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RESEARCH REPORTS

COMING EFFECTS OF CURRENT EVENTS

Survey of Consumer Finances

A more detailed report of the Federal Reserve's 1953 Survey of Consumer Finances recently has been published.[1] The interviews upon which the survey is based were conducted from January through March of this year. However, we do not believe that conditions have changed sufficiently since earlier in the year to lessen the significance of the data.

Financial Position of Consumers

"An appreciably higher level of consumer income was reported in early 1953 than in 1952. * * * Income continued to be widely distributed among income classes in 1952 with little evidence of any shift toward greater or less concentration. * * * Increases in income were reported most frequently by professional and semiprofessional persons (e.g. lawyers, teachers, nurses) and by clerical and sales personnel."

There was a decrease in the number of individuals who held no liquid assets from 31 percent in 1951 to 29 percent in 1952.[2] "The median liquid asset holding for all spending units rose from $240 in early 1952 to $300 in early 1953. In early 1946, this median had been $400. Since prices have risen sharply since 1946, the median liquid asset holding is lower than in 1946 in real as well as dollar terms."

The survey provides some interesting data relating to consumer debt. In early 1953, approximately 53 percent of United States spending units had some short- or intermediate-term debt. Moreover, "debtors are found most frequently at middle to moderately high income levels ($3,000 to $7,500), and especially among younger married families with children. This finding gives support to the belief that the rapid growth of credit in recent years is related in part to the high rate of family formation during and since the war. Younger families attempt to acquire in a relatively short time the large stock of consumer durable goods that enters into the accepted standard of living. * * * As in 1952, it was found that approximately 1 in every 3 spending units owing consumer debt had more liquid assets than short- and intermediate-term debt. Among debtors with middle or moderately high incomes ($3,000-$7,500), who constitute the bulk of the debtors, the proportion with more liquid assets than debt ranged upward with income from about 30 to 45 percent. A majority of the debtors with incomes above $7,500 had more liquid assets than debt, while this was true of only one-sixth of the debtors with incomes of less than $3,000."

Durable-Goods Plans

A year ago "fewer consumers planned to purchase consumer durable goods in 1952 than in 1951 and, despite an increase in money and real incomes and the termination of consumer credit regulation in early May, fewer of them made such purchases." Between early 1952 and early 1953, "consumers who believed times were favorable for making purchases of major durable goods such as automobiles increased from 22 to 34 per cent of all spending units. Many consumers still felt that times were bad for such purchases, primarily because prices were too high, but their ranks had been thinned to 38 from 52 per cent of all consumers."

Consumer Investment

The survey revealed "that the shift in preference toward risk type assets which had gone on from early 1949 to early 1952 had come to a halt. In this three-year period the proportion favoring risk assets had risen from 11 to 26 per cent. * * * Among risk assets, there was a decline in the proportion favoring investment in real estate with no change or a very small increase in popularity of common stock. As to fixed value assets, there was an increase in reports favoring bank deposits and a decrease in the proportion favoring savings bonds [from 43 percent to 38 percent]."

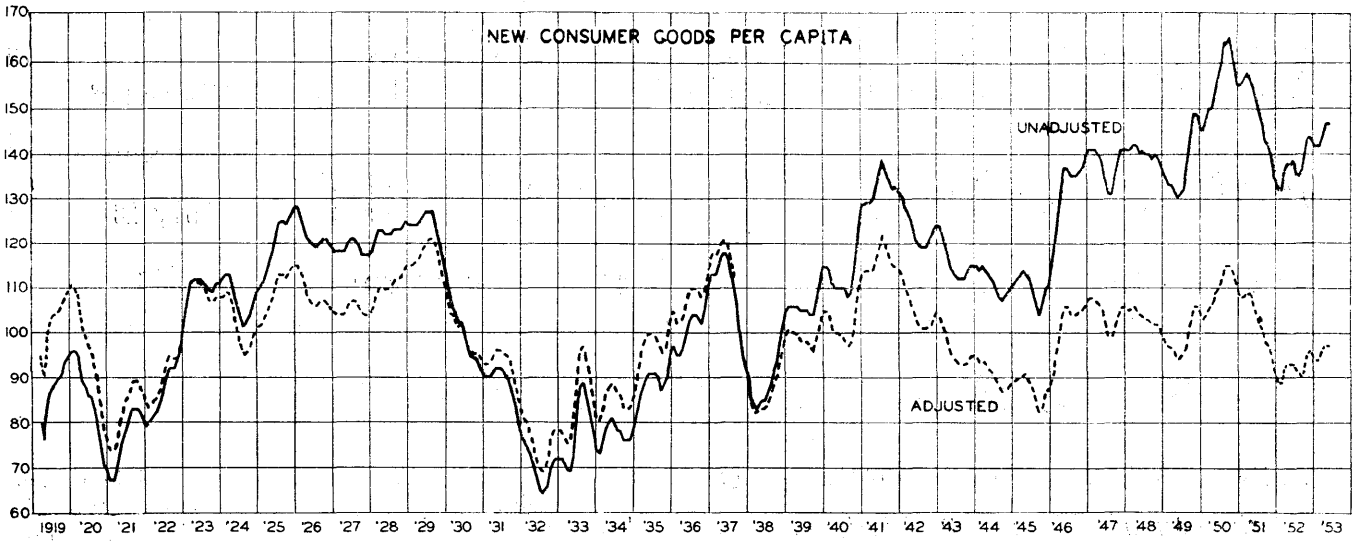
In view of the financing problems to be faced by the Treasury during the next several months, consumer attitudes toward savings bonds are of interest. The preference for savings bonds has been decreasing steadily since 1949. However, the survey indicates that this year the decrease "occurred only among middle income consumers and not among high income consumers as in former years. The $3,000 to $5,000 income group, which in early 1953 owned slightly less than one-fourth of all A-F bonds, reported some increased preference for putting their savings in bank accounts. Little change in attitude toward savings bonds was apparent among consumers with incomes of $5,000 or more, who as a group owned about 55 per cent of all A-F bonds in early 1953."

"Information was also obtained regarding plans for savings bonds maturing in 1953 from the 16 per cent of spending units in the population that owned such bonds.

[1] *Federal Reserve Bulletin*, June 1953. Readers may recall that we commented on an earlier summary of the survey in the article "Consumer Expectations," *Research Reports*, April 13, 1953.

[2] Liquid assets include deposits in checking and savings accounts, shares in savings-and-loan associations, and United States Government securities.

Correction: Last week's *Research Reports*, pages 105-108, should have been dated July 6, 1953, rather than June 6, 1953.



Uncertainty as to what to do with maturing bonds appears to have been resolved to a greater extent than in previous years in favor of letting the bonds run on. Of those consumers with plans for savings bonds maturing in the near term, about 70 per cent planned in early 1953 to retain their funds in savings bonds compared with 66 per cent in early 1952 and 53 per cent in early 1951." Because of the substantial increase in the amount of savings bonds maturing this year compared with those maturing during 1952 and 1951, the amount of redemptions planned this year may exceed the redemptions planned during 1952 and 1951 by a few to several hundred million dollars.

Conclusions

Although consumer plans and expectations may change quickly in the event of unusual developments and because of circumstances beyond any individual's control, the survey of consumer finances is particularly valuable because it provides much information concerning the economy that is revealed through no other data available or at best only after several months have elapsed.

SUPPLY

Industrial Production

Steel-ingot production, scheduled at 94.6 percent of capacity for the week ended July 11, 1953, was 3 percent more than that in the preceding week but was substantially more than production in the corresponding week last year, when a major strike occurred.

	1929	*1932*	*1937*	*1938*	*1952*	*1953*
Percent of Capacity†	93	12*	74*	24*	14	95p
Weekly Cap. (Million Tons)	1.38	1.52	1.51	1.54	2.08	2.25
Production (Million Tons)	1.28	.18	1.12	.37	.29	2.14

Automobile and truck production in the United States and Canada during the week ended July 4, 1953, was estimated at 138,447 vehicles, compared with a revised total of 173,702 vehicles during the previous week.

	1929	*1932*	*1937*	*1938*	*1952*	*1953*
Vehicles (000 omitted)†	99*	51	123	41	86*	138p*

Electric-power production in the week ended July 4, 1953, decreased to 7,970,000,000 kilowatt-hours from 8,446,193,000 kilowatt-hours in the previous week.

	1929	*1932*	*1937*	*1938*	*1952*	*1953*
Billion Kilowatt-Hours†	1.59*	1.46	2.29	2.07	6.45*	7.97*

Lumber production in the week ended June 27, 1953, decreased. *The New York Times* seasonally adjusted index was 2 points above that for the preceding week and was 7 points above that for the corresponding week last year.

	1929	*1932*	*1937*	*1938*	*1952*	*1953*
The New York Times Index†	130	39	97	85	107	114

†Latest weekly data; corresponding weeks of earlier years
p=preliminary; *holiday

New Consumer Goods Per Capita

The index of new consumer goods per capita (a 3-month moving average plotted at the last month) unadjusted for long-term trend remained unchanged during May. The May index was nearly 7 percent above that for May 1952 and was 2 percent above the 1952 high reached in November. However, the May average was 11 percent below the alltime peak reached in October 1950.

The index adjusted for long-term trend was relatively unchanged during May at a level 4 percent above that for May 1952. The May figure was slightly more than 3 percent below the long-term line.

Although both averages remained virtually unchanged (because of the fact that the February figure was replaced by an approximately equal May figure), production of consumer goods decreased more than 1 percent during May to the February 1953 level. Automobile production, residential construction, and furniture production decreased 11, 4, and 3 percent respectively. Textile production increased 4 percent and manufactured-food production remained unchanged.

Automobile production, which totaled 723,566 cars and trucks in April, decreased to 643,537 cars and trucks in May. Primarily because of strikes in some of the industry's parts factories, May output was nearly 100,000 units less than the preliminary estimate for that month. Our preliminary estimate for June 1953, based on *Ward's* weekly reports, is 675,000 cars and trucks. *Ward's* reports for the first half of the year a production record of 3,255,600 cars, some 146,000 more than in the previous peak period during 1951. The truck output of 633,880 units was less than that during the corresponding period of 1951. Combined output was 3,889,489, compared with the record production of 3,894,577 attained in the first 6 months of 1951.

The April figure for residential contract awards, which is a centered 3-month moving average, has been revised downward to 2 percent below the March average. Preliminary data indicate that the 3-month moving average of residential contract awards decreased 4 percent during May. Thus far during 1953 this series has nearly leveled off.

Cotton consumption increased further during May to 37,400 bales per working day from 36,200 bales during April. According to the annual survey of the Association of Cotton Textile Merchants of New York, "currently there exists a stable market and future prospects are bright."

The Tanners Council estimates that shoe production will total 266,000,000 pairs during the first half of 1953, 6 percent above production of the corresponding period a year ago.

Because automobile production and residential-construction contract awards appear to be leveling off, we expect that at best production of new consumer goods will remain near the May level. Consequently, the March figure probably will be replaced by a relatively small June figure and our 3-month moving average of new consumer goods per capita will decrease during June. Although our average of new consumer goods produced per capita has been increasing in recent months toward its long-term trend line, we suspect that no further increase will occur during the next few months at least.[3]

DEMAND

Purchasing Media

Total purchasing media decreased approximately $1,000,000,000 during June to $123,500,000,000, about $5,200,000,000 less than the alltime record of $128,700,000,000 reached in December 1952 but about $2,300,000,000 more than the figure for June 1952. Because of unusually large Treasury operations during the month, the June figure is tentative and subject to revision as additional data are received.

Purchasing media derived from the first source, the money commodity (monetary gold) decreased $40,000,000 during June. The dollar value of the Nation's gold stock at the end of June (including gold held idle in the general fund) was $22,486,000,000, $860,000,000 less than that at the end of June 1952.

Commercial, industrial, and agricultural loans, the second source of purchasing media, decreased $340,000,000 during June. (No seasonal change is expected during the months of June and July.) The amount of these loans outstanding at the end of June was $30,700,000,000, nearly 3 percent less than that at the end of December 1952, when the alltime high was reached. (Because the usual seasonal decrease in these loans is about 9 percent during the first half of the year, this year's decrease was substantially less than that seasonally expected.)

Purchasing media derived from the third source, Treasury currency, have not changed greatly during recent months.

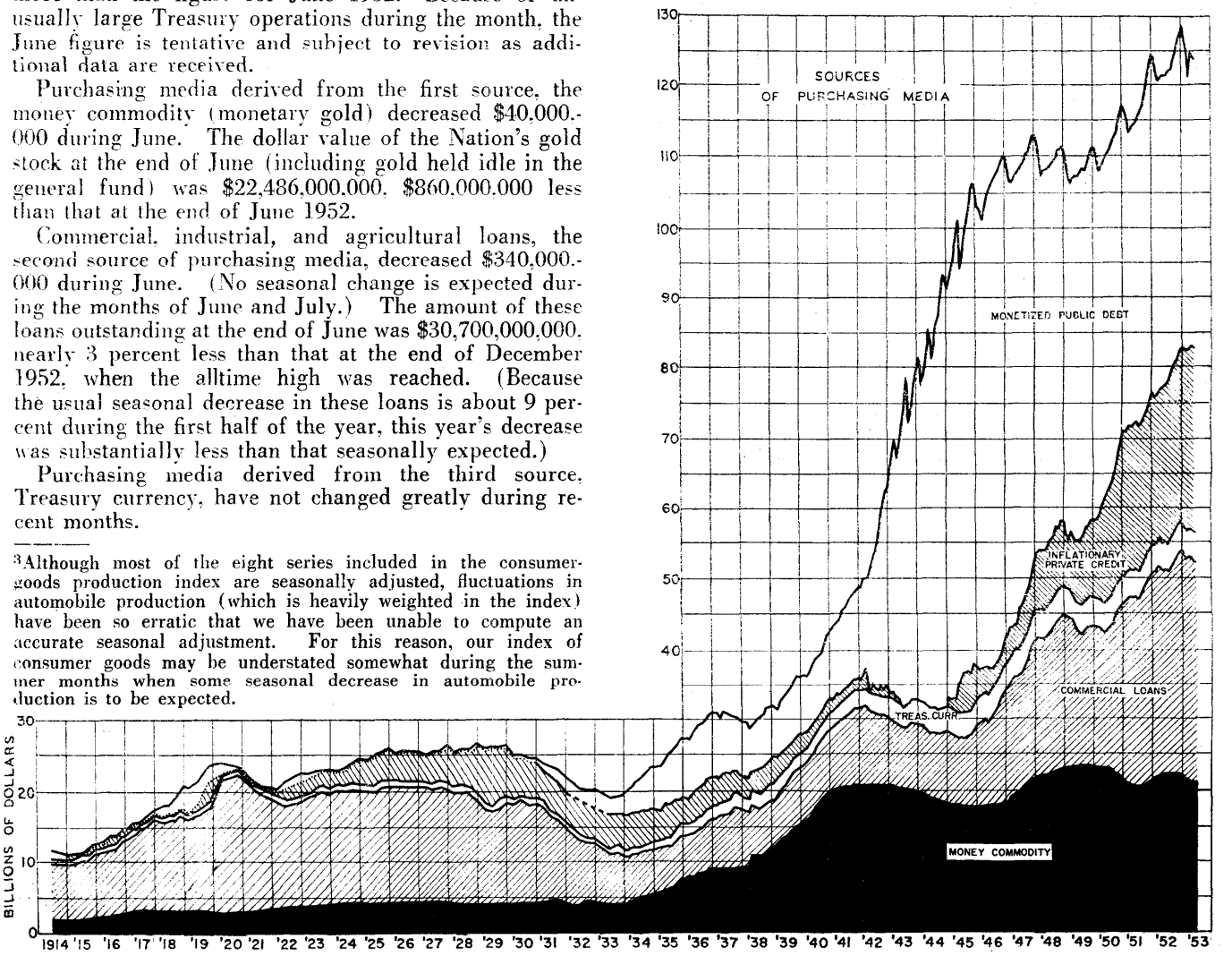
[3]Although most of the eight series included in the consumer-goods production index are seasonally adjusted, fluctuations in automobile production (which is heavily weighted in the index) have been so erratic that we have been unable to compute an accurate seasonal adjustment. For this reason, our index of consumer goods may be understated somewhat during the summer months when some seasonal decrease in automobile production is to be expected.

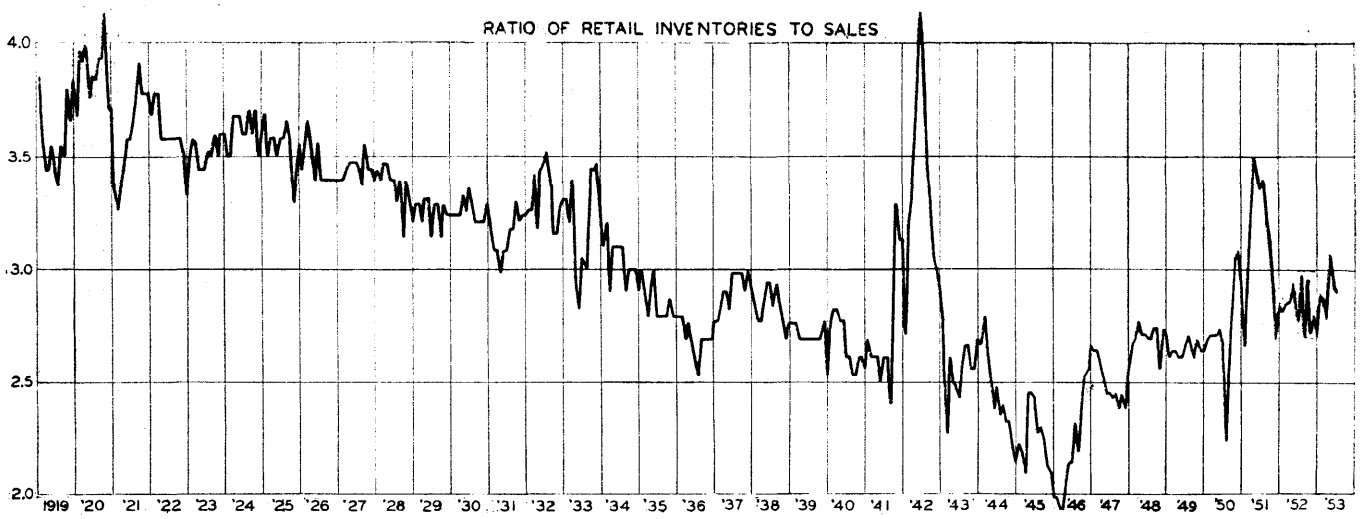
Purchasing media derived from the fourth and fifth sources, both of which are inflationary, decreased approximately $600,000,000 during June.[4] Inflationary purchasing media at the end of June exceeded by $1,000,000,000 those at the end of June last year but were about $3,000,000,000 less than the post-Korean peak reached at the end of last December.

From the end of May 1952 through the end of May 1953 inflationary private credit increased $3,700,000,000 and monetized public debt decreased $2,100,000,000. Primarily responsible for the increase in inflationary private credit was the substantial expansion of consumer and real-estate credit extended by the commercial banks; the decrease in monetized public debt was attributable largely to the fact that the commercial banks (excluding the 12 Federal Reserve banks) disposed of about $2,500,000,000 worth of Government securities.

Investment-type assets of the commercial banks (including the Federal Reserve banks) increased nearly $1,870,000,000 during June: loans on real estate increased $110,000,000; loans on securities increased $140,000,000; other loans, which include consumer installment credit, increased $260,000,000; corporate securities held by commercial banks decreased $270,000,000; Govern-

[4]For a description of these two sources, see "Purchasing Media," *Research Reports*, May 11, 1953, or *Where Are We Going?* pages 10-11. This estimate also is subject to the revision mentioned above.





ment securities held by the commercial banks increased $950,000,000; and Government securities held by the Federal Reserve banks increased $680,000,000.

Final data for Treasury operations during June reveal that the net cash surplus during the month was $1,032,000,000, compared with a surplus of $1,548,000,000 during June last year. Military expenditures during June exceeded $4,000,000,000 for the second month since the rearmament program started. Net redemptions of tax-savings notes during June were $340,000,000, compared with $859,000,000 during June last year. Net redemptions of United States savings bonds during June (excluding bookkeeping receipts of $135,000,000 of accrued discounts) were $172,000,000.

Treasury operations plus a seasonal expansion of commercial, industrial, and agricultural loans together with some further expansion of consumer installment credit probably will increase the amount of available purchasing media by the end of this year to a level exceeding the record total of December 1952.

Department-Store Sales

Department-store sales for the week ended July 4, 1953, were 15 percent less than sales in the preceding week but were 1 percent more than sales in the corresponding week last year.

PRICES

Commodities at Wholesale

	1952	*1953*	
(August 1939=100)	July 9	July 2	July 9
Spot-Market Prices (22 basic raw materials)	293	267	268
Commodity Futures Prices (Dow-Jones Daily Index)	368	330	334

BUSINESS

Ratio of Retail Inventories to Sales

Preliminary estimates indicate that the ratio of retail inventories to sales, which reached a 1953 peak in April, decreased 5 percent during May and decreased an additional 1 percent during June to the level that prevailed in January 1953. The decreases during the last 2 months have lowered the ratio to a level slightly below the highs reached in April, July, and September, 1952. The June ratio was nearly 5 percent above that of a year ago and was 9 percent higher than that 3 years ago, when the Korean War started.

The seasonally adjusted index of department-store inventories, which increased more than 2 percent during May, was unchanged during June at the highest level since August 1951. The seasonally adjusted index of sales increased nearly 1 percent during June. Consequently, the ratio decreased nearly 1 percent during the month. (The ratio is derived by dividing the inventory index by the sales index.) June inventories were 9 percent greater than those of a year ago and 23 percent greater than those at the beginning of the Korean War in June 1953. Inventories have increased more than 8 percent during the first 6 months of 1953. Much of the increase occurred during April, when a sharp 5-percent decrease in sales resulted in a rapid accumulation of department-store stocks.

Data available for major departments of department stores indicate that inventories during March 1953 (latest date for which data are available) compared with those of March a year ago as follows: piece goods and household textiles, up 1 percent; men's and boys' wear, up 4 percent; small wares, up 5 percent; and women's and misses' apparel and accessories, up 7 percent.

The dollar value of new orders placed by department stores during May (later data are not yet available) was 4 percent more than that in the previous month and 8 percent more than that during May 1952. A uniform seasonal change has not occurred during May in the past several years, but the May increase this year does not seem extraordinary. If anything, the increase was somewhat less than usual.

The dollar value of outstanding orders decreased only 2 percent during May, substantially less than the decline seasonally expected. The failure of outstanding orders to decrease as seasonally expected during May was attributable to a slowdown in receipts of goods during the month.

The dollar value of goods received by department stores decreased 13 percent during May, a much greater decrease than the 4-percent decrease seasonally expected. The dollar value of receipts of goods was 7 percent more during the first 5 months of 1953 than during the corresponding period of 1952; new orders were 8 percent greater.

The relatively high April ratio of inventories to sales was reduced somewhat during May and June as a result of increased sales. However, inventories are still large, even in relation to the current volume of sales, judged by the levels that have prevailed in most of the past 20 years.