FEDERAL RESERVE BANK
OF BOSTON

February 10, 1949

Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Gentlemen:

With reference to Board's letter dated January 27, 1949, relative to recent tendencies in the durable goods and instalment credit field, there is enclosed a memorandum setting forth the results of a spot survey covering a small number of banks, finance companies, and leading automobile, household appliance and furniture dealers located in the principal trading centers in this district.

This subject will be covered in more detail in our next quarterly report in reply to S-953. In addition, in accordance with Board's request, we shall make recurrent spot surveys in this field and render monthly reports through July, to reach the Board's offices no later than ten days after the end of each month.

Very truly yours

J A Erickson

President

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Enclosure

Federal Reserve Bank
of Boston

February 10, 1949

M E M O R A N D U M

Interim Report of Spot Survey Relative to Recent Tendencies in the Durable Goods and Instalment Credit Field

A spot survey covering a few banks and finance companies and a small number of leading automobile, household appliance, and furniture dealers located in principal trading centers in this district produces the following information which is set forth in the same order and in line with the questions raised by the Board in its letter of January 27, 1949

1. In the past few months bankers report increasing evidence of undue inventory accumulations in a number of regulated articles, more particularly in automobiles, refrigerators, radios, and miscellaneous other retail appliances. This situation is particularly true in the higher-priced articles and lesser-known brands. The feeling seems to be general among bankers, with few exceptions, that all major appliances are in easy supply and there is evidence of "jockeying" among manufacturers, wholesalers, and retailers as to who will be the one to carry the burden. As one banker puts it, it is difficult to arrive at the exact cause of existing conditions but it might appear to be a combination of a very substantial rate of production, a marked reluctance on the part of the consumer because of resistance to high prices, and the increasing pressure on the consumer caused by the cost of living. There does appear to be increasing pressures on dealers by manufacturers and distributors to accept merchandise quotas.

   Most automobile dealers report an increasing accumulation of used cars and while some feel that there is no undue accumulation of new cars, concensus of opinion seems to be that there is a slowing down in the turnover of all makes other than the "Big Three" and even in the Big Three the higher-prices models are not moving.

   Opinion varies considerably in the case of household appliance and furniture dealers. Many report that they have been able to control inventories by operating on a "hand-to-mouth" basis. Others state that they have been unable to control inventory due to pressure on the part of manufacturers to force acceptance of quotas and delivery on back orders. A definite trend to standard brand articles is reported.

   Finance companies were mixed in their reactions with those such as General Motors Acceptance Corporation reporting no evidence of recent undue inventory accumulation other than accumulated in anticipation of greater sales activity in the spring while others handling the lesser-known brand merchandise referred specifically to the accumulation in the higher priced and less well known makes of automobiles.

2. There has been no premium on "used" new cars in this area in the last two or three months. Discounts are being extended by most new car dealers in the over-allowance on cars traded in. Some new car dealers are giving cash discounts. All new car dealers are selling cars stripped of accessories and extra charges. Foreign car sales have fallen off practically 100 per cent. Price reductions are reported in many lines, with discounts increasingly prevalent. This situation is described by the majority of those reporting as being due to a return to a buyer's market rather than because of seasonal influence.

3. Banks and finance companies generally are showing increasing reluctance to handle certain types of retail instalment paper except on a more selective and restrictive basis. This is due to uncertainty existing as to future conditions and increased cost of operation which requires concentration in a more selective and profitable credit.

4. Financing institutions generally have tightened their credit lines extended to dealers for floor plan financing or other wholesale transactions. This has become increasingly evident during the past ninety days and is again due to greater uncertainty as to the future and the desire to prevent as much as possible any further undue inventory accumulation.

5. Other than evidences of undue inventory accumulation, there does not appear to be any real evidence that dealers in durable goods are financially overextended.

6. There is little evidence to indicate lay-offs in manufacture and distribution of regulated durable goods in this district. Electrical appliances are produced in this district almost exclusively in the three southern states. Several lines have shown employment declines for periods of six months to a year. These lay-offs have continued and little pick-up is noted. The appliance line most affected seems to have been the production of stoves. Lay-offs in this industry have been heavy. In one Massachusetts stove factory a proposed reopening in January was indefinitely postponed. There have also been lay-offs or shortened work weeks by producers of vacuum cleaners, washing machines, dish washers, and refrigerators. Employment in the production of parts of radios and phonographs appears to be holding up fairly well as a result of sustained production of television sets. There has been little recent change in employment in the production of bedsprings, mattresses, and sewing machines. Furniture production has slackened and employment is down, particularly in the three northern states. Carpet manufacturers have reduced employment in varying degrees with two small manufacturers in New Hampshire employing a total of 100 workers reporting a lay-off of 50 per cent. In each instance where lay-offs, reduced hiring, or short work weeks have been noted the reason given has been lack of orders.