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CONTENTS

FINANCE • INDUSTRY • AGRICULTURE • TRADE
FOURTH FEDERAL RESERVE DISTRICT
Vol. 30—No. 6 Federal Reserve Bank of Cleveland Cleveland 1, Ohio

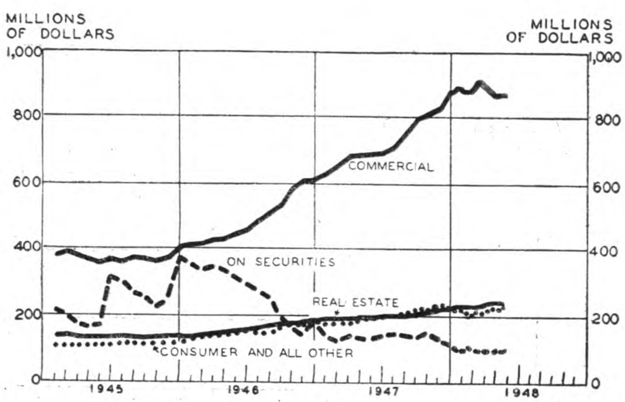
Recent Banking Developments

Commercial Loans Level Off During recent months the cessation in the upward postwar trend of commercial loans has been a noteworthy feature in the Fourth District banking picture. At mid-May commercial loan totals at reporting member banks were no higher than at the turn of the year. This stability in business loans outstanding affords a rather marked contrast with the preceding strong upward movement which was subject to only a few brief interruptions for over two years.

The significance of this development, which has been nationwide in scope, is that expansion of the money supply through commercial bank lending was halted, at least temporarily. Among the causes of this leveling off were such factors as requests by banking associations and supervisory agencies that business loans be confined to productive purposes. Caution on the part of the banks in this period of booming business activity was an equally important influence. In many sections of the country, furthermore, a seasonal slackening in the demand for funds may have been a contributing factor.

In contemplating the future trend of commercial loans, general business conditions are of course of prime importance. Many observers of business trends have described the present situation as one in which expansive and contractive forces are in approximate balance. Marshall Plan and defense expenditures, for example, are seen merely as forces offsetting

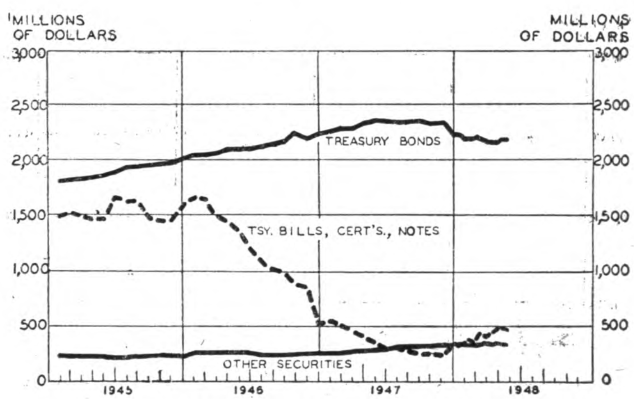
LOANS OF REPORTING MEMBER BANKS*
Fourth District



. . . for the first time since the war, commercial loans failed to expand during the late winter and spring months. Only real estate loans continued in an uninterrupted upward trend.

* Last Wednesday of month data, 1945-1947. Weekly data, 1948. Last date plotted, May 19, 1948.

INVESTMENTS OF REPORTING MEMBER BANKS*
Fourth District



. . . . total investments have changed very little since the first of 1948, but there has been a decided shift from Treasury bonds into shorter maturities.

* Last Wednesday of month data, 1945-1947. Weekly data, 1948. Last date plotted, May 19, 1948.

factors of diminishing potence elsewhere in the economy.

In the event such a state of equilibrium prevails in future months, any resumption of the upward trend of business loans will probably be of rather moderate proportions. A sharp expansion in business loans should be expected if defense expenditures are later scheduled (or expected to be scheduled) on a vaster scale than has been thus far announced, whereas a contraction in such lending will occur only in the event of a set-back in business activity.

Real Estate Loans Continue Upward Despite widespread comment to the effect that real estate credit has been tightening, portfolios of real estate loans at Fourth District reporting banks have advanced steadily in recent months and this trend has been duplicated throughout most of the United States. Consumer loans have likewise edged upward, although loans on securities and "all other" loans have eased off somewhat. Thus far in 1948 the trends in the various loan classifications have resulted in a rather static figure for total loans, particularly in the largest cities of the District such as Cleveland, Pittsburgh, Cincinnati, Columbus, Dayton and Toledo.

In other cities of the District, banks with deposits of over $10 million experienced a nominal increase in total loans during the first four months of 1948. On the other hand, all member banks with deposits under $10 million reported a gain of almost 10 percent in loans during this period. A similar variation between country banks and large city banks has been observed in the United States as a whole. This difference between large and smaller banks in the behavior of loan totals probably has been seasonal in part, but the comparatively greater importance of real estate and consumer loans at smaller banks may likewise have been a factor of considerable weight.

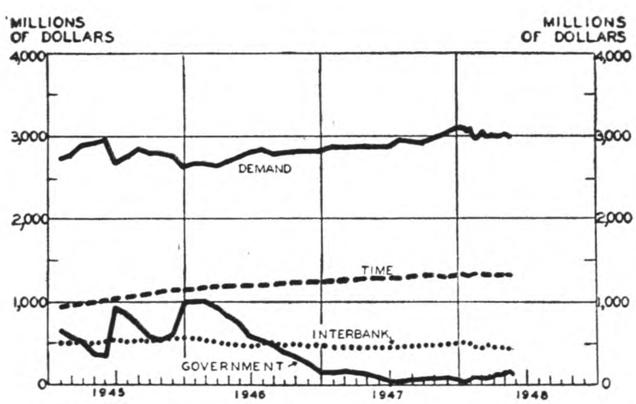
Shift to Short-Term Governments Continues Last November the weekly reporting member banks began to reduce their portfolios of Government bonds while adding to their holdings of short-term Treasury obligations, thus reversing the postwar trend which had prevailed up to that time. This shift into short-term obligations has continued through 1948 to date.

This switch in holdings has in part been forced upon banks because the Treasury has refunded maturing bond issues with certificates or notes. For example, 1⅛% certificates were offered in exchange for the 2's and 2¾'s which were redeemed during March, and are also being offered in exchange for the 1¾'s which mature this month. Also, short-term interest rates have risen relatively more over the past ten months than have long-term rates, and this has played a part in the growing attractiveness of short-term obligations.

Furthermore, the mere expectation of still higher short-term rates was a factor of importance in that some owners of short-term bonds (and the longer-term certificates and notes) at times have endeavored to liquidate part of those holdings to protect themselves against price declines to which such issues can be subject in the event of rising yield patterns on short-term obligations. At the same time, anticipations of higher short-term rates stimulated purchases of certificates nearing maturity inasmuch as those issues ordinarily entail subscription rights to new issues which might bear higher interest rates.

(*Continued on page 8*)

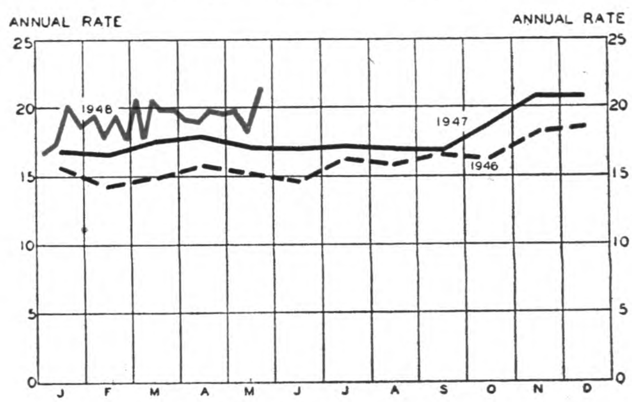
DEPOSITS OF REPORTING MEMBER BANKS*
Fourth District



. . . . demand deposits have not yet regained the ground lost during the months of heavy income tax payments, and time deposits have failed to advance since last fall.

* Last Wednesday of month data, 1945-1947. Weekly data, 1948. Last date plotted, May 19, 1948.

ANNUAL TURNOVER RATE OF ADJUSTED DEMAND DEPOSITS*
(Weekly Reporting Banks—Fourth District)



. . . . thus far in 1948 checking account balances have been more active than was the case a year ago.

* Monthly averages, 1946-1947. Weekly data 1948. Last date plotted, week ended May 19, 1948.

Construction Trends in the Fourth District

In analyzing the current situation in the construction industry in the Fourth District it is important to recognize at the outset that most of the activity is concentrated in the ten large metropolitan areas, shown on the next page.

Last year those ten metropolitan areas with 52½ percent of the 1940 population accounted for 88 percent of all residential construction contracts awarded in the District and 68 percent of all construction contracts combined. That represents a somewhat greater concentration of building activity in urban and suburban areas than was the general rule during the preceding decade and a half. For example, during 1947 only 12 percent of residential contracts were awarded outside the metropolitan areas whereas the average for 1931-1946 was 21 percent.

Similarly, the proportion of all types of non-metropolitan construction was reduced from an average of 41 percent in 1931-1946 to 32 percent in 1947. Among the three largest cities, Pittsburgh's proportion showed the greatest expansion. These three big centers—Cleveland, Pittsburgh, and Cincinnati—combined have added a total of $900 million worth of nonresidential construction and $1,100 million in residential building during the years since 1930. The accumulation of the nonresidential portion is shown on an accompanying chart together with bars representing the "value added by manufacture" during 1939.

The significance of this comparison is that the amount of nonresidential construction is tied closely to the amount of manufacturing done in the three cities. For example, Cincinnati's 17-year total of nonresidential construction is $179 million compared with $359 million for Pittsburgh and $363 million for Cleveland. But on the basis of the amount of "value added" (vertical bars) Cincinnati's accumulation is relatively greater than that of Pittsburgh and about the same as in Cleveland. Another measure of the significance of these 17-year totals is the application of a population factor. This is shown graphically on an adjoining chart of the accumulated per capita (1940) dollar value of construction year by year for each city. This rough measure develops the fact that Cleveland has erected a cumulative total of $286 per capita of nonresidential facilities, Cincinnati $225, and Pittsburgh $192. The metropolitan area making the best performance on this basis is Dayton, with $354 per capita.

Admittedly, using 1940 population as a base introduces errors of varying degrees among the different cities. Population in the Columbus area, for instance, has increased an estimated 18 percent since 1940, while Youngstown has increased only 2 percent. There is considerable merit, however, in using the mid-point of the period under review, particularly when those data are more accurate than any more recent estimates.

The year 1929, which represents the closing phase of the construction boom of the 'twenties, offers an interesting background for 1947 performances. In the ten-metropolitan areas combined, the 1947 dollar totals were about double those of 1929. (No adjustment has been made for price increases.) Moreover, most of the gain over 1929 has been made in residential construction. This increase in importance of residential construction is observable in each of

CONSTRUCTION CONTRACTS AWARDED IN THE FOURTH DISTRICT

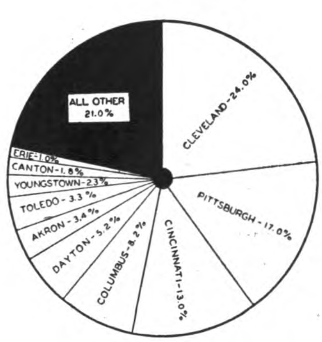
TOTAL

1931-1946 = 100%

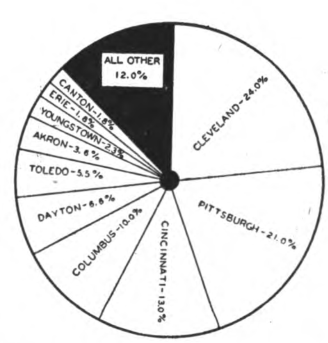
1947 = 100%

RESIDENTIAL

1931-1946 = 100%



1947 = 100%



. . . . the metropolitan share of Fourth District construction increased from an average of 59 percent in 1931-46, to 68 percent in 1947.

. . . . ten metropolitan areas, with around 55 percent of the Fourth District population, accounted for 88 percent of the residential construction in the District during 1947, as against 79 percent in the period 1931-46.

Source: F. W. Dodge Corporation.

the individual metropolitan areas, with the exception of Akron.

Trends in Selected Areas

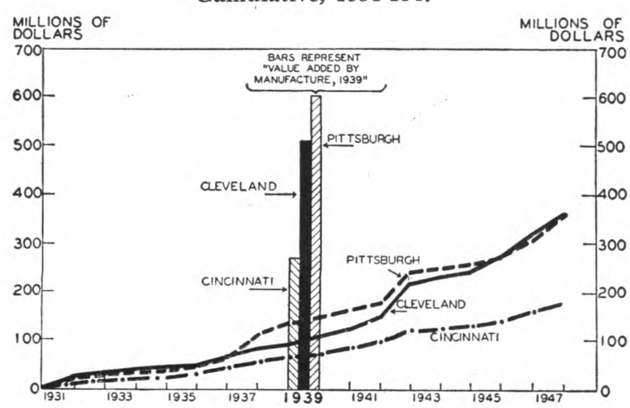
Pittsburgh—The Pittsburgh metropolitan area, comprising three Pennsylvania counties, had a 1940 population of 1,872,000 and since has increased by about 5 percent. From 1930 through 1947 a total of $339 million in residential contracts were awarded. The largest year was 1947, when residential construction amounted to $60½ million; 1941 with $53 million was second (but first in *number* of dwelling units involved) and 1946 ran a close third dollarwise at $52 million. The Pittsburgh area built nearly $360 million in nonresidential facilities in the period 1931-1947, of which $62 million occurred in 1942. As was the case in most of the country, the year 1942 was, by a comfortable margin, the most active year in nonresidential building, because of the inauguration of the bulk of war construction in that year.

The first quarter of 1948 for the Pittsburgh area shows a substantial drop in residential building from the first quarter of 1947 but a gain in nonresidential construction, with the result that the combined total is about an even match with last year's performance.

Although total dwelling units provided in the first four months in the Pittsburgh territory are less than half the number contracted for in the same period a year ago, April showed a strong comeback, matching volume in the same month last year and indicating a possible upturn in the trend.

Cleveland — The accumulation of nonresidential building in the Cleveland area over the past 17 years is shown in the accompanying chart along with Pittsburgh and Cincinnati. There was very little variation in the rate of growth of the two largest areas, and the

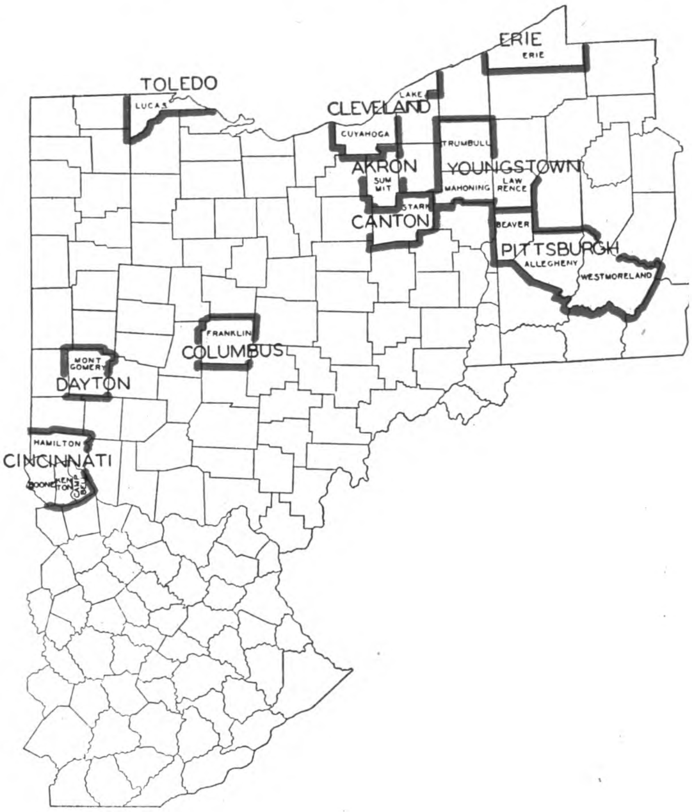
NONRESIDENTIAL CONSTRUCTION CONTRACTS
Awarded in Pittsburgh, Cleveland, and Cincinnati
Cumulative, 1931-1947



. . . nonresidential construction was most active in the Cleveland area—in terms of 1939 manufacturing capacity or volume.

Source: Department of Commerce, and F. W. Dodge Corporation.

FOURTH FEDERAL RESERVE DISTRICT
TEN METROPOLITAN AREAS
as defined by F. W. Dodge Corporation



end-totals were virtually equal. In both cases the biggest year was 1942.

In residential building the greatest activity in contracts awarded in the Cleveland area occurred in 1946, with a total of about $80 million, followed by $68 million in 1947. These two years, for dollar volume, were in a class by themselves and accounted for over 30 percent of the 1931-1947 total of $462 million in residential construction. Dwelling units being contracted for in the Cleveland territory in April exceeded the number in the same month last year, although the total for the first four months of 1948 is 18 percent below that of the same period last year.

Cincinnati — The four-county Cincinnati area last year experienced its greatest construction activity, dollarwise, in the past 17 years. The total of $68 million represented $20 million in nonresidential construction, $37 million in residential building, and the $11 million remainder was accounted for by utilities and public works. Over the 17-year period 1931-1947, a total of $262 million in residential facilities and $179 million in nonresidential building have been accumulated in the area.

When construction is converted to a per capita basis, Cincinnati ranks between Pittsburgh and Cleveland in both categories as shown by the adjoining charts.

Currently, residential building is below last year both in dollars and in the number of dwelling units provided by apartment and house building. For every ten units contracted for in the first four months last year only seven were provided this year.

Youngstown — Over the years since 1930 Youngstown has added $108 million to its nonresidential facilities, as against only $45 million in housing. In comparison of the first quarter of 1948 with the same period a year ago, the Youngstown area showed a 56 percent drop in residential building, and a 141 percent gain in nonresidential construction, resulting in an over-all increase of 25 percent for all types combined.

Columbus — Columbus has had the largest increment in housing facilities per capita of all the ten metropolitan areas studied, with a ratio of $428 per person. Part of the explanation lies in the 18 percent increase in population since 1940, a rise for which no adjustment has been made in the accompanying chart for reasons stated earlier.

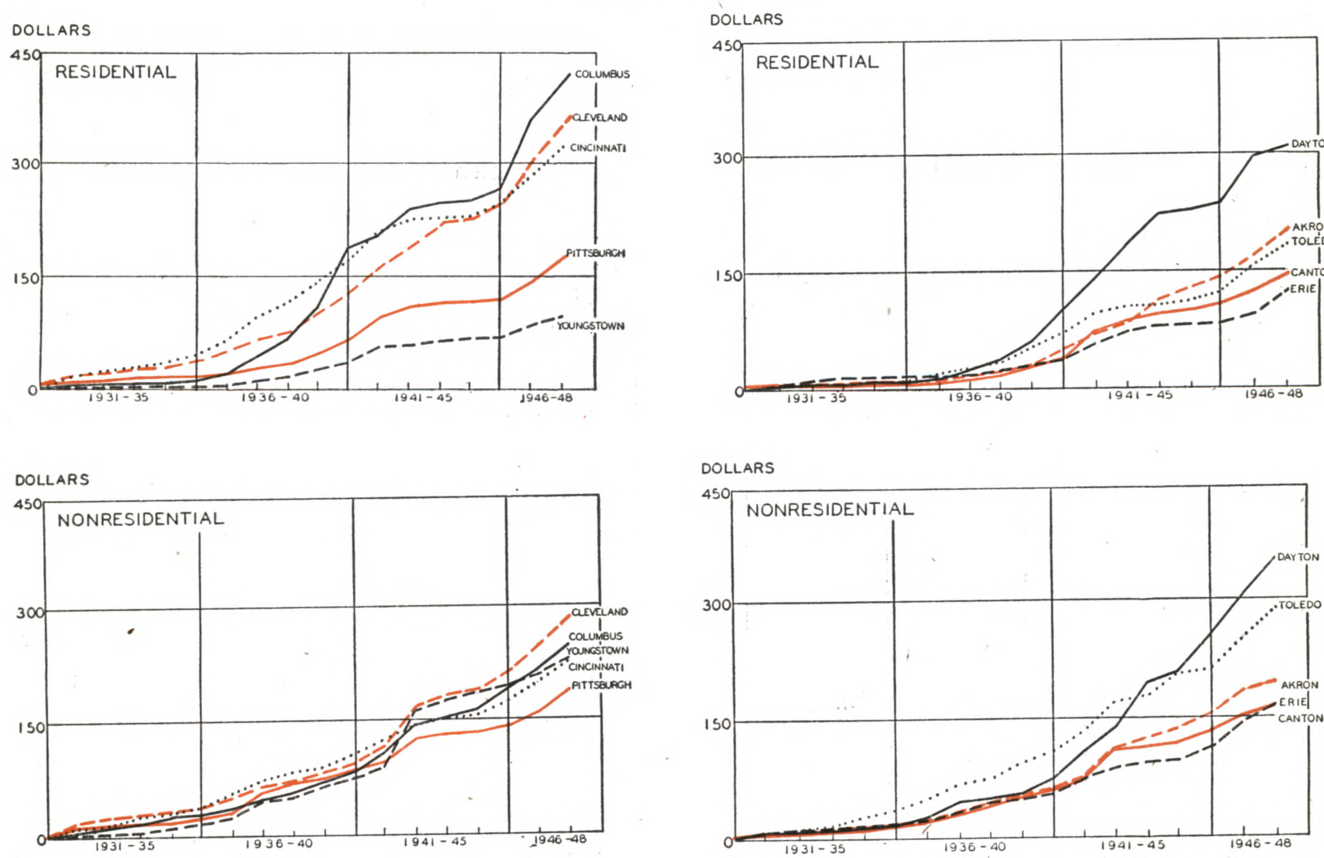
This detracts little from the fact that the Columbus area placed a very high fourth in the 1931-1947 volume of residential construction, with a total of $166 million, one-half the amount recorded for Pittsburgh, an area with well over four times the population.

Nonresidential building in the past 17 years adds up to $97 million, seventh place among the ten areas.

First quarter 1948 data show over-all Columbus construction to be about on a par with 1947 as a lag in home building was offset by gains in other types.

Toledo — In this one-county metropolitan area houses and apartments costing nearly $70 million

PER CAPITA VALUE OF CONSTRUCTION CONTRACTS AWARDED*
cumulative, 1931-1947



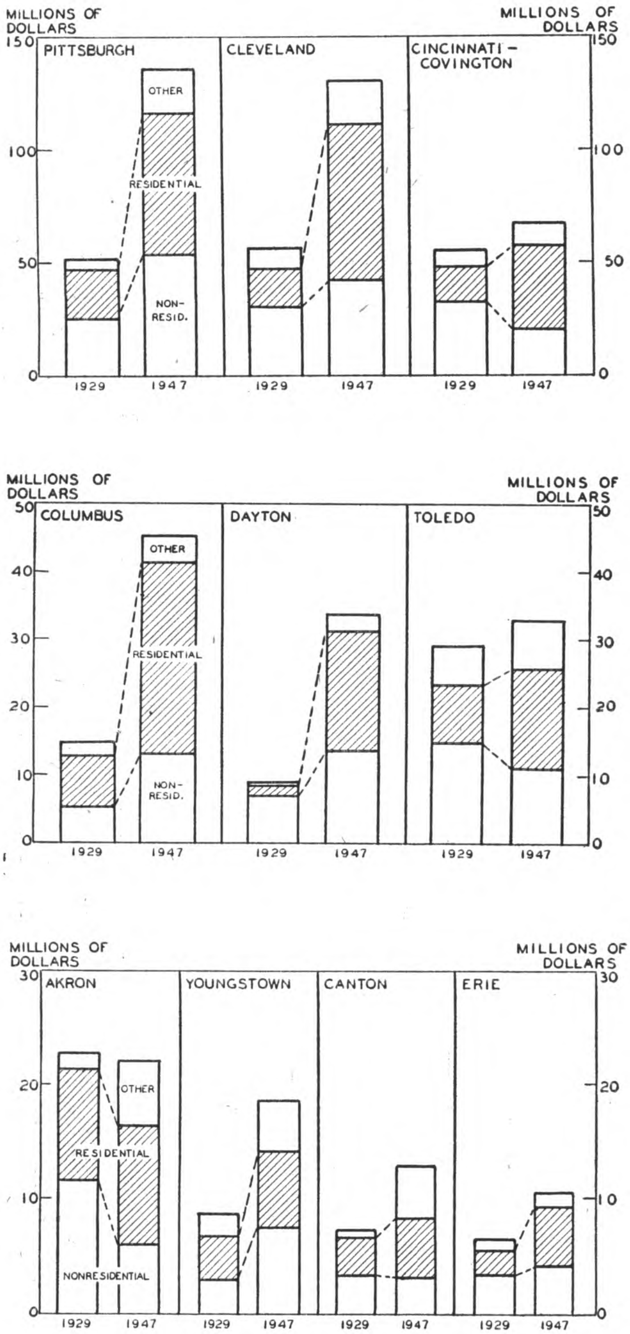
. . . . total residential construction over the 17 years in these cities ranged from $96 per capita in Youngstown to $428 in Columbus. In nonresidential construction the Cleveland area led with $286.

. . . . in these five cities cumulative residential construction since 1930 has ranged from $123 per capita (Erie) to $357 (Dayton). The rate of nonresidential construction likewise was far from uniform.

* Ratios computed from population data of the Bureau of the Census and from construction contracts awarded as reported by the F. W. Dodge Corporation.

CONSTRUCTION CONTRACTS AWARDED IN TEN METROPOLITAN AREAS* OF THE FOURTH DISTRICT

(note difference in scales of the three charts below)



. . . . 1947 residential construction exceeded 1929 in each of the ten areas. Increases also occurred in nonresidential construction in the Pittsburgh, Columbus, Dayton, and Youngstown areas, as against shrinkages in Cincinnati, Toledo, and Akron.

*as defined by F. W. Dodge Corporation and shown on accompanying map. Source: F. W. Dodge Corporation.

were built between 1930 and 1948, together with $99 million in factories, office buildings, hospitals, and other nonresidential types. On a per capita basis this means $202 in housing and $286 in nonresidential building, compared with averages of $243 and $234, respectively, for the ten metropolitan areas as a whole.

In the accompanying set of charts showing 1929 construction compared with 1947, Toledo shows a smaller increase than any other city except Akron. In Toledo 1947 construction fell short of the totals for 1941, 1942, and 1946.

In the first quarter of 1948 Toledo showed gains over the corresponding period last year in both residential and nonresidential building.

Akron—A total of $202 per person in the Akron metropolitan area was spent for residential building in the past 17 years, and an additional per capita outlay of $189 was made for nonresidential facilities.

The high point in nonresidential building activity was in 1942 with a total of $12 million in contracts awarded. None of the postwar years has approached this peak. Akron was the only area in which the 1947 total was lower than in 1929. In residential building, however, 1947 was the highest in the past 17 years, with a total of $10 million.

Akron is currently ahead of last year in nonresidential activity and about even with respect to all types combined.

Dayton — Dayton ranks high among the Fourth District metropolitan areas in construction per capita over the 1931-1947 period. Its 17-year increment was $357 per capita for homes and apartments, $354 for factories, offices, and other nonresidential construction. Both these ratios are well above the average for the ten metropolitan areas.

Dayton reversed the trend established in other areas in the first quarter of 1948 by showing a drop from last year in nonresidential construction and a rise in residential building. Total construction for all types of buildings was about 40 percent below the same months of 1947.

Canton and Erie — Canton and Erie are the smallest of the ten metropolitan areas ranked in this discussion, according to population, construction contracts awarded, and construction on a per capita basis. Canton's total for all types last year was $12,740,000, largest since 1941, while Erie's contracts were valued at $10,560,000, highest in the 1931-1947 period.

In the first quarter of 1948 Canton experienced a decline from the same quarter last year in both residential and nonresidential construction, while the situation in Erie was mixed, with a gain in the nonresidential class exceeding the decline in the residential category.

Sponsorship In an area roughly comparable to the Fourth District, the proportion of privately owned construction undertaken in 1947 was 72 percent of the total, or about the same as ten years earlier, although during the intervening war years, the bulk of contracts awarded were for publicly financed construction. The proportion of public ownership involved in contracts awarded in the first four months of 1948 was approximately 30 percent, about the same as in 1947.

In the Pittsburgh territory* public financing has been most prominent in the public works and utilities category. In the first four months of 1948 about 80 percent of public works and utilities construction was publicly financed, compared with 65 percent for the whole of 1947, and 80 percent in 1946. The most important components of the public works classification are streets and highways, bridges, parks and playgrounds, sewerage systems and other publicly owned service facilities. Construction activity in these lines has reached new highs after a period of abnormally low expenditures during the war. In the residential field almost no public funds were spent during 1946 and 1947 and the same condition existed in the first four months of this year. The same type of situation prevails in the Cleveland and Cincinnati territories.

As shown in the chart, public funds accounted for 28 percent of 1947 construction contracts awarded in the 3½ states covered by the Pittsburgh-Cleveland-Cincinnati territories. In view of the large road repair programs and other plans calling for public expenditures this source of construction activity should continue to help sustain over-all building at high levels.

Summary As gauged by F. W. Dodge reports of contracts awarded, total construction for the United States East of the Rockies in the first four months of 1948 was up 29 percent from the same period last year. That gain was accounted for largely by increases in all types of nonresidential building with the single exception of factories, which dropped 15 percent. The residential dollar total was slightly larger than last year but both the number of dwelling units and the aggregate floor area were smaller.

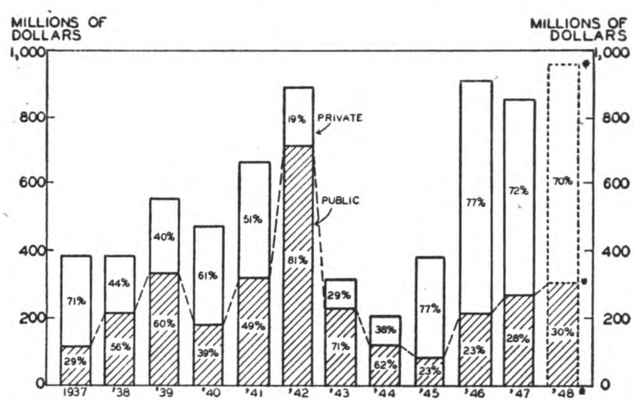
In the factory classification the decline is distributed throughout various types of industries such as petroleum (off 80 per cent), chemicals (down 20 percent), food products, machinery manufacturing and others. Iron and steel, metal working and lumber and woodworking divisions were the only groups to show year-to-year gains in the first quarter.

In the Fourth District total construction was up 15 percent compared with the 29 percent for the 37 Eastern states. Large gains were made in nonresidential building and in public works, but these were partially offset by decreased residential and utilities construction.

Within the residential classification in the first four months of the year there has been a 46 percent drop from last year in houses built for sale or rent. A decline of 9 percent occurred in the contracts awarded for apartment buildings. Houses for occupancy by the builder-owner increased in number over the same period as did dormitories and other types of shelter.

The decline in the number of houses built for sale or rent shows that speculative builders have been holding back. Reluctance to make forward commitments at the peak rate in the housing field may be based on the following conditions: (1) Builders seem to be more aware of a tightening in mortgage money than buyers are, which accordingly has a more adverse effect on supply than on demand. (2) For some time builders have been anticipating the appearance of effective buyer resistance. This has not yet materialized, at least in the "$10,000-and-under" price bracket. (3) There is a long-range housing bill before Congress which aims at the construction of 12,500,000 homes in ten years. The implications of the public housing portion of this program may be a restraining factor in the present plans of private builders. (4) Building costs continue to rise, but builders are more cautious than ever about making compensatory adjustments in price. Current home building costs in Cleveland are 130 percent above 1926-9 levels and more than double

CONSTRUCTION CONTRACTS AWARDED IN THE COMBINED PITTSBURGH, CLEVELAND, CINCINNATI TERRITORIES†
by type of ownership



. . . . in the postwar period to date, over 70 percent of all construction in this area has been privately financed, which is probably the largest proportion for a period of similar length since the 1920's.

† F. W. Dodge Corporation designations, the area includes Ohio, Kentucky, West Virginia, and Western Pennsylvania.

* Estimate based on data for the first four months of 1948.
Source: F. W. Dodge Corporation.

* As distinguished from "Metropolitan area" which is much smaller. The three F. W. Dodge Corp. territories—Cleveland, Pittsburgh, and Cincinnati combined—include Ohio, Western Pennsylvania, West Virginia and Kentucky.

the 1940 averages. Similar increases have occurred in other cities throughout this region.

On the opposite side of the current picture are these factors: (1) Home buyers appear to have become reconciled to a continuation of high prices for houses, and it is commonly found that they demand higher quality construction than in the immediate postwar period. (2) Prospects seem good that personal income will remain at high levels, thus encouraging potential buyers to enter into the long-term obligations which mortgages entail. (3) There has been no abatement in the shortage of rental units, as was stated above. The absence of available rental units increases the demand for ownership. (4) The "delivery time" on houses has been reduced noticeably since materials have become more plentiful. This has mitigated the effect of rising prices on contractual obligations, enabling builders to enter more frequently into firm contracts.

Whether there is a precise balance between favorable and unfavorable factors seems difficult of appraisal. There seems substantial ground, however, for contending that the recent indications of an upturn in home building in April may be a forerunner of a banner year in residential construction, despite the lull during the earlier months of this year.

Meanwhile nonresidential construction and public works seem destined to continue at high levels because of the great backlog of delayed construction of many types of local educational, municipal, and highway facilities, and the gradual easing of the materials bottleneck.

RECENT BANKING DEVELOPMENTS — Continued from Page 2

These adjustments in the composition of portfolios have produced only minor changes this year in figures on total investments. Data to mid-May for the weekly reporting member banks show a moderate rise in total investments, while country banks report slight decreases over approximately the same interval.

Seasonal Reduction in Demand Deposits Adjusted demand deposits of individuals and corporations at Fourth District weekly reporting member banks declined about 4½ percent between January 1 and March 17, largely because of income tax payments, but by mid-May a portion of the losses of the preceding months had been regained. The degree of contraction this year was slightly greater than in 1947, in part because of larger tax payments and also because this year loan totals were stable at the reporting banks.

The pressure on member bank reserves which accompanied this transfer of deposits to Treasury accounts was met in part by a more than seasonal return flow of currency from circulation, by gold imports, and by excess reserves which some banks accumulated in the closing weeks of 1947 through sales of securities.

For the remainder of 1948, demand deposit fluctuations at Fourth District banks probably will be largely a reflection of developments in the loan field. Last year the expansion in commercial, real estate and consumer loans was offset in large part by a contraction of total investments, which in turn was the result of public debt reduction out of the substantial Treasury cash surplus. Credit or deposit expansion in 1947 was thereby held to a moderate level. Recent tax reductions and plans for enlarged Government outlays, however, virtually eliminate the prospects for a cash surplus of any consequence during the coming months, and as a result there is not likely to be any offsetting deflationary factor in the event loan figures again move upward.

Time Deposits Unchanged It may be observed from an accompanying chart that time deposit totals have been virtually unchanged since last fall, thus offering a sharp contrast to the steadily upward trend of the war and early postwar years. In recent months, furthermore, slight reductions have occurred in time deposits of individuals and businesses, and the figure for total time deposits has been maintained only by advances in the accounts of municipal and state governments. This contraction in individual and business accounts could best be described as nominal to date, but nevertheless it is apparent that on balance the public has stopped adding to savings accounts in commercial banks.

Net gains are still accruing among other avenues for saving, such as United States savings bonds and shares in savings and loan associations, but the increments are somewhat smaller than in the corresponding months of a year ago. An additional indication of a declining tendency to save may be noted in the accompanying chart on the turnover of demand deposits in weekly reporting member banks. The chart suggests that checking account balances are persistently being spent more quickly than was the case a year ago.

ANNOUNCEMENTS

The Thirty-fourth Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1947, is available for distribution. Copies may be obtained by writing to the Board of Governors of the Federal Reserve System, Division of Administrative Services, Washington 25, D. C.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication May 26, 1948)

Industrial production decreased in April and increased in May owing chiefly to changes in coal production and supplies. Department store sales were at exceptionally high levels following the Easter shopping period. Wholesale and retail price levels were higher, reflecting chiefly increases in meat prices.

Industrial Production

The Board's seasonally adjusted index of industrial production declined 5 points in April to 187 per cent of the 1935-39 average, reflecting chiefly lower output of iron and steel resulting from the labor dispute at coal mines, which began in the middle of March. Following settlement of the dispute around the middle of April, output of coal and steel increased and the total index in May is expected to be around 190.

Steel production reached a low point of 71 per cent of capacity in the third week of April, as compared with a March average of 95 per cent, then advanced rapidly to a rate of 97 percent in the fourth week of May. Automobile output was substantially curtailed in the first 3 weeks of May, as pig iron and steel supplies continued short and a work stoppage began at the plants of a major automobile company. Lumber output, adjusted for seasonal variation, declined 9 per cent in April, owing in large part to work stoppages on the West Coast.

Output of nondurable goods showed a further slight decline in April. According to preliminary indications textile production was below the March level. Coke production was sharply curtailed because of reduced coal supplies. Activity in the rubber products industry and in some chemical industries declined. On the other hand, production of gasoline increased, and newsprint consumption showed somewhat more than the usual seasonal rise.

Coal production for the month of April was in about the same small volume as in March. Output of crude petroleum was maintained at a record level, and there was an exceptionally large increase in output of iron ore.

Construction

Value of construction contracts awarded expanded sharply in April, according to the F. W. Dodge Corporation, reflecting chiefly large increases in awards for private residential construction and for religious and other institutional buildings. Awards for manufacturing plants and public works and utilities showed little change from the levels prevailing in recent months.

Distribution

Department store sales, which usually decline after the Easter shopping season, were maintained this year and the Board's seasonally adjusted index rose from 284 in March to 299 in April, with some further rise indicated for May.

Railroad shipments of coal and coke showed a sharp increase in the latter part of April following the end of the coal strike. Shipments of perishable goods were curtailed temporarily in the middle of May in anticipation of a rail strike which was subsequently called off. Carloadings of most classes of manufactured goods continued to show little change in April and the first half of May.

Commodity Prices

Wholesale prices of meats, livestock, and vegetable oils advanced from the middle of April to the third week of May, while most other farm products and foods showed little change or declined somewhat.

Price changes were also mixed for industrial materials. Wool tops, coal, coke, and building materials were higher in this period, reflecting in part freight rate increases, while prices of steel, cotton grey goods, and certain other materials were reduced somewhat. Price reductions were announced for various electrical products.

Consumer prices in mid-April were 1.4 per cent higher than in March and exceeded slightly the previous peak reached in January. The advance in April reflected higher retail prices for foods, owing chiefly to reduced supplies of meats and fresh vegetables, and further rises in prices for various consumer services.

Bank Credit

Little change occurred in member bank reserve positions in the last half of April and the first two weeks of May. Treasury operations were largely neutral in their effect on total bank reserves. A further moderate gold inflow permitted a small reduction in Reserve Bank credit. In the third week of May member bank reserve balances were reduced considerably, in part as a result of a transfer by the Treasury of funds from war loan accounts to its balances at Reserve Banks. In addition, member banks used reserve funds to purchase in the market Treasury bills held by the Reserve Banks, with the result that the reserves of many large city banks fell temporarily below requirements.

Real estate and consumer loans continued to expand at banks in leading cities during April and the first half of May. Commercial and industrial loans increased somewhat during May following a decline in earlier months of the year.

Security Markets

Prices of common stocks showed a marked further rise in the middle of May to a level 14 per cent below the high of May 1946, according to Standard and Poor's index of 90 stocks. Volume of trading was unusually large.

Following the Treasury announcement on May 13 that June and July certificate maturities would be refunded at 1⅛ per cent, prices of Treasury bonds advanced sharply.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—April 1948

Percentage Changes from a Year Ago

(Fourth District Reporting Stores)

(Compiled May 28, and released for publication May 29)

Major Household Appliances	+32
Inexpensive Dresses (Women's and Misses')	+24
Aprons, Housedresses and Uniforms	+22
Cotton Wash Goods	+21
Notions	+20
Lamps and Shades	+19
Radios and Phonographs	+18
Domestic Floor Coverings	+17
Blouses, Skirts and Sportswear	+16
China and Glassware	+15
Furniture and Bedding	+15
Sporting Goods and Cameras	+11
Housewares	+11
Gift Shop	+10
Luggage	+ 8
Draperies, Curtains, etc.	+ 8
Hosiery	+ 7
Better Dresses (Women's and Misses')	+ 5
Coats and Suits (Women's and Misses')	+ 5
Records, Sheet Music, Pianos, etc.	+ 4
Silks, Velvets and Synthetics	+ 4
Linens and Towels	+ 4
Neckwear and Scarfs	+ 4
Juniors' Coats, Suits and Dresses	+ 2
Silverware and Clocks	+ 2
Underwear, Slips and Negligees	— 1
Blankets Comforters and Spreads	— 1
Fine Jewelry and Watches	— 2
Domestics (Muslins, Sheetings)	— 2
Woolen Dress Goods	— 3
Corsets and Brassieres	— 4
Toilet Articles and Drug Sundries	— 4
Laces, Trimmings, etc.	— 5
Men's Clothing	— 7
Furs	— 7
Art Needlework	— 8
Books and Stationery	— 8
Girls' Wear	—10
Shoes (Women's and Children's)	—11
Men's Furnishings and Hats	—13
Toys and Games	—16
Costume Jewelry	—17
Shoes (Men's and Boys')	—18
Infants' Wear	—19
Millinery	—21
Handbags and Small Leather Goods	—21
Handkerchiefs	—26
Boys' Wear	—26
Gloves (Women's and Children's)	—41
Candy	—46

Sales of housefurnishings by Fourth District department stores were up sharply during April, while most of the apparel departments showed declining sales. Basement store sales were 7% over a year ago, and main store sales were up 2%.

All departments in the housefurnishings group shared in the sales gains over last April, with an average group increase of 16%. Sales of **major household appliances** were at a new all-time high, or 32% over last April's. The **radio and phonograph** department whose sales during each of the first three months of this year had been trailing the 1947 figures, enjoyed a recovery to the extent of an 18% increase over last April's sales.

Some of the April boom in housefurnishings may be attributed to consumers' guesses about future shortages in the larger hard-goods items, as a result of the nation's military program. This factor, however, cannot fully explain the wide range of gains. **Domestic floor coverings,** for example, established a new sales record, 17% above a year ago. Sales of **lamps and shades,** up 19%, equalled the best April showing heretofore. Sales of **furniture and bedding,** and of **china and glassware** were in each case 15% above a year ago and substantially above the previous month.

The apparel decline was led by the men's and boys' wear departments. Sales in this group were 13% below a year ago, falling to a three-year low for the month. All branches were down, ranging from a 26% cut in sales of **boys' wear** to a 7% drop for **men's clothing.**

The women's apparel and accessories group showed a 1% loss in sales from April 1947. Accessories as a sub-group were down 11%, for a three-year low for the month. Extreme examples are **gloves,** down 41%; **handkerchiefs,** down 26%; **millinery,** down 21%. A number of departments in the women's apparel group, however, registered important sales gains. These included **inexpensive dresses,** up 24%, **aprons, housedresses and uniforms,** up 22%, and **blouses, skirts and sportswear,** up 16%.

Departments in the piece goods and household textiles group showed year-to-year gains averaging 3%. Most conspicuous increase was in sales of **cotton wash goods** which were up 21% over last year.

Among the miscellaneous departments, sales of **sporting goods and cameras** were up 11%, at an all-time high for the month. By contrast, sales of **toys and games** were off 16%, dropping to a three-year low for the month.

Candy sales recorded a 46% loss from a year ago.

All comparisons refer to dollar volume of sales.

Inventories by Departments—April 30, 1948

Percentage Changes from a Year Ago

(Fourth District Reporting Stores)

(Compiled May 28, and released for publication May 29)

Major Household Appliances	+82
Men's Clothing	+46
Domestic Floor Coverings	+40
Radios and Phonographs	+27
Sporting Goods and Cameras	+23
Luggage	+23
Shoes (Women's and Children's)	+22
Shoes (Men's and Boys')	+22
Underwear, Slips and Negligees	+21
Infant's Wear	+21
Fine Jewelry and Watches	+21
Furniture and Bedding	+20
Silverware and Clocks	+19
Domestics (Muslins, Sheetings)	+19
Records, Sheet Music, Pianos, etc.	+18
Corsets and Brassieres	+17
Millinery	+16
Neckwear and Scarfs	+14
China and Glassware	+13
Juniors' Coats, Suits and Dresses	+13
Coats and Suits (Women's and Misses')	+13
Cotton Wash Goods	+12
Notions	+12
Handbags and Small Leather Goods	+11
Lamps and Shades	+10
Girls' Wear	+10
Furs	+ 9
Silks, Velvets and Synthetics	+ 7
Housewares	+ 3
Blankets, Comforters and Spreads	+ 2
Men's Furnishings and Hats	+ 1
Hosiery	+ 1
Art Needlework	—0—
Better Dresses (Women's and Misses')	— 1
Inexpensive Dresses (Women's and Misses')	— 1
Costume Jewelry	— 1
Books and Stationery	— 1
Toilet Articles and Drug Sundries	— 1
Draperies, Curtains, etc.	— 1
Aprons, Housedresses and Uniforms	— 2
Blouses, Skirts and Sportswear	— 2
Boys' Wear	— 3
Gift Shop	— 5
Candy	— 6
Woolen Dress Goods	— 8
Linens and Towels	— 8
Toys and Games	— 8
Gloves (Women's and Children's)	— 9
Laces, Trimmings, etc.	— 9
Handkerchiefs	—16

At the close of April inventories of Fourth District department stores were the highest on record, roughly 5% above the seasonal peak of last November 30, and 12% above the figure of a year ago.

Among individual departments, inventories were the largest for any month on record in **men's clothing,** up 46% for the year; **men's and boys' shoes,** up 22%; **women's and children's shoes,** also up 22% over last year; **infants' wear,** up 21%; **domestics (muslins, sheetings),** with a gain of 19%; **cotton wash goods,** up 12%; and **notions,** which were up 12%. Inventories of **sport goods** also stood at record levels at the end of April, 23% above a year earlier.

No adjustment has been made in any of these percentage increases, for changes in the price level in recent years.

With respect to major groups, the largest year-to-year gain occurred in housefurnishings, where inventories held virtually at the all-time high reached at the end of March. Stocks of **major household appliances** were 82% higher than a year ago, **domestic floor coverings** up 40% and **radio and phonograph** stocks were 27% above the comparable date last year.

In contrast to the general pattern of year-to-year increases, in seventeen departments April 30 inventories were the lowest for the season in two years or longer. This was notably true with respect to such ready-to-wear accessories as **handkerchiefs,** and **women's and children's gloves,** of which supplies were 9% to 16% below last year.

Inventories of small wares such as **costume jewelry, books and stationery, toilet articles,** and **laces;** were 1% to 9% below a year ago.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

(Compiled May 6, and released for publication May 7)

City and Number of Banks	Time Deposits April 28, 1948	Average Weekly Change During: April 1948	Previous Month	Year Ago
Cleveland (4)	$ 871,845,000	—$828,000	—$449,000	—$ 105,000
Pittsburgh (12)	404,605,000	+ 106,000	— 124,000	+ 225,000
Cincinnati (8)	182,331,000	+ 178,000	— 124,000	+ 474,000
Akron (3)	102,801,000	— 163,000	— 34,000	+ 204,000
Toledo (4)	96,135,000	— 25,000	— 42,000	+ 35,000
Columbus (3)	72,897,000	+ 38,000	— 67,000	+ 93,000
Youngstown (3)	60,748,000	+ 14,000	+ 2,000	+ 15,000
Dayton (3)	48,219,000	— 93,000	— 72,000	+ 34,000
Canton (5)	42,872,000	+ 112,000	— 39,000	+ 77,000
Erie (4)	38,886,000	+ 20,000	— 36,000	+ 121,000
Wheeling (6)	28,821,000	— 4,000	+ 5,000	+ 31,000
Lexington (5)	10,630,000	— 20,000	+ 5,000	+ 10,000
TOTAL—12 Cities.	$1,960,790,000	—$666,000	—$975,000	+$1,213,000

Time deposits declined moderately during April at 60 Fourth District banks. The reduction represented the fourth decline in the past six months and in the postwar period to date. The recent declines have been of rather nominal proportions, however, and as a result the current time deposit total is only about one-half of one percent below the all-time high set last December.

The April reduction is largely attributed to a decrease of time deposits in **Cleveland.** The average weekly decline in that city amounted to $828,000, whereas in the District as a whole the reduction was only $666,000 per week, indicating that a net expansion in time deposits occurred outside of Cleveland. In April a year ago Cleveland reported a slight decrease in time deposits and it was the only Cleveland reduction in all of 1947. Withdrawals for payment of real estate taxes are believed to be a factor in Cleveland reports for April.

Six cities reported gains in time deposits during April. It was the second successive advance for **Youngstown,** but in **Pittsburgh, Cincinnati, Columbus, Canton** and **Erie** the increase represented a reversal of the declines reported for March. The increase in **Canton** followed five successive monthly reductions. Almost half of the 60 banks which participated in the survey reported gains in time deposits for April.

Bank Debits*—April 1948

(In thousands of dollars)

(Compiled May 12, and released for publication May 13)

	April 1948	% Change from Year Ago	3 Months Ended April 1948	% Change from Year Ago
ALL 30 CENTERS	$6,742,845	+10.8%	$19,800,612	+14.3%
10 LARGEST CENTERS:				
Akron, Ohio	229,767	— 0.4	656,372	— 0.5
Canton, Ohio	113,545	+13.8	317,675	+12.9
Cincinnati, Ohio	870,034	+13.6	2,610,812	+12.1
Cleveland, Ohio	1,731,448	+12.5	5,016,912	+14.9
Columbus, Ohio	523,277	+ 6.2	1,509,321	+17.5
Dayton, Ohio	224,416	+ 4.3	666,427	+ 7.3
Toledo, Ohio	359,473	+ 0.4	1,104,515	+ 7.4
Youngstown, Ohio	149,661	+ 7.6	403,290	+10.6
Erie, Penna.	86,161	+11.6	254,453	+15.4
Pittsburgh, Penna.	1,837,052	+12.4	5,450,056	+19.4
TOTAL	$6,124,834	+10.3%	$18,016,833	+14.6%
20 OTHER CENTERS:				
Covington-Newport, Ky.	$39,011	+16.9%	$113,803	+14.8%
Lexington, Ky.	55,486	+18.1	175,375	—11.0
Elyria, Ohio	19,557	+10.4	58,413	+11.1
Hamilton, Ohio	38,667	+24.4	110,683	+22.0
Lima, Ohio	43,567	+11.4	124,413	+11.6
Lorain, Ohio	19,074	+20.7	52,806	+19.3
Mansfield, Ohio	42,512	+22.4	118,070	+19.1
Middletown, Ohio	34,530	+27.1	97,743	+17.8
Portsmouth, Ohio	19,036	+ 1.1	58,121	+ 5.8
Springfield, Ohio	45,457	+ 3.9	132,225	+ 7.6
Steubenville, Ohio	22,527	+11.8	63,543	+12.6
Warren, Ohio	37,452	+12.3	104,856	+10.5
Zanesville, Ohio	25,395	+16.1	74,007	+17.1
Butler, Penna.	32,096H	+22.9	88,082	+18.4
Franklin, Penna.	7,117	+ 8.3	19,761	+10.3
Greensburg, Penna.	20,385	+19.1	58,831	+23.0
Meadville, Penna.	14,314H	+ 4.7	35,188	+ 4.6
Oil City, Penna.	21,844	+28.1	62,217H	+19.3
Sharon, Penna.	25,102	+15.2	74,599	+17.0
Wheeling, W. Va.	54,882	+10.6	161,665	+10.8
TOTAL	$ 618,011	+15.3%	$ 1,783,779	+11.1%

* debits to all deposit accounts except interbank balances.
H denotes new all-time high for one month or quarter year.

Bank debits during April in thirty Fourth District cities were 5 percent below the March level, but the reduction may be attributed in part to the fact that April is a short month.

Changes in Consumer Instalment Credit April 1948

26 Fourth District Member Banks*

(Compiled May 26, and released for publication May 27)

Outstanding at End of Mo. Compared With: Mo. Ago	Yr. Ago	Type of Credit	New Loans Made Compared With: Mo. Ago	Yr. Ago
+5%	+52%	Total consumer instalment credit	+ 5%	+ 49%
+3	+13	Personal instalment cash loans	— 5	+ 16
+5	+74	Repair and modernization loans	+31	+101
		Direct retail instalment loans		
+6	+59	(a) Automobile	— 4	+ 40
+1	+44	(b) Other	—34	— 1
		Retail instalment paper purchased		
+6	+82	(a) Automobile	— 6	+ 74
+9	+18	(b) Other	+40	+107

The steady upward climb in the volume of **total consumer instalment loans outstanding** continued during April at Fourth District banks. The advance at 26 reporting banks came to 5 percent and the total is now half again as large as it was a year ago. It has now been 27 months since a decrease occurred in the total outstanding.

The gain for April in total consumer instalment credit outstanding was the net result of new postwar highs in the volume of **new loans made** and **estimated loan repayments,** the totals for which even exceeded the high seasonal peaks associated with the recent Christmas season.

New loans made in April were 5 percent above the preceding month and almost 50 percent higher than a year ago. **New repair and modernization loans,** which advanced sharply in March, again moved upward for a substantial month-to-month gain. New loans in this category have been running at about double the volume of last year. **New purchased instalment paper on articles other than automobiles** likewise was up substantially from the preceding month and from a year ago, but decreases occurred in the volume of new loans in other loan classifications.

* The twenty-six banks, which are located in fifteen cities, represent about two-fifths of all member bank resources and about one-fourth of all consumer instalment loans outstanding at Fourth District member banks.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation: April 1948	March 1948	April 1947	Without Seasonal Adjustment: April 1948	March 1948	April 1947
SALES:						
Akron (6)	274	293	287	271	278	290
Canton (5)	375	373	340	345	336	320
Cincinnati (8)	315	316	302	289	313	284
Cleveland (10)	244	269	226	261	258	246
Columbus (6)	355	320r	318r	316	323r	293r
Erie (3)	318	315	277	308	293	274
Pittsburgh (8)	279	279	253	265	273	248
Springfield (3)	295	276	288	274	276	277
Toledo (6)	277	273	245	274	268	247
Wheeling (6)	243	272	239	219	264	225
Youngstown (3)	351	309	307	330	309	301
District (97)	295	270	272	280	284	266
STOCKS:						
District	286	298	246	295	287	253

r—Revised.

When compared with a year ago, the April total of $6,743,000,000 was up 11 percent. This advance was somewhat smaller than the year-to-year increases reported in preceding months, however, for in the first quarter of the year the average gain over year-ago figures approximated 15 percent.

TEN LARGEST CITIES

In April the large cities experienced a sharper drop from the March level than did the smaller centers, and in year-to-year comparisons the gain reported by the large cities was narrower than that recorded in the smaller centers. This was the first time in five months that the large cities have lagged behind the smaller centers in percentage advance over the totals of a year ago.

Akron and **Canton** were the only large cities to report a higher debit figure in April than in March. **Canton** reported the largest gain over year-ago totals with an advance of almost 14 percent. Other cities which surpassed the average year to-year advance of 10 percent for the large cities were **Cincinnati, Cleveland, Pittsburgh and Erie.**

TWENTY SMALLER CENTERS

In April six of the smaller centers experienced a year-to-year gain of better than 20 percent. The six included **Oil City, Middletown, Hamilton, Butler, Mansfield and Lorain.**

New all-time monthly highs were set in **Butler** and **Meadville,** while **Oil City** was the only reporting center to experience a new high for a three-month period.


ERIE
TOLEDO
CLEVELAND
PA.
AKRON
YOUNGSTOWN
CANTON
OHIO
PITTSBURGH
WHEELING
DAYTON
COLUMBUS
W. VA.
CINCINNATI
LEXINGTON
KY.
Fourth Federal Reserve District
MAIN OFFICE
BRANCH OFFICES