Monthly Business Review

Finance, Industry Agriculture, and Trade

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 29 | **Cleveland, Ohio, May 1, 1947** | **No. 5**

POSTWAR CHANGES IN DEPOSIT OWNERSHIP

The most recent survey of deposit ownership in this District disclosed that on February 26 total demand deposits of individuals, partnerships, and corporations* at reporting banks were higher than on any previous survey date. The aggregate figure, however, represented only a moderate gain over the total reported seven months earlier.

Postwar Gains in Total Demand Deposits

At the 33 largest participating banks, each with demand deposits in excess of $10 million, total demand deposits on February 26 were 5 percent higher than when the war ended a year and a half ago, but only slightly above last July. Total postwar gains at smaller banks have been substantially greater. At 68 banks, with deposits of $1 to $10 million, the aggregate postwar gain amounted to 17 percent by February of this year, of which only 2 percent is attributable to the past seven months.

Data derived from other recent reports from member banks reveal that demand deposits in this District have actually declined slightly since February, in part because an excess of Treasury cash receipts over expenditures has tended to shrink deposits to a slightly greater degree than increases in loan and bond portfolios have expanded deposit totals.

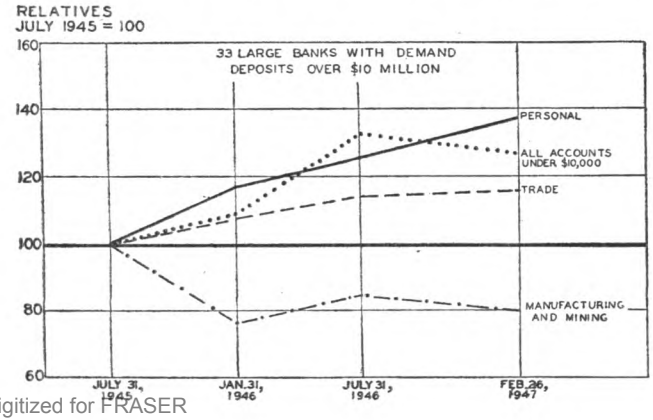
Effect of Industrial Accounts at Large Banks

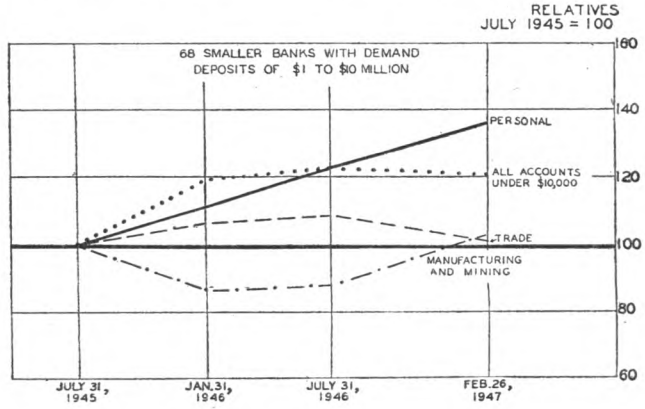
The 33 large banks experienced only a moderate postwar gain in demand deposits chiefly because of factors related to manufacturing and mining accounts. On February 26 these accounts at the large banks were 20 percent below the level which prevailed when the war ended, whereas at the smaller banks the manufacturing and mining accounts were actually 2 percent higher than at the termination of hostilities.

Manufacturing and mining accounts constitute a far larger portion of total deposits at the large banks than at the small. At the 33 largest institutions which participated in the latest survey, deposits of manufacturing and mining concerns made up 35 percent of total demand deposits, compared with a figure of only 18 percent at the 68 smaller banks. Hence, the sharp reduction in these accounts at the large banks retarded deposit growth at those institutions.

* Hereafter referred to simply as demand deposits.

POSTWAR CHANGES IN DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS





POSTWAR CHANGES IN DEMAND DEPOSITS
of Individuals, Partnerships and Corporations

33 LARGE BANKS WITH DEMAND DEPOSITS OVER $10 MILLION

Type of Deposit	July 31 1945	Jan. 31 1946	July 31 1946	Feb. 26 1947
	—Relatives July '45 = 100—			
Accounts of $10,000 or more	100	92	98	100
Other Nonfinancial	100	117	133	144
Nonprofit Assoc.	100	113	126	141
Personal Accounts	100	117	125	137
Insurance Companies	100	108	120	133
All Other Financial	100	117	120	129
Retail & Wholesale Trade	100	108	114	115
Public Utilities	100	95	107	111
Trust Funds of Banks	100	130	94	104
Manufacturing & Mining	100	76	84	80
All Accounts Under $10,000	100	109	132	126
TOTAL	100	95	104	105

68 SMALLER BANKS WITH DEMAND DEPOSITS OF $1 TO $10 MILLION

Type of Deposit	July 31 1945	Jan. 31 1946	July 31 1946	Feb. 26 1947
	—Relatives July '45 = 100—			
Accounts of $3,000 or more	100	103	112	116
Personal Accounts	100	111	122	135
Nonprofit Assoc.	100	118	128	134
Other Nonfinancial	100	118	137	131
Trust Funds of Banks	100	117	121	127
Insurance Companies	100	105	104	116
All Other Financial	100	110	168	115
Public Utilities	100	100	108	113
Manufacturing & Mining	100	86	88	104
Retail & Wholesale Trade	100	106	108	101
All Accounts Under $3,000	100	119	122	121
TOTAL	100	108	115	117

In spite of the relatively small postwar gain in total deposits at the large banks, their percentage increases in most classes of deposits, other than manufacturing and mining accounts, slightly exceeded those of the smaller banks. In the postwar period as a whole, large personal accounts were up 37 percent at the large banks and 35 percent at the small. The corresponding figures for retail and wholesale trade accounts were a 15 percent advance for the large banks contrasted with a mere 1 percent gain at the smaller banks. Unclassified accounts (under $10,000) increased 26 percent in the postwar period at the large banks, whereas the gain at the smaller banks in unclassified accounts (under $3,000) amounted to 21 percent.

Every deposit classification was larger on February 26 than at the end of the war, with the single exception of manufacturing and mining accounts at the large banks. The accompanying table discloses that manufacturing and mining accounts fell off sharply at banks in both size groups during the first six months after the war, but that those accounts advanced somewhat in the following six-month interval. In the seven-month period ending February 26, the recovery of manufacturing and mining accounts gained momentum at the smaller banks, but these accounts eased off again at the large institutions.

A further breakdown of the changes in manufacturing and mining accounts at the large banks in the recent seven-month interval indicates that at the largest of the banks, with demand deposits in excess of $100 million, a decline of 6 percent occurred, whereas at banks with demand deposits ranging from $10 to $100 million a gain of 8 percent occurred. It is probable, therefore, that accounts of small manufacturing and mining companies advanced considerably in the recent interval, while the declines may have been concentrated in the accounts of a few relatively large companies.

Postwar Gains in Other Business Accounts

Retail and wholesale trade balances at the large banks have been greater in each successive postwar survey, although the gain during the last seven-month interval was nominal. These accounts likewise increased at the smaller banks during the first year after the war, but the latest survey indicates a 7 percent drop below the July 1946 high. Public utilities accounts, which eased off slightly in the months immediately following the end of the war, have posted gains in the last two surveys and by February 26 were roughly 12 percent higher in each size group than at the cessation of hostilities.

Financial accounts, such as deposits of insurance companies, trust funds and "all other financial" deposits (including those of insurance agents, real estate concerns, investment companies, building and loan associations, credit unions, etc.) were all substantially higher than at the end of the war. "All other nonfinancial accounts" have increased considerably since the war, with substantial gains being reported on each survey date. Deposits in this classification, which includes the funds of construction firms, service establishments, entertainment concerns, and the business accounts of professional people, are now 40 percent above war-end figures at the large institutions and 31 percent above at the smaller banks.

Substantial Gains in Large Non-Business Accounts

Non-profit organizations have likewise shared in the postwar expansion of demand deposits. This account category includes deposit of clubs, hospitals, colleges, labor unions, community chest organizations, etc. Deposits accredited to this type of account have been larger in each succeeding postwar survey. The total postwar gain at the large banks amounted to 41 percent by February, while the increases at the smaller banks came to 34 percent.

Large personal accounts also have advanced rapidly and continuously so that they now exceed July 1945 totals by about 37 percent at the large banks and 35 percent at the small. The rate of advance in these personal holdings has been more rapid in the postwar period than during the war. The latest survey indicates no slackening in the rapid accumulation of funds in these accounts.

Recent Declines in Small Unclassified Accounts Perhaps the most significant change during the seven-month interval ending February 26 was the slight decline reported in unclassified accounts. The large banks place all accounts of less than $10,000 in this classification, while the smaller banks, with total demand deposits of $1 to $10 million, assign all accounts of less than $3,000 to this category.

At the large institutions these accounts dropped 5 percent during the past seven months whereas they had advanced 32 percent in the first year after the war. At the smaller banks a drop of only 1 percent was reported but it contrasted sharply with the 22 percent gain reported in the first year of peace. Furthermore, an analysis of banks with deposits of under $1 million, which are not included in the accompanying table, discloses that unclassified accounts (less than $1,000) dropped 3 percent in the seven-month interval ending February 26.

It is probable that this recent decline in the unclassified and relatively small accounts partly reflects the rapid advance in living costs that occurred in the seven-month interval between July 1946 and February 1947. Furthermore, the mounting production of cars and home appliances during this period undoubtedly resulted in substantial reductions in many small accounts.

Outlook for Further Deposit Growth In the past eighteen months total demand deposits extended their wartime rise, partly by virtue of a substantial expansion in commercial loans. The postwar advance also resulted from the conversion of war loan deposits into demand deposits of individuals and corporations through the debt reduction program. An additional factor in the early postwar period was an excess of Treasury expenditures over receipts.

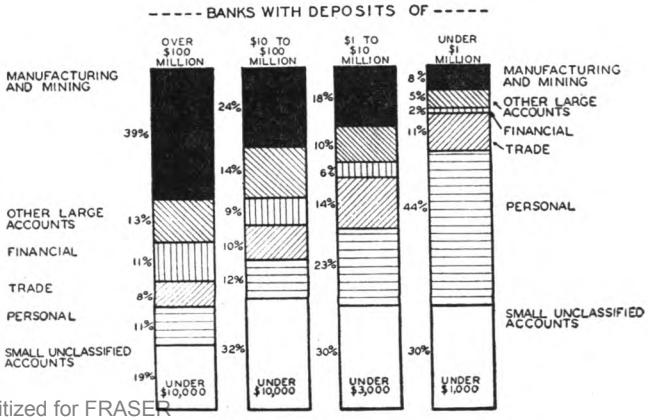
Virtually all types of accounts, with the exception of manufacturing and mining deposits, shared to some degree in the aggregate gains. Nearly all individual banks likewise experienced increases in demand deposits, although the extent of a given bank's gain depended upon whether its deposits consisted primarily of types that were advancing rapidly, or whether the bulk of its accounts were made up of deposit classifications that were failing to keep up with the rapid over-all increase of total deposits.

However, it is quite possible that in the months to come total demand deposits will change very little. The smaller personal accounts are perhaps most likely to decline. If full production and employment continue, large sums probably will be spent on consumer goods, cars, housing, and vacations. On the other hand, if business were to recede from current high levels to such a degree that sizable numbers of families would have to draw down bank balances to maintain living standards, smaller personal accounts could still experience a net decrease.

On the other hand, the coming months may see a gradual rise in manufacturing and mining accounts, particularly if no major work stoppages occur. These accounts could also advance in the event of a business recession, since in periods of declining business activity the cash holdings of industrial concerns ordinarily expand because of gradual liquidation of inventories and receivables, curtailment of production, and postponement of construction and maintenance work.

Deposit Ownership by Size of Bank The distribution of the various deposit classifications by size of bank is therefore of interest in any attempt to gauge the potential effects of future deposit shifts upon the individual bank. An accompanying chart presents the distribution of deposit ownership as of February 26, for banks in four size groups. Large banks have a relatively large proportion of their deposits in the form of manufacturing and mining accounts, as well as financial deposits. On the other hand, a relatively small share of their deposits are in the category of large personal accounts or unclassified accounts. Among the smaller banks, large personal accounts and unclassified accounts dominate the deposit picture.

COMPOSITION OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS
Fourth District—February 26, 1947



NEW MEMBER BANK

The Corn City State Bank, Deshler, Ohio, became a member of the Federal Reserve System on April 14.

The new member bank is located in Henry County in northwestern Ohio in an area devoted largely to cattle feeding and general farming.

The population of Deshler is approximately 1,800. The Baltimore & Ohio Railroad provides local industrial employment for about 200 people.

The Corn City State Bank was incorporated in 1911. Capital accounts at present total over $100,000 and total deposits are approximately $2,100,000.

Officers of the new member bank are as follows:
Mr. H. L. House, President.
Mr. T. B. King, Vice President.
Mr. H. L. Challen, Cashier and Secretary.
Mr. B. C. King, Assistant Cashier.

INDUSTRIAL SUMMARY

Steel The steel industry operated at a record peacetime rate of 93 percent of capacity in the first quarter of the year with an output of nearly 21 million tons of ingots and steel for casting. Production in March was about 7.3 million tons. Sustained operations at these levels would result in approximately 85 million tons for the year, or 19 million tons higher than in 1946. Labor peace in the industry seems assured with new contracts providing for a dollar a day increase in wages. Principal remaining obstacles to a year of uninterrupted operation are the problems of moving the requisite quantities of iron ore from the head of the lakes and obtaining sufficient fuel for the furnaces.

District production rates at the end of April according to *Steel* were 100 percent at Pittsburgh, 93 percent at Cleveland, 93.5 percent at Wheeling, 86 percent at Youngstown and 85 percent at Cincinnati.

The effect of the new wage rates on basic steel prices was not immediately apparent but it is evident that the increases in wage rates, which are close to 10 percent, will be an important addition to costs. Leading producers continued to revise their charges for extras downward in early April to eliminate inequities and to improve competitive positions. The revisions covered hot-rolled wire rods, welded wire fabric and certain types of wires, galvanizing extras on standard nails, cold-finished bars, carbon plates, shapes, merchant and reinforcing bars, hot and cold-rolled sheets, hot-rolled strip, long ternes, and alloyed bars.

Although mill order books are well filled on most carbon steel products, steel salesmen are reported to be seeking business more aggressively. Inquiries for sheets, strip, plates, pipe and small bars are as strong as ever, but alloys and certain specialties are definitely easier to buy. The easing in pressure for steel deliveries is attributed in part to more cautious buying policies and to attempts to hold down inventories in fabricating plants. Some manufacturers have cancelled orders but this has not yet endangered the steel industry's production schedule for 1947.

Despite continued high rates of operation and proportionately heavy consumption of raw materials, the expected break in scrap prices developed at the end of March. High scrap prices resulted in a heavy flow of material to the furnaces and with reserves replenished to safe operating levels, many mills withdrew from the market. Number 1 heavy melting scrap dropped from $38 to $35 a ton at Pittsburgh and some observers expect a decline to around $30 before the price stabilizes. Favorable weather conditions have facilitated scrap collection and preparation and increasing quantities have become available from manufacturing plants and Government sources. Uncertainty as to coal supplies around the beginning of the month also made buyers hesitant.

Several large District producers that are dependent upon natural gas for open hearths and soaking pits have taken steps to avoid a repetition of the past winter's interruptions. One plant has successfully converted its soaking pits to oil and another is reported to be making plans for the use of natural gas in its open hearths during the summer, and fuel oil next winter.

The Lake Superior Iron Ore Association reports that furnaces in the United States consumed 6,700,000 tons of iron ore in March. Stocks of iron ore at furnaces and Lake Erie docks on April 1 totaled about 16,800,000 tons as compared to 26,900,000 tons the previous year. At the end of April, ice in the Upper Lakes was rapidly breaking up and ore was moving down the lakes in fair volume.

Ferrous Metal Shops Shipments by ferrous metal working shops were two-thirds larger in the first two months of 1947 than in the same period last year. This high rate of production is the result of improved raw material supplies, better labor relations and unprecedented demand by metal fabricators. The following table summarizes shipments by type of product and the percentage change from 1946 to 1947.

Cumulative Shipments—January and February
(Short tons)

Product	1946	1947	Percentage Change
Gray Iron Castings	1,250,000	2,050,000	+64%
Steel Forgings	225,000	380,000	+72
Steel Castings	155,000	265,000	+69
Malleable Iron Castings	95,000	150,000	+60

Source: Facts for Industry, Bureau of the Census.

Despite this increase in shipments, unfilled orders for sale to the trade are in all cases substantially higher than twelve months earlier. New orders appear to be keeping pace with shipments.

Unfilled Orders for Sale to Trade—February 28
(Short tons)

Product	1946	1947	Percentage Change
Gray Iron Castings	2,155,000	2,950,000	+37%
Steel Forgings	530,000	670,000	+26
Steel Castings	390,000	430,000	+10
Malleable Iron Castings	250,000	275,000	+10

Source: Facts for Industry, Bureau of the Census.

Foundry equipment orders placed in March rose to 574 percent of the 1937-1939 monthly average, according to the Foundry Equipment Manufacturers Association.

Coal Production of bituminous coal in April dropped sharply as a result of action taken by the United Mine Workers. The head of the union ordered a six-day "mourning period" work stoppage beginning April 1 as a memorial to the victims of an Illinois mine disaster. On April 3, the Secretary of the Interior classed 518 mines as too hazardous to operate and ordered them closed until properly inspected and certified. Union miners were then requested by the

union to stay out of the pits until all mines could be Federally inspected. Despite this request, miners began to drift back to work and production in the week ending April 12 amounted to 7,000,000 tons as compared to 4,000,000 tons in the week ending April 5. Production had been averaging about 12,500,000 tons a week prior to these events.

More than half of the mines ordered closed by the Secretary of the Interior were located in Fourth District states: 35 in Ohio, 13 in West Virginia, 68 in Kentucky, and 158 in western Pennsylvania. Shortly before the Federal closing order was issued, Ohio's chief of the State Division of Mines had reported that Ohio coal mines were in the safest condition in history. Field reports indicate that mines are being inspected more rapidly than at first thought possible and are being reopened as they are certified to be "safe."

Bituminous coal production in the United States from January 1 through March 29 totaled 162 million tons or about the same as a year ago. District production in March amounted to 21.2 million tons to bring the total for the first quarter to 63 million tons.

Total industrial stocks of bituminous coal at the end of February amounted to 47.3 million tons, up about 3 percent from the previous month. This stock represented a 33-day supply at current rates of consumption.

The Bureau of Mines has just released preliminary operating figures for 1946 with respect to the bituminous coal industry. Changes in the mine price of soft coal are summarized as follows:

Bituminous Coal and Lignite
Average Value per Ton, F.O.B. Mines

Area	1945	1946 *	Percentage Increase
United States	$3.06	$3.40	11.1%
Ohio	2.79	3.06	9.7
Pennsylvania	3.29	3.63	10.0
West Virginia	3.20	3.66	14.4
Kentucky	3.00	3.24	8.0

***Preliminary.**

The average value of coal at all mines in 1946 rose 11 percent. The smallest rise among District states took place in Kentucky with an 8 percent increase, while West Virginia coal averaged more than 14 percent higher.

The average railroad freight charge per net ton of bituminous coal rose from $2.20 to $2.26.

Total 1946 production is now estimated at 532 million tons, or a decrease of 8 percent from the previous year. The tonnage of coal mechanically loaded underground declined about 6 percent and of coal mechanically cleaned about 5 percent. Production of stripped coal remained the same as in 1945.

Rubber Rubber consumption in February continued at a record annual rate of 1,200,000 tons. On the basis of the first two months' operation, natural rubber consumption accounted for 44 percent of the total of natural and synthetic rubber used in all rubber products.

Passenger car casing production amounted to 6,400,000 units in February according to the Rubber Manufacturers Association. While this represents a decrease of approximately 7 percent from the previous month, it is due entirely to the shorter month. Daily average production was higher than in January. Truck and bus casing manufacture was about 1,500,000 units.

Manufacturers' inventories of passenger car casings increased 19 percent during February and were just short of the 3,000,000 level at the end of the month. Tire producers point out that this inventory is much below normal since the period of hot weather demand is approaching. At this same season of the year in 1941, inventories totaled 8,000,000 units.

Shipments of passenger car tires for original equipment totaled 3,000,000 units for the first two months of the year and reflect the rise in new car output. There also appears to be some inventory accumulation on the part of motor car producers. Passenger car production in this period totaled 510,000 units and required, therefore, 2,550,000 casings at the rate of five tires per car. From these figures it is evident that motor car manufacturers added about 450,000 casings to inventory in 60 days or enough for 90,000 new vehicles.

With the return of rubber importing to private trade on April 1, spot prices of natural rubber declined from 25.8 cents per pound to 24 cents per pound by the third week in April. It was reported that major tire producers had not yet entered the market and were apparently waiting for the Office of Temporary Controls to revise the present 60-day inventory restriction. Changes are also expected in the percentage of natural rubber permitted in various products.

On April 4 the Office of Temporary Controls removed all restrictions against the production of white sidewall tires. Titanium oxide, which is used in white sidewalls, is in very short supply so this action is not likely to result in volume production of these premium tires.

More natural rubber may now be used in the manufacture of the 6:50 size passenger car tires. Until recently, only 23 percent natural rubber (about three pounds) was permitted in this size, but now producers may use up to 8 pounds or 61 percent. The popular 6:00 size passenger tire is still restricted to 23 percent natural rubber. Considerable misinformation, or lack of information, with regard to this fact appears to exist at the retail level. A canvass of local tire dealers recently revealed that the vast majority were representing that their brands contain 100 percent natural rubber. Producers of camelback for recapping truck tires may now use as much natural rubber as they wish.

(*Continued on page 9*)

WAR FINANCE UNDER REGULATION V

The Fourth District program for financing war production and contract termination under the provisions of Regulation V has recently been completed. The program was designed to insure that war production would not suffer because of a lack of adequate financing. It was highly successful in that prompt financing of unprecedented proportions was provided for essential war work.

In all, 141 Fourth District institutions participated in the program. In addition, 40 banks from outside the District shared in the V loans negotiated in this area. Credits totaling $704 million were arranged for 430 companies engaged in producing the weapons of war. The net fees turned over to the guarantors, after payment of expenses (including the negligible losses) of the program amounted to $2,790,000. The experience derived from the program by borrowers, commercial banks, Federal reserve banks and the armed forces could prove highly useful in the event of any future emergency and should prove of some value in ordinary peacetime financing as well.

Inadequacy of Early Expedients In the months prior to and immediately following this country's entrance into the war, procurement officers were urging producers of military equipment to expand their operations at rates beyond any previous peacetime conception. This necessitated substantial increases in working capital, increases which in numerous cases greatly exceeded the amount commercial banks could justifiably lend in view of the relatively small net worth of the borrowers.

A number of these producers in need of working capital were undertaking the manufacture of products and materials quite beyond the realm of previous experience and new techniques had to be learned. Under such circumstances it was deemed inadvisable to risk depositors' funds in ventures in which the industrial "know-how" of the potential borrower was an unknown quantity.

Another impediment to conventional bank lending for war production purposes on a peacetime commercial basis was the statutory limitations on the amount any one bank might lend to a single borrower. Some of the war-born industries needed more funds than legally could be supplied by customary banking channels.

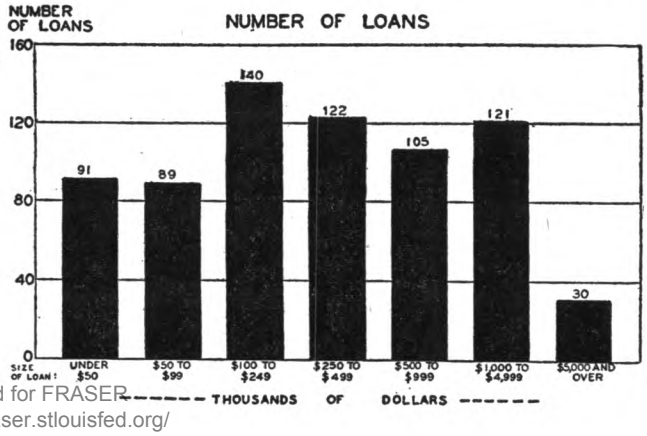
During the rearmament and early war period, the services followed the practice of advancing cash payments to contractors. This procedure worked well so long as the Government was dealing with prime contractors on a one-contract basis. But in the course of time it became clear that the policy of direct advances imposed burdens on both the armed services and the producers—burdens which threatened to interfere with the most effective prosecution of the war.

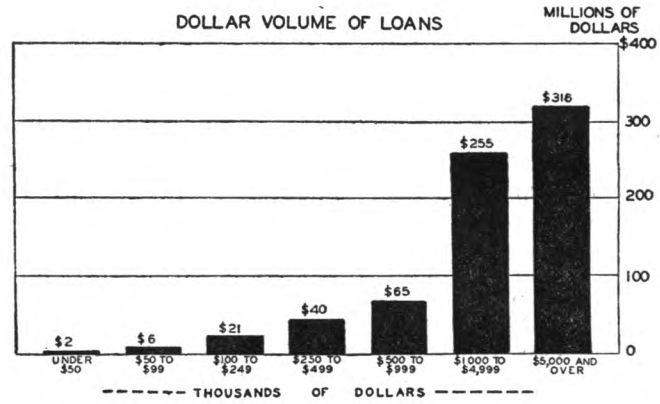
Under the terms of a direct advance, it was necessary for the borrower to place the funds in a separate account. When expenditures were made for war materials, those materials had to be segregated from other materials of the contractor. Serious practical difficulties therefore confronted the multi-contract company, or even a single contract company also engaged in some nonwar work. Furthermore, the problems besetting companies dealing with subcontractors were even greater. A prime contractor who readvanced funds to subcontractors was obligated to see that the funds were used only for purposes for which advanced and that the funds were repaid.

Many contractors lacked the experience and the competent personnel needed to act as custodians of Federal funds. For that matter the armed services themselves were not equipped to handle financial problems of such magnitude. As a result of these difficulties the Regulation V program was developed in the Spring of 1942 by the armed services, the War Production Board and the Board of Governors of the Federal Reserve System.*

*The March 1946 *Federal Reserve Bulletin* contains a nine-page article entitled "Financing War Production and Contract Termination Under Regulation V." It presents a detailed discussion of the origin of Regulation V, operating procedures under Regulation V, the extension of the program to cover contract termination loans, and a comprehensive statistical summary of systemwide experience with the loans.

DISTRIBUTION OF REGULATION "V" LOANS BY SIZE OF LOAN
Fourth District





The V Loan Procedure Under the V loan arrangement, a bank whose legal loan limitations prevented consummation of a loan, or who felt a war contractor's balance sheet failed to justify a requested loan, could apply to the Federal reserve bank for a loan guarantee. The application would be supported with financial data concerning the contractor, a list of principal contracts (either prime or sub) and a brief description of the product which it had contracted to produce.

The commercial bank and the Federal reserve bank would then negotiate acceptable loan terms, ordinarily with the assistance of the borrower. Liaison officers of the War Department were authorized to approve loans of $100,000 or less (if the percent of guarantee was 90 or less) without referring the application to Washington. Maritime Commission field representatives had similar authority when the guaranteed share of the loan was not over $100,000.

The larger War Department and Maritime Commission guarantees, and all the Navy Department guarantees, were forwarded to Washington for final approval by the guaranteeing service. The armed services usually authorized the guarantee within 48 hours and the Federal reserve bank then notified the lending bank of the availability and terms of the guarantee.

Advantages and Objectives The advantages of the Regulation V procedure might be summarized somewhat as follows:

1. The practical difficulties which accompanied advance payments of Government funds to companies with several contracts or with subcontracts were eliminated by the use of a single line of private credit covering all the contracts or subcontracts of a company.

2. The experience of loan officers as well as of established loan and credit departments of commercial banks was utilized. The fact that borrowers obtained their financing from banks where they were known was a desirable aspect of the program.

3. The funds used came from private, rather than public, sources. The armed services held only a contingent liability unless called upon to purchase the guaranteed portion of the loan.

4. Banks, and thus their owners and depositors, were largely protected from the risks entailed in loans that would have been unjustified under ordinary peacetime credit principles.

The Regulation V program became operative April 16, 1942, and from the beginning two factors were stressed:

1. Speed in setting up credits so that there would be no delay, of financial origin, in the flow of war materials.

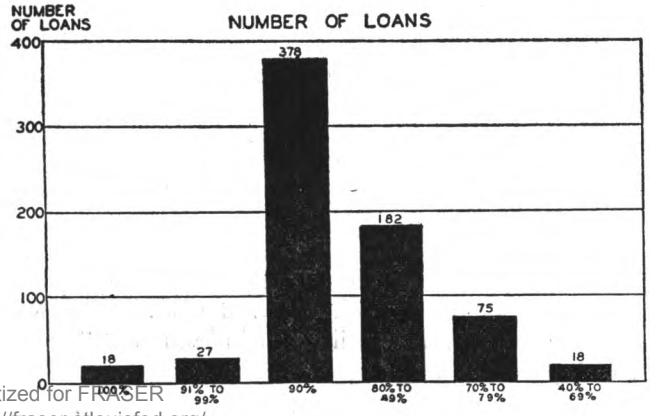
2. Subordination of customary peacetime credit standards wherever necessary to consideration of ability to produce satisfactory war goods.

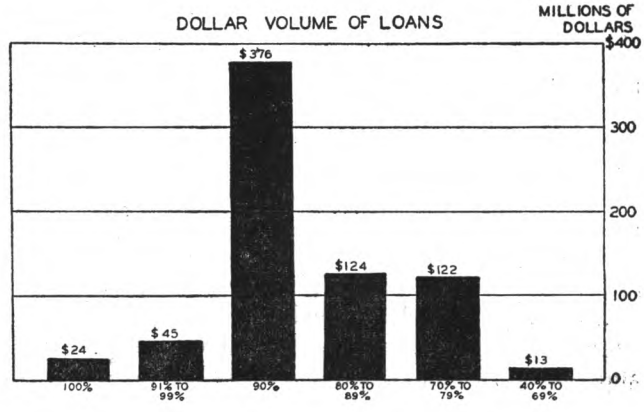
With regard to the latter objective, credit was usually made available to contractors within a week or ten days after they applied to their banks for loans. In many cases it took a longer time to set up the final terms of the credit, particularly when there were a number of banks participating. However, once the applying banks knew that a guarantee was available and the terms under which it was authorized, they ordinarily were willing to make temporary advances to a borrower until such time as the credit was set up in final form.

Peacetime credit standards were undoubtedly relaxed, particularly in the case of contracts placed by the Army Air Forces which were obliged to create a major supply industry almost over night. The older divisions of the armed services had been developing sources of supply over a period of years and called for more nearly standard articles, types, and methods of production.

Applications for guarantees were denied in only a few cases, in most of which the borrower was a prime contractor and the requested percent of guarantee was excessively high. In such instances, the armed services usually handled the financial needs of the contractor with a direct advance.

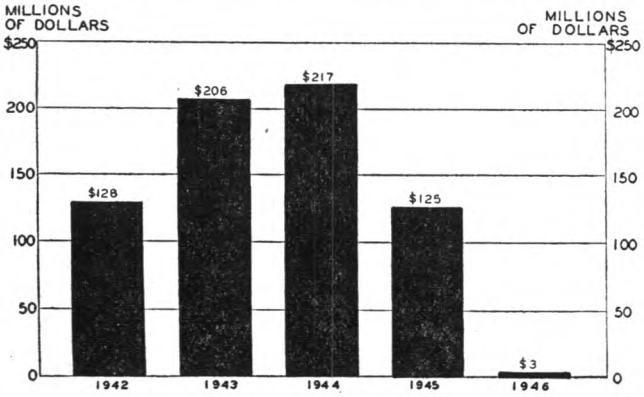
DISTRIBUTION OF REGULATION "V" LOANS BY PERCENT OF GUARANTEE
Fourth District





ANNUAL ADVANCES UNDER REGULATION "V" PROGRAM

Fourth District—Millions of Dollars



When the Regulation V program was launched in 1942, the armed services deemed it imperative that the implements of war be produced as rapidly as possible by every available source of supply regardless of the financial strength of the producer. As a result, in the first 164 credits to be arranged in this District, the aggregate amount loaned averaged 2.4 times the contractor's investment in his own business. Of the total number of loans to this group 38 percent were to concerns having a net worth of less than $50,000 and the average credit in these cases was 3.2 times the invested capital of the owners. However, as the program advanced, the disproportionate relation of borrowing to invested capital gradually changed so that in 1944 the average amount of credit in use was 83 cents to each one dollar of invested capital. In some instances this indicated a shift from weak to stronger suppliers made possible through experience gained in earlier years by the various divisions of the armed services, whereas in other cases, this change in the invested capital ratio was a reflection of a steady growth in the borrower's equity in his own business.

Safeguards Despite the relaxation of standards, every possible precaution was taken to see that funds were spent honestly and efficiently. For example, an initial step in determining a ceiling amount on a line of credit was to work out a cash budget which forecast the borrower's probable monthly cash requirements on the basis of anticipated receipts and expenditures. The goal was to set the loan figure at a level equivalent to the difference between a company's maximum cash needs and the amount of its own funds.

An important part generally of the loan agreement between a borrower and a lending bank was a "loan formula," which tied the amount of credit in use to the amount of the firm's uncompleted contracts, accounts receivable, and inventories. The formula was always geared to the particular requirements of the individual borrower. It provided a flexible control which would determine the amount of credit that could be used and the rate of repayment, as uncompleted contracts were completed and as the borrower's investment in inventories and receivables declined.

A line of credit arrangement was set up in most of the V loans, and as a result there were 4051 separate credit advances in this District on only 580 loans. The aggregate dollar volume of all the advances was about 10 percent higher than the dollar volume of the credit lines used. In one instance of a $2 million credit, 125 separate advances were made thereunder totaling $23 million.

Many loan agreements protected the lenders and the guarantor services by providing for the assignment to the banks of receivables and contract claims, by prohibiting the pledging of the borrower's property, by requiring adequate insurance on the borrower's property, etc.

Because of the presence of at least four parties in every V loan arrangement, i.e., the borrower, the commercial bank, the Federal reserve bank and the guaranteeing service, it was inevitable that such matters as the loan guarantee and the loan agreement would be carefully drawn up in writing in order to protect the interests of all concerned and in order to avoid misunderstandings. The experience gained from such a procedure has led to improved peacetime procedures in the granting of credit.

Guarantee Policy of Armed Forces Slightly over half the total number of loans and the total dollar volume of loans in the Fourth District had a 90 percent guarantee by one or another of the services. Somewhat over a third of the number as well as the dollar volume had guarantees of from 70 to 85 percent. A 100 percent guarantee applied to about 3 percent of the number and dollar volume of loans. The banks were given an incentive to ask as small a guarantee as possible by a policy of exacting a comparatively low guarantee fee on loans protected by relatively small guarantee percentages. In the later years of the program, the guarantee fee equalled half the interest payments on the guaranteed portion when the guarantee was from 95 to 100 percent. A guarantee of 90 percent called for a fee of only 20 percent, while a guarantee of 80 percent or less involved a fee of only 10 percent.

The total amount of fees collected in the Fourth District was $3,330,000, of which some 84 percent ultimately constituted net income to the services after deducting losses, Federal reserve bank expenses, etc. The services were called upon to purchase their share of loans in only five cases, aggregating $200,000, of which all but $60,000 was eventually collected.

The relaxation of standards and the guarantor's risk, were mitigated by the fact that the guarantor was the buyer who, in effect, guaranteed that he would pay for the goods he took. The major risk was not in merchandising ability but in industrial "know-how."

Interest Rates and Size of Borrowers Interest rates on small loans were generally on a 4 or 5 percent basis, whereas large borrowers were ordinarily charged 2 or 3 percent. Most of the loans were to small borrowers, although a majority of all dollars loaned were extended to large borrowers. Only one-fifth of the total number of loans were for a million dollars or more, but these loans involved four-fifths of the total amount loaned under the program.

Contract Termination Loans Toward the close of the Regulation V program, increasing attention was devoted to the financial requirements of borrowers upon the termination of their war contracts. It was feared that rapid cancellation of contracts at the conclusion of the war might make reconversion difficult, if the working capital of borrowers were tied up in inventories and goods in process while waiting for the Government to make final payments on the termination contracts.

As a result, V loans, for financing war production only, were supplanted in 1943 by VT loans which were designed to finance war production and also to provide protection for contractors in the event all or a part of their contracts were terminated. Then in 1944 the Contract Settlement Act was passed, providing for guarantees of Termination loans which offered financial assistance to companies during contract termination periods.

Relatively Small Volume of T Loans Termination loans in the Fourth District amounted to only about 6 percent of the total amount of funds involved in the Regulation V program as a whole, partly because of certain other important provisions in the Contract Settlement Act. For one thing, officials responsible for the determination of the amount to be paid on contract termination claims were relieved of personal liability on the payments in the absence of fraud on their part. This removed what was perhaps the greatest obstacle to prompt settlements. Also a provision for payment of interest by the Government on unpaid termination claims furnished an additional incentive for early payment of claims. Furthermore, the armed services had wisely devoted considerable effort to acquaint contractors with termination precedures well in advance of the time when cancellations became at all numerous.

The demand for T loans was likewise small because of the highly liquid position of many companies at the conclusion of the war. Plant expansion during the war was frequently financed by the Government. In cases where expansion was financed out of a company's own funds, the cost generally had been fully amortized by September 29, 1945, under the terms of a Presidential Proclamation, thus freeing funds for reconversion purposes either by way of reduction in tax liabilities or by refund of taxes paid. The tax law changes which made postwar refund bonds redeemable on January 1, 1945, and which permitted postwar refunds of excess profits taxes to be deducted from current tax liabilities, also assisted in making funds available for reconversion.

Furthermore, at the end of the war many corporations had large reserves of Federal income and excess profits taxes not immediately due and payable. They were able to utilize these reserves temporarily for reconversion and production purposes. Payment of a portion of the tax liability was further deferrable if an operating loss carryback was anticipated for the year 1946.

Conclusion The Regulation V program facilitated war production by relegating financial considerations to a position secondary to the all-important goal of maximum war production. Nevertheless, the program helped to minimize waste of money and misdirection of production effort by utilizing the existing financial institutions and the experience of trained credit men. The lessons learned in setting up the various V loan arrangements will prove invaluable in the event of a future emergency. They may prove of considerable use in peacetime lending operations as well.

INDUSTRIAL SUMMARY

(*Continued from Page 5*)

Clay Construction Products The shortage of brick and structural tile in the East-North-Central district of the United States appears to be over. Comparison of production, shipments, and inventories of unglazed standard brick and unglazed structural tile for February 1947 with the same month in 1946 reveals some interesting developments.

Clay Products, East-North-Central United States

	February 1946	February 1947	Percentage Change
Unglazed Brick (1,000's of standard brick)			
Production	88,500	82,500	− 7%
Shipments	86,000	60,800	− 29
Stocks—end of month	59,500	157,500	+164
Unglazed Structural Tile (Short tons)			
Production	16,000	23,000	+ 41%
Shipments	15,000	13,000	− 12
Stocks—end of month	12,500	37,000	+199

Source: Facts for Industry, Bureau of the Census.

On a year-to-year comparison, production of unglazed brick was off 7 percent and shipments dropped 29 percent. Inventories, however, were 164 percent greater than a year ago. At the February rate of shipment, inventories were equal to about two and one-half months' supply in 1947 as compared to less than one month's supply a year ago. The decline in production and shipments combined with the rise in inventories seems to indicate that, barring interruptions in production, contractors will be able to obtain all the common brick needed during the coming construction season.

Production of unglazed structural tile in February was 41 percent above the same month a year ago, but shipments declined 12 percent. Inventories, on the other hand, were 199 percent of the 1946 level and equal to about three months' supply at the 1947 rate of shipment as compared to less than one month's supply in 1946.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—March, 1947

(As compared with a year ago)

(Compiled April 25, and released for publication April 26)

Major Household Appliances	+213%
Men's Clothing	+ 37
Silks and Velvets (Woolen Dress Goods)	+ 29
Gloves	+ 26
Furs	+ 25
Boys' Clothing and Furnishings	+ 25
Men's and Boys' Shoes	+ 21
Books and Stationery	+ 20
Cotton Wash Goods	+ 20
Restaurants	+ 19
Art Needlework and Art Goods	+ 18
Infants' Wear	+ 18
Notions	+ 18
Sportgoods (including Cameras)	+ 17
Domestic Floor Coverings	+ 17
Shoes (Women's and Children's)	+ 13
Housewares	+ 9
MAIN STORE TOTAL	+ 9
Corsets and Brassieres	+ 8
Domestics and Blankets	+ 8
Silverware and Jewelry	+ 7
Juniors' and Girls' Wear	+ 7
Men's Furnishings (Hats and Caps)	+ 5
China and Glassware	+ 5
Millinery	+ 5
Neckwear and Scarfs	+ 4
Laces and Trimmings	+ 4
Leather Goods (Small)	+ 4
Luggage	+ 2
Handkerchiefs	+ 2
Toilet Articles and Drug Sundries	–0–
Women's Underwear	– 1
Hosiery (Women's and Children's)	– 3
Lamps and Shades	– 4
Toys and Games	– 5
Beauty Salon	– 6
Coats and Suits (Women's and Misses')	– 9
Dresses (Women's and Misses')	– 9
Draperies and Curtains	– 9
Furniture and Beds	– 9
Blouses, Skirts and Knit Goods	– 10
Photographic Studio	– 13
Aprons and Housedresses	– 20

Gains in **housefurnishings** and in **men's-and-boys' wear** contributed the bulk of the 9% increase over a year ago in sales of Fourth District reporting department stores.

Major household appliance sales, while somewhat short of the December peak, were more than twice as large as the previous high for the month established in 1942. **Housewares,** as well as **blankets, linens, etc.,** set new record highs for this time of year, while **domestic floor coverings** were the highest on record for any month.

By way of contrast, sales of **furniture and beds, draperies, etc.,** and **lamps and shades** have failed to show the usual seasonal improvement. For the second month in succession these departments have fallen behind a year ago.

Men's clothing sales were unprecedented for the season, as were totals recorded in the **men's and boys' shoes** and **men's furnishings** departments. Volume in the latter was roughly three times the prewar (March 1941) level for the month.

Other items showing the greatest March volume on record were **cotton wash goods** and **sport goods.** Sales of **corsets and brassieres** and **silk and velvet piece goods** were at an all-time high for any month.

Many articles of feminine apparel, however, moved out more slowly. Sales were the lowest in three years (for this particular month) in **women's and misses' coats and suits, dresses, underwear,** and **aprons, housedresses, etc.,** departments. **Hosiery** sales were the smallest for the month since 1943.

What may be a significant exception among women's wear items is the volume of **fur** sales which was 25% ahead of a year ago and the highest for the month since March 1944, on the eve of the final increase in excise taxes. Using March 1941 as 100, the sale of furs has varied in each successive March as follows: 100, 97, 151, 211, 96, 94, 116.

No allowances have been made in any of the figures contained in this release for changes in the price level.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939 = 100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Mar. 1947	Feb. 1947	Mar. 1946	Mar. 1947	Feb. 1947	Mar. 1946
SALES:						
Akron (6)	266	260	285r	247	232	244r
Canton (5)	343	315	329	302	239	256
Cincinnati (8)	294	300	284	285	225	252
Cleveland (10)	254	250	250	238	195	220
Columbus (5)	314	318	308	307	239	274
Erie (3)	286	250	287	260	212	239
Pittsburgh (8)	273	227	271	259	204	233
Springfield (3)	268	275	296	260	215	260
Toledo (6)	269	267	255	258	211	225
Wheeling (6)	242	224	284r	225	181	225r
Youngstown (3)	287	302	304	276	244	255
District (95)	257	256	246	262	210	237
STOCKS:						
District	264	261	174	254	242	168

r—Revised.

Inventories by Departments—March 31, 1947

(As compared with a year ago)

(Compiled April 29 and released for publication May 1)

Major Household Appliances	+397%
Men's Clothing	+255
Hosiery (Women's and Children's)	+128
Cotton Wash Goods	+125
Men's and Boy's Shoes	+120
Domestic Floor Coverings	+114
Men's Furnishings (Including Hats and Caps)	+105
Furniture, Beds, Mattresses and Springs	+100
Shoes (Women's and Children's)	+ 99
Sport Goods (Including Cameras)	+ 98
Domestics, Blankets and Towels	+ 89
Draperies and Curtains	+ 75
Silks and Velvets	+ 71
Corsets and Brassieres	+ 71
Coats and Suits (Women's and Misses')	+ 68
Aprons, Housedresses and Uniforms	+ 67
China and Glassware	+ 62
Women's Underwear	+ 57
MAIN STORE TOTAL	+ 54
Housewares	+ 52
Luggage	+ 45
Boys' Clothing and Furnishings	+ 43
Dresses (Women's and Misses')	+ 40
Gloves	+ 38
Silverware and Jewelry	+ 26
Lamps and Shades	+ 25
Toys and Games	+ 22
Infants' Wear	+ 15
Notions	+ 12
Neckwear and Scarfs	+ 7
Art Needlework and Art Goods	+ 5
Books and Stationery	+ 2
Toilet Articles and Drug Sundries	+ 1
Blouses, Skirts and Knitgoods	–0–
Handkerchiefs	– 1
Juniors' and Girls' Wear	– 5
Laces and Trimmings	– 5
Millinery	– 8
Leather Goods (Small)	– 10
Furs	– 10

The increase in Fourth District department store inventories during March was about in line with the usual seasonal pattern, but in nearly every instance stocks were the highest on record for this time of year.

In fifteen of the forty lines of merchandise, however, end-of-March inventories were the highest on record for any month.

Major household appliance inventories established a new record high for the fourth successive month. Other departments whose stocks stood at an all-time high were **domestic floor coverings,** up 114% for the year, **furniture, beds, etc.,** up 100%, **domestics, blankets, etc., draperies, china and glassware,** and **housewares.**

Other items in which March 31 supplies-on-hand were the highest in history included **men's clothing** and **men's and boys' shoes.**

Three types of women's ready-to-wear accessories were in record supply at the end of March. Stocks of **hosiery** were 128% above a year ago, and inventories of **corsets** and **women's and children's shoes** were at unprecedented levels at the close of March.

Inventories of **women's and misses' dresses** were greater than ever before, as were stocks of **cotton wash goods** and **sport goods.**

At the opposite end of the range, inventories of **furs** were the lowest for the month in three years. **Millinery** stocks showed a year-to-year decline for the fourth successive month.

Any assumptions regarding changes in physical volume must take into consideration price fluctuations during the past year.

March Department Store Sales by Cities*

(Compiled April 24, and released for publication April 25)

CITY	Sales During March (March 1941=100) 1941	1943	1945	1946	1947	% Change From Mar.'46	Feb. '47
Columbus	100	139	229	251	282	+12	+29
Canton	100	171	238	231	272	+18	+26
Cincinnati	100	124	189	220	246	+11	+26
Pittsburgh	100	119	181	216	241	+11	+27
Wheeling	100	117	209	235	236	–0–	+24
Toledo	100	126	198	201	231	+15	+22
Fourth District	100	128	188	206	229	+11	+24
Erie	100	142	207	207	226	+ 9	+23
Springfield	100	156	221	218	218	–0–	+21
Youngstown	100	114	190	200	217	+ 8	+13
Cleveland	100	130	177	191	208	+ 9	+22
Akron	100	149	204	200	203	+ 2	+ 7

* Based on daily average sales.

During March, sales of Fourth District department stores were 24% greater than in the preceding month and 11% ahead of a year ago.

The improvement in March over February was most pronounced in **Columbus** where the month-to-month gain was 29%. **Pittsburgh** was second with a 27% rise.

In the comparison with March 1946, **Canton** stores reported an 18% advance. **Toledo** sales were next with a 15% margin over last year. In the two cities of **Springfield** and **Wheeling** sales this March were virtually the same as a year ago.

In terms of prewar volume, sales in **Columbus** show the largest increase (182%) over March 1941. **Canton** stores reported sales 172% over March 1941, and **Cincinnati** stores ranked third in March with a gain of 146%.

These percentage changes are not adjusted for changes in the level of retail prices.

FINANCIAL AND OTHER BUSINESS STATISTICS

Bank Debits* — March, 1947

(In thousands of dollars)

(Compiled April 10, and released for publication April 11)

	March 1947	% Change from year ago	3 Months ended Mar. 1947	% Change from year ago
ALL 29 CENTERS	$5,920,664	+19.4%	$17,140,158	+21.0%
10 LARGEST CENTERS:				
Akron, Ohio	$ 229,043	+ 9.2	656,948	+15.0
Canton, Ohio	96,067	+25.9	276,375	+26.0
Cincinnati, Ohio	828,728	+24.2	2,378,080	+21.3
Cleveland, Ohio	1,486,231	+17.3	4,364,975	+17.1
Columbus, Ohio	436,574	+14.0	1,195,017	+11.9
Dayton, Ohio	219,011H	+26.0	611,776H	+28.3
Toledo, Ohio	351,308	+26.8	1,014,985	+36.3
Youngstown, Ohio	129,063H	+39.7	339,302	+29.1
Erie, Penna.	78,986	+28.1	218,292	+21.0
Pittsburgh, Penna.	1,535,781	+17.9	4,480,803	+23.0
Total	$5,390,792	+19.5%	$15,536,553	+20.9%
19 OTHER CENTERS:				
Covington-Newport, Ky.	$ 35,053	+ 8.2%	$ 101,979	+12.3%
Lexington, Ky.	56,818	+ 9.8	258,715	+24.5
Hamilton, Ohio	33,158H	+22.2	88,012	+20.7
Lima, Ohio	39,120	+33.3	112,198	+30.5
Lorain, Ohio	15,254	+32.9	43,221	+33.9
Mansfield, Ohio	34,022	+27.9	98,124	+32.6
Middletown, Ohio	31,177H	+23.4	84,145	+18.6
Portsmouth, Ohio	20,217H	+31.4	54,178	+32.1
Springfield, Ohio	41,911	+15.6	120,102	+19.6
Steubenville, Ohio	19,587	+ 7.4	56,202	+11.7
Warren, Ohio	33,185	+37.5	95,006	+41.1
Zanesville, Ohio	21,844	+10.5	63,698	+19.1
Butler, Penna.	25,789	+16.3	76,354	+27.1
Franklin, Penna.	5,985	−17.1	17,328	−11.9
Greensburg, Penna.	16,435	+ 9.6	48,238	+18.2
Homestead, Penna.	6,593	+10.1	18,911	+14.4
Oil City, Penna.	18,677	+19.4	54,085	+18.3
Sharon, Penna.	22,309	+27.9	63,144	+32.8
Wheeling, W. Va.	52,738	+15.0	149,965	+11.0
Total	$ 529,872	+18.5%	$1,603,605	+22.1%

*Debits to all deposit accounts except inter bank balances.

H denotes new all-time high for one month or quarter-year.

Bank debits in 29 Fourth District cities during the first quarter of 1947 exceeded the year ago total by 21 percent.

During March, total debits were about 19 percent above the March 1946 aggregate, compared with year to year gains of 26 percent in February and 19 percent in January.

The dollar volume of debits in March was $5,920,000,000, some 12 percent above the short February month but 11 percent below the all-time high of $6,630,000,000 established last December.

TEN LARGEST CITIES

In the past month, **Youngstown** reported the largest increase with a figure of 40 percent, **Erie** was second with 28 percent, and **Toledo** ranked third with 27 percent. In quarterly gains over a year ago, Toledo led the large cities with a figure of 36 percent.

March and first-quarter debit totals in **Dayton** and March figure in **Youngstown** established new all-time highs for those cities.

NINETEEN SMALLER CITIES

For the second successive month, **Warren** reported the largest percentage increase over year ago figures, this time with a mark of 38 percent. That city also led in the percentage increases for the first quarter with a 41 percent gain. Other cities which exceeded by a substantial margin the average gain of 19 percent for the smaller centers were **Lima, Lorain, Portsmouth,** and **Mansfield.**

New all-time highs were set during March at **Hamilton, Middletown,** and **Portsmouth.** In Portsmouth debits during March went over $20,000,000 for the first time.

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified	March 1947	% change from 1946	February 1947
Retail Sales			
Department Stores—95 firms	$ 63,921	+11	47,402
Wearing Apparel—13 firms	$ 2,317	− 4	1,530
Furniture—63 firms	$ 3,226	+13	2,612
Building Contracts—Total	$ 65,458	−14	61,083
—Residential	$ 28,900	−11	34,022
Commercial Failures—Liabilities	$ 590	+296	1,190
—Actual Number	14	+600	16
Production:			
Pig Iron—U. S. Net tons	5,123	+16	4,550
Steel Ingot—U. S. Net tons	7,285	+12	6,422
Bituminous Coal— O., W. Pa., E. Ky. Net tons	21,200	− 4	19,313
Cement—O., W. Pa., W. Va. Bbls.	1,164a	+82	1,158b

a—February.
b—January.

Time Deposits*—12 Fourth District Cities

(Compiled April 4, and released for publication April 7)

City and Number of Banks	Time Deposits Mar. 26, 1947	Average Weekly Change During: Fourth Quarter 1946	4 Weeks Ended Feb. 26, 1947	4 Weeks Ended Mar. 26, 1947
Cleveland (4)	$ 856,057,000	+$1,126,000	+$ 551,000	+$ 167,000
Pittsburgh (13)	330,811,000	+ 513,000	+ 177,000	+ 307,000
Cincinnati (8)	181,571,000	+ 83,000	+ 225,000	+ 138,000
Akron (3)	100,373,000	+ 122,000	+ 191,000	+ 151,000
Toledo (3)	90,088,000	+ 120,000	+ 143,000	− 34,000
Columbus (3)	71,269,000	+ 158,000	+ 150,000	+ 59,000
Youngstown (3)	53,290,000	+ 32,000	+ 18,000	+ 58,000
Dayton (3)	49,475,000	− 22,000	+ 39,000	+ 62,000
Canton (4)	39,617,000	+ 10,000	+ 16,000	+ 19,000
Erie (4)	36,864,000	− 11,000	+ 47,000	+ 56,000
Wheeling (6)	28,642,000	− 26,000	+ 49,000	+ 16,000
Lexington	10,521,000	− 4,000	+ 33,000	+ 5,000
TOTAL—12 Cities	$1,848,848,000	+$2,101,000	+$1,639,000	+$1,002,000

* Of Individuals, Partnerships, and Corporations.

Savings deposits in 59 Fourth District banks increased less per week during March than in any month since this series was first compiled in July 1946. The March increase averaged $1,000,000 per week, compared with average weekly gains of $1,640,000 in February, $2,100,000 in the second half of 1946, and an estimated $3,500,000 in the first half of 1946.

Income tax payments were probably an important cause of the comparatively small March gain. Important factors affecting savings trends in the postwar period as a whole have been the advance in living costs and the mounting volume of durable consumer goods and residential construction.

Despite the relatively small average gain for March, some increase was recorded in each of the twelve reporting cities except **Toledo.** The rate of increase in **Cleveland** was off sharply from the February figure, and this was the primary factor in the small aggregate District gain for the month. **Pittsburgh,** on the other hand, reported a substantial advance over February.

In **Youngstown, Dayton, Canton,** and **Erie,** savings accounts increased more per week during March than in February or in the last quarter of 1946. In four other cities, **Cincinnati, Akron, Wheeling** and **Lexington,** the March gains exceeded the figures reported for the fourth quarter but lagged behind those for February.

Savings accounts at the three **Akron** banks passed the $100,000,000 mark during March and are now at an all-time high.

Wholesale and Retail Trade

	Percentage Changes from Preceding Year: SALES Mar. 1947	SALES first 3 months	STOCKS Mar. 1947
DEPARTMENT STORES (95)			
Akron	+ 2	+ 5	+60
Canton	+18	+19	a
Cincinnati	+11	+12	+55
Cleveland	+ 9	+10	+52
Columbus	+12	+10	+43
Erie	+ 9	+ 9	+47
Pittsburgh	+11	+14	+48
Springfield	−0−	+ 1	a
Toledo	+15	+13	+35
Wheeling	−0−	+ 1	+38
Youngstown	+ 8	+15	a
Other Cities	+26	+20	+46
District	+11	+12	+49
WEARING APPAREL (13)			
Cincinnati	−11	− 4	+53
Cleveland	− 3	− 4	+83
Pittsburgh	− 3	− 2	+38
Other Cities	− 2	− 5	+35
District	− 4	− 4	+55
FURNITURE (63)			
Canton	a	a	a
Cincinnati	+16	+41	+73
Cleveland	+22	+14	+53
Columbus	+13	+21	+10
Dayton	+ 2	+14	a
Pittsburgh	a	a	a
Allegheny County	+18	+28	a
Toledo	−0−	+23	a
Other Cities	+ 8	+27	+68
District	+13	+24	+56

a Not available.

Figures in parentheses indicate number of firms reporting sales.

BUSINESS CONDITIONS

(*Continued from Page 12*)

reserve position of member banks was maintained in this period by the reduction in Treasury balances at Federal Reserve Banks.

Bank deposits and currency in circulation, which had declined considerably in January and February, showed some net increase in March and the first half of April. Commercial loans increased further in March but declined in April. Real estate and consumer loans increased moderately.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for Publication April 29, 1947)

Industrial output and factory employment were unchanged in March. Value of retail trade continued to show little change, after allowing for holiday buying. The general level of wholesale commodity prices declined slightly in the first three weeks of April, following increases in February and the early part of March.

Industrial Production

The Board's seasonally adjusted index of industrial production in March was at a level of 189 percent of the 1935-39 average for the third consecutive month.

Output of durable manufacturers continued to show a very slight gain in March, reaching a level of 223 percent of the1935-39 average. Activity in the iron and steel industries advanced in March after a slight decline in February. Steel mill operations averaged 94 percent of capacity in March, and they have been maintained at about this rate during most of April. Activity in the machinery and transportation equipment industries also showed a slight gain in March. Output of passenger cars totalled 303,000, and of trucks, 117,000. Lumber production continued to advance and, in March, was at the highest level for this season in almost 20 years. Output of most nonferrous metals at smelters and refineries continued to expand, following increases earlier in domestic mine production.

The Board's seasonally adjusted index of output of nondurable manufactures again declined by one point in March to a level of 175 percent of the 1935-39 average. Production in most lines was at the February rate or declined very slightly. Output of textile-mill and leather products in February and March remained somewhat below last year's peak rates.

Minerals production increased slightly in March to a level of 147 percent of the 1935-39 average, reflecting a continued advance in output of crude petroleum, and a slight increase in coal production. Bituminous coal output dropped sharply during the first two weeks of April, as work was curtailed at mines in a dispute over safety conditions, but subsequently increased.

Employment

The number of employees in most lines of nonagricultural activity in March remained at about the level of other recent months, after allowance for usual seasonal changes. Total nonagricultural employment of about 42,500,000 persons was seven percent higher than the level a year ago. The number of persons unemployed showed a slight seasonal decline in March to 2,330,000.

Construction

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about one-third larger in March than in February, reflecting chiefly seasonal influences, but one-sixth smaller than in March 1946. The reduction from a year ago was in awards for private nonresidential construction, which were exceptionally large at that time. Value of residential awards increased by about one-third from February to March and was slightly larger than in the same period last year. Since a year ago building costs have increased considerably and the number of dwelling units contracted for in March was somewhat less than the March 1946 volume. Construction activity continued to decline after allowance for seasonal variation.

Distribution

Value of department store sales during the six weeks preceding the Easter holiday was three percent larger than during the corresponding number of weeks before Easter last year, reflecting chiefly a sharply higher level of sales of household appliances and men's clothing. Value of sales of most other goods sold at department stores was about the same as a year ago, although prices were generally higher than at that time. Retail sales of automobiles, radios, and office and farm equipment both in unit and dollar volume continued far in excess of last year's levels.

Freight carloadings rose in March owing mainly to increased shipments of grain and miscellaneous freight. Shipments of coal dropped sharply at the beginning of April, and then recovered to the March rate during the week ending April 19. Shipments of forest products declined considerably during the first three weeks of April, while loadings of most other classes of freight showed little change.

Commodity Prices

Wholesale prices of basic commodities generally declined from the middle of March to the latter part of April, with the largest decreases shown for hogs, fats and oils, coffee, print cloths, and steel scrap. Prices of corn, cotton, and copper, on the other hand, were at about the same level on April 24 as in the middle of March.

The Consumers' Price Index of the Bureau of Labor Statistics advanced two percent from February 15 to March 15, reflecting chiefly increases in food prices. Since that time prices of foods have declined somewhat, and price reductions have been announced for certain other products by manufacturers and distributors.

Treasury Finance and Bank Credit

During March and April the Treasury continued its program of debt retirement, using an excess of tax receipts over budget expenditures and drawing upon balances at commercial banks and Federal Reserve Banks. Retirements, which aggregated about 4.8 billion dollars, included notes maturing on March 15, a portion of certificates maturing March 1 and April 1, and 200 million of Treasury bills each on April 17 and 24. A further reduction of 200 million was announced for the bill issue to mature May 1.

Federal Reserve holdings of Government securities declined by more than 2.2 billion dollars in the eight weeks ending April 23, while holdings of member banks in leading cities showed little change. The

(Continued on Page 11)