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FEDERAL RESERVE BANK of CLEVELAND

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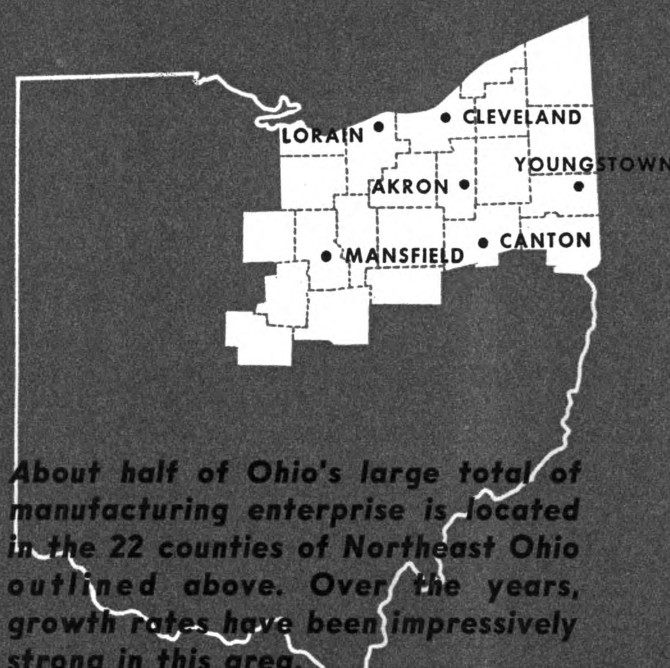


About half of Ohio's large total of manufacturing enterprise is located in the 22 counties of Northeast Ohio outlined above. Over the years, growth rates have been impressively strong in this area.

Because of the predominance of durable goods manufacturing in Northeast Ohio, business activity in the area has been markedly affected by the industrial recession of 1957-'58. Note the performance of local indicators of business for the first five months of the year, as discussed in this issue.

Another Look at Northeast Ohio

Although Ohio's industrial strength is by no means limited to the Northeastern sector of the state, that area has a well-known concentration of manufacturing industry, especially in the durable goods lines. It is not surprising therefore, that Northeast Ohio has had its full share of the impact of the 1957-58 recession in business.

The 22-county area of Northeast Ohio depicted on the cover chart includes about one-fourth of the land area of the state, but accounts for more than two-fifths of the state's population and about half of its manufacturing industry. A cluster of six Standard Metropolitan Areas, which together include eight counties, gives the section its distinct industrial character.

A look at Table 1, which presents some basic economic facts for Northeast Ohio against a background of similar information for Ohio, for the Fourth Federal Reserve District, and for the United States, helps to reveal the pattern.

Industrial Structure of the Area

The machinery group of industries (including both electrical and nonelectrical classifications) is the most important source of employment and income in Northeast Ohio. With over 147 thousand employees in the area, it accounts for as much as 22 percent of total manufacturing employment.[1]

Of nearly equal importance in terms of employment is the primary metals group of industries, including steel, which provides jobs for almost 134 thousand workers, or one-fifth of the total manufacturing employment in the area.

Steel mills of the Youngstown and Cleveland steel districts (which include plants in Canton, Lorain, Mansfield, and Massillon, but exclude those in Pennsylvania) account for 15.3 percent of the nation's steel ingot capacity. (See Table 2.) That figure is exceeded only by the Chicago and Pittsburgh steel districts, with 19.2 percent and 17.4 percent, respectively. The Philadelphia steel district follows the Northeast Ohio area with 14.2 percent of the nation's ingot capacity.

Fabricated metal products and transportation equipment stand nearly equal in importance, and together they employ one-fourth of the area's manufacturing workers.

Among the nondurable goods industries, rubber manufacturing is the most important in the Northeast Ohio area, providing employment to nearly 65 thousand workers, or about 10 percent of manufacturing employment.

Average manufacturing employment for the 22 counties is 179 per 1000 population as against 152 for Ohio and 101 for the United States. (Based on 1956 data.)

Impact of the Current Recession

It is a well-established general principle that activity in durable goods industries tends to fluctuate more widely than activity in the nondurables, both on the upswings and the downswings. The reasons are traceable mainly to the greater postponability of demand which characterizes the durable-goods field. In the case of the 1957-58 recession, as well as in the

(1) As reported in "Directory of Ohio Manufacturers, 1957", based on 1956 average or representative annual employment.

Table 1

BASIC ECONOMIC FACTS

22 Counties of Northeast Ohio

	NE Ohio 22 Counties	Ohio Total	Fourth District Total	U. S. Total
POPULATION				
1. Population, Jan. 1, 1956....................thous.	3,930	9,040	14,306	165,879
2. Population, per sq. mile, Jan. 1, 1956.............	384	220	194	56
MANUFACTURING				
3. Monthly payrolls, all insured employment (1956—1st Q.)........................mil. dol.	468.4	926.7	1,333.2	12,933.0
4. Manufacturing employment per 1,000 population (1956—1st Q.)....................	179	152	134	101
5. Value added by manufacture, 1954........mil. dol.	5,156	10,154	14,181	116,001
6. Value added per manufacturing employee, 1954....................................dol.	7,969	7,994	7,971	7,189
FINANCE				
7. Demand deposits, per capita, Dec. 31, 1955.....dol.	696	590	604	657
8. Savings accounts (Commercial banks and savings and loan associations) per capita, Dec. 31, 1955.................dol.	913	771	661	641
AGRICULTURE				
9. Farm income, per acre, 1954.................dol.	44.12	42.20	36.23	21.27
10. Farm income, per farm, 1954.................dol.	4,146	4,765	3,625	5,126
TRADE				
11. Retail sales, per capita, 1954.................dol.	1,085	1,099	1,010	1,053
SOME GROWTH TRENDS				
12. Growth in population, 1950-56..	+14%	+14%	+10%	+10%
13. Growth in manufacturing employment, 1947-54....	+ 4%	+ 6%	+ 2%	+13%
14. Growth in value added by manufacture, 1947-54...	+55%	+60%	+34%	+56%
15. Growth in demand deposits, 1950-55..............	+32%	+26%	+22%	+20%
16. Growth in savings accounts, 1950-55.............	+42%	+46%	+43%	+55%
17. Growth in farm income, 1949-54..................	+16%	+20%	+13%	+12%
18. Growth in retail sales, 1948-54...................	+29%	+31%	+25%	+30%

Note: All except items 1, 3, and 5, are expressed in relative terms so that direct comparability with the larger areas is possible.

Sources: Same as listed in March 1957 issue of *Monthly Business Review*, article entitled "Cleveland and Eastern Lake Erie", pp., 12-13.

preceding boom, this familiar principle was in evidence with perhaps even greater force than usual.

Thus, the decline in industrial activity between August 1957 and April 1958 brought production in the nation's manufacturing industries down nearly 13 percent. However, output in the primary metals industries, which in Northeast Ohio represent one-fifth in terms of manufacturing employment, declined during the same period by almost 37 percent.

Production of machinery, both nonelectrical and electrical, between August of last year and April of this year was down 19 percent and 23 percent, respectively, on a national basis. Production of transportation equipment declined 18 percent and fabricated metals declined 16 percent. (See Table 3.)

Output of rubber and rubber products was down 21 percent. The rubber industry of

Table 2

STEEL INGOT CAPACITY

as of January 1, 1958

Steel District	Net Tons	Percent of U. S. Capacity
Youngstown (1)	13,806,000	9.8%
Cleveland (2)	7,760,000	5.5
Total—NE Ohio	21,566,000	15.3
Fourth District	56,726,710	40.3
United States	140,742,570	100.0

(1) Includes Canton and Mansfield, but no plants in Pennsylvania.

(2) Includes Lorain.

Source: American Iron and Steel Institute—Iron Age.

Table 3

INDUSTRIAL PATTERN OF NORTHEAST OHIO RELATED TO CHANGES IN U. S. INDEX OF PRODUCTION

Manufacturing Employment in Northeast Ohio			Percent Change in the Index of Industrial Production, U.S. August 1957-April 1958
INDUSTRY	Percent of Area's Total Manufacturing Employment	Area's Percent of Ohio Total for Named Industry	
All Manufacturing Industries	100.0%	50.6%	—12.9%
Machinery	21.8	44.4	—19.8
(Nonelectrical)	(14.9)	(43.0)	(—18.5)
(Electrical)	(6.9)	(47.8)	(—22.8)
Primary Metals	19.9	71.5	—36.8
Fabricated Metal Products	13.0	61.9	—15.7
Transportation Equipment	12.2	47.7	—18.1
Rubber Products	9.6	86.3	—20.6
Food and Beverages	4.2	37.9	+ 0.9
Chemicals and Allied Products	2.9	43.3	— 4.3
All Other Manufacturing Industries	16.4	36.2	— 8.0

Sources: Directory of Ohio Manufacturers, 1957, Ohio Department of Industrial Relations, Division of Labor Statistics, Columbus; Board of Governors of the Federal Reesrve System, Washington, D.C.

Northeast Ohio accounts for nearly 10 percent of manufacturing employment in the area, and for more than one-fourth of the nation's total employment in the rubber industry.

Considering the fact that these five industry groups account for about 77 percent of total manufacturing employment in Northeast Ohio, it is evident that the impact of the recession upon the area has been relatively greater than upon the nation in general, or even upon the remainder of Ohio.

Some Measures of Differential Impact

Certain measures of local business activity confirm a differential impact of the recession upon the area, as against the remainder of Ohio.

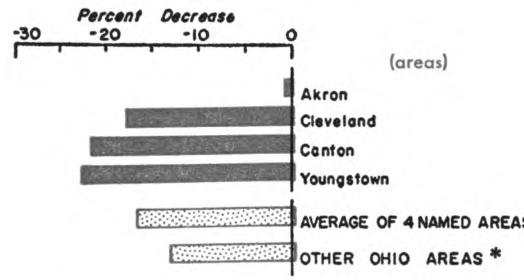
Manufacturing employment in April in four metropolitan areas of Northeast Ohio, as shown by an accompanying chart, was 17 percent below a year ago. Employment in four other metropolitan areas of Ohio, where comparative data are readily available, was down 13 percent over the same interval.

As shown by another chart, *sales tax collections* by the Office of the Treasurer of the State of Ohio for the period January 1 through May 17 were down from a year ago in all 22 counties of Northeast Ohio. The declines ranged from 9 percent in Ashland County to 26 percent in Trumbull County. The total year-to-year decline for the area amounted to nearly 17 percent, whereas, the decline in the remaining 66 Ohio counties was less than 15 percent.

Department store sales in four metropolitan areas of Northeast Ohio for the first four months of 1958 were 7 percent smaller than during the corresponding period a year earlier, whereas the decline was less than 5 percent for the other four metropolitan areas of Ohio which report department store sales.

Bank debits, which are charges made to demand deposits as owners of these accounts write checks against them, are often looked upon as barometers of local business activity.

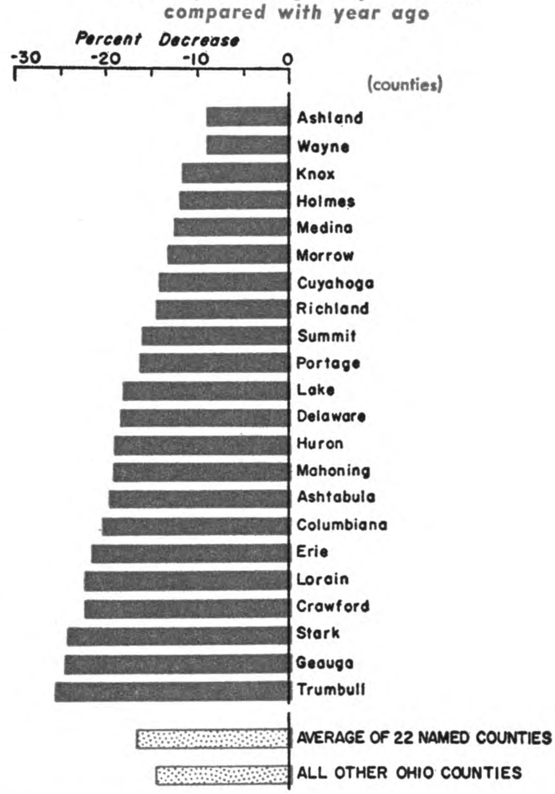
MANUFACTURING EMPLOYMENT
April 1958, compared with year ago



Source of data: Ohio Labor Market Information, Bureau of Unemployment Compensation, Columbus, Ohio.

* Includes reports on Cincinnati, Columbus, Dayton, and Toledo.

SALES TAX COLLECTIONS
January 1 through May 17, 1958, compared with year ago



Source of data: Office of the Treasurer of the State of Ohio, Columbus, Ohio.

Bank debits in the eight Northeast Ohio cities for the January-May period were 11 percent below a year ago; in the other eleven Ohio cities which report, debits were less than 3 percent below a year ago.

Declines in measures of local business activity have been especially marked in the Youngstown and Canton areas, where a single industry—steel—is the major source of income and where the factory layoffs have affected a large proportion of the labor force.(2)

A Note on the Diversification Question

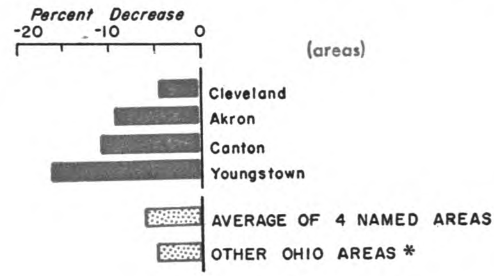
The industrial strength of Northeast Ohio, as has been re-emphasized here, lies predominantly in the manufacturing of durable goods. Although there is considerable diversity within the hard-goods lines, there is less of a balance between the manufacturing of durable goods and of nondurable goods than occurs in other parts of the country, including some other sections of Ohio. The price paid for the very real strength accruing from the manufacture of durables is a relative vulnerability to cyclical recession.

It is noteworthy that the *food* group of manufacturing industries during the recent downturn has remained practically recession proof. Total employment in the food industry in Northeast Ohio is only 4 percent of the area's manufacturing employment, as against 7 percent for the remaining part of Ohio.

(2) During May and June, there were strong indications of at least a leveling off of the business decline, and even some signs of business recovery. The improved tone of the news applied to Northeast Ohio as well as the nation generally. (See, for example, "Around the Fourth District", page 14 of this issue.) Such recent developments, however, do not fall within the span of time under review in this article.

DEPARTMENT STORE SALES

January-April 1958, compared with year ago

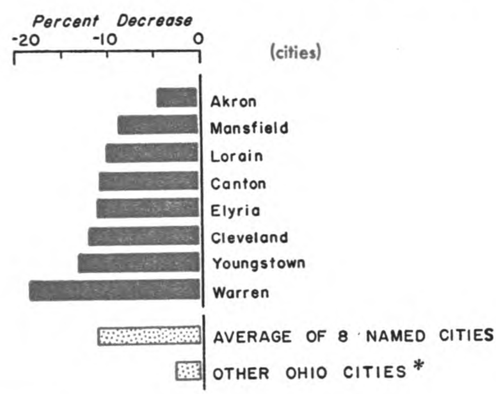


Source of data: Federal Reserve

* Includes reports on Cincinnati, Columbus, Portsmouth and Springfield.

BANK DEBITS

January-May 1958, compared with year ago



Source of data: Federal Reserve

* Includes reports on: Cincinnati, Columbus, Dayton, Toledo, Hamilton, Lima, Middletown, Portsmouth, Springfield, Steubenville, Zanesville.

Business Borrowers at Fourth District Banks

THIS IS THE SECOND of a series of articles analyzing the results for the Fourth District of the 1955 and 1957 Business Loan Surveys conducted by the Federal Reserve System. The first article dealt with changes in business loans from 1955 to 1957, by type and size of borrower, and by size of bank.[1] Here, the characteristics of business borrowers are analyzed in terms of the volume of lending going to recently established businesses, the corporate status of borrowers, and the location of the business borrowers.

Loans to New Business

On the 1957 Survey date, member banks of the Fourth District had approximately 6,500 loans totaling nearly $100 million outstanding to new businesses, that is, businesses formed within 24 months before the Survey date. These loans accounted for 7 percent of the number and 4 percent of the amount of all outstanding member bank loans to business.

Banks with deposits under $10 million had the largest percentage of loans to new firms in relation to total loans outstanding, with 11 percent by number and 8 percent by amount going to new businesses. As the size of bank increased, the relative importance of loans to new enterprises decreased.

(1) See "Results of the 1957 Business Loan Survey, General Summary, Fourth District," *MONTHLY BUSINESS REVIEW*, June, 1958. Additional tables classifying the relative size of borrowers within type-of-borrowers and size-of-bank groups, are now available upon request.

Most banks in the Fourth District will lend to new businesses. In fact, many are active in promoting the establishment of new firms in their communities, but they recognize that such loans are likely to involve more risk than loans to established concerns. Products or services of the new firm may not be proven. The firm itself has not demonstrated an ability to compete and has no established record of borrowing and repayment habits on which the bank can judge credit-worthiness.

Table 1

LOANS TO NEW BUSINESSES*
AS A PERCENT OF
TOTAL BUSINESS LOANS OUTSTANDING,
BY SIZE OF BANK

OCTOBER 16, 1957

Fourth District Member Banks

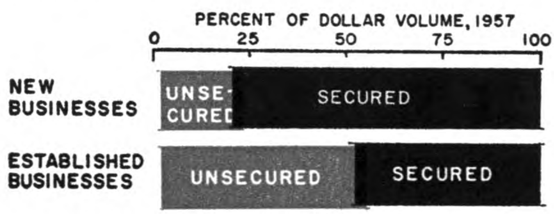
Size of Bank (Total Deposits in millions of dollars)	Percent of loans to New Businesses*	
	Number	Amount Outstanding
All Banks	7.4%	3.5%
Over $100	4.8	2.4
$10-$100	7.6	7.0
Under $10	11.2	8.3

* Businesses formed within 24 months before October 16, 1957.

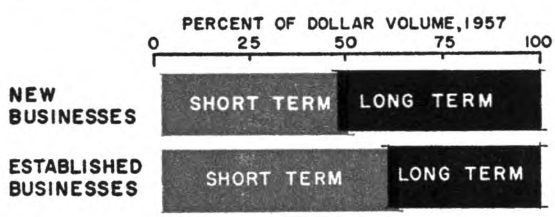
In the loans outstanding as of the Survey date, awareness by banks of the greater element of risk in extending credit to new business was evident in the higher collateral that had been required of such borrowers. According to the accompanying chart, 80 percent of the loans to new firms were secured, while for established firms, the comparable percentage was 47.

New business borrowed to a greater extent on term loans than established businesses, which perhaps explains in part the higher proportion of secured loans. However, the greater reliance on term loans does not explain the slightly higher interest rates charged new firms; the average interest rates charged on short-term loans were higher for new firms than for established ones.

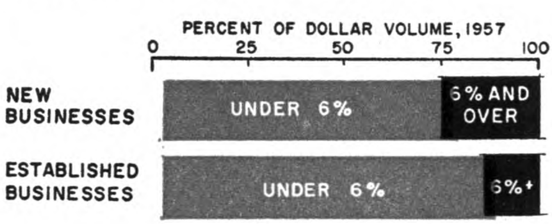
SECURITY *for loans is usually demanded of new businesses, in sharp contrast to the security requirements of established businesses.*



MATURITIES *of loans are somewhat longer for new businesses than for established businesses.*



INTEREST RATES *are slightly higher for new businesses than for established businesses.*



Corporate Status of Borrower

The share of total business loans received by corporations increased between 1955 and 1957. In 1957, corporations received 80 percent of the dollar volume of business loans outstanding and 31 percent of the number of loans, compared with 71 percent of the dollar volume and 27 percent of the number in 1955. (See Table 2.) Unincorporated businesses showed an absolute decline in both dollar volume and number of loans between 1955 and 1957. This reflects, in part, the fact that most unincorporated businesses are small businesses.

Effective interest rates on loans to unincorporated businesses were slightly higher than rates on loans to corporations. In 1957, one third of the volume of loans outstanding to unincorporated businesses had interest rates of 6 percent and over, whereas those rates applied to less than one tenth of the loans to corporations, another indication of the relatively smaller size of unincorporated businesses.

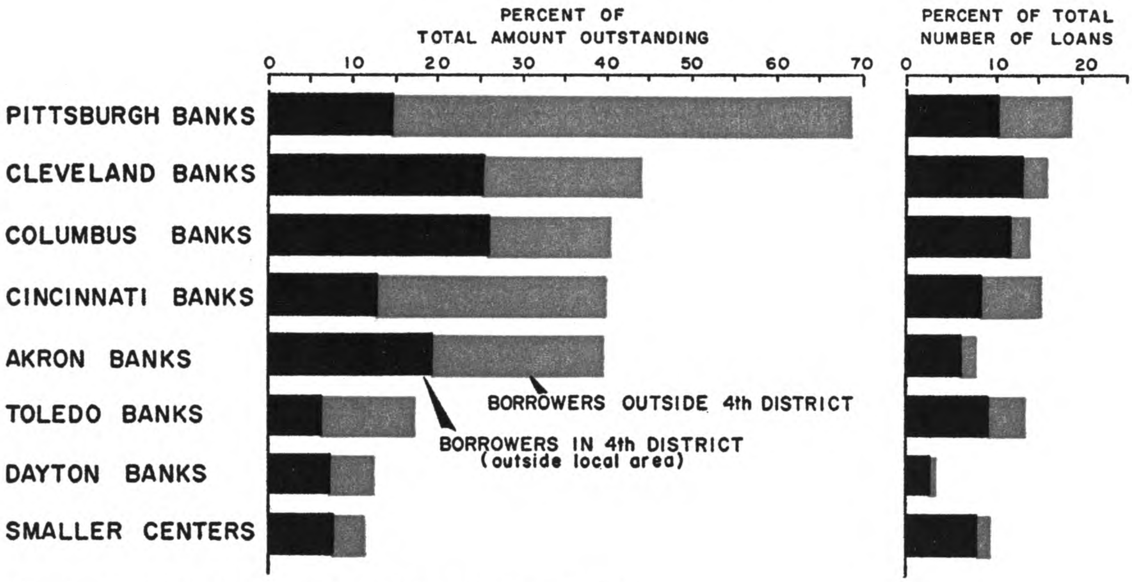
Table 2

PERCENTAGE DISTRIBUTION OF BUSINESS LOANS OUTSTANDING, BY CORPORATE STATUS, 1955 & 1957

Fourth District Member Banks

Corporate Status	1955	1957	Percent Change 1955 to 1957
Amount Outstanding			
Corporate	71.4%	80.4%	+61.6%
Noncorporate . .	28.6	19.6	— 2.0
Total	100.0%	100.0%	+43.4%
Number of Loans			
Corporate	27.4%	30.9%	+16.6%
Noncorporate . .	72.6	69.1	— 1.4
Total	100.0%	100.0%	+ 3.5%

BUSINESS LOANS AT FOURTH DISTRICT MEMBER BANKS
OUTSIDE OF LOCAL BANKING AREA*



* Based on data collected in Business Loan Survey of October 5, 1955.

Location of Borrower

The ability to shift funds readily from one part of the country to another is one of the important functions of the nation's banking system. Banks located in New York and Chicago have long been recognized as an important source of funds for business throughout the nation. To a lesser extent, banks in other large cities have been known to provide loan facilities to distant borrowers. In neither case, however, has there been a statistical basis for appraising the inter-regional flow of funds generated by business demands in excess of the volume of credit available at local banks. The 1955 Survey provided for the first time a body of quantitative data on the volume of bank lending to nonlocal borrowers. (Processing difficulties delayed the availability of these data until recently and led to the omission of similar data from the coverage of the 1957 Survey.)

Although less than 3 percent of the number of business loans outstanding at Fourth District member banks as of October 5, 1955, were obligations of borrowers outside the District, this represented more than 25 percent of the dollar volume. More than 90 percent of the number of loans and 70 percent of the dollar volume of credit extended went to strictly local business, that is, firms located in the same city, metropolitan area[2], or county as the lending bank. The remainder were loans to nonlocal borrowers within the Fourth District.

As shown on the accompanying chart, the extent of nonlocal lending varied widely among the Fourth District's major cities. Nearly seven tenths of the dollar volume of business loans outstanding at the time of the 1955 Survey at Pittsburgh banks had been extended to borrowers outside of the Pittsburgh metropolitan area, principally to borrowers outside the District. Pittsburgh banks participated widely in the national market, with

(2) As defined by the Bureau of Census.

(text continued on page 13)

Table 3

BUSINESS LOANS AT FOURTH DISTRICT MEMBER BANKS BY LOCATION OF BANK AND LOCATION OF BORROWER [1]

Business Loans Outstanding at Member Banks in:	To Business Borrowers located in:										
	FOURTH FEDERAL RESERVE DISTRICT									OTHER FR DISTRICTS	TOTAL UNITED STATES [2]
	Akron	Cincinnati	Cleveland	Columbus	Dayton	Pittsburgh	Toledo	Smaller Centers	Total		
	AMOUNT OUTSTANDING (thousands of dollars)										
Akron	$21,238	$ ——	$ 374	$ ——	$ ——	$ ——	$ ——	$ 6,424	$ 28,036	$ 7,305	$ 35,341
Cincinnati	259	169,752	1,678	2,679	7,593	892	26	22,816	205,695	77,078	282,769
Cleveland	12,953	927	187,266	13,347	——	1,400	3,687	52,281	271,861	63,071	334,933
Columbus	——	——	——	32,183	——	——	630	13,542	46,355	8,634	54,990
Dayton	——	2,834	——	——	39,986	——	——	522	43,342	2,393	45,735
Pittsburgh	647	1,950	11,748	9,140	——	202,074	——	71,149	296,708	345,050	641,758
Toledo	160	122	507	——	——	——	49,017	2,777	52,583	6,592	59,175
Smaller Centers	1,753	943	1,006	1,595	508	1,047	347	436,171 [3]	443,370	17,693	461,063
Fourth District	$37,010	$176,527	$202,579	$58,945	$48,087	$205,412	$53,707	$605,682	$1,387,949	$527,816	$1,915,765
	NUMBER OF LOANS										
Akron	839	——	2	——	——	——	——	55	896	17	913
Cincinnati	15	4,308	17	26	58	1	5	321	4,754	381	5,135
Cleveland	168	1	7,869	61	——	7	35	954	9,095	272	9,367
Columbus	——	——	——	1,178	——	——	6	157	1,341	30	1,372
Dayton	——	6	——	——	1,949	——	——	48	2,003	8	2,011
Pittsburgh	13	1	20	9	——	6,163	——	720	6,926	679	7,604
Toledo	1	5	8	——	——	——	2,580	263	2,857	123	2,981
Smaller Centers	48	72	54	140	74	70	37	54,258 [3]	54,753	890	55,643
Fourth District	1,084	4,393	7,970	1,415	2,081	6,241	2,663	56,775	82,623	2,400	85,024

Note: Details may not add to totals due to rounding.

(1) Based on data collected in the Survey of Business Loans of October 5, 1955.

(2) Excludes 12 loans to borrowers outside the United States amounting to $4,889,000.

(3) Of these loans, $408,799,000 of the dollar volume and 50,265 of the number were made to borrowers in the same county as that of the bank.

Table 4a

BUSINESS LOANS BY MEMBER BANKS THROUGHOUT THE U. S. TO BORROWERS IN THE CLEVELAND F. R. DISTRICT [1]

Business Loans Outstanding at Member Banks in:	To Business Borrowers located in								
	Akron	Cincinnati	Cleveland	Columbus	Dayton	Pittsburgh	Toledo	Smaller Centers	Total, District
	AMOUNT OUTSTANDING (thousands of dollars)								
Federal Reserve Districts:									
Cleveland	$37,010	$176,527	$202,579	$58,945	$48,087	$205,412	$53,707	$605,682	$1,387,949
New York	27,513	24,762	60,454	15,356	10,640	73,670	9,878	91,158	313,431
Philadelphia	2,710	—	2,317	3,746	—	4,418	5	6,540	19,736
Richmond	76	—	—	946	—	13	—	746	1,781
Chicago	9,500	11,088	28,012	3,900	1,885	684	2,237	18,846	76,152
St. Louis	2,947	3,925	370	551	—	557	—	5,179	13,529
Dallas	832	—	—	—	67	3,668	—	366	4,933
San Francisco	—	1,065	1,109	—	—	5,956	22,670	5,768	36,568
4 other Districts	504	3,921	1,003	136	—	1,369	2	2,289	9,224
Total, All Districts	$81,092	$221,289	$295,845	$83,580	$60,679	$295,746	$88,500	$736,576	$1,863,307
	NUMBER OF LOANS								
Federal Reserve Districts:									
Cleveland	1,084	4,393	7,970	1,415	2,081	6,241	2,663	56,775	82,623
New York	25	39	99	30	31	73	12	278	587
Philadelphia	11	—	48	26	—	9	10	245	349
Richmond	6	—	—	4	—	14	—	110	134
Chicago	19	15	55	13	1	12	14	220	349
St. Louis	14	12	6	13	—	6	—	304	355
Dallas	5	—	—	—	13	4	—	4	26
San Francisco	—	15	6	—	—	7	3	13	44
4 other Districts	24	68	26	1	—	1	5	147	272
Total, All Districts	1,189	4,542	8,211	1,501	2,126	6,367	2,708	58,097	84,741

Note: Details may not add to totals due to rounding.

[1] Based on data collected in the Survey of Business Loans of October 5, 1955.

Table 4b

BUSINESS LOANS BY MEMBER BANKS IN THE CLEVELAND F. R. DISTRICT TO BUSINESS BORROWERS THROUGHOUT THE UNITED STATES [1]

Business Borrowers Located in:	Obtained Loans from Banks in:								
	Akron	Cincinnati	Cleveland	Columbus	Dayton	Pittsburgh	Toledo	Smaller Centers	Total, District
	AMOUNT OUTSTANDING (thousands of dollars)								
Federal Reserve Districts:									
Cleveland	$28,036	$205,695	$271,861	$46,355	$43,342	$296,708	$52,583	$443,370	$1,387,949
New York	3,408	19,156	11,482	3,124	1,312	66,883	427	5,769	111,561
Philadelphia	—	3,303	2,228	3,149	—	18,917	267	1,738	29,602
Richmond	—	4,359	5,022	157	1,050	31,135	—	1,302	43,025
Chicago	3,630	21,950	29,977	—	—	79,808	3,223	6,298	144,886
St. Louis	—	9,094	7,508	2,204	—	17,796	—	293	36,895
Dallas	—	945	1,114	—	—	32,577	—	442	35,078
San Francisco	267	8,068	1,393	—	—	61,484	—	482	71,694
4 Other Districts	—	10,203	4,347	—	31	36,450	2,675	1,373	55,079
Total, All Districts	35,341	282,769	334,933	54,990	45,735	641,758	59,175	461,063	1,915,765
	NUMBER OF LOANS								
Federal Reserve Districts:									
Cleveland	896	4,754	9,095	1,341	2,003	6,926	2,857	54,753	82,623
New York	8	42	25	12	1	117	2	203	410
Philadelphia	—	11	1	6	—	141	1	125	285
Richmond	—	14	18	6	1	84	—	56	179
Chicago	8	149	144	—	—	123	115	232	771
St. Louis	—	43	57	6	—	23	—	30	159
Dallas	—	6	1	—	—	26	—	23	56
San Francisco	1	39	1	—	—	32	—	41	114
4 Other Districts	—	77	25	—	6	133	5	178	424
Total, All Districts	913	5,135	9,367	1,372	2,011	7,604	2,981	55,643	85,024

Note: Details may not add to totals due to rounding

[1] Based on data collected in the Survey of Business Loans of October 5, 1955.

(continued from page 9)

business loans extended to borrowers in each of the other eleven Federal Reserve Districts. Nearly two fifths of the credit extended to borrowers outside the Fourth District went to firms located in the New York and Chicago Districts, reflecting both the tendency of tightening monetary policy to affect money market centers earlier than others and the ability of the banking system to spread the effects of such tightening throughout the nation.

More than two fifths of the business loans outstanding at banks in Cleveland, Columbus, Cincinnati, and Akron were granted to nonlocal borrowers. In each case, however, roughly half of the nonlocal lending was directed into nearby centers of the Fourth (Cleveland) Federal Reserve District. Business lending at banks in these cities appears, therefore, to be more regional in nature than national.

Although banks in smaller centers in the Fourth District extended business credit to firms located in each of the other eleven Districts, in some cases even to firms located outside the United States, the bulk of their loans were obligations of local borrowers.

Business firms in the Cleveland District also borrowed from banks located outside the District. Table 4a indicates the extent of the major interdistrict flows. Business in the Cleveland District borrowed $475 million from banks located outside the District. As a result, about 90 percent of the credit extended by Fourth District banks to borrowers located elsewhere was indirectly returned. The net outflow from the Fourth District amounted to about $57 million.

The bulk of the interdistrict borrowing by Fourth District business was from banks in New York. The dollar flow from the New York District was nearly three times the return flow. Other money centers, such as Chicago, Dallas, and San Francisco, were "net borrowers" from the Cleveland District. Activity between Cleveland and other Federal Reserve Districts was probably conducted within limited geographic areas in Districts contiguous to the Cleveland District.

When the number of loans to nonlocal borrowers is compared with the dollar volume, the large average size of loans indicates the limited access of small business to nonlocal sources of credit. The nature of the credit risk in lending to business firms that are not nationally known precludes "long-distance" borrowing in many cases. Despite the predominance of large loans in the data collected, a sufficient number of small loans was reported to warrant the assumption that the small business is not entirely restricted to local banks for funds. For example, loans by banks in the Cleveland District to borrowers in Arizona averaged a little more than $5,000 on the Survey date.

Around the Fourth District—

Department Store Sales in May, 1958

Metropolitan Areas	% change from Feb.*	% change from yr. ago
Wheeling-Steubenville	+18	— 9
Youngstown	+14	—13
Erie	+10	— 5
Akron	+ 8	— 4
Columbus	+ 6	-0-
Pittsburgh	+ 6	-0-
Springfield	+ 5	— 9
Cleveland	+ 3	— 2
Cincinnati	-0-	— 4
Canton	— 5	— 8
FOURTH DISTRICT TOTAL	+ 5	— 3

* Seasonally Adjusted

* * * *

Charge account sales at Fourth District department stores accounted for an even half of all sales in May, while *cash* sales were about one-third of the total, and *instalment* sales accounted for 16.4% of the total. For cash sales, this represented a moderate pickup from the previous month, when the ratio of cash sales to total sales had been the lowest in the many years' records of the Fourth District.

* * * *

During the first six months of 1958, *savings deposits of individuals* at reporting banks of the Fourth District increased by $104 million. That was nearly twice the increase scored in the same period in 1957.

* * * *

Production of *electric power* by utilities in Northeastern Ohio so far this year has been about 6% under the comparable figure for last year.

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In the two weeks preceding Independence Day, *continued claims* for unemployment compensation in the Cleveland area dropped 12,000 to a four-month low of 41,783. Settlement of the building-trades dispute was one factor in the improvement.

* * * *

Total *loans and investments* at weekly reporting banks of the Fourth District increased by 4.2% during the first half of 1958. That was substantially larger than the 1.8% increase during the corresponding six-month interval of the previous year.

(The above items are based on various series of District or local data, which are assembled by this bank and distributed upon request in the form of mimeographed releases.)

NOTES ON FEDERAL RESERVE PUBLICATIONS

Among the articles recently published in monthly business reviews of other Federal Reserve banks are:

"The Capital Markets since October", Federal Reserve Bank of New York, June 1958.

"Inflation, Economic Growth, and the Tax Bite", Federal Reserve Bank of Kansas City, June 1958.

"The Interstate Highway System", Federal Reserve Bank of San Francisco, June 1958.

"Development Credit Corporations" (second of a series), Federal Reserve Bank of Boston, June 1958.

(Copies may be obtained by writing to the Federal Reserve Bank named in each case.)

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Recent statements on Federal Reserve policy include:

"Monetary Policy in a Recession." Remarks of ALFRED HAYES, President, Federal Reserve Bank of New York before the 55th Annual Convention of the New Jersey Bankers Association, Atlantic City, May 22, 1958.

"Review of Monetary Policy Actions." Address by M. S. SZYMCZAK, Member, Board of Governors of the Federal Reserve System, before the Grocery Wheels of Washington, D. C., Bethesda, Maryland, June 10, 1958.

(Copies of these addresses are available at the Board of Governors of the Federal Reserve System, Washington 25, D. C.)

FOURTH FEDERAL RESERVE DISTRICT