



Business Trends

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 Serving the Fourth Federal Reserve District

RETAIL TRADE

Reports on retail trade are mainly favorable for the second quarter of this year, but are somewhat less favorable for June and early July. Averaging the second-quarter months of April, May and June reveals that the level of retail sales for the recent quarterly period was at least as good, and perhaps slightly better than the first quarter showing. This statement holds true for retail sales as a whole and for department store sales in particular. It is true for the country as a whole and for this Federal Reserve District, and it holds good even after allowance is made for expected seasonal variations between the first and second quarters of the year.

Taken by itself, June was a month of less favorable sales for important branches of retail trade than either April or May. Seasonally adjusted department store sales were lower in June than in May, by about 3 percent for the country as a whole, and by about 5 percent in this Federal Reserve District. No improvement has been noted yet in July. Unusually warm weather during early summer may possibly have been a partial factor in the lower sales performance by department stores in June and early July. Sales of automobiles,

however, have been maintained at very high levels up to the present time. Taking all retail trade together, the June total of sales did not differ significantly from the May total.

It is not enough to know that trade during the second quarter on the whole was as good or better than first-quarter trade. The next question is: how good or bad is such a level of trade volume? For the year 1949 up to the present, total retail sales as shown by Department of Commerce figures have been approximately the same in dollar volume as they were during the corresponding period a year ago, when sales were high but not yet at their peak. As compared with the third quarter of last year when retail sales reached their all-time peak, the average pace of retail sales so far this year, allowing for seasonal differences, has been down by about 2 to 3 percent.

As usual the grand total figure is less sensitive to change than its constituent parts. While total retail sales have been slipping slightly below last fall's peak, sales so far this year by grocery stores and other food stores, which account for

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about one-fourth of the grand total, have been at an average level about one percent higher than the third quarter of last year, although a slight decline in food sales began to develop in April. Sales by automobile dealers so far this year, accounting for about one-seventh of total retail sales, have been running an average of 8 percent better than during the third quarter of last year.

Now if important sections of retail trade such as food and autos are holding their own or better, while the total of retail sales is down from last fall, it follows that other types of retail establishments must have taken a greater percentage drop in sales than would be indicated by the total figures. This is borne out by the trade data published by the Department of Commerce. Thus, if sales by auto dealers and food stores are excluded from the total, then sales so far this year by all other types of retailers, combined, show a drop from the peak third-quarter level of last year amounting to 6 to 7 percent on the average. This figure is also on a seasonally adjusted basis, and it includes nearly forty listed types of retail outlets, ranging from department stores through florists, jewelry stores, and restaurants.

The drop from the peak for the department-store branch of trade is 7 percent, as shown by Federal Reserve data. That is, department store sales so far this year have been averaging about 7 percent below the level reached during the third quarter of 1948, even after allowing for seasonal differences. An additional allowance for the fact that prices have gone down somewhat since last fall would indicate that the physical volume of department store sales has declined less than the dollar volume, but that physical volume is also down slightly from last fall's level.

Within the department stores, sales of the different lines of goods have varied considerably,

even after allowing for seasonal differences. Sales of women's hosiery and of men's furnishings have been practically at the same level as last fall. Sales of women's coats and suits have fallen close to 10 percent from last year's third-quarter levels. Furniture sales are down appreciably, and sales of major household appliances are approximately 40 percent below those of early last fall. This loss in appliance sales, however, occurred late last fall and early this year. For the past three or four months, appliance sales have been picking up.

It should be explained that the figures just mentioned on seasonally adjusted sales of the different lines of department-store goods are based on a study of reports from this Federal Reserve District only. In main outline, however, the Fourth District's experience in this particular respect is probably similar to the national picture.

When the essential facts on retail trade which have just been mentioned are considered in the light of the present moderate recession in general business, three conclusions appear to be justified:

First, the trade situation at present is not a major factor in pulling down business, even though the earlier dip in retail sales was probably connected with the onset of the business recession.

Second, the steadying of trade in the second quarter of this year, while helpful, has not brought about a general business upturn. A marked pickup in trade might turn the trick, but latest reports show no indication of such development.

Third, retail trade is, of course, strongly subject to influences from the surrounding economy. Hence, in the light of the present downward direction of industrial production and employment, retailers in the immediate future will be doing well to hold close to present levels of trade volume.

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