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FINANCE • INDUSTRY • AGRICULTURE • TRADE

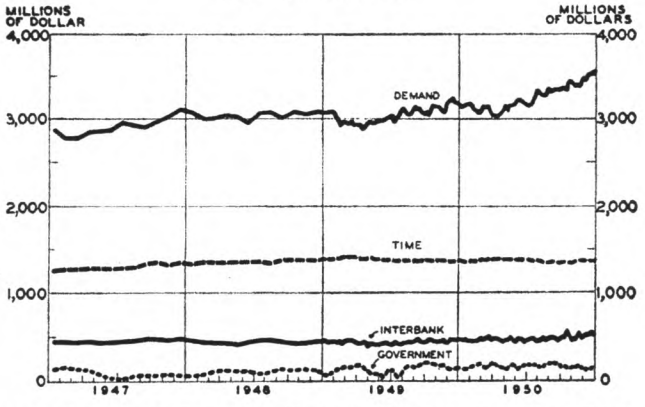
FOURTH FEDERAL RESERVE DISTRICT

Vol. 33—No. 1 Federal Reserve Bank of Cleveland Cleveland 1, Ohio

Banking Review, 1950

DURING the course of the past twelve months, monetary and credit policy emerged from the cloistered scrutiny of a Joint Congressional Committee into the full glare of the spotlight of public discussion. The cause of the transition may be most simply stated as inflation—not the "suppressed" variety characteristic of postwar Britain, nor the "runaway" type of recent Chinese memory, but in the broad sense of an upward movement of price-levels born, in part, of peacetime prosperity, in part, of wartime demand. In the causes of this inflation lie many of the answers to questions which arise concerning some of the problems inherent in rearmament in 1950 which were of much less urgency a decade ago.

DEPOSITS OF REPORTING MEMBER BANKS
(Fourth District)



. . . the expansion of adjusted demand deposits which began in April continued at a rapid pace throughout the year, lifting these deposits to all-time high levels. Other types of deposits registered little net change during the year.

Money Supply

Demand Deposits One of the more spectacular causes of a rising price level, though not necessarily a primary cause, is an increase in the money supply. In the early months of the year, the seasonal decline in adjusted demand deposits at commercial banks throughout the country was less than might have been expected. A moderate expansion then ensued, but it was not until the second half of the year that the increase in this part of the money supply became extensive. By September, a new all-time high of $88 billion had been reached, and more recent sample data indicate that the accelerated expansion of deposits continued during the last three months of the year at a rate similar to that of the immediate postwar years.

The chart (left) illustrates the particularly rapid increase in deposits at the large city banks in the Fourth District. Accounts of manufacturing and mining firms and public utilities comprise a large portion of the total deposits of these large banks. From the seasonal low registered in April to the end of November, the expansion in demand deposits at reserve city banks in Cincinnati, Cleveland, Columbus, Pittsburgh and Toledo aggregated $400 million, or 14 percent, far in excess of seasonal expectations. At the smaller, so-called "country" banks, demand deposits were enlarged $190 million or 8 percent in the same period. The expansion at "country" banks probably reflects to a considerable extent augmented funds of retail and wholesale trade establishments and farmers. It is estimated that in the six months following the outbreak of the Korean war, adjusted demand deposits at all commercial banks in the Fourth District jumped

$590 million, or 10 percent, the largest gain for any similar six-month period in history in which the dominant factor was not a major war.

Causes of Expansion The expansion of the demand deposit component of the money supply is representative of only part of the inflationary economic pressures. One of the immediate results of the outbreak of hostilities in June was a sharp rise in commodity prices, resulting in the main from fear of shortages and controls. Similar motives induced a short-lived but spectacular increase in demand at the consumer level, facilitating the spread of initial price increases to the retail level.

The influence of these price increases, and in later stages, of wage increases also, on the monetary mechanism is twofold. On the one hand business and government require an augmented volume of liquid funds with which to conduct the same scale of operations as before. In addition, with rising prices and the certainty of high employment and incomes, there is a strong incentive for businesses to expand their activity. Thus the demand for additional funds is further increased. Consumers, too, are faced with the necessity of carrying larger cash-balances if the physical volume of their purchases is to be maintained.

On the other hand, in a period of rising prices which is considered to be of a long-term nature, "bearishness' is reduced. Accordingly, individuals and businesses desire to keep the cash-balances necessary for their transactions and safety down to a minimum. The result is that they tend to make greater use of existing funds, spending them more rapidly, rather than simply increasing the amount of cash on hand.

Evidence of this latter factor, together with the fact that there tends to be a time lag between an initial rise in prices, the subsequent demand for cash and the forthcoming supply, lies in the acceleration of the rate of turnover of demand deposits throughout the year, and particularly during the third quarter. At weekly reporting banks in the Fourth District, the annual rate of turnover of demand deposits reached a post-war high in September, exceeding the previous seasonal peak registered in December 1948. This was the case also at weekly reporting banks throughout the country.

Although the extent of the increase in checking account activity evidenced a considerable degree of local variation, all available data indicate its universality. Debits reports from member banks in this District show that large and small cities and banks, urban and rural areas alike, were subject to demands for more prolific usage of deposit balances.

Civilian Versus Military Borrowing At this juncture it may be well to note an essential difference between the inflationary pressures which result from an increase in the supply and turnover of money due to private demand (such as occurred during 1950), and those which stem from government borrowing from the banking system for military purposes (as for example in World War II). In the first instance, the growth of the money supply was in part the cause, in part the result, of price increases. But also, some of the new funds were created because of business plans to increase production of civilian goods. In cases where this entails first of all additions to plant and equipment, there is no immediate offset to the upward pressure on prices exerted by the increased monetary demand. But in cases where it is possible to increase the supply of civilian consumption goods without a prior increase in plant and equipment, the expanded production helps to match expanded incomes, thereby restraining upward pressure on prices.

Money created by Government borrowing from banks, on the other hand, would be spent in expanding military output under present circumstances. The increase in military output would augment the incomes and cash-balances of civilians and private business by a process of transferring deposits from Government to private accounts, but would not, of course, provide additional consumption goods on which these funds could be spent. Accordingly, the inflationary potential of an increase in the supply and use of money as a result of Government borrowing from banks to finance preparedness exceeds that of an expanding money supply such as occurred in 1950. Whether or not such inflationary potential will be translated into an actual inflationary process, depends also on taxation, savings, investment, and controls, which are beyond the scope of the immediate discussion.

Currency in Circulation Currency in circulation outside banks, which is the other active element in the private money supply, showed little net change for the year as a whole. A tendency for nonbank holdings of currency to increase slightly was apparent during the first half of the year, but in the third quarter this trend was halted temporarily. The resumption of an outflow of currency from the banking system to the public in the late months of 1950 was largely in accord with seasonal expectations, and the approximately $25½ billion of paper money and coin estimated to be held outside banks at the end of the year was essentially the same as at the end of 1949.

The degree of stability evidenced by the currency circulation is in marked contrast to the rapid expansion in 1940 and 1941 during which two years an increase of 50 percent was registered.

Time Deposits Time deposits increased moderately during 1950, as they have done in every year since 1941. Deposits at mutual savings banks accounted for the bulk of the expansion, as

was the case in 1949. Substantial withdrawals associated with the post-Korean buying wave reduced time deposits at commercial banks throughout the country by about $500 million, and in this District by approximately $50 million, during the third quarter. This shrinkage cancelled most of the gain registered during the first half of the year. Since the end of September, Fourth District banks have shown virtually no change in their time deposits, a seasonal decline in November being followed by the usual influx of funds in December.

Loan Expansion

The expansion in bank borrowing which was resumed after the temporary decline in the second quarter of 1949 reached unprecedented rates following the opening of hostilities in Korea. In the first eleven months of 1950, total loans of all banks in the United States were estimated to have increased $10.1 billion or 20 percent, a greater increase than in any other complete year in history.

In this District, member banks reported a loan volume of $3,180 million at the end of November, an increase of $500 million or 19 percent during the year. As can be seen from the chart below, the major part of the expansion occurred after the United Nations intervention in Korea. An increase in loans is usual in the second half of the year, particularly in the third quarter, but the sharp upturn in bank lending which occurred in that period of 1950 far exceeded any seasonal expectations.

Increase in Business Loans Particularly striking in dollar volume was the expansion in the "commercial, industrial and agricultural" loan category. At the weekly reporting banks in this District, the gain in these loans in the second half of the year totaled $164 million (20 percent), slightly less than in the same period of 1947 but greater than in the second half of any other postwar year. Seasonal borrowing for inventory and working capital requirements appears to have been the main cause of this expansion. However, increased prices entailed additional borrowing to carry a normal physical volume of inventory, and expectation of further price increases gave an impetus to some additional inventory accumulation of a more speculative nature. The high and growing level of employment and disposable income, together with the post-Korean buying wave and expectation of shortages in forthcoming months, were further incentives for businesses to disregard borrowing costs in planning the scale of their operations.

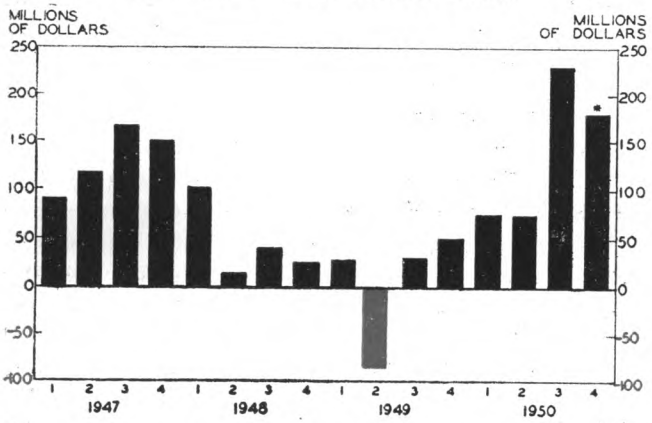
It is probable that a substantial part of the increase in business borrowing was attributable to retail and wholesale trade organizations rather than to manufacturing enterprises. Expanding activity not only tends to increase the demand for goods by distributing organizations, but also gives producers an opportunity to broaden their delivery schedules, and bring production and sale into closer correspondence.

While some of the increase in loans to business may reflect expansion of plant and equipment, it is unlikely that lending directly linked to defense contracts was a substantial factor in 1950. However, lines of credit may already have been established for future defense needs, the use of which will tend to perpetuate the loan expansion contra-seasonally in the early months of 1951.

Several factors which would induce an increase in loans to commodity dealers, which are included in the commercial loan category, were particularly evident in the past year. The upward movement in commodity prices which began in March was sharply accelerated as a result of the Korean war news, and after a short break in September, the trend was resumed and carried through the rest of the year. A smaller volume of the reduced cotton and grain crops was carried into Commodity Credit Corporation account this year than last, thereby augmenting the demand for private financing, and dealer purchases from the Government agency may also have necessitated a greater supply of private credit.

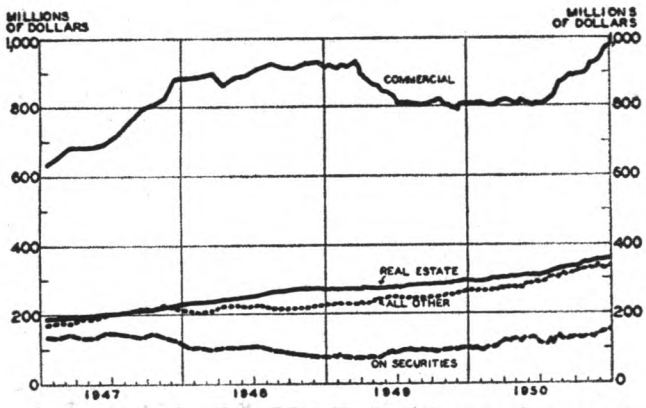
Other influences affecting the expansion of commercial loan volume probably arose specifically from the boom in instalment sales of consumer durables and in construction. Instalment sales are financed to a considerable extent by sales finance companies as well as by banks. These companies rely heavily on banks for their short-term funds, and accordingly, a boom in automobile and television sales, such as occurred last year for example, induces increased bank financing both directly to consumers and dealers, and indirectly through loans to sales finance companies. In the later months of the year, the decline in automobile sales, partly seasonal and partly attributable

CHANGES IN LOANS, 1947-1950 (Quarterly)
All Fourth District Member Banks



. . . the expansion of loans which was resumed in the second half of 1949 reached an unprecedented volume in the third quarter of 1950.
* Partly estimated

LOANS OF REPORTING MEMBER BANKS
(Fourth District)



. . . all types of loans increased substantially during 1950. Commercial loans registered the most spectacular rise, (partly seasonal), following the outbreak of war in Korea, and at the end of the year stood at a new all-time high level.

to Regulation W, was accompanied by inventory accumulation. In some cases, this building up of stocks may have been of a purely speculative character. It has been reported that some new car dealers have been taking all the cars available from the manufacturers, including 1950 models, anticipating that demand for automobiles in 1951 will outrun the curtailed supply despite the projected tax increases.

Mortgage and Consumer Loans

The foregoing analysis is applicable primarily to the commercial loan portfolios of the large city banks. However, smaller banks also registered substantial increases in loan volume during 1950, again chiefly in the second half of the year. Detailed classification of the loans of these banks is not available on a regular basis, but it seems reasonable to ascribe at least part of the expansion to an increase in loans to farmers on crops and livestock. Increased prices and the desire to use surplus grain for feeding may have caused a more than seasonal rise in this type of lending.

Throughout the year as a whole, however, real estate and consumer credit have exerted the most persistent expansionary influence on the money supply. In fact, if allowance is made for the greater preponderance of real estate and consumer loans at the "country" banks*, it appears that these types of borrowing in this District caused a greater volume of deposit creation during 1950 than did the more spectacular increase in commercial loans. And if account is taken of the commercial loans made to construction companies, mortgage brokers and sales finance companies, the dominance of building activity and production of consumer durables in the 1950 banking scene is even more noticeable. The extent of the mortgage and consumer credit expansion also indicates the validity, in this area at least, of the application of selective controls to real estate and consumer credit.

The expansion of mortgage credit in this District which was resumed towards the middle of 1949, continued at an ever increasing pace last year, as indicated in the adjacent chart. In the third quarter, demand for new and improved housing proved too urgent to be curtailed by the mild restraints imposed by the F. H. A. and the V. A., and an unprecedented increase in real estate credit took place. At the weekly reporting banks, this record rate of expansion continued in the last three months of the year, despite the relatively severe restrictions on new borrowing imposed by the Board of Governors of the Federal Reserve System in October. Savings and loan associations in Ohio and Kentucky also reported a continuing high volume of new mortgage activity in the late months of the year, though somewhat below the peak levels of the midsummer months. The failure of Regulation X to result in an immediate and drastic curtailment of mortgage lending is due in part to the allowance made for the completion of loan commitments which were in process at the time the restrictions were imposed. At reporting banks throughout the country, however, the increase in mortgage loans in the fourth quarter was substantially less than the record gain in the three preceding months, and preliminary data for December indicated at least a temporary slowing down of the expansion in this District also.

Instalment borrowing from Fourth District banks expanded steadily throughout most of the year. The volume of new loans made reached new high levels early in the year, and in May increased to unprecedented heights. An exceptionally high rate of new borrowing was maintained throughout the summer, as a result of which outstanding consumer instalment loans increased more in the six months from the beginning of April through September than in any other complete year since the war. In succeeding months, however, following the imposition of Regulation W, new loan volume declined substantially, and in November was less than in the same month of 1949.

As a result of the decline in new loan volume and the maintenance of a steady rate of repayments and payoffs, the volume of outstanding instalment debt began to level off towards the end of the third quarter. In November, outstanding debt at reporting banks was reduced nominally for the first time since the seasonal decline in February 1949. Throughout the year, credit for purchases of automobiles, television sets and household appliances provided the mainstay for the instalment lending boom, and it was in these

* Real estate and consumer instalment loans comprise almost two-thirds of the total loan portfolios of "country" banks, while at reserve city banks these two categories are less than one-third of total loans.

(CONTINUED ON PAGE 12

PRINTING ON THE MARCH

by **CLYDE WILLIAMS, *Director, Battelle Memorial Institute***

The printing and publishing (graphic arts) industry, with a history of more than 500 years, is today experiencing renewed vitality. Much of this stems from the many new technical development which are influencing, or will influence, the production operations and future of every progressive printer and publisher.

The whole concept of how printing can be produced is being revised and broadened. Although the situation resulting from the National Emergency may retard the rate of full utilization of new developments, this reawakened industry may attract more than a nominal amount of venture capital and investment funds in the coming years.

One of the giants in the national economy, the printing and publishing industry recorded a sales volume of about $4,000,000,000 in 1949. According to the Census Bureau, the industry has about 40,000 establishments ranging in size from the smallest cubicle to the large printing firms with employment running into four figures. Included among this composite group are photoengravers, type compositors, electrotypers, stereotypers, binders, newspaper and magazine publishers, packaging manufacturers, and manufacturers of presses and other equipment, and many allied businesses.

The graphic arts industry is a major factor in the economy of the Fourth District. Cleveland, Cincinnati, Dayton, Pittsburgh, Springfield, and Toledo are nationally recognized as major printing centers. Coshocton, Shelby, Wadsworth, Akron, Mt. Vernon, and numerous other communities have pioneered and achieved recognition because of various kinds of specialty printing, such as book matches, calendars, playing cards, salesbooks, packaging, and printing on sheet plastic.

The old concept that printing is largely confined to items for reading has become outmoded. Today printing is done on packages, plastic film, wall coverings, oil drums, and textiles. Even instrument dials, toy balloons, and walnuts are printed.

Letterpress, offset lithography, and gravure are the three most used printing processes today. They are constantly being improved. In addition, new cost-reducing production ideas are being introduced. The Fairchild Camera and Instrument Corporation has developed an electric "engraver" that will produce a halftone about the size of this page in twenty minutes. The celluloid halftone plate is made without employing a single material, machine, or process used previously. It would take hours to produce a similar plate in metal by conventional methods. The Fairchild engraver was first demonstrated about three years ago. More than 400 units are now in operation.

Equally revolutionary are phototypesetting machines, the typographic copy machines, and the electric color scanners.

The Intertype Corporation (Fotosetter) and the Mergenthaler Linotype Company (Linofilm) have machines that deliver a tape of film with type images on it. The conventional line-slug composing machines deliver a type metal slug.

The Ralph C. Coxhead Corporation (Vari-Typer), Commercial Controls Corporation (Justowriter), and Fairchild (Lithotype) now market keyboard-operated machines that deliver a typed copy in printers-type designs suitable for making printing plates. It is significant that none of these methods uses type metal in producing type composition.

The color scanners developed by Time, Inc., and the International Printing Ink Division of Interchemical Corporation make possible better and quicker production of plates for full color printing.

A unique and most fascinating post-war development is xerography. Developed by Battelle scientists, it is a rapid and completely dry method of printing and duplicating, of taking pictures, and of making or reproducing line drawings, documentary matter, or continuous-tone pictures. It can likewise be used in making X-ray pictures. It has definite possibilities as a production printing process, but these can only be realized after much more research.

Several months ago the Haloid Company placed on the market the Xerox Copier, a photocopying machine — the first commercial utilization of xerography. Other promising applications for this remarkable process are nearing completion.

Printing by offset lithography has experienced an amazing growth within the past five or six years. The Eastman Kodak Company and the Keuffel and Esser Company have introduced sheet plastic offset plates. They are sufficiently low in cost so that they can be thrown away after a single use. Time, Inc., has developed a bimetal offset plate (Lithure) which reportedly has several advantages over the conventional albumin plate. "Dry lithography" is getting much research attention. If a successful method of making plates for dry lithography is developed it will add much to the volume of offset printing.

All branches of the printing and publishing industry have supported this flood of new ideas. Trade associations like the Book Manufacturers' Institute, the American Newspaper Publishers Association and others have been active. The newspaper publishers have a yearly research budget of about $200,000 and are building a new laboratory.

Individual companies have their own progams. Cowell-Collier, at Springfield, Ohio, has long been a leader. R. R. Donnelley and Sons Company, the country's largest printer, maintains a formidable research staff. Time, Inc., which buys all its printing on contract, nonetheless operates two of its own research laboratories and has an annual research budget of about $1,500,000. More than a hundred other individual companies in the graphic arts are conducting effective research programs.

Alert to their opportunities, members of the industry band together to solve common problems and to share the cost of finding answers. Consequently, there are numerous organizations devoted to research and education. Examples are the Lithographic Technical Foundation, the Printing Ink Research Institute, Gravure Research, Inc., and Printing Plates Research, Inc.

We have come to expect startling new developments from the printing and publishing industry. Since World War II it has experienced improvement in techniques and competitive position which match any in American business.

With this great industry's current resurgence of interest in the application of science and technology many more new and startling changes can be anticipated.

Editors's Note:—While the views expressed on this page are not necessarily those of this bank, the *Monthly Business Review* is pleased to make this space available for the discussion of significant developments in industrial research.

Department Store Trade in 1950

A Year of Sharp Fluctuations

ALONG with the other sectors of American business, department stores experienced a year of strong activity in a general setting of inflationary pressures, especially during the second half. The doller volume of sales by Fourth District dapartment stores exceeded those of the previous year by about 7 percent. After allowance for price changes the gain in physical volume of goods sold was an estimated 4 percent.

Fluctuations within the year were greater than usual. In fact, on more than one occasion department store sales were in the spotlight of public attention. "Outside" influences, in the sense of unusual factors impinging on trade developments, served to push up sales, or to push them down, on numerous occasions throughout the year.

The first of such influences was the payment by the federal government of the veterans' insurance dividend which was concentrated in the first few months of the year. Partly as a consequence of this boost to already high personal incomes, department store sales (after starting the year at a somewhat dull tempo) picked up momentum so that the first half of the year averaged out at a favorable level, even by the high standards set in recent years.

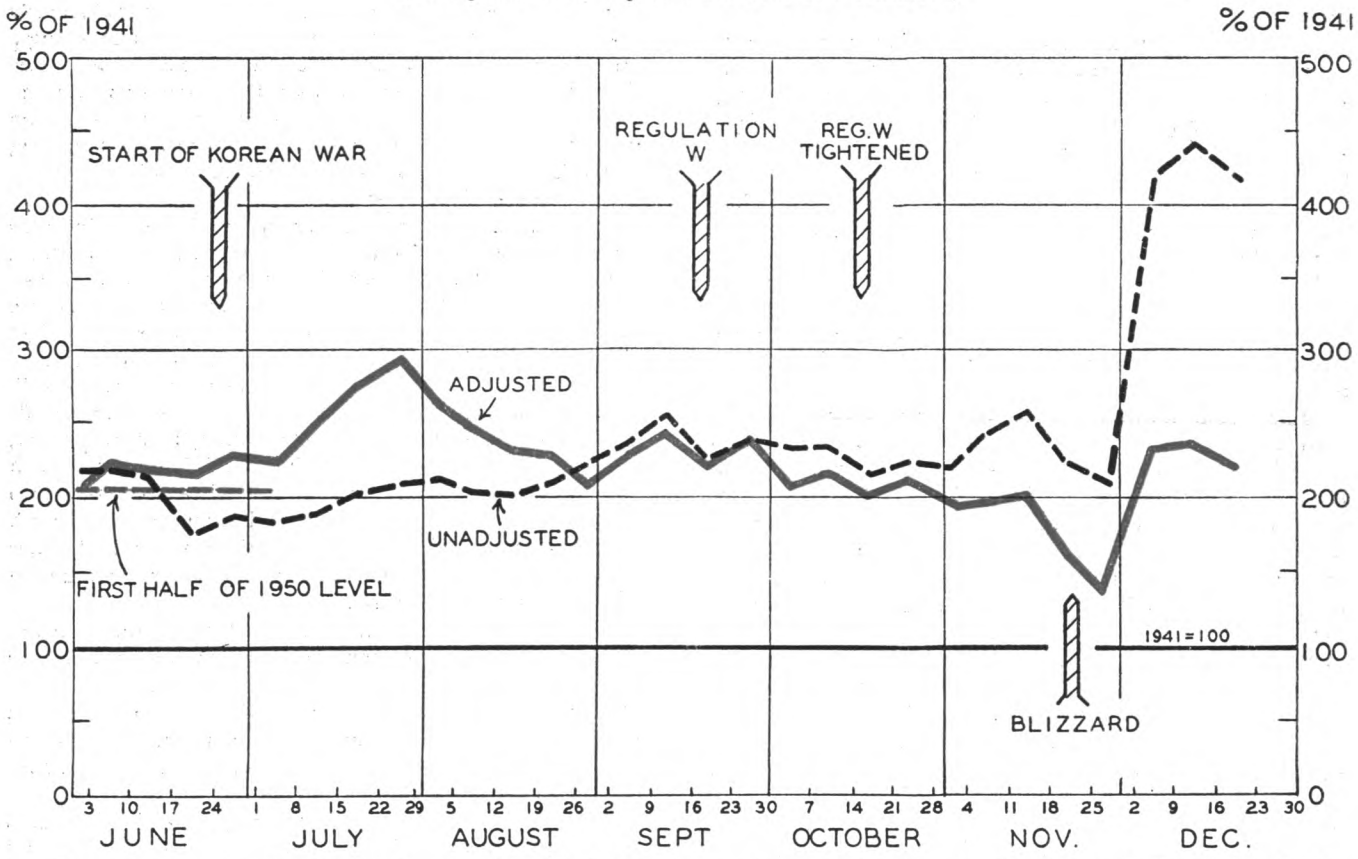
War and Snow

The trade picture during the second half of the year was studded with special influences, as may be noted by reference to an adjoining chart which depicts the seasonally adjusted course of weekly sales by Fourth District department stores. By far the most important influence was the outbreak of war in Korea near the end of June. In the case of department stores, unlik

INDEX OF WEEKLY SALES

Fourth District Department Stores, June-December 1950

(Unadjusted and Adjusted for Seasonal Variation)



. . . department store sales during the second half of the year fluctuated sharply around a high average level; during the weeks immediately following outbreak of war in Korea, sales surged to new highs for the season; but the consumer buying wave receded in the Fall and Regulation W appeared to have a mildly dampening effect; late November snowstorms crippled sales temporarily but Christmas trade in December was strong.

other sectors of business, the influence of the Korean outbreak was immediate and sensational.

Alarmed by prospective shortages and rising prices, consumers rushed to buy a wide range of hard and soft goods, especially hosiery, soaps, linens and household appliances. As will be seen from the chart, the July-August buying wave on the part of consumers lifted the adjusted sales index to unusual heights, although in terms of dollar volume, unadjusted for the seasons, store sales fell short of highs for the year. The curve of the adjusted index rose more sharply during July than at any previous time on record, including the 1939 and 1941 rises.

In the soft-goods lines, the episodic buying spree practically exhausted itself by late August. However, in the case of appliances, television and furniture, consumer apprehensions appeared to be based on at least somewhat more rational grounds. An unusually strong demand for such commodities persisted well into the autumn months, even though the sales figures in these lines, too, receded from the spectacular levels of the summer. During the autumn season as a whole, total department store sales returned to more normal positions, at a time when manufacturing activity and other business indicators were responding to the stimulus of the nation's rearmament program in its preparatory phases.

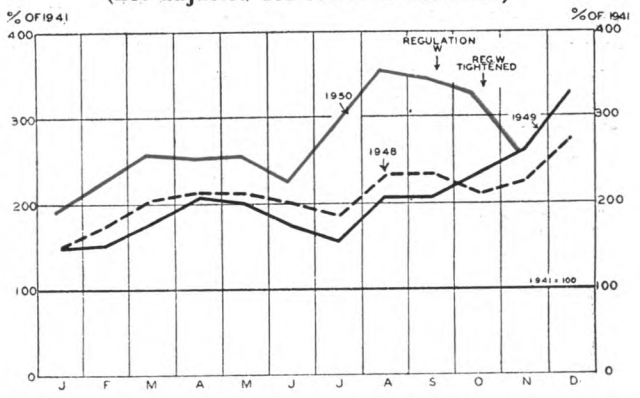
The next influence to play upon department stores was the reinstatement of Regulation W. Here, the effect on sales appears to have been a very moderate downward influence, as may be inferred from the chart of weekly sales. The moderation of the Regulation's impact on *total* department store sales, even after the terms of the Regulation were tightened in mid-October, is attributable in part to the fact that department stores typically carry only about one dollar's worth of goods in the hard-goods lines for every three dollars' worth of soft goods. (More details on the effect of the Regulation on hard-goods sales are discussed below).

The great snowstorm of late November had an obvious effect on department store sales which, from a short-run point of view, far exceeded any immediate effects of credit controls. As noted on the chart, the blizzard drove store sales to unusual lows for two weekly reports. Subsequently, however, a strong Christmas trade season offset part, if not all, of the earlier losses.(1)

It should be understood that the effect of the snows on trade was more pronounced in this Federal Reserve District than in any other, although country-wide data on department store sales reflect a similar impact to some extent.

Instalment Sales The year 1950 in department store trade was clearly one of increasing use of the instalment credit device, even though Regulation W had some dampening effect towards the end of the year. An accompanying chart shows the dollar volume of sales by Fourth District department stores, plotted monthly for 1950 in comparison with preceding years. (This chart is not adjusted for seasonal variation.)

INSTALMENT SALES
Fourth District Department Stores
(not adjusted for seasonal variation)



. . . instalment sales by Fourth District department stores reached new highs during 1950; the July rise was especially sharp, and wide margins over previous years were maintained even after the reinstatement of Regulation W; November snowstorms, however, brought a temporary slide.

It will be noted that the level of instalment sales, although erratic, was very high during the year as a whole. The July rise was record-breaking. The autumn subsidence can probably be attributed in part to the effects of the Regulation, but it was also associated with an understandable tapering-off of the post-Korean bulge in consumer buying.

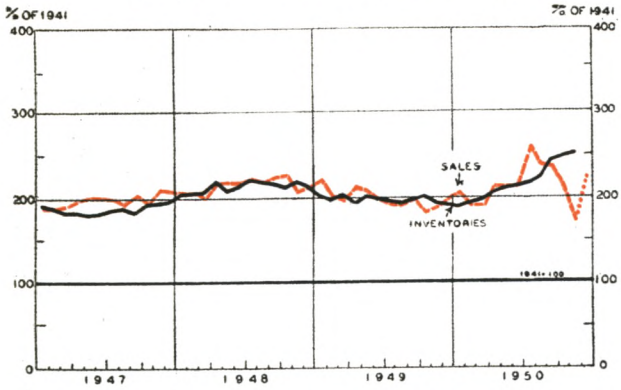
Expressed as a proportion of total sales, instalment sales tended to rise within the year, while cash sales as a proportion of sales tended to fall, and the proportion of charge sales showed little net change.

One of the reasons why instalment sales by department stores were not reduced severely by Regulation W is the fact that the terms of the Regulation, even after the October tightening, were very close to those which had been the prevailing practice of a large number of stores.

Price Changes Trends in the dollar volume of department store sales as discussed above should be interpreted in the light of changes in prices of goods carried by department stores, if the physical volume of store sales is to be correctly appraised. During the first half of the year, average prices of department store goods were practically stationary, although of course there were price movements within particular lines. During the second half of the year, however, a marked upward movement

(1) The weekly chart shown here carries through the week ended December 23. The appraisal of the rebound from blizzard losses is tentative, since this issue goes to press before full December reports are available.

INVENTORIES AND SALES*
Fourth District Department Stores
(Adjusted for Seasonal Variation)



. . . although department store inventories kept pace with sales during most of the 1947-50 period, a rise in store stocks persisted in the autumn of 1950 as sales declined; by November, however, inventories were steadying.

* The inventory curve is based on preliminary revised seasonal adjustment factors; last entry for inventories is November; dotted red line of the sales curve indicates estimate for December.

in department store prices occurred. This was partly in response to rises in manufacturers' prices which had occurred earlier, and was partly an accompaniment of the general lift to practically all prices which was taking place during the second half of the year.

It may be estimated that on the average the level of department store prices rose approximately 10 percent from mid-June to the end of the year, with the average price rise in hard goods probably exceeding this figure, and the average rise in soft goods somewhat less than 10 percent.[2] The sharpness in the rate of increase was comparable with the rises which occurred in the second half of the years 1919, 1941 and 1946.

If the price rises during the second half of the year are applied as offsets to the data on dollar sales volume portrayed in the various accompanying charts, in order to arrive at a physical volume concept, the level of the curves for the second half year would be somewhat reduced, although the month-to-month effects would be minor. The effects on total sales volume for the year as a whole, compared with 1949, would be to associate a gain of 7 percent in dollar volume with an estimated gain of 4 percent in physical volume of sales, as indicated at the outset. The allowance for price changes, when spread over a sales comparison between the two years, turns out to be small because the substantial price increases of late 1950 affected only a small portion of the year, and also because price declines during 1949 had not gathered much momentum during the early months of that year.

(2) These estimates are based chiefly on data drawn from the apparel and house-furnishings components of the Bureau of Labor Statistics index of consumers' prices (with apparel weighted 3 and house-furnishings, 1) and also (for the first half year) from the special Department Store Inventory Price Index issued by the same agency.

Inventories Changes in department store inventories during the year 1950 may be seen in an accompanying chart which depicts the value of inventories at month end during the past four years, with adjustment for seasonal variation. (See black line.) For purposes of comparison, monthly sales trends are shown in the same chart by a broken red line. It will be observed that the general level of department-store stocks kept very close to sales trends during most of the four-year period under consideration. (With 1941 taken as base year, this means that the gain in value of inventories from 1941 levels has tended to correspond with sales gains since 1941.)

Interesting divergences, however, appeared during the second half of 1950. Thus, the sharp rise and fall in sales during late Summer and Fall, associated with the alternating reactions of consumers to the Korean war, was accompanied by a gradual and continuous rise of store inventories throughout the period of sales fluctuations. It was not until November that the inventory gain appeared to be stemmed.

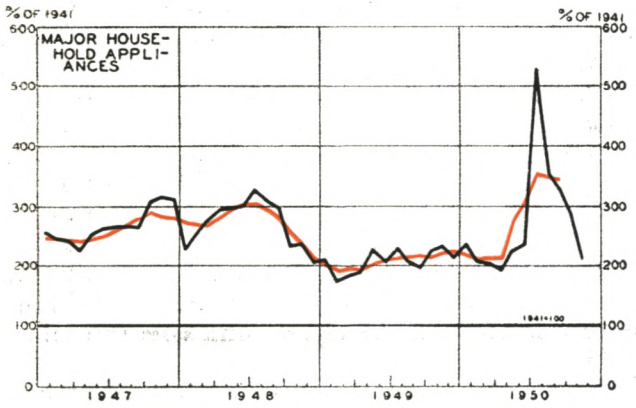
What apparently happened was that, during the period of the consumer buying spurt, retailers obtained quick deliveries from manufacturers (probably quicker than had been thought to be possible) and retailers continued to stock up as a precaution against further shortages, even during the autumn period when consumer buying was settling down. Towards the end of the year there were some apprehensions among merchants that possibly the stocking-up had been overdone; nevertheless, the underlying strength of consumer demand in a period when personal incomes were continuing to mount was widely considered to be reassurance against any real liklihood that existing stocks would prove burdensome or risky.

Hard Goods Departments When department store sales are examined in the light of performance by individual departments, it is apparent that the sales of hard goods enjoyed a more pronounced upward lift during 1950 than sales of soft goods, even though month-to-month fluctuations were also greater in the hard-goods lines. Once again, *major household appliances* appeared to be the bellwether. As can be seen on the first of the departmental charts on an accompanying page, sales of appliances during the July buying spree were sensational. Even though the natural reaction was also substantial, and in spite of restrictive effects of Regulation W, sales of appliances by department stores were running during the late fall at a pace which compared favorably with early 1950 or with the year 1949. (See the red line for trend.)

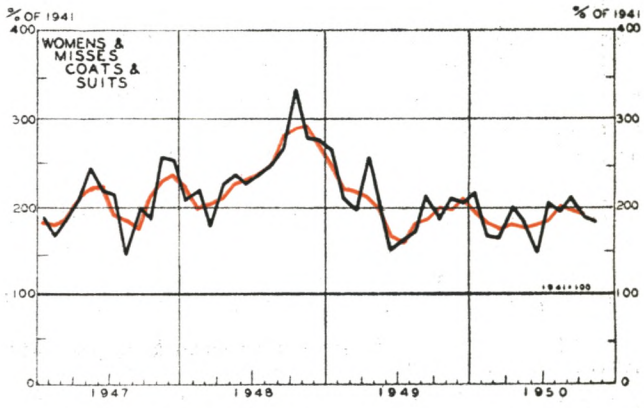
SALES TRENDS OF SELECTED DEPARTMENTS

Fourth District Department Stores

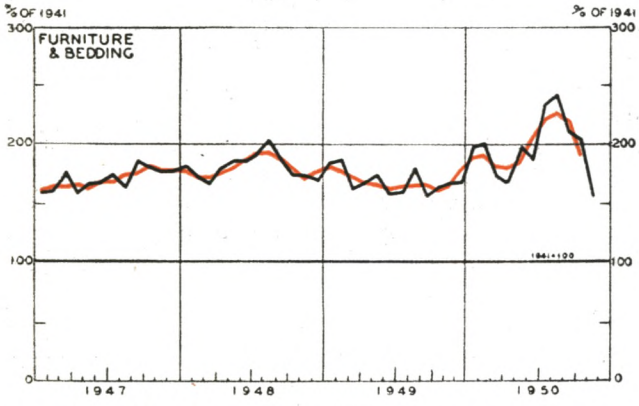
(Seasonally adjusted monthly indexes shown by black line*; moving averages for trend shown by red line)



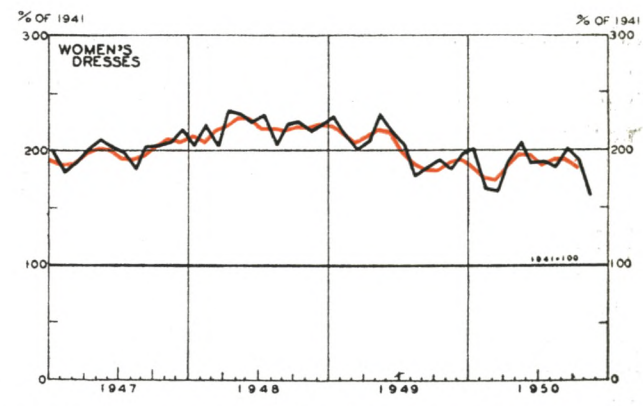
. . . sales of appliances skyrocketed during July; despite the autumn reaction, October and November sales compared favorably with 1949 or early 1950.



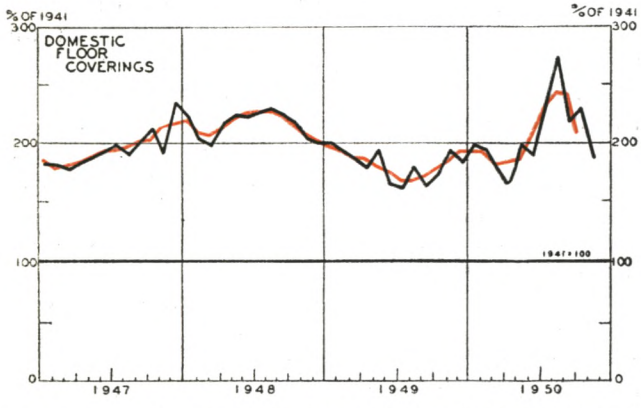
. . . sales of women's coats and suits showed little net change from levels of the second half of 1949, although month-to-month fluctuations were pronounced.



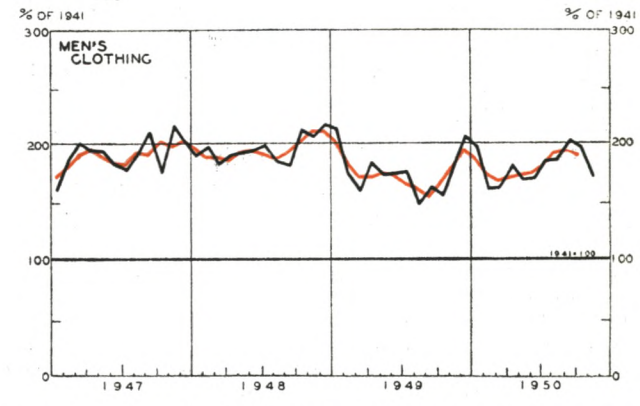
. . . sales of furniture and bedding were unusually strong during most of the second half of 1950 in spite of month-to-month fluctuations.



. . . the downward trend in sales of women's dresses was stemmed in 1950, but such sales averaged lower for the year as a whole than in 1949.



. . . even after the July boom had subsided, sales of domestic floor coverings were about as high in dollar volume as at the previous peak in the Fall of 1948.



. . . sales of men's clothing were in an upward phase during a considerable portion of the year.

* Last entries are for November, affected by snowstorms; December data would show marked recovery.

The trend of *furniture and bedding* sales, as shown by the second chart of the departmental series, was similar to that of appliances, although the fluctuations were less marked. The sales pattern of *domestic floor coverings* also showed a marked bulge in July followed by reduction to levels still high.[3] As noted earlier, some of the sales gains in the second half of 1950 must be ascribed to price increases. This holds true for practically all departments, but in the case of floor coverings, the upward price movement was appreciable during the entire year 1950.

Soft Goods Departments Sales trends among the soft-goods departments, which in the aggregate account for the major part of department store offerings, were strong during most of 1950, but with less over-all gains and also with narrower fluctuations than was the case with the hard-goods departments. Sales of *women's coats and suits,* for example, were maintained at an average level approximating that of the second half of 1949. The downward trend in sales of *women's dresses* was stemmed in 1950, but such sales averaged lower for the year than in 1949. In the field of men's wear, sales of *men's clothing* were in an upward phase during a considerable portion of 1950, and the year as a whole was somewhat more favorable than 1949 for this line.[4]

Trade in the Various Cities Of the three major cities of the District—Cleveland, Cincinnati, and Pittsburgh—*Cincinnati* for the fist eleven months of 1950 made the largest advance over the comparable period in 1949 in department store sales. This can be attributed partly to the fact that the November snowstorm did not deal a crippling blow to trade in Cincinnati as it did in Pittsburgh and Cleveland.[5] During the first half of 1950, trade in Cincinnati was strong in comparison with the District but the city failed to match District increases after the middle of the year. Both in Cincinnati and in *Cleveland,* sales showed marked gains over year-ago levels during the post-Korean flare-up but they did not equal the sharp increases recorded for the District.

As compared with a year ago, department store sales in *Pittsburgh* during the early months of 1950 were below District performance partly as a result of the coal strike and its secondary effects during that period. Although trade in Pittsburgh recovered during the summer months to keep pace with District changes, sales in the latter part of November were sharply curtailed because of the severity of the blizzard in that city and also because of a truckmen's strike.

CITY SALES
FOURTH DISTRICT DEPARTMENT STORES

(Percentage changes from preceding year)

City	1948	1949	1950*
Akron	+ 7%	− 7%	+6%
Canton	+12	−10	+8
Cincinnati	+ 7	− 7	+7
Cleveland	+ 7	− 6	+5
Columbus	+11	− 5	+1
Erie	+12	− 3	+8
Pittsburgh	+ 8	− 7	+5
Springfield	+ 3	− 6	+2
Toledo	+ 9	− 6	+5
Wheeling	+ 7	− 9	+6
Youngstown	+10	− 9	+7
DISTRICT	+ 7	− 7	+7

* First eleven months of 1950 compared with corresponding period of 1949.

For the fourth consecutive year, sales in *Erie* outdistanced other cities in the District in year-to-year percentage changes. Although sales in Erie were slow during the first four months of the year, the early summer pickup, combined with an especially sharp post-Korean buying spurt, succeeded in pushing sales for the first eleven months of 1950 up to a little more than 8 percent above the 1949 level.

Canton also reported a sales increase of 8 percent over the eleven months' period of a year ago. A successful early summer season in contrast with depressed sales during the latter part of 1949 (as a result of the steel strike) was largely responsible for a year-to-year advance which was larger than the District average.

Youngstown experienced the slowest Easter season in the District, but the spectacular gains in that city during the months of July and October offset the Easter disadvantage to bring average sales for the first eleven months of 1950 to a slightly more favorable position than the District average.

Trade in *Toledo* for the first eleven months was 5 percent above the comparable period last year. Year-to-year comparisons in Toledo ran consistently below District performance through most of the year. Sales during 1949, however, were strong in Toledo.

Wheeling and *Akron* reported moderate gains over the first eleven months of 1949, with sales somewhat sluggish during the first quarter of 1950 but gathering momentum during early summer and keeping pace with District changes after the Korean outbreak.

Springfield and *Columbus* posted gains of 2 percent and 1 percent, respectively, over year-ago levels for the eleven months' period. These advances were con-

(3) Domestic floor coverings, although technically not among the hard goods, are treated here along with the house-furnishings departments to which they are related.

(4) The departments cited here, both in the soft-goods and hard-goods lines, are important segments of department store trade. The course of their sales represents similar trends in related departments. In the aggregate these specific departments, however, comprise somewhat less than one-fourth of total dollar sales by department stores of the District.

(5) When the full reports of December trade are available, the relative positions of these cities for the year could be slightly changed.

siderably below the year-to-year gain for the District. Sales in Springfield were least inflated of all Fourth District cities by the post-Korean buying wave; a November decline of 12 percent from year-ago sales was one of the largest declines experienced by any city of the District during that blizzard-depressed month. The negligible gain over 1949 recorded for Columbus may be attributed partly to the fact that sales in that city were consistently better than District sales in 1949, and partly to the heavy toll of November sales taken by the snowstorm.

An accompanying table shows the percentage changes from the previous year for department store sales in the reporting cities of the District. Data for 1950 cover eleven months only. Annual data for 1949 and 1948 are shown for comparisons.

ANNOUNCEMENTS

Mr. Lawrence N. Murray, President, Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania, has been elected as a *Class A director* of this bank for a term of three years beginning January 1, 1951.

Mr. Charles J. Stilwell, President, The Warner & Swasey Company, Cleveland, Ohio, has been elected as a *Class B director* of this bank for a three-year term beginning January 1, 1951.

Mr. John C. Virden, Chairman of the Board, John C. Virden Company, Cleveland, Ohio, has been appointed as a *Class C director* of this bank for a three-year term commencing January 1, 1951. Mr. Virden was designated *Deputy Chairman* of the Board of Directors for the year 1951.

* * *

On December 29, 1950 the Board of Governors increased the amount of reserves required to be maintained with the Federal reserve banks by banks which are members of the Federal Reserve System. The increase will become effective according to the following schedule:

ON NET DEMAND DEPOSITS	EFFECTIVE
Central reserve city banks	
From 22 to 23 percent	January 11, 1951
From 23 to 24 percent	January 25, 1951
Reserve city banks	
From 18 to 19 percent	January 11, 1951
From 19 to 20 percent	January 25, 1951
Country banks	
From 12 to 13 percent	January 16, 1951
From 13 to 14 percent	February 1, 1951
ON TIME DEPOSITS	
Central reserve city and reserve city banks	
From 5 to 6 percent	January 11, 1951
Country banks	
From 5 to 6 percent	January 16, 1951

The following statement by the Board of Governors accompanied the foregoing announcement:

> This action was taken as a further step toward restraining inflationary expansion of bank credit, in accordance with the statement issued by the Board August 18, 1950, that the Board and the Federal Open Market Committee "are prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the government securities market."
>
> The volume of bank credit and the money supply have continued to increase despite previous actions by the Federal Reserve and other supervisory agencies, and efforts of individual banks to be restrictive in granting credit. Loans of member banks have increased about seven billion dollars since June, reflecting in part seasonal influences and in part accumulation of inventories at rising prices. This is an unprecedented rate of expansion and has contributed to an excessive rise in the money supply. Moreover, with the end of usual seasonal demands for credit and currency, banks will have additional funds available for lending. The purpose of the announced increase in reserve requirements is to absorb such funds and generally to reduce the ability of banks to expand credit that would add to inflationary pressures. The increase is timed so as to absorb reserves coming into the banks from the post-holiday return flow of currency.
>
> The effect of this increase will be to raise the required reserves of member banks by a total of approximately two billion dollars which, under our fractional reserve banking system, could otherwise be the basis for about a six-fold increase in bank credit in the banking system as a whole.
>
> After the increase, reserve requirements at banks other than central reserve city banks will be at the maximum legal limits which prevailed during the war period. Requirements on net demand deposits at central reserve city banks will be two percentage points less than the maximum under existing authority but above requirements that prevailed for these banks during most of the war period.

* * *

The People's Bank of Fleming County, Kentucky, Flemingsburg, Kentucky, became a member of the Federal Reserve System on December 27, 1950.

The new member bank is located in an agricultural area of Kentucky, approximately 55 miles northeast of Lexington.

The bank was incorporated on February 14, 1906. At the present time combined capital and surplus total $200,000. Officers of the new member bank are:

R. W. DARNALL ..... *President*
J. G. ALLEN ..... *Executive Vice President and Assistant Trust Officer*
H. W. THOMPSON ..... *Vice President*
MARION RHODES ..... *Cashier and Trust Officer*
F. L. MCKEE ..... *Assistant Cashier*

BANKING REVIEW
(CONTINUED FROM PAGE 4)

categories that the decline in new loans from the August peak was most severe.

Investments

The rapid growth of loan portfolios resulted in a marked change in the composition of earning assets. During the early months of the year, the seasonal return flow of currency from circulation and the usual inflow of reserve funds from outside the Fourth District enabled banks in this area to enlarge their loan volume substantially without having recourse to the sale of Government securities. In the second half of the year, however, the accelerated expansion of loans and deposits was a major factor in causing a $140 million decline in holdings of United States Government issues by the end of November.

Changes in holdings of the various types of Government securities have reflected chiefly the large volume of refundings undertaken by the Treasury during the year, which will be discussed at greater length in connection with Federal Reserve policy.

With the exception of the January and April operations, notes of varied rates and terms were offered in exchange for maturing or called certificates and bonds. With the January 1, 1951 refunding, no certificates remained outstanding. Holdings of Treasury bonds at the weekly reporting banks in this District were $230 million below the year-ago level at the close of 1950. Investments in Treasury notes, on the other hand, registered an increase of $330 million during the year. If allowance is made for those changes in the composition of the portfolio of Governments which are directly attributable to the Treasury's refinancing, it appears that the weekly reporting banks in this District sold certificates on balance during most of the year, disposed of a small volume of bonds in the later months and acquired relatively minor quantities of notes.

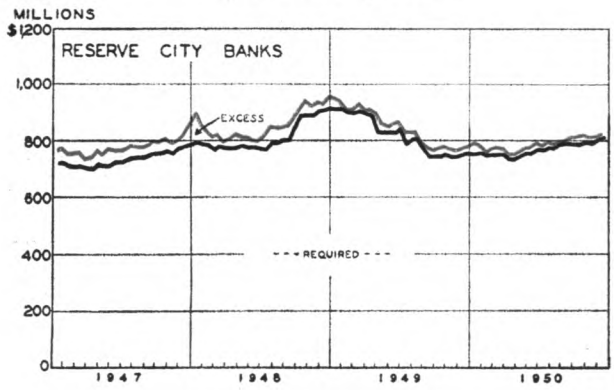
Holdings of Treasury bills at these banks fluctuated considerably during 1950, but on the average were considerably higher than in 1949. The relatively large portfolio of these securities maintained during the late months of the year may reflect the desire for liquidity in the event of an increase in reserve requirements.

The decline in bank investments in Government securities in this District was offset by a steady expansion in holdings of the obligations of corporations, and state and local authorities. This may be attributed in some measure to the ready availability of these issues in the market. Offerings of municipal securities for new capital reached a record postwar total of $3.2 billion in the first eleven months of 1950, and aggregate corporate, foreign government, farm loan, and municipal financing also reached a new high of $10.0 billion in the same period. In addition, the particularly heavy net purchases of non-Government securities in the third quarter may have been associated with expectations of a low interest rate structure and a dearth of higher-yielding investment opportunities in the event of a full scale war. Towards the end of the year the expansion was halted, but not before member banks in this District had added $140 million of these issues to their portfolios in the first eleven months of 1950, an increase of 18 percent.

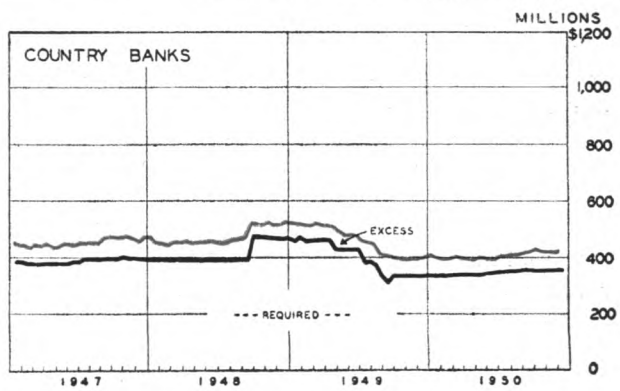
The fact that holdings of Government securities by member banks in this District were higher throughout the first half of the year than in the first half of

RESERVE POSITION — MEMBER BANKS
(Fourth District)

Reserve City Banks



Country Banks



. . . reserves maintained with the Federal Reserve Bank increased with respect to both reserve city and country banks during 1950. The percentage of reserves in excess of requirements remained at a similar level to that prevailing during the preceding year, as reserve city banks particularly continued to pursue a policy of full investment.

SOURCES AND USES OF RESERVE FUNDS, 1950
(in millions of dollars)

SOURCES	Dec. 31, 1949	Change During 1950 1st 6 Mos.	Last 6 Mos.	Year	Dec. 27, 1950
Reserve Bank Credit	**19,499**	**−796**	**+3,017**	**+2,221**	**21,720**
U. S. Government Securities	*18,885*	*− 554*	*+ 2,006*	*+ 1,452*	*20,337*
Discounts and Advances	*78*	*− 35*	*+ 260*	*+ 225*	*303*
All Other	*536*	*− 207*	*+ 750*	*+ 543*	*1,079*
Gold Stock	**24,427**	**− 196**	**−1,436**	**−1,632**	**22,795**
Treasury Currency	**4,598**	**+ 9**	**+ 24**	**+ 33**	**4,631**
Total	**48,524**	**−983**	**+1,605**	**+ 622**	**49,146**
USES					
Money in Circulation	**27,600**	**−444**	**+ 760**	**+316**	**27,916**
Other Uses (Net)	**4,356**	**+ 94**	**− 394**	**−300**	**4,056**
Treasury Cash and Deposits with Federal Reserve	*2,133*	*+115*	*− 167*	*− 52*	*2,081*
Nonmember Deposits	*1,517*	*− 86*	*− 216*	*−302*	*1,215*
Other Federal Reserve Accounts (Net)	*706*	*+ 65*	*− 11*	*+ 54*	*760*
Member Bank Reserves	**16,568**	**−634**	**+1,240**	**+606**	**17,174**
Total	**48,524**	**−983**	**+1,605**	**+622**	**49,146**

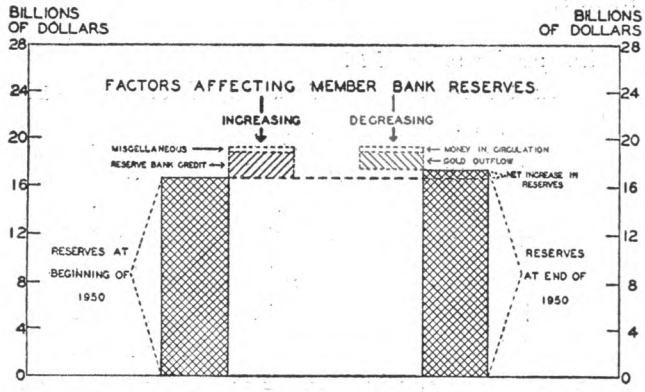
Note: Components do not necessarily add to totals because of rounding.

1949, together with the fact that investment in municipal and corporate issues increased enough in the course of 1950 to offset the decline in the portfolio of Governments in the second half of the year, leads to an expectation of higher aggregate investment income in 1950 than in the preceding year. Other factors contributing to higher income were the increased proportion of higher-yielding non-Government securities held by the banks and the moderate upward movement of short-term interest rates tending to increase income from a given volume of new investment or re-investment. Furthermore, the total income picture for 1950 was substantially improved by the over-all loan expansion, by the fact that a major part of this expansion was in real estate and consumer credit, which normally carry a higher rate of return than commercial loans, and probably also by the reduction in activity of Federal mortgage lending and guaranteeing agencies, which would tend to increase the average yield on mortgage lending as a whole.

Reserves Facilitating the growth in deposits, assets and earnings was the fact that banks pursued a policy of full investment, presumably under the assumption that they were in a sufficiently liquid position to meet any unforeseen developments without great risk of loss. Reserve requirements increased during 1950 as a result of the deposit expansion, but excess reserves were held down to levels similar to those prevailing during most of the postwar period. At reserve city banks in the Fourth District, maintained reserves averaged 1.7 percent in excess of requirements during 1950, compared with 2.2 percent in 1949. At country banks, where the margin in this respect has been greater than that of the large city banks since early in World War II, the respective ratios were 16.9 percent in 1950 as against 15.8 percent in the previous year. The charts opposite illustrate the actual size and movement in reserve balances and requirements.

Sources and Uses of Reserves The primary source of the increase in reserves during the year was the Federal Reserve System. Total Reserve Bank credit increased $2.2 billion chiefly as a result of net purchases of U. S. Government securities by the System, and reached new high levels for the 1949-1950 period of constant reserve requirement ratios. However, a major offset to this expansion resulted from a decline in the gold stock of the United States. The persistent inflow of gold which had proceeded almost without interruption since the end of World War II was reversed towards the end of 1949. A moderate contraction ensued for about 9 months, to be followed by a relatively heavy outflow

MEMBER BANK RESERVES AND RELATED ITEMS, 1950



. . . the substantial expansion of Reserve Bank Credit during the second half of the year was the principal source of increased reserve funds in 1950. Member bank reserves increased by only a fraction of this amount, however, as a heavy outflow of gold, together with a moderate rise in money in circulation, offset the greater part of the enlarged supply of reserve funds.

of gold in the second half of the year. This reflects the substantial improvement in the payments position of foreign countries, which stemmed in considerable measure from the 1949 devaluations, the boom condition of the American economy last year, and the enlarged scale of this country's military requirements. During the entire year, the net outflow of gold aggregated $1.6 billion. The remaining source item, Treasury currency, remained virtually unchanged during 1950.

Uses of reserve funds, on the other hand, showed relatively minor changes during 1950. Money in circulation adhered closely to the usual seasonal pattern, absorbing an increasing volume of funds towards the end of the year. Treasury cash and deposits with the Federal Reserve showed little net change for the twelve months, while the net item "other Federal Reserve Accounts" increased slightly. A decline in nonmember deposits offset the increase in money in circulation, with the result that most of the expansion in aggregate sources of funds was absorbed by the reserve balances of member banks. At the end of December, these balances totaled $17.2 billion, up $0.6 billion for the year, and $1.5 billion from the seasonal low registered in April.

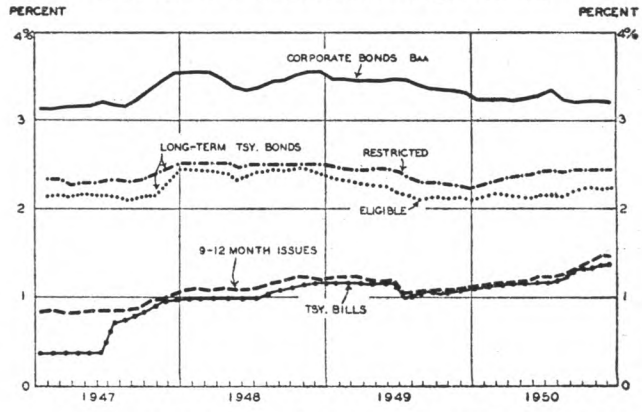
Federal Reserve Policies

Open-Market Operations With increasing urgency, Federal Reserve policies were geared to combating inflation in 1950. Reliance was placed primarily on the traditional method of open-market operations to achieve this object. These operations were conducted in such a manner as to restrain the expansion of bank reserves which form the basis for deposit creation, and to induce nonbank investors to maintain or expand their holdings of Governments. They also produced a somewhat greater degree of flexibility in security rates, in accordance with the policy announcement of June 28, 1949.

In the first half of the year a slight increase in short-term rates was facilitated by the higher terms established by the Treasury on its refunding issues. In addition, a considerable volume of restricted Treasury bonds was sold to nonbank investors from the large System portfolio of these issues. Prior to the statement on credit policy by the System on August 18, 1950, Federal Reserve holdings of restricted bonds were reduced $2.4 billion, and the yield on the Victory 2½'s rose from an annual rate of 2.24% in early January to 2.43% in early August. In the same period, the yield on 9- to 12-month issues rose from 1.10% to 1.23%.

Subsequent operations indicated the willingness of the Federal Open Market Committee to permit a further rise in money rates as an incentive for the continued holding of Governments by banks and other investors. Achievement of this objective in the face of the Treasury's September and October refundings with 13-month 1¼% notes, involved the System in a huge volume of transactions which resulted in a sizable expansion of its total holdings of Governments. (Details of these operations were given in the October issue of this *Review*.) The issues offered by the Treasury for the December and January 1, 1951, refinancing—1¾ percent five-year notes — were at terms consistent with the higher rates then prevailing in the market. Purchases of the maturing bonds and certificates by the Federal Reserve System in November and December, chiefly from nonbank investors who preferred issues of shorter term than the five-year notes offered, were partially offset by sales of notes, including some of those acquired three months earlier, and of Treasury bills, but a further increase in the

YIELDS ON SELECTED SECURITIES



. . . the rise in yields on short-term Government securities which began in mid-1949 continued during the past year, and was particularly marked in the second half of the year. The average yield on new bills in November was the highest in many years. The rate on long-term bonds also edged upwards, but the increase in yield on restricted issues leveled off towards the end of the year.

system portfolio of Governments resulted from this operation.

Another feature of open market operations in the late months of 1950 was the switch from sales to net purchases of Treasury bonds. A substantial supply of bonds, particularly restricted issues, entered the market in the latter part of the year, chiefly as a result of selling by nonbank investors who were expanding their holdings of higher yielding assets, particularly mortgage loans. Absorption of these issues by the System was necessary in order to prevent a rise in the long-term rate.

Selective Controls In addition to the attempt to restrain over-all credit expansion through open-market policy, selective controls were applied to specific types of credit by the imposition in September and October of a revised form of Regulation W covering instalment credit terms, and the new Regulation X on residential real estate credit. Since they have been in effect, a marked reduction in the expansion of credit in the consumer and real estate fields has been apparent for the country as a whole. In part, this reflects seasonal influences, and in part also it is a natural reaction to the exceptionally high volume of new loans of both types made during the summer months. But at least with regard to Regulation W, the strong vocal opposition it has aroused, particularly from used car dealers, and the sharp decline in used car prices which followed its imposition, testify to the efficacy of the restrictions in curbing credit inflation.

Apart from the increase in discount rates of the Federal Reserve Banks in August, no other specific measures were taken by the System to restrain credit expansion in 1950. (The increase in reserve requirement ratios did not become operative until January 1951.) Appeals were made to commercial banks by the Federal Reserve System as well as by other bank supervisory agencies and banking trade associations, to minimize their lending activity in the national interest. In spite of these appeals for voluntary action and the rise in interest rates, the expansion of business loans proceeded apace.

It is, of course, impossible to ascertain how much greater the loan expansion would have been in the absence of any restraints. Certainly many banks have been screening their loans more carefully and have been attempting to discourage borrowing. To a considerable extent the continued loan expansion may be attributable to the high degree of competition between banks, and between banks and other lenders, particularly in the large money centers. Under competitive circumstances, efforts to ration credit present many problems to the individual bank. Moreover, in time of expanding activity and rising prices, almost everyone's credit, at least short-term credit, is good, and it is very difficult to distinguish between the essential normal needs of business, and those of an additional and speculative nature.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits at 56 Banks in 12 Fourth District Cities

(Compiled January 9, and released for publication January 10)

City and Number of Banks	Time Deposits Dec. 27, 1950	Average Weekly Change During: Dec. 1950	Nov. 1950	Dec. 1949
Cleveland (4)	$ 878,779,000	+$2,517,000	+$ 389,000	+$2,386,000
Pittsburgh (9)	481,565,000H	+ 282,000	+ 284,000	+ 138,000
Cincinnati (8)	175,232,000	+ 271,000	— 600,000	— 98,000
Akron (3)	100,239,000	+ 356,000	— 141,000	+ 146,000
Toledo (4)	104,923,000	+ 450,000	— 519,000	+ 375,000
Columbus (3)	85,740,000H	+ 198,000	+ 99,000	+ 173,000
Youngstown (3)	61,834,000	+ 49,000	— 11,000	— 27,000
Dayton (3)	44,816,000	— 42,000	— 21,000	+ 24,000
Canton (5)	41,369,000	+ 213,000	— 117,000	— 4,000
Erie (4)	39,980,000	+ 118,000	— 357,000	+ 66,000
Wheeling (5)	26,075,000	— 103,000	— 73,000	+ 57,000
Lexington (5)	9,981,000	— 4,000	— 46,000	+ 2,000
TOTAL—12 Cities	$2,050,533,000	+$4,305,000	—$1,114,000	+$3,238,000

H—Denotes new all-time high.

Time deposits at reporting banks in 12 Fourth District cities increased at an average weekly rate of $4,305,000 during December. This contrasted with the seasonal November decline and was in close accord with the usual expansion of time deposits in the last month of the year.

Most cities reported increases in time deposits greater than in the same month of 1949. At **Cincinnati, Youngstown** and **Canton** the December expansion was in contrast to net withdrawals from these accounts a year ago.

Akron registered the first increase in time deposits since April, while at **Dayton** the uninterrupted eight-month decline was continued.

Cleveland accounted for the greater part of the over-all gain with an average weekly rise of $2,517,000. The relatively more rapid rate of expansion at Cleveland banks than in the District as a whole is usual in December.

Although aggregate time deposits were at a record level for December at the end of 1950, most of the cities registered year-to-year declines in their outstanding time deposit liabilities. **Pittsburgh, Toledo, Columbus** and **Erie**, where the effect of the post-Korean buying wave on time deposits was less marked, were the only cities to report higher levels of time deposits at the end of 1950 than at the end of the previous year.

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....316
15....317	14....307	9....283	8....308
22....324	21....305	16....283	15....345
29....298	28....302	23....276	22....381
		30....272	29....409
Feb. 5....301	Feb. 4....301		
12....303	11....290	Aug. 6....265	Aug. 5....365
19....290	18....273	13....248	12....337
26....274	25....250	20....267	19....320
		27....262	26....315
Mar. 5....270	Mar. 4....255		
12....282	11....276	Sept. 3....276	Sept. 2....289
19....268	18....262	10....282	9....315
26....275	25....261	17....279	16....335
		24....268	23....311
Apr. 2....304	Apr. 1....281		30....331
9....306	8....275	Oct. 1....288	
16....270	15....260	8....249	Oct. 7....289
23....278	22....279	15....251	14....300
30....299	29....327	22....244	21....279
		29....263	28....292
May 7....320	May 6....296		
14....277	13....290	Nov. 5....259	Nov. 4....273
21....301	20....293	12....241	11....275
28....280	27....290	19....256	18....281
		26....276	25....222
une 4....277	June 3....290		
11....283	10....306	Dec. 3....286	Dec. 2....189
18....293	17....303	10....293	9....320
25....299	24....300	17....304	16....326
		24....257	23....304
		31....289	30....333

* 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*—November 1950 in 31 Fourth District Cities

(In thousands of dollars)
(Compiled December 13, and released for publication December 14)

No. of Reporting Banks		Nov. 1950	% Change from Year Ago	3 Months Ended Nov. 1950	% Change from Year Ago
188	ALL 31 CENTERS	$8,294,228	+32.3%	$25,637,359	+31.2%
	10 LARGEST CENTERS:				
5	Akron, Ohio	295,999	+28.3	882,223H	+27.8
5	Canton, Ohio	125,179	+34.7	394,739	+32.1
15	Cincinnati, Ohio	1,070,779	+28.1	3,257,344H	+27.4
10	Cleveland, Ohio	2,086,210	+32.6	6,525,485H	+30.8
7	Columbus, Ohio	555,072	+ 1.2	1,699,520	+ 4.4
4	Dayton, Ohio	258,319	+19.4	821,141	+24.7
6	Toledo, Ohio	416,335	+30.9	1,254,380	+26.6
4	Youngstown, Ohio	180,082	+44.3	542,945	+27.1
6	Erie, Penna.	95,934	+19.2	303,739	+22.5
49	Pittsburgh, Penna.	2,485,615	+50.5	7,729,575	+47.0
110	TOTAL	$7,569,524	+33.4%	$23,411,091	+31.9%
	21 OTHER CENTERS:				
9	Covington-Newport, Ky.	$ 43,590	+16.3%	$ 134,316	+20.2%
6	Lexington, Ky.	71,253	+20.0	205,042	+25.5
3	Elyria, Ohio	24,161	+37.8	74,528H	+43.0
3	Hamilton, Ohio	45,657	+16.5	136,631	+19.2
2	Lima, Ohio	49,958	+24.8	159,013	+26.8
5	Lorain, Ohio	20,593	+30.2	61,275	+21.4
4	Mansfield, Ohio	49,074	+20.2	154,440H	+27.7
2	Middletown, Ohio	43,299H	+26.3	129,091H	+32.6
3	Portsmouth, Ohio	22,208	+16.5	71,545	+21.6
3	Springfield, Ohio	47,246	+ 9.7	144,406	+10.5
4	Steubenville, Ohio	23,934	+32.7	75,577	+29.6
2	Warren, Ohio	46,427	+40.5	140,714H	+34.0
3	Zanesville, Ohio	27,265	+10.0	84,319	+10.7
3	Butler, Penna.	31,434	+16.2	102,986	+20.6
1	Franklin, Penna.	7,592	+17.1	23,264	+19.9
2	Greensburg, Penna.	22,486	+27.9	72,733	+31.8
4	Kittanning, Penna.	10,147	+31.5	32,284	+23.2
3	Meadville, Penna.	13,163	— 3.7	42,436	+15.3
4	Oil City, Penna.	18,424	+ 1.9	58,393	+ 8.3
5	Sharon, Penna.	30,620	+46.9	95,418	+37.2
6	Wheeling, W. Va.	76,173	+41.1	227,857H	+28.8
78	TOTAL	$ 724,704	+21.4%	$ 2,226,268	+24.5%

* —Debits to all deposit accounts except interbank balances.
H—denotes all-time high.

Debits to deposit accounts (except interbank) at banks in 31 Fourth District cities totaled $8,294,228,000 in November, 32.3% more than in November 1949. Although this was substantially less than the record volume registered in October, debits are usually smaller in November than in the preceding month and the decline may also be attributed in part to the recent storm. Deposits at both large and small centers again rose to new peaks during the month, and this together with the lower debits volume resulted in the lowest rate of deposit turnover since June.

TEN LARGEST CENTERS

The drop in debit volume from the October record was particularly marked in the ten largest centers, but aggregate debits in these centers were still 33.4% larger than in the same month of 1949, and 12% above the total for November 1948. **Pittsburgh** again registered the largest year-to-year gain of 50.5%, while **Columbus**, with an increase over a year-ago of only 1.2% continued to report the smallest margin of gain over the comparable month of 1949. With the exception of these two cities, the year-to-year gains in the volume of debits for the past three months combined ranged from 22% to 32% for all the largest centers.

TWENTY-ONE SMALLER CENTERS

Most of the smaller centers reported a year-to-year margin of increase of more than 15%. For all twenty-one centers combined, the year-to-year gain was 21.4%. At **Middletown**, debits reached a new all-time high. **Meadville** was the only city to report a smaller debit volume than in November last year, the first year-to-year decline for any city since June.

For the past three months combined, debit totals stood at all-time high levels in **Elyria, Mansfield, Middletown, Warren** and **Wheeling**.

Indexes of Department Store Sales and Stocks

	Daily Average for 1935-1939 = 100 Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	Nov. 1950	Oct. 1950	Nov. 1949	Nov. 1950	Oct. 1950	Nov. 1949
SALES:						
Akron (6)	286	306	284	352	321	349
Canton (5)	312	361	312	386	379	387
Cincinnati (8)	297	309	291	383	324	375
Cleveland (10)	248	283	254	305	298	312
Columbus (5)	303	320	321	384	339	408
Erie (3)	319	347	311	409	360	398
Pittsburgh (8)	219	279	238	278	296	302
Springfield (3)	249	284	282	302	289	342
Toledo (6)	289	285	255	367	305	324
Wheeling (6)	202	226	203	257	237	258
Youngstown (3)	297	340	283	371	360	354
District (96)	251	299	266	313	317	332
STOCKS:						
District	350	313	258	377	355	279

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