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COMING EFFECTS OF CURRENT EVENTS

1955 Survey of Consumer Finance: Financial Position and Commitments of Consumers

This article reviews findings of the Federal Reserve Board's 1955 Survey of Consumer Finances reported in the *Federal Reserve Bulletin* for June 1955.

The survey indicates that, although average income before taxes decreased in 1954, the readjustment of 1954 had little effect on the financial position of consumers; smaller incomes were offset by smaller tax payments.

Income

The average income before taxes of all spending units in 1954 was \$4,420, compared with \$4,570 in 1953. However, because of the smaller income-tax payments in 1954, as compared with those of 1953, average disposable income was the same (\$3,920) in both years. The proportion reporting incomes larger than those in the preceding year was two-fifths in 1954, compared with nearly one-half in 1953. The proportion reporting smaller incomes than those in the preceding year was one-fourth in both 1954 and 1953.

The Survey reports that "there has been a general movement of spending units into higher income groups during the postwar period * * * . The proportion of consumer spending units with incomes before taxes of less than \$3,000 has declined from 59 percent in 1947 to 37 percent in 1954, while the proportion with incomes of \$5,000 or more has increased from 14 percent to 32 percent." This upgrading of incomes, which in the last 7 years has increased average incomes 35 percent, is in a large part a manifestation of the postwar inflation.

During the past 7 years there has been a shift of spending units toward the higher income groups with the result that increases in individual incomes have been relatively smaller for the top income group. This trend is illustrated in figures reported showing that "average money income before taxes for the top tenth increased only 17 percent (from \$11,020 to \$12,940) over the past 7 years as compared with an increase of 40 percent (from \$2,340 to \$3,470) for the other groups." As a result of this change, the proportion of total money income received by the tenth of all income recipients having the largest incomes decreased from 33 percent in 1947 to 29 percent in 1954.

Spending units, in order of proportion, reporting

larger incomes in 1954 than in 1953 were reported by occupational classification of the head of spending unit as follows: professional and semiprofessional, clerical and sales, managerial, self-employed, clerical and sales, skilled and semiskilled, unskilled and service, and farm operator.

One-fifth of all spending units were reported as having no income in 1954 from wages or salaries. Most of this group was among the lower-income groups where incomes from insurance benefits, pensions, and "other transfer payments" were reported most frequently.

Liquid Assets

The survey defines liquid assets as including checking and savings accounts at banks, shares in savings-and-loan associations, and United States Government securities. Excluded are "pocket cash or other holdings of currency which are probably substantial in individual cases," but for which it is reported "it has not been possible to obtain adequate information."*

Liquid assets were reported owned by 72 percent of all family units, compared with 75 percent in 1954.† The range in this percentage since World War II has been from 69 to 76. The percentage of family units having liquid holdings in 1954 and 1955 were reported by the amount of holdings as follows:

<i>Amount</i>	<i>1954</i>	<i>1955</i>
\$1 - \$499	27	28
\$500 - \$1,999	24	21
\$2,000 - \$4,000	13	13
\$5,000 and over	11	10

Short-Term Debt

"More than half of the spending units" are reported as owing some short-term consumer debt in early 1955.‡ This proportion is reported as unchanged from the 55 percent of a year earlier. Similarly, the amounts owed were also closely comparable with those of a year ago, with two-fifths of the debtors owing more than \$500.

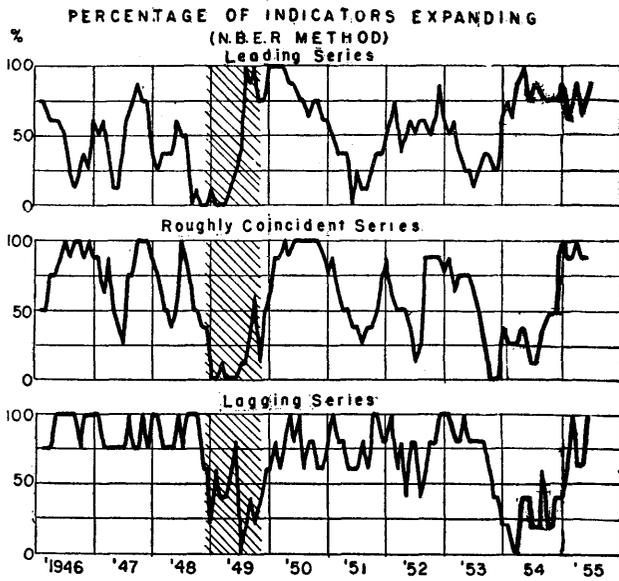
As in the earlier years, nearly one-third of the indebted consumers had liquid assets in excess of their short-term debts.

Most of the short-term debt is on an installment basis, and the proportions of spending units reporting install-

*The Institute estimates that the total amount of hoarded currency at the beginning of 1955 was approximately \$8,500,000,000, of which a substantial sum probably is held abroad.

†Individual data are for holdings as of the date of the interview.

‡Short-term consumer debt is defined to include "all personal debt except business debt, mortgage debt, and charge accounts."



ment debt were largest for those with incomes between \$3,000 and \$7,500. One-third of the spending units reporting installment debt in early 1955 had scheduled repayments equal to between 20 and 40 percent of their disposable income. This proportion was virtually the same as that of a year earlier.

Maturity schedules were relatively short on most installment debt. Of that reported owed early in the year, about one-fourth was scheduled for repayment within 6 months; an additional two-fifths, during the 6 months following.

Corporate Stock

About 8 percent of all spending units in early 1955 were reported as owning stock in publicly held corporations. The percentage is the same as that reported in 1953, and earlier postwar years. On the basis of this figure it is estimated that in early 1955 approximately 5,500,000 individuals were stockholders.

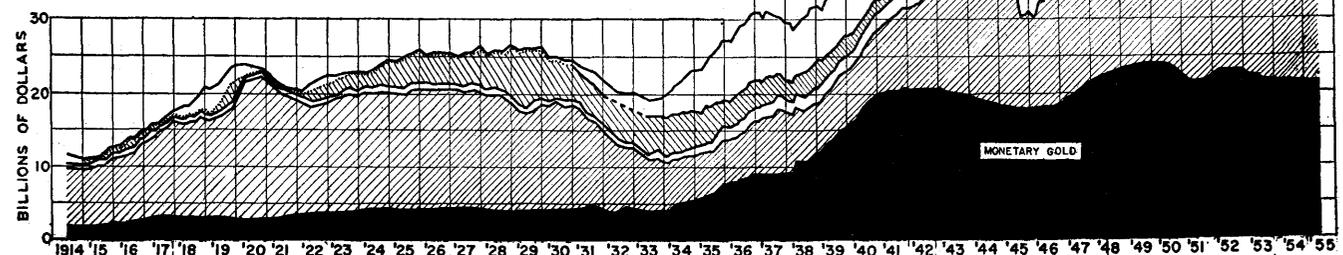
Stock ownership increased sharply with income of stockholders. College education and availability of brokerage facilities were found to be factors favoring the ownership of stock.

Stock ownership was generally in relatively small amounts. One-fourth of the spending units owned stock valued at less than \$500; one-half owned stock valued at \$500 to \$10,000.

Conclusion

The Survey indicates that the business readjustment of 1954 had relatively little effect on the financial positions of consumers; that the most marked effect was in the decrease of about 3 percentage points in the proportion of all spending units having liquid assets, and a similar decrease in the proportion having liquid assets of \$500 to \$1,999.

Moreover, the Survey suggests that there has been no



marked increase in either the frequency of stock ownership or in the amounts of individual holdings of such stock.

What the Indicators Say

The percentages of indicators expanding, as measured by the method of the National Bureau of Economic Research,⁸ are 87½ for the leading group, 87½ for the roughly coincident group, and 100 for the lagging group.

The Iron Age composite price of No. 1 heavy melting steel scrap for the week ended June 28 was \$36.50, compared with \$35.33 for the preceding week and \$26.92 for the corresponding week last year. On July 5 advances of \$3 a ton were reported on the two top heavy melting grades at Chicago.

The increase in the percentage of leading indicators expanding from 62½ percent last month to 87½ percent this month suggests that the general level of business activity may decline less than seasonally this summer and advance to record levels in the fall.

DEMAND

Purchasing Media

The total amount of purchasing media at the end of June, estimated at \$132,000,000,000, compares with \$129,400,000,000 (revised) at the end of May and \$124,500,000,000 at the end of June 1954.

⁸This method of summarizing the cyclical status of each of the three groups of indicators was outlined in *Research Reports*, March 1, 1954.

Noninflationary purchasing media, that derived from gold and from commercial, industrial, and agricultural loans, totaled nearly \$55,000,000,000 at the end of June. This amount compares with \$54,000,000,000 (revised) at the end of May and \$52,600,000,000 at the end of June 1954.

The amount of purchasing media derived from gold, nearly \$21,700,000,000, was virtually unchanged from that at the end of May. The amount derived from commercial, industrial, and agricultural loans, estimated at \$33,300,000,000, compares with \$32,100,000,000 (revised) at the end of May and \$31,300,000,000 at the end of June 1954.

Inflationary purchasing media, that derived from silver or from credit extensions other than commercial, industrial, and agricultural loans, totaled \$77,300,000,000 at the end of June. This amount compares with \$75,500,000,000 (revised) at the end of May and \$72,300,000,000 at the end of June 1954.

Purchasing media derived from silver and the general credit of the United States and circulating as Treasury currency totaled about \$3,400,000,000 at the end of June, compared with \$3,380,000,000 at the end of June 1954. Monetization of Government securities by the Federal Reserve and commercial banks (in the form of Federal Reserve notes and checking accounts respectively) accounted for \$52,000,000,000 of inflationary purchasing media at the end of June, compared with \$49,300,000,000 (revised) at the end of May and \$46,000,000,000 at the end of June 1954.

Monetization of real-estate and installment loans accounted for much of the remaining inflationary purchasing media at the end of June.

The recently announced Treasury financing probably will add moderately to total purchasing media in July. Moreover, a seasonal expansion of commercial, industrial, and agricultural loans is expected to increase the total during the fall months.

Department-Store Sales

Sales of the 325 department stores reporting to the Federal Reserve Board compare with those of corresponding periods a year ago as follows:

Period	Percent Change
Week ended July 2	+4
Four weeks ended July 2	+4
Year to date	+6

SUPPLY

Industrial Production

Steel-ingot production of 2,164,000 tons during the week ended July 9, as indicated by operations scheduled at 89.7 percent of capacity, compares with 1,716,000 tons during the preceding week and 1,430,000 tons during the corresponding week last year.

The *New York Times* seasonally adjusted index of lumber production was 123.3 for the week ended June 25, compared with 119.6 a week earlier and 70 for the corresponding week last year.

Electric-power production of 10,138,000,000 kilowatt-hours during the week ended July 2 compares with 10,226,000,000 kilowatt-hours for the previous week and 8,820,000,000 kilowatt-hours for the corresponding week last year.

Automobile and truck production in the United States and Canada, estimated at 194,300 vehicles for the week ended July 2, compares with a total of 191,900 for the previous week and 133,100 for the corresponding week last year.

These data compare with those for corresponding weeks of earlier years as follows:

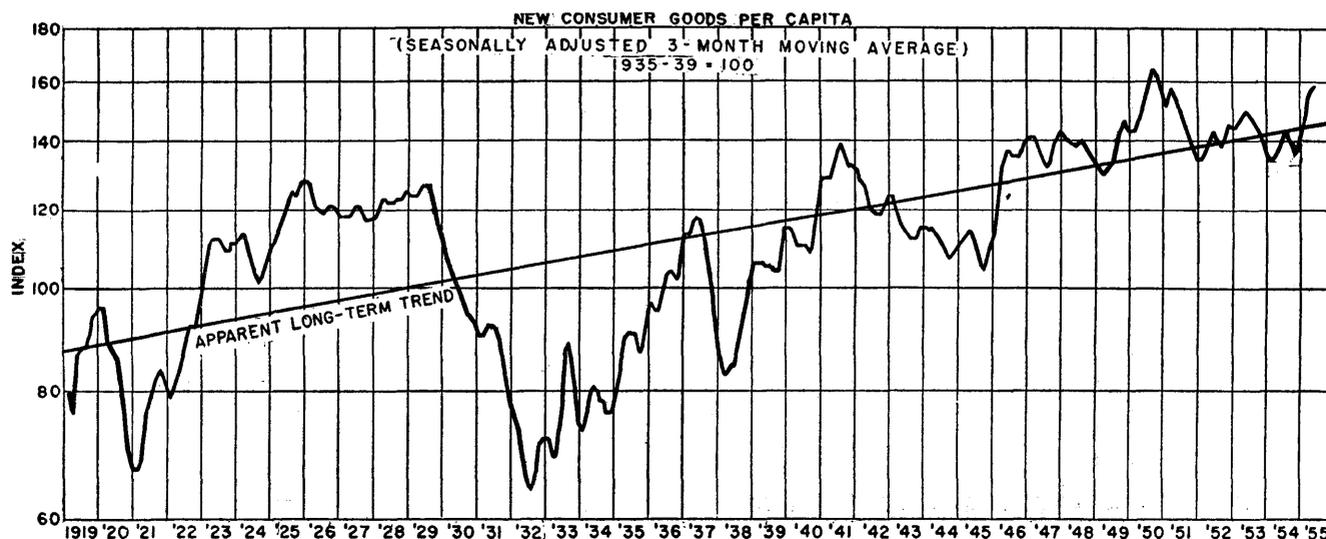
	1929	1932	1948	1949	1954	1955
<i>Steel</i>						
Operating rate—percent cap.	95*	12*	90*	61*	60*	90* ^p
Ingot prodn.—million tons	1.31	.18	1.62	1.12	1.43	2.16
<i>Lumber</i>						
<i>New York Times</i> Index	132	39	90	92	70	123
<i>Electric Power</i>						
Kilowatt-hours—billions	1.72	1.46	5.17	5.41	8.82	10.14
<i>Automobiles</i>						
Vehicles—thousands	125	51	112	145	133	194 ^p

^p Preliminary; *Holiday week

New Consumer Goods Per Capita

Our index of consumer goods produced per capita increased a little more than 1 percent during May to an amount 11 percent larger than that of May 1954 and 6 percent larger than that of May 1953.¶ The index is now at its highest point since the fall of 1950, when consumer goods were produced in quantities to replenish shortages caused by scare buying at the start of the Korean War.

¶The index reflects production of seven categories of consumer items accounting for more than two-thirds of all consumer purchases. The index is a 3-month moving average, plotted at the third month.



BUSINESS

Ratio of Retail Inventories to Sales

Production of consumer goods during March, April, and May was at a near-record rate. Production in May was 12 percent larger than that in May 1954 and 10 percent larger than that in May 1953. The May output reflected a smaller production of automobiles and reduced activity in residential construction, partially offset by larger production of furniture and textiles.

The manufacturing component of the Federal Reserve Board index of industrial production for May was 1/2 percent larger than that for May 1953. Thus the 6-percent increase in our index of new consumer goods per capita between May 1953 and May 1955 is an indication of the greater proportion of the Nation's manufacturing facilities currently devoted to the production of consumer goods. This gain in output of consumer goods contrasts with decreased production of military items and other goods for foreign aid.

New orders for furniture are running about 8 percent more than those of a year ago, and unfilled orders for furniture are reported as 40 percent larger than those of a year earlier. Cuttings of men's fall suits are reported as exceeding those of a year ago by 25 percent, and orders for shoes are nearly one-fourth larger than orders a year ago. Output of shoes this year is expected to be between 535,000,000 and 550,000,000 pairs, compared with a previous record of 533,000,000 pairs in 1952. Shoe production last year was 524,000,000 pairs.

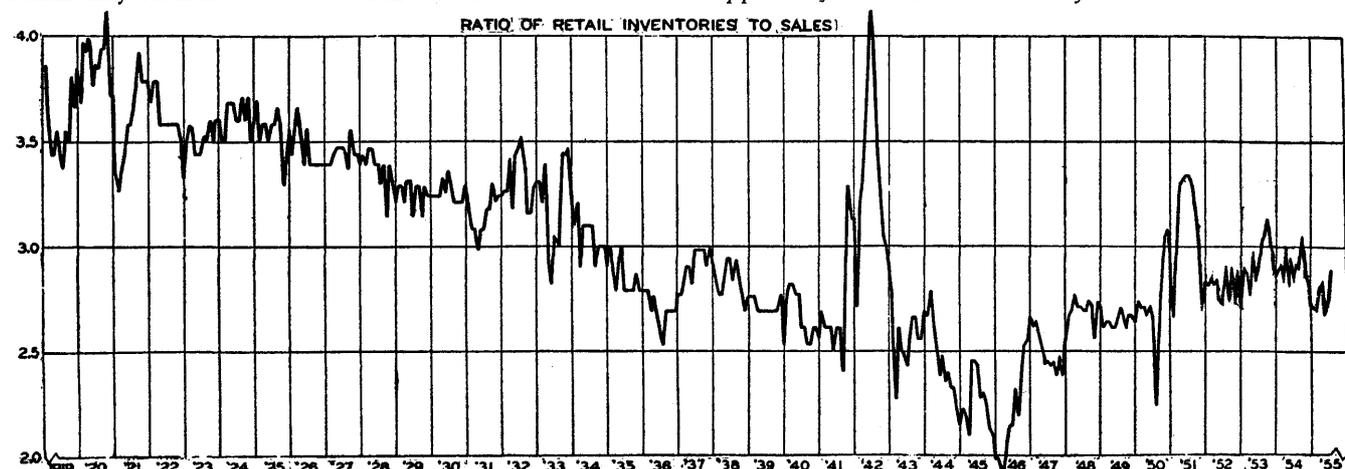
Personal income, which in the long run must equal the value of goods and services used by consumers, plus personal savings, was 4 percent larger in April than it was in April 1954 and 2 percent larger than it was in April 1953. The annual seasonally adjusted rate of personal savings decreased \$3,600,000,000 in the first quarter of 1955, although the annual rate of personal income increased \$9,600,000,000. Thus, consumers' purchases reflect more spending from larger incomes from which less was saved.

We believe that production of consumer goods per capita will tend to level off during the next several months but that, in view of current large incomes, production will continue to be greater than that of the corresponding months in 1954.

PRICES

Commodities at Wholesale

Index	1954		1955	
	July 6	June 29	July 6	July 6
Spot-market, 22 commodities	283	278	280	
Commodity futures	382	326	327	



The ratio of inventories to sales of the 325 department stores reporting to the Federal Reserve Board is estimated to have increased nearly 5 percent during June to an amount 2 percent larger than that for June 1954.

Department-store inventories increased 2 1/2 percent in June from their revised May level and were 2 1/2 percent larger than those at the end of June 1954. The seasonally adjusted index of department-store sales is estimated as 3 percent larger than that for June 1954.

A review of the sales and inventories of the 325 department stores for the first 6 months of 1955 reveals that sales were 6 percent larger than sales for the same period of 1954.

The ratio of inventories to sales, which in April was the smallest it has been since World War II, has apparently turned upward. The present ratio is estimated to be 5 percent less than the largest in 1954 reached last September, and 9 percent more than the smallest since early 1951 (reached last April). It is still about 2 percent smaller than the average for the past 4 years.

The dollar value of new orders placed by the stores in May was 1 percent more than that in the previous month but 16 percent greater than that in May 1954. The large purchases during both April and May appear to be fully justified as replenishments after the largest April and May sales in the history of the stores.

The dollar value of outstanding orders decreased 1 percent further during May. The total of outstanding orders is usually at its lowest point in May.

The dollar value of goods received in May decreased seasonally but was 10 percent larger than that for May 1954.

The president of the National Retail Dry Goods Association is reported by *The New York Times* as predicting that "the coming six months should see volume increases of 4 to 4 1/2 percent for department stores. Their inventory position will be better—cleaner and a bit heavier, which is important for fall, and will avoid the losses of sales such as stores experienced because of too-low inventory in the months of December, 1953, and June, 1954."

Present inventories seem to be adequate in relation to sales. Therefore, unless sales increase markedly, a further great expansion of new orders by department stores apparently will not be necessary.