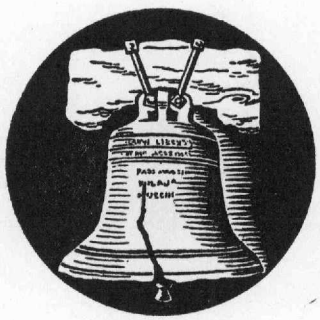
JANUARY 1950

THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA



THE BUSINESS OUTLOOK: SHORT- AND LONGER-RUN

Most people agree that short-run prospects are good.
During the first half of 1950 consumers are likely to spend heavily, outlays for construction will stay high, and Government will run a deficit.
These factors are expected to offset a decline in capital outlays by business.
Inventory policies are apt to have a more neutral effect than in 1949.

There is much less agreement about the longer-run outlook.
Yet, more and more observers now feel that strong forces are at work tending to produce chronic inflation.

THE MONTH'S STATISTICS

Business expansion prevailed over a broad front in November.
Early reports indicate continued improvement in December.

THE BUSINESS OUTLOOK: SHORT- AND LONGER-RUN

By this time a sufficient number of forecasts for 1950 have been published to permit a consensus to be drawn. A rather high degree of uniformity of opinion exists—from which this article does not deviate greatly—to the effect that the first half of 1950, at least, will see a high level of business activity. Opinions about the longer run are considerably less uniform. A growing number of observers, however, are coming to the view that strong forces now at work are tending to produce chronic inflation.

The virtual unanimity of opinion about short-run prospects is significant in itself. But even more important is the fact that, in contrast with the early post-war years, most observers now foresee only moderate changes over the near term. Fear of imminent depression during the last three years undoubtedly contributed to the avoidance of inflationary excesses. But the record of 1949, far from reminding the nation that business does not always run smoothly, more likely reinforced the idea that the economy is fairly well "under control." With the cry of "wolf" dying down, the door is once again open to inflation.

On the other hand, the increasing attention being focused on longer-run prospects should help to curb inflation. For it is basically the longer-run forces—the growth of powerful economic groups, the search for security, the zeal for social justice—which would tend to produce the kind of creeping, chronic inflation about which more and more observers are becoming concerned.

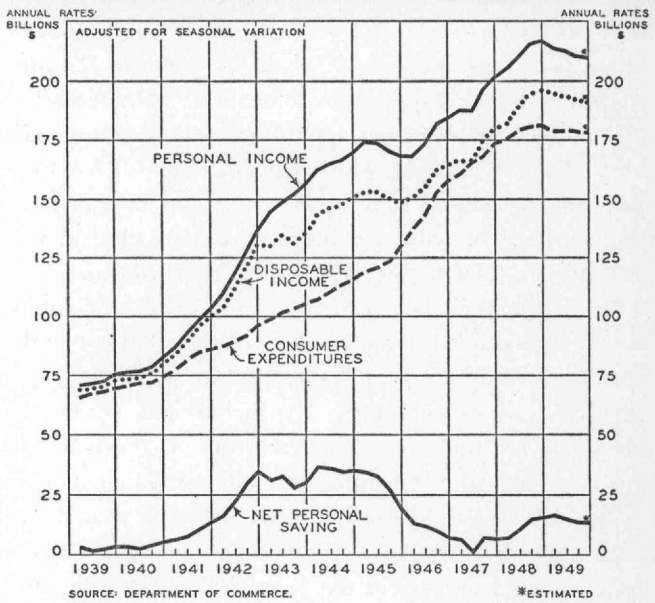
SHORT-RUN PROSPECTS

Optimistic predictions for the first half of 1950 are based largely on anticipated strength in three sectors: continued large spending by consumers, heavy outlays for construction, and Government spending in excess of receipts. These forces are expected to offset a gradual decline in business spending for new plant and equipment. Business spending on inventories is likely to have a somewhat neutral effect.

Consumer Income and Expenditures

Personal consumption expenditures for all purposes amounted to about $179 billion last year, and spending at that rate or slightly better may be expected to continue. Buying power will be augmented by the payment of $2.8 billion of national service life insurance dividends to veterans, and some states, including Pennsylvania, are making substantial bonus payments. These windfalls plus large holdings of liquid assets, the continued availability of credit under liberal terms, and increases in consumer income arising out of high levels of activity give promise of a large volume of consumer expenditures.

PERSONAL INCOME, CONSUMPTION AND SAVING



There is some question about the duration of consumer spending for new and used cars. This will have an important influence on the course of business in view of the large size and far-reaching ramifications of the auto-

mobile industry in our economy. The conservative view is that production and sales in 1950 are unlikely to reach the peaks of last year, which were the best in the history of the industry. Of course, this view may be underestimating elements of strength in demand for cars which is influenced by factors such as new models, lower prices, the financial position of buyers, and the abnormal proportion of over-age cars on the road.

Capital Outlays

Reduced capital expenditures are in prospect in practically all major lines of business. Capital expenditures last year were slightly below the peak rate of 1948, which indicates that most expansion programs have been completed or are nearing completion. Capital outlays during the last half of last year were 14 per cent below the corresponding period of the preceding year, and according to estimates of the Department of Commerce and the Securities and Exchange Commission, expenditures for the first quarter of 1950 will also be 14 per cent below the corresponding quarter of 1949.

Expenditures in the first quarter of 1950 are expected to be lower than the corresponding period of last year by amounts ranging from 12 per cent for commercial and related service enterprises to about 40 per cent for railroad and other transportation companies. Manufacturing and mining concerns are apparently curtailing expenditures about 18 per cent, with a shift in emphasis from expansion of capacity to modernization and improvement of facilities. In only one industry group—electric and gas utilities—are higher capital outlays scheduled.

While the peak in expenditures for plant and equipment appears to have been reached, declines in the months ahead are likely to be moderate because of the very nature of such expenditures. Expansion and renovation programs are time-consuming, and the programs are in various stages of completion. Amounts spent by manufacturing concerns in Philadelphia, according to annual surveys made by this Bank, tapered off gradually from a peak of $153 million in the year ending October 1947 to $111 million spent in the year ending September 1949, and $84 million was scheduled for the year ending September 1950. Although business generally may expect diminishing stimulus from capital expenditures in 1950, it is a mistake to think of unfinished plans as a fixed amount that runs down without renewal. Plant renovation and improvement is a never-ending process in a dynamic economy.

Inventories

During 1949 the greatest single factor making for a decline in total expenditures was the decision made by businessmen to stop accumulating inventories and to start reducing them. Between the last quarter of 1948 and the third quarter of 1949, business shifted from building stocks at the rate of $9 billion a year to liquidating them at the rate of $2.4 billion a year, thus exerting considerable downward pressure on production. With such a great difference in possible expenditures for inventory, it is clear that business policy in this field will be very important during the first half of 1950.

There is a rough sequence of events which must be followed as the business community builds or reduces stocks. If it can be determined that business is at or near the beginning of that sequence, there is a fairly strong presumption that the current policy will be continued for some time; if it is near the end, a new phase may be in the offing. For instance, although the attempt will be made, it is impossible for industries at every stage of the production process to reduce inventories all at once. Once the decision to cut stocks is made, orders are cut and stocks of purchased materials are lowered. This means, however, that finished goods inventories may rise for a time, even though strenuous efforts are made to cut them. A reduction in finished goods stocks cannot come until the process of inventory reduction has been going on for some time.

It now appears that for many lines a decision to reduce inventories was made in the last quarter of 1948. In manufacturing, nondurable goods producers were the first to feel the pressure of reduced sales. They began to cut their stocks somewhat before durables producers cut theirs. In trade, wholesalers, whose sales had fallen off after the middle of the year, began to cut shortly before retailers. It was not until the second quarter of 1949, however, that substantial cuts in total manufacturing inventories were made, and it was not until July and August that stocks of manufacturers' finished goods were reduced.

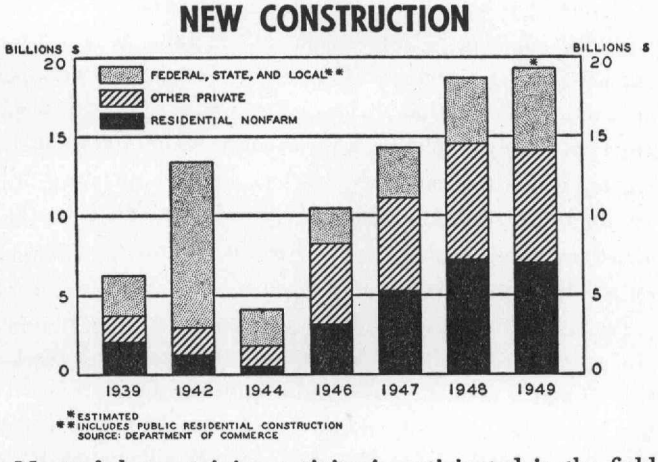
An improvement in manufacturers' sales in the third quarter brought stock-sales ratios down considerably and

this, combined with continued reduction of finished goods stocks, indicated that the inventory adjustment was nearing its end. Retailers and wholesalers actually began to increase their stocks moderately by late summer as sales held up better than they had previously expected. Strikes in the steel and coal industries undoubtedly accelerated completion of the inventory reduction process in the durable goods industries.

While it appears probable that a reduction phase of the inventory cycle is over, it is doubtful that a new round of inventory accumulation will contribute heavily to total expenditures during the first half of 1950. It is true that stock-sales ratios in general are low, and that new orders showed some improvement toward the end of 1949. They did not pick up sufficiently, however, to justify large-scale stock-piling. Nevertheless, business will be free of the same kind of downward pressure exerted by efforts to reduce inventories during 1949, and this must be regarded as a favorable factor.

Housing and Other Construction

Dollar volume of construction in 1950 is expected to equal last year's performance, according to joint estimates of the Department of Commerce and the Department of Labor. About $19¼ billion of new construction was put in place in 1949. This was much better than was generally anticipated at the outset of the year, and as shown in the accompanying chart, it exceeded the preceding year's construction by a small margin, owing chiefly to a substantial increase in the Federal, state, and local category of construction.



Most of the sustaining activity is anticipated in the field of public construction, which is expected to contribute about one-third of the total money outlay for all construction, both public and private. With only one exception, military and naval construction, public construction is expected to increase in all other categories such as schools, hospitals, highways, public housing, and related public facilities.

The weight of authority points toward a modest contraction in dollar volume of private construction, both residential and non-residential. In the non-residential field, the largest decline is expected in industrial construction, continuing the downtrend that has been in evidence for some months.

Residential construction, which accounts for about half of the dollar volume of all private construction, is expected to hold up well in 1950 but not quite equal to the 1949 peak outlays, according to appraisals of the Department of Commerce and the Department of Labor. New housing starts, which in the early months of 1949 lagged slightly behind those of early 1948, picked up rapidly to attain a September-October level of 100,000 units a month. The final tally for the year may eclipse the 1948 peak, if not the all-time record of 937,000 units in 1925.

Substantial evidence that business will receive considerable stimulus from the building construction industry for some months is indicated not only by the high level of new housing starts, but also by the sharp increase in contract awards. Total awards for all kinds of construction for the 37 states east of the Rocky Mountains rose from a monthly level of a half billion dollars in the early months of 1949 to over $1 billion a month in September and October. All major classes of construction, except public works, contributed to the rise, with the greatest increase in the field of residential construction.

Government Finance and Monetary Policy

One of the strongest supporting factors in the short-run picture is the fact that Government will spend more than it takes in. During the fiscal year 1950, the Federal Government is expected to run a cash deficit of around $4.9 billion and in fiscal 1951 a cash deficit of $2.7 billion.

The deficits are mainly the result of higher expenditures. Estimates for fiscal year 1950 are for cash expenditures of $46.5 billion and for fiscal 1951 cash expenditures of $45.8 billion as against cash receipts of $41.7 billion and $43.1 billion. Important reasons for higher total spending in fiscal year 1950 are larger outlays for

national defense, veterans, social welfare, and housing. Outlays for veterans are expected to decline in fiscal year 1951, but spending for defense, social welfare, and housing will continue to rise. Foreign aid, on the other hand, is expected to decline at an increasing rate.

The Federal Reserve System, accordingly, is likely to face a somewhat different situation in the first half of 1950 than it did in early 1949. Prospects of substantial deficits stand out in contrast to the Treasury surpluses of earlier post-war years. Because banks may finance part of the deficit, private deposits are not likely to decline as sharply as in the first part of 1949. During the first part of last year, a number of deflationary influences were in operation. In addition to the cash surplus, bank loans declined. Businesses paid off loans as they reduced inventories and made smaller outlays for capital expansion. The mortgage market was tight and the expansion in real estate loans slowed down. Similarly, consumer credit increased less rapidly. As a result of these factors the money supply declined.

In response to these changing conditions, the Federal Reserve took action to ease credit. Early in the year, Regulation W was liberalized and at the end of June the System's power to impose consumer credit controls expired, resulting in a general easing of installment credit terms. Stock margin requirements were lowered at the end of March. Beginning in early May and continuing through early September, the System made a series of reductions in member bank reserve requirements, which freed a total of $3.8 billion of reserves. Partly as a result of these actions and partly because of the shrinking outlets for investment funds, prices of Government securities rose. The Federal Reserve found itself confronted by the reverse of its previous dilemma. During inflation, it was forced to buy Government securities to support their price, thus tending to increase bank reserves and the money supply. Conversely, during the readjustment from inflation, the System was forced to sell Government securities to prevent their prices from rising too rapidly, tending to decrease bank reserves and intensify deflationary trends.

In June, however, the Federal Open Market Committee made a major declaration of policy to the effect that "it will be the policy of the Committee to direct purchases, sales, and exchanges of Government securities by the Federal Reserve Banks with primary regard to the general business and credit situation." For the rest of the year, prices of Government bonds reflected more the interplay of private demand and supply. The System stands ready, therefore, to act in case of inflationary or deflationary tendencies, at the same time maintaining orderly conditions in the Government security market.

OVER THE LONGER-RUN

While most observers predict a relatively stable economy at a high level of activity for the short run, a growing number of them are concerned about forces now at work tending, over the longer run, to produce creeping inflation. Their thinking is no longer dominated by the philosophy of the 'thirties. Conditions have changed. In the 'thirties, our resources were only partially employed; but during and since the war, resources have been practically fully utilized. In this new environment, thinking is shifting back toward "old-fashioned" principles of economics.

Making Choices

If there is any single word that summarizes these principles, it is the word *choice*. Economics involves the hard fact that we always want more things than we can have. Accordingly, we must decide which things we want most. During a depression the choice is fairly wide. If we want more butter *and* more eggs, we can get both by putting idle resources to work. But during prosperity we are apt to face the choice of more butter *or* more eggs because resources must be taken away from one to produce more of the other.

Put another way, in a depression many kinds of spending programs can be undertaken at the same time without bringing on inflation. The main effect is to increase production rather than prices. But when resources are practically fully employed, a rapid increase in total spending tends to produce higher prices because production cannot be increased quickly. If we want to spend more for some things, we must spend less for others; otherwise, we are likely to have inflation.

Put still another way, in a depression all economic groups can seek a larger amount of the nation's output and all may benefit because total output can be increased. But in prosperity the total can be increased only as fast as productivity rises—a slow process. If all groups try to get more, prices tend to rise and income shares are

then redistributed through inflation. If inflation is to be avoided, one group can get a larger share of the total only if some other group gets a smaller share.

In surveying the longer-run prospects, it is important to understand that in a period of full employment "we can't have our cake and eat it too." And even if this is understood, are we willing to limit our demands and make the necessary choices to avoid inflation?

Competing Groups

The behavior of the various economic groups since the war suggests an answer. The natural tendency of each group is to try to maintain or increase its share of the national income. In post-war years, labor, bargaining chiefly on an industry-wide basis, obtained three "rounds" of wage increases and recently received further benefits in the form of pensions. Such increases, if not accompanied by an increase in productivity, raise the cost of production and tend to be passed on to consumers in the form of higher prices. The farm price support program limits the fall in the prices of farm products and helps maintain the farmer's share of the national income above what it would be if prices were determined by free market forces. In the battle over shares of real income, the weakest group usually fares the worst. People with fixed incomes have lagged behind in the income race, and as their living costs have risen their share of the real national income has shrunk. The various economic groups might tend to moderate their demands if they thought excessive demands would create unemployment. But in an economy where a major aim of public policy is to prevent unemployment, there is a tendency to bolster economic groups at the risk of chronic inflation.

Fiscal and Monetary Problems

The problem is also reflected in the Federal budget. As each group seeks support, Government spending and taxing rise. Government assumes an ever larger role, and decisions as to the expenditure of an increasing proportion of income are transferred from individuals to Government. The economy becomes governed more and more by "political" rather than "economic" considerations. The problem of an unbalanced budget is truly "economic" in the sense that the prime purpose of any budget is to force choices and decisions. A budget should help us decide what we want most. In present conditions of relatively full employment, it points up the inflationary implications of spending more for expanded social services while at the same time bearing the huge direct and indirect costs of war.

Where does the money come from to support the spending programs? In an environment where each economic group asks Government to support its demands and at the same time prevent unemployment, the path of least resistance is likely to be inflation through the monetary system. When resources are being fully employed, competition for more income tends to raise prices, requiring a larger flow of dollar expenditures to carry on the same physical volume of production. Traditional anti-inflation policy of the monetary authorities operates via management of the money supply to keep the expansion of spending in line with the expansion of output. But to restrict spending is to restrict incomes. When total incomes are held down, one group can get higher incomes only by causing lower incomes, and perhaps unemployment, elsewhere. Thus, anti-inflationary monetary policy may be in conflict with policies of appeasing the strong economic groups and of guaranteeing full employment.

What Are the Alternatives?

If this is, in broad terms, the type of economy we are drifting toward over the longer run, what are the alternative solutions facing us?

One method which is often proposed is voluntary cooperative action. This course of self-discipline would call for all groups to limit their demands for additional income to the rate of increase in productivity; to understand that competition for larger income shares in conditions of full employment tends to produce inflation; that a higher standard of living for all can be achieved only by enlarging the size of the income pie through maximum economic progress; and that the maintenance of artificial supports runs the danger of preventing the shifting of resources so essential for an expanding economy. It also requires that individuals and groups make the "right" decisions and take the "right" actions. But this implies a more complete knowledge and understanding of how our economy works than can reasonably be expected. Moreover, such actions might well mean gains for some and lower incomes for others in order that resources could be redistributed in accordance with

changing wants. Finally, all groups and individuals would have to cooperate fully for this method to be effective.

Since it seems extremely unlikely that these essential conditions for voluntary action can be met, some form of collective action would be necessary. Such action may take either of two forms: direct economic controls, or indirect controls primarily through monetary-fiscal policy. In national emergencies the public has been willing to impose direct controls over prices, wages, etc., to curb inflation. As a permanent measure, however, the public would have to decide whether the stability achieved by direct controls would be worth the restrictions they involve. The attitude of the public, moreover, would have an important bearing on whether direct controls would do the job, or whether they would merely turn free markets into black markets, destroy initiative, and provide opportunities for administrative errors.

The type of control generally considered more compatible with our economic system is the more indirect and impersonal regulation of the flow of expenditures through monetary-fiscal policy. As applied to the problem of chronic inflation, however, "compensatory" fiscal policy would mean a continual budget surplus. The real question is whether the public would be willing to support the actions necessary to achieve a budget surplus.

If it would not be willing, the task of the Federal Reserve becomes more important and more difficult. Along with the shift back toward "old-fashioned" economics, there seems to be a trend toward greater belief once again in the effectiveness of monetary policy. But the post-war experience of the Federal Reserve System has demonstrated that monetary policy cannot be really effective in combating inflation if at the same time it is maintaining low interest rates and fixed prices on Government securities. The recent hearings of a sub-committee of the Congressional Joint Committee on the Economic Report are an important attempt to arrive at a solution to this problem. Moreover, monetary policy can be effective only as it limits the income-expenditure flow. Again, there is a question whether the public would support anti-inflation policies which restrict incomes.

Whatever the approach—whether through voluntary cooperation, direct controls, or indirect controls—all of the above alternatives involve making choices. Each has some disadvantages. Success in meeting the problem of chronic inflation, if it comes, will require concerted action on a broad front. The basic step, however, is to recognize that we "can't have our cake and eat it too," and then choose whether we want to have it *or* eat it.

THE MONTH'S STATISTICS

November was characterized by vigorous and widespread industrial recovery. Employment, production, income, and trade rose substantially above the levels of the preceding month which reflected some adverse effects of the stoppage in steel and coal mining operations. Preliminary reports indicate continued improvement in December.

Recovery was most pronounced in industries producing durable goods—particularly iron and steel. Output of nondurables as a whole declined slightly, but textiles showed some improvement. The substantial increase in physical output of all manufactured products in Pennsylvania was accompanied by a rise of 7 per cent in employment and 8 per cent in wage payments. November contract awards for building and construction, though slightly smaller than those of October, were about one-third greater than in November of 1948.

Merchants had a good Christmas season. Department store sales in November equaled the dollar volume of a year ago, after lagging 6 per cent during the first ten months of the year. Latest indications are that December trade may duplicate the all-time peak attained in December 1948.

Nationally, the privately owned money supply, in recent months, has been at levels substantially the same as a year ago. A small increase in November reflected chiefly expansion in loans, partly offset by a decrease in bank holdings of Government securities. Further expansion in December is suggested by growth in deposits at reporting banks in leading cities. In the Third District, deposits at these institutions reached the highest point of the year shortly before Christmas. For the month as a whole, their loans show a moderate increase in total despite some falling off in loans to business.

SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	Nov. 1949 from		11 mos. 1949 from year ago	Nov. 1949 from		11 mos. 1949 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production	+ 5*	−24*	−14*	− 1	−12	− 8
Construction contracts	− 2	+32	− 2	− 4	+43	+ 8
Coal mining	+ 8	− 3	−25	+165	−12	−26
EMPLOYMENT AND INCOME						
Factory employment	+ 7*	−19*	−11*	− 1	−12	− 9
Factory wage income	+ 8*	−24*	−11*	.....	.....	.....
TRADE**						
Department store sales	+ 3	0	− 5	0	− 5	− 6
Department store stocks	0	− 9	.....	+ 1	− 7	.....
BANKING (All member banks)						
Deposits	0	+ 1	0	0	+ 1	0
Loans	+ 1	+ 2	+ 4	+ 2	0	+ 3
Investments	− 2	+ 5	0	− 1	+ 9	0
U. S. Govt. Securities	− 2	+ 4	− 1	− 1	+ 9	− 1
Other	+ 2	+12	+ 5	0	+13	+ 5
PRICES						
Wholesale	.....	.....	.....	0	− 8	− 6
Consumers	0†	− 2†	− 1†	0	− 2	− 1
OTHER						
Check payments	− 8	− 4	− 4	− 2	− 3	− 1
Output of electricity	+ 4	− 4	− 3	.....	.....	.....

* Pennsylvania. ** Adjusted for seasonal variation. † Philadelphia.

LOCAL CONDITIONS	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change Nov. 1949 from		Per cent change Nov. 1949 from		Per cent change Nov. 1949 from		Per cent change Nov. 1949 from		Per cent change Nov. 1949 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown	+ 40	− 9	+46	− 8	.....	.....	.....	.....	− 2	−15
Altoona	+ 15	−57	+ 13	−68	.....	.....	.....	.....	− 4	−14
Harrisburg	+ 26	− 9	+ 21	−16	.....	.....	.....	.....	− 4	0
Johnstown	+267	− 9	+411	−15	.....	.....	.....	.....	− 4	−25
Lancaster	0	− 8	− 1	−14	+28	0	+ 1	− 2	− 6	+20
Philadelphia	0	−11	0	−12	+31	+ 2	0	−10	−11	− 4
Reading	+ 4	−10	+ 5	−15	+34	− 5	− 1	−12	+ 9	+ 9
Scranton	− 3	−10	− 4	−11	.....	.....	.....	.....	+ 6	0
Trenton	.....	.....	.....	.....	+20	+ 5	0	− 5	+ 2	− 9
Wilkes-Barre	− 4	−15	− 7	−17	+27	− 2	+ 3	−10	0	− 9
Williamsport	+ 7	− 9	+ 11	− 8	.....	.....	.....	.....	− 3	− 3
Wilmington	+ 1	−13	+ 6	−15	.....	.....	.....	.....	−10	+ 1
York	− 4	−14	− 5	−19	+20	− 1	− 1	− 5	+ 3	−16

* Not restricted to corporate limits of cities but covers areas of one or more counties.

MEASURES OF OUTPUT

	Per cent change: Nov. 1949 from month ago	Per cent change: Nov. 1949 from year ago	Per cent change: 11 mos. 1949 from year ago
MANUFACTURING (Pa.)*	+ 5	−24	−14
Durable goods industries	+12	−35	−18
Nondurable goods industries	− 1	− 8	− 8
Foods	− 2	− 4	− 4
Tobacco	0	−18	−13
Textiles	+ 1	− 9	−17
Apparel	− 2	+ 5	− 3
Lumber	− 3	−15	−10
Furniture and lumber products	+ 3	− 7	−18
Paper	0	− 7	−11
Printing and publishing	− 2	− 1	− 2
Chemicals	− 2	−15	− 9
Petroleum and coal products	− 1	−25	− 7
Rubber	+ 4	− 8	−21
Leather	− 2	− 3	− 7
Stone, clay and glass	− 1	−18	−14
Iron and steel	+68	−45	−19
Nonferrous metals	+ 2	−31	−19
Machinery (excl. electrical)	−13	−39	−21
Electrical machinery	− 3	−18	−12
Transportation equipment (excl. auto)	−14	−32	− 6
Automobiles and equipment	−17	−18	−24
Other manufacturing	0	−14	−15
COAL MINING (3rd F. R. Dist.)†	+ 8	− 3	−25
Anthracite	− 1	+ 1	−23
Bituminous	+489	−32	−33
CRUDE OIL (3rd F. R. Dist.)††	− 1	−17	−12
CONSTRUCTION — CONTRACT AWARDS (3rd F. R. Dist.)**	− 2	+32	− 2
Residential	+14	+33	− 6
Nonresidential	+ 6	+28	−18
Public works and utilities	−29	+33	+27

*Temporary series—not comparable with former production indexes.
**Source: F. W. Dodge Corporation. Changes computed from 3-month moving averages, centered on 3rd month.
†U. S. Bureau of Mines. ††American Petroleum Inst. Bradford field.

EMPLOYMENT AND INCOME

Pennsylvania Manufacturing Industries* Indexes (1939 Avg.=100)	Employment: Nov. 1949 (Index)	Employment: Per cent change from mo. ago	Employment: Per cent change from year ago	Payrolls: Nov. 1949 (Index)	Payrolls: Per cent change from mo. ago	Payrolls: Per cent change from year ago	Average Weekly Earnings: Nov. 1949	Average Weekly Earnings: % chg. from year ago	Average Hourly Earnings: Nov. 1949	Average Hourly Earnings: % chg. from year ago
All manufacturing	104	+ 7	−19	233	+ 8	−24	$50.13	− 6	$1.312	− 2
Durable goods industries	110	+16	−29	232	+17	−35	54.55	− 8	1.452	− 1
Nondurable goods industries	99	0	− 6	234	− 1	− 6	45.71	0	1.176	0
Foods	126	− 2	− 4	261	− 3	− 1	46.33	+ 3	1.131	+ 2
Tobacco	89	0	−16	204	0	−16	30.36	− 1	.784	+ 2
Textiles	78	+ 2	− 8	202	+ 1	−10	46.46	− 2	1.194	− 1
Apparel	90	− 1	0	228	− 2	+ 2	35.78	+ 2	.919	− 3
Lumber	84	+ 8	− 9	179	− 3	−13	39.89	− 4	1.092	+ 3
Furniture and lumber products	90	+ 3	− 8	220	+ 4	− 9	45.22	− 1	1.034	− 3
Paper	117	+ 1	− 3	274	+ 2	− 1	50.58	+ 2	1.214	+ 6
Printing and publishing	133	− 1	− 1	287	− 1	+ 3	61.04	+ 4	1.645	+ 4
Chemicals	107	− 1	−15	237	− 1	−11	52.94	+ 4	1.332	+ 4
Petroleum and coal products	113	− 1	−27	248	− 1	−26	66.81	+ 2	1.717	+ 4
Rubber	125	+ 4	−11	263	+ 5	− 5	52.31	+ 6	1.439	+ 3
Leather	87	0	+ 2	184	− 2	0	36.16	− 2	1.050	+ 1
Stone, clay and glass	114	0	−17	250	− 1	−19	50.40	− 2	1.273	0
Iron and steel	88	+62	−38	180	+73	−45	55.22	−11	1.528	0
Nonferrous metals	102	+ 3	−29	216	+ 2	−32	55.37	− 4	1.401	− 2
Machinery (excl. electrical)	147	− 9	−29	307	− 9	−33	53.05	− 6	1.440	+ 4
Electrical machinery	202	0	−15	426	− 2	−18	59.12	− 4	1.512	− 1
Transportation equipment (excl. auto)	176	− 8	−29	332	−13	−31	57.68	− 4	1.584	0
Automobiles and equipment	109	−14	−14	228	−19	−15	57.55	− 1	1.512	+ 3
Other manufacturing	129	+ 2	− 8	252	0	−11	40.90	− 4	1.140	0

* Production workers only.

TRADE

Third F. R. District Indexes: 1935-39 Avg.=100 Adjusted for seasonal variation	Nov. 1949 (Index)	Per cent change: Nov. 1949 from month ago	Per cent change: Nov. 1949 from year ago	Per cent change: 11 mos. 1949 from year ago
SALES				
Department stores	267	+ 3	0	− 5
Women's apparel stores	238	+13	− 5	− 7
Furniture stores	.....	+12*	+18*	− 2*
STOCKS				
Department stores	231p	0	− 9	.....
Women's apparel stores	195	− 4	−13	.....
Furniture stores	.....	0*	−15*	.....

Recent Changes in Department Store Sales in Central Philadelphia	Per cent change from year ago
Week ended Dec. 3	− 7
Week ended Dec. 10	− 4
Week ended Dec. 17	− 2
Week ended Dec. 24	+ 9
Week ended Dec. 31	− 8

* Not adjusted for seasonal variation. p—preliminary.

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales: % chg. Nov. 1949 from year ago	Sales: % chg. 11 mos. 1949 from year ago	Stocks (end of month): % chg. Nov. 1949 from year ago	Stocks (end of month): Ratio to Sales (month's supply) November 1949	Stocks (end of month): Ratio to Sales (month's supply) November 1948
Total—All departments	− 1	− 6	− 9	2.2	2.4
Main store total	0	− 6	− 8	2.4	2.6
Piece goods and household textiles	−11	− 8	0	3.3	3.0
Small wares	− 3	− 3	− 5	3.1	3.1
Women's and misses' accessories	+ 1	− 5	− 7	2.4	2.7
Women's and misses' apparel	− 1	− 6	− 7	1.6	1.7
Men's and boys' wear	+ 7	− 3	− 3	2.6	2.9
Housefurnishings	+ 1	− 9	−13	2.5	2.9
Other main store	− 6	− 8	−12	1.9	2.1
Basement store total	− 4	− 6	−12	1.5	1.7
Domestics and blankets	− 2	− 3	−10	2.3	2.5
Small wares	+ 2	− 4	−12	1.8	2.1
Women's and misses' wear	− 8	− 6	−14	1.3	1.4
Men's and boys' wear	+ 7	− 6	−13	1.6	2.0
Housefurnishings	− 2	− 7	−16	1.4	1.7
Shoes	− 5	− 6	− 4	2.4	2.4
Nonmerchandise total	0	− 3	.....	.....	.....

CONSUMER CREDIT

Sales Credit Third F. R. District	Sales: % chg. Nov. 1949 from year ago	Sales: % chg. 11 mos. 1949 from year ago	Receivables (end of month): % chg. Nov. 1949 from year ago
Department stores			
Cash	− 5	− 8	.....
Charge account	+ 4	− 2	+ 2
Instalment account	+19	− 2	+12
Furniture stores			
Cash	− 7	− 1	.....
Charge account	+ 5	−10	.....
Instalment account	+19	− 7	+11

Loan Credit Third F. R. District	Loans made: % chg. Nov. 1949 from year ago	Loans made: % chg. 11 mos. 1949 from year ago	Loan balances outstanding (end of month): % chg. Nov. 1949 from year ago
Consumer instalment loans			
Commercial banks	+52	+13	+19
Industrial banks and loan companies	− 8	− 6	+ 2
Small loan companies	+32	+ 9	+13
Credit unions	+ 1	+14	+21

PRICES

Index: 1935-39 average=100	Nov. 1949 (Index)	Per cent change from: month ago	Per cent change from: year ago
Wholesale prices—United States	188	0	− 8
Farm products	206	− 2	−13
Foods	201	0	− 9
Other	179	0	− 6
Consumer prices			
United States	169	0	− 2
Philadelphia	169	0	− 2
Food	197	− 1	− 3
Clothing	185	0	− 6
Rent	121	0	+ 1
Fuel	147	+ 2	+ 3
Housefurnishings	191	0	− 5
Other	152	0	0

Weekly Wholesale Prices—U. S. (Index: 1935-39 average=100)	All commodities	Farm products	Foods[1]	Other
Week ended December 6	187	203	198	179
Week ended December 13	187	203	198	179
Week ended December 20	187	204	197	179
Week ended December 27	187	204	197	179

Source: U. S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (Billions $)	Nov. 30, 1949	Changes in— five weeks	Changes in— year
Money supply, privately owned	168.6	+ .6	+ .5
Demand deposits, adjusted	85.5	+ .8	+ .3
Time deposits	58.0	− .4	+1.0
Currency outside banks	25.1	+ .2	− .8
Turnover of demand deposits	19.1*	+3.2*	−8.2*
Commercial bank earning assets	120.2	+ .3	+5.9
Loans	42.9	+ .9	+ .5
U. S. Government securities	67.1	− .6	+4.3
Other securities	10.2	0	+1.1
Member bank reserves held	16.0	− .1	−3.8
Required reserves (estimated)	15.3	0	−3.7
Excess reserves (estimated)	.7	− .1	− .1

Changes in reserves during 5 weeks ended November 30 reflected the following:

	Effect on reserves
Increase in Reserve Bank holdings of Governments	+ .3
Increase in Reserve Bank loans	+ .2
Net payments to Treasury	− .2
Increase of currency in circulation	− .2
Decrease in gold stock	− .1
Other transactions	− .1
Change in reserves	− .1

* Annual rate for the month and per cent changes from month and year ago at leading cities outside N. Y. City.

OTHER BANKING DATA	Dec. 28, 1949	Changes in— five weeks	Changes in— year
Weekly reporting banks — leading cities			
United States (*billions* $):			
Loans —			
Commercial, industrial and agricultural	13.9	+ .1	−1.7
Security	2.2	+ .2	+ .2
Real estate	4.3	+ .1	+ .3
To banks	.3	+ .1	+ .1
All other	4.5	+ .1	+ .5
Total loans — gross	25.2	+ .6	− .6
Investments	42.5	+ .1	+5.3
Deposits	76.2	+1.0	+1.5
Third Federal Reserve District (*millions* $):			
Loans —			
Commercial, industrial and agricultural	472	− 6	− 66
Security	36	+ 3	+ 8
Real estate	113	+ 5	+ 22
To banks	18	+ 8	+ 6
All other	311	+ 5	+ 34
Total loans — gross	950	+ 15	+ 4
Investments	1,849	+ 21	+263
Deposits	3,105	+ 53	+143
Member bank reserves and related items			
United States (*billions* $):			
Member bank reserves held	16.3	+ .3	−3.9
Reserve Bank holdings of Governments	18.8	+1.1	−4.6
Gold stock	24.4	− .1	+ .2
Money in circulation	27.8	+ .3	− .6
Treasury deposits at Reserve Banks	1.0	+ .6	− .3
Federal Reserve Bank of Phila. (*millions* $):			
Loans and securities	1,289	+ 77	−398
Federal Reserve notes	1,643	+ 32	− 29
Member bank reserve deposits	765	+ 22	−198
Gold certificate reserves	1,283	+ 35	+194
Reserve ratio (%)	50.3%	− .8%	+11.1%