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R e t a i l T r a d e

Any discussion of retail trade prospects requires as a preliminary an examination of consumer statistics. This can be a tedious exercise, albeit a necessary one. I will try to make it less so by discussing only the major dimensions of the 1966 consumer, as these dimensions emerge by logical extension of what they are now. Admittedly, this is dangerous -- in a complex fast moving economy like ours, numbers and the trends they portend are as fickle as the weather -- about which there is an old Montana saying that only fools and pilgrims predict the weather. Let me add then that this is not a prediction, but a projection. Besides, while I deny the first category, I must accept classification as a pilgrim to the wonderful world of economics.

The important current dimensions appear to be these:

Consumer income

Employment levels

Debt service as a % of consumer income

Savings as a % of consumer income

-
1. Consumer income.
 2. Nonagricultural employment - Twin Cities.
 - 2a. Nonagricultural employment - Minnesota, 9th Dist., United States.
 3. (Personal income.
(Per capita personal income.
 4. (Mortgage debt outstanding.
(Debt service.
 5. Savings as a % of disp. personal income.

Although only a general measurement, GNP this year will be in the 670 billion range, and is estimated to be 700 or better in 1966.

These conclusions may be drawn, at least tentatively:

(a) More consumers are working today than ever before, and the trend is up.

(b) Pay scales are up.

(c) Consumers have been spending more and saving less.

(d) If these trends are not arrested, the current high level of economic activity will continue well into 1966.

As I said, these are projections based upon a logical extension of known facts. But it is quite possible for these projections to be deflected from their targets by external forces. Certainly major among these would be a sharp increase in prices, which would trigger restrictive action by the Fed. In no other area of the current economic scene is there more confusion and uncertainty. Old Omar must have had the economists of 1965 in mind when he wrote:

"Myself when young did eagerly frequent
Doctor and saint, and heard great argument
About it and about.
But ever more came out
By the same door wherein I went."

How much is the economy heating up? The pessimists see a number of ominous signs -- notably, though, the consumer price index, which has increased 1.3% this year. Similar increases have taken place in the wholesale price index, after a five-year period of relative stability, where an increase of 1.9% occurred between January and August. Food was the major component, showing an increase of 4.5%, most of which was prior to June.

Demand is pressing hard on our industrial capacity. Plants are running full steam ahead, but the gap is closing.

(Christian ethic)

Yes, but the optimists argue, the increase in the consumer price index covers a number of components. The food component increase last spring accounts for a goodly part of this increase, and that increase was caused by abnormal supply factors. Services have increased in price, in substantial measure, because of limited numbers of young people entering the field -- a trend of some years background. Durable goods have actually declined to a September 1961 level. Also, they say, look at the increases in quality. Finally, they say, we must have a measure of inflation, selectively expressed, as a part of the price for full employment and good times. Besides, the President won't let it happen anyway.

I must confess to a measure of uneasiness -- but at this moment, there seem to be almost as many signs one way as the other. Perhaps the major source of uneasiness is the generally euphoric feeling that somehow we have licked the business cycle. Perhaps --

How about retailing specifically? The numbers are impressive. Minnesota has generally stayed ahead of the nation this year, even though the District as a whole only met the national increases in 4 out of the 8 months for which complete data are available. Looking at the components, there is an obvious distortion in the totals attributable to the extraordinary auto sales this year. In the District, other areas of retailing showed a far less spectacular performance, with some categories running behind a year ago through August.

By all indications, though, this Christmas should be the best ever. U. S. News & World Report, in a recent issue, stated sales rises of 5% to 10% are generally anticipated. Foreign goods, quality items, higher priced gifts, are high on the shoppers' lists. To quote from this article:

"The general boom also portends a record volume for Christmas. There are more people at work this year at higher wages and salaries. There are few signs of any halt to the prevailing prosperity. Surveys indicate people are optimistic and in a mood to spend their money on more of the things and services they want.

"People have shown a tendency to spend more of their income and to save a bit less. That means more business for the nation's merchants."

Applying the close linkage between retail sales and the general health of the nation, next year should be 4% to 5% ahead of 1965, based upon GNP estimates. I have quoted U. S. News with approval, for the linkage premise is the one on which I have based my reasoning in this talk. If I am wrong, I will have distinguished company.

But, lest you believe I, too, am from the Land of the Big Rock Candy Mountain, like the rest of the optimists prophesying our entry into the millennium of perpetual prosperity, I must warn you again that it ain't necessarily so. Clouds no larger today than an errant cipher on a computer printout could develop in the next ninety days and force the Federal Reserve to move restrictively to contain inflation breakouts, which, in turn, could cause us to falter again in the smooth, even progression into an apparent millennium.

EFFECTIVE BUYING POWER -- MINNEAPOLIS-ST. PAUL

	<u>Net Dollars (000's)</u>	<u>% Chg.</u>	<u>Per Capita</u>	<u>% Chg.</u>	<u>Per Household</u>	<u>% Chg.</u>
1961	\$3,498,221		\$2,275	--	\$7,700	
1962	3,793,805	+8.4	2,376	+4.4	8,079	+4.9
1963	3,866,633	+1.9	2,435	+2.5	8,283	+2.5
1964	4,168,964	+7.8	2,590	+6.4	8,836	+6.7
* 1965	4,728,542	+13.4	2,877	11.1	9,860	11.6

SOURCE: Sales Management, Survey of Buying Power.

* by extrapolation from employment and p.c. figures.

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(1)

NONAGRICULTURAL EMPLOYMENT -- TWIN CITIES METROPOLITAN AREA

(in thousands)

	<u>Total</u>	<u>% Change from a year earlier</u>
1962	587.9	
1963	598.1	+1.7
January	579.9	
February	578.2	
March	581.7	
April	594.0	
May	600.0	
June	604.8	
July	599.2	
August	603.2	
September	608.6	
October	611.2	
November	607.9	
December	608.8	
1964	611.0	+2.2
January	589.2	+1.6
February	587.0	+1.5
March	590.0	+1.4
April	600.4	+1.1
May	610.2	+1.7
June	617.4	+2.1
July	615.8	+2.8
August	617.9	+2.4
September	624.0	+2.5
October	628.5	+2.8
November	624.6	+2.7
December	626.9	+3.0
1965		
January	611.2	+3.7
February	609.8	+3.9
March	610.2	+3.4
April	624.1	+3.9
May	630.9	+3.4
June	637.0	+3.2
July	636.0	+3.3
August	638.0	+3.3
September	644.6	+3.3

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NONAGRICULTURAL EMPLOYMENT IN MINNESOTA, NINTH DISTRICT, AND UNITED STATES

(in thousands)

	<u>Minnesota</u>	<u>% Chg.</u>	<u>Ninth District</u>	<u>% Chg.</u>	<u>United States</u>	<u>% Chg.</u>
1962	985.6	--	1,505.0	--	55,515	--
1963	1,002.8	+1.7	1,531.6	+1.8	56,643	+2.0
1964	1,027.4	+2.5	1,562.9	+2.0	58,188	+2.7
1965	1,058.6 <u>1/</u>	+3.0	1,593.4 <u>2/</u>	+2.0	59,910 <u>2/</u>	+3.0

1/ Based on ten-month average.

2/ Based on nine-month average.

SOURCE: Department of Employment and Security.

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97% of all men able to work have job
96% - - women - -
skilled { *92%* of all negroes
87% - - teenagers

PER CAPITA PERSONAL INCOME

(in dollars)

	<u>Minnesota</u>	<u>% Chg.</u>	<u>Ninth District</u>	<u>% Chg.</u>	<u>United States</u>	<u>% Chg.</u>
1962	\$2,208	--	\$2,181	--	\$2,367	--
1963	2,334	+5.7	2,132	-2.2	2,448	+3.4
1964	2,375	+1.8	2,160	+1.3	2,566	+4.8

SOURCE: U. S. Department of Commerce.

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TOTAL PERSONAL INCOME

(millions of dollars)

	<u>Minnesota</u>	<u>% Chg.</u>	<u>Ninth District</u>	<u>% Chg.</u>	<u>United States</u>	<u>% Chg.</u>
1962	\$7,712	--	\$12,130	--	\$439,977	--
1963	8,152	+5.7	12,390	+2.1	461,670	+4.9
1964	8,364	+2.6	12,670	+2.3	491,004	+6.4
1965					533,600 *	+8.7

* Based on first nine months.

SOURCE: Federal Reserve Bank of Minneapolis and U. S. Department of Commerce.

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MORTGAGE DEBT OUTSTANDING
(billions of dollars)

*course of funds
for other than
in buying houses*

	<u>All Properties</u>	<u>1- to 4- Family Houses</u>
1960	\$206.8	\$141.3
1961	226.3	153.1
1962	251.6	166.5
1963	280.8	182.2
1964	311.4	197.7
Quarter:		
I	286.8	185.2
II	295.5	189.6
III	303.6	193.9
IV	311.4	197.7
1965		
Quarter:		
I	317.5	200.3
II	325.1	--

SOURCE: Federal Reserve Bulletin, Board of Governors of the Federal Reserve System.

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DEBT SERVICE
CONSUMER INSTALMENT CREDIT REPAYD

(millions of dollars)

	<u>Monthly Total</u>	<u>Amount</u>	<u>% of Total Personal Income</u>
1960		\$45,972	11.5
1961		47,700	11.4
1962		50,620	11.4
1963		55,111	11.9
1964		60,418	12.2
July	\$5,058	60,696*	12.4
August	5,094	61,128	12.4
September	5,104	61,248	12.3
October	5,097	61,164	12.3
November	5,155	61,860	12.3
December	5,256	63,072	12.5
1965			
January	5,213	62,556	12.2
February	5,381	64,572	12.5
March	5,393	64,716	12.5
April	5,445	65,340	12.5
May	5,435	65,220	12.4
June	5,537	66,444	12.6
July	5,612	67,344	12.7
August	5,679	68,148	12.8

* Annual rate.

SOURCE: Economic Indicators.

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SAVINGS IN THE U. S.

		<u>Savings as % of disposable personal income</u>
1960		4.9
1961		5.8
1962		5.6
1963		5.1
1964		6.0
	Quarter: I	5.5
	II	6.3
	III	5.7
	IV	6.6
1965		
	Quarter: I	5.3
	II	5.0
	III	5.8

SOURCE: Economic Indicators

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