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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

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The following are highlights from the Fifth Annual Survey of Consumer Finances sponsored by the Board of Governors of the Federal Reserve System and conducted by the Survey Research Center at the University of Michigan.

These preliminary findings are based on simplified tabulations from approximately 3,000 interviews made during January and February in 66 sampling areas throughout the country, including the 12 largest metropolitan areas. An additional 500 interviews will be included in the final figures to be available in a series of articles in the Federal Reserve Bulletin starting in June. It is not believed that conclusions derived from the final figures will be substantially different from the present conclusions.

Consumers were queried regarding their opinions about their own financial positions at the beginning of 1950, and on economic matters in general. They were asked also about their plans to buy houses, automobiles, and other major durable goods during 1950. In addition, the survey collects data concerning distribution of consumer incomes, ownership and use of liquid and nonliquid assets, and consumer saving, but information on these subjects is not available at the present time.

Release of the preliminary findings is possible as the result of an experimental program to speed the tabulation of certain parts of the survey where the usefulness of the data depends in part on their timeliness. The first public release of data from the 1949 Survey of Consumer Finances was made in mid-June of last year.

In sponsoring the Survey of Consumer Finances, the Board of Governors emphasizes the experimental nature of this relatively new development in the field of economic research. The methodology and techniques being used are believed to be among the most adequate known at the present time. Considerable further experience, however, derived from surveys repeated under varying economic conditions, together with careful statistical and analytical testing of results, will be needed before this type of research can be of maximum usefulness.

The survey information represents only one body of data indicative of tendencies in economic prospects. Survey findings should always be viewed along with a wealth of other statistics reported currently through various Government, private, and nonprofit organizations.

Conclusions

1. Consumer plans to purchase houses, automobiles, and other selected durable goods in 1950 appear, on the whole, to be at least equal in early 1950 to those expressed at the beginning of 1949 and again in midsummer.

2. Personal income expectations for 1950 were generally as optimistic as a year earlier despite some increased frequency of lower current incomes than a year ago.

3. With regard to the general business outlook for the next 12 months, consumers evidenced greater uncertainty than at the beginning of 1949. However, they were somewhat more optimistic than last July following a series of business adjustments in the first half of the year.

4. A belief that prices will fall in the coming year is widely held, especially with regard to automobiles and large household items, but the number expressing this belief is down sharply from 6 months and a year ago.

Consumer Plans to Buy Houses and Durable Goods

1. Consumer plans to buy houses in the current year--newly built and existing houses combined--were slightly larger in early 1950 than in early 1949. Plans to purchase newly constructed homes were the same or somewhat greater than in 1949 while there was no change or a slight decline in reported intentions to purchase existing homes.

Preliminary survey data justify an estimate of over 1 million consumers having "definite" plans to buy new houses in 1950. Compared with a year ago, a somewhat stronger demand was evident for units priced below \$10,000 while little change in purchasing intentions was noted for homes priced above this level.

About as many consumers indicated intentions to buy new homes in 1951 as reported such intentions for 1950. Purchase plans for 1951 were more frequently uncertain than those pertaining to 1950, reflecting in part at least the remoteness of the time period.

2. Considerably more than twice as many consumers intended buying television sets during 1950 as reported similar intentions for 1949. Buying plans for other selected durable goods (furniture, refrigerators, and other large appliances) were not very different from those expressed in early 1949, with some showing small increases and others showing no change or small decreases.

3. Preliminary data on consumer intentions to buy new automobiles in 1950 indicate no substantial change in number of units from 1949, a year of record sales. There is also some preliminary evidence that middle and low income consumers comprise a larger part of the prospective demand in 1950.

Financial Position of Consumers

1. Approximately 3 of every 10 consumer spending units expected their total 1950 incomes to be larger than in 1949; less than 2 in 10 expected them to be smaller. There was little change in these proportions from the survey in early 1949.

2. With regard to current rate of earnings, about 3 in every 10 nonfarm spending units reported a higher rate in early 1950 than a year earlier while almost the same proportion received a lesser rate. In the two previous annual surveys, approximately twice as many units reported higher as reported lower current earnings. However, it should be noted that in these earlier periods increases also occurred in prices and the cost of living.

3. In their own opinions, the financial position of consumers in early 1950 was similar to what it had been a year earlier. About as many currently said they were better off than in early 1949 as said they were worse off. In the two surveys conducted at the beginning of 1950 and 1949, a higher proportion of consumers reported their current financial situation to be better compared with 12 months earlier than in some previous postwar surveys in which consumers had complained about increases in the cost of living.

Consumer Attitudes on the General Economic Outlook

1. Consumer attitudes on the general economic outlook for the year might be characterized as being somewhat less optimistic early in 1950 than at the beginning of 1949, but at the same time there was also somewhat less outright pessimism. Many more persons seemed uncertain or unwilling to hazard an opinion as to which way the economic wind might blow during the coming 12 months. The proportion of those expressing a favorable opinion regarding the business outlook (4 of every 10 units) was the smallest for any of the annual surveys since early 1946, but about the same as it was in mid-July of last year.

2. Nearly half of those interviewed thought times were good at present--about the same proportion as in July 1949, but somewhat less than gave that answer a year earlier. About 2 in every 10 considered present conditions were unfavorable, and 3 in 10 held to a middle position or could not decide whether times were good or bad. As in previous surveys, those in high income groups tended to be more

optimistic in their appraisal of current conditions than did those in lower income groups. On the whole, there was little change in consumer evaluations of current economic conditions from midsummer 1949 to the beginning of 1950.

3. Many consumers thought that while times were good at present, they were less favorable than a year earlier. Nearly 5 units in 10 believed that business conditions were worse than in early 1949 while 2 in 10 thought they were better and 3 in 10 believed that general conditions were about the same. In mid-July 1949, in answer to a similar question, only 1 in 10 believed times were better and 6 in 10 thought they were worse. The entrepreneurial group--farm operators and self-employed persons--had the largest proportion of units that believed times were less favorable in early 1950 than a year earlier.

4. Somewhat more than half of all employees thought it would be difficult, if not impossible, to get another job paying about the same amount of money if, for any reason, they were to lose the job which they had at the beginning of the year. About 2 in every 10 felt absolutely certain that they could get a job with equal pay, but a slightly larger proportion were equally certain it would be impossible to get another job without some sacrifice in their current income. Data on this point, on a comparable basis, were not obtained in previous years.

5. Consumers were not quite as uniform in their expectation of lower prices in the following 12-month period as they had been at the beginning of 1949 or at the midpoint of last year. The proportion of those looking for price declines dropped from about one-half to one-third of those interviewed. On the other hand, there seemed to be a slight increase in the group who thought prices would probably rise in the coming months.

6. There continued to be a sharp divergence between consumer expectations for prices in general and for prices of automobiles and other durable goods. Although only a third of the spending units were looking for prices in general to decline, more than half were of the opinion that reductions would take place in the hard goods lines.