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FINANCE • INDUSTRY • AGRICULTURE • TRADE
FOURTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

Instalment Credit During Three Peacetime Booms

AFTER an interval of temporary eclipse during the second World War, the rapid rise of instalment credit has been a conspicuous feature of the postwar period. During the past year or so, the volume of instalment credit outstanding has continued to rise sharply while business indicators in general have ceased to rise, or in some cases have turned downward. Has it been merely a belated catching-up on the part of instalment credit, or has the latter been reaching new and perhaps vulnerable ground? As a means of coping with this question, it seems desirable to measure in some detail the growth of instalment credit against the course of significant business indicators, not only during the very recent period but also during other periods of peacetime prosperity.

Instalment Credit and Personal Income Total personal income in the United States provides one convenient yardstick against which to measure the pace of instalment credit. This procedure has come to be familiar in the postwar period. As an answer to uneasiness concerning the growth of instalment credit, a commonly heard reassurance has taken the form of asserting that instalment credit has not yet caught up with personal income in rate of gain from prewar levels. If annual averages are used in the comparison, this assertion holds good through 1949, but if monthly trends are considered, it now appears that by the end of last year, instalment credit had outstripped personal income in the gain from prewar levels. (See the first two of the accompanying charts). By December 1949, instalment credit outstanding had reached 327% of the 1935-39 average, while personal income was at

a level 307% of the same prewar base period.⁽¹⁾ If comparison is made between instalment credit volume and *disposable* personal income (income left over after taxes), the extent to which the instalment credit rise has outstripped the income rise is appreciably greater.

Furthermore, the rate at which instalment credit has been rising during recent months suggests that, if the pace should continue, previous landmarks would be left far behind. During the second half of last year, as business was recovering somewhat from the slowdown of the first half, the volume of instalment credit was rising at a monthly rate of 300 million dollars or 3 percent per month. At the same time, total personal income was practically stationary, or more exactly, showed a tiny rate of downward drift.

Instalment Credit and Gross National Product In order to get a perspective on the recent rise in instalment credit by means of a comparison with corresponding rises in previous boom periods, it is helpful to relate the dollar rise in instalment credit to the dollar rise in gross national product⁽²⁾ during identical periods. Instalment credit, of course, is not itself a part of the gross national

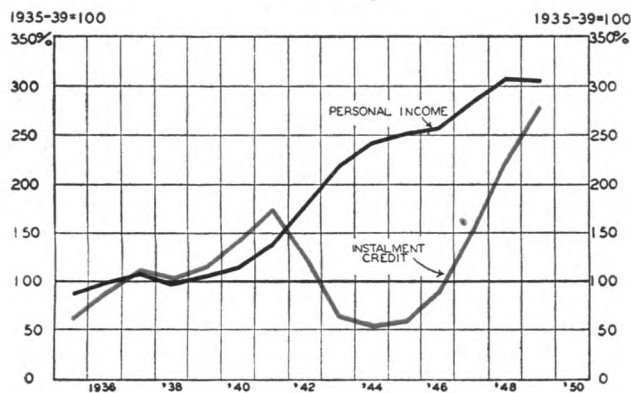
(1) The average of the years 1935-1939 is used here to represent prewar levels on the assumption that those five years represent typical prewar conditions. Such an assumption, however, is not the only one which is possible or defensible.

(2) Gross national product is the market value of the output of goods and services produced by the nation's economy, before deduction of depreciation charges or other allowances for consumption of durable capital goods. The value of raw materials or other business products used up, however, is excluded. All gross national product data cited here are from the U. S. Department of Commerce except for the period 1922-29, where data are from Kuznets, as indicated in table footnote.

INSTALMENT CREDIT OUTSTANDING

in relation to
PERSONAL INCOME
U. S. Annually, 1935-1949

(Annual average of month-end volume of instalment credit outstanding)



... after an interval of temporary eclipse during the war, the volume of instalment credit rose rapidly, at a pace much faster than the gain in personal income.

product, but by expressing the rise in the former as a percentage of the rise in the latter, a convenient measure of relative importance is obtained. In addition, parts of the gross national product, such as consumer expenditures for durable goods, or value of private construction, can also be used as benchmarks for gauging the significance of a given rise in instalment credit. Since each boom has its peculiar characteristics, the growth of instalment credit can be better understood when it is considered within the pattern of a particular period in recent business history.

Three Boom Periods

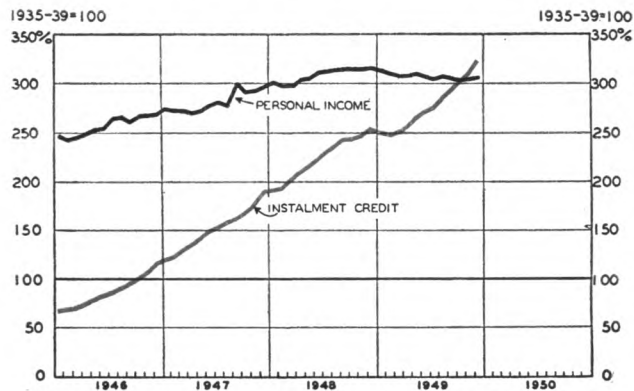
During the boom period from 1946 through 1949 the volume of instalment credit increased by 6.3 billion dollars⁽³⁾ as compared with a rise of 2.3 billion dollars during the 1933-37 recovery-and-boom period, and an estimated rise of about 1.9 billion dollars during the 1922-29 boom period.⁽⁴⁾ (See accompanying table.) During the same periods, however, in the order named, the gross national product rose by 46 billions, 34 billions, and 28 billions respectively. If the rise in instalment credit is expressed as a percentage of the

(3) Although the year 1949 might be considered a year of mild recession, the economic magnitudes of the year as a whole were sufficiently close to postwar boom levels to justify inclusion of 1949. At the other end of the period, all or part of the year 1945 might have been included, if it were not for the statistical difficulties in pin-pointing the effects of the war's end. The postwar rise in instalment credit would show up as larger, both absolutely and relatively, if 1945 rather than 1946 had been used as the starting point.

(4) Annual averages are used throughout, unless otherwise indicated.

INSTALMENT CREDIT OUTSTANDING

in relation to
PERSONAL INCOME
U. S. Monthly, 1946-1949



... the volume of instalment credit outstanding increased rapidly month-by-month during most of 1949, and has now outstripped personal income in gain over prewar levels.

rise in gross national product, the three percentages become 14 percent, 7 percent, and 7 percent for the periods 1946-49, 1933-37, and 1922-29, respectively. The latter percentages are depicted on the left side of the first of the three accompanying bar charts. This comparison gives an indication of the outstanding importance of the instalment credit rise during the most recent of the three booms. It should be realized, however, that the comparison runs in terms of *increases* in instalment credit, and that the end of the war found instalment credit at an abnormally low ebb. Hence a very substantial rise was to be expected in any event, particularly because of the backlog of deferred demand for autos and other durable consumer goods.

1946-49 Period

A closer examination of the pattern of the 1946-49 boom, as shown on the right side of the first bar chart, indicates that the rise of instalment credit during this period was almost as important (in relation to the national product gain) as were the rises in the value of private construction and in output of producers' durable equipment, — two of the especially important hallmarks of the postwar boom. (The three percentages were 14 percent, 15 percent and 16 percent in the order named.) The instalment credit rise, as a percentage of gross national product, was also not very far behind the percentage of national product represented by increases in total consumer expenditures for durable goods (17 percent). To state it differently, the overwhelmingly preponderant part of the postwar rise in consumer expenditures for hard goods was reflected in a corresponding volume of new instalment

credit (or debt) operations. The rise in instalment credit, during 1946-49, however, was overshadowed by the increase in purchases of goods and services by federal, state, and local governments; the rise in this part of gross national product accounted for 27 percent of the rise in gross national product as a whole.

Taking together the various parts of national product under discussion (which accounted for three-quarters of the total rise of gross national product during the period), it is apparent that the postwar rise in instalment credit occurred within a boom which revolved primarily around the backlog of consumer demand for hard goods, around construction and peacetime heavy-industry expansion, and around government spending in which the emphasis was on international aid and defense expenditures rather than on the type of domestic pump-priming which was so prominent in the middle "Thirties.

It should be noted that the component of gross national product called "government purchases of goods and services" includes public construction but does not include interest payments or transfer payments such as unemployment insurance benefits. A considerable part of the rise in this segment of gross national product from 1946 to 1949 was due to a growth in government payrolls, subsequent to the very sharp reduction which had occurred immediately

after the war. An alternative measure of the economic role of government in the boom would be the net change in the public debt between the beginning and end of the period, although such a measure would not be directly linked to gross national product. Such a measure would show surplus financing by government during most of the period, giving way to deficit financing during calendar 1949. Only the latter segment of the period, therefore, would tend to show a stimulating effect in the net flow of funds between the federal, state and local governments and the economy as a whole.

1933-37 Period During the period of 1933-37, including recovery and boom, the rise in instalment credit was equal to 7 percent of the rise in gross national product. This was about the same percentage as recorded by the rise in private construction, which is not generally regarded as an outstanding feature of the 1933-37 period. The percentage is appreciably less than that for the rise in producers' durable equipment (11 percent of the rise in gross national product) which came to be important toward the end of the period. Nevertheless, the role of instalment credit is considered to have been significant, especially in the earlier phases of the recovery period, before the boom in heavy industry took hold. The

CHANGES IN INSTALMENT CREDIT AND IN SELECTED PARTS OF GROSS NATIONAL PRODUCT

(Dollar figures are changes in millions of dollars; percentages are dollar changes expressed as percentages of dollar changes in Gross National Product.)

Period	Gross National Product	Instalment Credit	Consumer Expenditures for Durable Goods	Consumer Expenditures for Autos	Private Construction	Producers' Durable Equipment	Government Purchases
1922-29	+ \$28,200	+ \$1,900* 7%	+ \$4,200 12%	+ \$1,200 4%	+ \$2,500 9%	+ \$3,000 11%	+ \$ 300 1%
1929-33	- \$48,000	- \$1,400 3%	- \$5,900 12%	- \$1,800 4%	- \$6,700 14%	- \$4,600 10%	- \$ 510 1%
1933-37	+ \$34,450	+ \$2,340 7%	+ \$3,500 10%	+ \$1,210 4%	+ \$2,550 7%	+ \$3,660 11%	+ \$3,630 11%
1937-38	- \$ 5,530	- \$ 270 5%	- \$1,250 23%	- \$ 760 14%	- \$ 380 7%	- \$1,460 26%	+ \$1,160 21%
1946-49	+ \$46,120	+ \$6,320 14%	+ \$7,720 17%	+ \$5,290 11%	+ \$6,940 15%	+ \$7,510 16%	+ \$12,670 27%

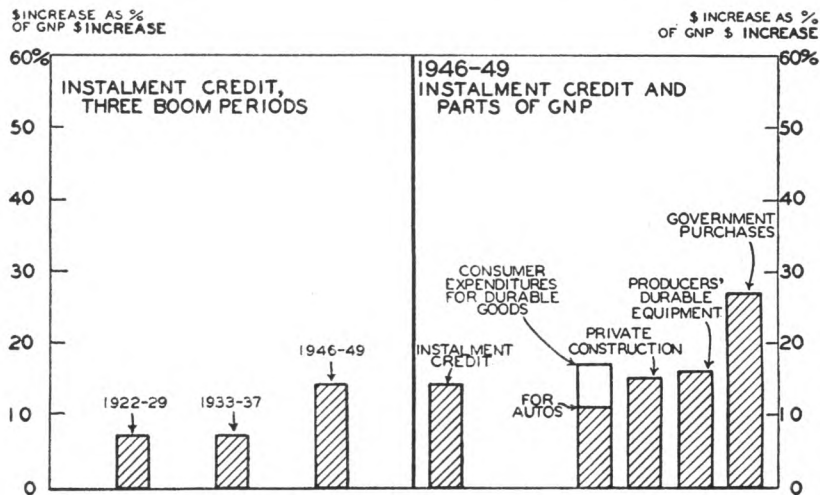
Sources: For instalment credit, Federal Reserve System.

For gross national product and its parts, U. S. Department of Commerce, except for period 1922-29 for which data are drawn from Simon Kuznets: *National Product Since 1869*, and *National Income and Its Composition, 1919-1938*.

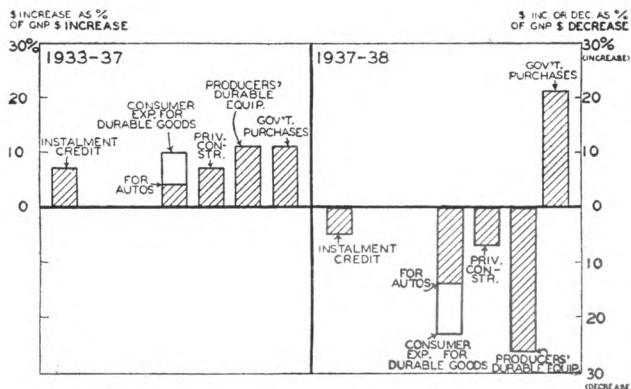
* Based on estimate that the average volume of instalment credit during 1922 was approximately one billion dollars.

CHANGES IN INSTALMENT CREDIT AND IN SELECTED PARTS OF GROSS NATIONAL PRODUCT

(Expressed as Percentages of Dollar Changes in Gross National Product, U. S., During Three Peace-Time Booms and Two Depressions)

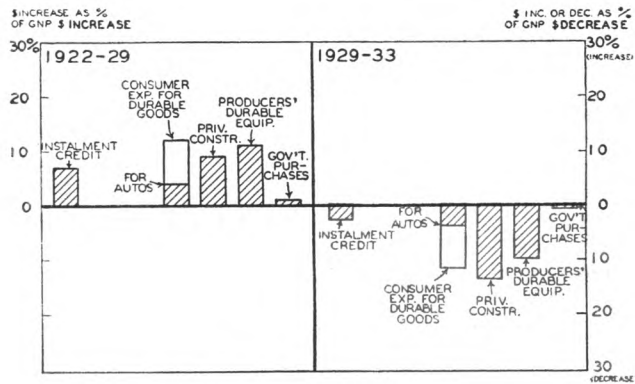


... the rise in instalment credit during 1946-49, expressed as a percentage of the rise in gross national product, was much greater than in either of the two previous peace-time booms; the instalment credit rise during 1946-49 counted nearly as heavily, for example, as the rise in the value of private construction.



... the rise in instalment credit during the 1933-37 recovery was not as large as the increases in several major components of gross national product; during the subsequent recession the decline in instalment credit was equal to 5% of the shrinkage in gross national product.

role of government in the 1933-37 period, of course, had many ramifications. The full role of pump-priming in all its phases, and the impact of deficit financing, is probably not revealed in the rise in "government purchase of goods and services" which amounted to 11 percent of the total rise in gross national product during the period, as shown in the chart.



... during the earlier boom of 1922-29, the expansion of instalment credit played a more influential role in the boom than did "government purchases"; in the ensuing depression the drop in instalment credit was relatively larger than the drop in the value of government purchases.

1937-38 Recession From the fall of 1937 through mid-1938 there was a sharp but brief business recession. Concurrently, the average volume of instalment credit outstanding for the year 1938 was 270 million dollars less than that for 1937, a decline which equalled 5 percent of the decline in gross national produce from 1937 to 1938. Here, the use

of annual averages obscures somewhat the extent of the dollar drops. From mid-1937 to mid-1938 the dollar drops would be sharper than that shown in the table, but this would apply to total national product as well as to the parts, so that the percentage relationships would probably not differ widely from those shown here. (Annual figures are used here in order to make possible a comparison with the Nineteen-Twenties for which quarterly or monthly data for the series here presented are not available.)

As contrasted with instalment credit, the declines during 1937-38 in producers' durable equipment and in consumers' expenditures for durable goods contributed heavily to the fall of gross national product, 26 percent and 23 percent respectively. The drop in private construction (7 percent of the fall in gross national product) was less significant; it paralleled the relatively slow rise in private construction during the previous upswing. Government purchases of goods and services, as a part of gross national product, continued to rise during 1937-38; this category rose by 1.16 billion dollars while gross national product was falling 5.53 billion, and was probably a factor in stemming the recession. The latter development shows up on the chart as a rise in "government purchases" during 1937-38 amounting to 21 percent of the amount by which gross national product *decreased*.

1922-29 Boom To round out the comparison and to provide a better perspective for the present situation, it is helpful to turn back to the period of the Nineteen-Twenties, when instalment credit for the first time played a significant role in a business boom. The essential pattern of the long boom of 1922-29 (omitting consideration of the very minor recessions of 1924 and 1927) can be seen in the final chart. Government purchases were of negligible importance. It was overwhelmingly a "private" boom, with private construction playing a relatively more important part than in the 'Thirties.⁽⁵⁾

During the period 1922-29 the field of instalment selling was extended as a considerable variety of new household appliances came into common use, and as the practice of instalment selling was applied to types of goods where it had previously been of minor importance. The rise in the volume of instalment credit during the period was equal to 7 percent of the rise in gross national product, — which was about the same percentage as in the recovery-boom period of the 'Thirties, but only half as large (expressed as a percentage of the rise in national product) as occurred in the 'Forties.

(5) Resurgent construction was especially important in the early phases of the period. The role of private construction would appear as even more important than shown in the table and on the chart, if the year 1921 had been taken as the start of the period.

1929-33 Depression During the severe depression of 1929-33 the decline in private construction was especially heavy (14 percent of the drop in gross national product) while the instalment credit decline amounted to only 3 percent of the decline in gross national product. These percentage drops, of course, are not as impressive as the dollar declines (see table) because they are expressed as percentages of the very heavy drop in gross national product, which fell by 48 billion dollars between the year 1929 and the year 1933.

Consumer Durable Goods In following the course of instalment credit in comparison with that of consumer expenditures for durable goods throughout the three boom periods described above, it is important to note that the rise in instalment credit has somewhat more than kept pace with the total of consumers' outlays for durable goods. This facet may be summarized as follows:

RISE AS PERCENT OF RISE IN GROSS NATIONAL PRODUCT

	Instalment Credit	Consumer Expenditures For Durable Goods
1922-29	7%	12%
1933-37	7%	10%
1946-49	14%	17%

A comparison of the two sets of percentages gives an indication of the long-run growth in the relative importance of instalment credit. Thus, from 1922 to 1929 the rise in instalment credit (expressed as a percentage of the national product rise) was scarcely more than half the comparable figure for consumer expenditures for durable goods, while for 1946-49 the two percentages were 14 percent and 17 percent respectively.

It may be noted, too, that during the most recent boom, consumer expenditures for autos accounted for a larger share of total consumer expenditures for durables than was previously the case. This factor is probably interconnected with the greater importance of instalment credit, although the significance of growth in instalment credit in the household appliance field should not be minimized.

Effects of Regulation The above analysis has made no reference to the vexed question of the desirability or undesirability of governmental regulation of the terms of instalment credit. While there is no intention here to go into the merits of that question, it is essential to note that government regulation was an important factor in the situation during most of the period of the recent boom, but was entirely absent during the two previous booms discussed above. Such regulation, of course, was in a sense a heritage of the war period. It was carried over into the postwar years mainly as a measure, supplementary

Finished Steel Consumption

THE Bureau of the Census has compiled, for the first time, geographical consumption data for nine broad groups of steel mill shapes and forms by metal fabricating plants. The information was obtained from the 1947 census reports by manufacturing plants and should be of wide interest to marketing men and others responsible for sales planning.

According to the American Iron and Steel Institute, steel ingot production in 1947 totaled 84.9 million tons and steel mill shipments of rolled steel products in that year totaled 63 million net tons. The Bureau of the Census analyzes the consumption of 39.4 million tons of steel mill shapes and forms by metal fabricating plants and another 3.8 million tons by metal producing establishments, or a total of 43.2 million tons.

The difference between these two totals of 63 and 43.2 million tons is largely explained by the fact that the census data represent only consumption in manufacturing industries and so exclude metal mill shapes and castings used in construction, mining, farms, construction and maintenance of power lines, export, and other areas considered as nonmanufacturing by the Bureau.

The accompanying map shows the nine states in each of which metal fabricating plants consumed more than a million tons of steel mill shapes and forms in 1947. These nine states consumed 80 percent of the 39.4 million tons covered by this tabulation. Seven of the states, i.e., Michigan, Pennsylvania, Ohio, Illinois, Indiana, New York, and Wisconsin touch one of the Great Lakes and this group accounted for 73 percent of the total. California and New Jersey, the remaining states in the exclusive million-ton-or-over group, are located on tidewater. Evidently access to low cost water transportation is important to both the steel producing and steel consuming industries. Also shown on the map is the percentage of total consumption of each of these states.

The five heaviest consuming industrial states are clustered in a solid block around the Great Lakes. These states are Michigan, Pennsylvania, Ohio, Illinois, and Indiana which are all in the East North Central group, except Pennsylvania which is treated as a part of the Middle Atlantic division by the Census. Rolled steel product consumption by manufacturers in the five states amounted to 63 percent of the United States total. In this connection it should be noted that the Pittsburgh-Youngstown, Cleveland-Detroit, and Chicago districts' steel producing capacity amounts to about 70 percent of the United States total.

The Fourth Federal Reserve District, as reported in a special study in the May 1, 1949 *Monthly Business Review*, contains about 47 percent of the total United

States steelmaking capacity. The Fourth District includes all of Ohio, 19 counties in western Pennsylvania, the Panhandle of West Virginia and 56 counties in eastern Kentucky. On the other hand, rolled steel consumption by manufacturers in the states of Ohio and Pennsylvania amounts to 27 percent of national consumption. This includes heavy steel consuming centers in Pennsylvania such as Philadelphia, Lancaster, and Reading which are outside the Fourth District environ. These figures thus point up the fact that the District, and particularly Pittsburgh, produces more steel than is, or can be, currently consumed by customers close at hand.

The adjacent tables show consumption of steel mill shapes and forms by metal fabricating establishments for the United States and the five leading states. The tables show total consumption in 1000's of tons as well as breakdowns of the major product classes for carbon steel, alloy, and stainless products.

Manufacturers in Michigan are the number one consumers of carbon and alloy bars and shapes, sheet and strip, and stainless steel. All of these products are used primarily for the automotive and automotive parts industry as well as the important machinery group.

Ohio ranks first as the consumer of carbon wire, and second in consumption of sheet and strip, miscellaneous alloy steel products, and stainless steel. It is the third largest user of both alloy and carbon bars and shapes, structural shapes, and plates. These are all basic raw materials for the state's outpouring of all kinds of machinery, transportation equipment and parts, household appliances, screw machine products, tools, fencing, and a wide variety of other metal fabricated products.

Pennsylvania is the largest consumer of structural shapes, plates and miscellaneous alloy products, and the second largest consumer of the miscellaneous carbon mill shapes and forms. It ranks third in consumption of sheet and strip and stainless steel.

In addition to rolled steel consumption by metal fabricating establishments of 39.4 million tons, steel mills themselves consumed 3.8 million tons of steel in their own metal fabricating shops, or nearly 10 percent of the total consumed by the fabricators.

As shown in an accompanying table, steel mills in the three states of Pennsylvania, Illinois, and Ohio accounted for 55 percent of total consumption of mill shapes and forms by all United States steel mills. More than half of the finished steel consumed was in the form of wire and this was concentrated in the states of Illinois and Pennsylvania. Wire is used principally in the production of nails and staples, barbed and twisted wire, woven wire fences, and bale ties.

**Consumption of Metal Shapes and Forms
by Metal Producing Establishments**

(thousands of net tons)

	Carbon Steel Wire	All Other	Total	Percent of U.S. Total
United States.....	2,084	1,679	3,763	100%
3 States.....	1,158	908	2,066	55
*Pennsylvania	523	678	1,201	32
Illinois.....	543	63	606	16
*Ohio.....	92	167	259	7

* Fourth District states.

Source: Census of Manufactures: 1947, SERIES: MC100-10.

Steel mill consumption of carbon steel wire by all mills in the United States was nearly 2.1 million tons

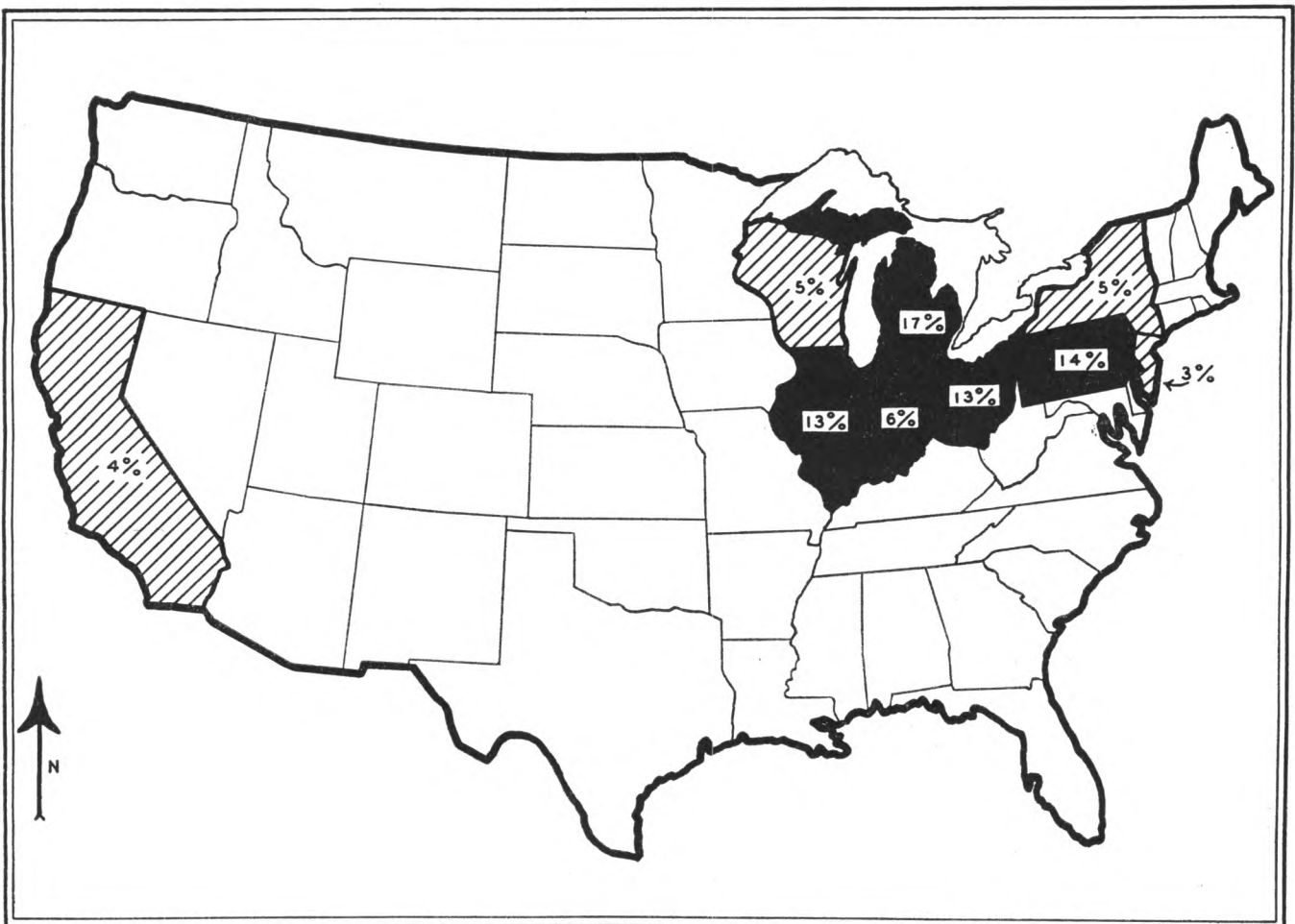
compared with the 1.8 million tons consumed by all independent fabricating shops.

For many studies of markets and market potentials, a regional or state breakdown of consumption such as provided by this Census report for 1947 is quite useful. It is frequently desirable, however, to pin-point markets on a much finer basis, such as counties or metropolitan areas. An aid in this direction is the original research job performed by *Iron Age*, May 26, 1949 of steel consumption by states and principal industrial centers in 1948.

By use of mail questionnaires and personal interviews, *Iron Age* sampled steel using plants and then made estimates of total rolled and drawn steel used according to 10 product classifications. The results are very close to those obtained by the Bureau of the

CONSUMPTION OF STEEL BY METAL FABRICATING PLANTS

Leading States—1947 (As Percent of U. S. Total)



... metal fabricators in the seven states bordering the Great Lakes used 73 percent of the steel consumed by all manufacturers in the United States.

Source: Bureau of the Census, Census of Manufactures: 1947, SERIES: MC100-10.

Consumption of Steel by Metal Fabricating Plants

(Thousands of Net Tons)

(Carbon Steel unless otherwise specified)

TOTAL

	1000's of tons	Percent
United States.....	39,383	100%
5 States.....	24,700	63
Michigan.....	6,760	17
*Pennsylvania.....	5,600	14
*Ohio.....	5,098	13
Illinois.....	4,986	13
Indiana.....	2,256	6

Bars and Shapes

	1000's of tons	Percent
United States....	5,729	100%
5 States.....	3,738	65
Michigan.....	1,023	18
Illinois.....	929	16
*Ohio.....	774	14
*Pennsylvania.....	655	11
Indiana.....	356	6

Sheet and Strip

	1000's of tons	Percent
United States....	15,688	100%
5 States.....	10,859	69
Michigan.....	4,366	28
*Ohio.....	2,589	17
*Pennsylvania.....	1,534	10
Illinois.....	1,426	9
Wisconsin.....	943	6

Structural Shapes

	1000's of tons	Percent
United States....	3,429	100%
5 States.....	1,948	57
*Pennsylvania.....	964	28
Illinois.....	318	9
*Ohio.....	251	7
New York.....	226	7
California.....	189	6

Plates

	1000's of tons	Percent
United States....	4,596	100%
5 States.....	2,670	58
*Pennsylvania.....	1,273	28
Illinois.....	443	10
*Ohio.....	438	10
California.....	265	6
Indiana.....	251	5

Wire

	1000's of tons	Percent
United States....	1,757	100%
5 States.....	1,154	66
*Ohio.....	331	19
Illinois.....	292	17
Michigan.....	245	14
*Pennsylvania.....	202	12
Massachusetts....	83	5

All Other Mill Shapes and Forms

	1000's of tons	Percent
United States....	5,511	100%
5 States.....	3,237	59
Illinois.....	1,262	23
*Pennsylvania.....	660	12
California.....	551	10
Maryland.....	410	7
*Ohio.....	354	6

Bars and Shapes—Alloy

	1000's of tons	Percent
United States....	1,673	100%
5 States.....	1,272	76
Michigan.....	544	33
Indiana.....	222	13
*Ohio.....	191	11
Illinois.....	170	10
*Pennsylvania.....	144	9

All Other, etc.—Alloy

	1000's of tons	Percent
United States....	803	100%
5 States.....	566	70
*Pennsylvania.....	143	18
*Ohio.....	137	17
Illinois.....	129	16
Indiana.....	90	11
Wisconsin.....	68	8

Stainless Steel

	1000's of tons	Percent
United States....	198	100%
5 States.....	126	64
Michigan.....	37	18
*Ohio.....	33	17
*Pennsylvania.....	25	13
Illinois.....	16	8
New York.....	16	8

Because of rounding, the sum of individual items may not equal totals.

* Fourth District states.

Source: Census of Manufactures: 1947, SERIES: MC100-10.

Census. Bearing in mind that *Iron Age's* data are for 1948, and that the Census' data are for 1947, the two are compared in the following tabulation. It is possible, too, that small shifts took place during the year, and further, that rounding of the percentages to whole numbers makes the differences appear actually larger than is the case for several of the areas.

Geographic Distribution of Consumption by Manufacturers of Finished Steel

Percent of Total Leading States

	Census 1947	Iron Age 1948
Michigan.....	17%	15%
Pennsylvania.....	14	12
Ohio.....	13	12
Illinois.....	13	13
Indiana.....	6	5
New York.....	5	7
Wisconsin.....	5	7
California.....	4	5
New Jersey.....	3	4

The principal steel consuming industrial areas in the Fourth District, based upon the *Iron Age* study, are shown in the accompanying table. Consumption is expressed in terms of total steel used in each state.

Cleveland (Cuyahoga and Lorain counties) and Pittsburgh (Allegheny, Beaver, Washington, and Westmoreland counties) are the major consuming centers in their respective states. Cincinnati, Dayton,

and Toledo are also large takers of finished steel, but their combined consumption does not equal that of Cleveland alone. As a matter of fact, the consumption of steel in the Cleveland market exceeds that of the entire six-state New England area.

The leading tonnage items consumed in Cleveland are hot and cold rolled sheet and strip, hot rolled bars, wire and wire rods, and plate. In the Pittsburgh market, the major products consumed are hot and cold rolled sheet and strip, hot rolled bars, plates, and structural shapes.

Major Steel Consuming Areas

Fourth District
1948

	Consumption as Percent of State's Total
OHIO.....	100%
Akron.....	3
Canton.....	7
Cincinnati.....	10
Cleveland.....	34
Columbus.....	5
Dayton.....	10
Mansfield-Marion.....	4
Toledo.....	9
Youngstown.....	7
PENNSYLVANIA.....	100%
Erie.....	6
Pittsburgh.....	32
Sharon-New Castle.....	5

Source: *Iron Age*, May 26, 1949.

INSTALMENT CREDIT

(CONTINUED FROM PAGE 5)

to the long-established techniques of general control of credit, designed to shore up a weak spot in the dikes which were being erected against postwar inflation.

It seems probable that government regulation of instalment credit terms exercised some restraining influence on the rapid postwar growth in the volume of instalment credit. The consequence of this fact for the statistical analysis presented above is simply this: the postwar rise in instalment credit would undoubtedly have been sharper in the absence of regulation. Therefore the charts would have shown a greater over-all contrast between the various booms in respect to instalment credit growth, or, alternatively, the postwar instalment-credit boom might have spent itself before the end of 1949, thus producing a recessionary factor in the general business situation.

It should also be noted that, as matters turned out, the sharp rise in instalment credit during the second half of 1949 (shown on the second index chart) came after the statutory lapse of controls.

Summary The chief conclusions which may be drawn from the above analysis of instalment-credit changes in relation to changes in gross national product and its parts are:

1. Rises and falls in the volume of instalment credit have been significant factors in at least three peacetime business cycles. The rises have contributed to the booms; the falls have contributed to recessions.

2. The relative importance of the rise in instalment credit during the postwar boom through 1949 has been substantially greater than that which occurred in previous peacetime booms. This has been a significant contribution to the support of the boom. But on the basis of past experience, a drop in instalment credit may be a factor in a recession yet to come.

3. In each peacetime boom, the rise of instalment credit may be interpreted in the light of the specific pattern of the boom, the latter being derived in part from the relative magnitudes of the chief sustaining forces.

What is Ahead? Close students of the instalment-credit field have long maintained that a downturn in instalment credit is rarely the initial factor inducing a general business recession, but that a drop in instalment credit usually intensifies a recession which has started elsewhere. The facts presented above are at least consistent with this view, although they do not necessarily prove its validity. If this be the case, then what does it mean for 1950? It would appear to mean that in case of a decline in general business which stems from some other quarter, a sharp reversal in the present trend of instalment credit would not be far behind, and would lend an appreciable added force to the downward pressures.

Another possibility, however, cannot be completely excluded. That is the possibility that a downturn in instalment credit might occur in the near future, and because of its effect on consumer takings, might turn out to be a factor which precipitates trouble elsewhere in the economy. The chances of such an outcome, although perhaps they are not very great, stem from the very closely balanced set of forces which are playing on the general business situation at present, taken in conjunction with the recent rapid rate of instalment-credit expansion.

A third possibility, quite in contrast to the other two, is that the somewhat strained relationships which have been outlined above may continue for some time to come, without damage to the present high level of business activity. The ability of the economy to withstand substantial shocks and strains has indeed been demonstrated more than once in recent years.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits
at 58 Banks in 12 Fourth District Cities

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

City and Number of Banks	Time Deposits Jan. 25, 1950	Average Weekly Change During:		
		Jan. 1950	Dec. 1949	Jan. 1949
Cleveland (4)	\$ 904,918,000	+\$ 860,000	+\$2,386,000	+\$ 754,000
Pittsburgh (11)	464,443,000	+ 1,747,000	+ 138,000	+ 557,000
Cincinnati (8)	179,012,000	+ 113,000	+ 98,000	+ 242,000
Akron (3)	103,139,000	+ 55,000	+ 146,000	+ 330,000
Toledo (4)	104,551,000	+ 314,000	+ 375,000	+ 428,000
Columbus (3)	84,146,000	+ 66,000	+ 173,000	+ 54,000
Youngstown (3)	62,487,000	+ 40,000	+ 27,000	+ 33,000
Dayton (3)	45,244,000	+ 76,000	+ 24,000	+ 43,000
Canton (5)	41,515,000	+ 18,000	+ 4,000	+ 46,000
Erie (4)	39,146,000	+ 88,000	+ 66,000	+ 162,000
Wheeling (5)	26,714,000	+ 134,000	+ 57,000	+ 105,000
Lexington (5)	10,742,000	+ 25,000	+ 2,000	+ 35,000
TOTAL—12 Cities	\$2,066,057,000	+\$3,242,000	+\$3,238,000	+\$2,611,000

During the four weeks ended January 25, time deposits at leading banks in this area expanded at the rate of \$3,242,000 per week, or about \$13,000,000 and totaled approximately \$2,066,000,000 at the close of the period.

The January gain was partly seasonal in nature since it included many year-end interest credits. One year ago the average weekly increment was only \$2,611,000, or about \$10,000,000 per period.

In the four cities, Cleveland, Columbus, Pittsburgh, and Toledo, time deposits reached a new all-time high, although in the case of Toledo, the weekly increases were smaller than in the same month of 1949. In Akron, Cincinnati, Erie and Lexington, the January expansion also was smaller than a year ago.

In Dayton, time deposits increased at a weekly rate of \$76,000 during January in contrast to a decline of \$43,000 per week a year ago.

Adjusted Weekly Index
of Department Store Sales*

Fourth District

(Weeks ending on dates shown. 1935-39 average=100)

1949		1950		1949		1950	
Jan. 8	326	Jan. 7	273	July 2	285	July 1	.....
15	317	14	307	9	283	8	.....
22	324	21	305	16	283	15	.....
29	298	28	302	23	276	22	.....
Feb. 5	301	Feb. 4	301	30	272	29	.....
12	303	11	290	Aug. 6	265	Aug. 5	.....
19	290	18	.....	13	248	12	.....
26	274	25	.....	20	267	19	.....
Mar. 5	270	Mar. 4	.....	27	262	26	.....
12	282	.....	.....	Sept. 3	276	Sept. 2	.....
19	268	.....	.....	10	282	9	.....
26	275	.....	.....	17	279	16	.....
Apr. 2	304	Apr. 1	.....	24	268	23	.....
9	306	.....	.....	Oct. 1	288	Oct. 30	.....
16	270	.....	.....	8	249	.....	.....
23	278	.....	.....	15	251	14	.....
30	299	.....	.....	22	244	21	.....
May 7	320	May 6	.....	29	263	28	.....
14	277	.....	.....	Nov. 5	259	Nov. 4	.....
21	301	.....	.....	12	241	11	.....
28	280	.....	.....	19	256	18	.....
June 4	277	June 3	.....	26	276	25	.....
11	283	.....	.....	Dec. 3	286	Dec. 2	.....
18	293	.....	.....	10	293	9	.....
25	299	.....	.....	17	304	16	.....
.....	.....	.....	.....	24	267	23	.....
.....	.....	.....	.....	31	289	30	.....

* Adjusted for seasonal variation and number of trading days. Based on sample of weekly reporting stores which differs slightly from sample reporting monthly.

Bank Debits*—January 1950
in 31 Fourth District Cities

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

No. of Reporting Banks	Jan. 1950	% Change from Year Ago	3 Months Ended Jan. 1950	% Change from Year Ago
10 LARGEST CENTERS:				
5 Akron.....Ohio	\$ 224,214	- 2.8%	\$ 705,474	- 1.5%
5 Canton.....Ohio	103,877	-13.3	304,163	-18.3
16 Cincinnati.....Ohio	876,696	- 1.5	2,660,470	- 5.5
10 Cleveland.....Ohio	1,799,084	- 1.7	5,372,422	-10.3
7 Columbus.....Ohio	528,987	+ 2.5	1,669,255	- 4.4
4 Dayton.....Ohio	236,759	+ 2.1	703,394	- 2.9
6 Toledo.....Ohio	327,457	- 7.3	1,040,986	- 7.6
4 Youngstown.....Ohio	151,063	- 2.2	436,745	-12.2
6 Erie.....Penna.	81,967	- 6.2	253,997	- 8.8
51 Pittsburgh.....Penna.	1,919,605	- 5.3	5,740,854	-12.6
113 TOTAL.....	\$6,249,709	- 3.0%	\$18,887,760	- 9.3
21 OTHER CENTERS:				
9 Covington-Newport...Ky.	\$ 40,107	+ 2.6%	\$ 120,186	+ 0.5%
6 Lexington.....Ky.	125,055	+ 8.1	263,080	-21.2
3 Elyria.....Ohio	18,098	- 5.7	57,660	- 9.9
3 Hamilton.....Ohio	41,733	+ 5.1	120,835	+ 0.1
2 Lima.....Ohio	43,955	+ 1.2	126,705	- 4.8
5 Lorain.....Ohio	16,813	- 8.8	50,712	-16.8
4 Mansfield.....Ohio	41,145	+ 1.8	127,328	- 3.6
2 Middletown.....Ohio	37,571	+16.1	110,669	+ 6.5
3 Portsmouth.....Ohio	18,922	-10.5	59,599	-10.1
3 Springfield.....Ohio	44,958	- 1.0	136,019	- 2.7
4 Steubenville.....Ohio	21,592	- 5.7	63,671	-13.2
2 Warren.....Ohio	35,284	- 9.3	108,094	-13.6
3 Zanesville.....Ohio	24,587	- 2.4	76,809	- 5.9
3 Butler.....Penna.	29,377	- 4.3	85,926	-12.2
1 Franklin.....Penna.	5,836	-21.0	19,403	-18.1
2 Greensburg.....Penna.	18,966	- 7.7	57,613	-13.6
4 Kittanning.....Penna.	n. a.	.....	n. a.	.....
3 Meadville.....Penna.	11,687	- 5.5	37,146	- 3.7
4 Oil City.....Penna.	17,191	- 5.5	54,440	- 8.6
5 Sharon.....Penna.	25,952	- 8.5	75,244	-16.3
6 Wheeling.....W. Va.	61,086	+ 0.3	194,286	+ 0.5
78 TOTAL.....	\$ 689,473	- 0.2%	\$ 1,973,557	- 8.5%

* Debits to all deposit accounts except interbank balances.
n. a.—not available.

During the first month of 1950, debits to deposit accounts (except inter-bank) in 31 Fourth District cities were only 2.7 percent smaller than in the same month of 1949. This was the narrowest year-to-year margin since last June, when debits for the first time in the postwar period fell below a year ago.

In the case of the smaller cities, the January figure was only 0.2 percent short of a year ago, or the smallest year-to-year decline since March 1949.

At the largest cities where debits were still 3.0 percent short of a year ago, total deposits (not shown in table) at the end of January were 4 1/2 percent larger than a year earlier, indicating that the turnover of existing balances in metropolitan areas is still running behind the rate that prevailed early last year.

TEN LARGEST CENTERS

Among the ten largest cities only Columbus and Dayton reported debits in excess of a year ago. Debits in Canton were reported 13 percent below last year's figure for the month.

TWENTY-ONE SMALLER CENTERS

Middletown led the list with a 16 percent gain in debits over January 1949. Five other cities also reported gains for the month over a year ago.

Indexes of Department Store Sales and Stocks

	Daily Average for 1935-1939=100					
	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Jan. 1950	Dec. 1949	Jan. 1949	Jan. 1950	Dec. 1949	Jan. 1949
SALES:						
Akron (6)	286	299	310	212	485	229
Canton (5)	328	350	361	243	595	267
Cincinnati (8)	316	307	310	247	501	242
Cleveland (10)	283	263	292	218	424	225
Columbus (6)	336	345	360	255	562	274
Erie (3)	314	327	336	242	579	259
Pittsburgh (9)	261	268	293	195	423	220
Springfield (3)	267	294	284	193	508	205
Toledo (6)	268	277	286	191	474	210
Wheeling (6)	235	236	273	157	427	183
Youngstown (3)	305	321	348	229	527	261
District (98)	290	283	311	215	465	280
STOCKS:						
District	224	262	274	256	219	240

Back figures for year 1949 are shown in the February issue. For year 1946-48, see August 1949 issue, page 7.

