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FEDERAL RESERVE BANK OF PHILADELPHIA

"TRADE WINDS"

Retail trade has been better and it has been worse. It's a long, long time since new records were established. Some say people just don't have the money. Others say everybody has caught up with "the Joneses." Whatever the cause for trade being what it has been, merchants are optimistic for the fall and winter season.

RECENT BANKING CHANGES

Generally speaking, the first half of 1952 was good for most member banks in the Third Federal Reserve District. This article gives the highlights of earnings, expenses, and profits and of loan trends during that period. It also presents, for the first time, a county check list for the convenience of bankers who want to compare their experience with that of nearby banks.

CURRENT TRENDS

Generally improved business activity in August reflected resumed operations at steel mills.

"TRADE WINDS"

Retail trade depends on the "trade winds." When they blow, merchants are merry. When they are calm, merchants fret. For the past year, retail trade seems to have been in the horse latitudes—that equatorial belt characterized by high pressure, calms, and light baffling winds.

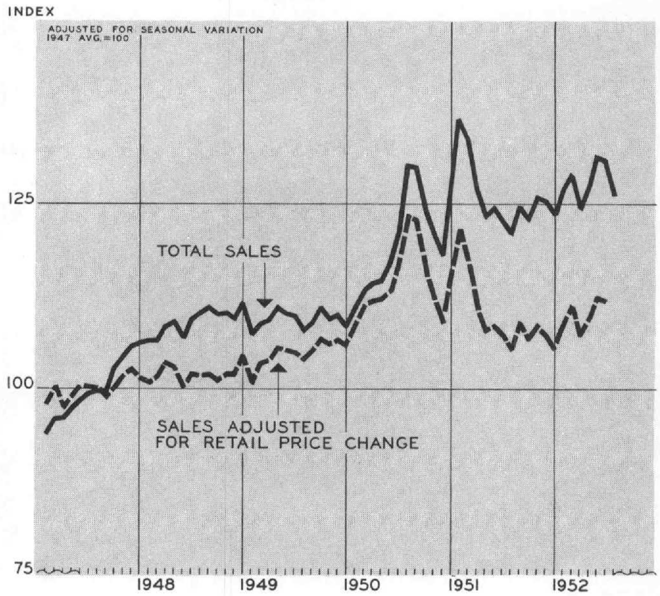
For all their outward "up-and-at-'em" enthusiasm, many retailers are chronic worriers. To them, when business is off it is a catastrophe; when business is good—well, it can't last. Whether the retail business of the past spring and summer has been good or not so good depends on whom one talks to and where his store is and what line he is in. It also depends on what statistics one looks at and how they are interpreted. There is considerable feeling that trade has been in the doldrums, and explanations have been sought as to why the consumer is not buying more. Various explanations have been found and, good or bad, they appear to have satisfied retailers that fall and winter business will be better. In any event, the stores are preparing for an active consumer buying season.

Ordinarily, the summer months are a poor period for making an appraisal of the strength of consumer spending. At that time, the volume of sales is seasonally low, and relatively small changes induced by chance elements —such as the weather or a strike—may be magnified beyond their true significance. This is especially true when prices, employment, and other general business indicators show no marked tendency to move in any direction except sideways across the business charts and so give no strong indication of which way the "wind" will blow when the time for blowing comes. Retailers, of course, must make their plans whether the business indicators are clear or not. They do not have the business analysts' prerogative of remaining neutral; on the contrary, they must make their forecasts with dollars on the line.

The Retail Sales Record

The course of retail sales, like that of true love, never runs smoothly. There are repeated surprises and disappointments, and in recent months many retailers feel there has been a surplus of the latter. The two peaks of retail sales activity in recent years are associated with the beginning of the Korean war in June 1950, and with the subsequent Chinese intervention. As the following chart shows, the biggest outpouring of dollars came early in 1951; probably more goods changed hands in the mid-1950 peak. Automobiles and other durables led the field during these buying sprees, though sales of apparel and some of the other "soft" goods were stimulated as well.

RETAIL SALES
United States



For well over a year after February 1951, retail sales failed to equal these war-induced peaks. The international situation remained tense and at times appeared dangerous, but it was not until May of this year that the dollar volume of sales equaled the minor peak of July 1950. At that, the physical volume of sales—dollar volume adjusted for price changes—was well below the 1950 and 1951 peaks. Sales fell slightly in June and dropped again in July, partly because automobile deliveries were reduced because of the steel strike. Thus, for the latest recorded month, retail sales were 6 per cent ahead of 1951. For the first seven months of the year, sales were barely ahead of the same period in 1951. Housefurnishings (including major appliances) were well below the 1951 rate, as were sales of automobiles and other durables. Apparel did slightly better, and food did very well.

Perhaps this is not a bad record after all. In dollar amounts, though not in physical volume, it is far better than 1950. It is a record of steady sales at high levels which does not, as in 1951, depend on near-hysteria for its impetus. Yet, as retailers looked about and saw the intense activity of a growing defense program, record-breaking construction, high wages, and an election year, many of them felt that there was something wrong, that business might be better.

"Prices Are Too High"

Theories on the state of retail trade are many and varied. Most of the more frequently mentioned explanations appear to have real substance, but no explanation is complete and some of them are inconsistent with obstinate facts. One widely held opinion is that prices are too high, that the consumer is unable or unwilling to pay the big price tags, especially for large-ticket items. Now, this is a plausible-sounding statement. Everyone can think of particular things he might buy if the prices were low enough. Yet, the implications of the theory are not quite clear. If the theory is to explain much, its protagonists must have in mind the *general level* of retail prices, not prices of individual companies or narrow groups of products which may be out of line. To say that prices—on the average—are too high, then, may imply that manufacturers and retailers failed to adjust to supply and demand conditions prevailing after the big spending splurges incident to the Korean war. "Sticky" costs and prices may not have come down fast enough. Undoubtedly, there is a grain of truth in this view but by all indications, including the movement of prices themselves, it does not describe the situation well. During the summer of 1952, another "Newburyport Plan" (the 1946 effort designed to reduce all price tags 10 per cent or more) obviously was not called for.

Prices may have been "too high" in another sense. It could be argued that retail prices are inevitably out of reach as a part of the process of diverting resources to defense and investment needs. If new purchasing power is made available to Government and business for the defense program, the military and defense production directors are able to bid materials and labor away from consumers by offering higher prices. The defense program gets what it needs because it has the purchasing power; the consumer has to be satisfied with less. This is, of course, merely an over-simplified version of the process of inflation, and there is nothing new about its application to defense finance. As a basic, long-run analysis of high price levels, it is very important. But it does not seem to provide a short-run explanation of consumer behavior in recent months. Consumers do not give up easily, and within the last year they have managed to increase their incomes faster than prices have moved up. Moreover, the theory implies that there should have been active bidding for goods—more like a scramble of the 1950 type than the seemingly excessive market orderliness that prevailed earlier this year.

This gives a clue, however, to a third and probably a more cogent version of the "prices-are-too-high" theory. Perhaps prices were too high this spring because consumers, for one reason or another, *thought* they were too high, expected them to come down and, therefore, postponed important purchases. The casual observation of many retailers would support this view; and the Survey of Consumer Finances made for the Board of Governors of the Federal Reserve System early in 1952 also confirms it. In the words of the Board's report: "The 6 in 10 who expressed this view [that the current year would be a bad time to make purchases of major durable goods] were a slightly larger proportion of the total group than they had been at the beginning of 1951. The chief reason for this view continued to be the feeling that prices were 'too high'; that good values would not be obtained."

Retail prices in the last year have been fairly stable, but, on the whole, until mid-summer they confirmed consumers' beliefs. Price tags on housefurnishings declined slowly but steadily. Apparel prices spurted in September 1951, but declined thereafter. Used automobiles were reported selling "below ceiling" for many months, and many new car dealers were making liberal "deals" early this year. Food prices have moved upward with scarcely any interruption. It is significant, perhaps, that consumer food purchases more than kept pace with prices. Food, of course, is a must, no matter how high the prices, and it is quite possible that rising costs of food leave the consumer with less money to spend in department stores.

In the past few weeks, retail prices seem to have firmed up. Though price cuts in some lines, notably television and radio, are still being announced, some appliance manufacturers are talking about higher prices in the wake of the steel strike. A leading carpetmaker has posted an increase, and others may follow suit. It begins to appear that as of now and for the rest of the year the high retail prices of recent months—including many which have not declined at all—are no longer *too* high. Repercussions of the steel strike and better consumer demand from some sources may have contributed to the changed atmosphere. But whatever the reason for it, it is now reported that consumers have changed their attitudes toward prices and will no longer be so strongly disposed to postpone purchases. If this sounds like an impossible "perpetual motion" scheme—better consumer demand leading to higher prices leading to increased purchases—be assured that no one expects it to go on for ever; it never has. It might peter out very quickly. But for the short-run future, under conditions now prevailing, it is possible that "self-generating" business factors like favorable consumer expectations can be intensely stimulating, and the recent optimism growing out of the theory that prices were "too high" may not be unwarranted.

"People Just Don't Have the Money"

Also offered in explanation of alleged sluggish sales is the theory that people just don't have the money to buy. This, too, sounds plausible by reason of personal experience and at first glance, at least, it seems to have some respectable confirmation from a recent Department of Labor study which pointed out that the average urban family spent $400 more than it received in 1950. Without going into detail concerning the Labor Department study, two points should be made clear. First, the figures do not say that the average family went $400 "into the red" in the sense that this money is now owing; many had savings which were used for planned purchases. Second, although many families did go into debt in 1950—and the consumer credit figures for that year show a substantial increase—this is not necessarily a sign of distress but rather an indication that incomes were high and were expected to be steady. Poor people cannot convince lenders that they should be allowed to go into debt.

Consumers get money for spending from three sources: income, past savings, and borrowing. As far as the first is concerned, it is high and it has been rising. Higher taxes bit deeply in the first quarter of this year. As a result, income after taxes dipped slightly for the first time in many months. Undoubtedly, consumers felt this more keenly than the dollar figures would indicate, especially those who may have had less left after March 15 than they had anticipated. In spite of big pay checks, many may have felt that they "just didn't have the money." By now these same people have adjusted to the new tax rates; moreover, if the promises of an election year are to be taken seriously, they may not last too long. For the remainder of the year, rising wage rates and continued high employment will probably push incomes up further. This rise will not be so stimulating as it might be if it resulted from growing employment, but it may give added zip to retail purchases nevertheless.

The volume of liquid assets—the result of past savings—in the hands of consumers is higher than ever. Many savings accounts were reduced and many bonds were cashed in 1950, but liquid savings were still at a high level. In 1951 the accumulation of these assets proceeded at about twice the previous year's rate. It is possible that these savings are not so widely distributed as they were after the war; and it is true that high prices have reduced their ability to burn consumers' pockets. But they remain a stimulating factor.

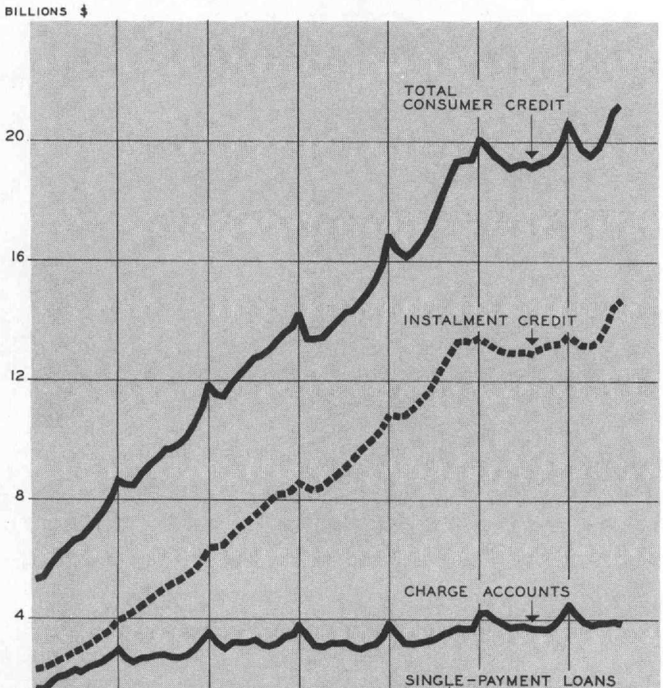
The ability of consumers to borrow to augment their spending power was curtailed, to some extent, by Regulation W until May of this year. As the chart shows, installment credit outstanding was little higher in March of 1952 than it had been the previous year. It rose seasonally in April and spurted sharply in May, the month that installment credit controls were suspended by the Board of Governors. In June it rose sharply again and in July it increased some more, despite a drop in automobile sales due to the steel strike. Total consumer credit outstanding in July, including charge accounts and other types of credit, was $21.2 billion—an all-time record. If high down-payment requirements and short maturities made consumers feel that they did not have the money last spring, easy credit certainly has helped to overcome the feeling by now. Part of the optimism of retailers about fall and winter business may be based on their belief that their "no-money-down, months-to-pay" signs will make buyers continue to feel richer than they are and will encourage increased indebtedness. Most observers have misgivings about this development over the long pull. If incomes should stop expanding so rapidly or if they should decline for any reason, a high level of consumer indebtedness would become a drag on new purchases and would accentuate the effects of the drop in purchasing power. Such a situation is not yet in sight, however, On balance, although the statistics show that people really have money and lots of it, the fact that they will soon have more is encouraging for retail trade.

The "Plateau of Desires"

For those who feel that prices were not too high and that consumers did have money, there is another widely held theory of recent sales performance. Basically, this view holds that our economic wealth is so great and our standards of living so far above the subsistence level that consumers have wide discretion not only as to what they will

CONSUMER CREDIT OUTSTANDING

(End of month figures)



spend for but also as to whether they will spend at all. On the surface, this proposition appears to conflict with a fundamental economic premise to the effect that human wants are limitless. But there is no real contradiction. For one thing, in our modern economy one of the things people want is money in the bank. For another, more important to this theory, human wants in a complex society run in cycles. When something new is introduced and accepted, everyone wants it and nearly everyone buys it; later, demand for it slows down to replacement. When a large group suddenly catches up with "the Joneses" whose standard they have been trying to reach for years, they relax for a while with their attained level of living until some new Joneses break out of established living patterns in search of something new and better. Thus, desires for goods, especially durables, are likely to be somewhat concentrated, causing periods of sharply rising expenditures followed by plateaus of spending at higher levels. According to the theory, part of the reason why retail sales have not been higher is that we have reached the plateau of desires which was due to follow heavy post-war spending during 1946 to 1950.

It is doubtful that the "plateau of desires" theory holds as much encouragement for retail trade in the near future as some believe. Heavy promotion and advertising as well as new merchandising techniques can help to make the consumer discontended with what he has. The Joneses may decide to make a move. But there are other factors which suggest that what is thought to be only a small plateau may really be the beginning of a long plateau from which it will be difficult to move upward in terms of real goods. The sale of many consumers' durables since the war, for instance, has been in excess of "normal" demand based on pre-war income relationships. Now that war-created backlogs have been filled, the level of sales has returned to "normal." In one view, this is a breathing space that had to be reached and felt before air-conditioning, freezers, color television, and improved appliances could push sales up to permanently higher ground. On the other hand, the rate of new household formation is slowing down. The relatively small "depression generation" has come of age, and marriages are fewer. "Undoubling" of families in the same house has virtually ceased. Home appliance sales have depended on the establishment of a record number of new homes in the post-war years. Without this prop, new products may do little more than make up for an inevitable loss.

Another point on the down side. Estimates made by the U. S. Department of Commerce indicate an expected level of automobile sales (accounting for about half the dollar volume of all durable goods sales) somewhat lower than that of any of the last three years, and the conditions for a marked change in the pattern of automobile ownership—say, a growth in the number of two-car families—does not appear to be favorable as yet. Traffic conditions and a tendency to use automobiles for a longer period of years militate against it.

Another element in the "plateau of desires," as already indicated, consists of money in the bank and other forms of savings. Sometimes people spend freely and save little or nothing; other times they spend sparingly and save hard. In the years just before the second World War, people saved an average of about 2½ per cent of their income after taxes. During the war when hard goods for civilians were scarce, they saved as much as 24 per cent of their disposable income. Since the war, savings have been generally higher than the pre-war rate and during the first half of this year, people have been saving over 7 per cent of their income after taxes. Whether they will continue saving at this rate or higher for the remainder of the year is unpredictable. Who can tell what people are going to do? The motorist speeding along the highway can predict with considerable assurance that the chicken will attempt to cross the road in front of his car; but no one can tell what the spending (or saving) consumer will do with his money.

Department Store Sales and Stocks

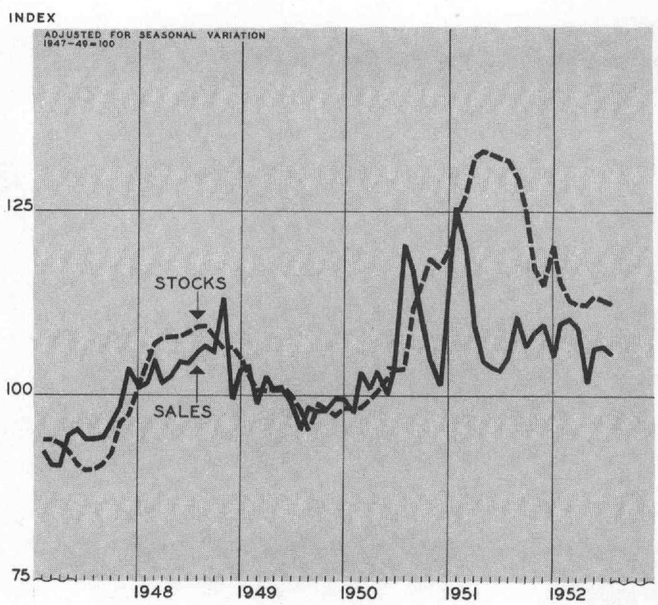
Statistics of department store sales are followed closely by everyone who is interested in business conditions. They are available fairly promptly and they are available in great detail. They are important, but they are not all of retail trade. The record of department store sales in the last year gives a less favorable impression than that of total retail sales. The Third District picture, shown in the chart, is typical. July sales are about where they were a year ago. For 1952 to date, the department stores are 2 per cent behind last year's total.

There are several reasons why department store sales trends vary from those of all retail sales. The most obvious is the different "product mix." Department stores do not sell automobiles or building materials. They handle very little food. Changes in the volume of sales of these important items will not be reflected in department store statistics. Shifts of consumer spending from lines in which department stores are very important, like women's apparel, to lines in which other types of stores are relatively more important also tend to create a difference between department store and total retail trends. It is significant that the greatest percentage loss in department store sales this year is in the field of housefurnishings—major household appliances and radio and television. It is quite possible that in the rough-and-tumble housefurnishings market of recent months the department stores may have lost a part of their business to the specialty houses who were aggressive in cutting prices and making trade-in deals.

That department store men are also optimistic about fall and winter business is proved by their inventory position and what they are doing about it. As is the case with

DEPARTMENT STORE SALES AND STOCKS

Third Federal Reserve District



retail inventories generally, department store stocks are down. At the end of July, Third District stores had 3.8 months' stocks on hand, compared with 4.6 months' a year earlier. The big inventory bulge in the spring of 1951 came as the result of extremely high placements of orders at the beginning of the year and the recession in sales as the goods were being received. New orders were cut drastically in the second quarter of 1951, but the damage had been done. New orders in the first quarter of this year were about the same as they had been in 1950, and by the end of May outstanding orders for goods still to be received had reached the lowest level since May of 1949. In July, for the first time this year, outstanding orders have been permitted to rise above the level of the previous year's. New orders have increased recently; perhaps this indicates that the period of inventory adjustment is over and there is more optimism with regard to the future.

A low stocks-to-sales ratio is more a reflection of the anticipations of retailers than of consumers, and merchandise managers should not mistake their feeling of relief that inventories are lower for enthusiasm over increased sales until the sales actually materialize. There is danger of over-buying and of new inventory bulges. Thus far, however, all goes well and warnings such as this would be ill received. Those who have their "fingers crossed" are keeping their hands in their pockets.

A Rising Barometer?

Recent communications from department store merchants and other retailers in various sections of the Third District indicate improved expectations with respect to dollar volume of sales. Reports from merchants on the upper Delaware, from the hard coal region, from the Lancaster-York axis on the Susquehanna, and from the northerly highlands of the West Branch Susquehanna all point toward larger sales volume for the next six months. Some say five and others ten per cent above the corresponding period last year.

For the past year, retail trade generally has not been really bad except by comparison with the big blow in mid-1950 and the bigger blow at the 1950 year-end. Since that time the trade winds have been baffling. Perhaps merchants are now about to sail out of the horse latitudes into the region of the prevailing westerlies where sails are never slack.

RECENT BANKING CHANGES

The first half of 1952 was, generally speaking, good for most member banks in the Third District. Although deposits were slightly lower, investments changed little, and loans were 4 per cent higher on June 30 than at the beginning of the year. Seven out of ten banks had larger net current earnings before income taxes than during the first half of last year; for all district member banks they were 11 per cent higher.

But What about Profits?

These figures might suggest that the first half of this year was better than it really was, however. Net profits, while still large historically, were only 3 per cent greater than during the first half of last year.

The chart shows what happened to the money the banks earned. Total earnings were larger than ever before for a comparable period. The reason was the growth of loan business at higher rates. All member banks in the district combined received 14 per cent more income from loans than in the same period last year, with reserve city banks making out a little better than country banks. Income from corporate and municipal bonds also contributed to the rise in earnings with an increase of 8 per cent.

Out of their total earnings, of course, banks had to meet expenses. These too were higher. But they did not increase as fast as earnings, nor did they rise as much as they did in the first half of last year. One reason, undoubtedly, was the lull in inflationary trends. On the other hand, a partly offsetting factor probably was an increase in interest paid on time deposits as interest rates rose generally. At any rate, the combination of greater earnings and higher but lagging expenses produced larger net current earnings. The improvement in net current earnings was somewhat greater at country banks than at reserve city banks.

The amounts the banks then charged off together with the amounts transferred *to* reserves were more than they recovered and transferred *from* reserves. Finally, taxes, like some of the other items, hit a new high. Before taxes, bank profits were 12 per cent more than a year ago; after taxes, they were only 3 per cent higher. The increase in taxes paid was somewhat greater at country banks where earnings had risen relatively more than at reserve city banks. As a result, profits after taxes rose less at country banks. Of their net profits, the banks paid out about the same proportion in dividends as last year.

Loans Keep Going Up

As pointed out above, the relatively favorable earnings picture was largely attributable to an active loan business. The chart shows how loans, in contrast with deposits and investments, have continued to rise. The fact that the average return on loans has also risen was another factor boosting earnings.

Most of the growth in loans during the first half of the year was at country banks, where continued expansion in real estate loans was accompanied by expanding loans to business and consumers. Reserve city banks increased their consumer lending and security loans, but had little net change in real estate financing and a decline in business loans.

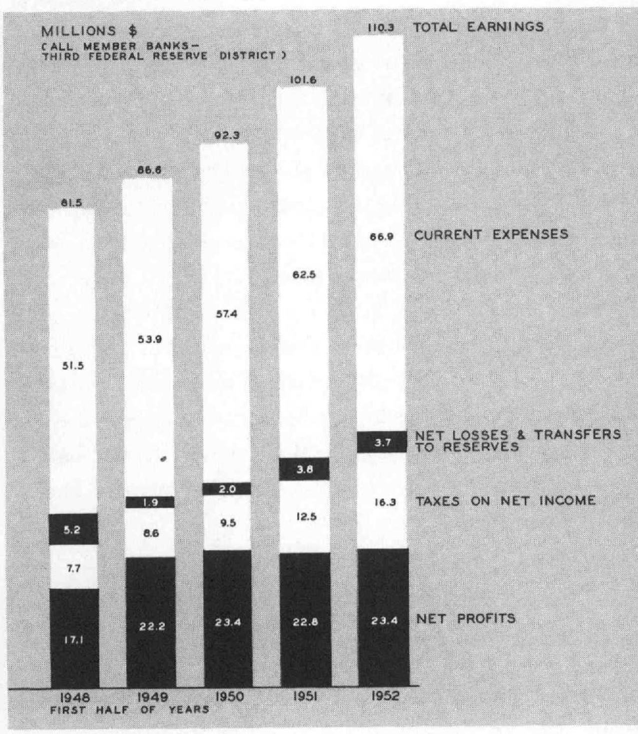
Figures showing large changes in business loans of large banks (mostly in Philadelphia) indicate that loans to manufacturers of metals and metal products increased considerably during the first half of the year. Substantial declines, to some extent typical of that time of year, took place in the case of manufacturers of foods and tobacco and to a lesser extent in loans to sales finance companies, commodity dealers, and public utilities.

Figures for Counties

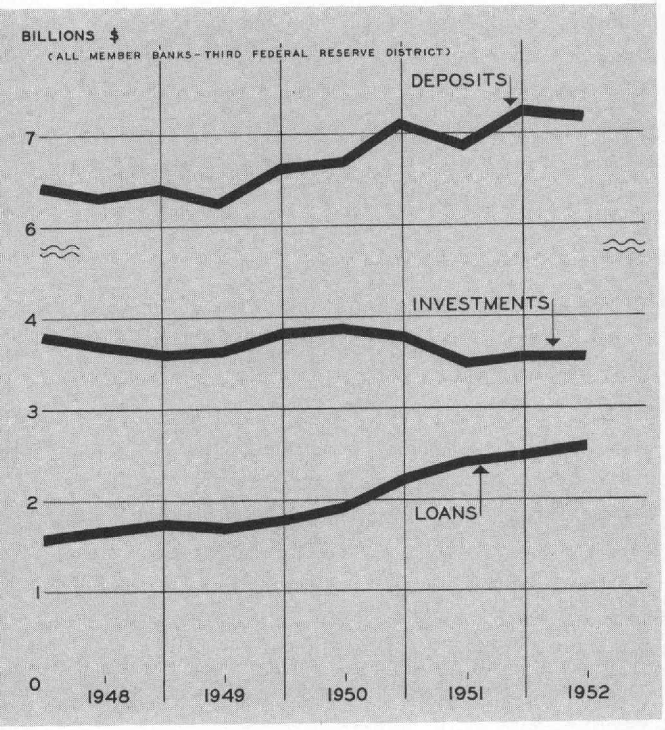
For the first time, we are publishing a county check list for the convenience of bankers who are interested in comparing their experience with nearby banks. The figures have the additional value of showing the great diversity of experience which over-all figures conceal. For example, loans of all district member banks combined rose 7 per cent from mid-1951 to mid-1952; but loans of member banks in several counties increased more than 20 per cent. Net current earnings of all members were 11 per cent higher during the first half of this year than in the first half of last year; but in a number of counties they were over 30 per cent higher. In nine counties they were actually lower.

DURING THE FIRST HALF OF 1952...

earnings, expenses, and taxes rose, but net profits stayed about the same



deposits fell, investments were steady, but loans kept on rising



COUNTY CHECK LIST

for the convenience of member banks in comparing their experience with other member banks in the same county. This table shows . . .

	the percentage change from June 30, 1951 to June 30, 1952 in—			*the percentage change from the first half of 1951 to the first half of 1952 in—*
	LOANS	INVESTMENTS	DEPOSITS	NET CURRENT EARNINGS
PENNSYLVANIA				
Adams	+ 7.5	+12.4	+ 9.4	— .7
Bedford	+14.9	+ 5.5	+ 8.3	+ 4.1
Berks	+ 2.3	+ 2.9	+ 5.2	+13.1
Blair	+ 6.0	+ 1.6	+ 4.3	+19.3
Bradford	+ 6.7	+ 7.5	+ 7.1	+12.1
Bucks	+14.0	+ 8.9	+13.2	+11.6
Cambria	+11.6	+ 5.3	+ 7.6	+ 8.2
Carbon	+ 2.6	— 4.0	+ .4	+ 9.5
Center	+ 8.4	+ .3	+ 8.0	+10.1
Chester	+ 8.4	+ 1.4	+ 5.6	+16.1
Clearfield	+ 9.8	+ 2.5	+ 6.7	+14.3
Clinton	+ 7.9	+ 2.5	+ 9.1	+42.0
Columbia	+ 4.9	+ 8.3	+ 8.0	+10.6
Cumberland	+11.5	+12.2	+11.9	+ .5
Dauphin	+ 6.4	+ 5.0	+ 3.5	+11.0
Delaware	+12.5	+ 1.3	+ 7.9	+31.9
Elk	+ 5.7	+ .9	+ 5.5	— 6.5
Franklin	+ 9.3	+ 1.7	+12.5	+10.0
Fulton	+ 6.8	+ 4.6	+ 3.6	*
Huntingdon	+ 9.3	+ 3.5	+ 6.1	+ 7.2
Juniata	+ 2.9	+ 8.3	+ 7.8	— 7.9
Lackawanna	+ 1.7	+ 1.8	+ 4.5	+19.7
Lancaster	+ 9.2	— 2.9	+ 4.2	+10.0
Lebanon	+11.1	— 1.7	+ 5.4	+13.5
Lehigh	+15.5	+ 1.7	+ 8.4	+17.6
Luzerne	+ 4.3	+ 1.3	+ 3.5	+ .1
Lycoming	— 5.2	+ 9.4	+ 7.0	+ 4.3
McKean	+ 7.6	+ 4.6	+ 6.0	+14.1
Mifflin	+ 3.4	+11.9	+ 6.5	— 2.3
Monroe	+ 1.3	— 3.2	+ 3.1	*
Montgomery	+11.6	— .8	+ 3.9	+ 9.5
Montour	+17.0	+10.7	+10.0	*
Northampton	+10.5	+ 1.9	+ 5.5	+13.3
Northumberland	+ 7.2	— 1.1	+ 3.9	+30.4
Perry	+15.1	— 2.2	+ 5.1	—21.6
Philadelphia	+ 5.5	+ 1.5	+ 2.6	+10.2
Pike	+15.8	+13.4	+ 9.8	*
Potter	+ 3.4	+21.6	+12.0	+10.3
Schuylkill	+ 8.3	+ .4	+ 4.0	+ 6.0
Snyder	+ 5.3	+ 7.2	+ 9.0	+20.2
Sullivan	+ 4.5	+ 3.4	+ 4.2	*
Susquehanna	+ 7.0	+ 1.7	+ 7.6	+14.4
Tioga	+ 2.2	+ 4.1	+ 4.2	+25.3
Union	+ 4.3	+ 3.1	+ 5.3	*
Wayne	— .3	+ 4.8	+ 4.4	+28.2
Wyoming	+ 5.5	— .8	+ 4.7	+31.9
York	+ 9.4	+ 1.0	+ 5.3	+14.1
NEW JERSEY				
Atlantic	+ 6.0	+13.2	+ 6.5	— 7.4
Burlington	+13.3	— .5	+ 3.6	+10.8
Camden	+ 6.5	+ 5.4	+ 4.8	+ 4.3
Cape May	+26.6	+ 9.8	+10.4	+29.0
Cumberland	+21.9	— 5.9	+ 4.7	+12.8
Gloucester	+11.5	+ 3.0	+ 8.9	+22.9
Mercer	+14.0	+12.2	+12.6	+28.9
Ocean	+15.9	+ 9.6	+13.2	+ 9.4
Salem	+ 7.0	+ 5.8	+ 6.3	+21.2
DELAWARE				
Kent	+28.4	+ 4.0	+13.2	+12.1
New Castle	+13.8	—17.7	— 3.7	+16.6
Sussex	+ 3.3	+ 4.5	+ 3.6	+ 7.8

* Not shown because of limited number of member banks in county.

CURRENT TRENDS

There was little change from June to July in the general economic scene in the Third Federal Reserve District. But with the termination of the steel strike that held the spotlight for the greater part of both months, activity assumed a more normal appearance in August.

Retail buying during July was quiet. Department store sales declined slightly from the previous month but compared with a year ago were up 1 per cent. Consumer spending was strongest in women's wear. Both specialty shops and feminine apparel departments of department stores showed substantial gains. Preliminary figures for August indicate that total department store business will be about equal to last year.

The increase in retail apparel sales and the fact that excess inventories have been worked down were reflected in greater manufacturing activity. Employment, hours and payrolls at women's wear plants in July were above 1951 and employment in the apparel industry as a whole exceeded year-ago levels for the first time since April 1951. Employment gains due to early settlement of the steel strike at some plants in Pennsylvania were offset by reduced employment at plants using steel as their principal raw material.

The consumer price index for Philadelphia rose 1 per cent in July and was 4 per cent above last year. A 3 per cent jump in food prices for the month (to a new, all-time peak) was largely responsible. Only housefurnishing goods showed a price decline.

Total loans of Third District reporting banks increased by $19 million to $1,439 million in the four weeks ended August 27, largely reflecting a rise in loans to purchase or carry securities. Loans to business, which generally expand in August, were virtually unchanged. There were net decreases in loans to metals producers and sales finance companies—both net borrowers in August last year—while loans to commodity dealers and manufacturers in the textile group increased.

The nation's private money supply increased about $700 million in July, as compared with a rise of slightly more than $1 billion a year ago. Since March the money supply has increased steadily, offsetting the seasonal decline that took place in the first quarter of the year. In July, the annual rate of turnover of demand deposits declined, in contrast to the upward trend in the first part of the year.

SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	July 1952 from		7 mos. 1952 from year ago	July 1952 from		7 mos. 1952 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production	− 1*	−18*	− 8*	− 6	−10	−4
Construction contracts‡	+ 2	+17	− 5	− 2	+11	−8
Coal mining	−23	−19	− 5	−13	−13	−8
EMPLOYMENT AND INCOME						
Factory employment	0*	−18*	− 8*	− 3	− 7	−4
Factory wage income	− 2*	−19*	− 6*	....	....	....
TRADE**						
Department store sales	− 1	+ 1	− 2	− 5	0	−1
Department store stocks	− 1	−15	....	+ 2	−12	....
BANKING (All member banks)						
Deposits	− 1	+ 4	+ 4	0	+ 7	+6
Loans	0	+ 9	+ 8	0	+ 9	+8
Investments	+ 1	+ 4	+ 1	+ 2	+ 8	+5
U.S. Govt. securities	+ 2	+ 3	− 1	+ 3	+ 7	+4
Other	0	+ 6	+ 7	+ 2	+11	+9
PRICES						
Wholesale	....	....	....	+ 1	− 2	−3
Consumers	+ 1†	+ 4†	+ 3†	+ 1	+ 4	+3
OTHER						
Check payments	− 3	+ 8	+ 2	+ 2	+18	+6
Output of electricity	+ 1	+ 5	+ 2	....	....	....

*Pennsylvania
**Adjusted for seasonal variation. †Philadelphia.
‡Changes computed from 3-month moving averages.

LOCAL CONDITIONS	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change July 1952 from		Per cent change July 1952 from		Per cent change July 1952 from		Per cent change July 1952 from		Per cent change July 1952 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown	−2	−21	− 3	−24	....	....	....	....	+4	+ 1
Harrisburg	+5	− 6	+ 5	− 7	....	....	....	....	0	+ 9
Lancaster	−1	− 1	− 1	+ 3	− 9	+3	−6	−14	−1	+ 6
Philadelphia	0	+ 2	− 2	+ 5	−31	+1	−6	−15	−4	+ 9
Reading	0	− 8	+ 4	− 2	−25	−4	−5	−16	−6	− 2
Scranton	−1	− 1	− 1	+ 6	....	....	....	....	−8	+ 1
Trenton	−6	−10	−10	−11	−26	0	−3	−16	+3	+ 8
Wilkes-Barre	+2	+ 4	+ 4	+12	−23	0	−7	−19	−1	+12
York	+1	− 3	0	− 1	−12	+7	−3	− 9	+1	+19

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

MEASURES OF OUTPUT

	Per cent change: July 1952 from month ago	Per cent change: July 1952 from year ago	Per cent change: 7 mos. 1952 from year ago
MANUFACTURING (Pa.)	− 1	−18	− 8
Durable goods industries	− 2	−27	− 8
Nondurable goods industries	− 1	− 5	− 7
Foods	+ 5	0	− 2
Tobacco	− 3	+ 3	0
Textiles	− 2	− 1	−14
Apparel	− 1	− 2	−10
Lumber	− 2	− 3	− 9
Furniture	− 3	+22	0
Paper	−13	−10	−11
Printing and publishing	− 1	− 2	− 1
Chemicals	− 3	− 1	0
Petroleum and coal products	− 2	−33	−11
Rubber	+ 3	+ 1	+ 1
Leather	+ 1	− 1	− 8
Stone, clay and glass	− 8	−21	−13
Primary metal industries	+ 7	−66	−19
Fabricated metal products	− 2	−18	−10
Machinery (except electrical)	− 1	− 6	− 2
Electrical machinery	− 3	+ 3	+ 3
Transportation equipment	− 5	+ 7	+19
Instruments and related products	− 5	−11	− 4
Misc. manufacturing industries	− 2	−18	−18
COAL MINING (3rd F. R. Dist.)*	−23	−19	− 5
Anthracite	−23	−14	− 3
Bituminous	−24	−49	−18
CRUDE OIL (3rd F. R. Dist.)**	+ 4	+ 2	0
CONSTRUCTION—CONTRACT AWARDS (3rd F. R. Dist.)†	+ 2	+17	− 5
Residential	− 3	+53	− 1
Nonresidential	+13	−15	−30
Public works and utilities	− 5	+46	+68

*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: July 1952 (Index)	Employment: Per cent change from mo. ago	Employment: Per cent change from year ago	Payrolls: July 1952 (Index)	Payrolls: Per cent change from mo. ago	Payrolls: Per cent change from year ago	Average Weekly Earnings: July 1952	Average Weekly Earnings: % chg. from year ago	Average Hourly Earnings: July 1952	Average Hourly Earnings: % chg. from year ago
All manufacturing	112	0	−18	314	− 2	−19	$62.55	− 1	$1.58	− 1
Durable goods industries	122	− 1	−27	323	− 2	−29	68.27	− 2	1.70	− 1
Nondurable goods industries	103	0	− 4	301	− 1	− 1	55.96	+ 4	1.44	+ 3
Foods	126	+ 7	+ 1	336	+ 6	+ 4	59.52	+ 3	1.44	+ 5
Tobacco	89	− 2	+ 3	246	− 3	+ 8	36.37	+ 5	.96	+ 5
Textiles	67	− 1	− 7	201	− 3	+ 1	53.71	+ 8	1.40	+ 4
Apparel	128	+ 1	+ 1	358	− 4	+ 1	39.62	0	1.13	+ 1
Lumber	153	+ 1	− 7	420	− 2	+ 3	47.99	+10	1.16	+ 6
Furniture and lumber products	118	− 2	+18	360	− 4	+28	56.59	+ 9	1.30	+ 5
Paper	124	−11	−11	382	−11	− 4	66.67	+ 7	1.59	+ 7
Printing and publishing	115	0	− 3	320	0	+ 4	78.52	+ 7	2.02	+ 8
Chemicals	143	− 1	− 6	417	− 3	− 1	69.16	+ 5	1.65	+ 5
Petroleum and coal products	96	− 7	−39	302	0	−31	94.49	+14	2.27	+12
Rubber	235	0	− 3	840	+ 5	+11	88.54	+15	2.07	+12
Leather	85	+ 1	− 2	234	0	+ 2	47.27	+ 4	1.20	0
Stone, clay and glass	116	− 9	−19	323	− 8	−19	63.63	+ 1	1.67	+ 3
Primary metal industries	52	+ 8	−64	133	+ 8	−66	71.72	− 7	1.87	− 2
Fabricated metal products	148	− 2	−17	405	− 3	−16	64.70	+ 1	1.62	+ 2
Machinery (except electrical)	231	+ 1	− 4	657	− 1	− 2	72.12	+ 2	1.74	+ 5
Electrical machinery	268	− 2	+ 6	648	− 3	+ 7	67.59	+ 1	1.70	+ 3
Transportation equipment	176	− 5	+ 6	489	− 7	+ 8	78.77	+ 2	1.92	+ 2
Instruments and related products	170	+ 1	− 9	469	− 6	− 9	63.01	0	1.61	+ 2
Misc. manufacturing industries	116	− 3	−21	321	− 4	−14	56.77	+ 9	1.34	+ 5

*Production workers only.

TRADE

Third F. R. District — Indexes: 1947-49 Avg.=100 Adjusted for seasonal variation	July 1952 (Index)	Per cent change: July 1952 from month ago	Per cent change: July 1952 from year ago	Per cent change: 7 mos. 1952 from year ago
SALES				
Department stores	106	− 1	+ 1	− 2
Women's apparel stores	94	+ 8	+ 2	0
Furniture stores	......	−13*	+20*	+14*
STOCKS				
Department stores	112p	− 1	−15	......
Women's apparel stores	99	− 3	−16	......
Furniture stores	......	0*	−16*	......

Recent Changes in Department Store Sales in Central Philadelphia	Per cent change from year ago
Week ended August 16	+4
Week ended August 23	+3
Week ended August 30	−7
Week ended September 6	−6

*Not adjusted for seasonal variation. p—preliminary.

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales: % chg. July 1952 from year ago	Sales: % chg. 7 mos. 1952 from year ago	Stocks (end of month): % chg. July 1952 from year ago	Stocks: Ratio to sales (months' supply) July 1952	Stocks: Ratio to sales (months' supply) July 1951
Total—All departments	+ 3	− 3	−15	3.8	4.6
Main store total	+ 3	− 3	−15	4.2	5.1
Piece goods and household textiles	− 1	−10	−26	4.3	5.7
Small wares	+ 3	+ 1	− 3	5.0	5.3
Women's and misses' accessories	+ 1	− 2	− 9	4.1	4.5
Women's and misses' apparel	+13	+ 3	− 9	2.6	3.2
Men's and boys' wear	0	− 1	−13	4.7	5.4
Homefurnishings	+ 2	−10	−19	4.8	6.1
Other main store	+ 6	− 1	−29	3.3	5.0
Basement store total	− 2	− 2	−15	2.4	2.8
Domestics and blankets	+ 5	+ 1	−33	2.5	3.9
Small wares	− 3	− 4	− 4	2.0	2.1
Women's and misses' wear	− 3	0	− 7	1.7	1.8
Men's and boys' wear	+ 2	0	−17	2.4	3.0
Homefurnishings	−16	− 9	−14	4.9	4.8
Shoes	+ 6	− 3	− 9	3.2	3.7
Nonmerchandise total	+ 9	+ 2	......	......	......

CONSUMER CREDIT

Sale Credit Third F. R. District	Sales: % chg. July 1952 from year ago	Sales: % chg. 7 mos. 1952 from year ago	Receivables (end of month): % chg. July 1952 from year ago
Department stores			
Cash	+ 1	− 2	....
Charge account	+ 2	− 3	+ 8
Instalment account	+28	+ 2	+ 5
Furniture stores			
Cash	+15	+ 2	....
Charge account	+ 3	+12	....
Instalment account	+24	+15	+11

Loan Credit Third F. R. District	Loans made: % chg. July 1952 from year ago	Loans made: % chg. 7 mos. 1952 from year ago	Loan balances outstanding (end of month): % chg. July 1952 from year ago
Consumer instalment loans			
Commercial banks	+64	+46	+ 1
Industrial banks and loan companies	+31	+34	+22
Small loan companies	+21	+15	+18
Credit unions	+14	+24	+16

PRICES

Monthly Wholesale and Consumer Prices	July 1952 (Index)	Per cent change from month ago	Per cent change from year ago
Wholesale prices—United States (1947–49 = 100)	112	+1	−2
Farm products	110	+3	−1
Foods	110	+1	−1
Other	113	0	−3
Consumer prices (1935–39 = 100)			
United States	192	+1	+4
Philadelphia	193	+1	+4
Food	238	+3	+8
Clothing	198	0	−2
Fuel	150	+2	−1
Housefurnishings	211	0	−5
Other	176	0	+4

Weekly Wholesale Prices—U.S. (Index: 1947–49 average = 100)	All commodities	Farm products	Processed foods	Other
Week ended August 12	112.0	110.0	110.8	112.7
Week ended August 19	112.2	110.1	111.1	112.8
Week ended August 26	112.0	108.8	110.9	112.9
Week ended September 2	111.8	107.7	110.8	112.9

Source: U.S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (billions $)	July 30 1952	Changes in— five weeks	Changes in— year
Money supply, privately owned	186.1	+ .7	+10.2
Demand deposits, adjusted	96.1	+ .3	+ 5.3
Time deposits	63.8	+ .3	+ 3.8
Currency outside banks	26.2	+ .2	+ 1.1
Turnover of demand deposits	21.1*	−4.1*	− .9*
Commercial bank earning assets	136.6	+1.8	+10.5
Loans	59.6	0	+ 5.0
U.S. Government securities	62.8	+1.6	+ 4.1
Other securities	14.2	+ .2	+ 1.4
Member bank reserves held	20.4	+ .4	+ 1.3
Required reserves (estimated)	19.8	+ .2	+ 1.3
Excess reserves (estimated)	.6	+ .2	0

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

	Effect on reserves
Increase in Reserve Bank loans	+1.1
Increase in Reserve Bank holdings of Governments	+ .3
Net payments to the Treasury	− .5
Other Reserve Bank credit	− .2
Gold and foreign transactions	− .2
Increase of currency in circulation	− .1
Changes in reserves	+ .4

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

OTHER BANKING DATA	Aug. 27 1952	Changes in— four weeks	Changes in— year
Weekly reporting banks—leading cities			
United States (billions $):			
Loans—			
Commercial, industrial and agricultural	20.9	+ .3	+ 1.4
Security	2.3	− .4	+ .4
Real estate	5.8	0	+ .2
To banks	.6	+ .2	+ .1
All other	6.5	+ .1	+ .6
Total loans—gross	36.1	+ .2	+ 2.7
Investments	40.0	− .8	+ 2.5
Deposits	84.8	− .7	+ 4.7
Third Federal Reserve District (millions $):			
Loans—			
Commercial, industrial and agricultural	819	− 1	+ 27
Security	73	+ 20	+ 32
Real estate	143	+ 2	0
To banks	2	− 2	− 2
All other	430	0	+ 40
Total loans—gross	1,467	+ 19	+ 97
Investments	1,515	− 36	+ 25
Deposits	3,216	− 11	+ 53
Member bank reserves and related items			
United States (billions $):			
Member bank reserves held	19.8	− .6	+ .9
Reserve Bank discounts and advances	.9	− .5	+ .6
Reserve Bank holdings of Governments	23.1	+ .2	0
Gold stock	23.3	0	+ 1.5
Money in circulation	29.1	+ .2	+ 1.1
Treasury deposits at Reserve Banks	.7	+ .1	+ .2
Federal Reserve Bank of Phila. (millions $):			
Loans and securities	1,556	+ 35	+ 88
Federal Reserve notes	1,757	+ 8	+ 72
Member bank reserve deposits	925	+ 14	+ 32
Gold certificate reserves	1,231	− 11	+ 23
Reserve ratio (%)	44.1%	−0.7%	− 1.1%