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No. 1

LOAN EXPANSION IN THE POSTWAR PERIOD

Loan portfolios of Fourth District member banks have expanded more rapidly in the postwar period than at any other time on record. In the two years ended June 30, 1947, the gain totaled 53 percent at Fourth District reporting banks, compared with an advance of about 42 percent in the period of similar duration after the first World War.

The expansion of loans following World War I, furthermore, came to an end about two years after the end of the war, whereas in the current postwar period the expansion has continued rapidly well into the third year of peace. In 29 months up to the end of November 1947, total loans increased about 70 percent at Fourth District member banks.

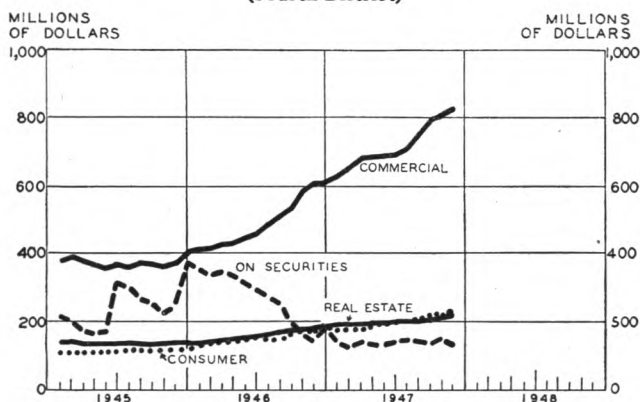
Almost All Types of Loans Expand All types of loans, except loans to brokers and others on securities, have shared in the rapid postwar expansion. An accompanying chart, which concerns the loan portfolios of the large weekly report-

ing member banks, discloses that commercial, as well as consumer and miscellaneous loans have more than doubled at those institutions, while real estate loans have advanced by about two-thirds. Were it not for the postwar contraction of loans on securities, the advance in total loans would have been substantially larger than has actually been the case.

Country Banks Surpass Reserve City Banks The gains at Fourth District country banks have been even greater than those experienced by institutions in the largest cities.

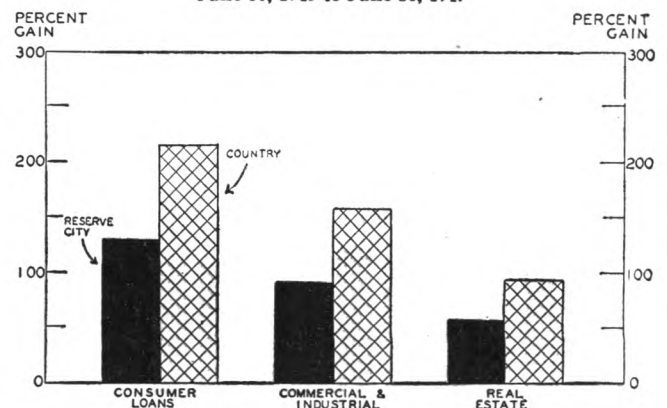
For example, commercial loans moved up 90 percent at reserve city banks in the two years ended last June 30, whereas the gain in this loan category at country banks approached 160 percent. Percentage increases at country banks in real estate and consumer loans likewise exceeded by far the gains at reserve city institutions, as is indicated by an accompanying chart.

Changes in Loan Portfolios
21 Weekly Reporting Banks
(Fourth District)



... the rapid expansion of commercial loans is one of the outstanding features of banking in the postwar period.

Comparison of Loan Expansion at Reserve City and
Country Member Banks
Fourth District
June 30, 1945 to June 30, 1947



... loans expanded more rapidly at country banks than at reserve city banks.

Fourth District Ranks High in Nation The postwar expansion of loans at Fourth District member banks has been at a more rapid rate than that experienced in most of the rest of the nation. The District ranks third among the twelve Federal Reserve Districts in percent gain in total loans (exclusive of loans on securities) for the two-year period ended last June 30. The Fourth District advance of 91 percent was exceeded only by the San Francisco and Richmond Districts. The gains in the twelve Districts are arrayed in an accompanying chart.

Compared with the rest of the nation, the Fourth District banks experienced particularly large gains in non-real estate loans to farmers and in consumer loans. An accompanying chart indicates that the former loan category doubled in this District in the two years ended June 30, compared with an average gain of 50 percent in other Districts. The Fourth District banks reported a slightly larger gain in commercial loans than did the rest of the country, but in the case of real estate loans this District lagged well behind the nation-wide expansion.

Individual Banks Vary Greatly Reference to "average" changes conceals the fact that there has been a very great variation from bank to bank in the trend of loans during the postwar period. An accompanying chart illustrates this by showing the distribution of changes which occurred in the six months from May 28 to last November 26. The beginning date of this period corresponds to the approximate starting time of the latest upsurge in lending at Fourth District banks. A seasonal expansion of loans ordinarily occurs in this six-month interval, but the normal expansion is of a much more moderate scope than that experienced during 1947.

During this recent six-month period, nine percent

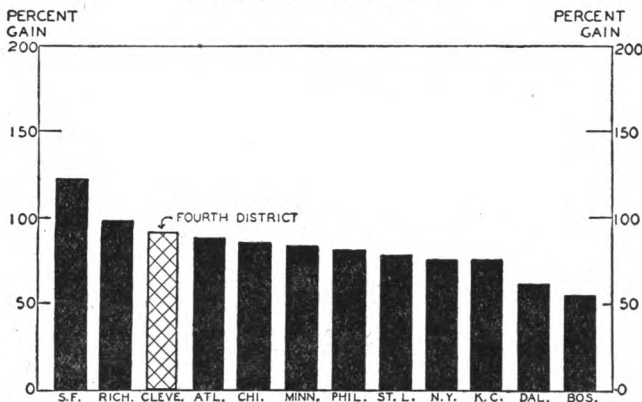
of Fourth District member banks underwent a reduction in loan volume, whereas twelve percent of the District's member banks enjoyed an advance of 30 percent or more. The middle third of the banks experienced a gain of between 10 and 19 percent.

The considerable variation in the changes is also emphasized by the accompanying map, which presents average percentage increases in loans during this recent six-month period by counties. Twenty-eight of the 169 counties in this District experienced a gain of 20 percent or more, whereas twenty-nine counties sustained a gain of less than 10 percent. Some of the largest gains occurred in agricultural counties of Kentucky and Southern Ohio, which in part may reflect borrowing to finance the tobacco crop that is marketed in December. In general, the percentage advance in loans was smaller in the metropolitan centers of the District than in the less populated areas.

Interest Rates Remained Low Despite the unprecedented demand for loanable funds in the postwar period, interest rates have remained at or near record low levels. For example, rates on new commercial loans reported in the nineteen-city customer loan series maintained by the Federal Reserve System averaged 2.4 percent in 1945, 2.3 percent in 1946, and in 1947 the March, June and September figures respectively have averaged 2.3 percent, 2.4 percent, and 2.2 percent. These rates may be compared with averages of 2.5 percent for 1941, 2.6 percent for 1937, and 5.8 percent for 1929.

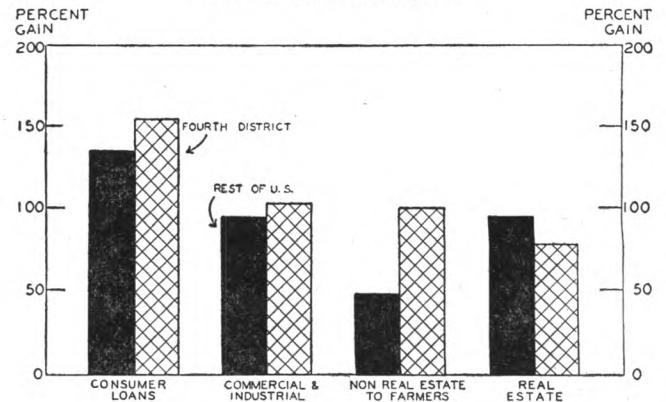
Source of Funds Interest rates thus far have remained low in the postwar period because the large demand for loans has been matched by an ample supply of funds available for lending. Member bank reserve balances, which constitute the best indicator of the lending position of the commercial banks, have been adequate to finance the expansion of loans

**Gains in Total Loans
(Commercial, Real Estate, and All Other)
By Federal Reserve Districts
June 30, 1945 to June 30, 1947**



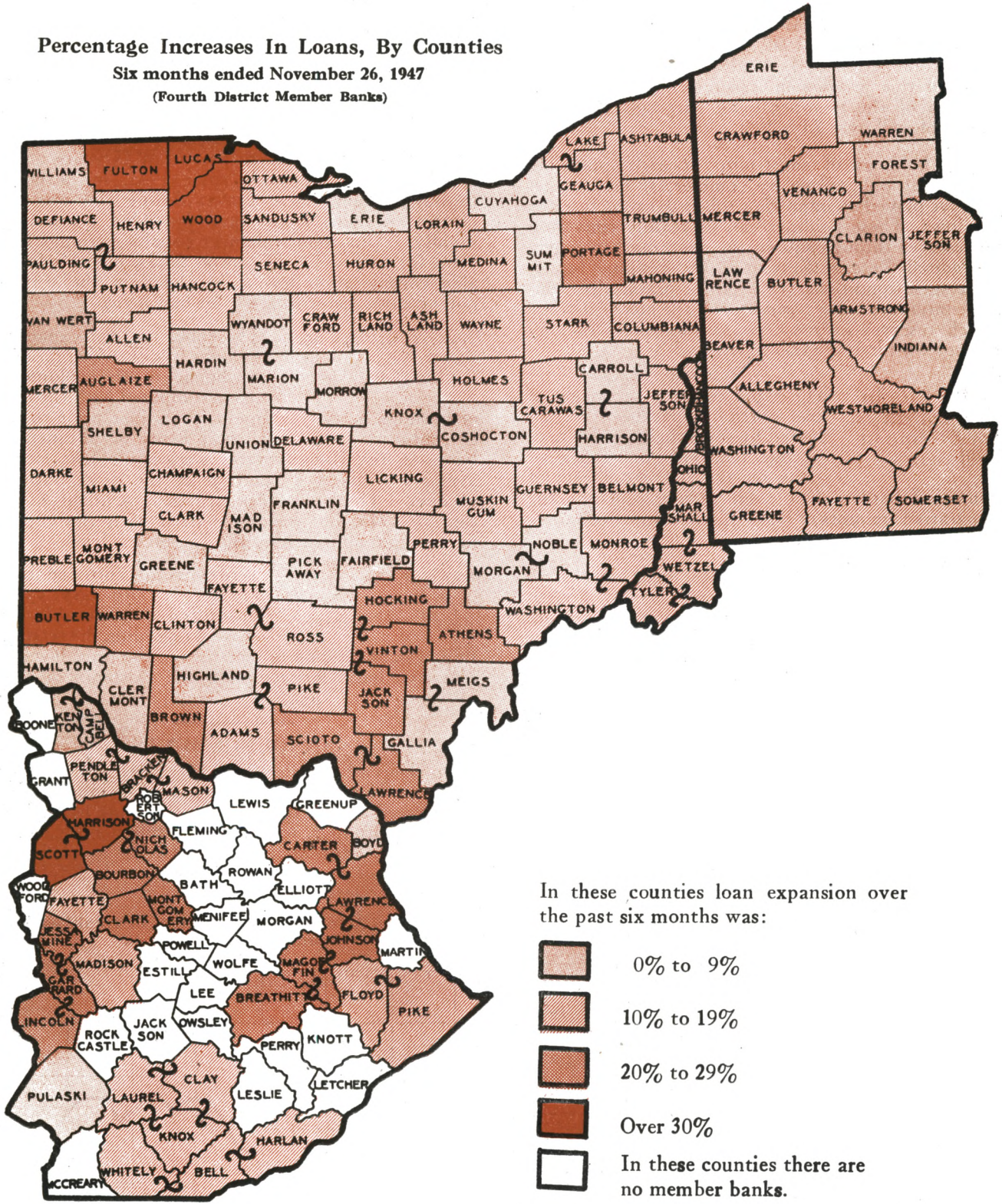
... the Fourth District ranks third highest in postwar loan expansion.

**Gains in Selected Types of Loans
June 30, 1945—June 30, 1947**








... all except real estate loans increased more in the Fourth District than in the rest of the United States.


Percentage Increases In Loans, By Counties
Six months ended November 26, 1947
 (Fourth District Member Banks)



In these counties loan expansion over the past six months was:

-  0% to 9%
-  10% to 19%
-  20% to 29%
-  Over 30%

 In these counties there are no member banks.

 Counties combined because of small number of member banks.

and the money supply in large part because of gold imports, the value of which totaled over \$2¼ billion during the past twelve months. This influx of funds was a factor in the \$650 million increase in member bank reserves during 1947 notwithstanding a substantial contraction of Federal Reserve bank credit. A gain of this proportion is sufficient to permit an expansion of the member bank earning assets and deposits of well over \$3 billion.

Large holdings of short-term or early maturing Government obligations by commercial banks likewise have played an important role in keeping interest rates low. These holdings can be readily converted into reserves through sale in the open market, where the Federal Reserve System is the residual buyer. Under such conditions these issues practically constitute interest paying reserves, and the mere existence of such reserves exerts a restraining effect on any tendency for interest rates to rise.

Postwar Rise in Loans Contrasts With Decline in Investments The rapid postwar expansion of loan portfolios has been accompanied by several changes of note in the relative importance of items on the balance sheets of commercial banks. One such change concerns the comparative amounts of loans and investments among the earning assets of banks.

In the 16-year period of 1929-1945, loans had shrunk in importance relative to investments. At Fourth District member banks, for example, total loans were more than twice as large as investments in 1929, but in the 1930's loans contracted and investments expanded so that by 1939 loans were only about 60 percent as large as investments. During the war, loans increased but investments expanded far more rapidly, so that by 1945 the percentage had fallen to almost 20 percent.

In the postwar period this 16-year trend has been reversed, for the debt retirement program of the Treasury and loan expansion by the banks have

raised the percentage of loans to investments to almost 45 percent or the level which prevailed in the Fall of 1942.

Ratio of Capital to Loans Declines The postwar period has also witnessed a rather pronounced downward trend with regard to the ratio of capital accounts to loans. Currently capital accounts are approximately a third as large as total loans of Fourth District member banks, the lowest ratio to prevail in 15 years. This ratio has been declining since 1943, for although capital accounts have grown during the war and postwar periods, loans have expanded much more rapidly. This trend enhances possible earnings from loans for each dollar of capital funds, but this favorable consideration has a drawback in the way of potentially greater losses from bad loans.

Loan Volume Compared With Gross National Product The rapid postwar expansion of loans has likewise produced a change in the volume of loans compared with the level of business activity. In the years just prior to our entrance into the war, total loans of all member banks in the United States were equivalent on the average to about 15 percent of the gross national product. The percentage dropped to about 8 percent in 1943, but has since risen with the current figure again approaching the 15 percent level.

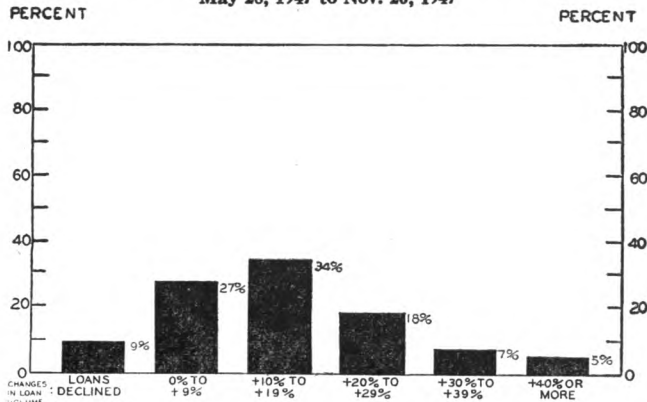
Relationship of Loan Expansion to Price Level Changes Widespread concern over rising living costs has prompted considerable discussion regarding the relationship of bank lending to increases in the price level. A tentative basis for assuming the existence of some

(Continued on Page 12)

ANNOUNCEMENTS

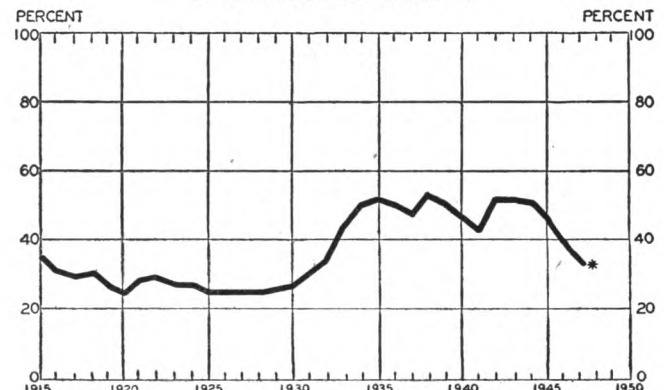
On December 31, 1947, Mr. Joel M. Bowlby, President, Eagle-Picher Company, Cincinnati, Ohio, was elected a Class B director of this bank by member banks in Group 3, to fill the unexpired term of Mr. Thomas E. Millsop, resigned. Group 3 consists of 372 member banks with capital and surplus of \$200,000 or less.

Distribution of Fourth District Member Banks By Percentage Change in Total Loans
May 28, 1947 to Nov. 26, 1947



... the loan expansion of the past six months was not uniform among all banks, although in the majority of cases the increase was less than 20%.

Capital Accounts as a Percentage of Total Loans
Fourth District Member Banks



*1947 estimated.
... the ratio of capital accounts to total loans has fallen to the lowest point in fifteen years.

DEPARTMENT STORE TRADE AND GENERAL BUSINESS LEVELS

Among business developments in 1947 one of the most important, but least discussed, was the sag in physical volume of department store sales. Attention was diverted by the succession of new all-time highs in dollar sales volume. A bigger block to understanding was the lack of a well-recognized measure of physical volume, and the awkwardness of resorting to estimates of the part played by price increases in the swelling dollar volume of sales.

Although unit sales of certain departments such as durable goods were higher than in 1946, aggregate physical volume of department store sales during the past year ran behind 1946. Industrial production, however, was above the 1946 level. So were other indicators of business which may properly be compared with department store sales. Such are the principal facts, as shown in more detail in the charts on the next two pages.

Department store sales for the Fourth Federal Reserve District from 1945 through the first ten months of 1947 are compared in the chart with national trends in the production of nondurable manufactures, with the production of a special grouping of manufactured products more directly related to department store trade, with total personal income and with wholesale prices. The comparison would be essentially the same if nation-wide department store data were used, since the Fourth District sales during this period, as usual, followed very closely the course of sales for the country as a whole.

An index of department store sales always shows sharp monthly zig-zags, even after adjustment for seasonal variation. Such random fluctuations are due in part to the influence of non-seasonal weather changes on department store business. They are more marked than short term fluctuations in production or national income. In order to assist the reading of trends, therefore, the department store series shown in the charts has been smoothed by use of a three-months moving average, centered on the second month.*

Department Store Sales in the 1936-38 Cycle The unfavorable showing of department store sales during late 1946 and the year 1947, when viewed in terms of physical rather than dollar volume, and when compared with other business indicators, deserves added attention when it is remembered that department store sales are ordinarily among the last of business indexes to share in a downturn of the business cycle. The point can be illustrated by reference to the order of events during the years 1936 through 1938, which include the last cyclical downturn before the war.

In 1937 department store sales held up approximately four months longer than production of non-

durable manufactures or production of the textiles-leather-furniture group of goods, as is shown in the accompanying chart. Store sales stayed up about two months longer than the general index of industrial production, and one month longer than the production of durable goods, neither of which is shown in the chart. They also stayed up about one month longer than total personal income, and one month longer than wholesale prices.

The above comparisons hold true whether the physical volume or the dollar volume of store sales is considered.** In fact, price changes were so slight during the 1936-38 cycle that the curves showing physical volume and dollar volume of store sales are almost identical. (For this reason, only the index of dollar volume is shown on the chart.) The conclusion is inescapable that department store sales, both in physical volume and dollar volume, were slow on the downturn during the recession of 1937. From what is generally known about the nature of department store trade, it is probable that an analysis of preceding cycles would show much the same result.

Significance of 1947 Drop in Physical Volume If, as appears from the facts outlined above, the current standing of department store sales in relation to general business is somewhat unusual, it may be of interest to consider the bearing of this factor on the immediate outlook for department store trade and for business in general. Two possible interpretations of the same set of facts suggest themselves.

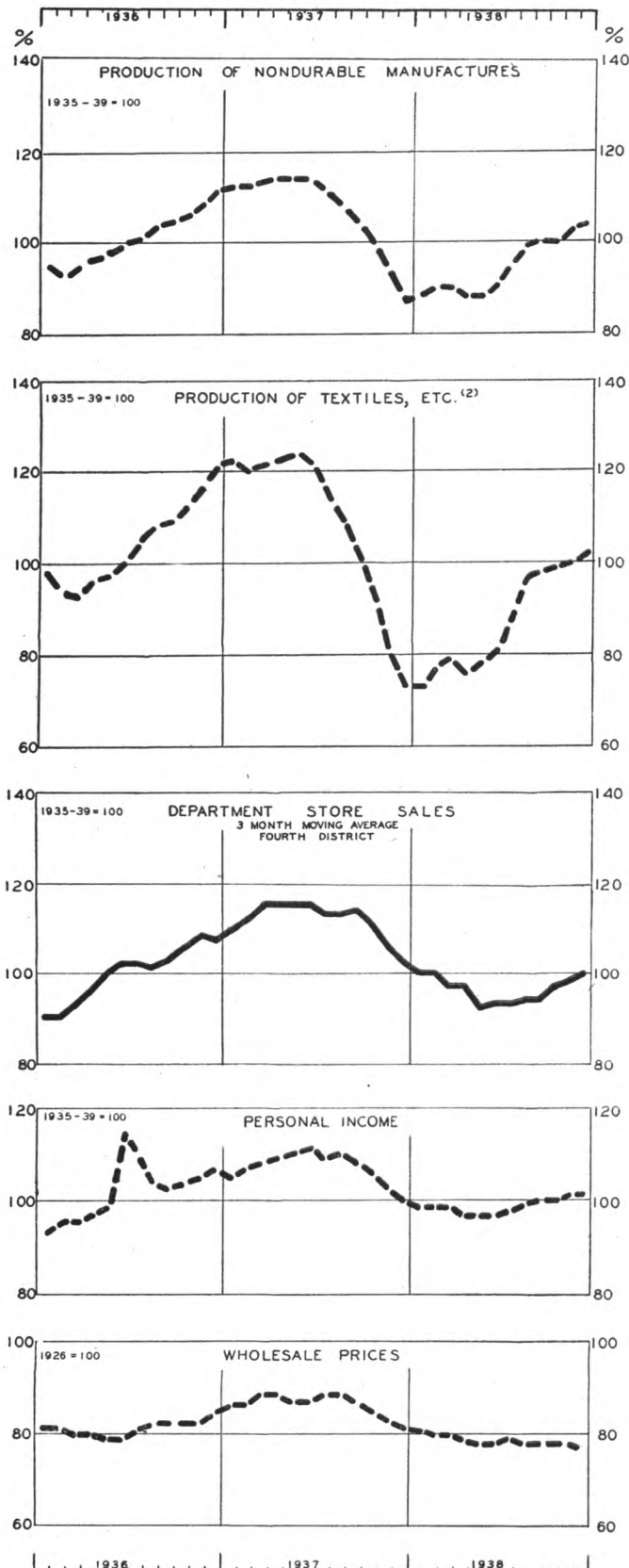
First is the real possibility that the sag in physical volume of department store sales is a herald of a coming recession in general business. According to this line of thought, the distribution process is already "backing up." The price inflation has hit the consumers so hard that after buying the necessary food they cannot keep up the pace of 1946 buying in department stores, measured in unit purchases. In a shorter or longer time this is bound to pull down production schedules and employment. The only question is how soon this will occur. So runs the first line of interpretation.

Another construction is also possible. It centers about the fact that dollar sales of department stores are still going strong, along with a hope that unit sales are about to be rescued from their temporary sag by the new lease on life taken by the general boom in business in the fall of 1947. In this viewpoint stress is laid upon the stimulation to store sales offered by currently rising levels of production, payrolls and national income, with a prospective Marshall plan helping to assure floors under aggregate demand. It

* The use of this device does not alter materially the broad comparison of store sales with the other business indicators for which the use of a moving average is unnecessary. Fluctuations in department store sales would appear slightly larger if the rougher index were used, but the difference would not be sufficient to affect the conclusions drawn here.

** The comparisons also hold true whether or not a three months' moving average is used for the department store series. Identification of the month in which the fall becomes apparent is made in each case by taking the second successive month of decline after the peak. In the case of the personal income series, a temporary bulge in June 1936, due to payments to veterans, is disregarded.

Selected Business Indexes (1)
1936-1938



In the production of *nondurable manufactures*, the 1936-37 boom came to an end early in the summer of '37. The decline was sharp for the remainder of the year. This index includes types of goods which are sold in department stores, as well as many other classes of goods, such as industrial chemicals and food products.

The downturn in the production of *textile, leather products* and *furniture* also came early in the summer of '37. An index representing the combined production of such goods, which are characteristic of those moving in department store trade, shows a rise and fall somewhat greater than the swing in production of nondurable manufacturers in general. The timing of the changes was about the same as in total nondurable goods production.

Department store sales held up longer than production. The downswing did not occur until near the end of '37, and the subsequent drop was not as severe. Early in '38, store sales were still falling, however, while production was picking up. In general the department store cycle lagged behind production swings.

Total *personal income* in the United States fell off in the fall of '37 slightly later than the production drop but before the decline in department store sales. The changes were not as great as in production or department store sales.

The price level, as measured by *wholesale prices* also sagged in the fall of '37, but it remains true that *department store trade* was the last of these five business indicators to show a serious slump in '37.

(1), (2), (3), See page 8 for footnotes.

Selected Business Indexes (1)
1945-1947

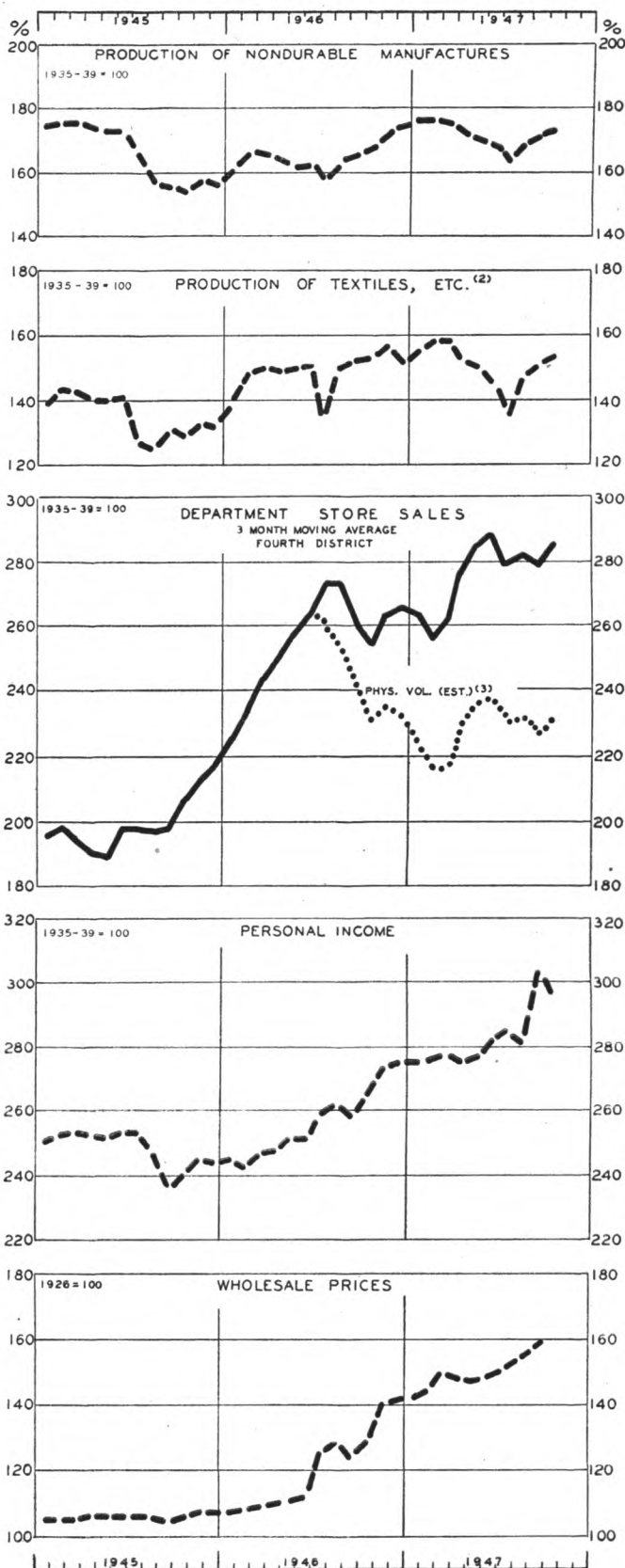
Production of *nondurable manufactures* averaged higher in '47 than in '46, in spite of the downward slip in the spring and early summer of '47. Many of these products were sold through department stores, while some were industrial goods used in the postwar plant expansion, and others were exported.

Textiles, leather products and furniture, were produced during '47 at about the same average rate as in '46. The decline in spring and summer of '47 was somewhat more serious than that of nondurable manufactures as a group.

The *physical volume of department store sales*, however, was down in '47 as compared with '46. After reaching a peak in the middle of '46, physical volume declined sharply, and during '47 failed to regain the high ground of mid-'46, or even to average as high as in the year '46. *Dollar volume of department store sales*, however, made new records in '47.

Total *personal income* in the United States climbed gradually during '46 and '47. The index shown here is based on dollar income. Although steadier, its course was somewhat like that of dollar volume of department store sales, but quite different from that of physical volume of store sales.

The spurt in prices took hold in the fall of '46, as is shown here by the index of *wholesale prices*. With hardly a pause in '47, the commodity price inflation has continued. This explains why the physical volume of store sales has run behind the dollar volume, but it does not explain why the physical volume of department store sales has run behind the physical volume of production.



(1), (2), (3), See page 8 for footnotes

is maintained, furthermore, that consumer resistance to high prices has not yet become a strategically important factor. The trade still finds demand brisk in most lines, and inventories are not excessive. In fact, limited inventories may have retarded unit sales in some departments.

While a choice between these two views of department store prospects can hardly be made short of a qualitative appraisal of the current business outlook as a whole, it is nevertheless possible to apply a statistical test to certain limited aspects of the problem.

More Money Spent on Food The relation of department store sales to food sales, for example, may be gauged by data on changes between 1946 and 1947 in the aggregate sales of the respective types of stores. Thus, according to data from the Department of Commerce, sales in food stores of the nation during the first ten months of 1947 were up 18 percent from the corresponding period of 1946. At the same time sales by department stores in the Fourth District increased 9 percent in dollar volume, but decreased 7 percent in estimated physical volume. (Substantially the same showing holds true for the department stores of the country as a whole.) These changes are shown in an accompanying chart.

It appears then, that commodity price inflation has diverted some expenditure from department stores to food stores, although the shift has not gone as far as had been feared in some quarters. The diversion has probably occurred both because of the primacy of food needs and because the price rise in foods has been exceptionally severe. Thus the consumer's price index of the U. S. Department of Labor shows that food prices increased 24 percent between the first 10 months of 1946 and the corresponding period of 1947, while prices of the classes of goods sold by department stores increased 17 percent. There

is also significance, however, in the fact that dollar volume of sales by food stores failed to keep pace with the increase in food prices. With dollar volume up 18 percent and food prices up 24 percent during the same period, food sales evidently suffered a real cut, although less than the one encountered by department stores. The consumer has been buying less food or lower-priced selections, or both.

All Retail Sales Total retail sales of all kinds kept pace with the rise in national income between the first ten months of 1946 and the same period in 1947, according to Department of Commerce data. Retail sales increased 13 percent, while personal income rose 12 percent. Again the dollar figures obscure the real trend, due to the shrinkage in the value of the dollar as a unit. Correction for the change in the purchasing power of the dollar would undoubtedly show some decline in total retail sales, as well as a decline in total real income during the 10 months' period as compared with the preceding year. The extent of the sag would depend upon the price adjustment factors which are selected. For present purposes it suffices to point out that a 13 percent increase in total retail sales is the equivalent of a 4 percent decrease in sales in constant dollars, if correction is made by reference to the retail price index of the Department of Commerce, which increased 18 percent during the period.

Whether or not the above stated developments add up to a current situation of "consumer resistance" or a "backing up of distribution" is in large part a question of terminology. In any event it is clear that rising prices have already pressed the consumer into certain economy measures, not only in patronage of department stores but elsewhere as well. It can be concluded that the lower levels of physical volume of department store sales are, at the very least, symptomatic of a weak spot in the fabric of the current boom.

Footnotes for pages 6 and 7

(1) Sources:

Department store index and all production indexes from the Board of Governors of the Federal Reserve System. Personal income data from the United States Department of Commerce. Wholesale price index from the United States Bureau of Labor Statistics.

All series except the wholesale price index are adjusted for seasonal variation.

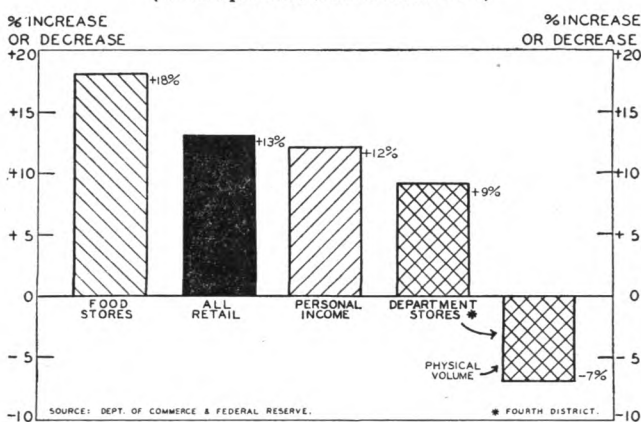
All series are for the United States, except department store sales which is for the Fourth Federal Reserve District.

All series except the wholesale price index are related to average of 1935 to 1939 as base. Base year for wholesale price index is 1926.

(2) A special index representing production of approximately those classes of products which are normally sold by department stores. Drawn from components of the Federal Reserve index of industrial production and weighted as follows: textiles and products 2, leather and products 1, furniture 1, total weights 4.

(3) The dotted line from July 1946 through 1947 represents department store sales after adjustment for estimated price changes from the average price levels of the first half of 1946. Adjustment factors are based on apparel and house furnishings components of consumers' price index, United States Bureau of Labor Statistics, weighted as follows: apparel 3, house furnishings 1, total weights 4. Both series are three-month moving averages, centered on the second month.

Personal Income and Retail Sales
Percentage Changes Over 1946
(Based upon first ten months of 1947)



... dollar sales by food stores increased by a percentage twice as high as the department store increase for the ten-month period.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for Publication December 24, 1947)

Industrial production expanded somewhat further in November. Department store sales showed more than a seasonal increase in November and the first half of December. Wholesale commodity prices generally continued to advance.

Industrial Production

The Board's seasonally adjusted index of industrial production advanced 2 points in November to 192 percent of the 1935-39 average, a new postwar peak rate.

Output of durable goods expanded somewhat further, reflecting largely increases in activity in most machinery, transportation equipment, and nonferrous metal fabricating industries. Output of steel in November was at a slightly lower rate than in October, but in the early part of December scheduled operations rose to new postwar peaks. Motor truck assemblies were curtailed in November and early December, as a result of model changeover activity at plants of a major producer, while output of passenger cars increased. Output of lumber and other construction materials was maintained in large volume.

Manufacture of nondurable products continued to increase in November, reflecting mainly a further marked rise in activity at cotton textile mills and an expansion in the volume of livestock slaughtered as a result of reduced feed supplies and high prices for feeds. Liquor production, which increased sharply in October, was curtailed in November in accordance with the Federal program to conserve grain.

Production of minerals rose somewhat further in November, reflecting further gains in output of bituminous coal as increased numbers of freight cars became available.

Construction

Values of most types of construction contract awards, according to the F. W. Dodge Corporation, showed seasonal declines in November and were substantially larger than a year ago. The number of dwelling units started during the month, as estimated by the Department of Labor, decreased from 94,000 in October to 82,000 in November; completions increased from 83,000 units to 86,000.

Distribution

Department store sales showed a sharp seasonal increase in November and the Board's adjusted index rose to a new high of 300 percent of the 1935-39 average, as compared with 275 in October and 291 in September. Value of sales continued at a high level in the first half of December and was 8 percent above the corresponding period in

1946. Value of department store stocks has also increased in recent months and is above the corresponding period of a year ago.

Shipments of most classes of railroad revenue freight were maintained in large volume in November and the first half of December, after allowance for usual seasonal declines at this time of the year. Coal shipments continued to increase and were at the peak rate reached at the beginning of the year.

Commodity Prices

Wholesale commodity prices generally advanced further in November and the early part of December. Crude petroleum prices were increased sharply and advances were announced in refined petroleum products, newsprint, rayon, textile products, shoes, and some metal products. Government disposal prices for Japanese silk were reduced by nearly one-half. Prices of commodities traded in the organized markets rose further in November but showed little change in the first three weeks of December.

The consumers' price index was unchanged from September to October. Food prices generally showed little change in November and December, while additional increases occurred in retail prices of other goods and services.

Bank Credit

Loans to businesses, consumers, and real estate owners expanded further at banks in leading cities during November and the first half of December. Demand deposits of individuals and businesses increased 800 million dollars at these banks, and currency in circulation rose by 400 million.

In the four weeks ending December 17, member banks gained reserves as a result of a continued inflow of gold, Treasury transactions, and Federal Reserve purchases of Government securities. These sources of reserves more than offset the seasonal growth in currency.

Reserve Bank holdings of Government securities declined in the four-week period, reflecting Treasury retirement of bills and certificates. The System also sold substantial amounts of bills and certificates in the market, but purchased larger amounts of notes and bonds.

Interest Rates and Bond Yields

Prices of Treasury bonds, which declined sharply in October and November, were held firm after the middle of November by official support. Prices of corporate bonds declined further. Yields on Treasury certificates rose and a new issue of $1\frac{1}{8}$ percent one-year certificates was offered in exchange for the issue maturing January 1.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—November, 1947

As compared with a year ago
(Compiled January 2, and released for publication January 3)

Hosiery (Women's and Children's)	+34
Furs	+27
Coats & Suits (Women's and Misses')	+25
Domestic Floor Coverings	+23
Major Household Appliances	+19
Neckwear and Scarfs	+18
Men's Clothing	+15
Juniors' and Girls' Wear	+12
Notions	+8
Blouses, Skirts and Knit Goods	+7
Luggage	+6
Boys' Clothing and Furnishings	+5
Silks and Velvets (Woolen Dress Goods)	+3
Shoes (Women's and Children's)	+3
MAIN STORE TOTAL	+2
Sportgoods (Including Cameras)	+1
Housewares	+1
Infants' Wear	+1
Toys and Games	-1
Corsets and Brassieres	-2
Furniture and Beds	-2
China and Glassware	-2
Lamps and Shades	-3
Dresses (Women's and Misses')	-3
Men's and Boys' Shoes	-3
Leather Goods (Small)	-4
Millinery	-4
Books and Stationery	-4
Photographic Studio	-5
Gloves	-5
Silverware and Jewelry	-6
Laces and Trimmings	-6
Draperies and Curtains	-8
Art Needlework and Art Goods	-8
Men's Furnishings (Hats and Caps)	-8
Restaurants	-10
Women's Underwear	-10
Beauty Salon	-11
Toilet Articles and Drug Sundries	-12
Cotton Wash Goods	-12
Handkerchiefs	-13
Aprons and Housedresses	-15
Domestics and Blankets	-20

Sales of **women's and children's hosiery** during the month of November were 34% above a year ago, leading all other departments in that respect. Several other lines of women's apparel and accessories likewise reported substantial gains over a year ago. Sales of **furs** reached a new four-year high for the month, with an increase of 27% over November 1946. Sales of **women's and misses' coats and suits**, perhaps partly in response to style changes, were 25% over last year, and were close to the all-time high recorded last March. Sales of **women's and misses' dresses**, however, were 3% below a year ago.

Among other apparel departments which failed to share in the November gains were **women's underwear**, where sales were 10% under last year, **handkerchiefs**, down 13%, and **aprons and housedresses**, down 15%. Sales in each of the last two departments fell to new four-year lows for the month.

In the house furnishings group, sales of **domestic floor coverings** were 23% over last year. **Major household appliances**, with an increase of 19% over last year, occupied fifth place in the list of percentage gains by all departments, with sales slightly below the record October volume. On the down side were **draperies and curtains**, sales of which were 8% less than last year and **domestics and blankets**, off 20%.

Sales of **men's clothing** showed a 15% gain over November 1946, while sales of **boys' clothing and furnishings** were up 5%. Declines were registered, however, in the sale of **men's and boys' shoes** and **men's furnishings**.

Among other departments, sales of **luggage**, which had been declining over the past three months, were 6% over the November 1946 figure, and at a record high for the month. In contrast, sales of **toilet articles and drug sundries** were 12% under last year, representing the smallest volume for the month in four years.

Basement store sales were up 9% as against an increase of only 2% in main store volume.

All percentages refer to changes in dollar volume of sales. Changes in the price level have not been taken into account.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Nov. 1947	Oct. 1947	Nov. 1946	Nov. 1947	Oct. 1947	Nov. 1946
SALES:						
Akron (6)	327	281	288	385	298	340
Canton (5)	367	322	319	447	351	389
Cincinnati (8)	331	285	285	417	302	359
Cleveland (10)	306	260	269	349	260	307
Columbus (5)	371	316	335	445	331	402
Erie (3)	325	281	279	390	301	335
Pittsburgh (8)	272	267	272	324	283	324
Springfield (3)	326	281	287	369	297	324
Toledo (6)	304	256	268	362	279	319
Wheeling (6)	269	235	252	318	237	297
Youngstown (3)	343	308	293	412	323	352
District (96)	296	271	266	371	290	333
STOCKS:						
District	268	238	249	283	274	263

Inventories by Departments—November 30, 1947

As compared with a year ago
(Compiled January 8, and released for publication January 9)

Major Household Appliances	+211
Men's Clothing	+69
Domestic Floor Coverings	+64
Men's and Boys' Shoes	+43
Sportgoods (Including Cameras)	+30
Shoes (Women's and Children's)	+26
Cotton Wash Goods	+22
Dresses (Women's and Misses')	+15
Silks and Velvets (Woolen Dress Goods)	+11
Women's Underwear	+11
Corsets and Brassieres	+10
China and Glassware	+9
Hosiery (Women's and Children's)	+8
Silverware and Jewelry	+8
Luggage	+5
Infants' Wear	+5
MAIN STORE TOTAL	+4
Domestics and Blankets	+4
Millinery	+2
Notions	-2
Men's Furnishings (Hats and Caps)	-2
Toys and Games	-4
Housewares	-4
Neckwear and Scarfs	-4
Toilet Articles and Drug Sundries	-5
Books and Stationery	-5
Furniture and Beds	-6
Art Needlework and Art Goods	-10
Leather Goods (Small)	-11
Boys' Clothing and Furnishings	-12
Aprons and Housedresses	-13
Handkerchiefs	-14
Draperies and Curtains	-15
Blouses, Skirts and Knit Goods	-15
Coats and Suits (Women's and Misses')	-16
Juniors' and Girls' Wear	-17
Laces and Trimmings	-19
Gloves	-20
Lamps and Shades	-21
Furs	-23

Department store inventories in the Fourth District increased 1% during November, whereas, according to seasonal expectations, stocks should have fallen 8% during the month. In the face of a high level of sales during November, department stores were able to replenish stocks at an equivalent rate.

As compared with a year ago, inventories on November 30 were about 4% higher in the main store and 3% lower in the basement store.

Changes from November 1946 varied greatly from department to department, even within the same sections. In house furnishings, the **major household appliances** department established another all-time high in levels of stocks. Inventories of **domestic floor coverings**, although very slightly reduced from the high point of October 31, stood at a level 69% higher than on November 30, 1946. At the other extreme, stocks of **lamps and shades** were 21% under November 1946, while **draperies and curtains** showed a 15% decrease.

Several departments in the women's wear and accessories group reported inventories substantially higher than a year ago. Those which showed an increase of 10% or more included **women's and children's shoes**, up 26%, **women's and misses' dresses**, **women's underwear**, and **corsets and brassieres**. Stocks of the latter two departments were in record supply at the end of November. Supplies of **women's and children's hosiery**, while only 8% higher than a year ago, increased somewhat during November despite record sales in the month.

Nine of the sixteen departments in the women's wear and accessories group, however, had inventories lower than a year ago. Largest reductions were in **furs**, down 23% from November 1946, **gloves**, down 20%, **juniors' and girls' wear**, **women's and misses' coats and suits**, and **blouses, skirts and knitgoods**.

Stocks of **men's clothing**, and of **men's and boys' shoes** were above last year's level of 69% and 43% respectively. Both departments, however, showed slight declines from the high points reached in October of this year. Inventories of **men's furnishings** at the end of November were slightly under those of the same date last year, marking the first month in 1947 in which a year-to-year decline has been reported for this department. Stocks of **boys' clothing and furnishings** were off 12% from last year.

Inventories of **sport goods** were 30% above November 1946 and stocks of **luggage** reached a record level. Stocks of **toilet articles and drug sundries** increased considerably more than the usual seasonal amount during November, but at month end were 5% under a year ago.

All comparisons refer to dollar volume and not to physical inventories.

November Department Store Sales by Cities*

(Compiled December 30, and released for publication December 31)

CITY	% Change from		Sales During November			
	Oct. '47	Nov. '46	1941	1943	1945	1946
Cincinnati	+38	+15	100	120	161	201
Columbus	+34	+11	100	158	202	262
Cleveland	+34	+14	100	136	156	197
Wheeling	+34	+7	100	114	156	195
Toledo	+30	+13	100	143	167	206
Erie	+30	+16	100	142	150	182
Akron	+29	+13	100	150	168	195
Fourth District	+28	+12	100	131	162	204
Canton	+28	+15	100	134	134	192
Youngstown	+27	+17	100	131	167	204
Springfield	+24	+14	100	158	164	188
Pittsburgh	+15	-0	100	121	164	208

*Based on daily average sales.

(Continued on next page)

FINANCIAL AND OTHER BUSINESS STATISTICS

Bank Debits*—November, 1947

(in Thousands of Dollars)

(Compiled December 10, and released for publication December 11)

	November 1947	% Change from year ago	3 Months ended Nov. 1947	% Change from year ago
ALL 30 CENTERS.....	\$6,265,104	+ 7.9%	\$19,274,789H	+12.8%
10 LARGEST CENTERS:				
Akron..... Ohio	\$ 225,551	- 1.4	\$ 709,566	+ 2.1
Canton..... Ohio	98,520	+ 7.8	309,412H	+12.0
Cincinnati..... Ohio	821,354	+ 9.1	2,499,930H	+11.9
Cleveland..... Ohio	1,548,029	+ 4.2	4,903,778H	+10.5
Columbus..... Ohio	440,950	+ 3.5	1,380,438H	+11.4
Dayton..... Ohio	218,788	+11.8	670,947H	+16.7
Toledo..... Ohio	348,895	- 0.5	1,124,337	+ 9.9
Youngstown..... Ohio	145,744	+31.7	441,473H	+27.6
Erie..... Penna.	79,355	+12.0	253,350	+18.8
Pittsburgh..... Penna.	1,767,856	+12.1	5,240,258H	+16.2
Total.....	\$5,695,042	+ 7.7%	\$17,533,489H	+12.8%

20 OTHER CENTERS:

Covington-Newport..... Ky.	\$ 36,628	+ 6.3%	\$ 111,909H	+ 9.4%
Lexington..... Ky.	53,593	- 0.3	164,055H	+ 7.0
Hamilton..... Ohio	34,980	+29.5	107,642H	+24.0
Lima..... Ohio	41,857	+15.5	124,783H	+14.3
Lorain..... Ohio	17,487	+14.2	54,247H	+26.8
Mansfield..... Ohio	37,484	+18.3	114,504H	+22.1
Middletown..... Ohio	31,821	+ 7.6	94,751H	+10.7
Portsmouth..... Ohio	20,954	+16.4	62,637H	+15.0
Springfield..... Ohio	42,096	+ 4.6	129,206H	+10.6
Steubenville..... Ohio	21,627	+15.4	64,630H	+10.6
Warren..... Ohio	36,488	+10.2	108,750H	+13.0
Zanesville..... Ohio	23,137	+14.1	71,482	+14.3
Butler..... Penna.	27,999	+13.6	86,541	+13.1
Franklin..... Penna.	6,225	+ 0.1	20,496	+ 6.9
Greensburg..... Penna.	18,765	+12.8	59,063H	+17.4
Homestead..... Penna.	9,567H	+29.4	25,066H	+17.5
Meadville..... Penna.	10,783	+ 8.8	35,019	+20.9
Oil City..... Penna.	18,467	- 2.7	59,440	+ 7.5
Sharon..... Penna.	25,414	+17.5	76,979	+19.7
Wheeling..... W. Va.	54,690	+ 2.8	170,100	+ 8.9
TOTAL.....	\$570,062	+10.3%	\$1,741,300H	+13.5%

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

* debits to all deposit accounts except interbank balances.

Bank debits during November in 30 Fourth District cities were 8 percent under the October level, largely because November included only 19 full business days, compared with 23 in the preceding month. The November figure, nevertheless, was the third highest ever recorded by the reporting banks, being exceeded only in the preceding month and in December 1946. The November total was 8 percent higher than the figure for the corresponding month a year ago.

TEN LARGEST CITIES

Bank debits at the large centers in the three month period of September-October-November were higher than in any other three months on record. New highs for a three month period were set in seven of the ten cities.

From a year-to-year standpoint, the November gain in Youngstown was outstanding with an increase of 32 percent. It marked the eighth time in the past nine months that Youngstown has led the large cities in this respect.

Above average gains occurred also in Pittsburgh, Erie and Dayton, where November debits were 11-12 percent above the comparable 1946 month.

TWENTY SMALLER CENTERS

Bank debits are likewise running at record levels in the smaller cities, as indicated by the fact that new three month highs were set in thirteen of the reporting localities. Year ago comparisons disclose that the average percentage increases in the smaller centers are somewhat higher than those reported by the large cities.

Particularly large year-to-year gains occurred during November at Hamilton, Homestead, Mansfield and Sharon. Homestead was the only one of the thirty reporting centers to set a new all-time high during November.

The accompanying table shows the volume of debits to all deposit accounts (except interbank balances) in 30 cities of the Fourth District. Most of the debits represent transfers of funds by check although debits to (withdrawals from) savings deposits and U. S. Treasury deposits at reporting banks are also included.

Time Deposits—12 Fourth District Cities

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

City and Number of Banks	Time Deposits Nov. 26, 1947	Average Weekly Change During:		
		3rd Quarter 13 Week Average	5 Weeks Ended Oct. 29, 1947	4 Weeks Ended Nov. 26, 1947
Cleveland (4).....	\$ 864,284,000H	+\$296,000	+\$ 98,000	+\$431,000
Pittsburgh (12)....	363,286,000	+ 95,000	+ 31,000	+ 28,000
Cincinnati (8)....	181,142,000	+ 68,000	+ 193,000	+ 623,000
Akron (3).....	102,587,000	+ 28,000	+ 43,000	+ 86,000
Toledo (3).....	91,588,000	+ 81,000	+ 62,000	+ 5,000
Columbus (3)....	72,775,000H	+ 49,000	+ 52,000	+ 23,000
Youngstown (3)...	61,807,000H	+ 2,000	+ 23,000	+ 117,000
Dayton (3).....	49,499,000	- 27,000	+ 22,000	+ 79,000
Canton (5).....	42,978,000	- 54,000	+ 98,000	+ 85,000
Erie (4).....	39,578,000	+ 118,000	+ 22,000	+ 14,000
Wheeling (6)....	28,865,000	+ 28,000	+ 6,000	+ 87,000
Lexington (5)....	10,580,000	- 0-	- 0-	+ 6,000
TOTAL—12 Cities.	\$1,908,969,000	+\$548,000	+\$604,000	-\$429,000

H denotes new all-time high.

Time deposits at 59 Fourth District banks declined during November for the first monthly reduction experienced in the postwar period to date. The banks reported an average decrease of \$429,000 per week, compared with weekly gains of \$604,000 during October and \$548,000 in the third quarter of the year. In November a year ago, the average weekly advance amounted to \$2,225,000, a figure which compared very favorably with the other gains experienced in the latter half of 1946.

Decreases for November were experienced by 32 banks, whereas 27 reported gains. Despite the over-all reduction for the month, time deposits at the reporting banks are only one-tenth of one percent under the all-time high established in October. In Cleveland, Columbus and Youngstown time deposits advanced to new all-time highs during the month.

Increases in time deposits occurred in four of the twelve cities during November. The gain in Youngstown was the greatest experienced this year and advances in Cleveland and Lexington were the largest reported since July. An increase also occurred in Columbus.

Retail Trade

	Percentage Changes From Preceding Year		
	SALES Nov. 1947	SALES First 11 months	STOCKS Nov. 1947
	DEPARTMENT STORES (96)		
Akron.....	+ 9	+ 5	+ 2
Canton.....	+10	+10	a
Cincinnati.....	+10	+ 7	- 7
Cleveland.....	+ 9	+ 7	+ 3
Columbus.....	+ 6	+ 5	- 2
Erie.....	+13	+11	+18
Pittsburgh.....	- 4	+10	+ 6
Springfield.....	+ 9	+ 6	a
Toledo.....	+ 9	+ 7	+ 7
Wheeling.....	+ 3	- 0-	+ 3
Youngstown.....	+12	+10	a
Other Cities.....	+32	+26	+16
District.....	+ 7	+ 9	+ 3
WEARING APPAREL (14)			
Cincinnati.....	+16	- 2	+39
Cleveland.....	- 4	- 7	+10
Pittsburgh.....	+ 6	- 5	-10
Other Cities.....	+ 9	+ 2	- 1
District.....	+ 5	- 3	+ 5
FURNITURE (38)			
Canton.....	- 4	+ 5	+22
Cincinnati.....	+41	+ 9	a
Cleveland.....	+13	+12	+36
Columbus.....	a	a	a
Dayton.....	+ 1	+ 8	a
Pittsburgh.....	a	a	a
Allegheny County.....	+20	+24	a
Toledo.....	+10	+11	a
Other Cities.....	+17	+19	+27
District.....	+13	+14	+26

a—Not available.

Figures in parentheses indicate number of firms reporting sales.

November Department Store Sales by Cities

(Continued from page 10)

Fourth District department store daily average sales during November were 28% larger than in October, or substantially in excess of the normal seasonal increase, and were 12% greater than November a year ago. Aggregate dollar volume was the highest on record for the month and the second-highest for any month, after adjusting for normal seasonal trends. The District-wide average gains would have been even greater if the Pittsburgh stores had not experienced a labor-management dispute which curtailed trade activity for more than half of the month.

Individual Cities

Cincinnati stores showed the widest October-November gain with sales up 38% over the preceding month. Cleveland, Columbus and Wheeling

each registered 34% increases in the month-to-month comparison. Other cities which bettered the average District figure were Akron, Erie and Toledo where the October-November gains were 29% to 30%.

The greatest year-to-year improvement in daily average sales occurred in Youngstown where sales were 17% greater than last November. Gains of 13% to 16% were made in Akron, Canton, Cincinnati, Cleveland, Erie, Springfield and Toledo.

In all reporting centers the November dollar sales were more than double the prewar 1941 volume. Columbus continues to lead with November sales 290% of November 1941. In Cincinnati, Toledo and Youngstown the current volume ranged from 230% to 238% of November 1941 as compared with the average District figure of 227%.

Loan Expansion in the Postwar Period

(Continued from page 4)

cause and effect relationship is offered by the fact that total loans and the BLS Index of Wholesale Commodity Prices both have advanced about 50 percent in the postwar period.

An expansion of bank loans may contribute to rising prices because it tends to produce a growth in the supply of money. When total loans of the commercial banking system expand, depositors experience no reduction in their accounts, yet additional funds are placed at the disposal of borrowers. Thus a larger supply of money is available to exert an upward pressure on prices.

Any analysis of the causal relationship between the price level and the supply of money, however, is complicated by the fact that rising prices may themselves provoke increases in loans and the quantity of money. For example, a more rapid rate of expenditure of the existing money supply may bring about advancing prices, with the result that larger loans are required to maintain a given level of business activity. These developments in turn tend to produce an increase in the total volume of loans and in the money supply.

Possible Causes of Recent Price Movements

An analysis of the price advances that have occurred over the past year is facilitated by noting that in the three-month period of August-September-

October of 1947, the Federal Reserve Index of Industrial Production was up about 3 percent from a year

ago, and so was the quantity of demand deposits and currency. The net gain in the money supply was held to this moderate amount by the fact that the inflationary effect of bank loan expansion was substantially offset by the deflationary effect of Treasury retirement of Government debt in the hands of the Federal Reserve banks and the commercial banks. On the other hand, bank debits, which are an indicator of the tempo of expenditures by the public, recorded a sharp advance of 11 percent in this period.

Probably this comparatively small increase in the money supply by itself could not have generated a rise in prices. The significance of the growth in the money supply as an inflationary factor lies principally in the fact that it was added to a money supply already over-expanded as a result of war-financing at a time when the rate of monetary turnover was increasing.

Individuals and businesses currently have almost complete freedom of action with regard to whether they should save or spend, with the result that the current rate of expenditures is determined primarily by a composite of the voluntary decisions of millions of families and businesses. In the past year, an increasing proportion of these decisions have been to spend and the propensity to save has declined sharply.

The current lack of restraints on spending are stimulating a search for satisfactory methods of curbing or halting altogether any net additions to the volume of bank loans and the money supply.

