

MONTHLY

# Business Review

SEPTEMBER 1948

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FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

Vol. 30—No. 9

Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

## Financial Aspects of the Advancing Price Level

THE rising cost of living is one of the most troublesome problems of the postwar period. Living costs today are a third higher than when the war ended and are up almost 10 per cent from a year ago. This continuing and rapid upward trend of prices is inflicting hardships on those not experiencing comparable gains in income. It also is introducing dislocations in the economy which could precipitate a slump in general business activity.

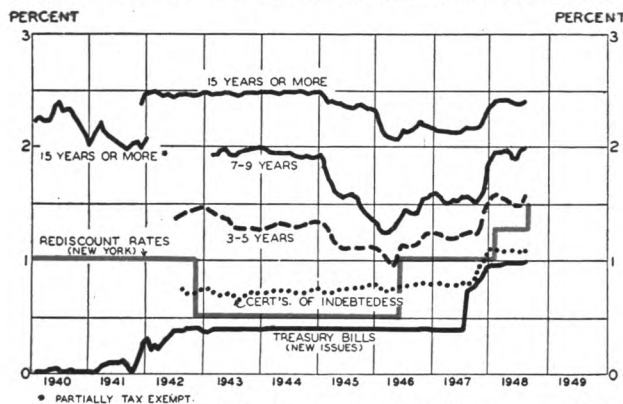
### Causes of Rising Prices

**Money Supply as a Factor** An expansion of the money supply undoubtedly was the major cause of the price increases which occurred between Pearl Harbor and the end of 1946,

which includes the months just following the elimination of price controls. The Government's fiscal requirements in that period were not fully met by taxes and by the sale of bonds to savings institutions and individuals, with the result that commercial banks were called upon to buy large quantities of securities even though such a process led to the creation of new bank deposits. In the resulting race between the money supply and production of goods and services, production lagged far behind, making substantial advances in prices inevitable once price controls were removed.

Although the cost of living continued to advance during 1947 and is moving upward during 1948, statistics on the quantity of money give little support

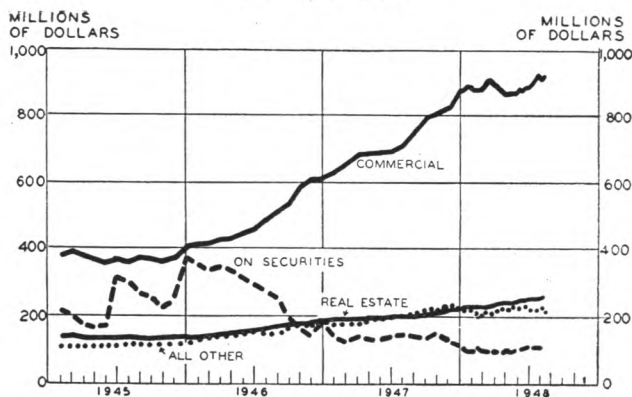
### FEDERAL RESERVE BANK REDISCOUNT RATE AND YIELDS ON U. S. GOVERNMENT OBLIGATIONS\*



... yields on U. S. Government obligations and the Federal Reserve rediscount rate to member banks have been edging upward for two years.

\* Open-market rates in New York City. Monthly averages of daily figures through June 1948 with weekly averages thereafter. Last yields plotted for week ended August 14. For Treasury bills, average rate of discount on issues offered within period.

### LOANS OF REPORTING MEMBER BANKS\* Fourth District



... the postwar expansion of commercial loans was halted in the late winter and spring months of this year, but there are indications that an upward movement is again underway.

\* Last Wednesday of month data, 1945-47. Weekly data, 1948. Last date plotted, August 18, 1948.

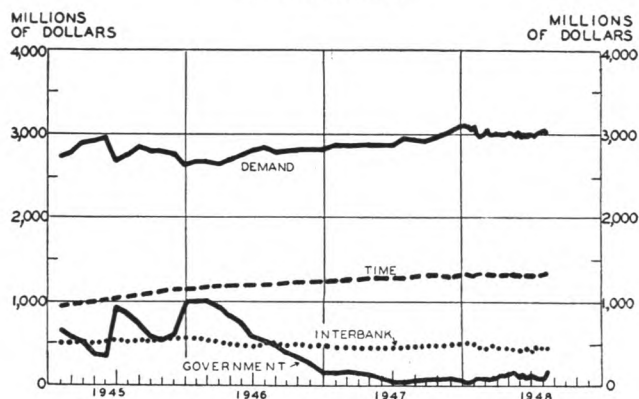
to the notion that recent price movements are attributable to a concurrent expansion of bank deposits or currency. Checking accounts of businesses and individuals have been running only a percentage point or two above last year, while currency in circulation figures have been slightly under the 1947 level.

The quantity of money in the United States is virtually unchanged from a year ago, largely because reductions in bank holdings of the Federal debt have offset an expansion of loans to individuals and private business. Bank loans have tended to increase deposits inasmuch as lending places new funds at the disposal of borrowers without curtailing existing accounts. But at the same time the Treasury received more money from the deposits of individuals and businesses than it was paying back, and used the surplus to redeem investments held by banks, thereby counteracting the inflationary effects of bank lending.

### Rising Prices Reflect Increased Spending

The primary direct cause of the upward movement in the cost of living over the past year has been the increased tempo of spending on the part of businesses and individuals. Incomes have been rising and the average dollar is changing hands more rapidly than a year ago, thus exerting increasing pressure on the price level. During 1948, the dollar volume of checks drawn against demand deposits at Fourth District reporting member banks has been running about 11 percent above last year's figures, and those deposits have been turning over at a rate of about 19 times per year, as against an annual rate of approximately 17 times in the corresponding months of last year.

DEPOSITS OF REPORTING MEMBER BANKS\*  
Fourth District



... the wartime and postwar expansion of demand and time deposits came to a halt at the turn of the year, and since then little net change has occurred.

**Rate of Saving Declines** The increased rate of spending has been accompanied by a declining tendency to save. Time deposits of individuals, partnerships and corporations in all member banks in the United States increased about \$5 billion in 1945, \$3 billion in 1946 and only \$1 billion in 1947, while the net additions to such accounts in 1948 will probably be even smaller. A similar trend toward a lower rate of saving has been experienced by the postal savings system and by savings and loan associations, although the slackening tendency has been much less pronounced in the latter type of institution. Furthermore, sales of Series E savings bonds have shown a tendency to decline over the past three years and usually have been less than redemptions.

**Family Incomes at Record Levels** The significance of this slackening tendency to save is accentuated by the fact that it has occurred while incomes have been rising. Despite higher incomes most families are spending a larger proportion of their income than was the practice several years ago. More and more families have been deciding to increase spending and curtail saving as a means of raising living standards, or as an alternative to permitting their standard of living to decline. This development has tended to stimulate rather than resist price advances.

### Corrective Measures

Despite the recent stability of the money supply and evidences that the prime factor in the most recent price upswing has been an increased rate of spending out of a higher national income, current moves to halt inflation seem to be measures designed primarily to influence the quantity and cost of money. This comparative lack of emphasis on steps designed to control incomes and the rate of spending is partly attributable to the unpopularity in peacetime of wage and price controls, heavy taxes, and rigorous saving schedules.

**Danger of Renewed Upswing in Money Supply** But emphasis on controls over the quantity of money is not solely a matter of such measures being the only politically feasible ones to adopt. At least one reason for this quantitative approach is concern over the prospects of renewed growth in the money supply. This concern stems mainly from the expectation that the Treasury cash surplus in future months will be too small to offset anticipated increases in loans at commercial banks, and therefore that net gains in bank loans may be matched by corresponding gains in bank deposits. As a result, several steps have been

taken with a view to restraining the growth of bank loans and deposits.

Congress has restored the powers of the Federal Reserve Board over consumer credit and has increased moderately the Board's discretion with regard to reserve requirements of member banks, encouragement has been given the American Bankers Association's advocacy of conservative lending policies, federal and state bank supervisory authorities have been cautioning banks on their expansion of loans, and the Treasury and the Federal Reserve System have been exerting moderate pressure on the money market.

### Controls Over Member Bank Reserves

Prior to the recent session of Congress, the maximum requirements the Federal Reserve Board could impose on demand deposits were 14 percent for country member banks, 20 percent for reserve city member banks and 26 percent for member banks in New York City and Chicago. The maximum requirement against time deposits was 6 percent. The new legislation empowers the Board to raise the time deposit requirement to 7½ percent while the percentages against demand deposits may now be set as much as 4 percentage points above each of the old ceilings. In the Fourth District, reserve cities include Cleveland, Cincinnati, Pittsburgh, Columbus and Toledo, while banks in all other localities are classified as country banks.

The Board's enlarged powers over member bank reserve requirements are intended to help avert an undue expansion of loans and deposits. Reserves are related to loan possibilities because member banks are in a position to expand their loans whenever they have more than enough reserves to meet the System's percentage requirements of reserves against deposits. These excess reserves may come from many sources, such as gold imports and the sale of securities to the Federal Reserve Banks.

The Board's powers of raising reserve requirements will, within limits, enable it to absorb future additions to excess, and thus loanable, reserves. To the extent that the Treasury can use a cash surplus and can reduce its deposits in the banks to retire debt held by the Federal Reserve Banks, it can also put some pressure on bank reserves.

### Restoration of Consumer Credit Controls

The restoration of the Board's powers over consumer credits represents an effort to control loan expansion through selective credit controls applied to a specific type of lending. In that respect, it is similar to the Board's power over margin requirements on securities. Consumer loans have been increasing steadily in the postwar period and this expansion has contributed to the upward movement of prices.

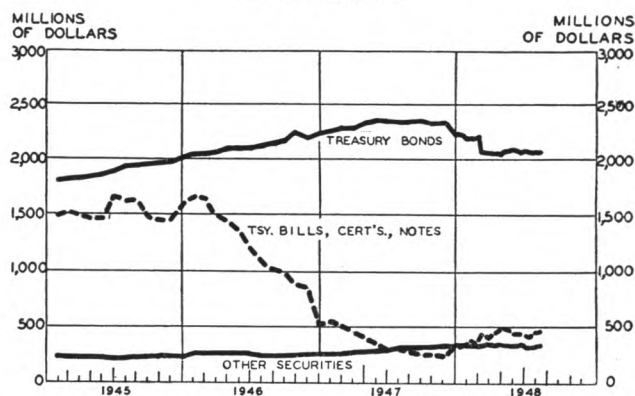
Instalment credit, which reached a peak of \$6¼ before the war and declined to a low of \$2 billion at the close of the war, has since increased to about \$7¼ billion. Restraints on further growth in this type of credit are expected to have some effect in reducing consumer demand in those markets, particularly the automobile market, where inflationary pressures are severe.

### Higher Interest Rates

Higher short-term interest rates are being encouraged as a further step toward avoiding an expansion of lending. The Treasury Department has announced that the rate on certificates of indebtedness will move from 1⅞ to 1¼ percent with the October financing and has announced a new issue of three-year Series D savings notes which will yield higher returns than have heretofore been available for comparable terms. The rate on new Treasury bills has advanced to above 1 percent in anticipation of the higher certificate rate. The Federal Reserve Banks have raised their rediscount rate on loans to member banks from 1¼ percent to 1½ percent. In keeping with this trend toward higher rates, many commercial banks have increased call loan rates, rates on acceptances, and rates on some business loans. For some time there has been evidence of tightening rates on mortgage loans.

Higher yields on Treasury obligations tend to improve the earning position of the banks, thereby making it less urgent that they make net additions to their loan and investment portfolios. Higher rates on renewed and new bank loans should achieve similar results, and may be of some help in discouraging borrowing. Borrower resistance to rising rates is generally weak in prosperous times, but there is

INVESTMENTS OF REPORTING MEMBER BANKS\*  
Fourth District



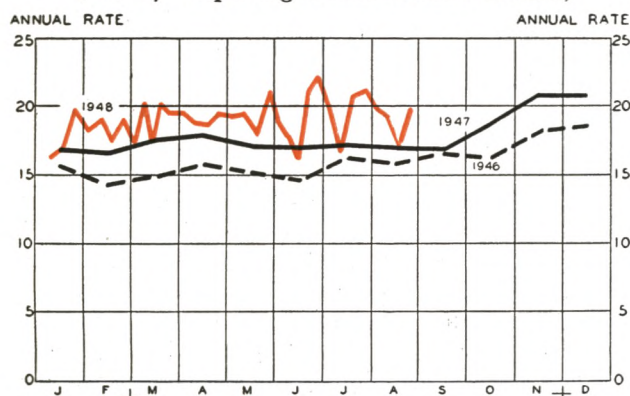
... in the winter and spring months, the portfolios of Treasury bonds contracted while holdings of short-term obligations expanded. In recent months, however, no marked changes have occurred.

\* Last Wednesday of month data, 1945-47. Weekly data, 1948. Last data plotted, August 18, 1948.



# ANNUAL TURNOVER RATE OF ADJUSTED DEMAND DEPOSITS\*

(Weekly Reporting Banks—Fourth District)



... checking account balances have been changing hands more rapidly this year than in 1947.

\* Monthly averages, 1946-47. Weekly data, 1948. Last period plotted, week ended August 18.

some evidence that business enterprises tend to interpret tightening credit conditions as a storm warning and therefore move with greater caution in such matters as plant expansion and inventory accumulation.

## Current Control Problems

In recent weeks there have been growing indications that the anticipated autumn rise in lending is getting underway. At Fourth District reporting member banks, commercial loans have moved upward after showing little change during the first half of the year. This resurgence of loans to business is also occurring in the United States as a whole. Real estate loans, like consumer loans, have expanded steadily throughout 1948.

It is much too early to appraise the possible effects on the overall lending picture of higher interest rates, greater controls over member bank reserves, and restored consumer credit regulations. If the inflationary trend were to gain momentum, and bank credits were to continue to expand, the measures discussed above could prove inadequate so long as banks and other lenders are able to obtain reserves and loanable funds merely by disposing of Government obligations in a market where standby support is provided by Federal Reserve open market operations. Should it become necessary to take some further steps to reduce the ability of banks to obtain reserves, the entire problem of maintaining stability

in the market for U. S. Government obligations and of administering the public debt would have to be reviewed. In the end, the success of the current anti-inflation program depends largely on the restraints exercised by lenders in dealing with requests for credit.

## ANNOUNCEMENTS

During the month of August, the Federal Reserve Bank of Cleveland recommended, and the Board of Governors of the Federal Reserve System approved, the following changes in this bank's discount rates effective August 13, 1948:

Discounts for and advances to member banks:

- (a) Advances secured by Government obligations and discounts of and advances secured by eligible paper under sections 13 and 13a of the Federal Reserve Act: Rate raised from one and one-fourth percent to one and one-half percent per annum.
- (b) Other secured advances to member banks under section 10b: Rate raised from one and three-fourths percent to two percent per annum.

Advances, secured by direct obligations of the United States, to borrowers other than member banks under paragraph 13, section 13:

Rate raised from two percent to two and one-half percent per annum.

★ ★ ★

The Metamora State Bank, Metamora, Ohio, became a member of the Federal Reserve System on August 16.

The new member bank is located in Fulton County in northwestern Ohio in an area devoted largely to raising of tomatoes, soybeans, grain, and the feeding of livestock.

The Metamora State Bank was organized in 1944. Capital accounts total about \$61,000 and deposits now approximate \$765,000.

Officers of the new member bank are:

Mr. F. B. Nachtrieb.....	President
Mr. C. J. Malone.....	Vice President
Mr. Olin C. Pifer.....	Cashier
Mr. Virgil Tripp.....	Assistant Cashier



# Prospects for Christmas Department Store Trade

**S**CUDDING before a brisk wind of continued consumer demand, department store executives hope to reach port with a cargo of Fall and Christmas sales as large as last year's. There are many indications at present that they will succeed, at least so far as Fourth District store averages are concerned.

## Sales During First Half Year

The record so far this year is impressive. Sales during the first quarter of this calendar year totaled about 10 percent higher than last year's first quarter, which had been considered somewhat dull. The second quarter showed a more than seasonal spurt in response to the general upswing in business tempo which began in March. The index of Fourth District department store sales, adjusted for seasonal variation, rose to a new peak in May, exceeding the previous highs of December and May 1947. (See accompanying chart.) The second-quarter lead over the corresponding quarter of last year, however, was only about 7 percent, partly due to the high second-quarter position of a year ago. Summer sales in general were at levels well above those of a year ago.

## Fall and Christmas Targets

Ordinary seasonal expectations call for a steady increase in department store sales after Labor Day, mounting to a peak of December trade some 50 to 60 percent higher than an average month's sales. Last December, Fourth District department store sales achieved a dollar volume more than 70 percent higher than the average monthly tally for 1947, which was considered by the trade to be a good year. <sup>(1)</sup> Sales during the second half of the year totaled 27 percent higher than sales during the first half, and were 11 percent above those of the second half of 1946. Probably a minority of stores can expect to maintain such rates of sales increase during the Fall and Christmas season just ahead. A more frequently mentioned target is a dollar volume of Christmas trade which is at least equal to last year's record total.

## Physical Volume of Sales

So long as the present upward movement of prices continues, even with some interruptions, it is entirely possible for a rising dollar volume of department store sales to be accompanied by stationary

or falling physical volume of sales. <sup>(2)</sup> During the first half of 1948 it appears that the physical volume of department store sales in the Fourth District averaged approximately the same as in the corresponding period of last year, as is shown in the accompanying chart. Price increases during the year interval had just about cancelled out the gains in dollar sales. <sup>(3)</sup> This estimate applies to total store sales. Certain departments unquestionably lost in physical volume while others gained.

Consideration of physical volume throws a somewhat different light on the nature of the targets for the Fall and Christmas just ahead. If it is hoped and expected that the remainder of 1948 will show a dollar sales volume equal to last year's fine record, then there is an implied acceptance of the prospect that physical volume will fail to match last year's. If, however, it is expected that present rates of increase in dollar sales can be maintained, then physical volume of sales may keep approximately even with the late 1947 performance. Such an outcome is within the range of hopes of the more successful stores. That the district average of sales will achieve

DEPARTMENT STORE SALES AND STOCKS  
Fourth District  
Adjusted for Seasonal Variation



... department store sales reached new highs in the spring of this year; stocks have kept close to prewar par with sales.

<sup>(2)</sup> For trends in physical volume of Fourth District department store sales, see *Monthly Business Review*, Federal Reserve Bank of Cleveland, May 1948, p. 7, ff; January 1948, p. 5; December 1947, p. 10; November 1947, p. 6.

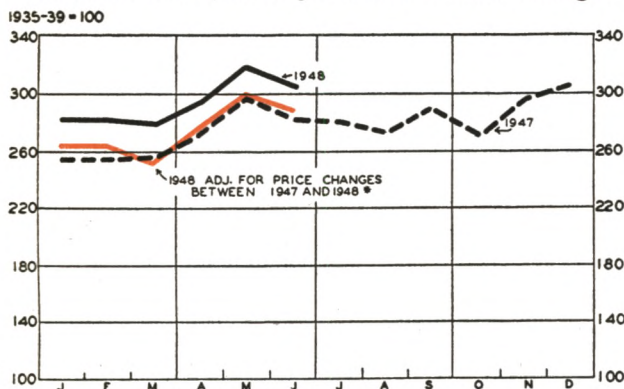
<sup>(3)</sup> The record in this respect is clearly better than at certain other periods in the recent past. During the first half of 1947, for example, physical volume of sales was running an estimated 8 percent below the level of the first half of 1946.



## DEPARTMENT STORE SALES

Fourth District, Seasonally Adjusted

1948 and 1947 with Adjustment for Price Changes



... physical volume of department store sales has been about the same as last year.

\* Each month in 1948 adjusted for estimated increase in price over corresponding month of 1947, based on apparel and housefurnishings components of consumers' price index, U. S. Bureau of Labor Statistics. Factors are weighted as follows: apparel 3, housefurnishings 1, total 4.

such a level seems unlikely, although not impossible, under present circumstances. <sup>(4)</sup>

One factor which may lead to smaller rates of increase in dollar sales in the second half of 1947 as compared with the like period of 1946, and hence to somewhat lower levels of physical volume of sales, is the difference between the two years occasioned by federal payments made to veterans in September 1947. The absence of such a stimulus at the present time is almost certain to affect the year-to-year sales comparisons, even in a period of rising national income. A partially offsetting factor may be a continued encouragement to consumer buying resulting from lower tax rates now in effect. Other considerations pointing toward smaller rates of sales gain may be seen in the trends of certain commodity lines important to department store trade, as indicated below.

**Inventories** The inventory position of department stores is in certain respects more favorable than at the beginning of the Fall season a year ago. At that time remnants of war-time shortages were still affecting certain lines. More important was the impact of the conservative ordering which had characterized store policies in the Spring of 1947. As events turned out, the stores found themselves entering the Fall season somewhat understocked in relation to the renewed demand from consumers. In certain lines, notably toys, the stores were unable to

<sup>(4)</sup> It is indicative of the somewhat restrained optimism of retailers at the present time that a third outcome, theoretically possible, is hardly mentioned, namely a combination of rising rates of increase in dollar sales with an absolute gain in physical volume of sales in the second half of 1948 as compared with the second half of 1947.

keep pace with Christmas demand. This Fall, inventories stand at higher levels, and most bottlenecks have disappeared. While adequacy in supply of metal toys will be somewhat uncertain until it is determined how successful the toy manufacturers have been in coping with the metals shortage, there is unlikely to be any scarcity of these items due to store buying policies.

Department store inventories so far in 1948 have been hovering at or slightly below the level relative to sales which existed in the late nineteen thirties. The relationship may be seen from an accompanying chart which depicts seasonally adjusted indexes of stocks and sales, both shown on a 1935-39 base. Unless business as a whole takes a sharp downturn before the year end, therefore, inventories do not appear likely to be excessive.

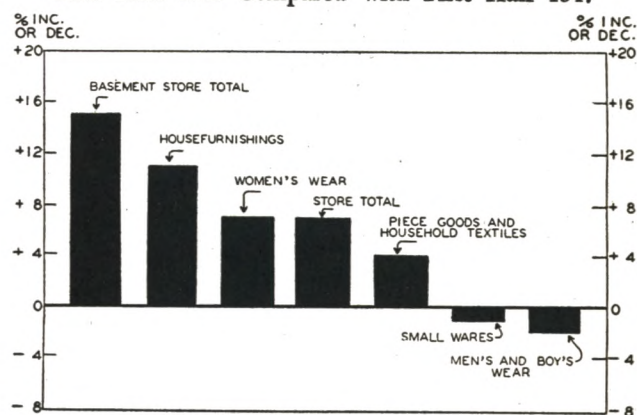
**Outlook by Departments** The various commodity lines in department store trade have shared unequally in the recent gains in sales volume. The boom in housefurnishings remains most conspicuous although rates of sales increase have tended to taper off. The housefurnishings departments as a group registered an increase of 11 percent in sales between the first half of 1947 and the first half of 1948, while the corresponding gain in total stores sales was 7 percent, as shown in one of the charts. <sup>(5)</sup> Within the housefurnishings group, the radio and phonograph department (including television) scored a 9 percent sales gain during the same period—a showing which is better than had been thought to be possible at the beginning of the year.

The women's wear departments, including acces-

## SALES BY DEPARTMENTS

Fourth District Department Stores

First Half 1948 Compared with First Half 1947



... basement store and housefurnishings have led in rates of sales gain; sales of men's and boys' wear have lagged.

<sup>(5)</sup> These figures are for stores which report on sales by departments. The larger sample, which reports on total sales only, shows about 8 percent gain in total store sales between the first halves of 1947 and 1948, respectively.



sories, have been running at about the same rates of sales increase as total store operations. (These departments bulk largest in total store trade.) Prospects for the Fall and Christmas season are said to be good, including the possibility of repeating the 1947 record sales of women's hosiery.

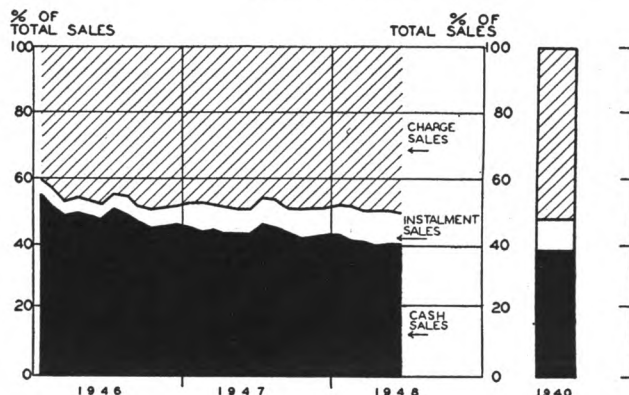
Poorest sales showings among the major departmental groups have been reported in men's and boys' wear and in small wares (toilet articles, cosmetics, etc.). Both groups have undergone a slight net decline in dollar sales between the first six months of last year and the corresponding period of this year. The special backlog of consumer demand arising from restocking of veterans' wardrobes appears to be finally exhausted. Normal demands for men's clothing and furnishings in a period of high national income seem to have prevented any serious sales drop in this area to date. Sales prospects for the remainder of the year are said to be good, although clearly not outstanding. Price problems are especially evident in this area, as they are in the case of toilet articles and cosmetics where federal excise taxes have been an important factor.

Marked attention has been paid to recent growth of basement store sales, where percentage increases have outstripped the gains in main store sales. Thus, the basement store gain during the first half of this year was 16 percent over a year ago while main store sales increased by slightly less than 6 percent. So far as it goes this is undoubtedly an indication of consumer tendencies toward economy selections, as well as a recognition by the stores of the consumer's pocketbook problems. In judging the importance of this development, however, it must be recalled that basement store trade is still a relatively small fraction of the total. Thus, even with the recent increases, the basement store accounts for only about 15 percent of total store sales in the Fourth District as a whole. This fraction changes only by one or two percentage points when very large rates of gain are scored in basement store sales. In general, basement store sales have recovered relative ground lost during the war, and now stand in about the same relation to total store sales as they did in 1941.

**Credit Sales** For more than two years department store trade has been characterized by a steady decrease in the proportion of cash sales to total sales, with a corresponding increase in the proportions represented by charge account sales and instalment sales respectively. The trend is shown in an accompanying chart, which also indicates the corresponding proportions of cash and credit sales in 1940.

In the case of instalment credit, which constitutes a relatively small but growing segment of department store trade, amounts of required down payment have been dropping sharply, while maturity terms have

#### DEPARTMENT STORE CASH AND CREDIT SALES Fourth District



... instalment sales and charge sales have gained at the expense of cash sales.

been lengthening. Collections have also been slowing down, both on regular charge accounts and on instalment accounts, the latter partly as a result of more liberal terms extended.

Restoration of instalment credit controls introduces a new element into the situation. The terms permitted under the new regulation on consumer instalment credit are less liberal than those which have generally been extended in recent months. The re-resulting tightening of credit terms may check the growth of, or even have an adverse effect on, instalment sales by department stores. Although such sales have remained less than 10 percent of total store sales, they involve lines such as household appliances and floor coverings, which have recently been sales leaders.

**Conclusion** Retailers' expectations that Fourth District department stores will maintain dollar sales during the remainder of the year at the high 1947 levels, or perhaps slightly better, are based on store performance of the year to date as well as on recent trends in national income and business attitudes. They are fortified by the fact that consumer resistance to high prices has not yet become a major element in department store trade. At a number of spots, consumer resistance has put in a tenuous appearance, only to wane under the influence of some fresh stimulus. Department store executives claim to have contributed to this result by adjusting policies to consumer preferences as well as by absorbing some of the cost increases of the higher price level.

Any prospect of continued momentum must, of course, be qualified by recognition of the underlying strains in the current boom. Further price rises might produce consumer resistance sufficient to affect the level of department store sales. A pronounced change in the business outlook this autumn could also pull down sales.

# Agricultural Outlook and Review

## Record Crops Predicted

On the basis of harvests already completed and the condition of crops on August 1, the Department of Agriculture predicts a 1948 total crop production in excess of the record established two years ago. Corn and soybeans may exceed any previous year both in yield per acre and total out-turn. The second largest crops on record are forecast for wheat, rice, and flaxseed. Above average crops of sorghum grains, cotton, oats, tobacco, barley, sugar beets, and potatoes are expected. The hay crop should be about average. Below average crops of apples and rye are expected.

Higher than average crop production will be due to excellent growing conditions, liberal fertilization, and a nine million acre increase over 1946 in planted acreage.

Estimated U. S. Crop Production as of  
August 1, 1948

	1948 (millions)	1947	As Percent of 1937-46 Average	
			1946	Average
Flaxseed.....bu.	45	40	197%	166%
Soybeans.....bu.	205	181	102	152
Wheat.....bu.	1,284	1,365	111	136
Sorghums.....bu.	131	96	123	132
Rice.....bu.	80	79	111	132
Cotton.....bales	15	12	176	126
Corn.....bu.	3,506	2,401	108	125
Oats.....bu.	1,470	1,216	98	119
Tobacco.....lbs.	1,778	2,168	77	107
Barley.....bu.	313	279	119	105
Sugar beets.....tons	10	12	97	104
Potatoes.....bu.	399	384	82	102
Hay.....tons	98	103	97	100
Apples.....bu.	100	113	84	87
Rye.....bu.	27	26	141	71

## Fourth District Crop Prospects

The wheat crop just harvested in the Fourth District is estimated to be the second largest on record. Present indications are that the corn crop will be far in excess of any previous year. As shown in the following table, near-average crops of hay and tobacco are expected, but potato output will be only about 72 percent of normal. Reduction of acreage accounts for most of the decline in potato production as yields per acre have been above average in recent years. Many farmers discontinued growing potatoes because some other crops required less labor and were equally profitable.

Present indications are that fruit growers in the District will have about one-half normal crops of apples and pears, and nearly average crops of

peaches and grapes. Production is extremely irregular so that many orchards and vineyards may produce little or no fruit.

Estimated Fourth District Production

	Aug. 1, 1948 (000 omitted)	1947	As Percent of 1937-46 Average	
			1946	Average
Wheat.....bu.	64,000	55,000	119%	129%
Corn.....bu.	255,000	182,000	114	125
Oats.....bu.	63,000	28,000	84	116
Tobacco.....lbs.	130,000	129,000	80	101
Hay.....tons	5,000	6,000	88	101
Potatoes.....bu.	12,000	12,000	81	72

## Meat Production Inadequate

Last year's extremely short corn crop caused a decline in the output of meat animal products from wartime peaks while consumer demand for meat continued at a high level. As a result, prices of live cattle, hogs, and sheep soared to new highs and per capita meat consumption continued above the prewar average despite high prices.

In recent weeks, cattle sold in Chicago for \$41.35, hogs for \$31.85, and lambs for \$36.00 per cwt. The 1918-19 top prices for these animals in the same market were \$21.50, \$23.50, and \$22.10, respectively.

Meat produced under federal inspection in the first six months of this year was about ten percent less than last year. All classes showed a reduction as indicated in the adjoining table.

Meat Production  
Under Federal Inspection  
January - June  
(000,000 omitted)

	1948	1947	Percent Change
	(pounds)		
Beef .....	3,150	3,760	-16%
Lamb and Mutton .....	310	360	-13
Veal .....	340	370	- 8
Pork .....	3,400	3,500	- 3
Total .....	7,214	7,991	-10%

Commercial production, which includes both government inspected and non-inspected meat, approximated 9.7 billion pounds in the first half of the year, or seven percent less than in the comparable 1947 period. Present indications are that meat production during the last half of 1948 may be ten percent below a year ago. Such further curtailment of supply



in view of probable demand may hold livestock prices near current levels until expansion in output next year is sufficient to reverse the strong upward trend of the past two years. This trend is graphically illustrated in an accompanying chart showing the average monthly price received by farmers for hogs and beef cattle since V-J day. Growing consumer resistance and seasonal marketing of grass-fed cattle may combine to lower prices, at least temporarily, this fall. Meat stocks in cold storage August 1 were over one-fifth larger than a year ago and moderately above average, but little relief from this source is expected as stocks are not large in relation to current production and consumption.

### Livestock Feeding Operations Sharply Curtailed

Livestock feeding operations in the Corn Belt were sharply curtailed as a result of the poor 1947 corn crop. The

number of cattle on feed for market August 1 in the eleven Corn Belt States for which feeder cattle estimates are available was 12 percent smaller than on the same date a year earlier. Although estimates of actual numbers on feed have not been made, available information indicates that the number may be the second smallest on record. Stocker and feeder cattle shipments into the eight principal states\* of the area the past twelve months were one-fifth less than those of the previous year. For the six months ended July 1, receipts show an even greater reduction from the comparable period of 1947. In Indiana, Michigan, and Ohio, however, cattle receipts in the first half of this year were about equal to the moderately low receipts of a year ago.

In the past twelve months, receipts of feeder lambs and sheep into the eight-state area were 25 percent less than in the previous year. Moreover, for the past six months, receipts were 40 percent below the same period a year ago. Ohio is the only state in which receipts of feeder lambs and sheep were larger in the first half of 1948 than in the like period of 1947.

This year's light movement of cattle and sheep into Corn Belt feed lots and the substantially smaller number on feed August 1, suggests a relatively heavy movement in the coming months if prospective feed supplies are to be promptly converted into meat products.

### Pig and Lamb Crops Smallest in Years

A 1948 spring pig crop of 51 million head and a predicted fall crop of 31 million would be the smallest annual pig crop in eight years. Fewer hogs on farms from the 1947 farrowing and five percent fewer pigs raised this year indicate that hog slaughter next spring and summer will be below this year and possibly the smallest in six years.

Due to ample corn stocks, however, animals may be fed to heavier weights.

The 20 million lambs raised this year were nearly two million less than in 1947, and the smallest number in twenty-four years of record. There is little prospect of a substantial increase next year as the number of breeding ewes on farms are near an all-time low.

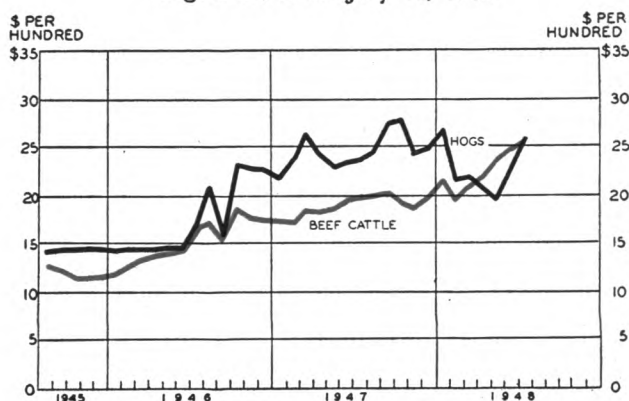
### Reduced Milk Production

Production of milk in the first seven months of this year was about four percent below the same months of 1947. Fewer cows and a reduced rate of production from a year ago, due to less liberal grain feeding, caused the drop in milk output. However, better-than-average pasture conditions since April have again boosted per cow production to a near-record rate.

Relatively high labor and feed costs and favorable prices for animals sold for beef, caused owners to cull herds closely. As a result, the number of milk cows has been reduced to about 23 million head, or four percent less than a year ago, and more than ten percent below the peak reached in mid-1944. Although the quantity of young stock on farms is reported to be sufficient to halt the decline in the number of milk cows, it seems unlikely that any marked change in the downward trend will occur until a favorable milk-feed price ration has been reached. Until July, the milk-feed-price ratio, which is the number of pounds of dairy feed equal in value to one pound of milk, was distinctly below average.

However, the recent rise in milk prices and the moderate decline in feed prices have lifted the ratio to about the long-time average. Prospects of record feed grain supplies per animal unit and ample quantities of protein concentrate feeds may result in a favorable milk-feed-price ratio during the coming

PRICES RECEIVED BY FARMERS  
United States  
August 15, 1945 - July 15, 1948



... expansion in output unlikely to cause a sharp downward trend in prices before late next year.

fall and winter. Production per cow, as previously mentioned, is close to an all-time high, and for that reason the possibility of expanding output sufficiently to meet current demand before next spring seems remote. Unless consumers curtail consumption more than now appears probable, prices of milk may rise further before the usual winter seasonal downswing takes place. A marked upward trend in the price of milk has prevailed since the close of the war as shown in an accompanying chart of the average monthly price per cwt received for milk by farmers.

### Demand for Poultry and Eggs May Exceed Supply

An unfavorable relationship between egg and feed prices in the first half of this year led to a 13 percent reduction in number of chickens raised for flock replacement. Even though flock owners might retain a larger than usual proportion of hens and pullets, the total number of layers by mid-winter may be seven to eight percent smaller than a year earlier. Egg production in the first six months was only two percent below that of the same period of 1947, but the number of eggs produced during this half of the year will probably be substantially below the corresponding months of last year. Storage stocks of shell eggs, which are significantly larger than a year ago, will tend to offset in part the lower output. Smaller marketings of chickens from farm flocks during the remainder of the year may be counterbalanced by a larger output of broilers by specialized producers. Thus, while the supply of chicken meat and eggs during the remainder of the year may be only moderately below that of the last half of 1947, demand due to smaller supplies of red meat may be such as to push prices above the levels of a year ago.

Turkey prices this fall and winter are likely to rise to a new high. Prospective output is one-fifth below

that of the previous year. The estimated 28 million birds now being raised for market is the smallest turkey crop in ten years and only about two-thirds of the record 44 million produced in 1945.

### Supplies of Processed Fruits and Vegetables Lower

Although the 1948 pack of some fruits and vegetables may be greater than that of a year earlier, the aggregate pack will probably be smaller. The acreage of vegetables planted for processing is reported to be about nine percent less than in 1947, and total production of fruit will be moderately below that of the previous harvest. Meanwhile, as shown in the accompanying table, wholesale distributors' stocks of principal canned juices, canned vegetables, and cold storage holdings of all frozen fruits and vegetables have declined from the relatively high levels reported at mid-1947. Canned fruit stocks are currently about one-third greater than a year ago. Total distributor holdings of all processed fruits and vegetables are substantially above average, exclusive of juices. Citrus juice stocks in wholesale distributors' warehouses have declined from a year ago and are distinctly below average. Stocks of tomato and pineapple juice on July 1 were below the previous year and average

### Wholesale Distributors' Stocks of Canned Fruits and Vegetables and Cold Storage Holdings of Frozen Foods and Vegetables July 1

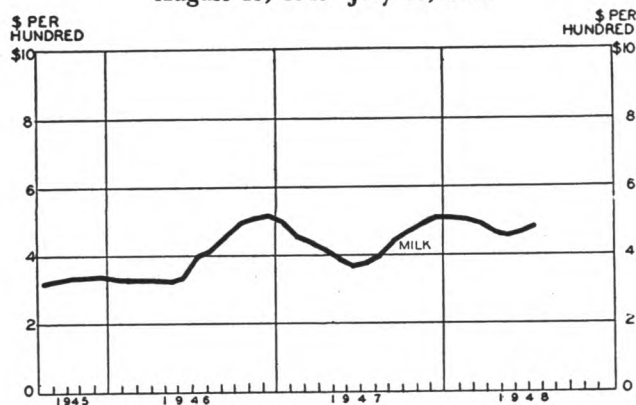
	As Percent of 1943-45 Average		
	1948 (000 omitted)	1947	Average
Total 5 Canned Fruits <sup>(1)</sup> (cases)	8,300	139%	307%
Total 4 Canned Vegetables <sup>(1)</sup> (cases)	18,400	89	155
Total 5 Canned Juices <sup>(1)</sup> (cases)	8,300	70	71
Total Frozen Fruits (lbs.)	282,600	85	136*
Total Frozen Vegetables (lbs.)	186,200	74	132*

#### \* 1943-47 Average

- (1) Five Canned Fruits—Apricots, mixed fruits, peaches, pears, and pineapple  
 Four Canned Vegetables—Green and wax beans, corn, peas, and tomatoes  
 Five Canned Juices—Tomato, grapefruit, orange, blended citrus, and pineapple

Source: Canned stocks — Census Bureau  
 Frozen stocks — U. S. Department of Agriculture, Cold Storage Report

### PRICES RECEIVED BY FARMERS United States August 15, 1945 - July 15, 1948



the postwar upward trend in price may be terminated by the forthcoming mid-winter seasonal decline.

for that date. On the basis of available reports, canners' stocks of the principal canned vegetable appear to be lower on July 1 than they were a year ago with the exception of tomatoes. Stocks of this commodity were substantially larger than on the same date of last year.



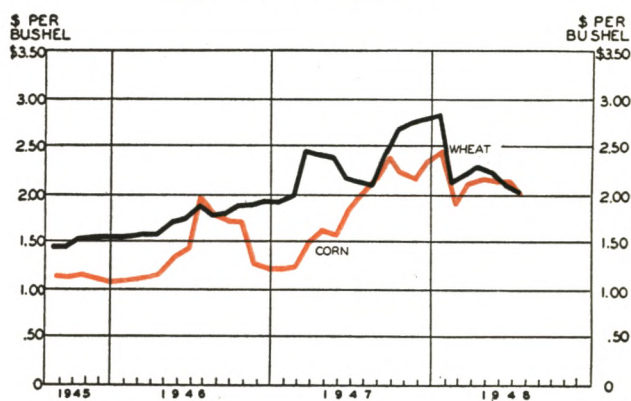
**Demand and Price Situation**

Domestic demand continues exceptionally strong. With unemployment near an all-time low and consumer incomes rising as a result of the third round wage increases demand for most food products is likely to remain relatively firm.

Exports of agricultural products have declined somewhat from the peak attained in 1947. The physical volume of exports of practically all agricultural products except wheat and dried fruit were lower the first six months of this year than in the same period of the past year. More favorable crop prospects in Western Europe than a year ago and a record crop output in this country make it appear improbable that domestic and foreign demand will be sufficient to hold prices of many of the principal field crops much above present support price levels. In fact, lack of storage space may cause prices of some grains to go below support prices temporarily. Distant future quotations currently reflect that possibility for corn.

Whereas prices of some of the principal livestock commodities have exhibited a rather definite upward trend over the past twelve months, those of the principal grains and field crops have shown a distinct weakness following the January highs of this year. This is best illustrated by the accompanying chart of average monthly prices per bushel received by farmers for corn and wheat the past three years.

**PRICES RECEIVED BY FARMERS**  
**United States**  
**August 15, 1945 - July 15, 1948**



... prices have shown a distinct weakness following the postwar highs established in January.

**Near Record Farm Income**

Record high prices for many crops and most livestock products marketed during the past seven months and an aggregate crop production in excess of any previous year appear likely to maintain gross farm income near the peak of the past year. Net farm income may be lower as production costs will average substantially higher than in 1947.

## DEPARTMENT STORE TRADE STATISTICS

## Sales by Departments—July 1948

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

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

Inexpensive Dresses (Women's and Misses') .....	+29
Aprons, Housedresses and Uniforms .....	+26
Major Household Appliances .....	+25
Cotton Wash Goods .....	+22
Juniors' Coats, Suits and Dresses .....	+22
Radios and Phonographs .....	+17
Blouses, Skirts and Sportswear .....	+16
Domestics, Muslins, Sheetings .....	+16
Coats and Suits (Women's and Misses') .....	+13
Gift Shop .....	+11
Domestic Floor Coverings .....	+11
Underwear, Slips and Negligees .....	+11
Housewares .....	+11
Girls' Wear .....	+11
Furniture and Bedding .....	+11
Notions .....	+8
Lamps and Shades .....	+8
Luggage .....	+6
Men's Clothing .....	+6
Men's Furnishings and Hats .....	+6
Toys and Games .....	+5
China and Glassware .....	+5
Sporting Goods and Cameras .....	+5
Linens and Towels .....	+5
Better Dresses (Women's and Misses') .....	+5
Boys' Wear .....	+5
Shoes (Men's and Boys') .....	+5
Handbags and Small Leather Goods .....	+4
Shoes (Women's and Children's) .....	+4
Corsets and Brassieres .....	+3
Hosiery .....	+2
Silks, Velvets and Synthetics .....	+2
Toilet Articles and Drug Sundries .....	+2
Handkerchiefs .....	+1
Draperies, Curtains, etc. ....	+1
Books and Stationery .....	-0
Fine Jewelry and Watches .....	-2
Laces and Trimmings .....	-5
Blankets and Comforters .....	-5
Art Needlework .....	-6
Silverware and Clocks .....	-6
Infants' Wear .....	-7
Records, Sheet Music and Pianos .....	-8
Neckwear and Scarfs .....	-10
Millinery .....	-10
Candy .....	-10
Costume Jewelry .....	-13
Gloves (Women's and Children's) .....	-18
Woolen Dress Goods .....	-22
Furs .....	-28

## Inventories by Departments—July 31, 1948

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

(Compiled September 1, and released for publication September 2)

Major Household Appliances .....	+53
Domestics, Muslins, Sheetings .....	+43
Men's Clothing .....	+39
Domestic Floor Coverings .....	+36
Hosiery .....	+30
Luggage .....	+30
Furniture and Bedding .....	+29
Toys and Games .....	+28
Sporting Goods and Cameras .....	+27
Records, Sheet Music and Pianos .....	+27
China and Glassware .....	+23
Infants' Wear .....	+21
Silverware and Clocks .....	+19
Lamps and Shades .....	+19
Shoes (Women's and Children's) .....	+17
Girls' Wear .....	+16
Blankets and Comforters .....	+16
Coats and Suits (Women's and Misses') .....	+15
Fine Jewelry and Watches .....	+15
Cotton Wash Goods .....	+13
Juniors' Coats, Suits and Dresses .....	+13
Notions .....	+12
Housewares .....	+12
Silks, Velvets and Synthetics .....	+11
Corsets and Brassieres .....	+10
Underwear, Slips and Negligees .....	+9
Shoes (Men's and Boys') .....	+9
Linens and Towels .....	+8
Handbags and Small Leather Goods .....	+7
Boys' Wear .....	+7
Better Dresses (Women's and Misses') .....	+6
Draperies, Curtains, etc. ....	+6
Blouses, Skirts and Sportswear .....	+5
Men's Furnishings and Hats .....	+5
Neckwear and Scarfs .....	+5
Candy .....	+4
Furs .....	+3
Millinery .....	+3
Inexpensive Dresses (Women's and Misses') .....	+2
Books and Stationery .....	+2
Art Needlework .....	-0
Aprons, Housedresses, Uniforms .....	-1
Toilet Articles and Drug Sundries .....	-3
Gift Shop .....	-5
Gloves (Women's and Children's) .....	-5
Woolen Dress Goods .....	-6
Laces and Trimmings .....	-6
Radios and Phonographs .....	-7
Costume Jewelry .....	-9
Handkerchiefs .....	-12

Sales during July by Fourth District department stores, reporting departmentally, were seasonally down from June in most commodity lines, but above the year ago position. Basement store sales were 13% higher than last year, while the main store increase was 7%.

Housefurnishings departments as a group continued to lead in rate of gain, with a 12% increase over last year. Sales of major household appliances were up 25%, and sales of radios and phonographs (including television) were up 17%.

Men's and boys' wear departments, with a group increase of 6% over last year, made a slightly more favorable sales report relative to other departments in the store than has been the case in recent months. The four departments in this group shared about equally in the moderate gains from last year.

Largest individual department gains as well as largest losses were scored within the women's apparel and accessories group. Sales of inexpensive dresses were 29% over a year ago, although the increase for better dresses was only 5%. Women's and misses' coats and suits contributed to total store gains with a sales increase of 13% from last year. This was one of the few departments in the store to show an increase between June and July. Sales of hosiery, however, were up only 2% from a year ago and were sharply down from June.

Largest loss from last year was in furs, down 28%, although sales were better than in June as is usually the case with this department. Sales of neckwear and scarfs, millinery, and gloves showed decreases from last year ranging from 10% to 18%. All three departments reached new lows for the past several years.

Sharp contrasts were registered also in the sales reports from the piece goods and household textiles departments, which as a group were up 6% in sales from a year ago. Thus cotton wash goods made a 22% gain, while sales of woolen dress goods dropped 22% from a year ago.

All comparisons refer to dollar volume, without adjustment for price changes.

Inventories of Fourth District department stores increased during July by approximately the usual seasonal amount. At month end they stood at a level 15% higher than a year ago, but somewhat below the levels of early spring this year.

Stocks in the housefurnishings group of departments averaged about 23% higher than a year ago, although a number of individual departments showed declines during the month. Inventories of major household appliances decreased during the month and closed at the lowest point for any month end this year, but nevertheless were 53% higher than a year ago. Domestic floor coverings showed practically no change in stocks during the month, but ended 36% higher than a year ago. Stocks of radios and phonographs (including television) were 7% under last year and about 15% lower than on June 30.

Supplies of women's apparel and accessories as a group increased 11% over a year ago. Stocks of hosiery, up 30%, showed the largest year-to-year gain, although increases ranging from 15% to 21% were shown for women's and misses' coats and suits, women's and children's shoes, and infants' wear. Large additions to stocks of coats and suits occurred during July as is customary. At the other extreme, stocks of handkerchiefs were off 12% on a year-to-year basis, and inventories of gloves, down 5%, reached a new low for the month.

Men's clothing and men's furnishings registered sharp declines in inventory during the month, but closed 39% and 5% respectively above last year's levels. Stocks of men's and boys' shoes, up 9%, over last year and of boys' wear, up 7%, showed little change during the month.

Among other departments with large year-to-year gains in stocks was domestics, muslins and sheetings where the increase amounted to 43%.

All comparisons refer to dollar value of inventory, without adjustment for price change.



## FINANCIAL AND OTHER BUSINESS STATISTICS

## Time Deposits—12 Fourth District Cities

(Compiled August 5, and released for publication August 6)

City and Number of Banks	Time Deposits July 28, 1948	Average Weekly July 1948	Change Previous Month	During Year Ago
Cleveland (4).....	\$ 873,520,000	—\$1,133,000	+\$1,325,000	+\$448,000
Pittsburgh (12).....	405,277,000	— 5,000	— 231,000	— 3,000
Cincinnati (8).....	180,570,000	— 174,000	— 110,000	— 46,000
Akron (3).....	101,956,000	— 89,000	— 4,000	— 49,000
Toledo (4).....	96,620,000	— 35,000	— 100,000	— 14,000
Columbus (3).....	79,185,000H	— 111,000	— 252,000	— 43,000
Youngstown (3).....	61,225,000	— 40,000	— 30,000	— 29,000
Dayton (3).....	47,814,000	— 4,000	— 73,000	— 77,000
Canton (5).....	43,155,000	— 65,000	— 112,000	— 65,000
Erie (4).....	39,000,000	— 15,000	— 97,000	— 113,000
Wheeling (6).....	28,726,000	— 10,000	— 86,000	— 45,000
Lexington (5).....	10,623,000	— 19,000	— 1,000	— 8,000
<b>TOTAL—12 Cities</b>	<b>\$1,967,671,000</b>	<b>—\$1,340,000</b>	<b>+\$1,329,000</b>	<b>+\$500,000</b>

H denotes new all-time high.

A moderate decline in time deposits occurred during July at 60 reporting banks in the Fourth District. The reduction averaged \$1,340,000 per week, whereas in the preceding month weekly gains of about the same amount occurred and in July of last year a weekly expansion of \$500,000 was reported. Time deposits at the end of July totaled \$1,968,000,000 or about a half of one percent below the all-time high established last December.

Despite the over-all July reduction in time deposits, gains were experienced in five of the twelve cities. Columbus reported an increase for the fourth successive month and moved up to a new all-time high. Youngstown and Dayton reported increases, as against declines last month and in July a year ago. The other cities to experience an increase were Erie and Wheeling.

The reductions which occurred in the other seven cities were of nominal proportions and left the totals only a few percentage points below the respective all-time highs.

Changes in Consumer Instalment Credit  
July 1948

25 Fourth District Member Banks

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

Outstanding at End of Mo. Compared With Mo. Ago	Yr. Ago	Type of Credit	New Loans Made Compared With Mo. Ago	Yr. Ago
+ 2%	+ 60%	Total consumer instalment credit	— 1%	+ 36%
— 4	+ 24	Personal instalment cash loans	— 9	+ 11
+ 3	+ 79	Repair and modernization loans	+ 2	+ 33
+ 3	+ 67	Direct retail instalment loans	+ 5	+ 53
— 1	+ 23	(a) Automobile	— 11	+ 3
		(b) Other		
+ 8	+ 129	Retail instalment paper purchased	+ 13	+ 123
+ 4	+ 105	(a) Automobile	+ 3	+ 57
		(b) Other		

Consumer instalment credit outstanding has expanded every month for two and one-half years at 25 Fourth District banks. Not since January 1946 has the volume contracted at these 25 institutions, which are located in 14 cities and represent about two-fifths of all member bank resources and about one-fourth of all consumer instalment loans outstanding at Fourth District member banks.

During July the gain in the volume of consumer instalment credit outstanding came to 2 percent, a somewhat smaller gain than has been experienced in recent months. Compared with a year ago, the current volume is up 60 percent.

There was a nominal reduction during July in the amount of new loans made, but this is probably a reflection that July contained one less business day than June. In spite of the slightly shorter month, direct retail loans on automobiles were 5 percent above the preceding month and purchased automobile paper was up 13 percent. During July the volume of direct automobile loans was 53 percent above a year ago and purchased automobile paper was up 123 percent.

There was also a moderate gain in repair and modernization loans during July, but decreases were experienced in personal instalment cash loans and direct retail loans on items other than cars, such as electrical appliances and furniture.

## Bank Debits\*—July 1948

(In thousands of dollars)

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

	July 1948	% Change from Year Ago	3 Months Ended July 1948	% Change from Year Ago
<b>ALL 30 CENTERS.....</b>	<b>\$7,147,343</b>	<b>+17.4%</b>	<b>\$20,789,844</b>	<b>+14.1%</b>
<b>10 LARGEST CENTERS:</b>				
Akron.....	Ohio \$ 237,336	+ 9.6%	\$ 706,286	+ 7.0%
Canton.....	Ohio 127,113H	+28.2	350,710H	+17.2
Cincinnati.....	Ohio 898,229	+14.8	2,664,101	+12.4
Cleveland.....	Ohio 1,845,765	+14.1	5,473,321H	+13.9
Columbus.....	Ohio 618,360H	+36.4	1,687,157H	+26.0
Dayton.....	Ohio 247,213	+ 8.7	701,675	+ 5.8
Toledo.....	Ohio 385,806	+ 8.2	1,066,695	+ 1.2
Youngstown.....	Ohio 172,645H	+20.0	479,838H	+12.2
Erie.....	Penna. 96,222H	+20.0	276,191H	+16.2
Pittsburgh.....	Penna. 1,894,446	+19.6	5,545,299	+16.4
<b>TOTAL.....</b>	<b>\$6,523,135</b>	<b>+17.3%</b>	<b>\$18,951,273</b>	<b>+14.0%</b>
<b>20 OTHER CENTERS:</b>				
Covington-Newport.....	Ky. \$ 41,557	+14.9%	\$ 122,814H	+15.2%
Lexington.....	Ky. 55,445	+16.2	170,922	+15.3
Elyria.....	Ohio 21,765	+25.0	61,371	+12.3
Hamilton.....	Ohio 38,231	+22.0	116,548	+15.9
Lima.....	Ohio 48,328H	+31.3	133,593H	+17.9
Lorain.....	Ohio 19,949H	+18.8	57,422H	+15.9
Mansfield.....	Ohio 36,580	+ 2.5	122,079	+12.6
Middletown.....	Ohio 32,341	+15.9	98,015	+15.8
Portsmouth.....	Ohio 21,877	+19.3	65,604H	+15.0
Springfield.....	Ohio 49,008H	+18.9	139,636H	+13.4
Steubenville.....	Ohio 25,147	+16.1	74,443H	+18.0
Warren.....	Ohio 39,936H	+25.5	112,542H	+11.2
Zanesville.....	Ohio 27,446	+21.0	83,666H	+16.1
Franklin.....	Penna. 7,409	+16.3	22,012H	+ 9.9
Greensburg.....	Penna. 23,167H	+25.0	60,091H	+23.0
Kittanning.....	Penna. 11,286	+24.1	31,697H	+17.6
Meadville.....	Penna. 11,169	+ 7.8	37,671	+10.4
Oil City.....	Penna. 22,068	+17.6	62,143	+ 7.1
Sharon.....	Penna. 29,293H	+18.7	82,475H	+15.4
Wheeling.....	W. Va. 62,206	+14.2	177,827	+12.1
<b>TOTAL.....</b>	<b>\$ 624,208</b>	<b>+18.3%</b>	<b>\$ 1,838,571</b>	<b>+14.5%</b>

\* debits to all deposit accounts except interbank balances.

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

Bank debits in thirty Fourth District cities during July were 17 percent higher than in the corresponding month of last year. The total of \$7,147,000,000 was the third highest figure on record and has been exceeded only by the all-time high of \$7,835,000,000 set last December and by the total of \$7,240,000,000 for June. The nominal drop of about 1 percent from the June level may be attributed to the fact that there was one less business day during July.

## TEN LARGEST CITIES

Columbus led the largest centers in year-to-year gain with an advance of 36 percent. Other cities which reported rather large increases from a year ago were Canton with 28 percent and Youngstown, Erie and Pittsburgh with gains of about 20 percent.

In four cities, Canton, Columbus, Youngstown and Erie, debit figures for July were the highest ever reported for any month.

## TWENTY SMALLER CENTERS

Year-to-year gains among the smaller centers averaged 18.3 percent for the largest percentage advance to be reported in thirteen months. Lima recorded the sharpest gain with a figure of 31 percent. Cities exceeding the 20 percent mark included Warren, Greensburg, Elyria, Kittanning, Hamilton and Zanesville.

New all-time highs for any month were set in Lima, Lorain, Springfield, Warren, Greensburg and Sharon.

## Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	July 1948	June 1948	July 1947	July 1948	June 1948	July 1947
<b>SALES:</b>						
Akron (6).....	334	320	302	277	295	251
Canton (5).....	420	366	338	341	351	273
Cincinnati (8).....	360	332	326	263	299	238
Cleveland (10).....	305	288	278	229	265	209
Columbus (6).....	378	345	316r	295	321	246r
Erie (3).....	356	344	301	271	306	229
Pittsburgh (8).....	314	284	289	204	281	188
Springfield (3).....	332	289	305	249	287	229
Toledo (6).....	337	280	296	239	260	210
Wheeling (6).....	277	274	256	205	244	189
Youngstown (3).....	354	338	314	266	317	235
District (97).....	313	306	281	244	288	220
<b>STOCKS:</b>						
District.....	257	273	216	257	262	216

r—Revised.

## SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication August 28, 1948)

Industrial output declined somewhat in July and regained part of the loss in August. Unusually favorable weather in July resulted in a further marked gain in crop prospects. Prices of basic commodities generally decreased somewhat further from mid-July to the latter part of August, reaching the lowest levels since the end of August 1947. The general wholesale price level showed little change and was 10 per cent higher than a year ago.

### Industrial Production

The Board's seasonally adjusted index of industrial production declined 5 points in July to a level of 187 per cent of the 1935-39 average. This decline reflected in large part the effects of employee vacations, especially in certain nondurable industries. Preliminary information for the first part of August indicates a somewhat higher rate of total production than in July.

Output of durable goods showed a slight decrease in July. Production of iron and steel declined 3 per cent, but recovered during August to about the June rate. Activity in the automobile industry showed a substantial further gain in July as assembly of passenger cars and trucks reached a new postwar peak rate. Lumber production increased more than seasonally in July. Output of most other durable goods declined somewhat.

Production of nondurable goods declined about 4 per cent in July, mainly because of reduced activity in the textile and paper industries. Cotton consumption declined 18 per cent from June to July as compared with a decrease of 11 per cent during the same period last year. Pork production was reduced more than seasonally in July while beef production was maintained. Activity in most other nondurable goods industries showed little change.

Minerals production declined 3 per cent in July mainly because of reduced output of bituminous coal. Total coal production for the month, however, was about one-fifth above the rate in July 1947. Crude petroleum production continued at an exceptionally high rate in July and rose further in the early part of August.

### Construction

Value of new construction put in place, according to joint estimates of the Departments of Commerce and Labor, rose further in July to a new record of over 1,700 million dollars, an increase of 100 million from June. The number of new houses started in July was estimated at 94,000, 2,000 units fewer than in June, but 13,000 more than the number started in July 1947.

### Distribution

Department store sales in July and August showed chiefly seasonal changes. Value of sales in the first half of August was substantially larger than in the corresponding period last year when sales were temporarily limited by unfavorable weather. Also, sales in recent weeks appear to have been stimulated by prospective restrictions in terms resulting from the reimposition of installment credit regulations on September 20.

Shipments of railroad revenue freight were maintained in July at about the June rate. Loadings of coal were reduced further, while shipments of grain and forest products continued to show marked gains. Loadings of coal and most other classes of freight were in somewhat larger volume in the first half of August.

### Commodity Prices

Prices of most basic commodities decreased further from the middle of July to the latter part of August. Cotton and grains reached Federal price support levels. Nonferrous metal prices, however, were raised sharply. Wholesale prices of meats were generally maintained at the advanced levels reached in mid-July and some additional increases occurred in prices of other manufactured products.

The consumers' price index rose further by 1.2 per cent from mid-June to mid-July, reflecting chiefly higher retail prices for foods and automobiles, and increased transportation fares.

### Agriculture

During July and August weather conditions continued to be unusually favorable for crop development. The August 1 official forecast of cotton was 15.2 million bales, more than a fourth larger than last year's crop. The outlook for grains showed further marked improvement and total production of these and other principal crops was indicated to be 12 per cent larger than last year.

Marketings of livestock and products in August continued below the same period a year ago, reflecting mainly the reduced number of meat animals on farms.

### Bank Credit

Support purchases of Treasury bonds and certificates by the Federal Reserve System were large in July and the first three weeks of August. These additions to the portfolios of the Reserve Banks were in excess of reductions in holdings of bills as a result of Treasury cash retirement and market sales, and total System holdings of Government securities increased somewhat. A further increase in gold stock also added to bank reserves.

Commercial and industrial loans increased substantially at banks in leading cities during July and the first three weeks of August. Real estate and consumer loans rose further. Government security holdings expanded somewhat over the period; bill and note holdings were increased and certificate and bond holdings reduced.

### Interest Rates and Security Markets

In August the Treasury announced a rate of  $1\frac{1}{4}$  per cent on the October issue of one-year certificates and yields on outstanding short- and medium-term Government securities rose. The Federal Reserve Banks increased discount rates from  $1\frac{1}{4}$  to  $1\frac{1}{2}$  per cent. Some increases also occurred in other short-term money market rates and in rates on commercial bank loans.

Prices of corporate bonds declined further in the first three weeks of August. Common stock prices fluctuated near the reduced level reached in the third week of July.





