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INDUSTRIAL TRENDS AFFECTING REAL ESTATE MARKETS

Fundamentally, real estate has value because one or more economic activities can be profitably performed at or near its location. Thus, in rural areas, each farm contains land upon which livestock is raised and crops grown and buildings which house and protect the products of these activities and the equipment used in their production. In addition, each farm contains a residence for the farmer's family, some land used for access, and some for the disposal of waste products. But the value of all of the real estate on the farm is derived from the basic activity of producing agricultural products at that place.

The value of real estate in urban centers has a similar foundation. The activities of retailing, wholesaling, manufacturing, transportation, servicing, financing, and government are fundamental. The people who work at these activities must be housed, served with utilities, protected, provided with recreation, and given access to their places of employment and other activities. If it were not advisable to perform these economic activities at that place the whole structure of real estate values at that location would collapse. In other words, the current market for real estate could not exist without them. It follows then that an understanding of the economic activities operating in a given city is basic to a knowledge of its market for real estate.

Although all of the above economic activities are important, this article is concerned with only the industrial, or manufacturing, activities as they affect the market for urban real estate in the Tenth Federal Reserve District.

Economic Base of Urban Centers

The economic activities of any given city may be classified into those which service and those which support the center's population. Servicing activities are those which produce for and sell to the resident population. These generally include a large percentage of retailing, professional services, local government, and local transportation and a substan-

tially smaller portion of the wholesaling and manufacturing. Supporting activities produce for and sell to a nonresident population. Customarily, most manufacturing, wholesaling, nonlocal transportation, and nonlocal government is of this nature. To a lesser extent, retailing, medical attention, entertainment, and education are also in this category.

Supporting activities require a labor force whose consumer requirements are satisfied by another labor force. Without the supporting activities there would be no labor force with consumer demands, and hence no urban center. Stated in another way, cities are not self-sufficient but are dependent upon an outside source of income for their existence. Ordinarily, urban centers in this area were initiated to satisfy the needs of a surrounding population engaged in agriculture or some other raw material extraction process. This first supporting activity is likely to be two-sided. Raw materials of the area are concentrated in the urban centers and passed along to larger consumer markets. A return flow of manufactured articles moves through the centers' retail stores to residents of the surrounding region. As the towns grow they may add wholesaling, manufacturing, and other kinds of services to an ever-widening trade area.

Urban centers, whose supporting activities are largely confined to concentrating the area's raw materials and retailing the manufactured goods of other cities, have definite limits of population size which can be supported. Dr. Randall T. Klemme of Oklahoma A. and M. College has found there is one retail worker for each farm family doing its major trading in the local center. Thus, to attain any size, the trading center must service an enormous region of reasonably productive farms. Because of the relationship which exists between retail trade and distance to be traveled, this seldom if ever happens. If an urban center is to expand beyond its retail trade limitations, it must increase its manufacturing activities. There are exceptions, of course. A few centers become state capitals and expand on a government activity base. Occasion-

ally a town becomes the location of a large university and increases in size for that reason. More often, transportation provides a means for expansion. But one of the major causes of increased size of urban centers is industrialization. A quick look at the employment components of cities of varying size suggests the importance of manufacturing to the larger centers' economies. Thus, for urban centers in the area below 400,000 and all urban centers in the nation above that figure, the following data are indicative:

Population Size	Per Cent Employed in Manufacturing
10,000-50,000	9.6
50,000-100,000	13.8
100,000-400,000	16.3
Above 400,000	31.4

SOURCE: Computed from 1940 U. S. Census data.

Studies by the Federal Housing Administration and others have indicated that, for every person employed in a supporting activity in urban centers, there is one person employed in a servicing activity. This means that, where 40 per cent of a city's population is employed, each person employed in a supporting activity is the economic base for another employed person plus three nonworkers, presumably members of the two families. Stated differently, the employment of one person in manufacturing that is supporting in nature increases the city's population size by five. This becomes highly significant when translated into terms of the demand for urban real estate.

Manufacturing and the Demand for Real Estate

It is apparent from this information that manufacturing with nonlocal markets is potentially a substantial factor in the demand for urban real estate. The ways in which manufacturing affects the market for real estate may now be set forth in some detail.

There is first the direct requirements of land and buildings on and in which the manufacturing processes are performed. This, of course, includes whatever land and facilities are required for warehousing, parking employees' cars, and rail sidings. In terms of total urban land use, these requirements are not large. According to Harland Bartholomew, studies in 39 cities showed an average of 7 per cent of their developed land was used for manufacturing. Railroads added 5 per cent more. In the area, Kansas City, Missouri, has 7 per cent, while Tulsa, Oklahoma City, and Omaha each have 5 per cent used by industry. Of course, the land requirements of different types of manufacturing vary widely in relation to their employment. Some kinds of processes use large amounts of labor and relatively small portions of machinery. Their land requirements are apt to be small. But concerns requiring huge investments in plant and equip-

ment, regardless of size of labor force, are large users of land. The recent tendency toward one-level operation has naturally increased the land requirements for all manufacturing.

A second way in which manufacturing affects the market for real estate grows out of the land and building requirements of the persons employed in industry. These persons must be housed and provided with stores, places of entertainment, education, and worship. They must have access to all these places, local government must protect them, and utilities be provided for their use. All require land and buildings in which to operate. Bartholomew's 39-city average shows 3 per cent of the developed land as used for commerce or trade and 40 per cent for residential use. Kansas City, Missouri, uses 6 per cent for trade and 55 per cent for residences. Omaha has 2 per cent for trade and 38 per cent for residential use. Oklahoma City shows 3 per cent used for trade and 46 per cent for residences, while Tulsa requires 5 per cent for trade and 45 per cent for residential use. Of course, industrial employment accounts for only a portion of these land and building requirements. That portion is dependent upon the relative importance of industrial employment in each urban center.

Manufacturing affects the market for urban real estate in a third way which is somewhat similar to that just described. As most manufacturing is supporting in nature, i.e., it sells to an outside area, each industrial employee is matched by another worker employed in some servicing activity. Thus, a manufacturing concern whose products are all sold outside the urban center and which employs 100 men will be responsible for 200 employees and their families. On the basis of employment being 40 per cent of total population, this concern will be supporting 500 people who will need housing, education, places of worship, etc., as described previously. If a firm is producing only for the local market, this secondary relationship does not exist.

The demand for urban real estate is affected by manufacturing in a fourth way which in some cases is extremely important to the local economy. Manufacturing concerns require raw materials, power, semi-processed articles, operating supplies, machinery, and transportation facilities. Some or all of these requirements may be met by local concerns. It is common for some types of concerns to draw near them a substantial number of these accessory activities, thereby increasing the demand for industrial real estate as well as that for homes, etc., for the additional employees. Transportation, whether by rail, truck, barge, or air, must have facilities for storing, classifying, and operating. These sometimes require substantial amounts of land and buildings. The expansive effects of these

accessory activities are often overlooked or underestimated by residents of urban centers.

Manufacturing and Urban Income Towns and cities with low per capita incomes are likely to have a low schedule of real estate values and a relatively small real estate market. Larger incomes permit a higher level of living in a community and this affects all kinds of real estate. Better homes are demanded, more and larger stores are required, schools and churches increase in size and attractiveness, recreational areas are created, and streets are paved and kept in good repair. In other words, the urban center can become a modern, well operated, up-to-date city.

The extent to which industrialization increases the population size of urban centers has been discussed. At this point, the effect of industrialization on urban income will be considered.

It was previously pointed out that increases in the population size of towns and cities are associated with a sharp rise in the importance of manufacturing employment. But there is also a decline in the percentage employed in retailing activities. Thus, for cities in the area below 400,000 and for all urban centers in the nation above that figure, it is found:

Population Size	Per Cent in Retail Trade
10,000- 50,000	22.3
50,000-100,000	20.5
100,000-400,000	19.8
Above 400,000	17.5

SOURCE: Computed from 1940 U. S. Census data.

Relating these changes to those in manufacturing employment, it is apparent that, in cities of 10,000 to 50,000, manufacturing employment is 43 per cent of retail trade employment. In cities of 50,000 to 100,000, it rises to 67 per cent of retail trade employment. In cities of 100,000 to 400,000, it is 82 per cent, and, in

cities above 400,000, manufacturing employment is 179 per cent of that in retail trade.

Now, if manufacturing wage earnings are above those in retail trade, a higher rate of income will be substituted for a lower one when industrialization occurs. The latest information on weekly earnings from the Bureau of Labor Statistics is for the month of October, 1948. The accompanying table shows data for this period compared with the average for 1939.

It will be noted that the earnings in manufacturing are well above those in retail trade at present, although the margin was much narrower in 1939. The range of weekly earnings in manufacturing is demonstrated by the low of \$28.34 in "work shirts" and the high of \$75.47 in "newspapers and periodicals." The range of earnings in retail trade is also substantial.

From the above information it may be concluded that, as an urban center becomes industrialized, employment in a higher wage group (manufacturing) becomes relatively more important, while the employment in a lower earnings group (retail trade) becomes less important. This would tend to raise per capita income in the urban centers. However, the extent to which this will occur depends somewhat on the type of industries that locate in the city. If they are situated near the bottom of the range in manufacturing wage earnings, the per capita increase may be slight or nonexistent. But if the industries pay wages near the top of the range, the per capita increase should be substantial.

The market for real estate in urban centers is not only related to per capita income but also to the income stability in those centers. Some indication of the relative stability of income derived from various fields can be gained from a study of the chart "Income Stability." This shows the variation of national income and national wages and salaries for the years 1929 through 1947, by source. The data were plotted on ratio paper which shows relative changes. At the side of each type of activity there is shown the percentage change from the lowest to the highest figure. Three kinds of manufacturing are shown to disclose some of the variation which exists within the over-all classification.

It will first be noted that, except in "communications and public utilities," wages and salaries are more stable than the total income from each source. In the case of "petroleum and coal products," the difference is tremendous. The most stable sources of income, based on the percentage change from low to high, are "communications and public utilities," "finance, insurance, and real estate," "services," and "transportation." "Retail trade" and "wholesale trade" are less stable than these activities but somewhat more so than "manufacturing." However, "food and kindred products" shows a high degree of stability and this is

AVERAGE WEEKLY EARNINGS

Industry	October 1948	Average 1939
Retail trade	\$40.32	\$21.17
Automotive	55.53	27.07
General merchandise	34.10	17.80
Wholesale trade	57.58	29.85
Manufacturing	54.50	23.86
Newspapers and periodicals.....	75.47	37.57
Work shirts	28.34	11.03
Transportation and public utilities		
Street railways and busses.....	63.40	33.13
Telephone	49.75	31.94
Electric light and power.....	62.42	34.38
Finance		
Brokerage	66.26	36.63
Insurance	53.93	36.32
Service		
Hotels	32.45	15.25
Power laundries	34.16	17.69
Cleaning and dyeing.....	39.41	19.96
Building construction, private.....	71.79	31.70*

*1940 average.

a type of manufacturing important in the Tenth District. Unfortunately, in this case, the manufacture of "petroleum and coal products" is also important in this District and it shows a high degree of instability. However, the income of wages and salaries from this source is very stable and this is perhaps the more important item where real estate markets are concerned.

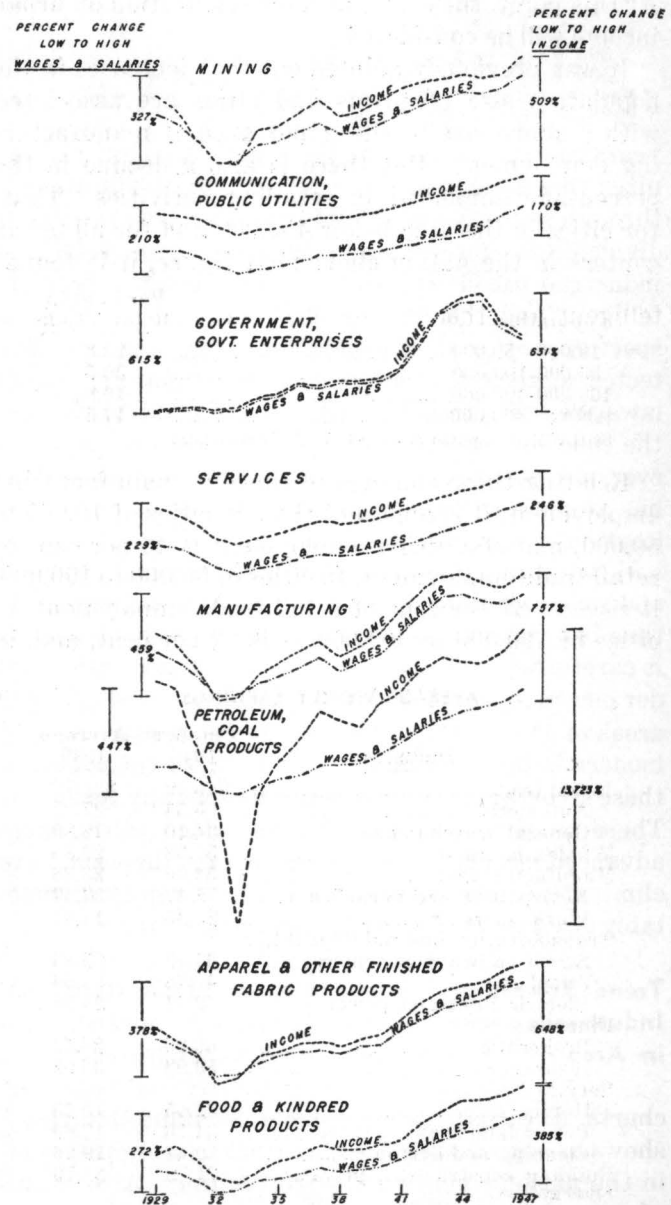
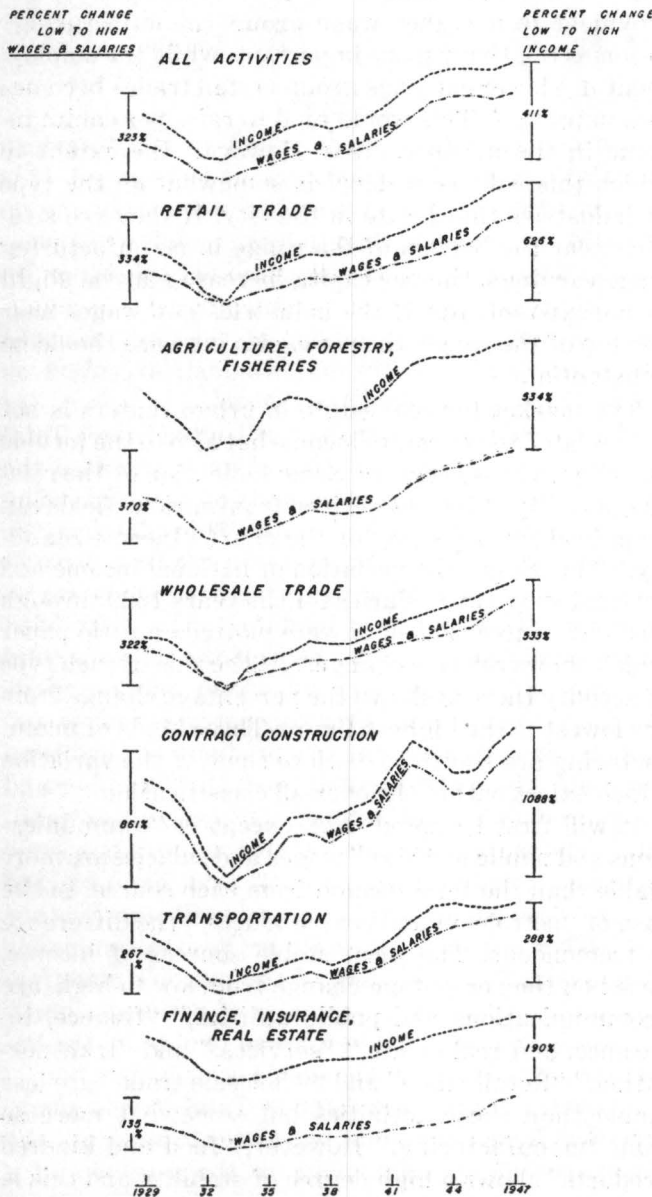
There is one other way in which industrialization affects the market for urban real estate through income. It has already been pointed out that a manufacturing concern needs many things beside labor to function properly. It needs materials and supplies, fuel, electric energy, semiprocessed items, and similar goods and services, a portion or all of which may be

purchased from the local community. This may result in a substantial amount of money flowing into the urban center for expenses other than salaries and wages. The accompanying table suggests the size of this money flow for four sizes of plants and several types of manufacturing. It is based on current wage earnings (October, 1948) and the distribution of expenditures as found in the 1939 Census of Business.

Manufacturing Damage to Urban Real Estate

It is common knowledge that the juxtaposition of some kinds of manufacturing and other land uses often results in serious loss of land and building values. For many

INCOME STABILITY



DISTRIBUTION OF MANUFACTURING EXPENDITURES

Industrial Classification	Salaries and Wages	Materials and Supplies	Fuel	Purchased Electric Energy	Contract Work	Total
All Industries						
50 Employees.....	\$ 177,125	\$ 418,015	\$ 12,399	\$ 7,085	\$ 8,856	\$ 623,480
100 Employees.....	354,250	836,030	24,798	14,170	17,712	1,246,960
300 Employees.....	1,062,750	2,508,090	74,394	42,510	53,136	3,740,880
500 Employees.....	1,771,250	4,180,150	123,990	70,850	88,560	6,234,800
Food and Kindred Products						
50 Employees.....	163,236	767,209	9,794	8,162	490	948,891
100 Employees.....	326,472	1,534,418	19,588	16,324	980	1,897,732
300 Employees.....	979,416	4,603,254	58,764	48,972	2,940	5,693,346
500 Employees.....	1,632,360	7,672,090	97,940	81,620	4,900	9,488,910
Apparel and Other Finished Textile Products						
50 Employees.....	120,204	236,802	481	1,563	31,253	390,303
100 Employees.....	240,408	473,604	962	3,126	62,506	780,606
300 Employees.....	721,224	1,420,812	2,886	9,378	187,518	2,341,818
500 Employees.....	1,202,040	2,368,020	4,810	15,630	312,530	3,903,030
Stone, Clay, and Glass Products						
50 Employees.....	174,948	162,702	33,240	12,246	1,050	384,186
100 Employees.....	349,896	325,404	66,480	24,492	2,100	768,372
300 Employees.....	1,049,688	976,212	199,440	73,476	6,300	2,305,116
500 Employees.....	1,749,480	1,627,020	332,400	122,460	10,500	3,841,860
Fabricated Structural Steel and Ornamental Metal Work*						
50 Employees.....	211,630**	512,145	2,963	5,714	5,079	737,531
100 Employees.....	423,260**	1,024,290	5,926	11,428	10,158	1,475,062
300 Employees.....	1,269,780**	3,072,870	17,778	34,284	30,474	4,425,186
500 Employees.....	2,116,300**	5,121,450	29,630	57,140	50,790	7,375,310

* Made in plants not operated in connection with rolling mills.

** Based on weekly wages received in "Iron and Steel and Their Products" classification.

years zoning and city planning activities have recognized this danger and have attempted to eliminate it through segregation of land uses. The urban center is divided into sections for residential, commercial, and industrial use. If the selection of areas has been intelligent and the various uses confined to their respective areas, all are mutually benefited and protected against loss of value. Unfortunately, zoning laws are not retroactive and uses in existence before the code was passed cannot be forced to move. However, an urban center undergoing industrialization has ample legal means at its disposal to control the location of manufacturing activities.

In addition to this protection, industrial concerns and urban centers are finding that maximum long-time benefits can be secured when an industrial area is carefully planned and well managed, preferably under one management. The attractiveness of planned areas of this kind is increased by the construction of modern industrial buildings. In their way, the best of these structures are as eye appealing as any residence. These modern factory buildings, added to the more advanced methods of waste control and disposal, have eliminated much of the unattractiveness that inevitably accompanied many types of processing.

Trend Toward Industrialization in Area

The extent to which urban centers in the area have become industrialized is suggested by the several accompanying maps and charts. The first, "Employment in Manufacturing," shows by size of circle the manufacturing employment in the nation's major industrial centers. Also shown

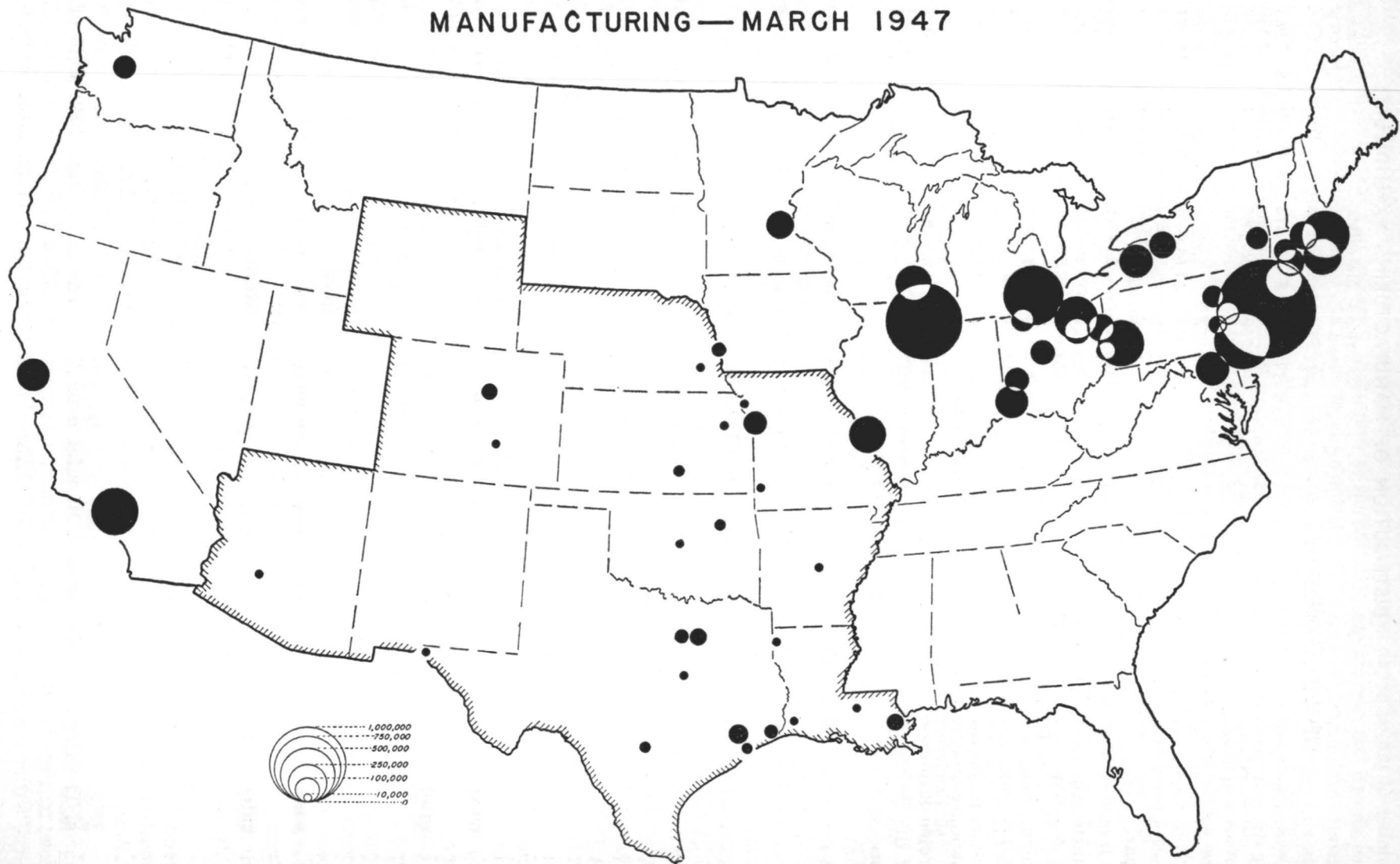
is the manufacturing employment in Southwestern cities having at least 5,000 persons so engaged. It is apparent that sizable amounts of manufacturing do occur in the area but that they are small when compared with the big industrial centers of the nation. In studying this map it must be remembered that manufacturing employment outside of the circumscribed area is shown for only the major industrial centers, as defined by the Bureau of the Census.

The second chart, "Per Cent of United States Total Employment," shows for each state in the area the employment in various categories of manufacturing as a per cent of the national total. This chart may be studied from several viewpoints. In the first place, it will be noted that Missouri is rather evenly represented in all categories of manufacturing, with most items approximating 2 per cent of the nation's total employment in that category. From another viewpoint, it is apparent the area concentrates rather consistently in the categories of "products of petroleum and coal," "food and kindred products," "lumber and wood products," and "stone, clay, and glass products." These are processes founded on the region's raw materials. Finally, it is noticeable that, except in the case of "products of petroleum and coal" and "leather and leather products," no state in the area commands a really significant portion of the nation's manufacturing activity. This, however, is of national significance only and must not be allowed to obscure the importance of industry to the area's economy.

The third chart, "Per Cent of Total Employment, Specified Industries, Selected Cities," indicates the importance of manufacturing to the economy of a

EMPLOYMENT IN MANUFACTURING

MAJOR INDUSTRIAL CENTERS
AND
CITIES IN CIRCUMSCRIBED AREA WITH
MORE THAN 5,000 EMPLOYED IN
MANUFACTURING—MARCH 1947



number of major urban centers in the area. There is also shown the percentage distribution of manufacturing employment in two of the nation's major industrial centers and one government center for purposes of comparison. That manufacturing occupies a significant position in the area's urban centers is obvious. It is also true that they are not too far out of line with representatives of the nation's major industrial centers. That some smaller cities in the area are well advanced industrially is also indicated by the chart.

Industrialization trends are suggested by two other charts. The first, "Employment in Manufacturing, by States," shows by size of circle the manufacturing employment in 1929 and 1947 for each of the 48 states. The black portion inside the larger circle represents the increase between 1929 and 1947. Several things may be pointed out. First, there is obviously a strong preponderance of manufacturing in the eastern half of the United States, with most of the concentration located in the northern part. And it is also apparent that significant increases have occurred in that area of industrial concentration. The increasing size of in-

dustrial employment in the southeastern part of the nation, in Texas, and in California, should be noted. Except for Missouri, increases in the area do not appear to be outstanding.

The second chart, "Location of Industrial Plants," was prepared from a study of industrial location made by the National Industrial Conference Board. It is not a complete coverage and the data apply only to industrial plant numbers, not to their size or the number of persons employed in them. With these limitations in mind, it will be noted first that no state in the area increased its standing in the post-1940 period. The increases registered in New York State and on the West Coast were exceptional. This chart, again, indicates the relatively minor role which manufacturing in the area plays in the national economy.

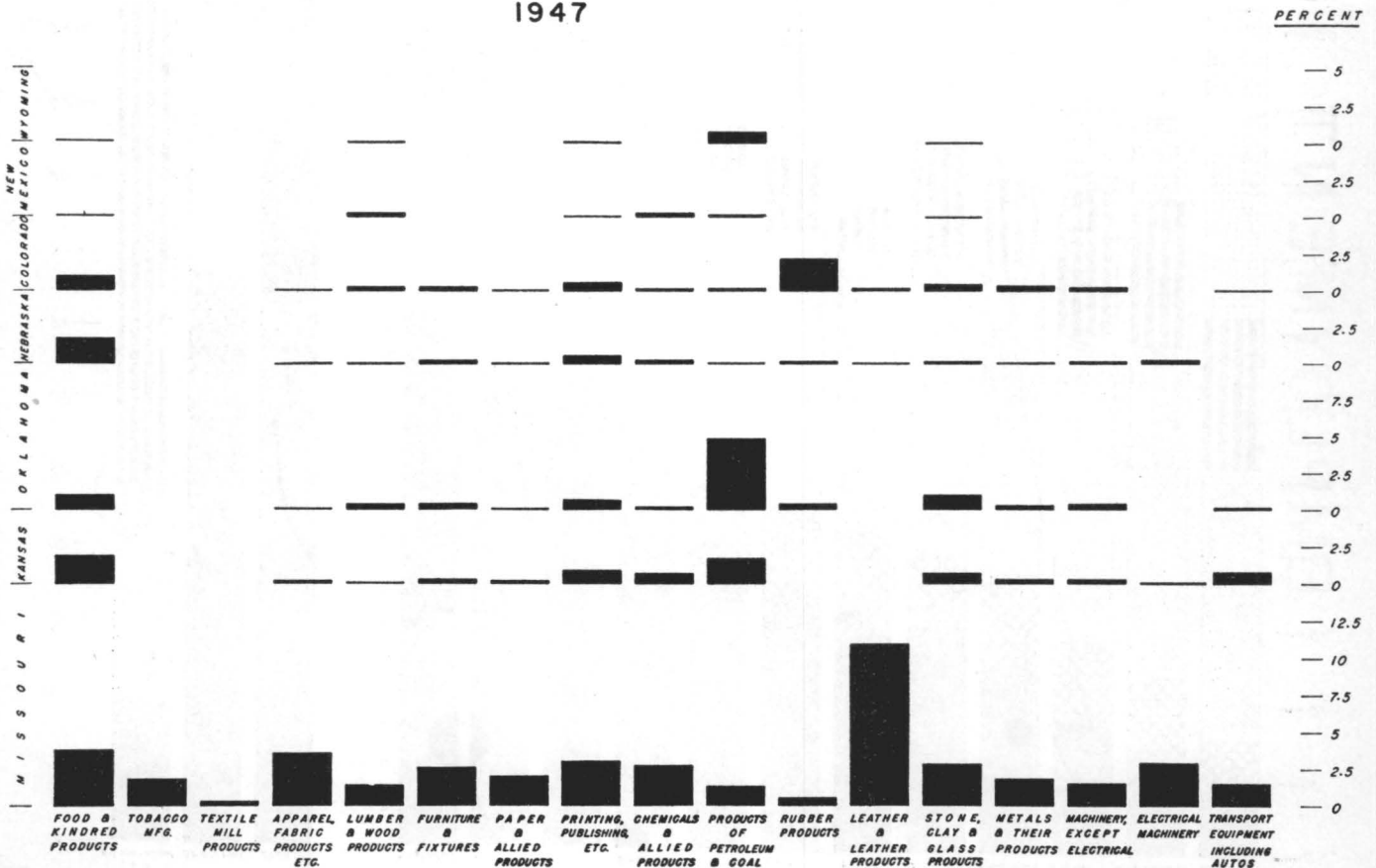
It would appear, then, in summary:

- (a) That the relative importance of manufacturing in the area is not large when compared with the national total;
- (b) that this relative importance nationally has made no significant gains recently;
- (c) that manufacturing occupies a substantial

PERCENT OF U.S. TOTAL EMPLOYMENT

SPECIFIED MANUFACTURING INDUSTRIES

1947



position in the economy of most cities in the area; and

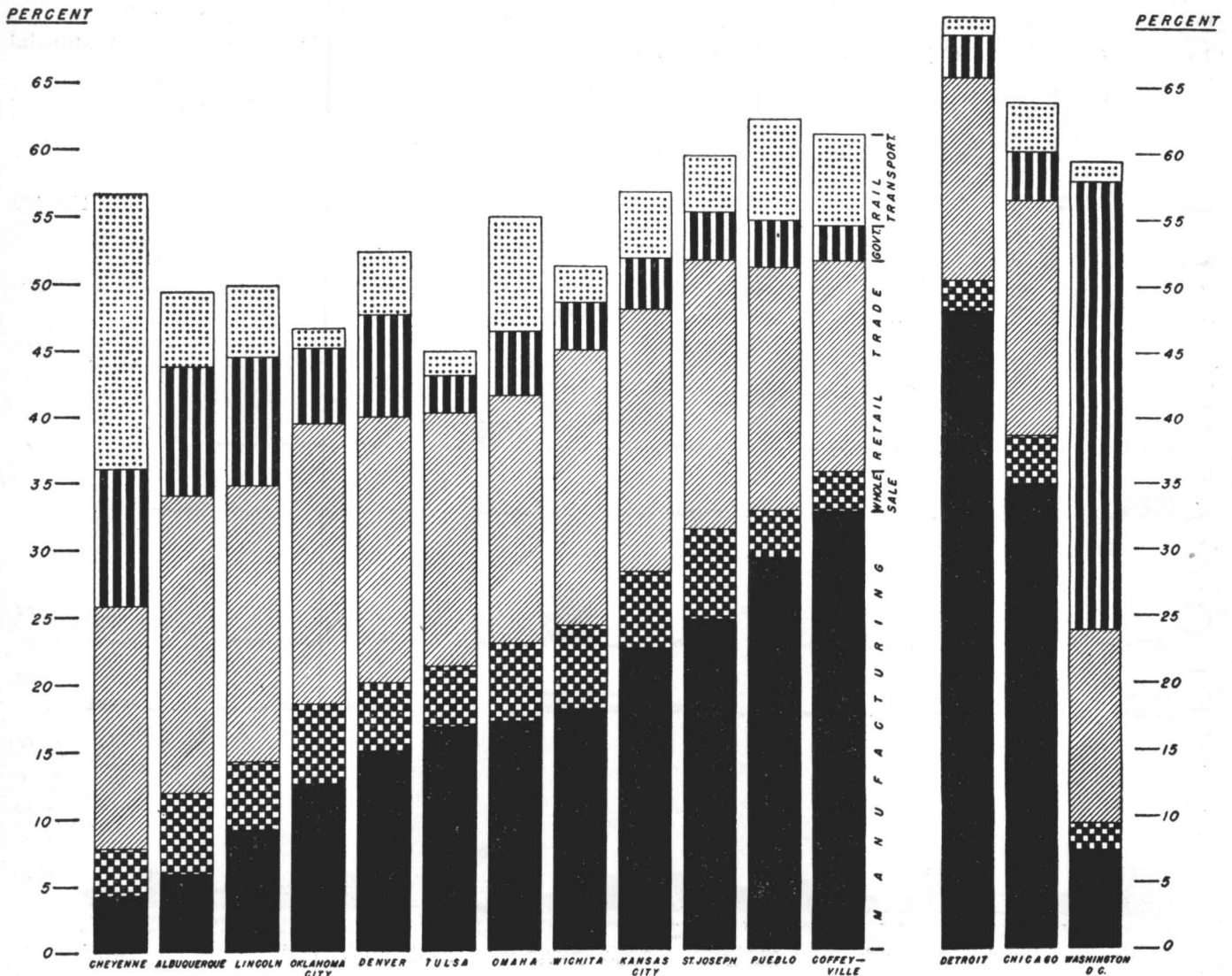
- (d) that this local importance is undoubtedly increasing.

Factors Affecting Industrialization of Area

Because of the rather close relationship which exists between industrialization and the market for urban real estate, it seems reasonable to assume that members of the real estate profession would interest themselves in the several factors that appear to be affecting the trend toward

industrialization in the area. One factor which has received much publicity in recent months is associated with our national security. Because of the present international insecurity and the existence of the atom bomb, attention has been given to the problem of industrial plant protection. The National Security Resources Board states that space is the only protection against the atom bomb and recommends that factories be located in industrial concentrations of less than 5 square miles or urban concentrations of less than 50,000 people. It also added that "The constantly increasing range of aircraft, together with the enor-

PERCENT OF TOTAL EMPLOYMENT SPECIFIED INDUSTRIES — SELECTED CITIES 1940 CENSUS

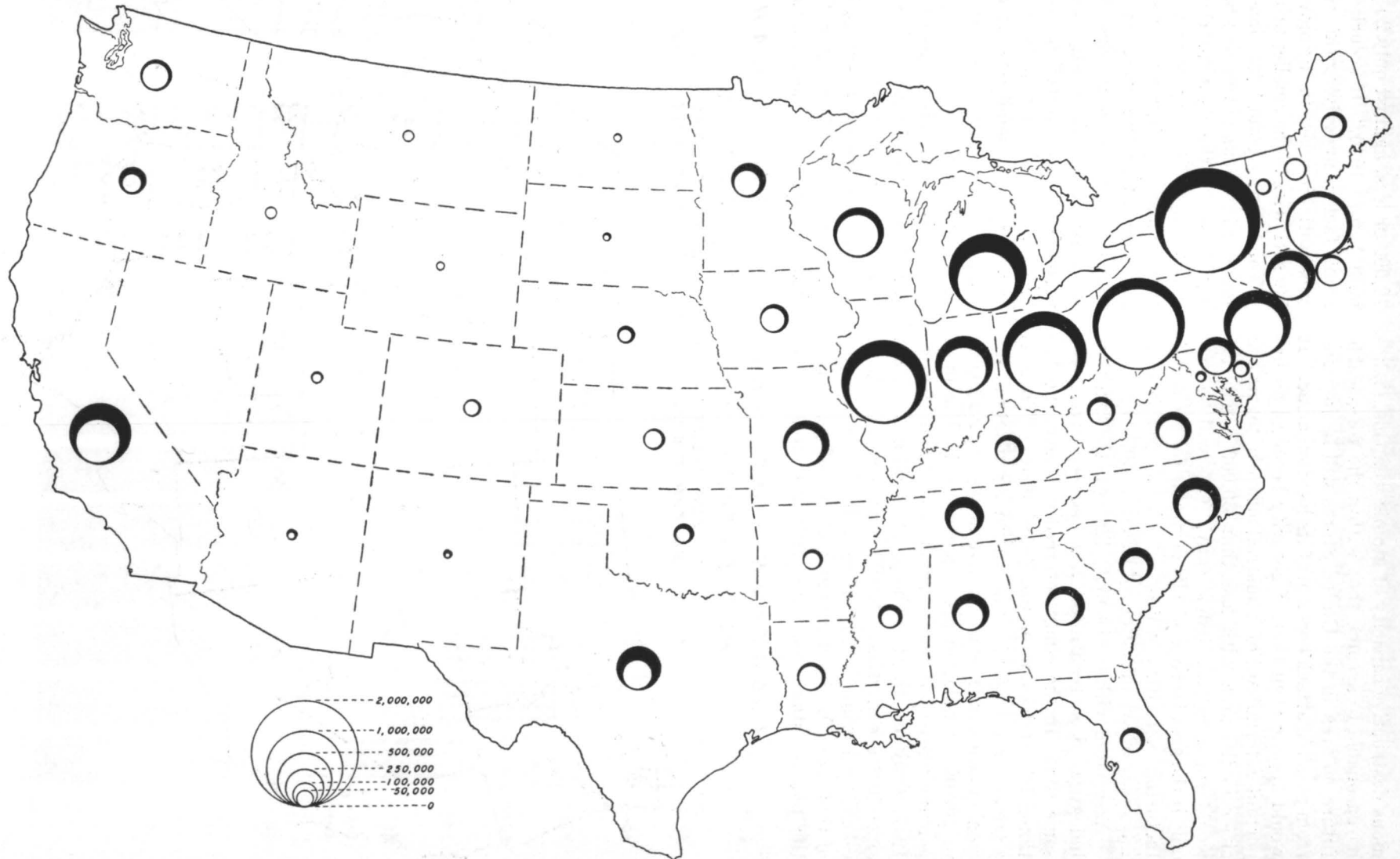


EMPLOYMENT IN MANUFACTURING

BY STATES — 1929 AND 1947

SMALLER CIRCLE = 1929

LARGER CIRCLE = 1947



mous destructive capacity of atomic weapons, makes it reasonable to assume that within the foreseeable future no area in the United States will be immune from possible attack because of its location alone." It would appear then that, if security becomes an important determinant of industrial location, towns and cities in the area with less than 50,000 population would stand to gain industrially. This will be true only if the area is economically desirable for the manufacturing activities concerned. This area has no monopoly of urban centers of less than 50,000 people.

Associated with the security factor is the fact that industrial decentralization has been occurring for some time. In the study referred to above, the National Industrial Conference Board states: "There is a trend toward locating manufacturing plants in the smaller cities and towns. Cities and towns with 10,000 to 100,000 population are reported to be the most popular places for plants established from 1940 to 1947. Only one third of the plants built or acquired since 1940 are in cities of 100,000 and over. For plants established prior to 1940, close to half were in cities of that size. On the other hand, almost 30 per cent of the plants established since 1940 are in towns of

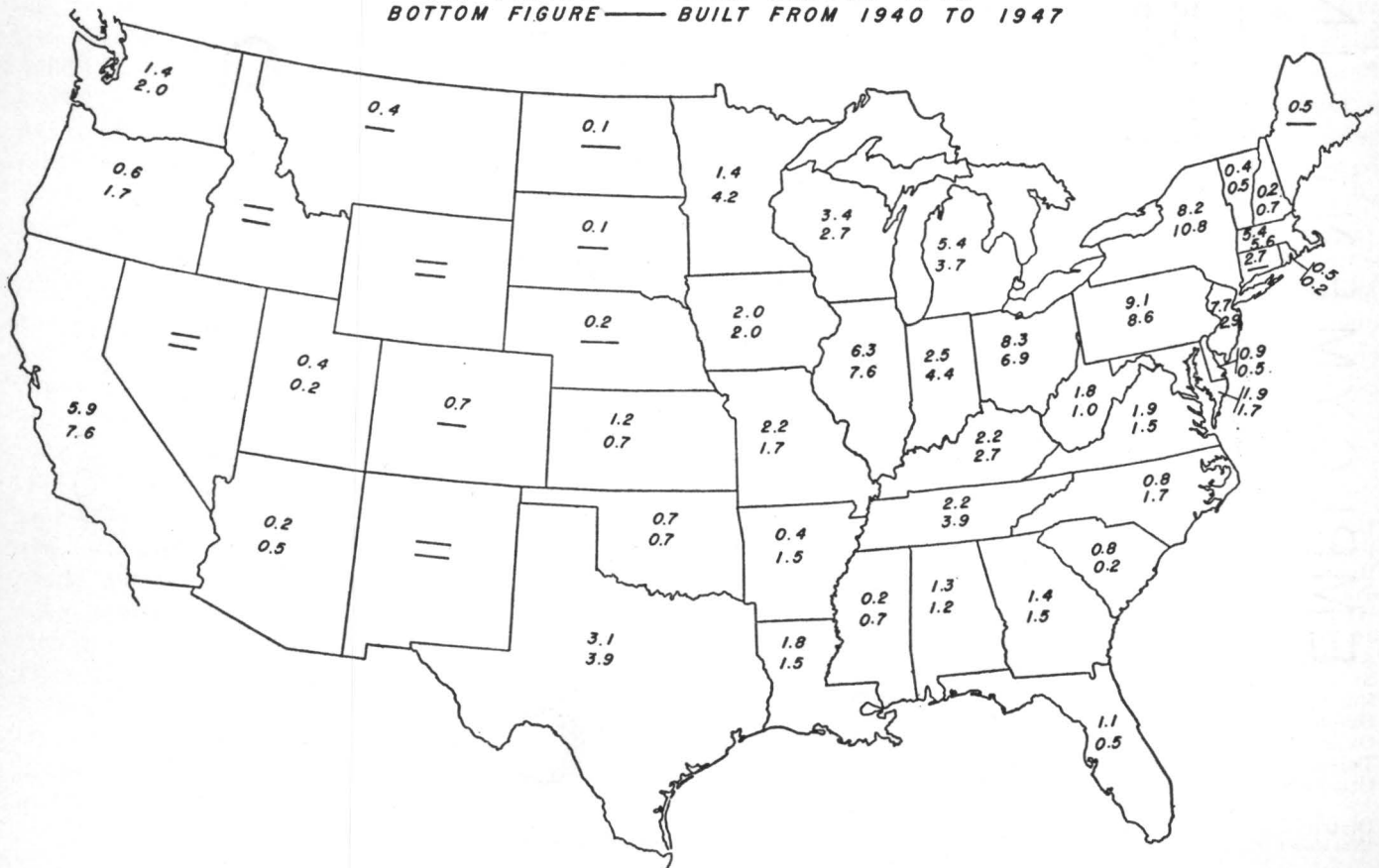
10,000 or less, against only 20 per cent of the plants built before 1940." If security is added to the economic factors underlying this trend, there should be a substantial increase in the movement of manufacturing activities to the smaller urban centers.

The "basing point" decision has been heralded by some as injurious to the area because manufacturing would move to the big industrial centers. Others have listed it as a blessing because of the protection for local industries, thereby inducing further industrial development in the area. It is currently reported that steel producers are drawing fabricators to the surplus-supply areas and also expanding steel-producing plants in deficit areas. While much can be said on this point, it is at present academic because of the possibility that Congressional legislation, or a Supreme Court decision, may completely alter the picture.

Associated with the "basing point" problem is the one of high freight rates. The current high level of freight rates places a nonlocal manufacturer at a disadvantage when he attempts to compete in a local market with a local producer. The higher the freight charges the greater the advantage for the local firm.

**LOCATION OF INDUSTRIAL PLANTS
PERCENTAGE OF U.S. TOTAL**

TOP FIGURE — BUILT BEFORE 1940
BOTTOM FIGURE — BUILT FROM 1940 TO 1947



However, if the local producer must import most of his raw materials this advantage is thereby reduced. Also, the local processors of the area's raw materials will be penalized by the higher freight charges because most of their market lies in distant consuming centers. The net effect of high freight rates on the area's industrialization can be determined only after careful analysis of each urban center.

Finally, the recent expansion of regional research in the area, both physical and economic, should substantially further the area's industrialization. Only slowly has this area moved from an exporter of raw materials and an importer of manufactured articles. At present, some processing steps are performed on

the area's raw materials and a minor portion of the goods consumed are manufactured in the area's urban centers. But much more manufacturing can economically be performed in these centers. Intelligent and adequate research is the catalytic agent which can accelerate the trend toward industrialization.

In conclusion, it appears pertinent to state:

- (a) That the size and wealth of urban centers are rather closely related to industrialization;
- (b) that a sizable amount of manufacturing activity now exists in this area; but
- (c) that this area is far from realizing the full benefits of industrialization that could exist here.

DEPARTMENT STORE SALES

Weakness in department store sales that has persisted since last November has been a matter of widespread interest and some concern. Dollar volume of department store sales in this District last November was 2 per cent under a year earlier and that for December was unchanged from the previous year. In January this year, sales fell 14 per cent below a year ago. In February, there was a decrease of 1 per cent from last year, and in the four weeks ending March 26 there was a decline of 7 per cent from the corresponding period a year ago.

The rather substantial decline for January was due in part to exceptionally severe weather conditions. In February, unfavorable shopping weather again was a factor in causing hesitancy in department store sales. In this month, also, there were sharp declines in prices of many agricultural commodities, much the same situation as that prevailing in February of 1948. The March comparison with last year is distorted somewhat by the fact that last year Easter was on March 28 while this year it will be on April 17. However, these declines in dollar volume have occurred in the face of greatly increased use of special sales

events, clearance sales, and other promotions, and basically they probably reflect a continued slackening in consumer demand.

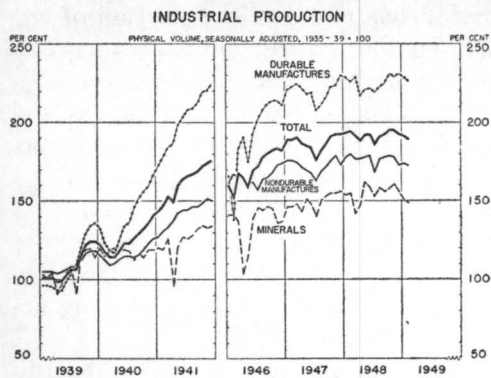
The most pronounced declines in sales have been in housefurnishings (especially furniture, floor coverings, major household appliances, and radios), in women's and misses' ready-to-wear accessories (including millinery, hosiery, handbags, and shoes), and in luxury goods items. In these lines, the physical volume of sales, as well as the dollar volume, has been running considerably below a year earlier. In some other lines, however, such as apparel, there are indications that unit sales are appreciably higher despite declines or only negligible increases in dollar volume, as some price reductions have been effected and supplies of lower- and medium-priced apparel are much more plentiful than a year ago. Thus, it would appear that, in the case of consumer durables, supply has now largely caught up with demand, just as it did in the case of "soft" goods over a year ago.

The year-to-year losses in department store sales in this District have not differed notably from those for the country as a whole, the District faring better in some months and worse in others. Last January, when weather was an unusually important factor, the District decrease of 14 per cent was much more pronounced than a national decrease of only 4 per cent, but in February the District decline of 1 per cent was somewhat less than a decline of approximately 5 per cent for the nation. In the early part of March, there were sales gains in this District in contrast with losses in most of the remainder of the country, but in the latter part of March the losses in this District were about in line with those for the country as a whole. Based on the sales of weekly reporting department stores, the over-all loss for the year to March 26 was 5 per cent in this District and 6 per cent in the whole country.

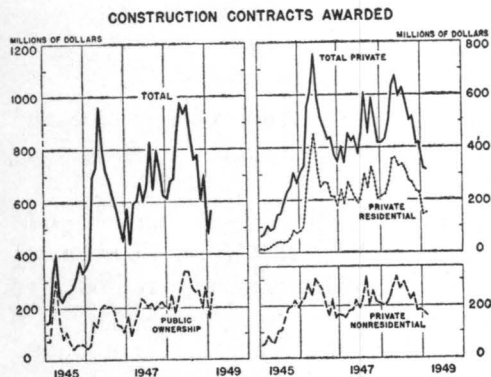
DEPARTMENT STORE SALES AND STOCKS

	SALES		STOCKS	
	Feb. '49 comp. to Feb. '48	2 Mos. '49 comp. to 2 Mos. '48	Feb. 28, '49 comp. to Feb. 29, '48	
	(Per cent increase or decrease)			
Denver.....	-3	-4	+5	
Pueblo.....	-3	-12	-6	
Hutchinson.....	-11	-19	0	
Topeka.....	+2	-8	-13	
Wichita.....	+10	+2	-6	
Joplin.....	+7	-10	-10	
Kansas City.....	-2	-9	-14	
St. Joseph.....	-8	-12	*	
Lincoln.....	-5	-12	*	
Omaha.....	-4	-8	-4	
Oklahoma City.....	0	-13	-5	
Tulsa.....	0	-8	*	
Other cities.....	+2	-9	-17	
District.....	-1	-8	-7	

*Not shown separately but included in District total.



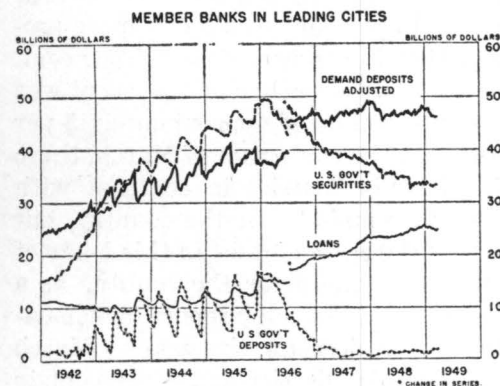
Federal Reserve indexes. Monthly figures, latest shown are for February, 1949.



F. W. Dodge Corporation data for 37 Eastern States. Monthly figures, latest shown are for February, 1949.



Federal Reserve indexes. Monthly figures, latest shown for sales is February, 1949; for stocks, January, 1949.



Wednesday figures, latest shown are for March 16, 1949.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Output and employment in industry declined somewhat further in February and were slightly below the levels of a year ago. Value of department store sales in February and the early part of March continued substantially below earlier advanced levels. Wholesale prices of meats and livestock advanced moderately from mid-February to mid-March, while prices of numerous other commodities declined somewhat further.

INDUSTRIAL PRODUCTION

Industrial production, according to preliminary figures for the Board's seasonally adjusted index, was 189 per cent of the 1935-39 average in February, down 2 points from January and 6 points from the peak last autumn. A further decline is indicated for March, reflecting sharp curtailment in the output of coal, and also reductions in output of some other products including petroleum and rayon.

In February output of durable goods was down slightly, reflecting further declines in output of machinery—mainly electrical machinery—and of lumber, furniture, and stone, clay, and glass products. Steel production, however, advanced further to a record rate of 101.2 per cent of capacity and was maintained at about this rate in March. In the automotive industry, activity declined slightly in February, but with the completion of model change-overs showed a small gain during the first three weeks in March.

Nondurable goods production also declined somewhat in February, petroleum refining operations were reduced, and small declines occurred in activity in the rayon textiles, chemicals, rubber products, and paper industries. Output at cotton textile mills and most other nondurable goods industries showed little change from January levels.

Minerals production declined moderately in February and was sharply reduced in March. Crude petroleum output was lowered further in February to a rate approximately equal to that in the same month a year ago, and was reduced substantially in March. Coal production continued to decline.

EMPLOYMENT

Employment in nonagricultural establishments, as reported by the Bureau of Labor Statistics, declined more than seasonally in February and was 300,000 or one per cent less than in February, 1948. The decline from January reflected mainly further reductions in manufacturing, construction, and railroad transportation. The number of persons unemployed increased by 550,000 to 3,200,000 according to Census Bureau estimates.

CONSTRUCTION

Value of contract awards in February, according to the F. W. Dodge Corporation, was about one sixth larger than in January, reflecting increases in publicly-financed construction. Awards for privately-financed activity showed little change from the sharply reduced level reached in January. Total awards in January and February were 19 per cent smaller than in the same months last year.

DISTRIBUTION

Department store sales declined further in February after allowance for usual seasonal changes. The Board's adjusted index was 273 per cent of the 1935-39 average as compared with 287 in January and 286 a year ago. Sales during the first three weeks in March were 11 per cent below the corresponding period of 1948, owing in part to the later date of Easter this year.

COMMODITY PRICES

The average level of wholesale prices, as measured by the all-commodity index of the Bureau of Labor Statistics, was unchanged from mid-February to mid-March. Reflecting in part a seasonal reduction in supplies, prices of meats and livestock rose somewhat, but prices of a wide range of industrial commodities declined. Prices of steel scrap and nonferrous metals scrap showed further marked decreases. Refined lead and zinc prices were lowered and there were reductions also in prices of various metal products, such as storage batteries and household appliances.

The consumers' price index declined 1 per cent in February, reflecting further decreases in retail prices of food, apparel, and housefurnishings. The February level was 169 per cent of the 1935-39 average, as compared with the high point of 174.5 reached last summer.

BANK CREDIT

Federal Reserve holdings of Government securities declined sharply during the first half of March, reflecting principally sales of Treasury bonds and retirement of certificates held by the Reserve Banks. The effect of these sales in absorbing bank reserves was largely offset by a substantial decline in Treasury deposits at the Reserve Banks. After the middle of March, seasonally large income tax payments caused the shift of a substantial volume of funds from private deposit accounts at commercial banks to Treasury balances at the Reserve Banks. Federal Reserve sales of bonds continued and, although the System purchased large amounts of short-term securities, bank reserves declined.

Business loans were reduced somewhat further at reporting banks in leading cities during February and the first half of March. Demand deposits of businesses and individuals declined substantially, reflecting tax payments, repayment of bank loans, and net purchases by nonbank investors of Government securities from the banking system.