



# Business Trends

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

## BUSINESS IS PICKING UP

In the past week or two, a number of favorable news reports have appeared concerning the status of business conditions in the United States. They show, in brief, that output of the nation's factories is at a record high level, that employment has been increasing and unemployment has been declining, that people not only have more money to spend, but that they are increasing their spending for such things as new cars and new clothes. This acceleration of activity has been noticeable on the local scene as well as on the national level, although not always in the same proportion. Business reports for the area in and around Cleveland, and the area in and around the state of Ohio have been mostly on the up-side in recent weeks. For the most part, however, they are not quite as good as national reports.

**New High in Retail Sales.** In March, department store sales across the country, seasonally adjusted, were substantially higher than they had been in either February or January. The national sales index for last month is estimated at 158% of the 1947-49 average, thus exceeding the previous high of 156 reached in December and setting a new record. The corresponding index level of sales for Cleveland and other metropolitan areas is not yet available. However, for the Fourth Federal

Reserve District (which includes all of Ohio and parts of Pennsylvania, Kentucky, and West Virginia) the index of March department store sales, seasonally adjusted, is estimated at 151. While that is several points lower than the comparable national index, it nevertheless approximates the all-time record for this region of the country, which also was established last December.

Auto sales also increased sharply in March, and the increase is the more significant in that it was superimposed on an already-high volume. Nationally, auto sales in March were at a seasonally adjusted annual rate of 6.6 million units, up from 6.0 million in February. Moreover, the actual number of cars of U. S. manufacture that were retailed in March exceeded 600,000, the highest number for any month since 1955, which is still the all-time record year for auto sales.

In Cleveland, new car sales expanded very well in March but did not measure up to national sales. The number of new cars bought in Cleveland during March rose to 8,207, a total that was exceeded in four different months as recently as 1960. Nevertheless, the March total was the highest for any month in nearly two years. Weekly reports for April show that the vigorous pace is being maintained.

Broadcast by Dorothy F. Brown, Associate Economist, Federal Reserve Bank of Cleveland, over WGAR, Cleveland, with Charles Day, News Editor, WGAR, Sunday, April 22, at 10:15 p. m.

**Production and Employment.** In March, the Federal Reserve index of industrial production increased to a new high of 116% of the 1957 average. This indicates a net gain of 13% during the past twelve months. Along with this expansion of business output has come an increase in job openings.

There were some indications of hesitation in business activity this past winter, but the unemployment situation has improved slowly and regularly for several months, after allowance for normal seasonal change. March was the fifth consecutive month to show improvement in the U. S. rate of unemployment. Seasonally adjusted, the number of unemployed eased to 5.5% of the labor force in March, down from 6.9% a year ago, and now at the lowest level since mid-1960. The latest comparable figure for the Cleveland area was 5.7% in February. The February level reflected substantial improvement from a year earlier when the rate had mounted to 9.7%.

By February, nonfarm wage and salary employment in the Cleveland area had climbed nearly 20,000 above the number a year earlier, which was the low point of the recession. The steel industry accounted for about 8,000 of these job openings, and other manufacturing accounted for about 6,000.

**Local Building Contrasts.** Some of the most puzzling business statistics for the Cleveland area that have been released in 1962 are those which pertain to construction activity. Inside the city of Cleveland, total building permit volume is breaking all records; yet in the suburban area surrounding the city, building volume is extremely slack. This is unusual, for as a rule building trends inside Cleveland tend to parallel trends in adjacent areas.

Much of the diversity at present results from the continued slump in home building, which is the mainstay of suburban building. In the first three months of this year, there have been only 839 permits issued in Greater Cleveland (Cuyahoga County) for one and two-family dwellings. This is almost exactly the same as the small number that were issued in the corresponding months last year when such building dropped to the lowest level in the post-war period. With a lack of improvement in home building, the dollar volume of all suburban building during the first quarter of 1962 totaled less than \$35 million and consequently fell short of the low year-ago level. The \$35-million year-to-date total becomes more meaningful when it is compared with the high 1955-57 average of \$53 million for the same months of the year.

In apparent contrast to the suburban picture, the January-March total of building permits in Cleveland proper shot up to an all-time high of more than \$22 million, up 70% from the same months a year ago. This very large total, however, does not represent a broadly based surge of construction activity in the city. Rather, it is the result of a very few unusually large projects, including a group of public housing apartments and a multi-million-dollar hospital addition. In Cleveland, as well as in the suburbs, home building, factory expansion, and other types of private building activity continue at rather low levels.

On a nationwide basis, home building has also been in a slump recently. However, last week it was announced that housing starts in March improved sharply to a seasonally adjusted annual rate of 1,409,000 units, which is up nearly one-fourth from February.