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FOURTH FEDERAL RESERVE DISTRICT

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Wholesale Price Trends

THE movement of wholesale prices this year has been watched carefully by students of the business cycle as one of the factors upon which to base estimates of future business activity and prosperity. An end to the postwar price spiral would require businessmen to reappraise inventory policies and would remove a potent profit factor that has existed for the past three years.

The recent trend of wholesale prices suggests to many observers that the third quarter of 1948 may have marked the crest in the postwar rise, as measured by the weekly wholesale price index of the Bureau of Labor Statistics. A new postwar peak, 69.4 percent above the 1926 average was established in the week ended September 18. Prices at this level were about one percent higher than the previous record established in May 1920.

Wholesale prices charged by manufacturers and processors usually change less rapidly than do spot market prices in primary markets, but the two levels of prices ordinarily tend to move together in the same direction. In this connection, it should be noted that an index of daily spot market prices compiled by the Bureau of Labor Statistics did not recover fully this summer from the drastic February price break, and on September 15 was 10 percent below the level prevailing in the first month of this year. This indicator, however, is heavily weighted with agricultural products and does not fully reflect changes in price of some important industrial products.

The rate of increase in general wholesale prices, including not only raw materials but a broad range of semi-finished and finished products sold by manufacturers, has slowed down substantially from last year. Whereas wholesale prices as measured by the B. L. S. weekly index advanced more than 18 percent in 1947, the gain in the first nine months of 1948 has been only 3 percent for the entire period.

An accompanying chart shows the course of weekly wholesale prices from January of this year to the latest date available. Average prices for the initial month are used as the base period of 100.

After the price break of nearly 3 percent in February, the general price level advanced about one point a month to reach the highest level on record in the week ended September 18, or 3 percent above the January average.

The nearly flat movement of the wholesale price index conceals the broad changes that have taken place in important groups of commodities. The chart shows the movement of farm products, chemical and allied products, textiles, fuel and lighting materials, building materials, and metals and metal products.

Metal Products The greatest increase in any of the series occurred in metals and metal products, which advanced more than 12 percent. Individual prices changes from January to September include lead up from 15 cents a pound to 19.5 cents; copper from 21.4 cents a pound to 23.4 cents; tin from 94 cents a pound to $1.03; zinc from 11.1 cents a pound to 15.6 cents; hot rolled sheets from 2.8 cents a pound to 3.26 cents; and steel scrap from $39.00 a ton to $41.75. These rapid increases are particularly pertinent since metals enter into an extremely wide range of consumer goods and capital equipment, and so exercise a strong influence upon the entire price structure.

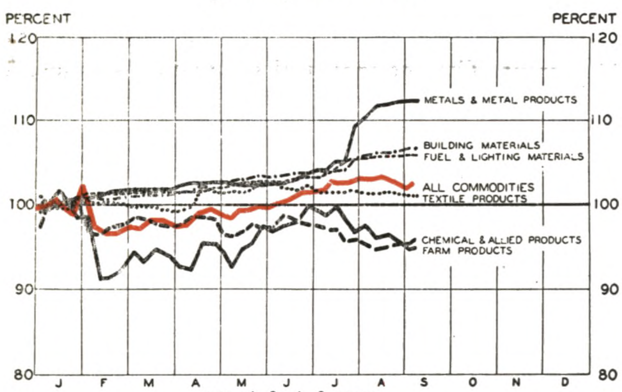
Metal prices may be called "administered prices" since the bulk of nearly all ferrous and nonferrous metals are produced by a relatively small group of very large companies. Despite public announcements of a determination to hold down price increases in the face of demands in excess of available supplies, producers were unable to do so under the impact of substantial wage increases, higher fuel costs, increased freight rates, and the sharp advance in the cost of new capital equipment needed to maintain or expand output.

The evidence to date indicates no lessening in demand for metal products, but instead increased requirements for rearmament expenditures, European rehabilitation, and Government stockpiling of raw metals. In addition, the demand for iron and steel for automobiles, construction, and most lines of large consumer appliances continues unabated.

Building Materials Another strong element in the wholesale price structure has been the building materials group which has advanced 6.6 percent since January or nearly 1 percent a month. Although the lower grades of lumber have been under pressure for the past month there is little other evidence of weakness among building material prices. Some seasonal decline may be expected in the winter months, but as long as construction activity maintains its present pace, there is scant prospect of price softness in these lines.

Fuel Fuel and lighting material prices have risen nearly 6 percent since January and reflect the new coal wage contracts, higher freight rates, and the shortage of petroleum products. Within this group of commodities, electricity has remained unchanged and gas has risen slightly. Bituminous coal, however, has risen more than 9 percent in eight months. This

WEEKLY WHOLESALE PRICES
(Selected Series)
January 1948=100



. . . . price fluctuations this year among groups vary from a 12 percent gain in metals and metal products, to a 5 percent decline in farm products. Chemicals also show a net decline for the year to date.

Source: Computed by Federal Reserve Bank of Cleveland from Weekly Wholesale Price Index of Bureau of Labor Statistics (1926=100).

rate of increase may not be maintained as coal inventories are now ample and price concessions are being made on the lower grade and poorly prepared bituminous coals.

Textile Products Textile product prices on September 18 were only one percent above their January level. While wool tops declined in the spot market from a mid-June high of $2.02 a pound to $1.60 in September, and raw cotton dropped from 38.6 cents a pound in April to 31.2 cents, rayon and other synthetic fibers were advanced in price. Wholesale textile products were also influenced by higher wage rates at mills and in the garment trade as well as by advanced transportation costs. In addition, mills showed little disposition to reduce selling prices and margins, but met price resistance by curtailing the work week or shutting down altogether. The success of this policy remains to be tested in the fall markets. Spot market prices for cotton print cloth, however, have been very weak for some months. From a high of 28.2 cents a yard in January, the price fell to 16.5 cents by mid-September, or a decline of 41 percent.

Chemical Products Prices of chemical and allied products have exhibited a downward trend during the past eight months and have lost 4 percent of the January level. This trend is partially the result of increased supplies coming on the market as heavy postwar capital expenditures for new chemical plants and equipment began to bear fruit Oils and fats, which are included in this group, have dropped about 18 percent since the first of the year and are likely to continue their downward movement as the prospective record-breaking oil-seed crops are harvested. Fertilizer materials, drugs and pharmaceuticals have also been weak.

Farm Products Farm product prices have behaved erratically this year. They plummeted nearly 9 percent in February, almost regained their January level by the end of June, and have since dropped about 5 percent. Changes in supply and demand conditions for agricultural commodities are first recorded in the spot primary markets and are later reflected in the wholesale prices in the processing stage. The following table shows the changes that have taken place this year among selected agricultural commodities.

Present indications are that wholesale farm product prices will continue to decline somewhat further as the expected bumper crops are finally harvested and brought to market. This is not to say, however, that all farm and food products will decline in price since it is apparent that under present conditions of full employment and high personal income continued

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Review of Industrial Activity

INDUSTRIAL activity in the Fourth Federal Reserve District was maintained about in line with seasonal expectations during the third quarter of the year.

Construction Industry Construction activity in this area advanced sharply during July and August after lagging in the first half of the year. Dollar value of residential contracts awarded as reported by the F. W. Dodge Corporation increased 36 percent in these months as compared with the same months a year ago. Total building contracts awarded were up 46 percent. Shortage of building mechanics was reported to be delaying some projects.

Coal Bituminous coal production has been exceeding expectations since the signing of the Spring contract. Although total production for the year through August was still 5 percent below the year-ago total, the margin was steadily being reduced. Output in July and August was 12 percent ahead of the same months of 1947. District bituminous coal mined in these two months was about 13 percent above last year.

Metallurgical grades of coal are in better supply. Current reports indicate that sellers of low grade and poorly prepared coals are having difficulty disposing of their product. Due to poor market conditions, some marginal mines have closed altogether or are working reduced shifts. Many mines without long term contracts are having to sell coal actively for the first time in a number of years.

Industrial stocks of bituminous coal on August 1 amply reflected the improved supply situation with a total of 56 million tons. This was the largest August 1 inventory since 1944 and further accumulation undoubtedly has taken place since that time.

Steel Despite the substantial upturn in steel ingot production and finished steel shipments achieved in the first eight months of the year, District steel consumers have been unable to obtain sufficient supplys to meet their manufacturing schedules.

Production in the United States of steel ingots and steel for casting in August reached 7.4 million tons to establish a new peacetime record for the month and only fractionally below 1943 and 1944. Output through August totaled 57.6 million tons or a gain of about 3 percent over the comparable period in 1947.

Shipments of finished steel have kept pace with ingot production and totaled 37.5 million tons through July or a gain of nearly 4 percent from the previous year. The gain in finished steel shipments, if maintained through the fourth quarter, will more than offset the effect of the voluntary steel allocation program and provide a larger amount of steel for the "free" section of the market than was available last year.

The fourth quarter voluntary steel allocation program has been set up to cover the following ten fields: U. S. Atomic Energy Commission, warm air heating equipment for homes, armed forces, oil field tanks and well head equipment, prefabricated steel houses, freight cars and repairs, maintenance for anthracite coal mining, barges for inland waterways, new oil tankers and repair work, and the National Advisory Committee for Aeronautics. These programs will require about 492,000 tons of steel a month as compared with 344,000 tons consumed monthly in the last quarter of 1947, or an increase of 148,000 tons.

Steel shipments in July, however, exceeded the year-ago figure by a margin of about 255,000 tons and competent authorities expect this margin to increase to nearly 300,000 tons a month for the remainder of the year. Thus an apparent increase in supply of approximately 150,000 tons a month should be available to non-priority industries.

Unfortunately, the increase in supply of steel may not be in the forms most desired by consumers since the allocation programs bear most heavily on items already scarce, i.e., plates, sheets and strip, and structural shapes. For these three items, it is estimated that allocations will take approximately 32, 6, and 20 percent respectively of production.

It is not likely that the supply of steel can be substantially enlarged over the near term due to persistent shortages of pig iron, steel scrap, and coke. Some production is also being lost because of inability to recruit sufficient labor.

According to *Steel,* District steel production rates for the week ended September 25 were: Pittsburgh 94½ percent, Youngstown 103 percent, Wheeling 93½ percent, Cincinnati 102 percent, and Cleveland 97 percent. The national steel production rate was 96 percent of theoretical capacity.

Glass The glass container industry has been operating at a substantially reduced rate this year as compared with 1947, and several high cost plants have suspended operations completely. Unit production for the first seven months of the year was 18 percent below last year and shipments declined 15 percent. Inventories at the end of July were only slightly larger than at the beginning of the year but were 23 percent above July 1947 and 123 percent higher than two years ago. Increased competition from metal and other types of containers is responsible for the present situation.

Mass vacations dropped July plate glass production 28 percent below June to the lowest level this year, according to the Hughes Statistical Bureau. Produc-

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ANNOUNCEMENTS

Changes in Reserve Requirements

BY ACTION of the Board of Governors of the Federal Reserve System on September 8, reserve requirements of member banks have been increased as follows:

(a) Beginning September 16, country member banks are required to maintain reserve balances equivalent to 7½ percent of time deposits, and 16 percent of net demand deposits. Previously the requirements were 6 percent and 14 percent, respectively.

(b) Beginning September 24, reserve city banks are required to maintain reserve balances equivalent to 7½ percent of time deposits, and 22 percent of net demand deposits. Prior to this date, requirements were 6 percent and 20 percent, respectively. (With respect to central reserve city banks in New York City and Chicago, the requirements against net demand deposits were increased from 24 percent to 26 percent.)

These increases in reserve requirements were instituted by virtue of authority contained in Public Law 905 passed by the Congress in special session and signed by the President of the United States on August 16. This Act authorizes further increases of requirements of 2 percent against net demand deposits of all member banks.

In addition, there remains under previous legislation authority to increase reserve requirements against net demand deposits at central reserve city banks by 2 percent, to a maximum of 30 percent.

Increases in reserve requirements made under authority of the recent law, however, are subject to termination on June 30, 1949, which is the statutory expiration date of these particular provisions.

Revision of Department Store Sales Indexes

REVISED monthly indexes of department store sales for eleven cities in the Fourth District are published for the first time in this issue. The revisions result from a recomputation of seasonal adjustment factors applied to the unadjusted indexes of department store sales in the named cities.

A number of wartime changes in the seasonal pattern of department store sales, as well as some shifts occurring since the war's end, are reflected in the new series more accurately than in the adjusted indexes previously released. For most cities, the revised indexes, adjusted for seasonal variation, are somewhat higher than the original adjusted figures for the months of January, April, September and December, and somewhat lower for the months of March, July and November. There is no change in the annual levels of the indexes as shown. Likewise, the corresponding indexes, unadjusted for seasonal variation, remain as previously announced.

The methods used in revising the seasonal adjustment factors applicable to sales in the eleven cities are substantially the same as those utilized in the latest revision of seasonal factors applying to the index of department store sales for the Fourth District as a whole. Although the current revision of seasonal factors for the individual cities makes use of postwar data to a somewhat greater extent than was possible in 1946 at the time the seasonal factors for the Fourth District were revised, the new adjustment factors for the individual cities are broadly comparable with the factors for the district which are currently in use. As a consequence of the revision, the seasonally adjusted indexes for the eleven cities, appearing herewith, are in much greater conformity with the adjusted indexes of the Fourth District than were the indexes for the individual cities before the present revision.

A revised edition of the *Handbook of Department Store Statistics of the Fourth Federal Reserve District,* which will be published this month, incorporates the revised indexes for the individual cities, as well as indexes of department store sales and stocks for the Fourth District, covering the period January 1924 through July 1948. Copies will be available on request.

REVISED INDEXES OF DEPARTMENT STORE SALES

Adjusted for Seasonal Variation

Eleven Cities, Fourth Federal Reserve District, January 1943—July 1948

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
AKRON												
1943	219	245	199	201	195	199	202	204	209	216	213	197
1944	210	195	200	209	213	194	215	216	224	229	229	232
1945	233	237	251	219	217	232	233	226	221	232	239	245
1946	254	258	272	256	278	301	270	304	289	268	276	288
1947	271	269	255	309	299	299	299	298	299	284	313	314
1948	294	306	281	295	328	314	330					
CANTON												
1943	225	249	211	215	213	225	218	215	215	223	220	202
1944	219	216	212	232	242	220	235	233	244	239	239	238
1945	226	251	272	238	219	246	251	236	222	230	220	233

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1946	253	272	302	282	309	314	314	345	324	312	314	325
1947	322	307	318	344	361	344	325	329	342	331	361	357
1948	342	323	346	379	402	366	405					
					CINCINNATI							
1943	179	179	150	157	159	166	159	162	167	170	167	167
1944	176	159	170	181	188	166	193	194	193	196	200	195
1945	199	204	212	192	191	208	220	205	209	224	224	227
1946	229	260	271	269	272	291	283	309	288	281	279	281
1947	273	274	282	302	322	304	309	292	308	288	323	312
1948	304	298	304	315	339	321	341					
					CLEVELAND							
1943	176	191	154	159	155	159	155	165	163	169	173	160
1944	168	156	162	165	175	158	172	176	183	182	187	186
1945	185	187	195	171	171	183	191	174	185	201	198	199
1946	210	221	229	231	234	243	233	265	249	241	250	263
1947	241	237	234	254	266	262	258	247	266	248	284	292
1948	276	262	248	275	284	279	282					
					COLUMBUS							
1943	193	198	160	174	170	166	178	184	187	188	188	186
1944	202	190	181	205	207	183	208	213	219	222	220	222
1945	223	230	240	221	213	227	244	231	242	248	235	252
1946	257	277	294	283	290	300	302	340	317	287	306	315
1947	287	290	298	318	322	307	308	309	329	304	338	330
1948	321	326	310	355	360	334	368					
					ERIE							
1943	202	224	178	196	183	188	191	199	199	207	203	180
1944	198	196	200	204	208	188	211	201	213	214	217	201
1945	196	224	241	210	207	211	214	204	213	222	215	230
1946	238	239	268	245	253	278	270	297	261	254	260	273
1947	256	265	268	298	312	296	294	301	305	289	302	321
1948	295	298	296	343	336	336	347					
					PITTSBURGH							
1943	157	176	130	140	143	143	136	150	147	153	148	154
1944	157	145	149	162	168	148	164	167	174	175	176	171
1945	172	180	179	165	165	177	188	177	185	200	201	198
1946	207	217	240	229	230	261	250	281	200	218	255	258
1947	247	246	245	255	272	259	257	262	284	267	255	287
1948	259	269	250	282	295	290	280					
					SPRINGFIELD							
1943	222	245	201	201	202	210	219	221	217	225	224	214
1944	228	212	210	218	219	204	227	227	234	241	248	240
1945	233	240	258	209	217	232	237	235	236	238	234	245
1946	250	271	289	255	254	272	268	301	266	271	268	269
1947	269	265	262	288	294	295	282	295	302	292	305	304
1948	291	286	270	295	302	295	307					
					TOLEDO							
1943	167	180	148	169	163	167	164	168	171	177	174	161
1944	185	165	171	185	193	174	195	192	199	201	201	196
1945	205	200	217	189	191	200	208	197	198	205	203	212
1946	214	229	244	236	241	260	250	294	251	256	251	257
1947	246	251	258	263	277	272	273	278	282	261	285	289
1948	286	270	263	298	300	280	311					
					WHEELING							
1943	140	148	121	127	133	134	132	140	134	140	137	142
1944	157	142	147	161	168	149	167	167	167	171	174	177
1945	175	184	192	182	175	189	198	182	182	187	187	200
1946	205	226	261	225	232	257	246	270	240	228	234	235
1947	217	221	225	239	255	240	253	246	261	222	250	259
1948	235	233	253	243	279	266	273					
					YOUNGSTOWN							
1943	178	198	156	161	167	170	175	174	173	178	181	178
1944	185	172	188	187	197	180	191	195	210	209	213	210
1945	215	226	232	205	210	226	231	218	221	232	231	239
1946	241	246	290	261	274	298	283	320	288	280	282	287
1947	286	294	276	313	325	307	302	311	325	305	330	326
1948	318	320	297	358	350	338	341					

Review of Industrial Activity

(Continued from Page 3)

tion in August, however, of 24.5 million square feet was the largest on record. Total production for the year was 5 percent above the record established in 1947.

Paint and Varnish Paint and varnish manufacturers in this area report a continued high level of sales and production. While sales declined seasonally in July from June, they remained above the level of a year ago and the outlook for the balance of the year is considered favorable. Increases in the cost of metals and pigments have more than counterbalanced the downward trend in oil prices. Most raw materials are in adequate supply to meet expected production schedules.

Paper Paper and paper board production declined somewhat in July due to vacations but currently is running above the 1947 rate. Inventory positions at both manufacturing and wholesale levels are higher than a year ago. In view of better supply conditions, box manufacturers and other processors are ordering on a more conservative basis. Paper consumers likewise are now buying in line with current consumption requirements and are trying to achieve better balances in inventories. In August and early September, producers advanced selling prices on some grades of paper and boxboard.

Machine Tools The machine tool industry has not yet benefited from the European Recovery program and firm orders for export remain at a low level. Total new orders received in August were less than 74 percent of the 1945-1947 average and 10 percent less than the first quarter monthly average. Costs have been adversely affected by the rise in steel prices as well as by the shift from the basing point system. Increased wage and freight charges also have had a substantial impact.

Activity in the machine tool industry varies with the type of product manufactured. Most favorable rates of production are in the lines making the heavier machines such as planers, planer type milling machines, hydraulic presses, some of the forging machines, and some of the automatic machines. Order backlogs for the industry in August were equal to about five months' shipments on the average, and were considered somewhat less than normal.

Rubber Shipments of pneumatic casings for passenger cars in August and September were believed to be running ahead of a year ago. Production, however, was held below last year's schedule partly because of a desire to reduce factory inventories from the relatively high level attained last spring.

As compared with the first seven months of 1947, total passenger casing production was 11 percent lower, replacement shipments were down 18 percent, exports declined 60 percent, while original equipment shipments were up 8 percent.

Employment Latest data available indicate that manufacturing employment in July as compared with June fell 1.3 percent in Ohio, 1.0 percent in Kentucky, 0.9 percent in Pennsylvania, and 1.2 percent in West Virginia. Preliminary reports show that some gain was achieved in August.

Part of the decline was due to reduced shipments of pig iron and steel to metal-using industries as a consequence of the July coal strike in captive mines. Metal fabricators, in many cases, laid off forces to rebuild stocks. Protracted strikes among several large companies producing glass items, auto parts, and oil products also caused employment losses.

Industrial production in other industries was affected somewhat by the growing practice of closing entire factories to give all but maintenance workers vacations at the same time. Slack demand also resulted in some curtailment in output. As a consequence of either or both of these conditions, lower production was reported for automotive tires, glass containers, plate glass, machine tools, men and women's shoes, ferrous metal foundries, steel castings and forgings, truck trailers, electrical and general machinery and furniture. Faltering production schedules at automotive assembly plants adversely affected District parts manufacturers.

Wholesale Price Trends

(Continued from Page 2)

SPOT PRIMARY MARKET PRICES

Commodity	1948 High	September 14, 1948	% Change from 1948 high
Barley, bushel	$ 2.78	$ 1.37	–50%
Tallow, pound	.28	.14	–50
Cottonseed oil, pound	.41	.26	–37
Lard, pound	.29	.20	–31
Corn, bushel	2.81	1.96	–30
Wheat, bushel	3.11	2.21	–29
Cotton, pound	.39	.31	–19
Hides, pound	.33	.27	–18
Butter, pound	.89	.74	–17
Hogs, 100 lbs.	31.20	29.25	– 6
Steers, 100 lbs.	36.38	34.50	– 5

Source: Bureau of Labor Statistics. Figures rounded to nearest cent.

strength will prevail for meat and dairy products as well as turkey and other poultry. Some months must elapse before herds and flocks can be built up again on the lower priced feeds.

On balance, it would appear that the general upward movement of wholesale prices has about exhausted itself, except for the metals, metal products, and building materials. Even if these continue to rise somewhat, the general decline in agricultural commodities may be enough to introduce a period of stability or even a downward tendency.

The Locker Plant Industry

THE typical frozen food locker plant operator, like many other entrepreneurs, is confronted with two general choices in regard to future operations. One route is to expand facilities in order to serve more patrons efficiently. By broadening his base of activities he may enhance the reputation of his enterprise and increase his gross revenue. The alternative involves standing still, a course partially dictated by the mounting cost of expansion and the possibility of an eventual decline in effective demand. This second choice is not unattractive to those who believe themselves to be already at a satisfactory income level, and are reluctant to go out on a limb to test their market further.

Deterrants to Expansion At many plants all locker space is rented and the waiting lists are fairly long. Some operators in this category feel rental income could be increased by as much as 50 percent by providing more lockers and accompanied by appropriate and effective promotion. But the large majority of locker operators are small businessmen with correspondingly limited capital, and the investment required for the newest type of equipment may run as high as $100 per locker, not including any outlay for building. These lockers contain their own refrigerating unit and thus can be operated in a warm room, for the comfort of patrons. The cost of expansion can be reduced if space is already available in the existing locker room for the installation of the conventional cold-room type of locker.

Notwithstanding the deterrent of the high cost of expansion, some operators in this District who have waiting lists might enlarge their locker capacity were it not for the "signs and portents" that prevail. One of these is the prospect that more locker patrons will switch their frozen food storage to home units. An amazing increase has taken place in the use of home freezers. A trade publication estimates that by 1949 around 1,000,000 freezers will be in use compared with 400,000 at the end of 1947, representing a gain of 150 percent in a single year.

Secondly, distribution of frozen foods is becoming broader. The number of stores carrying these items is expected to increase 60-70 percent this year. Frozen food concerns have trimmed annual production, the number of brands has been reduced, packaging improved, and an ambitious educational campaign has been inaugurated in conjunction with home freezer promotion. One of the latest apparently successful retail developments combines selling or renting freezers, servicing them, and supplying them regularly with frozen foods which the housewife has ordered by telephone. The pioneers in this type of marketing have been department stores, together with a very few locker plant operators.

Trade magazines have consistently advocated that operators "roll with the punch" by participating in selling and/or supplying home freezers. But most locker plant operators are reluctant to add such a new and time-consuming function. Instead, the most common and most successful technique of participation has been the processing of meat for users of home freezers, in addition to regular locker patrons. Because this important development is dealt with in greater detail on page 9, it suffices here to say that it is in the direction of buying and processing of carcasses that probably the most significant advances in locker plant operation will take place.

Need for Coordination Locker plants still have some novelty to consumers of this region, and partially because the industry is young, it lacks some of the earmarks of stability commonly exhibited by its larger brothers in the service and retail fields. Advertising, at least in this area, is little used. Turnover in ownership of plants has been fairly high. Merchandising methods have usually been "hit or miss". Considerable dependence for success has been placed on the natural attractions of a new service, and the chance for establishing solidly the actual value of lockers has often been neglected. No tie-in was made with recent advertising campaigns for home freezers and frozen foods—the story of how a locker can be successfully and efficiently used in combination with a home freezer went untold. The new industry also suffered from fly-by-night operators whose wartime mishandling of customers left prejudices difficult to overcome.

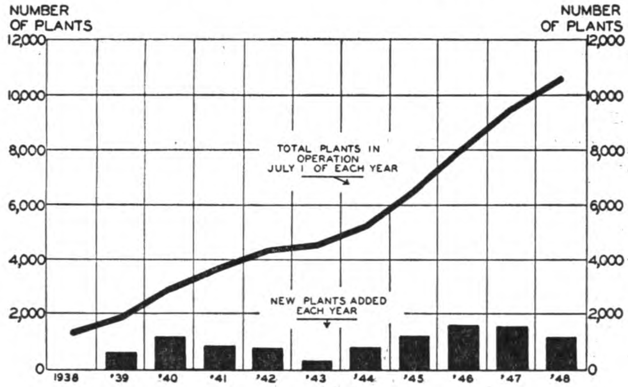
Rapid Growth Presumably, most of these shortcomings can be chalked up to "growing pains", but a glance at the accompanying table and chart will will reveal that the burgeoning industry is now of sufficient stature to assume mature ways.

FROZEN FOOD LOCKER PLANTS IN THE UNITED STATES

As of July	Total Plants	Yearly Increase
1938	1,269	....
1939	1,861	592
1940	2,870	1,009
1941	3,623	753
1942	4,323	700
1943	4,559	236
1944	5,282	723
1945	6,464	1,182
1946	8,025	1,561
1947	9,529	1,504
1948	10,617	1,088

Source: U. S. D. A., Extension Service.

GROWTH OF THE FROZEN FOOD LOCKER PLANT INDUSTRY
in the United States, 1938-1948



. . . . the number of locker plants in operation has increased greatly over 1938, but the rate of annual increase has tapered off in the past two years.

Source: U. S. Department of Agriculture, Extension Service.

There were no locker plants in this area only slightly more than a decade ago, yet today there are nearly 700 plants in Ohio, Pennsylvania, Kentucky, and West Virginia, the Fourth District States. The national total increased from 1,300 locker plants in 1938 to well over 10,000 this year.

Locker plants had their major beginning in the North Central States of Iowa, Illinois, Minnesota and Wisconsin, which today account for 25 percent of all locker plants.

Iowa, first among the states with 841 plants, exhibited the second largest increase in the 1947-1948 period as 140 new establishments were added. Gains in the Fourth District states were more modest, averaging only about seven percent.

However, in this area, the advance during the past ten years has outstripped, percentagewise, the growth in a pioneer state such as Iowa. Iowa, during this period, experienced a gain of 140 percent in the number of locker plants, while in Fourth District states, the total of 677 plants is nearly 13 times greater than in 1939, indicating this late-starting area has been catching up. In addition, locker plants in the Fourth District states average 55 percent larger in locker capacity than the Iowa plants. In Ohio, for example, the 330 plants, with an average of 760 lockers per plant represent a state capacity of over 250,000 lockers, compared with 841 Iowa plants having a capacity of 392,000 lockers.

Expansion Nearing End?

It is difficult to determine just how much further this expansion will proceed. The tapering off since the war in the demand for lockers it attributed primarily to reduced interest among city dwellers. If this be true, the Fourth District, with its large urban population, may approach its peak number of locker plants within the next year or two.

The percentage of the nation's locker plants located in the four Fourth District states has risen from two percent in 1938 to 6½ percent at this time. An adjoining map of the District shows the dispersion of the plants. Particularly noticeable is the heavy concentration in the Ohio counties of Franklin, Montgomery, Hamilton, Stark and Wood, while Southeastern Ohio and Eastern Kentucky are at the other extreme.

Factors in Plant Location

It is difficult to find other statistical series which show distinct relationship to the locations of locker plants. One widely publicized fact is that three out of every four locker patrons are farmers, yet Pike county, Kentucky, with easily the largest farm population in the District, has only one locker plant. Westmoreland county, Pennsylvania, second largest county in farm population, has but three plants. Another factor commonly associated with locker plant operation is the raising of beef cattle and hogs. The relationship here is somewhat closer than with farm population but is far from conclusive. A comparison of a list of Ohio's leading livestock counties with the chart of plant locations reveals that the principal areas of activity (not individual counties) coincide reasonably well.

A spot check of operations in the Cleveland territory showed that in the past it has been rare for market surveys or an attempt at "scientific" methods of selection to be employed in determining plant location. Such techniques, however, can not long be avoided if the rate of expansion of the industry is to continue successfully.

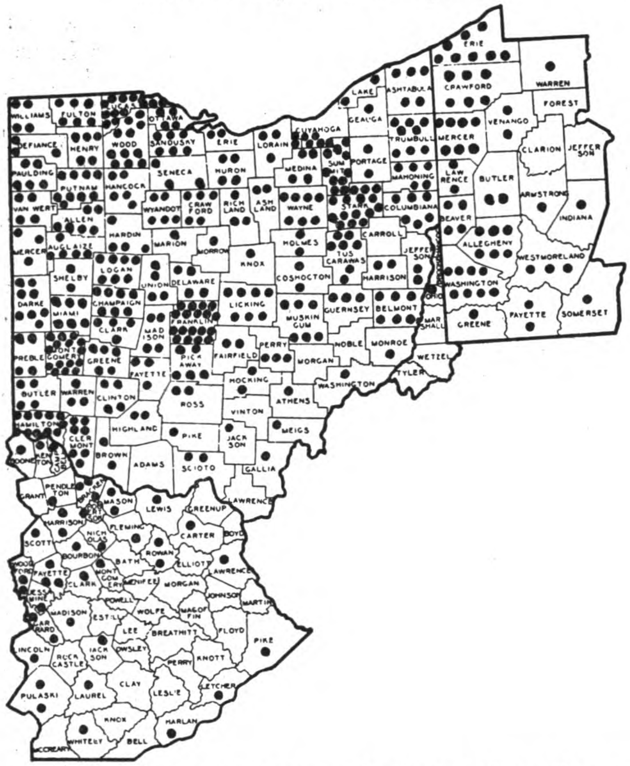
Heretofore many plants came into being by adding a "cold room" to an existing grocery store or meat market, or by segregating a portion of a cold storage warehouse. (Now that the locker plant is recognized as a separate institution a reverse type of situation arises when a grocery department or retail meat shop is added to the locker plant.) This more or less hazardous location of locker plants has resulted in occasional saturation of an area and, in other cases, in a

LOCKER PLANTS

Year (July 1)	U. S.	Ohio	Penn.	W. Va.	Ky.	States of the Fourth District	Iowa
1938.........	1,269	21	5	0	0	26	305
1939.........	1,861	32	20	1	0	53	350
1940.........	2,870	50	29	1	0	80	450
1941.........	3,623	74	35	1	4	114	475
1942.........	4,323	146	42	1	14	203	550
1943.........	4,559	150	45	1	15	211	571
1944.........	5,282	178	75	2	32	287	580
1945.........	6,464	223	145	2	52	422	600
1946.........	8,025	288	184	8	60	540	655
1947.........	9,529	310	228	10	86	634	702
1948.........	10,617	330	242	13	92	677	841

Source: Department of Agriculture, Extension Service.

LOCATION OF LOCKER PLANTS IN THE FOURTH DISTRICT
by counties, 1948
(Each dot represents one plant)



. . . . Fourth District locker plants are clustered most heavily around Dayton, Columbus, Cincinnati, Toledo, and in the Akron-Canton area.

Source: U. S. Department of the Interior, Fish and Wildlife Service.

notable absence of facilities. An outstanding local example of this latter is the complete dearth of locker plants on Cleveland's populous East Side, while numerous plants are easily accessible to the West and South Side.

Scope of Activities Once a location has been selected, an important choice confronts the operator. Should he attempt to confine himself fairly strictly to locker rentals or should he offer a variety of services? His essential attraction and raison d'être is the provision for refrigerated frozen food lockers, but it has become increasingly evident that a plant with no more than 500 lockers can not operate on rental income alone.

The average locker rental in the Cleveland area is approximately $16 per year for the standard 6 cubic foot locker, which in the case of 760 lockers (Ohio Average) produces a maximum gross locker revenue of about $12,000. To operate a plant of this size a minimum of 2 men is needed, and when other costs are considered, it becomes evident that other sources of revenue must be sought in order to insure profitable operation. It is said, however, that a plant having more than 1,000 lockers could probably provide a modest return exclusively from rentals.

As a matter of fact, in the average cooperative plant in the North Central area, less than half the plant income is received from rental charges.* In the North Central States, revenue from processing accounts for about 16 percent of total income; rentals, 44 percent; and other sources, 10 percent.

The terms "processing", and "other sources" cover quite a range of activity. Interviews with locker operators in this region turned up a surprising array of services, from the sale of cellophane bags to processing a side of beef, and ranging in size from a modest 50-locker operation to a large combination full-scale supermarket and locker plant.

Types of Patrons A typical locker plant in this area caters to three types of patrons: (1) farm dwellers who produce their own meat, vegetables, and fruits; (2) city dwellers who produce their own vegetables, and perhaps some fruit; and (3) patrons who must purchase all their food. There is a fourth type, but somewhat rare — institutional customers, i. e., hotels, restaurants, hospitals — who use the locker plants' bulk storage and freezing facilities.

Typical Processing Facilities The most fundamental of the processes is that of sharp freezing, i. e., bringing food from room temperature quickly to 20° F below zero, or lower, and freezing throughly after which it can be stored in lockers at 0° F.

There are three classes of locker plants and all of them provide for this basic function. The first category, ten percent of the plants, offers no processing services other than sharp freezing. The second type, consisting of 60 percent of the plants, has no facilities for killing the animals; instead, carcasses are purchased from packing plants and the processing is completed in the locker plant.

The remaining 30 percent of plants maintain slaughtering facilities and complete processing equipment. A few plants also dress poultry, which usually involves investment in a mechanical picker.

Thus, the second and third categories, comprising 90 percent of the locker plants, are able to meet the typical needs of patrons. A farmer, for example, is able to bring in a carcass and have it dressed, aged, cut to order, frozen, packaged, labeled and dated, and placed in his locker. City dwellers can expect to be able to buy meat at "wholesale" prices, e. g. a quarter of beef, and have it likewise completely processed.

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* Based on a 1946-1947 survey, "Cooperative Frozen Food Locker Associations", by the Farm Credit Administration. Miscellaneous Report No. 116, April 1948.

It is fairly difficult to measure accurately the precise saving accruing to a patron who buys meat in bulk, but there is general agreement that in the typical purchase of a quarter of beef, savings run about 15 percent. One operator estimated the saving amounted to about $15 at current prices.

These processing services are, of course, available to the owner of a home freezer as well as to regular locker patrons.

Non-processing Operations Aside from renting lockers, there are numerous non-processing operations. These normally include selling, from serve-yourself chests, one or more nationally advertised lines of frozen foods. Another "must" is stocking the various materials used in home preparation of foods for freezing—locker wrapping paper, sealing tape, cartons, syrup preservative, pamphlets on processing and cooking frozen foods, etc.

A newer, but apparently rather profitable operation is selling cuts of meat already packaged and frozen. The cuts are the product of the operator, enabling him to price them attractively. This has the additional advantage of keeping the meat cutter busy during low points in the fluctuating output of custom-processed meat.

Some plants have a limited grocery line consisting almost entirely of staple canned goods and other non-perishable items.

Provision is sometimes made for a preparation room, to be used free of charge by locker patrons to prepare batches of fruits and vegetables for freezing.

Selling Home Freezers Another non-processing function is the sale of home freezers. Many locker operators in this area handle one or two brands of freezers but their merchandizing is rather perfunctory. They shy away from the problems which may accompany promoting a line of freezers, such as servicing and repairing them (at any hour), installation and adjustment, extending credit, leasing arrangements, allocating showroom space, and advertising.

Whether to extend themselves in this direction has stirred up lively debate within the trade and in trade magazines, which generally favor the move.

Freezers vs. Lockers An ideal development has occurred in many instances where the purchaser of a home freezer retains his locker for bulk storage, particularly of meat, and continues, occasionally in greater volume, his use of the plant's processing facilities.

Additional reasons for retention of the locker are to provide emergency storage in case the home freezer breaks down, and to handle the heavy seasonal loads of fruits, vegetables, and meats, which exceed home freezer capacity. Locker plants normally provide "overflow" storage if the locker itself is unable to handle occasional large lots of meat or other products. Locker operators contend that it is not possible to purchase and operate a home freezer as cheaply as locker space can be rented. Use of a home freezer, they admit, does strike at one serious disadvantage of locker plants—their inconvenience. A housewife may not be impressed by operating cost differentials if several trips a month to the locker plant are eliminated through purchase of a home unit. If the locker operator also sells home freezers he can hardly argue too effectively against their use, but he does recommmend the small boxes (6 cu. ft. capacity) over the larger sizes, so that retention of the locker, and its advantages, is still desirable.

If the new owner of a large home freezer abandons his locker, every effort is made to supply his "box" in much the same way as his locker was supplied. In this way the loss of revenue is restricted to the locker rental.

"Dead" Lockers Locker operators like to have a high turnover in the contents of each rented locker. Lockers rented but empty would appear to constitute, in one sense, an ideal situation for the operator, but this is not the case, because no processing revenue arises from an unused locker. When a customer regularly uses his locker, continually adding processed meat to it, and in turn withdrawing the contents for consumption, the result is profits to the operator. The patron also benefits from a high turnover because it keeps his food bank fresh. Frozen meat even though kept at 0° temperature, will eventually spoil. Pork, for example, may spoil in 6 months or less.

In this territory, the customer who rents a locker and then forgets it is frequently reminded of this disuse by the typical operator. If his exhortations prove futile, the operator usually tries to dissuade the renter from renewing. This seemingly rather negative practice has carried over from the period of wartime meat shortages when waiting lists were long and locker space at a premium. Operators have two reasons for believing that even today it is good business to create a few vacancies in this manner: (1) it sets up a backlog of locker space to take care of new patrons and in turn reduces one of the causes for purchase of home freezers, viz. nonavailability of locker space; (2) if the replacements are more interested in their locker, the ratio of food processed (at the plant) per locker increases. This ratio is one of the best analytical tools for evaluating locker plant operation. The national average for this ratio in 1941 was 360 pounds per locker, in 1945 was 353 pounds, and last year rose above 400.* If through increased

* Data from the two FCA studies to which previous references were made.

competition or other factors the number of lockers rented per plant declines, this ratio must, for the average plant, obviously be increased still further to produce profits. One operator in this area reported that his volume of meat processing for owners of home freezers has increased to the point that it exceeds the amount processed for his locker patrons. If this trend becomes general it will raise significantly the average ratio of food processed per locker.

Charges and Profits Typical processing charges are four cents per pound for beef, five cents for lamb and veal, and four cents for pork (curing, smoking, lard rendering extra). Sharp freezing of fruits and vegetables is usually done for three cents per pound.

These charges, plus revenue from retail sales and locker rentals comprise the income section of the operator's statement. Principal expense item is labor, which constitutes just about half the operator's costs. Skilled meat cutters are still in short supply. Electricity, for operating the refrigerating equipment, together with other utilities, account for another 10 percent of expenses. Other expenses—licenses, taxes, depreciation, repairs, supplies, interest, etc.—take the remaining 40 percent.

A study of cooperative plants* (13 percent of plants are co-ops) showed average net profits (or net "savings") in 1947 of 12 percent after taxes. Operators interviewed recently in this area agreed that margins are currently showing a tendency to narrow.

Pros and Cons Of Locker Use Operators believe that the basic reasons for patronizing locker plants exist as strongly today as ever. These selling points are: (1) frozen foods are usually more palatable than canned foods, (2) locker plant freezing eliminates the work of home canning, (3) family diet is improved by the possibility of using out-of-season foods, (4) depending on the degree of use and size of family, savings result, (5) it is ordinarily possible to obtain higher grade meat than that available in grocery-meat stores, and the type of cuts can be specified before processing.

Some disadvantages of using lockers should also be mentioned: (1) frozen foods in most cases must be used soon after being taken from the locker, so that frequent trips to the locker are required unless a home freezer is available for storage, (2) meat bought by the carcass occasionally may not be as carefully inspected, nor as tender as cuts purchased at retail stores, (3) frequently it is less convenient to go to locker plant for supplies than to patronize the "corner grocery", where also a wider variety of meats is obtainable.

The Future The locker plant operators interviewed in this area were asked about their plans for expansion. There was agreement on this central point: no expansion in the number of lockers until construction and equipment costs come down. Several of the operators, however, had begun, or were planning, to expand their processing facilities.

The industry is so young that it has never encountered a nationwide economic setback (the 1937-38 recession occurred just as the industry got underway). Operators hope that the possibility of effecting savings in food costs would attract customers even more strongly in a depression. The permanency of the service functions of locker plants seems fairly well assured. A continuing increase in competition from home freezers might well result in compensating gains in processing business for locker plants.

New Trends The main trend in locker plant operation appears to be a movement toward providing more services for the locker patron. Delivery service has appeared recently, eliminating time-consuming trips to the plant. Many plants are experimenting with production of their own frozen foods, especially meat. Possibilities exist for buying fruits by the carload and splitting the shipment among operators in an area, so that frozen fruit can be offered to locker patrons at attractive prices.

No conclusive information is available, but there appears to be a growth in the chain operation of locker plants which provides the advantage of centralized processing facilities.

In the matter of locker equipment, the warm-room type seems sure of gaining favor, although this equipment is more expensive, and necessitates charging higher rentals, a factor many operators cite as preventing large-scale adoption.

* Op. cit.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—August 1948

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)
(Compiled September 28, and released for publication September 29)

Coats and Suits (Women's and Misses')	+76
Woolen Dress Goods	+37
Radios and Phonographs	+34
Millinery	+33
Art Needlework	+29
Juniors' Coats, Suits and Dresses	+28
Silks, Velvets and Synthetics	+28
Blouses, Skirts and Sportswear	+26
Domestics, Muslins, Sheetings	+25
Furniture and Bedding	+21
Gift Shop	+21
Blankets and Comforters	+20
Major Household Appliances	+20
Domestic Floor Coverings	+19
Lamps and Shades	+19
China and Glassware	+17
Better Dresses (Women's and Misses')	+16
Draperies, Curtains, etc.	+15
Candy	+14
Silverware and Clocks	+14
Inexpensive Dresses (Women's and Misses')	+13
Girls' Wear	+12
Cotton Wash Goods	+11
Records, Sheet Music and Pianos	+11
Neckwear and Scarfs	+11
Housewares	+10
Notions	+10
Books and Stationery	+ 9
Sporting Goods and Cameras	+ 8
Luggage	+ 8
Toys and Games	+ 6
Infants' Wear	+ 6
Linens and Towels	+ 5
Hosiery	+ 5
Corsets and Brassieres	+ 4
Handbags and Small Leather Goods	+ 3
Gloves (Women's and Children's)	+ 3
Laces and Trimmings	+ 3
Handkerchiefs	+ 2
Underwear, Slips and Negligees	+ 1
Boys' Wear	— 1
Shoes (Women's and Children's)	— 1
Costume Jewelry	— 2
Toilet Articles, Drug Sundries	— 3
Shoes (Men's and Boys')	— 6
Fine Jewelry and Watches	— 6
Men's Clothing	— 7
Men's Furnishings and Hats	—11
Furs	—11
Aprons, Housedresses and Uniforms	—14

Sales during August by Fourth District department stores were higher than the year ago level, as well as higher than during July, for all but a few departments. Contrary to the usual experience of recent months, sales in the main store showed a somewhat larger increase than basement store sales, the gains over last year being 13% and 11% respectively.

Largest percentage increase over last year was registered by the women's and misses' **coats and suits** department, where sales were 76% over the 1947 season when the fall pick-up in this merchandise was slow in developing. Other large gains in the women's apparel and accessories group were made in **millinery**, up 33%, **juniors' coats, suits and dresses**, up 28%, and **blouses, skirts and sportswear**, up 26%. Sales of **better dresses** were 16% higher than a year ago, while sales of **inexpensive dresses** were 13% higher, contrary to the relative positions of these two departments which has prevailed recently.

Several departments in the women's wear group showed declines in sales from a year ago. These were **women's and children's shoes**, down 1%, **furs**, down 11%, and **aprons, housedresses and uniforms**, down 14%.

The housefurnishings departments as a group were at the highest levels of the year, 19% above the year ago position, with all departments in the group sharing in the gains. Sales of **radios and phonographs** (including television) were 34% above a year ago, while the **furniture and bedding** department reached a new all-time high for any month, 21% above a year ago. Sales of **major household appliances**, up 20% from a year ago, also broke all former monthly records.

All men's and boys' wear departments, however, showed sales declines from a year ago, with the losses ranging from 1% in the case of boy's wear to an 11% drop for **men's furnishings and hats**. Dollar sales of the latter department were only about half as large as in June of this year.

Sales of piece goods and household textiles were substantially above last year's level. Sales of toilet articles and jewelry, however, were down from a year ago, with losses ranging from 2% to 6%.

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

Inventories by Departments—August 31, 1948

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)
(Compiled September 29, and released for publication September 30)

Major Household Appliances	+64
Men's Clothing	+44
Domestic Floor Coverings	+34
Toys and Games	+33
Hosiery	+31
Sporting Goods and Games	+26
Furniture and Bedding	+25
Domestics, Muslins, Sheetings	+24
Lamps and Shades	+23
Inexpensive Dresses (Women's and Misses')	+22
Luggage	+22
China and Glassware	+22
Girls' Wear	+22
Cotton Wash Goods	+18
Records, Sheet Music and Pianos	+17
Shoes (Women's and Children's)	+17
Juniors' Coats, Suits and Dresses	+17
Infant's Wear	+16
Underwear, Slips and Negligees	+16
Fine Jewelry and Watches	+14
Housewares	+14
Corsets and Brassieres	+14
Boys' Wear	+14
Silverware and Clocks	+13
Shoes (Men's and Boys')	+13
Handbags and Small Leather Goods	+13
Blankets and Comforters	+12
Notions	+12
Silks, Velvets and Synthetics	+12
Aprons, Housedresses, Uniforms	+11
Linens and Towels	+11
Better Dresses (Women's and Misses')	+ 9
Furs	+ 9
Draperies, Curtains, etc.	+ 8
Woolen Dress Goods	+ 7
Coats and Suits (Women's and Misses')	+ 5
Blouses, Skirts and Sportswear	+ 5
Men's Furnishings and Hats	+ 5
Neckwear and Scarfs	+ 3
Art Needlework	+ 1
Books and Stationery	0
Toilet Articles and Drug Sundries	— 2
Costume Jewelry	— 3
Gift Shop	— 4
Gloves (Women's and Children's)	— 6
Laces and Trimmings	— 7
Candy	— 8
Millinery	— 8
Radios and Phonographs	— 8
Handkerchiefs	—13

The dollar value of inventories of Fourth District department stores rose about 8% during August in line with seasonal expectations. At the close of the month, stocks were 15% higher than a year ago. The pick-up in stocks from the seasonally low levels of recent months brought them to about the same level as early this spring, although total store stocks are still somewhat below the all-time highs which were reached late last Fall.

Stocks in the men's and boys' wear departments as a group reached a new high point at the end of August, at an average level 20% above a year ago. Contributing heavily to this result was the rise in stocks of **men's clothing** which topped all previous marks at a point 44% above last year's level. Inventories of **boys' wear** also increased sharply during August, and at month's end were 14% above a year ago. A substantial increase in the stocks of **men's furnishings** occurred during August, although the level at the end of the month was only 5% above a year ago when a considerable pick-up in inventories of this merchandise had already occurred. Stocks of **men's and boys' shoes**, which showed little change during the month, stood 13% above the year-ago figure at the end of August.

Inventories in the housefurnishings departments at the month's end averaged 23% higher than a year ago, although stocks of **radios and phonographs** (including television) were 8% lower than a year ago. In most housefurnishings departments stocks at the end of August were somewhat lower than earlier this year.

In the women's apparel and accessories group, where inventories at the close of last month averaged 12% higher than a year ago, the greatest increase was shown in stocks of **hosiery** which were up 31% from a year ago to reach a new all-time high. Stocks of **infants' wear** also set a new record, 16% above a year ago. Declines from a year ago occurred, however, in stocks of **gloves, millinery**, and **handkerchiefs**, where the percentage fall ranged from 6% to 13%.

Stocks of **toys and games** at the end of the month were 33% above the year-ago position. The increase during August was comparable to the increase during September of last year, and the level of toy stocks at the end of August of this year was about the same as at the end of September a year ago.

Inventories of **toilet articles** and **drug sundries** were at the lowest point for the month since 1944.

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

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

(Compiled September 8, and released for publication September 9)

City and Number of Banks	Time Deposits August 25, 1948	Average Weekly Change During: August 1848	Previous Month	Year Ago
Cleveland (4)........	$ 873,914,000	+$ 98,000	—$1,133,000	+$219,000
Pittsburgh (12)......	405,297,000	+ 5,000	— 5,000	+ 65,000
Cincinnati (8)........	181,540,000	+ 243,000	— 174,000	— 369,000
Akron (3)............	102,054,000	+ 24,000	— 89,000	— 41,000
Toledo (4)...........	96,722,000	+ 25,000	— 35,000	+ 155,000
Columbus (3).........	79,589,000H	+ 101,000	+ 111,000	— 16,000
Youngstown (3)......	61,740,000	+ 129,000	+ 40,000	+ 42,000
Dayton (3)..........	47,866,000	+ 13,000	+ 4,000	— 29,000
Canton (5)...........	43,227,000	+ 18,000	— 65,000	— 45,000
Erie (4).............	39,032,000	+ 8,000	+ 15,000	+ 164,000
Wheeling (6).........	28,947,000	+ 55,000	+ 10,000	+ 16,000
Lexington (5)........	10,551,000	— 18,000	— 19,000	— 4,000
TOTAL—12 Cities.	$1,970,479,000	+$701,000	—$1,340,000	+$154,000

H denotes new all-time high.

Time deposits in 12 Fourth District cities increased slightly during August, offsetting in part the shrinkage which occurred in July.

The increase during August averaged $701,000 per week as against a gain of only $154,000 per week during the same period last year.

The increases were larger than in recent months in **Akron, Cincinnati, Dayton,** and **Youngstown.**

In Wheeling, time deposits increased for the third successive month, and stand only nominally below the $29,200,000 established last October 29.

In **Columbus,** time deposits moved upward for the fifth consecutive month and reached $79,589,000 for a new all-time high.

Changes in Consumer Instalment Credit

August 1948

25 Fourth District Member Banks

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

Outstanding at End of Mo. Compared With: Mo. Ago	Yr. Ago	Type of Credit	New Loans Made Compared With: Mo. Ago	Yr. Ago
+ 2%	+ 57%	Total consumer instalment credit	+ 2%	+ 42%
+ 1	+ 22	Personal instalment cash loans	+ 8	+ 16
+ 4	+ 75	Repair and modernization loans	+ 7	+ 46
		Direct retail instalment loans		
+ 4	+ 63	(a) Automobile	+ 4	+ 60
— 3	+ 21	(b) Other	— 3	+ 43
		Retail instalment paper purchased		
+ 5	+118	(a) Automobile	— 5	+130
+ 2	+ 98	(b) Other	—10	+ 42

During the month of August, the volume of new consumer instalment loans made by 25 Fourth District reporting banks was second largest on record for any one month, and 42% greater than a year ago.

The amount of **direct auto loans** made during August was 60% above the 1947 month and the largest for any month since the series has been compiled.

Activity with respect to **repair and modernization loans** likewise was far ahead of a year ago with a 46% gain.

The year-to-year increase in new **personal instalment cash loans** was comparatively moderate at 16%, but the aggregate was close to the March 1948 total which represents the all-time high to date.

At the close of August, the amount of consumer instalment loans carried by the reporting banks had established a new high, 57% above a year ago, and up nearly 150% within two years. **Purchased paper** accounted for the largest percentage gains over the comparable 1947 figure, but **repair and modernization loans,** and **direct auto loans,** likewise were outstanding in much larger volume than a year ago.

Bank Debits*—August 1948

(In thousands of dollars)
(Compiled September 9, and released for publication September 11)

	August 1948	% Change from Year Ago	3 Months Ended August 1948	% Change from Year Ago
ALL 30 CENTERS............	$6,859,508	+16.5%	$21,226,143	+17.6%
10 LARGEST CENTERS:				
Akron...................Ohio	$ 217,756	+ 4.4%	$ 698,997	+ 8.1%
Canton..................Ohio	112,482	+16.1	353,862H	+20.1
Cincinnati..............Ohio	842,615	+11.1	2,696,551	+15.3
Cleveland...............Ohio	1,778,831	+16.2	5,571,041H	+17.4
Columbus...............Ohio	548,454	+27.3	1,704,101H	+28.2
Dayton..................Ohio	215,909	+ 2.6	692,575	+ 5.7
Toledo..................Ohio	352,841	— 5.1	1,091,088	+ 0.1
Youngstown.............Ohio	152,320	+16.1	488,572H	+16.9
Erie...................Penna.	91,201	+12.2	278,906H	+17.9
Pittsburgh.............Penna.	1,940,747	+25.8	5,788,401H	+22.9
TOTAL...................	$6,253,156	+16.6%	$19,364,094	+17.6%
20 OTHER CENTERS:				
Covington-Newport.......Ky.	$ 37,700	+13.5%	$ 123,063H	+17.2%
Lexington................Ky.	59,965	+28.0	175,432	+20.9
Elyria...................Ohio	20,050	+ 5.4	61,487	+11.8
Hamilton................Ohio	40,320	+28.5	119,441H	+24.1
Lima....................Ohio	43,978	+10.3	137,064H	+19.8
Lorain..................Ohio	19,361	+12.9	58,763H	+17.1
Mansfield...............Ohio	41,555	+20.9	121,604	+13.8
Middletown.............Ohio	32,843	+21.6	99,198	+19.5
Portsmouth.............Ohio	20,923	+10.9	65,715	+17.3
Springfield..............Ohio	44,597	+ 8.2	139,144	+13.8
Steubenville............Ohio	23,357	+20.4	73,903	+20.6
Warren..................Ohio	36,779	+16.2	114,586H	+16.7
Zanesville..............Ohio	26,480	+11.7	82,665	+14.3
Franklin...............Penna.	6,476	—15.0	21,376	+ 2.4
Greensburg............Penna.	21,652	+28.5	67,462H	+27.5
Kittanning.............Penna.	11,358	+25.9	34,224H	+25.2
Meadville..............Penna.	12,008	+14.7	37,752	+11.0
Oil City...............Penna.	18,798	+ 6.1	61,595	+11.7
Sharon.................Penna.	28,257	+10.4	85,034	+17.1
Wheeling.............W. Va.	59,895	+13.8	182,541	+13.9
TOTAL....................	$ 606,352	+15.8%	$ 1,862,049	+17.2%

* debits to all deposit accounts except interbank balances.

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

During the month of August, debits to all nonbank deposit accounts of banks in 30 cities of the Fourth District were 16½ percent greater than in the same month of 1947. In all but two cities August debits were the highest on record for the month. Over the same period in which this 16½ percent increase in debits took place, total deposits against which these debits were made increased less than 5 percent.

TEN LARGEST CITIES

For the second month in succession, the widest gain over last year among the largest cities occurred in **Columbus** where debits of nearly **$550,000,000** were more than 27 percent above a year ago.

Pittsburgh reported a year-to-year increase of nearly 26 percent, with debits totaling over $1,940,000,000.

In **Cleveland** the margin over last year was almost identical with that of all **ten** large cities combined.

TWENTY SMALLER CENTERS

The year-to-year expansion in debits among the smaller cities amounted to **15.8** percent as against 16.6 percent for the metropolitan areas.

After an interval of five months, **Hamilton** again led the list with debits going over **$40,000,000** for a **28.5** percent gain over the August 1947 total.

Greensburg debits likewise ran 28.5 percent ahead of a year ago for a new all-time high for the month.

Aggregate debits of reporting banks in **Lexington** were 28 percent in excess of a year ago.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation*: August 1948	July 1948	August 1947	Without Seasonal Adjustment: August 1948	July 1948	August 1947
SALES:						
Akron (6)..................	318	330	298	270	277	253
Canton (5)..................	380	405	329	335	341	289
Cincinnati (8)..............	337	341	292	280	263	242
Cleveland (10).............	279	282	247	245	229	217
Columbus (6)..............	368	368	309	313	295	262
Erie (3)....................	338	347	301	280	271	250
Pittsburgh (8).............	303	280	262	258	204	222
Springfield (3).............	303	307	295	251	249	245
Toledo (6)..................	305	311	278	256	239	233
Wheeling (6)................	266	273	246	212	205	197
Youngstown (3)............	343	341	311	298	266	271
District (98)...............	308	313	273	268	244	237
STOCKS:						
District....................	254	257	219	275	257	236

* Revised series; see page 4 of this Review.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication September 28, 1948)

Industrial output in August and the early part of September regained most of the decline which occurred in July. Department store sales showed about the usual marked seasonal increase. Prices of some additional industrial products were raised, while prices of farm products and foods generally declined somewhat from the beginning of August to the latter part of September.

Industrial Production

The Board's seasonally adjusted index of industrial production was 190 per cent of the 1935-39 average in August, as compared with 186 per cent in July and 192 per cent in June. Most of the increase in August reflected larger output of nondurable goods, but activity in these lines was about 2 per cent below the June rate.

Steel production increased in August and was at a rate of 93 per cent of capacity. During September steel mill activity has been scheduled at a somewhat higher rate. Output of lumber and of stone, clay and glass products was somewhat larger in August than in the preceding month. Activity in the automotive industry, however, decreased in August and in the early part of September, primarily as a result of work stoppages at plants of parts suppliers and shortages of sheet steel. Output of most other durable goods continued in August at about the July rate.

Production in nondurable goods industries in August recovered most of the decline shown in July, when plant-wide vacations sharply reduced output of textiles, leather, paper, and some other products. Cotton consumption rose 11 per cent in August but was at a rate somewhat below the same month a year ago. Shoe production showed a marked seasonal gain in August, according to trade estimates. Activity also increased in the paper and printing, chemicals, and rubber products industries. Output of manufactured foods, on the other hand, declined in August, reflecting mainly a further sharp reduction in the volume of meat production and a less than seasonal rise in the canning industry.

Production of fuels increased in August and was at a rate 7 per cent above the same period a year ago. Output at metal mines remained at the July rate. In the early part of September crude petroleum output declined somewhat as a result of a West Coast refinery strike.

Construction

Value of construction contracts awarded in August, according to reports of the F. W. Dodge Corporation, declined moderately from the high levels of recent months. The number of new nonfarm dwelling units started in August was 83,000 as compared with 94,000 in July and a peak of 98,800 in April, according to preliminary estimates of the Bureau of Labor Statistics. Value of construction activity on jobs under way continued to increase during August.

Distribution

Department store sales during August and the first half of September showed about the usual marked seasonal expansion and the Board's adjusted index for the third quarter is likely to be slightly higher than the level during the second quarter, when the index was 309 per cent of the 1935-39 average.

Loadings of railroad revenue freight increased in August, largely as a result of increased loadings of coal and miscellaneous merchandise. Shipments of grain decreased somewhat from the high July level, and livestock shipments increased less than normally for this season.

Commodity Prices

The general wholesale price index declined 1 per cent in the latter part of August but advanced again in the middle of September, reflecting chiefly fluctuations in meat prices. In the latter part of September wholesale prices of farm products and foods, including meats, were somewhat lower than in the early part of August, while average prices of industrial products were higher.

The consumer's price index increased further by one-half per cent from mid-July to mid-August, reflecting advances in prices of all major groups of items except foods. Retail food prices, following a rise of 7 per cent from March to July, have apparently shown little change since that time.

Bank Credit

Federal Reserve System support purchases of United States Government bonds sold by insurance companies and other nonbank investors continued heavy in August and the first half of September. System sales of short-term Government securities both to banks and others were also large, and the total portfolio of Government securities was little changed. In the first half of September bank reserves were substantially increased by a decline in Treasury balances at the Reserve Banks, but in the third week of the month these balances were rebuilt by large tax receipts.

In the early part of September the Board of Governors announced an increase in reserve requirements of 2 percentage points on net demand deposits and 1½ percentage points on time deposits, effective September 16 for member banks outside reserve cities and September 24 for reserve city and central reserve city banks. This action increased by 2 billion dollars the amount of reserves that member banks are required to hold.

Pursuant to legislative authority granted in August, the Board of Governors reinstituted the regulation of consumer instalment credit, effective September 20.

Commercial and industrial loans increased by 700 million dollars at banks in leading cities in August and the first half of September. Real estate and consumer loans also expanded further. Bank holdings of Government securities were little changed, despite the retirement for cash of about 400 million dollars of bank-owned Government bonds on September 15.

Interest Rates and Security Markets

Interest rates showed little further change in the first three weeks of September, following a rise in short-term money market rates in August. Common stock prices showed further moderate weakness, but prices of high-grade corporate and municipal bonds changed only slightly.


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