



# Business Trends

Prepared by the Research Department of the  
**FEDERAL RESERVE BANK OF CLEVELAND**  
 Serving the Fourth Federal Reserve District

## 1949 CHRISTMAS TRADE AND THE BUSINESS OUTLOOK

With brisk Christmas shopping under way, department store sales are now rising, but they have a long way to go to yield an outcome satisfactory to merchants or an omen favorable for general business trends. The holiday season started early in store displays, but not in actual customer buying.

The usual shopping spree which began immediately after Thanksgiving came on the heels of a generally unfavorable fall season, both in the United States as a whole and in this District. While September had been a month of encouraging trade, the effect of the strikes in October together with unusually warm weather depressed October sales to a new low for the year, allowing for seasonal factors. Thus, adjusted sales by department stores throughout the country during October averaged nearly 5% below September, or about 4% below the average of the year to date, and 11% below a year ago October. Even after the steel strike settlement and the return of more favorable shopping weather during November, the customary late fall and early Christmas shopping was slow, with the result that the adjusted index of sales for November was about on a par with October's.

Trade in the Fourth Federal Reserve District, which includes the Pittsburgh area of Pennsylvania as well as the state of Ohio and parts of Kentucky and West Virginia, was of course especially affected by the steel and coal strikes. Fourth District department-store sales (adjusted for seasonal changes) were down more than 7% between September and October, as compared with slightly less than 5% for the country as a whole. At least five cities within the District reported October department-store sales more than 20% below year-ago levels. Of the reporting cities, it appears that trade was hardest hit in Youngstown (Ohio), Wheeling (West Virginia) and Pittsburgh (Pennsylvania) with slightly decreasing severity in the order named. Sales in Cleveland were also off sharply. During most of November adjusted sales in this District were scarcely, if any, better than in October although towards the end of November a partial recovery was in process.

By no means all of the autumn slackness in department store trade in this District should be ascribed to the specific effects of the strikes. As pointed out previously in this series, Fourth District store sales have been lagging relative to nation-wide sales since about April of this year. Part of this showing is attributed to trends with-

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in the heavy industries which predominate in the District, and in all likelihood part is simply a general reflection of an inability to hold to the remarkably high levels of a year or two ago when this District tended to set the pace for increases in store sales.

It is worth noting that department-store sales declined during the fall in spite of a sustained boom in television and some pickup from previously reduced sales of furniture and household appliances. The weakness has been mainly in the apparel and soft-goods departments. Since the soft-goods lines make up the larger part of typical department-store offerings, it is no wonder that the figures on total department-store sales have been less favorable than sales by certain other types of retail outlets.

Department-store sales, although highly significant, do not make up the total of retail trade. During recent months, automobile sales have been sustained at high levels. Sales by independent furniture stores and appliance stores have improved. Sales by apparel stores, on the other hand, have lagged. Altogether, total retail sales in October, for example, were only 1% below September on a seasonally adjusted basis, and only about 3% below a year ago October. But the latter average conceals the fact that October sales by durable-goods stores were up about 7% from a year ago while sales by nondurable-goods stores were down by the same percentage.

It remains to be seen how the full Christmas season will affect the comparison as between soft-goods sales and hard-goods sales. Both types of sales traditionally soar during December, although if anything the usual expectations are greater for the soft-goods lines during the Christmas buying season. From the standpoint of business activity in general it is especially important this year that the sales of soft goods respond to the

seasonal stimulus. To understand why this is so, it is necessary to look at the relation between recent retail sales and production trends in American industry.

Since about the middle of summer, weakness in soft-goods sales has occurred alongside of strength in the production of soft goods. Consumption of cotton by mills and factories, for example, was higher in October than it had been for well over a year. Part of the production rise was to restore previously depleted inventories. With hard goods, the situation has been practically the reverse. Recent strength in the retail sales of hard goods has developed at a time when production of these goods has slackened, at least temporarily, due to strike-caused shortage of materials and partially to model-changeovers in the case of automobiles. Thus we have had weakness in soft-goods sales and strength in their production, accompanied by relative strength in hard-goods sales and temporary weakness in their production.

Now in the light of performance this fall, which may perhaps have been over-simplified in this brief account, the following question concerning the outlook may be asked: Will the purchase of textile products and other soft goods by final consumers pick up enough to sustain the present high level of production? Concerning hard goods the question is less immediate. It is clear that production of these goods is already in process of recovering from recent setbacks. The question for hard goods, if there is one, runs something like this: Will consumption and hence production of autos, furniture, appliances and the like be maintained far into next year at the high levels which have been set by present standards of consumption? An important part, although not all, of the answer to this double-barreled question may be found in the outcome of the present Christmas trade season.

*Listen to "Business Trends" over WGAR next Saturday, December 10, 1949, at 9:15 a.m.*