MONTHLY

# Business Review

JANUARY 1949

CONTENTS



FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

Vol. 31—No. 1 | Federal Reserve Bank of Cleveland | Cleveland 1, Ohio

## Banking Developments During 1948

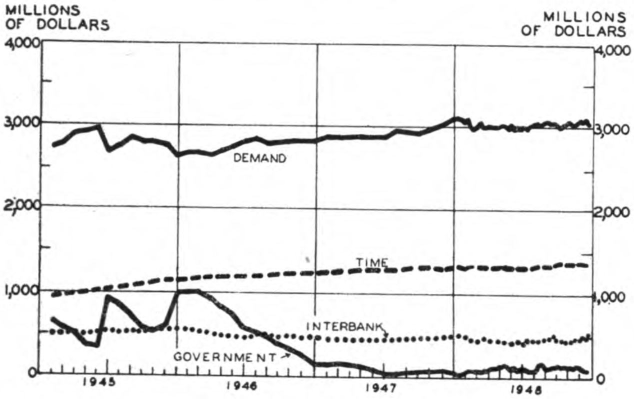
WHAT may prove to have been one of the most significant banking developments of 1948 was the fact that, for the first time in roughly a decade, there was no appreciable increase in the money supply owned by the public in the form of demand deposits. In some parts of the country the supply of this type of money actually is smaller than a year ago at this time.

In the Fourth District, the increase during 1948 was nominal in amount. Late last month, adjusted demand deposits of weekly reporting banks in leading cities of the District were only 1 percent larger than a year ago as against an increase of 7 percent in the preceding twelve months, and in contrast to an overall expansion of around 80 percent during the four wartime years.

The long-term growth in the "working capital" of individuals and corporations has levelled off—at least for the time being—partly because bank lending has slowed down, and partly because of the further reduction of holdings of United States Government securities by commercial banks.

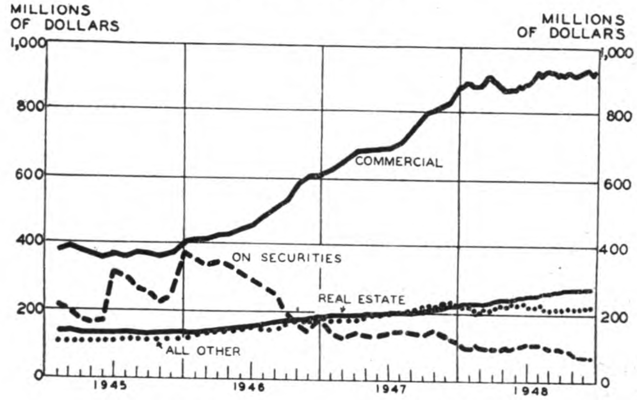
**Changes in Loans** The one type of lending in which the postwar upward trend was not interrupted was in the field of real estate loans. The 1948 increment was virtually the same as in 1947, at least in this District. The dollar

DEPOSITS OF REPORTING MEMBER BANKS
(Fourth District)



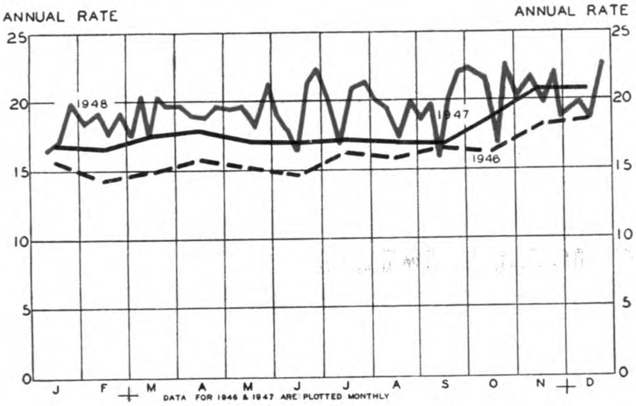

**. . . . time deposits continued to rise slowly during 1948, but the volume of demand deposits of individuals, partnerships, and corporations, shows very little net change for the year.**

LOANS OF REPORTING MEMBER BANKS
(Fourth District)




**. . . . the expansion in commercial loans during 1948 was extremely moderate in comparison with the two preceding years. Real estate loans continued upward, but other types of loans were unchanged or lower.**

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




**. . . . checking account balances changed hands more rapidly during most of 1948, but in recent weeks, the rate has been no higher than a year ago.**

amounts involved, however, are of relatively minor importance. Moreover, the rise in real estate loans was virtually offset by a concurrent shrinkage in loans for purchasing or carrying securities. Consumer and "all other" loans combined likewise contributed very little to loan or deposit expansion.

The major difference between 1947 and 1948 was the slowing down in the rate of expansion of commercial, industrial, and agricultural loans. Both in this area and elsewhere in the country, the extension of bank credit along these lines was much more moderate than in the preceding year. This moderation can be attributed in some degree to reluctance on the part of borrowers, to caution on the part of lenders, to the funding (and therefore repayment) of short-term debt by corporations, and to other factors.

The postwar decline in bank holdings of United States Government obligations continued throughout 1948, offsetting some of the deposit credit extended via real estate and commercial loans. The contraction in Federal obligations held by banks in leading cities of the District amounted to approximately 2 percent over the past year. Over the same interval, the marketable portion of the Federal debt outstanding was reduced by more than 7 percent. From this it follows that, although banks in the aggregate replaced some of the maturing obligations, the Treasury cash surplus of the past twelve months resulted in the extinction of some deposit credit as the excess of income was used to pay off securities held by commercial banks and Federal Reserve banks.

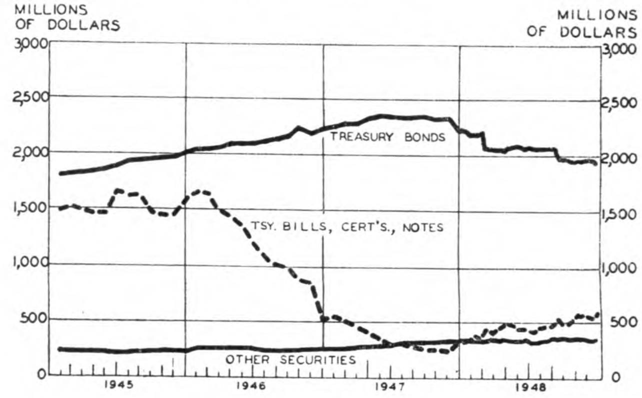
**Money Supply** The probable significance of the levelling off of the money supply in terms of any specific monetary or business cycle theory is not within the purview of this article. Conceivably the sidewise movement in the money supply was a contributing factor in the somewhat similar trend in commodity prices, although extraordinary production records, particularly in agriculture, also must have played an important role in price determination during 1948.

Moreover, in this connection, it is pertinent that the existing supply of purchasing power in the form of bank balances turned over more rapidly in 1948 than in any previous postwar year. Debits to demand deposits of weekly reporting banks through most of 1948, ran noticeably ahead of year-ago levels despite the extremely moderate increase in the balances against which such debits were charged. The extent to which deposit activity expanded during 1948 over the two preceding years is illustrated on an accompanying chart. It may be significant that the earlier year-to-year margin was not maintained in the closing weeks of 1948.

Whether the protracted period of deposit expansion has been more than temporarily interrupted depends upon a number of unpredictable circumstances. A Treasury deficit next year might result in a renewed expansion of deposits, if such a deficit should necessitate public financing and bank participation therein. On the other hand, a more rapid repayment of existing bank loans of all kinds could bring about an actual contraction of deposits owned by individuals and corporations. In either event, however, the ultimate effect upon the economy would be modified by the turnover factor which can either nullify or accentuate changes in dollar volume.

In the more limited field of banking itself, the deceleration in demand deposit growth precipitated no new or unexpected problems. Ever since the close of the war, nearly every individual bank has been conditioning itself, at least psychologically, for an actual contraction in deposits, perhaps mainly because of

**INVESTMENTS OF REPORTING MEMBER BANKS**
**(Fourth District)**




**. . . . the rise in short-term government securities is partly the result of switching out of Treasury bonds, and partly a reflection of Treasury policy of offering certificates of indebtedness to holders of maturing bond issues.**

## Reference Chronology of Financial Events During 1948

**January 12-19** ..... Rediscount rates increased from 1 percent to 1¼ percent.

**January 23** .......... Reserve requirements increased from 20 percent to 22 percent against net demand deposits of central reserve city banks—effective on February 27.

**January 25** .......... French franc devalued 44½ percent, via multiple currency system.

**January 26** .......... Mr. Thomas B. McCabe nominated Chairman of Board of Governors. Confirmed by Senate April 12. (Term as Chairman expires April 15, 1952; as member of Board, February 1, 1956.)

March 18 ............ Upper limit on annual purchases of Series E United States Savings Bonds raised from $5,000 to $10,000.

March 25 ............ United States monetary gold stocks hit $23,000,000,000, new all-time high.

April 2 .............. Foreign Assistance Act of 1948 passed ($5,050,000,000 for 12-15 months).

April 2 .............. Revenue Act of 1948 reduced personal income tax rates beginning May 1.

April 30 .............. Interest-bearing public debt now below $250,000,000,000.

May 19 ................ Federal Reserve credit outstanding at three-year low.

June 2 .............. Reserve requirements increased from 22 percent to 24 percent against net demand deposits of central reserve city banks (effective June 11).

June 10 .............. Upper limit on annual purchases of Series F and G United States Savings Bonds temporarily (July 1-15) lifted from $100,000 to $1,000,000.

August 7 .......... Anti-Inflation Act of 1948 passed—signed August 16. Conveyed authority to Board of Governors to reinstitute some consumer instalment credit restrictions and to increase reserve requirements another 4 percent and 1½ percent, respectively, against demand and time deposits, in addition to existing statutory limits. Expires June 30, 1949.

August 9 .......... Certificate rate permitted to rise from 1⅛ percent to 1¼ percent with September 15 and October 1 refunding.

August 13-23 ....... Rediscount rates increased to 1½ percent (see January 1948).

August 16 .......... Yield on new Treasury bills rose above 1 percent.

August 18 .......... Series D Tax Saving Notes to be put on tap beginning September 1 (yield to maturity 1.40 percent) in place of Series C Notes.

August 19 .......... Consumer instalment credit controls announced, to be effective September 20.

September 8 ..... Third 1948 increase in reserve requirements announced:

a. 1½ percent on time deposits at all member banks beginning September 16.

b. 2 percent on demand deposits at all country member banks beginning September 16.

c. 2 percent on demand deposits at reserve city member banks beginning September 24.

September 20 ..... Consumer instalment credit controls become effective.

November 3 ..... United States monetary gold stocks hit $24,000,000,000.

November 10 ..... Federal Reserve open market purchases (net) of Treasury bonds have totaled $10,500,000,000 during past twelve months, but holdings of bills, certificates, and notes are nearly $9,500,000,000 below year ago.

November 16 ..... Retention of 1¼ percent certificate rate for December 15 and January 1 refundings announced by Treasury.

December 15 ..... Commercial, industrial and agricultural loans of weekly reporting member banks established all-time high (to date), roughly 6 percent above a year earlier.

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recollections of what happened in 1920-21. It should be acknowledged, however, that since such a small proportion of existing deposits originated through lending to individuals and corporate enterprises, a drastic decline in aggregate deposits is quite improbable.

**Shift in Investment Holdings** The striking change in the composition of investment assets during the past year does not represent preparation for a loss in deposits so much as it does anticipation of an increase in money rates. In the past twelve months, banks in leading cities of this District reduced their holdings of United States Government securities somewhat, as indicated in the chart at left. Some of this is the result of a reduction of the Federal debt, while the balance represents outright liquidation of Treasury bonds. What is more significant, however, is that in effect about 80 percent of the proceeds of such sales or redemptions were reinvested in short-term Treasury obligations. Holdings of this short-term type of asset have more than doubled within the past year. While the rate of return on bills and certificates is higher than it was a year ago, it is less than the rate of income earned on Treasury bonds which were relinquished through sale or redemption. Commercial banks and other investors apparently were willing to sacrifice some income in order to be able to take greater advantage of any potential change in prevailing money rates.

The past year also was characterized by the first increase in statutory reserve requirements in nearly

(CONTINUED ON PAGE 8

# Trends of Fourth District Construction Activity

MORE money was poured into building last year than at any other time in Fourth District history. It is estimated that construction activity, as measured by the valuation of permits issued, reached an all-time high of approximately $935 million*, representing a gain of 29 percent over the 1942 level and 32 percent ahead of the peak of the previous building cycle recorded in 1925.

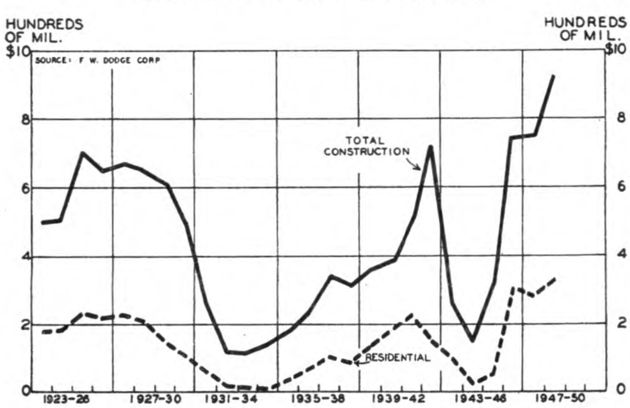
The dollar value of residential contracts, totaling about $335 million, also set a new record last year, and was 11 percent ahead of the 1946 high, and 35 percent higher than the 1925 peak. The accompanying chart shows the dollar value of contracts awarded in the District for residential and total construction in the past 25 years, extending from the peak of one building cycle to what may prove to be the apex of the current cycle.

**Activity in Major Areas of District**

In eleven major metropolitan areas of the Fourth District, the average increase in dollar value of all construction contracts awarded was 26 percent above the 1947 levels. The gain, however, was not uniform among the respective areas. The accompanying table shows that the percentage changes ranged from a gain of 92 percent in Erie to a decline of 17 percent in Dayton. Wheeling, West Virginia, and Youngstown, Ohio, scored increases of about 85 percent, while Pittsburgh, Columbus, Toledo, Akron, and Cincinnati-Covington, Kentucky areas registered gains over 1947 of 31 percent to 48 percent. In Cleveland, there was no change, and Canton recorded a drop of 14 percent compared with the previous year.

* All 1948 figures are estimated on basis of first 10 months.

**CONSTRUCTION ACTIVITY 1923-1948**
**Fourth District**
**(Value of Contracts Awarded)**




**. . . . the dollar volume of both residential and total construction reached a new all-time peak last year, substantially above the 1925 high.**

All metropolitan areas showed increases ranging from 78 percent to over 500 percent above 1939 figures. Cleveland, Canton, and Wheeling were the only areas to score less than a 100 percent increase over 1939.

**1948 TOTAL CONSTRUCTION**
**Value of Contracts Awarded**

| Metropolitan Area* | Percentage Change From 1947 | Percentage Change From 1939 |
|---|---|---|
| Erie | + 92% | +509% |
| Wheeling | + 85 | + 95 |
| Youngstown | + 84 | +169 |
| Cincinnati-Covington, Ky | + 48 | +241 |
| Akron | + 38 | +296 |
| Toledo | + 38 | +123 |
| Columbus | + 35 | +176 |
| Pittsburgh | + 31 | +236 |
| AVERAGE for all cities | + 26 | +169 |
| Cleveland | —0— | + 83 |
| Canton | — 14 | + 78 |
| Dayton | — 17 | +150 |

* Ranked according to percentage gain over 1947.
Source: F. W. Dodge Corporation.

The average increase in the residential category for the eleven metropolitan areas was 13 percent. The metropolitan area around Wheeling scored the greatest gain over the previous year, registering a 507 percent increase over what had been a comparatively inactive year. Youngstown, Akron, Cincinnati-Covington, Kentucky, and Toledo areas showed gains of 26 percent to 51 percent. On the other hand, Canton, Cleveland, Dayton, and Erie registered declines ranging from 3 to 27 percent.

**1948 RESIDENTIAL CONSTRUCTION**
**Value of Contracts Awarded**

| Metropolitan Area* | Percentage Change From 1947 | Percentage Change From 1939 |
|---|---|---|
| Wheeling | +507% | +122% |
| Toledo | + 51 | +237 |
| Cincinnati-Covington, Ky | + 43 | +180 |
| Akron | + 36 | +456 |
| Youngstown | + 26 | +187 |
| AVERAGE | + 13 | +150 |
| Pittsburgh | + 12 | +169 |
| Columbus | + 4 | + 85 |
| Canton | — 3 | +135 |
| Cleveland | — 5 | +109 |
| Dayton | — 10 | +125 |
| Erie | — 27 | +172 |

* Ranked according to percentage gain over 1947.
Source: F. W. Dodge Corporation.

For the eleven cities covered, nonresidential construction recorded an average increase of 40 percent over 1947. With the exception of Dayton, where a decline of 30 percent was registered, every major metropolitan area in the District scored a percentage gain over a year ago in nonresidential-contract valuations. Four of the eleven areas covered showed increases of 100 percent or more above 1947 levels, with Erie scoring a 225 percent increase. Although Cleveland and Pittsburgh registered gains of 25 percent and 2 percent, respectively, these gains were below the average increase of 40 percent for all areas of the District. In each area, however, dollar volume of nonresidential building was at least double the 1939 levels.

**1948 NONRESIDENTIAL CONSTRUCTION**
**Value of Contracts Awarded**

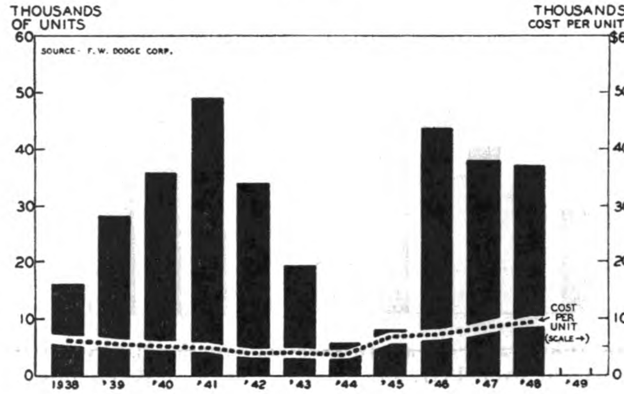
| Metropolitan Area* | Percentage Change From 1947 | Percentage Change From 1939 |
|---|---|---|
| Erie | +225% | +1418% |
| Akron | +147 | + 379 |
| Youngstown | +124 | + 197 |
| Columbus | +107 | + 491 |
| Wheeling | + 70 | + 387 |
| Toledo | + 66 | + 227 |
| Cincinnati-Covington, Ky. | + 57 | + 364 |
| Canton | + 47 | + 112 |
| AVERAGE | + 40 | + 318 |
| Cleveland | + 25 | + 281 |
| Pittsburgh | + 2 | + 332 |
| Dayton | — 30 | + 110 |

* Ranked according to percentage gain over 1947.
Source: F. W. Dodge Corporation.

**Dwelling Units** In spite of the record dollar expenditure, less floor space and fewer new dwellings were provided last year than in previous postwar years. The extraordinary dollar totals were largely the result of increased costs of building materials and wage rates. The adjoining chart shows that the number of dwelling units provided for in new residential building in the Cleveland-Cincinnati-Pittsburgh territories combined, an area which comprises the major part of the Fourth District, declined 2 percent from 1947, and was 16 percent below 1946.

In the three years prior to 1942, when the United States became actively engaged in the war, over 114,000 dwelling units were provided in new residential building in the Pittsburgh-Cleveland-Cincinnati territories. In the three full years since the end of the war, 112,000 dwelling units have been constructed, or about 2 percent less than in the comparable prewar interval.

**NUMBER OF DWELLING UNITS PROVIDED IN NEW RESIDENTIAL BUILDINGS AND DOLLAR VALUE PER UNIT**
**Cleveland-Cincinnati-Pittsburgh Territories Combined**
**1938-1948**




**. . . . the construction of new dwelling units declined while the average cost per unit increased.**

For 37 Eastern States, the F. W. Dodge Corporation forecasts that this year the physical volume of residential building will fall about 7 percent short of the 1948 levels. Applying that same ratio to the Fourth District, the number of new dwelling units to be constructed in 1949 will be back to the 1942 level when approximately 35,000 new units were contracted for in the Pittsburgh-Cleveland-Cincinnati territories. The accompanying table shows that in 1939 the average value per dwelling unit was $5,469, while in 1948 the cost was $9,821, an increase of 80 percent for virtually the same amount of floor space.

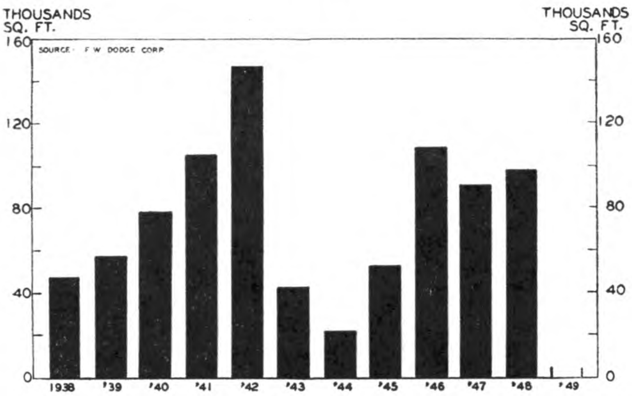
**PITTSBURGH-CLEVELAND-CINCINNATI TERRITORIES COMBINED**

| | Floor Area per New Dwelling Unit (sq. ft.) | Value per New Dwelling Unit ($) |
|---|---|---|
| 1948 | 1,264 | $9,821 |
| 1947 | 1,275 | 8,597 |
| 1946 | 1,149 | 7,226 |
| 1945 | 1,315 | 6,694 |
| 1944 | 956 | 4,072 |
| 1943 | 1,034 | 4,802 |
| 1942 | 944 | 4,417 |
| 1941 | 1,179 | 5,173 |
| 1940 | 1,206 | 5,292 |
| 1939 | 1,266 | 5,469 |
| 1938 | 1,412 | 6,043 |

Source: F. W. Dodge Corporation.

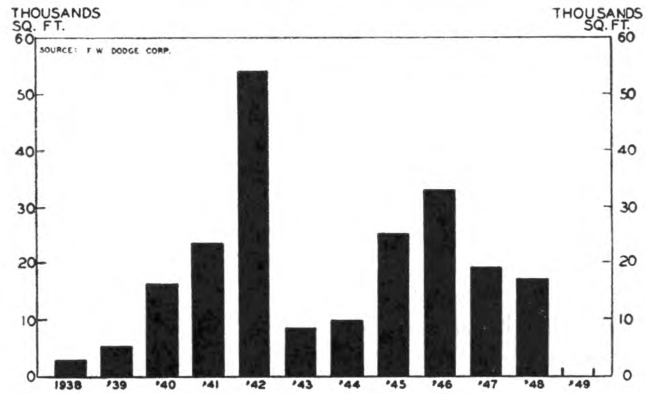
**Throughout the District, the only type of residential building to show an increase over 1947 was the construction of one-family, owner-occupied houses. In 1948, in the Pittsburgh-Cleveland-Cincinnati territories, the number of one-family, owner-occupied dwelling units increased 31 percent over a year earlier,**

**FLOOR AREA—ALL CONSTRUCTION**
**Cleveland-Cincinnati-Pittsburgh Territories Combined**
**1938-1948**




. . . . **floor area of all District construction last year was 9 percent over 1947, but below postwar peak established in 1946.**

**FLOOR AREA—MANUFACTURING BUILDINGS**
**Cleveland-Cincinnati-Pittsburgh Territories Combined**
**1938-1948**




. . . . **floor area of new manufacturing buildings declined for the third consecutive year and was only moderately above the 1940 level.**

while construction of one-family houses for sale or rent declined 18 percent in the past year. In the Pittsburgh territory, the former classification almost doubled; in Cleveland and Cincinnati, increases were from 20 and 24 percent, respectively.

Primarily because of lagging activity around Cleveland, the number of dwelling units provided by new apartment buildings in the District fell behind 1947 by about 27 percent. For the first eleven months of last year, contracts were awarded for only 213 new apartment dwelling units in the Cleveland territory, compared with 1,888 the previous year. Apartment building declined 17 percent in Cincinnati, but in the Pittsburgh territory an increase of 38 percent was recorded.

A number of uncertainties seem to have contributed to the decline in building of new apartments. First, there has been great difficulty in estimating in advance the exact cost of construction. In some cases final costs have been almost double earlier estimated costs. The cost of wages and material rose to an all-time peak, which of itself was an important deterrent in undertaking the construction of multi-unit rental projects. Secondly, most builders have been aware of the possibility that if construction costs should decline appreciably from present peak levels, subsequent builders of lower-priced rental units could offer severe competition to the 1948-49 apartment builder. Finally, the potential rental unit builder has been apprehensive about future legislation concerning rent controls and public housing.

To some extent, these same factors apply to the decline in the construction of new two-family houses. In prewar times, many people who had accumulated a moderate amount of savings acquired two-family houses both as a source of income and as a place to live. At the present time, with personal savings at record levels, the number of new dwelling units provided by two-family houses throughout the District declined 7 percent from 1947. In this case, uncertainty as to future economic conditions as well as final costs of construction have tightened up this outlet for savings. The small-scale investor is reluctant to invest savings where he cannot determine in advance his probable outlay, and where the gross income may be affected by Federal regulations. A further factor in this connection is that not all potential two-family house builders are aware of rent control relaxations on new construction.

**Total Floor Space** In the Pittsburgh-Cleveland-Cincinnati territories, the floor area for all construction totaled about 98 million square feet, up 9 percent from 1947. This amount, however, was exceeded in 1941 by 7 percent, in 1942 by 49 percent, and in 1946 by 10 percent. The value per square foot of floor space was about $11.90 last year compared with $9.65 in 1947, and increase of 23 percent.

As evidenced in the adjoining chart, a noticeable decline in floor space was experienced in manufacturing buildings. Floor space in this category reached a peak in 1942 when it totaled 54 million square feet, due to the impetus of wartime production. Each year since the war the amount of new floor space in manufacturing buildings has declined, and is currently tending toward the 1940 level. In 1948 this category totaled about 17 million square feet, a decline of 9 percent from 1947, and 47 percent from 1946.

The mechanical building category, which includes automobile, aircraft, iron and steel, lumber and wood working and similar mechanical buildings, showed a 40 percent drop from 1947. On the other hand, processing buildings, those used for precessing of chemicals, food products, paper and pulp, textiles, rubber and similar industries, increased about 23 percent throughout the District.

(CONTINUED ON PAGE 8)

# FINANCIAL AND OTHER BUSINESS STATISTICS

## Time Deposits—12 Fourth District Cities

(Compiled December 3, and released for publication December 4)

| City and Number of Banks | Time Deposits Nov. 24, 1948 | Average Weekly Change During: Nov. 1948 | Previous Month | Year Ago |
|---|---|---|---|---|
| Cleveland (4) | $ 874,063,000 | −$140,000 | +$126,000 | +$431,000 |
| Pittsburgh (12) | 453,388,000 | − 101,000 | − 66,000 | − 28,000 |
| Cincinnati (8) | 180,461,000 | − 735,000 | + 142,000 | − 623,000 |
| Akron (3) | 101,992,000 | + 40,000 | − 18,000 | − 85,000 |
| Toledo (4) | 97,236,000 | − 25,000 | + 24,000 | − 5,000 |
| Columbus (3) | 81,018,000H | + 97,000 | + 105,000 | + 23,000 |
| Youngstown (3) | 62,689,000H | + 57,000 | + 71,000 | + 117,000 |
| Dayton (3) | 47,211,000 | − 67,000 | + 15,000 | − 79,000 |
| Canton (5) | 43,380,000 | − 13,000 | —0— | − 85,000 |
| Erie (4) | 39,808,000H | + 78,000 | + 83,000 | − 14,000 |
| Wheeling (6) | 28,396,000 | − 114,000 | + 29,000 | − 87,000 |
| Lexington (5) | 10,434,000 | − 41,000 | + 7,000 | + 6,000 |
| TOTAL—12 Cities | $2,020,076,000 | −$964,000 | +$518,000 | −$429,000 |

H denotes new all-time high.

During the four weeks ended November 24, time deposits at the 60 reporting banks declined approximately $4,000,000 which reduced the total about 0.2 percent below the all-time high reached at the close of October.

Some of this shrinkage can be attributed to seasonal influences such as, for example, the maturity of special-purpose savings accounts. The decline this November, however, was larger than the one which occurred in the same month last year.

Despite the normal downtrend at this time of year, time deposits actually increased in four of the twelve reporting cities.

**Individual Cities**

In **Columbus,** time deposits increased nearly $390,000 in four weeks, and went over $81,000,000 for the first time. The increase for the past twelve months is estimated at approximately $4,000,000.

In **Youngstown,** time deposits grew by $230,000 during the four-week period and established a new all-time high.

Time deposits at the close of October also reached a new record high in **Erie** where the average weekly increase during November was $78,000 or $312,000 for four weeks.

## Changes in Consumer Instalment Credit November 1948

25 Fourth District Member Banks

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

| New Loans Made Compared With Mo. Ago | Yr. Ago | Type of Credit | Outstanding At End of Mo. Compared With Mo. Ago | Yr. Ago |
|---|---|---|---|---|
| + 31.2% | + 43.1% | Total consumer instalment credit | + 3.6% | + 49.0% |
| + 5.7 | + 1.0 | Personal instalment cash loans | − 1.2 | + 12.4 |
| + 10.4 | + 41.6 | Repair and modernization loans | + 2.7 | + 61.9 |
| | | Direct retail instalment loans | | |
| + 5.7 | + 21.5 | (a) Automobile | + 1.4 | + 59.3 |
| + 7.1 | − 20.4 | (b) Other | − 1.5 | + 14.6 |
| | | Retail instalment paper purchased | | |
| +338.1 | +523.4 | (a) Automobile | +43.0 | +221.9 |
| − 7.7 | + 2.9 | (b) Other | − 2.8 | + 63.4 |

**New Loans Made**

During the month of November, the volume of new consumer instalment loans made was the largest on record for one month, and 31 percent greater than the October figure. Although most of this increase occurred at one or two banks, a moderate expansion was reported by about one half of the reporting institutions.

New personal instalment cash loans during November were nominally in excess of a year ago, while direct automobile instalment loans were 21½ percent ahead of a year ago.

**Outstandings**

Chiefly as a result of the exceptional increase in one or two types of new loans made, the volume of loans outstanding at the close of November was the highest on record, 49 percent above a year ago. Three categories of consumer credit declined, however, from the preceding month in total amount outstanding.

Repayments were somewhat larger in the aggregate than in several recent months, averaging about 11½ percent of the outstandings at the beginning of the month.

## Bank Debits*—November 1948

(In thousands of dollars)
(Compiled December 9, and released for publication December 10)

| | Nov. 1948 | % Change from Year Ago | 3 Months Ended Nov. 1948 | % Change from Year Ago |
|---|---|---|---|---|
| ALL 31 CITIES | $7,400,014 | +17.8% | $21,941,637 | +13.5% |
| 10 LARGEST CITIES: | | | | |
| Akron, Ohio | 229,442 | + 1.7% | 711,590 | + 0.3% |
| Canton, Ohio | 118,123 | +19.9 | 356,862 | +15.3 |
| Cincinnati, Ohio | 917,647 | +11.7 | 2,752,174 | +10.1 |
| Cleveland, Ohio | 1,910,379 | +23.4 | 5,729,557H | +16.8 |
| Columbus, Ohio | 625,407H | +41.8 | 1,694,530 | +22.8 |
| Dayton, Ohio | 235,611 | + 7.7 | 696,162 | + 3.8 |
| Toledo, Ohio | 353,615 | + 1.4 | 1,106,003 | − 1.6 |
| Youngstown, Ohio | 166,654 | +14.3 | 472,809 | + 7.1 |
| Erie, Penna. | 91,051 | +14.7 | 277,855 | + 9.7 |
| Pittsburgh, Penna. | 2,105,066 | +19.1 | 6,176,677H | +17.9 |
| TOTAL | $6,752,995 | +18.6% | $19,974,219 | +13.9% |
| 21 OTHER CENTERS: | | | | |
| Covington-Newport, Ky. | $ 37,344 | + 2.0% | $ 116,783 | + 4.4% |
| Lexington, Ky. | 60,355 | +12.6 | 185,733 | +13.2 |
| Elyria, Ohio | 20,335 | + 6.5 | 60,670 | + 1.4 |
| Hamilton, Ohio | 40,145 | +14.8 | 115,556 | + 7.4 |
| Lima, Ohio | 43,714 | + 4.4 | 129,624 | + 3.9 |
| Lorain, Ohio | 20,410 | +16.7 | 60,565H | +11.6 |
| Mansfield, Ohio | 44,562H | +18.9 | 132,260H | +15.5 |
| Middletown, Ohio | 33,446 | + 5.1 | 100,872 | + 6.5 |
| Portsmouth, Ohio | 20,737 | − 1.0 | 67,090 | + 7.1 |
| Springfield, Ohio | 44,131 | + 4.8 | 135,668 | + 5.0 |
| Steubenville, Ohio | 23,132 | + 7.0 | 74,457 | +15.2 |
| Warren, Ohio | 41,377H | +13.4 | 116,636H | + 7.3 |
| Zanesville, Ohio | 27,620 | +19.4 | 83,319 | +16.6 |
| Butler, Penna. | 31,459 | +12.4 | 97,190 | +12.3 |
| Franklin, Penna. | 7,493 | +20.4 | 22,633H | +10.4 |
| Greensburg, Penna. | 21,585 | +15.0 | 66,692 | +12.9 |
| Kittanning, Penna. | n.a. | —— | n.a. | —— |
| Meadville, Penna. | 11,288 | + 4.7 | 38,803 | +10.8 |
| Oil City, Penna. | 19,514 | + 5.7 | 61,129 | + 2.8 |
| Sharon, Penna. | 28,717 | +13.0 | 86,847H | +12.8 |
| Wheeling, W. Va. | 58,443 | + 6.9 | 179,622 | + 5.6 |
| TOTAL | $ 647,019 | + 9.8% | $ 1,967,418 | + 8.9% |

*Debits to all deposit accounts except interbank balances.
H Denotes new all-time high for one month or quarter year.
n.a. Not available.

Bank debits in 31 Fourth District cities during November totaled $7,400,000,000, which is 17.8 percent above the year-ago figure, and represents a new all-time high for the month.

A substantial portion of this wide margin may be ascribed to the fact that November contained more business days this year.

Deposits (exclusive of interbank) at the reporting banks at the close of November were larger than a year ago by about 3.7 percent. The fact that the debit increase was considerably larger than the deposit expansion, even after allowing for changes in business days, suggests that in some localities the rate of turnover was faster than a year ago.

### TEN LARGEST CITIES

**Columbus** led the ten largest cities with a 41.8 percent increase over last year. It is believed, however, that a considerable part of the $185,000,000 gain in that city represents transfers (of funds) which are of no particular significance to general business activity.

In **Cleveland,** debits reached $1,910,000,000, or 23.4 percent more than a year ago, for the second-largest gain. The increase was general among reporting banks.

Debits in **Canton** were 19.9 percent larger than in November of last year. In **Akron** and **Toledo,** debits were only nominally above year-ago levels.

### TWENTY-ONE SMALLER CITIES

In five of the smaller centers, November debits were 15 percent or more above last year's figure.

The largest gain, amounting to 20.4 percent, occurred in **Franklin. Zanesville** was second with an increase of 19.4 percent. In **Mansfield,** debits went over $44,000,000 for the first time, and were 18.9 percent larger than in the same month a year ago.

Debits in **Warren** went over $41,000,000 for the first time, for a gain of 13.4%.

## Indexes of Department Store Sales and Stocks

Daily Average for 1935-39=100

| | Adjusted for Seasonal Variation Nov. 1948 | Oct. 1948 | Nov. 1947 | Without Seasonal Adjustment Nov. 1948 | Oct. 1948 | Nov. 1947 |
|---|---|---|---|---|---|---|
| SALES: | | | | | | |
| Akron (6) | 295 | 326 | 313 | 363 | 342 | 385 |
| Canton (5) | 368 | 392 | 361 | 457 | 416 | 447 |
| Cincinnati (8) | 309 | 331 | 323 | 399 | 347 | 417 |
| Cleveland (10) | 275 | 291 | 284 | 339 | 306 | 349 |
| Columbus (6) | 332 | 366 | 338 | 421 | 388 | 430 |
| Erie (3) | 333 | 353 | 302 | 429 | 368 | 390 |
| Pittsburgh (8) | 272 | 308 | 255 | 346 | 326 | 324 |
| Springfield (3) | 284 | 324 | 305 | 343 | 331 | 369 |
| Toledo (6) | 285 | 316 | 285 | 361 | 338 | 362 |
| Wheeling (6) | 234 | 260 | 250 | 297 | 278 | 318 |
| Youngstown (3) | 333 | 358 | 330 | 416 | 380 | 412 |
| District (98) | 293 | 316 | 296 | 366 | 338 | 371 |
| STOCKS: | | | | | | |
| District | 302 | 265 | 268 | 366 | 338 | 371 |

(CONTINUED FROM PAGE 6)

**1949 Outlook** In its recent forecast for the new year, the F. W. Dodge Corporation estimated that the dollar volume of all construction activity in 37 Eastern States will be about 6 percent below 1948 levels, and that physical volume will be down 2 percent. According to this estimate, nonresidential building will be down 5 percent compared with last year. Private nonresidential construction, particularly in commercial, manufacturing, religious, and social and recreational buildings will probably show the greatest declines. This anticipated reduction was based on the fact that buying resistance is already being felt, and equity financing and mortgage credit are tightening. On the other hand, educational buildings, hospitals and institutions, together with public works and utilities may show an increase over 1948 levels in view of the number of authorized programs and appropriation commitments. In 1948 these classifications represented 35 percent of the value of all construction throughout the country.

Buyer resistance will also affect the volume of residential building, which the Dodge Corporation estimated will be about 7 percent below 1948 both in terms of dollars and new dwelling units. The Departments of Commerce and Labor recently estimated that construction will be started in 1949 on about 875,000 new permanent non-farm dwelling units, compared with a 1948 volume of about 925,000 units. This anticipated reduction does not mean that the housing problem is near solution, but rather that the public is increasingly reluctant, for example, to pay $14,500* for a "standard six-room frame house" in the Cleveland area. Any appreciable reduction in prices of houses for moderate income families may be difficult in 1949 as long as material prices and building wage scales remain at current levels. In making their 1949 estimate of construction activity, however, the Departments of Commerce and Labor based their forecast on the assumption that construction costs during 1949 will average about 5 percent above the average for the entire year of 1948.

* Estimated by independent survey.

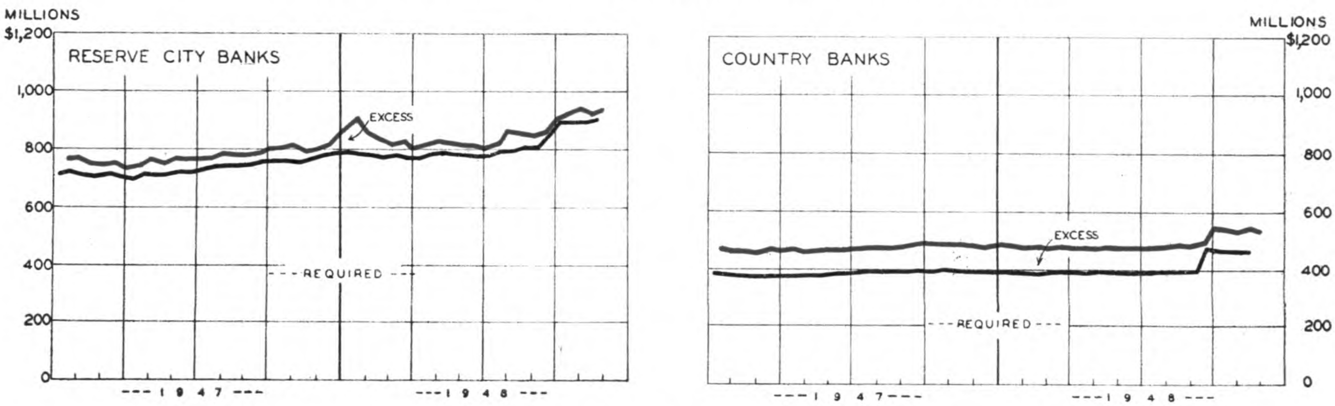
(CONTINUED FROM PAGE 3)

seven years, for banks in this District. That increase, which was applicable to all reserve city and country banks throughout the System, was instituted during September, at a time when short-term interest rates were rising, when rediscount rates had just been increased again, and when some restrictions on the use of consumer credit had been reimposed. In short, the rise in reserve requirements represented one phase of a broader anti-inflationary program.

The relative magnitude of the additional 1½ percent and 2 percent required, respectively, against time and demand deposits is illustrated in the charts below. For the two classes of banks combined, the increase in requirements involved a sum in the neighborhood of $150,000,000 for this District divided nearly equally between country and reserve city banks.

This need for additional reserves presumably was a factor of some import in restraining the growth in loans. It also appears to have had some effect in retarding the acquisition of investments. Another consequence was the withdrawal of balances from city correspondent banks. This latter development, of course, merely shifted part of the upward adjustment problem to the larger banks.

**RESERVE POSITION OF FOURTH DISTRICT MEMBER BANKS**




**. . . . reserve requirements of both reserve city and country banks were increased by official action in September. Country banks continue to carry a larger volume of excess reserves than do the city banks. The more persistent upward trend in required reserves of city banks is partly the result of absorption of country banks by reserve city banks, especially in the Pittsburgh area.**