

MONTHLY
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FINANCE • INDUSTRY • AGRICULTURE • TRADE

FOURTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

The Presentation of Local Business Statistics

THIS sequel to the discussion of local business statistics which appeared in the April REVIEW deals with the preparation of appropriate textual comment to accompany the bare statistical material that is made available in many localities.

The general principles and procedures described herein are not proffered as the last word in processing and presenting local data. Whatever merit this discussion contains stems entirely from several years of firsthand experience by the research department of this bank in assembling, preparing, and publishing its "Weekly Summary of Cleveland Business Activity", the preparation of which is discussed below in some detail.

Business data will tend to be of higher quality and of greater significance if those responsible for gathering the information are also prepared to evaluate its meaning. Business series are chosen for their value as *indicators* of the state of economic affairs, but that value is neither fixed nor static.

Continuity is an important characteristic of any series of business data, but over a period of time the value of a particular series may deteriorate to the point where it may well be abandoned and replaced by something else. New inventions, new laws, changes in people's living habits, and other developments can influence the usefulness of specific statistics. If the publishers of statistical series are active in interpreting their product and in checking its usefulness, corrective measures can be taken before outside interest in the service begins to wane.

On the other hand, some well established series occasionally lose their value temporarily. For example, sales of new automobiles in the first postwar

years were not useful as a measure of the demand for motorcars because of the limitations in productive capacity. Today that series is coming into its own again.

Selection of Data Because of the desirability of a balanced representation of basic industries and consumer markets, nine distinct series, with some subdivisions were selected for regular inclusion in the "Weekly Summary of Cleveland Business Activity", a facsimile of which is reproduced herewith.

The material selected for regular publication and comment has been limited to nine series, partly by the necessity of keeping the number of series within bounds, and partly by practical considerations. Not all useful material is available on a weekly basis and with minimum delay.

In two cases, namely passenger car sales and department store trade, the emphasis is on conditions in the retail market. In nonresidential building, electric output, steel operations, and carloadings, the stress is on conditions prevailing in industry. Residential building, unemployment compensation, streetcar pass sales, and newspaper advertising line-age occupy an intermediate position in that they are indicative of both consumer and industry conditions.

In addition to the material published regularly in the table, several supplementary series are maintained and mentioned from time to time in the accompanying text. One of them is the number of relief cases in the city, which frequently does not change from week to week. Other important series carried forward, but not published at weekly in-

Federal Reserve Bank of Cleveland

Research Department

For
Release A.M. Newspapers, May 15

Date May 12, 1950

WEEKLY SUMMARY OF CLEVELAND BUSINESS ACTIVITY

Steady high-level steel production and power output continue to be major sustaining factors in Cleveland business activity, bolstered currently by an upsurge in residential construction in Cleveland and surrounding suburban areas.

The \$2,440,000 aggregate value of all building permits issued last week by the City of Cleveland marked the third highest week of the year so far, and brought the year's cumulative total to over \$22,000,000, a figure not reached in 1949 until well into August. Predominant in last week's total was new residential work amounting to \$1,972,200, covering 232 single-home permits, by far the largest number either this year or last.

A canvass of 10 major suburbs* yielded a combined total building permit valuation for April of slightly over \$6.0 million as compared with \$8.2 million in March. Since building permit value in these 10 suburbs for the January-March period was double the same three months of last year, many building contractors undoubtedly reached a saturation point in taking on new work, making a March to April decline more or less inevitable. The April total is about 50% ahead of the same month last year.

The seasonal decline in output of electricity continued as production amounted to 83.5 million kwh last week. The margin over last year was 12%, a little under the average 14% year-to-year gain of the previous five weeks.

Cleveland-Lorain district steel mills were reported as operating at 97.5% of capacity by STEEL magazine. Mill activity for the past six weeks, when converted to tons, shows an ingot output 12% ahead of a year ago, as was the case during the first quarter.

Declines were registered in sales of all types of motor vehicles, with the slow-up in new passenger car sales to 1,358 being the most noticeable. This is partly because of comparison with the previous record-breaking period, but last week's total nevertheless marks one of the five lowest non-holiday periods this year. Despite this fact, new auto sales were 10% over the year-ago week. Used car sales totaled 2,480, to fall slightly below year-ago volume the third time this year.

There were 19,429 continued claims filed for unemployment compensation representing a further decline in a downtrend of several months' duration, but initial claims advanced to 1,731 from the previous week's 18-month low.

Although up 6% for the week, department store sales were 7% below a year ago.

* Bay Village, Cleveland Heights, Euclid, Fairview Park, Lakewood, Lyndhurst, Maple Heights, Parma, Shaker Heights, and University Heights.

Federal Reserve Bank of Cleveland

Research Department

For

Release A.M. Newspapers, May 15Date May 12, 1950WEEKLY SUMMARY OF CLEVELAND BUSINESS ACTIVITY

Week Ended	Auto Sales				Electric Output (million kwh)	Permits to Build - Estimated Cost			
	New		Used			Residential (000's)	Nonresidential (000's)	Alterations	
	Cars	Trucks	Cars	Trucks				Residential (000's)	Nonresidential (000's)
<u>1950</u>									
Apr 6	1,332	151	3,395	290	88.6	\$ 256	\$ 65	\$ 35	\$ 132
Apr 13	1,578	135	2,316	195	89.1	570	1,168	27	113
Apr 20	1,384	121	2,160	129	86.9	397	158	42	77
Apr 27	1,487	166	2,453	145	87.1	473	749	33	109
May 4	1,730	156	2,530	176	84.9	388	109	46	206
May 11	1,358	146	2,480	151	83.5	1,972	264	49	154

Week Ended	Dept. Store Dollar Sales % Change fr. year ago	Carloadings (no. of cars)		Steel Operations % Capacity	Streetcar Pass Sales (000's)	Unemployment Compensation Claims		Retail Display Ad Lines* (000's)
		In-bound	Out-bound			Initial	Cont'd.	
<u>1950</u>								
Apr 8	- 1%	6,990	5,717	97.0%	96	1,965	22,744	820
Apr 15	-25	7,186	5,865	99.5	95	1,791	21,562	836
Apr 22	+ 8	8,109	5,819	96.0	96	1,811	20,347	914
Apr 29	+ 2	8,697	7,228	97.0	95	1,595	19,951	867
May 6	- 7	7,001	6,319	96.0	95	1,731	19,429	996
May 13				97.5	96			986

* Week ended Friday.

Sources: Furnished upon request.

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Federal Reserve Bank of St. Louis

tervals, include sales tax receipts, total streetcar revenues from fares, bank clearings, bank debits (monthly), building permit value (monthly) for all suburban areas as well as the city, and new passenger car sales by make of car (monthly). Some of these are primarily useful for purposes of comparison with other communities where similar data are available. The time lag in other cases is so great that, for a weekly reporting project, they are reserved mainly for occasional retrospective appraisal or other purposes.

Reporting Period and Other Considerations

With the exception of two series which are reported by mail, all the data for the "Weekly Summary of Cleveland Business Activity" are collected by telephone on Friday of each week at the earliest possible hour as prearranged with the respective cooperating sources. From time to time credit to all sources appears at the foot of the table of statistics, although regular inclusion of the somewhat lengthy list of cooperating organizations has been eliminated to simplify preparation.

As indicated in the table, steel operations and streetcar pass sales are for the week ended Saturday, which is actually the day following preparation of the release. This advance publication is not due to any clairvoyant ability to foresee the future, but is possible because of peculiarities of the data. For example, the steel operation figure is an estimate derived by *Steel* magazine from weekly schedules of operations submitted midway through the week of report by the respective steelmaking companies. Since the operation of steel furnaces does not lend itself to sudden change, the estimate can ordinarily be relied on to carry through Saturday without much deviation. Minor revisions are reported the following week. As for streetcar passes, they are purchased only on Sunday and Monday of each week and can therefore be accurately tallied before the end of the riding week.

Three other series, auto sales, electric output, and building permit valuation, are available each Friday for the preceding seven days. Newspaper display advertising lineage for the week ended Friday is obtained late the same day—about an hour after the afternoon editions have gone to press. In the remaining three cases, department store sales, railway carloadings, and claims for unemployment compensation, there is a lag of five business days. Since the summary is prepared on a weekly basis on Friday afternoon and is on the desks of most subscribers by Saturday morning, the weekly summary has the advantage of reflecting extremely current developments.

In view of the fact that business data in a sense are a highly perishable commodity, prompt publication at weekly intervals is desirable wherever possible. The use of weekly periods has the further advantage in that for each item all calendar periods are of the

same length, whereas monthly reports involve consideration of the variation in number of business days as well as intervening holidays. February, with its variable 28 or 29 days and equal in length to no other month, is not the only offender. Months of 31 days may have either four or five Sundays so that the number of business days is inconstant. Such variations occur throughout the year as well as from year to year and must be considered together with special one-day holidays. Furthermore, the advantage of relative stability and freedom from erratic fluctuation that is often attributed to monthly reports in contrast to weekly reports is more apparent than real if weekly records are adequately maintained on a cumulative basis. The latter practice makes it readily possible to select any four-week period (to correspond approximately with a month) or for that matter a period of any number of consecutive weeks and compare with any other similar period. This facility of measuring off a period of almost any desired length is frequently of special value in determining relationships between statistical series and disrupting occurrences such as strikes.

There is one disadvantage to weekly reports which may crop up in diverse series in that records of reporting sources are sometimes uncontrollably influenced by the calendar months. In Cleveland, for example, there is a tendency for registrations of new cars sold to lag a little in the body of the calendar month and then to catch up in the closing days of the month.

Importance of Preliminary Work

A pictorial record of each series in the nature of simple line charts is the most valuable tool in determining the real significance of week-to-week changes. When charts are plotted for a number of years, the presence of major seasonal patterns will be disclosed. For example, electric power production in the Cleveland area normally reaches a peak in December and a low point in June. This is due to the use of electricity for lighting purposes, which use varies as the amount of natural daylight changes. This seasonal upswing and downswing is not self-apparent in the cold statistical columns, but it is necessary to know that such a pattern exists and to allow for it. The balance of electricity consumption which is used as power for general industrial, commercial, and household purposes is the portion that is significant, and consequently it is the *deviations* from the seasonal pattern that are important as indicators of the business climate. From this illustration it seems clear that the process of evaluating the statistics and of maintaining continuous records constitutes an indispensable aid in the preparation of a written summary.

The descriptive comment which accompanies the statistical table should be as general and objective

(CONTINUED ON PAGE 8)

The Business Situation

THE most important development on the business front since the turn of the year in both the District and the nation has been the gradual but steady emergence of an attitude of confidence. Doubts as to the inherent strength of industrial activity and of consumer markets have been dissipated. Many producers now expect present levels of activity—except for normal seasonal variations—to carry well into the third quarter, and perhaps beyond that.

This has been especially true among producers of durable goods of nearly every description. The flow of new orders steadily increased during the first quarter and is continuing at this date. In many cases, new orders have substantially exceeded shipments so that backlogs are accumulating and a comfortable bank of business for the future is assured.

The effects of this rise in confidence and new business may be seen in many sectors. The stability of wholesale prices since the closing months of 1949 is not only evidence of stable or strengthening demand for most commodities but is also a factor which encourages business to extend forward commitments. In April and May general wholesale prices began to rise slightly, and in the spot markets several commodities recently have begun to advance sharply, particularly rubber, steel scrap, nonferrous metals, and livestock.

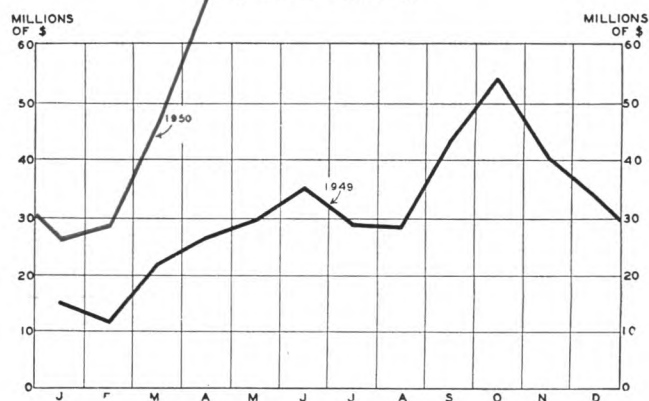
New claims for unemployment insurance in Ohio which averaged 19,000 a week in January had sunk to only 11,000 a week in the first part of May. Continued claims for unemployment compensation in this same interval of time dropped from 154,000 to 91,000, the lowest level since January 1949. Declines in compensable unemployment have been particularly marked in Canton, Cleveland, Columbus, and Toledo, Ohio; Erie and Pittsburgh, Pennsylvania. Concurrent with the decline in unemployment, has been a steady gain in manufacturing and construction employment.

Another sector in the over-all economic picture which reflects the change in business attitudes is the recent gain in new business incorporations, as reported by Dun and Bradstreet, Inc. New charters granted Ohio and Pennsylvania corporations rose 16 percent in the first quarter of this year as compared with the same period in 1949. This may represent a reversal of a downward trend which had been evident since 1946.

Construction One of the most important factors, if not the most important, in the current trend of business activity has been the upsurge of the construction industry. Every measure of building activity—permits, new housing starts, value of construction work put in place, heavy engineering

TOTAL RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED

1950 As Against Previous Year
(Fourth District)



... residential construction in this District (as well as elsewhere) has vaulted to record levels within the past few weeks. Dollar volume of contracts awarded in April was 2½ times the year-ago figure.

Source: F. W. Dodge Corporation.

awards, and total construction contracts awarded—points uniformly toward new construction records. The present volume of work now under way together with the recent record-breaking level of contracts awarded, virtually assure that 1950 will be a banner construction year by any standard of comparison.

In the Fourth District, residential building activity is beginning to assume the proportions of an unprecedented boom. Records are now being established that exceed the best previous postwar years as well as those of the mid-1920's.

A year ago last spring, residential builders were proceeding with some caution. Finished houses sold slowly and buyers were able to obtain some price concessions. These conditions prevailed pretty generally through the first half of the year. The pick-up thereafter was due, at least in part, to the liberalized financing terms that were legislated in July by the Congress, and to the provision of additional funds for the several credit agencies. A gradual revival of confidence, the firming of the price structure, and a trend toward lower-priced housing also have contributed to increased demand for new homes.

By the end of the third quarter of 1949, residential building in the District, as measured by F. W. Dodge contracts awarded, was still lagging behind the previous year. The beginning of the boom, however, was in September, when the value of contracts jumped more than 50 percent over August, whereas the usual seasonal pattern is for activity to remain about on the same plane in these two months. October contracts were the largest ever awarded in the District for any month since records were first started some

27 years ago. Fourth-quarter contracts were 87 percent larger than in the like period of 1948 and lifted the entire year's total to the highest on record.

This rate of gain accelerated in the first four months of 1950 with an advance of 122 percent over the same 1949 months. The value of residential construction contracts in this year's initial four months, amounting to nearly \$170 million, was greater than the annual total of 15 of the last 27 years in the District.

Analysis of the contract award data indicates that all types of residential building are sharing in the boom. Single-family homes put under contract for the owner who will occupy the unit himself, increased 108 percent in the first four months of the year as compared with the same 1949 period. Single-family units built by contractors for open market sale increased considerably more, or 138 percent. Apartment house building was up a substantial 147 percent, and accounted for about one-eighth of all new dwelling units. Very large gains in apartment building were scored in the Cleveland and Cincinnati districts, but the Pittsburgh area showed a smaller year-to-year increase in this category. There is some evidence in the latter area of a surplus of apartments renting for more than \$125 a month.

The number of new homes being completed and offered for sale now is undoubtedly the largest on record for this season of the year. Yet a canvass of representative real estate brokers and builders in the three major cities of the District reveals that there is practically no over-hang of unsold new houses on the market. In fact builders of for-sale housing are again selling units before they are half completed or even from blue prints or model homes.

Nonresidential construction, public works and utility expansion in the District have not kept pace with house building activity. In the first four months

of the year, the dollar value of nonresidential contracts awarded gained only 14 percent over the comparable 1949 months, public works were up 60 percent and utilities gained 15 percent. The dollar value of commercial building was up 10 percent, but the number of projects actually increased 16 percent.

Construction of District manufacturing buildings was down 18 percent. The decline in manufacturing building was due to the fact that a year ago, a very large contract for an oil refinery was awarded. If this one contract were eliminated, manufacturing building would have been larger in 1950 in the first four months than a year ago, and the number of contracts awarded would be up 3 percent.

In contrast with the Fourth District, manufacturing construction contracts awarded in the entire 37-state area covered by F. W. Dodge, were up 81 percent in value. Most of this gain, however, was the result of a single \$103 million contract for a government project in Tennessee. The number of manufacturing projects in the 37-state area was unchanged from a year ago.

Automobiles and Parts

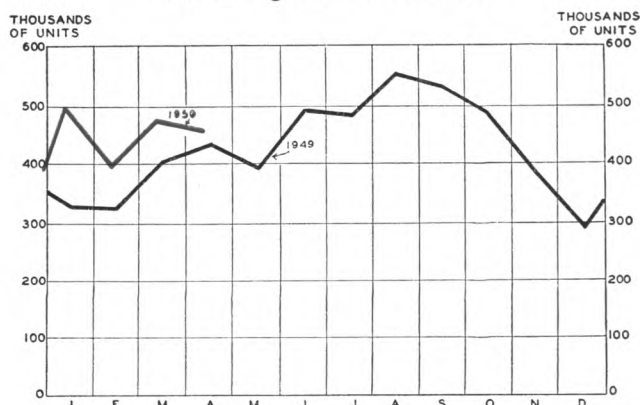
Another important factor in lifting the over-all performance of industry thus far in 1950 has been the record-breaking pace of passenger car production and sales. Through the first four months of the year, nearly 1.8 million passenger cars were assembled in the United States despite the fact that a major producer was strike-bound for 104 calendar days. Production was nearly equal to the previous record established in the first four months of 1929. If further labor trouble is avoided, the old mark of nearly 2.8 million cars set in the first half of 1929 will be broken easily. It is noteworthy that passenger car production every month since October 1948 has exceeded the same year-ago month with the exception of December 1949 when important model changeovers were made.

New car sales have just about kept pace with production so that in the main, there has been relatively little inventory accumulation in dealer hands this spring. In fact, deliveries of the most popular makes and models is not promised for 6 or 8 weeks. This situation, however, could change rapidly with full production just now being attained by one of the large "independent" producers and very high output scheduled by all other manufacturers for the first time since January.

The used car market also came back strong this spring with perhaps a more than seasonal rise in prices.

The Fourth District, and particularly Ohio, is probably the major area feeding the principal motor car assembly lines with all types of parts and accessories. Original equipment manufacturers experi-

U. S. AUTOMOBILE PRODUCTION
1950 As Against Previous Year



... despite the work stoppage at a major producer, automobile production has been running ahead of last year, and is now (May-June) moving into record high volume.

Source: Automobile Manufacturers Association.

enced a gain in activity comparable with the rise in assembly of new cars in other regions. Producers that were heavily dependent upon their strike-bound customer, did not fare so well. Some shrinkage was also experienced by manufacturers specializing in the auto replacement parts business. District truck builders' output varied sharply among the major producers, but truck trailer manufacturers had a good upswing in new orders.

Rubber Manufacture

Automotive passenger car casing manufacturers have also benefited from the upsurge in motor car assembly. In the first quarter of the year, production of casings rose 17 percent and shipments gained 22 percent from the same 1949 period according to the Rubber Manufacturers Association. In these first three months, shipments for original equipment were up 38 percent while the replacement market increased 8 percent.

Preliminary estimates by the industry indicate that shipments in April and May rose still further and that replacement buying was higher. Dealer inventories were reported to be on the low side for this season of the year. Repeated rumors of impending tire price advances have been a further stimulus to tire demand. Factory inventories on April 1 were 3 percent lower than a year ago.

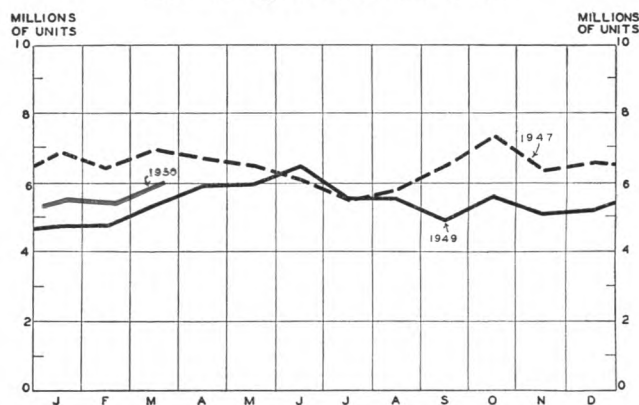
Truck and bus casing production in the first quarter was down 3 percent from the same months in 1949 and factory inventories dropped 16 percent. Original equipment shipments were down 6 percent but replacement casing demand advanced 12 percent.

District tire plants in April and May operated six and even seven days a week in an effort to keep pace with sales. Tire manufacturers currently report two major problems: the rising price of natural crude rubber, and the shortage of both rayon and cotton tire fabrics.

From 16 cents a pound in the New York spot market in June 1949, natural crude rubber advanced to 28½ cents by mid-May or a gain of some 78 percent. The bulk of this gain took place in the last 60 days. While companies in early May still had stocks of low-priced rubber on hand, consumption was accelerating and they soon will be using the higher priced stocks. Since the average size passenger car casing contains 10 pounds of natural rubber, an advance in rubber price of this magnitude has an important effect upon manufacturing costs.

Government output of GR-S synthetic is being stepped-up and may reach 30,000 tons in July. A shortage of styrene, however, is hampering efforts to increase output. It is expected that GR-S stockpiles will be drawn down by 10,000 tons in the second quarter to meet the demand for new rubber. Both cotton and rayon tire fabrics are in short supply and textile mills seem unable to increase deliv-

PASSENGER CAR TIRE PRODUCTION 1950 As Against Previous Years



... although production of casings for passenger cars is not up to the comparable 1947 (peak) level, the gap is becoming narrower, chiefly because original equipment requirements are the largest in history.

Source: Rubber Manufacturers Association.

eries. Apparently cotton producers that converted from tire cord to other products because of declining demand in 1948 and 1949 are reluctant to recon-vert to meet existing demand.

Output of non-transportation rubber products is reported to be in excellent volume. In addition, production of the new foam rubber items is growing as rapidly as new facilities can be put in place for their manufacture. Producers are pressing hard on the available supply of liquid latex which is the necessary raw material.

Glass and Ceramics

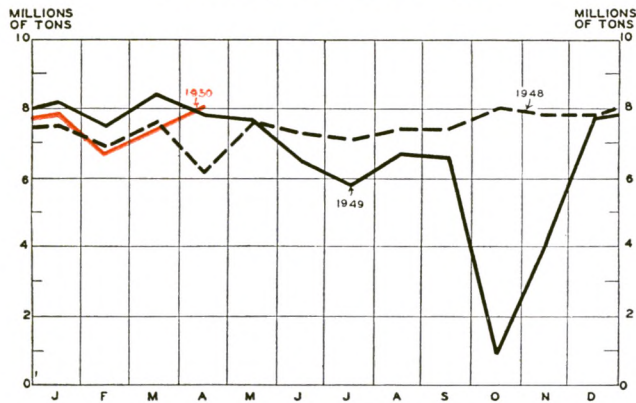
Most segments of the District's glass products industry report substantial gains in business. The production and demand for automotive, plate and window glass may be described as unprecedented and is related directly to the automotive and construction booms. Demand is also high for decorative plate glass and mirrors used in furnishing both new and old homes. Glass container output gained 11 percent in the first quarter of 1950 as compared with the first quarter of 1949 and shipments rose 15 percent. These trends continued in April and the first part of May.

Machine-made glass tableware volume is reported satisfactory, but handmade glass and stemware plants have either closed down or are working very short shifts of two and three days each. Earthen dinnerware producers are also reported in some cases to be working short hours. Competition from imports is reported to be a major factor in these latter cases, as well as conservative retail inventory policies.

Iron and Steel

Despite the hampering effects of the coal strike, the steel industry turned in a creditable first-quarter performance with a steel ingot and steel for casting output of 22.2 mil-

STEEL PRODUCTION 1950 As Against Previous Years



... steel ingot production reached a new all-time high for the month in April (and again in May, presumably), after several months of work disruption in both steel and coal.

Source: American Iron & Steel Institute.

lion net tons, only eight percent under the all-time record of 24.1 million net tons established in the initial quarter of 1949.

April production of 8.2 million net tons set a new record for that month and continuation of the more than 100 percent weekly rate that prevailed in the first three weeks of May would yield nearly 8.5 million net tons for that month. Output of this magnitude would also create a new May record, and set the stage for the largest second-quarter production in history. Nearly all District steel producers are working close to theoretical capacity and the important Pittsburgh area has been above capacity every week since April 2. The Wheeling district has been above 100 percent capacity since March 12.

Despite this outpouring of steel, order backlogs of the mills continue to mount with customers pressing for immediate delivery and larger quotas. Order accumulations on hand seem to assure a very high rate of production through the third quarter of the year.

Demand for sheet, strip, and pipe is very strong and it is reported that a large volume of conversion tonnage has been placed for these items with deliveries extending into the third quarter. Orders for bars, plates, and shapes continue to rise. Building steel is in great demand, freight car repairmen and builders are again in the market, and automotive and appliance steel buyers are unsatisfied. Demand for stainless and alloy steel is also high.

With current ingot production at an annual rate of nearly 100 million tons, industry observers believe that inventory accumulation is taking place, despite the apparent high demand for steel from nearly every class of buyer.

Scrap prices are under heavy buying pressure and are rising as a result of mill demand and the spreading conversion deals. The Chicago spot market price of steel scrap has risen from last year's June low of

\$19.50 a ton to \$33.50 a ton on May 18, or a gain of 72 percent. Ore stocks are very low because of the unusually late opening of the Upper Lakes. Better than average weather conditions will be needed from now until the end of the navigation season to bring down the 80 million tons of ore projected for the season.

District gray iron foundry activity is moving up from the low levels that prevailed in the last half of 1949. Particularly noteworthy gains have been achieved in the Erie (Pennsylvania) region, northern Ohio, and the Cincinnati area. Confidence in the foundry outlook is reflected by the surge in March of new orders for new foundry equipment. Equipment orders in March were double the February level and higher than any month in 1949 with the exception of November.

Machinery The rise in orders for new machinery and machine tools since the beginning of the year may be taken as a further reflection of business confidence in the current business situation.

New orders for machine tools as reported by the National Machine Tool Builders Association have been gaining since November 1949. The new order index recently touched 107% of the 1945-7 average, the highest point since mid-1946. The industry describes the gain in new business as moderate and the entire industry is still operating at less than 50 percent of capacity. Demand for new tooling is particularly strong from the automotive industry and is related to new engine and automatic transmission programs. There has been some increase in orders for export, for the aircraft industry, and for government business.

The Presentation of Local Business Statistics

(CONTINUED FROM PAGE 4)

as possible and yet contain sufficient detail to show clearly the movements of the different sectors of business. If a substantial variance develops among the several factors, a change in the future course of business may be indicated. This is in agreement with the theory on which the entire project is predicated—that the progress of one business is interrelated to the progress of others. There is, of course, nothing to prevent subscribers from making specialized use of data to serve their individual purposes. In some communities it may be feasible and desirable to include, as an additional service, specialized studies or reports of certain industries or industry groups.

Whatever the merits of a textual account, it is in nowise a substitute for actual figures. Documentary support for comment tends to impose a certain desirable degree of intellectual discipline in the preparation of the textual analysis. And it should go without saying that the practice of identifying individuals or business establishments should be discouraged.