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Are the Pipelines Filled?

Inventory Building as a Business Stimulant

EVER since the early stages of the reconversion period, it has been widely held that the refilling of the nearly-empty pipelines of industry and trade would provide visible stimulation to production and employment, but that once stocks were finally replenished, all along the line from producer to consumer, the general tempo of business activity would tend to decline.

It is the purpose of this discussion to show that the replenishment of inventories has been a comparatively minor factor in the rise of industrial activity to prevailing high levels, and further, that the rebuilding of inventories in factories, warehouses, and stores appears still to have some distance to run.

The following tabulation discloses the extent to which inventories have increased since the close of 1945, not only in terms of dollars but also percentagewise:

BUSINESS INVENTORIES
(in billions)

Inventories of:	Dec. 31, '45	Aug. 31, '48	Increase in terms of: Dollars	Percent
Manufacturers	$17.9	$30.4	$12.5	70%
Wholesalers	4.2	8.2	4.0	95
Retailers	7.0	14.0	7.0	100
Total	$29.1	$52.6	$23.5	81%

Source: United States Department of Commerce.

The rise in business inventories since approximately the low point of the reconversion period has been of unprecedented proportions, and stocks are the largest on record in terms of dollar volume.

In the case of manufacturers' inventories, the increase amounts to $12½ billion or 70 percent. Wholesale inventories are 95 percent larger than in late 1945, and retail inventories have doubled in the postwar period, standing at $14 billion as against only about $7 billion at the end of 1945.

These figures admittedly are of an impressive magnitude in relation to prewar highwater marks. But in terms of contemporary business activity, the building of inventories has not been a major stimulant to production.

Manufacturers' sales from the close of 1945 to date add up to a remarkable total of well over $400 billion.* Alongside that figure, the $12½ billion expansion in inventories over the thirty-two month interval fades in significance. That increase was spread over raw materials, goods-in-process, and finished goods, and is equivalent to something like 6 per cent of aggregate production during the same interval. The other 94 percent was sold to other manufacturers, to wholesalers and retailers, and to consumers. Thus, even if manufacturers had made no addition to inventories since the end of 1945, the volume of goods going out over shipping platforms and into distribution and consumption would have been only slightly larger than was actually the case. The purchasing power paid out by producers, for which theoretically there was no corresponding increase in market supply, was of nominal proportions and scarcely a determining factor in the postwar price inflation.

Increase in Wholesale and Retail Inventories Inventory accumulation among wholesalers and retailers, however large in dollars, similarly was not highly inflationary or stimulative in character. During the time that whole-

* Sales of manufacturers, wholesalers, and retailers since the close of 1945 are estimated on the basis of United States Department of Commerce data, recently published in revised form.

sale inventories increased $4 billion, the cumulative total of sales reached above the $200 billion mark. Here again, if inventories had remained static, sales of wholesalers would have been only about 2 percent larger (or their purchases only that much smaller) than the actual figure. Obviously inventory replenishment was an almost inconsequential factor in determining the volume of wholesalers' purchases, or sales, during the postwar period to date.

Retail inventories have doubled since the end of 1945, rising from $7 billion to $14 billion. During the identical thirty-two months sales aggregated $300 billion or more, in terms of today's prices. Thus in this segment of the economy the postwar replenishment of stocks represented only around 2 or 3 percent of total sales—or purchases—by retail stores. Inventory building kept only a nominal volume of goods off the market.

The main conclusion to be drawn from these sales and stocks data is that the current business boom has received only a moderate amount of nourishment from inventory accumulation. Moreover, it may be doubted that very much of the price inflation of recent years can be attributed to the purchasing power created by inventory building.

There follows also the corollary that neither industrial production nor the price level should be seriously affected as the restocking phase draws to a close, unless that development occurs in conjunction with other adverse factors, such as a shrinkage of capital expenditures, of defense expenditures, or other developments of a potentially contractive nature.

Adequacy of Present Inventories

The second part of this discussion is designed to throw some light on the question of the appropriateness of the present level of inventories, and whether existing conditions call for contraction, or for further expansion.

The real situation in manufacturers' inventories, as with all stock figures, is obscured by the protracted rise in prices. The most trustworthy measure is physical or unit volume, related to prewar levels, actual and prospective demand, population requirements, and other considerations.

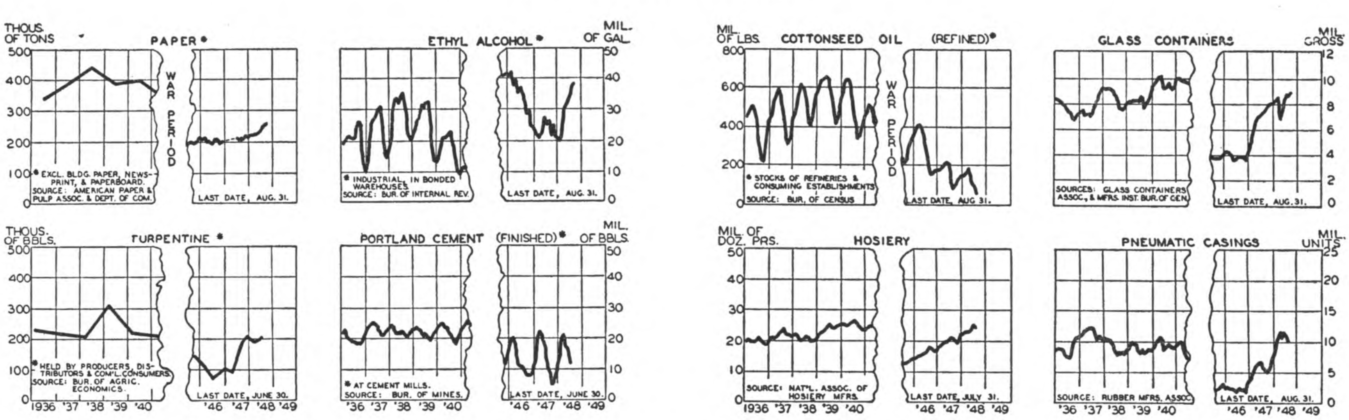
Physical Inventories of Selected Commodities Physical quantities of stocks of commodities and goods on hand are reported monthly by a well diversified list of industries and published regularly by the Department of Commerce. Fluctuations in inventories of a selected group are depicted in an adjoining chart, showing changes in the 1937-38 cycle, through the immediate prewar period, and from January 1946 to date.

The trend among different industries has not been uniform. Some quite sharp increases have occurred in such commodities as ethyl alcohol stocked in bonded warehouses; hosiery stocks at mills; pneumatic casings at factories, branches and warehouses; manufacturers' stocks of glass containers; and stocks of turpentine held by producers, distributors, and industrial consumers.

In the case of ethyl alcohol, however, the recent rise has been altogether seasonal and represents an increase no greater than those that occurred at similar times in prewar years. This industry reduced inventories from a wartime peak of 164,000,000 gallons to a low of 21,000,000 gallons early this year. In view of the high level of industrial activity, present stocks appear to be moderate.

Hosiery stocks at mills have been rising steadily since the close of the war and recently reached a dollar figure far above any previous level. But in terms of physical units, stocks are scarcely higher than in

COMMODITY INVENTORIES
1936-40, and 1945 to date



. . . . postwar trends in inventories have been far from uniform. Some commodity stocks such as ethyl alcohol, hosiery, and tires have been built up to 1936-40 peaks while others such as paper, cement, and cottonseed oil are still low.

1937 and are still below the 1940 peak when unit sales were smaller than they are today.

The spectacular increase in manufacturers' stocks of glass containers has been of concern to the industry and in some cases has led to temporary suspension of operations. The aggregate volume does not appear excessive, however, when compared with the trend in 1937-40. In April 1940, stocks reached 10,200,000 gross as against the 1948 peak to date of 8,900,000 gross.

Supplies of automobile and truck tires have risen substantially within the past year or two, and brought about a slight reduction in production schedules last spring. But at the peak last May they stood at 11,-600,000, as against 12,200,000 in April 1937. Current monthly consumption of rubber tires is assuredly greater than it was ten or eleven years ago. The somewhat seasonal increase in stocks during the first half of 1948 was equivalent roughly to about 7 percent of annual sales.

Turpentine stocks held by producers, distributors, and industrial consumers expanded considerably during 1947, but they are barely on a par with prewar when business activity in general was following a much more leisurely pace.

Stocks of refined cottonseed oil held by refining and consuming establishments reached a long-time low at the close of the past season. On August 31 (latest available) such inventories totaled only 61,000,000 pounds or less than three weeks' supply, in contrast to over 400,000,000 pounds (or four-months' supply at the then-current rate of consumption) at season's end in 1938 and 1939.

It is true that the price of this product has declined sharply since the all-time high reached last May when this year's cotton crop was still a question mark. Subsequent developments were favorable for the growth of cotton and a year hence cottonseed may be in more abundant supply than it is today. But the fact remains that in the case of this vegetable oil, the postwar period was one of contraction rather than expansion in commercial and industrial inventories.

Another important industry that has no inventory problem is the cement industry. Stocks of the finished product have been continuously scant in relation to prewar, regardless of dollar figures. On June 30 such supplies were reported to have been 12,400,000 barrels as against 24,000,000 barrels at mid-1937.

And finally, stocks of paper at producing establishments (exclusive of building paper, newsprint, and paperboard) have risen very moderately during the postwar period. The net increase since the end of 1945 has been only about 35,000 tons (to August 31). During the same interval, production totaled 22,500,-000 tons. Thus the expansion in inventories represented only about one-sixth of one percent of total output. Even the relatively sharper rise during the past twelve months, of about 57,000 tons, is equal only to about two-thirds of one percent of production.

The current levels of inventories of most types of paper products such as fine paper, printing paper, and coarse or wrapping paper are about in line with those prevailing in 1935 when consumption was about 50 percent of the present rate.

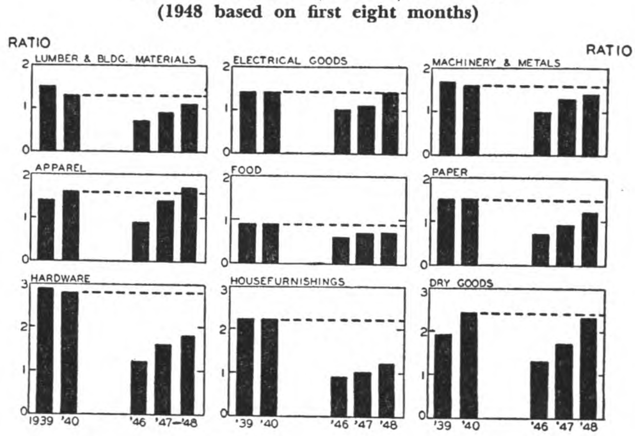
In not a single instance among these eight important industries have physical inventories risen to the extraordinary levels suggested by current dollar figures.

It should be recognized that inventories of certain types of products have risen further in relation to prewar than those charted herein. Stocks of distilled spirits, for example, are the highest on record. Supplies of coal in industrial yards are close to an all-time high. Newsprint tonnage in publishers' warehouses is quite substantial in relation to earlier years. Wheat, corn, cotton and rosin stocks are larger than a year ago although not necessarily redundant. Supplies of linseed oil, softwood lumber, superphosphate, and rayon filament yarn likewise have increased noticeably during the past year.

On the other hand, some commodities are less heavily stocked than on the same date last year. Among those are denatured alcohol, sugar, and sulphur. Supplies of wool, animal fats, and coffee have fallen within the past twelve months, and in the case of nonferrous metals, copper, lead, and zinc, inventories of raw metal are virtually nonexistent. If inventory accumulation were as general and widespread as dollar figures imply, such a condition also should be reflected widely in the unit volume of important commodities. Apparently much of the increase in dollar inventories is largely the result of an advanced price level.

In the event of a business downturn, current inventories of commodities might become burdensome without much further increase, but in their present position they do not contain the germ of an industrial reaction.

WHOLESALE INVENTORIES
Ratio of stocks (at cost) to Sales
(1948 based on first eight months)



. . . . wholesale stocks of apparel are larger in relation to current sales than they were in 1939-40, but inventories of hardware and housefurnishings are still far below prewar levels in terms of sales.

If anything, some further increases in inventories can be justified and perhaps expected in the light of the prevailing high rate of business activity. Such further production for pipeline purposes as may still take place, will add less stimulation to business activity, however, than did the inventory-building process during the earlier "catching-up" years of 1946 and 1947.

Wholesale and Jobber Stocks Wholesale inventories, like manufacturers' stocks, stand at record levels in terms of dollars. But the average wholesale firm is carrying a stock (valued at cost) equal only to about one month's sales as against 1.2 months' in 1939-40.* A 15 percent shrinkage in sales only would bring the prewar relationship back into effect.

Trade by trade, however, the situation is not uniform as indicated on an accompanying chart. An outstanding exception is the wholesale apparel section in which some over-stocking appears to have occurred. Supplies on hand (valued at cost) represent 1.7 months' sales as against 1.4-1.6 months' in 1939-40. Dry goods stocks also seem to have been rebuilt virtually to prewar standards.

In the case of electrical goods, inventories have been expanded to a point where they are neither high nor low in terms of prevailing sales records. A drop in sales, however, would uncover many excessive stocks.

In a number of other important trades, inventories of wholesalers are still deficient in the light of today's volume of business. The greatest deficiencies exist in the hardware and housefurnishings lines where wholesale inventories appear to be hardly more than one-half the appropriate size. As compared with retail establishments, however, wholesalers are one step further removed from the ultimate consumer and therefore less closely geared to changes in public demand. What are now believed to be moderate inventories could become excessive more quickly in wholesale trade than in the next lower distributive level.

Retail Pipelines Inventories of retail establishments, on the whole, are by far the largest on record when measured by the conventional monetary yardstick. The significant offsetting factor, however, is the fact that dollar sales also are at unprecedented levels. Actually the physical quantity of stocks on retailers' shelves at present is smaller than in 1939 and 1940 in terms of the number of days' supply carried.

Since that particular period was one of only moderately good business conditions, accompanied by a noticeable volume of unemployment, it may be presumed that retail trade in general was pursuing a comparatively conservative inventory policy. In terms of sales that meant, for all retail establishments in the aggregate, a supply of merchandise (valued at cost) equivalent to about 1.5 months' business.

At the present time retailers' inventories represent only 1.3 months' sales. A 15 percent shrinkage in retail sales would not necessarily require any cut-back in inventory. It would merely restore the prewar relationship.

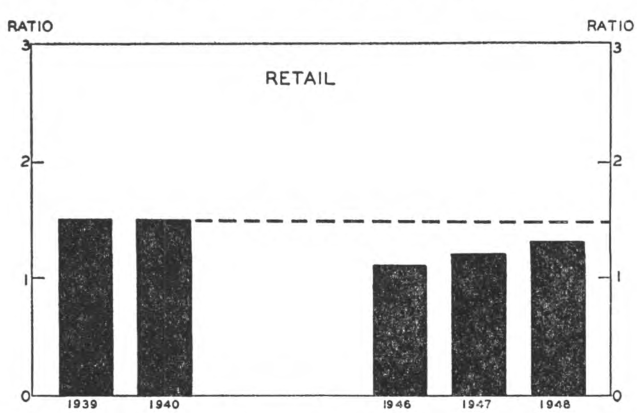
A year hence the situation may be in closer balance than it is today. Stocks have been increasing more rapidly than sales since the early days of the postwar period. In 1946 average monthly stocks were only 1.1 times monthly sales and in 1947 the average was 1.2 times sales. When and if the 1.5:1 ratio is attained again, either by virtue of a decline in sales, or by a further slow increase in stocks, the retail pipelines will be full and one element of some strength in the industrial picture will have disappeared.

Variations in the inventory situation among several types of goods sold at retail are described in an article on page 5.

Shortages of Consumer Durables Existing stocks of durable goods in the hands of the general consuming public are the most difficult to estimate or evaluate, and yet perhaps are the most significant of all in the basic inventory problem.

The largest shortages in consumer inventories exist in the realm of household appliances, motor cars, and housing. It is a matter of record that during the past two years or so, the American people have been purchasing washing machines (including the so-called automatics) at the rate of 340,000 per month, as against only 160,000 per month during 1941. But by the end of 1948, the average monthly rate over the entire eight-year period (including the four years in

ALL RETAIL INVENTORIES
Ratio of stocks (at cost) to Sales
(1948 based on first eight months)



. . . . despite record dollar figures, retail inventories in the aggregate are at conservative levels in relation to prevailing sales volume.

* All of these computations are based upon recently revised United States Department of Commerce data on both wholesale and retail sales and inventories.

which no new units were produced) will have been only approximately 130,000 per month.

Electric refrigerator distribution is now running at a rate of around 340,000 per month. Yet for the past eight years the "consumption" figure comes out around 130,000 per month as against 275,000 in a year like 1941.

A similar contrast exists in the case of radio (including television) production. Unit sales over the past eight years are estimated at a monthly rate of 600,000 sets as against 1,000,000 per month during 1941.

With respect to passenger automobiles, the outward evidences of continuing shortages are verified by the fact that production of new automobiles during the past eight years has averaged only 125,000 per month as against 300,000 or more per month during most of 1940-41.

The rate at which new housing construction has been carried forward in the past year or two is in excess of current "consumption," but the aggregate of all usable housing built since 1940 is below the normal long-range average.

These statistics suggest that consumers in general are not over supplied with the major products of American industry, when allowance is made for the extraordinarily long period of nonproduction as well as for the postwar growth in the number of family units.

In the coming months, restrictions on consumer credit, and the still rising prices of finished goods, may be more effective in restraining demand than will the consumer inventory situation. Consumers undoubtedly are in a better position to postpone purchases than they were two years ago, but they are not yet in the drivers' seat.

ANNOUNCEMENT

New Member Bank

Duquesne City Bank, Duquesne, Pennsylvania, became a member of the Federal Reserve System on October 28.

The new member bank was organized on March 24, 1903, and has since been in continuous operation.

Duquesne, an iron and steel manufacturing center, is about twelve miles southeast of Pittsburgh, Pennsylvania, and serves a trade area with a population of 30,000.

Officers of the new member bank are:

John C. Meighen	President
Wm. M. Ewing	Vice President
E. J. Schorr	Cashier
Robert B. Reed	Secretary and Assistant Cashier
Andrew J. Holan	Assistant Cashier
Harry A. Meighen	Assistant Cashier

Department Store Inventories

CAUTION has continued to characterize the inventory policies of department stores, both in the Fourth Federal Reserve District and in the nation as a whole. Reported figures on the book value of department store stocks (at retail price levels) yield general confirmation of this point, provided the inventory data are interpreted in the light of past and present sales trends. Certain problem spots are apparent, however, when individual commodity lines are considered separately.

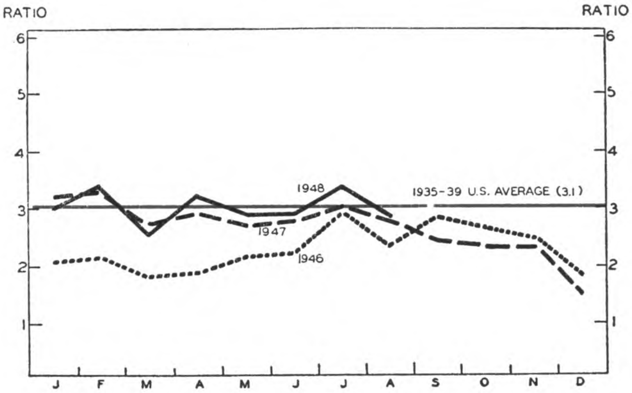
During the first eight months of this year, the month-end value of inventories of Fourth District department stores averaged 15 percent higher than the corresponding period last year. Since retail price increases between the two years averaged substantially less, it is clear that some physical accumulation of inventory occurred at department store levels, although the gains may be considered in large part as a late-stage continuation of the restocking which has characterized the postwar period. The average increase in dollar value of department store sales in the Fourth District during the same eight-months period of this year, as compared with year-ago levels, was about 9 percent.

The Stock-Sales Ratio A useful way of arriving at the significance of department store stock data, under conditions of rising prices, is to compute for any given month the ratio between the dollar value of stocks at the beginning of the month and the dollar value of sales during the month, both of which are presumably affected equally by changes in price. Such a ratio may be considered broadly to be a measure of the number of months' supply, in terms of current levels of sales, on hand at the start of any given month. (1)

The accompanying charts show how the stock-sales ratio has been moving so far this year, and also show a direct visual comparison with the levels of the ratio

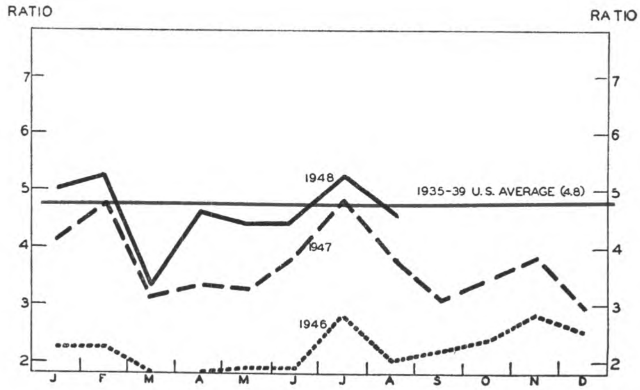
(1) The stock-sales ratio as used here is not directly comparable with ratios of stocks to sales for department stores in the U. S., as published monthly in the *Federal Reserve Bulletin*. The latter ratios are obtained by dividing the value of stocks at the *end* of the month by sales during the month.

RATIO OF STOCKS TO SALES*
Fourth District Department Stores
All Departments



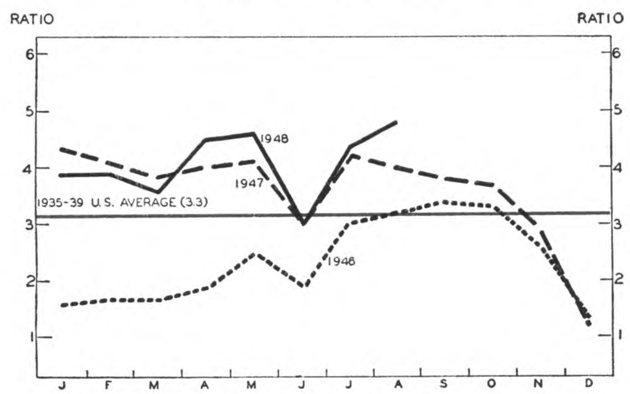
. . . . the stock-sales ratio for the average of all departments is running slightly above last year's, but at or below the prewar level.

WOMEN'S AND CHILDREN'S SHOES



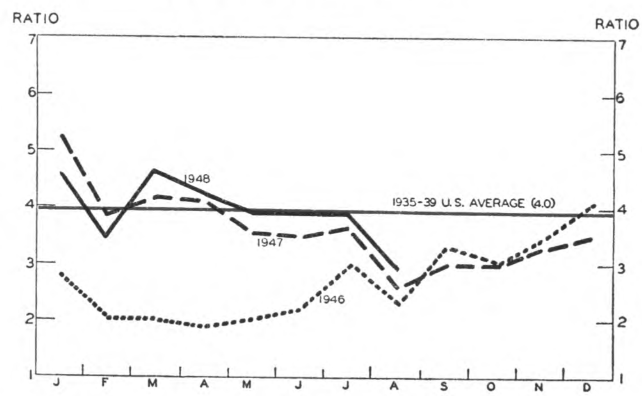
. . . . inventories of women's and children's shoes in relation to sales are about in the prewar position, or slightly below.

MEN'S FURNISHINGS



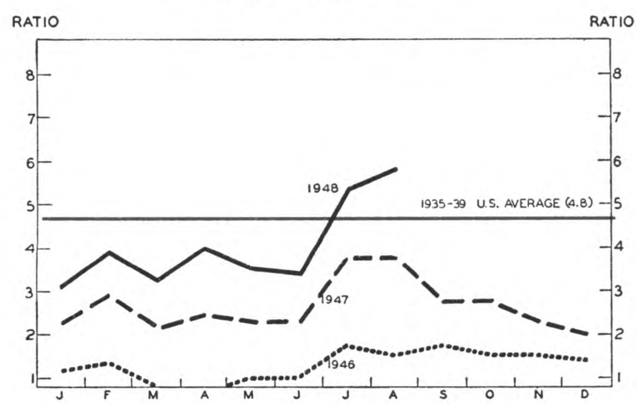
. . . . stocks of men's furnishings are high in proportion to sales, as judged by the prewar relationship.

FURNITURE AND BEDS



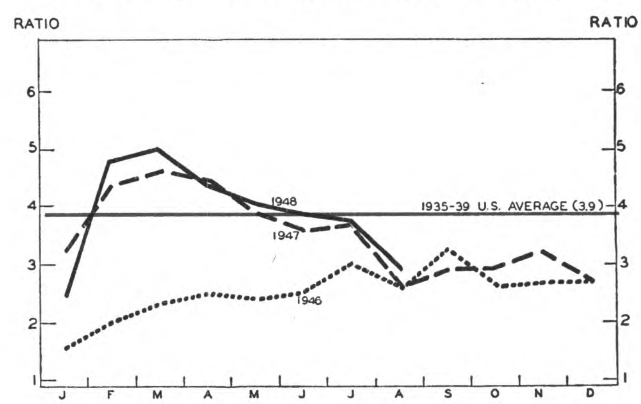
. . . . the stock-sales ratio for furniture and beds has been slightly higher than last year, and approximately at prewar levels.

MEN'S CLOTHING



. . . . the stock-sales ratio for men's clothing has recovered during the past two years; until very recently it has been below prewar levels.

LINENS, DOMESTICS, AND BLANKETS



. . . . inventories in relation to sales of linens, domestics, and blankets have been slightly above last year's, but not far from prewar, after making seasonal allowances.

during corresponding months of 1947 and 1946. The data apply only to reporting stores in the Fourth District, although they are believed to be not widely divergent from the characteristic experience of department stores throughout the country. As a benchmark of peace-time levels, a five-year average of the stock-sales ratio, covering the years 1935 through 1939 for the department stores of the country as a whole, is shown in the center of each of the charts.

If all departments of the stores are included, the stock-sales ratio during 1948 is seen to be at a somewhat higher level than last year. So far this year the ratio has hovered about the level of, or perhaps a shade below, the country-wide average for the 1935-39 period. Taking account of the fact that seasonal movements usually result in a somewhat lower stock-sales ratio during the latter half of a given year, as compared with the first half,(2) it appears likely that the ratio for 1948 will strike an annual level somewhat below the 1935-39 benchmark. This would mean that department store "pipelines" are not yet quite full according to prewar standards, on the average. It is entirely possible, of course, that changes in merchandising methods will result in the establishment of new peacetime benchmarks calling for lower inventories in relation to sales than was the case in the prewar period.

Individual Departments A slowing down of sales in certain departments, among other factors influencing the stock-sales ratio, has brought about a rise in the ratio which is more pronounced in the case of certain departments than for the store average as a whole. Accompanying charts show stock-sales ratios for five individual departments, selected particularly as examples of lines where the prewar ratio is being very closely approached or has been surpassed, or where there has been a marked upward trend in the ratio. These departments are: men's furnishings; men's clothing; women's and children's shoes; furniture and beds; linens, domestics and blankets.

The named departments are not necessarily the only ones which exhibit a stock-sales ratio close to or above the prewar level, but they probably include the outstanding examples. Taken together they indicate an area where inventory problems may be developing, although it cannot be asserted that all of the named departments are now overstocked. Moreover, it follows from the fact that these are above-average departments (in respect to stock-sales ratios) that a large number of individual departments, not mentioned here, are still operating on stock-sales ratios which are substantially below prewar levels.

In the *men's furnishings* department the stock-sales ratio was higher than prewar levels during a large part of 1947. This year it has averaged even higher, and at last report was pointed sharply upward. The rise from July to August was apparently counter to seasonal expectations. A catching-up in the supplies of men's shirts has been an important factor in the recent inventory position of this department. Overstocking in relation to current levels of demand has apparently occurred in a number of instances, partially as a result of duplicate orders by consumers when shirts were still in short supply.

The restocking of *men's clothing* which has occurred in the past two years was accomplished during most of the period without bringing the stock-sales ratio for this department above prewar levels. The recent slackening of sales, however, has been reflected in a sharp rise in the ratio. The August ratio moved upward counterseasonally from July. The last recorded ratios for this department are approximately at prewar levels, or perhaps even above, when allowances are made for the seasonal factor.

While most of the women's wear departments have been reporting conservative stock-sales ratios, the *women's and children's shoes department* shows a ratio of inventory to sales during 1948 which leaves little or no margin below the prewar level. This development probably reflects gradual increases in sales resistance.

The *furniture and beds department* is one of the few in the housefurnishings group which reports stock-sales ratios in 1948 comparable with the 1935-39 average. On account of the heavy inventory investments which are characteristic of this line of goods, the level of the stock-sales ratio for furniture is considered by the trade to require careful watching. This ratio has passed the seasonal low (August) and undoubtedly is in a rising trend. Potential demand for furniture still remains strong, however, because of the housebuilding program and because of postwar increases in the number of family units.

The stock-sales ratio for *linens, domestics and blankets* is not far from prewar levels, after making allowance for seasonal factors. Increases in the supplies of cotton sheets have been an outstanding development in this department.

(2) The stock-sales ratio is unadjusted for seasonal variation. The pattern of seasonal variations in the ratio, however, is indicated by the repetitive movements of three years which can be seen on the chart. The ratio is usually high for July; this is because aggregate sales for the month are low rather than because stocks at the beginning of July are high. The ratio for February is usually high because of the shortness of the sales period.

Footnote to Page 6

* Value of stocks at month's start, divided by value of sales during month, for identical stores reporting to Federal Reserve. The 1935-39 average ratio for the United States is based on stock turnover data from the Controllers Congress, National Retail Dry Goods Association.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—September 1948

Percentage Changes from a Year Ago

(Fourth District Reporting Stores)

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

Radios and Phonographs	+40
Coats and Suits (Women's and Misses')	+38
Blouses, Skirts and Sportswear	+32
Juniors' Coats, Suits and Dresses	+30
Inexpensive Dresses (Women's and Misses')	+25
Girls' Wear	+23
Gift Shop	+18
Major Household Appliances	+14
Books and Stationery	+13
Woolen Dress Goods	+11
Art Needlework	+11
Domestic Floor Coverings	+11
Millinery	+10
Notions	+10
Aprons, Housedresses and Uniforms	+ 9
Silks, Velvets and Synthetics	+ 9
Underwear, Slips and Negligees	+ 8
Better Dresses (Women's and Misses')	+ 7
Draperies, Curtains, etc.	+ 7
Costume Jewelry	+ 6
Lamps and Shades	+ 6
China and Glassware	+ 6
Boys' Wear	+ 5
Handkerchiefs	+ 5
Handbags and Small Leather Goods	+ 5
Cotton Wash Goods	+ 5
Sporting Goods and Cameras	+ 4
Candy	+ 3
Housewares	+ 2
Linens and Towels	+ 2
Luggage	+ 1
Furniture and Bedding	+ 1
Corsets and Brassieres	+ 1
Shoes (Women's and Children's)	+ 1
Toilet Articles and Drug Sundries	+ 1
Fine Jewelry and Watches	+ 1
Blankets and Comforters	— 1
Neckwear and Scarfs	— 1
Toys and Games	— 1
Shoes (Men's and Boys')	— 2
Infants' Wear	— 3
Hosiery	— 3
Records, Sheet Music and Pianos	— 4
Silverware and Clocks	— 4
Laces and Trimmings	— 5
Men's Furnishings and Hats	— 6
Domestics, Muslins, Sheetings	— 7
Gloves (Women's and Children's)	— 8
Men's Clothing	—15
Furs	—17

September sales by Fourth District department stores were up seasonally from August in most departments. In comparison with year ago levels, sales were substantially higher in women's wear, up moderately in housefurnishings, and down in men's wear. Basement store sales were 15% above a year ago, while the main store gain was 7%.

The women's apparel and accessories departments as a group showed a 13% increase over last year's sales for the month. Sales were up more than 30% in these important departments: **women's and misses' coats and suits; blouses, skirts and sportswear;** and **juniors' coats, suits and dresses.** Sales of **inexpensive dresses** were 25% above a year ago, although sales of better dresses were only 7% larger. The few departments in the women's wear group which showed sales declines from a year ago included **hosiery,** down 3%, and **furs,** down 17%.

Sales by the housefurnishings departments as a group were 8% above a year ago, a rate of gain considerably less than has been customary in recent months and one which failed to show any margin over the average store-wide rate of gain. Sales of **furniture and bedding,** an important department in this group, were up only 1% from a year ago, with physical volume of sales probably below last year's. In contrast to this showing, however, sales of **radios and phonographs** (including television) were 40% above a year ago, and sales of **major household appliances,** up 14% from last year, were about on a par with the record high sales of August this year.

The men's and boys' wear group of departments made seasonal gains in sales from August levels, but failed by 7% to match sales volume of a year ago. Sales of **men's clothing** were down 15% from September of last year, and sales of **men's furnishings and hats** were off 6%. **Boys' wear,** however, showed a year-to-year gain of 5%.

Among other departments, sales of **books and stationery,** up 13% from a year ago, recovered from recent positions and reached a high for the month.

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

Inventories by Departments—September 30, 1948

Percentage Changes from a Year Ago

(Fourth District Reporting Stores)

(Compiled November 2, and released for publication November 3)

Men's Clothing	+54
Hosiery	+50
Major Household Appliances	+49
Toys and Games	+37
Domestic Floor Coverings	+35
Inexpensive Dresses (Women's and Misses')	+35
Domestics, Muslins, Sheetings	+30
Furniture and Bedding	+28
Juniors' Coats, Suits and Dresses	+27
Silks, Velvets and Synthetics	+25
Sporting Goods and Cameras	+23
Girls' Wear	+23
Cotton Wash Goods	+22
Handbags and Small Leather Goods	+22
Aprons, Housedresses and Uniforms	+22
Better Dresses (Women's and Misses')	+20
Records, Sheet Music and Pianos	+19
Lamps and Shades	+18
China and Glassware	+17
Silverware and Clocks	+17
Infants' Wear	+16
Underwear, Slips and Negligees	+16
Corsets and Brassieres	+16
Boys' Wear	+16
Housewares	+15
Fine Jewelry and Watches	+15
Shoes (Women's and Children's)	+14
Coats and Suits (Women's and Misses')	+14
Luggage	+13
Blankets and Comforters	+12
Furs	+12
Notions	+ 9
Linens and Towels	+ 8
Draperies, Curtains, etc.	+ 8
Millinery	+ 8
Neckwear and Scarfs	+ 8
Men's Furnishings and Hats	+ 7
Art Needlework	+ 5
Laces and Trimmings	+ 4
Shoes (Men's and Boys')	+ 3
Radios and Phonographs	+ 3
Blouses, Skirts and Sportswear	+ 2
Gift Shop	+ 2
Candy	+ 2
Woolen Dress Goods	+ 1
Books and Stationery	— 2
Costume Jewelry	— 2
Gloves (Women's and Children's)	— 2
Toilet Articles and Drug Sundries	— 5
Handkerchiefs	— 9

Inventories of Fourth District department stores increased during September by slightly more than seasonal amounts. At the close of the month, total store stocks were 17% higher than a year ago and only slightly short of the all time high reached on April 30 of this year.

Stocks of **men's clothing** continued to increase at the same time as sales were showing a year-to-year decline; at the close of September men's clothing stocks stood 54% above a year ago, at a new high point. Stocks of **men's furnishings and hats,** however, were only 7% above last year, while inventories of **boys' wear** were up 16%.

In the housefurnishings group of departments, inventories at month end were 22% above a year ago, but still below March and April levels for the group. Stocks of **major household appliances,** although 49% above a year ago, were at the lowest level for any month end this year. Stocks of **furniture and bedding** were 28% above a year ago, but below levels of last Spring. Inventories of **domestic floor coverings,** however, reached a new high point, 35% above a year ago. Inventories of **china and glassware,** up 17% from last year, were virtually unchanged on a plateau which was reached about six months ago.

The women's apparel and accessories group as a whole showed a moderate gain of 16% over last year's inventory position, although sharp contrasts were apparent within the group. The **hosiery** department, where September sales were under last year's, ended the month with stocks at a new record high, 50% above the year ago level. On the other hand, **blouses, skirts and sportswear** department, where September sales showed a large year-to-year gain, ended the month with lowest inventory for any month this year except July, at a level only 2% above a year ago.

Among other departments, stocks of **sporting goods and cameras** reached a new all-time high, 23% above a year ago. Stocks of **toilet articles and drug sundries,** however, were at a five-year low for the month, 5% below the year ago level.

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

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

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

City and Number of Banks	Time Deposits Sept. 29, 1948	Average Weekly Change During: Sept. 1948	Previous Month	Year Ago
Cleveland (4)	$ 874,118,000	+$ 41,000	+$ 98,000	+$ 182,000
Pittsburgh (12)	433,728,000	+ 1,624,000	+ 5,000	+ 248,000
Cincinnati (8)	182,835,000	+ 259,000	+ 243,000	+ 206,000
Akron (3)	101,905,000	— 30,000	+ 24,000	+ 73,000
Toledo (4)	97,242,000	+ 104,000	+ 25,000	+ 91,000
Columbus (3)	80,209,000	+ 124,000	+ 101,000	+ 123,000
Youngstown (3)	62,174,000	+ 87,000	+ 129,000	+ 3,000
Dayton (3)	47,420,000	— 89,000	+ 13,000	+ 36,000
Canton (5)	43,435,000	+ 42,000	+ 18,000	— 50,000
Erie (4)	39,164,000	+ 26,000	+ 8,000	+ 77,000
Wheeling (6)	28,739,000	— 42,000	+ 55,000	+ 14,000
Lexington (5)	10,570,000	+ 4,000	— 18,000	— 3,000
TOTAL—12 Cities	$2,001,539,000	+$2,150,000	+$701,000	+$1,000,000

Time deposits at banks in twelve leading cities of the Fourth District increased slightly during the month of September. In a majority of the cities, the September gain was larger than the August increment.

Total time deposits at all 60 banks reached the $2,000,000,000 mark for the first time.

Individual Cities

Time deposits in **Columbus** increased during September at the rate of $124,000 per week, moving the total above $80,000,000 for the first time.

In **Toledo,** time deposits expanded at the rate of $104,000 per week during September, which lifted the total above the $97,000,000 mark.

The average weekly gain in **Youngstown** was $87,000, with the result that total time deposits reached over $62,000,000 for a new all-time high.

The increase in **Pittsburgh** is believed to be largely attributable to an expansion in corporate or trust funds rather than in savings by individuals.

Changes in Consumer Instalment Credit September 1948

25 Fourth District Member Banks

(Compiled October 27, and released for publication October 28)

New Loans Made Compared With Mo. Ago	Yr. Ago	Type of Credit	Outstanding at End of Mo. Compared With Mo. Ago	Yr. Ago
— 6%	+30%	**Total consumer instalment credit**	+2%	+52%
—10	+12	Personal instalment cash loans	+1	+21
— 7	+20	Repair and modernization loans	+3	+70
		Direct retail instalment loans		
—11	+43	(a) Automobile	+2	+68
+ 1	+93	(b) Other	+1	+23
		Retail instalment paper purchased		
— 8	+49	(a) Automobile	+4	+59
+11	+41	(b) Other	+2	+81

During the month of September the volume of new consumer instalment loans made fell 6 percent short of the August figure, at 25 Fourth District reporting banks.

The largest percentage decline in new business occurred in direct automobile loans which were off 11% from August when new loans were the largest on record.

The volume of new personal instalment cash loans also declined noticeably from the August level. In this instance the decline was 10%. Repair and modernization loans were smaller than August by 7%.

Despite this moderate shrinkage, the volume of new loans made during September was 30% larger than in September 1947. The year-to-year margin was quite substantial in the case of automobile and other retail instalment credit, where the September figures were from 41% to 93% above last year's.

The amount of business written during September, likewise was sufficient to lift the total outstandings to a new postwar high, 2% above August 31, and 52% above a year ago.

Bank Debits*—September 1948

(In thousands of dollars)

(Compiled October 11, and released for publication October 13)

	Sept. 1948	% Change from Year Ago	3 Months Ended Sept. 1948	% Change from Year Ago
ALL 31 CENTERS	$7,307,212	+17.3%	$21,357,830	+16.9%
10 LARGEST CENTERS:				
Akron, Ohio	$226,596	+ 4.8%	$681,688	+ 6.3%
Canton, Ohio	120,653	+17.6	360,248H	+20.6
Cincinnati, Ohio	905,958	+ 9.5	2,646,802	+11.8
Cleveland, Ohio	1,922,539	+20.6	5,547,135	+16.9
Columbus, Ohio	541,027	+23.7	1,707,841H	+29.2
Dayton, Ohio	227,407	+ 3.5	690,529	+ 5.0
Toledo, Ohio	363,919	+ 1.8	1,102,566	+ 1.5
Youngstown, Ohio	154,886	+11.8	479,851	+16.0
Erie, Penna.	90,736	+ 6.6	278,159	+12.8
Pittsburgh, Penna.	2,101,672	+25.7	5,912,959H	+23.2
TOTAL	$6,655,393	+17.8%	$19,407,778	+17.1%
21 OTHER CENTERS:				
Covington-Newport, Ky.	$ 39,039	+ 7.9%	$ 118,296	+12.1%
Lexington, Ky.	62,754	+20.3	178,164	+21.4
Elyria, Ohio	19,331	+ 4.2	61,146	+11.2
Hamilton, Ohio	39,029	+14.8	117,580	+21.6
Lima, Ohio	40,925	+ 4.1	133,231	+14.9
Lorain, Ohio	20,240	+16.0	59,550H	+15.9
Mansfield, Ohio	43,853H	+16.7	121,988	+13.3
Middletown, Ohio	33,645	+13.1	98,829	+16.8
Portsmouth, Ohio	22,116	+12.6	64,916	+14.2
Springfield, Ohio	45,184	+ 9.3	138,789	+12.2
Steubenville, Ohio	24,542	+19.3	73,046	+18.5
Warren, Ohio	36,955	+ 7.2	113,670	+16.0
Zanesville, Ohio	27,019	+14.6	80,945	+15.7
Butler, Penna.	34,301H	+26.8	101,974H	+17.7
Franklin, Penna.	7,324	+15.4	21,209	+ 4.3
Greensburg, Penna.	22,654	+22.5	67,473	+25.2
Kittanning, Penna.	12,218H	+19.7	34,862H	+23.1
Meadville, Penna.	11,982	+16.0	35,159	+12.9
Oil City, Penna.	20,814	+ 3.8	61,680	+ 9.1
Sharon, Penna.	28,599	+16.6	86,149H	+15.2
Wheeling, W. Va.	59,295	+ 6.8	181,396	+11.5
TOTAL	$ 651,819	+12.9%	$ 1,950,052	+15.5%

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

Bank debits in thirty-one Fourth District cities during September totaled over $7,300,000,000 and were 17.3 percent greater in amount than a year ago, and was second in size only to the peak established last December.

The margin over last year is approximately in line with those of several preceding months. Third quarter debits in the aggregate were 16.9 percent above the year-ago total.

TEN LARGEST CITIES

Among the ten largest cities, the greatest year-to-year gain was reported from **Pittsburgh** where debits were 25.7 percent larger than in September 1947.

Columbus and **Cleveland** also reported margins over last year in excess of 20 percent. In both **Columbus** and **Pittsburgh,** as well as **Canton,** the third quarter total was the largest ever recorded.

TWENTY-ONE SMALLER CITIES

Of the smaller cities, September debits in **Butler, Greensburg** and **Lexington** were more than 20 percent ahead of a year ago. September debits were the highest on record for any month in **Mansfield** and **Kittaning.**

Third quarter debits were the largest on record in **Lorain, Butler, Kittanning,** and **Sharon.**

For the twenty-one smaller cities as a group, the year-to-year gain (12.9%) fell short of the margin reported from several of the largest cities.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation Sept. 1948	Aug. 1948	Sept. 1947	Without Seasonal Adjustment Sept. 1948	Aug. 1948	Sept. 1947
SALES:						
Akron (6)	341	318	299	337	270	296
Canton (5)	423	380	342	423	335	342
Cincinnati (8)	336	337	308	340	280	311
Cleveland (10)	287	279	266	287	245	266
Columbus (6)	382	368	329	378	313	326
Erie (3)	335	338	305	332	280	302
Pittsburgh (8)	299	303	284	296	258	281
Springfield (3)	309	303	302	303	251	296
Toledo (6)	323	305	282	319	256	280
Wheeling (6)	286	266	261	289	212	264
Youngstown (3)	376	343	325	372	298	321
District (98)	316	308	290	320	268	293
STOCKS:						
District	261	254	222	290	275	246

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication September 28, 1948)

Industrial output and employment were maintained in September at August levels. Value of department store sales in September and the early part of October showed about the usual seasonal increase. Prices of foods declined from earlier record levels, while prices of most other commodities showed little change.

Industrial Production

The Board's seasonally adjusted index of industrial production was maintained in September at 191 per cent of the 1935-39 average. Manufacturing output showed a small gain, while minerals production declined 3 per cent.

Steel mill activity in September was at a rate of 96 per cent of capacity as compared with 93 per cent in August. Output of electric steel reached a new record level. In the third week of October total steel production was scheduled at a rate of 99 per cent of capacity. Activity at most metal fabricating plants showed little change in September. Automobile production was curtailed further but increased sharply in the last week of September, reflecting mainly settlement of strikes at suppliers' plants. Output of lumber and stone, clay and glass products declined somewhat in September.

Production of nondurable goods rose slightly in September and was at a level close to the June rate. Cotton consumption and production of paperboard and rubber products showed small further gains from the reduced summer levels. Food production was in larger volume in September, reflecting increased meat production and a recovery in canning operations from the sharply curtailed rate in August. Output of petroleum products was reduced somewhat in September mainly because of labor disputes at refineries in California.

Production of minerals declined in September, reflecting chiefly the reduced output of crude petroleum on the West Coast. In the early part of October petroleum output recovered to the August rate. Coal production declined somewhat in September and the first half of October and was below year-ago levels, reflecting some reduction in demand, mainly for export.

Construction

Contracts awarded for construction, reported by the F. W. Dodge Corporation, declined further in September reflecting mainly seasonal decreases in most types of awards. The number of new houses started, according to Department of Labor preliminary estimates, declined from 83,000 in August to 81,000 in September. Last year the number of new units started was 86,000 in August and 94,000 in September.

Distribution

Value of department store sales in September and the early part of October was maintained close to the advanced level prevailing since last May, after allowance is made for the usual seasonal changes.

Railroad freight carloadings showed less than the usual seasonal rise in September and the early part of October, and shipments of most classes of freight during this period were in smaller volume than in the same period a year ago.

Commodity Prices

The general level of wholesale commodity prices declined 3 per cent from the middle of September to the first week of October, reflecting chiefly sharp decreases in prices of livestock products. During the subsequent two weeks prices of these products increased somewhat. Spot prices for corn dropped sharply in September and the first three weeks of October and were moderately below the support level for the new crop. Wholesale prices of textiles, leather, lumber, and coal declined somewhat, while further marked advances were reported in prices of various metal products.

Retail food prices in mid-October were estimated to be about 5 per cent below the record high reached in July, while consumer prices of most other groups of items advanced somewhat further in this period.

Bank Credit

Required reserves of all member banks were increased by about 2 billion dollars in the latter part of September as a result of the action of the Board of Governors in increasing reserve requirements against net demand and time deposits. The increase in required reserves necessitated substantial sales of Government securities by banks to the Federal Reserve in the latter part of September, but the increase was about equal to the volume of reserve funds that had been supplied to banks in the period June through September by gold inflow and net sales of Government securities to the Federal Reserve Banks by nonbank investors.

Federal Reserve support purchases of long-term Government securities from insurance companies and other nonbank investors continued large during the first three weeks of October. Banks used the reserve funds supplied them by Federal Reserve transactions with nonbank investors to purchase short-term securities from the Reserve Banks. Total holdings of Government securities at the Reserve Banks declined somewhat.

Business loans showed further rapid growth at banks in leading cities during September and the first half of October. Real estate and consumer loans also continued to rise. During the first half of October, banks in leading cities added somewhat to their holdings of Government securities, following reductions in late September to meet higher reserve requirements.

Interest Rates and Security Markets

Yields on short-term Government securities rose slightly in late September and early October. Prices of high-grade corporate and municipal bonds were relatively stable during the first three weeks of October, and common stock prices rose somewhat, following moderate declines in September.


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