, 1946	4,147	7/8% Certificates of Indebtedness
Apr. 1, 1946	4,811	" " " "
May 1, 1946	1,579	" " " "
June 1, 1946	4,799	" " " "
Dec. 15, 1945	531	3/4% ⁽¹⁾ Treasury Notes
Jan. 1, 1946	3,416	0.90% " "
Mar. 15, 1946	1,291	1% " "
Dec. 15, 1945	540	2 1/2% ⁽¹⁾ Treasury Bonds
Mar. 15, 1946-56	489	3 3/4% ⁽²⁾ " "
June 15, 1946-49	1,035	3% " "

(1) Holders have been offered 0.90% eleven-month certificates of indebtedness in exchange.

(2) Called for payment next March, but exchange terms unannounced. Approximate.

The above list is arrayed, not by maturity, but by type of issue on the assumption that the lowest section of the group is the most significant to banks and other investors. Although the refunding at monthly intervals of certificates and short-term notes may not necessarily be confined to straight roll-overs, the major point of interest is the probable offers that will be made to holders of the notes and bonds maturing or callable in March and June.

The fact that prices of six to twelve year maturities have recently been bid up to new all-time high levels, surpassing the June peaks, indicates that the money market is none too sanguine regarding additional supplies of medium-term securities. The terms at which the foregoing maturities are successively refunded will either vindicate, or impair, the validity of that assumption.

CLAY PRODUCTS INDUSTRY—POTTERY

The clay products industry is a heterogeneous conglomeration of producers whose only common denominator is the fact that clay of some sort is mixed, molded and treated with fire in the production process. The industry may be divided into two very broad groups: manufacturers of pottery and related items, and structural clay producers. The first produces hotel china, whiteware, porcelain china, bone china, delft and Belleek ware, stoneware, art pottery, and vitreous-china plumbing fixtures. The second group creates such items as building and paving brick, hollow structural tile, terra cotta, roofing tile, floor and wall tile, sewer pipe, clay refractories, drain tile, stove lining, wall coping and other similar items.

In view of the diversity of the industry, this article is limited to pottery and related items. The structural clay products segment will be treated in a future issue of the Review.

According to the 1939 Census of Manufactures, 290 establishments were engaged in the manufacture of pottery and similar items in the United States. The value of their products was approximately \$99 million. The industry employed some 33,000 wage earners and the value added by manufacturing was \$70 million. There were about a fourth as many pottery establishments as structural clay products manufacturers. The value of their products was about 60 percent of structural clay products.

Ohio is one of the leading producers of pottery and related items. In 1939, it had 72 firms in this category and employed about 9,000 persons or nearly one-third of the national total. Wages paid amounted to \$10.3 million and the value of product approximated \$24 million or nearly 25 percent of United States production.

Since the Census of Manufactures does not provide manufacturing data on a county basis, it is impossible to present exact data on the scale of the industry in the fourth district. It is estimated, however, that 75 percent of the United States tableware pottery industry is located in eastern Ohio, northern West Virginia, and western Pennsylvania. The East Liverpool district, astride the Ohio River, is probably the greatest pottery section in the world and is comprised of the cities of East Liverpool and Wellsville, Ohio, and Chester and Newell, West Virginia.

History Primitive conditions required early American potters to produce useful goods such as brick, roofing tile, and drainpipe instead of the fine tableware of the British and Chinese. As a result, by 1649, brick and tile establishments were prosperous and could be found in nearly every colony. The westward moving frontier had to be content with wooden and pewter dishes and birchbark utensils and pots of iron and brass. The first American produced dishes were sparse and crude. Potters in Virginia made some tableware as early as 1650, and by 1690, Philadelphia had one potter and one clay tobacco pipe maker.

The Colonial potters failed to produce porcelain with commercial success although there was an

abundance of clay. North Carolina exported to English potters large amounts of china clay all during the 17th Century and well into the 18th Century. The first porcelain is said to have been made in 1825 at Bergen, New Jersey, and in Philadelphia.

James Bennett, an itinerant English potter, is the father of the fourth district's pottery industry. He came to this country from Derbyshire at the age of 22 and spent three years with the Jersey City Potters, before moving to Indiana. While on a boat trip for his health, he learned of the clay deposits near East Liverpool. Since he was without funds, local business men in the town of 500 advanced the necessary capital for the erection of a one kiln pottery in 1839. The first products were mugs, jugs, pans, and octagon-shaped spittoons. The local clays burned yellow which remained the characteristic color of East Liverpool pottery for many years.

B. Harker, one of Bennett's backers, sold his interest in the firm and built a pottery on his own land in 1840. This plant was the beginning of the Harker Pottery Company, now located in Chester, West Virginia, and is the oldest established pottery in operation in the United States today.

The superior clays found near East Liverpool, and the presence of good water transportation soon led to the establishment of additional factories and the creation of a pool of skilled pottery labor. Early manufacturers, however, met a deep seated public prejudice. American housewives preferred English ware and the beautiful Chinese creations. Some early potters, in order to sell their wares, stamped them with the British lion and sold all they could make.

About 1879, potters in the East Liverpool district became interested in making whiteware and gradually began to discard local clays. White clay or kaolin was shipped in from North Carolina and Florida. Today, the principal raw materials (kaolin, ball clay, feldspar, silica, flint, boracic acid, zinc, white lead, and whiting) are drawn from nearly every part of the country.

A considerable proportion of the hotel china and sanitary ware manufacturers, however, import quantities of English clays because of their extreme purity. Decalcomanias, used for decorating tableware, are now produced in this country, whereas before the war about 80 percent were imported from Germany. Uranium oxide, used for coloring purposes and formerly imported from Africa, also appears to be lost to the industry.

Skilled workmen, relatively cheap fuel, good transportation facilities, and industrial "know-how" in this area continue to be the economic forces sustaining the district's leadership in the industry.

Production The location of pottery manufacturing plants (other than manufacturers of structural clay products) in the fourth district in 1939 is shown on the map on the next page.

FOURTH DISTRICT POTTERIES*



FEDERAL RESERVE DISTRICT NO. 4

* Includes hotel china, whiteware, porcelain china, bone china, delft and Belleek ware, stoneware, art pottery, and vitreous - china plumbing fixture manufacturers.

Columbiana County leads the district with 20 potteries and reflects the importance of East Liverpool, Salem, and Wellsville. Here are located large producers of table earthenware and chinaware as well as hotel china. Other centers of hotel china production are Lawrence, Beaver, and Washington Counties in Pennsylvania, and Hancock County in West Virginia. Hancock County, West Virginia, is the home of one of the world's largest table and dinnerware manufacturers. Muskingum County ranks second in terms of number with eleven potteries. Zanesville is the production center in that county and specializes in the production of stoneware, crockery, and hotel china. Perry, with five potteries, ranks as the third county. Production is centered in Crooksville and

pottery and plumbing fixtures are dominant. Other leading counties are Summit, Stark, and Hamilton in Ohio, and Allegheny County in Pennsylvania.

The importance of the fourth district in the five principal branches of the pottery industry is brought out in the following summary for 1939. Since data for the individual counties in Pennsylvania and West Virginia are not available, the entire states have been included. To this extent, the relative importance of the fourth district is exaggerated. Kentucky's production in pottery is extremely small.

Value of Product:	Pottery Production — 1939			
	United States	Ohio	Pennsylvania	West Virginia
Whiteware.....	\$27,800,000	\$11,100,000	\$ 600,000	\$11,100,000
Vitreous-china, Plumbing Fixtures.....	22,000,000	.....	.....	.....
Porcelain, Electric Supplies.....	20,800,000	4,150,000	.....	.....
Hotel China.....	9,350,000	1,200,000	2,565,000	1,440,000
Miscellaneous Pottery*.....	16,600,000	7,500,000	625,000	.....
Average Number of Wage Earners:				
Whiteware.....	11,250	4,450	.....	5,000
Vitreous-china, Plumbing Fixtures.....	4,500	470	.....	.....
Porcelain, Electric Supplies.....	6,000	1,000	.....	.....
Hotel China.....	4,350	500	1,300	700
Miscellaneous Pottery*.....	6,000	2,700	150	.....
Wages:				
Whiteware.....	13,150,000	5,400,000	.....	5,250,000
Vitreous-china, Plumbing Fixtures.....	6,315,000	.....	.....	.....
Porcelain, Electric Supplies.....	6,530,000	1,250,000	.....	.....
Hotel China.....	4,650,000	570,000	1,400,000	715,000
Miscellaneous Pottery*.....	6,400,000	3,100,000	175,000	.....
Number of Establishments:				
Whiteware.....	31	16	3	5
Vitreous-china, Plumbing Fixtures.....	25	3	3	2
Porcelain, Electric Supplies.....	42	9	3	4
Hotel China.....	17	3	3	4
Miscellaneous Pottery*.....	151	40	7	.....

*Includes porcelain china, bone china, delft and Belleek ware, chemical porcelain and stoneware, red earthenware, garden pottery, art pottery, etc.

The principal products are whiteware, vitreous china plumbing fixtures, porcelain electrical supplies, and miscellaneous pottery. Ohio and West Virginia are the largest producers of whiteware and almost completely monopolize the industry. New Jersey ranks first in the manufacture of porcelain electrical supplies with Ohio in second place. The latter is also the leading state in the production of miscellaneous pottery products. Pennsylvania ranks first in hotel china and is closely followed by West Virginia and Ohio.

The whiteware industry employs the greatest number of wage earners and pays the most wages. It is followed by porcelain electrical supplies and miscellaneous pottery manufacturers.

FOREIGN COMPETITION

Earthenware The following tabulation made by the United States Tariff Commission indicates that the peak period of imports of household earthenware (also called semi-vitreous china) was reached in 1935 when the ratio of imports to domestic production on a quantity basis reached 21.6 percent. United States producers, however, during the entire period supplied the bulk of the domestic market. The effect of the war in cutting off imports can be seen when this ratio dropped to three percent in 1942.

Household Earthenware			
Year Production	Imports	Total	Ratio of Imports to U. S. Prod. Percent
Quantity (1,000,000 dozen pieces)			
1929	33.0	5.1	38.1
1932	16.6	2.3	18.9
1935	22.2	4.8	27.0
1937	24.5	4.9	29.4
1938	24.0	2.4	26.4
1939	26.8	2.9	29.7
1940	27.3	2.6	29.9
1941	34.0	2.0	36.0
1942	34.0	1.0	35.0

China Examination, however, of the relation between domestic production of household china and imports reveals a completely different situation. Here, the foreign producer completely dominated the United States market until the beginning of the war. Up to 1937, imports supplied 98 percent of the household china consumed in this country. The effect of the boycott against Japanese goods began to be felt in 1940 when imports declined to 88 percent. By 1942, only 20 percent of total production and imports was imported. Further restrictions made necessary by war needs, undoubtedly reduced imports to a negligible quantity by 1945. A comparison of United States production of household china and imports is shown below:

Year Production	Household China			Ratio of Imports to Total, Percent
	Imports	Total	Quantity (1,000,000 dozen pieces)	
1929	.2	8.8	9.0	98
1932	.1	4.4	4.5	98
1935	.1	5.1	5.2	98
1937	.1	6.1	6.2	98
1938	.1	3.5	3.6	97
1939	.2	3.6	3.8	95
1940	.4	3.0	3.4	88
1941	.7	1.4	2.1	67
1942	.7	.2	.9	20

It is apparent from a study of the foregoing data that an increasing proportion of the domestic market has been supplied by the use of earthenware. Production of household china in this country has always been small and limited to a few producers of a very high quality ware. Manufacturers of hotel china produced some household china as a sideline in the medium price field. When the war interrupted imports, several new producers entered the field and several hotel china manufacturers greatly expanded output. By 1943, production had reached about 700,000 dozen pieces as compared to 100,000 dozen pieces in 1938.

Hotel China Practically the entire domestic market for hotel china has been supplied by United States producers. The Japanese had ignored this market, and the small quantity that entered came from the United Kingdom and Germany. Imports amounted to about \$1,100,000 in 1929 and only \$68,000 in 1938. German ware was sold principally on the Eastern seaboard.

The relation between total domestic production and imports of earthenware, china, and porcelain table and kitchen articles is charted below.

The sources, quantity and value of American imports of table and kitchen pottery from 1936 to 1940 are shown in the following compilation as prepared by the United States Department of Commerce:

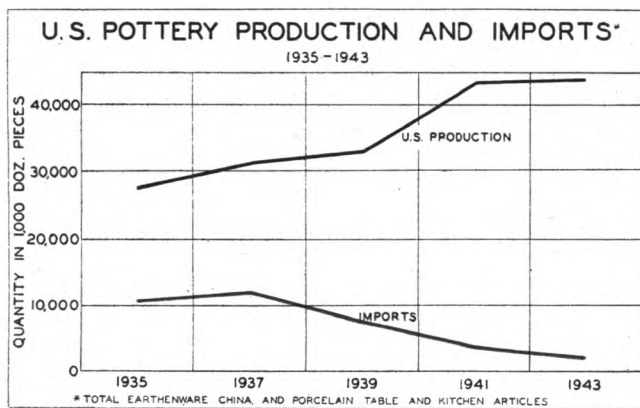
Imports from Japan These data indicate in terms of both quantity and dollar value that the principal supplier was Japan. In 1936, for example, 81 percent by quantity and 56 percent by value of this country's imports came from Japan. The next largest supplier was the United Kingdom which accounted for nine percent by quantity and 24 percent by value. Germany ranked third as a supplier of pottery. It is also apparent that the Japanese were specializing in low priced wares whereas the English were concentrating in the more limited high price field.

Additional studies indicate that in 1937, Japan accounted for about 80 percent of our imports of earthenware by quantity but only 46 percent by value. The same country accounted for 88 percent of household china imports by quantity and 66 percent by value. Germany exported to the United States about seven times as much china as did the United Kingdom, whereas the latter country specialized in earthenware. It is interesting to note that up to 1932, the United Kingdom was the principal supplier of United States imports of earthenware before being displaced by Japan. At the close of the 1930's, imports from Czechoslovakia, Italy, and France were becoming increasingly important.

The competitive relation among the various grades of imported and domestic ware is extremely complex. It is not merely competition on a price-basis, but such factors as prestige, beauty of design, quality of body as well as decoration, luster, exclusiveness, etc., enter into the buyers' decisions. Medium grades of china compete strongly with high grade earthenware in the department and specialty stores. Low grades of china (chiefly from Japan) do not compete with china produced elsewhere but with low priced imported and domestic earthenware or glassware in the variety chains.

Imported earthenware from the United Kingdom is of both high and medium grades and consists mainly of open stock dinnerware. The medium grade is similar in quality and decoration to medium and higher priced domestic earthenware. The high grade imports have a prestige value and compete to some extent with high priced domestic earthenware and medium priced domestic china. Expensive china, principally bone china, competed with only one very high grade china manufacturer in this country up to 1939.

Vitreous china plumbing fixtures such as lavatories, water closet bowls, etc., are produced almost exclusively in the United States so that foreign competition is of negligible importance. Likewise, very little electrical porcelain is imported, the value in 1939 amounting to only \$4,000.



Imports of Table and Kitchen Pottery

Country and Type	1936		1937		1938		1939		1940	
	Dozens	Dollars	Dozens	Dollars	Dozens	Dollars	Dozens	Dollars	Dozens	Dollars
(In Thousands)										
Country										
Japan.....	8,087	3,325	9,317	4,111	4,458	2,038	5,006	2,209	4,249	2,242
United Kingdom.....	855	1,433	882	1,671	636	1,234	933	1,636	982	2,074
Germany.....	493	599	564	645	253	403	187	269	6	12
All Other.....	539	627	632	785	696	876	471	564	408	452
Total.....	9,974	5,984	11,394	7,213	6,043	4,552	6,596	4,677	5,646	4,780
Type										
Household China.....	5,238	3,173	6,147	4,239	3,479	2,720	3,566	2,598	2,980	2,658
Hotel Ware.....	34	50	39	57	32	46	18	18	8	3
Earthen & Stone Ware (1)	4,702	2,762	5,209	2,917	2,533	1,786	3,012	2,062	2,658	2,119
Total.....	9,974	5,984	11,394	7,213	6,043	4,552	6,596	4,677	5,646	4,780

(1) Includes hotel ware.
Value is foreign market value.
Because of rounding, columns do not necessarily add up to totals.

TARIFF PROTECTION

The American pottery industry has operated for many years behind a substantial tariff wall which is now composed of a combination of ad valorem and specific duties. The ad valorem rate on decorated ware has always been higher than for plain ware. The Tariff Act of 1930 set the following rates:

Undecorated earthenware	45% plus 10c per doz. separate pieces
Decorated earthenware	50% plus 10c per doz. separate pieces
Undecorated china	60% plus 10c per doz. separate pieces
Decorated china	70% plus 10c per doz. separate pieces

Effective January 1, 1939, a reciprocal trade agreement with the United Kingdom on types of items produced almost exclusively there, reduced the ad valorem rate of 30 percent plus ten cents per dozen separate pieces on certain kinds of decorated earthenware. The duties on undecorated bone china were reduced to 40 percent ad valorem, and to 45 percent for decorated. The extent to which these reductions would have stimulated additional imports is not known, since the British Government restricted output in the interest of their war effort soon after the rates became effective.

The tariff has actually operated as a greater percentage rate upon Japanese goods due to the low unit value of their product. This tends to magnify, on a percentage basis, the specific duty of ten cents per dozen separate pieces whereas the ten cent rate is relatively unimportant to higher valued European goods. It was estimated in 1941 that equivalent ad valorem rates of duty on imports from the United Kingdom would be 46.5 percent as compared to 83.1 percent for Japan.

In the past, the pottery industry has exhibited extreme sensitivity to changes in tariff rates. Reductions in tariffs resulted in increased imports, reduced domestic production and lowered wage rates. Increased tariff rates produced opposite results. Employer associations and unions have worked closely together to retain protection.

LABOR COSTS AND MECHANIZATION

The pottery industry uses a substantial quantity of labor, much of it highly skilled as the raw materials are processed, and the ware passes through the forming, firing, and decorating stages. One large Ohio manufacturer states that between raw material and packing carton, a decorated cup and saucer is handled by more than 50 people. Labor costs mount rapidly for high grade ware which is carefully made by skilled craftsmen with only the best pieces selected for final decorating and glazing. Much of the decorating is done by hand and requires artistry and extreme accuracy.

A study made by the United States Tariff Commission of twelve companies engaged in the manufacture of earthenware in 1936 indicates that labor cost amounted to about 54 percent of total costs while materials accounted for 24 percent. Despite the

long firing period at high temperatures, fuel expense was only 4 percent. The Census of Manufactures, 1939, shows wage cost as 49 percent of the value of product. Both of these figures indicate a higher labor cost for pottery manufacturers than for any other major manufacturing industry. Any change in wage rates will, therefore, substantially influence costs and have an immediate effect upon the competitive position with relation to imported ware.

It is difficult to compare hourly earnings or weekly wage rates of domestic workers with foreign workers. The two sets of wages must be reduced to a common denominator, i.e., dollars. If the foreign country has devalued its currency, it has the effect of making wages in the United States appear proportionately higher. Thus, if the Yen were devalued 50 percent, it would make domestic wages appear twice as great as Japanese rates but have no immediate effect upon the Japanese workers' purchasing power in their own domestic market. Likewise, in comparing relative wage rates, due consideration must be given to comparative price levels within the countries. Care must be taken also, to see that all perquisites are taken into consideration. Japanese workers, for example, received in addition to direct wage payments, low cost or free housing accommodations, food below cost, semi-annual bonuses, etc., which amounted to about 50 percent of the direct wage.

Wage rates while important, do not tell the whole story. Labor costs are also affected by output per man-hour of wages paid. As yet, exact information concerning relative productivity between the American and the various foreign pottery workers is not available and only intelligent guesses can be made.

With these considerations in mind, a study made in 1939 showed in terms of dollars at current exchange rates, that American workers earned about 2½ times as much as the British employee in 25 percent less working time and seven times the Japanese rate for half as many hours. It, therefore, appears that foreign producers have a great advantage in wage rates.

In Ohio, employment in vitreous and semi-vitreous china and pottery works is now nine percent above the 1935-39 average and payrolls are 33 percent higher. The number of man-hours worked is 19 percent less. The United States Potters Association reports that labor costs in 1944 had risen to 66 percent of factory selling price for the semi-vitreous dinnerware industry. It is, therefore, obvious that labor costs have increased substantially during the war period.

Labor Organizations Earthenware and hotel china employees have been organized into the National Brotherhood of Operative Potters, an American Federation of Labor craft union. In the semi-vitreous dinnerware field, collective bargaining is upon an industry-wide basis, negotiations being conducted with the United States Potters Association, an association of employers. Although

hotel china manufacturers recently established their own association (Vitrified Chinaware Association, Inc.), wage negotiations are still conducted through the older organization. Wage rates for given job classifications are uniform throughout the potteries. One of the largest vitrified china dinnerware manufacturers in the fourth district maintained a non-union plant until 1943 when the Congress of Industrial Organizations won a collective bargaining contract.

Mechanization High labor costs have stimulated the industry to search for ways to reduce overall costs. Since the early 1920's, there has been a progressive shift from the stationary kiln, into which the green ware was carried and stacked by hand and fired in batches, to the more efficient tunnel kiln which permits an assembly line form of continuous firing. More efficient and rapid drying methods have been adopted which shorten the time between jiggering or casting the pieces and the initial or biscuit firing. Several plants are also considering the use of infrared ray drying tunnels which shortens drying time of green ware from four hours down to 20 minutes, reduces the number of molds needed, and eliminates steam heated drying rooms.

Further economies are being adopted such as conveyor belts for handling raw materials and the ware in its various stages of production. The increased use of the "casting" method has speeded up the manufacture of irregular shaped items. This involves the use of absorbent plaster of Paris molds into which the "slip" is poured instead of molding by hand. The use of the modern decalcomania method of decorating is displacing the older method of transferring designs from steel plates via tissue paper to the ware and the filling in the color by hand.

Other important technical improvements are automatic jiggering machines, automatic spraying machines to apply the glaze, lining machines to put on decorative lines, and gold stamping machines for gold decorating work.

The fact remains, however, that highly skilled craftsmen and artisans are still required to form and decorate higher quality ware by hand and their wages will remain a substantial item in total cost.

OUTLOOK FOR THE INDUSTRY

World War II has operated as a more effective barrier to foreign imports of china and earthen tableware than any tariff enacted to date. As a result, domestic production of both household china and earthenware has reached new heights. Production is about 85 percent of capacity. Ohio dinnerware manufacturers are currently about two years behind in orders and complain of a shortage of both skilled and unskilled workers. Scarcity of skilled workmen, caused in part by a three year apprenticeship required by the union, also operates to prevent the introduction of new patterns and lines of merchandise.

Earthen tableware potteries have been operated on a profitable basis under price control. Average 1936-39 profits before taxes were 3.9 percent of sales. For 1944, the rate had risen to 5.95 percent. Increased costs during the period were met, in the main, by dropping low-end and unprofitable lines and items.

Renewal of Imports The end of the war renews the specter of rising foreign competition. Several leading manufacturers have stated that new capital will not come into the industry and there will be no extensive expansion of facilities unless additional tariff protection is forthcoming. The increase in wage rates in the domestic potteries is a further competitive disadvantage.

To the domestic producer, the future foreign competitive situation is gloomy. The Allied Governments have announced their intention to strip Germany completely of all heavy industry and to limit production to light and handicraft industries that have no war-making potentialities. German expansion of pottery production would, therefore, be a logical development in their drive to obtain necessary foreign exchange. The attempt to reduce her to an agrarian economy will, undoubtedly, create an abundant and cheap labor supply for this type of work.

The British are launching an over-all program to increase total export trade by at least 50 percent. The reciprocal trade agreement of 1939 will facilitate the entry of a good grade of earthenware and bone china and the British can be expected to push energetically the export of these items. High consumer purchasing power should aid their sale. In addition, the United States in its present negotiations with Britain is insisting upon a general lowering of trade barriers. It is, therefore, not unlikely that duties on ceramics will be further lowered.

The current condition of the Japanese pottery industry is not known but it has probably suffered severely. The better grades of their china competed keenly with fourth district earthenware. Japan likewise will be stripped of its heavy industry and will be in much the same condition as Germany. Ceramics offer an outlet for "peaceful" industry. An early attempt to revive the industry can therefore be expected, together with a campaign to overcome the American voluntary boycott which was initiated in 1937 and became increasingly effective up to the outbreak of war.

The revival of the Japanese ceramic industry and the volume of exports to America will depend upon how rapidly they are permitted to rebuild potteries, the availability of shipping space, changes in the tariff schedule, and the willingness of the American housewife to buy the goods in preference to higher priced domestic ware. Keen prejudice against Japanese goods may continue for many years to come and so reduce imports. Past experience, however, makes this doubtful.

High consumer purchasing power, a relative dearth during the war of high quality tableware and medium grade chinaware, together with a substantial increase in the number of families, has created a tremendous backlog of demand. Whether it will be satisfied by domestic production or imports seems to depend largely upon American foreign and trade policy. Fourth district pottery interests favor a higher tariff policy, as opposed to other groups that wish to reduce restrictions on imports in order that foreign countries may be in a position to purchase many products which this country can produce most effectively and economically, and also to enable American consumers to have the benefit of lower priced goods available elsewhere.

Glass and Plastic Substitutes Pottery tableware is also faced with increasing competition from other industries, chiefly glass and plastics. In 1939, machine-made glass cups and saucers, dishes, and plates to the value of about \$15 million were produced. Hand made glassware worth \$5 million was also produced as well as a considerable quantity of glass cooking utensils. Machine made glassware had a factory unit value of about 40 percent of comparable clay products. Esthetic values, price, color, style, and finish are determining factors in the sale of these competing products.

Plastics, except for cooking utensils, received stimulation from the war. The Navy and Air Force used large quantities of plastic tableware, presumably because of light weight and durability. In their present state, however, plastics are subject to scratching from cutlery and absorption of stains and odors. Future development may overcome these difficulties, and if produced on a mass production basis may be cheaper than pottery. Paper tableware was used in many eating establishments when hotel china became very scarce and had the advantage of reducing the amount of dishwashing and cleaning needed in labor-short kitchens.

Export Markets The war also stimulated an almost non-existent export market for American pottery tableware. Exports increased from \$137,000 in 1937 to about \$1,300,000 in 1943. The goods were sold chiefly to Latin American countries which had been supplied by Japanese and European producers. Revival of the ceramic industry abroad will, undoubtedly, have an adverse effect upon this business coupled with foreign importers' difficulties in obtaining American dollars with which to make payment. Fourth district potteries currently report that foreign orders are being declined daily. Capacity is inadequate for domestic demand and there is little inclination to expand facilities for a market that may be very short-lived.

CURRENT INDUSTRIAL DEVELOPMENTS

Shortages of consumer soft and durable goods coupled with the tremendous publicity given to strikes, strike votes, and threats of strike tend to obscure completely the fact that the vast majority of the labor force is hard at work turning out goods and services in an ever-increasing volume. During the past month, an average of about 250,000 people daily have been on strike. At the same time, however, about 50,000,000 people were employed and at work. There were only some 1.5 million unemployed in October which is truly remarkable in view of the rapidity with which men are being released from the Armed Forces and the problems faced by manufacturers in reconverting their plants.

There is little doubt that unemployment will tend upward in the winter months as men are discharged from military service at a rate of about 1.5 million per month, which is more than industry can hope to absorb immediately. Likewise, there may occur a series of costly strikes of which the General Motors affair may be only the beginning. The encouraging fact remains that unemployment now is neither so great nor so widespread as had been expected originally.

From a broad economic point of view, if the steel industry is to experience a national strike, it would appear desirable to have it occur now while a large part of the automobile industry is closed down. A strike later on, could force a second curtailment in car production and thus doubly impede reconversion.

Total building contracts awarded in the fourth district in September were up \$7.5 million over the previous month to \$32.9 million. This brought the nine month cumulative total to \$188 million as compared to \$127 million for the same 1944 period. Residential contracts for nine months of 1945 were \$34.3 million which is \$7.7 million above last year.

District cement production for September was 755,000 barrels or 91 percent of the 1935-39 average. Nine months production was 5.2 million barrels compared to 4.9 million barrels last year. September shoe production in Ohio was 1,170,000 pairs, a decline of 7 percent from previous month. These figures continue to reflect shortages of raw material, especially for women's leather shoes.

Electric power output in September was 2,456 million K.W.H. which is 161 percent of the 1935-39 average. This compares with 180 percent in August. Peak production during the entire war period was reached in January 1945 at a rate of 211 percent of the base period.

Liabilities of commercial failures for the district in October were only \$66,000 or 5 percent of the 1935-39 average. This compares with 9 percent in the previous month.

Ordinary life insurance sales for Ohio and Pennsylvania totaled \$116.5 million in October or 138 percent of the 1935-39 average and 105 percent in September.

Machine Tools The National Machine Tool Builders Association reports new orders for October of \$26.3 million for 199 companies or about 93 percent of the industry. This is an increase of \$3.6 million over the previous month. Cancellations equalled \$9 million. Total shipments of machine tools were up \$3.8 million for the month to reach a total of \$31.1 million. Unfilled firm orders at the end of October were \$173 million, the lowest level of the year. Of this total, 19 percent is for foreign account, whereas 21 percent of new business booked in October is for export.

Disposal of surplus machine tools is making little progress. There were approximately 900,000 machine tools in the United States on January 1, 1940. Total 1940-45 production equalled 935,000. The Government does not know exactly what it owns but the most recent estimate of the ownership of the new tools is:

Reconstruction Finance Corporation.....	285,000
Navy.....	254,000
Army (including Ordnance and Air Corps).....	162,000
Private Industry (W.P.B. estimate).....	116,000
Maritime Commission.....	22,000
Total.....	839,000

The discrepancy of 100,000 machines is probably in the Army figure.

As of October 15, 1945, only 51,000 machine tools had been declared surplus of which the Reconstruction Finance Corporation had sold 16,200 to the public. Sales have since fallen to an annual rate of about 10,000.

The Armed Forces have not revealed figures as to the size of the reserve of machine tools they intend to maintain. Further, a large number of tools still in private hands are subject to option and may reduce the surplus to some extent. In all probability about 300,000 will have to be sold by Reconstruction Finance Corporation. If these are not to become a dead weight on the industry, it would seem expedient to open up all channels of distribution as rapidly as possible. Given adequate margins, the industry itself could provide the best sales force for this enormous task.

Iron and Steel The steel industry recovered rapidly from the effects of the soft coal strike with production at 82½ percent of capacity at the end of November compared to 65 percent at the close of the strike. Steel ingot production in October totaled 5.6 million net tons, a decline of 360,000 tons from September, a shorter month. For ten months, ingot production was 67.4 million tons as compared to 75 million tons in the same 1944 period.

The strike was further reflected in blast furnace operation. Furnaces consumed 4.5 million tons of Lake Superior iron ore in October as compared to 5.8 million tons the preceding month and 7.3 million tons in October 1944. Active blast furnaces in the United States and Canada on November 1 totaled 132 compared to 172 a year earlier. Coal shortage and the need for long delayed repairs explain the decline. Stocks of iron ore at blast furnaces and Lake Erie docks on November 1 were 45 million gross tons and practically the same as the previous year.

The pressure for deliveries and bookings continues as great as ever. Practically all mills have established quota plans for distribution of steel products. As a result, casual buyers are having difficulty in placing orders. Some mills have already suspended shipments to strikebound General Motors plants. If the strike is of long duration, this suspension may enable other buyers to obtain earlier delivery. Mills have backlogs extending far into 1946. Wire products are in almost as tight a position as sheets. The demand for plates and structural steel is increasing sufficiently to carry deliveries well into next year.

The refusal of Office of Price Administration to grant general price increases at this time came as a surprise to the industry and further complicates the wage situation.

For the first time in history, Minnesota iron ore is being shipped to Birmingham as a result of a shortage of workers in southern mines. About 250,000 tons will be moved by rail at a freight cost in excess of \$750,000.

Coal Bituminous coal production in the fourth district during October fell to 12 million tons as a result of the recent strike. This brought the January 1 to October 31, 1945, district total to 176.9 million tons compared to 197.9 million tons for the same 1944 period. National production from January 1 to November 3 amounted to 482.2 million tons as compared to 531.3 million tons for the 1944 period ending November 4.

Top priority was given the movement of eastern mined bituminous coal to upper Great Lakes docks before the official close of the navigation season. The danger of an acute coal shortage in the northwest appears to be over. Shipment was expedited through a subsidy granted by the Reconstruction Finance Corporation beginning November 19. An increased rate of \$1 per ton for coal to the head of the lake and 85 cents per ton for coal to the west bank of Lake Michigan was granted. The trans-shipper paid the going rate and the vessel operator collected the balance from the Reconstruction Finance Corporation.

AGRICULTURAL SUMMARY

Total crop production in United States declined about one-half of one percent during October. This resulted in the indicated crop production November 1, being slightly below the record volumes harvested in 1942 and again last year.

The national production of some of the important crops grown in the fourth district was: record yields of wheat, oats, tobacco, peaches, pears and truck crops, and near-record yields of such crops as corn, hay, potatoes, soybeans and grapes. The first two billion pound tobacco crop in the country is now on its way to market, and this year's corn crop was the fourth successive three billion bushel harvest. Frost caused some damage to corn in the western corn belt where approximately twelve percent is expected to be "soft" corn. This is corn which was immature at the time frost occurred and cannot be stored successfully because of excessive moisture. Larger than usual numbers of feeder cattle and hogs will be retained on farms in these areas to utilize this corn.

Only slight changes were recorded in the indicated production of the major crops in the fourth district November 1 as compared to a month earlier. Corn production was up a million bushels; tobacco down five million pounds, and potatoes up two million bushels. No change was indicated for the other crops.

Milk production has been above any previous October in the fourth district, and the national volume is expected to exceed all previous records this year. While egg production was high in October, total for the first ten months of this year was five percent less than during the same period last year.

Even though the October crop price index for the country was nine points higher than a year ago, only three of the major crops in the district were selling at prices above last year. These were wheat—up ten cents per bushel; tobacco—up four cents per pound; and soybeans—up two cents per bushel. Oats, hay, and potatoes were selling at lower prices and corn at the same price as last year.

Livestock and livestock products prices declined from a month earlier but still stand three points above a year ago.

FARM INCOME

Cash receipts from farm marketings in the United States this year will be over \$20 billion, an all time high, according to present estimates. This is in contrast to forecasts made early this year which placed the probable 1945 farm receipts at something less than the 1944 figure of just under \$20 billion which of itself represented a new all time high. However, near-record production of many farm products, and slightly higher prices for some of them accounts for the continued upward trend in farm receipts.

Cash Receipts from Farm Marketings in Fourth District States and the United States (In Millions)

	1943	1944	Jan. to Aug. 1944	1945
Kentucky.....	\$343	\$357	\$233	\$281
Ohio.....	708	698	467	468
Pennsylvania.....	506	522	340	348
West Virginia.....	81	85	48	46
United States.....	19,563	19,975	(\$20,400)*	

*Preliminary estimate of 1945 yearly total.

Source: Bureau of Agricultural Economics.

The highest total cash receipts in United States prior to the present war was in 1919 when cash receipts from farm marketings equaled \$14.6 billion.

In fourth district states, cash receipts during 1944 were in excess of any preceding year in each state except Ohio. In that state, a decrease of \$11 million in return from livestock and livestock products (mostly hogs) reduced the 1944 receipts below the 1943 figure of \$708 million.

Farm receipts for the first eight months of this year are ahead of the same period last year in all of the fourth district states except West Virginia. Lower receipts here are due in part to fewer eggs produced and a short fruit crop.

Relationship of Net Farm Income to Cash Receipts from Farm Marketings (Dollars per farm)

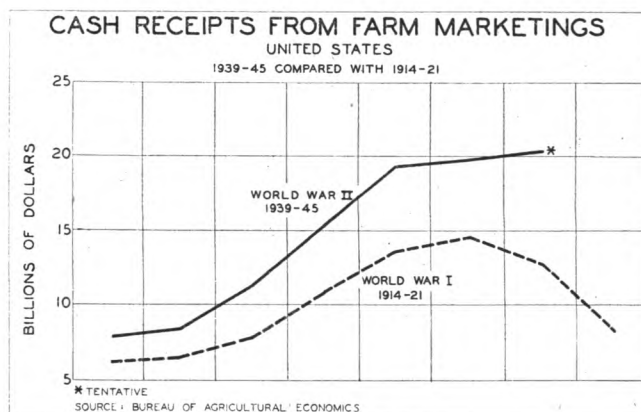
	1939		1944	
	Cash Receipts	Net farm* Income	Cash Receipts	Net farm* Income
Kentucky....	\$ 547	\$462	\$1,601	\$1,371
Ohio.....	\$1,345	816	3,159	2,089
Pennsylvania..	1,535	723	3,162	1,681
West Virginia	401	438	915	877
United States	1,282	735	3,632	2,269

*Includes value of home products used on the farm.

Source: Bureau of Agricultural Economics.

The data in the above table show that net farm income follows closely the trend of receipts from farm marketings. From this it appears reasonable to assume that the net farm income in 1945 will reach a record high. Thus another year of above average farm return will go to strengthen the financial condition of agriculture.

It is of interest to compare the cash receipts from farm marketings during the two war periods, as illustrated in the accompanying chart:



The relationship shown gives point to what many good farmers are now doing. Forward-looking farm operators see advantage in using the returns from this period to build up the soil resources and other capital equipment of agriculture so that the resulting increase in efficiency will permit a reasonable return to the operator in any period of less favorable cash receipts.

DEPARTMENT STORE SALES

Fourth district department stores this year are anticipating the largest Christmas business in their history. Apparently contract terminations and accompanying layoffs have not reduced greatly the purchasing power of consumers in this area, as stores have been reporting sizable increases in their sales during the past several weeks.

The Japanese surrender was followed by a lull in department store business, which reflected uncertainty on the part of many people regarding the future. During the latter part of August and throughout much of September, dollar sales remained at the 1944 level, which was in sharp contrast to the experience of previous months when stores experienced year-to-year gains ranging up to 19 percent. However, the effect of V-J Day upon consumer purchases has lessened since October 1 and merchants again are reporting substantial increases in dollar sales. The gain of 14 percent for October was remarkable in view of the fact that sales a year ago were at a record-high level for that month. Moreover, with a large number of servicemen returning to the States, the volume of gift buying for overseas shipment was smaller this year. As shown on the accompanying chart, the seasonally adjusted sales index advanced sharply during October to 209 percent of the 1935-39 daily average, the highest point since July.

The October increase among the leading cities of the district showed considerable variation. Canton sales equaled the 1944 volume, while other cities experienced gains ranging from 3 percent in Springfield to 19 percent in Pittsburgh and Cincinnati. Sales in Akron and Toledo were up 6 percent, Cleveland 14 percent, and Columbus 17 percent. These gains carried over into the first half of November wherein sales for all reporting stores were nine percent larger than during the same period a year ago. It is expected that retailers will continue to experience a greater amount of business this year than they did in 1944, although stocks may be a limiting factor to sales in certain departments. Merchants are still having difficulty in securing various types of gift merchandise. Labor unrest, too, may have an adverse effect on

department store business. Nevertheless, it is estimated that total dollar sales at fourth district stores during 1945 will be approximately ten percent greater than they were last year.

The largest gains in sales during October were experienced by men's clothing and shoe departments. Veterans, many of whom need completely new wardrobes, are purchasing practically all available supplies of suits, coats, and footwear. Merchants are finding it extremely difficult to replenish stocks of these items, and shortages have become quite serious in many cases.

Household appliance sales were more than double those of October 1944, as stores are receiving limited amounts of this type of merchandise. Some of this increase is attributable to advance sales made from demonstrator models. Other homefurnishing departments—furniture, lamps, housewares, and domestics—also sold considerably more merchandise this year than last. Total sales in this category were 28 percent larger.

Sales of women's coats and suits were up 13 percent, dresses 21 percent, and furs 28 percent. The women's accessories departments also reported substantial gains in their dollar volume, especially those featuring shoes, millinery, gloves, and corsets. Jewelry sales were 16 percent larger compared with a year ago and piece goods 8 percent, while the dollar amounts of cosmetics sold showed little change from October 1944.

CURRENT EVENTS

On November 15, Mr. William H. Fletcher was elected first vice-president of this bank, to succeed Mr. Reuben B. Hays who resigned to become executive vice-president of The First National Bank of Cincinnati, Cincinnati, Ohio.

On November 16, Mr. Ben R. Conner was re-elected a Class A director of this bank for a three-year term beginning January 1, 1946. Mr. Conner is president of The First National Bank of Ada, Ada, Ohio.

On November 16, Mr. Thomas E. Millsop was re-elected a Class B director of this bank for a three-year term beginning January 1, 1946. Mr. Millsop is president of the Weirton Steel Company, Weirton, West Virginia.

The following State banks, situated in the fourth district, were recently admitted to membership in the Federal Reserve System:

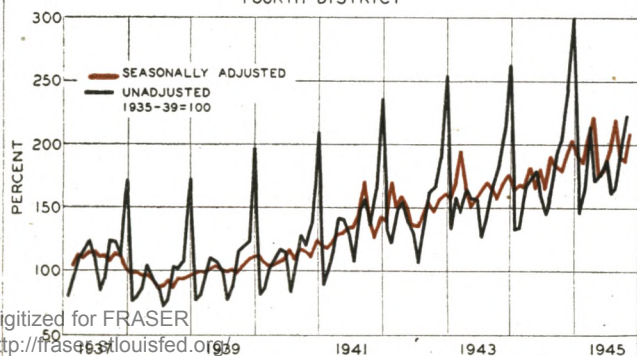
Port Clinton, Ohio.

The American Bank of Port Clinton, Ohio.

Charleroi, Pennsylvania.

Charleroi Savings and Trust Company.

DEPARTMENT STORE SALES
FOURTH DISTRICT



POSTWAR ECONOMIC STUDIES

The Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C., now has available for distribution the first and second pamphlets of a series of eight. The first is entitled "Jobs, Production, and Living Standards," the second, "Agricultural Adjustment and Income." Educational institutions and public libraries may obtain copies free upon request; others may purchase single pamphlets at 25 cents each, or at 15 cents each for group orders of ten or more.

Wholesale and Retail Trade

(1945 compared with 1944)

	Percentage Increase or Decrease		
	SALES		SALES STOCKS
	Oct. 1945	first 10 months	Oct. 1945
DEPARTMENT STORES (97)			
Akron.....	+ 6	+10	+ 9
Canton.....	- 0	+ 5	a
Cincinnati.....	+19	+14	+ 6
Cleveland.....	+14	+ 9	- 2
Columbus.....	+17	+15	+ 1
Erie.....	+ 7	+ 6	- 1
Pittsburgh.....	+19	+11	+ 4
Springfield.....	+ 3	+ 6	a
Toledo.....	+ 6	+ 8	+ 3
Wheeling.....	+13	+16	+ 5
Youngstown.....	+15	+16	a
Other Cities.....	+11	+ 5	+ 7
District.....	+14	+11	+ 4
WEARING APPAREL (17)			
Canton.....	+16	+11	- 5
Cincinnati.....	+19	+11	-32
Cleveland.....	+23	+11	-13
Pittsburgh.....	+22	+13	-12
Other Cities.....	+ 7	+10	- 8
District.....	+18	+11	-13
FURNITURE (74)			
Canton.....	+27	+ 8	+ 7
Cincinnati.....	+19	+12	+ 9
Cleveland.....	+ 1	+ 1	+ 1
Columbus.....	+19	+ 2	+12
Dayton.....	+30	+10	+13
Pittsburgh.....	+28	+ 8	a
Allegheny County.....	+11	+ 6	a
Toledo.....	+18	+ 3	-10
Other Cities.....	+24	+27	+14
District.....	+21	+32	+14
CHAIN STORES*			
Drugs—District (5).....	+ 3	+ 3	a
Groceries—District (4).....	+ 8	+ 4	a
WHOLESALE TRADE**			
Automotive Supplies (4).....	+31	+18	+ 4
Beer (6).....	+ 8	- 3	-35
Drugs and Drug Sundries (3).....	+ 2	a	a
Electrical Goods (9).....	+22	+ 6	a
Fresh Fruits and Vegetables (6).....	-11	+17	+ 7
Furniture & House Furnishings (4).....	- 9	a	a
Grocery Group (40).....	+13	+ 3	- 7
Total Hardware Group (19).....	- 1	+ 6	+22
General Hardware (7).....	- 1	a	+22
Industrial Supplies (7).....	-12	- 5	a
Plumbing & Heating Supplies (5).....	+17	+10	a
Jewelry (7).....	+11	+ 5	a
Lumber and Building Materials (5).....	- 1	+ 2	-18
Paints and Varnishes (3).....	+46	a	a
Paper and Its Products (5).....	+ 5	+ 4	a
Tobacco and Its Products (15).....	+17	+ 2	- 8
Miscellaneous (20).....	-10	- 8	+ 4
District—All Wholesale Trade (152).....	+ 5	+ 3	+ 3

* Per individual unit operated.

** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.

a Not available.

Figures in parentheses indicate number of firms reporting sales.

Fourth District Business Indexes

(1935-39 = 100)

	Oct. 1945	Oct. 1944	Oct. 1943	Oct. 1942	Oct. 1941
Bank Debits (24 cities).....	206	212	203	185	162
Commercial Failures (Number).....	3	6	10	53	74
" (Liabilities).....	5	7	6	20	40
Sales—Life Insurance (O. and Pa.).....	138	117	105	78	122
—Department Stores (97 firms).....	224	204	182	167	135
—Chain Drugs (5 firms)*.....	177	171	173	163	124
—Chain Groceries (4 firms).....	167	154	158	147	121
Building Contracts—(Total).....	a	37	81	257	188
—(Residential).....	a	19	112	160	253
Production—Coal (O., W. Pa., E. Ky.).....	96	156	151	152	156
—Cement (O., W. Pa., E. Ky.)**	91	87	128	186	173
—Electric Power (O., Pa., Ky.)**	161	190	187	167	148
—Petroleum (O., Pa., Ky.)**	92	103	104	97	96
—Shoes.....	a	88	90	91	107

* Per individual unit operated.

** September.

a Not available.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	Oct. 1945	% change from 1944	Jan.-Oct. 1945	% change from 1944
Bank Debits—24 cities.....	\$4,571,000	- 3	47,711,000	+ 2
Savings Deposits—end of month: 39 banks O. and W. Pa.....	\$1,374,335	+23		
Life Insurance Sales: Ohio and Pa.....	\$ 116,449	+18	1,033,817	+11
Retail Sales: Dept. Stores—97 firms.....	\$ 56,848	+14	437,184	+11
Wearing Apparel—17 firms.....	\$ 2,906	+18	21,653	+11
Furniture—74 firms.....	\$ 3,532	+21	27,421	+ 7
Commercial Failures— Liabilities.....	\$ 66	-39	1,704	+32
Number.....	2	-50	46	-27
Production: Pig Iron—U. S..... Net tons	3,388	-35	45,818	-12
Steel Ingot—U. S..... Net tons	5,620	-26	67,481	-10
Bituminous Coal— O., W. Pa., E. Ky..... Net tons	12,037	-38	176,849	-11
Cement— O., W. Pa., W. Va..... Bbls.	755a	+ 5	5,182b	+ 7
Electric Power— O., Pa., Ky..... Thous. K.W.H.	2,456a	-15	26,299b	- 1
Bituminous Coal Shipments Lake Erie ports..... Net tons	4,509	-37	42,947	-13

a September.

b January-September.

Debits to Individual Accounts

(Thousands of Dollars)

	Oct. 1945	% change from 1944	Jan.-Oct. 1945	Jan.-Oct. 1944	% change from 1944
Akron.....	181,741	- 5.3	1,979,956	1,817,654	+ 8.9
Butler.....	21,279	+13.2	211,671	178,586	+18.5
Canton.....	72,498	- 8.4	820,866	819,477	+ 0.2
Cincinnati.....	616,454	- 2.5	6,419,709	6,093,715	+ 5.3
Cleveland.....	1,307,608	+ 7.1	13,409,660	13,257,672	+ 1.1
Columbus.....	357,435	+20.6	3,431,454	3,159,344	+ 8.6
Covington-Newport	27,964	+17.4	266,280	246,359	+ 8.1
Dayton.....	143,130	- 2.2	1,480,614	1,442,061	+ 2.7
Erie.....	56,314	- 2.0	606,421	633,954	- 4.3
Franklin.....	7,323	+16.2	61,675	61,367	+ 0.5
Greensburg.....	12,419	- 0.9	127,061	123,358	+ 3.0
Hamilton.....	23,225	+11.3	233,302	202,858	+15.0
Homestead.....	5,139	+ 9.0	52,103	49,390	+ 5.5
Lexington.....	37,356	+27.9	467,464	355,719	+31.4
Lima.....	27,335	- 4.7	285,239	274,565	+ 3.9
Lorain.....	10,112	+16.3	92,404	86,833	+ 6.4
Mansfield.....	22,815	+ 5.9	234,177	213,027	+ 9.9
Middletown.....	20,931	+11.5	199,290	197,652	+ 0.8
Oil City.....	14,090	- 2.3	160,857	152,767	+ 5.3
Pittsburgh.....	1,206,642	- 6.0	13,144,805	13,195,350	- 0.4
Portsmouth.....	13,823	+ 8.1	126,860	116,103	+ 9.3
Sharon.....	18,296	+ 9.7	172,339	168,156	+ 2.5
Springfield.....	31,383	+ 3.6	325,071	324,752	+ 0.1
Steubenville.....	16,907	+22.1	161,160	137,251	+17.4
Toledo.....	226,099	-12.1	2,447,244	2,665,772	- 8.2
Warren.....	23,134	- 2.0	240,303	241,589	- 0.5
Wheeling.....	44,073	+ 4.2	441,429	427,717	+ 3.2
Youngstown.....	105,981	+11.9	897,169	870,642	+ 3.0
Zanesville.....	15,090	+19.9	141,731	129,485	+ 9.5
Total.....	4,666,596	- 2.9	48,638,314	47,643,175	+ 2.1

Indexes of Department Store Sales and Stocks

Daily Average for 1935-39 = 100

	Without Seasonal Adjustment			Adjusted for Seasonal Variation		
	Oct. 1945	Sept. 1945	Oct. 1944	Oct. 1945	Sept. 1945	Oct. 1944
	SALES:					
Akron (6).....	244	219	241	230	215	227
Canton (5).....	244	222	253	223	225	232
Cincinnati (9).....	236	211	206	222	207	194
Cleveland (10).....	211	185	191	211	162	191
Columbus (5).....	268	242	238	255	242	227
Erie (3).....	231	211	223	216	213	208
Pittsburgh (8).....	212	183	185	200	180	175
Springfield (3).....	243	232	245	229	234	232
Toledo (6).....	219	196	215	201	189	198
Wheeling (6).....	200	184	183	198	179	181
Youngstown (3).....	246	219	222	234	213	211
District (97).....	224	199	204	209	187	190
STOCKS:						
District.....	174	171	169	151	153	147

* Per individual unit operated.

** September.

a Not available.

Summary of National Business Conditions

By the Board of Governors of the Federal Reserve System

Industrial output declined somewhat further in October but in the early part of November production in important basic industries increased. Value of retail sales continued to advance considerably in October and early November reflecting in part small increases in prices.

INDUSTRIAL PRODUCTION

Output at factories and mines continued to decline in October reflecting a further curtailment in munitions activity and reduced production as a result of industrial disputes in some industries. The Board's seasonally adjusted index decreased 4 per cent in October and at 164 per cent of the 1935-39 average the index was at the same level as in the middle of 1941. In the first half of November output in such basic industries as coal, coke, petroleum, iron and steel, and automobiles was above the October level.

Activity in the machinery and transportation equipment industries showed only small declines in October in contrast to the sharp reductions in recent months when most of the war production in these lines had been terminated. Activity at automobile factories rose substantially in October and there were also important increases in output of civilian products in other reconverted factories.

Steel production was reduced in October as a result of a temporary curtailment in coal supplies but since the end of October steel mill operations have increased considerably. Wage-rate disputes in the West Coast lumber region resulted in a reduction of 18 per cent in total lumber output in October.

Output of nondurable goods as a group was maintained in October. Further reductions in output of explosives and aviation gasoline and other products used for war purposes were offset by increases in output of many peacetime products.

Output of coal and crude petroleum decreased sharply in the early part of October as a result of industrial disputes. Since the last week of October production of these minerals has increased considerably; in the early part of November bituminous coal production was at the highest rate since the spring of 1944.

EMPLOYMENT

Employment in munitions industries and in Federal war agencies declined further in October, while in most establishments engaged in civilian activities employment increased. Employment at automobile factories gained about 10 per cent in October, and there were important increases in some other manufacturing lines, in construction, and in the trade and service industries. Employment at coal mines dropped temporarily as a result of work stoppages.

DISTRIBUTION

Distribution of commodities to consumers continued to increase in October and the first half of November. Sales at retail stores selling both durable and nondurable goods were about 15 per cent higher than a year ago. At department stores sales advanced 8 per cent from September to October, according to the Board's seasonally adjusted index, and, on the basis of the rate of sales during the first half of November a new peak is indicated this month.

Railroad shipments of revenue freight have increased since the early part of October, although they usually decline during this season, and in the middle of November they were almost as large as in the same period a year ago. The increased number of carloadings has reflected a sharp rise in coal shipments since the miners have gone back to work as well as a steady expansion in shipments of merchandise for civilian use.

COMMODITY PRICES

Wholesale prices of farm products and foods continued to advance from the middle of October to the middle of November and reached the previous peak levels prevailing in June. Prices of cotton, grains, and various other products were above the June levels, while prices of fresh fruits and vegetables were below the earlier seasonal peaks. Butter prices rose to the new maximum level after the subsidy was discontinued in October; the subsidy on flour was increased for the month of November.

Maximum prices for cotton goods, building materials, and various other industrial products were raised somewhat further, while in certain other cases, like nylon hosiery, reductions in maximum prices were announced. The prices announced for new passenger cars were close to 1942 levels, which were substantially above 1939 prices.

BANK CREDIT

Since the end of hostilities the rate of monetary expansion has slackened, reflecting reduced Government expenditures. Government war loan accounts at member banks in leading cities were reduced 5.1 billion dollars between August 15 and November 14, compared with a decline of 7.8 billion in the same period last year. Adjusted demand deposits at these banks increased 2.1 billion in the three months, compared with 4.5 billion last year. The growth in time deposits was only slightly less than in the same period a year ago. Currency in circulation has also grown at a much slower rate; during the past three months the increase was less than half that of the same period last year.

With reduced expansion in member bank required reserves and in currency, Reserve Bank credit has increased more slowly than in previous interdrive periods. A part of the increase has been in advances to member banks. Member bank excess reserves have increased somewhat and at 1.2 billion dollars are larger than usual at this stage of war loan drives.

Commercial loans at reporting banks, both those in New York City and outside, have increased somewhat more than the usual seasonal amount. Since the beginning of September these loans have grown 650 million dollars compared with 340 million during the same period of 1944. Loans for purchasing and carrying United States Government securities, though contracting as usual in periods between war loan drives, continued well above previous interdrive levels. By mid-November such loans both to brokers and dealers and to other customers were already starting to expand in connection with the current drive.

