

# business review



FEDERAL RESERVE  
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## THE CAR OUTLOOK—STYLE, DEALS AND CREDIT

*In 1955, car buying was stimulated by style changes, easy credit, dealers' "deals," and higher income. Dealers may be "dealing," and incomes rising again in 1956, but style changes will be few and credit less easy, so that sales may slow somewhat.*

## CURRENT TRENDS

*Business in the Philadelphia Federal Reserve District is quickening its pace after a summertime "breather." Employment, production, income, and spending are rising.*

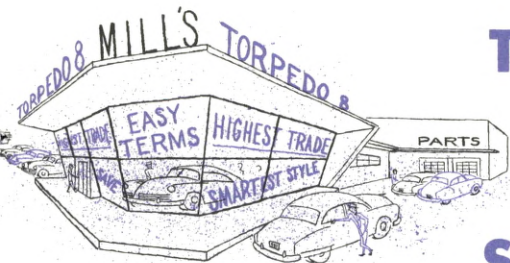
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## THE CAR OUTLOOK— STYLE, DEALS AND CREDIT

Sometime in the middle of 1953 a big change came upon the automobile industry. Supply caught up with demand. Reasons for buying and ways of buying changed.

Before mid-1953, automobile makers were producing for a market swollen by a war-created shortage of new cars. By mid-1953 it was estimated that they had pretty well satisfied the backlog of demand. Since then car people have been “selling hard”—creating a desire for new cars.

“Desire buying” has had to replace “need buying,” and anyone who sells anything—from houses to carpet tacks—will tell you there is a big difference. Dealers were, perhaps, first to feel the difference. Soon, however, the impact spread and producers, bankers, and nearly everyone selling anything were affected one way or another by the change.

This article tells of the shift in importance among the factors influencing the demand for cars, and theorizes about what this may mean to car sales in 1956.

### **Demand for automobiles**

First things first, so let us try to determine what constitutes the demand for new cars. In the opening paragraphs we referred to desire buying replacing need buying. We were, of course, oversimplifying. Consumers never needed cars in the same sense that they need, well, food and shelter. But before mid-1953 some people whose income and mode of living indicated they “should” be car owners did not own cars. Many more people were driving cars much older than would have been expected. So we simplify and say that need buying was dominant. In this kind of market, car makers were pretty sure of selling all they could produce.

But how about now, when desire buying dominates the market. What determines the level of car sales in this changed environment? Of course there is an easy way to answer this. It involves a simple listing of all the factors influencing sales, and usually goes something like this: car

demand will be influenced by trends in car population and household formation, fluctuations in income, the number of cars scrapped, style and engineering innovations, selling ability of dealers, and changes in credit terms. This kind of answer, while safe, is not too illuminating if it stops there. It is useful only when some relative importance is assigned to the factors in this listing.

When we say that automobile demand has recently changed from need buying to desire buying, we are implicitly assigning changing importance to the factors in the listing. Growth factors are less important, and factors bearing on replacement demand get added emphasis. To see what we mean, let us take a look, first, at the growth factors.

### GROWTH FACTORS

How much growth might we expect in our car population over the next few years? This is an important question to all trying to measure new-car demand. There are a number of ways to approach this problem. One way is to try to measure market saturation.

#### Saturation:

##### What is it—where do we stand?

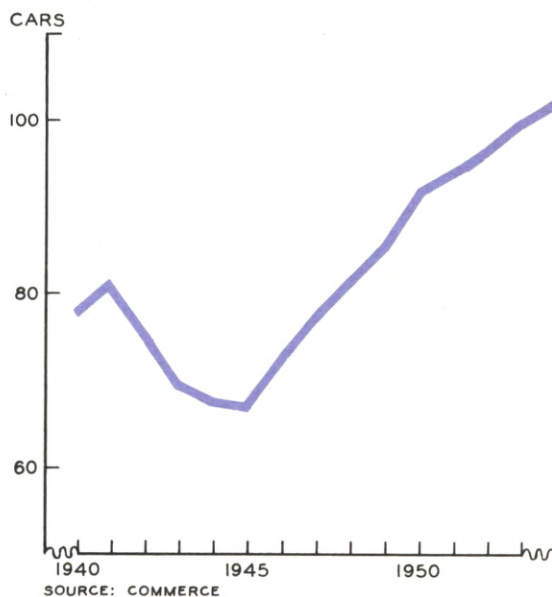
Complete or 100 per cent saturation prevails when all of the spending units who can afford to own cars and want to own cars do own cars. In the event of complete saturation in a given year the demand for automobiles depends upon growth in the number of spending units, increases in income raising new spending units into the car-owning class, and the rate of replacement.

That leaves still to be figured out the degree of market saturation now prevailing. One clue is provided by cars in use per 100 households. As the chart shows car ownership today is estimated at around 102 per 100 households, or

better than a one-to-one ratio. But we know that some of these cars are owned by business firms and two-car households. The Survey of Consumer Finances indicates that in early 1955, 71 per cent of all families owned cars.

Let us take this figure and assume that 29 per cent of our families do not own cars. It is still necessary to figure how many of those who do not own cars (1) can afford a car, and (2) want to own a car. This is just about impossible. The Survey of Consumer Finances does provide a breakdown of car ownership by income groups, but each spending unit is different as to age, number of dependents, education, expenses, dwelling place, and tastes. What this means is that a family of three earning, say, \$3,500 a year and living in a small apartment can probably afford a car. On the other hand, a family of five with the same income and a larger home probably cannot. Moving up the income

CARS PER 100 HOUSEHOLDS



scale, it is still not possible to spot “sure-fire” buyers for automobiles. A well-to-do couple with an income of \$9,500 a year might live in the center of a large city and not own or desire a car. These and other examples can be dragged forth to illustrate that you can’t make statistics tell everything—and tell everything they must to be of further help in solving the question of saturation.

One thing we do know is that 70 per cent of all families owned cars in early 1954. In early 1955, just 71 per cent owned cars. A one percentage point gain to early 1955 indicates a very slow rate of growth. It is possible that the leveling out of the growth curve indicates that we may be approaching market saturation—or where nearly everyone who wants and can afford a car owns one.

### **Household formation**

A position of near market saturation centers our attention on other growth factors. It is customary to relate market growth with new household formation. Census Bureau data indicate that the level of household formation over the next five years will not be so high as over the 1950-1954 period. Growth in car population from this source, therefore, is not expected to be so large as in the recent past.

### **Income—a most important factor**

Another very important growth factor involves potential increases in income bringing new spending units into the car-owning group, and into the two-car owning group. Time was when it seemed sufficient to say that the demand for cars is determined primarily by changes in consumer income. Since car buying gave evidence of being hypersensitive to fluctuations in spending power, it was further pointed out that the

proportion of income spent for cars contracts in poor times and expands in good times.

Tying car sales to income changes still makes a lot of sense. After all, few people have to buy cars. Nearly all can postpone buying. Consumers illustrated this in the 1930’s. In 1930, when income declined by 11 per cent, spending on cars dropped 37 per cent. Conversely, although people do not have to buy cars, nearly everybody wants one. So that when income increased, car buying bolted upward. In 1934, for example, income rose 14 per cent, and consumers spent 31 per cent more on cars. In most years before the war, a change in income was associated with a more than proportionate change, in the same direction, in spending for automobiles.

Spending for automobiles is still thought to be primarily dependent on changes in income, but there is somewhat less emphasis placed on this relationship today. At least changes in automobile sales are no longer viewed as merely a sort of conditioned response to changes in income. One reason for this is that the automobile industry has a good deal of influence over fluctuations in income. The act of producing anything generates a certain amount of income and tends to create a demand for itself. The same thing is true with automobiles—only on a giant scale. The car industry is the main support of the petroleum industry and is generally the largest single buyer of rubber, steel, flat glass, nickel, and lead. It is estimated that about one in every seven workers depends on automobiles, one way or another, for a livelihood. The production of automobiles, therefore, creates a lot of demand for the same—automobiles.

Another reason why income changes no longer seem such an all-important forerunner of spending on automobiles is the increased use of installment credit to buy cars. When people buy cars

on time, future income is converted into current buying power. This stimulates production and creates more income. The use of instalment credit sort of makes the economic routine work in reverse. Credit buying stimulates production which in turn creates more income.

In late 1954 and early 1955, probably the single most important force behind the upturn in consumer income was the increase in production in the automobile industry. For this period, at least, the car industry seemed to lead the rise in income. Of course the upsurge in income was accompanied by a more than proportionate increase in spending on cars; but the illusion of automobile sales being completely at the mercy of fluctuations in spending power has been altered. Spending on automobiles, we now see more clearly, can influence, as well as be influenced by, income changes.

### **REPLACEMENT DEMAND**

The automobile market seems to be approaching saturation and is faced with a slowing rate of growth in spending units. Changes in income may prove to be a strong growth factor. On the other hand, we have seen that car sales are not merely a response to income changes. With these things in mind, it is logical to say that a major part of new-car sales depends on replacement demand.

#### **Scrappage—Cause or effect?**

How can we measure replacement demand? Some car people have said that replacement demand can be pretty well estimated from the number of cars scrapped. This is not to say that the man who junks his car buys a new one. More likely he buys a later model used car, whose previous owner buys a new one. In either case, a car scrapped has resulted in a new car sold

for replacement. This reasoning was important in some studies made in the early 1950's.

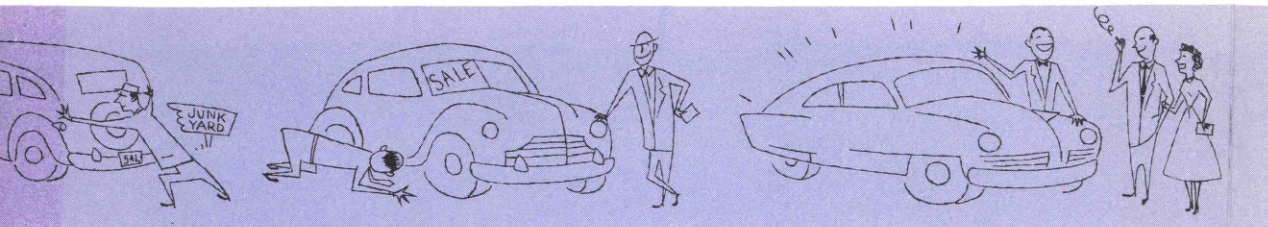
At that time some automobile experts reasoning from the premise that a car scrapped results in a new car sold, came to some rather startling conclusions—startling, at least, in the light of present sales records. They observed that cars were coming to be more durable and that the average age of cars junked was about 14 years, in 1952. Projecting this behavior into the future they said that in the period 1955-1959 we would expect to scrap cars built in the years from 1941 through 1945. Of course, over most of this war period very few automobiles were manufactured. The number of cars scrapped, therefore, was to drop in 1955 and stay at this lower level through 1959. The low volume of scrappage was then used as a basis for pessimistic forecasts of unit sales of new cars.

Well, 1955 seems sure to be a record-breaking year for automobile makers. What happened to upset the predictions of those reasoning from car scrappage? No one can be sure. But it could well be that they confused cause and effect. It may be more realistic to say that car scrappage is an effect from new-car sales rather than a cause.

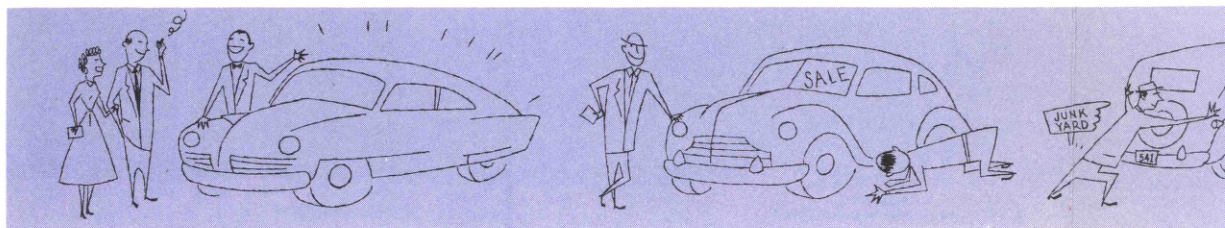
The rate of scrappage, more likely, depends on how many new cars are sold and the number of used cars this process generates. When it generates an excessive volume of used cars compared with demand, the used-car price structure weakens. This puts pressure on the low end of the used-car market. The dealer must decide whether he should try to invest labor and parts in the older car and sell it for transportation or sell the car for scrap. If he makes more by selling it for regular use—net of his repair costs—the car stays alive. If it is to his advantage to sell the car as junk, the car is junked. As more

## CAR SCRAPPAGE

Cause . . .



or effect ?



cars are scrapped the supply of used cars decreases and used-car prices tend to be strengthened. The volume of scrapping, seen in this light, depends on the number of new cars sold and the price structure in the used-car market. It is not a major determinant of new-car sales; rather, it is determined by new-car sales.

Income as an influence on the demand for cars has already been considered under growth factors. It is important to remember that income changes also can influence replacement demand and the level of scrapping. For example, assume an increase in income. It is possible that an increase in total income would be distributed in such a way as to raise no new spending units into the car-owning group. This increase in income might still increase the demand for new cars by influencing present owners to buy new cars sooner. If this happened with no increase

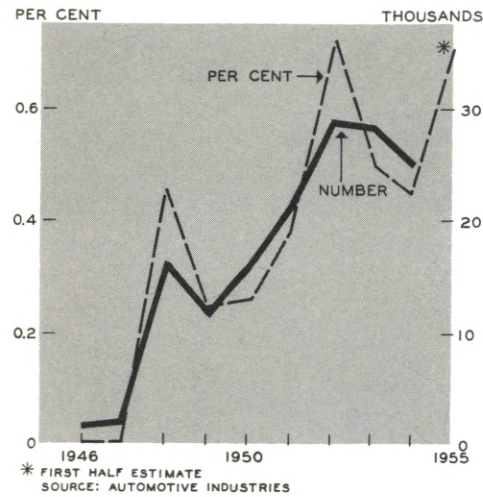
in the car population, used-car prices would weaken and scrapping would rise.

### Style and engineering innovations

The level of replacement demand, of course, ultimately depends on how fast people become dissatisfied with their present cars and are induced to buy new ones. One very important means of making people dissatisfied with their present cars is through attractive style changes. Another is by engineering advances that tend to make present cars seem obsolete. Today's public seems to buy style and performance, especially style.

In the market as it existed in the 1930's, economy of operation was a big selling point for cars. For one reason or another, however, this has not been the case in the post-war period. It is still a factor, of course, but not such a dominant one. If it were, how could you explain the emphasis

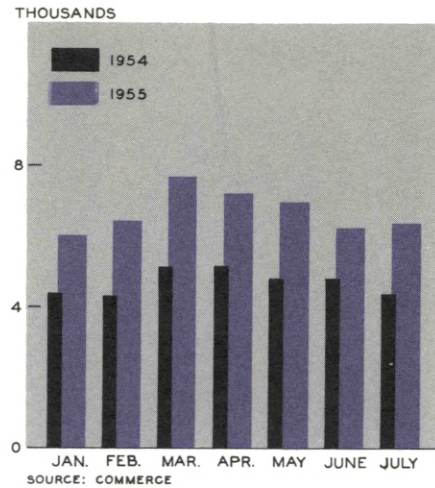
# THE AUTOMOBILE PICTURE SO FAR IN 1955



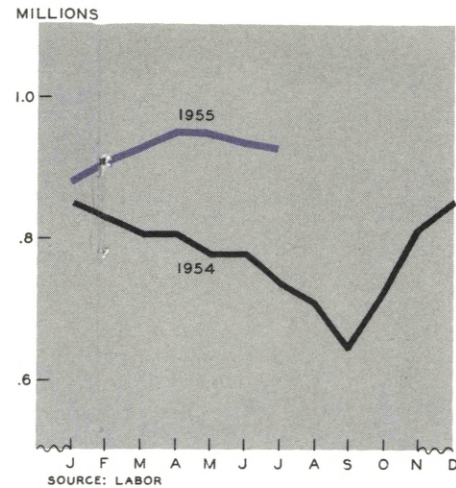
**FOREIGN CARS** are no longer a novelty on American highways. Actually, however, foreign-car sales account for a very small part of total new-car sales in the United States. As the chart shows, in no year have foreign cars been as much as 1 per cent of the sales total.

The largest selling foreign car in this country is the Volkswagen. Its ascendancy has taken place swiftly. In 1954, Volkswagen accounted for about 25 per cent of foreign sales. This year so far, foreign-car sales are well above a year ago, and sales of Volkswagens have 40 per cent of this larger volume.

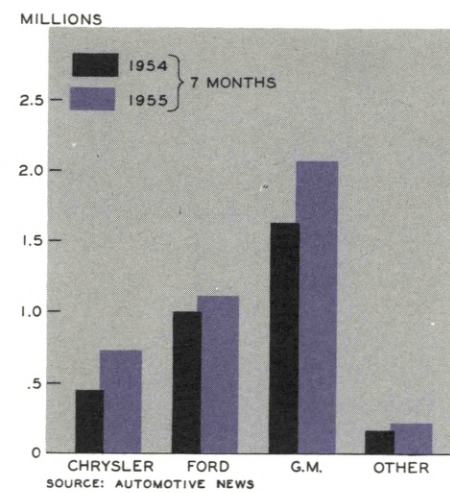
Recently, Volkswagenwerk of West Germany bought the Studebaker-Packard plant in New Brunswick, New Jersey. This will make them the first foreign maker to assemble cars on a mass-production basis in the United States.



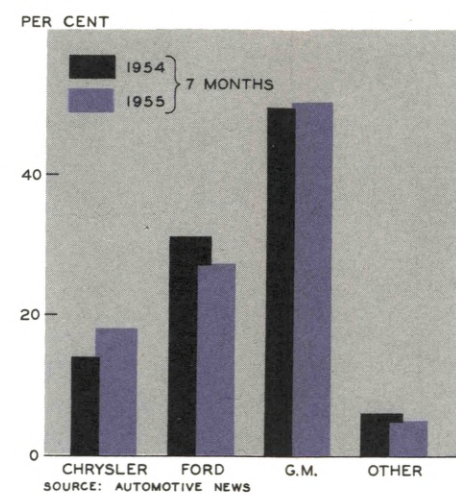
1 During 1955 production has been consistently above a year ago.



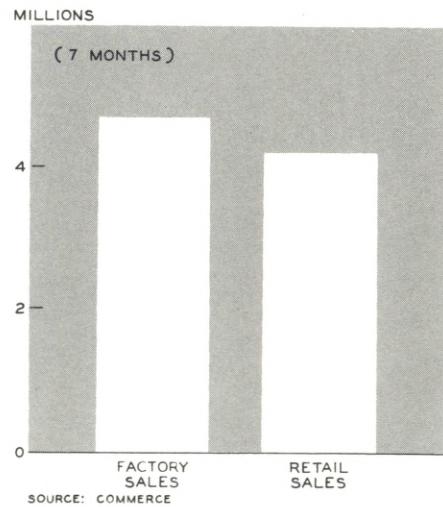
2 As a result employment in the car industry has been higher.



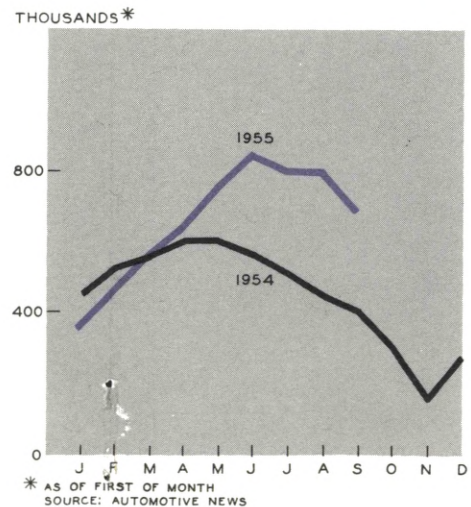
3 All the major makers have shared in the gain in car sales...



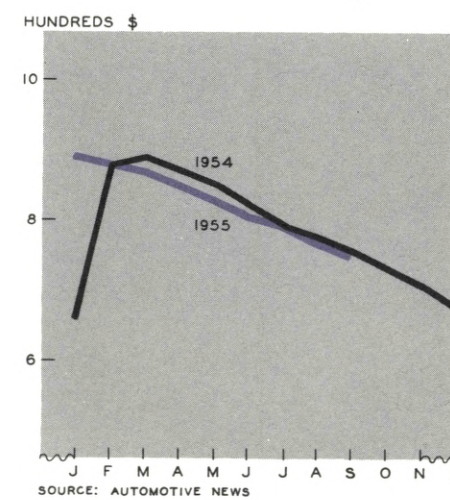
4 but not equally. So that their respective proportions of the market shifted.



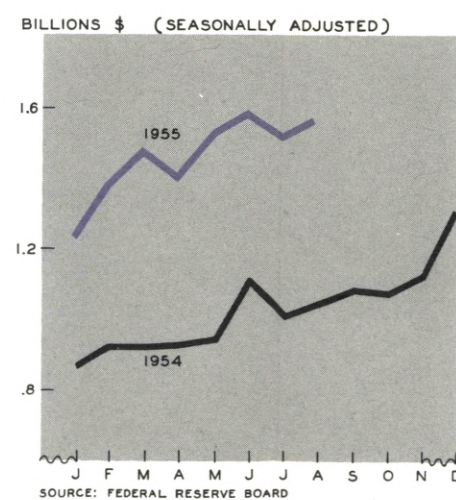
5 Retail sales, though high, have not quite kept pace with production.



6 Dealer stocks reflect this.



7 Used car prices show little change from a year ago.



8 Buying on time has been a strong force behind car sales this year.



on high horsepower engines and automatic transmissions which require more fuel?

Today's public seems to feel that within their price range all cars are about equally reliable and economical. This attitude puts the emphasis on style—the best looking cars enjoy the largest demand. This attitude was not too apparent so long as need buying dominated the market. But after mid-1953 those cars with the most style appeal seemed to sell best.

Now, judgments as to what looks best are subjective—everyone has his own opinion. So that it is difficult to prove the point we are making. Yet the fact that nearly every make of car in 1955 adopted a style feature introduced on two makes in 1954, must indicate the industry feels this feature “caught on.” This was the case with “wrap-around” windshields.

In 1954 only two cars made anything approaching substantial changes in their designs. These were Buick and Oldsmobile. On both, wrap-around windshields were introduced. In 1954, Oldsmobile sales were 33 per cent above 1953 and Buick sales were up 13 per cent. No other make of car competing in the same general price range as Oldsmobile and Buick showed an increase in sales in 1954. The fact is, sales of competing makes declined an average of 37 per cent in 1954. This style change, therefore, may deserve much of the credit for the favorable sales record of Oldsmobile and Buick.

“Wrap-around” windshields, “swept-back” windshields, or whatever you want to call them, have been adopted by just about every other make by now. This is not an indication that all car makers have to do is change their designs to increase sales. But it is an indication that changes the public considers attractive can have a tremendous influence on sales volume.

In the years between style changes—auto

makers do not change basic body designs every year—engineering innovations get heavy play. Higher horsepower, automatic shifting, power features, and more recently, safety devices, cause some people to buy new cars before mechanical failures make their present cars inadequate. Ordinarily, engineering innovations do not seem to bring forth so much new demand as style changes.

### **Dealers' ability to sell is of vital importance**

Buying the family car is, perhaps, the most exciting and/or terrifying purchase most people make. And it is the dealer franchise system that makes it so. Style changes and engineering innovations may stimulate some desire for automobiles, but to really get cars sold ultimately you have to depend on the men at the point of sale—the dealers.

Car dealers exercise a good bit of imagination in making car deals. They'll tell you they have to, to keep a franchise. They are probably right. The franchise is the very heart and core of the value of any new-car dealers' business. Here is how it works. Manufacturers grant an exclusive right to a dealer to sell a particular make car. The right or franchise which a car dealer holds is at the pleasure of the manufacturer. But the prices at which the dealer sells cars are not fixed by the factory. Legally, what the dealer sells the car for is uncontrolled. The manufacturer does suggest, however, a list price to the dealer. Generally speaking, manufacturers suggest a list price that gives dealers a 24 per cent mark-up on an automobile. This 24 per cent mark-up is considered necessary to take care of salesmen's salaries, servicing costs, and profit.

In times of shrinking demand, car dealers feel the pinch before manufacturers. Dealers are

right there where it's happening. One dealer told us of how he first spotted the change in the market in mid-1953. He said: "Buyers were still coming to my showroom all right, and they still listened to my sales pitch. Most of them even seemed to nod and agree with everything I had to say. But then when I figured I was about to close the deal, they'd tell me, 'I'll let you know.' That meant they were out comparing. The easy days were over."

Manufacturers are sometimes slow—many dealers would say reluctant—to notice shrinking demand for their product. So they continue shipping cars to dealers in heavy volume for at least a short time after the first signs of a deteriorating market. This puts the car dealer under considerable pressure. If he refuses to accept the shipments he risks losing his franchise. Accepting the shipments usually puts him in debt to the bank or finance company that handles his "floor planning."

Caught between heavy shipments from manufacturers and repayments to the bank or loan company, a good many dealers try new lures to bring in buyers. Outright, advertised price cuts are generally not resorted to, but nearly everything else is. Phenomenal trade-in allowances, trips to Cuba, or a free mink stole with every purchase are the sort of circus play used to jack up business. It is this sort of free-wheeling bargaining that makes car buying such an exciting and/or terrifying experience. There can be little doubt that the circus play stimulates some sales. It is just as certain, however, that it causes some distrust of dealers in the mind of the public.

Over-allowances on trade-ins and bonus offers such as free trips with the purchase of cars are just concealed price cuts on new cars. These price cuts, however, are established by dealers, sometimes without any compensating reduction

in their cost; so that dealers have to operate on reduced gross profits per car.

As a result, in 1954 many dealerships died; others changed hands, and some changed allegiance. The dealers who are left were able to cope with the abrupt change from need buying to desire buying. It seems certain that the longer they live in this new market the more skilled they will become in dealing with it. The generally high incomes that have gone to dealers and their salesmen in the post-war period have attracted good men into this field. They bear a heavier responsibility and face a more challenging task in the changed market.

### **Credit terms influence demand**

Automobile instalment credit has been getting more than its normal share of attention recently. Sensational newspaper advertisements promising low down payments and long maturities catch the eye of the general public. Statistics scanners can hardly help but pause as they contemplate the 30 per cent increase in automobile instalment credit outstanding so far this year. And those closest to the situation—the debtors—realize repayments are taking quite a bite out of their take-home pay.

It is probably natural and inevitable that as the automobile market changes from need buying to desire buying, credit would increase in importance. Easy credit terms are among the principal lures used by some car dealers to increase demand. But the trend toward easy credit is not a recent development.

The history of automobile financing shows progressively easier terms prevailing, except for periods of credit control. Before World War II, terms were generally one-third down and 12 to 18 months maturity. After Regulation W was lifted in 1947, standard practice called for 25

per cent to 33-1/3 per cent down payment and 18 to 24 months to pay. With the reestablishment of Regulation W in 1950, one-third down was required and maximum maturity was 21 months. Later in 1950 the maturity was shortened to 15 months. The regulation was lifted in 1952. Today there seems to be no down-payment schedule, but most lenders like to get 25 per cent. (Sometimes when this appears to be obtained it represents an overvaluing of a trade-in.) Longer terms are even more common than smaller down payments. Certainly, 36-month maturities are not unusual and 42-month paper is not unheard of.

There are a number of reasons for the progressively easier terms offered automobile credit buyers. Perhaps the most important reason has to do with the vigorous competition among lenders. Car financing is generally a safe and profitable business, so commercial banks, sales finance companies, and other lenders fight for it. The dealers like it because they say it makes it easier for them to sell cars, especially when manufacturers are shipping more cars than they want. In addition, it is profitable for dealers because they get a commission for arranging financing. Consumers see easier terms as a means to raise living standards. Many have been buying "on the cuff" for years, and long periods of repayment do not frighten them.

At present, efforts are being turned toward halting the drift toward even smaller down payments and longer maturities. Financing and insurance costs pyramid rapidly when maturities are lengthened. This means that owners' equity builds slowly and jeopardizes the loans. In addition, it means that very long-term contracts drain future consumer spending power for an extended period.

If the effort to tighten automobile credit terms

is successful, it may well have long-run benefits. On the other hand, the immediate prospect would be for car demand to be affected adversely.

### **HOW DOES IT ADD UP FOR 1956?**

The relative importance of the factors influencing the demand for automobiles has changed. Growth factors are not so important as before mid-1953. Factors bearing on replacement demand have increasing influence. Shifts in income, style and engineering changes, dealers' selling ability, and automobile credit terms will be the strategic factors to evaluate in trying to measure demand in 1956.

Possible tax relief in 1956 makes an increase in income seem likely. The increase, however, will probably not be so large as to bring many new spending units into the car-owning group. It will not provide a strong stimulus to car population growth. On the other hand, somewhat higher income will permit an upgrading within the car population. Present owners will have the wherewithal to buy new cars sooner than anticipated. How rapidly this turnover takes place depends largely on how much "desire" is generated by style and engineering innovations, by dealers "deals," and by credit lures.

Style changes will certainly not be so extensive next year as they have been in 1955. Nearly every make of car underwent fairly wide restyling this past year. There can be little doubt that this was a major reason for the good sales records. In 1956 only a few makes will be extensively restyled. Engineering innovations, on the other hand, may be more numerous on 1956 models and are almost sure to be advertised more. Generally, however, style changes act as a stronger stimulus to new-car demand than engineering innovations. With only minor style changes on most 1956 models, replacement de-

mand from this source will probably not be so strong as this year.

Dealers' selling ability is a difficult thing to measure, but it is important. Over most of the post-war period, dealers had things pretty much their own way. Americans emerged from World War II with an acute physical need for cars. In 1941 we had eight cars for each ten households. By 1946 we had only seven cars for each ten households. The physical need for cars greatly helped automobile dealers gain a larger share of the consumers' dollars. Making further gains in the proportion of consumer spending for cars will come harder.

Despite the fact that the acute physical need for cars has passed, certain forces are still operating to favor automobile salesmen. The continuing trek to the suburbs certainly eases their job. On the other hand, some forces are working to make the salesman's job harder. All sorts of new products are impressing themselves on consumers. Backyard swimming pools are already advertised as costing no more than a new automobile. The heat pump, a machine which cools a house in the summer and warms it in the winter, is being perfected. It will probably sell at about

the price of a good used car. White goods salesmen say dishwashers and clothes dryers can be bought by most families if they just keep the family car a year or two after they have it paid off instead of trading it in on a new car. And room air conditioners are well worth the price of holding on to the old car an additional year or two, according to appliance sellers.

But car dealers are not pessimistic. They know they have a product consumers love. They know, too, that they have high-quality salesmen on their team. They are betting they do a better selling job in 1956.

Credit terms also will be of strategic importance next year. At present it would seem unlikely that terms will be any easier in 1956. Some tightening seems a more likely possibility. If there is some tightening it will probably slow the demand for automobiles.

With fewer major style changes and credit terms likely to tighten a little, even a better selling job by dealers, and slightly higher income, may not be enough to make 1956 as good a year for automobile sales as 1955. This does not mean that automobile sales will slump off badly next year. More likely, 1956 will be a good car year. But car sales will come harder.

## CURRENT TRENDS

Business activity in the Third Federal Reserve District paused for only a short "breather" this past summer. The summertime let-down came, as nearly everyone had expected, but most observers are surprised and pleased that it was so moderate and so short. In the areas of production, distribution, transportation, and consump-

tion the pace has been quickening with consequent brightening in the over-all outlook for the balance of this year.

Manufacturers are stepping up their schedules and hiring more people. Output of basic steel and bituminous coal has increased in support of this higher rate of activity. Builders and con-

tractors are still so busily engaged in putting up new houses that it is almost impossible to hire their services for small though imperative repairs to existing structures. Plant expansion programs seem to be growing. (More news about this in next month's *Business Review*, when we shall report the results of our current survey of manufacturers' plans for next year.) Raw materials and the products of industry are moving over the railroads, highways, and waterways in greater volume. Consumers are in the money and as a consequence are spending more freely in department stores, automobile showrooms, and other retail outlets.

Our latest reports on employment from Pennsylvania manufacturers look good. The paucity of minus signs greatly overshadowed by the plurality of pluses in the various industry categories, indicates that improvement—though not spectacular—predominates over a broad front. Advances from 1954 low-water marks have been greater among producers of durables than among producers of nondurables, as might have been expected. Employment needs of manufacturers in Philadelphia and in most of the smaller industrial centers of the district indicate further increases to mid-November. A healthier employment picture is also borne out by continued declines in compensation claims in the Philadelphia metropolitan area.

Increasing employment is accompanied by increases in total working time, which have been more pronounced in plants making durables than in those producing nondurables. Pennsylvania still has areas of heavy labor surplus, but according to latest reports many of the pools of unemployment are gradually diminishing. Noteworthy improvement in employment is taking place in Altoona where many railroad workers have been recalled, and in Johnstown—a coal

and steel center. Throughout the Third District, steel mills were a bit slow to recover from the setback last year but in recent months steel mills in the district did better than the industry generally. Repair and maintenance problems that plagued some producers during the summer seem to have had less impact on steel mills in eastern Pennsylvania.

Output of bituminous coal in Pennsylvania has risen sharply since the early months of this year and beginning with February, output has been running well above 1954 levels. Temporary cutbacks during the summer were caused by car shortages, not lack of demand. Production of anthracite is still on the decline and our chief areas of economic distress are in the hard-coal counties.

Builders are busily building. Contract awards so far this year are running nearly 10 per cent ahead of last year, and last year was good too. Recent high levels of contract awards suggest a substantial carryover of construction operations into the early months of 1956. Residential activity has been leading the way and since mid-summer, non-residential construction has also risen.

Businessmen are continuing to make large outlays for plant expansion and new equipment. Heavy industry and electric-power utilities are among the largest spenders.

Farmers had a so-so season. In many areas, rain came almost too late and then too much. Adversely affected were the growers of tomatoes, tobacco, and numerous other crops. Livestock farmers fared somewhat better, particularly dairy farmers and, until quite recently, poultrymen. Based on preliminary estimates of 1955 harvests, cash farm income in Pennsylvania, New Jersey, and Delaware may equal that of last year. Country-wide, cash farm income is running lower than last year.

Expanding business activity is reflected in greater physical volume of goods flowing through trade channels. Freight-car loadings are rising more than seasonally. In the Allegheny region, October to December loadings are expected to be 16 per cent above their year-ago level. Commodities showing the greatest rise are iron and steel, motor vehicle parts, bituminous coal, and building materials.

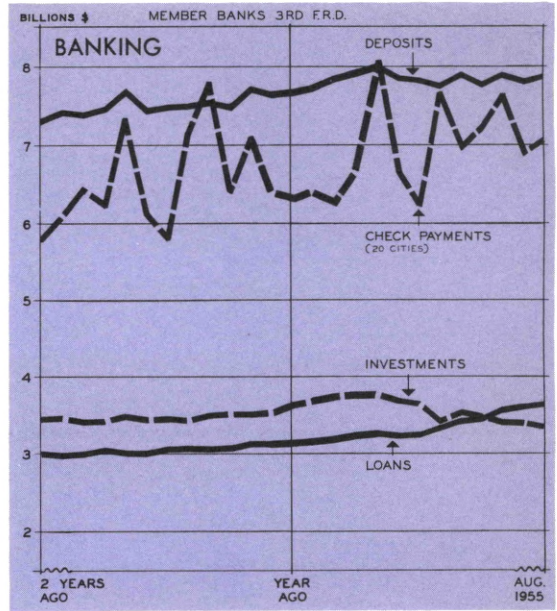
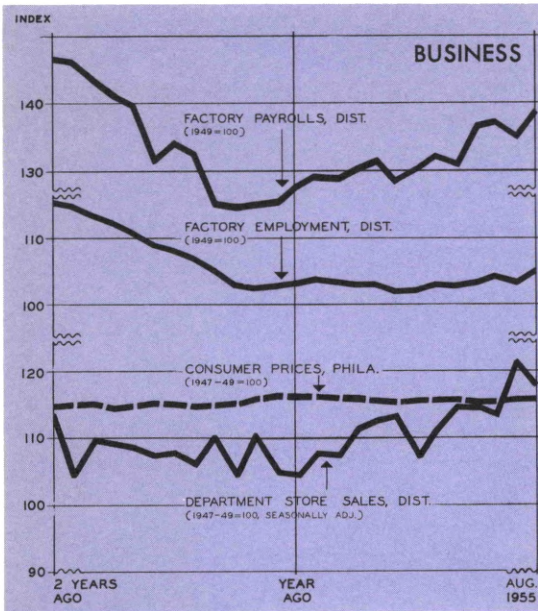
Along with rising levels of employment and production, people have more money to spend and they are spending it. Sales at department

stores in the district have climbed sharply since last winter. New monthly records were established in July and August, and sales have continued high in recent weeks. When shoppers step up their purchases of "big ticket" items like appliances and home furnishings it is a sure sign they are prospering. Another evidence is the continuing purchases of automobiles. Usually the peak selling of automobiles comes in spring and early summer, but this year demand is unabated, as reflected in sustained heavy registrations of new cars in the Third District.



**THIRD FEDERAL RESERVE DISTRICT**

# FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	August 1955 from		8 mos. 1955 from year ago	August 1955 from		8 mos. 1955 from year ago
	mo. ago	year ago		mo. ago	year ago	
<b>OUTPUT</b>						
Manufacturing production	+3	+4	+1	+7	+13	+10
Construction contracts*	-1	+9	+14	-4	+18	+27
Coal mining	+8	+14	+12	+8	+22	+19
<b>EMPLOYMENT AND INCOME</b>						
Factory employment (Total)	+2	+2	-2	+2	+6	+2
Factory wage income	+3	+8	+4			
<b>TRADE**</b>						
Department store sales	-3	+12	+7	-4	+7	+7
Department store stocks	-2	+7		+2	+6	
<b>BANKING</b> (All member banks)						
Deposits	+1	+3	+3	0	+4	+5
Loans	+1	+16	+11	+1	+17	+11
Investments	-2	-8	0	-2	-6	+4
U.S. Govt. securities	-2	-8	-2	-2	-9	+2
Other	-2	-8	+5	+1	+7	+10
Check payments	+2	+12	+6	+3	+10	+7
<b>PRICES</b>						
Wholesale	0	0	0	0	0	0
Consumer	0	0	0	0	0	-1

\*Based on 3-month moving averages.  
\*\*Adjusted for seasonal variation.

120 Cities  
1 Philadelphia

LOCAL CHANGES	Factory*		Department Store		Check Payments					
	Employment	Payrolls	Sales	Stocks						
	Per cent change August 1955 from		Per cent change August 1955 from		Per cent change August 1955 from					
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago				
Allentown	+1	+6	0	+17		+3	+20			
Harrisburg	+3	+6	+4	+20		+8	+10			
Lancaster	+2	+9	+3	+14	-13	+3	+5	+8	+9	+21
Philadelphia	+1	-1	+2	+4	+15	+18	+3	+6	+3	+13
Reading	+6	+7	+9	+19	-9	+14	+5	+1	+14	+22
Scranton	+2	+1	+5	+4	-3	-12	+8	+4	-1	+4
Trenton	+3	+7	+1	+14	-10	+5	-5	+19	-12	-18
Wilkes-Barre	+1	+3	+6	+8	+2	+8	+5	+18	+13	+9
Wilmington	+3	+12	-3	+16	+6	+15	+2	+11	-9	+9
York	+1	+1	+4	+5	+15	+26	+16	+20	-4	0

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