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business review



FEDERAL RESERVE
BANK OF
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1954: YEAR OF OPERATION COST-CUTTING?

People no longer buy things at any price. Price-conscious customers make cost-conscious producers. Businessmen are scrutinizing costs, and cost-cutting may be the dominant note in 1954.

HOME, SWEET HOME

Older but somewhat better equipped housing was more typical of the Third District than of the nation at the last census.

RECENT CHANGES IN CONSUMER INSTALMENT CREDIT

Growth in instalment credit is slackening, repayments are reasonably prompt but lenders are getting harder to please.

CURRENT TRENDS

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1954: YEAR OF OPERATION COST-CUTTING?

For fifteen years, American business has been marching forward and upward with only two brief interruptions. The rising trend was momentarily halted in 1945 when World War II ended and in 1949 when business had inventory indigestion. Now there is a widespread feeling that business has arrived at another crossroads. Each day brings forth news about layoffs, cutbacks, and other annoying developments.

Heretofore, prophets in the wilderness have raised their voices saying, "Prosperity cannot go on forever; a day of reckoning must come." But their voices were not heard; they were drowned out by the din of prosperity. The worldly philosophers were ignored. Now businessmen are running into a strange experience—an experience some of them have never encountered before. The consumer is beginning to show discrimination or to show more discrimination. It is no longer possible to sell everything as easily as it was before.

In an attempt to minimize the inevitable hazards of forecasting, we have asked people in all walks of business life in the Third District about their plans and prospects for 1954. Opinions differ, but we found less pessimism across the country-side than in big-city newspaper headlines. Opinions seem to be tinged by current experience. If his business is good at the moment, the business-

man is likely to give a favorable forecast. If he is in a time of trouble—well, it is hard for him to see the end of the rough road.

The anthracite people have had a lean year by reason of the triple conspiracy of unseasonably warm weather, competitive fuels, and declining exports. A Delaware Valley steel man said his mill was well-booked through March, and when asked about the remainder of the year he just puffed a little harder on his pipe. Dairy farmers had a good hay crop, but they fear somewhat smaller milk checks when the meadows turn green next spring. In the up-state needle trades, those who make men's shirts are doing well; those who manufacture women's wear are not doing so well. Lancaster County cattle feeders feel they are through the worst of the price readjustment in beef cattle. Declining orders forced a Lebanon County foundry man to drop from a three- to a two-shift basis. Tomato growers in New Jersey had the rare good fortune of rain at the right time and high prices for their bumper 1953 crop. Lower prices of feed from the West are helping Delaware broiler growers meet the fierce competition from Georgia and other areas. Scarcity of experienced engineers forced a Centre County metal manufacturer to lay off part of his work force.

Such are the diverse reports we picked up

throughout the Third District. Are there other clues—local and national—that may reveal the kind of year we are entering?

Spending money to economize

The money that businessmen spend for expansion of plant and modernization of equipment has a powerful influence on the outlook. Our own survey, reported in the November 1953 *Business Review*, revealed that manufacturers in the Philadelphia eight-county area planned to increase capital outlays in the year ending September 1954 by 18 per cent over the preceding year. Railroads and local utilities, according to our survey, plan to spend just about the same amount for capital improvements. According to a national survey, all businessmen, except farmers, will curtail capital expenditures in 1954 by 4 per cent. Estimates by the Securities and Exchange Commission—Department of Commerce put outlays for the first quarter of 1954 at a higher rate than the first quarter of last year.

Sometimes it is assumed that money spent for new equipment and machinery results in increased capacity but that does not necessarily follow. Some of the new equipment may be, and is, new low-cost (of operation) equipment to replace old, high-cost (of operation) equipment. Plant modernization is not always done to increase output; sometimes the purpose is to produce the same output at lower cost.

The same is true of new plants and plant additions. This, too, is perhaps all too frequently thought of in terms of added capacity; but it may be, and sometimes is, replaced capacity. A plant, after all, is nothing other than a “tool”—usually the biggest and most expensive tool the producer operates. Like the smaller tools it houses, a plant likewise usually becomes obsolete before it is worn out. Some of the new plants and plant additions that are now under construction or have been com-

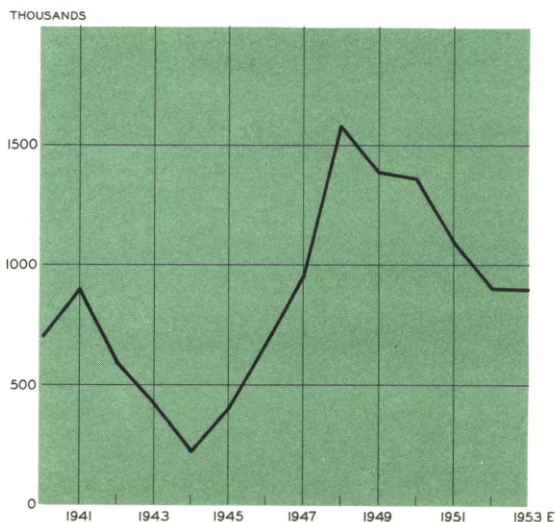
pleted recently will replace old plants of long service, only awaiting the industrial scrap heap as soon as industrial over-capacity beckons their retirement. In our capital expenditures survey, made last fall, we asked the question, “Will these expenditures increase the capacity of your plant?” Among those who answered the question, almost half of them said yes; the other half said no. Surely, those who said “No” did not spend the money just for fun.

Year after year, forecasters mistakenly thought they foresaw the end of rising expenditures for expansion of plant and modernization of equipment. Perhaps we are now riding the crest. Such evidence as we have, however, does not point toward a sharp downturn.

How much will builders build?

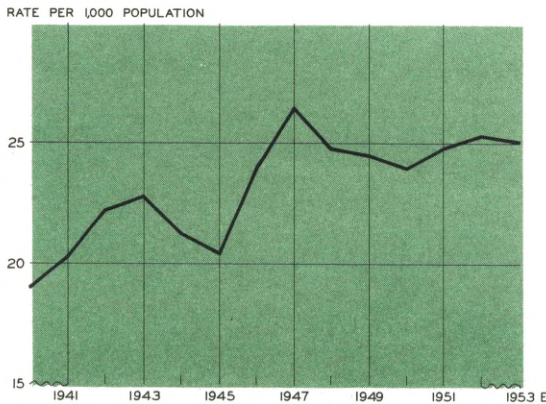
Residential construction is another important component of business activity. The quickest and the

NET NEW HOUSEHOLDS



One force behind post-war housing demand—new household formation—is on the decline and seems likely to continue downward.

BIRTH RATE



But the birth rate, still high, calls for more space which may be supplied by the "add-a-room" method.

easiest way to get an appraisal of activity in residential construction is to refer to the record of housing starts. Contrasted with the peak rate of 1,400,000 starts in 1950, the 1953 record (with eleven months' data already at hand) will apparently be just a trifle short of 1952's housing starts of 1,127,000. But the question is, how about 1954?

A sharp focus on trends of recent months gives little aid and comfort. From a peak in February of last year, the seasonally adjusted annual rate of housing starts declined in successive months until August and thereafter the rate turned upward. Talking with builders and real-estate men throughout the Third Federal Reserve District, we get the impression that the demand for high-priced houses is definitely on the decline. The demand for houses in the \$15,000 to \$20,000 bracket is just fair, but there still is good demand for houses under \$15,000.

"For sale" signs stay planted longer than they used to, and for several apparent reasons. The country's 1940 stock of 37 million dwelling units has been augmented by more than 8 million new

non-farm houses built during the post-war period, and this has gone a long way toward taking the edge off the terrific demand. Asking prices, in many instances, are unrealistically high, from which potential buyers are now more prone to shy away than formerly. Moreover, as a result of the better-balanced supply-demand relationship, potential buyers are becoming more particular.

Residential construction is, of course, more than just new housing starts. The add-a-room, fix-up and repair business is a substantial part of residential construction. Some men in the industry feel that this will amount to more and more and may compensate for much, and possibly all, of the cut-back in new housing starts we may be facing in 1954. In 1954, we anticipate neither a collapse nor new records in residential construction.

Inventories are always changing

Inventories (excluding those of farmers and consumers) are very high. But it is not only the total stock of inventories that influences current and prospective business activity; the changing level of inventories also exerts a powerful influence on business conditions. Throughout most of last year, business inventories were rising; but the rate of increase was forever fluctuating. During the first quarter, inventories rose at an annual rate of almost \$3 billion; during the second quarter they rose at an annual rate of almost \$9 billion; in the third quarter they rose at an annual rate of \$4½ billion. The fourth-quarter rate is not available at this writing, but even if it were it would add little to our knowledge about what will happen this year. All we do know is that inventories are very jumpy and that businessmen are treading carefully with respect to their inventory policies. Our guess is that during 1954, inventory changes are more likely to act as a brake than as an accelerator.

Government spending

Spending by Federal, state, and local governments for goods and services cut a wide swath across the business landscape. Last year, governments spent nearly \$83 billion—a peacetime record.

The Federal Government spent about \$58 billion in 1953, and nine-tenths of this was for national security. National security is a big package consisting of such things as military services, international security and foreign relations (except foreign loans), development and control of atomic energy, promotion of the Merchant Marine, promotion of defense production and economic stabilization, and civil defense. What are our Federal Government expenditures likely to be this year?

To begin with, we know that the Administration is making sincere efforts to economize. We also know that although fighting has stopped in Korea, the maintenance of peace on earth runs into big money; that the technology of defense changes rapidly and becomes more costly every day. We know also that 1954 is an election year. What we do not know is whether the Federal Government's economy drive will succeed; we can only hope that it does.

Government spending in fiscal 1955, according to President Eisenhower's State-of-the-Union message, is to be reduced by an additional \$5 billion. "Despite the substantial loss of revenue in the coming fiscal year," said the President, "resulting from tax reductions now in effect and tax adjustments which I shall propose, our reduced spending will move the new budget closer to a balance."

State and local governments spent \$25 billion last year. Expenditures have been rising steadily ever since 1943, and still our highways are overcrowded and so are our schools and hospitals and our penitentiaries and most other public institu-

tions. The chances of cutbacks on state and local government expenditures this year look slim.

Behold, the consumer

The country's 160 million consumers hold the master key to the 1954 business outlook. Their expenditures account for 63 cents out of every one of the country's \$366 billion that make up all business activity. If someone will tell us what consumers will do, we should be tempted to make an "I predict" kind of forecast. The difficulty with consumers is that they behave like human beings. We have the kind of an economy in which the consumer is king. No one can tell him how much money to spend or save. Nor can anyone tell him how he shall spend his money, nor when, nor where.

Throughout most of the post-war period, the consumer has been spending very freely, and he still does; but many businessmen say that he is harder to please than formerly. A Philadelphia manufacturer of a consumer good that nearly every man uses reported that he noticed a distinct change in attitude on the part of the consumer last Fourth of July. Before the Fourth, his customers bought freely with apparently little concern about tomorrow. After the Fourth, his customers bought much more sparingly with apparently some thought about tomorrow.

Department store merchants, accustomed to hanging up a new dollar sales record year after year, had a narrow squeak last year. Automobile dealers are not quiet so optimistic about their 1954 sales as are the manufacturers of motor cars. When he goes shopping for a refrigerator or TV, or any other household appliance, the shopper looks for a bargain. His friends tell him where he can get such and such a discount from the list price. In numerous markets, buyers and sellers have resorted to the ancient custom of haggling over

prices, a manifestation of what textbooks dignify under the title "Competition."

Money in the hands of consumers—that is, money left over after the payment of taxes—is only slightly less than it was formerly. But the dollar that looks so big as it rolls out of the pay envelope looks so little as it rolls over the retail counters.

Rents are steadily creeping upward; premises priced in last year's index at 121 now command 127. Maintenance of health is more expensive; the doctoring that cost \$119 last year now costs \$123. Car fares have gone up, and the Bureau of Labor Statistics' basketful of "other goods and services" that carried a price tag of \$1.16 last year is now re-tagged at \$1.20. Since the dollar is not going so far in some areas, the consumer is trying to make his dollar go farther in other areas. That is one reason why the consumer is shopping around.

It is hard to tell all that goes on in the consumer's mind, but it is possible that he is also playing the game safer when he reads about lay-offs here and there, when he reads pessimistic forecasts, which are more frequent than they used to be. Regardless of what he is thinking, we know how he is acting. He is just a little more cautious than he has been for a long time.

"Operation cost-cutting"

Numerous businessmen have observed the changing attitude of the consumer and are attempting to "tailor" their products and services to the consumer's wishes. The retailers were first, naturally, to observe that the consumer is shopping around, that he is more price-conscious. Price-conscious consumers make cost-conscious producers. This attitude is transmitted by the retailer through the wholesaler to the manufacturer. As demand shifts

to lower-priced radios, for example, the manufacturer scrutinizes his costs with a view to cutting down wherever he can. Among other things, he will put pressure upon the supplier of cabinets. The manufacturers of radio cabinets, similarly, put pressure for lower quotations upon the suppliers of plastics, and so it goes.

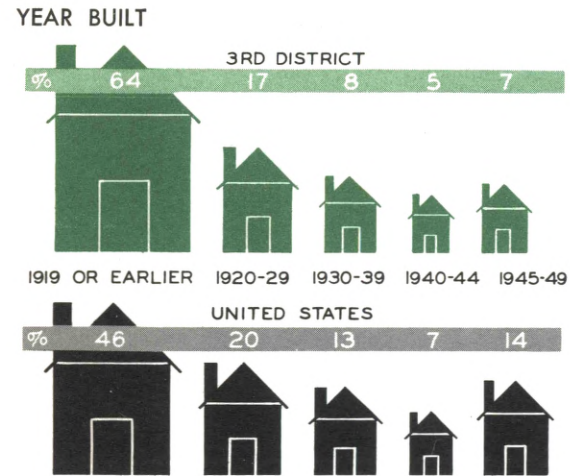
Manufactured products, generally, are going through a major cost overhauling. "Operation cost-cutting" appears to be the order of the day. It may be the order of the year. Innumerable wastes and inefficiencies have crept into our body economic during recent years of prosperity, and pruning time seems to be at hand. Nor is pruning confined to manufacturing. Farmers, retailers, and other businessmen are performing similar operations.

It is said that the consumer is king, and so he is. In response to his recent dictates, producers have embarked upon "operation cost-cutting." Cost-cutting is a virtue, and surely no businessman should be criticized for cost-cutting; but cost-cutting is not painless. In almost every business, labor is one of the largest elements of cost. So cost-cutting may increase unemployment. In almost every business, producers resort to borrowing; so cost-cutting may depress interest rates. Many business concerns operate in rented premises, so cost-cutting may depress rental rates. All businesses operate for profit, so cost-cutting may cut down easy earnings.

Squeezing unnecessary costs out of American business does not necessarily spell recession. The purpose of operation cost-cutting is to cut costs. If lower costs are translated into lower prices or improved quality, the way is paved for larger markets. That is the ultimate goal of every producer. By so setting our house in order, we may have another good—but possibly not record-breaking—year.

HOME, SWEET HOME . . . an inventory of housing

Publication of regional housing statistics, collected in the 1950 Census, calls attention to changes made during the forties.



Homes of residents in the Third District were generally older than those in the United States . . .

PROPORTION OF HOMES OWNED BY OCCUPANTS
(Each symbol represents 10%)

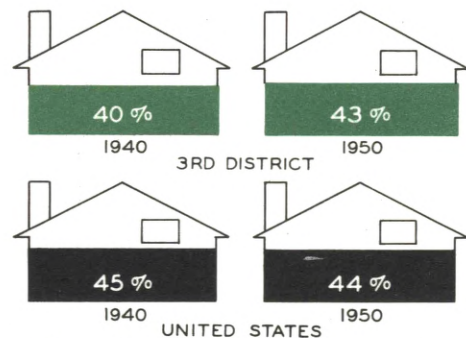


. . . but more people in this District owned their own homes.

Houses help make homes. While the charts on these two pages—based on the recently published United States Census of Housing for 1950—do not tell how adequately we are housed, they do highlight some aspects of housing in the Third Federal Reserve District compared with the United States for the years 1940 and 1950. They do not include the record years of residential construction since the 1950 census when about 4.6 million homes were built compared with the 5.7 million built in the decade of the forties.

There is no such thing as a typical Third District house, any more than a typical American house, but the charts suggest that residents of this area continued, in 1950 as they had in 1940, to live in older but somewhat better equipped houses than did their fellow citizens generally. Houses were older because the District had been developed comparatively early. Some sections saw few new residences in the 1940's; for example, only 3 per cent of the housing through the anthracite region was built

PROPORTION OF OWNED HOMES WHICH ARE MORTGAGED



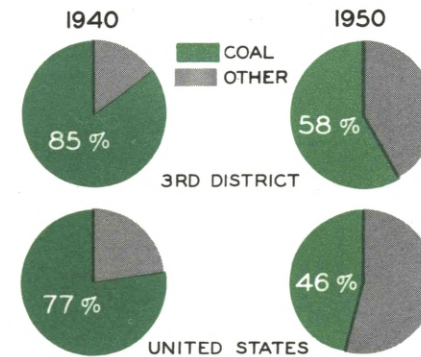
About the same proportion of homes were mortgaged in the District as in the United States.

from 1940 to 1950 and 74 per cent before 1920.

From 1940 to 1950, population of the United States rose 15 per cent; number of occupied dwellings, 23 per cent. District population went up 8.5 per cent; dwellings, 25.6 per cent. Households became smaller and "spread out" into more homes and more areas. High incomes and good job prospects enabled families to "undouble" and to migrate. Undoubling of families has now largely run its course. People also continued to move from farm to non-farm areas. The trend during this period toward fewer rooms per dwelling has been reversed recently because of the high post-war birth rate.

In this District, the median value of homes in 1950 ranged from a low, in Sullivan County, of \$3,065 to a high, in Montgomery County, of \$11,452. For the United States, the median value was \$7,354. New Jersey, Pennsylvania, and Delaware had median values of \$10,408, \$6,992, and \$9,079, respectively.

HEATING FUEL



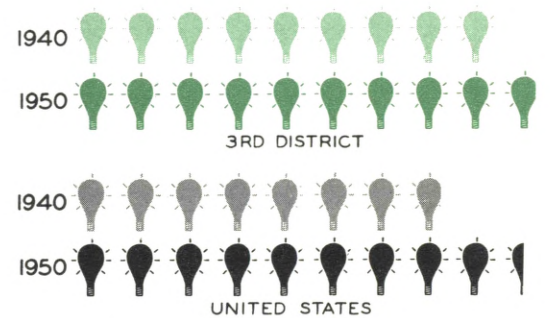
Fewer homes used coal in 1950 than in 1940, but coal was still more important here than in the United States.

PROPORTION OF HOMES WITH . . .
(Each symbol represents 10%)

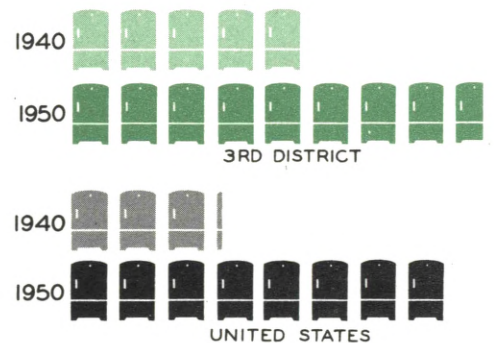
. . . central heating



. . . electric lighting



. . . mechanical refrigeration



More homes in this District had central heating, electricity, and mechanical refrigeration than nationally.

RECENT CHANGES IN CONSUMER INSTALMENT CREDIT

Consumers in 1953 continued to make heavy outlays for necessities and for the luxuries that contribute to the pattern of an ever-rising standard of living. Along with their substantial cash spending, consumers made time purchases in a volume sufficient to raise outstanding balances on instalment credit to another all-time high. All this required a greater selling effort on the part of most merchants—more effort, in fact, than in any year since pre-war 1940. It was largely a buyer's market, with competition sharpening as the months passed. And the competition became especially keen in the field of consumers' durable goods, that area of the retail market where instalment buying plays a major role.

Nationally, the growth in instalment balances is slackening

In the country as a whole, outstanding indebtedness resulting from purchases of consumer durables and from modernization and personal loans continued to expand rapidly until about the middle of last summer. Thereafter, however, additions to these balances grew smaller as the gap between new credit extended and repayments narrowed. This was particularly true of paper written on automobiles, but it also was apparent in the case of household goods, including appliances, television, and furniture. Changes in the remaining components of consumer instalment credit—modernization and personal loans—were less pronounced over most of last year, and so exerted a relatively minor influence on the over-all situation. By November, monthly additions to the

total of outstandings were down to a rate scarcely one-third that of a year earlier. Although December figures are not yet available, in the non-statistical information at hand there is little to suggest that the picture at the national level has changed significantly over the year-end.

The question of "terms" is raised

It is clear that the slower rise in instalment credit balances deprives the market for consumer durables of a measure of the support enjoyed earlier. This, together with the severe competition, has prompted a fair amount of speculation in the press as to the probability of consumers being given more encouragement to make instalment purchases. And in this area of retailing, encouragement spelled out means easier credit terms.

Published reports of inquiries directed to lending agencies across the country reveal the wide diversity of opinion existing on this score. Those who believe that some easing of the terms may be inevitable, point to the importance of instalment buying in our present-day economy. Others, foreseeing a "hold-the-line policy" being maintained at all costs, call attention to the desirability of more critical appraisals of credit risks in this time of economic change.

In this Federal Reserve District, we have queried representative lending institutions and some of the merchants themselves on their day-to-day problems in instalment financing and instalment selling. What we learned first-hand of their recent experiences in these fields is related in the following paragraphs.

Third District financing volume also is leveling off

Some of our local lending institutions tell us that their outstanding balances on instalment loans have been declining for several months. Others have experienced more of a leveling-off process, following a period of rapid growth earlier in the year. In one or two instances, deliberate measures were taken to arrest, or at least slow down, the rate of growth. But recently these balances reflect mostly fewer applications for automobile and appliance loans. Extensions of modernization paper were reasonably active through the summer and early fall, with a seasonal downswing beginning as winter approached. Personal loan volume appears to have fluctuated rather narrowly over most of last year.

Repayments are reasonably prompt

The collection experiences of both banks and finance companies have been mostly good in all categories. From time to time, temporary difficulties have been encountered on automobile and appliance paper, although in nearly all cases a little forbearance has "paid off" and outright repossessions have been avoided. All lenders seem to agree on one point—that collections take more of an effort now than a few months ago. Various reasons have been advanced for this, chief among them being:

1. The loss of overtime pay by a significant number of borrowers.
2. The "fantastic" nature of some recent advertising.
3. In a buyer's market there seems to be a tendency to regard indebtedness less seriously than when consumer durable goods were definitely scarce.

Commenting on the adverse effect of reduced

overtime pay on collection ratios, one lending institution aptly pointed out that "experience tells us a worker can adjust to a higher income overnight, but it may take three months for him to adjust to any lowering of his living standard."

The line appears to be holding on "terms"

This is not to say there is no great pressure to liberalize lending terms. There most certainly is! And that pressure is unrelenting in the experience of some of the banks and finance companies we talked to. It is especially noticeable in the appliance end of the business, although in automobiles, too, there is a tendency to want to stretch out maturities to 30 months, but this situation is countered by the growing practice of setting quota limits on 30-month paper. There is a widespread movement to insist on 24-month maturities and it is growing stronger all the time. On down payments, the situation is especially firm. The problem of establishing a large enough initial equity ties in with collection experiences. And no one cares to invite the risk of repossession or add to operating expenses by having to make any greater effort to assure the prompt repayment. It is the standard procedure to require one-third down in the case of automobiles.

Credit risks are appraised more critically now

Lenders are examining applications in much greater detail than formerly. First of all, job prospects come in for a "lion's share" of the attention. This, to be sure, is prompted by recent cutbacks in overtime pay and, in some instances, by a shorter work-week. Moreover, fewer families now have more than one wage earner than formerly. This becomes apparent when declines in the nation's labor force can be traced to the presence of

fewer women. Potential borrowers' equities are examined more critically, and collection costs have shown a tendency to rise for some little time. Some lenders, professing to see evidence that consumers are becoming over-extended in their commitments, are making a more careful examination of an applicant's existing indebtedness in relation to the amount of his "take-home" pay.

Conclusions

Although instalment credit purchases are contributing less to the nation's economy today than they did through the spring and early summer of last year, there is little evidence that consumers are to be encouraged to make greater use of this medium through a relaxation of credit terms. On the contrary, there is evidence aplenty that lenders and retailers alike are more interested in the risk characteristics of their customers than in a mere willingness to spend. That is why we are hearing more of "doubtful" propositions being turned down—in a dealer's showroom or store

and in the offices of banks and finance companies.

None of the people we talked to were of the opinion that easier terms would stimulate business more than temporarily. To be sure, the automobile dealer has a problem today of finding buyers quickly for his stocks of 1953 cars. It is a situation he faces annually when the new models come through; maybe it is more difficult this year because so many more units were turned out by the factories. Then, there is the merchant with appliances, television, and furniture for sale. The white goods end of the appliance business has slowed down again, following an initial spurt last winter and another in the spring. In these areas of consumer durables, too, some surplus stocks could be worked off if the "terms" called for less down and more time to pay. But, like the banker and the finance company officials, the average retailer is thinking of the harm that might come to his business in the long run if he were to encourage some of the poorer risks just for the sake of a quick sale—or a lot of them.

CURRENT TRENDS

The economy seems to have entered the period of "adjustment" which has been discussed so widely. Evidence has recently become much clearer; and the consensus of the country's economists and statisticians adds further weight to this view. Newspapers eschewed comment on topics such as "A Theorem on Convex Sets in Euclidean n-Space," discussed at the recent annual meetings of economists and statisticians, but they did report that, in the view of these professional men, the outlook is for somewhat less active business in 1954.

Cyclical, seasonal and secular influences on predicting

This less optimistic outlook is one explanation for the almost endless stream of comments about business which have appeared in the past few weeks. *Cyclical* forces are at work. As the economist or statistician might say, the volume of discussion about the business situation tends to vary inversely with the level of business activity.

Even more important currently are the *seasonal* forces. The turn of the year has become the tradi-

tional time for outlook articles (such as the lead article in this *Review*), predictions, “statements,” and financial supplements.

These cyclical and seasonal forces are superimposed on a *secular trend*. The amount of discussion about the business situation has experienced a long-run upward trend, partly because there are now more “experts” working with better tools, and partly because there are more people who understand and appreciate the importance of economic trends. This long-run growth has meant, first, that people who make predictions now have a harder time finding different things to say, or saying the same things in different ways. And, second, it has meant that the predictions themselves are apt to have a greater influence on events.

Both of these implications are apparent, not so much in the current comments on the business situation but in comments on the comments. The attempt to say something different has led some (as in the present instance) to observe the observers. Mr. Lilienthal notes that we seem constantly to be pausing to feel the pulse and take the temperature. A fear that pessimistic predictions might bring about the events predicted has led others to decry such forecasts. Mr. Fairless and others caution against “talking ourselves into a depression”. The international variation on this theme is a recent statement that European nations should guard against constant preoccupation with talk about a United States recession.

Whether we like it or not, however, the volume of comment on the business situation seems likely to increase further—and so will comment on the comments. Over the very short-run, seasonal influences will work in the opposite direction; we have passed the annual peak of predictions. But the secular trend undoubtedly will continue upward and, if business conditions turn out as forecast, the cyclical influences will stimulate further

discussion. For those who feel we may have reached diminishing returns along these lines, there seems to be only one hope—the possibility that we may once more get used to an environment in which a certain amount of change and adjustment are signs of a healthy economy.

A post-mortem on Christmas sales

In last month’s issue we discussed the prospect for Christmas sales at department stores in this district. Our information was based on an informal survey made at the beginning of December among controllers of representative stores in and outside of Philadelphia. Although the story naturally varied from store to store, information given us added up to a prospect of total district sales equaling, or possibly exceeding, December of 1952.

Unfortunately, by the time the information was digested and the results published and issued to the press, stores had already gone through a discouraging week. During the first week of December, sales of district department stores were 3 per cent less than the same week a year earlier. During the next week they were 6 per cent less. Pessimism among department store controllers deepened, and was not much improved by sales of the third week which about equalled the equivalent week of 1952.

Yet it was still possible for sales in the entire month of December to be as good as in December 1952, because Christmas week contained one more pre-Christmas shopping day than in the same week a year earlier. And as Christmas approached it looked as though consumers had merely been slow in getting their shopping done. In Christmas week sales rose 9 per cent over a year ago. In the following week they were 7 per cent higher than in 1952. But these last-minute spurts were not enough to bring the entire month up to the previous year’s level.

Preliminary figures indicate that sales for December were about 2 per cent below a year ago. Although it may have disappointed the stores, this is still a healthy volume—greater than any other

December except 1950 and 1952. And the decline was not enough to pull the year as a whole below 1952's level. Business during 1953 remains the best on record for department stores in this district.

NEW INDEX OF INDUSTRIAL PRODUCTION

One of the most valuable and widely used measures of business activity for many years has been the index of industrial production, compiled and published by the Board of Governors of the Federal Reserve System. Last month the Board published revised figures for the index. Anyone

interested in the details of the revision should read the December issue of the *Federal Reserve Bulletin*, which may be obtained from the Board.

In general, the revision involved changing the base from 1935-1939 as 100 to 1947-1949 as 100; increasing the number of monthly series from 100 to 175, making more accurate adjustment of the data to annual levels; modernizing industry classifications; and using new adjustments for seasonal variation.

The new figures follow the same general trends as the old, but they indicate that post-war growth in production was greater than originally believed and that output has been somewhat more stable over the short-run.

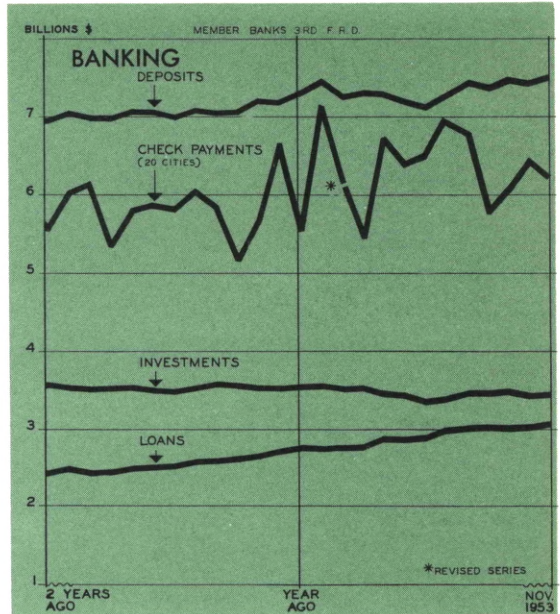
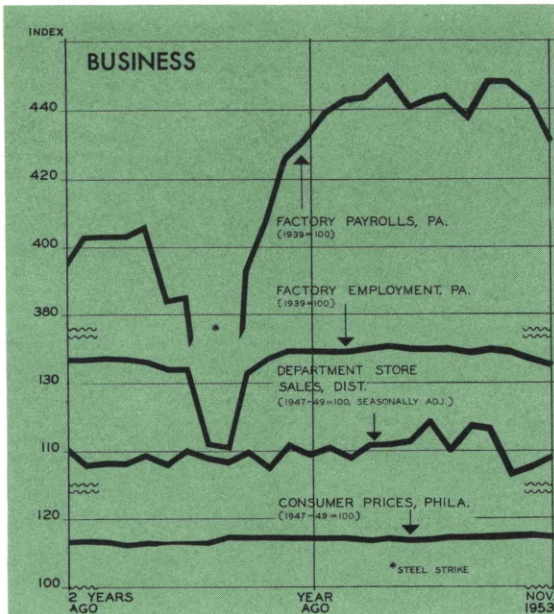
The accompanying table may be useful to readers who use the industrial production data occasionally. Those who use the data more extensively are referred again to the article in the *Federal Reserve Bulletin*.

TOTAL INDUSTRIAL PRODUCTION

(Seasonally adjusted; 1947-1949 = 100)

Month	1947	1948	1949	1950	1951	1952	1953
January . . .	99	104	101	100	122	121	134
February . .	99	103	99	99	122	121	134
March	100	102	97	102	122	121	135
April	99	102	96	106	122	120	136
May	99	104	95	110	122	119	137
June	99	104	95	112	121	118	136
July	98	105	94	115	119	115	137
August	99	104	96	120	118	123	136
September .	100	103	97	120	118	129	133
October . . .	101	105	94	121	118	130	132
November . .	103	104	96	120	119	133	130
December . .	103	102	98	122	119	133	
Year	100	104	97	112	120	124	

FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	November 1953 from		11 mos. 1953 from year ago	November 1953 from		11 mos. 1953 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production...	-3*	-5*	+5	-4	-2	+10
Construction contracts†	+12	+32	+14	-9	+14	+5
Coal mining	-15	-32	-22	-10	-20	-4
EMPLOYMENT AND INCOME						
Factory employment	-2*	-3*	+6*	-2	-2	+6
Factory wage income	-3*	0*	+14*			
TRADE**						
Department store sales	+3	-1	+2	+2	+1	+2
Department store stocks	-1	+5		-1	+4	
BANKING (All member banks)						
Deposits	+1	+3	+3	+1	+1	+3
Loans	+2	+11	+13	0	+6	+10
Investments	0	-3	-3	+2	-1	-1
U.S. Govt. securities	+1	-4	-3	+2	-1	-2
Other	0	-2	0	0	+2	+3
Check payments	-3‡	+16‡	+10‡	-6	+11	+8
PRICES						
Wholesale				0	-1	-2
Consumer	-1†	0†	+1†	0	+1	+1

*Pennsylvania †Philadelphia ‡20 Cities
 **Adjusted for seasonal variation. ‡Based on 3-month moving averages.

LOCAL CHANGES	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks		Check Payments	
	Per cent change November 1953 from		Per cent change November 1953 from		Per cent change November 1953 from		Per cent change November 1953 from		Per cent change November 1953 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown...	-2	-4	-2	-5					-6	+10
Harrisburg...	-3	-4	-1	-6					-7	+3
Lancaster...	-3	+2	-4	+6	+28	-3	-1	+5	-4	+12
Philadelphia...	-1	0	-1	+2	+30	+1	-1	+3	-2	+19
Reading...	0	-4	-1	-3	+27	-4	-2	+2	+4	+31
Scranton...	-1	+1	-4	+5					-5	+4
Trenton...	-4	-6	-1	-10	+19	-6	-3	-9	+18	+25
Wilkes-Barre...	-1	-5	-2	-8	+20	-3	-1	-1	+1	+30
Wilmington...	-1	-1	-1	+2	+5	-4	0	-4	-18	+5
York...	-1	+4	-3	+12	+10	+2	-2	+5	-6	+20

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



THIRD FEDERAL RESERVE DISTRICT