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## INFLATION AND THE BUSINESS OUTLOOK

**Summary** The value of goods produced and services performed in the United States (referred to as the "Gross National Product") is currently at the highest levels in history. During the first half of 1947 the gross national product was at the annual rate of \$225 billion; higher than at the peak of the war and two and one-half times the figure of \$90 billion recorded in 1939. Apparently somewhat less than half of the increase from 1939 to 1947 reflects increased supplies and somewhat more than half reflects higher prices. A part of the increase in prices probably reflects shifts in purchases to higher quality goods but most of it is due to price inflation. While many factors have contributed to the present inflationary situation, the dominant cause has been the growth of personal incomes far in excess of the expansion in the physical supply of goods and services, leading to a competitive bidding up of prices for the available expanded supply.

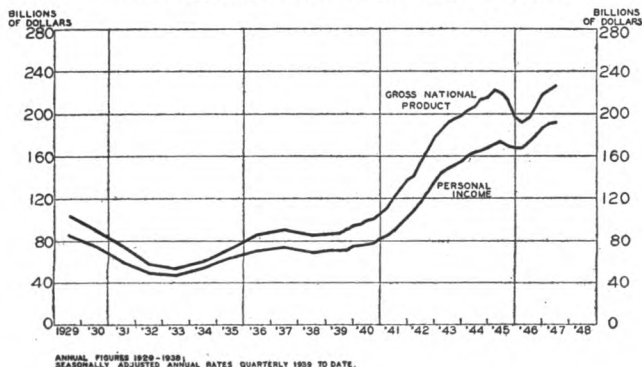
The accompanying charts show gross national product and related items. The first chart shows gross national product and personal income. The second

chart shows the distribution of the gross national product, i.e., the part taken or purchased by individuals, the part taken or purchased by government, and the parts taken by business and by foreigners (net exports). In that chart, purchases of new residences are included with business purchases. The data cover the period from 1929 to the middle of 1947, and the figures are on an annual basis in billions of dollars.

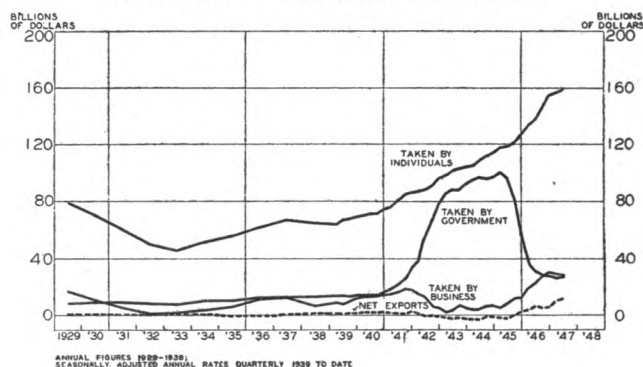
The principal expansion in gross national product occurred during the rearmament and war periods, between 1939 and mid-1945, and reflected an increase in government purchases, chiefly for war purposes, of \$85 billion and of consumer purchases of \$50 billion.

The expansion during the postwar reconversion period, mid-1945 to the present, in the annual gross national product reflected sharp increases in consumer purchases; heavy business purchases of plant, equipment and goods for inventories; and increased shipments abroad. The net expansion in nongovernment purchases amounted to \$75 billion and exceeded the \$70 billion reduction in government purchases.

Gross National Product and Related Items



Distribution of Gross National Product



The rise in gross national product during the war period reflected expansion in physical output to the highest levels of record, and increases in prices. The growth after the war, on the other hand, was accompanied by a decline in the physical volume of production, although the supply of civilian goods increased markedly. The postwar expansion in gross national product, in the face of declining physical volumes, was partly a reflection of changes in the character of goods produced, sold and bought, but chiefly a continuation at an accelerated rate of the price inflation initiated during the rearmament and war periods.

The basic solution to the problem of inflation is either to increase the supply of goods substantially in relation to existing incomes or to take steps to reduce the ability of people with expanding incomes to increase their demand for goods and services.

**Wartime Inflation** Inflation in the value of goods and services was initiated during the rearmament and war periods. The wartime rise in gross national product reflected increased purchases by government chiefly for war purposes and an expansion in consumer purchases. Government purchases rose by \$85 billion and consumer purchases by \$50 billion.

The chief factor in the growth of consumers' purchases during the war was the expansion in personal incomes, which rose from \$73 billion in 1939 to \$174 billion in 1945. The wartime growth in incomes was primarily in wages and salaries which increased by \$75 billion, or 165 percent, between 1939 and the first half of 1945. The increase in other types of personal income amounted to about \$25 billion, or 100 percent.

The growth in wages and salaries during the war period reflected in part an increase of about 9 million (about 25 percent) in number of civilian workers, notwithstanding an 11 million increase in numbers in the armed forces. The chief factor in the growth in salaries and wages, however, was an increase of about 75 percent in average earnings per employee. This latter increase in turn was due in part to longer hours worked but chiefly to higher rates of compensation, particularly in war and other essential industries.

The increased wages and prices during the war resulted from methods of war finance and the necessity for stimulating production and transferring resources to war work.

While total industrial production rose by more than 125 percent from 1939 to the war peak in late 1943 and at the war's close was still double prewar, the increase was entirely in war goods. Manufacturing output of civilian goods declined by about 20-25 percent over the war period while the supply of foods available to civilians, which ordinarily absorbs about one-third of civilian consumer expenditures, increased by about 15 percent. A substantial part of the decline in production for civilian purposes was in producers' goods and some more was in foodstuffs and clothing for soldiers who temporarily were out of the civilian market.

Changes in industrial production as measured by the Federal Reserve Board's monthly index are shown in the accompanying chart for the period from 1939 to date. The x-marks indicate the part of the annual average index for each of the years shown that represents production of civilian (i.e. nonwar) goods. The chart reveals the decline in output of civilian goods during the war when total production increased and the sharp postwar increase in output of civilian goods when total industrial output was reduced.

The reduction in civilian supplies during the war occurred at a time when personal incomes were rising sharply. Taxes were not raised sufficiently to absorb the increases, and direct borrowings by the Treasury and other forms of savings also failed to absorb the increased incomes. Individuals were left with higher incomes to spend, they sought to spend their incomes on the diminished supplies of goods and services available in the market, and prices rose\*. Expansion in consumer expenditures for nondurable goods kept pace with the expansion in incomes after taxes. Expenditures for durable goods and for services, both of which were in sharply reduced supply, also rose but the increase was much less proportionately than the increase in incomes.

The accompanying table shows personal income and expenditures in annual rates, for 1939, the first half of 1945, and the first half of 1947.

ANNUAL RATES OF PERSONAL INCOME  
AND EXPENDITURES

	In billions of dollars			Percentage Change		
	1939	1945 (First half)	1947 (First half)	1939- 1945	1945- 1947	1939- 1947
<b>Personal income</b>	72.6	174.0	191.1	+ 139.7	+ 9.8	+163.2
Taxes	2.4	21.2	21.5	+ 783.3	+ 1.4	+795.8
<b>Disposable income</b>	70.2	152.8	169.6	+ 117.7	+ 11.0	+141.6
Savings	2.7	34.3	11.6	+1170.4	- 66.2	+329.6
Expenditures	67.5	118.5	158.0	+ 75.6	+ 33.3	+134.1
For durable goods	6.7	7.3	19.5	+ 9.0	+167.1	+191.2
For nondurable goods	35.3	73.1	94.5	+ 107.1	+ 29.3	+167.7
For services	25.5	38.0	44.0	+ 49.0	+ 15.8	+ 72.5

Notwithstanding reduced supplies of goods, consumers' dollar purchases of commodities other than foods and farm products increased twice as much as did the official price indexes of those articles. In the case of foods, the increase in purchases was also about double that of prices. Part of this latter growth, however, reflected a 15 percent increase in supplies of foodstuffs for civilians. While some of the

\*As a consequence of the failure of the Treasury to attract sufficient funds from individuals and nonbanking businesses to cover Treasury wartime expenditures, the banks were called upon to make up the difference. The expenditure by the Treasury of the funds borrowed from the banks resulted in a doubling, between 1939 and 1945, of holdings of bank deposits by individuals and businesses.

increased expenditures for consumers' goods reflected shifts of purchases from lower to higher quality goods, there was also considerable deterioration in quality of many goods and services. Inflation of prices of civilian goods and services during the war, therefore, appears to have been greater than indicated by the price indexes.

**Postwar Inflation** Immediately following the termination of hostilities in mid-1945, the gross national product declined but trended upward again in the second quarter of 1946 and is now at the highest level in history. The decline in late 1945 and early 1946 reflected entirely reduced purchases by the Federal Government. All other purchases expanded sharply throughout the postwar period, the rate of expansion being greater than at any time on record.

The physical volume of production was reduced in the postwar period because of the sharp decline in output of war goods. Output of civilian goods, chiefly durable goods, increased sharply; supplies of nondurable goods also increased somewhat with the reduction in purchases for the armed services. The rapid expansion in civilian goods and services was not sufficient to satisfy the high levels of postwar consumer demand, the record-breaking demands of business for plant, equipment and inventories, and the sharply increased requirements of foreigners which brought exports to the highest levels in our history, and the upward pressure on prices was increased. Abolition of price controls was accompanied by further price increases. The action of government to prevent declines in prices of some agricultural products is believed also to have contributed to upward price movements but the net effects of such action are by no means clear.

The most important factor in high postwar demand has been consumer purchases made possible by expanding personal incomes. Immediately after the close of the war personal incomes declined moderately and then increased again in 1946 and 1947 to the highest levels in our history. While the increase in personal incomes during the war was chiefly in wages and salaries, the over-all increase during the postwar

period was due entirely to other factors. Wages and salaries showed almost no net change over the postwar period while entrepreneurial income and profits (farmers, professional and businessmen) and government benefit payments, chiefly to veterans, rose to record levels. The figures are shown in the accompanying table.

Following the close of the war there was a decline in employment as war production was cut back, as industry began to convert to peacetime activity, and as many persons in the wartime labor force returned to school, homemaking, or retirement. From the wartime peak to the low in early 1946, salary and wage payments were reduced by about 14 percent. Part of the decline reflected reduced employment and part reflected reduction of overtime, but most of it was in payments to military and civilian workers of the Federal Government. A considerable part of this latter decline was offset by increases in payment of government benefits, chiefly to veterans.

With the close of the war, the projected sharp decline in government expenditures and in employment, and in salaries and wages led to fears of widespread postwar unemployment and loss of purchasing power with a resulting recession in business to depression levels. Consequently, efforts were made to offset the anticipated decline in worker income by increases in wage rates. Widespread unemployment did not materialize; industry and trade absorbed practically all available workers, including those released from the armed services; and today, the employed civilian labor force approximates 60 million, the highest on record for this season of the year, and total wage and salary payments are back again to about the postwar peak. The total volume of wage and salary payments to civilian workers is currently at the highest levels in history.

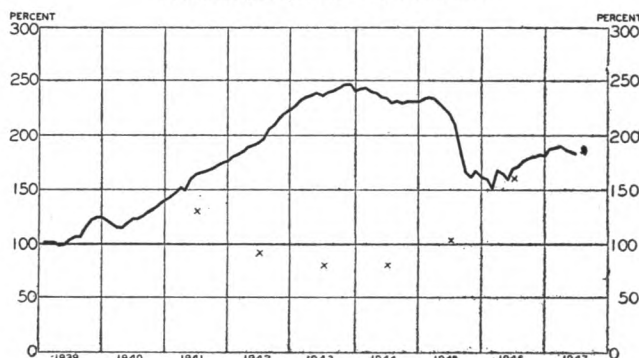
The physical volume of industrial production, on the other hand, is below the wartime peak, although output of civilian goods is up, and the burden of wage costs on output appears to be considerably higher than either during or before the war.

#### ANNUAL RATES OF PERSONAL INCOME BY SOURCES

	In billions of dollars			Percentage change		
	1939	1945 (First half)	1947 (First half)	1939- 1945	1945- 1947	1939- 1947
<b>Personal income</b>	72.6	174.0	191.1	+139.7	+ 9.8	+163.2
Wages and salaries	45.7	121.1	119.0	+165.0	- 1.7	+160.4
Farmers	4.5	14.0	17.6	+211.1	+ 25.7	+291.1
Professional and businessmen*	6.8	16.3	22.0	+139.7	+ 35.0	+223.5
Interest and rents	8.9	13.5	15.9	+ 51.7	+ 17.8	+ 78.7
Corporate dividends	3.8	4.7	6.2	+ 23.7	+ 31.9	+ 63.2
Pensions, relief, veterans, etc.	3.0	4.4	10.5	+ 46.7	+138.6	+250.0

\*Noncorporate business.

**Industrial Production**  
Seasonally Adjusted—1935-1939=100





**The Near-Term Outlook** The near-term outlook for prices and for business can best be appraised by a review of the important factors affecting inflation. The postwar inflationary factors at work may be summarized as follows:

1. High income—the large income arises from the high wage and salary payments, high income and profits of farmers, professional workers, and businessmen, all in relation to the supply of goods and services.
2. Price supports at high levels for agricultural products.
3. Maintenance of retail prices under various State fair-trade practices acts.
4. Abolition of price controls.
5. Easing and elimination of consumer credit controls.
6. Reduction of income taxes and reduction in rate of savings as a consequence of which postwar spending has increased even more rapidly than incomes.
7. Record-breaking exports.
8. Record-breaking business purchases.
9. Veterans' benefits, including unemployment benefits, cashing of terminal leave bonds and guaranteed loans to veterans; the latter have played an important part in our postwar real estate boom.
10. Expansion of credit to finance business, real estate and consumption.

Most of the above factors have had a strong influence on commodity prices.

Business profits—both corporate and non-corporate, both farm and nonfarm—are at record levels both absolutely and in relation to physical volume of output and the dollar value of all goods and services. A part of the increased business profits are inventory profits which arise during a period of rising prices as a result of the lag between the purchase of materials and the sale of products. As a consequence, operating profits tend to be overstated in periods of rising prices and understated in periods of falling prices. From time to time some reference has been made to the existence of high profits as a factor in inflation. High profits may contribute to inflation to the degree that they are used as an effective argument for wage raises which increase further the ability of people to spend money, and to the degree to which maintenance of high profits of farmers is a motive behind price maintenance by government. To the extent also that profits reflect commodity speculation they may be said to contribute to inflation. On the whole, however, the present high level of profits is a result rather than a cause of price inflation.

Deflationary or anti-inflationary factors have been:

1. High margin requirements on security loans subject to Federal Reserve regulation.
2. Federal budgetary surplus.
3. Firming of short-term interest rates.
4. Considerable agitation, official and otherwise, regarding high prices.

None of the above deflationary factors appears to have had any direct influence on commodity prices, except perhaps for some transitory effects of the fourth item.

A review of the near-term outlook indicates that:

1. Incomes and spending are expected to continue high.
2. Wage and salary payments are expected to continue large. Another round of increases is anticipated for 1948.
3. Price supports for agricultural products are required by law to be maintained well into next year.
4. Substantial increases in freight rates are to be anticipated with consequent increased costs of distribution and further upward pressure on prices. Transportation difficulties also are expected to affect distribution of commodities with resulting apparent shortages.
5. Consumer credit will continue to expand thus increasing buying power.
6. Legislation will probably be introduced again in Congress to reduce income taxes.
7. Business purchases generally are expected to be maintained at close to present levels although inventories are expected to level off.
8. Cashing of terminal leave bonds is expected to provide some stimulus to buying.
9. Any reductions in exports are not expected to be sufficient to offset the inflationary forces outlined above, although individual businesses and lines may be affected adversely.
10. Expansion in physical output is not expected to match the expansion in buying power so that inflationary pressures will continue dominant over the next six to eight months.
11. Some prices, notably in some of the basic agricultural lines, suggest speculative excesses with possible reactions in the near-term future but these reactions are not expected to be sufficient to terminate the upward spiral of prices generally.

## THE FUEL SITUATION

The expected stringency in the supply of fuel oil and natural gas for both industrial and consumer users this winter serves to focus attention again upon the adequacy of supply of bituminous coal.

**Oil** Important sellers of fuel oil have indicated that they cannot materially increase the supply of their products because of the limitations of transportation facilities. Production of steel tank cars has been at a very low level and little relief in this direction can be expected for many months to come. Pipeline construction is retarded by the relative scarcity of steel pipe. This latter situation has a bearing upon the transportation of natural gas as well as petroleum products. The over-all situation will inevitably accentuate the need and demand for bituminous coal for domestic and industrial use.

In the Fourth District, suppliers of both industrial and residential fuel oil have been urging customers all summer to fill storage tanks to capacity in anticipation of winter requirements and transportation limitations. Some oil companies have declined to accept new customers and have advised those contemplating conversion of furnaces to fuel oil, to obtain firm supply contracts for the coming heating season before making the conversion.

**Gas** In certain areas, gas utilities have advised industrial customers that they cannot guarantee uninterrupted service during prolonged cold spells and that steps should be taken to have substitute fuel resources available. Numerous manufacturers have tried to protect the continuity of their operations by setting up oil conversion burners and building necessary storage tank facilities. Several instances have been reported of installations for storing liquified gas to meet the emergency. In most cases, the stand-by fuel is oil, and this places an additional demand upon the limited supply of that product. With respect to domestic use, gas utilities have had restrictions in effect since Spring for home conversion to gas in all cases except those certified by physicians. On September 15, the Ohio Public Utility Commission issued an order forbidding natural gas utilities from providing gas to space heating units installed or converted after September 15, except for replacement units. This order will add many potential customers to the ranks of coal consumers.

### COAL PROBLEMS

After the return of the bituminous mines to private ownership on July 1, and the fairly prompt adoption of the new labor settlement negotiated by the northern operators and captive mining companies, it was widely assumed that an abundant supply of coal was assured. In fact, one of the reasons advanced by the operators for accepting the union offer was that it would guarantee an uninterrupted flow of coal and a supply adequate both to sustain a high level of industrial activity and to meet pressing foreign commitments despite the adoption of a shorter work week.

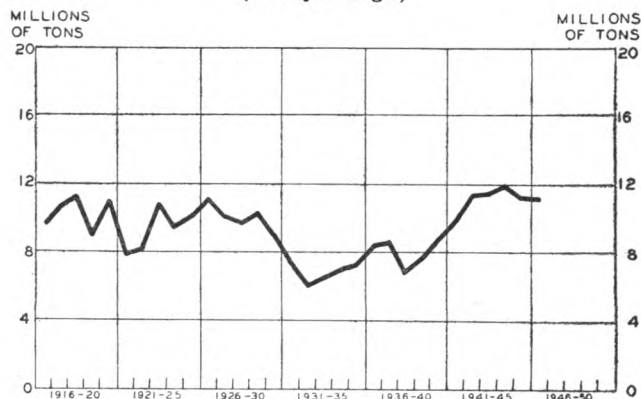
**Loss of Production** Coal production averaged 12.3 million tons per week during 1946 exclusive of periods of strikes. In April and May of this year, output averaged 12.8 million tons. Since the resumption of operations after the recent stoppages, production has averaged only 11.85 million tons or a weekly loss of approximately one million tons when compared with the pre-vacation period, when a longer work week was in effect.

**Car Shortage** Some loss of production also has occurred because of a growing shortage of coal cars. Mines in western Pennsylvania and northern West Virginia have been hard-hit by lack of cars and some operated only three or four days a week during September.

The car shortage, however, is not wholly responsible for the fall in production. Instead, the car shortage itself is in part a function of the five-day week since it has lengthened the turn-about time of cars at the mine. Loading is now generally limited to five days a week rather than six and so some cars stand idle an extra day instead of being loaded and dispatched to their destinations. Likewise, cars handled by industrial consumers who are on a five-day week, stand unloaded over the long week-end.

Coal stockpiles in many industries are below normal for this season of the year, thus endangering the continuity of industrial production for the coming winter. Coal-burning electric utilities, for example, had on hand on August 1 only 77 days' supply of bituminous coal as compared with 84 days the month before. Some of this inventory deficiency is due to the unprecedented rate of coal exports. In the first five months of this year, 23 million tons of bituminous coal, or roughly nine percent of production, were exported as compared with 12 million tons in the same period in 1946. The United States Coal Operating Committee has taken cognizance of the inventory situation and has set a maximum quota on exports of 4,050,000 tons for October. Restrictions on coal exports had been lifted last April.

Bituminous Coal Production—U.S.  
(Weekly Averages)



Source: Bureau of Mines

## Coal Losing Ground

Although the energy produced from coal has actually increased 170 percent since the turn of the century, bituminous coal has been losing ground to its competitors for many years. In 1902 soft coal supplied 76 percent of total energy (measured in B. T. U.'s), whereas in 1945 it accounted for only 43 percent. In the latter year, the other principal sources of energy were: petroleum 30 percent, water power 12 percent, natural gas 11 percent, and anthracite coal 4 percent.

The decline in public favor of coal as a fuel for residential heating is amply illustrated by recent data on production and sales of home heating equipment. Factory sales of mechanical stokers firing bituminous coal for residences and small apartments totaled about 82,000 in the first half of 1946. For the first six months of this year, only 23,000 such units were sold. On the other hand residential oil burner shipments rose from 183,000 to 539,000 in the same periods. Data with regard to warm air, floor, and wall furnaces is also illuminating. In the first six months of 1946, 172,000 of these units were coal-fired and 243,000 were designed to burn oil or gas. In the first six months of this year, about 140,000 were equipped to burn coal and 505,000 for oil or gas.

## Transportation Costs

Coal is subject to a number of economic handicaps. First, transportation costs are inelastic. Freight tonnage rates are exactly the same whether the shipment consists of one car of coal a day or 50 cars. In addition, rates are based upon tonnage alone so that low grade coal bears the same rate as high grade coal. Oil and gas pipeline transportation costs, however, decrease as volume increases. Further, the labor element in pipeline transportation costs is relatively small so that rising wages have a lesser effect upon pipeline rates than upon railroad rates. Conversion of coal either in the ground or at the mouth of the mine into liquid or gaseous energy for

transportation to consumers through pipelines may prove to be a practical solution of this problem.

**Labor Costs** The second economic handicap is the matter of high and rising labor costs. Wages, on the average, now account for about 60 percent of the cost of producing coal, whereas wage costs amount to only about 20 percent of total costs for oil and gas. Prices of coal, therefore, are determined mainly by the cost of labor.

Wages in bituminous mines have risen more rapidly than in any other major industry. From about \$19.50 a week in 1935, weekly wages rose to approximately \$66.50 in mid-1947. In the same period, weekly earnings of crude petroleum workers rose from \$28.90 to \$58.70.

The traditional offset to rising wage scales has been the use of more and better machinery. Mechanization of coal mines, however, has already been accomplished to a high degree. It is estimated that more than 90 percent of coal production is mechanically cut and nearly 60 percent mechanically loaded. Some additional progress may be expected in the improvement of existing machinery and by greater use of loading equipment. Extended application of conveyor belts offers some possibilities as well as better coal washing and preparation facilities.

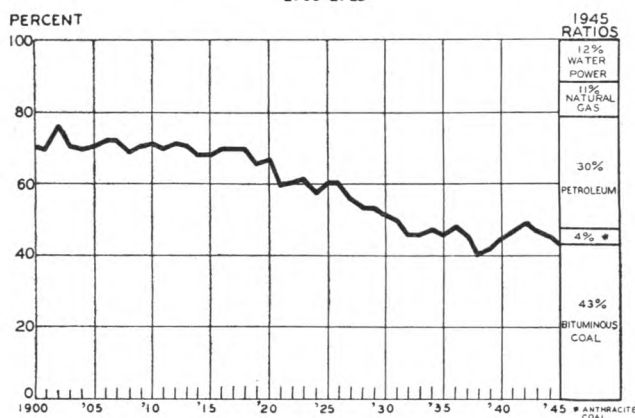
Progress in reducing labor requirements has been made. In 1920, 640,000 men mined 569 million tons while slightly less than 400,000 men produced 573 million tons in 1945. The savings through mechanization, however, have not been sufficient to offset the advancing wage scale so that the cost of mining coal has risen steadily.

Recently an additional fixed cost has been incurred in the form of a tonnage levy for health and welfare purposes. Since this levy seems to be subject to periodic bargaining, it is more likely to increase than decrease.

**Return on Net Worth** The combined effect of high costs and keen competition within the coal industry is reflected in the low earning power of the industry over a protracted period. In prosperous 1929, coal mining companies returned to their owners earnings of only 1.6 percent on net worth as compared with 14.7 percent for other mining companies and 12.6 percent for all manufacturers. The highest rate of return in the decade preceding the last war was 3.8 percent in 1941. In five of these years, the industry operated at a loss. In 1946, coal mining enterprises earned the largest income, 7.5 percent on net worth, but this was only half the rate of return for other mining operations and about two-thirds the rate for manufacturing in general.

**Housing Costs** A third problem which confronts the bituminous mining companies is peculiar to the industry and growing steadily in importance. It is the matter of providing housing and community facilities for the miners.

Ratio of Energy Produced From Bituminous Coal  
1900-1945



Source: Bureau of Mines



The construction of homes, or even whole new towns or villages, requires heavy capital expenditures and the assumption of fixed costs in the form of interest, depreciation, taxes, and maintenance charges. Such costs must be included in the total cost of producing coal, and they continue with little relation to the quantity of coal production. In the main, similar costs are not incurred by oil and gas producers although pipeline companies commonly provide living quarters at isolated pumping stations for their employees. The number, however, is relatively insignificant.

If the coal mining companies are required, either as the result of union pressure or Federal legislation, to improve and expand company towns for the miners, such requirements will contribute substantially to the competitive disadvantage of the industry. Moreover, the large mining companies will be in a better position than their smaller competitors to raise the necessary capital and to assume the attendant charges.

In recent coal contract negotiations, much has been said with regard to the housing conditions endured by bituminous coal miners. As a result of a provision in the last government contract with the union, the government undertook an industry-wide survey of housing and medical conditions in order to obtain factual information. The study was made by Navy medical officers and was published in March, 1947, under the title "A Medical Survey of the Bituminous Coal Industry," and is commonly known as the Boone Report.

**The Boone Report** The Report states that "definitely low standards of health are readily apparent in certain places, but not in all areas where coal is mined." Instead, there exist extremes of conditions from excellent to disgraceful. In many mining areas where subnormal housing and inadequate medical care are found, it is often the case that the surrounding country is also below normal in business, educational, and recreational facilities. In the instances where an outstanding job of providing living facilities for miners has been done, it appears to have been the result of the initiative of

management rather than of labor leaders. "Leadership in the ranks of labor is more evident in other endeavors," the Boone Report states.

There are five types of bituminous coal area housing: (1) company camps, (2) former company camps now owned and operated by real estate firms, (3) houses rented by miners from outsiders and which are located some distance from the mine, (4) housing purchased by the miners from the company and located near the mine, and (5) housing owned by the miners and located some distance from the mine, not purchased from the coal company.

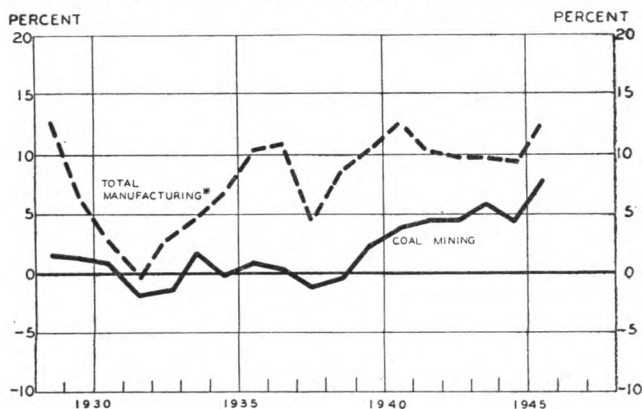
In the midwest there are very few company-owned communities, and the miners live in nearby villages and towns. In the Fourth District many coal companies are selling their houses to the miners and few new camps are being constructed. In the southern Appalachian area, new camps are going up where the new mines are located at a distance from populous centers. In a few cases the houses are being built for sale to the miners. Strip mines have no company camps because of the relatively few men employed and the migratory nature of the business.

The Boone Report states that 57 percent of coal miners' houses are company-owned. New mines are not likely to be near a city or town. To attract and hold labor, the company must provide housing. Many factors enter at this point to determine the eventual appearance of the camps. For practical reasons, the buildings are normally located near the mine entrance. A level topography allows a "city plan" to be developed, while a hilly area usually results in inferior roads and no plan whatsoever. Economy and the need for profit dictate that the houses be practically identical, be constructed of low cost materials, and be built row on row.

The investigating group found that 92 percent of all miners' houses are of frame construction and 66 percent are one-story. In company towns the houses are usually painted the same color. The company usually takes care of the exterior of its houses, while the tenant is responsible for the interior. The average structure is 28 feet square, has four rooms which include a kitchen, two bedrooms, and a living or dining room. There are no closets, no bathrooms, no basements, and are heated by a coal stove or grate. The privy is from 10 to 50 feet from the house and is frequently improperly located with relation to the water supply. The Report states that while bathrooms are provided in 40 percent of nonfarming housing in the United States, they exist in only 10 percent of company-owned miners' houses and in 31 percent of privately-owned miners' houses.

On the average it was found that the larger the mining company, the better the housing. Houses owned by large mines, that is, mines producing one million tons or more per year, were found structurally adequate in 63 percent of the cases studied. On the other hand, houses owned by companies producing less than 100,000 tons of coal a year were found adequate in only 12 percent of the cases.

Annual Net Profit or Loss as a Percentage of Net Worth



(Continued on page 12)

## RECENT FINANCIAL DEVELOPMENTS

**Time Deposits Leveling Off** Net additions to time deposits of individuals, partnerships and corporations have gradually become smaller over the postwar period, until in recent months the volume of such deposits has almost ceased advancing.

The average annual rate of increase in this deposit category at the twenty-one large Fourth District weekly reporting member banks was about 20 percent in 1945 and 10 percent in 1946. In the first two quarters of 1947, the rates of increase on an annual basis were 3 percent and 2 percent, while in the third quarter it is estimated that the figure dropped to 1 percent.

The trend has been similar in areas outside the six metropolitan centers in which the large weekly reporting banks are located.

**Experience of Comparable Institutions** Other types of financial institutions, such as savings and loan associations and mutual savings banks, have likewise experienced a decline in the rate of increase in savings accounts. The leveling off at these institutions, however, has not been as pronounced as that experienced by commercial banks.

Assets of a sample consisting of 138 savings and loan associations located in 26 Ohio cities and towns advanced approximately 12 percent in 1946, while in the first half of 1947 the annual rate of increase came to about 10 percent. Deposits of all mutual savings banks in the United States advanced about 10 percent in 1946, compared with an annual rate of 7 percent in the first half of this year. The corresponding percentages for the postal savings system were 12 percent and 7 percent.

**Causes of Deceleration** The downward trend of new savings at these financial institutions probably reflects the increased production and availability of consumer goods and new housing, as well as the rapid advance in the cost of living. In the eighteen-month period from January

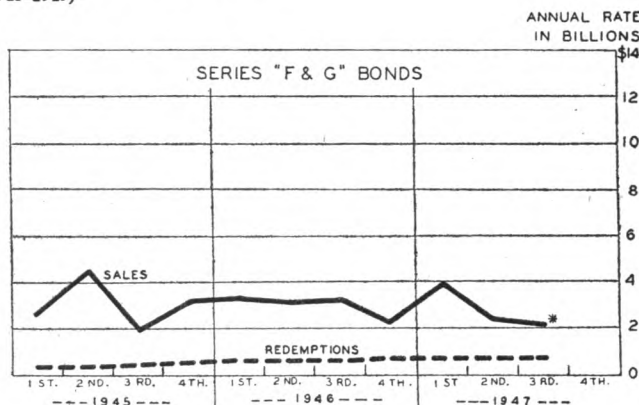
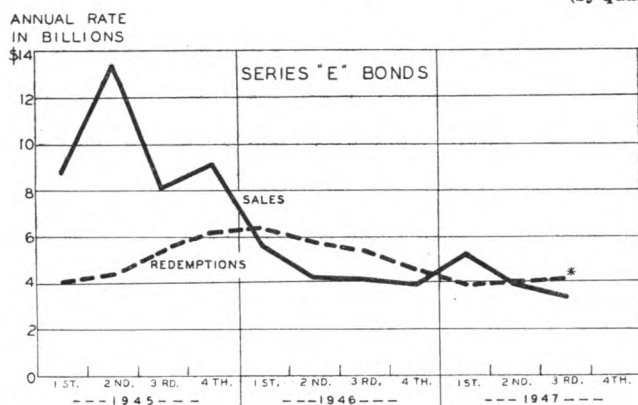
1945 through June 1946 the cost of living advanced about 24 percent, whereas personal incomes increased about 13 percent. Decisions on the part of many consumers to maintain their living standards regardless of rising prices helped to bring about a decline in the rate of gain in savings accounts.

The relatively sharp slowing down in the rate of increase in time deposits at commercial banks may be a matter of a comparatively large gain in the rate of withdrawals, or a comparatively large drop in new deposits, or both. Many owners of time deposits may look upon such resources as temporary savings, whereas shares in savings and loan associations, deposits in mutual savings banks, and accounts in the postal savings system may be looked upon more widely as permanent savings. If such an attitude exists, it could also account for a relatively sharp decrease in new time deposits at commercial banks.

**Interest Rates on Savings Accounts** It is also possible that the comparatively low interest rates paid on time deposits by commercial banks may have been a factor in the particularly sharp deceleration in the growth of such deposits. The average rate paid on time deposits by all Fourth District member banks was 0.9 percent in 1946. Mutual savings banks in Ohio averaged 1.3 percent per deposit in 1946. Postal savings accounts offer 2 percent, while most savings and loan associations in this District pay from 2 to 3 percent. The importance of the interest rate is subject to question, however, in that until very recently time deposits advanced at least as rapidly at commercial banks as did similar accounts in the other types of institutions.

Furthermore, there is no indication that commercial banks located in cities where savings and loan associations are strongest have experienced smaller gains in time deposits than have other commercial banks. For example, total shares in savings and loan associations located in Dayton are about 50 percent larger than total local commercial bank time

Annual Rate of Sales and Redemptions of Savings Bonds  
(by quarters 1945-1947)





deposits of individuals, partnerships and corporations, while in Columbus the savings and loan shares are about 10 percent larger than time deposits. In Cleveland, on the other hand, the savings and loan total is equivalent to only 25 percent of the commercial bank time deposit figure. Yet during the first half of this year, time deposits of individuals, partnerships and corporations advanced only 1.1 percent in Cleveland, compared with about 2.2 percent in the other two cities. There was very little difference between the three cities in the eighteen-month period from June 1945 to December 1946.

The importance of the interest rate paid on savings accounts is also minimized by the results of a recent analysis of rates paid by some Fourth District banks which recently have experienced rather large changes in the volume of time deposits. Fifty banks which, during the first half of 1947, experienced an above-average annual rate of gain of 28 percent in time deposits of individuals, partnerships and corporations paid an average interest rate on their total time deposits of 0.9 percent during the year 1946. The same average rate was paid in 1946 by another fifty banks where time deposits declined at the rate of 7 percent per annum in the first half of 1947.

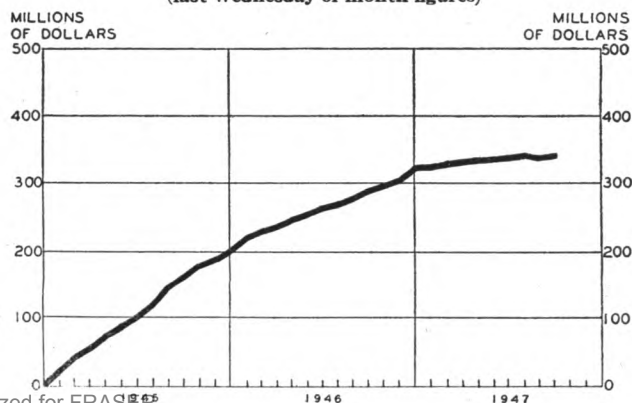
### Recent Savings Bank Trends

Some resistance to the decline in new savings has been offered by the trend in the sales price volume of U. S. savings bonds outstanding. The volume of Series E Savings Bonds declined about 3 percent during 1946, but in the first half of 1947 an annual rate of gain of about 2 percent occurred. The corresponding figures for F and G bonds were gains of 17 percent in 1946 and 14 percent in 1947.

Sales of E, F and G bonds have been fairly well maintained during the current year. The excellent 1947 sales totals doubtless reflect the highly favorable investment qualities of these bonds. Furthermore, redemptions of the E bonds have been considerably below last year's level. Many relatively weak holders of E bonds appear to have been weeded out during 1945 and 1946.

### Changes in Time Deposits of Individuals, Partnerships and Corporations

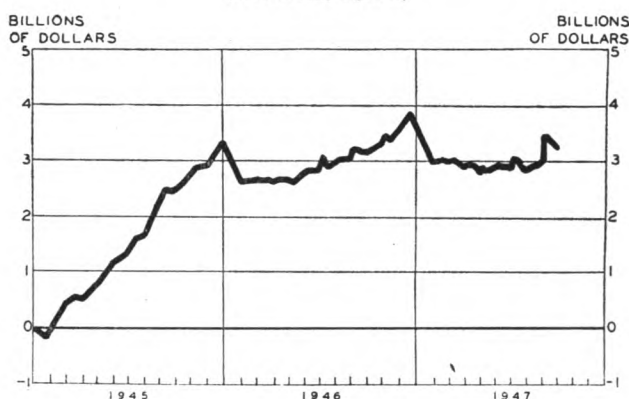
Fourth District Weekly Reporting Member Banks  
Cumulative from December 27, 1944  
(last Wednesday of month figures)



### Changes in Money in Circulation

Cumulative from December 27, 1944

(Wednesday figures)



### Life Insurance Sales

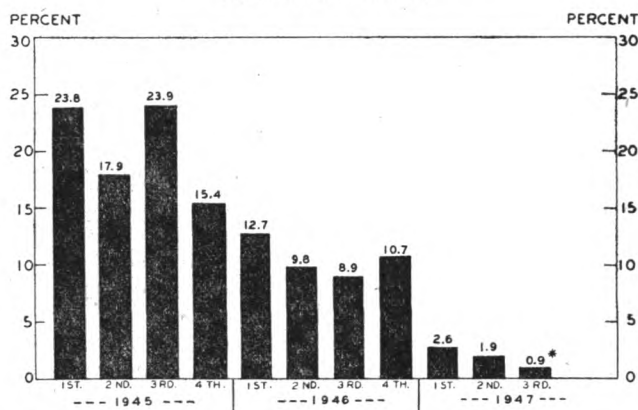
Purchases of new life insurance policies have likewise exhibited a trend running counter to that experienced by savings institutions. In the first half of 1947, sales were 4 percent above the comparable period of 1946 and 50 percent higher than in the first half of 1945. The relatively high sales figure for 1947 may be a reflection of the fact that because of higher living costs, a greater amount of insurance coverage is required to obtain the desired degree of protection.

### Recent Trend of Money in Circulation

Despite the relatively high income, price, and production levels of 1947 compared with 1946, the volume of currency in circulation in the current year to date has remained fairly close to the figures for last year. This may in part reflect more settled population conditions, as well as a reduction in black market activities. Perhaps an equally important factor is that many people may be drawing upon currency accumulations for living and other expenditures.

### Annual Rate of Increase in Time Deposits at Fourth District Weekly Reporting Member Banks

(by quarters 1945-1947)



\* Based on data through September 17, 1947.

## AGRICULTURAL SUMMARY

Despite the unfavorable influence of a late planting season and a mid-summer drought, the aggregate volume of domestic agricultural production this year is expected to equal that of a year ago and to exceed substantially the average of the past five years. Both crop and livestock production are being maintained at or near peak levels. Crop output this year is expected to be on a par with the all-time high established in 1946, and livestock production is scarcely four percent smaller than the record outturn of 1944. Thus while the reduction in feed crops has been an important factor contributing to the recent rise in farm product prices, current high prices are to be attributed in a large measure to an unparalleled foreign and domestic demand for agricultural products.

In two commodity groups, namely, dairy products and food grains, the anticipated volume of output this year is expected to exceed all previous records. For dairy products a moderately larger volume of butter and condensed milk is partially offset by somewhat smaller supplies of fluid milk and cream. Food grain production has risen sharply above the record high of a year ago by unprecedented harvests of wheat and rice and relatively large crops of rye and buckwheat.

The output of sugar crops likewise may equal a previous high set in 1938 because of larger than average plantings and near-average per acre yields. Cotton, oil bearing crops, and meat animals show prospect of a more favorable outturn. A larger acreage planted to cotton and a high average yield per acre account for the marked increase in cotton production this year over a year ago. A substantial increase in the indicated volume of peanuts and flaxseed to be harvested offsets a moderate decline in the soybean crop due to below average yields so that the total volume of oil bearing crops will probably exceed that of a year ago. A continued high rate of slaughter of cattle and calves has maintained the volume of meat animal production at a level slightly above that of a year ago despite a decline in the marketings of lambs, sheep and hogs.

**Feed Crops** Due to the smallest corn crop in more than a decade, feed crop production will be lower than in any year since 1943. Despite an anticipated decline of nearly one percent in grain consuming animal units on farms by year end the supply of grain per animal unit will be about 13 percent less than last year and 5 percent below the average of the past five years. This situation is complicated by the fact that the foreign demand for food grains is such as to limit the quantity of these grains that can be used for feeding purposes. Thus if much grain is exported then some further reduction in livestock enterprises seem probable even though the supply of by-product feeds is of near-record proportions and hay supplies per animal unit are considered to be the highest on record.

Other commodity groups for which substantial reductions from record levels of recent years are indicated are poultry and eggs, truck crops, other vegetables (includes potatoes) and tobacco. Poultry and egg production is down 10 percent from the peak attained in 1945 and nearly 4 percent below the output of a year ago. The indicated outturn of truck crops for fresh consumption is expected to be nearly 11 percent smaller than the peak production of the past year. Below average crops of potatoes and sweet potatoes carried the output of other vegetables to 19 percent below that of a year ago and to the lowest level in six years. Tobacco production is expected to be about 8 percent below a year ago but larger than in any of the preceding five years.

The indicated volume of fruit and nut crops is exceeded only by the record harvest of 1946. Record crops of pears and grapes and an above-average harvest of apples are responsible for the favorable outturn of this commodity group.

Volume of Agricultural Production  
For Sale and Home Consumption\*  
Index Numbers 1935-39=100

	1947	1946	All Time High	Year
<b>Livestock</b>	<b>137</b>	<b>137</b>	<b>141</b>	<b>1944</b>
Meat Animals.....	147	145	155	1944
Dairy Products.....	120	119	...	1947
Poultry and Eggs.....	147	153	163	1945
<b>Crops</b>	<b>137</b>	<b>136</b>	<b>136</b>	<b>1946</b>
Food Grains.....	201	164	...	1947
Feed Crops.....	141	172	172	1946
Cotton (lint and seed)....	90	66	144	1937
Truck Crops.....	140	157	157	1946
Other Vegetables.....	102	126	126	1946
Tobacco.....	146	159	159	1946
Fruit and Tree Nuts.....	129	133	133	1946
Oil Bearing Crops.....	299	275	325	1943
Sugar Crops.....	114	103	114	1938
<b>Total All Products</b>	<b>137</b>	<b>136</b>	<b>136</b>	<b>1946</b>

\* Based on crop indications August 1, corn, August 15, and estimated marketings and home consumption of crops, livestock and livestock products.

Source: Bureau of Agricultural Economics.

**Farm Prices At New Peak** Despite a record volume of agricultural products in the aggregate, prices received by farmers during the first eight months of 1947 have averaged about 24 percent higher than in the same period a year ago. A marked advance in prices received by farmers occurred in October of 1946. A moderate decline ensued thereafter until February when prices turned upward again to reach an all-time high in March of this year of 280% of the 1909-1914 average. In the intervening months prices received have remained within a range of 3 percent of the March 15 peak and within the past month have risen to a new all-time high of 286% of the pre-World War I base.

(Continued on page 12)

## DEPARTMENT STORE TRADE

**Summer Decline in Sales** The volume of sales in Fourth District department stores recently fell behind the record levels of last year. The decline in trade began after the establishment of an all-time high in May of this year.

While the extension of the decline into August was attributed to the unusually high temperatures which prevailed and which may have retarded the effect of customary seasonal influences upon fall trade, sales during the first three weeks of September were but three percent above those of last year. It appears, therefore, that the downward trend in department store sales cannot be attributed entirely to vagaries of the weather. A probable contributing factor is the pressure of increased prices of food and housing which are absorbing more of the consumers' income which otherwise might be expended in department store channels. Another development which may have deprived stores of some business normally transacted at this time is the fact that new fashion trends in women's apparel have not yet obtained enthusiastic acceptance among all prospective customers. Moreover, thus far the expenditure of the proceeds of terminal leave bond redemptions has had no perceptible effect upon department store trade.

**Departmental Trends** The increasing pressure of rising prices is reflected in the gradual shift in the proportion of total sales reported by basement departments. A year ago basement volume was roughly 13 percent of the store total, while currently it represents 14 to 15 percent of the entire volume. While main store departments in the aggregate are scarcely keeping abreast with a year ago, basement departments as a group are up 13 to 14 percent and are contributing substantially to the over-all gains reported. Sales of women's and misses' ready-to-wear and accessories in the upstairs section have suffered year-to-year declines this summer, whereas basement departments handling feminine apparel and accessories continue to show year-to-year increases. On the other hand, house-furnishings such as domestic floor coverings and major household appliances have been largely responsible for the sustained record high levels in the house furnishings section for the last nine or ten months.

**Inventories and Orders** The large inventories of merchandise which department stores reported earlier in the year have been worked down to more moderate levels and are now estimated to be only slightly above the levels of last September. In a number of main store women's and misses' ready-to-wear and accessories departments, stocks at the beginning of last month had reached the lowest level for the season in three to four years.

Outstanding orders for new merchandise which had been running 40 to 50 percent under the unprecedented levels established a year ago and had reached the lowest dollar volume since 1942, have increased again during the past few months.

**Proportion of Credit Sales** The composition of department store sales as between cash and credit business, and the ratio of collections on outstanding accounts receivable gradually has been shifting toward the relationships which prevailed before the war.

At the beginning of last month approximately 46 percent of department store sales of reporting stores in this District were made as regular charge account sales, 8 percent were on instalment charge accounts and the remaining 46 percent were cash, C.O.D. and "all other" sales. The average proportions in prewar 1941 fluctuated around 50, 10 and 40 percent respectively. The largest percentage of regular charge sales to total sales (52.8 percent) was reached in September of 1941 and the peak in the proportion of instalment accounts (13.6 percent) was made at about the same time. By mid 1944, cash sales represented roughly 58 percent of the total, while the proportion of charge account sales was at the wartime low.

The proportions changed considerably during the war period, particularly with respect to instalment sales, due to the scarcity and limited availability of major appliance goods, which were sold largely on an instalment basis. As stocks of durable consumer goods were depleted, few if any replacements were obtainable. With the return of most items in the so-called hard lines, instalment sales have trended upward and the proportion is now the largest in nearly six years.

**Collections** Collections on regular accounts this summer have averaged about 53 percent of the previous month's outstanding accounts which is somewhat below the level which prevailed throughout the period from 1943-1946, when collections regularly averaged around 60-65 percent. Nevertheless, present ratios compare favorably with the 46 percent rate of prewar 1941.

Monthly payments currently received on instalment indebtedness at department stores amount to 24-25 percent of outstandings, which is still well above the 1941 monthly average of slightly under 20 percent. During the period from 1943-1946 when consumer credit was subject to Federal regulation, the ratio fluctuated around 35 percent.



## Fuel

(Continued from page 7)

Few company houses have been built since 1920 with the result that 87 percent of company-owned houses are from 20 to 50 years old. Crowding is common, and one out of every four dwellings was found to have more than  $1\frac{1}{2}$  occupants per room. This occupancy rate occurred in only one out of ten noncompany-owned houses.

The maintenance of company-owned houses was found to vary considerably from company to company and from area to area. Generally, a large mine with a long future has reasonably good houses and maintenance and adequate housekeeping by the tenants. Small mines, with a life expectancy of ten years or less, generally were poorly maintained and also suffered from inferior housekeeping. Although many cases were found where the outside appearance had little resemblance to the condition of the interior, in most cases they were in about the same state of repair.

The Boone Report states that management, union organizations, and the miners themselves were collectively to blame for the "inertia that characterizes the situation; Management because, having instituted the system of the company camp as a logical element in profit venture, neglected, with notable exceptions, to fulfill the humanitarian obligations of its dual role of employer-governor; Unions because their overpowering interest in, and concern with, conditions of wages and hours seemingly blinds them to the importance of pressing with equal tenacity for housing and sanitary reforms; and finally, the rank and file miner, because he tolerates eradicable evils."

It is implied throughout the study that the mining companies should take steps to provide adequate new housing facilities in conformance with modern housing standards. No attempt was made to consider the effect of such expenditures upon the cost of producing coal, upon the financial ability of companies to embark upon such a program, nor to weigh the effects of such capital outlays upon the general competitive position of coal with relation to other fuels.

## Agriculture

(Continued from page 10)

### Record Cash Receipts

A large volume of farm products moving to market at relatively high prices has resulted in cash receipts from farm marketings of \$17.4 billion for the first

eight months of this year. This represents a 26 percent gain in cash receipts over the same months in 1946 if government payments are excluded. Most of this increase in cash receipts can be attributed to higher prices. Receipts from livestock and livestock products during the eight-months period this year exceeded that of the similar period a year earlier by 30 percent, while cash receipts from crop sales were 20 percent larger this year.

### Production Costs Increasing

Prices paid by farmers for items used in production and family living have averaged about 22 percent higher during the first eight months of this year than for the same period a year ago. The index of prices-paid, computed by the Department of Agriculture, was at an all-time high of 235 (1910-14 = 100) as of August 15. A further rise in the past 30 days carried the index to a new high of 237. Thus while production costs have been increasing, the advance in prices-paid of 22 percent does not quite equal the advance in prices-received of 24 percent when price levels during the two periods are compared. The spread between prices received and prices paid was further widened by price advances in the past 30 days. Therefore, the advance in prices-received may offset rising production costs to the extent that net income this year will equal if not exceed that of a year ago.

## CURRENT EVENTS

From September 23-26, inclusive, this bank provided space and facilities to the Mid-Continent Subcommittee of the Joint Committee on the Economic Report for public hearings on prices.

The group which conducted the hearings here, consisted of the following members of the Congressional subcommittee: Repr. George H. Bender of Ohio, Chairman, Senator John Sparkman of Alabama, Repr. Walter B. Huber of Ohio, and Repr. Henry O. Talle of Iowa; and Mr. Fred E. Berquist, Assistant Staff Director of the Joint Committee.

The hearings were authorized by the so-called Baldwin Resolution adopted on July 26 which directed the Joint Committee "(1) to make a full and complete study and investigation of the present high prices of consumer goods, and (2) to report to the Congress not later than February 1, 1948, the results of the study and investigation of its subcommittees together with such recommendations as to necessary legislation as it may deem desirable."

# SUMMARY OF NATIONAL BUSINESS CONDITIONS

*By the Board of Governors of the Federal Reserve System*

(Released for Publication September 26, 1947)

Industrial output in August recovered most of the decline shown in July. Total value of retail trade continued to show little change. Prices of goods in wholesale and retail markets advanced further to new high levels.

## Industrial Production

The Board's seasonally adjusted index of industrial production was 182 percent of the 1935-39 average in August as compared with 177 in July and 184 in June. Most of the August advance was due to increases in output of nondurable manufactured goods and minerals to levels slightly above June rates. Activity in industries manufacturing durable goods increased somewhat in August but remained 3 percent below the June level.

Output of steel rose to a rate of 90 percent of capacity in August, and indications are that it will average about that rate in September. Automobile production declined further in August, but advanced sharply in September. Output of lumber and most other building materials advanced in August, following decreases in July, while output of nonferrous metal products continued to decline.

Output of most nondurable goods increased in August, reflecting in part a recovery from exceptional vacation influences in July and in part increased domestic demand in such lines as textiles and leather products. Output of manufactured food products continued to advance somewhat more than is usual at this season.

Coal production rose sharply in August, the first full month of operations under the new wage contracts, but output for the month was still below the rate prevailing early this year. Output of crude petroleum showed a further slight advance.

## Employment

Employment in manufacturing increased in August, following a decline in July, and was somewhat larger than in June, reflecting chiefly seasonal increases in the food and apparel industries. A further rise in construction employment occurred in August. The number of persons unemployed declined to an estimated 2.1 million persons, which was about the same as a year ago.

## Construction

Value of contracts awarded for construction, as reported by the F. W. Dodge Corporation, rose by one-fourth from July to August and was higher than in any month since the postwar peak of May 1946. Increases occurred in all major types of construction, but were especially marked in awards for public utility construction, which more than doubled. Awards for all other nonresidential construction rose somewhat, while value of awards for residential building increased by more than one-fourth. The number of new permanent houses started in

August was estimated by the Bureau of Labor Statistics to be 83,000 units as compared with 80,000 last month and 65,000 a year ago.

## Distribution

Department store sales in August and the first half of September increased by less than the usual amount at this time of the year. Value of sales was about two percent less than in the corresponding period last year. Retail sales at all types of stores were about five percent larger in August than in the same month a year ago, reflecting chiefly increased sales of durable goods. Value of sales of most nondurable goods was only slightly larger, although retail prices were considerably higher than in August 1946.

Loadings of railroad revenue freight increased considerably in August to a rate slightly above the same month a year ago. The August increase reflected a sharp rise in coal shipments and a substantial gain in loadings of miscellaneous freight. In the early part of September, freight carloadings continued at a high level, after allowance for the usual Labor Day influence.

## Commodity Prices

The general level of wholesale commodity prices advanced further from the middle of August to the middle of September, and exceeded the peak reached in March of this year by about five percent. Prices of farm products and foods showed the largest increases. Prices of many industrial commodities have risen sharply since June.

Retail prices increased about one percent from June to July, according to preliminary figures for the consumers' price index of the Bureau of Labor Statistics. Rent levels in the six cities surveyed showed somewhat less than one percent rise in July, which was the first month affected by the new controls permitting increases of 15 percent on new leases extending through 1948. Indications are that retail prices have risen further since that time.

## Bank Credit

Further large gold inflows and a shift of funds from Treasury and foreign balances at Reserve Banks to accounts held at commercial banks in August and the first half of September provided funds for a substantial expansion in member bank reserves, a large outflow of currency associated with cashing of veterans' Terminal Leave Pay Bonds, and a decline in Federal Reserve holdings of Government securities. Required reserves increased considerably during the period reflecting large additional expansion in bank deposits.

Commercial and industrial loans at banks in leading cities continued to increase sharply in August and early September. Consumer and real estate loans also expanded further, and holdings of Government securities showed little change.

# DEPARTMENT STORE TRADE STATISTICS

## Sales by Departments—August, 1947

As Compared with a Year Ago

(Compiled September 29, and released for publication October 1)

Major Household Appliances	+56%
Aprons and Housedresses	+22
Domestic Floor Coverings	+21
Sportgoods (including cameras)	+5
Notions	+2
Furniture and Beds	-1
Beauty Salon	-1
Domestics and Blankets	-1
Housewares	-5
Luggage	-6
Toilet Articles and Drug Sundries	-7
Restaurants	-9
China and Glassware	-9
Women's Underwear	-9
Men's Furnishings (Hats and Caps)	-9
Corsets and Brassieres	-10
Lamps and Shades	-10
Books and Stationery	-11
Handkerchiefs	-11
Silverware and Jewelry	-12
MAIN STORE TOTAL	-13
Cotton Wash Goods	-14
Photographic Studio	-15
Men's and Boys' Shoes	-16
Shoes (Women's and Children's)	-18
Leather Goods (Small)	-18
Toys and Games	-18
Men's Clothing	-20
Furs	-20
Art Needlework and Art Goods	-21
Infants' Wear	-21
Boys' Clothing and Furnishings	-21
Juniors' and Girls' Wear	-21
Laces and Trimmings	-22
Draperies and Curtains	-22
Dresses (Women's and Misses')	-23
Hosiery (Women's and Children's)	-23
Neckwear and Scarfs	-27
Blouses, Skirts and Knit Goods	-29
Silks and Velvets (Woolen Dress Goods)	-31
Coats and Suits (Women's and Misses')	-38
Millinery	-42
Gloves	-42

During the month of August, only five major departments were able to better the year ago level of sales, while many sections reported year-to-year declines ranging from 20 percent to as much as 42 percent.

The most drastic year-to-year reductions in sales occurred in women's and misses' ready-to-wear apparel and accessories. **Millinery** sales were the smallest for the month since 1942, and 42 percent short of last year's aggregate.

Sales of **gloves**, likewise fell 42 percent behind the August 1946 level and were the smallest for the month in four years.

The volume of sales of **women's and misses' coats and suits** during August failed to reach last year's level by 38 percent and was the smallest for the month since 1943. A similar four-year low was recorded in the **blouses, skirts, etc.**, department where dollar transactions were 29 percent below the 1946 month.

August **neckwear** sales were the smallest since August 1943, and 27 percent below a year ago.

An outstanding exception in the feminine apparel section was the sharp expansion in sales of **aprons and housedresses** which totaled 22 percent more than last year and established an all-time high for the month.

The only other departments which maintained substantial margins over a year ago were in the house furnishings section.

Total sales of **major household appliances** were the second highest on record for any month and 56 percent ahead of August 1946. Activity in **domestic floor coverings** departments likewise was ahead of any other August on record.

The postwar spurt in sales seems to be tapering off, at least temporarily, in such departments as **sport goods, men's clothing, men's and boys' shoes, infants' wear, corsets and brassieres, and silverware and jewelry**, all of which reported either year-to-year declines for the first time in many months, or only nominal gains after a long succession of wide margins.

## Inventories by Departments—August 31, 1947

As compared with a year ago

(Compiled September 30, and released for publication October 2)

Major Household Appliances	+199%
Men's Clothing	+104
Domestic Floor Coverings	+85
Men's and Boys' Shoes	+80
Shoes (Women's and Children's)	+73
Sport Goods (including Cameras)	+43
Cotton Wash Goods	+24
Hosiery (Women's and Children's)	+23
Silks and Velvets	+23
Furniture, Beds, Mattresses and Springs	+17
China and Glassware	+15
Luggage	+10
Men's Furnishings (including Hats and Caps)	+8
Corsets and Brassieres	+8
Domestics, Blankets and Towels	+3
MAIN STORE TOTAL	+3
Dresses (Women's and Misses')	+2
Millinery	-0
Boys' Clothing and Furnishings	-1
Silverware and Jewelry	-2
Women's Underwear	-5
Infants' Wear	-7
Housewares	-8
Coats and Suits (Women's and Misses')	-9
Draperies and Curtains	-10
Books and Stationery	-16
Notions	-17
Laces and Trimmings	-17
Toilet Articles and Drug Sundries	-17
Art Needlework and Art Goods	-18
Aprons, Housedresses and Uniforms	-21
Gloves	-22
Toys and Games	-24
Lamps and Shades	-29
Leather Goods (Small)	-33
Furs	-33
Juniors' and Girls' Wear	-33
Handkerchiefs	-37
Neckwear and Scarfs	-37
Blouses, Skirts and Knitgoods	-38

Department store inventories increased slightly during August. The rise was somewhat greater than seasonal with the result that total stocks were 3% higher than in the corresponding period a year ago.

Moreover, there was wide variation among departments ranging from a year-to-year increase of 199% in the case of **major household appliances** to a 38% decline from a year ago with respect to **blouses, skirts, etc.**

Although stocks of **refrigerators, stoves, washers, etc.**, were up 199% for the year, there occurred an 8% decline during August and at month-end, inventories were equivalent only to a little more than one month's sales.

The supply situation in **domestic floor coverings** improved somewhat during August with stocks reaching virtually the highest level on record for any month, 85% above a year ago. At the other extreme, in the house furnishings section, stocks of **lamps and shades**, while increasing slightly, were the lowest for any August 31 since 1944.

**Men's clothing** stocks increased substantially during August to an all-time high level for any month and 104% above a year earlier. Month-end inventories were equal to about 4½ months' sales at the August rate. **Men's and boys' shoes** likewise increased in supply during August to an unprecedented level 80% above a year ago.

Among feminine apparel and accessories departments, in many instances August 31 inventories were the smallest in three or four years. Departments which established three-year lows included **furs**, off 33%; **juniors and girls' wear**, off 33%; and **blouses, skirts, etc.**, 38% below a year ago.

Inventories were the lowest in four years in the **handkerchief and neckwear** departments, both 37% below the comparable 1946 figure. **Glove** supplies were also the lowest in four years.

Inventories of **handbags** and **other small leather goods**, down 33%, were the smallest since 1941 or earlier.

None of these percentages has been adjusted for changes in the price level during the various intervals.

## August Department Store Sales by Cities\*

(Compiled September 26, and released for publication September 28)

CITY	% Change From		Sales During Aug. (Aug. 1941=100)					
	July '47	Aug. '46	1941	1943	1945	1946	1947	1947
Pittsburgh	+18	-7	100	89	106	168	156	
Youngstown	+15	-3	100	100	125	184	179	
Toledo	+11	-5	100	111	130	194	183	
Erie	+9	+1	100	103	106	154	156	
Fourth District	+8	-5	100	97	111	169	161	
Springfield	+7	-2	100	137	145	186	183	
Columbus	+6	-9	100	122	155	230	210	
Canton	+6	-5	100	111	122	178	170	
Cleveland	+4	-9	100	94	99	151	140	
Wheeling	+4	-7	100	90	118	175	159	
Cincinnati	+2	-7	100	96	121	183	170	
Akron	+1	-2	100	109	121	162	159	

\* Based on daily average sales.

During August daily average sales in the Fourth District as a whole were 8% larger than in July, whereas the normal seasonal pattern calls for a gain of about 11%. Exceptionally warm weather throughout most of the month

## Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Aug. 1947	July 1947	Aug. 1946	Aug. 1947	July 1947	Aug. 1946
SALES:						
Akron (6)	298	302	304r	253	251	258r
Canton (5)	329	338	345	289	273	304
Cincinnati (8)	288	326	306	242	238	257
Cleveland (10)	244	278	262	217	209	234
Columbus (5)	319	327	349	271	255	297
Erie (3)	291	301	286	250	229	246
Pittsburgh (8)	256	289	275	222	188	239
Springfield (3)	299	305	305	245	229	250
Toledo (6)	278	296	294	233	210	247
Wheeling (6)	243	256	266	197	189	216
Youngstown (3)	297	314	305	271	235	278
District (96)	273	281	286	237	220	249
STOCKS:						
District	219	216	208	236	216	225

r=Revised

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## FINANCIAL AND OTHER BUSINESS STATISTICS

## Bank Debits\*—August, 1947

(In Thousands of Dollars)

(Compiled September 10, and released for publication September 12)

	August 1947	% Change From Year Ago	3 Months Ended Aug. 1947	% Change From Year Ago
ALL 30 CENTERS .....	\$5,894,730	+ 7.1%	\$18,052,757	+10.2%
10 LARGEST CENTERS				
Akron .....	208,492	- 4.5	646,667	- 2.7
Canton .....	96,849	+ 9.2	294,740	+13.9
Cincinnati .....	758,734	+ 7.4	2,338,481	+ 8.2
Cleveland .....	1,530,717	+ 4.9	4,716,913	+ 8.5
Columbus .....	430,808	+ 5.9	1,329,731	+ 6.1
Dayton .....	210,465	+15.0	655,282	+19.1
Toledo .....	371,859	+ 6.7	1,090,048	+10.3
Youngstown .....	131,158	+21.4	417,932	+29.7
Erie .....	81,310	+12.0	236,651	+11.4
Pittsburgh .....	1,542,675	+ 9.5	4,707,948	+13.5
TOTAL .....	\$5,363,067	+ 7.3%	\$16,434,393	+10.2%
20 OTHER CENTERS:				
Covington-Newport, Ky.	\$33,210	- 4.9%	\$105,042	- 4.6%
Lexington .....	46,833	- 7.1	145,116	- 1.5
Hamilton .....	31,377	+15.9	98,239	+21.6
Lima .....	39,883H	+14.7	114,446	+14.2
Lorain .....	17,152H	+23.9	50,199H	+26.9
Mansfield .....	34,367	+11.4	106,855	+19.8
Middletown .....	27,001	-12.0	83,034	+ 1.1
Portsmouth .....	18,859	+15.9	56,009	+18.1
Springfield .....	41,199	+ 0.8	122,269	+ 6.1
Steubenville .....	19,404	+ 0.7	61,303	+ 4.0
Warren .....	31,662	+ 6.0	98,181	+15.4
Zanesville .....	23,700	+16.5	72,303H	+20.7
Butler .....	28,770	+16.4	86,722H	+20.7
Franklin .....	7,617H	+10.5	20,866	+ 1.3
Greensburg .....	16,856	- 0.6	52,895	+ 4.7
Homestead .....	7,352	+ 6.5	22,875H	+ 6.7
Meadville .....	10,467	+14.6	33,998	+14.0
Oil City .....	17,715	+ 6.5	55,161	+ 8.8
Sharon .....	25,596H	+14.3	72,607H	+18.2
Wheeling .....	52,643	+ 1.6	160,244	+ 5.1
TOTAL .....	\$531,663	+ 5.4%	\$1,618,364	+ 9.7%

H denotes new all-time high for one month or quarter-year.

\* debits to all deposit accounts except interbank balances.

Bank debits in 30 Fourth District cities during August totaled \$5,895,000,000, the smallest figure reported in the past six months. The August figure was approximately \$200,000,000 or 3.4 percent under the July total.

Compared with a year ago, August 1947 debits were up approximately 7 percent, compared with an advance of 8 percent in July, 16 percent in June and 20 percent in May.

In evaluating the above data, it may be noted that August a year ago and July this year each included 22 days exclusive of weekends and holidays, whereas there were only 21 such days during the past month. The unusually hot weather experienced this August may also have had an effect on the debit figure.

## TEN LARGEST CITIES

Youngstown, with an increase of about 21 percent over a year ago, led the large cities in this respect for the sixth successive month. Debits at the ten largest cities combined averaged approximately 7 percent more than in August a year ago, but that average was exceeded by Dayton (15%), Erie (12%), Pittsburgh (10%), and Canton (9%). The Cincinnati gain over a year ago was about equivalent to the average for all the large cities, while Cleveland and Columbus were somewhat lower. In Akron, debits were below a year ago.

## TWENTY SMALLER CENTERS

For the second month in succession, Lorain led the smaller centers in percentage gain over a year ago, this time with a mark of about 24 percent. The average gain for all twenty centers was 5.4 percent, slightly lower than the figure for the large cities. All-time highs were set in August at Lima, Lorain, Franklin and Sharon. Sharon debits exceeded the \$25,000,000 mark for the first time.

The coverage of smaller centers has recently been enlarged by the addition of the city of Meadville, Pa. Meadville debits totaled approximately \$10,500,000 in August compared with \$9,100,000 a year ago.

## Time Deposits—12 Fourth District Cities

(Compiled September 4, and released for publication September 5)

City and Number of Banks	Time Deposits Aug. 27, 1947	Average 2nd Quarter Apr., May, June	Weekly Change During: 5 Weeks Ended July 30, 1947	4 Weeks Ended Aug. 27, 1947
Cleveland (4) .....	\$861,340,000	+\$167,000	+\$448,000	+\$219,000
Pittsburgh (13) .....	357,238,000	+ 274,000	- 3,000	+ 64,000*
Cincinnati (8) .....	181,844,000	+ 152,000	- 46,000	+ 369,000
Akron (3) .....	102,418,000	+ 151,000	+ 49,000	+ 41,000
Toledo (3) .....	90,934,000	+ 13,000	+ 14,000	+ 155,000
Columbus (3) .....	71,932,000	+ 39,000	+ 43,000	+ 16,000
Youngstown (3) .....	61,438,000	+ 7,000	+ 29,000	+ 42,000*
Dayton (3) .....	49,560,000	+ 24,000	- 77,000	- 29,000
Canton (4) .....	39,411,000	+ 23,000	- 65,000	- 45,000
Erie (4) .....	38,833,000	+ 58,000	+ 113,000	+ 164,000
Wheeling (6) .....	29,123,000	+ 15,000	+ 45,000	+ 16,000
Lexington (5) .....	10,570,000	+ 2,000	+ 8,000	- 4,000
TOTAL—12 Cities .....	\$1,894,641,000	+\$925,000	+\$500,000	+\$154,000

\* Pittsburgh and Youngstown figures adjusted for bank mergers that occurred during August. Pittsburgh figure also adjusted for a transfer of a large trust fund account.

Time deposits at 59 banks in the largest cities of the Fourth District again advanced to a new all-time high during the month of August. The gain constituted the fourteenth successive monthly increase since this series was inaugurated in the summer of 1946.

The weekly rate of increase of \$154,000 during August, however, was the smallest experienced in the postwar period to date. In July the corresponding figure was \$500,000, and in the second quarter of the year the weekly increases averaged \$925,000. In the third quarter of 1947 the comparable figure was almost \$1,600,000.

During August, time deposits increased in only six of the twelve cities from which reports are received. Outstanding gains occurred in Erie and Toledo. The Erie rate of increase was the largest experienced since the series was first computed, while the Toledo figure was the highest recorded since January.

Other cities where gains occurred were Cleveland, Pittsburgh, Youngstown and Wheeling. In Youngstown and Pittsburgh, the gains more than offset the declines reported in the preceding month. The Cleveland weekly rate of increase was the smallest since April.

Total time deposits declined slightly in Cincinnati, Akron, Columbus, Dayton, Canton, and Lexington. The August reduction represented the fourth successive drop for Canton and Cincinnati and the third consecutive decrease for Dayton. However, time deposit totals in these cities currently are within one percent of the respective all-time highs established earlier in the year.

## Retail Trade

	SALES Aug. 1947	Percentage Changes From Preceding Year SALES STOCKS First 8 Months Aug. 1947
DEPARTMENT STORES (96)		
Akron .....	- 6	+ 5
Canton .....	- 8	+10
Cincinnati .....	-10	+ 7
Cleveland .....	-10	+ 6
Columbus .....	-12	+ 4
Erie .....	- 2	+ 9
Pittsburgh .....	-10	+ 6
Springfield .....	- 6	+ 4
Toledo .....	- 9	+ 7
Wheeling .....	-12	- 2
Youngstown .....	- 6	+ 8
Other Cities .....	+12	+24
District .....	- 8	+ 7
WEARING APPAREL (14)		
Cincinnati .....	-22	- 5
Cleveland .....	-29	- 8
Pittsburgh .....	-29	-12
Other Cities .....	-24	- 3
District .....	-27	- 7
FURNITURE (59)		
Canton .....	a	a
Cincinnati .....	- 7	+ 2
Cleveland .....	+ 4	+ 9
Columbus .....	-18	+ 5
Dayton .....	+16	+ 6
Pittsburgh .....	a	a
Allegheny County .....	+13	+22
Toledo .....	-16	+12
Other Cities .....	+10	+19
District .....	+ 1	+12

a Not available.

Figures in parentheses indicate number of firms reporting sales.

18% over the preceding month, Youngstown was second with a gain of 15% and Toledo third with an advance of 11%. Erie also bettered the average District figure.

As compared with last year, daily average sales in August of all reporting stores were 5% below the 1946 level. Erie was the only large city where sales were larger than a year ago. The shrinkage in Akron, Springfield, and Youngstown was not as great as for the District as a whole.

Widest declines from a year ago were recorded in Cincinnati, Cleveland, Columbus, Pittsburgh and Wheeling where daily average sales fell 7% to 9% below last year. Columbus, however, continues to lead in amount of gain over prewar 1941, with August sales 210% of August 1941.

## August Department Store Sales by Cities

(Continued from Page 14)

is believed to have been the major factor in retarding the late-summer upswing in trade.

Since the end of August, sales volume has increased in line with seasonal expectations.

## INDIVIDUAL CITIES

For the second month in succession, Lorain led the smaller centers in percentage gain over a year ago, this time with a mark of about 24 percent. The average gain for all twenty centers was 5.4 percent, slightly lower than the figure for the large cities. All-time highs were set in August at Lima, Lorain, Franklin and Sharon. Sharon debits exceeded the \$25,000,000 mark for the first time.

