

# MONTHLY *Business Review*

FEDERAL RESERVE BANK of CLEVELAND

*May, 1959*

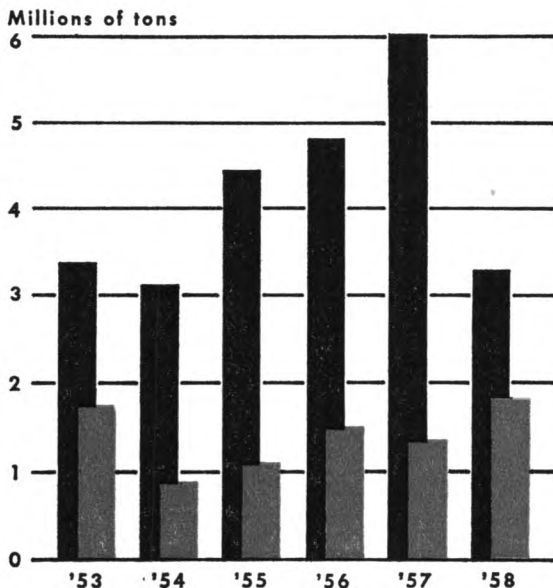
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## U.S. EXPORTS AND IMPORTS OF STEEL



*Exports of steel, after several years of rise, dropped sharply in the recession year 1958. Imports rose appreciably. But even in 1958, steel exports were nearly twice as large as imports.*



# Exports and Imports of Steel

**I**N 1958 THE UNITED STATES exported nearly twice as large a quantity of iron and steel products as it imported.<sup>(1)</sup> The export surplus was achieved despite the fact that the tonnage of steel exported in 1958 was not much more than half the quantity exported in 1957, while the quantity of imports in 1958 was 40 percent larger than in 1957. As a result of these changes the U. S. export surplus in steel was, however, the smallest since 1953.

Measured by dollar value, the export surplus in 1958 was even larger than when measured by physical volume. Exports of iron and steel products in 1958 were valued at \$737 million, more than three times the \$227-million valuation for steel imports.<sup>(2)</sup>

The drop in U. S. exports of steel from 1957 to 1958 was larger in percentage terms than the decrease in total U. S. exports in the same period. Total merchandise imports fell off somewhat from 1957 to 1958, at the same time that imports of steel increased sharply.

## Foreign Trade in Two Recessions

As the cover chart shows, the 1957-1958 pattern of change in U. S. foreign trade in steel was quite different from the experience of the 1953-1954 recession. In the earlier cycle, the volume of imported steel dropped by half while the quantity of steel exported declined only slightly. Imports had supplied the marginal quantities needed in the boom conditions of 1953; by 1958 imports of a number of steel products were apparently no longer marginal. (Total U. S. imports also declined from 1953 to 1954, but by a much smaller proportion than steel imports.)

(1) Excluding pig iron and ferro-alloys.

(2) All data on iron and steel products in this article are taken from publications of the American Iron and Steel Institute.

While changes in exports and imports of steel did not conform closely to changes in total foreign trade either in the 1953-1954 or 1957-1958 recessions, the net effect of foreign trade in steel on the U. S. steel industry in the two periods was similar to the effect of foreign trade in general on the whole economy. That is, in the 1953-1954 period, changes in foreign trade stimulated the domestic economy and the U. S. steel industry, while developments in 1957-1958 depressed both. The U. S. export surplus in steel, as well as in total foreign trade, was larger in 1954 than in 1953, and thus provided some offset to the 1954 recession. In contrast, in 1958 the export surplus, both in steel and all commodities, was smaller than in 1957, and this decline in the export surplus accentuated the 1958 recession in general business and contributed to the very sharp drop in activity in the steel industry in 1958.

There were several reasons for the differing behavior of exports and imports in the 1953-1954 and 1957-1958 periods. One was the slackening of industrial expansion in Europe in 1957 and its virtual cessation in 1958, together with the development of excess capacity and stocks in several basic industries in Europe, including the coal and steel industries.<sup>(3)</sup> Not only did the European market for U. S. exports decline, but Europe's expanded and improved industrial facilities were able to offer effective competition to U. S. producers, for the first time in the post-World War II period, in other markets as well as in the United States itself.

Other factors which worked toward the curtailment of U. S. exports were the recessions

(3) Also, U. S. exports to Europe had been exceptionally large in the latter part of 1956 and early in 1957 because of the developments following the Suez crisis.

sions in Canada and Japan, and the drop in export incomes of countries which produce raw materials. The latter development, in turn, was due in part to the large expansion of productive capacity for certain raw materials; the expanded capacity was coming into operation at about the time that European and U. S. demand was falling.

### TIN PLATE AND TERNE PLATE

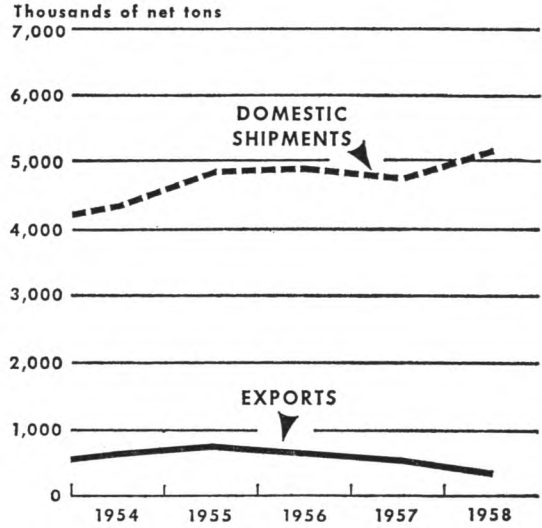


Table 1

### PRINCIPAL STEEL EXPORTS — net tons

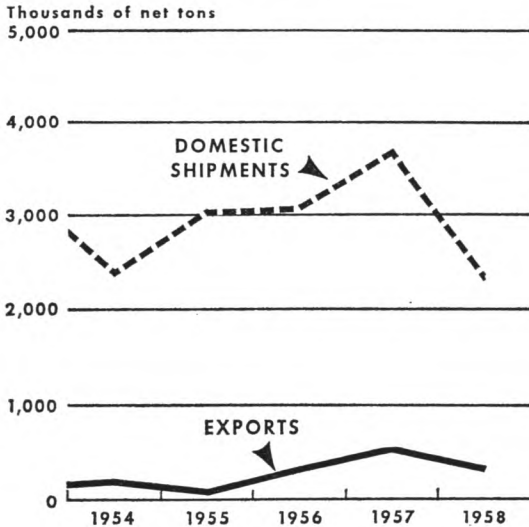
	1957	1958
Sheets and strip .....	1,076,306	703,430
Pipe and tubing .....	1,185,697	623,044
Shapes and plates .....	1,075,112	554,236
Tin mill products .....	620,392	351,972
Total steel exports .....	6,007,756	3,293,867

In summary form, Table 1 shows the changes that occurred between 1957 and 1958 in major exports of steel products. The decline in exports of the products listed in this table accounts for two-thirds of the decrease in total steel exports. Line pipe, as well as tin and terne plate, which are important in terms

of total tonnage, also constitute a significant proportion of U. S. production.

As the chart shows, both domestic shipments and exports of line pipe have shown considerable year-to-year fluctuation since 1953, in response to similar oscillations in the investment programs of the natural gas and petroleum industries which are the principal consuming industries for this product. Line pipe is a capital goods item, used in gas and oil transmission and distribution lines. Sizable year-to-year fluctuations are, therefore, not surprising.

### LINE PIPE



The sharp drop in domestic shipments of line pipe from 1957 to 1958 was due to the completion of several natural gas expansion programs and the cessation of pipeline installations for the oil industry in 1958. Export shipments, which had increased substantially in 1956 and 1957 to supply pipeline projects in Canada and Venezuela, dropped off as those projects were completed.

Exports of tinplate have been declining since 1955 at the same time that domestic shipments have been increasing. The relative importance of exports has, therefore, also lessened. Domestic shipments show some year-to-year fluctuation due to variations in fruit

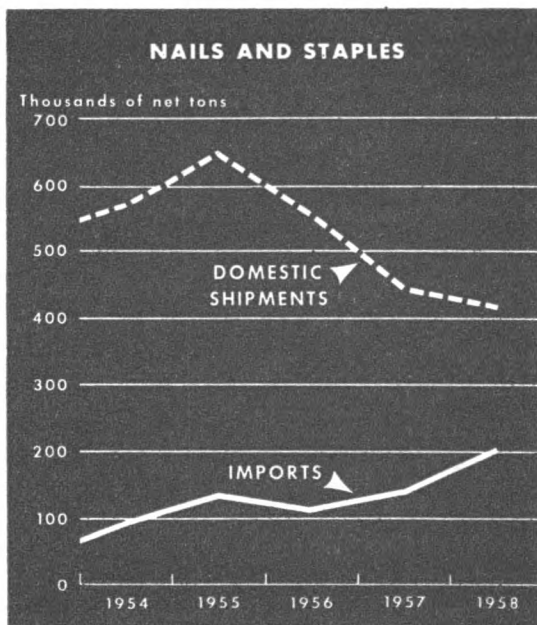
and vegetable crops and in the size of the food "pack". The drop in exports is attributed to the increase in tinsplate production in Western Europe and the substantially lower prices of European tinsplate compared with the U. S. product.

**Table 2**  
**PRINCIPAL STEEL IMPORTS — net tons**

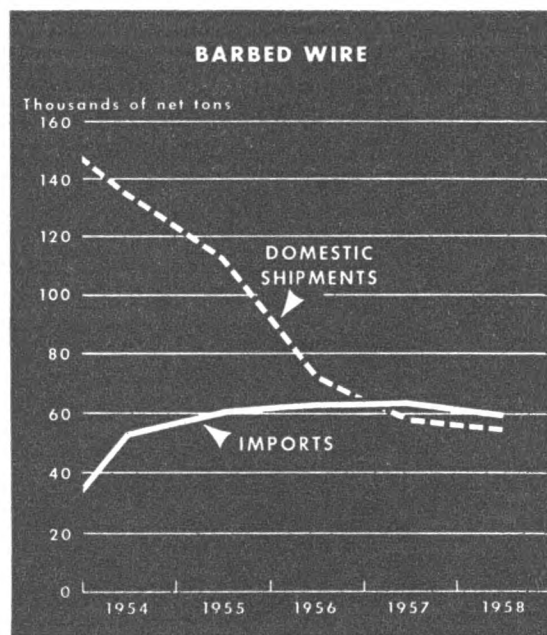
	1957	1958
Concrete reinforcing bars..	160,371	472,741
Structural shapes .....	311,517	241,393
Pipe and tubing .....	190,727	200,038
Wire rods .....	54,369	181,283
Total steel imports .....	1,321,003	1,844,242

The increase in imports of the products listed in Table 2 accounted for nearly three-quarters of the rise in total steel imports. If imports of structural shapes, which declined from 1957 to 1958, are excluded, the proportion is even higher.

Not all of these large-volume steel imports are as important in relation to domestic out-



put as some other products which represent a smaller volume of steel imports, such as barbed wire, nails (including staples), and wire rods.



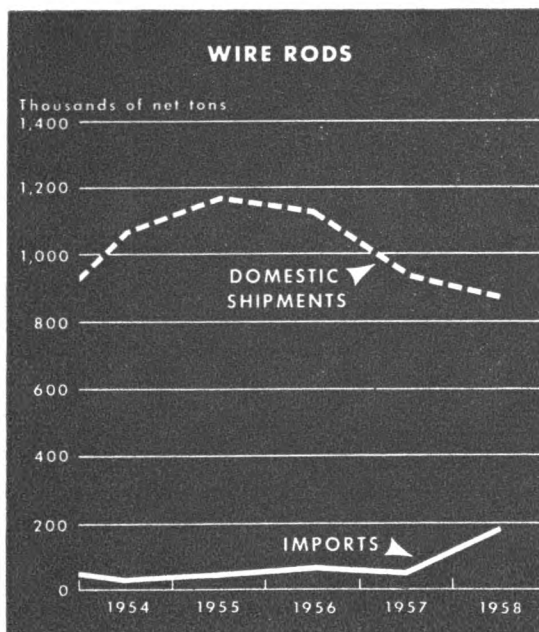
### Imports Compete in Price

The lower price of the imported product has been the principal factor in the increase in imports of barbed wire, nails, and wire rods. Barbed wire is the most spectacular example of the displacement of domestic production by imports, most of which come from Belgium, Luxemburg, and West Germany. As the chart shows, imports were larger than domestic shipments in both 1957 and 1958, but the drop in shipments by domestic producers since 1953 has been much larger than the increase in imports. That is, the total market for barbed wire in the U. S. has declined, as a result of the increased use of electrified fence and the trend toward fewer and larger farms. About three-fifths of the drop in domestic shipments of barbed wire since 1953 was due to the decline in consumption, and the balance to increased imports.

Imports of nails increased along with domestic shipments from 1953 to 1955, but since then, imported nails have accounted for an increasingly large share of the domestic market. Japan is the principal source of imported nails, with Belgium, Luxemburg, the Netherlands, and West Germany as secondary suppliers.

Imports of wire rods rose sharply from 1957 to 1958, as the chart shows. Over the period since 1955, however, the decline in total consumption of wire rods has accounted for more of the reduction in domestic shipments than has the increase in imports.

In connection with the opening of the St. Lawrence Seaway this year, it may be of interest to note that the share of Great Lakes ports in imports of steel has been quite small, at least until 1959. In 1958 over 90 percent of imported steel came through coastal ports, mostly Atlantic and Gulf Coast ports.



## NOTES ON FEDERAL RESERVE PUBLICATIONS

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

“The 13b Program—An Experiment in Small Business Finance”, Federal Reserve Bank of St. Louis, March 1959.

“United States Foreign Trade and the Domestic Economy: Patterns and Problems”, Federal Reserve Bank of St. Louis, April 1959.

“Some Economics of Industrial Water Use”, Federal Reserve Bank of Kansas City, April 1959.

“The Common Market and European Economic Integration”, Federal Reserve Bank of New York, April 1959.

“Mortgage Financing in the Postwar Period”, Federal Reserve Bank of New York, April 1959.

“Man-made Fibers”, Federal Reserve Bank of Richmond, April 1959.

(Copies may be obtained without charge by writing to the Federal Reserve Bank named in each case.)

\* \* \*

Among the special publications of recent issue is the 54-page booklet entitled, “The New York Foreign Exchange Market”, by Alan R. Holmes. Priced at 50 cents each, copies are available from the Publications Division, Federal Reserve Bank of New York, New York 45, New York.

## Around the Fourth District—

### SAVINGS DEPOSITS OF INDIVIDUALS

(Outstanding at commercial banks, end of March 1959)

	% change from year ago
Canton .....	+20%
Lexington .....	+11
Dayton .....	+ 8
Erie .....	+ 8
Pittsburgh .....	+ 8
Akron .....	+ 6
Cincinnati .....	+ 3
Toledo .....	+ 3
Youngstown .....	+ 3
Cleveland .....	+ 2
Wheeling .....	+ 1
FOURTH DISTRICT TOTAL .....	+ 5%

\* \* \*

During March, *department store sales* in all reporting metropolitan areas in the Fourth District scored gains over a year ago, ranging from 28 percent in Portsmouth, Ohio, down to 4 percent in Erie, Pennsylvania. However, after allowance for the difference in trading days and for seasonal variation, including Easter, the adjusted sales index dropped from 133 in February to 128 in March.

\* \* \*

*Bank debits* at 32 Fourth District centers during March were up 14 percent from a year ago. In the first quarter, all but two centers participated in the 8 percent year-to-year increase, but in March all reporting centers showed gains. Thus the recent activity in demand deposit accounts suggests a widening of the improvement in business activity.

\* \* \*

The 1958 advance in *realized net income per farm* in Ohio, Pennsylvania, Kentucky, and West Virginia was smaller than the corresponding national advance. However, the gain in *total net income per farm* in these states was strikingly greater than for the nation as a whole. Total net income is a measure that adjusts realized net incomes for changes in inventories, and the large gains in total net income of farmers in these four states are due mainly to increased farm inventories of corn, wheat, soybeans, and livestock.

\* \* \*

During March, *instalment sales* at Fourth District department stores were 9 percent above March 1958, scoring a larger year-to-year gain than did cash or charge-account sales. However, the ratio of instalment sales to the month's total declined from 18.5 percent in February to 16.9 percent in March.

*(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.)*

# The Changing Seasonal Pattern of Department Store Sales

A STUDY of the seasonal behavior of department store sales in the Fourth Federal Reserve District for the past twelve years has shown that a material change has taken place in the seasonal pattern. The years under observation were divided into two six-year periods, 1947 through 1952, and 1953 through 1958.

The entry for any one month on the accompanying charts represents that month's percentage of annual sales, averaged over the six years of the designated period.<sup>(1)</sup> The results for the earlier period, 1947-1952, appear on the chart in the form of colored bars, whereas the more recent period, 1953-1958, is represented by the black curve.

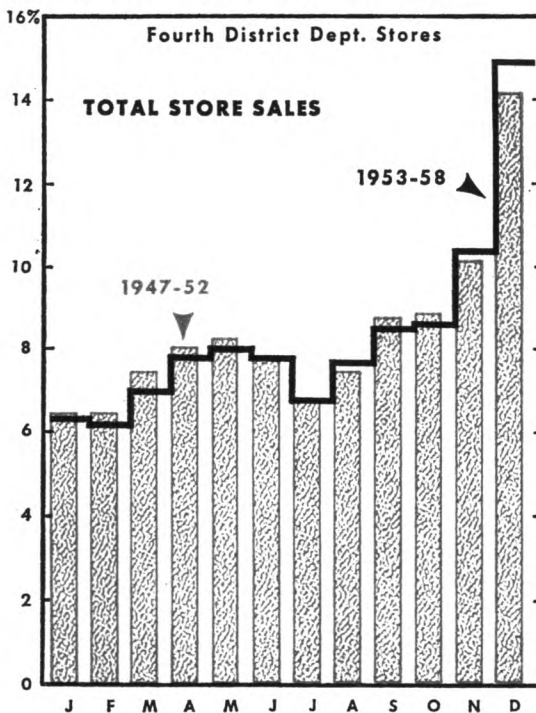
As shown by the chart for total store sales, the entire seasonal pattern of department store sales in the Fourth District has shifted to the right; that is, sales during the first half of the year have declined in relation to the year's total, while sales during the second half of the year have increased their share.<sup>(2)</sup> The relative reduction has been especially pronounced in March and April, whereas the relative gain has appeared especially in November and December. Thus the Christmas shopping season has been increasing in importance at the expense of Easter trade.

It is also interesting to note that the mid-year dip in department store sales has not

been as deep in the more recent period as it was in the preceding period. Perhaps the greater effort on the part of department stores to run special promotions during July and August has helped to raise the sales level of these two months. Also, more leisure and longer vacations for Americans have resulted in greater sales of sporting goods and casual summer wear.

*Department store sales during the first half of the year have declined in relation to the year's total, while August, November and December have increased their shares.*

Monthly sales as percent of year's total



(1) The percentage relations of specific monthly sales to annual sales were computed from sales indexes, on a 1947-49 base, before seasonal adjustment, but after allowance for trading-day differences. The results are broadly comparable with, although not identical with, the figures provided in this bank's annual release entitled "Distribution of Annual Sales by Months; Fourth District Department Stores." (C.7.3.1) The latter series is not adjusted for differences in trading days.

(2) The upward secular trend which has characterized department store sales in the postwar period, along with many other economic series, may have had some influence on the relative showing as between the first and the second halves of the years. It is believed that allowance for such a factor would not materially alter the findings described here.

A series of accompanying charts shows the changing seasonal pattern of four groups of departments within the department store offerings. These four groups account for nearly two-thirds of total store sales.

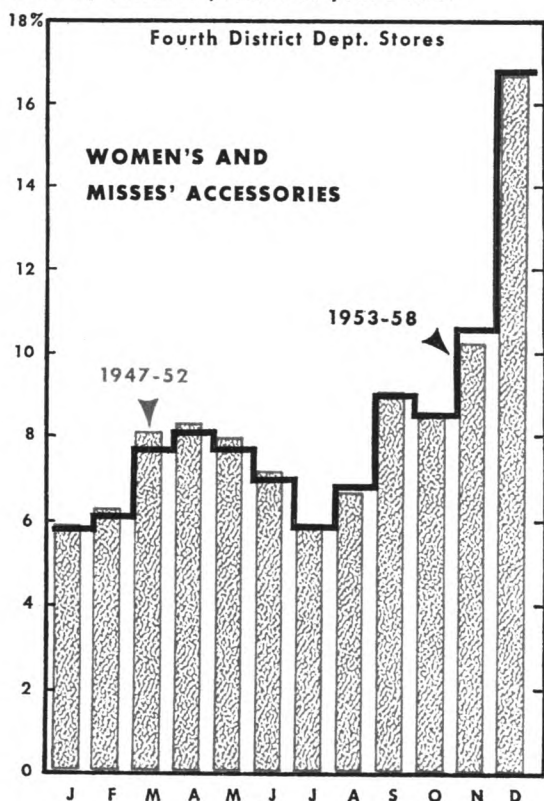


*Women's and Misses' Accessories.* The seasonal pattern of women's and misses' accessories has changed very little in the past decade. Sales in July, November, and December have gained slightly at the expense of the spring months, particularly March and May.

*Women's Apparel.* In contrast to the case with women's and misses' accessories, the

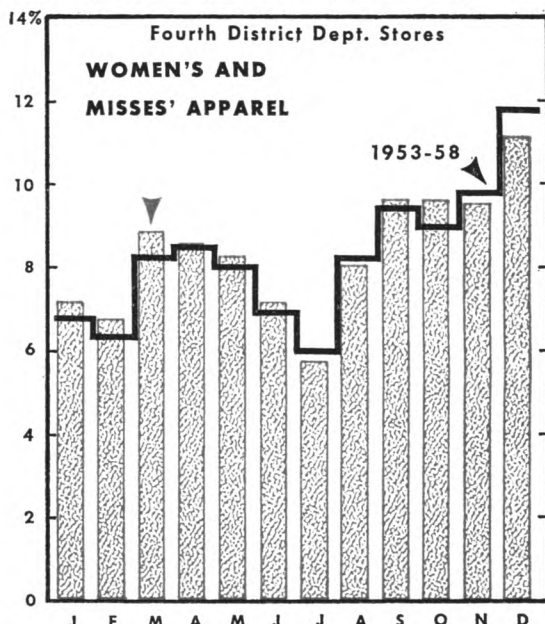
*The seasonal pattern of women's and misses' accessories has changed very little in the past decade.*

Monthly sales as percent of year's total



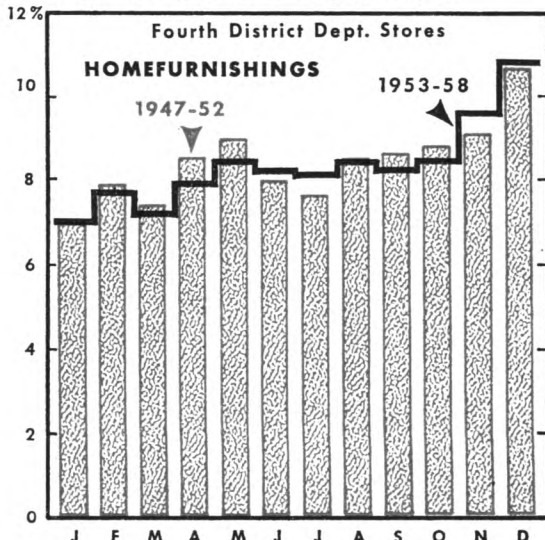
*For women's apparel, the relative importance of November and December has increased considerably, chiefly at the expense of the first three months of the year and the month of October.*

Monthly sales as percent of year's total



*For homefurnishings, June, July and November have recently become relatively more important trading months, while the importance of April and May has declined considerably.*

Monthly sales as percent of year's total





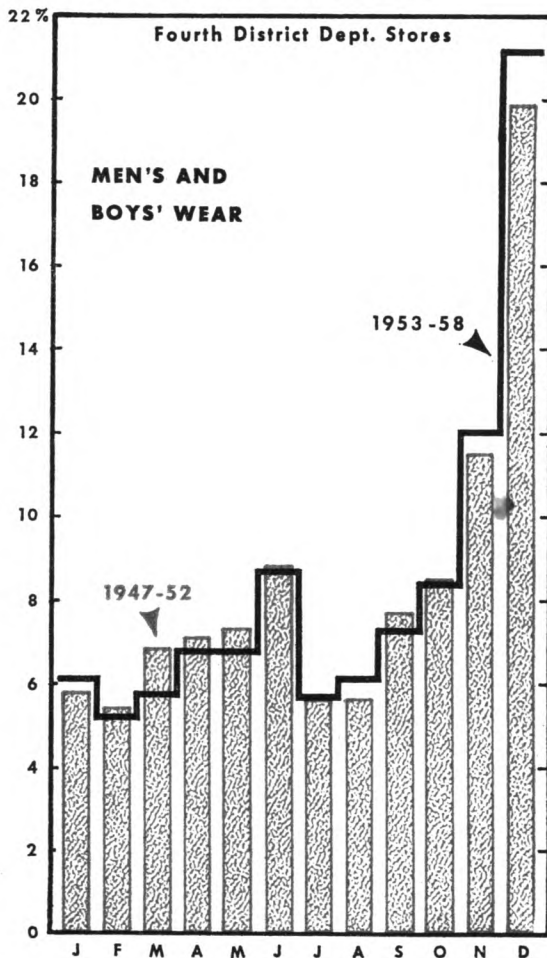
seasonal shifts in sales of women's and misses' apparel have been quite marked. The most striking change occurred in the month of December. During the earlier period, 1947-1952, sales of women's apparel in December averaged about 11 percent of the year's total, but in more recent years they increased to nearly 13 percent. Sales in July, August, and November have also shifted upward, whereas the first three months of the year and the month of October were the relative losers.

*Men's and Boys' Wear.* Seasonal fluctuations in sales of men's and boys' wear are always very large. Only four months of the year (June, October, November, and December) have been above the annual average. The recent change in the seasonal pattern has brought about even greater seasonal swings. The relative importance of December, for example, has increased from less than 20 percent in the 1947-52 period to more than 21 percent in the 1953-58 period, mainly at the expense of spring months.

*Homefurnishings.* While there is a definite seasonal pattern in sales of homefurnishings, the degree of fluctuation is considerably smaller than is the case with apparel. The shift in seasonal variation over the past decade has resulted in an even more regular pattern throughout the year. Thus, for example, the usual mid-year decline has tended to level out in recent years, in part, perhaps, because of the increased sales of home air conditioners during the summer months. However, as in the case of apparel, the importance of November and December has increased, while the spring and the early autumn months have become less important trading months for homefurnishings.

*In the case of men's and boys' wear, a substantial increase in November and December has occurred mainly at the expense of spring months.*

**Monthly sales as percent of year's total**



# Three Measures of Employment in Cleveland

SEVERAL different methods of gauging the level of employment in Cleveland have been developed in response to different needs. Each method makes its own special contribution to an understanding of the current situation. Although the published results of the several employment measures are not readily comparable with one another, careful analysis shows that they supplement each other in a very useful way. The following brief descriptions of three major employment barometers will explain the differences between them and at the same time point out the particular merits of each one.

*Employment in 100 Industries.* One of the oldest series of statistics measuring employment in Cleveland is the one called "Employment in 100 Cleveland Industries". It is compiled and published each month by the Cleveland Chamber of Commerce and it reports the number of employees at 100 of Cleveland's larger manufacturing companies. These co-operating companies were selected to represent various types of local manufacturing activity. The figures gathered each month are thus a sample count; they are neither a full enumeration nor an estimate of total Cleveland employment, and they serve only to indicate what the over-all trend may be.

The 100-company report has two special merits: (1) it is available very promptly, during the first week following the month of report, and (2) it is sensitive to small month-to-month changes and thus is quick to reflect the formation of a significant trend. The total figure is subdivided into certain major industrial groups. One limitation of the report, however, is that it measures only manufacturing employment. This leaves substantial gaps in coverage since it omits important sec-

tors of business such as construction, retail trade, financial services, etc.

A resume of recent performance of the 100-company report shows that in June of 1958, Cleveland manufacturing employees were the fewest in many years. The actual figure reported at that time was 91,900, or substantially below any month of 1957, during which year employment at the 100 companies ranged from a February high of 111,000 down to 102,000 at the close of the year.

Month-to-month improvement has been reported persistently since the June 1958 low point, but the first year-to-year gain since the start of the recession appeared when the figure for February 1959 advanced to 97,900. The increase from the previous year was slight, amounting to less than 1%. But in March, employment in the 100 companies rose to 99,127 and the year-to-year gain widened to 4%, but partly because the year-ago month had indicated a decline.

*Employment, Hours, and Earnings in Ohio.* The Ohio Bureau of Unemployment Compensation, through its Division of Research and Statistics, now reports total monthly employment statistics for Cleveland, as well as for seven other metropolitan areas in Ohio. (Until recently, only manufacturing employment was reported.) The published figures, prepared in cooperation with U. S. Bureau of Labor Statistics, are estimates of total area employment rather than sample counts. However, complete coverage is not claimed since no attempt is made to include the self-employed, those working as domestics, or members of the armed services. It should also be pointed out that the statistics for the Cleveland metropolitan area include all of

Cuyahoga and Lake counties, not just Cleveland proper.

One of the major assets of the O.B.U.C. employment reports is that all manufacturing industries are included, as well as retail trade, services, construction and government employment. Furthermore, total employment is subdivided into more than 40 standard industrial classifications, which thus provides a great deal of detail which is valuable in itself, and which can also be related to other series using the standard industrial classifications. Like the Chamber of Commerce report, the O.B.U.C. report reflects small as well as large changes, thus making it possible to detect the course of a trend as it is developing.

However, the reports take some time to prepare and are not available until about four weeks after the end of the month. There are also some problems encountered in using O.B.U.C. figures when attempting to reconstruct a historical picture and in making comparisons with past years, insofar as substantial revisions of back data are frequently necessitated by changes in the benchmarks used to estimate the current statistics.

According to the monthly report of the Ohio Bureau of Unemployment Compensation, the low point in Cleveland employment during the recent recession occurred late in the spring of last year. Steady improvement has been reported each month since then. In January 1959, total nonagricultural employment in the Cleveland metropolitan area was indicated at 668,300, or about 3% below the year-ago figure. From that point, total employment increased to 669,300 in February, off less than 1% from the year-ago month, and to 675,400 in March, up 1.4% from the year-ago month. Thus, through March of this year, the O.B.U.C. data have consistently confirmed the rising trend indicated earlier each month by the somewhat narrower Chamber of Commerce series.

The unique value of the O.B.U.C. report in providing detailed data for various industries is illustrated by the following case. While total employment in March 1959 was slightly higher than a year earlier, employment of approximately 24,000 workers at blast fur-

naces and steel mills in Cleveland showed a 54% rise while, on the other hand, employment of about 26,000 workers in contract construction here was 21% below that of a year ago.

*Labor Market Area Classifications.* A third method of appraising the over-all employment situation in Cleveland, and one which focuses on the degree of joblessness that exists, is the bi-monthly series prepared by the Bureau of Employment Security of the U. S. Department of Labor in which Cleveland, defined as Cuyahoga and Lake counties, and 148 other major industrial areas are each classified into one of six labor-supply categories labeled A, B, C, D, E, and F. In brief, "A" indicates a labor shortage, "B" and "C" indicate a low or moderate labor surplus, and "D", "E", and "F" indicate a substantial labor surplus of progressively greater proportions.

It is immediately apparent that these ratings are simple in form and easy to understand. They have the further unique advantage of making it readily possible to compare each of the 149 major labor market areas in the nation with any of the others. However, there is considerable latitude within each rating and naturally they are not sensitive to small changes that may be occurring.

In May 1958, Cleveland dropped into the "D" classification, which is defined as indicating a substantial labor surplus area with unemployment affecting 6% to 9% of the total labor force. This was the least favorable rating given to Cleveland since the inception of the system three years before, in May of 1955. Thus, at the low point of the recession, the B.E.S. area rating confirmed the similar results being shown at the same time by the Chamber of Commerce and the O.B.U.C. reports.

But the gradual uptrend in employment that was visible all through the last half of 1958 in both the Chamber of Commerce data and the O.B.U.C. reports was not revealed by the very broad B.E.S. area classifications until January of this year when Cleveland returned to the "C" group for the first time since March of last year. No further improvement

has yet been reported; Cleveland was still listed in the "C" group as of March 1959, the latest B.E.S. report date, although both of the other two employment barometers have flashed a signal that some further improvement has occurred. Apparently the gains have not been strong enough to warrant reclassification under the B.E.S. rating system.

Thus, in making use of the B.E.S. area ratings, the main advantages—simplicity of final results and ready comparability with other areas—must be weighed against the fact that the results have been intentionally simplified so as not to reflect small changes until they have accumulated into a large change.

As previously noted, the area ratings do not represent an employment count. They refer to the proportion of the *current* labor supply that is unemployed. Consideration is given to the fact that the number of people in the total labor force, whether employed or not, varies from time to time as a result of population

increases (or decreases) among the group which is of working age and which is desirous of employment. Thus, changes in employment are not equal and opposite to changes in unemployment.

It is furthermore true that an element of judgment is injected into the area ratings, judgment that considers, among other factors, "the outlook, as reflected by local employer estimates of their manpower requirements".

One other major difference may be mentioned. Both the Ohio Bureau of Unemployment Compensation and the Cleveland Chamber of Commerce reports include statistics relating to hours worked and wages paid whereas the area ratings do not provide any direct information of that sort.

It is clear that for the best possible picture of the employment situation in Cleveland, it is necessary to synthesize the information provided by all three of the reports described.

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