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FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

Vol. 31—No. 2 Federal Reserve Bank of Cleveland Cleveland 1, Ohio

Trends in Consumer Goods Industries

OUTPUT of several important industries which manufacture consumer goods began to ease off from previous high positions towards the end of last year. Annual totals, however, in most cases set new records. This development is related to somewhat similar patterns of "leveling" or moderate decline in retail trade data and in the statistics of aggregate consumption expenditures. It is thus one facet of the much discussed question as to whether the consumption segment of the economy is now on the downgrade. To trace briefly the postwar course of a number of consumer goods industries may help to clarify the present position.

Examination of production trends in six important consumer goods industries, which produce both soft and hard goods, reveals that in 1948 all except one of the selected industries topped the preceding years, but at the same time shows four of the six to have experienced noticeable weaknesses within 1948, usually towards its close. The six industries under discussion are manufactured foods, automobiles, textiles and textile products, leather and leather products, furniture, and major household appliances. All six may be classified as consumer goods industries, although several of them, notably textiles, produce a significant fraction of their total output in the form of industrial rather than consumer commodities. Altogether the products of these industries account currently for approximately 60% to 65% of total consumer expenditure for personal consumption goods. [1]

Production For the Year

Viewed on an annual basis, five of the six enumerated industries reached new postwar highs in physical volume of production during the year 1948 as a whole, as is shown in an accompanying chart. The annual increase was substantial in the case of passenger automobiles, about 10%, and about 20% in major household appliances, where each of the postwar years as well as 1941 was outstripped last year, although in the case of automobiles the 1929 mark had not yet been reached. Both of these industries had been practically out of production during the war years, including 1945. Annual increases were nominal in the case of the manufactured food industry, textiles and textile products, and furniture. In these three industries the annual rate of increase in physical volume of production between 1947 and 1948 varied from 2% to 4%. Leather and leather products was the only one of the six consumer goods industries under consideration where 1948 production was below that of 1947. The decline for the year was about 4%.

Monthly Variations

An examination of the monthly changes in production of the enumerated industries shows a picture considerably less favorable than the annual totals. In the case of two of the industries, leather and textiles, marked weakness occurred in production at certain periods within the year 1948, repeating or intensifying somewhat similar occurrences in earlier postwar years. In the case of two other industries, furniture and household appliances, relative weakness within the year 1948 was the first to be experienced in these lines since the end of the war. Each of the six industries may now be discussed in turn.

[1] Based on analysis of personal consumption expenditures, data from U. S. Department of Commerce.

Leather and Textiles Reduction in output of leather and leather products which brought this industry to a three-year postwar low during 1948 was pronounced during the first half of the year, especially in the Spring months, and again in November and December, as is shown in an accompanying chart. In January and February and during the Summer and early Fall of 1948, on the other hand, production was keeping pace fairly well with the level prevailing during most of the two preceding years, even though seasonal variations were occurring.

The course of events in the textiles and textile products industry was somewhat different, although here too, the 1948 difficulties were not an entirely new development for the postwar period. In the early months of 1947 the textile industry had reached a postwar high as of that time. A definite sag occurred in the Spring of 1947, followed by a recovery later in the year. Another new high was reached in the early part of 1948. Production levels continued better than in preceding years during the Spring and Summer, but another recession occurred in the Fall.

Furniture and Appliances Production of the furniture industry during the postwar period showed an unbroken record of year-to-year gains until October 1948, although the margins were becoming narrower last Spring and Summer. From October through December the index of production for this industry fell below the corresponding months of the previous year, by amounts ranging from 2% to 8%.

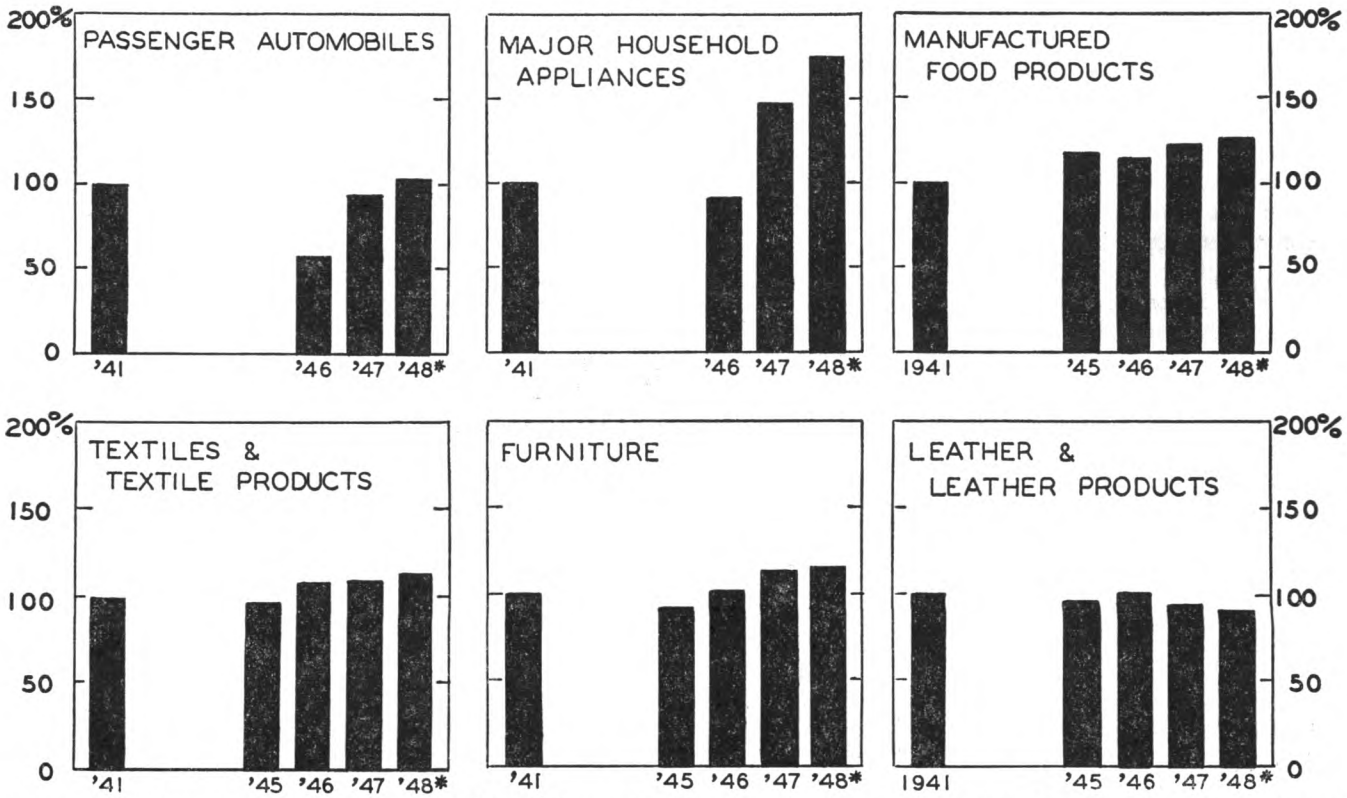
Aggregate production of major household appliances, on the other hand, has continued to show year-to-year advances at least through November 1948, according to a specially constructed index for this industry[2]. In this industry, the weakness which occurred in the Fall of 1948 took the form of a sharply narrowing margin of increase over the corresponding months of 1947. This conclusion applies to the industry as a whole, and to production rather than to distribution levels. Certain individual appliance lines, however, showed marked declines in production during 1948 as compared with 1947. Also, the total sale of appliances by department stores and by specialized appliance stores dropped sharply dur-

[2] For source of data, see footnote to charts. The December index is not available at press time.

POSTWAR PRODUCTION TRENDS IN SELECTED CONSUMER GOODS INDUSTRIES

United States, 1945—1948, Annually**

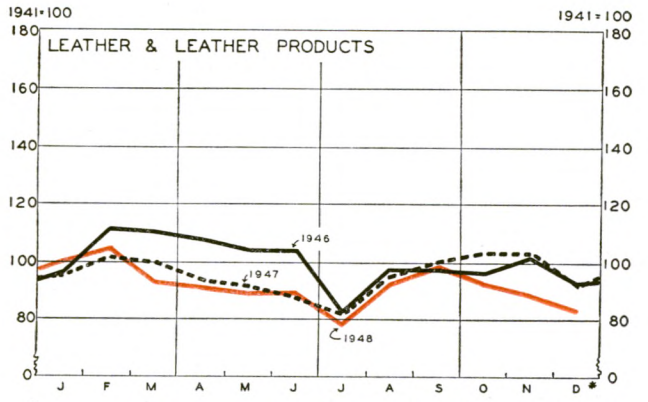
1941—100



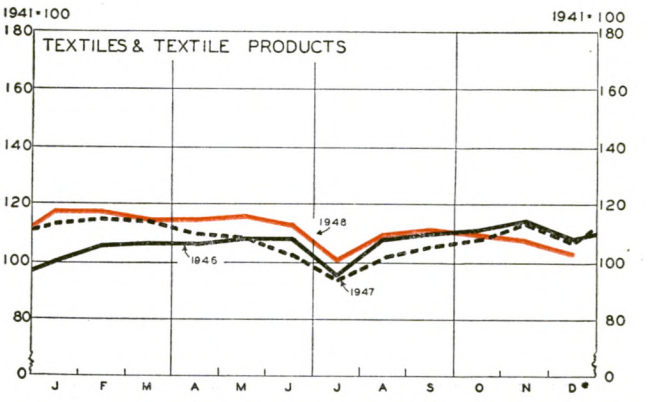
. . . . production of autos and of household appliances has shown a sharp annual increase since the war; production of food, textiles and furniture has risen moderately on an annual basis; leather production has tended downward since 1946.

POSTWAR PRODUCTION TRENDS IN SELECTED CONSUMER GOODS INDUSTRIES

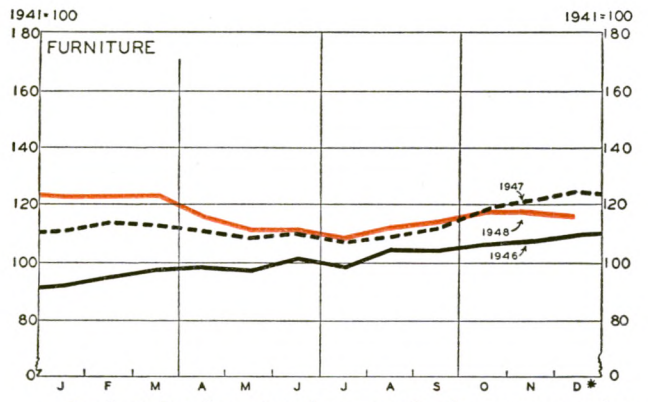
United States, 1946-1948, Monthly**



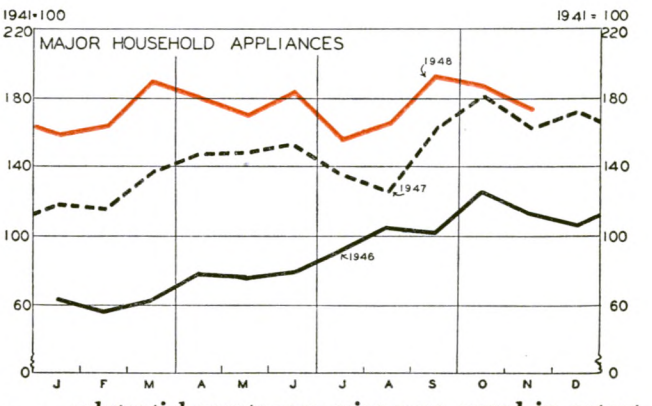
. . . . reduced output of leather and leather products in the Spring and late Fall months last year brought the industry's 1948 output to the lowest level in three years.



. . . . textile production reached new peaks during the early months of 1947 and 1948; slackening occurred during the Fall of 1948.



. . . . by last October, furniture production was running behind a year ago in contrast to the record highs earlier in 1948.



. . . . substantial year-to-year gains were scored in output of household appliances, as a group, until the Fall of 1948 when the margin over 1947 narrowed sharply.

ing the last three months of the year as compared with the same period of 1947.

Food and Autos The production of manufactured food products showed no marked change of pace during 1948. The index for this industry which includes meat packing, manufactured dairy products, and processed fruits and vegetables among other food products, showed a slight margin over 1947 levels during a substantial part of the year 1948. During the first four months of the year, and again in November and December, this margin was so slight as to be negligible.

Passenger car production in the United States was higher in 1948 than in 1947 for all months except May and September, which were exceptional because of suppliers' shutdowns.

Factors Affecting Production Three types of explanation have been widely mentioned in public discussions of recent weaknesses in the production of consumer goods. First is the general theory of the return to a buyer's market, as the consumer's postwar replacements are being increasingly filled and as price resistance mounts. Second is the argument that reinstatement of consumer credit controls has discouraged sales, and hence production, in the affected lines. Third is the proposition that the weakness in the late Fall of 1948 is mainly attributable to a return to prewar seasonal patterns.

Short of an attempt to appraise these explanations,

FOOTNOTES FOR *ALL* CHARTS:

* Partly estimated

** Sources:

(a) Manufactured food products, textiles and textile products, leather and leather products from index of industrial production, unadjusted, Board of Governors of the Federal Reserve System.

(b) Passenger automobiles from Automobile Manufacturers Association and U. S. Bureau of the Census.

(c) Household appliances index based on unit production of refrigerators, washing machines, vacuum cleaners, gas ranges, electric ranges, ironers, as reported by trade associations of producers. Weighted according to estimated value of products in 1947.

certain comments may be made on their applicability to the production trends noted above. With reference to the effect of consumer credit controls, it may be seen at once that credit controls apply to commodities produced by three of the six enumerated industries, namely autos, furniture, and household appliances. Such controls are not involved in the other three industries, namely food, textiles, and leather. The consumer goods industries which have shown recent weaknesses as described above, are found in both groups, i.e. furniture and appliances are in the group where consumer credit controls are found, while textiles and leather are in the group where controls are absent. While it cannot be concluded from this fact that credit controls have played no part in recent trends in the consumer goods industries, it is clear nevertheless that consumer credit controls cannot be the only important factor at work.

With reference to the theory that the restoration of prewar seasonal swings is largely responsible for the apparent softening tendencies, little can be said without comprehensive analysis of seasonal patterns in the various industries. [3] It may be noted, however, that in the case of household appliances there is some evidence which throws doubt on the validity of the argument. Thus, the drop in the index between September and October 1948, as shown in the chart, is quite out of line with the prewar seasonal movement for those months, at least as judged by data from 1938 through 1941. [4]

Finally it may be pointed out that insofar as the return of a buyer's market is an important underlying factor in the production trends noted above, the outlook for the immediate future is not necessarily one of continued loss of production. Stabilization of production at a relatively high rate but at lower price levels is one of the possible outcomes of such a situation. In some measure, the same observation may be made concerning the possible effects of consumer credit control on the production levels of the affected commodities. Insofar as these controls are a factor tending to pull down sales and hence production, it is entirely possible that such an effect may be limited in duration to a short period following the reinstatement of the controls, pending the readjustment of both buyers and sellers to the new arrangements.

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[3] The accompanying charts are unadjusted for seasonal variation, although the repetitive movements during the past three years as shown on the charts give some clue to recent seasonal patterns.

[4] Production of refrigerators, the largest single component of the index, appears to show a customary drop from September to October in prewar years according to Census data. However, refrigerator production advanced between September and October 1948 but was more than counterbalanced by counterseasonal declines in the production of the other appliances.

Is Delivered Pricing Illegal?

THE most widely discussed and perhaps least understood single business problem, today, is the legal status of manufacturers' delivered prices. The matter of delivered prices was brought to a head this summer by a series of court decisions and various pronouncements by the Federal Trade Commission.

On the basis of public statements made by leading representatives of the steel and cement industries, it is evident that business leaders in those industries are firmly convinced that the legality of all pricing methods other than uniform f.o.b. mill prices are now extremely doubtful. As a result they foresee great confusion and commotion for all American business with unfavorable consequences in store for manufacturers and distributors as well as the ultimate consumer if industry reverts to an f.o.b. mill price system.

The Federal Trade Commission contends, however, that freight absorption and differential pricing, as such, are not unlawful and that the Commission's major objective is merely to maintain open and fair competitive conditions.

The following hypothetical case sets forth the situation as many businessmen see it today: In the not too distant future, it may be assumed that a Pittsburgh steel mill called *A* will be looking for sheet steel customers. The sales department bids on a contract with a motor car manufacturer in Detroit. It knows the current quotation of steel mill *B* located in Detroit and matches their price. As a result of certain factors (such as quality, delivery, credit, or any other) *A* gets the contract for one year's sheet supply.

Certain other facts about the hypothetical illustration should also be stated. Both *A* and *B* are publicly quoting f.o.b. mill prices for sheet steel. If *A* added full freight charges to Detroit to its f.o.b. Pittsburgh price, its price would be substantially higher than *B's* f.o.b. Detroit quotation and it would not get the contract. In other words, it is necessary for *A* to absorb freight to compete with *B*, and when the amount of the absorbed freight is deducted from *A's* delivered price, it yields a lower mill-net price than *A* obtains from its Pittsburgh customers. The question then is: Is it unlawful for *A* to quote this delivered price in Detroit? Does it discriminate unlawfully against Pittsburgh customers or anyone else?

The steel producers' present interpretation of the law is that it would be unlawful for *A* to quote such a price and that it might be prosecuted for price discrimination by the Federal Trade Commission under the Robinson-Patman amendment to the Clayton Act and be subject to a suit for triple damages. Further, this is allegedly the basic reason most steel companies abandoned the basing point system in July of last year and began to quote only f.o.b. mill prices. The event leading to the switch to f.o.b. pricing was the adverse decision handed down by the Supreme Court in the Cement case which found unlawful the multiple-base pricing system as used by that industry.

The Federal Trade Commission, however, denies that delivered pricing is necessarily unlawful, and upon the basis of recent statements made by the Commission it seems clear that in the above example the Commission would consider that no unlawful pricing practice was involved, and steel mill *A* was entitled to compete in this manner. If there was discrimination, there was no breach of the law unless it placed the local firm at a competitive disadvantage from which it had no recourse.

Further clarification of this hypothetical problem is found in the Commission's Policy Statement in which it is stated:

" . . . the Commission sees no public interest and has no legal authority to proceed against the practices of a single seller except where probable or actual injury to competition appears in that seller's pricing practices. Accordingly, it will not question such differences in the prices of a single enterprise as are merely designed to meet the readily forseeable competition of a competitor where such differences involve no tendency to create a monopoly or eliminate price competition, nor will it question reciprocal price reductions similarly designed where their scope is not such as to preclude a variety of delivered prices and raise the problem of collusion. It will challenge discriminatory price reductions which are made to meet nonexistent competition or which involve reciprocal relationships so comprehensive that through them price competition in the industry disappears."[1]

There are two federal laws, both enacted in 1914, from which the Federal Trade Commission derives its authority to challenge the use of certain pricing practices. The first, and oldest, is the Federal Trade Commission Act which declares unlawful all unfair methods of competition in commerce as well as unfair or deceptive acts and practices. The second is the Clayton Antitrust Act as amended in 1936 by the Robinson-Patman Act. Section 2(a) of this Act provides that " . . . it shall be unlawful for any per-

[1] Unless otherwise noted, all quotations are taken from the "Statement of Federal Trade Commission Policy Toward Geographic Pricing Practices for Staff Information and Guidance", issued October 12, 1948, corrected October 21, 1948.

son engaged in commerce . . . to discriminate in price between different purchasers . . . where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly . . . or prevent competition with any person who . . . receives the benefit of such discrimination . . . : Provided, that nothing herein contained shall prevent differentials which make only due allowance for differences in cost of manufacture, sale, or delivery."

The position of the Federal Trade Commission under these two Acts is best summarized by its statement of October 12, 1948, and reinforced by various speeches given by Commission members. Commissioner Mason did not participate in approval of this statement.

The principal geographic pricing systems that are used by industry and discussed by the Commission include (1) single and multiple basing point systems, (2) f.o.b. price systems with or without freight equalization, (3) uniform delivered prices, and (4) zone price systems.

The following clearly indicates the Commission's position under the Federal Trade Commission Act which has been applied primarily to cases involving collusion.

"The question raised by *geographic pricing practice* under the Federal Trade Commission Act is one of elimination of price competition. The offense is merely the old one of price fixing. Where the geographic pricing formula is significantly involved, its importance springs from the fact that it is used as a price-fixing device and that analysis of its operation provides evidence that there has been a collusive agreement. It is always possible for businessmen, instead of agreeing on prices directly, to agree instead that they will use a formula which has the effect of making their prices identical. This is what the Commission charged and proved in the *Cement* case. Where this type of offense takes place, the geographic pricing formula, though not unlawful in itself, becomes unlawful by virtue of the unlawful use to which it is put."

The Commission points out that there are differences in degree of probability that various types of geographical pricing practices are collusive and therefore suspect, or illegal. For example, f.o.b. mill pricing, without freight equalization, among scattered buyers is incapable of bringing about identical delivered prices among competitors and cannot be collusive. Freight absorption, however, is a somewhat different matter, but if there is no collusion or agreement to equalize prices, such practice is not in violation of the Federal Trade Commission Act.

"The problem created by freight absorption under the Federal Trade Commission Act arises, however, only where the result of the practice is the elimination of price competition. Freight absorption by a single seller, not accompanied by reciprocal absorptions by others, raises no problem under the Federal Trade Commission Act. Freight absorption by a single seller, accompanied by reciprocal absorptions by one or more competitors, but not accompanied by reciprocal absorptions such as create a pattern of pricing generally used in the industry or in a significant part thereof with resultant matching of delivered price quotations, raises no problems under the Federal Trade Commission Act."

Uniform delivered pricing methods likewise may be lawful under the Federal Trade Commission Act as long as they are not used as instruments of collusive price fixing policies. Although dicta cannot be relied upon to any great extent, it is significant to note that in the Staley Case, the Supreme Court remarked, "If delivered prices arising from freight absorptions are uniform, there can be no discrimination."

The Federal Trade Commission elaborated its position on delivered pricing with this statement: "The . . . establishment of delivered prices which do not differ at different delivery points, may be adopted and observed by several different sellers who, in spite of this element of uniformity in their price structure, follow divergent price policies and do not in fact agree upon prices nor match delivered prices to their customers. Under the foregoing circumstances, the mere uniformity of the geographic pricing formula above does not provide a basis for a prosecution under the Federal Trade Commission Act."

"The Commission has challenged uniform delivered pricing only where there is reason to believe that the practice has been observed generally in the industry with the purposes and effect of eliminating price competition among the sellers."

Single and multiple basing point systems as they now exist, however, are generally viewed as unlawful by the Commission since they "typically are used to match prices, so that there are no price differences among competitors."

"Detailed investigations by the Commission have shown, in particular cases, that where such pricing structures were firmly established, they originated in agreement and were maintained for purposes of avoiding price competition. The evidence which demonstrated these conclusions was derived partly from direct proof of collusion in establishing the systems . . and proof of various types of overt disciplinary activity to make sure of compliance therewith. The inference of collusion . . . becomes more persuasive as the structure becomes more complex, more rigid, and more inconsistent with the immediate competitive interests of various enterprises which follow it. The collusive character of basing point pricing is not destroyed as the number of basing points is increased."

Zone pricing, in the eyes of the Commission, may

or may not be unlawful, depending upon the facts of each case.

"Where uniformity of delivered prices within a zone or throughout the country has simple and logical explanations in the nature of the market, the product, and the transportation costs, the observance of such uniformities, even in the parallel action of a number of competitors, does not in and of itself create inference of collusion. Collusion may arise . . . but, if so, the principal evidence of it is likely to appear in other aspects of the price structure, such as commodity discounts and other terms of sale, the timing of price changes, and the like."

"When a group of competing sellers have all chosen to establish an unnatural zone system, with identical boundaries and identical price differentials, it is difficult to believe that the result could be achieved and maintained without collusion."

The second law under which the Federal Trade Commission judges the legality of certain pricing methods is the Clayton Act as amended by the Robinson-Patman Act. Section 2(a) deals with price discrimination and was cited above.

Under this section, there can be no discrimination unless there are price differences. Further, it must be shown that an injury resulted from such price differences. If accused of unlawful discrimination, the seller may use as a defense, under Section 2(b), that the price differentials are the result of some cost difference, or he may show that low prices were quoted in good faith to meet the equally low prices of a competitor. Thus injurious price discrimination could arise from geographic pricing formulas and is unlawful unless it can be justified in the two ways mentioned.

"In the . . . *Corn Products* case, the evidence was that a single seller used a price structure which discriminated among customers by making very substantial price differences upon products which were of great importance to the business of these customers and that, as a consequence of these price differences, injurious effects had appeared in the volume and profits of the concerns paying the high prices."

"In the *Staley* case, the Supreme Court rejected the plea that competition was merely being met. In this case, the seller was not only systematically absorbing freight in certain localities but also matching prices with others in all localities, charging phantom freight in certain localities, and displaying obvious indifference to the question whether or not competition was actually encountered at particular points where it was supposedly met. It may be presumed that wherever there is an industry-wide pattern of parallel pricing, the claim on the part of one company that it is merely meeting competition will fail."

In certain cases, the Commission has used the concept of varying mill-net prices to show discrimination and it is this use of mill-net prices that has alarmed many business interests that have not fully understood the facts in the particular cases involved. Inferences have been drawn from these cases and applied (in many cases improperly) to long-established pricing practices, and as a consequence doubt and confusion has arisen as to their legality.

In the Cement case, the Supreme Court took pains to note that the order of the Federal Trade Commission did not require an f.o.b. pricing system nor did it forbid varying mill-net prices by the individual companies. The Court said:

"Most of the objections to the order appear to rest on the premise that its terms will bar an individual cement producer from selling cement at delivered prices such that its net return from one customer will be less than from another, even if the particular sale be made in good faith to meet the lower price of a competitor. The Commission disclaims that the order can possibly be so understood. Nor do we so understand it . . . It is thus apparent that the order by its term is directed solely at concerted, not individual activity . . . "

Again on January 13, 1949, the Commission replied as follows to the question put to it by the New York State Chamber of Commerce, "Does the Commission favor imposition of mill f.o.b. pricing?"

"The Commission does not advocate the imposition of a requirement that business enterprises price their goods f.o.b. mill, or that they use any other form of geographic pricing practice. In the Commission's opinion, one of the principal virtues of the antitrust laws is the fact that they maintain freedom of choice and variety of behavior among businessmen, forbidding only the specific practices and conditions which have been condemned by law as destructive of competition."

There is no reason to question the good faith of the Commission in making clear its views on geographic pricing practices. Their overriding determination is to obtain in so far as possible, a condition of open and fair competition among sellers and buyers. It is their firm belief, which is shared by most businessmen, that unless honest competition prevails and price fixing conspiracies are eliminated, the free enterprise system is destined to fail and some sort of government control or system will take its place. Cartelized industry in Europe must assume a large share of the blame for the political conditions that led to World War II.

It seems to be the attitude of many business groups, however, that the only way really to clear up the legality of various pricing methods is to obtain a specific law, or modification of existing law, which would set forth in specific detail exactly the kinds of pricing practices that are lawful and those which are unlawful. If this were done, it is felt that business could adjust itself to these terms and all uncertainty would be eliminated.

The Associate General Counsel of the Federal Trade Commission met this demand for new legislation with the following observation:

"The demand for a definite and affirmative rule of conduct in matters involving restraint of trade is no more realistic than demanding an advance definition of what is reasonable care or due diligence to fit every conceivable situation. To draw an analogy from the traffic laws, there are some States where the only standard for excessive speed in driving an automobile is what is reasonable under the circumstances. Obviously it is impossible and therefore unrealistic to attempt to lay down in advance the maximum speed for all conceivable hypothetical situations."[2]

Full titles of cases cited in text:

Federal Trade Commission vs. Cement Institute et al. 333 U. S. 638, 1948

Federal Trade Commission vs. A. E. Staley Manufacturing Company et al. 324 U. S. 746, 1945

Corn Products Refining Company et al vs. Federal Trade Commission 324 U. S. 726, 1945

[2] An address by Walter B. Wooden to the Second 1948 Economic Institute, Chamber of Commerce of the United States, December 9, 1948.

ANNOUNCEMENTS

Mr. George C. Brainard, President and General Manager of the Addressograph-Multigraph Corporation, Cleveland, Ohio, has been redesignated Chairman of the Board of Directors, and Federal Reserve Agent for the year 1949.

Mr. A. Z. Baker, Chairman of the Board of The Cleveland Union Stock Yards Company, and President of the American Stock Yards Association, Cleveland, Ohio, has been designated Deputy Chairman of the Board of Directors for the year 1949.

Mr. Leo L. Rummell, Dean, College of Agriculture, The Ohio State University, Columbus, Ohio, has been appointed a Class C Director for a three-year term ending December 31, 1951.

Mr. Paul G. Blazer, Chairman of the Board, Ashland Oil and Refining Company, Ashland, Kentucky, has been designated Chairman of the Cincinnati Branch Board of Directors for the year 1949.

Mr. Spears Turley, Vice President and Trust Officer, State Bank and Trust Company of Richmond, Richmond, Kentucky, has been reappointed to the Cincinnati Branch Board of Directors for a three-year term ending December 31, 1951.

Mr. Ernest H. Hahne, President, Miami University, Oxford, Ohio, and Mr. Joseph B. Hall, President, Kroger Company, Cincinnati, Ohio, have been appointed to the Cincinnati Branch Board of Directors, both for three-year terms ending December 31, 1951.

Mr. A. H. Burchfield, Jr., President and General Manager, Joseph Horne Company, Pittsburgh, Pennsylvania, has been reappointed as a Director for a three-year term ending December 31, 1951, and also designated Chairman of the Pittsburgh Branch Board of Directors for the year 1949.

Mr. Laurence S. Bell, Executive Vice President, The Union National Bank of Pittsburgh, Pittsburgh, Pennsylvania, has been reappointed to the Pittsburgh Branch Board of Directors, and Mr. Montfort Jones, Professor of Finance, University of Pittsburgh, Pittsburgh, Pennsylvania, has been appointed to the Pittsburgh Branch Board of Directors. Both of these appointments are for three-year terms ending December 31, 1951.

Mr. Sidney B. Congdon, President, The National City Bank of Cleveland, Cleveland, Ohio, has been appointed a member of the Federal Advisory Council to represent the Fourth Federal Reserve District for the year 1949.

* * *

The following appointments and changes of assignments in the staff of the bank were made within the past month:

Mr. Wilbur D. Fulton, vice president, will become vice president in charge of the Cincinnati Branch, effective March 1, 1949, succeeding Mr. Benedict J. Lazar who plans to retire on that date.

Mr. Paul C. Stetzelberger has been appointed vice president, and beginning March 1 will be in charge of bank examination.

Mr. Roger R. Clouse has been appointed vice president, in charge of bank and public relations.

Mr. Phillip B. Didham has been appointed assistant cashier.

Mr. Harmen B. Flinkers has been appointed assistant secretary.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication January 27, 1949)

Output at factories and mines declined somewhat in December. Department store sales in December and the early part of January were above the reduced November rate, after allowance for seasonal variation. Wholesale prices of farm products and foods showed further marked declines and retail prices of foods and some other goods were also reduced.

Industrial Production

The Board's seasonally adjusted index of industrial production declined 3 points in December to a rate of 192 per cent of the 1935-39 average, owing primarily to reduced output of nondurable goods. Output for the year 1948 was also 192, as compared with 187 in 1947.

Activity in durable goods industries was maintained in December at about the level of the previous month. Iron and steel production, after allowance for mill closings on Christmas, continued close to the advanced November rate, and in the first three weeks of January rose to new record levels. Activity in most machinery and transportation equipment industries was also maintained at about the November rate, although output in some lines—mainly those producing household equipment—was curtailed further. Assembly of new automobiles in December was below the November rate, mainly because of model change-over activity at the end of the month. Passenger car production for the year was 3.9 million vehicles as compared with 3.6 in 1947 and 3.8 in 1941; the number of trucks produced in 1948 was at a record total of about 1.4 million. Output in the nonferrous metals, lumber, and stone, clay, and glass groups showed little change in December.

Output of nondurable goods in December, according to preliminary figures, was at a rate about 2 per cent lower than in the preceding month. Cotton consumption declined further in December, and for the entire year 1948 was at the lowest rate since 1940. Paperboard production was curtailed sharply at the end of December, and for the month was 6 per cent below the rate in December 1947. Activity in the petroleum refining industry increased further in December. Output in most other nondurable industries declined somewhat or showed little change.

Minerals production declined 3 per cent in December, mainly because of a considerable reduction in coal output. Production of crude petroleum was maintained at the November rate. In the early part of January coal production continued at a reduced level, about 12 per cent below the rate at the beginning of 1948, and crude petroleum output was curtailed somewhat.

Construction

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, rose contraseasonally in December, reflecting chiefly large awards for public works projects. Awards for most types of private construction were unchanged from November. The number of new nonfarm housing units started, according to the Bureau of Labor Statistics, declined further to 56,000 units as compared with 65,000 in November 1948 and 59,000 in December 1947; the total for the year was 927,000 units, almost 10 per cent more than the 849,000 started in 1947.

Distribution

Department store sales increased by more than the usual seasonal amount from November to December, and the Board's adjusted index was estimated to be 307 per cent of the 1935-39 average as compared with 287 in November and an average of 302 for the year. Inventories at department stores were at a high level at the year-end, while outstanding orders were the lowest in six years. In the first half of January value of sales was 7 per cent larger than in the corresponding period last year, reflecting partly the effect of more extensive promotional sales.

Shipments of railroad revenue freight showed the usual large seasonal decline in December and were 8 per cent smaller than in the corresponding period a year ago, mainly because of reduced loadings of coal and manufactured goods. In the early part of January rail shipments of manufactured goods declined somewhat further.

Commodity Prices

The average level of wholesale commodity prices continued to decline in December and the first three weeks of January, reflecting chiefly further marked decreases in prices of farm products and foods. Prices of alcohol, fuel oil, scrap metals, and some other industrial commodities also declined in this period, while additional advances were announced for metal products, including some new models of automobiles.

In retail markets, prices of foods decreased somewhat further in December and January and special sales of apparel and household goods at reduced prices were widespread. Resale prices of passenger automobiles dropped further.

Bank Credit

A substantial post-Christmas return of currency from circulation and an excess of Treasury expenditures over receipts supplied reserve funds to member banks during the first three weeks of January. Banks used these funds to increase their holdings of Government securities.

Federal Reserve System holdings of Government securities were reduced by over one billion dollars in the first three weeks of January. Bond holdings declined further as market demand for Treasury bonds continued active.

Business loans at member banks in leading cities declined substantially over the year-end but increased somewhat in mid-January. Loans to brokers and dealers in securities were reduced considerably. Increases in bank holdings of Government securities reflected primarily large purchases of Treasury bills.

Security Markets

Prices of United States Government and high-grade corporate bonds continued to rise slightly in the first three weeks of January.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—December 1948

Percentage Changes from a Year Ago

(Fourth District Reporting Stores)

(Compiled January 28, and released for publication January 31)

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

GROUP TOTALS

BASEMENT STORE TOTAL	+ 9
Miscellaneous Merchandise Dept's	+ 8
Small Wares	+ 3
Women's Apparel and Accessories	+ 3
GRAND TOTAL (reporting stores)	+ 3
Men's and Boys' Wear	+ 3
MAIN STORE TOTAL	+ 1
Piece Goods and Household Textiles	— 4
Housefurnishings	— 6

Sales by Fourth District department stores during December were featured by substantial gains in the small wares and miscellaneous departments, as well as in certain branches of women's apparel. Sales of housefurnishings, however, were down sharply from a year ago. Basement store sales gained 9% while the main store increase was only 1%.

Among the small wares and miscellaneous departments, sales of **notions** were 15% higher than a year ago, while sales of toys and games were up 11%. An increase of 7% was shown in sales of each of the following: **books and stationery, costume jewelry** and **sport goods and cameras.**

The women's apparel and accessories group averaged 3% better in sales than a year ago, but gains in certain departments were outstanding. Sales of **women's coats and suits,** for example were up 11%. Sales of **juniors' and girls' wear,** up 10% and **blouses, skirts and sportswear,** up 9%, reached new all-time highs in both cases. The only departments in the women's wear group which showed significant sales declines from a year ago December were **neckwear and scarfs,** down 10% and **furs,** down 28%.

Sharpest year-to-year decline of any department in the store was shown in **major household appliances,** where sales were 30% lower than a year ago and nearly 20% lower than December of two years ago. Nevertheless sales of appliances were up slightly from November levels. Other housefurnishings departments where sales were below a year ago included **domestic floor coverings,** down 13%, and **radios and phonographs** (including television) down 11%.

Retail Trade

	Percent Changes From Preceding Year SALES Dec. 1948	SALES Year 1948	STOCKS Dec. 1948
DEPARTMENT STORES (98)			
Akron	+ 6	+ 7	+ 5
Canton	+ 8	+12	a
Cincinnati	+ 1	+ 6	+ 9
Cleveland	+ 2	+ 8	+12
Columbus	+ 6	+11	+11
Erie	+ 5	+ 6	+16
Pittsburgh	—0—	+ 8	+11
Springfield	—0—	+ 3	a
Toledo	+ 6	+10	+ 6
Wheeling	—0—	+ 7	— 4
Youngstown	+10	+11	a
Other Cities	— 3	+ 6	— 2
District	+ 2	+ 8	+ 9
WEARING APPAREL (13)			
Cincinnati	+ 4	+ 6	+44
Cleveland	+29	+ 1	+ 4
Pittsburgh	— 3	+ 5	+ 4
Other Cities	+ 1	+ 2	+ 7
District	+ 9	+ 3	+11
FURNITURE (39)			
Canton	+ 6	+ 5	+ 3
Cincinnati	—22	— 1	+ 3
Cleveland	—15	+ 1	+ 3
Columbus	—10	—0—	a
Dayton	+ 7	+16	a
Pittsburgh	a	a	a
Allegheny County	a	a	a
Toledo	a	a	a
Others	— 1	+ 9	— 3
District	— 9	+ 4	+ 1

a—Not available.

Figures in parentheses indicate number of firms reporting sales.

December Department Store Sales by Cities

(Compiled January 25, and released for publication January 26)

CITY	Total Sales % Change From Nov. 1948	Dec. 1947	Sales During December* (December 1941=100) 1941	1945	1946	1947	1948
Wheeling	+61	-0-	100	152	180	198	199
Springfield	+56	-0-	100	151	165	187	187
Akron	+52	+ 6	100	161	189	207	220
Toledo	+49	+ 6	100	149	181	203	215
Canton	+46	+ 8	100	133	185	204	221
Erie	+44	+ 5	100	143	169	199	210
Youngstown	+43	+10	100	156	188	214	234
Columbus	+40	+ 6	100	175	218	229	242
Cleveland	+40	+ 2	100	132	174	193	197
FOURTH DISTRICT	+40	+ 2	100	145	184	205	212
Cincinnati	+34	+ 1	100	157	196	214	220
Pittsburgh	+32	.0.	100	139	181	201	202

* Based on daily average sales.

Total sales of Fourth District department stores during December were 40% greater than in November. Taking into consideration the fact that December had one more trading day, the increase is still greater than the normal seasonal expansion. The increase, however, may be largely explained by slow trading during November. Although the sales volume was 2% above December of 1947, this margin is the smallest shown by any month of 1948 over the corresponding month in 1947.

INDIVIDUAL CITIES

Wheeling, Springfield, and **Akron** experienced month to month gains of more than 50%.

Other cities bettering the District average gain of 40% were **Toledo, Canton, Erie,** and **Youngstown.**

Year to year improvement ranged from 10% in **Youngstown** to no improvement in **Pittsburgh, Wheeling** and **Springfield.**

In eight of the eleven centers, average daily sales were more than double the December 1941 volume. **Columbus** showed greatest gain with December sales 242% of December 1941, while **Youngstown** was second.

Sales of men's and boys' wear as a group were 3% above a year ago, with **men's clothing** up 2%, and **boys' wear** up 7%. Although the year-to-year gains were moderate, three out of four of the departments in this group reached new all-time highs in dollar volume of sales.

Sales of piece goods and household textiles as a group were 4% below a year ago. Sharpest decline was in sales of **domestics, muslins and sheetings,** off 16% from December 1947.

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

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

(Compiled January 6, and released for publication January 7)

City and Number of Banks	Time Deposits Dec. 29, 1948	Average Weekly Change During: December 1948	November 1948	December 1947
Cleveland (4)	$ 885,580,000H	$+2,303,000	$—140,000	$+3,007,000
Pittsburgh (12)	452,581,000	— 161,000	— 101,000	— 318,000
Cincinnati (8)	180,614,000	+ 31,000	— 735,000	+ 80,000
Akron (3)	102,385,000	+ 79,000	+ 40,000	+ 269,000
Toledo (4)	97,986,000H	+ 150,000	— 25,000	+ 176,000
Columbus (3)	82,230,000H	+ 242,000	+ 97,000	+ 88,000
Youngstown (3)	62,965,000H	+ 55,000	+ 57,000	+ 221,000
Dayton (3)	47,364,000	+ 30,000	— 67,000	— 27,000
Canton (5)	43,331,000	— 10,000	— 13,000	— 5,000
Erie (4)	38,304,000	— 301,000	+ 78,000	— 207,000
Wheeling (6)	27,908,000	— 97,000	— 114,000	— 107,000
Lexington (5)	10,491,000	+ 11,000	— 41,000	+ 16,000
TOTAL—12 Cities.	$2,031,739,000	+$2,332,000	—$964,000	+$3,193,000

H denotes new all-time high.

During the five weeks ended December 29, time deposits at the 60 reporting banks increased approximately, $12,000,000, and established a new all time high of $2,032,000,000.

The rate of expansion amounting to $2,332,000 per week was smaller, however, than a year ago when the weekly increment was $3,193,000. This was the third successive month in which the rate of growth failed to match that of the corresponding period in the preceding year.

Individual Cities

Time deposits reached new all-time highs in four Ohio cities.

In **Cleveland** time deposits of four banks totaled $885,580.000 for a new record, but the December expansion was smaller than a year ago.

In **Toledo,** time deposits of four banks moved up close to $98,000,000 but the most recent gain likewise fell somewhat short of the previous December.

Time deposits at three **Columbus** banks established a new all-time high of over $82,000,000. The increase during December was larger than in the 1947 period.

The three **Youngstown** banks reported a $55,000 per-week increase during December, smaller than the year-ago figure but enough to set a new all-time high for the city.

In **Dayton,** time deposits expanded during December, in contrast to a contraction during December 1947. The December decline in **Pittsburgh** was smaller than a year ago.

Changes in Consumer Instalment Credit December 1948

25 Fourth District Member Banks

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

New Loans Made Compared With Mo. Ago	New Loans Made Compared With Yr. Ago	Type of Credit	Outstanding At End of Mo. Compared With Mo. Ago	Outstanding At End of Mo. Compared With Yr. Ago
—19.5%	— 4.9%	Total consumer instalment credit	+0.5%	+ 44.1%
+11.3	— 9.1	Personal instalment cash loans	+0.4	+ 9.6
—23.4	-0-	Repair and modernization loans	+0.5	+ 55.9
		Direct retail instalment loans		
— 1.4	+ 9.2	(a) Automobile	+0.7	+ 54.5
—22.2	—37.8	(b) Other	—4.7	+ 2.9
		Retail instalment paper purchased		
—63.6	+68.7	(a) Automobile	—3.9	+184.5
+ 2.7	—26.5	(b) Other	+5.1	+ 48.0

NEW LOANS MADE

During the month of December, the dollar volume of new consumer instalment loans made and paper purchased by the 25 reporting banks was nearly 5 per cent below the year ago total.

Direct automobile retail instalment loans were up 9.2 percent for the year, and purchased retail automobile paper was substantially larger than a year earlier, but year-to-year declines occurred elsewhere in the list. The widest margin prevailed in non-automobile instalment loans which were down nearly 38 percent.

OUTSTANDINGS

The volume of new loans made continued to exceed repayments with the result that total outstandings at the close of December reached a new record high, approximately 44 percent, or $30,000,000 above a year ago. This dollar increase is largely a reflection of substantial increases in repair and modernization loans, and in purchased paper. Percentagewise, however, direct automobile instalment outstandings were also up significantly with a year-to-year increase of 54.5 percent.

Bank Debits*—December, 1948

(In thousands of dollars)

(Compiled January 11, and released for publication January 12)

		December 1948	% Change from year ago	3 Months ended Dec. 1948	% Change from year ago
ALL 31 CENTERS		$8,455,171H	+ 7.7%	$23,088,388H	+10.2%
10 LARGEST CENTERS:					
Akron	Ohio	$ 256,162	+ 4.5%	$ 741,156H	+ 0.4%
Canton	Ohio	134,324H	+13.5	370,533H	+14.0
Cincinnati	Ohio	1,008,354	— 0.8	2,854,570H	+ 6.1
Cleveland	Ohio	2,247,594H	+ 9.3	6,054,612H	+12.8
Columbus	Ohio	604,315	+ 2.3	1,757,818H	+14.6
Dayton	Ohio	256,787H	+ 1.8	725,542H	+ 3.1
Toledo	Ohio	419,174H	+ 1.3	1,161,258	— 1.6
Youngstown	Ohio	176,262H	+12.4	494,185H	+ 7.5
Erie	Penna.	100,113H	+ 6.9	287,232H	+ 9.7
Pittsburgh	Penna.	2,432,520H	+12.7	6,507,525H	+13.6
TOTAL		$7,635,605H	+ 7.5	$20,954,431H	+10.4
21 OTHER CENTERS:					
Covington-Newport	—Ky.	$ 43,213	+ 4.9%	$ 120,957	+ 3.4%
Lexington	Ky.	157,539H	+20.5	280,518	+15.6
Elyria	Ohio	24,479H	+ 9.7	65,818H	+ 3.5
Hamilton	Ohio	40,900	— 3.7	117,427	+ 1.1
Lima	Ohio	45,966	+ 6.1	134,665	+ 4.6
Lorain	Ohio	22,083H	+11.7	62,408H	+10.3
Mansfield	Ohio	47,096H	+12.9	135,503H	+14.2
Middletown	Ohio	38,124H	+ 5.1	105,351H	+ 4.0
Portsmouth	Ohio	24,386H	+13.2	69,360H	+ 7.5
Springfield	Ohio	50,260H	+ 6.7	140,744H	+ 4.3
Steubenville	Ohio	27,356H	+10.3	77,271H	+12.2
Warren	Ohio	44,870H	+20.2	124,551H	+11.6
Zanesville	Ohio	28,859	+ 4.7	85,159H	+12.8
Butler	Penna.	35,678H	+12.9	98,567	+ 8.2
Franklin	Penna.	8,801H	+17.5	24,110H	+11.4
Greensburg	Penna.	24,521H	+ 8.2	68,559H	+ 8.4
Kittanning	Penna.	12,105H	+14.4	33,948	+10.3
Meadville	Penna.	14,919	+29.4	41,740H	+15.2
Oil City	Penna.	21,593	+ 5.1	61,908	+ 3.3
Sharon	Penna.	32,822H	+17.9	91,070H	+13.4
Wheeling	W. Va.	73,996	— 2.6	194,323H	+ 2.0
TOTAL		$ 819,566H	+10.1%	$ 2,133,957H	+8.1%

* Debits to all deposit accounts except interbank balances.
H Denotes new all-time high.

Bank debits in 31 Fourth District cities during December totaled nearly $8,500,000,000, a new all-time high for any month and 7.7% above the year-ago figure.

During the same interval in which debits increased nearly 8%, deposits at reporting banks increased only about 2½%. In most communities, existing deposits were turned over more rapidly than in the same period last year.

During the fourth quarter aggregate debits were 10.2% above the total of a year earlier.

TEN LARGEST CITIES

In **Canton,** debits in December hit $134,000,000, or 13.5% over the 1947 figure for the widest percentage gain among the ten larger cities. For the fourth quarter as a whole, Canton also was near the top with a 14% gain over a year ago.

Debits in **Pittsburgh** exceeded $2,400,000,000 for the first time, representing a spread of 12.7% over last year's figure.

With debits of $176,000,000 last month, **Youngstown** topped the previous high of last July by a small margin and recorded a 12.4% increase over a year ago.

TWENTY-ONE SMALLER CITIES

In three of the smaller cities, December debits exceeded last year's by 20% or more.

Although not at a new high, debits in **Meadville** were 29.4% ahead of December 1947.

Lexington debits reached $158,000,000 for the first time, 20.5% more than in the previous December.

Debits in **Warren** totaled nearly $50,000,000 last month for a year-to-year gain of 20.2%.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation Dec. 1948	Nov. 1948	Dec. 1947	Without Seasonal Adjustment Dec. 1948	Nov. 1948	Dec. 1947
SALES:						
Akron (6)	334	295	314	531	363	499
Canton (5)	386	368	357	640	457	592
Cincinnati (8)	320	309	312	515	399	502
Cleveland (10)	299	275	292	457	339	446
Columbus (5)	349	332	330	569	421	538
Erie (3)	338	333	321	595	429	565
Pittsburgh (8)	288	272	287	441	346	439
Springfield (3)	304	284	304	516	343	517
Toledo (6)	306	285	289	517	361	488
Wheeling (6)	261	234	259	459	297	456
Youngstown (3)	357	333	326	572	416	522
District (96)	317	293	309	491	366	479
STOCKS:						
District	295	302	272	245	319	225