Monthly Business Review

Finance, Industry, Agriculture, and Trade

Fourth Federal Reserve District
Federal Reserve Bank of Cleveland

Vol. 28 Cleveland, Ohio, July 1, 1946 No. 7

Postwar Department Store Trade in the Fourth District

High Level of Sales With the rounding out of the first twelve months of peacetime economic activity, considerable significance attaches to the fact that department store sales were maintained at record-high levels during most of the reconversion period. Neither the ending of the war in Europe, nor that with Japan, appears to have had more than a fleeting effect upon dollar sales volume. Only for a short time last May, and again in August and September did department store trade in the Fourth District seem to have been affected by changes in the industrial outlook. Work stoppages of considerable duration in major industries in the recent past likewise failed to make a visible impression upon the general trend in sales. If anything, the margin over a year or two earlier, has been wider during the past three or four months than at any other time in recent years.

In some measure this rising trend may be attributed to the fact that merchandise prices are higher by varying amounts than in previous years. Thus even if the physical volume of transactions had remained constant, the dollar volume would have shown some increase over preceding years. Whether price increases have been a major or a minor factor in the present record-high dollar volume is a moot point, but opinion in the trade seems to give considerable weight to the price trend.

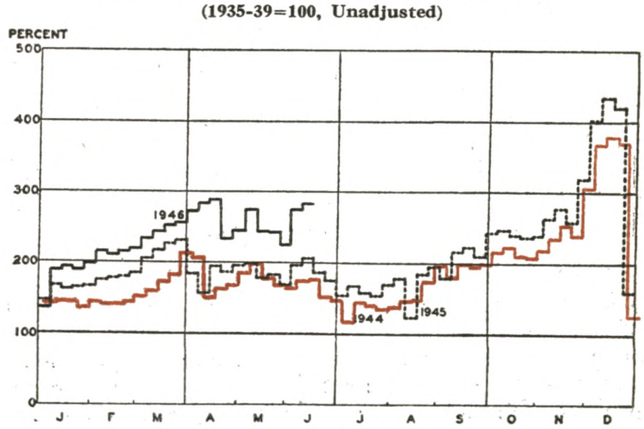
Another element in the picture is the relatively high level of personal or individual incomes. Although incomes received by individuals in the aggregate are somewhat smaller than at the wartime peak last summer, the percentage withheld for income tax payments has also been reduced, and the amount diverted to the purchase of Series E bonds or other forms of savings is smaller. Moreover, savings accumulated during the war years have been activated in some degree with stimulative effect upon department store trade.

A third factor of no small consequence in the current situation is the gradual reappearance of items which had been either extremely scarce or virtually unobtainable for an extended period, and for which a substantial unfulfilled demand exists.

Any one of these three forces—rising prices, the high level of consumer buying power, and the gradual increase in supply of a number of items—would probably have been sufficient unto itself to maintain dollar volume at a comparatively high level. The combined effect has been to push sales to unprecedented heights. Easter trade this spring reached totals in excess of Christmas business of only a few years ago.

The 1946-to-date margin over 1945, and the latter over 1944, are shown on an adjoining chart. The figures plotted are weekly sales (U. S.) unadjusted for seasonal influences. The week-by-week trend for the Fourth District has been similar to that of the country as a whole in every major respect, although during the past three months the margin over 1945 has been slightly wider in the Fourth District than in the rest of the country.

Department Store Sales by Weeks—U. S.
(1935-39=100, Unadjusted)



Dissimilarities Among Fourth District Cities Experience within the District has not been uniform. The manner in which department store sales have risen over 1945 in individual cities of the District is illustrated in the following table:

May 1946 Department Store Sales by Major Cities

1945 = 100
(Unadjusted for Seasonal Variation)

Canton	125.4
Pittsburgh	123.9
Cincinnati	121.8
DISTRICT	121.4
Cleveland	120.9
Wheeling	120.6
Columbus	118.7
Youngstown	118.4
Akron	116.3
Toledo	113.1
Erie	109.8
Springfield	108.1

Thus the margins in May, over the 1945 average, ranged from a nominal 8 percent to a high of better than 25 percent, which was reported by Canton stores.

In the District as a whole, sales this May were 21.4 percent above the 1945 average, but only three cities reported a greater net gain, while in eight others the expansion in trade was below the general trend for this area.

Of the three which rank topmost in the foregoing tabulation, only two cities (Cincinnati and Pittsburgh) have shown a persistent trend in this respect since the first of the year. Throughout the first five months of 1946, those two trading centers repeatedly reported the most substantial improvement over the preceding year's record, and at this date June appears to have been no exception. Almost as much might be said of both Cleveland and Wheeling where sales volume has been maintained at relatively high levels throughout most of the first half of 1946. In the four cities enumerated, department store sales reveal no pronounced evidence of having been adversely affected by work stoppages, transportation disruptions, impairment of consumer income, or by the various and sundry impediments of a local nature such as suspension of newspaper publication in one large city, fuel holidays and other handicaps.

Less immune to these or other influences of similar import were the three cities of Canton, Columbus, and Youngstown. In the latter two the margin over 1945 has consistently been of only moderate dimensions and Canton was one of three Ohio cities wherein March volume ran behind a year earlier. Yet in that city sales showed a marked improvement during May, suggesting that the forces which tended to restrain trade during the early months of the year have been dispelled, at least for the time being.

In the remaining four cities, Akron, Toledo, Springfield, and Erie, the improvement over 1945 has been of only nominal proportions. The physical volume of merchandise which moved through department stores and into consumers' hands in those areas probably fell short of the 1945 rate for weeks at a time. Presumably the "reconversion" process necessitated more drastic adjustments in those cities than elsewhere. The less favorable showing may have been due to a greater reduction in payrolls, less adequate supplies of merchandise, more consumer resistance to higher prices, or some combination of these possibilities.

Variations Among Departments This diversity of experience throughout the District was even more pronounced in sales volume among the various categories of merchandise offered for sale. The volume of major household appliances has begun to become appreciable once more. A well-known landmark was reached when sales reached the 1941 volume during May, although in physical units the sale of such appliances was somewhat below the record year 1941.

Men's clothing and furnishings are also moving out very rapidly in comparison to a year ago. Perhaps this strong demand is a more effective factor than short supplies in keeping inventories at almost invisible levels in some items.

At the other extreme are such lines as women's underwear, silks, velvets, woolen dress goods, cotton wash goods, aprons, and house dresses. Sales in those lines are barely changed from a year earlier. Books, stationery, art needlework and artgoods are also moving relatively slowly. In some instances it may be due wholly to inadequate stocks, but in others it may be the result of consumer satiety, and preferences for other articles.

Inventories of merchandise likewise show wide dissimilarities from department to department. In terms of the entire store, stocks in the Fourth District total about the same as a year ago; but here again, certain lines such as draperies, curtains, upholstery, housewares, and luggage are stocked in dollar quantities of 50-60 percent greater than last year. Conversely, inventories of men's clothing, furnishings, shoes, women's and misses' coats and suits, and a number of other departments, are decidedly less ample than a year or so ago.

In the course of time, as full production is attained and after demand has been partially gratified, inventories among departments will come closer into conventional balance. Sales will likewise fall back into more familiar patterns than have prevailed through the first full year of protracted reconversion. But the ultimate return to more nearly normal conditions will not eliminate all discrepancies in sales performance among the eleven or more reporting cities nor among stores within each city. In some instances the changes wrought by war activities will prove to have been of a permanent nature while in other cases a transition back toward prewar relationships appears to be under way.

Building Trends in the Fourth District 1939-1946

A study of contracts awarded for new residential construction in the Fourth District* reveals that two major revolutions have been taking place in recent years. Single-family dwellings being built for sale-or-rent, with nearly all of them being offered for sale, now account for nearly 75 percent of all new dwelling units instead of less than 33 percent before the war. The gain has been at the expense of apartment units and single-family dwellings built for owner account. The second startling change is that the two-family dwellings being built now cost more per-square-foot than one-family dwellings being built for owner occupancy.

The accompanying bar chart shows the percentage distribution of contracts awarded in terms of dwelling units for the entire District as among apartments and two-family dwellings, one-family dwellings built for owners, and one-family dwellings built for sale or rent. To simplify the presentation, apartment and two-family dwelling units have been combined into one category. The width of the bars indicates the total number of units for each year.

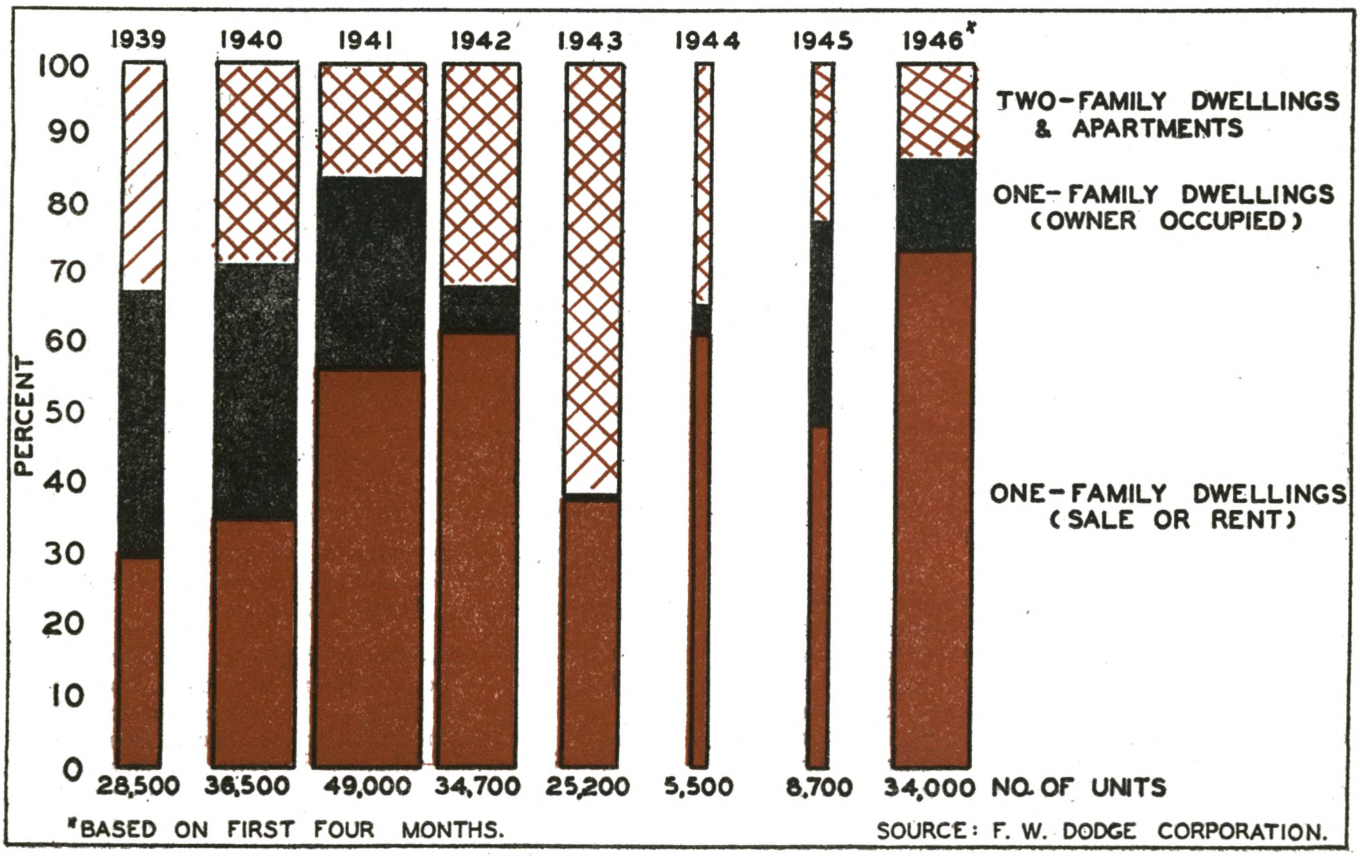
*Since data are not available by counties, all of Kentucky and West Virginia are included in the District computations.
The F. W. Dodge Corporation is the source of all statistical material upon which this discussion is based.

In 1939, there was a fairly even distribution among the major classifications: apartments, 29 percent; one-family (owner) 38 percent; and one-family (sale or rent) 29 percent. Two-family dwellings accounted for only 3 percent of the number of dwellings. The latter classification has remained fairly constant during the peace time years of this period, ranging from three to four percent, and is back to four percent for the first four months of 1946. During 1942, however, two-family dwellings provided eleven percent of the dwelling units, probably as a result of housing projects near defense plants.

Small Percentage of Apartment Houses

A radical change has taken place in the proportion of dwelling units provided by apartment houses. From 29 percent in 1939, the number fell to 13 percent in 1941. The need to conserve materials per unit, resulted in a fourfold expansion in 1943, when more than half of all new dwelling units were apartments. Since then, the proportion has rapidly declined until today only 10 percent of new units are represented by apartments.

Residential Building Contracts Awarded
By Type of Dwelling Unit
Fourth District



This is about one-third of the 1939 level. Uncertain costs coupled with the fear that inadequate rent ceilings will be forced upon builders are probably the chief causes of this situation. This is particularly unfortunate in view of the desperate need for additional rental property and the need for economy in the use of critical building materials.

The typical returning war veteran is less than 30 years old and in most cases has not yet definitely committed himself to a given job or community. Under these circumstances his preference lies in the direction of low cost rental units instead of long term purchase contracts. Apartment units can also be built at a lower cost per-square-foot of floor area than any other form of dwelling at present day building costs. The value per-square-foot of apartment units is now $5.37 as compared to $6.09 for one-family dwellings built for sale or rent. The savings are thus substantial.

The trend toward single-family dwellings at the expense of apartment projects also promises to speed the decentralization of metropolitan areas and contribute to a decline in property values in built-up areas of cities. Multiple unit dwellings are customarily built relatively close to shopping, business, and commercial centers and so tend to maintain these property values. Single-family dwellings, on the other hand, are erected on the fringes of the metropolitan area and frequently outside the corporate limits. To a community, this spells increased costs in terms of streets, utilities, fire and police protection, public transportation, schools, etc. It also means decay and neglect of older residential areas near the center of cities as the population moves out toward the perimeter of the new housing. Mortgage values in the older areas also tend to become impaired with these shifts and place new burdens upon lenders. Tax delinquincies likewise increase to the detriment of city treasuries.

Like the construction of apartments, contracts awarded for one-family owner-dwellings have also experienced a spectacular decline since 1939 when this classification accounted for 38 percent of all new dwelling units. By 1943, this category represented only one percent. Extreme uncertainty as to future personal status and tight building controls were the chief causes of this trend. 1944 was little better, and 1945 saw this category rise to 29 percent or about two-thirds of the 1939 level. However, in the first four months of 1946, only 13 percent of new contracts awarded were for one-family owner units. This is a rather surprising fact in view of the high level of individual incomes, and the abundance of war accumulated savings.

The principal explanation is that many would-be single-family home builders have been discouraged by the sharp increases that have taken place in building costs since the war. Also, most contractors refuse to quote a fixed price on a project because of uncertain material flow, costs, and labor supply, and prefer to work on a cost-plus basis or else require a very wide margin to cover contingencies. The inferior quality of many building materials, particularly lumber, has also been discouraging. These factors have acted to deter individuals from building their own homes.

Trend Toward Single-Family Houses for Sale

The only category to advance substantially since 1939 has been one-family for-sale-or-rent dwellings. From less than one-third in 1939, this class now accounts for nearly three-fourths of all new housing units being built in the District. All evidence from the field indicates that most of these units are being offered for sale and are rented only as a last resort. The trend toward this type of housing has not been uniform throughout the District. In Cleveland the proportion has risen from 28 to 72 percent and in Pittsburgh from 24 to 83 percent, but in Cincinnati only from 36 to 42 percent.

The general housing shortage acts as a lever to force individuals who would rather rent to buy property as a guaranty of continuous possession. The present trend to buy houses, instead of renting them, is thus a symptom of the shortage and not an indication that the homeowning instinct is on the rise. Ample evidence is available of long established tenants being given their choice of purchase or face eviction when the property is sold to a third party. Even tenants in apartment houses are being given the "opportunity" of buying their apartments and becoming co-owners of a cooperative building. Monthly charges for maintenance and operating expenses are levied which correspond closely to previous rental payments.

To put the matter in another way, apartments and two-family dwellings, which are ordinarily rented, accounted for 33 percent of new residential construction in 1939. About thirty percent of the new one-family units were for sale or rent and probably at least half of them were rented. Altogether, approximately 50 percent of new housing was for rent, whereas during the first four months of this year, apartments and two-family dwellings provided only 14 percent of new residential units. It has already been suggested that a very small percentage of single family units are being offered for rent. It is therefore apparent, that the returning war veteran who would like to rent a new home has very little chance of doing so in the visible future.

If the present rate of construction contract awards continues, approximately 34,000 new dwelling units will have been commenced in the Fourth District in 1946. This compares to 28,500 in 1939, 49,000 in 1941, and about 5,500 in 1944. Building material shortages, however, are preventing many projects from being carried forward to completion.

The total dollar value of residential contracts in 1946 promises to exceed 1941 which was the largest year in the Fourth District since 1928.

Square Foot Values

Analysis of building costs computed upon a square foot basis from 1939 to 1946 and classified according to type of structure reveals some interesting differences. Changes in value per-square-foot are shown by the accompanying table for apartments, two-family dwellings, and one-family dwellings owner occupied and for sale or rent.

Value Per Square Foot

	Apartment Buildings	One-Family, Owner Occupy	One-Family, Sale or Rent	Two-Family
1939	$4.29	$4.31	$4.41	$3.78
1940	4.63	4.37	4.35	3.79
1941	4.59	4.36	4.40	4.02
1942				
1943	..... Data Distorted by War Conditions			
1944				
1945	5.18	5.07	5.08	5.11
1946	5.37	5.37	6.09	5.56
	Percent Increase 1939-1946:			
	25.2%	24.6%	38.1%	47.1%

Source: F. W. Dodge Corporation.

Square foot value of one-family dwellings for owner occupancy has increased 24.6 percent above 1939. This represents the smallest increase in value of any class of residential construction and is about the same as apartment buildings. The increase from 1945 to 1946, however, has been about six percent. Costs are now at the highest level for the eight year period, or $5.37 per square foot as compared to $4.31 in 1939. In view of the fact that many houses in this category are being built on a cost-plus basis, the figure quoted for 1946 may be only an original guess and may be substantially increased before the structures are ready for occupancy.

A 25.2 percent gain over 1939 has occurred in the per-square-foot value of apartment houses to reach $5.37, the highest for the eight year period. About a four percent increase from 1945 has taken place during the first four months of this year. Value per-square-foot in 1946 of apartment buildings is now identical to that of one-family dwellings, owner occupied, 72 cents less than one-family dwellings built for sale or rent and 19 cents less than two-family dwellings. The spread between per-square-foot values of apartment buildings and one-family dwellings, owner occupied, has remained practically constant during the eight year interval, but has widened substantially as between one-family dwellings for sale or rent.

The relatively small rise in apartment values is probably due to the determination of these builders to keep costs as low as possible and the avoidance of ornate and extravagant structures that marked a previous construction period. Close scrutiny of costs by the O.P.A. in setting rent ceilings may also be a factor. The danger of inflated capital values is also recognized for the future when construction costs begin to return to more nearly normal levels.

In sharp contrast to one-family dwellings, owner occupied, those built for sale or rent have advanced 38 percent in cost above 1939. The increase since 1945 has been 20 percent, or more than three times the rate of increase for dwellings built for the account of owners themselves. In 1939, the value per-square-foot of single-dwelling for sale or rent was only 10 cents more than for owner occupied units. The spread has now increased to 72 cents per square foot. The speculative nature of this type of building thus becomes apparent.

The significance of the rise during the first four months of 1946 is recognized when it is related to the fact that 75 percent of contracts awarded for new dwelling units falls within this category. Per square foot value in 1946 has risen to $6.07 or the highest for any type of residential unit. This is also the principal type of unit which is offered to the veteran to solve his housing problem.

The Veterans Emergency Housing Program has as its goal the construction of moderate and low cost housing. To meet this requirement, Federal Housing Administration has established a "dividing line" price for each area. This is a figure below which one-half of new home construction is to be channeled. It is based upon the highest price in the lowest one-third of applications received and approved. It is not applied to any one project but is the goal for an entire area. The foregoing per-square-foot data indicates that the program has not yet had any appreciable effect. The trend in square foot costs continues upward.

Two-family dwellings have experienced a 47 percent increase in value per-square-foot since 1939, or the greatest increase for any type of building. The increase since 1945 has been about 9 percent. Since this type of structure now provides only about four percent of new dwelling units being built, the increase is not so important. More significant, perhaps, is the fact that the value per-square-foot of two-family dwellings is now about 20 cents more than for owner occupied one-family houses as compared to about 50 cents less in 1939. Since it should be more economical to construct two-family dwellings than single units, this trend is difficult to understand, but the per-square-foot cost has been greater every year since 1942 and the margin is steadily increasing. However, the cost for two-family dwellings is now about 50 cents per-square-foot less than for single-family dwellings built for sale or rent as compared to 63 cents less in 1939.

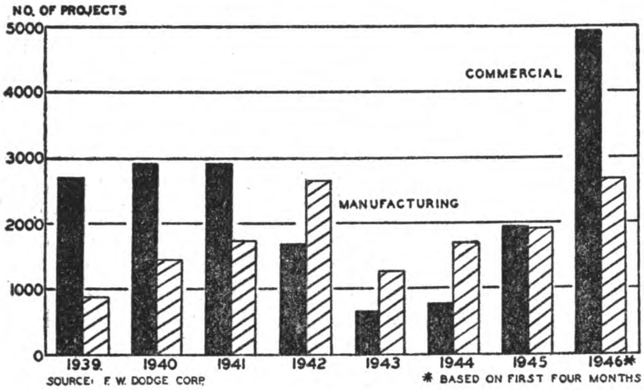
The increase in value per-square-foot of two-family dwellings over 1939 has not been uniform throughout the District. The rise in the Cleveland territory has been only 24 percent whereas in Cincinnati and Pittsburgh it has soared 55 and 58 percent respectively.

In contrast to the sharp increases in residential values per square foot, commercial and manufacturing buildings have advanced only about 20 percent since 1939. The difference is probably due to more careful planning and contracting and the need to hold down important competitive cost factors.

Commercial and Manufacturing Projects

The accompanying chart shows the trend of construction of commercial and manufacturing types of building by number of projects in recent years. 1946 is estimated on the basis of data for the first four months of the year. This procedure yields a greater number of projects in each of these categories than in any year since Dodge data became available in 1920.

Commercial and Manufacturing Construction
Number of Contracts Awarded
Fourth District



It is probable that this procedure widely overestimates potential construction because of two factors. First, the Civilian Production Administration at the end of May ordered its field offices to reduce the dollar valuation of authorizations to only one-third of the volume authorized for the two week period ending May 23. This curtailment is to be reviewed after 45 days to determine if it can be relaxed. Shortages of building materials needed to complete existing projects is the reason for this action. Essentiality and nondeferability of every non-residential project must now be clearly established. Further evidence of overoptimism can also be found in the recent reduction in the number of priorities being issued for residential construction. Second, the rush to start projects in March, before strict building controls were instituted, probably advanced the contract awarding date of many programs and so tends to inflate new contracts awarded during the first four months of the year.

The principal virtue of extending the first four months data for a whole year is that it clearly shows the magnitude of the burden placed upon the building industry. It also offers an explanation for the acute shortages of construction materials and labor which are apparent everywhere.

The number of commercial building projects advanced during the prewar years of 1939-1941 to reach a level of about 2,000. Priority control reduced the number to the 700-800 level by 1943 and 1944. Approximately a threefold increase took place in 1945, with the major part occurring in the last four months of the year. Projects for 1946 are estimated at nearly 5,000 or 67 percent greater than 1941.

The effect of the war can clearly be seen in the acceleration of manufacturing plant contract awards from 1939 through 1942 when the peak of defense plant contract placing took place. Since the low point of about 1,250 projects in 1943, the number has again steadily increased and promises to equal or exceed the 1942 level. It clearly indicates the drive of manufacturers to expand their facilities to meet anticipated postwar demands for goods.

Although the number of non-residential projects estimated for 1946 is substantially above the peak of 1942, the total value is about 38 percent less.

This is true despite the fact that per-square-foot values have substantially increased since that time. It can be explained in terms of much smaller plants being constructed now than during the war when projects enclosing millions of square feet were necessary to mass produce the tools and materials of total war.

INDUSTRIAL SUMMARY

Iron and Steel The national rate of steel ingot production is recovering rapidly from the effects of the coal stoppage. The low point of production of 43 percent of capacity was reached during the week of June 3 according to *Steel*. By late June, a rate of about 87 percent had been achieved nationally. Cleveland had advanced from a low of 61 to 88 percent, Pittsburgh from 27 to 88 percent, Youngstown from 13 to 78 percent, Wheeling from 53 to 80½ percent, and Cincinnati from 82 to 91 percent.

Steel ingot production in May was about 4.1 million net tons as compared to 7.5 million net tons in the same month a year ago. In the ten month period since the war ended in August 1945, the industry has produced 51.3 million tons of ingots and steel for castings as compared to 73.3 million tons for the corresponding months a year earlier. This 22 million ton drop goes far in explaining the current steel shortage.

Pig iron production has also been sharply curtailed as a result of the steel and coal strikes. Production for the first four months of this year is estimated at 11.8 million tons as compared to 19.5 million tons in the comparable 1945 period. The decline of 7.7 million tons or 39 percent has seriously interfered with foundry operations.

The expected increase in the price of coal will raise the cost of coke and pig iron. Sellers of these items are invoicing shipments on an adjustable basis with final retroactive prices to be determined by OPA after a study of the situation.

Iron and steel scrap is in very short supply and may interfere with rates of operation unless stock piles can be renewed in the near future. Industrial plants which normally provide a large tonnage of scrap as a result of their fabricating activities, have not been processing as much steel as normally due to reduced operations, thus materially curtailing this source of supply. OPA has refused to grant an increase in scrap price ceilings and this action may cause sellers to release scrap stocks held in anticipation of a price rise. The amount so released, however, will not be large.

The acute shortage of flat-rolled steel products is being met by steel mills through the construction of about 1.1 million tons of new sheet and strip capacity. The expansions are scheduled for completion by the end of the year.

A new motor car manufacturer is attempting to solve his needs for additional steel through the purchase of the Portsmouth, Ohio, works of the Wheeling Steel Corporation. Steel produced there is to be finished into sheets by another company. A large District producer acquired the $190 million surplus Geneva Steel Plant, Geneva, Utah, for $47.5 million. The plant has an annual capacity of 600,000 tons of rolled steel and will serve the west coast market which is not ordinarily reached by producers in the Fourth District.

Coal Production Total United States production of bituminous coal for the five months ending June 1946 totaled 185.5 million net tons as compared to 250.3 million net tons for the same period ending June 2, 1945, or a decline of about 26 percent. The sharp decline was due to the almost total stoppage of mining activity during April while in May only about 20 million net tons were produced. With the full resumption of mining in June, 12.6 million net tons were produced during the first week.

Total Fourth District production for the first five months of this year was 67.6 million net tons as compared to 90.8 million net tons for the comparable period in 1945 or a decrease of 26 percent. Production during April and May amounted to only 6.3 million tons.

By the end of April, total stocks of bituminous fuel had declined about 34 percent below March to reach a level of only 38.7 million tons. This was the smallest reserve stock at the end of April since 1938. As a consequence, Solid Fuels Administration issued a stock limitation order on May 31 covering coal produced in all districts in an attempt to distribute coal equitably to all types of consumers.

Maintenance of the present production rate of about 12 million tons a week for the balance of the year would yield a total tonnage of about 30 million less than last year or a decline of only 6 percent. This assumes continuance of a six day week and no car shortages or other factors that might impede production.

New Coal Agreement The new working agreement signed by United Mine Workers Chief John L. Lewis and the Government on May 29 contains provisions which are extremely important to both mine operators and union. The Government continues in possession of the mines which were seized May 22 and there is no indication as to when operations might be resumed under private ownership.

A mine safety program has been adopted which contains three main parts. First, it is provided that the Director of the United States Bureau of Mines shall issue within 30 days a code of standards and rules pertaining to safety conditions and practices in the mines and the Coal Mines Administrator (Secretary of the Interior) shall put this code into effect immediately. The Director shall formulate the code after consulting with the U.M.W. and other persons he deems appropriate. The mine operators apparently have no voice in preparation of the safety code and may be disciplined or replaced by the Administrator if Federal inspectors report violations of the safety code. The code may be reviewed from time to time upon request of either the Administrator or the U.M.W.

The second part of the safety program provides that each mine is to have a safety committee appointed exclusively by the local union to inspect any development or equipment to determine if it complies with the safety code. In the event that the committee believes there is immediate danger to mine workers, it can require the management to remove all personnel from the mine.

The third part covers workmen's compensation and occupational disease and provides that in states where such insurance coverage is optional, owners must obtain such protection, or be disciplined, or removed, or the mine shut down.

A health and welfare program has also been instituted to be financed by a five-cents-per-ton levy on all coal produced for sale or use and to be paid entirely by the operators. The fund is to be administered by three trustees; one appointed by the union, one by the Administrator, and one by the other two trustees. The mine owners are not represented. The purposes of the fund are very broad. Payments are to be made from it to miners, their dependents, or survivors for wages lost due to sickness, temporary or permanent disability, death, or retirement. Any other welfare activities decided upon by the trustees may also be embarked upon. These benefits are to be in addition to any now provided by State or Federal Law.

Wage deductions currently made for medical care and hospitalization and administered in the past by the companies, are now to be turned over to trustees appointed by the president of the U.M.W. to be used at the sole discretion of the trustees. Existing agreements earmarking the uses of these funds are to be terminated as soon as possible.

An important part of the health and welfare program is a survey now being made by the Administrator with regard to medical, sanitary, and housing conditions in all coal mining areas. He is to determine the scope of changes needed to bring these up to American standards. There is no provision for the financing of any changes found necessary.

Wage rates for all classes of union members were increased $1.85 per day to lift weekly wages to $59.25. Work on the sixth day is made optional at a rate of $16.00 to bring the total to $75.25 for a six day week of 54 hours.

It is further provided that the entire industry is to shut down for a one week vacation following the last pay period in the month of June. Vacation pay has been increased from $75.00 to a flat $100.00 per man. Despite the coal shortage, the Coal Administrator has recently announced a four day "vacation" for 1946 beginning July 3 with no reduction in the allowance. If miners elect to work this year, regular wages will be paid in addition to vacation pay, plus time and one half for the Fourth of July holiday.

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RECENT BANKING DEVELOPMENTS

Commercial Loans Still Expanding The postwar expansion of commercial loans of weekly reporting banks of this District, which began last October, reached new heights during the past month, as indicated on an accompanying chart. Since the low point last fall, the 41 reporting banks have advanced more than $100 million to business enterprises for working capital and other corporate purposes. That is a net figure after allowing for repayments made by other borrowers during the interval amounting to perhaps another $25 to $50 million. This expansion appears to have been rather more pronounced in the Fourth District than in some other reserve districts.

Although the original impact of such lending is inflationary, if it expedites a commensurate expansion of industrial production, the ultimate consequences are of a stabilizing nature. If shortages of goods are a major inflationary factor, the use of bank credit to finance an increase in output is thoroughly justifiable.

Loans on Government Securities to Others Than Brokers In contrast to commercial loans, loans made for the purpose of purchasing or carrying U. S. Government securities are almost wholly inflationary in character. They were a more or less legitimate concomitant of war finance for such commitments enabled bona fide investors to anticipate future cash receipts. But now that the Treasury's almost insatiable need for funds has passed, the situation calls for the mitigation of inflationary pressures wherever possible.

It is unfortunate from the over-all point of view that such collateral loans have not been liquidated more rapidly. They were condoned originally with the understanding that borrowers would find it possible to pick up their securities within six months after purchase. That much time has now elapsed since the Victory Loan, yet in the Fourth District as well as elsewhere such loans to others than brokers are still substantially greater in volume than last August. Of the $260 million outstanding in January, after the close of the last war loan, only about 15 percent have been paid off, chiefly prior to May 1, and since that date liquidation appears to have come to a halt, at least temporarily.

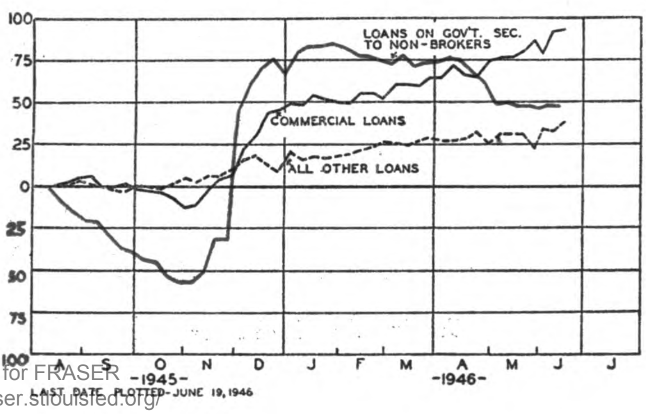
These loans will eventually be terminated, but it is difficult to imagine a more propitious occasion than the present for the liquidation of such inflationary indebtedness either out of current income or by sale to other nonbank investors with idle bank balances. It would be most unfortunate for the economy as a whole if this inevitable liquidation should be postponed until such time when it might coincide with other deflationary developments.

Contraction in Certificates and Notes One of the salutary features of recent months is the steady contraction of bank holdings of certificates of indebtedness. While the contraction is a direct consequence of a series of cash redemptions of Treasury issues, the decline was not limited to those weeks in which redemptions occurred. Disposition was made of a considerable quantity of certificates and notes during interim weeks. As indicated on an adjoining chart, the shrinkage at the 41 weekly reporting banks has amounted to $450 million during the past four months.

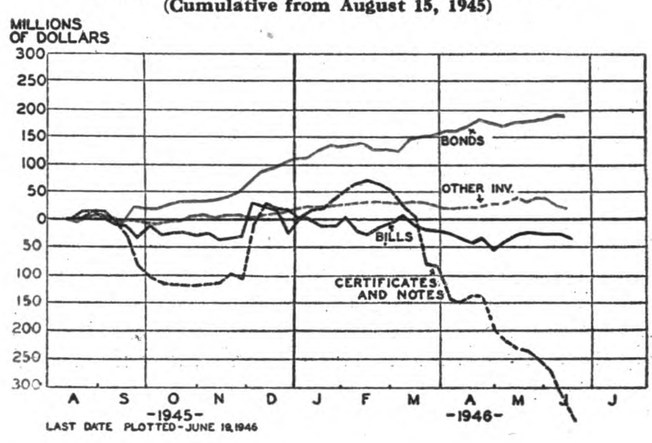
While this process extinguished an equivalent volume of Treasury deposits, the counterinflationary effect of this movement would have been much more potent if the funds had come out of the internal revenue stream rather than out of the unused balance of last December's borrowing by the Treasury. Moreover, two-thirds of the contraction in bank holdings of short-term securities since V-J Day has been offset by a concurrent increase in Treasury bond holdings. From the inflationary angle it may be observed that called or matured certificates and notes need not be replaced dollar for dollar by Treasury bonds in order to maintain interest income at a given level. Therefore, some contraction in money supply is possible without impairment of income from investments. But it nevertheless would be more beneficial to the general welfare if acquisitions of Treasury bonds by the banking system were held to nominal proportions as long as the commodity price level displays such a pronounced upward trend. During the week of June 19, when $1,800 million of Treasury bonds were paid off, bond holdings of the 41 banks were unchanged, indicating that reporting banks had either sold their holdings earlier, or that the called bonds were replaced by other issues.

Continued on back cover

Postwar Fluctuations In Loans
Fourth District Weekly Reporting Member Banks
(Cumulative from August 15, 1945)



Postwar Fluctuations In Investments
Fourth District Weekly Reporting Member Banks
(Cumulative from August 15, 1945)



CURRENT AGRICULTURAL DEVELOPMENTS

National Outlook Over the country as a whole the condition of winter wheat improved in the past month, but most other crops made relatively slow progress. The June 20 estimate of 809 million bushels, plus a spring wheat crop of over 224 million bushels assures another billion-bushel harvest—the third consecutive billion-bushel wheat yield with total production indicated for this year as the third largest on record. In the Texas-Oklahoma area, wheat harvesting began about June 1 which is three weeks earlier than usual. Yields were reported to be better than expected, and the quality was also above average. Wheat from that area began to arrive at midwestern mills by the end of the second week in June, but to date receipts have not been in sufficient quantity to relieve appreciably the current shortage of wheat for milling purposes.

Throughout the nation spring plantings were up to schedule on June 1, even in the case of corn. Weather conditions since then, however, have been such as to delay the planting of late corn, and soybeans.

Of the spring grains only oats was above average condition at last reports. Spring wheat was below average in condition and the indicated production was revised to 224 million bushels June 20 from an estimated 250 million bushels announced three weeks previously.

Fruits came through the frost periods with somewhat less damage than was originally feared. Exclusive of citrus crops, total production is expected to be slightly above average and may be ten percent above that of the preceding year. Cherry pickings are expected to be larger than last year and larger than average. Peaches may equal the previous year's record. Present prospects are for a commercial apple crop somewhat below average.

The commercial early potato crop is estimated to be the largest on record. Indicated production for this year compares as follows with earlier periods:

Commercial Potato Production

1946	75,000,000 bushels
1945	65,000,000 bushels
1935-44 Average	49,000,000 bushels

Dairy and Poultry Production in U. S. A reduction in the number of cows has resulted in a moderate decline in milk production in each month of this year compared to the corresponding month of a year ago. Production in May totaled 12.3 billion pounds, only one percent below the record high for the month established a year ago. Production per cow of 19.2 pounds on June 1 was the highest on record and was substantially above the previous high of 18.6 pounds on the same date in 1945. Favorable weather, abundant pastures, and liberal feeding of grain and concentrate feeds in the country as a whole was largely responsible for the relatively high milk production recorded. Although cows are still receiving generous grain and concentrate rations the effects of the tight feed situation are beginning to show. Daily rations of 3.6 pounds per head were significantly below the June 1 average of the past year of 4.1 pounds. The greatest decline in rate of grain and concentrate feeding occurred in the North Atlantic States, where correspondents reported that they were feeding one pound less per cow on June 1, than they did a year ago.

Farm flocks of the country laid two percent fewer eggs during May than they did a year ago. Total production for the month however was still 19 percent above the ten-year average. Aggregate egg production for the month however was still 19 perpercent above the same period in 1945 and 31 percent above the 1935-1944 average. There were approximately 351 million layers on farms in May—two percent less than in the same month of the previous year, but 15 percent above average. Farmers bought and hatched more chicks than was indicated earlier this year. In February intended purchases and hatchings were 14 percent less, but by June 1, actual purchases and hatchings proved to have been only seven percent less than a year ago for the season.

Barley and Rye Shortage Current crop estimates place this year's production of barley at 231 million bushels, as compared with 264 million in 1945 and a ten-year average of 290 million. Moreover, the June 1 carryover of 52 million was smallest for the past eight years and was below the carryover of a year ago of 77 million bushels.

Nearly 300 million bushels of barley were consumed during the year ending May 31. This is a seven million below the previous year and 105 million bushels below the consumption in 1943-44. Average annual disappearance for the past ten years has been approximately 286 million bushels.

Usage of barley in the past year was divided among the following:

194 million bushels for feed
83 million bushels for distilling and brewing
19 million bushels for seed
3 million bushels for export*
*(Imports amounted to eight million bushels.)

Rye, too, will be short according to the June 1 estimate, which indicates a crop of 21 million bushels. With but two exceptions that would be the smallest crop since 1881. It is less than half the ten-year average, and 21 percent below the 1945 crop of 26 million bushels. The prospect of more favorable financial return from other crops caused farmers to reduce the acreage seeded for all purposes last fall by nearly one-half. The acreage to be harvested totals 1,778,000 acres—the smallest acreage in 65 years.

Stocks of rye are the lowest on record amounting to 2.2 million bushels on farms and at terminals. In fact, the 1.7 million bushels of rye stocks on farms is slightly more than ten percent of the ten-year average stocks in this position.

Rye disappearance during the year ending May 31 totaled 38.5 million as compared with 46.7 million during the 1944-45 season and a ten-year average of

43.7 million bushels. This rye was divided among the following uses in the quantities indicated:

9.4 million bushels for feed
9.0 million bushels for flour
8.5 million bushels for alcohol
6.8 million bushels for export*
4.8 million bushels for seed
*(Imports amounted to 2.2 million bushels)

Few imports may be expected this year as stocks of rye throughout the world are short, although Argentina may have some rye available for export by next January.

Food Storage Stocks The amount of food in cold storage in public warehouses showed a slight increase in May. Cooler occupancy was up to 77 percent on June 1 from 74 percent May 1. Commodities in freezer storage were up one percent from 79 percent May 1. The 80 percent occupancy on June 1 compared with 70 percent occupancy as a five-year average.

Cream leads the list of foods of which storage stocks have risen. The 59 million pounds on June 1 was about twice the usual amount for that date. Quantities of cream moving into storage during May were about three times normal. In contrast stocks of other dairy products were below average—butter at 26 million pounds was only about ⅓ of average; the 101 million pounds of cheese was only ⅔ of normal volume.

Eggs moved into storage at about the normal rate during May. An in-movement of 2.2 million cases resulted in total holding of 8.7 million cases at month end. This is approximately 1.5 million cases above average. Frozen egg stocks totaled 249 million pounds.

On the other hand, poultry holdings declined with a net withdrawal of 47 million pounds during May as against a normal withdrawal for the month of around 13 million pounds.

Stocks of all meats in storage in public coolers and freezers were the lowest on record. Beef was a third below average; pork, slightly more than a third of average, and all meats were a fourth less than during the war years of 1941-1945.

The out-movement of beef was about four times normal; pork three times normal, and 12 million pounds of other meat were removed from storage compared to a normal withdrawal of one million pounds.

Lard stocks moved out of storage contrary to normal leaving only 47 million pounds in storage June 1, which was a record low for the date.

Fertilizer Supplies The National Fertilizer Association recently pointed out that there is ample manufacturing capacity to provide the quantities of fertilizer estimated to be necessary in the crop planting year beginning July 1, 1946. Officials of the Department of Agriculture place next year's needs at:

800,000 tons nitrogen in its various forms.
1,850,000 tons available Phosphoric Acid (P_2O_5) mainly in superphosphate forms.
800,000 tons potash (K_2O) — mainly muriate of potash.

Barring labor and transportation handicaps such as impeded the industry this year (the steel strike alone caused a loss of 24,420 tons of nitrogen) approximately 600,000 tons of nitrogen may be expected from domestic sources which, if supplemented by imports of sodium nitrate from Chile equal to at least 100,000 tons and 100,000 tons of nitrogen in the form of ammoniates and cyanamide from Canada, would equal estimated requirements.

With the close of hostilities superphosphate production zoomed upward because ordnance sulphuric acid was diverted from munitions to superphosphate output. It is estimated that during the past twelve months about 1,500,000 tons of available P_2O_5 in various concentrations of superphosphate were produced. Consequently if Government sulphuric acid plants are kept in operation and their output used for superphosphate there is a strong possibility that the tonnage produced would be even greater in the year beginning July 1. A tonnage of 1,850,000 of P_2O_5 does not appear improbable with present facilities plus those now under construction.

Potash output is now running at a rate of 900,000 tons annually. Of this amount, industry uses approximately 100,000 tons and exports to Canada and other Western Hemisphere countries total about 65,000 tons, leaving 725,000 tons for domestic fertilizer usage. With plants operating at near peak capacity there is little prospect of the tonnage being increased. The reopening of the European potash mines does give some slight prospect of limited imports within the year.

Thus on the whole it appears that there will be sufficient fertilizer to permit consumption equal to or in excess of the record usage of 13,200,000 tons on main land farms of this country in the calendar year of 1945.

The present favorable price relationship of fertilizer to the other items a farmer uses in the production of crops may stimulate even greater usage. Fertilizer prices this spring were only 21 percent higher than they were in the 1910-1914 base period, while the average price of all commodities a farmer buys were 80 percent above the base period level.

Importance of present fertilizer usage to food production is emphasized by the fact that if no fertilizer were used 50 million more acres of good crop land would be required to grow the food now produced.

Fourth District Outlook Less Favorable Fourth District crop prospects are less favorable than elsewhere. The indicated production of winter wheat is below last year in all Fourth District states except Kentucky, and below the ten-year average in all but Ohio. Corn is off to a poor start over much of the area. Excessive rains delayed planting and seriously retarded cultivation. Many fields are weedy and may not receive normal attention because hay making is at hand.

Continued on back cover

Indexes of Department Store Sales and Stocks

(Daily Average for 1935-1939 = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	May 1946	Apr. 1946	May 1945	May 1946	Apr. 1946	May 1945
SALES:						
Akron (6)	279	243	217	271	264	210
Canton (5)	309	279	219	296	290	211
Cincinnati (9)	252	269	180	257	275	183
Cleveland (10)	241	207	176	227	238	165
Columbus (5)	293	290	211	285	292	205
Erie (3)	253	229	207	238	245	195
Pittsburgh (8)	219	227	157	228	243	163
Springfield (3)	245	255	209	254	268	217
Toledo (6)	229	221	181	229	241	181
Wheeling (6)	211	225	159	225	243	170
Youngstown (3)	272	256	208	266	282	204
District (98)	245	236	179	243	253	177
STOCKS:						
District	192	178	162	194	183	164

Bank Debits During May

(29 Fourth District Cities)

Among the ten largest cities in the Fourth District (as shown on the accompanying table) only five reported an increase in bank debits over May 1945

Toledo with debits of $283 million for the month was first with an increase of some 13% over last year. The next nearest was **Columbus** with a 9.6% gain over a year ago. **Cincinnati, Dayton,** and **Erie** were the only other large cities to report a net increase in the volume of money transfers, as measured by debits to deposit accounts.

Among the smaller cities of the District, **Zanesville** held top rank again with a nearly 40% expansion in debits over May 1945. This was the fifth consecutive month in which the percentage increase in Zanesville was the largest in the District.

Debits have also held to a high level in **Lorain** where the increase over a year ago was nearly 32%.

Portsmouth, where debits exceeded $16 million in May for the first time on record, was third with a percentage margin of nearly 30% over 1945.

(In thousands of dollars)

		May 1946	% change from year ago	3 months ended May 1946	% change from year ago
ALL 29 CENTERS		$5,068,595	− 1.2	$15,361,472	+ 3.1
10 LARGEST CENTERS:					
Akron	Ohio	$ 210,914	− 5.2	617,312	− 3.6
Canton	Ohio	83,392	− 5.0	238,363	− 8.2
Cincinnati	Ohio	668,837	+ 2.3	2,185,319	+13.4
Cleveland	Ohio	1,357,378	− 4.7	3,947,426	− 2.8
Columbus	Ohio	408,908	+ 9.6	1,195,885	+12.0
Dayton	Ohio	169,560	+ 6.8	519,616	+12.6
Toledo	Ohio	283,269	+13.3	834,954	+12.3
Youngstown	Ohio	93,570	− 1.4	280,920	+ 3.4
Erie	Penna.	67,824	+ 5.4	191,881	+ 2.3
Pittsburgh	Penna.	1,274,754	− 8.6	4,004,607	− 1.8
Total		$4,618,406	− 2.2	$14,016,283	+ 2.3
19 OTHER CENTERS:					
Covington-Newport	Ky.	$ 32,748	+20.1	$ 97,372	+26.3
Lexington	Ky.	42,273	+20.3	140,529	+18.8
Hamilton	Ohio	25,074	+ 0.9	78,095	+11.2
Lima	Ohio	31,593	+ 8.9	92,536	+ 2.5
Lorain	Ohio	12,249	+31.6	35,419	+30.9
Mansfield	Ohio	26,718	+ 7.1	79,161	+ 7.9
Middletown	Ohio	23,609	+ 3.4	71,826	+14.9
Portsmouth	Ohio	16,238	+29.5	47,237	+30.9
Springfield	Ohio	36,510	+10.3	109,306	+ 8.1
Steubenville	Ohio	18,114	+ 6.4	54,331	+10.5
Warren	Ohio	28,683	+13.4	80,511	+ 5.4
Zanesville	Ohio	19,726	+39.4	59,216	+42.3
Butler	Penna.	23,332	+ 5.6	68,606	− 1.6
Franklin	Penna.	7,257	+20.6	19,992	+ 6.6
Greensburg	Penna.	14,113	+ 7.8	43,764	+14.7
Homestead	Penna.	6,399	+15.8	18,529	+17.1
Oil City	Penna.	18,201	+10.0	51,872	− 0.7
Sharon	Penna.	18,221	+ 1.5	54,392	+ 4.8
Wheeling	W. Va.	49,131	+ 0.6	142,495	+ 6.6
Total		$ 450,189	+10.7	$1,345,189	+11.7

Fourth District Business Statistics

(000 omitted)

Fourth District Unless Otherwise Specified		May 1946	% change from 1945	April 1946
Retail Sales:				
Department Stores—98 firms	$	59,514	+37	62,105
Wearing Apparel—15 firms	$	2,262	+22	2,107
Furniture—70 firms	$	4,326	+51	4,059
Building Contracts—Total		a	a	68,328
—Residential	$	a	a	31,024
Commercial Failures—Liabilities	$	1,010	+1,047	34
—Number		7	+75	3
Production:				
Pig Iron—U. S.	Net tons	2,275	−55	3,614
Steel Ingot—U. S.	Net tons	4,072	−45	5,877
Bituminous Coal— O., W. Pa., E. Ky.	Net tons	5,500	−72	774
Cement—O., W. Pa., W. Va.	Bbls.	a	a	1,080
Electric Power— O.,Pa., Ky.	Thousand K.W.H.	a	a	2,596

a Not available.

Wholesale and Retail Trade

(1946 compared with 1945)

	Percentage Increase or Decrease		
	SALES May 1946	SALES first 5 months	STOCKS May 1946
DEPARTMENT STORES (98)			
Akron	+29	+15	+13
Canton	+42	+18	a
Cincinnati	+40	+30	+14
Cleveland	+37	+24	+21
Columbus	+39	+26	+11
Erie	+22	+15	+17
Pittsburgh	+40	+31	+18
Springfield	+17	+14	a
Toledo	+27	+17	+18
Wheeling	+33	+27	+23
Youngstown	+31	+21	a
Other Cities	+49	+30	+ 3
District	+40	+25	+16
WEARING APPAREL (15)			
Cincinnati	+14	+ 8	−11
Cleveland	+39	+30	− 4
Pittsburgh	+32	+23	+ 9
Other Cities	+10	+ 5	+16
District	+22	+16	+ 4
FURNITURE (70)			
Canton	a	a	a
Cincinnati	+64	+56	+30
Cleveland	+51	+41	+26
Columbus	+48	+50	+24
Dayton	+77	+76	a
Pittsburgh	+39	+38	a
Allegheny County	+45	+52	a
Toledo	+50	+66	a
Other Cities	+56	+60	+78
District	+51	+51	+39
WHOLESALE TRADE**			
Automotive Supplies (7)	+62	+55	+11
Beer (5)	− 8	+ 2	+22
Confectionery (5)	+69	+49	a
Drugs and Drug Sundries (4)	+23	+19	a
Dry Goods (3)	+48	a	+95
Fresh Fruits and Vegetables (11)	+ 2	+ 6	− 3
Grocery Group (39)	+24	+24	+ 7
Total Hardware Group (22)	+53	+28	+37
General Hardware (6)	+66	+49	+36
Industrial Supplies (6)	+12	−0−	a
Plumbing and Heating Supplies (10)	+51	+23	+52
Jewelry (10)	+36	+52	+15
Lumber and Building Materials (6)	+20	a	−53
Machinery, Equip. & Sup. (exc. Elect.) (4)	− 2	a	a
Meats and Meat Products (4)	+79	a	+45
Metals (3)	+93	a	a
Paints and Varnishes (4)	+32	+36	a
Paper and Its Products (6)	+15	+10	a
Tobacco and its Products (15)	+44	+38	+44
Miscellaneous (17)	+26	+18	+32
District—All Wholesale Trade (172)	+30	+24	+27

** Wholesale data compiled by U. S. Department of Commerce, Bureau of the Census.

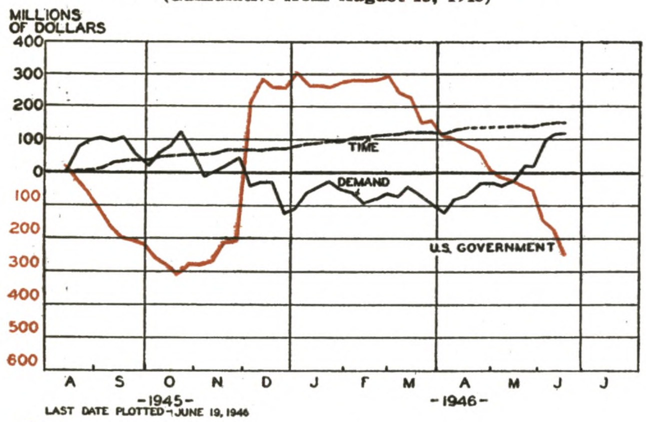
a Not available.

Figures in parentheses indicate number of firms reporting sales.

RECENT BANKING DEVELOPMENTS

(Continued from Page 8)

Postwar Fluctuations In Deposits
Fourth District Weekly Reporting Member Banks
(Cumulative from August 15, 1945)



Rise in Demand Deposits U. S. Government deposits at weekly reporting banks have declined steadily during the past four months, and are destined to drop below the low of October 1945 within a comparatively short time in the course of the Treasury's debt reduction program.

In its early phases the transfer of funds incident to the redemption of Treasury issues seems to have had no noticeable effect upon the volume of demand deposits of individuals, partnerships, and corporations. However, during the past two months, those deposits have risen quite rapidly in the Fourth District with the unfavorable result that the supply of this kind of money is within easy reach of the all-time high of May 1945.

This recent rise in demand deposits is not wholly the result of public debt liquidation. Some of it is attributable to an inflow of funds from outside the District. The expansion of commercial and consumer loans, the acquisition of Treasury bonds, as well as the suspension of liquidation of collateral loans mentioned earlier, are all partly responsible for the reexpansion in demand deposits. Unless there is a reversal in the near future, the increase in demand balances since V-J Day will soon have exceeded the slow but steady rise in time deposits, as indicated graphically elsewhere on this page. As of today, the increase in time and demand deposits is approximately equal to the drop in Government deposits at reporting banks in the Fourth District.

NEW MEMBER BANK

Safe Deposit and Title Guaranty Company
Kittanning, Pennsylvania

INDUSTRIAL SUMMARY

(Continued from Page 7)

With regard to the bargaining status of foremen and other supervisory personnel, the Coal Administrator has agreed to be guided by the decisions and procedure established by the National Labor Relations Board. Inasmuch as this body has already recognized foremen's unions, this means that supervisory personnel presumably will be organized along the lines demanded by U.M.W.

Brick and Tile The brick and tile industry is the recipient of the first premium payment plan authorized under the Pattman Act to increase output of building materials. The plan is designed to bring about greater production of all types of common and face brick, unglazed structural clay tile, and structural facing tile.

A quota is to be established for each individual plant. The quota for each plant (operating any three full months in 1946, prior to June 1) will be the arithmetical average of production in the two highest months or 90 percent of production during the highest month, whichever is lower. Plants which were in operation less than three months but at least two full months during 1946, will have a quota of 90 percent of the production in the highest month. Established plants which have not been in production between June 1, 1945 and May 31, 1946, will have a quota of two-thirds of whatever amount is now produced.

New plants will make individual application to obtain their quotas which may not be less than 50 percent of total output. If evidence appears later that operators of two or more plants are shifting production in order to increase their subsidy payments, the housing expediter can establish a blanket quota for the entire operation.

The subsidy or "incentive payments" will amount to five dollars for each 1,000 standard brick equivalents payable on all production in excess of the quotas established by the foregoing procedure. The regulation is retroactive to June 1, and terminates June 1, 1947.

Current Agricultural Developments

(Continued from Page 9)

Condition of the hay crop was better than average on June 1 but much of it still remained to be harvested at the end of the third week of the month. Pasture and small grains prospects provided the only two bright spots in the feed situation. Pasture condition was at least ten percent better than average. Oats, barley and rye prospects are almost universally better than last year and in many cases above the ten year average.

Pennsylvania and West Virginia will have more peaches than last year but less than average. While Kentucky expects less than last year the crop on the basis of present condition will be nearly 50 percent more than normal. On the other hand Ohio expects a peach crop of less than 40 percent of normal.

Kentucky is the only state in the District where the probable apple crop will be up to average. Both Pennsylvania and West Virginia expect below-average crops, but the crop in prospect in Pennsylvania will probably exceed that harvested in 1945. Prospects in Ohio are for less than half a normal apple harvest. The pear crop in Ohio and Pennsylvania will be decidedly below average and just short of average in Kentucky and West Virginia.

Kentucky, the only state where commercial early potatoes are grown to any extent, has prospects for an excellent crop.