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FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

Vol. 31—No. 4 Federal Reserve Bank of Cleveland Cleveland 1, Ohio

Recent Banking Trends

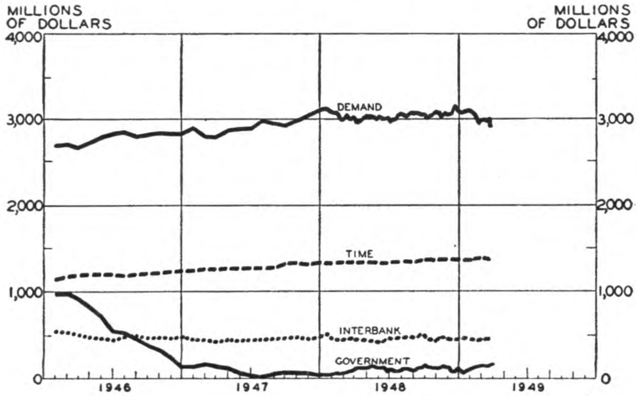
THE banking situation in the Fourth District during the early months of 1949 has been one of somewhat contradictory movements and developments. On the whole, however, the changes which occurred during the past quarter year were moderately favorable in character in contrast to the trends in production, employment, and the general price level.

Leveling Off in Real Estate Loans

Probably the most deflationary development was the culmination of the postwar mortgage lending boom. The volume of real estate mortgages held by weekly reporting member banks in this District stopped rising early last December. Since that time the volume of new loans made has been only barely equal to what is probably a record rate of partial repayments and pay-offs. In other words, the liquidation of real estate indebtedness has been absorbing as much purchasing power as was being concurrently created by new loans. This is in positive contrast to the situation a year ago when the amount of new deposits created in the course of real estate loan expansion substantially exceeded current repayments week after week.

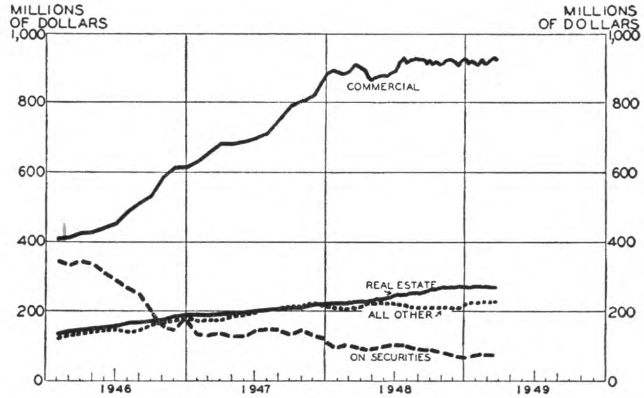
This leveling off in real estate lending by the larger commercial banks has not been limited to this District, but is observable in nearly every part of the country with the possible exception of the Far West. The turn did not occur simultaneously in all areas, and may have been partly a re-emergence of seasonal influences. But its appearance in conjunction with adverse developments outside the real estate and construction field tended to accelerate the deflationary trend.

DEPOSITS OF REPORTING MEMBER BANKS
(Fourth District)



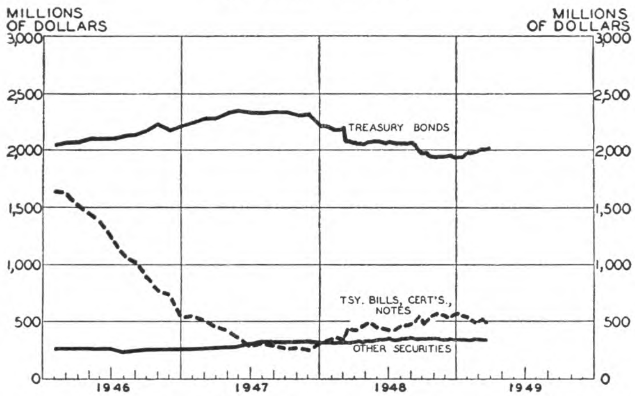
. . . . demand deposits of individuals and corporations declined during the first quarter at a rate somewhat faster than a year ago and stand at a slightly lower level.

LOANS OF REPORTING MEMBER BANKS
(Fourth District)



. . . . the trend in commercial loans in the first quarter was roughly comparable with that of a year ago, but in real estate loans the trend has been slightly downward.

INVESTMENTS OF REPORTING MEMBER BANKS
(Fourth District)



. . . . holdings of short-term Government securities have been declining recently, while Treasury bond portfolios have risen to the highest level since last September.

Commercial Loans at Record High

In contrast to the static situation in real estate loans, lending for commercial and industrial purposes in this District recently has been providing some impetus to business activity. After the customary mid-winter lull, commercial loans began to rise in late February and within a few weeks reached the highest point on record. The seasonal response thus far, however, has not been quite as sharp as a year ago.

The recent revival in borrowing for commercial, industrial, and, to some extent, for agricultural purposes, has been more pronounced in this area than elsewhere in the country. In fact, the Fourth District is the only one in which commercial loans reached a new all-time high during the first quarter of 1949 (to March 23). In the Boston and Chicago Districts, for example, commercial loans outstanding are currently smaller than a year ago.

It is probably too early to permit an accurate interpretation of the belated peak in commercial lending in this District. It certainly is not indicative of widespread inventory liquidation, which is customarily accompanied by a contraction in loans. In some instances, the recent expansion in loans may represent a need for additional working capital as a consequence of a slowing down in sales and collections. In other cases, however, it may reflect continued confidence in the outlook for the borrowing firms or industries.

Other Types of Loans

The trend in other types of bank lending has been rather inconsequential in recent months. The volume of bank credit extended in the form of collateral loans continues to be small in relation to other types of lending. In late March, loans on securities by reporting banks of this District were virtually unchanged from the first of the year. Loans to brokers secured by corporate and municipal investments increased nominally, while on the other hand, the protracted postwar liquidation of loans to individuals and corporations for carrying United States Government securities was still under way, although at a relatively slow rate. Nearly all of these loans have now been paid off.

The amount of "all other" loans outstanding, including some measure of consumer debt, has changed very little since the first of the year, and stands only nominally below the all-time high established around mid-year 1948. Certain categories within that group, however, may have changed significantly. There is some evidence that consumers may have been liquidating some of their bank indebtedness while other kinds of miscellaneous borrowing may be larger than ever.

Investment Policies

Investments in short-term Government securities by the 19 reporting banks of this District declined somewhat during the past quarter to the lowest since last September when portfolios were being adjusted to meet the higher reserve requirements. Those higher reserve requirements are still in effect, but there has been some shifting out of short-term Governments and into Treasury bonds, without any noticeable change in total reserves. During the first two months of this year (latest available) reserve city banks of this District held excess reserves down to about 2.2 percent of required reserves or what is probably a workable minimum. Country banks continued to carry reserves of about 12¼ percent in excess of legal requirements, as against 15-16 percent a year earlier.

The reduction in holdings of short-term Government obligations was also in part the result of a 3 percent decline in the amount outstanding. Since the turn of the year the Treasury has paid off (net) $300,000,000 in Treasury bills, and redeemed $1,244,000,000 of certificates and notes at maturity. Concurrently there was no change in the amount of Treasury bonds outstanding. Since last December, reporting banks in this District have increased their Treasury bond portfolios by about 3½ percent, and total holdings are now the largest in about six months as indicated on an adjoining chart.

Holdings of corporate and municipal securities have remained essentially unchanged for a year or longer. Maturing issues are being replaced by other investments.

Total investments are approximately equal to the amount held three months ago, and one year ago. Investment policy has been a neutral factor in economic developments of the past six months, insofar as banks in this District are concerned.

Divergent Trends in Deposits

Demand deposits owned by individuals, partnerships, and corporations have been in a slightly downward trend throughout most of the first quarter.

Much of this is seasonally attributable to income tax payments. The shrinkage has been slightly greater this year than in the same interval in 1948, and perhaps more noticeable in the Fourth District than in other sections of the country.

Some of the moderate shrinkage in demand deposits is reflected in the seasonal expansion of United States Government deposits, and in time deposits which have been establishing new records almost weekly. Even after adjustment for reclassification of certain trust funds as time rather than demand deposits, this relatively inactive type of money supply has been expanding more rapidly in recent months than was the case earlier in 1947 and 1948.

Ownership of Demand Deposits The most recent demand deposit ownership survey conducted as of the close of January indicates that, notwithstanding a practically stable deposit aggregate over the past year, certain broad classes of depositors augmented their cash balances while others tended to reduce their deposits either through operations, purchases, or investments.

Cash balances of retail and wholesale firms at the end of January at the large sampled banks, were 32 percent higher than on the comparable date in 1946. Not only is this the largest postwar increase among the several classifications of depositors, but this type of account also grew more rapidly than any other major group during 1948.

At the smaller banks ($1 - $10,000,000) the trend in cash balances of trading enterprises was in a similar direction, but on the survey date such deposits were only 6 percent larger than three years ago. The relative slowness in the expansion of smaller firms' cash balances may be chiefly an indirect reflection of ample balances as of the base period, which in turn may have been the by-product of depleted inventories back in early 1946. On the other hand, the present relatively high level of cash balances of the larger stores and wholesale houses suggests a fairly strong financial position vis-a-vis the decline in sales volume. The question of liquidity may be more pressing among smaller-sized establishments.

Manufacturing and mining enterprises also added to their cash reserves during 1948, at both the large and smaller banks, although at slower rates than during 1947. Notwithstanding the unprecedented net incomes reported by many manufacturing concerns, cash reserves of the larger firms are only about 13 percent above the January 1946 level. This constitutes further evidence that the proceeds of exceptionally profitable operations were almost entirely reinvested in receivables, inventories, and additional fixed capital.

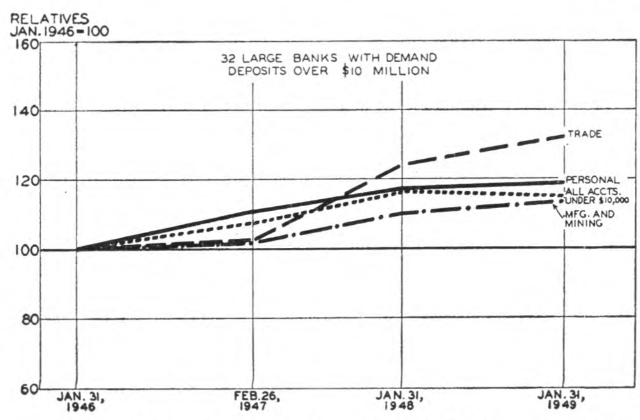
Industrial depositors at the smaller banks seem to have built up cash balances much more rapidly although their general working capital position at the close of the war may have been such as to warrant a conservative policy with respect to cash assets.

Another group to show a persistent expansion in cash balances is the broad assortment of nonprofit enterprises. At the three size-groups of banks combined, the amount on deposit at the sampled banks increased from $66,000,000 in January 1946 to $92,000,000 in January 1949, for a percentage gain of 40 percent, or more than any other class of depositor.

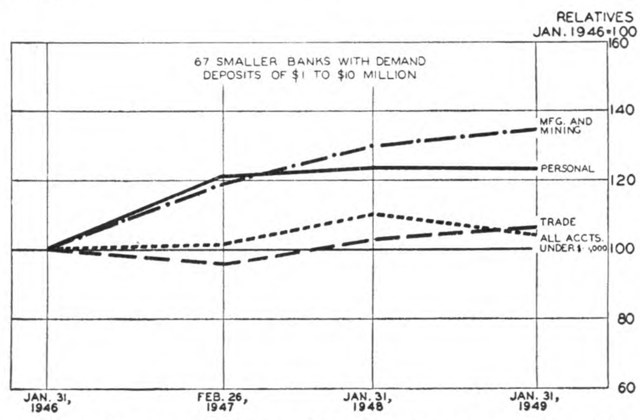
For the first time since early 1946, the aggregate of large personal accounts has remained nearly stationary, particularly at the smaller banks where all deposits above $3,000 were classified. Additions to such accounts were virtually matched by withdrawals for personal (or professional) expenditures and investments.

The only type of deposit showing a marked decline during 1948, on the adjoining charts, is that of unclassified deposits, or those of less than $10,000

POSTWAR CHANGES IN OWNERSHIP OF DEMAND DEPOSITS
(Fourth District)



. . . . cash balances of retail and wholesale firms increased further during 1948, and at the end of January were 32 percent larger than three years earlier.



. . . . at the smaller banks both trade and manufacturing balances increased to new postwar highs, but balances of accounts under $3,000 declined noticeably.

POSTWAR CHANGES IN DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

32 Large Banks With Demand Deposits Over $10 Million

Relatives January '46=100

Type of Deposit	Jan. 31 1946	Feb. 26 1947	Jan. 31 1948	Jan. 31 1949
All Accounts of $10,000 or more	100	106	117	117
Nonprofit Associations	100	118	132	141
Other Nonfinancial	100	122	135	140
Insurance Companies	100	120	137	133
Retail & Wholesale Trade	100	103	124	132
Other Financial	100	108	125	128
Personal Accounts	100	111	118	119
Manufacturing & Mining	100	102	111	113
Public Utilities	100	115	129	110
Trust Funds of Banks	100	96	95	79
All Accounts Under $10,000	100	107	116	115
TOTAL	100	107	117	117

67 Smaller Banks With Demand Deposits of $1—10 Million

Relatives January '46=100

Type of Deposit	Jan. 31 1946	Feb. 26 1947	Jan. 31 1948	Jan. 31 1949
All Accounts of $3,000 or more	100	112	118	124
Insurance Companies	100	113	140	161
Other Nonfinancial	100	112	118	141
Public Utilities	100	116	110	137
Manufacturing & Mining	100	119	130	135
Nonprofit Associations	100	114	128	130
Personal Accounts	100	121	124	124
Trust Funds of Banks	100	106	97	119
Other Financial	100	103	107	114
Retail & Wholesale Trade	100	96	103	106
All Accounts Under $3,000	100	102	111	104
TOTAL	100	109	116	117

and $3,000 at the large and smaller banks, respectively. The availability of nearly all kinds of consumer durable goods, including housing, was probably the major factor in this contraction in the run-of-mine personal bank account.

Decline in Public Utility Cash Reserves A sharp contraction in demand deposits also occurred in the public utility group. At the largest banks (over $100,000,000), deposits of public utilities declined nearly 17 percent during 1948, and even at the other large banks ($10-$100,000,000) such accounts shrank more than 10 percent. This decline in cash balances undoubtedly is attributable in the main to expenditures incurred in connection with postwar expansion programs.

This gradual movement of funds among various types of depositors is a cyclical characteristic of a dynamic economy. In periods of industrial contraction, manufacturing and trading enterprises tend to accumulate deposits as inventories and receivables are liquidated. If such a contraction is accompanied by a visible degree of Federal deficit financing, the shift of funds toward producers may be accentuated, at least for a time. Under such circumstances those banks, whose deposits are predominantly of the industrial type, may lose deposits less rapidly, or show a steadier growth, than those smaller institutions whose deposits are more widely held by individuals and nonmanufacturing enterprises.

ANNOUNCEMENTS

The Board of Governors of the Federal Reserve System recently approved the reappointment, effective March 1, 1949, of the following members of the Industrial Advisory Committee for the Fourth Federal Reserve District:

Herman R. Neff, President
The George S. Rider Company
Cleveland, Ohio

W. Withington, Director
The American Fork & Hoe Company
Cleveland, Ohio

H. P. Ladds, President
The National Screw and Manufacturing Company
Cleveland, Ohio

C. F. Hood, President
The American Steel and Wire Company of New Jersey
Cleveland, Ohio

Sam W. Emerson, President
The Sam W. Emerson Company
Cleveland, Ohio

Mr. Herman R. Neff and Mr. H. P. Ladds are chairman and vice chairman, respectively, of this committee. Mr. H. E. J. Smith has been reappointed executive secretary.

The Industrial Advisory Committee for the Fourth Federal Reserve District is prepared to consider applications, received through financing institutions or direct from prospective borrowers, for loans to provide working capital. Loans of this kind are authorized under Section 13b of the Federal Reserve Act.

The Corn Situation

THE arrival of corn planting time is of more than routine significance, not only to agriculture but to the rest of the economy as well.

This was emphatically demonstrated two years ago when an exceptionally wet spring throughout the American corn belt followed by drought in the summer created a series of consequences that extended far beyond the midwest. The effects of a severe shortage of this indirect but basic food product could not be confined nor controlled. The corn crop failure affected the trend of domestic wage rates, manufacturing costs of all kinds, and even American foreign-aid policy. It was a critical factor in the prolongation of postwar inflationary trends.

Presumably equally unfavorable weather conditions this season could have similar repercussions, although of a less intense nature. The food supply situation today is less critical and some other inflationary influences appear to be less predominant.

On the other hand, in the event of favorable weather during the planting and growing season a different set of agricultural, economic, and political problems may emerge. In fact, the record corn crop of last summer, which barely made up the deficiencies of the 1947 failure, left a train of deflationary consequences which may be indicative of what a second or third consecutive large corn crop might mean.

Market Prices Below Support Level

Ever since the harvest last fall, corn has been selling at or below the official support levels. Sales were made as much as 40 cents per bushel below the so-called floor price.

One of the several explanations for this breakthrough is that a greater than average quantity of the corn was too high in moisture content to meet Government specifications. The "wet" corn has sold for less than $1.00 per bushel in some markets. Many farmers who had, or who provided, suitable storage and were successful in drying their corn are only now placing it under loan—an option which runs until June 30 in the major corn states.

Another cause of open market prices falling below the Government support level is insufficiency of approved storage space for last year's unprecedented corn crop of 3,650 million bushels. It is reported that 500 million bushels of both dry and "wet" corn actually went unstored last fall. In addition there was probably at least an equal quantity for which the available storage was unsatisfactory. Thousands of bushels of good corn have been dumped on the market because farmers lacked storage space for properly sealing it under loan. This has had a depressing effect on prices.

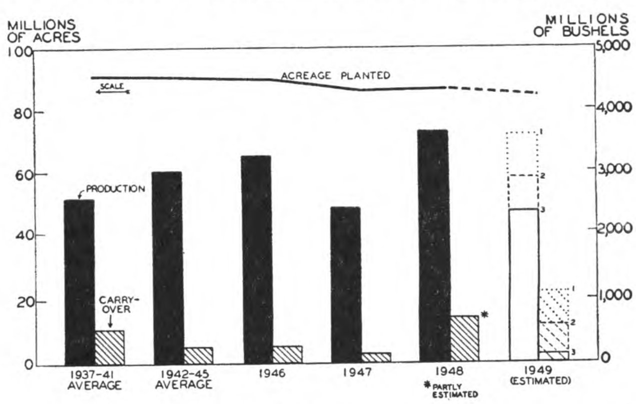
Record Production Per Acre

The shortage of storage facilities is not entirely due to the exceptionally favorable weather which produced a bumper crop in 1948. It has been impending for some time. Recent annual production of corn has averaged around 3,000 million bushels as against about 2,500 million bushels before the war. Total acreage has declined somewhat but the yield per acre has been much greater because of good weather, more liberal fertilization, better cultural practices, a greater amount of mechanization, and especially the greater use of hybrid corn. The latter innovation alone has expanded the yield per acre by an average of 20 percent.

The accompanying chart indicates the trends of increasing productivity and decreasing acreage. It also suggests that yield per acre sometimes fluctuates violently from year to year due to weather conditions while the number of acres planted remains relatively constant. The unusually small quantity of 2,384 million bushels in 1947 stands in striking contrast to the crops of 1946 and 1948, each of which broke all previous records.

Farmers' reported intentions to plant this spring indicate a corn acreage about two percent below that of last year. The year's output of the grain, however, could be anywhere between the low volume of 1947 and the high volume of 1948. Current yields per acre lead farmers to expect high production. This, combined with large existing stocks of corn and declining price, has probably caused them to

CORN ACREAGE, PRODUCTION, and CARRYOVER



. . . . corn production this year may not exceed last year's peak, but a high yield per acre might result in a record carryover into 1950.

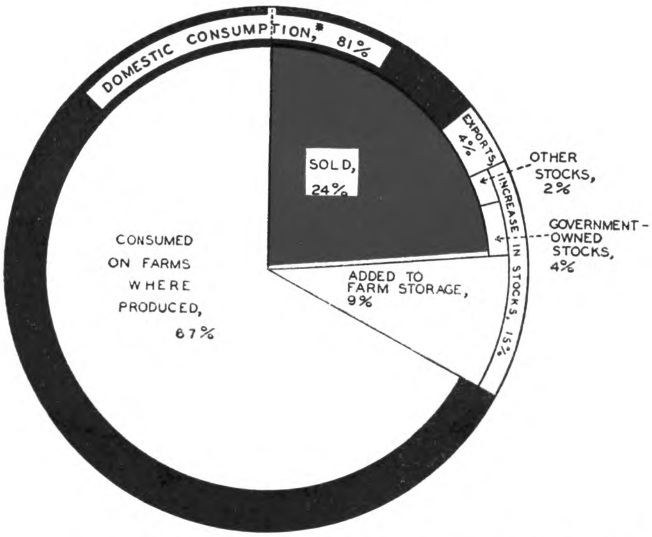
Source: Bureau of Agricultural Economics.

[1] Based on record yield (1948)

[2] Based on average yield (1944-48)

[3] Based on poor yield (1947)

ESTIMATED DISPOSITION OF 1948 CORN CROP
To September 30, 1949 (end of crop year)
Total, 3,560 million bushels=100%

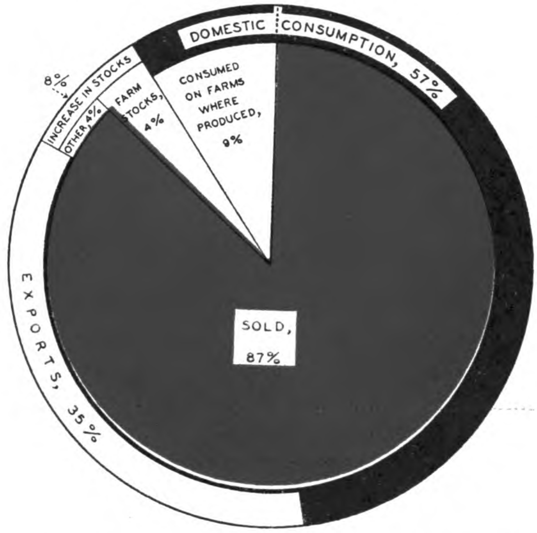


. . . . more than three-quarters of the annual corn crop is consumed on the farm. Much of this year's increase in carryover will occur in farm cribs.

* For an analysis of domestic consumption, see chart on page 7.

Source: Estimated on the basis of Bureau of Agricultural Economics statistics for prior years.

DISPOSITION OF 1947 WHEAT CROP
Total, 1,365 million bushels=100%



. . . . in contrast, wheat is largely a cash crop. Only a tenth of the annual production stays on the farm.

Source: Bureau of Agricultural Economics.

plan to hold some land out of corn. Also some land that might otherwise have been planted to corn this spring was utilized last fall for the all-time high planting of winter wheat. Since this wheat crop is growing quite well the acreage abandoned and replanted to corn will probably be small; that also accounts for some part of the anticipated reduction in corn acreage.

Many things can happen, however, to change farmers' plans before the corn planting is completed. Unfavorable spring weather could hamper the planting of earlier crops, such as oats and soybeans, leaving additional acreage for corn.

Because of its importance in livestock feeding, most of the annual corn crop remains on the farms where it is grown. The quantity marketed does not exceed one quarter of the total production. By October 1 this year three-quarters of the 1948 corn crop will have been consumed on the farms where it was grown, or will be carried over in farm storage. Livestock feeding will account for virtually all of the farm consumption. This is in decided contrast to wheat, of which less than ten percent is usually consumed on the farm. Corn may be a less important cash crop than wheat, as suggested in the two comparative charts, but its economic significance is much greater than that of the bread grain.

The net increase in accumulated stocks of corn on farms and in elevators this October over last year's carryover will account for over 550 million bushels or about 15 percent of the total crop. It is probable that more than half of this increase in stocks will still be in farmers' cribs by October 1 as security for Government loans. The reason for this is that the CCC lacks storage facilities for receiving the quantity of corn on which loans will mature. The portion indicated in the chart as sold and remaining under Government ownership on October 1 includes some corn which will have passed to the CCC upon maturity of price support loans.

In addition to the 300 million bushels or more of loan stocks, farmers will probably be holding about 100 million bushels on October 1 for fall feeding. This quantity is not represented on the accompanying chart, since it is about equivalent to the farm storage last year and the chart shows only the *net increase*.

Price Support Program

The Commodity Credit Corporation administers price support loans under the Agricultural Act of 1948* which extended the wartime support level of 90 percent of parity through June 1950, in the case of corn.

The present support level is based upon 90 percent of parity on October 1, 1948. For the crop currently being marketed the national average loan rate is $1.44, but the rate in individual markets ranges from $1.34 to $1.66. In the principal corn producing areas, farmers can place corn under loan or enter into purchase agreements with the Government

* Approved July 3, 1948.

at any time up to June 30. Farmers in other areas will be offered purchase agreements (but not loans) at prices comparable to the loan rates. Loans mature on demand by the CCC but not later than next September 1.

For the 1950 and subsequent crops, according to present legislation, the support price will range between a maximum of 90 percent and a minimum level determined by a formula based on the relation between annual production and estimated requirements and on the willingness of corn belt farmers to accept acreage or marketing restrictions. For example, when the total supply (production plus carryover) of corn is declared to be of "normal" size, the minimum support level shall be 75 percent of parity. If the supply is construed to be larger than "normal", the minimum support level shall be lowered accordingly—but not lower than 60 percent unless producers disapprove production or marketing restrictions, should they be invoked. In the latter case the support level shall be only 50 percent of parity. If restrictions are proclaimed by the Secretary of Agriculture and approved by the growers, the minimum support level shall be raised 20 percent.

Present Loan Procedure

In order to obtain a loan a farmer executes a note and a chattel mortgage on the corn. In a few instances the CCC lends directly, but in most cases farmers are sent to approved lenders (mostly banks). The notes bear interest at three percent, half of which accrues to the lending bank. While the corn collateral is stored on the farm, the farmer is subject to no loss except from insects or other vermin, or through his own negligence.

If a farmer has placed his corn under loan and the price should rise sufficiently above the support level to cover interest and carrying charges (if any) and still give him a profit, he is free to sell the corn. If the price does not rise and he chooses to relinquish the corn to the CCC, he must deliver it in accordance with instructions from his county agricultural committee. This year it is likely that many loans will be extended beyond the September 1 maturity date because the Government cannot provide storage space for all the corn. Farmers will probably be compensated for storing beyond the original delivery period.

Purchase agreements are provided to assure producers price support for corn on which they are unable to meet farm storage specifications or do not choose to obtain a loan. For a small service fee the farmer may receive a commitment from the CCC to purchase his corn up to any quantity he specifies. The latest date for obtaining a purchase agreement is June 30 in most areas, the same as for loans. If the farmer exercises his option to sell he must deliver either corn of suitable quality, or a receipt from an approved warehouse by September 30.

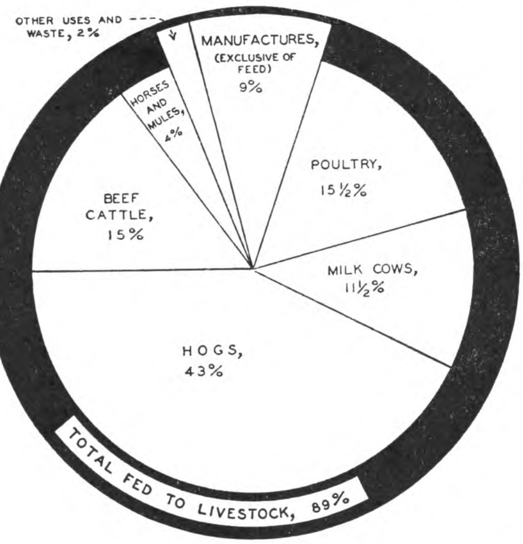
The largest amount of corn ever placed under loan was the 302,000,000 bushels pledged out of the 1939 crop. This year, however, it is expected that loans and purchase agreements combined will substantially exceed the 1939 record, possibly bringing the Government's investment in corn to over half a billion dollars. The amount represented by purchase agreements will probably be less than ten percent of the total.

Effect on Meat Supply

About 90 percent of the corn consumed annually is fed to animals, and over two-fifths of it goes into pork production. Consequently the amount of meat produced and the price of meat are closely related to the size of the corn crop.

It would ordinarily be expected that a large amount of corn going under loan would lessen the rate of expansion of livestock feeding which usually occurs in response to a large crop. Cattle prices are not supported and hog prices are subject only to the indirect support which could result from the standby power given the Secretary of Agriculture to order purchases of pork. For this reason it was expected last fall that many farmers would prefer to take the supported price for their corn rather than to gamble on the chance of future gain from feeding it to livestock. This would probably have been the case if loans had been more effective in supporting price. Since the price "floor" hasn't held up the average price, the low price of corn has raised livestock-feed

1948 CROP CORN: ESTIMATED DISTRIBUTION OF DOMESTIC CONSUMPTION
To September 30, 1949 (end of crop year)
Total, 3,000 million bushels=100%



. . . . nine-tenths of the corn is consumed by livestock, either in the form of the raw grain or in prepared feed.

Source: Estimated on the basis of Bureau of Agricultural Economics statistics for prior years.

price ratios to levels favorable for feeding. The response of farmers has been to increase the rate of feeding above a year ago. In consequence there will be slightly more meat for consumers this year than last year. This increase, however, will be hardly noticeable, except in pork because cattle numbers respond very slowly to increased supplies of feed and because many more animals will be held back this year for breeding.

Outlook for Stocks The carryover of corn on October 1 is expected to surpass the existing record of 688 million bushels in 1940. Most of these additional stocks will be Government-owned or under Government loan. Existing legislation restrains the Commodity Credit Corporation from disposing of stocks in any manner which would impair the price support program. In the face of this restriction, Government-owned stocks could eventually reach such proportions as to pose serious problems of storage and ultimate disposition. Drastic measures then might have to be adopted as a means of curbing further accumulation.

These are some of the considerations that will determine the future course of corn prices, corn usage, meat production, and agricultural policies in general. If weather conditions this spring and summer are conducive to another huge crop, producers will be confronted with an even more perplexing situation than in the past season.

CORN PRICE SUPPORT SCHEDULE

1948 Crop

1. Loans and purchase agreements may be negotiated until June 30, 1949 in major corn areas.
2. All corn loans will mature on September 1. Borrowers who have not redeemed loans by that time will deliver corn to the CCC as instructed by their county committees.

1949 Crop (soon to be planted)

1. Support prices will *not* be announced until next October 1.
2. If 1948 procedure is repeated, loans and purchase agreements will be available from December 1, 1949, to June 30, 1950. The CCC, however, has some discretion in timing of schedule.
3. The 1949 crop is "protected" by statute at 90 percent of parity only until June 30, 1950.

1950 Crop

1. If acreage for the 1950 crop is to be submitted to an official referendum of producers, the Department of Agriculture must declare that fact by not later than February 1, 1950.
2. Probable support level will be determined by need for production restrictions, and producers' response thereto.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication March 25, 1949)

Output and employment in industry declined somewhat further in February and were slightly below the levels of a year ago. Value of department store sales in February and the early part of March continued substantially below earlier advanced levels. Wholesale prices of meats and livestock advanced moderately from mid-February to mid-March, while prices of numerous other commodities declined somewhat further.

Industrial Production

Industrial production, according to preliminary figures for the Board's seasonally adjusted index, was 189 per cent of the 1935-39 average in February, down 2 points from January and 6 points from the peak last autumn. A further decline is indicated for March, reflecting sharp curtailment in the output of coal, and also reductions in output of some other products including petroleum and rayon.

In February output of durable goods was down slightly, reflecting further declines in output of machinery — mainly electrical machinery — and of lumber, furniture, and stone, clay and glass products. Steel production, however, advanced further to a record rate of 101.2 per cent of capacity and was maintained at about this rate in March. In the automotive industry, activity declined slightly in February, but with the completion of model changeovers showed a small gain during the first three weeks in March.

Nondurable goods production also declined somewhat in February, petroleum refining operations were reduced, and small declines occurred in activity in the rayon textiles, chemicals, rubber products, and paper industries. Output at cotton textile mills and most other nondurable goods industries showed little change from January levels.

Minerals production declined moderately in February and was sharply reduced in March. Crude petroleum output was lowered further in February to a rate approximately equal to that in the same month a year ago, and was reduced substantially in March. Coal production continued to decline in February and the early part of March, reflecting large accumulation of stocks and reduced demand, and was sharply curtailed beginning March 14 as the result of a work stoppage affecting most mines east of the Mississippi. Output at copper mines increased substantially in February following a settlement of a prolonged strike at the mines of a leading producer.

Employment

Employment in nonagricultural establishments, as reported by the Bureau of Labor Statistics, declined more than seasonally in February and was 300,000 or one per cent less than in February 1948. The decline from January reflected mainly further reductions in manufacturing, construction, and railroad transportation. The number of persons unemployed increased by 550,000 to 3,200,000, according to Census Bureau estimates.

Construction

Value of contract awards in February, according to the F. W. Dodge Corporation, was about one-sixth larger than in January, reflecting increases in publicly-financed construction. Awards for privately-financed activity showed little change from the sharply reduced level reached in January. Total awards in January and February were 19 per cent smaller than in the same months last year.

Distribution

Department store sales declined further in February after allowance for usual seasonal changes. The Board's adjusted index was 273 per cent of the 1935-39 average as compared with 287 in January and 286 a year ago. Sales during the first three weeks in March were 11 per cent below the corresponding period of 1948, owing in part to the later date of Easter this year.

Shipments of railroad revenue freight in February and the first half of March declined somewhat further and were 10 per cent below the level of a year ago. Loadings of coal, forest products, and merchandise in less than carload lots were sharply reduced, as compared with a year ago, and there were less marked declines in miscellaneous freight and livestock shipments. Loadings of grain, coke, and ore were above year ago levels.

Commodity Prices

The average level of wholesale prices, as measured by the all-commodity index of the Bureau of Labor Statistics, was unchanged from mid-February to mid-March. Reflecting in part a seasonal reduction in supplies, prices of meats and livestock rose somewhat, but prices of a wide range of industrial commodities declined. Prices of steel scrap and nonferrous metals scrap showed further marked decreases. Refined lead and zinc prices were lowered and there were reductions also in prices of various metal products, such as storage batteries and household appliances.

The consumers' price index declined 1 per cent in February reflecting further decreases in retail prices of food, apparel, and housefurnishings. The February level was 169 per cent of the 1935-39 average, as compared with the high point of 174.5 reached last summer.

Bank Credit

Federal Reserve holdings of Government securities declined sharply during the first half of March, reflecting principally sales of Treasury bonds and retirement of certificates held by the Reserve Banks. The effect of these sales in absorbing bank reserves was largely offset by a substantial decline in Treasury deposits at the Reserve Banks. After the middle of March, seasonally large income tax payments caused the shift of a substantial volume of funds from private deposit accounts at commercial banks to Treasury balances at the Reserve Banks. Federal Reserve sales of bonds continued and, although the System purchased large amounts of short-term securities, bank reserves declined.

Business loans were reduced somewhat further at reporting banks in leading cities during February and the first half of March. Demand deposits of businesses and individuals declined substantially, reflecting tax payments, repayment of bank loans, and net purchases by nonbank investors of Government securities from the banking system.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—February 1949

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

Gift Shop	+32
Radios, Phonographs and Television	+31
Toys and Games	+26
Costume Jewelry	+18
Lamps and Shades	+17
China and Glassware	+14
Books and Stationary	+ 8
Luggage	+ 7
Art Needlework	+ 6
Silverware and Clocks	+ 5
Aprons, Housedresses and Uniforms	+ 4
Toilet Articles and Drug Sundries	+ 4
Inexpensive Dresses (Women's and Misses)	+ 3
Linens and Towels	+ 3
Fine Jewelry and Watches	+ 3
Draperies, Curtains, etc.	+ 3
Furniture and Bedding	+ 2
Notions	+ 2
Handbags and Small Leather Goods	—0—
Corsets and Brassieres	—0—
Men's Furnishings and Hats	—0—
Blankets and Comforters	— 1
Blouses, Skirts and Sportswear	— 1
Coats and Suits (Women's and Misses')	— 2
Housewares	— 2
Juniors' Coats, Suits and Dresses	— 3
Domestics, Muslins and Sheetings	— 3
Millinery	— 3
Underwear, Slips and Negligees	— 3
Handkerchiefs	— 3
Shoes (Women's and Children's)	— 3
Furs	— 3
Shoes (Men's and Boys')	— 3
Gloves (Women's and Childrens')	— 4
Domestic Floor Coverings	— 4
Better Dresses (Women's and Misses')	— 5
Hosiery	— 5
Infants' Wear	— 6
Boys' Wear	— 7
Candy	— 8
Records, Sheet Music and Pianos	— 9
Girls' Wear	—10
Sporting Goods and Cameras	—11
Men's Clothing	—12
Silks, Velvets, Synthetics	—12
Cotton Wash Goods	—13
Neckwear and Scarfs	—15
Woolen Dress Goods	—17
Laces and Trimmings	—24
Major Household Appliances	—31
GROUP TOTALS	
Small Wares	+ 6
BASEMENT STORE TOTAL	+ 1
GRAND TOTAL (reporting stores)	— 2
Women's Apparel and Accessories	— 3
MAIN STORE TOTAL	— 3
Miscellaneous Merchandise Departments	— 3
Housefurnishings	— 3
Men's and Boys' Wear	— 6
Piece Goods and Household Textiles	— 7

Sales by Fourth District department stores during February were lower than a year ago, and less than in January, for most departments of the store. Especially large declines from year-ago levels occurred in sales of **household appliances, piece goods** and **men's clothing.** Declines in sales of **women's apparel,** although slight in terms of percentage changes, were in contrast to the favorable reports made by such departments during recent months.

Among the housefurnishings departments, where the year-to-year sales drop for the group averaged 3%, extreme variations in sales were reported. Sales of **radios, phonographs and television** were up 31% from a year ago, largely due to brisk trade in television sets. Sales of **lamps and shades,** and **china and glassware** likewise were up substantially, by 17% and 14% respectively. Sales of **furniture and bedding,** however, were only 2% higher than a year ago, while sales of **domestic floor coverings** were down 4%. Sharpest year-to-year decline in the store was reported for **major household appliances,** where sales were off 31%, sinking to the lowest level of any month since July 1946.

Sales in the piece-goods departments as a group were 13% below a year ago, with declines among the individual departments ranging from 12% to 17%. However, sales of household textiles (linens, domestics, blankets etc.) as a group remained unchanged from last year's levels.

All departments in the men's and boys' wear group were down from a year ago, with an average decline of 6%. Sales of **men's clothing** were 12% below a year ago, and were at a three-year low for the month.

Sales by the women's apparel and accessories group were 3% less than a year ago, including a 2% decline in sales of women's and misses' **coats and suits,** as well as declines in most other departments reaching to 15% in the case of **neckwear and scarfs.** The only departments in this group which showed year-to-year gains in sales were **aprons, housedresses and uniforms,** up 4%, and **inexpensive dresses,** up 3%.

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

Inventories by Departments—February 28, 1949

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)
(Compiled April 1, and released for publication April 2)

Toys and Games	+17
China and Glassware	+16
Woolen Dress Goods	+16
Men's Clothing	+13
Coats and Suits (Women's and Misses')	+13
Better Dresses (Women's and Misses')	+12
Silks, Velvets and Synthetics	+12
Gift Shop	+11
Cotton Wash Goods	+ 9
Silverware and Clocks	+ 8
Sporting Goods and Cameras	+ 7
Blouses, Skirts and Sportswear	+ 6
Shoes (Women's and Children's)	+ 6
Domestic Floor Coverings	+ 6
Juniors' Coats, Suits and Dresses	+ 6
Domestics, Muslins, Sheetings	+ 5
Records, Sheet Music and Pianos	+ 5
Luggage	+ 5
Housewares	+ 2
Linens and Towels	+ 2
Shoes (Men's and Boys')	+ 1
Notions	—0—
Inexpensive Dresses (Women's and Misses')	— 1
Lamps and Shades	— 2
Laces and Trimmings	— 2
Underwear, Slips and Negligees	— 2
Men's Furnishings and Hats	— 2
Books and Stationery	— 3
Fine Jewelry and Watches	— 4
Furniture and Bedding	— 5
Draperies, Curtains, etc.	— 5
Aprons, Housedresses and Uniforms	— 5
Major Household Appliances	— 6
Boys' Wear	— 6
Art Needlework	— 6
Costume Jewelry	— 9
Corsets and Brassieres	— 9
Toilet Articles and Drug Sundries	— 9
Girls' Wear	— 9
Handbags and Small Leather Goods	—10
Gloves (Women's and Children's)	—11
Hosiery	—14
Infants' Wear	—14
Handkerchiefs	—15
Neckwear and Scarfs	—15
Furs	—17
Blankets and Comforters	—17
Radios, Phonographs and Television	—18
Millinery	—18
Candy	—37
GROUP TOTALS	
Miscellaneous Merchandise Departments	+ 3
Men's and Boys' Wear	+ 3
Piece Goods and Household Textiles	+ 2
MAIN STORE TOTAL	— 1
Housefurnishings	— 1
Women's Apparel and Accessories	— 2
GRAND TOTAL (reporting stores)	— 2
Small Wares	— 5
BASEMENT STORE TOTAL	— 9

Inventories of Fourth District department stores rose during February approximately in line with seasonal expectations. Partly because of previous inventory reductions, however, the stores closed the month with main store stocks 1% below year-ago levels and basement store stocks at 9% below a year ago.

This marks the first inventory report since the war's end when both the main store stocks and the basement store stocks in the District have failed to top year-ago levels. The year-to-year comparison at the end of February, however, is probably affected somewhat by the three week's difference in Easter dates of the two years.

Inventories of the women's apparel and accessories group of departments at the month's end averaged 2% below a year ago. A marked exception was in stocks of women's and misses' **coats and suits** which rose to a level 13% above a year ago, a new high for the month, and a level higher than for any month end last year except September 30. Stocks of **better dresses,** up 12% over last year, also rose substantially. Inventory changes in other departments of the women's wear group ranged from very moderate increases to year-to-year declines as far as 18% in the case of **millinery.** Stocks in at least eight of these women's wear departments were at three-to-five year lows for the month.

The men's and boys' wear group of departments closed the month with stocks averaging 3% below a year ago. Stocks of **men's clothing,** however, were 13% above a year ago, while stocks in the other departments of the men's and boys' group ranged from 1% above to 6% below last year.

Except for **china and glassware,** where stocks were up 16% from a year ago, and **domestic floor coverings,** up 6%, most departments in the housefurnishings group showed year-to-year declines in inventory. Stocks of **major household appliances** were 6% lower than a year ago. Largest decline was in stocks of **radios, phonographs, and television,** down 18% from a year ago.

Among other departments, stocks of **piece goods,** where February sales lagged, closed the month 13% higher than a year ago, a new high for the month. Stocks of **sport goods and cameras,** up 7%, and of **luggage,** up 5%, also reached a new high for the month.

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

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

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

City and Number of Banks	Time Deposits Feb. 23, 1949	%Change from Year Ago	Average Weekly Change During: Feb. 1949	Jan. 1949	Feb. 1948
Cleveland (4).....	$ 902,978,000H	+ 2.9%	+$3,596,000	+$ 754,000	+$225,000
Pittsburgh (12)...	456,209,000H	+12.7	+ 349,000	+ 557,000	— 133,000
Cincinnati (8).....	182,034,000	— 0.1	+ 113,000	+ 242,000	+ 87,000
Akron (3)........	103,745,000	+ 0.1	+ 10,000	+ 330,000	+ 113,000
Toledo (4)........	99,939,000H	+ 3.6	+ 59,000	+ 428,000	— 43,000
Columbus (3).....	82,902,000H	+13.4	+ 114,000	+ 54,000	+ 13,000
Youngstown (3)...	64,941,000H	+ 7.0	+ 8,000	+ 33,000	— 17,000
Dayton (3).......	47,121,000	— 3.8	— 18,000	— 43,000	— 34,000
Canton (5)........	43,199,000	+ 1.4	+ 13,000	— 46,000	— 54,000
Erie (4)..........	39,163,000	+ 0.5	+ 52,000	+ 162,000	+ 2,000
Wheeling (6)......	28,203,000	+ 2.1	+ 21,000	+ 53,000r	+ 58,000
Lexington (5).....	10,656,000	— 0.4	+ 6,000	+ 35,000	— 2,000
Total—12 Cities..	$2,061,090,000H	+ 4.7%	+$4,323,000	+$2,559,000r	+$215,000

r —Revised.
H—Denotes new all time high.

Time deposits increased more rapidly during February than probably at any time in the postwar period. At the 60 reporting banks in 12 Fourth District cities, such deposits increased at the rate of $4,323,000 per week, during the four weeks ended February 23.

In the same period last year, the weekly gain was only a nominal $215,000. This was the second successive month in which the rate of expansion was noticeably larger than a year ago. The trend was general in all but two of the reporting cities.

Individual Cities

In **Cleveland** total time deposits of the four reporting banks exceeded $900,000,000 for the first time, and recorded a gain of $3,596,000 per week for the month.

New record highs were also reached in **Pittsburgh, Toledo, Columbus,** and **Youngstown.**

In **Akron** and **Wheeling** the weekly increases were smaller than a year ago.

Changes in Consumer Instalment Credit February 1949

25 Fourth District Member Banks
(Compiled March 28, and released for publication March 30)

New Loans Made Compared With Mo. Ago	Yr. Ago	Type of Credit	Outstanding at End of Mo. Compared With Mo. Ago	Yr. Ago
— 9.7%	— 0.8%	Total consumer instalment credit	—1.4%	+ 34.4%
—13.8	— 9.6	Personal instalment cash loans	—1.9	+ 5.7
+ 0.2	— 6.0	Repair and modernization loans	—0.8	+ 47.7
		Direct retail instalment loans		
—11.4	+ 2.3	(a) Automobile	—0.6	+ 44.4
+ 8.0	— 6.8	(b) Other	—0—	+ 0.7
		Retail instalment paper purchased		
+ 1.1	+35.2	(a) Automobile	—1.3	+128.0
—19.2	— 0.4	(b) Other	—2.8	+ 35.7

During the month of February, the volume of consumer credit extended by 25 reporting banks of this District was slightly less than a year ago.

The greatest shrinkage occurred in personal instalment cash loans, in which the aggregate of new credits was nearly 10 percent smaller than in the same month last year.

Direct retail instalment loans on articles other than automobiles also were roughly 7 percent below the 1948 figure, and the repair and modernization loan volume fell 6 percent short of the year ago total.

Repayments on consumer credits continued to run ahead of new business with the result that the amount outstanding declined to the lowest since last October. With respect to personal instalment cash loans, the total outstanding at the end of February was the smallest in nearly one year.

Bank Debits*—February 1949

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

	Feb. 1949	% Change from Year Ago	3 Months Ended Feb. 1949	% Change from Year Ago
ALL 31 CENTERS............	$6,254,150	— 5.2%	$21,840,895	+ 6.0%
10 LARGEST CENTERS:				
Akron..................Ohio	196,866	— 1.6%	683,726	+ 1.2%
Canton..................Ohio	101,321	+ 4.6	355,493	+10.2
Cincinnati..............Ohio	786,983	— 3.1	2,685,357	— 2.7
Cleveland..............Ohio	1,539,557	+ 2.5	5,617,272	+ 6.7
Columbus..............Ohio	474,415	+11.7	1,595,030	+ 5.4
Dayton..................Ohio	203,330	+ 0.8	691,912	— 1.0
Toledo..................Ohio	305,425	—14.8	1,077,761	— 5.9
Youngstown............Ohio	131,444	+ 1.6	462,169	+ 5.8
Erie...................Penna.	75,446	— 1.1	262,980	+ 2.1
Pittsburgh.............Penna.	1,839,857	+15.3	6,299,438	+13.3
TOTAL....................	$5,654,644	+ 4.8%	$19,731,138	+ 5.9%
21 OTHER CENTERS:				
Covington-Newport.......Ky.	$36,902	+10.5%	$119,195	+ 2.9%
Lexington................Ky.	90,230	+47.7	363,492H	+21.1
Elyria..................Ohio	17,157	— 4.6	60,830	+ 1.0
Hamilton................Ohio	32,751	+ 1.9	113,342	+ 1.2
Lima....................Ohio	37,961	—0—	127,350	+ 3.2
Lorain..................Ohio	16,516	+ 8.8	57,033	+ 8.3
Mansfield...............Ohio	38,018	+11.7	125,547	+ 6.1
Middletown.............Ohio	29,115	+ 5.7	99,607	+ 5.4
Portsmouth.............Ohio	17,794	+ 1.0	63,328	+ 5.3
Springfield.............Ohio	39,315	— 1.3	134,966	+ 1.3
Steubenville............Ohio	20,012	+ 1.9	70,252	+ 4.9
Warren..................Ohio	35,133	+11.8	118,883	+11.2
Zanesville..............Ohio	22,952	+ 0.4	76,989	+ 0.9
Butler.................Penna.	27,779	+ 4.7	94,138	+ 6.6
Franklin...............Penna.	6,730	+13.0	22,918	+11.2
Greensburg............Penna.	18,330	+ 6.2	63,398	+ 5.2
Kittanning.............Penna.	8,887	— 3.7	31,166	+ 4.5
Meadville..............Penna.	10,894	+ 3.3	38,179	+12.2
Oil City...............Penna.	16,968	+ 0.4	57,030	— 0.1
Sharon.................Penna.	25,476	+ 9.3	86,644	+11.2
Wheeling.............W. Va.	50,586	+ 3.7	185,470	—0—
TOTAL....................	$599,506	+ 9.1%	$2,109,757	+ 6.9%

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

Debits to deposit accounts in 31 Fourth District cities during February were 5.2% larger than in the same period last year, and were the largest on record for the month.

Total deposits of the same banks were only about 3½% greater than a year ago, which indicates that the rate of turnover was slightly faster this February, especially in the smaller cities where debits were more than 9% above a year ago.

TEN LARGEST CITIES

Year-to-year changes among the ten largest cities ranged from a **15.3% gain in Pittsburgh to a 14.8% drop in Toledo.**

In **Columbus** debits also were substantially ahead of a year ago, while **Akron, Cincinnati,** and **Erie** reported **a** nominal decline from year-ago figures.

TWENTY-ONE SMALLER CITIES

Lexington was far out in front with a 47.7% gain over last year, as against an average increase of 9.1%. Debits in **Franklin, Mansfield,** and **Warren** likewise were more than 10% ahead of a year ago. In three other cities, debits during February ran moderately below last year's total.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation Feb. 1949	Jan. 1949	Feb. 1948	Without Seasonal Adjustment Feb. 1949	Jan. 1949	Feb. 1948
SALES						
Akron (6).................	303	298	306	260	229	263
Canton (5)................	320	361	323	249	267	252
Cincinnati (8).............	286	310	298	235	242	244
Cleveland (10)............	254	292	262	208	225	215
Columbus (5)..............	352	391	326	281	297	261
Erie (3)....................	317	336	298	254	259	239
Pittsburgh (8).............	264	293	269	220	220	223
Springfield (3)............	276	284	286	224	205	231
Toledo (6).................	263	296	270	221	210	227
Wheeling (6)...............	233	265	233	191	183	191
Youngstown (3)............	325	348	320	270	261	265
District (96)..............	277	303	284	227	230	233
STOCKS:						
District....................	275	274	286	255	240	266


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