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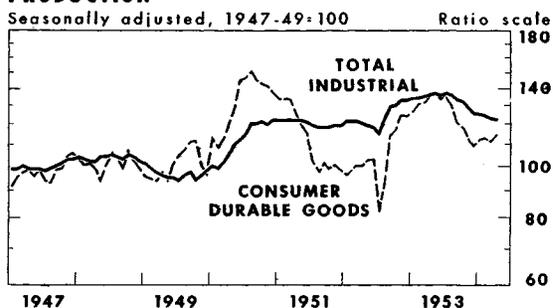
CONSUMER DURABLE GOODS MARKETS

The decline in industrial activity, which set in last summer, has slackened this year. Output of passenger automobiles and major household durable goods has increased moderately from the reduced rates of late 1953. Automobile markets have become more active in recent months and auto sales have been only moderately below last year's high rate. Consumer takings of household durable goods have approximated the large volume of a year ago. With production generally below final takings since last autumn, business inventories of consumer durable goods, except new cars, have been reduced.

The further decline in over-all industrial activity this year has reflected mainly continued curtailment in ordnance output and declines in production of iron and steel and various semifabricated metal products. Non-durable goods production generally has held steady and output of building materials has been maintained as construction activity has continued at very high levels.

In April industrial production was 123 per cent of the 1947-49 average, about 10 per cent below the mid-1953 peak but somewhat above the level prevailing for two years before the upsurge that began in 1952. Personal income has declined 2 per cent since mid-1953, reflecting mainly reductions in employment and hours of work in manufacturing, mining, and transportation. Federal civilian and military employment has also declined, while employment in most other

PRODUCTION



NOTE.—Latest figures shown are for April.

nonagricultural lines has been maintained. Unemployment increased sharply in the winter from the postwar lows of 1953, but decreased in April by about the usual seasonal amount. Disposable personal income has continued close to last year's high, owing in part to the reduction in personal income taxes, effective January 1.

During this period of decline in output and employment, common stock prices have advanced. Commodity price indexes have generally remained stable at both wholesale and retail levels, in contrast to price decreases in earlier periods of contraction in economic activity. Since early March there has been a rise in market prices of some industrial materials for which price reductions had accompanied earlier marked cuts in buying. Prices of farm products have advanced since last autumn, reflecting sharp increases for hogs, marketings of which have been reduced, and moderate gains for cattle and

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cotton and other crops. Prices of most finished goods have continued to change little.

MAIN SHIFTS IN CONSUMER DURABLE GOODS

Output, sales, and inventories of consumer durable goods usually fluctuate widely in periods of general expansion and contraction in the economy, and this development has been repeated in the past two years. From the spring of 1952 to May 1953, output of consumer durable goods rose more than one-third, as measured by a new index for these goods described in the following article and shown in the chart on page 433. Total industrial production meanwhile increased about one-seventh. After early 1953 consumer buying of durable goods leveled off and then declined, and in the last five months of the year total output of consumer durables was reduced about one-fifth, while industrial production decreased one-twelfth. The changes for consumer durable goods reflected largely fluctuations in the major items.

This year output of major consumer durable goods has increased one-tenth from the reduced rate reached at the end of 1953 as output of both autos and major household goods has risen. As shown in the accompanying chart, the revised index for major goods in April is indicated to be 125 per cent of the 1947-49 average, as compared

with about 150 in mid-1953 and an average of 105 in the spring of 1952. Since mid-February the number of autos sold at retail or exported has been close to the rate of current output, while sales of major household goods have exceeded the rate of output since last autumn.

PASSENGER AUTOMOBILES

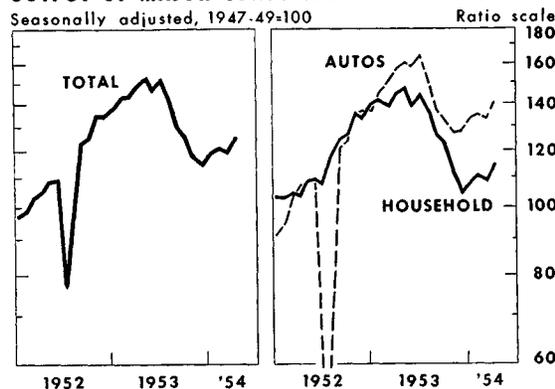
Following the change-overs to 1954 models, which were completed for major makes in January, sales of passenger automobiles showed a marked seasonal pickup. Since January, unit sales of new cars at retail have been only 7 per cent below the high rate of a year ago. Exports of new autos this year have been above year-earlier levels and have accounted for 4 per cent of total auto output. In 1953 output and sales of autos had been larger than in any other year except 1950 when demands were especially stimulated by the outbreak of Korean hostilities. During most of 1953, however, output exceeded sales and dealers' stocks increased further to new highs for the postwar period.

Stocks and output of new autos. At the beginning of the current spring selling season, dealers' stocks of new cars amounted to about 1 1/3 months' supply—high by postwar, but not by prewar, standards. Dealers' stocks of new autos are thus in the ample, or more than ample, supply position that has generally characterized other consumer durable goods in recent years.

The rise in auto sales this year has been accompanied by some recovery in output, despite the high level of stocks. For different makes of cars, however, changes in sales and output have been quite diverse, and the share of the market accounted for by some makes has increased.

Assembly of autos recovered more than seasonally in January, following a substantial reduction in the latter part of 1953.

OUTPUT OF MAJOR CONSUMER DURABLE GOODS



NOTE.—Latest figures shown are for April.

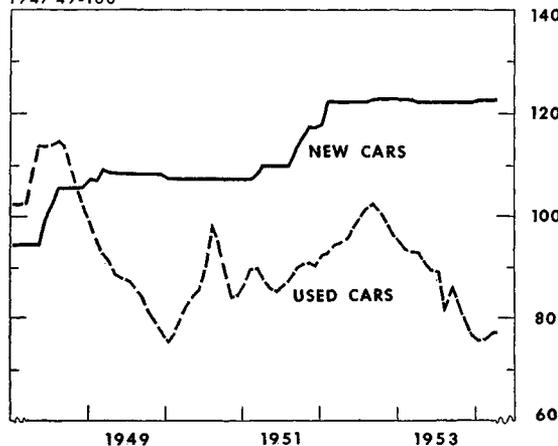
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The January rate, seasonally adjusted, was about one-third above the 1947-49 average and not far below the January 1953 rate; output was maintained at this level through March, as shown in the chart on the preceding page. In April and early May production was above the first quarter rate. Assemblies in April totaled 533,000 units compared with 600,000 a year earlier.

Used autos and prices. Unit sales of used cars this year have been as large as a year ago, reflecting in part lower used car prices. Stocks of used cars increased substantially during 1953 but, unlike new cars, have tended downward this year.

AUTO PRICES

1947-49=100



Federal Reserve indexes compiled from trade sources. Figures for used cars are based on advertised prices for late model, low priced cars in major cities and are adjusted for normal depreciation; for new cars, on factory prices for the same makes, with allowances for freight, accessories, and sales tax added.

The increase in stocks of used cars last year was accompanied by a marked decline in prices, after allowance for depreciation, from the unusually high levels reached in 1952 at the time of the steel strike. Since December there has been some seasonal strengthening in used car prices, as shown in the chart. In relation both to list prices of new cars and to the general level of commodity prices, used car prices since late 1953

have been lower than at any other time in the postwar period.

List prices of new autos have changed little since 1952, in contrast to the sequence of increases in 1951 and early 1952 associated with shortages, strong demands, and rising production costs. The high level of dealers' stocks of new autos, which became a feature of the automobile market in the latter part of 1953, has encouraged more aggressive selling efforts. With new car list prices about unchanged, the substantial decline in used car prices since mid-1952 has resulted in a marked increase in the spread between the two.

Autos in use. An important aspect of the automobile market has been a further increase in the number and a reduction in the average age of autos on the road. It is estimated that by mid-1954 about 44 million units will be in use, an increase of almost 25 per cent from mid-1950. In these four years, over 21 million new passenger automobiles will have been sold to domestic consumers, and about 13 million cars scrapped.

The rise in consumer stocks has been accompanied by a further shift in the age-group distribution toward that prevailing before the war. In mid-1939, when 24 million autos were on the road, 29 per cent were under 3 years of age, 53 per cent were from 3 to 9 years old, and 18 per cent were 10 years of age or older. The estimates for these same age classes in mid-1954 are 27, 53, and 20 per cent, respectively. Because of the greatly expanded total number of cars in use now, there are close to 9 million cars in the oldest age group, as compared with 4.2 million in mid-1939.

HOUSEHOLD GOODS

Dollar retail sales of major household goods this year have been close to their advanced year-ago levels, following some de-

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cline in the autumn of 1953. Since average prices of these products have been below earlier advanced levels—reflecting partly a reduction on April 1 in excise taxes on most major appliances—the volume of units sold, including those for installation in new houses, has been about as large as a year ago.

Output of major household goods has increased about one-tenth this year from the reduced rate reached in December 1953, as the chart shows. During 1953 output of these goods had been cut about one-fourth to the level prevailing in early 1952 before the expansion of that year. In the rise this year output reached an indicated level in April of 113 per cent of the 1947-49 average.

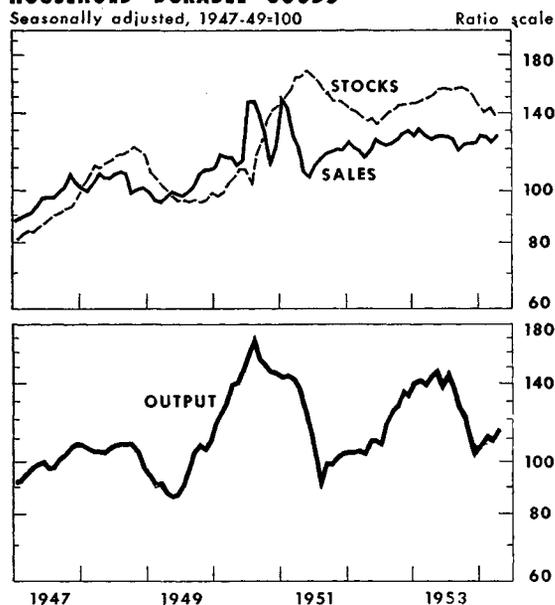
Business inventories of household durable goods had increased substantially by mid-1953 but the subsequent sharp output curtailments resulted in reductions in over-all stocks, particularly of television. Stocks

were still fairly large at both factories and wholesalers in March.

Selected goods. Output of television sets has risen considerably since the end of last year, but the April level was still about 25 per cent below the advanced rate of a year ago, as shown in the chart. With retail sales showing a more than seasonal expansion since last autumn, inventories of television sets have been worked down appreciably from the high levels reached in the autumn of 1953.

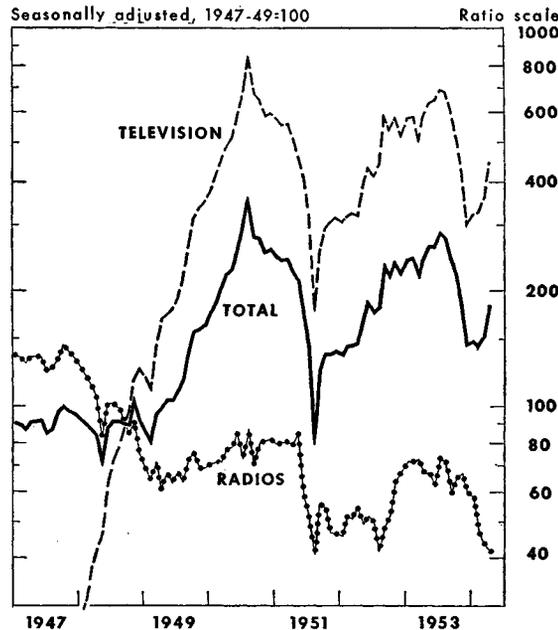
Output of major appliances increased about one-eighth in the first four months of this year from the curtailed end-of-1953 rates. From May through December of last year output had decreased about 30 per cent, following an expansion of 50 per cent from the second quarter of 1952 to the spring of 1953. While most appliances showed similar, marked ups and downs, output of room air conditioners expanded rapidly through-

HOUSEHOLD DURABLE GOODS



NOTE.—Federal Reserve indexes of the value of retail sales and stocks based on department store data and Department of Commerce retail store figures. Latest figures shown: output and sales, April; stocks, end of March.

RADIOS AND TELEVISION



NOTE.—Output of television prior to February 1948 was less than 30 per cent of the 1947-49 average. Latest figures shown for all series are for April.

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out the period, to a rate about three times higher than that in 1952.

Manufacture of furniture and floor-coverings has been stable this year at a level nearly one-fifth below a year ago. At retail stores, dollar sales of these products have been moderately below year-ago levels. The value of stocks held by furniture manufacturers had been reduced about 8 per cent by the end of 1953, and stocks at retailers had also been lowered.

For most miscellaneous household and personal durable goods, output rose much less in the 1952-53 period than was the case for the major goods, and the curtailment after mid-1953 also was less pronounced, as shown in the chart on page 442. In the January-April period of this year production of these goods decreased further, however, in contrast to the rise in major durable goods.

Prices. Prices of household appliances and television generally were raised somewhat last summer following increases in steel prices. Toward the year-end, however, some producers of television introduced lower priced models and there were some reductions in list prices. Prices of carpets also were reduced somewhat. As in the case of autos, there were indications beginning in the latter part of 1953 of larger discounts and more frequent special sales than before midyear.

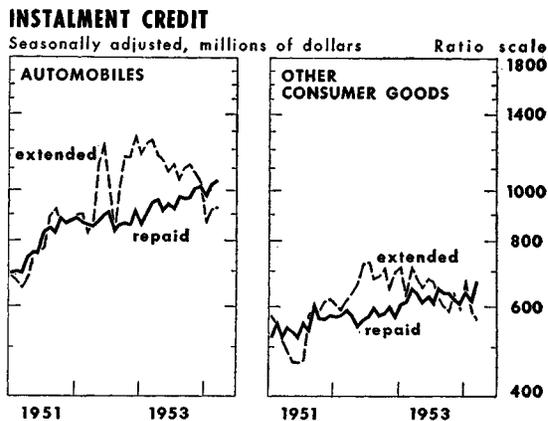
Federal excise taxes on most major appliances were reduced on April 1 from 10 per cent to 5 per cent, and decreases in retail list prices generally reflected the tax cut. Excises on radios and television were not affected by the tax reduction.

INSTALMENT CREDIT

While sales of major consumer durable goods have shown a moderate recovery this

year, instalment credit outstanding declined 900 million dollars in the first quarter. The reduction, which reflected in part seasonal influences, compared with an increase of 700 million in the corresponding period of 1953.

On a seasonally adjusted basis, total extensions of instalment credit have declined since early 1953 while repayments have continued to increase. Credit extensions to finance sales of new and used automobiles increased slightly in February and March of this year, as shown in the chart, but for the first quarter they were about one-fourth below the advanced rates of the same period of 1953. Instalment credit extended in connection with sales of other consumer durable goods was about one-eighth smaller in the first quarter than a year earlier.



NOTE.—Latest figures shown are for March.

On new auto contracts the most common terms are one-third down and 24 months maturity, but many contracts are written for shorter periods and some for longer ones. For used cars, instalment contract maturities are typically shorter than for new cars. Recently, competitive market pressures have been operating to liberalize instalment credit terms, particularly in the automobile field.