

MONTHLY
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Review*

APRIL 1950

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FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

Vol. 32—No. 4

Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

Recent Banking Trends

Real Estate Loans Expand One of the distinguishing characteristics present throughout the first quarter was the further expansion of mortgage lending at the large weekly reporting banks. The existence of a secondary market for mortgages through the operations of R.F.C. and F.N.M.A. is undoubtedly a major factor in inducing private lending of this nature.

Currently, the resurgence of borrowing for real estate development is of considerable significance in maintaining a high level of private domestic investment. Both in the Fourth District and nationally, it presents a positive contrast to the temporary curtailment of the postwar mortgage boom which was apparent during the early months of last year. The impact of recent wage increases on building costs has not yet had time to be reflected in the demand for mortgage credit, nor does it appear that the proposed further expansion of federal aid for housing has caused any substantial changes of immediate plans.

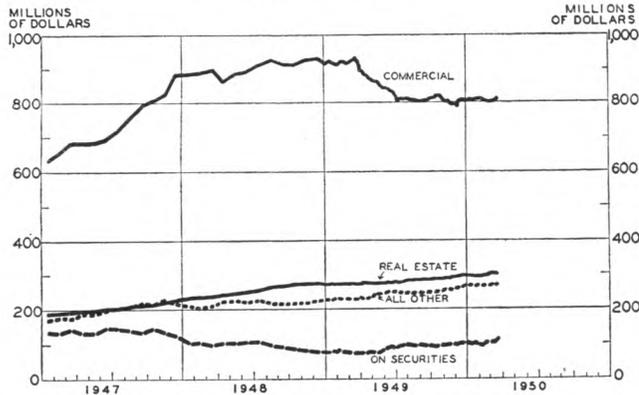
Other Types of Loans Further expansion has also been evident in the "all other loans" group, which continues to move upward to new peaks. Not least among the factors contributing to this growth is the increasing volume of instalment credit. Data received so far from Fourth District banks reporting consumer loans indicate that the major strength of the instalment boom lies in the demand for automobiles, television, and other major household appliances and consumer durables, while repair and modernization loans as well as personal loans have remained virtually unchanged. The possibility that this "strength" may later turn out to be weakness in terms of people's ability to buy should a downswing in business activity occur, was discussed

in the March issue of the *Review*. At the present time, personal incomes are apparently adequate both to prevent any noticeable decline in the rate of repayments and to form a base for an undiminished volume of new borrowing.

Loans for purchasing or carrying securities other than U. S. Government issues increased more than 30 percent in the first quarter of the year in this District, and though still relatively small in amount, they are approximately double the year-ago figure. This can be attributed in considerable measure to the relaxation of margin requirements last spring. Collateral loans on U. S. Government securities remain virtually unchanged from the low amount to which they had been reduced by early 1949.

Commercial Loans Unlike many of the other loan categories described earlier, the volume of commercial loans outstanding has been relatively stable throughout the quarter, as indicated in an accompanying chart. (All points plotted on weekly reporting member bank charts are Wednesday dates, weekly after 1948.) In the comparable period last year, in this District, extension of credit to business was in the final stages of its postwar expansion, reaching a peak late in March. Although a nominal expansion in commercial indebtedness to banks took place during the first quarter of 1950, both in this District and in the national series of weekly reporting banks, the year-to-year margin was little changed in the Fourth District while it contracted noticeably for the country as a whole. This is primarily due to the fact that the downturn in business borrowing in 1949 did not occur in this District until the national decline had been under way for some months. And it may well be that the recent coal strike produce greater re-

LOANS OF REPORTING MEMBER BANKS (Fourth District)



... commercial loans have remained at a fairly stable level over the past nine months, while real estate, and "all other" loans reached new peaks during the first quarter of 1950.

percussions on business borrowing in this District than elsewhere. In point of fact, there was a decline of \$9 million during February in commercial, industrial and agricultural loans outstanding at reporting banks in this District. Nationally, of a decline of \$84 million in the same period, the greater part (\$50 million) occurred in New York City banks and may be attributed in considerable degree to seasonal factors. Percentagewise, the February shrinkage in this District was substantially greater than in the country as a whole, excluding New York City.

The small extent of the net change in bank-held debt of businesses, both in this District and in the rest of the country, points to a relatively stable level of inventories somewhat below the volume of accumulated stocks last year, and to a continued high volume of aggregate retail sales. Unless a sharp reduction occurs in consumers' expenditures or business expectations, and provided there is no rapid resumption of price inflation, it seems reasonable to assume that movements in commercial indebtedness to banks will reflect both seasonal movements and business expansion to a greater extent than in the recent past, rather than the vagaries of inventory changes with their attendant influences on the demand for working capital. On the whole, the trends established by the various categories of loans at weekly reporting banks in the Fourth District during the first quarter have compared favorably with movements in the same period a year ago. This factor, together with other aspects of banking developments and in conjunction with considerations of a broader general nature, leads to the inference that whatever cyclical pressures exist are, on balance, inflationary.

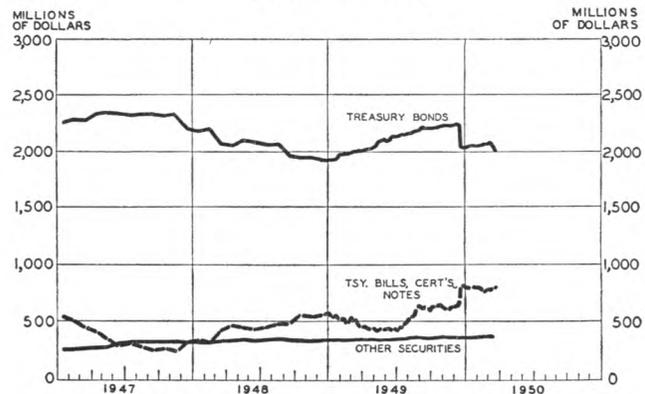
Investment Policies Continuing the policy of full investment, the large reserve city banks have held idle balances of excess reserves down to

the level which appears to have been established as a working minimum over the past year or more. During the year to date, excess reserves at reserve city banks have averaged approximately 2.2 percent of requirements. At country banks, there has been a tendency to maintain a higher volume of excess reserves since the step-down in percentage requirements last summer. For these banks, excess reserves have averaged around 18 percent of requirements during the early months of 1950 as compared with 12½ percent during the similar period last year.

Total investments at weekly reporting banks in this District have registered little net change since the beginning of the year, although at reporting banks in leading cities throughout the country a reduction of almost \$500 million was apparent during January and February. The decline was wholly in U. S. Government securities, chiefly Treasury bills and certificates of indebtedness, while state, municipal and corporate securities totaling almost \$300 million were added to portfolios. In this District, holdings of Treasury bills have increased somewhat from the low figure of late December. A decrease of more than \$100 million in holdings of certificates of indebtedness has been largely offset by an expansion of nearly the same amount in Treasury notes to the highest point since the summer of 1946, when liquidation of these securities by the Treasury was in process.

Much of the change in certificate and note holdings reflects the February and March refundings of

INVESTMENTS OF REPORTING MEMBER BANKS (Fourth District)



... mainly as a result of refunding operations, holdings of Treasury bonds were reduced substantially below the high levels of late 1949, and the portfolio of bills, certificates, and notes was augmented to the largest amount in more than three years.

one-year, 1¼ percent certificates with 1¼ percent notes of 20-month and 16-month terms respectively. In accord with orthodox monetary theory, the Treasury has adopted a more flexible policy with regard to both the rate and term of its financing operations. The 1½ percent 5-year note offered in exchange for

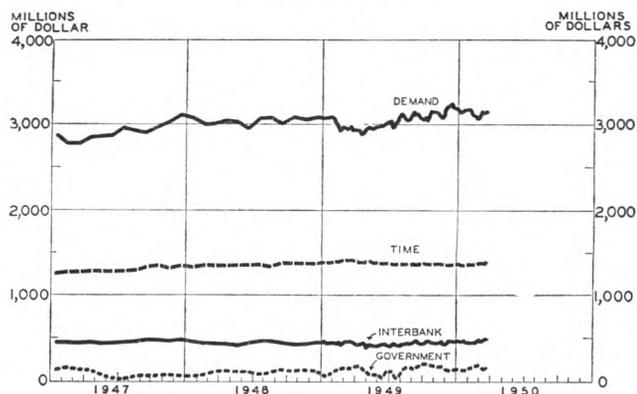
the 2 percent bonds called for redemption on March 15 is the longest-term bank-eligible security offered by the Treasury since the Victory Loan Drive of October 1945. Refunding operations since December have taken advantage of generally favorable market conditions to reduce the amount of floating debt, and the issuance of a 5-year note may represent the start of a movement to relieve the dearth of Governments in the 5 to 10-year maturity range. The rates established on the recent exchange offerings are somewhat higher than those obtaining during the second half of 1949, when anti-deflationary measures were in vogue.

A moderate increase in the yield on Treasury bills and certificates of indebtedness also developed during the first quarter of 1950. A downward drift in the prices of taxable U. S. Government bonds was stimulated by open-market sales by the Federal Reserve System of \$500 million (through March 15) of Treasury bonds, chiefly bank-restricted issues. Restricted bonds evidenced the most noticeable decline in price. For example, the yield on the 2½'s due 1963-68 rose from 2.09 percent in the first week of January to 2.18 percent in the second week of March, and on the longest restricted issue increased from 2.24 percent to 2.34 percent in the same period. Moderate additions were made to the bond portfolios of reporting banks in January and February, both in this District and nationally.

Deposit Trends After recording an all-time high in December, adjusted demand deposits at the weekly reporting banks in this District declined slightly during the early months of this year. The reduction in this component of the money supply, reflecting in part Federal tax payments, has been noticeably less than seasonal, and in March these deposits were approximately 5 percent greater than a year ago. Debits to deposit accounts (other than interbank), at reporting banks in 31 Fourth District cities, have more nearly approached the corresponding year-ago figures than at any time since June of 1949, and the rate of turnover of checking account balances at the weekly reporting banks has evidenced no further decline, if it has not manifested an outright acceleration.

A recent reversal of the downward trend pursued by time deposits at monthly reporting banks during the greater part of last year lifted these balances to a new peak level in February. To some extent, this increase in money savings owned primarily by individuals may reflect a withholding of consumption expenditures by recipients of the veterans' insurance dividend. Although the increase in time deposits at the large weekly reporting banks has been smaller than in the first quarter of 1949, the regularity of the expansion in contrast to its sporadic nature last year, tends to substantiate the view that individuals, rather than corporations and public authorities are

**DEPOSITS OF REPORTING MEMBER BANKS
(Fourth District)**



... adjusted demand deposits, although slightly below the all-time high registered last December, showed little net change during the first quarter of 1950. Time deposits in March were still slightly below the year-ago level.

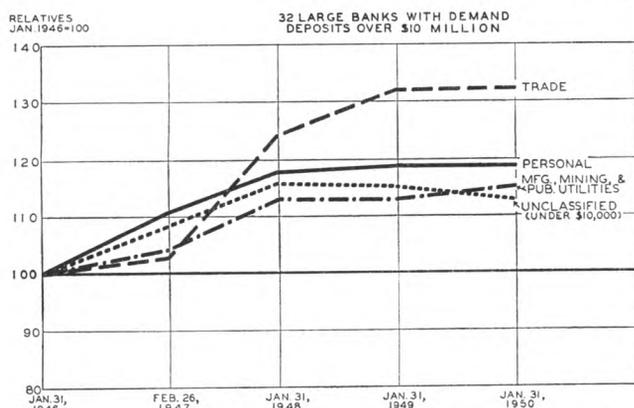
the source of these increments. A similar moderate increase in time deposits has been apparent in nearly all Federal Reserve Districts.

1950 Survey of Deposit Ownership

A moderate expansion in the cash balances of individuals, partnerships, and corporations, lifted the total of these accounts at the banks cooperating in the January survey of demand deposit ownership to the highest level recorded since the end of the war. The expansion was concentrated in the larger city banks in the District, where an increase of 2½ percent was registered since January 1949. At the smaller banks, with deposits of \$1-10 million, virtually no change was evident. While the over-all expansion was particularly slight in relation to the large gains of 1946 and 1947, it bore witness to a resumption of the growth in the active part of the money supply in private hands, following the 1948 period of stability.

Manufacturing, Mining and Public Utilities Accounts primarily of an industrial character bulked large in the aggregate expansion during 1949. At both groups of banks, deposits of manufacturing and mining concerns increased approximately 3 percent, probably reflecting the appreciable inventory liquidation which occurred during last year. In addition, the large volume of Government spending maintained by the incurring of a deficit in the latter part of the year could be expected to exert a particularly potent influence on primary and secondary producers. The need for larger cash balances by firms adopting or extending pension plans, and by the increased wage bill of the rail-utilities group is a further factor in the persistence of the postwar expansion. The fact that these ac-

POSTWAR CHANGES IN OWNERSHIP OF DEMAND DEPOSITS (Fourth District)

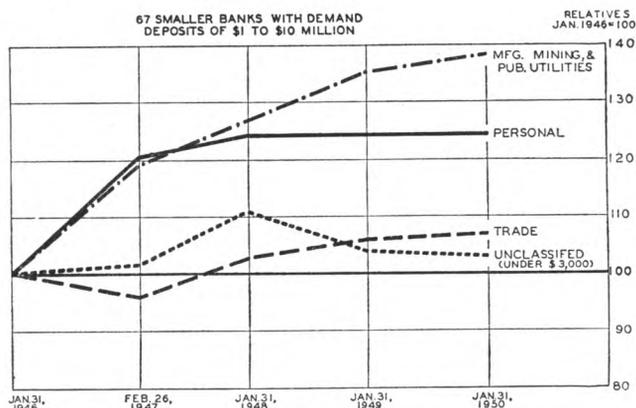


... accounts of mining and manufacturing firms increased further during 1949, but accounts under \$10,000 declined for the second successive year, while trade accounts and large personal accounts showed no gain since the previous survey.

counts were not enlarged by a greater amount may be attributed to a variety of factors such as repayment of bank loans and a somewhat higher ratio of distributed earnings. Further, demand for working capital *per se* would be lessened to some extent by the improved liquidity position resulting from inventory and debt liquidation, and corporate investment in the popular tax-savings notes partially replaced investments in accumulated stocks.

Deposits of public utilities, transportation, and communications companies declined slightly from the relatively low levels recorded in January 1949, and at all the sampled banks with deposits of \$1 million and more, were only 11 percent larger than in January 1946.

Trade Accounts For the first time since the war, accounts of retailers, wholesalers, and commodity dealers showed only a slight increase in the aggregate. In fact, the largest banks (those with deposits over \$100 million) had a smaller volume of mercantile balances than on the previous survey date. Perhaps the most important factor in halting the rapid postwar expansion of the cash balances of trading enterprises was the decline in wholesale prices during 1949. To some extent, more rigid control of inventories and accounts may have developed, following the development of a certain degree of uncertainty as to the future business outlook. In addition, the continued expansion of consumer credit, and particularly the easing of terms on instalment purchases may have resulted in accounts and notes receivable constituting a higher proportion of current assets than was the case in previous years. On the other hand, the business dip of 1949 may well have stimulated a demand for further liquidity by organizations of all types and sizes engaged in trade. The



... the volume of over-\$3,000 personal accounts at the smaller banks has been unchanged for two years, but cash balances of manufacturing as well as wholesale and retail concerns increased to new postwar highs during 1949.

exceptionally large Christmas sales volume might conceivably have left many firms with cash assets temporarily above the normal amount demanded for operating purposes. Also, it is improbable that the continued high level of consumer purchases has permitted any substantial lowering of the cash requirements for current operations.

Stability of Personal Accounts No change was apparent in the volume of large personal deposits at either large or small banks. At the smaller size group of banks, personal accounts, as indicated in an accompanying chart, have maintained a stable level for two years, following a rapid expansion in the early postwar period. At the larger banks only a slight growth was recorded in 1948. The stability of these accounts owned primarily by professional people and other individuals of means, conceals a decline of farmers' deposits which are included in this classification. Separate data for farmers' accounts of \$3,000 and over is available for the group of smaller banks, and this indicates a drop of 10 percent in amount since the previous survey. This can probably be associated with the reduced farm income during 1949, while farm purchases of consumer durables, equipment, and expenditures for home improvement continued at a high level.

Other Accounts Both percentagewise and in dollar amount, the most striking increase occurred in the "financial" accounts, which registered an 11 percent rise at all the reporting banks since the previous survey. This group includes deposits of insurance companies, trust funds, and a broad class of credit, financial, and real estate companies, building and loan associations and other mis-

(CONTINUED ON PAGE 10)

The Value of Local Business Statistics

SOME of the most interesting business statistics that come to light are those that are home-grown—business statistics that are gathered entirely under local sponsorship and designed only for local consumption.

While one-city data on automobile sales, building permits, and electric power output are in no sense a substitute for nationwide measurements, local statistics have a keener flavor of reality than do the seven-digit (or more) figures for the country as a whole. And local data portray the impact of external economic forces upon business conditions within a single county or city.

No two communities are affected precisely at the same time, nor to the same degree, by fluctuations in general business activity. Some industrial areas may be in the van of the movement while in others the response is delayed. In some cities the local counterpart of any contemporary boom or recession will be comparatively mild, whereas in others it will be much more intense than national figures would indicate.

To be most useful for analyzing general conditions, local data should cover a fairly wide variety of businesses, should be reasonably up to date and accurate, and should be presented at frequent and regular intervals. The assembling of such statistical facts requires the conscientious service of an impartial agency which will function for the welfare of the whole community. Another requisite of an organization that undertakes to provide community statistics is that it occupy a reasonably permanent and responsible position in the community. Cooperation from reporting firms will be forthcoming only if it is known that individual reports will be kept strictly confidential.

Facilities exist in a number of cities in the Fourth District for the tabulation and publication of business data on the community level. In most instances the spadework is done by the local chamber of commerce, or by an educational institution. The nature and degree of coverage vary widely from city to city, depending somewhat upon availability, custom, local interest, and financial support.

The remainder of this article describes the prevalence of such grass-roots data, the variations in content, some of the circumstances that must be considered in evaluating specific series, and a discussion of the desirability of including interpretive comment with the routine statistical tables. This particular strain of business information is still in its formative stages of development in most cities and trading areas, and this survey has been compiled especially in the hope that it will not only promote more fruitful use of existing information but also that

it might arouse interest in other communities where statistics on local business are not available at present.

Survey of Fourth District Local Data

The accompanying table lists the communities in the Fourth District where city-wide statistics are assembled and published, and indicates the sort of data provided in each case. In the majority of communities, statistical summaries are published at monthly intervals.

The statistic which occurs most frequently and is perhaps of broadest general interest as a business indicator is the volume of employment. Most organizations publishing current local employment information have found it necessary to obtain the figures from firsthand sources, that is, directly from employers, either by telephone or mail. The most common procedure is to obtain periodic reports from a representative sample of local firms. The reports are then combined and the total used as an indicator of changes in employment, or the sample may be "blown up" as an estimate of the actual numerical volume of employment. Adequate and proportionate coverage of the major kinds and sizes of business enterprises in the community is of prime importance and the cooperation of the reporting firms is essential to ensure accurate data, comparable from month to month and year to year. Information on payroll totals or total hours worked, while sometimes not so readily obtainable, is a more complete index of changes in the employment situation because it reflects the trend of short-week or part time employment, which is a special type of unemployment usually not discernible in conventional employment figures.

It is a matter of interest that few Ohio local reports include claims for unemployment compensation. This information is readily available for almost every county in Ohio at the resident office of the Bureau of Unemployment Compensation. While unemployment claims relate only to unemployment in industries covered by the Ohio law and therefore do not reflect unemployment in noncovered industries such as agriculture, the claims figure can be very illuminating with respect to over-all conditions and helpful in interpreting employment trends.

The second most prevalent business statistic is the volume of building permits, usually stated as the value of permits granted by municipal authorities. The erection of any type of building creates work and is a stimulus to sales of building materials. The information has added significance, however, if it is subdivided into residential and nonresidential permits. The rate of new residential construction often heralds the future demand for home furnishings and other continuous needs of family units. Nonresidential

AVAILABILITY C
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ITEMIZED CONTENT	Employment	Building Permits	Bank Debits, Clearings	Post Office Receipts	Electric Power Output	Auto Sales	Sales Tax Receipts	Carloadings	Natural Gas Consumption	Retail Sales	p
Total occurrences of each item	25	23	22	20	19	16	15	14	13	13	
ONE-CITY SUMMARIES											
Ohio											
(line no.)											
1	Akron	x	x	x		x	x	x			x
2	Ashland	x	x	x	x	x	x	x	x		
3	Barberton	x	x		x	x				x	x
4	Canton	x	x	x	x		x	x			
5	Cincinnati		x	x	x	x				x	x
6	Cleveland	x	x	x		x		x			x
7	Columbus	x	x	x	x	x		x	x	x	
8	Dayton	x	x	x	x	x		x	x	x	x
9	Dover	x	x	x	x		x		x		x
10	East Liverpool	x		x	x		x	x			
11	Hamilton	x	x	x	x	x	x			x	
12	Lima	x	x	x	x	x		x	x		x
13	Marion	x	x	x	x	x	x			x	
14	Massillon	x	x	x	x			x			x
15	Newark	x	x	x	x	x		x	x	x	
16	Niles		x			x		x			
17	Portsmouth	x	x	x	x	x	x	x	x	x	
18	Sidney	x						x			
19	Springfield	x	x	x	x	x	x	x	x	x	
20	Toledo	x	x	x	x	x		x	x		x
21	Troy	x									
22	Warren	x	x	x	x		x	x	x		
Pennsylvania											
23	Donora		x								
24	Latrobe	x									
25	Pittsburgh	x	x	x	x	x	x		x		x
MULTIPLE-CITY SUMMARIES											
26	Pennsylvania Business Survey	x		x	x	x	x				x
27	Ohio State Bulletin of Business Research	x	x	x		x	x				x
28	West Virginia Business Index	x	x	x	x	x		x		x	x

Source: See footnote at end of article.

LESS STATISTICS

Sponsorship

7- s	Unem- ployment Claims	Relief Cases	Water Usage	Real Estate Transfers	Cost of Living Index	Business Index	Air Ship- ments	Street Railway Traffic	News- paper Ad- vertising	Railway Express Shipm'ts	Business Failures	New Incor- porations	Interpretive Comment	
	7	7	7	7	7	5	5	5	4	4	3	2	11	
														(line no.)
					X									1
	X	X		X										2
													X	3
														4
				X	X	X	X	X			X	X		5
	X				X			X	X				X	6
		X					X		X	X		X	X	7
							X			X			X	8
														9
		X												10
	X	X	X	X									X	11
			X										X	12
		X	X	X										13
										X				14
	X	X	X											15
			X											16
	X		X											17
														18
			X	X			X							19
				X	X	X	X	X	X	X	X		X	20
														21
		X											X	22
														23
	X													24
				X	X	X		X	X				X	25
														26
					X	X		X					X	27
	X					X								28

construction suggests commercial or industrial expansion, or additions to the social and cultural advantages of a community (recreational, educational, and religious structures). While all statistics call for careful interpretation, two particular observations might be made in connection with construction reports. The first is that when confined to any local area, building data are apt to be confusingly erratic from week to week or even from month to month. This disadvantage, however, can be overcome by smoothing the figures through the use of moving averages. The second point is that sometimes building permits do not include activity in fast-growing suburbs. Unless the coverage is representative, the usefulness of the data is impaired.

A third widely used yardstick takes the form of bank debits (or bank clearings) which provide a measure of the rate at which money is turning over. In using either series, seasonal spending and the number of business days in the month are factors that must be taken into consideration. Bank clearings (as distinguished from debits), obtained through the cooperation of local clearing houses, are one of the oldest statistical series available on a local trading area basis and have the special value of long-term continuity. Almost as long established in some areas are bank debits which are a better measure than clearings in that they indicate not only the turnover in checking account balances, but also withdrawals from savings accounts. Bank debits are compiled for 31 reporting centers in the Fourth District by this bank and the tabulated results are made available to the public regularly each month. Many localities use these figures in their city summaries.

Electric power output is a frequent element in a number of regional tabulations. Inasmuch as production of electric power for industrial purposes bears a relation to the composite rate of industrial activity, it is of particular value when the industrial group is a heterogeneous mixture of plants of various sizes which are engaged in a variety of endeavors. Consideration must be given to the seasonal rise and fall in consumption (and therefore production) of electricity for lighting purposes which roughly corresponds inversely to the number of hours of natural daylight occurring at different times of the year. Many electric light and power companies are readily disposed to provide production figures.

Sales of automobiles are another commonly appearing series which is helpful in estimating current consumer attitudes and inclinations. Accurate and up-to-the-minute information on local demand for this important consumer durable is a valuable aid to those engaged in other local businesses in evaluating current and prospective business trends in their own communities. The data are usually obtained through the cooperation of local county registration offices or, in some cases, from automobile dealers' associations.

Since used car sales are usually considerably greater in number than new car sales, inclusion of second-hand cars produces a broader and therefore more reliable base. Nevertheless, it is desirable to preserve the distinction since new and used car sales do not necessarily follow the same course from week to week. Interrupted factory production and shipment of new cars, for example, may temporarily deplete local stocks and thus force a decline in sales which bears no relation to consumer demand. A further subdivision showing truck sales serves to reveal commercial demand.

Interpretation of Data There is, unfortunately, no such thing as one single, perfectly reliable, business indicator. The respective attempts which have been made to provide such a one-statistic measure by constructing indexes of general, over-all business activity out of such ingredients as have been described herein, have achieved their purpose with varying degrees of success. While general indexes have the advantage of convenience and simplicity for ready reference, admittedly even the best are not fully satisfactory.

The obvious recourse for offsetting, in part, the defectiveness inherent in any single series is to take refuge in a group of series. This practice can be carried to extremes, however, and when too many so-called indicators are presented, only confusion is likely to follow. Judicious selection of kinds of data on the basis of real significance should be the goal, rather than inclusion of any and all figures simply because they can be obtained with little difficulty.

In using local data as well as state or national statistics, even with the best possible selection of series, due regard must be given to special conditions which arise from time to time. Some of these conditions are recurrent and are related to the time of year, such as midwinter restrictions on many outdoor activities, harvest time, preparation for major holidays such as Christmas, and other seasonal variations peculiar to certain industries. Nationwide statistics are often either adjusted to allow for such variations or are presented with comment which will call attention to such influences. Unfortunately, in the case of local data, it too often rests entirely with the user to consider and make allowances for seasonal variations as well as unusual conditions such as the coming of a new industry to a town, or a local disaster such as a flood. With a little additional effort on the part of the publishing agency, the serviceability of local data could be greatly enhanced by the inclusion of a straightforward exposition of the net import of the statistical material.

Value of Textual Account Securing, assembling, and publishing the data are only part of the function of providing a local business statistical service, because a table consisting only

of a variety of unrelated raw data does not automatically impart understanding. The data require interpretation and analysis. The impression to be gained must be of a dynamic flow of events rather than a still-life record of happenings now dead and impotent. Changes which are significant because of their magnitude, their primary direction, their timing, need to be sorted out from erratic fluctuations of no particular consequence and to accomplish this it is necessary to consider the continuous movement over a period of time.

It takes more time and effort to maintain records, to compute changes and to keep up charts, than many businessmen are prepared to give. There are, in fact, several reasons for suggesting that the service be rendered by the organization which gathers the data—even though some businessmen will be disposed to make independent analyses.

(1) Those who gather the figures are in the best position to have intimate knowledge of the data, to be more acutely aware of weakness and strength in the various figures. Contact with the original sources often reveals additional qualifying or explanatory information not otherwise apparent. Moreover, the intention to make honest and explicit comments tends to develop awareness of gaps in coverage and alertness to new sources of information which might otherwise be overlooked. It might be added that this is particularly true in the average local project which does not usually warrant an extensive staff of persons each with highly specialized functions.

(2) Since mental observation of changes in the various indicators comes almost automatically, though not with precision, in the process of collecting data, it seems logical to capitalize on the psychological momentum thus created and to compose a textual commentary on such changes.

(3) It is inefficient for each user to expend time and effort performing essentially the same analytical procedure when it could be done by the service organization for the general benefit of all. It is not necessarily incumbent upon subscribers to accept the interpretation as presented, but if that interpretation is adequately documented, it can be appraised and verified or revised with comparatively little effort.

(4) There is a seemingly impenetrable psychological barrier about cold figures lined up in tabular form that discourages the uninitiated from drawing any concrete conclusions, even tentatively. But it has been demonstrated that where such textual accounts, characterized by simplicity and accuracy, are supplied regularly, the service evokes wide public interest and becomes a valuable aid to local enterprises and institutions. The next issue of the *Review* will contain a more detailed discussion of the preparation of such a report in one of the cities of this District.

Sources:

For the majority of cities, data are available from the local Chamber of Commerce. Exceptions are:

Pittsburgh, Pa., University of Pittsburgh, Bureau of Business Research

Lima, Ohio, Lima Association of Commerce

Sidney, Ohio, Sidney Civic Association

Toledo, Ohio, University of Toledo, Bureau of Business Research

Cleveland, Ohio, Some data from Cleveland Chamber of Commerce and the remainder from Federal Reserve Bank of Cleveland.

Publishers of multiple-city summaries are as follows:

Ohio State Bulletin of Business Research, Ohio State University, The Bureau of Business Research

Pennsylvania Business Survey, The Pennsylvania State College, The Bureau of Business Research

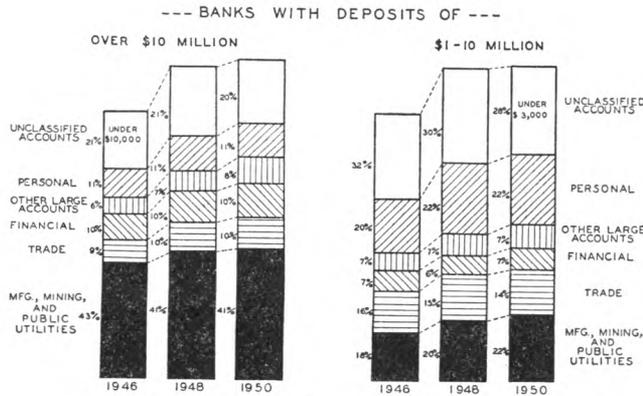
West Virginia Business Index, West Virginia State Chamber of Commerce

RECENT BANKING TRENDS

(CONTINUED FROM PAGE 4)

COMPOSITION OF OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS

(Fourth District)
On Selected Dates



... at the large banks only minor changes occurred in the composition of deposits by types of accounts in the past four years, whereas at the smaller banks the proportion of the manufacturing group increased from 18 percent to 22 percent of the aggregate, and the ratio of unclassified and trading-enterprise accounts declined.

cellaneous organizations. Considerable expansion was apparent in almost all the major types of accounts in this group at large and smaller banks alike. To a considerable extent, this expansion reflects the growing popular demand for security, wider acceptance of the investment company as an outlet for savings, and the further extension of consumer credit.

The large category of "unclassified" accounts (under \$10,000 at the large banks, and under \$3,000

at the smaller banks) was the only major deposit classification to show a decline since January 1949 at all sampled banks combined. For both groups of banks, this was the second consecutive year of decline, but in contrast to the movement in 1948, the rate of contraction was more rapid at the large banks than at the smaller group. In the case of the larger banks, the shrinkage was accompanied by a reduction in the average size of unclassified deposits, although the number of accounts was virtually unchanged. In the case of the smaller banks, a slight increase in the number of unclassified accounts produced no significant alteration in their average size. Although the sample of banks used to assess changes in average size of accounts is not strictly comparable with the sample used in discussing movements in the various types of account, it is entirely adequate to be interpreted with a high degree of accuracy in conjunction with the main sample.

In spite of considerable differences in the rate of expansion of the various broad groups of classified accounts, their relative importance within the aggregate has remained essentially unchanged during the past two years at the large banks. Manufacturing, mining and public utility accounts, together with trade accounts, again accounted for just over half of the total.

Probably the most significant change in the composition of deposits is the drop in importance of smaller accounts, particularly those under \$3,000 at banks with deposits of \$1-10 million. While this may be due in some measure to a shift of balances from checking to savings accounts, it may also indicate a shrinkage in the cash position of small businesses and of rank-and-file consumers relative to large businesses and investors.

POSTWAR CHANGES IN DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

32 Large Banks With Demand Deposits Over \$10 Million

67 Smaller Banks With Demand Deposits of \$1-10 Million

Type of Deposit	Relatives January '46—100		
	Jan. 31 1946	Jan. 31 1948	Jan. 31 1950
All Accounts of \$10,000 or more ...	100	117	121
Nonprofit Associations.....	100	132	150
Other Nonfinancial.....	100	135	150
Insurance Companies.....	100	137	185
Retail & Wholesale Trade.....	100	124	132
Other Financial.....	100	125	136
Personal Accounts.....	100	118	119
Manufacturing & Mining.....	100	111	116
Public Utilities.....	100	129	109
Trust Funds of Banks.....	100	95	86
All Accounts Under \$10,000.....	100	116	113
TOTAL.....	100	117	120

Type of Deposit	Relatives January '46—100		
	Jan. 31 1946	Jan. 31 1948	Jan. 31 1950
All Accounts of \$3,000 or more ...	100	118	125
Insurance Companies.....	100	140	177
Other Nonfinancial.....	100	118	127
Public Utilities.....	100	110	130
Manufacturing & Mining.....	100	130	139
Nonprofit Associations.....	100	128	133
Personal Accounts.....	100	124	124
Trust Funds of Banks.....	100	97	120
Other Financial.....	100	107	121
Retail & Wholesale Trade.....	100	103	107
All Accounts Under \$3,000.....	100	111	103
TOTAL.....	100	116	118

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits at 58 Banks in 12 Fourth District Cities

(Compiled March 3, and released for publication March 4)

City and Number of Banks	Time Deposits Feb. 22, 1950	Average Weekly Change During:		
		Feb. 1950	Jan. 1950	Feb. 1949
Cleveland (4)	\$ 903,722,000	-\$ 299,000	+\$ 860,000	+\$3,596,000
Pittsburgh (11)	475,825,000	+ 2,846,000	+ 1,747,000	+ 349,000
Cincinnati (8)	179,454,000	+ 110,000	+ 113,000	+ 113,000
Akron (3)	103,249,000	+ 28,000	+ 55,000	+ 10,000
Toledo (4)	105,335,000	+ 196,000	+ 314,000	+ 59,000
Columbus (3)	84,556,000	+ 103,000	+ 66,000	+ 114,000
Youngstown (3)	62,408,000	- 20,000	+ 40,000	+ 8,000
Dayton (3)	46,465,000	+ 305,000	+ 76,000	+ 18,000
Canton (5)	41,611,000	+ 24,000	- 18,000	+ 13,000
Erie (4)	39,444,000	+ 75,000	+ 88,000	+ 52,000
Wheeling (5)	26,842,000	+ 32,000	+ 134,000	+ 21,000
Lexington (5)	10,690,000	- 13,000	+ 25,000	+ 6,000
TOTAL—12 Cities	\$2,079,601,000	+\$3,387,000	+\$3,242,000	+\$4,323,000

During the four weeks ended February 22, time deposits in 12 Fourth District cities increased at the rate of \$3,387,000 per week.

This was the third consecutive month of expansion and lifted aggregate time deposits to a new all-time high of nearly \$2,080,000,000. Thus the shrinkage that occurred last year between March and December has been more than offset by the gains of the past three months.

In seven of the 12 cities, the February expansion was larger than in the same month of 1949. The year-to-year comparison was most noticeable in Dayton, Pittsburgh, and Toledo. In Pittsburgh and Toledo, as well as in Akron and Columbus, time deposits were the highest on record, on the reporting date. The February increase in Canton was the first in nearly a year.

In the three cities reporting a reduction in February, the declines were comparatively nominal.

Adjusted Weekly Index of Department Store Sales*

Fourth District

(Weeks ending on dates shown. 1935-39 average=100)

1949		1950		1949		1950	
Jan. 8	326	Jan. 7	273	July 2	285	July 1	.....
15	317	14	307	9	283	8	.....
22	324	21	305	16	283	15	.....
29	298	28	302	23	276	22	.....
				30	272	29	.....
Feb. 5	301	Feb. 4	301	Aug. 6	265	Aug. 5	.....
12	303	11	290	13	248	12	.....
19	290	18	273	20	267	19	.....
26	274	25	250	27	262	26	.....
Mar. 5	270	Mar. 4	255	Sept. 3	276	Sept. 2	.....
12	282	11	276	10	282	9	.....
19	268	18	262	17	279	16	.....
26	275	25	.....	24	263	23	.....
						30	.....
Apr. 2	304	Apr. 1	.....	Oct. 1	288	Oct. 7	.....
9	306	8	.....	8	249	7	.....
16	270	15	.....	15	251	14	.....
23	278	22	.....	22	244	21	.....
30	299	29	.....	29	263	28	.....
May 7	320	May 6	.....	Nov. 5	259	Nov. 4	.....
14	277	13	.....	12	241	11	.....
21	301	20	.....	19	256	18	.....
28	280	27	.....	26	276	25	.....
June 4	277	June 3	.....	Dec. 3	286	Dec. 2	.....
11	283	10	.....	10	293	9	.....
18	293	17	.....	17	304	16	.....
25	299	24	.....	24	257	23	.....
				31	289	30	.....

* Adjusted for seasonal variation and number of trading days. Based on sample of weekly reporting stores which differs slightly from sample reporting monthly.

Bank Debits*—February 1950 in 31 Fourth District Cities

(In thousands of dollars)

(Compiled March 13, and released for publication March 14)

No. of Reporting Banks	Feb. 1950	% Change from Year Ago	3 Months Ended Feb. 1950	% Change from Year Ago	
191	ALL 31 CENTERS.....	\$6,215,200	- 0.6%	\$20,820,029	- 4.7%
	10 LARGEST CENTERS:				
5	Akron.....Ohio	\$ 203,089	+ 3.2%	\$ 677,772	- 0.9%
5	Canton.....Ohio	95,729	- 5.5	306,960	-13.7
16	Cincinnati.....Ohio	819,900	+ 4.2	2,644,421	- 1.5
10	Cleveland.....Ohio	1,541,302	+ 0.1	5,340,316	- 4.9
7	Columbus.....Ohio	494,482	+ 4.2	1,615,153	+ 1.3
4	Dayton.....Ohio	204,992	+ 0.8	691,961	-0
6	Toledo.....Ohio	303,545	- 0.6	1,026,620	- 4.8
4	Youngstown.....Ohio	137,349	+ 4.5	449,258	- 2.8
6	Erie.....Penna.	76,718	+ 1.7	250,263	- 4.8
51	Pittsburgh.....Penna.	1,769,231	- 3.8	5,858,383	- 7.0
113	TOTAL.....	\$5,646,337	- 0.2%	\$18,861,107	- 4.4%
	21 OTHER CENTERS:				
9	Covington-Newport...Ky.	\$ 35,430	- 4.0%	\$ 118,147	-0.9%
6	Lexington.....Ky.	68,096	-24.5	276,354	-24.0
3	Elyria.....Ohio	16,726	- 2.5	56,856	- 6.5
3	Hamilton.....Ohio	34,217	+ 4.5	115,924	+ 2.3
2	Lima.....Ohio	36,375	- 4.2	123,035	- 3.4
5	Lorain.....Ohio	14,460	-12.5	49,350	-13.5
4	Mansfield.....Ohio	37,568	- 1.2	124,072	- 1.2
2	Middletown.....Ohio	33,617	+15.5	109,999	+10.4
3	Portsmouth.....Ohio	17,682	- 0.6	58,224	- 8.1
3	Springfield.....Ohio	40,808	+ 3.8	133,744	- 0.9
4	Steubenville.....Ohio	19,561	- 2.3	65,197	- 7.2
2	Warren.....Ohio	32,981	- 6.1	108,021	- 9.1
3	Zanesville.....Ohio	22,704	- 1.1	74,722	- 3.0
3	Butler.....Penna.	25,165	- 9.4	84,039	-10.7
1	Franklin.....Penna.	5,631	-16.3	18,551	-19.1
2	Greensburg.....Penna.	16,795	- 8.4	56,826	-10.4
4	Kittanning.....Penna.	7,449	-16.2	27,736	-11.0
3	Meadville.....Penna.	10,544	- 3.2	34,024	-10.9
4	Oil City.....Penna.	14,573	-14.1	50,937	-10.7
5	Sharon.....Penna.	23,728	- 6.9	78,125	- 9.8
6	Wheeling.....W. Va.	54,753	+ 8.2	195,039	+ 5.2
78	TOTAL.....	\$ 568,863	- 5.1%	\$ 1,958,922	- 7.2%

* Debits to all deposit accounts except interbank balances.

During the month of February, debits to deposit accounts (except interbank) in 31 Fourth District cities were only 0.6 percent below the volume recorded in February 1949.

For the larger cities combined, the margin was only a nominal 0.2 percent, the smallest year-to-year shrinkage since last June. The widest gaps exist among the smaller reporting centers, in several of which debits are running more than 10 percent behind last year's figure.

In both large and small centers, the rate of turnover is slower than at this time in 1949. In the large cities, deposits have increased roughly 3 percent within the past twelve months, while debits in February were essentially unchanged from a year ago. Similarly, the somewhat reduced volume of debits reported from the smaller localities belies the fact that total deposit balances in those cities are as large as a year ago.

TEN LARGEST CENTERS

Among the largest cities, Cincinnati, Columbus, and Youngstown reported year-to-year gains of over 4 percent, while in Canton, Pittsburgh and Toledo, debit volume was still short of last year's total.

TWENTY-ONE SMALLER CENTERS

Debits in Middletown continued to hold a sizable margin over last year. Hamilton, Springfield, and Wheeling likewise reported debit totals in excess of the 1949 figure.

Indexes of Department Store Sales and Stocks

SALES:	Daily Average for 1935-1939=100					
	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Feb. 1950	Jan. 1950	Feb. 1949	Feb. 1950	Jan. 1950	Feb. 1949
Akron (6)	274	286	296	241	212	260
Canton (5)	325	328	342	237	243	249
Cincinnati (8)	285	316	297	225	247	235
Cleveland (11)	241	283	260	193	218	208
Columbus (6)	301	336	324	241	255	259
Erie (4)	278	314	317	223	242	254
Pittsburgh (8)	259	261	264	215	195	220
Springfield (3)	268	267	276	217	193	224
Toledo (6)	243	268	273	197	191	221
Wheeling (6)	226	235	245	176	157	191
Youngstown (3)	301	305	325	250	229	270
District (96)	271	290	284	217	215	227
STOCKS:						
District	275	224	275	255	256	255

Back figures for year 1949 are shown in the February issue. For year 1946-48, see August 1949 issue, page 7.

