

MONTHLY

Business Review

AUGUST 1948

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FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

Vol. 30—No. 8

Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

Electric Utility Expansion

OHIO AND PENNSYLVANIA

THE electric light and power companies serving Ohio and Pennsylvania are planning to increase aggregate generating capacity by 34 percent during the next three or four years, in order to keep pace with actual and anticipated growth in demand for electric energy in this area.

This program, entailing expenditures of roughly one billion dollars, is not only of unprecedented magnitude, but the rate of expansion exceeds that which is anticipated for the country as a whole. For the same period (1947 to the end of 1951), generating capacity of all Class I utilities in the United States will be enlarged by 29 percent, according to Federal Power Commission reports.

Total electric power consumption in 1947 of 35.2 billion kwh in Ohio and Pennsylvania was the highest on record despite the fact that industrial sales were still below the wartime peak. Sales in 1948 to date have averaged about 10 percent above last year, and if this rate of gain is maintained, total power consumption should approximate 38.7 billion kwh for the year. In this event, utilities in some areas will be hard pressed to meet the peak load requirements of their customers late this fall and winter, which in turn explains the urgency with which many expansion programs are being undertaken.

An adjacent chart depicts the growth in electric utility capacity in Ohio and Pennsylvania and in the

United States from 1936 through 1947. The broken lines from 1947 through 1951 represent the estimated capacity for the two states based upon the expansion programs of the reporting companies. If these plans are carried to completion, capacity will total 9,420,000 kw by December 31, 1951, or 34 percent larger than 1947, and 86 percent above the level of 1936.

The increase in electrical generating capacity since 1936 has been greater for the country as a whole than in Ohio and Pennsylvania chiefly because of the rapid growth in publicly-owned plants in the South and the West.

The total kilowatt capacity of the nation's electric utility generating equipment grew from 35.0 million in 1936 to 50.3 million on December 31, 1946, or an increase of nearly 44 percent. At the same time, Ohio and Pennsylvania plants increased their capacity from 5.0 million kw to 6.8 million kw, or a gain of 36 percent. It thus appears that the rate of increase in these two eastern states was somewhat less than that experienced by the nation as a whole.

In Pennsylvania and Ohio, however, public ownership of electric utilities is relatively unimportant. In 1946 public facilities in these two states accounted for less than 5 percent of the total as against nearly 20 percent for the nation.

The record of the privately owned utilities in Ohio and Pennsylvania is much more significant. Their capacity was expanded 34 percent whereas the rate of increase for all privately owned electric utilities in the United States was 27 percent.

During the major part of this decade, public power advocates were able to exercise a great deal of influence. The Federal Government expanded its generating plants by adding 4,335,800 kw, nearly all of it in hydro plants. These various projects were

NOTE: This broad outline of the improvement and expansion program of utilities in the Ohio-Pennsylvania area was obtained through the cooperation of 22 companies representing about 95 percent of the present generating capacity located in the two states.

located in the Far West and in the domain of the Tennessee Valley Authority and none was built either in Ohio or in Pennsylvania. Thus nearly one-third of the increase in United States productive plants was accounted for by the Federal Government and it had the general effect of discouraging private investment in electric power plants in the areas of Federal competition.

These rates of change in facilities are summarized in the following table.

PERCENTAGE CHANGE IN CAPACITY OF GENERATING PLANTS

1936 - 1946

	United States	Ohio and Pennsylvania
Total Facilities	+ 44%	+ 36%
Publicly Owned	+ 203%	+ 67%
Privately Owned	+ 27%	+ 34%

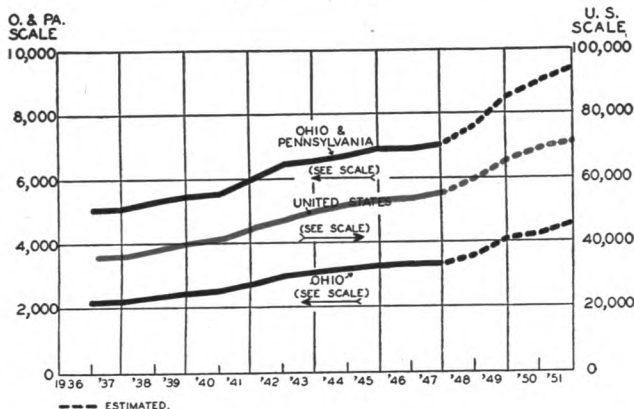
PROPORTION OF KW OF GENERATING FACILITIES PUBLICLY OWNED

	1936	1946
United States9%	20%
Ohio and Pennsylvania.....	4%	5%

The pattern of expansion anticipated for the United States will not differ greatly from that of the past decade. A study made by *Electrical World* of utility construction plans through 1952 indicates that 46 percent of the total planned addition to generating capacity will be made by various governmental units. This would be a fractional increase from the 44 percent experienced from 1936 through 1946.

On the other hand, planned additions for Ohio and Pennsylvania will continue to be made almost exclusively by the privately owned companies. According to the utilities (both public and private)

KW CAPACITY OF ELECTRIC UTILITIES (000 omitted)



... during the next three years, the generating capacity of Ohio and Pennsylvania utilities is scheduled to expand more rapidly than the national average.

Source: Federal Power Commission. 1948-51 estimated by Federal Reserve Bank of Cleveland.

that reported their programs in the course of this survey only 1.5 percent of the expansion in generating capacity will be accounted for by the several government operated plants. Thus virtually the entire program will be financed by private enterprise.

Characteristics of Proposed Expansion

Construction plans of utilities for the period ending December 31, 1951, reveal that it will be practically a 100 percent steam program in Ohio and Pennsylvania. As a matter of fact there will be a slight contraction in hydro power as obsolete facilities are abandoned. The reporting companies also will make a net addition of only 100 kw in internal combustion power. In this connection it should be pointed out that companies with a 1946 generating capacity of less than 5,000 kw were not included in this survey and it is largely in installations of that size that internal combustion engines are commonly used. Undoubtedly many small companies will enlarge their plants by additional diesel-powered units.

In Ohio and Pennsylvania, the steam engine and turbine are of much greater importance than in the rest of the nation. In 1936, steam driven units accounted for 91.7 percent of total capacity as compared with 8.0 percent for hydro, and only 0.3 percent for internal combustion engines. By the end of 1947, steam had further increased its dominance and powered 93.4 percent of electric generating equipment, while hydro capacity had shrunk to 6.2 percent and internal combustion power was virtually unchanged.

Waterpower development remained practically stationary in the two states in the last 12 years, increasing only from 409,000 kw to 433,000 kw. All but 11,525 kw of this was located in Pennsylvania at the close of 1947.

The *Electrical World* United States survey for 1948-1952 shows a much different pattern. New generating equipment will be 54 percent steam, almost 46 percent hydro, and less than 1 percent internal combustion. However, 93 percent of new generators installed by privately owned power companies will be steam powered and 6 percent by hydro. The situation is almost exactly reversed in the case of planned government expansion with 92 percent of new facilities to be installed in hydro projects. The dominance of hydro power in the government area suggests that the bulk of it is being planned by the several Federal agencies in connection with navigation and flood control projects.

Financial Outlays

The twenty-two electric utilities covered in the Ohio and Pennsylvania survey spent \$176 million in 1947 to enlarge their facilities. Of this amount, \$73 million

was for new generating equipment and the balance for distribution and other plant equipment.

In January 1948, the companies estimated that expansion expenditures through 1951 would amount to an additional \$816 million. Of this total, \$360 million would be for generating equipment. These estimates are predicated on the assumption that new equipment will be delivered on schedule and that construction work will suffer no undue delays. The presumption is also implicit that the necessary funds can be obtained from the security markets or lenders without difficulty. Moreover, the dollar estimates were based upon known costs at the end of 1947 and are subject to adjustment as the result of rising prices. Utility companies estimated that costs in 1947 ran 30 percent ahead of budgets. Recent reports indicate that costs are still difficult to predict with any degree of precision.

Most companies were unable to give details for planned or anticipated sources of funds for their expansion programs. The following is representative of replies in regard to financial plans: "It is anticipated that these funds will be raised through the sale of a combination of first mortgage bonds, preferred and common stock. The amount, ratio, and type of security to be sold will depend largely upon prices and general market conditions at the time we go to the financial market . . ." Depreciation reserves and retained earnings are expected to take care of a substantial portion of new capital in most cases. Only three companies indicated that part of their requirements might be met by bank borrowing.

Trends in Power Utilization

Electric power generation for public supply in the United States rose from 112 billion kwh in 1936 to 256 billion kwh in 1947, an increase of 128 percent. Electric power sales to ultimate consumers in the same period rose from 99 billion kwh to 218 billion kwh, or a gain of 120 percent. The difference between production and sales is accounted for by transmission losses and energy consumed in the utility systems. Since generating capacity from 1936 to 1947 was expanded by about 40 percent, the increase of 128 percent in electrical output was achieved by the more complete utilization of existing plant capacities.

During this same interval, the Federal Reserve index of production advanced from an annual average of 103 to 187, or a change of 82 percent.

Industrial electrical power purchased from utilities has increased more than physical product output for a variety of reasons. Electrically driven machines have an inherent convenience and ease of control which has resulted in the greater use of central station electricity in new installations and processes, and in the displacement of other forms of mechanical power in many established lines of production.

Better lighting and air conditioning have done much to increase the consumption of electricity, as have the many industrial techniques developed during the period under study. Electrically operated conveyor systems have been more generally adopted, electric furnaces have replaced other types in many instances and other types of electrical equipment have been developed to increase factory production. Some of the newer applications are radio-frequency dielectric heating, electric furnace brazing, induction heating, continuous process annealing of metals, electric arc and resistance furnaces, welding, infra-red heating and drying, reduction of aluminum and magnesium, and other electro-chemical processes.

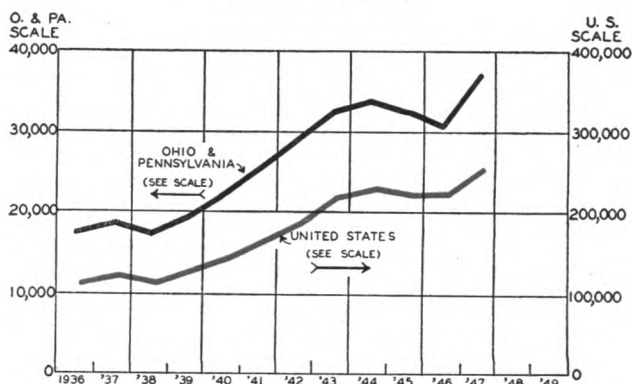
A vast number of electronic devices are important in the operation of production lines to improve quality and quantity of production. These are the means of controlling temperature, humidity, and color, and include devices for counting, measuring, grading, weighing, sorting, testing, and positioning products.

Nonindustrial uses of electric power have also expanded enormously. The use of electricity in homes has increased 180 percent while commercial and farm consumption likewise have made great gains.

Comparative Increases in Power Output

The increase in generation of electric power for public supply in Ohio and Pennsylvania over the entire period from 1936 through 1947 was somewhat smaller than for the country as a whole. Power production rose from 17.2 billion kwh to 37.2 billion kwh, or a gain of 116 percent. Power output in 1947, however, gained nearly 21 percent over 1946 whereas the rise for the United States as a whole was about 15 percent. Last year, the two states generated 14.5 percent of the nation's electric power supply as compared with 15.3 percent in 1936.

KWH GENERATED BY ELECTRIC UTILITIES FOR PUBLIC SUPPLY (000,000 omitted)



. . . . in 1947, power output in Ohio and Pennsylvania resumed its long-term upward trend and at a more rapid rate than elsewhere in the United States.

Source: Federal Power Commission.

Production of electrical energy by the various public authorities in the United States increased at a much faster rate from 1936-46 than did their generating capacity. Output measured in kilowatt-hours shot up from 6.6 billion in 1936 to 42.0 billion in 1946, or an increase of 538 percent. In the same period, the kilowatt rating of publicly owned generators was expanded by 203 percent. These figures indicate that capacity use was substantially increased.

In contrast to the enormous expansion of publicly owned output, privately operated facilities increased their production of electricity by about 72 percent. Output rose from 106 billion kwh in 1936 to 181 billion kwh in 1946. As a result of these two different rates of growth, the proportion of public output to total production rose from 6 percent in 1936 to 19 percent in 1946.

Generation of power by public authorities in Ohio and Pennsylvania increased 80 percent or at about one-seventh of the rate of national public power growth. On the other hand, electric energy produced by the privately owned utilities expanded 87 percent so that the proportion of public output to total output fell fractionally from 2.7 percent in 1936 to 2.6 percent in 1946.

Steam generators are the major source of electric power production in the United States. Since 1936, the proportion of steam generated power has ranged from a low of about 61 percent to a high of 68.5 percent of total. Variations are due primarily to the availability of water supplies to operate the hydro plants which has caused the proportion of hydro-power output to vary from 29 percent to a high of 38 percent. Low water levels in 1947 resulted in extensive use of steam stand-by facilities in many parts of

the country, and in actual power shortages in areas where adequate stand-by capacity was not available. About one percent of the total electric output is generated with internal combustion engines.

In 1947, steam plants generated 175 billion kwh, or 68 percent of total production, while low water held hydro-generated power to 74 billion kwh or 29 percent of total output. This represented a drop of 5 percent for hydro power from the previous year to the smallest proportion since 1941. On the other hand, steam powered generation rose 23 percent from 1946.

In Ohio and Pennsylvania, steam power plants in 1947 produced 35.1 billion kwh or 94 percent of total kilowatt-hour production of 37.2 billion, while hydro projects accounted for only 5.5 percent of total generation. The proportion of steam power has risen steadily since 1936, when it was about 92 percent.

Choice of Fuel for Power Generators

The kind of fuel consumed for electric generation by utilities varies with the cheapness and availability of fuel in different regions of the country. In 1946, the sources of energy for electric production were divided as follows:

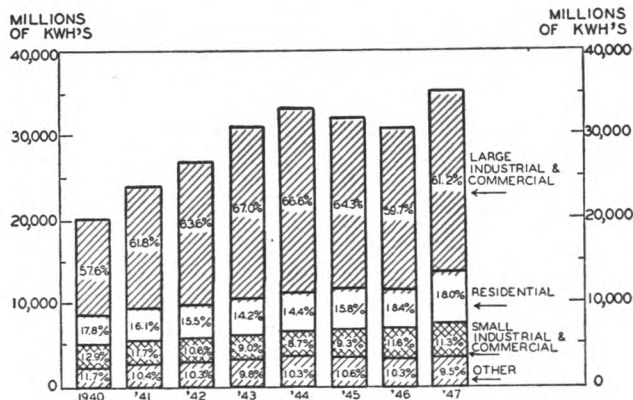
SOURCES OF ENERGY FOR ELECTRIC UTILITIES

Basis: Kwh Production, 1946

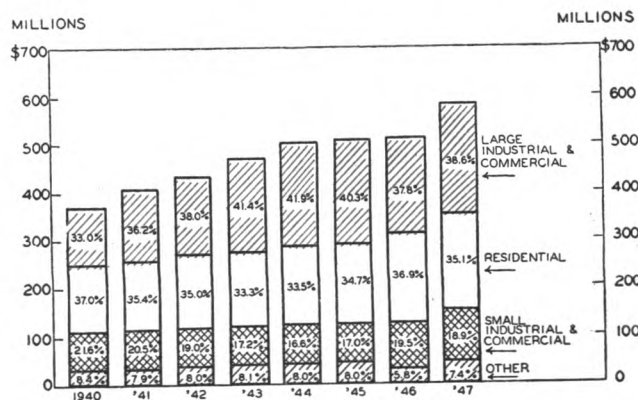
Coal, all kinds	50.0%
Hydro	35.1
Gas	8.4
Oil	6.3
Waste, etc.2
	<hr/>
	100.0%

Source: Federal Power Commission.

KWH SALES BY CLASS OF SERVICE
Ohio and Pennsylvania



DISTRIBUTION OF REVENUES BY CLASS OF SERVICE
Ohio and Pennsylvania



... although consumption is still below the 1944 wartime peak, large industrial and commercial customers absorb over 60 percent of power sales. Revenue from such sales, however, is not much larger than that received from residential users.

Source: Edison Electric Institute.

Source: Edison Electric Institute.

The East North Central region of the United States relied upon coal to produce 92 percent of its kilowatt-hour production requirements while the West South Central region derived about 85 percent of its requirements from natural gas. The New England and Pacific Coast areas use large proportions of oil and hydro energy.

The quantity of fuel necessary to produce a kilowatt-hour is shown in the accompanying table.

UNITED STATES FUEL CONSUMPTION PER KWH

1946

Bituminous coal	1.26 pounds
Anthracite	1.85 pounds
Lignite	2.90 pounds
Oil	0.108 gallons
Gas	16.3 cubic feet

Source: Federal Power Commission.

Wide variations from these average figures occur in various plants as a result of differences in the quality of fuels and in the efficiency of individual generating plants.

Electric utilities are one of the most important customers of the coal industry and have been using an increasing proportion of the national coal output. In 1936 they consumed 40 million short tons of coal (including a small amount of anthracite and lignite) or 9 percent of total United States bituminous production of 439 million tons. By 1947, electric utility consumption of coal had jumped to 89.5 million tons, an increase of 123 percent over 1936. Coal consumption last year was one-fourth higher than in 1946 and the utilities used 14.5 percent of the national output of 619 million tons. Here then, is an important and growing market for the bituminous coal industry and the greater use of coal by utilities will probably more than offset the shrinkage that is taking place in the railroad market as a result of "dieselization."

Electric utilities in Ohio and Pennsylvania are very heavy coal consumers. In 1947, these two states generated 99 percent and 87.5 percent, respectively,

of their total electrical energy from coal. This includes in the case of Pennsylvania a small tonnage of anthracite. Nearly one-fourth of the nation's utility coal consumption takes place in these two states.

Electric power production in Ohio and Pennsylvania in 1936 took 11.1 million tons of coal which was equal to about 9 percent of the bituminous output in these two states. By 1947, consumption had risen to 23.5 million tons or nearly 13 percent of the two states' bituminous coal production. Since almost all of the 34 percent expansion in new generating capacity expected by the end of 1951 will be in new steam units, it is clear that the demand for coal will continue to rise if the present trend in electric power production is maintained. It takes, in some cases, nearly three years to develop, equip, and open a new deep-shaft coal mine. Because of this time lag, commercial coal companies are already preparing new operations and entering into contracts with utilities to supply their anticipated needs in 1951 and thereafter.

Virtually no fuel oil was used in Ohio last year, and in Pennsylvania only 2.4 percent of electrical energy was produced from this fuel. The two states combined, consumed 1.3 million barrels of oil in 1947, a drop of 31 percent from the previous year. Gas consumption receded slightly last year to 1.6 billion cubic feet. The peak period of gas consumption was reached in 1938 when Ohio and Pennsylvania together burned 7.1 billion cubic feet. Shortages of these fuels and rising prices, particularly in the case of petroleum, are working in favor of greater coal consumption. An accompanying chart depicts the trend of fuel consumption for production of electric energy.

Source of Revenues The predominance of heavy industry in Ohio and Pennsylvania becomes apparent when sales and revenues of electric utilities in these states are compared with the entire

(Continued on page 8)

Deposit Trends in Fourth District Counties

IN the first part of the postwar period, bank deposits tended to increase less rapidly in the large cities of the Fourth District than in the smaller communities. During the past year and a half, however, the relationship has been altered somewhat. The large centers continued to experience moderate gains in total deposits whereas on the average little net change occurred in the less populous localities.

In 1947, for example, total deposits in the counties including Cincinnati, Cleveland, and Pittsburgh advanced 6 percent, as against a gain of only 2 percent

for the rest of the Fourth District. Deposits in towns with a population of less than 15,000 were virtually unchanged during 1947. This tendency of the smaller centers to lag behind the pace of the large cities appeared in both time and demand deposits.

Yet there were many exceptions to this relative stability in the deposit picture of the less populated counties. About ten percent of the counties in the District experienced increases of ten percent or more during 1947, and of these counties nearly all were

located in the eastern or the western sections of the Fourth District part of Kentucky. Gains in excess of ten percent likewise occurred in Darke and Preble counties in Ohio, and both of these counties are known as excellent agricultural areas. Furthermore, reference to the accompanying map discloses instances of moderate reductions in deposits within some highly industrialized counties.

Data concerning the relative growth in deposits of counties are of interest to those concerned with economic changes in particular areas, inasmuch as deposits are one indicator of the economic strength

and comparative buying power of respective localities. Marketing organizations frequently make use of deposit data in connection with expansion plans of business concerns and also in testing the effectiveness of sales organizations or procedures.

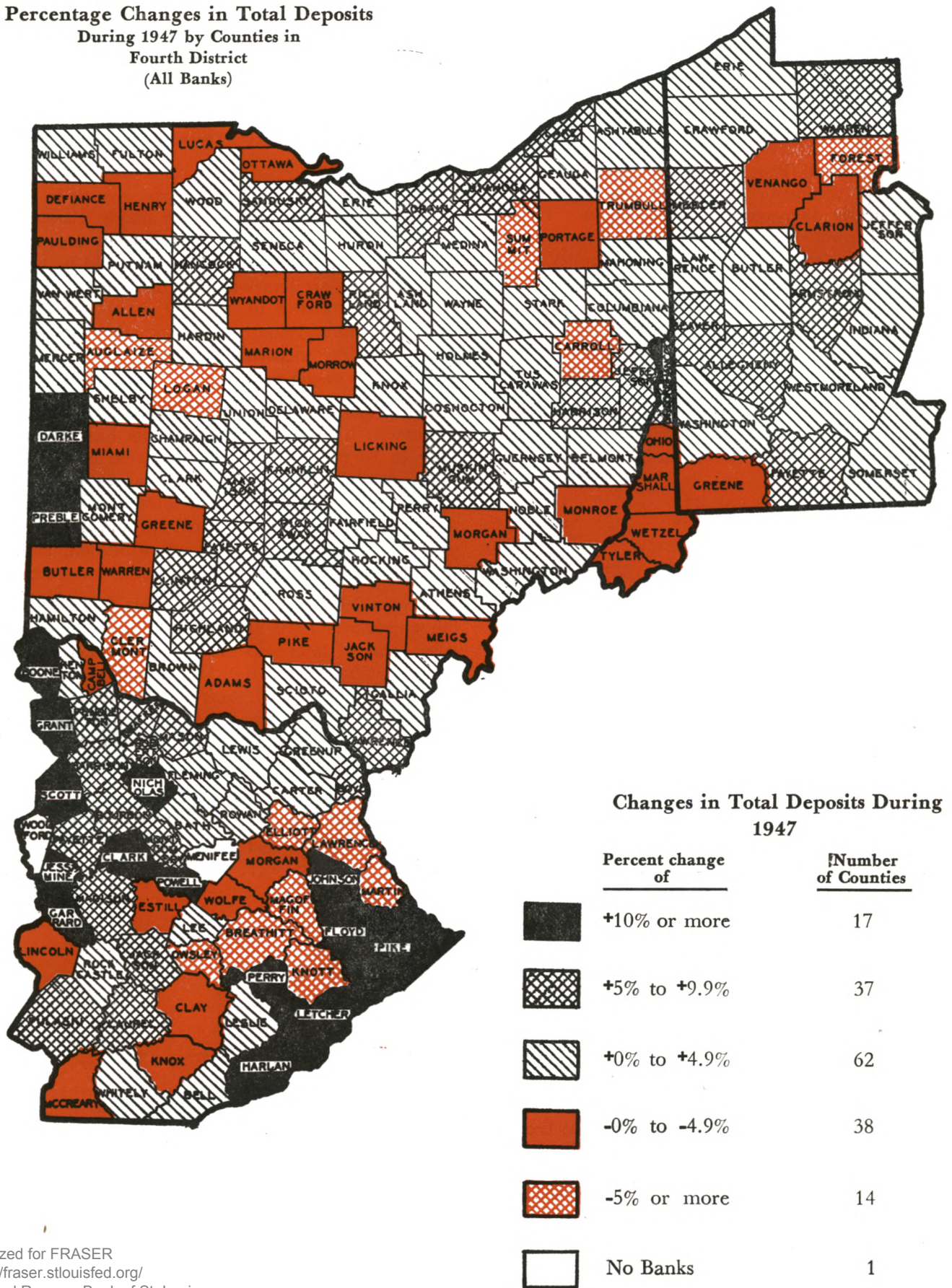
The accompanying table lists total deposits in the counties of the District as of December 31, 1947. The map of the District indicates changes that occurred in total deposits during 1947. The data refer to the totals for all banks rather than member banks alone.

TOTAL DEPOSITS IN FOURTH DISTRICT COUNTIES

December 31, 1947
(in millions of dollars)

County	Deposits	County	Deposits	County	Deposits	County	Deposits
KENTUCKY							
Bath	4.4	Fleming	8.3	Lawrence	3.3	Nicholas	4.8
Bell	12.3	Floyd	12.2	Lee	2.2	Owsley	.7
Boone	8.3	Garrard	7.3	Leslie	.9	Pendleton	5.6
Bourbon	14.0	Grant	7.8	Letcher	7.7	Perry	10.9
Boyd	26.4	Greenup	3.7	Lewis	2.9	Pike	23.9
Bracken	5.9	Harlan	16.7	Lincoln	6.7	Powell	1.3
Breathitt	2.4	Harrison	13.2	McCreary	1.5	Pulaski	17.6
Campbell	33.3	Jackson	2.5	Madison	15.8	Robertson	1.8
Carter	6.0	Jessamine	6.1	Magoffin	1.8	Rockcastle	2.8
Clark	16.3	Johnson	8.3	Martin	1.0	Rowan	4.1
Clay	3.6	Kenton	41.6	Mason	17.7	Scott	9.9
Elliott	.6	Knott	1.7	Menifee	*	Whitley	13.0
Estill	2.6	Knox	3.8	Montgomery	10.7	Wolfe	.8
Fayette	91.1	Laurel	6.6	Morgan	3.0	Woodford	8.3
OHIO							
Adams	8.9	Fairfield	32.8	Licking	48.1	Portage	41.0
Allen	51.7	Fayette	14.7	Logan	12.5	Preble	20.6
Ashland	27.6	Franklin	470.8	Lorain	93.3	Putnam	16.8
Ashtabula	49.6	Fulton	23.2	Lucas	346.2	Richland	83.4
Athens	20.3	Gallia	11.4	Madison	10.5	Ross	30.1
Auglaize	21.7	Geauga	9.3	Mahoning	178.3	Sandusky	37.7
Belmont	44.9	Greene	21.7	Marion	36.3	Scioto	33.6
Brown	13.1	Guernsey	21.7	Medina	34.3	Seneca	43.5
Butler	94.0	Hamilton	960.1	Meigs	9.2	Shelby	16.7
Carroll	5.0	Hancock	28.4	Mercer	28.3	Stark	198.3
Champaign	18.0	Hardin	20.1	Miami	41.3	Summit	291.6
Clark	71.0	Harrison	11.6	Monroe	3.9	Trumbull	80.3
Clermont	14.4	Henry	16.6	Montgomery	249.6	Tuscarawas	53.3
Clinton	23.8	Highland	18.2	Morgan	7.0	Union	9.9
Columbiana	74.3	Hocking	5.6	Morrow	7.0	Van Wert	16.4
Coshocton	22.6	Holmes	8.9	Muskingum	44.8	Vinton	2.5
Crawford	33.5	Huron	38.3	Noble	5.2	Warren	15.5
Cuyahoga	2,253.3	Jackson	16.0	Ottawa	19.8	Washington	29.5
Darke	34.6	Jefferson	61.7	Paulding	8.2	Wayne	42.3
Defiance	13.7	Knox	23.7	Perry	14.6	Williams	26.2
Delaware	14.8	Lake	1.7	Pickaway	18.6	Wood	39.2
Erie	40.0	Lawrence	11.4	Pike	4.0	Wyandot	17.1
PENNSYLVANIA							
Allegheny	2,403.8	Fayette	69.4	Mercer	90.5	Brooke	8.6
Armstrong	49.1	Forest	.9	Somerset	43.8	Hancock	20.1
Beaver	86.6	Greene	15.2	Venango	62.9	Marshall	12.1
Butler	69.9	Indiana	41.9	Warren	41.9	Ohio	78.2
Clarion	32.8	Jefferson	32.5	Washington	121.9	Tyler	6.5
Crawford	52.1	Lawrence	61.9	Westmoreland	184.8	Wetzel	6.4
WEST VIRGINIA							

Percentage Changes in Total Deposits
During 1947 by Counties in
Fourth District
(All Banks)



(Continued from page 5)

United States. The following table compares kilowatt-hour sales and revenues in the two states with that of the United States.

The outstanding feature of this sales breakdown is the fact that about 61 percent of total kilowatt-hour sales in Ohio and Pennsylvania are made to large industrial or commercial users and that such sales produce nearly 39 percent of total revenue. Large industrial kilowatt-hour sales are one-sixth more important in the two states than for the country as a whole and produce for this class of business, one-fourth larger share of total revenues.

**DISTRIBUTION OF SALES AND REVENUES—1947
KWH SALES**

Class of Service	Percent of Sales	
	United States	Ohio & Penna.
Residential and rural	22.9%	18.0%
Small industrial & commercial....	17.6	11.3
Large industrial & commercial....	52.2	61.2
Other*	7.3	9.5
	100.0	100.0%

REVENUES

Class of Service	Percent of Total Revenues	
	United States	Ohio & Penna.
Residential and rural.....	38.7%	35.1%
Small industrial & commercial....	26.8	18.9
Large industrial & commercial....	28.7	38.6
Other*	5.8	7.4
	100.0%	100.0%

* "Other" includes street and highway lighting, other public authorities, railroads and railways, and interdepartmental.

Source: Edison Electric Institute.

According to the Federal Power Commission, the eight largest power consuming industries in 1945 in the East North Central States were ranked as follows: iron and steel, chemicals, automobiles, paper, machinery, food, transportation equipment, and rubber.

As a result of the high percentage of sales to heavy industries in Ohio and Pennsylvania, kilowatt-hour consumption in these states is more susceptible to fluctuations in general business activity. This circumstance is mitigated, however, by the trend toward greater industrial diversification and development of new energy users. Moreover, the character of the

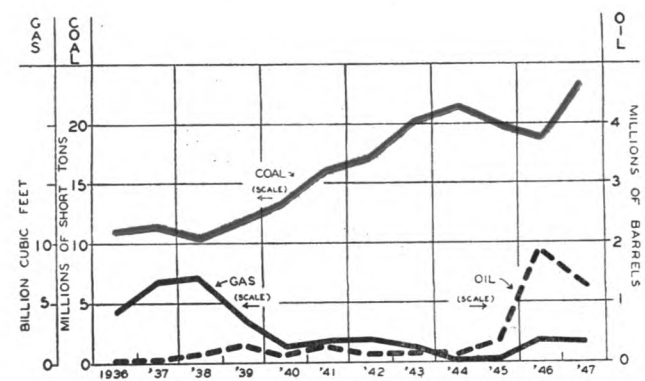
industrial rate schedule is such that revenues do not change to the same degree as do kilowatt-hour sales. This is accomplished through the use of readiness-to-serve charges and step-rates which provide for lower rates as energy consumption increases or, conversely, for higher average rates as energy consumption decreases.

The adjacent bar charts show the growth in sales of electric power as between the major classes of customers and the revenue derived from each class of sale from 1940 through 1947. It should be noted that kwh sales are somewhat less than electric power production as shown in previous charts due to the fact that transmission or distribution losses may range from 5 to 15 percent depending upon facilities and distance to the consumer.

The proportion of total sales taken by residential consumers in Ohio and Pennsylvania has remained close to 18 percent with the exception of the war years, and these sales have produced about 35 percent of total revenue. Despite this constancy, kwh consumption rose 76 percent from 1940 and indicates a considerable advance in home electrification, higher standards of living, and new residential construction.

Power sales to large industrial users in 1947 were 86 percent over 1940, and accounted for a somewhat larger part of total sales than in the earlier period. Sales of 21.5 billion kwh in 1947 to this class of purchaser, however, still fell short of the wartime peak of 22.1 billion kwh attained in 1944 when they accounted for exactly two-thirds of electric utility power sales.

**ELECTRIC UTILITY FUEL CONSUMPTION
Ohio and Pennsylvania**



... although there were widespread temporary conversions to fuel oil during 1945-46, coal consumption reached a new all-time high last year.

Source: Federal Power Commission.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication July 24, 1948)

Total output at factories and mines showed little change in June and the early part of July after allowance for seasonal influences. Department store sales were at record levels for this season. Prices of meats and steel increased sharply in July, while cotton and grains declined.

Industrial Production

Industrial production in June continued close to the May level, and the Board's seasonally adjusted index was 192 per cent of the 1935-39 average as compared with 191 in May and 188 in April, when output was reduced by a strike at bituminous coal mines.

Output of durable goods increased further in June, reflecting mainly larger production of automobiles following settlement of an industrial dispute at the plants of a leading producer. Activity in the automobile industry reached earlier postwar peak rates in the first half of July.

Steel production in June continued at the May rate. Output of open hearth steel was slightly smaller, while electric steel production increased further by 5 per cent to a new record level, exceeding the wartime peak. Output of nonferrous metals was reduced somewhat owing largely to a curtailment of aluminum production during the Columbia River floods.

Production of nondurable goods in June continued at a seasonally adjusted level of 178 per cent of the 1935-39 average. This level has prevailed, with slight variations, since the beginning of the year. Cotton consumption and paperboard production declined somewhat in June. Meat production, however, increased substantially following the end of a labor dispute which had curtailed packing operations since the middle of March. Activity in most other nondurable goods industries was maintained at the May rate or advanced slightly.

Minerals output declined 2 per cent from the exceptionally high May rate, as bituminous coal output was reduced owing to the beginning of the miners' 10-day holiday on June 28. Crude petroleum production continued to advance.

Construction

About 93,500 dwelling units were started in June, according to preliminary estimates of the Bureau of Labor Statistics. This number was somewhat smaller than the postwar high of 97,000 in May, but still considerably larger than the 77,000 units started in June 1947. Dollar volume of all new construction put in place, according to joint estimates of the Departments of Commerce and Labor, continued to increase in June and reached a record amount of 1,600 million dollars.

Distribution

Value of department store sales showed about the usual seasonal decline in June and the first half of July. The Board's adjusted index remained around a record level of 310 per cent of the 1935-39 average, which was about 7 per cent higher than in the corresponding period a year ago.

Rail shipments of grain and forest products were in substantially larger volume in June, while loadings of most other classes of freight declined somewhat from the May rate after allowance for seasonal changes. Total loadings in the first half of July were above the same period a year ago, reflecting mainly a larger volume of coal shipments.

Agriculture

Production of crops this year, as indicated by July 1 conditions, will be substantially larger than in 1947 and in record volume. The most important increase is forecast for corn, output of which is expected to be about 40 per cent larger than last year's drought-damaged crop. Estimated wheat production, although smaller than last year's crop of 1.4 billion bushels, would still be the second largest crop on record. Cotton acreage is officially estimated to be up 10 per cent from last year. Marketings of livestock have expanded following the end of the packing strike but the volume has remained 5 to 10 per cent below year-ago levels.

Commodity Prices

The general wholesale price level rose further in July, reflecting sharp increases in prices of meats and steel products. Meat and livestock prices in mid-July were about 25 per cent higher than a year ago. Prices of most other farm products and foods continued to show little change or declined in July. Cotton and grain prices were somewhat below year-ago levels.

Prices of most iron and steel products were raised by 10 per cent or more in July. Coal prices were also advanced, while prices of petroleum products eased and prices of cotton goods declined somewhat further.

Bank Credit

Quarterly income tax payments by businesses and individuals during the last half of June substantially increased Treasury deposits at Reserve Banks and reduced commercial bank reserves and deposits. Banks met the drain on reserve funds largely through sales of Government securities to the Reserve Banks and through reductions in their excess reserves. During the first three weeks of July, reserves at banks increased somewhat. The Treasury drew down its balances to retire bills. Federal Reserve Bank holdings of bills were thereby reduced, but the System made net market purchases of Government securities in approximately equal volume and thereby supplied banks with additional reserves.

Commercial and industrial loans increased moderately in banks in leading cities during June and the first half of July. Consumer and real estate loans continued to expand. Banks reduced further their holdings of Government securities.

Security Markets

Common stock prices declined sharply in the third week of July, following four weeks of relatively little change. A substantial portion of the mid-March to mid-June gain in prices was lost.

Prices of Government bonds changed little in the first three weeks of July, following some decline in June, but prices of corporate bonds declined further.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—June 1948

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)

(Compiled July 22, and released for publication July 24)

Radios and Phonographs	+40
Inexpensive Dresses (Women's and Misses')	+28
Cotton Wash Goods	+24
Major Household Appliances	+23
Hosiery	+20
Gift Shop	+19
Domestic Floor Coverings	+18
Juniors' Coats, Suits and Dresses	+18
Toys and Games	+17
Aprons, Housedresses and Uniforms	+17
Laces and Trimmings	+17
Underwear, Slips and Negligees	+15
Blouses, Skirts and Sportswear	+14
China and Glassware	+14
Housewares	+14
Notions	+13
Girls' Wear	+13
Luggage	+13
Furniture and Bedding	+12
Sporting Goods and Cameras	+12
Linens and Towels	+11
Lamps and Shades	+10
Handbags and Small Leather Goods	+10
Coats and Suits (Women's and Misses')	+10
Better Dresses (Women's and Misses')	+7
Art Needlework	+7
Corsets and Brassieres	+7
Men's Clothing	+6
Silks, Velvets and Synthetics	+5
Shoes (Women's and Children's)	+5
Silverware and Clocks	+5
Handkerchiefs	+4
Books and Stationery	+4
Toilet Articles and Drug Sundries	+3
Men's Furnishings and Hats	+3
Boys' Wear	+2
Draperies, Curtains, etc.	+2
Infants' Wear	+2
Domestics, Muslins, Sheetings	+1
Blankets and Comforters	+1
Millinery	-1
Shoes (Men's and Boys')	-1
Neckwear and Scarfs	-2
Candy	-3
Costume Jewelry	-4
Gloves (Women's and Children's)	-4
Fine Jewelry and Watches	-6
Records, Sheet Music and Pianos	-15
Woolen Dress Goods	-17
Furs	-19

During the month of June, sales of Fourth District reporting stores were 11% greater than a year ago. Year-to-year gains in basement store volume, amounting to 14% in June, continue to exceed the main-store margin.

The most prominent increases over last year occurred in the house furnishings department where sales of radios and phonographs (including television sets) ran 40% ahead of the 1947 figure. Sales of major household appliances also were the highest on record for the month, 23% above June 1947. Sales of floor coverings were up 18% for the year, whereas volume in draperies departments was up only 2%, and less than 4% above two years ago.

Several departments in the women's and misses' ready-to-wear section reported considerable gains over last year. Sales of inexpensive dresses were 28% in excess of June 1947, and hosiery sales were larger than last year by 20% but fell somewhat short of the record for the month established in 1946. Sales of aprons and housedresses likewise were ahead of last year but failed to reach the two-year ago total.

Within the accessories group, sales of gloves continued to lag, and were the lowest for the month in four years. Costume jewelry sales also showed a year-to-year decline.

In the case of men's and boys' wear, either decreases or only nominal increases prevailed. June volume of men's clothing was 6% greater than a year ago, and thus achieved a new record high for the month by a small margin. But sales of men's furnishings were up only 3%, and boys' wear sales were only 2% ahead of June 1947, and volume in the combined shoe department (men's and boys') was 1% below the year-ago figure.

Inventories by Departments—June 30, 1948

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)

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

Major Household Appliances	+71
Men's Clothing	+63
Domestics, Muslins, Sheetings	+44
Domestic Floor Coverings	+34
Luggage	+34
Sporting Goods and Cameras	+29
Hosiery	+29
Furniture and Bedding	+28
Records, Sheet Music and Pianos	+26
Coats and Suits (Women's and Misses')	+26
Cotton Wash Goods	+24
Infants' Wear	+23
Lamps and Shades	+22
China and Glassware	+20
Inexpensive Dresses (Women's and Misses')	+19
Shoes (Women's and Children's)	+17
Fine Jewelry and Watches	+17
Silverware and Clocks	+16
Notions	+15
Juniors' Coats, Suits and Dresses	+14
Shoes (Men's and Boys')	+13
Housewares	+13
Blankets and Comforters	+12
Linens and Towels	+12
Toys and Games	+12
Underwear, Slips and Negligees	+11
Corsets and Brassieres	+10
Radios and Phonographs	+10
Aprons, Housedresses and Uniforms	+9
Handbags and Small Leather Goods	+9
Furs	+8
Girls' Wear	+8
Silks, Velvets and Synthetics	+7
Men's Furnishings and Hats	+6
Draperies, Curtains, etc.	+6
Boys' Wear	+6
Neckwear and Scarfs	+5
Better Dresses (Women's and Misses')	+5
Millinery	+3
Art Needlework	+2
Candy	+1
Books and Stationery	+1
Gift Shop	-0
Blouses, Skirts and Sportswear	-0
Toilet Articles and Drug Sundries	-0
Gloves (Women's and Children's)	-7
Costume Jewelry	-7
Laces and Trimmings	-7
Handkerchiefs	-15
Woolen Dress Goods	-16

Inventories of Fourth District department stores declined somewhat more than seasonally during June. At the close of the month they were the lowest since January, but 16% higher than on the same date in 1947. Considerable variations among departments continue to prevail with respect to year-to-year changes.

The housefurnishings group is still showing the largest year-to-year gains in stocks. Major household appliance inventories, although around 15% below the all-time high of last February 29, held a 71% edge over the June 1947 figure, when the supply of such products was still noticeably inadequate. Stocks of appliances show only a minor increase for the year to date.

Other items in housefurnishings with noteworthy gains over last year include floor coverings, up 34%, and furniture and bedding, up 28%. In both instances stocks are the highest on record for the date, but somewhat below the March 31 all-time peak.

Men's clothing stocks at the end of last month were the highest on record for this time of year, 53% above 1947, and only a shade below the all-time high established on April 30, last.

Luggage and sporting goods both show substantial year-to-year increases and are holding close to the all-time high reached a few months ago.

In the ready-to-wear accessories group, hosiery stocks lead with a 29% edge over last year, notwithstanding good sales during the month.

In contrast to the foregoing new records, woolen dress goods supplies were 16% short of the year ago total, and stocks of handkerchiefs were the lowest for the season in five years, 15% below June 1947. Supplies of laces and trimmings also reached a five year low for the month, 7% below a year ago.

Stocks of gloves (women's and children's), as well as millinery declined further to the lowest for any June-end in three years.

Owing to price increases during the respective periods these percentage changes do not necessarily reflect similar changes in the physical volume of stocks.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

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

City and Number of Banks	Time Deposits June 30, 1948	Average Weekly Change June 1948	1st Half 1948	During: 1st Half 1947
Cleveland (4)	\$ 878,054,000	+\$1,325,000	-\$49,000	+\$ 631,000
Pittsburgh (12)	405,299,000	- 231,000	+ 36,000	+ 337,000
Cincinnati (8)	181,267,000	- 110,000	- 11,000	+ 178,000
Akron (3)	102,311,000	- 4,000	- 62,000	+ 167,000
Toledo (4)	96,759,000	+ 100,000	- 5,000	+ 77,000
Columbus (3)	78,742,000H	+ 252,000*	+ 52,000	+ 29,000
Youngstown (3)	61,063,000	- 30,000	+ 7,000	+ 25,000
Dayton (3)	47,795,000	- 73,000	- 60,000	+ 34,000
Canton (5)	43,414,000	+ 112,000	+ 18,000	+ 16,000
Erie (4)	38,939,000	- 97,000	+ 15,000	+ 64,000
Wheeling (6)	28,885,000	+ 86,000	+ 14,000	+ 28,000
Lexington (5)	10,699,000	- 1,000	+ 1,000	+ 16,000
TOTAL—12 Cities	\$1,973,027,000	+\$1,329,000	-\$58,000	+\$1,600,000

H denotes new all-time high.

* adjusted for mergers with previously non-reporting banks.

During June, time deposits at 60 Fourth District banks scored the largest advance of the year to date. The average weekly gain of \$1,329,000, however, is largely attributable to the crediting of interest payments to accounts on June 30.

Time deposits moved up to a new all-time high in Columbus. Four other cities experienced increases during the month, including Cleveland, Toledo, Canton and Wheeling. Moderate reductions occurred in the other seven cities.

During the first half of 1948, time deposits held virtually unchanged at the reporting banks, with the June 30 total less than a tenth of one percent below the figure for the first of the year. This leveling off of savings accounts in 1948 offers a contrast with the trend in the first half of 1948, when such deposits increased \$42 million for a gain of about 2 percent.

In the first half of 1948, time deposits edged upward in Pittsburgh, Columbus, Canton, Erie, Wheeling and Lexington.

Changes in Consumer Instalment Credit June 1948

26 Fourth District Member Banks*

(Compiled July 27, and released for publication July 29)

Outstanding at End of Mo. Compared With Mo. Ago	Yr. Ago	Type of Credit	New Loans Made Compared With Mo. Ago	Yr. Ago
+ 3%	+56%	Total consumer instalment credit	+ 3%	+ 44%
+ 3	+29	Personal instalment cash loans	+ 9	+ 32
+ 4	+73	Repair and modernization loans	- 8	+ 50
+ 3	+52	Direct retail instalment loans	+ 3	+ 53
+ 3	+29	(a) Automobile	+35	- 6
		(b) Other		
+ 4	+87	Retail instalment paper purchased	+ 9	+111
+ 4	+96	(a) Automobile	- 3	+ 51
		(b) Other		

June marked the 29th successive month in which consumer instalment credit has expanded at Fourth District banks. The amount of consumer instalment credit outstanding moved up 3 percent during the month at the 26 reporting banks, placing the total at a level more than half again as high as a year ago.

The volume of new loans made likewise exceeded the May figure by 3 percent and was almost half again as large as in June of last year. The largest percentage gain over the preceding month occurred in direct retail instalment loans on such items as electrical appliances and furniture, which were up 35 percent. Repair and modernization loans, in contrast, were off 8 percent.

Data supplied by the reporting banks give some indication of the activity of the banks in direct as compared with indirect financing of retail buying. The current outstanding volume of direct retail instalment loans at the reporting banks is about equivalent to the amount of purchased retail instalment paper. During the past twelve months, however, the outstanding volume of purchased paper has advanced at a considerably more rapid pace than has the total for direct loans, indicating greater relative growth in the indirect financing activities of the reporting banks.

* 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.

Bank Debits*—June 1948

(In thousands of dollars)

(Compiled July 13, and released for publication July 14)

	June 1948	% Change from Year Ago	3 Months Ended June 1948	% Change from Year Ago
ALL 31 CENTERS	\$7,251,788	+18.8%	\$20,467,213	+11.8%
10 LARGEST CENTERS:				
Akron	Ohio \$ 243,905	+10.1%	\$ 698,717	+ 3.7%
Canton	Ohio 114,267	+15.8	337,142H	+12.5
Cincinnati	Ohio 955,707	+19.8	2,635,906	+12.0
Cleveland	Ohio 1,946,445	+22.0	5,359,004	+13.3
Columbus	Ohio 537,287	+20.6	1,592,074	+15.5
Dayton	Ohio 229,453	+ 5.5	678,878	+ 4.3
Toledo	Ohio 352,441	- 2.6	1,040,362	- 1.5
Youngstown	Ohio 163,607H	+14.5	456,854	+ 8.1
Erie	Penna. 91,483	+21.8	266,130	+13.4
Pittsburgh	Penna. 1,953,208	+23.5	5,487,905	+14.0
TOTAL	\$6,587,803	+19.0%	\$18,552,972	+11.7%
21 OTHER CENTERS:				
Covington-Newport	Ky. \$43,806H	+22.8%	\$120,268H	+15.8%
Lexington	Ky. 60,022	+18.7	170,963	+ 7.2
Elyria	Ohio 19,672	+ 6.1	59,165	+ 7.7
Hamilton	Ohio 40,890	+22.0	116,984H	+16.7
Lima	Ohio 44,758H	+18.5	128,832H	+11.4
Lorain	Ohio 19,453	+19.6	56,547	+16.5
Mansfield	Ohio 43,469H	+18.1	128,011H	+19.2
Middletown	Ohio 34,014	+20.9	100,204	+19.4
Portsmouth	Ohio 22,915H	+21.8	62,763	+ 9.1
Springfield	Ohio 45,539	+14.3	136,085	+ 8.3
Steubenville	Ohio 25,399H	+25.5	71,823H	+16.7
Warren	Ohio 37,871	+ 9.2	110,058	+ 7.2
Zanesville	Ohio 28,739H	+10.9	81,615H	+14.6
Butler	Penna. 32,496H	+19.7	94,889H	+16.4
Franklin	Penna. 7,491	+ 8.9	21,720	+ 7.4
Greensburg	Penna. 22,643	+29.4	63,309H	+21.0
Kittanning	Penna. 11,580H	+25.6	29,483	+13.8
Meadville	Penna. 14,575H	+10.7	40,816H	+ 9.0
Oil City	Penna. 20,729	+10.9	61,919	+10.0
Sharon	Penna. 27,484	+23.1	78,284	+14.2
Wheeling	W. Va. 60,440	+13.8	170,503	+10.9
TOTAL	\$663,985	+17.6%	\$1,904,241	+12.8%

* debits to all deposit accounts except interbank balances.

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

The June figure for bank debits in thirty-one Fourth District cities represented the second highest figure on record for any month. The total of \$7,252,000,000 has been exceeded only by the all-time high of \$7,848,000,000 set last December.

Debits during June surpassed the total for the corresponding month of a year ago by almost 19 percent but a part of this gain may be attributed to the fact that June of this year included one more business day than June of last year. For the full second quarter of this year the increase over the comparable quarter of last year amounted to about 12 percent.

TEN LARGEST CITIES

The average year-to-year gain among the largest cities was slightly above the increase reported for the twenty-one smaller centers. In Cleveland, Columbus, Erie and Pittsburgh the June debit figures were more than 20 percent above the totals for the comparable month of last year.

The June debit figure for Youngstown was the highest for any month on record.

TWENTY-ONE SMALLER CENTERS

June figures were also at an all-time high in nine of the smaller centers, including Covington-Newport, Lima, Mansfield, Portsmouth, Steubenville, Zanesville, Butler, Kittanning and Meadville.

The largest year-to-year gain among the smaller centers was reported by Greensburg with a figure of 29 percent. Other cities which exceeded the 20 percent mark were Covington-Newport, Hamilton, Middletown, Portsmouth, Steubenville, Kittanning and Sharon.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	June 1948	May 1948	June 1947	June 1948	May 1948	June 1947
SALES:						
Akron (8)	320	328	305	295	318	281
Canton (5)	366	402	344	351	386	330
Cincinnati (8)	332	319	314	290	326	283
Cleveland (10)	288	293	271	265	275	249
Columbus (6)	345	353	317r	321	342	295r
Erie (3)	344	336	303	306	316	269
Pittsburgh (8)	284	280	254	281	292	251
Springfield (3)	289	290	289	287	302	287
Toledo (6)	280	285	272	280	285	253
Wheeling (6)	274	253	248	244	271	221
Youngstown (3)	338	346	307	317	339	288
District (97)	306	320	284	288	304	267
STOCKS:						
District	273	277	281	262	280	222

r—Revised.

