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CONTENTS

Recent Banking Trends 1
Changes in Ohio's Leading Industries—
1939 to 1947 5
District Statistical Tables 10-11

FINANCE • INDUSTRY • AGRICULTURE • TRADE
FOURTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

Recent Banking Trends

OVER the past few months, the banking situation has continued to reflect both the characteristic deflationary movements of the downswing in business activity, and the inflationary measures recently adopted by the Treasury and the Board of Governors of the Federal Reserve System.

Commercial Loans One of the most propitious features has been the slowing down in the rate of contraction of commercial, agricultural, and industrial loans since the end of May, though caution must be exercised not to underestimate what may be largely a seasonal influence in this respect. In the thirteen weeks from the beginning of June to the end of August, the volume of commercial loans outstanding at weekly reporting member banks in the Fourth District dropped \$40 million—a little under 5 percent—to a new low since late 1947. This represented an average decline of \$3 million per week, whereas in the previous eleven weeks, these loans to business registered consecutive declines from the postwar peak in mid-March at an average weekly rate of over \$8½ million. During September there was a moderate recovery, though it is too early to ascertain whether the trend has been definitely reversed, or whether the gain is only temporary and largely seasonal in character. On September 28 (latest available date), the commercial loan total outstanding at reporting banks in this District was 12 percent below that on the comparable date last year.

At weekly reporting member banks in leading cities* throughout the United States, the 1949 upturn came earlier in the summer and was more pro-

nounced. It is true that throughout June and July, outstanding commercial loans dropped almost 5 percent, but from the low point established at the beginning of August, the volume of commercial indebtedness has expanded consistently, though at a relatively slow pace, to register a gain of 3½ percent in seven weeks as against a 1 percent decline in the Fourth District.

Causes of Commercial Loan Contraction

A considerable part of the liquidation of bank debt over the past year or so can undoubtedly be attributed to the reduction of inventories, particularly by retailers and wholesalers, during the first half of the year. (See previous discussion in the July issue of the Review). The recent retarding and reversal of the loan decline is due in some measure to restocking and replenishment of supplies and merchandise, as in many instances stocks probably had fallen too low for efficient operation. To these factors may be added the possibly further influence of some degree of stockpiling of steel and allied products as a precaution against labor disturbances. In order to assess accurately the causes of recent and current trends in commercial loans, however, it is necessary to consider briefly the extremely rapid and extensive expansion in these loans in the postwar period.

In addition to inventory borrowing, much of the debt incurred by businesses, especially since the fall of 1946, has been to provide new capital necessary for conversion and expansion programs. An amplitude of funds and the cheap money policy added to the attractiveness of debt financing, whereas equity money has tended to become increasingly scarce and expensive. Consequently a considerably greater proportion of new capital has been provided by borrowing than

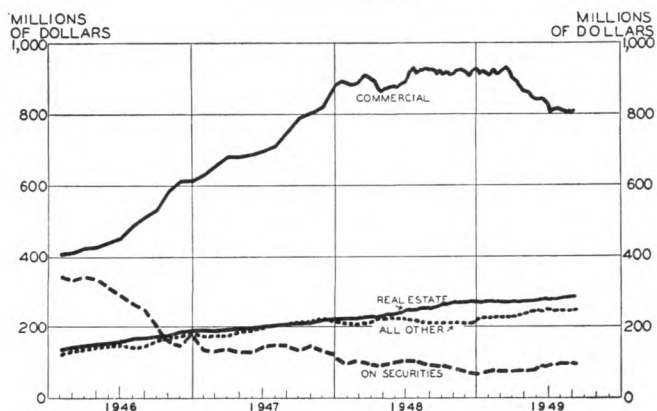
* Weekly reporting banks in leading cities account for about 75 percent of commercial, industrial, and agricultural loans outstanding at insured commercial banks.

in earlier periods of expanding economic activity. This kind of fixed-capital borrowing contributed to the expansion of so-called commercial loans, which increased over 150 percent at reporting Fourth District banks from the end of the war to the peak of March 1949. Such a large volume of debt was bound to be highly susceptible to changes in the business outlook, and it seems probable that the uncertainty which prevailed in business circles, particularly early in the year, led some companies to take advantage of the high level of retained earnings to repay debt incurred for capital expansion programs, in addition to debt reduction made possible by inventory liquidation.

The Outlook for Business Borrowing

The industrial recovery which began to emerge late in the summer seems to reflect primarily the delayed operation of seasonal factors and a more stable inventory situation. The increase of \$458 million in seven weeks in commercial loans at banks in leading cities of the country, however, contrasts somewhat unfavorably with an increase of \$574 million in the same period last year. While loans have expanded since July at reporting banks in all Districts except Cleveland, almost two-thirds of this rise was in the New York, Kansas City and Dallas districts, while the others have reported only relatively moderate advances. Moreover, more of the increase this year may be accounted for by Commodity Credit Corporation loans to farmers. As a result of the availability of more storage space, more grain is eligible for C. C. C. loans, and the lower yield on certificates and bills has made these loans at $1\frac{1}{2}$ percent more attractive to banks. An indication of this in the Fourth District is that loans and discounts at all country member banks in the District rose slightly during August, whereas at reserve city banks the decline continued.

LOANS OF REPORTING MEMBER BANKS
Fourth District



. . . commercial loans hit a 20-month low early in July and then leveled off, while real estate loans have continued to expand, though at a slower rate than last year.

Any estimation of the future trend of business borrowing is hampered by various conflicting factors. Although the full extent of deficit financing has not yet become apparent, it will result in the injection of a certain volume of purchasing power into the economy. By mid-September, \$2.8 billion had been raised through the cash sale of Treasury bills and tax-savings notes. Successive reductions in reserve requirements have been made by the Federal Reserve Board in order to provide member banks with ample funds for lending. And more specifically, recent weeks have evidenced a noticeable pickup in sales of household appliances, in prices of scrap and non-ferrous metals, and in production of textiles—items which were either among the first to show a break in prices and production, or in which the decline was of marked severity.

But it is as yet impossible to ascertain the effect of more plentiful banking funds on interest rates. Nor can it be determined to what extent anticipation of easier terms and charges is causing business borrowing to be restrained. Two considerations are apparent, however. The dollar volume of new short-term loans to business made by twelve Fourth District banks cooperating in a quarterly survey of interest rates was considerably lower in June than in any other survey period since the present series was inaugurated in June 1947, and was more than 34 percent below the volume recorded in March this year. It seems improbable that a further substantial drop in new loans has occurred since them. Furthermore, during August, a notable amount of new debt financing was undertaken by several large corporations at New York City banks.

Counteracting these movements are the labor disturbances in the steel and coal industries, which are causing widespread repercussions, and the likelihood of shrinking exports and intensified price competition in segments of the domestic market as a result of the drastic devaluation of the pound sterling and other European currencies. Although the present indications are that the national trend in commercial loans has picked up somewhat, whereas in this District it has only begun to level off, it should be borne in mind that in the country as a whole, the decline has been in progress since December of 1948, while in the Fourth District the peak volume of commercial indebtedness was not reached until the middle of March. From the postwar peaks to the 1949 lows to date, the respective commercial loan declines have been 18 percent nationally and 14 percent in the Fourth District.

Real Estate Loans

Real estate loans have been moving slowly but consistently upward since the beginning of May, reaching a record level of \$285,000,000 at the 19 reporting

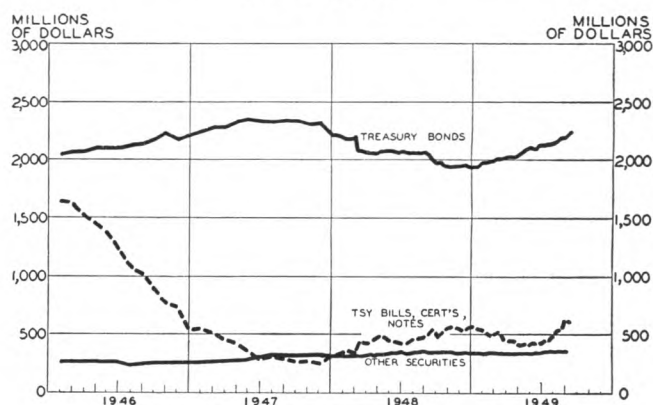
banks at the end of September, 6 percent above the year-ago level. This expansion in the volume of bank-held mortgages is largely seasonal, however, and the \$9 million increase in the five months from May 4th falls considerably short of the \$22 million upsurge in the corresponding period of 1948, when the mortgage lending boom was in full swing. This showing is in close accord with the nationwide trend as indicated by weekly reporting banks in leading cities, and bears witness to the continued high level of construction and widespread demand for homes. Movements at lending agencies other than commercial banks, where mortgage indebtedness is also growing at a slower rate than last year, indicate that the gap between new loans and repayments is narrowing from both sides; new loan volume is shrinking in comparison with 1948, while partial repayments and pay-offs, inevitably subject to a time lag, are gradually catching up.

Consumer and All Other Loans The sizeable "all other loans" category, which includes consumer credit, slipped back slightly during July and August, but early in September rose to a new postwar peak, 13 percent greater than at the beginning of the year, and 18 percent above the year-ago amount. Based on data from a smaller sample of banks, the leveling off seems to have been due to a shrinkage in noninstalment debt, comprising such items as loans to building and loan associations, insurance companies, credit unions, clubs and similar associations, churches, hospitals, educational and charitable institutions. Following the seasonal contraction early this year, a very high volume of instalment debt has been incurred by individuals at 25 reporting banks in the District, while the volume of repayments and pay-offs, though still rising, continues to lag behind. As a result, outstanding instalment credit at these banks has attained new record levels, with the main impetus for the rapid expansion coming from automobile loans, (including both direct loans and purchased paper), and from repair and modernization credits.

With the exception of the commercial loan shrinkage, none of the various categories of loans has shown evidence of any definite deflationary trend in recent months, and in consequence, the total volume of indebtedness to reporting banks at the end of September was only slightly below the end of May figure and 3 percent under the year-ago volume.

Investment Policies The chief factor affecting bank investment policies in recent months has been the reductions in required reserves made by the Board of Governors of the Federal Reserve System in order to ensure a plentiful supply of loanable funds and to increase the earning assets of member banks. The first of these cuts in May reduced

INVESTMENTS OF REPORTING MEMBER BANKS Fourth District



... under the combined stimulus of reduced reserve requirements and the decline in loans, holdings of U. S. Government securities increased sharply during the summer, and by mid-September reached the highest point in over two years.

reserve requirements \$72 million, (about 5½ percent) for Fourth District member banks. Most of these released funds were rapidly absorbed by investment in Government securities. With the expiry on June 30th of the temporary authority granted by Congress for increased reserve requirements, reserves which member banks were required to maintain against both time deposits and net demand deposits automatically dropped by 1 percent at country and reserve city banks, making available a further \$91 million (or 7 percent) for the extension of credit on investment. After the lapse of several weeks, further and more extensive reductions were announced by the Board to become effective serially throughout August. The new reductions, in the nature of 2 percent on net demand deposits and 1 percent on time deposits, released a further \$146 million. Thus a total of around \$310,000,000 or 24 percent was made available to member banks in this District in the four months May through August.

As was to be expected, a rapid expansion in investments in United States Government securities followed the lowering of reserve requirements. From the beginning of May to the middle of September, holdings of all classes of Government securities rose by \$380 million (over 15 percent) at weekly reporting member banks of this District, to the highest point in over two years. Deposits at these banks represent almost three-fifths of all member bank deposits in the District. The remaining two-fifths of the banking resources in this District accounted for only a \$60,000,000 increase in investments in United States Government obligations by the end of August. At the same time, interbank deposits of the weekly reporting banks rose substantially, by more than half the amount of funds released at country banks.

Treasury bonds paced this expansion with an increase of \$178 million, and by mid-September total holdings of this type of investment had increased by over 16 percent from the postwar low of last December. The major part of this expansion in bond holdings has occurred since the end of July, a period in which no bonds have been sold by the Open Market Committee of the Federal Reserve System. It seems probable, therefore that most of the increase in Treasury bonds at Fourth District banks has come from purchases from nonbank investors.

Immediately following the first of the series of reductions in required reserves, the decline in the short-term Government portfolio was arrested. In the following four months a sharp jump of 59 percent in holdings of short-term Governments lifted the volume of these investments to the highest level since late 1946 and 28 percent above the year-ago volume. Initially the movement was concentrated in certificates of indebtedness, but in July and August the banks purchased a substantial quantity of bills, probably in anticipation of some rise in price following the decision of the Federal Open Market Committee to allow a greater measure of flexibility in the Government security market and because of the announcement in August of a reduction in the rate on one-year certificates from $1\frac{1}{4}$ percent to $1\frac{1}{8}$ percent. Further impetus to the expansion in bill holdings came from the Treasury's issuance of new bills in excess of maturities as part of its deficit financing measures, by which \$800 million was raised in six weeks from the beginning of August. Investment in corporate and municipal securities, which had shown little fluctuation for about a year, has been stimulated by the lower yields on medium-term securities, to register an 8 percent increase since the beginning of May to a new postwar peak.

Despite the over-all increases in investment portfolios, excess reserves have risen somewhat, particularly at country banks, though until some degree of stability is reached it would be unsafe to assume that any particular ratio of excess reserves is destined to be permanent. The combined factors of reduced reserve requirements and continued low excess reserves do not account for the whole of the increase in holdings of Governments. The shrinkage in commercial loan volume and a rising volume of demand deposits have provided considerable additional impetus to investment programs.

CHANGES AMONG DEPOSIT CLASSES

Demand Deposit Expansion Movements in deposits have shown divergent trends in the past several months. Demand deposits have continued in a slow and irregular general upward trend from the April low. Since the beginning of June, adjusted demand deposits at weekly reporting Fourth District banks have been almost without exception

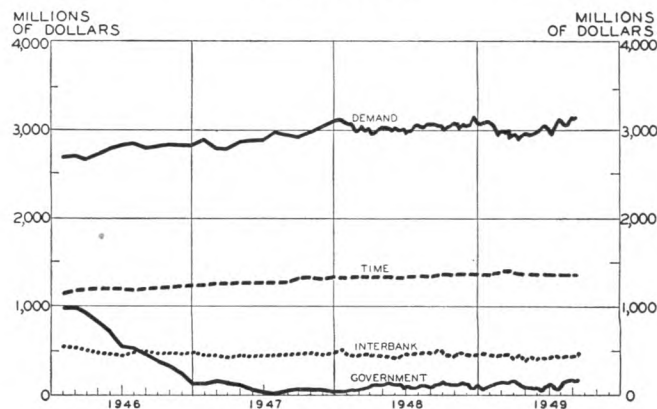
slightly in advance of year-ago levels, although they have evidenced considerable variation from week to week. At the end of August, these deposits established a new all-time high, \$240 million (almost $8\frac{1}{2}$ percent) in excess of the April low. That demand deposits have held up during the recent period of very considerable tax-note purchases by corporate depositors is probably due to liquidation of other types of government securities by the purchasers.

Time Deposits Decline At 58 banks in this District, time deposits have shown a slow but regular downtrend, declining for five consecutive months from the all-time high at the end of March at an average rate of \$550,000 per week. This reduction in what are primarily the personal savings of individuals may represent in part a transfer to the more active category of demand deposits, but in the main is probably due to an increase in the rate of withdrawals relative to new savings, attributable in some degree to vacation expenditures and purchases of consumer durable goods such as automobiles and household appliances. Although the decline at reporting banks has been of considerable duration, at the end of August savings deposits at these banks were nominally above the volume at the beginning of the year, and more than 2 percent above the year-ago level. Reports from all member banks in the District indicate that while time deposits at reserve city banks have declined over a longer period and to a greater extent than at country banks, the movements at both classes of banks have been closely related.

At reserve city banks the downtrend began in April, while at country banks, which account for

(Continued on Page 12)

DEPOSITS OF REPORTING MEMBER BANKS
Fourth District



... adjusted demand deposits have maintained their irregular expansion during recent months, reaching an all-time high early in September. Time deposits show a nominal net decrease for the year to date.

Changes In Ohio's Leading Industries—1939 to 1947

ANALYSIS of the latest Census of Manufactures data drives home the fact that the economy of the State of Ohio is founded primarily upon iron and steel, and upon the fabricating industries that are directly dependent upon ferrous metal supply. In fact, the importance of these industries has grown considerably since the Census of 1939 was taken.

The Census of Manufactures divides all manufacturing activity into 20 industry groups, as shown in the accompanying table. In Ohio, 61 percent of all manufacturing production workers in 1947, or 601,000, were employed by only five industry groups, i. e., primary metals, machinery (excluding electrical), fabricated metals, transportation equipment, and electrical machinery. This represented a marked gain from 1939 when only 318,600 workers, or 53½ percent of the total were employed by these industries. Moreover, these five industries paid higher-than-average wages, since their production workers took home nearly 64 percent of manufacturing payrolls or about \$1,741 million.

The value added by manufacture by the five industries amounted to \$3,700 million or 58 percent of the total as compared with \$1,118 million in 1939 which was less than 53 percent of that year's aggregate.

Despite their larger than proportional contribution to the state's economy, only 4,450 establishments or 36 percent of the total were engaged in the five manufacturing classes, but these 4,450 places represented a 71 percent gain over the number of establishments so occupied in 1939. This was far above the increase of 13 percent experienced by the other 15 industry groups put together. It appears then, from the 1939-1947 growth record, that Ohio manufacturers continued to concentrate and expand in those fields that afforded certain competitive advantages that were derived from raw materials, location, low-cost power, management skill and experience, trained labor supply, financial resources, and nearness to markets.

The value added by manufacture in Ohio in 1947 totaled \$6,379 million as compared with \$2,116

million in 1939, or an increase of 201 percent. Ohio accounted for 8.6 percent of the value added by all manufacturers in the United States in both 1939 and 1947. "Value added by manufacture" is defined by the Bureau of Census to mean the amount by which the value of shipments exceeds the cost of materials and supplies.

Machinery, Except Electrical The most important industry group in the state as measured by value added, is nonelectrical machinery. Value added by this group in 1947 amounted to \$1,256 million and accounted for nearly 20 percent of the value added by all industries in the state. This represented an increase of 258 percent over the \$351 million value added in 1939. Moreover, the industry also gained in relative importance over 1939 when it accounted for only 16.6 percent of the value added by Ohio manufacturers.

The machinery (except electrical) classification covers a wide group of products. It includes engines and turbines, agricultural machinery and tractors, construction and mining machines, machine tools, metal working equipment and special industry machinery such as food, textile, and printing trades equipment. Also included are general industrial machinery such as pumps, compressors, blowers, conveyors, and stokers as well as office and store machines, and such consumer goods as refrigerators, sewing machines, and washing machines.

In 1947, there were 1,865 establishments producing these various products, an increase of 94 percent over 1939. This represented the greatest rate of growth of any group of industries in Ohio and may be compared with the statewide increase of 29 percent for all manufacturing establishments.

Machinery producing establishments, except electrical, employed on the average 186,500 production workers in 1947 or 18.8 percent of the state's factory employment. The number of production workers increased nearly 120 percent over 1939. The average annual wage paid these workers amounted to \$2,951 whereas the average rate of pay for all production workers engaged in manufacturing was \$2,759.

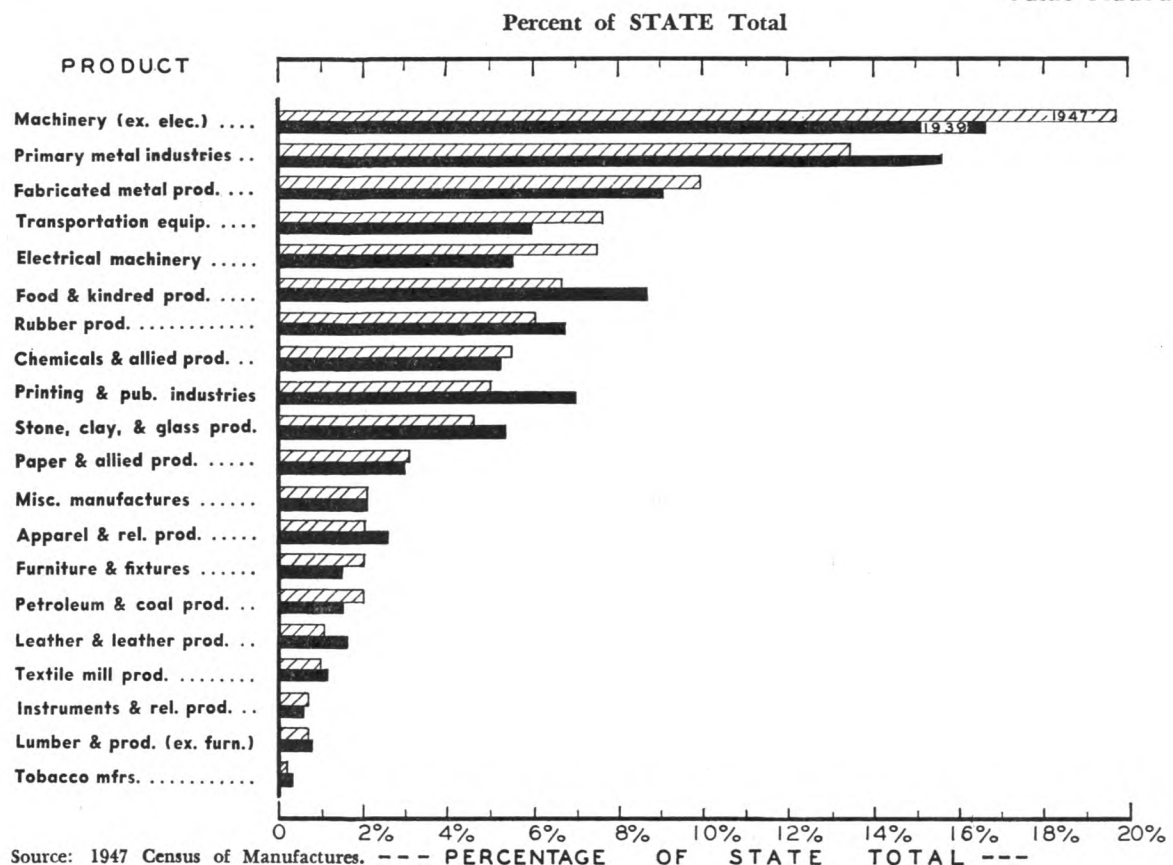
Primary Metals The second ranking industry group in Ohio in 1947 is the primary metals group with a value-added total of \$857 million. About one-half of this output was produced by basic steel works and rolling mills. The primary metals group slipped somewhat in importance in the state's economy between 1939 and 1947. In the earlier census year, value added by manufacture was 15.7 percent of the state's total, whereas by 1947 it had declined to 13.4 percent. In all probability, most

NOTE: Recent articles in the Monthly Business Review, based upon preliminary returns of the 1947 Census of Manufactures, have analyzed the importance of manufacturing activity in Fourth District states and leading industrial counties in the District. These articles were concerned with the general overall importance of all manufacturing combined as measured by value added, number of employees, wages, and number of establishments, and they analyzed some of the changes that have taken place since the previous Census of 1939.

Similar information has since become available with respect to 20 individual industries for the United States as a whole, and by individual states. These preliminary data make it possible to analyze the growth that has taken place in these individual groups of industries and to measure their importance to the economy of individual states. This article deals with manufacturing in the State of Ohio.

INDUSTRY GROUP	Value Added by Manufacture (in millions)		No. of Establishments		No. of Production Workers		Wages Produced (in millions)
	1947	1939	1947	1939	1947	1939	
1. Machinery (ex. elec.)	\$1,256.4	\$ 351.1	1,865	961	186,500	84,900	\$ 55
2. Primary metal industries	856.8	332.0	605	416	156,700	109,300	47
3. Fabricated metal prod.	631.7	192.6	1,431	886	102,300	60,400	27
4. Transportation equip.	483.4	125.2	247	152	78,000	34,200	23
5. Electrical machinery	471.6	116.8	302	193	77,600	29,800	20
6. Food and kindred prod.	425.2	182.2	1,875	2,253	48,100	41,500	11
7. Rubber prod.	381.2	141.1	134	100	68,200	37,000	19
8. Chemicals and allied prod.	347.2	110.5	641	527	26,700	15,800	7
9. Printing and pub. industries	322.2	147.2	1,555	1,409	33,000	25,200	9
10. Stone, clay, and glass prod.	293.2	112.4	871	582	53,400	40,300	13
11. Paper and allied prod.	199.1	61.1	228	197	27,300	19,100	7
12. Misc. manufactures	136.8	43.4	619	425	28,700	15,400	6
13. Apparel and rel. prod.	129.4	52.4	494	389	27,500	25,400	5
14. Furniture and fixtures	128.3	29.5	333	253	22,300	11,500	5
15. Petroleum and coal prod.	96.6	30.4	124	104	9,100	6,200	2
16. Leather and leather prod.	68.3	34.0	117	108	16,200	18,400	3
17. Textile mill prod.	58.2	23.8	82	79	9,800	9,000	2
18. Instruments and rel. prod.	41.4	10.2	134	74	6,200	2,400	1
19. Lumber and prod. (ex. furn.)	37.5	14.9	595	390	8,600	6,200	1
20. Tobacco mfrs.	14.5	5.8	47	45	2,400	3,400	1
TOTALS	\$6,379.2	\$2,116.4	12,299	9,543	988,500	595,500	\$2,7

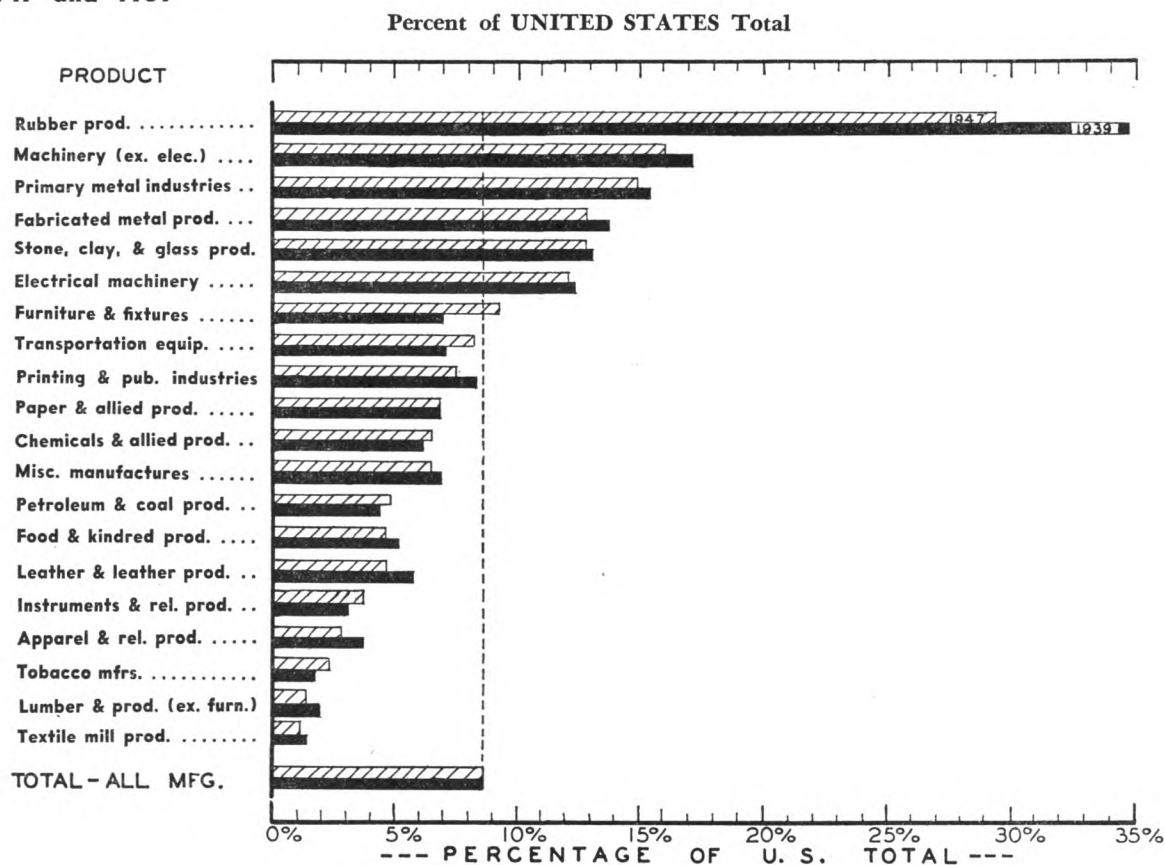
Value Added by Ohio



... five leading industries produced 58 percent of the value added in Ohio, in 1947 as compared with 53 percent in 1939. Only primary metals lost ground.

Value Added by Manufacture				Percentage Change in No. of Establishments 1939-47	No. of Production Workers per Establishment		Average Wage per Production Worker 1947
Percent of Ohio Total		Percent of U. S. Total			1947	1939	
1947	1939	1947	1939				
19.7%	16.6%	16.1%	17.2%	+94%	100	88	\$2,951
13.4	15.7	14.8	15.3	+45	259	263	3,027
9.9	9.1	12.8	13.7	+62	71	68	2,694
7.6	5.9	8.2	7.1	+63	316	225	3,031
7.4	5.5	12.1	12.4	+56	257	154	2,631
6.7	8.6	4.7	5.2	-17	26	18	2,341
6.0	6.7	29.3	34.8	+34	509	370	2,902
5.4	5.2	6.5	6.1	+22	42	30	2,775
5.1	7.0	7.5	8.3	+10	21	18	2,915
4.6	5.3	12.7	13.1	+50	61	69	2,487
3.1	2.9	6.9	6.9	+16	120	97	2,711
2.1	2.1	6.5	6.9	+46	46	36	2,286
2.0	2.5	2.9	3.8	+27	56	65	2,051
2.0	1.4	9.3	7.0	+32	67	45	2,556
2.0	1.4	4.8	4.4	+19	73	60	3,132
1.1	1.6	4.6	5.8	+ 9	138	170	1,932
.9	1.1	1.1	1.3	+ 4	120	114	2,306
.6	.5	3.8	3.1	+81	46	32	2,452
.6	.7	1.5	2.0	+53	14	16	2,151
.2	.3	2.3	1.7	+ 4	51	76	1,792
100.0%	100.0%	8.6%	8.6%	+29%	80	62	\$2,759

Manufacturers — 1947 and 1939



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 Federal Reserve Bank of St. Louis

with respect to each of six important industries, value added in Ohio ranged from 12 percent to nearly 30 percent of the national total, but in most cases the percentage was smaller than in 1939.

of this relative shrinkage of dollar value was due to the failure of ferrous metal product prices to rise as rapidly as the general price level in the early post-war period. Value added thus increased only 158 percent over 1939 as compared with an all-industry rise of 201 percent.

There were 605 primary metal establishments in Ohio in 1947, a gain of 45 percent over 1939. These establishments employed 156,700 production workers, a gain of 43 percent over 1939, and paid \$474 million in wages. The average annual wage of primary metal workers was \$3,027 and was exceeded only by two other classes of manufacturing wage earners, namely, transportation equipment, and petroleum and coal products.

Fabricated Metals The third ranking industry group in Ohio is fabricated metal products (as distinguished from primary metals) which had a total value added by manufacture of \$632 million, or 9.9 percent of all industry. The gain over the \$193 million total in 1939 amounted to 228 percent.

The general stimulus of urgent demand for all kinds of metal products during the war and postwar period favored the creation of new establishments so that in 1947 there were 1,431 establishments engaged in this business as compared with 886 in 1939, or an increase of 62 percent. Hiring of production workers increased at an even greater rate so that employment rose from 60,400 to 102,300 or an advance of 69 percent. Total wages paid production workers in 1947 amounted to \$276 million or an average wage of \$2,694 per annum.

Transportation Equipment The transportation equipment industry group ranked fourth in 1947 with value added by manufacture amounting to \$483 million. This represented a gain of 286 percent over the \$125-million total in 1939 when auto, truck, bus, airplane, railway equipment and parts producers were operating at considerably less than capacity. This industry group also forged ahead in general rank by virtue of accounting for 7.6 percent of the state's total value added by manufacture as compared with only 5.9 percent in 1939.

The transportation equipment industry was one of the few industries in the state to gain a larger share of the national market during the inter-census period. The proportion of total United States value added by the industry rose from 7.1 percent to 8.2 percent.

From the point of view of the number of establishments, the transportation equipment industry is one of the smallest in Ohio, with only 247 plants. This, however, represented a far-above-average increase of 63 percent over 1939. The individual size of establishments in 1947 was very large; each em-

ployed on the average, 316 production workers, and was exceeded only by rubber product plants that had an average enrollment of 509 workers. The average manufacturing establishment in Ohio employed only 80 production workers.

This industry's employment swelled from 34,200 in 1939 to 78,000 in 1947, an advance of 128 percent. Production payrolls in the last census year totaled \$236 million, or an individual annual average of \$3,031, the second highest among major industries in Ohio.

Electrical Machinery The electrical machinery industry ranked a close fifth in Ohio in the last census period with value added by manufacture of \$472 million, a gain of 304 percent over 1939. Of the major industry groups, this represented the largest rate of increase. The electrical machinery group produces such varied goods as wiring devices and supplies, carbon electrodes, generating and distributing apparatus, electric household ranges, automotive electric equipment, light bulbs, radios, and batteries.

This industry likewise substantially increased its proportion of the total of value added by manufacture, rising from 5.5 percent in 1939 to 7.4 percent in 1947. Part of this is attributable to the 56 percent growth in the number of establishments since there were 302 in 1947 as compared with only 193 places in the earlier period. The industry also exhibited the greatest percentage gain in the state in the addition of production workers, an increase of 160 percent, as enrollment shot up from 29,800 in 1939 to 77,600 in 1947. The average establishment in the latter year employed 257 production workers as compared with 154 in the prewar period.

Ranked according to the value added by manufacture, the next five leading industry groups in 1947 were food and kindred products, rubber products, chemical and allied products, printing and publishing, and stone, clay and glass products. These groups contained 5,076 establishments or 41 percent of Ohio's total whereas in 1939 there were 4,871 such places or 51 percent of the total.

These 5,076 establishments in 1947 contributed about 28 percent of the value added as compared with 33 percent in 1939.

Food Processing Although food and kindred products manufacturing establishments are more numerous (1,875) than any other industry group, they are, on the average, very small places of business. The typical establishment employed only 26 production workers and paid average annual wages of \$2,341 in 1947. Sheer weight of numbers, however, enabled the industry to pile up an aggregate value added by manufacture figure of \$425 million, to rank sixth in the State.

Food manufacturing as an industry lost ground between 1939 and 1947. In the former year, it contributed 8.6 percent to the state's value-added total, whereas in the latter period this had dropped to 6.7 percent. Further, there was a net decline of 378 in the number of such establishments or 17 percent. This was the only industry in the state in which the number of establishments declined during the inter-census period. Employment rose nominally from 41,500 to 48,100, or 16 percent. In this period, food processing plants, which usually work on narrow margins, undoubtedly found it difficult to compete for labor with higher wage-paying industries.

Rubber Ohio's rubber products industry, the center of which is located in Akron, was the seventh ranking industry in terms of value added, but sixth in terms of the number of production workers employed. Value added in 1947 amounted to \$381 million, a gain of 170 percent over the \$141 million total of 1939.

Employment of production workers rose from 37,000 in 1939 to 68,200 in 1947, or a gain of 84 percent, well above the average all-industry gain of 66 percent.

The rubber industry declined somewhat in importance between the two periods as value added dropped from 6.7 percent of the state's total to 6.0 percent. It is entirely possible, however, that this reflects the special price situation that has prevailed for rubber products, particularly automotive casings in the postwar period. Selling prices were advanced only nominally in relation to all other prices so that value added was not greatly inflated by the price factor.

Of the top ten industry groups in Ohio, the rubber products group with only 134 establishments had the smallest number. These 134 places, however, averaged 509 production workers per unit, the largest number by far of any industry. The average was boosted by the 11 establishments devoted principally to tire and tube production. This handful of plants averaged 3,552 production workers per unit, and accounted for 61 percent of the value added by Ohio's entire rubber products industry.

Minor Industries Among the 13 remaining industry groups, only three (chemicals, printing and publishing, and stone, clay and glass) accounted for as much as 5 percent each of the value added by manufacture in the state, while five groups each accounted for 1 percent or less of the total. Two of this latter group, i. e., leather and leather products, and tobacco manufactures, reduced the number of production workers employed by 12 percent and 29 percent, respectively, and the number of establishments remained virtually the same.

Several of the smaller manufacturing industries

forged ahead rapidly in the inter-census period. Furniture and fixtures, for example, increased value added from less than \$30 million in 1939 to \$128 million in 1947 while the number of production workers advanced 94 percent to 22,300. The national importance of these producers also gained, as Ohio manufacturers' proportion of value added by all United States furniture establishments rose from 7 percent in 1939 to 9.3 percent in the latest census year.

The small but highly important instrument products group also showed remarkable growth. Value added by manufacture shot up from \$10 million to \$41 million in the eight-year period while employment expanded from 2,400 production workers to 6,200.

National Importance of Ohio Industry Although Ohio manufacturers as a whole turned out 8.6 percent of the value added by manufacture by all producers in the United States in 1947, only six industry groups in the state turned out as much as this average. A seventh industry, furniture and fixtures, fell just short of the average. The bar chart shows Ohio industry groups ranked in descending order according to the percent of total United States value added by manufacture. The shaded bars represent 1947, while the 1939 percentages are indicated with solid bars.

From the point of view of national importance, the six leading industries in the state are rubber, machinery (except electrical), primary metals, fabricated metal products, stone-clay-glass products, and electrical machinery. Without exception, however, each of these industries failed to contribute as great a share to value added by manufacture in 1947 as it did in 1939.

The sharpest drop occurred in rubber manufacturing. This industry's share of national value added by manufacture dropped from 34.8 percent in 1939 to 29.3 percent in 1947. Most of this decline is undoubtedly explained by the tremendous wartime expansion of rubber manufacturing facilities in areas outside of Ohio. Most of these new plants were financed by the Government and many of them have since been sold to industrial concerns.

Among the other major industries, the loss in the proportion of national value added was less than one percentage point in all cases except machinery where it was 1.1 percent. This stability is rather noteworthy in the face of the westward shift of population and the increase in western and southern industrialization.

As shown by the chart, six Ohio industries increased somewhat their share of value added by manufacture. These were: furniture and fixtures, transportation equipment, chemicals and allied products, petroleum and coal products, instruments, and tobacco products.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—August 1949

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)

(Compiled September 23, and released for publication September 26)

Radios, Phonographs and Television.....	+33
Books and Stationery.....	+11
Toys and Games.....	+7
Gift Shop.....	+6
Girls' Wear.....	+3
Shoes (Women's and Children's).....	+3
Millinery.....	+3
Toilet Articles and Drug Sundries.....	+2
Draperies, Curtains, etc.....	+1
Aprons, Housedresses and Uniforms.....	0
Corsets and Brassieres.....	0
Handkerchiefs.....	-2
Domestics, Muslins and Sheetings.....	-2
Art Needlework.....	-2
Notions.....	-2
Neckwear and Scarfs.....	-3
Blouses, Skirts and Sportswear.....	-3
Infants' Wear.....	-3
Costume Jewelry.....	-4
Men's Furnishings and Hats.....	-4
Handbags and Small Leather Goods.....	-4
Linens and Towels.....	-4
Shoes (Men's and Boys').....	-5
Housewares.....	-6
China and Glassware.....	-6
Boys' Wear.....	-6
Luggage.....	-6
Underwear, Slips and Negligees.....	-7
Inexpensive Dresses (Women's and Misses').....	-7
Gloves (Women's and Children's).....	-7
Blankets and Comforters.....	-8
Sporting Goods and Cameras.....	-8
Furniture and Bedding.....	-8
Lamps and Shades.....	-9
Hosiery.....	-11
Candy.....	-12
Silverware and Clocks.....	-13
Fine Jewelry and Watches.....	-13
Better Dresses (Women's and Misses').....	-14
Men's Clothing.....	-17
Cotton Wash Goods.....	-18
Domestic Floor Coverings.....	-20
Silks, Velvets and Synthetics.....	-21
Woolen Dress Goods.....	-21
Records, Sheet Music and Pianos.....	-23
Laces and Trimmings.....	-23
Juniors' Coats, Suits and Dresses.....	-24
Coats and Suits (Women's and Misses').....	-28
Major Household Appliances.....	-31
Furs.....	-35

GROUP TOTALS

Small Wares.....	-1
BASEMENT STORE TOTAL.....	5
Miscellaneous Merchandise Dept's.....	7
Men's and Boys' Wear.....	9
GRAND TOTAL (reporting stores).....	9
Piece Goods and Household Textiles.....	9
MAIN STORE TOTAL.....	-10
Women's Apparel and Accessories.....	-11
Housefurnishings.....	-11

Sales by Fourth District department stores during August made less than seasonal gains from July, with most departments at substantially lower levels than a year ago in spite of the pickup towards the end of the month. Since August had one more trading day than last year's month, the percentage declines in dollar sales from last year fail to reflect fully the lower level of average daily sales.

Among the few departments which showed a marked improvement in sales were several in the housefurnishings group. Sales of radios, phonographs and television, for example, scored large gains for the second successive month. Sales of this department were up 33% from a year ago (without adjustment for trading days) and were nearly twice as high as in June of this year. Sales of furniture and bedding, and of domestic floor coverings responded well to the usual August clearances and made more than seasonal gains from July, although they were 8% and 20% respectively below a year ago. Reports on major household appliances, however, were less favorable. August sales of appliances were practically unchanged from July in the face of the usual August pickup, and were 31% below the record high of a year ago.

Sales by the women's apparel and accessories group were up seasonally from July, but averaged 11% below last year's level. Accessories fared better than the apparel lines. Sales of women's and children's shoes and of millinery showed more than seasonal gains from July, and in each case were up 3% from a year ago. Among the apparel departments women's and misses' coats and suits posted greater than seasonal gains from the previous month, but due to previous declines were 28% below year-ago levels. Sales of dresses declined seasonally from July and were 10% below last year.

Each of the four departments in the men's and boys' wear group posted a four-year low for the month, and sales of the group as a whole were 9% below a year ago. Boys' wear was the only department in the group where July sales levels were maintained, but even in that instance sales were down 6% from a year ago.

The most favorable year-to-year showing among the major departmental groups was reported by small wares, where sales were only 1% below a year ago. The latter included books and stationery, up 11%, and toilet articles and drug sundries, up 2% from a year ago. At the opposite extreme, sales by the piece goods departments were 20% below last year.

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

Department Store Inventories—August 31, 1949

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)

(Compiled September 29, and released for publication September 30)

Costume Jewelry.....	+7
China and Glassware.....	+5
Gift Shop.....	+4
Shoes (Women's and Children's).....	+4
Coats and Suits (Women's and Misses').....	+4
Luggage.....	-1
Silverware and Clocks.....	-2
Books and Stationery.....	-2
Art Needlework.....	-4
Notions.....	-4
Shoes (Men's and Boys').....	-4
Toilet Articles and Drug Sundries.....	-4
Fine Jewelry and Watches.....	-4
Men's Clothing.....	-7
Handbags and Small Leather Goods.....	-8
Corsets and Brassieres.....	-8
Radios, Phonographs and Television.....	-9
Laces and Trimmings.....	-9
Juniors' Coats, Suits and Dresses.....	-9
Boys' Wear.....	-10
Silks, Velvets and Synthetics.....	-10
Toys and Games.....	-10
Sporting Goods and Cameras.....	-10
Girls' Wear.....	-11
Woolen Dress Goods.....	-11
Lamps and Shades.....	-12
Furs.....	-12
Blouses, Skirts and Sportswear.....	-13
Candy.....	-13
Draperies, Curtains, etc.....	-13
Better Dresses (Women's and Misses').....	-14
Men's Furnishings and Hats.....	-14
Millinery.....	-14
Gloves (Women's and Children's).....	-15
Neckwear and Scarfs.....	-16
Housewares.....	-16
Linens and Towels.....	-16
Furniture and Bedding.....	-17
Handkerchiefs.....	-17
Infants' Wear.....	-17
Underwear, Slips and Negligees.....	-18
Inexpensive Dresses (Women's and Misses').....	-19
Aprons, Housedresses and Uniforms.....	-19
Blankets and Comforters.....	-19
Cotton Wash Goods.....	-19
Records, Sheet Music and Pianos.....	-21
Domestic Floor Coverings.....	-21
Domestics, Muslins, Sheetings.....	-26
Hosiery.....	-26
Major Household Appliances.....	-30

GROUP TOTALS

Small Wares.....	-3
Miscellaneous Merchandise Dept's.....	-9
BASEMENT STORE TOTALS.....	-9
Women's Apparel and Accessories.....	-10
Men's and Boys' Wear.....	-10
MAIN STORE TOTAL.....	-11
GRAND TOTAL (reporting stores).....	-11
Housefurnishings.....	-16
Piece Goods and Household Textiles.....	-16

The decline in inventories reported by Fourth District department stores for a number of months previously was stemmed during August, as stocks rose at the normal seasonal rate. At the close of the month, however, stocks averaged 11% below a year ago. Men's wear and women's wear shared in the inventory increases during the month, while stocks of housefurnishings declined for the fourth successive month.

Stocks in all departments of the women's wear group increased during August, although at month end they averaged 10% below a year ago. Marked increases occurred in stocks of women's and misses' coats and suits and of women's and children's shoes, each of which were 4% above a year ago at the end of August. Both of these departments reported favorable sales during the month. Stocks of dresses and of hosiery, however, rose moderately and closed the month at levels 16% and 26% respectively below a year ago.

All four departments in the men's and boys' wear group reported inventory rises during the month, along with rather slow sales. At the end of the month, however, stocks in this group were below year-ago levels by percentages ranging from 4% in the case of men's and boys' shoes to 14% for men's furnishings and hats. Stocks in the latter department were at a four-year low for the month.

Among the housefurnishings departments stocks of major household appliances declined for the fifth consecutive month and closed at a level 30% below a year ago. Likewise all other housefurnishings departments reported declines from the previous month as well as from a year ago, with the exception of draperies and curtains where stocks were up slightly from July, and china and glassware where stocks were 5% above a year ago.

As in recent months, stocks of small wares showed the smallest year-to-year decline of any group. Included among the latter was costume jewelry which posted a 7% rise in stocks from a year ago. At the other extreme, stocks of piece goods and household textiles, down 16% from a year ago, showed the largest year-to-year decline of any group.

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

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits at 58 Banks in 12 Fourth District Cities

(Compiled September 15, and released for publication September 16)

City and Number of Banks	Time Deposits Aug. 31, 1949	Average Weekly Aug. 1949	Change July 1949	During: Aug. 1948
Cleveland (4)	\$ 891,265,000	— \$ 855,000	— \$452,000	+\$ 98,000
Pittsburgh (11)	459,788,000	+ 40,000	— 5,000	+ 5,000
Cincinnati (8)	182,130,000	— 152,000	— 152,000	+ 243,000
Akron (3)	102,827,000	— 98,000	+ 42,000	+ 24,000
Toledo (4)	103,487,000	+ 86,000	— 48,000	+ 25,000
Columbus (3)	82,914,000	— 29,000	— 112,000	+ 101,000
Youngstown (3)	63,792,000	— 96,000	— 82,000	+ 129,000
Dayton (3)	45,744,000	— 77,000	— 100,000	+ 13,000
Canton (5)	42,799,000	— 56,000	— 32,000	+ 18,000
Erie (4)	40,187,000	+ 11,000	+ 24,000	+ 8,000
Wheeling (5)	27,671,000	— 24,000	— 67,000	+ 55,000
Lexington (5)	10,690,000	— 4,000	— 4,000	— 18,000
TOTAL—12 Cities	\$2,053,294,000	— \$1,254,000	— \$988,000	+\$701,000

Time deposits at 58 Fourth District banks declined 0.3 percent during August, for the fifth successive month of contraction. The shrinkage was at the rate of \$1,254,000 per week in the five week period, a slightly more rapid rate of decline than in July, and in contrast to the expansion of August last year. In spite of the continued reductions, time deposits are more than 2 percent greater than a year ago, and only 0.6 percent below the all-time high recorded at the end of March this year.

The contraction was fairly general, with 36 banks reporting decreases during the month. At the same time, most of the banks recorded an increase over the year-ago level.

Individual Cities

Of the twelve reporting centers, Pittsburgh, Toledo, Erie and Lexington were the only cities in which the trend of time deposits was positive in relation to August 1948, when nearly all cities registered increases over the previous month. Gains during last month were sufficient in Erie and Toledo to establish new all time highs in total time deposits.

In Cleveland, Akron, and Youngstown, the rate of decline was noticeably greater than in any previous month of contraction this year, while in Columbus, Dayton and Wheeling, the weekly shrinkage was considerably smaller than in July.

Changes in Consumer Instalment Credit August 1949

25 Fourth District Member Banks

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

New Loans Made Compared With		Type of Credit	Outstanding at End of Mo. Compared With	
Mo. Ago	Yr. Ago		Mo. Ago	Yr. Ago
+ 9.0%	+17.0%	Total consumer instalment credit	+2.2%	+20.2%
+ 0.9	— 7.7	Personal instalment cash loans	—0.1	+ 2.7
+41.3	+33.1	Repair and modernization loans	+4.4	+21.6
		Direct retail instalment loans		
+ 5.2	+29.3	(a) Automobile	+3.5	+38.2
+ 3.7	—10.5	(b) Other	—2.1	— 8.7
		Retail instalment paper purchased		
— 3.1	+40.4	(a) Automobile	+1.5	+66.3
+ 5.2	+24.4	(b) Other	+2.0	+14.4

During August, an increase of over 2 percent brought the total volume of consumer instalment credit outstanding at the 25 reporting member banks of this District to a new peak, more than 20 percent above the year-ago level.

The volume of new repair and modernization credits was the largest on record, and lifted the total of these loans outstanding to a new high almost 22 percent greater than at the end of August last year. The continued high level of automobile sales was reflected by an increase of over 3 percent from the previous month in the amount of these loans outstanding (both direct and paper purchased).

The volume of personal instalment loans, and direct loans used for the purchase of household appliances, furniture, and other nonautomotive products, was smaller than in the comparable month last year, though it was slightly in excess of the July amount. Outstanding loans to consumers for nonautomotive purchases were again the only category in which a year-to-year decline (8.7%) was evident.

The total volume of new loans made during the month rose sharply, (9.0%) above the July level, but was somewhat below the record May figure. The rate of repayment of existing loans also rose to slightly over 11½ percent, equalling the rate maintained consistently during the second quarter of the year.

Bank Debits*—August 1949 In 31 Fourth District Cities

(In thousands of dollars) (Compiled September 14, and released for publication September 15)

No. of Reporting Banks	August 1949	% Change from Year Ago	3 Months Ended August, 1949	% Change from Year Ago	
191	ALL 31 CENTERS.....	\$6,545,869	— 5.0%	\$20,486,936	— 3.9%
	10 LARGEST CENTERS:				
5	Akron.....	Ohio \$ 222,333	+ 2.1%	\$ 668,737	— 4.3%
5	Canton.....	Ohio 96,860	—13.9	296,213	—16.3
16	Cincinnati.....	Ohio 828,081	— 1.7	2,472,154	— 8.3
10	Cleveland.....	Ohio 1,686,212	— 5.2	5,295,649	— 5.0
7	Columbus.....	Ohio 572,116	+ 4.3	1,676,544	— 1.6
4	Dayton.....	Ohio 211,809	— 1.9	637,565	— 8.0
6	Toledo.....	Ohio 309,321	—12.3	1,009,839	— 7.5
4	Youngstown.....	Ohio 138,842	— 8.2	428,751	—12.3
6	Erie.....	Penna. 81,370	—10.8	247,940	—11.1
51	Pittsburgh.....	Penna. 1,811,964	— 6.6	5,961,181	+ 3.0
113	TOTAL.....	\$5,959,908	— 4.7%	\$18,694,573	— 3.5%
	21 OTHER CENTERS:				
9	Covington-Newport.....	Ky. \$ 34,565	— 8.3%	\$ 114,163	— 7.2%
6	Lexington.....	Ky. 49,981	—16.7	157,301	—10.3
3	Elyria.....	Ohio 16,597	—17.2	50,494	—17.9
3	Hamilton.....	Ohio 37,154	— 7.9	111,494	— 6.7
2	Lima.....	Ohio 43,633	— 0.8	128,493	— 6.3
5	Lorain.....	Ohio 17,445	— 9.9	51,990	—11.5
4	Mansfield.....	Ohio 36,266	—12.7	110,270	— 9.3
2	Middletown.....	Ohio 30,469	— 7.2	89,919	— 9.4
3	Portsmouth.....	Ohio 17,712	—15.4	56,321	—14.3
3	Springfield.....	Ohio 44,339	— 0.6	135,205	— 2.8
4	Steubenville.....	Ohio 21,571	— 7.7	64,235	—13.1
2	Warren.....	Ohio 33,706	— 8.4	104,667	— 8.7
3	Zanesville.....	Ohio 25,026	— 5.5	74,600	— 9.8
3	Butler.....	Penna. 28,159	—13.4	83,282	—14.6
1	Franklin.....	Penna. 6,362	— 1.8	19,420	— 9.2
2	Greensburg.....	Penna. 20,492	— 5.4	62,266	— 7.7
4	Kittanning.....	Penna. 9,098	—19.9	29,270	—14.5
3	Meadville.....	Penna. 13,031	+ 8.5	35,992	— 4.7
4	Oil City.....	Penna. 17,278	— 8.1	54,436	—11.6
5	Sharon.....	Penna. 23,565	—16.6	77,920	— 8.4
6	Wheeling.....	W. Va. 59,512	— 0.6	180,625	— 1.1
78	TOTAL.....	\$ 585,961	— 8.3%	\$ 1,792,363	— 8.5%

*Debits to all deposit accounts except interbank balances.

Debits to deposit accounts (other than interbank accounts) in 31 Fourth District cities declined during August to \$6,546,000,000, recording the lowest volume since February, when there were three fewer banking days, and 5% less than in August last year. This was the third successive month that debits failed to equal the year-ago level. While the shrinkage was quite general it continued to be more marked in the 21 smaller centers, which registered the fifth consecutive year-to-year decline with a drop of over 8%. In the ten largest centers the volume of money transfers was below the comparable 1948 figure for the second straight month, and was nearly 5% less than in August last year.

Deposits at the same reporting banks, however, increased to a level almost equalling the postwar high established last December, and slightly in excess of the year-ago figure. As a result, the rate of turnover of deposits was slower than in August last year, and than in June and July this year.

TEN LARGEST CENTERS

Year-to-year declines ranged from 2% in Cincinnati and Dayton to 14% in Canton. Erie and Toledo, down 11% and 12% respectively have failed to record in any month this year an increase over the comparable month of 1948. The 4% gain registered at Columbus is due almost entirely to a high volume of transfers in public accounts, rather than in those of individuals.

TWENTY-ONE SMALLER CENTERS

All but one of the smaller centers reported smaller debit totals than in August last year. While Kittanning and Elyria recorded declines of 20% and 17% respectively, the year-to-year contraction at most of the centers was less than 10%. Lima, Springfield, and Wheeling registered declines of less than 1%.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Aug. 1949	July 1949	Aug. 1948	Aug. 1949	July 1949	Aug. 1948
SALES:						
Akron (6)	281	294	318	239	247	270
Canton (5)	305	333	350	280	280	335
Cincinnati (8)	298	299	337	248	230	280
Cleveland (10)	248	247	279	218	200	245
Columbus (5)	327	331	372r	274	265	313
Erie (3)	291	302	338	242	236	280
Pittsburgh (8)	259	253	303	220	182	258
Springfield (3)	282	283	303	234	229	251
Toledo (6)	279	280	305	235	215	256
Wheeling (6)	223	229	266	179	174	212
Youngstown (3)	297	295	343	258	224	298
District (96)	269	274	308	234	214	268
STOCKS:						
District	229	228	261r	242	228	275

r—Revised. Back figures: Revised index series for period from January 1946 through May 1949 are shown on page 7 of the August 1949 issue, (February 1949 index for Toledo, as shown in that issue, should be corrected to read 273 instead of 263.)

(Continued from Page 4)

rather more than half of the time deposits of all member banks in the District, the first evidence of a shrinkage emerged about a month later. The close relationship between the trends negatives any proposition that some particular factor peculiar to either agriculture or industry is the major cause of the falling off from the peak levels recorded a few months ago. During August the rate of decline at the 58 reporting banks was higher than in any of the previous four months of contraction.

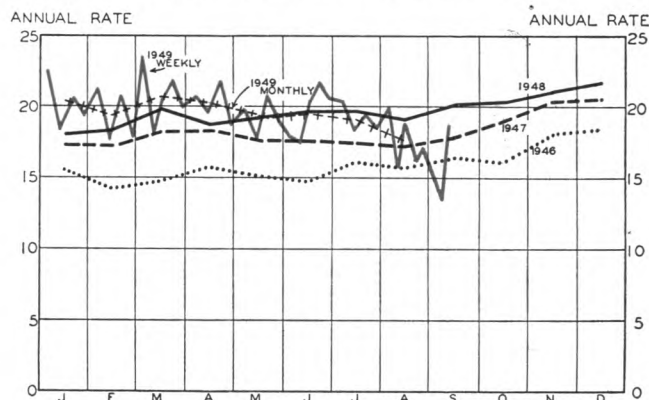
Government Deposits Since late July, Government deposits have jumped sharply by almost \$160 million at reporting banks in this District, and at the end of September recorded a new high since late 1946. The primary cause of this expansion has been corporate purchases of tax-savings notes. Such purchases throughout the country totaled \$2 billion during July and August, largely as a by-product of the recent change in credit policy. In view of the current rate on bills of approximately 1.00 percent to 1.05 percent, these savings notes with their fixed yield were an attractive investment for additional corporate funds. Possibly because the recent decision of the Treasury to include accrued interest in the price of these notes has reduced their attractiveness somewhat, and possibly because of the sheer magnitude of the conversion movement in July and August, the rate of sale has slowed down somewhat recently.

Decline in Rate of Deposit Turnover While that part of the money supply in the form of demand deposits has been growing slightly in recent months, the volume of debits to these accounts has shrunk noticeably. In June debits to all accounts (except interbank) at 192 banks in this District were less than in the corresponding month a year ago for the first time in the postwar period. The decline then was only nominal, but in July, a year-to-year reduction of over 6 percent was apparent, and in August a shrinkage of over 5 percent from the year-ago level was recorded. The fall in debit volume has been general throughout the Fourth District, and not confined to any particular locality or group of localities, although certain centers have displayed considerable resistance to the general trend. In the main the reduction in drawings on deposit accounts have been more marked in the smaller cities and towns than in the large metropolitan districts.

As a result of the expansion of deposits and decline in debits, the velocity of circulation of the money supply as measured by the turnover of demand deposits at weekly reporting banks in the District has slowed down considerably in the past few months, falling from an annual rate of 20.8 in March to 17.5 in August. The moderate rise to a rate of 17.9 in

ANNUAL TURNOVER RATE OF ADJUSTED DEMAND DEPOSITS

(Weekly Reporting Member Banks—Fourth District)



... the rate of turnover of demand deposits has been falling further behind the year-ago levels during the last three months, and in August was only nominally higher than in August 1947.

September, however, was insufficient to prevent the September rate from falling nominally below the corresponding 1947 figure. This movement is in complete accord with the trend of deposit turnover at reporting banks in leading cities throughout the country (excluding New York). Below-year-ago levels were first recorded in May, and as in the Fourth District, the gap has become progressively wider. At New York city banks, however, turnover of checking account balances in August (latest available date) was still running well ahead of comparable 1948 levels due in part to increasing activity in the money market.

On a seasonally adjusted basis, the rate of turnover of checking account balances at reporting Fourth District banks has been slipping for seven consecutive months, from a rate of 20.8 in January to 18.0 in August, a decline of over 13 percent. This deceleration is somewhat less severe than that which occurred during the first seven months of well defined decline in the 1937-38 recession, when the rate of demand deposit turnover skidded from 22.6 to 18.7, a drop of more than 17 percent. This was followed by a further drop for seven months with only one break, though the subsequent decline was at a considerably slower rate. The two movements, however, differ in several respects. The sharp downturn in deposit turnover in 1937 did not come until the peak rate of turnover had been passed and a gentle easing off and apparent stabilization had progressed for five months. Moreover, the rise in the years immediately preceding was moderate in character, whereas in 1948 the rate of turnover was still increasing at a relatively rapid pace, and there was no period of leveling off from the peak. The postwar record was immediately followed by six successive months of decline.