CONFIDENTIAL

SURVEY OF MANUFACTURERS OF CONSUMER DURABLE GOODS

1. Vacuum Cleaners

Vacuum cleaner factory sales topped-out in the fourth quarter of 1947 and the industry since then has been adjusting to its postwar market. It was one of the first consumer durable lines to fill up its accumulated backlog.

Company A stated that its market was steady in December and rose somewhat in January. Tank type cleaners are in better demand than upright cleaners. It feels that sales will rise until the customary mid-year let-down. This company's stock of finished cleaners is low and it believes that distributor and dealer inventories are satisfactory.

Company B experienced its first sales dip in July, 1948 at which time its output was 100 per cent above prewar. In its postwar planning, this company had estimated that sales would level out at about 50 per cent over prewar, and it is now at that level with a labor force only 25 per cent above prewar. Factory employment, at 1,400, is now one-third lower than in July 1948.

It views its raw material inventory as satisfactory with materials somewhat easier to obtain. Finished inventory at the factory and in the hands of distributors is equal to about five months supply and it considers four months as normal. The company plans to work off this surplus gradually in the coming year. It generally anticipates a satisfactory year, from the point of view of both production and profits, although perhaps not as large as 1948.

Company C expects about a 10 per cent decline in their own business from the first quarter of 1948 (which was a very good period by any standard) and about a 25 per cent decline for the industry. Production in January, however, was better than December 1948. This company has a very low finished inventory, but its raw materials are out of line. It has, for example, a six months supply of aluminum castings on hand and it has stopped all buying until this stock - as well as other materials - is worked off. It still, however, is buying gray market steel.

All three companies report that sales made on a house-to-house basis are holding up better or even increasing whereas sales by regular retailers are not doing as well. One company is strongly in favor of Regulation W for imposing common sense down payments and putting an obstacle in the path of high pressure selling. The other two companies declared that the Regulation had reduced sales somewhat but did not appear to feel strongly on the matter, nor did they believe that sales would be stimulated materially if it were removed.

11. Sewing Machines

This very large manufacturer is extremely optimistic about the sales outlook and their chief problem is to increase production. They have just acquired a new plant with 240,000 square feet of space, and if their plans are carried to completion, will increase capacity to about 75 per cent above prewar.

There are no official production figures for this industry because there are only four manufacturers in the field. Prewar, output was estimated at from 650,000 to 700,000 electric domestic machines. It is estimated that output in 1948 was not over 900,000 units. The war accumulated backlog is still believed to be very large. This company achieved about a 30 per cent unit gain in 1948 over 1941, which had been the best year in their history.

Inventories in all positions - including retail - are low, although a telephone check of the eight leading retail outlets in Cleveland revealed that prompt delivery of nearly all models was possible.

The sales manager of the company indicated that a few dealer complaints had been received on Regulation W. The president stated, however, that backlogs were so large that he wasn't concerned. Moreover, the high cost of living and large down payments required for automoniles was a definite help to the industry.

111. Washing Machines

Factory sales of standard size home washing machines topped-out in September 1948 with sales of 442,000 units. Monthly average production in 1947-48 was 339,000 units as compared with a 1936-39 monthly average of 124,000 -- an increase of 174%. It was obvious that this sales pace could not be long maintained. December sales dropped to 184,000 units, a decline of 44 per cent from November.

Company A noted the sales decline beginning in the third week of October when daily unit output of wringer machines was 1,700. January production averaged about 1,000 and one-third of the labor force, or 1,000 men were laid off with the balance working every other week. Production of automatic machines continues at the fourth quarter pace and machines are moving well. In wringer-machine lines, the high priced deluxe models are selling better than the small standard models.

The factory sales are running ahead of production and finished inventory is being reduced. Wholesale stocks were cut 5,000 units in December and this trend continued in January. It has no knowledge of dealer stocks, but they are believed satisfactory. The company has noted no pressure to reduce selling prices. Raw material inventories are satisfactory and it can now get sufficient steel and aluminum through regular channels.

It knows of no wholesalers or retailers that are in financial trouble, although collections have slowed up somewhat. Prewar "dating" practices have been resumed.

The company is not aware of any particular dealer pressure to change Regulation W, but itself believes that modification would stimulate sales. The president of this company has been an outspoken critic of the Regulation, but the sales department has not analyzed the problem and had no recommendation to make.

This company is now reconsidering its sales strategy and believes it must begin a real selling and promotion program. Blames sales lag on Regulation W, caution of consumers after election, and lay-offs or fear of such, on lower income groups. Believes that spring and summer business will be satisfactory in relation to prewar sales.

Company B noted dealer inventories beginning to back up in October, 1948 when daily output was nearly 1,800 units. A supplier strike of six weeks duration halted all production for that period. Production was resumed in mid-January at a daily rate of 750 units, a drop of 58 per cent. The company produces an automatic type machine.

IV. Gas Ranges

Industry production for the first three-quarters of 1948 was nearly twice the 1941 monthly average of 125,000 units.

Company A, manufacturer of a high grade range, noticed the slow-down in sales on November 18. It employed about 1,000 people at that time and payroll on February 5 was down to 600. Total gross sales in January 1948 were $1,200,000 as compared with $400,000 in January 1949.

The decline in sales was more than seasonal. From November 1940 to January 1941, dollar sales dropped 48 per cent. From November 1948 to January 1949, sales declined 76 per cent. The company was extremely critical of Regulation W, since it believed that its whole sales program from a historical point of view depended on low down payments and long terms.

Company A has no finished goods inventory problem since it produces only on order of distributors. Raw material inventories, however, are out of line. Last year, it operated on a 60-day basis and that was its position in November. On February 1, inventory of some materials was up to 6 months and it has sharply reduced purchases. The company notes, however, that demand has decreased for its low priced lines more than deluxe items which are outselling cheaper items 3 to 1, the exact reverse of prewar sales.

Dealer and distributor inventories are believed to be heavy. Collections have slowed down slightly.

Company B operates a gray iron foundry that serves a wide variety of customers, but principally stove manufacturers. Its total tonnage is down 30-35 per cent from November with probably a 50 per cent decline in stove business. It believes that all cooking range business is off far more than seasonally.

Company C operates in western Ohio and produces for chain stores. It furloughed 600 people in early December out of a labor force of 1,100. During the week ended February 12, it laid off an additional 300. Lack of orders was the reason given.

V. Refrigerators

Refrigerator production, on the basis of limited information, appears to be well maintained in anticipation of a normal seasonal rise in spring and summer demand. Westinghouse publicly announced in the week ended February 12, that 1,600 employees at Mansfield were being stepped up to a 6-day basis and that 100 additional employees are being hired. An increase of 20 per cent in production is planned. Enameling sheets and hardware are reported in better supply. Total appliance employment, however, is down 400 people from last fall.

It is also believed that General Electric production in Erie, Pennsylvania has not been reduced.

From additional sources, it appears that refrigerator manufacturers are storing part of current production and that dealers and distributors are being loaded with inventory that is being sent out on a "dated" basis due to inadequate factory storage space.

General Labor Market

The Ohio State Employment service reports that Cleveland labor market conditions are sluggish, with employment on February 1 down about one-half of one per cent from year ago levels. Total unemployment in Cuyahoga county was estimated on February 1 at 35,000 as compared with nearly 30,000 on January 1. Current unemployment amounts to about 6 per cent of non-agricultural employment.

A survey of 173 manufacturers indicated that employment on January 15 was only 3 per cent lower than on November 15. Reasons given were lack of orders for gray iron castings, uncertain consumer demand and high inventories, retooling for new auto models, and seasonal declines in such lines as toys, scooters, and bicycles.

The Cleveland Chamber of Commerce monthly survey of 100 companies revealed a January decline of only .6 of one per cent from December levels.

A pickup in auto part building nearly off-set declines in all other manufacturing lines. Ten companies, out of 100, anticipated a downward trend in employment, the largest number since prewar.

Reduced hours or forces have also been reported since February 1. The Weatherhead Company's 1,200 production workers went on a three-day week, and 200 were laid off shortly after Christmas. The company produces screw machine products and auto parts. Brown Crane and Shovel Company put its 240 workers on a three-day week on January 21. General Dry Batteries laid off one-fifth of its 500 people due to a more than seasonal decline in demand.