AUGUST 1952

THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA

PERSONAL SAVING

For more than a year now people have been saving more than at any time except World War II. If this comes as a surprise it may be partly because the figures for personal saving include some items which many people might not think of as saving. Liquid assets, insurance reserves, homes, repayment of debt, and investment in unincorporated businesses all influence the figure for personal saving. Saving serves a dual role in our economy: it diverts income from consumer goods, making it available for homes, business plant and equipment, and other capital goods.

THE NEW SAVINGS BOND ALPHABET

The Treasury recently set up a new alphabet of savings bonds. They have better early redemption values, higher interest yields, and higher purchase limits.

CURRENT TRENDS

The effects of the steel strike overshadowed other economic developments in this District. Bank loans to business rose in July.

PERSONAL SAVING

In 1951, people saved an estimated $17 billion of their income—nearly $6 billion more than in 1950—and thus far this year the high rate has continued. Merchants point to the high level of saving as an important cause of sluggish retail trade. Business analysts consider it to be a major reason for the relatively stable level of prices we have had since the spring of 1951. Statements like these raise some important questions. Is the current level of personal saving abnormally high? What happens to that portion of personal income which is withheld from consumer expenditure?

WHAT IS PERSONAL SAVING?

The first question to consider is what personal saving consists of. The term is somewhat misleading. The Department of Commerce estimates saving by subtracting consumption expenditure from personal income after taxes. The result is that some items are included which many people might not think of as saving. In the first place, it is not entirely "personal." The estimate includes the saving of unincorporated businesses, farmers, and professional practitioners for the very practical reason that data segregating their business from their personal transactions are not generally available. In the second place, the amount of personal saving is influenced both by what is included in after-tax income and what is counted as consumer expenditure. For example, the pay of servicemen and the value of food and clothing issued to them are included in personal income. The value of food and clothing issued to servicemen and their purchases in Government stores, however, are not included in consumer expenditures. Consequently, an increase in the number in the armed forces would widen the gap between personal income and expenditures, thus tending to increase personal saving. Similarly, the purchase of homes is not included in consumer expenditures, but automobile purchases are. Other things being equal, an increase in housing expenditures would be reflected in an increase in saving, while larger expenditures for automobiles would tend to reduce saving.

Income saved includes more than cash put "under the mattress" or in bank accounts. Funds accumulated through saving may take a variety of forms such as increases in personal holdings of liquid assets, increases in investments of unincorporated businesses and farms, the purchase of homes, and a reduction in debt.

Liquid savings. This is what most people think of as savings. Liquid savings include cash or assets which can readily be converted into cash. When people increase their holdings of currency and bank deposits, their shares in savings and loan associations, and their holdings of Government and other securities, they increase this component of personal saving. On the other hand, when individuals, as a whole, draw down their cash balances and deposits, sell securities, or withdraw some of their funds in savings and loan associations, this form of personal saving is reduced.

Contractual saving. Many people put a part of their income into pension funds and life insurance. The funds which accumulate in the form of insurance and pension reserves are also included as a part of personal savings. Life insurance policies and pension plans usually involve long-term contracts calling for payments to be made periodically. Because of the loss involved if these payments are not made, there is considerable pressure to meet them regularly. Although an increase in pension and life insurance payments by individuals tends to increase personal saving, it would be a mistake to regard such savings as a likely source of funds for the purchase of consumers' goods. People hesitate to draw on their life insurance reserves or to make withdrawals from their pension fund, even if permitted, except in cases of emergency. Consequently, these contractual forms of saving generally represent a stable component of the personal saving total.

Home ownership. As mentioned before, personal income used to buy a new house tends to increase saving because such purchases are not included in consumer expenditures. The amount of increase, however, depends upon the extent to which borrowed funds are employed. If, for example, an individual borrows $5,000 to buy a $10,000 home, personal saving is increased by only $5,000, or the amount of the owner's equity. The $5,000 debt is counted as negative saving when it is incurred but as an addition to personal saving when it is repaid. This component of personal saving is increased by the amount of the net increase in home owners' equities less depreciation. This segment of personal saving also includes a small amount of construction by non-profit institutions.

Investment of unincorporated businesses. Inventory accumulation, purchases of producers' durable equipment, and new construction by unincorporated businesses and farmers are also included in the personal saving estimate. Consequently, a net increase in these types of investment less depreciation adds to personal saving, while a net decrease reduces it.

Personal debt. Borrowing, whether for a home or some other consumer purchase, influences the amount of personal saving. It adds to the borrower's expenditures without adding to his current income. The repayment of the debt, however, represents a use of income which is not included in consumer expenditures.

When people are borrowing more than they are repaying, the net increase in personal indebtedness reduces the amount of saving. On the other hand, when they are paying back more than they are borrowing—when there is a net decrease in personal indebtedness—personal saving is increased. The debt component of personal saving is not very stable because of the wide fluctuations in the volume of new borrowing relative to the amount of repayments.

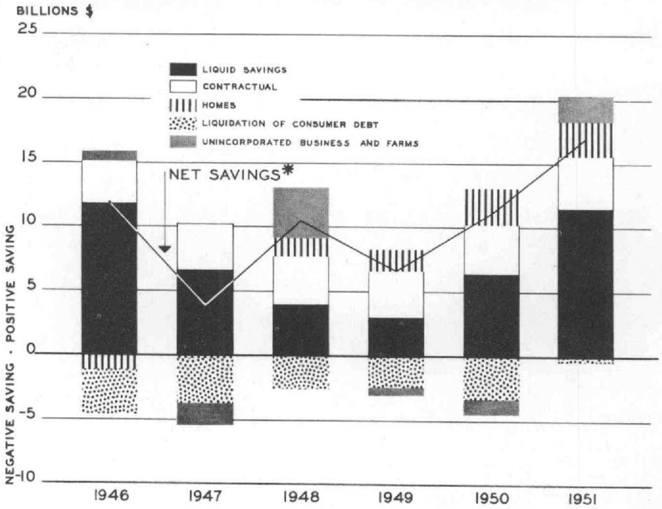
In summary. An increase or decrease in personal saving is reflected principally in the following ways:

Increase	*Decrease*
Increase in personal holdings of liquid assets.	Decrease in personal holdings of liquid assets.
Increase in homeowners' equity.	Decrease in homeowners' equity.
Increase in investment of unincorporated businesses and farms.	Decrease in investment of unincorporated businesses and farms.
Net decrease in personal debt outstanding.	Increase in personal debt outstanding.

TREND IN PERSONAL SAVING

Since March 1951 the volume of personal saving has been almost double what it was throughout the post-war period. It is apparent from the chart that, by post-war standards, personal saving in 1951 was very high. From

PERSONAL SAVING AND ITS COMPOSITION



*The sum of the components does not always add to net savings because of statistical discrepancies.

the 1947-1950 average of about $8 billion, it jumped to $17 billion in 1951 and has remained near that level. Since the amount of saving is strongly influenced by the level of income, it is more meaningful to measure the proportion of income saved. Here, too, we find that saving since 1951 has been unusually high on the basis of post-war experience. It was 8 per cent of after-tax income in 1951, almost double the average of the post-war years.

Aside from the jump in total personal saving in 1951, there were striking fluctuations among the various components. No component has consistently moved directly with net personal saving in the post-war period. Fluctuations in the total from 1946 through 1949 were primarily caused by changes in the unincorporated business component. On the other hand, the sharp rise in 1950 and in 1951 reflected a substantial increase in liquid asset holdings of individuals, and in the latter year an increase in the repayment of consumer debt relative to new borrowing.

From the end of the war through 1949, the rate of accumulation of liquid asset holdings declined. This was largely due to the aftermath of war developments. The more pressing deferred demands stemming from four-and-a-half years of below-normal consumer goods production and the large volume of liquid assets outstanding as the result of war-swollen earnings made consumers willing to pay unusually high prices for wanted commodities. Many of those with liquid assets reduced their holdings in order to buy; others, without liquid assets, supplemented current earnings by borrowing to purchase wanted goods.

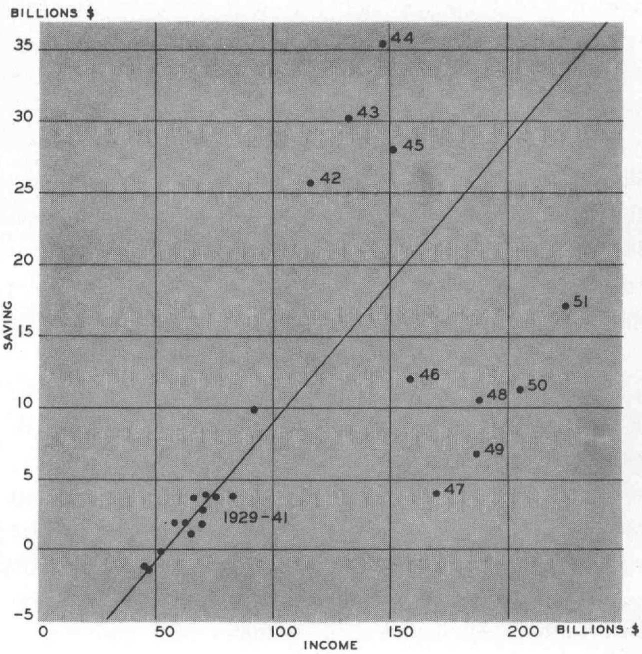
By 1950 much of the war replacement demand had been satisfied and people began trying to rebuild their liquid savings. The outbreak of hostilities in Korea arrested this trend somewhat as consumers, fearing shortages and higher prices, increased their expenditures sharply. As a result, the rate of liquid asset accumulation was retarded in 1950. In the spring of 1951, however, the wave of consumer buying receded despite a continued rise in personal income, and liquid savings rose substantially.

There were other factors which contributed to the high rate of saving last year. The anti-inflationary program and the relatively stable level of prices tended to allay fear of further price rises and bolster people's faith in the value of the dollar; hence, consumers were more willing to hold funds in liquid form. Regulations W and X, which restricted consumer and mortgage credit, resulted in an increase of repayments of debt relative to new borrowing, thus contributing to the increase in saving. Finally, the high level of personal income gave consumers a larger margin above "essential" expenditures which they could spend as they chose.

Changes in the components of saving other than liquid assets and contractual saving largely explain the upturn in saving which began in 1948. In that year, for the first time since the end of the war, direct investment of unincorporated enterprises and farmers in their businesses exceeded by a substantial amount depreciation charges, liquidation of inventories, and new borrowing. Actually, the rate of physical investment by these groups in 1948 increased only moderately over the previous year. Additions to their equity went up sharply, however, as offsets such as withdrawals from saving and increased indebtedness, declined markedly. Unincorporated business and farm investment accounted for about 40 per cent of net personal saving in 1948, as compared to less than 10 per cent of the total in other post-war years.

The American people, on the whole, have been consistent savers. In all but the worst depression years, new savings exceeded withdrawals regardless of how much individuals increased their expenditures for consumers' goods. The amount people save depends on two basic factors—ability and willingness. In the pre-war period, the rate of saving depended mainly on the level of income. Since the war, it has been more strongly influenced by short-run forces altering willingness to save.

SAVING-INCOME PATTERN



The chart shows the amount of personal saving plotted against the amount of personal after-tax income annually from 1929 to date. The points for the pre-war years cluster closely around a straight line—commonly called the line of regression—indicating that in pre-war years a rise in income was accompanied by an even faster rise in saving. There was a fairly consistent and somewhat predictable relation between income and the amount saved in the pre-war years.

In the war and post-war periods, however, personal saving has deviated widely from the pre-war pattern. During the war, the patriotic appeal to buy Savings Bonds, a limited supply of consumers' durable goods, and price control and rationing all tended to hold down consumer expenditures. With rising incomes, the result was a widening of the gap between income and expenditure, i.e., an increase in saving. The large volume of saving is indicated on the chart by the dots well above the line in the war years.

Several factors have probably contributed to the relatively low volume of post-war saving—low on the basis of the pre-war pattern—indicated on the chart by the dots well below the line in the post-war years. An important factor, especially in the early post-war years, was that people rushed to buy goods which were not available during the war. The attempt to satisfy the backlog of accumulated demand was reflected in a sharp rise in consumer expenditures. Another reason the relation between saving and income has been more erratic, perhaps, than before the war is the much higher level of income which has left people with a larger margin between income and "essential" expenditures. With a larger proportion of optional expenditures, willingness to save becomes a more important factor and the volume of saving is influenced more by psychological factors.

There have also been some institutional or long-run changes which may tend to alter the spending-saving behavior of consumers. A shift in the distribution of income with a smaller proportion going to the upper income groups tends to reduce total saving because the lower income groups spend a higher proportion of their incomes. An increasing proportion of older people in the total population; widening of social security coverage—a form of saving which is reflected in Government trust funds rather than personal saving; large liquid asset holdings, which increase both ability and willingness to spend; and a more progressive income tax structure are other factors which may tend to reduce the amount of saving out of a given level of income. A larger proportion of income going to farmers—a group which habitually saves an above-average portion of its income—has tended to raise the rate of saving.

It is impossible to determine the importance of these factors. On balance, however, it would seem that these changes would tend to reduce the amount saved out of a given level of personal income. Nevertheless, in view of the high level of personal income and the pre-war relation between saving and income, it may be that the low level of saving from 1947 through 1950 was more abnormal than the higher level we are now experiencing.

THE OTHER SIDE OF SAVING

Thus far our discussion of saving has dealt with the withdrawal of current income from the spending stream and the form in which these savings are held. There is another equally important side to saving—the flow back into the spending stream through investment. The composition of personal saving reveals that savings flow into investment by three major channels.

The first and most direct flow is when the saver uses his funds to purchase such things as a home, tools, plant, and equipment. In 1951 this form of direct investment by individuals and unincorporated businesses was about $5 billion as compared with almost $2 billion in 1950.

A second and more indirect segment of the savings flow is the net purchase of stocks and bonds by individuals. In 1951, the net purchase of securities amounted to $3.5 billion—five times as much as in 1950. The major part of the funds made available by these purchases—over $3 billion—went to business firms for the purchase of tools, equipment, inventory, and for other purposes. A small part went to state and local governments for improvements such as roads, bridges, and buildings.

Many savers choose, for various reasons, to put their funds into institutions such as life insurance companies, banks, and savings and loan associations. In 1951, people put about $7 billion of their savings into these institutions—about $1 billion more than in 1950. The savings placed with these institutions are not held idle, however. They are channeled back into the spending stream via loans, the purchase of securities, and other forms of investment. Thus savings institutions act primarily as intermediaries, transferring funds from savers to borrowers.

In the post-war period, savings institutions have reduced their holdings of Government securities and channeled practically all of their new savings plus the proceeds from their sale of Governments into mortgages, corporate securities, and other forms of private investment. Savings banks had 42 per cent of their total resources in real estate mortgages at the end of last year, 42 per cent in Government securities (as compared to 63 per cent at the end of 1945), and 11 per cent in other securities, mostly those of private corporations. At the end of 1951, life insurance companies had 28 per cent of their assets in real estate mortgages and 41 per cent in securities other than Governments—a substantial increase both in absolute amount and percentagewise since the end of the war. Savings and loan associations traditionally have placed nearly all of their funds in real estate mortgages.

CONCLUSIONS

Saving plays a dual role in our economy. Through saving, income is withheld from the purchase of consumers' goods and is made available for investment in such things as homes, factories, and machinery. The reduced demand for consumers' goods frees labor, materials, and plant needed in meeting the increased demand for homes and capital goods.

There is a tendency to think of only one of the effects of saving—the withholding of income from consumer expenditure. Actually, saving diverts income from the purchase of consumers' goods to the purchase of homes and capital goods. As long as savings are invested, there is no effect on total demand; rather there is only a shift in demand from one type of good to another. There are times, however, when people choose to save more or less than others are willing to invest at current prices and interest rates. If a part of the income withheld by saving is not invested directly or indirectly, the total demand for goods and services is reduced. On the other hand, if the volume of saving is insufficient to meet the demand of borrowers for additional funds and new money is created, total demand is increased. Thus saving is anti-inflationary when some of the funds are held idle or when it makes available to borrowers, funds which otherwise would be supplied by the creation of new money.

THE NEW SAVINGS BOND ALPHABET

The United States Treasury set up a new alphabet of savings bonds on May 1, 1952. It hopes that the public will buy these bonds in larger quantities than the old. The Treasury now faces a growing volume of refundings, including maturities of savings bonds sold in the early months of World War II. In addition, Federal revenues and expenditures are almost certain to result in a substantial cash deficit in fiscal 1953, requiring that new money be raised. While there is much to be said for the encouragement of personal thrift and the social desirability of distributing the national debt widely, it is undoubtedly the hard financial facts that spurred the decision to make some changes. As long as inflationary pressures are dominant, it is essential that outstanding debt be prevented from gravitating into the banking system. The deficit should be financed with real savings which are withdrawn from the spending stream rather than with bank-deposit money which adds to it. Large savings institutions own a large volume of non-bank-held Government bonds but individuals, small pension funds, and other institutions with limited funds hold the lion's share. Savings bonds held by individuals alone at the end of April 1952 amounted to over $49 billion—almost 25 per cent of the $215 billion publicly-held debt.

Savings Bonds since the War

In fiscal 1946, the year after the end of the war, sales of savings bonds dropped sharply, and redemptions, including those of the discontinued Series A through D, turned upward. The momentum of the bond drives in 1945 carried the fiscal year totals to a substantial surplus of new sales over redemptions but the following fiscal year, ending in mid-1947, sales of Series E Bonds again dropped and as many were redeemed as were sold. Cash-ins were especially large in relation to sales among holders of small-denomination bonds—the $10- and $25-a-shot savers who had their eyes on durable goods and gadgets which were then becoming more available. A buying spree was in full swing in 1946-1947 and the surplus of sales of all savings bonds combined over redemptions (at issue price) was less than $2 billion. Lower sales in fiscal 1948 again reduced net buying to about $1.4 billion. The lull in consumer buying during the 1949 "recession" seems to have been reflected in improved sales and slightly smaller redemptions from mid-1948 to mid-1949, but in mid-1949 the downward sales trend was resumed. It is significant that the big decline during this latter period came among Series F and G Bond buyers and the $1,000 denomination Series E buyers—the bigger investors who were seeking and apparently finding more profitable investment or, at least, investment which might protect them against inflation.

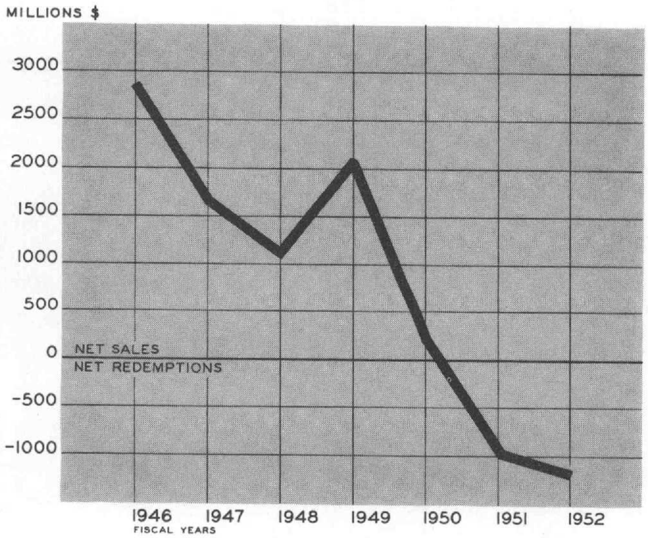
The start of the Korean war at the end of June 1950 signalled another drop in savings bond sales, this time accompanied by an increase in redemptions. Again large denomination E Bond buyers cut their purchases drastically. It was mainly the reduced sales of the large denominations that pulled net sales down below zero, though redemptions increased among all current series and denominations. An appeal to patriotism improved small denomination sales at the beginning of 1951, and the enlargement of payroll deduction sales continued the gain into fiscal 1952. But this was not enough to stem the tide running toward a net redemption of savings bonds. For fiscal 1952, savings bond sales dropped to less than $4 billion, compared with $5.7 billion and $5.1 billion in the two preceding years, and redemptions (again at purchase price) outran sales by an estimated $700 million. Lower sales and higher redemptions of bonds of $1,000 denominations and over were chiefly responsible for the deficit.

Impact on the Treasury

The chart summarizes the net impact of savings bonds on the Treasury's cash position since the war. It shows the difference between sales at the issue price and cash redemptions, the latter including interest that accrued during the period the bonds were held. Although net sales have generally declined since 1946, sales exceeded redemptions plus accrued interest annually until the fiscal year ended June 30, 1951. In the last two fiscal years,

NET SALES AND REDEMPTIONS

U. S. Savings Bonds



cash redemptions have exceeded sales. The shift from net sales to an excess of redemptions reflected declining sales, a larger number of redemptions, and a growing amount of accrued interest which increases the longer a bond is outstanding.

Why Sales Declined

Declining net sales was not the only factor that accented the problem of making savings bonds more attractive investments. This alone, after all, might have been indicative of nothing more than a lower rate of saving. The fact is, however, that the rate of consumer saving in the last nine months of 1951 and in early 1952 has been higher than at any time since the war. Much of this "saving" has been going into real estate and other relatively non-liquid forms of investment. Moreover, even among those who keep savings in liquid form, savings bonds have declined in popularity as an investment. Savings deposits have continued to rise; savings and loan share holdings have grown; life insurance continues to attract new investors. Contrary to the trend in other types of liquid asset holdings, a growing proportion of families—now over 60 per cent—own no savings bonds at all. The alternatives to savings bond purchase have apparently grown brighter.

There are two basic reasons for this. First, yields are higher on corporate investments and short-term savings. Preferred stocks yield over 4 per cent, compared to the old E Bond rate of 2.9 per cent. A Series E Bond held for three years under the old schedule yielded only 1.3 per cent compared with 1.5 to over 2 per cent on many savings deposits and 2.7 per cent on savings and loan shares. Second, there is fear of further inflation which would make money invested in a fixed-value bond decline in purchasing power. The annual Survey of Consumer Finances published by the Board of Governors reveals a preference for fluctuating-value investments such as real estate or common stocks on the part of a constantly growing proportion of investors. Inflation is undoubtedly an especially important factor to the $1,000-bond buyer, and he is the investor who has swung away from savings bonds most sharply.

Savings are Savings?

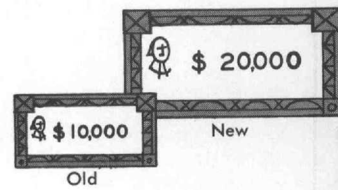
The point might be made that the trend to equity investment and to liquid savings in forms other than Government bonds is nothing for the Treasury to worry about. In this view, savings are savings and anything which reduces consumer spending is anti- or a least non-inflationary. Not quite. The word "savings" covers a wide field, and the various paths that savings travel lead to different economic results, as pointed out in the previous article.

It is obvious, for instance, that the redemption of a $1,000 savings bond and its investment in a new issue of common stock takes the use of money savings (and the goods it will command) away from the Government and gives it to a private corporation. The corporation

THE NEW SAVINGS BONDS

Higher Purchase Limits

E is for "small" investors, individuals, people on payroll savings plans and others who buy $25 to $10,000 denomination bonds.

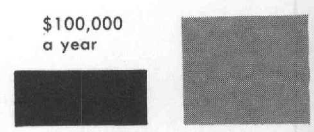


(maturity value)

H is for "medium" investors, individuals who can invest in $500 to $10,000 bonds. A completely new series which pays interest currently.

$20,000 a year

J & K are for "large" investors, pension and trust funds, and other non-bank institutions. They replace the old Series F and G.



may then compete with the Government in markets for scarce goods and labor, and prices will tend to be driven upward. A similar, though not so obvious result follows from the establishment of a savings account or share account as an alternative to the purchase of a savings bond. Most of the cash in the savings account may find its way into the financing of real estate transactions, and only a portion will be siphoned out of the private spending stream and made available for Government use through the savings institutions' purchase of Government securities.

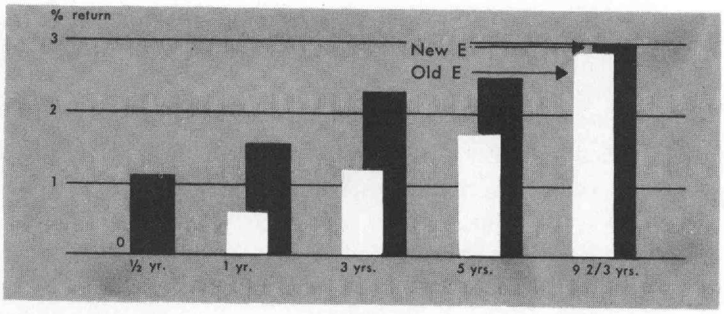
The Treasury's failure to obtain sufficient funds to meet a deficit out of personal and corporate savings does not stop the Government from spending what the Congress has authorized it to spend! It simply means that the Treasury must raise funds elsewhere, and in that event there is a strong likelihood that much of the money may come through the bank deposit creation process which, by reason of its creation of new money, is inflationary. Savings may be savings but the United States Treasury has to compete for its share along with everybody else. If it cannot get what it needs, the tendency toward inflation is stronger.

The New Alphabet

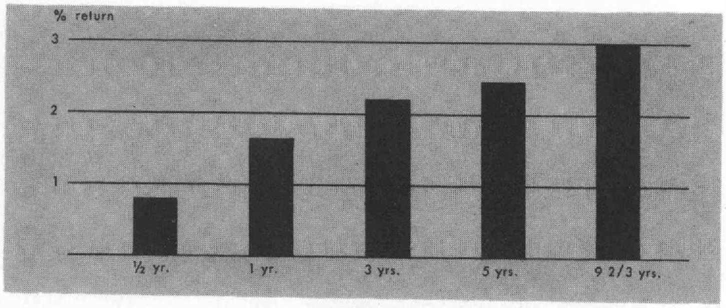
Hence the concern of the Treasury, as well as bankers and others who have a high stake in the fight against inflation, with the declining popularity of savings bonds.

ALPHABET

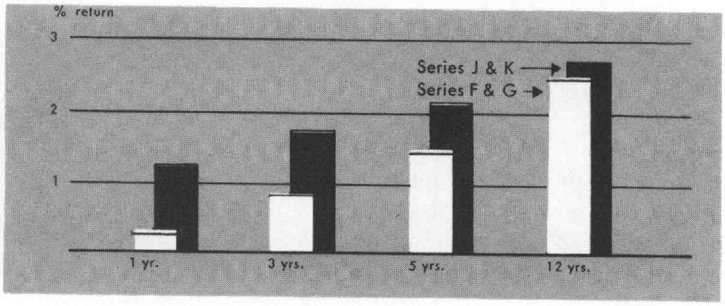
Better Early Redemption Values and Yields



Still
$4 for every $3—
but in
9 2/3 years
instead of 10 years



Issued and redeemed at par. Semi-annual interest checks ranging from $4 to $17 (after 4½ years) mailed to holders of $1,000 bonds. 3% yield if held to 9 2/3 year maturity.



J's accumulate interest. Holders of K's receive current interest, redeemable before maturity at less than par. 2.76% yield if held to 12-year maturity.

And hence the decision to make the terms more attractive. Without a change in the law, it was not possible for the Treasury to pay a rate of interest above 3 per cent. But within this limitation, as the charts show, early redemption values have been improved in an effort to please the shorter-term saver or the one who wants to be able to shift his funds quickly. Higher purchase limits have been established in an attempt to increase sales of savings bonds. Higher rates have been established on the old F and G Series (now J and K) to attract the larger investors; and a new Series H has been added to meet the needs of moderate-size investors who require current income and want to be able to redeem at par if necessary.

The Early Results

Sales and redemptions of savings bonds for June have not shown sufficient improvement to make any appreciable difference in the results for fiscal 1952, but improvement there has been, notably in the sale of large denominations. Sales of smaller denomination bonds rose too, chiefly as the result of continued growth of payroll savings. In the first six months of 1952, 23 per cent more $25 bonds were sold than during the first half of 1951, and it is difficult to say whether the gain in June was due to the change in E Bond terms or continued strong selling efforts. No doubt the change made the selling somewhat easier. Third District figures indicate, however, that new Series H Bond sales are running currently in the neighborhood of 15 per cent of Series E—a significant total for an unfamiliar item and an addition to sales that may be attributed in large part to the new terms. J and K Bond sales throughout the nation spurted sharply in June, and showed a better than 50 per cent increase over F and G's in 1951. F and G Bond redemptions recently have been lower than during the same periods last year. The program is gaining and although the magnitude of the effect cannot yet be gauged, the sweetening of terms appears to have had some influence.

One disquieting concomitant of expanding payroll savings purchases is more rapid redemptions. In the Third Federal Reserve District, which is probably typical of the nation, of all the Series E Bonds redeemed in June only 53 per cent had been held for a year or more. Twenty-five per cent had been held for three months or less. The number of short-term redemptions has been increasing in recent months and is now higher than at any time since 1945 when payroll deduction sales were much larger than at present. Though less than half the bonds purchased through payroll savings are kept more than a year, the plan can still produce a net gain to the Treasury. This experience, however, points up the fact that it is the larger denomination bonds sold through banks and other institutions which go into firm hands and on which the success of the program largely depends.

As an offsetting factor, recent experience indicates that once a bond is held for four or five years, it is likely to be held to maturity and beyond. For instance, almost 60 per cent of the $25 bonds issued in 1945 were redeemed within two years; only 7 per cent were redeemed in the sixth and seventh years. In the fourteen months since May 1951, nearly $3 billion worth of Series E Bonds outstanding have matured. Thus far only 25 per cent of these have been redeemed. The rest have been held under the "automatic" extension terms. Thus the prospect of $30 billion of savings bond maturities during the next five years or so has become somewhat less formidable, though it remains—along with the other aspects of the savings bond program—a difficult and challenging problem which must be met if further inflation is to be avoided. The problem is twofold—to sell more savings bonds and to get the people to hold the ones they have.

CURRENT TRENDS

The steel strike and its consequences overshadowed most other economic developments in the Third Federal Reserve District during June and July, and despite its settlement, the effects are still apparent.

Basic steel was naturally the first industry in Pennsylvania to be affected by the cessation of work. Physical output dropped 53 per cent in June as some 117,000 production workers left their jobs. The impact of the stoppage soon spread far beyond primary steel. The coke industry was forced to curtail operations as demand disappeared and various railroads began to furlough workers when shipments declined. As the prolonged strike continued, it had adverse effects on many other industries. Among those most affected were bituminous mining, construction, metal fabrication, machinery, transportation equipment, firebrick and limestone. As the number of idle workers kept growing, some withdrawals of savings were reported and retail merchants encountered greater sales resistance.

The strike was settled by the end of July, but business is still showing its imprint. It will take some time for steel consumers to catch up and resume full operations. Consequently, the recall of many workers will be gradual.

Business loans of weekly reporting member banks in the Third Federal Reserve District rose in the five weeks ended July 30. Reports indicate increased borrowing by sales finance companies, manufacturers of textiles, apparel and leather, and commodity dealers and net repayments by food, liquor and tobacco firms and wholesalers. Total loans showed little change in the period, due principally to a reduction in borrowings of brokers and dealers to purchase or carry securities.

The nation's privately owned money supply increased by about $1 billion in June. During the first half of 1952, the private money supply declined by about $700 million, in contrast with a drop of $2.2 billion in the same period last year. Borrowings from the Reserve Banks increased considerably during July. Member bank reserves advanced in the face of expansion in Treasury and foreign deposits at the Reserve Banks.

MEASURES OF OUTPUT

	Per cent change: June 1952 from month ago	Per cent change: June 1952 from year ago	Per cent change: 6 mos. 1952 from year ago
MANUFACTURING (Pa.)	−12	− 16	− 5
Durable goods industries	−20	− 24	− 4
Nondurable goods industries	+ 1	− 4	− 7
Foods	+ 5	0	− 2
Tobacco	− 2	+ 5	0
Textiles	+ 1	− 5	−16
Apparel	+ 6	− 1	−12
Lumber	+ 7	− 2	− 9
Furniture	+ 1	+ 12	− 3
Paper	+ 2	− 4	−11
Printing and publishing	− 1	− 1	− 1
Chemicals	+ 3	0	0
Petroleum and coal products	−19	− 26	− 6
Rubber	+ 7	0	+ 1
Leather	+ 6	− 3	− 9
Stone, clay and glass	− 8	− 17	−12
Primary metal industries	−53	− 57	− 9
Fabricated metal products	−14	− 21	− 9
Machinery (except electrical)	− 4	− 8	− 1
Electrical machinery	− 1	− 1	+ 3
Transportation equipment	0	+ 15	+21
Instruments and related products	+ 1	− 13	− 3
Misc. manufacturing industries	− 4	− 21	−18
COAL MINING (3rd F. R. Dist.)*	− 3	− 18	− 3
Anthracite	+ 1	− 14	− 2
Bituminous	−36	− 47	−14
CRUDE OIL (3rd F. R. Dist.)**	− 3	0	− 1
CONSTRUCTION—CONTRACT AWARDS (3rd F. R. Dist.)†	+20	+ 26	− 9
Residential	+ 9	+ 49	− 9
Nonresidential	+38	− 21	−33
Public works and utilities	+19	+219	+73

*U.S. Bureau of Mines.
**American Petroleum Inst. Bradford field.
†Source: F. W. Dodge Corporation. Changes computed from 3-month moving averages, centered on 3rd month.

EMPLOYMENT AND INCOME

Pennsylvania Manufacturing Industries* Indexes (1939 avg.=100)	Employment: June 1952 (Index)	Employment: Per cent change from mo. ago	Employment: Per cent change from year ago	Payrolls: June 1952 (Index)	Payrolls: Per cent change from mo. ago	Payrolls: Per cent change from year ago	Average Weekly Earnings: June 1952	Average Weekly Earnings: % chg. from year ago	Average Hourly Earnings: June 1952	Average Hourly Earnings: % chg. from year ago
All manufacturing	120	−11	−14	330	−14	−17	$61.99	− 3	$1.60	0
Durable goods industries	136	−18	−20	349	−22	−25	66.10	− 6	1.71	0
Nondurable goods industries	104	+ 1	− 6	306	+ 2	− 1	56.71	+ 5	1.45	+ 3
Foods	116	+ 1	− 2	318	+ 7	+ 6	61.08	+ 8	1.45	+ 7
Tobacco	90	− 1	0	253	− 2	+ 9	36.71	+ 9	.96	+ 4
Textiles	68	+ 1	−10	206	+ 1	− 4	54.45	+ 7	1.40	+ 2
Apparel	126	+ 5	− 3	371	+ 4	+ 2	41.51	+ 5	1.16	+ 1
Lumber	152	+ 4	− 6	430	+ 8	+ 3	49.30	+ 9	1.16	+ 5
Furniture and lumber products	120	+ 2	+ 8	376	+ 1	+18	57.86	+ 9	1.31	+ 6
Paper	139	+ 1	− 3	429	+ 2	+ 3	66.55	+ 6	1.58	+ 9
Printing and publishing	115	− 1	− 2	321	0	+ 5	78.65	+ 7	2.01	+ 8
Chemicals	145	+ 3	− 6	429	+ 5	− 1	70.47	+ 5	1.65	+ 4
Petroleum and coal products	121	−20	−24	324	−21	−26	80.82	− 2	2.18	+ 8
Rubber	237	+ 1	− 3	797	+ 9	+ 8	83.27	+12	1.99	+11
Leather	84	+ 4	− 3	232	+ 5	− 1	47.49	+ 2	1.21	0
Stone, clay and glass	127	− 3	−13	351	− 7	−15	63.37	− 2	1.66	+ 2
Primary metal industries	79	−44	−45	173	−53	−57	61.42	−21	1.91	− 1
Fabricated metal products	155	−10	−16	413	−15	−19	63.26	− 4	1.62	+ 2
Machinery (except electrical)	228	− 5	− 7	651	− 4	− 5	72.32	+ 2	1.71	+ 4
Electrical machinery	271	0	+ 2	650	− 2	+ 5	67.09	+ 3	1.68	+ 5
Transportation equipment	185	− 1	+11	523	+ 1	+18	80.39	+ 6	1.94	+ 3
Instruments and related products	168	0	−11	498	+ 2	−12	67.62	− 1	1.63	0
Misc. manufacturing industries	119	− 4	−21	327	− 4	−17	56.36	+ 5	1.34	+ 5

*Production workers only.

TRADE

Third F. R. District Indexes: 1947-49 Avg.=100 Adjusted for seasonal variation	June 1952 (Index)	Per cent change: June 1952 from month ago	Per cent change: June 1952 from year ago	Per cent change: 6 mos. 1952 from year ago
SALES				
Department stores	107	0	+ 3	− 3
Women's apparel stores	87	+ 1	0	− 1
Furniture stores	....	−16*	+ 5*	+14*
STOCKS				
Department stores	113p	− 1	−15	....
Women's apparel stores	103	− 1	−12	....
Furniture stores	....	− 5*	−16*	....

Recent Changes in Department Store Sales in Central Philadelphia	Per cent change from year ago
Week ended July 12	−6
Week ended July 19	−5
Week ended July 26	−3
Week ended August 2	−4
Week ended August 9	−8

*Not adjusted for seasonal variation. p—preliminary.

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales: % chg. June 1952 from year ago	Sales: % chg. 6 mos. 1952 from year ago	Stocks (end of month): % chg. June 1952 from year ago	Stocks: Ratio to sales (months' supply) June 1952	Stocks: Ratio to sales (months' supply) June 1951
Total—All departments	−2	− 3	−16	3.0	3.5
Main store total	−2	− 4	−16	3.3	3.8
Piece goods and household textiles	−7	−11	−26	3.9	5.0
Small wares	−6	+ 1	− 4	4.0	3.9
Women's and misses' accessories	−7	− 2	− 7	3.2	3.2
Women's and misses' apparel	+3	+ 2	− 5	1.8	2.0
Men's and boys' wear	+4	− 1	−13	2.8	3.4
Homefurnishings	−1	−11	−22	4.4	5.6
Other main store	−5	− 2	−27	2.7	3.5
Basement store total	−2	− 2	−15	1.8	2.1
Domestics and blankets	+6	0	−44	2.4	4.4
Small wares	−7	− 5	− 2	2.0	1.9
Women's and misses' wear	−2	0	− 4	1.3	1.3
Men's and boys' wear	−1	0	−17	1.7	2.0
Homefurnishings	−7	− 8	−14	3.3	3.6
Shoes	0	− 4	−10	2.4	2.6
Nonmerchandise total	−1	+ 2	....	....	....

CONSUMER CREDIT

Sale Credit Third F. R. District	Sales		Receivables (end of month)
	% chg. June 1952 from year ago	% chg. 6 mos. 1952 from year ago	% chg. June 1952 from year ago
Department stores			
Cash	−5	−3	....
Charge account	0	−4	+7
Instalment account	+13	−1	+1
Furniture stores			
Cash	0	0	....
Charge account	+18	−14	....
Instalment account	+19	+14	+8

Loan Credit Third F. R. District	Loans made		Loan balances outstanding (end of month)
	% chg. June 1952 from year ago	% chg. 6 mos. 1952 from year ago	% chg. June 1952 from year ago
Consumer instalment loans			
Commercial banks	+51	+42	0
Industrial banks and loan companies	+67	+35	+19
Small loan companies	+17	+14	+17
Credit unions	+37	+26	+14

PRICES

Monthly Wholesale and Consumer Prices	June 1952 (Index)	Per cent change from	
		month ago	year ago
Wholesale prices—United States (1947–49=100)	111	0	−3
Farm products	107	−1	−6
Foods	109	0	−2
Other	113	0	−3
Consumer prices (1935–39=100)			
United States	191	0	+3
Philadelphia	191	0	+3
Food	231	+1	+5
Clothing	198	0	−3
Rent	....	....	....
Fuel	147	0	−2
Housefurnishings	211	0	−6
Other	176	+1	+3

Weekly Wholesale Prices—U.S. (Index: 1947–49 average=100)	All commodities	Farm products	Processed foods	Other
Week ended July 8	110.7	107.6	108.1	111.9
Week ended July 15	111.1	109.4	109.2	111.9
Week ended July 22	111.2	109.6	109.2	112.0
Week ended July 29	111.7	109.7	109.7	112.5
Week ended August 5	111.8	109.6	109.7	112.7

Source: U.S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (*billions $*)	June 25 1952	Changes in—	
		four weeks	year
Money supply, privately owned	185.3	+1.0	+10.6
Demand deposits, adjusted	95.8	+ .5	+ 6.8
Time deposits	63.5	+ .5	+ 3.5
Currency outside banks	26.0	....	+ .2
Turnover of demand deposits	22.0*	0*	0*
Commercial bank earning assets	134.8	+1.7	+ 1.6
Loans	59.6	+1.1	+ .9
U.S. Government securities	61.2	+ .5	+ .6
Other securities	14.0	+ .1	+ .1
Member bank reserves held	20.0	+ .3	+ .9
Required reserves (estimated)	19.6	+ .3	+ 1.0
Excess reserves (estimated)	.4	0	− .1

Changes in reserves during 4 weeks ended June 25, reflected the following:

	Effect on reserves
Decrease in Reserve Bank loans	−.5
Net payments by the Treasury	+.4
Increase in Reserve Bank holdings of Governments	+.3
Increase in other Reserve Bank credit	+.2
Other transactions	−.1
Change in reserves	+.3

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

OTHER BANKING DATA	July 30 1952	Changes in—	
		five weeks	year
Weekly reporting banks—leading cities			
United States (*billions $*):			
Loans—			
Commercial, industrial and agricultural	20.6	− .2	+1.4
Security	2.7	0	+ .6
Real estate	5.8	0	+ .2
To banks	.4	− .2	+ .1
All other	6.4	+ .1	+ .6
Total loans—gross	35.9	− .3	+2.9
Investments	40.8	+1.0	+3.2
Deposits	85.5	+ .2	+5.8
Third Federal Reserve District (*millions $*):			
Loans—			
Commercial, industrial and agricultural	820	+ 14	+ 49
Security	53	− 20	+ 11
Real estate	141	+ 3	− 3
To banks	4	− 2	− 9
All other	430	+ 6	+ 40
Total loans—gross	1,448	+ 1	+ 88
Investments	1,551	+ 12	+ 48
Deposits	3,227	− 79	+ 29
Member bank reserves and related items			
United States (*billions $*):			
Member bank reserves held	20.4	+ .4	+1.3
Reserve Bank discounts and advances	1.4	+1.1	+1.0
Reserve Bank holdings of Governments	22.8	+ .3	− .2
Gold stock	23.4	0	+1.6
Money in circulation	29.0	+ .1	+1.1
Treasury deposits at Reserve Banks	.6	+ .5	0
Federal Reserve Bank of Phila. (*millions $*):			
Loans and securities	1,521	+ 75	+ 65
Federal Reserve notes	1,749	+ 10	+ 74
Member bank reserve deposits	911	− 8	+ 14
Gold certificate reserves	1,242	− 29	+ 31
Reserve ratio (%)	44.8%	−2.1%	− 0.6%