

Twenty-first Annual Report
of the
FEDERAL RESERVE BANK
OF PHILADELPHIA



Made to the Board of Governors
of the Federal Reserve System
by the Chairman of the Board
and Federal Reserve Agent
of the Third Federal Reserve District

1 9 3 5

Twenty-first Annual Report
of the
FEDERAL RESERVE BANK
OF PHILADELPHIA

Made to the Board of Governors
of the Federal Reserve System
by the Chairman of the Board
and Federal Reserve Agent
of the Third Federal Reserve District

1 9 3 5

CONTENTS

	Page
Foreword	5
Profit and loss account	5
Statement of condition	7
Business conditions:	
Foreword	8
Industrial activity:	
Manufacturing	9
Coal and other fuels	14
Crude petroleum	15
Building and real estate	16
Agriculture	18
Electric power	20
General employment, unemployment and relief	21
Distribution, trade, service	23
Banking conditions:	
Foreword	27
Banking legislation and regulations	27
Federal Reserve Bank:	
Industrial loans	29
Earning assets and reserves	30
Member bank reserves and related factors	32
Condition of member banks	35
Currency demand	38
Discount and interest rates	40
Membership	41
Fiduciary powers	41
Departmental operations	42
Personnel and building	43
Banking and business information	44
Indexes of business conditions	46

Annual Report of the Federal Reserve Bank of Philadelphia for 1935

During 1935 there was an increase in productive activity and in the distribution of goods. Although the general level of wholesale commodity prices did not change materially over most of the year, the average was above that of 1934. In the security markets quotations at the close of the year were substantially higher than at the end of 1934.

While bank loans declined in this district, there was a marked expansion in deposits which was ascribable largely to the continuance of Government disbursements on a broad scale. Extensive purchases of investments were made by the banks, but a considerable portion of the growing supply of funds was allowed to remain on deposit at the Federal Reserve Bank.

Excess reserves were an outstanding feature of the banking situation both locally and nationally. The surplus of funds was reflected in the continuance of low rates for open-market paper and small yields on Government and high-grade corporate obligations.

Profit and loss account

Earnings of the Federal Reserve Bank of Philadelphia from working capital loans made to established businesses increased materially during 1935, but amounts derived from discounts for member banks and purchased bills were negligible and income from securities of the United States Government declined from \$3,152,000 to \$2,821,000 in the face of an increase in average holdings. Total earnings, including profit on the sale of United States securities and sundry additions, decreased from \$4,350,000 in 1934 to \$3,536,000 in 1935.

Deductions from earnings were reduced from \$3,307,000 to \$2,668,000, despite some increase in current expenses and the payment of a special assessment toward the construction of a building in Washington for the Board of Governors of the Federal Reserve System. This was due principally to the fact that little had to be added to the reserves for contingencies and nothing had to be set aside for depreciation on buildings and premises in view of new construction during the year.

Net earnings available for distribution amounted to \$868,000 in 1935. \$76,000 represented profits attributable to the use of funds turned over to this bank by the Secretary of the Treasury in accordance with section 13b of the Federal Reserve Act, which deals with advances to industries for working capital; \$42,000 of

the \$76,000 was paid to the Secretary and \$34,000 was transferred to "Surplus—Sec. 13b". Inasmuch as there then remained of net earnings only \$792,000, insufficient to meet \$856,000 of dividends, \$64,000 was withdrawn from "Surplus—Sec. 7", which represents earnings accumulated from regular operations.

A decline in dividend payments from \$926,000 in 1934 to \$856,000 in 1935 was due principally to the retirement of well over 2 millions of the bank's capital stock in September, in conformity with the Banking Act of 1935 which permits a member to hold only that amount of Federal reserve bank stock to which its capital and surplus currently entitle it. Prior to the passage of that Act a member bank was required to adjust its holdings of reserve bank stock when its capital was increased or decreased, but a decrease in surplus account required no such adjustment.

Profit and loss account Federal Reserve Bank of Philadelphia (000's omitted)	1933	1934	1935
Earnings:			
From bills discounted	\$1,550	\$ 456	\$ 12
From bills bought	60	10	4
From industrial advances	0	17	255
From United States securities	2,658	3,152	2,821
From other sources	43	90	32
Total earnings	\$4,311	\$3,725	\$3,124
Additions to earnings	117	625	412
	\$4,428	\$4,350	\$3,536
Deductions from earnings:			
For current bank operations	\$1,965	\$2,135	\$2,273
For Federal reserve currency	184	102	119
Assessment—expenses of Board of Governors	84	142	238*
Furniture and equipment purchased	28	26	32
Reserves for contingencies	2,483	651	5
Depreciation on bank building and premises	0	250	0
All other	2	1	1
Total deductions from earnings	\$4,746	\$3,307	\$2,668
Net earnings available for dividends and addition to surplus	-\$ 318†	\$1,043	\$ 868
Distribution of net earnings:			
Payment to Secretary of Treasury (Sec. 13b)	\$ 0	\$ 0	\$ 42
Transferred to surplus (Sec. 13b) (to = + from = -)	0	- 1	+ 34
Transferred to surplus (Sec. 7) (to = + from = -)	- 1,269	+ 118	- 64
Dividends paid	951	926	856

* Includes assessment of \$99,000 toward building for Board of Governors.

† Deficit.

Statement of condition

Federal Reserve Bank of Philadelphia (000's omitted)	December 30, 1933	December 31, 1934	December 31, 1935
RESOURCES			
Gold certificates on hand and due from U. S. Treasury	\$ 92,988	\$271,119	\$370,230
Gold	100,344	0	0
Redemption fund—Federal reserve notes	4,188	2,525	1,168
Other cash	31,051	35,662	34,078
Total reserves	\$228,571	\$309,306	\$405,476
Redemption fund—Fed. res. bank notes	1,300	0	0
Bills discounted:			
Secured by U. S. Government obligations*	5,286	556	250
Other bills discounted	20,077	437	127
Total bills discounted	\$ 25,363	\$ 993	\$ 377
Bills bought	7,858	584	484
Industrial advances	0	3,236	6,768
United States securities	167,120	167,120	177,120
Other securities	510	0	0
Total bills and securities	\$200,851	\$171,933	\$184,749
Due from foreign banks	368	87	69
Federal reserve notes of other banks	1,066	1,373	1,507
Uncollected items	36,896	38,755	40,928
Bank premises	3,841	4,411	4,830
All other resources	4,576	5,178	3,801
Total resources	\$477,469	\$531,043	\$641,360
LIABILITIES			
Federal reserve notes in circulation	\$236,128	\$240,443	\$271,870
Fed. res. bank note circulation—net	20,390	0	0
Deposits:			
Member bank reserve account	129,225	211,579	274,326
U. S. Treasurer—general account	83	4,315	10,519
Foreign bank	437	1,995	2,881
Other deposits	9,512	1,977	10,174
Total deposits	\$139,257	\$219,866	\$297,900
Deferred availability items	35,044	37,578	40,293
Capital paid in	15,917	15,131	12,328
Surplus—Section 7	27,973	13,470	13,406
Surplus—Section 13b	0	1,049	2,132
Reserves for contingencies	2,500	2,996	3,000
All other liabilities	260	510	431
Total liabilities	\$477,469	\$531,043	\$641,360
Ratio of total reserves to deposit and Federal reserve note liabilities combined	60.9%	67.2%	71.1%
Contingent liability on bills purchased for foreign correspondents	\$400	\$68	0
Commitments to make industrial advances	0	399	\$861

* Includes bills secured by obligations fully guaranteed by the United States Government.

Business conditions

Conditions of business in the Philadelphia Federal Reserve District during 1935 have reflected additional economic gains over 1934. Most of our measurements of industrial and trade activity have reached the highest levels since 1931.

Industrial production has continued to expand and by the end of the year this bank's seasonally adjusted index of output by factories and mines had attained the highest point for the same period since 1930. In the field of construction, the most striking development has been evidenced by a steady rise in the activity of residential building, particularly family houses. The volume of construction financed by public funds, on the other hand, has declined in comparison with 1934, although the value of contracts awarded for this class of building increased sharply in the closing months of the year.

General employment has been well maintained throughout 1935. Nevertheless, expenditures for various types of unemployment relief in this section have been increased greatly in comparison with the annual totals in the preceding two years.

Income from such sources as wages, sale of farm and industrial products, rents, dividends and interest has continued upward since early 1933, following a period of prolonged decline. In consequence, the purchasing power of the general population has increased materially, though its full effect has been lessened somewhat by a rise in the cost of living.

Wholesale prices of manufactures and farm products have fluctuated during the year but slightly and in the same direction, indicating a marked change in the relationship in the price levels of these two major groups of commodities from that which existed in the years from 1931 to 1934. Food prices, on the other hand, have continued rising so that at the end of the year they were nearer their 1926 levels than were prices of industrial products and agricultural staples.

The value of retail and wholesale trade sales was larger in 1935 than in 1934 and substantially so as compared with 1932 and 1933. Inventories at the end of the year showed little change from those of a year before, except in the case of used passenger automobiles, but a considerable reduction in comparison with the volume prior to 1931. Shipments of goods by rail, motor truck and water naturally reflected the higher rate of activity in the field of production and distribution of commodities. Extended description of

conditions and changes during 1935 by important economic groups in this district follows.

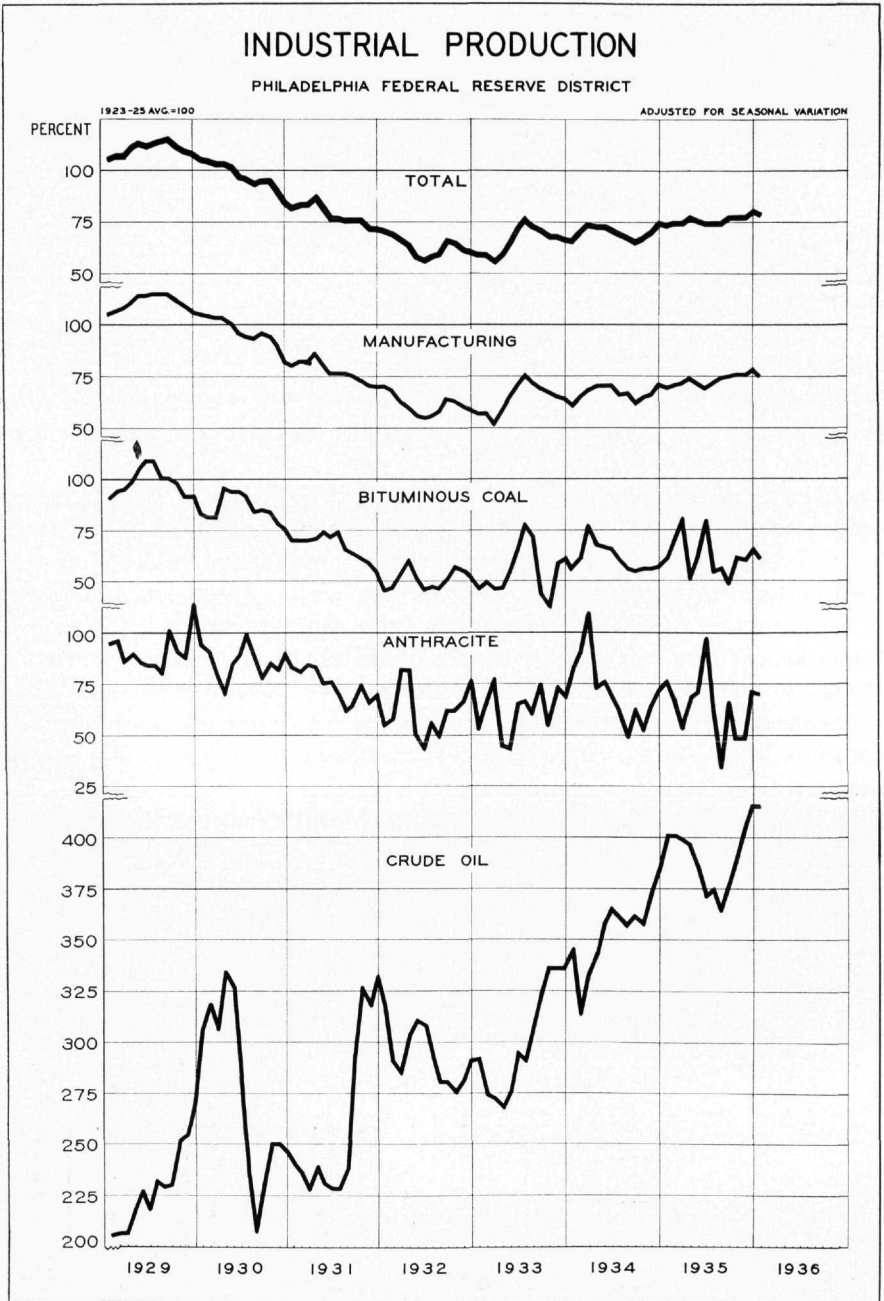
Industrial activity

Manufacturing—Activity of manufacturing industries in this district generally during 1935 showed further expansion as compared with 1934 and other recent years. The rate of factory output rose sharply in the spring months, declined in mid-summer and subsequently increased continuously, reaching at the end of the year the highest level since 1930.

This bank's index number of factory production rose to 78 per cent of the 1923-25 average, on a seasonally adjusted basis, as compared with a record low of 52 in March 1933. The average for the entire year was 73 as against 67 in the previous year, 64 in 1933 and a low average of 61 in 1932. The record high was 111 in 1929. Consequently, it appears that the trend of factory production during 1935 has continued upward with a fair degree of regularity and the amplitude of fluctuations has been much narrower than in the preceding three years.

The rate of gain in the output of durable goods was especially pronounced, largely in response to demand for manufactured products for equipment purposes. The index of productive activity in this industry rose by the end of the year to about 62 as compared with 49 a year before and the low of 29 in March 1933. This increase for the most part was due to a further expansion in iron and steel products, electrical apparatus, iron castings, automotive equip-

Factory output Philadelphia Federal Reserve District	Index number (annual average), 1923-25 = 100						
	1929	1930	1931	1932	1933	1934	1935
Manufacturing—total	111	97	77	61	64	67	73
Durable goods	110	94	60	39	40	50	56
Non-durable goods	112	100	90	77	82	80	87
Metal products	124	102	62	34	41	54	63
Textile products	107	89	83	72	81	72	87
Transportation equipment	94	86	59	47	33	44	46
Food products	96	92	83	74	71	75	70
Tobacco and products	120	106	94	78	81	88	89
Building materials	83	66	43	27	24	28	29
Chemicals and products	122	115	104	89	95	101	104
Leather and products	128	122	114	98	118	118	126
Paper and printing	118	114	99	83	80	79	81
Electric power output	191	193	190	177	181	192	197



ment, shipbuilding and, to a lesser extent, certain building materials.

Non-durable goods industries also showed a further increase in output, though the rate of gain over previous years was not as striking as in the case of durable goods. The production index for this branch of industry at the end of the year was about 91 and the average for the year was 87, relative to the 1923-25 base, as compared with 80 in the previous year, 82 in 1933 and a low average of 77 in 1932. The largest relative increases occurred in the textile, and leather and leather products industries, while the food group alone showed a decline.

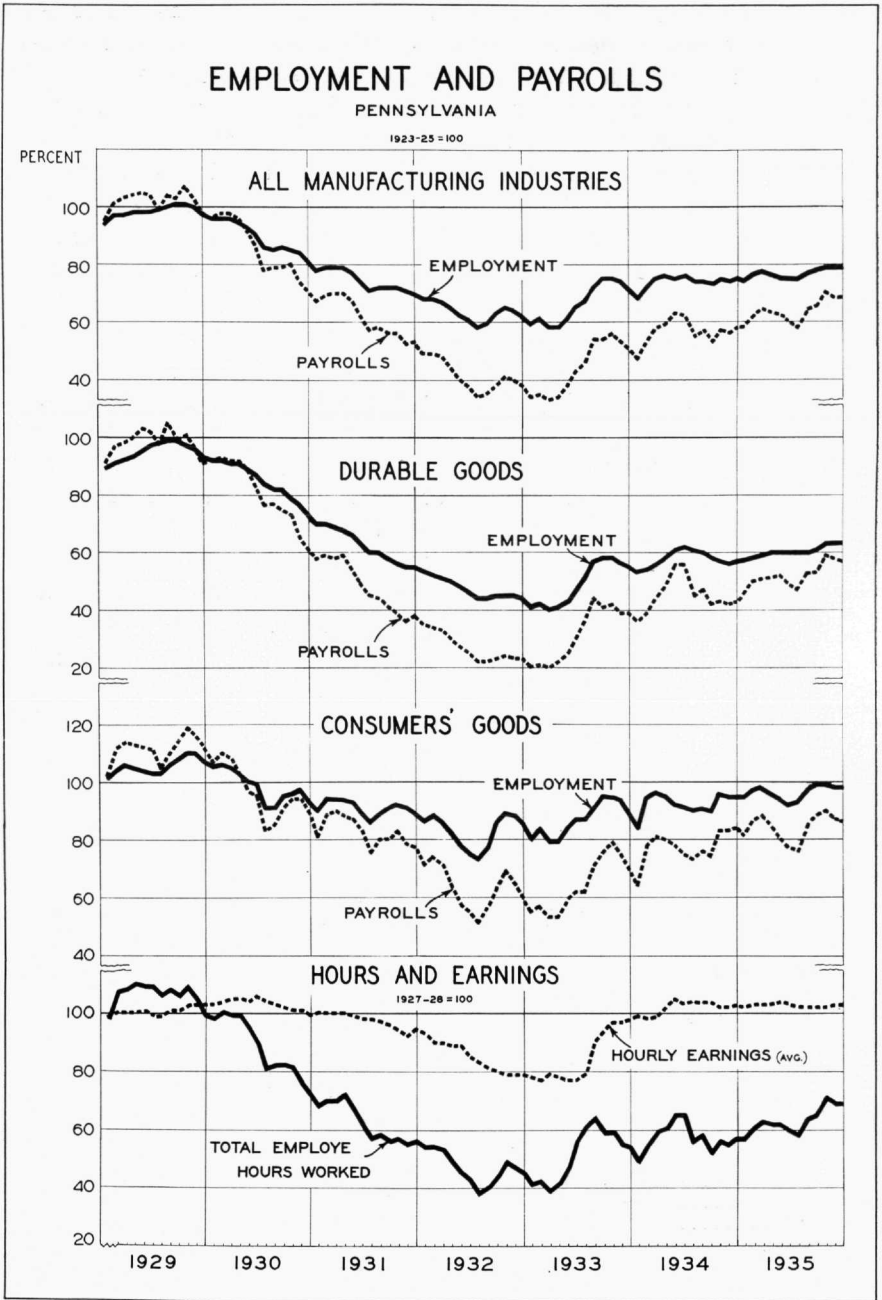
Prices of manufactures at factory on the whole showed little change during 1935 as compared with 1934 but they were considerably higher than in the period from the spring of 1931 to the fall of 1933. The index number of the Bureau of Labor Statistics for all commodities other than farm products and foods in 1935 was about 77.9 per cent of the 1926 average as against 78.4 in the previous year, 71.2 in 1933, and a low of 70.2 in 1932.

Inventories of raw materials and finished goods held by plants in this district at the end of the year appear to have been moderate and in most instances differed little from the volume of a year ago. Such data as are available indicate definitely a marked reduction in stocks of goods from the relatively large volume accumulated over a period culminating in 1931 and 1932. Pertinent figures for the country as a whole reflect a similar condition with respect to factory inventories.

The trend of factory employment has continued upward, though not as sharply as that of payrolls and working time. The disparity which developed between payrolls and working time and production in the years 1930 to 1933 has narrowed further during 1935. The indexes below are given as an indication of the change in this relationship.

Index numbers Phila. Fed. Res. District (1923-25 = 100)	1928	1929	1930	1931	1932	1933	1934	1935	Jan. 1936
Production	102	111	97	77	61	64	67	73	74
Employment	93	99	90	75	64	67	75	77	77
Payrolls	94	103	87	63	42	45	57	63	66

The number of wage earners employed by the manufacturing industry in this district averaged about 682,000 and the amount of wages paid totaled \$693,000,000 during 1935, indicating a gain of 3



per cent in employment and 11 per cent in payrolls over 1934. To show the trend in these items there follows a table of figures derived from our current indexes and the census data :

Factory employment and payrolls Philadelphia Federal Reserve District (Estimates)	Employment (average for year)	Payrolls (total)
1923	877,316	\$1,075,814,441
1924	785,198	960,702,296
1925	804,043	1,003,933,900
1926	829,772	1,063,166,001
1927	792,432*	996,186,543*
1928	762,487	946,309,341
1929	810,862*	1,033,815,162*
1930	757,227	908,701,215
1931	645,330*	679,755,032*
1932	556,247	461,672,090
1933	592,951*	492,123,399*
1934	661,140	623,028,224†
1935	681,635	692,807,381†

* From the Census of Manufactures for 60 counties in eastern Pennsylvania, southern New Jersey and Delaware; prior to 1927 these figures were not subdivided by counties. Figures for other years were computed from the indexes of employment and payrolls compiled by the Philadelphia Federal Reserve Bank. † Preliminary.

Earnings by wage earners during 1935 averaged 57.7 cents an hour or slightly more than in the previous year, as computed from the figures for Pennsylvania factories. The fluctuation in this item during the year was comparatively unimportant. The average time worked by wage earners approximated 34.5 hours per week, an increase of about 6 per cent as compared with 1934. The sharpest gain occurred in the fall months and at the end of the year the number of hours worked per week averaged around 36.1 per wage earner. Since the figures on hours are derived from the composite data for 68 manufacturing industries, they naturally do not fully disclose variations between individual industries. Similarly, data for earn-

Trend of hours worked and hourly earnings Pennsylvania	Average number of hours worked per wage earner per week	Average earnings per hour per wage earner in cents
1928	46.9	56.8
1929	48.8	57.4
1930	44.5	58.7
1931	38.2	55.7
1932	31.5	48.3
1933	33.1	48.1
1934	32.6	57.2
1935	34.5	57.7

ings are obtained from the combined totals for these industries and are intended to indicate only the general trend of income from wages but in no sense to show wages rates.

Coal and other fuels Production of anthracite fuel in 1935 approximated 51,000,000 net tons which was 11 per cent smaller than in the previous year but about 3 per cent larger than in 1932 and 1933. Toward the end of the year output and shipment of this fuel were stimulated considerably by severe weather conditions and this trend continued into early 1936. Stocks of anthracite at various sources declined and at the close of the year were 7 per cent smaller than a year before but considerably larger than at the end of 1933. The trend of prices generally has been downward during the past decade, reflecting in part competition from other fuels. The accompanying tables indicate changes that have occurred in the fuel industries during recent years.

Fuels (Output and shipment figures are daily averages)	1935	Per cent change from		
		1932	1933	1934
Anthracite				
Production..... tons	168,049	+ 3	+ 3	-11
Shipments..... tons	160,012	+ 2	+ 3	- 9
Stocks..... 1000 tons	1,415	-33	+59	- 7
Prices..... (1926 = 100)	79.7	-10	- 3	- 1
Employment..... Number	95,307	-21	- 9	-10
Bituminous				
Production..... tons	297,201	+22	+15	+ 1
Shipments..... Number of cars	22,611	+17	+ 9	+ 2
Prices..... (1926 = 100)	96.7	+18	+17	+ 2
Employment..... Number	127,450	+22	+10	- 0
Coke				
Production..... (1923-25 = 100)	86.8	+63	+28	+11
Prices..... (1926 = 100)	88.6	+14	+14	+ 4
Gas and fuel oil				
Production..... (1923-25 = 100)	99.7	- 2	- 0	- 4
Prices..... (1926 = 100)	62.7	+28	+14	+ 6

Sources: Bureau of Mines and Bureau of Labor Statistics.

Activity in the bituminous coal field has continued to show improvement in sympathy with increased operations in those enterprises which are important consumers of this fuel. Production of bituminous coal in Pennsylvania during 1935 totaled nearly 91,000,000 tons as compared with 89,826,000 in the previous year, 79,296,000 in 1933 and a low of 74,776,000 in 1932. The number of mine workers remained about the same as in 1934 in contrast to a marked decline in the case of the anthracite industry. Prices

of bituminous coal have continued to advance since the low reached in 1932 and the average for the year was only within 3 per cent of the base year, 1926.

Coal mining Employment and production Pennsylvania	Employment			Production (net tons)	
	Anthracite	Bituminous	Total	Anthracite	Bituminous
1923.....	157,743	194,981	352,724	93,339,000	171,880,000
1924.....	160,009	169,322	329,331	87,927,000	130,634,000
1925.....	160,312	156,798	317,110	61,817,000	136,928,000
1926.....	165,386	155,999	321,385	84,437,000	153,042,000
1927.....	165,259	153,699	318,958	80,096,000	133,099,000
1928.....	160,681	133,414	294,095	75,348,000	131,202,000
1929.....	151,501	131,774	283,275	73,828,000	143,516,000
1930.....	150,804	130,150	280,954	69,385,000	124,463,000
1931.....	139,431	116,726	256,157	59,646,000	97,659,000
1932.....	121,243	104,532	225,775	49,855,000	74,776,000
1933.....	104,633	115,453	220,086	49,541,000	79,296,000
1934.....	106,251	127,868	234,119	57,168,000	89,826,000
1935.....	95,307p	127,450p	222,757p	51,003,000	90,927,000

Source: Bureau of Mines, United States Department of Commerce.
p Preliminary.

In response to increased demand, production of coke was 11 per cent larger in 1935 than in 1934 and substantially greater than in 1932 and 1933. Prices also have shown additional advances during the year. Productive activity in the case of gas and fuel oil slackened somewhat but prices have risen further, though the rate of this advance has been narrowing.

Crude petroleum The petroleum industry has shown a continued increase in production since early in 1933. Output of crude oil in that part of Pennsylvania which is located in this district in 1935 exceeded 13,150,000 barrels, or the largest annual total in the history of the Bradford oil field. The following figures show the trend of production and prices in recent years.

Crude petroleum output and prices	Bradford field barrels produced*	Average price per barrel (Pa.)
1928.....	5,901,400	\$3.101
1929.....	7,734,900	3.662
1930.....	9,268,700	2.370
1931.....	8,804,300	1.789
1932.....	9,926,550	1.820
1933.....	10,129,950	1.785
1934.....	11,967,500	2.389
1935.....	13,150,450	2.126

* Source: American Petroleum Institute.

Building and real estate The aggregate value of building contracts awarded in this district during 1935 amounted to \$94,259,000 as compared with \$94,000,000 in the previous year, nearly \$68,000,000 in 1933 and about \$103,000,000 in 1932.

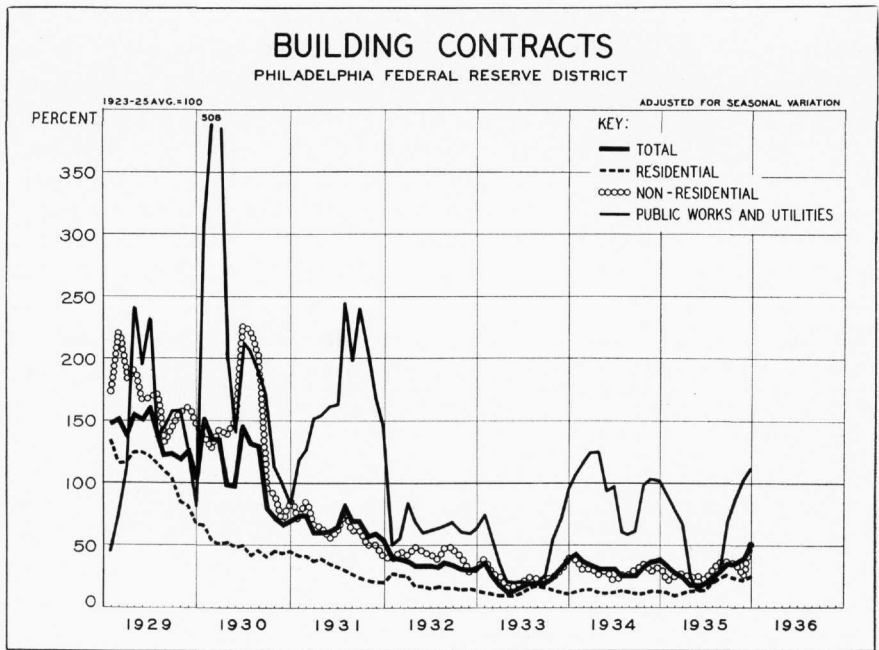
The trend has been steadily upward since spring, though the total volume is still substantially behind that in the pre-depression years. The amount of contracts let in the peak post-war year 1928 totaled \$503,543,000. As shown by the accompanying table, the largest relative gains since 1934 occurred in residential and miscellaneous construction, while the volume of public works alone registered marked declines. One of the significant developments disclosed by these figures is the fact that the trend in the case of one and two-family houses has been almost steadily upward since the low level reached early in 1933. In the case of commercial buildings, the improvement during the year also was noticeable.

Building and real estate Philadelphia Federal Reserve District	Index number (annual average), 1923-25 = 100						
	1929	1930	1931	1932	1933	1934	1935
Contracts awarded:							
Residential	108	48	30	18	12	12	17
Apartments and hotels	128	50	25	13	4	7	8
Family houses	99	48	33	20	16	14	21
Non-residential	168	142	62	41	25	29	29
Commercial and factories	157	147	36	20	23	24	23
Educational	181	112	79	65	11	42	27
All other	189	154	120	81	44	33	47
Public works and utilities	144	203	174	63	43	94	59
Grand total	136	108	65	34	22	32	28
Building permits	74	40	23	10	6	7	9

	Per cent change—1935 compared with					
	1929	1930	1931	1932	1933	1934
Mortgages recorded	-89(a)	-84(a)	-74(b)	+80(c)	+187(c)	+313(c)
Ordinary real estate deeds	—	-36(a)	-24(b)	-11(c)	+ 5(c)	+ 7(c)
Sheriff deeds	—	+ 5(a)	-17(b)	-25(c)	- 31(c)	- 3(c)

(a) 1 county, (b) 2 counties, (c) 6 counties.

It will be observed that the relative importance of contracts let for residential construction has increased considerably during 1935, as indicated by the next table. Contrariwise, the proportion



of contracts awarded for the so-called public works and utilities declined from 1934 to 1935, though it is still higher than in other years with the exception of 1931.

Building contracts Phila. Fed. Res. Dist. (Figures are percentages)	1928	1929	1930	1931	1932	1933	1934	1935
Residential	44.4	37.2	20.7	21.7	24.1	25.7	18.9	27.5
Apartments and hotels...	13.6	13.6	6.4	4.9	5.6	2.6	3.3	4.6
Family houses.....	30.8	23.6	14.3	16.8	18.5	23.1	15.6	22.9
Non-residential	40.2	45.2	48.7	34.6	44.8	42.8	33.7	39.2
Commercial.....	11.7	16.0	16.0	7.4	8.9	10.9	9.4	9.9
Factories.....	9.8	9.5	15.1	2.9	3.9	13.2	7.5	7.6
Educational.....	6.4	9.2	6.7	8.8	12.6	4.6	8.6	8.8
All other.....	12.3	10.5	10.9	15.5	19.4	14.1	8.2	12.9
Total buildings.....	84.6	82.4	69.4	56.3	68.9	68.5	52.6	66.7
Public works and utilities	15.4	17.6	30.6	43.7	31.1	31.5	47.4	33.3
Grand total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Prices of building materials in general were a trifle lower in 1935 than in 1934. Advances in cement, structural steel, and paint and paint materials were more than offset by decreases in brick and tile, lumber, plumbing and heating, and other building ma-

terials. The average index for all these groups fluctuated around 85 per cent of the 1926 average as compared with a low of 71 in 1932 and a high of 95 in 1929, according to the Bureau of Labor Statistics.

The real estate market showed a considerable improvement during 1935 over 1934, even though the level of activity continued low in comparison with the pre-depression years. Renting demand for dwellings by industrial and lower-salaried workers has increased further. This appears to have been especially true in the case of small houses and apartments whose rentals range from \$30-\$35 a month. Vacancies in these classes of dwellings have decreased appreciably. Foreclosures also have fallen off for the second year.

Sales of houses varying from \$3,000 to \$5,000 also seem to have increased since 1934, and prices have shown some advances during the year. Mortgage funds for new purchases have been more readily available than for several years past. Interest rates prevailing in this section have shown less change since 1934 than they have in other parts of the country, although declines here have been apparent chiefly in the case of funds required for residential buildings of the one and two-family type.

Agriculture The agricultural situation in this district showed further improvement during 1935 with respect to both production and income. Further advances in prices, especially for meat animals, and dairy and poultry products, declining cost of feed and fertilizer, and favorable weather conditions prevailing throughout the greater part of the growing season were in a large measure responsible for the increased farm activity last year.

Output of farm products generally was larger in 1935 than the year before and yields per acre in many cases were above the average of the ten years, 1921-30. Production of such leading crops as corn, wheat, oats, hay and tobacco registered fairly large increases over 1934, the only important field crop to show a decline being white potatoes. The acreage of truck and vegetable crops harvested last year also increased and yields of orchard fruits were substantially larger than in 1934.

Marketings of virtually all important livestock products, except butter, increased sharply during 1935; in the case of dressed poultry, receipts at four principal markets were more than four times as large as the year before. Cold storage holdings of poultry

and cheese at the end of December registered marked decreases as compared with a year earlier, those of poultry being the smallest for that period in the past ten years. Despite larger than seasonal decreases during the last half of 1935, stocks of butter and eggs were considerably larger at the end of 1935 than at the same time in 1934.

The number of workers available for hire on farms in this section decreased steadily during 1935, reflecting to some extent a further improvement in industrial conditions. Demand for farm labor last year increased more sharply from early spring to mid-summer and was maintained at a much higher level throughout the harvest season than was the case in 1934, while the seasonal decline from fall to mid-winter was somewhat less pronounced than the year before. Barring minor fluctuations, largely seasonal in nature, the trend of farm wage rates has continued steadily upward during the past three years. On January 1, 1936 average monthly wages without board for agricultural workers were about 4 per cent above the level of a year earlier and were the highest for that period since 1932.

Wholesale prices of farm products in this district as in the country in 1935 reached the highest levels since 1930 and exceeded the average for the five years 1910-1914, which was selected as a basis for comparison. The recent trend of prices for all agricultural commodities combined is indicated by the following figures :

Farm prices of agricultural commodities (Index: 1910-1914 = 100)	1931	1932	1933	1934	1935
United States.....	87	65	70	90	108
Pennsylvania.....	—	75	80	94	104
New Jersey.....	114	88	109	109	118*

Sources: United States Department of Agriculture and Federal-State Crop Reporting Service. * 11 months.

According to data compiled by the Bureau of Agricultural Economics, wholesale prices of farm products have risen more sharply during the past four years than have prices of commodities generally purchased by farmers. As a result, the disparity between these two price series, which increased rapidly from 1929 to 1932 and became most pronounced in the latter year, has narrowed considerably, the ratio of prices received to prices paid being 86 per cent in 1935, compared with only 61 per cent four years earlier.

Cash income of farmers in this district as a whole showed a further substantial increase in 1935. Preliminary estimates made from the farm value of crops and marketings of livestock and livestock products indicate that farm income was nearly 16 per cent larger than in 1934. The estimated value of last year's crops was slightly smaller than the year before, chiefly because of lower prices prevailing for fruits and vegetables, while receipts from the sale of livestock and livestock products, particularly milk, poultry and eggs, increased sharply and were the largest in five years. These estimates do not include rental and benefit payments made to farmers who co-operated with the Agricultural Adjustment Administration's program of crop curtailment. Complete returns showing income so received are not yet available, but it has been estimated that Pennsylvania farmers were paid approximately \$1,-406,000 in the first nine months last year, compared with \$360,000 in the same period of 1934. The trend of cash income for the past twelve years is shown in the following table:

Estimated cash income from farm production Philadelphia Federal Reserve District (000's omitted)	Crops	Livestock products	Total
1924	\$116,536	\$126,312	\$242,848
1925	133,473	134,627	268,100
1926	114,277	141,945	256,222
1927	111,683	142,238	253,921
1928	99,301	152,410	251,711
1929	107,690	176,707	284,397
1930	91,355	161,904	253,259
1931	70,672	128,305	198,977
1932	54,579	100,344	154,923
1933#	72,685	99,338	172,023
1934#	73,249	119,122	192,371
1935#*	69,294	152,119	221,413

Source: United States Department of Agriculture. # Exclusive of benefit payments.
* Preliminary estimate based on farm value of crops and sales of such livestock products as eggs, poultry, milk, butter and cheese.

Electric power Output and consumption of electricity in this district have continued to expand since the low levels of 1932-1933 and by the end of 1935 our seasonally adjusted indexes were the highest shown for several years. Production and sales of electrical energy were approximately 5 per cent larger in 1935 than in 1934 and substantially greater than in the previous two years. This gain reflects largely an improvement in general economic conditions as indicated by increased sales of electricity for lighting and power purposes. Detailed comparisons follow:

Twenty-first Annual Report, Federal Reserve Bank of Philadelphia

Electric power Philadelphia Federal Reserve District	Number of systems	1935 daily average (kwh.000* omitted)	Per cent change— 1935 compared with				
			1930	1931	1932	1933	1934
Rated generator capacity.	8	1,892*	+ 5	+ 2	+ 1	+ 0	+ 0
Output:							
Hydro-electric.....	4	4,391	+39	+51	+ 9	- 6	+14
Steam.....	7	11,078	- 0	+ 2	+24	+30	+ 8
Purchased.....	7	1,666	-10	-32	-14	-24	-24
Total output.....	8	17,135	+ 6	+ 6	+15	+11	+ 5
Sales of electricity:							
For lighting							
Municipal.....	10	324	-15	-20	-19	- 2	+ 0
Residential and commercial.....	10	3,953	+30	+21	+22	+20	+ 9
Residential.....	9	2,028	—	—	+21	+20	+ 7
Commercial.....	9	1,535	—	—	+21	+17	+10
Total.....	10	4,277	+25	+17	+18	+18	+ 9
For power							
Municipal.....	7	296	+ 1	+ 1	+ 1	+ 2	+ 1
Street cars and rail- roads.....	10	2,152	+ 7	+11	+24	+12	+ 7
Industries.....	10	11,016†	+ 2	+ 7	+20	+16	+ 7
Total.....	10	10,929	+ 3	+ 7	+20	+15	+ 7
All other sales.....	10	860	- 32	-35	-29	-30	-27
Totalsalesforallpurposes	10	16,066	+ 5	+ 6	+15	+12	+ 5

* Kilowatts.

† Computed on a basis of working days; calendar days were used for other items.

**General
employment,
unemployment
and relief**

The number of workers employed in twelve branches of industry, trade and service combined showed little change from 1934 to 1935 but exceeded the low of 1932 by about 8 per cent. Variations in individual groups, of course, were noticeable, as indicated by the index numbers in the accompanying table.

The amount of compensation paid out during the year increased from 118 in 1934 to 126 per cent of the 1932 average and was almost 30 per cent larger than in 1933. Most of the groups shared in this gain, indicating expansion in working time.

The extent of general unemployment during 1935 is partly indicated by the next table showing the average number of persons on relief and the amount spent for relief in various forms such as

direct and work relief. Total expenditures in Pennsylvania during the year increased greatly as compared with the annual total expended in the preceding two years.

Index of general employment and pay-rolls—Pennsylvania. (1932 average = 100; indexes are annual averages.)	Employment				Payrolls			
	1932	1933	1934	1935	1932	1933	1934	1935
General index (weighted)*	100	99	108	108	100	97	118	126
Manufacturing.....	100	105	116	121	100	108	138	155
Anthracite.....	100	83	95	86	100	85	104	89
Bituminous coal mining.....	100	99	121	120	100	100	154	161
Quarrying and non-metallic mining.....	100	93	105	97	100	94	124	128
Crude petroleum producing.....	100	139	183	193	100	122	163	170
Public utilities.....	100	92	90	89	100	86	88	91
Retail trade.....	100	101	109	110	100	95	106	108
Wholesale trade.....	100	98	103	106	100	91	96	100
Hotels.....	100	94	106	104	100	82	100	103
Laundries.....	100	93	94	95	100	85	92	95
Dyeing and cleaning.....	100	99	99	94	100	90	103	101

* Includes building and construction.

Unemployment relief Pennsylvania	Average number of persons on relief during month	Expenditures for relief*
1932—December.....	1,346,038	\$ 5,509,183
1933—Total.....	—	81,358,243
1934—Total.....	—	126,032,704
1935—January.....	1,678,377	20,067,505
February.....	1,728,286	19,017,633
March.....	1,727,192	17,166,964
April.....	1,738,307	18,458,726
May.....	1,691,316	17,855,486
June.....	1,649,386	15,325,332
July.....	1,587,664	16,205,676
August.....	1,606,633*	14,757,416*
September.....	1,625,304	13,985,552
October.....	1,517,085	14,262,859
November.....	1,271,883	10,870,362
December.....	865,843	8,258,617
Total 1935.....		\$186,232,128

* Work relief was discontinued in August 1935 so that figures for subsequent months show expenditures only for direct relief and special programs.

Note: Figures do not include administrative expenses which in the first ten months of 1935 approximated 8 per cent of the total expenditure.

Source: Pennsylvania Emergency Relief Board.

Distribution, trade, service

Shipments of commodities affecting this district showed additional increases during 1935. Following a steady decline between 1929 and 1932, freight car loadings turned gradually upward, reaching in the last quarter of the year the highest level since 1931-1932. Deliveries of goods by motor truck also showed further increases as compared with the previous three years. The movement of freight by water for that portion of the Delaware River which extends from Trenton to the sea during 1935 registered continued gains in the value of goods coming in and going out of this district.

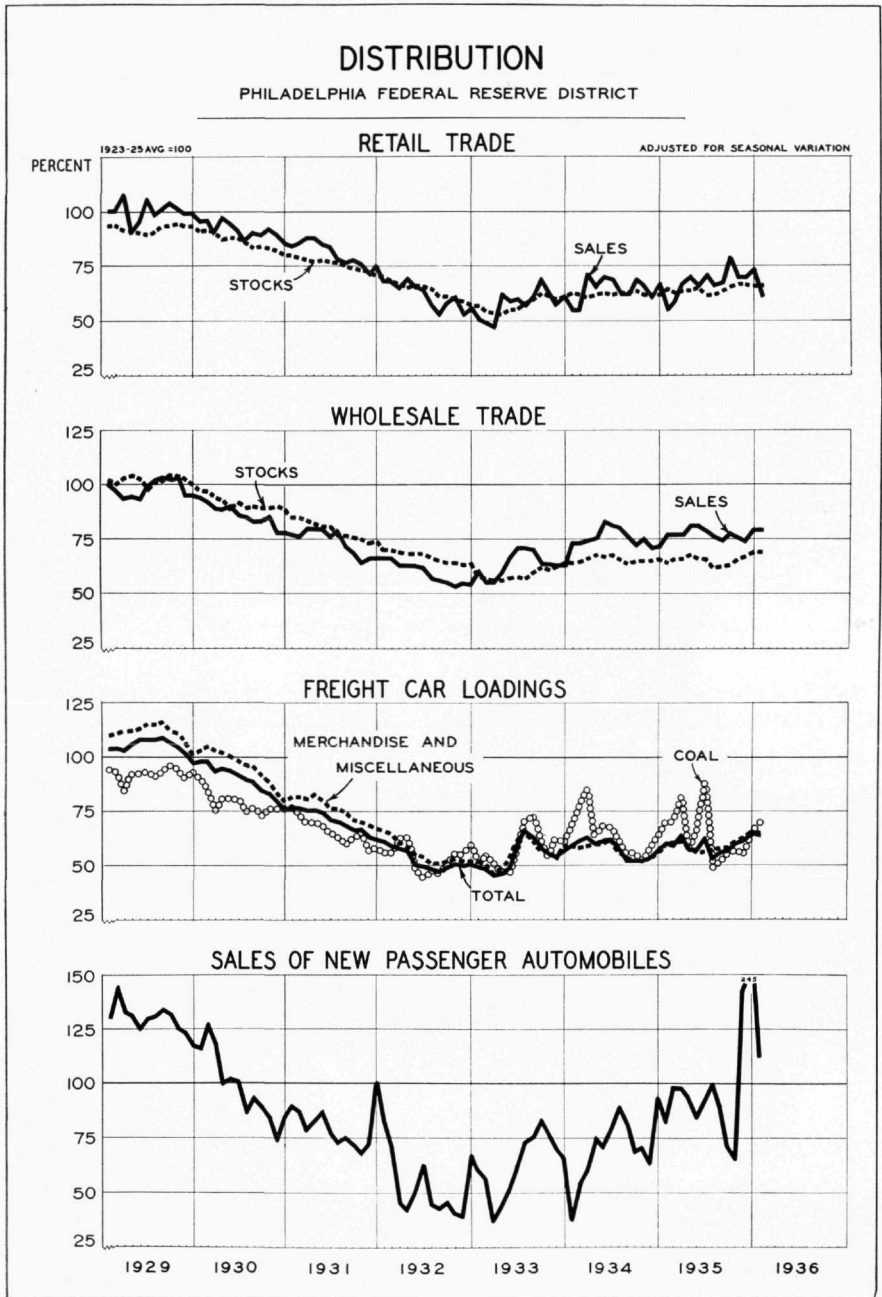
Foreign trade Port of Philadelphia (000's omitted)	Exports, including re-exports	General imports	Total
1930.....	\$101,830	\$165,928	\$267,758
1931.....	74,302	115,296	189,598
1932.....	39,624	79,113	118,737
1933.....	47,848	91,012	138,860
1934.....	54,595	98,398*	152,993
1935.....	61,755	119,257*	181,012

* Imports for consumption comprise all commodities which immediately entered the country upon arrival plus withdrawals from bonded warehouses for consumption. Figures prior to 1934 cover general imports including all commodities entered for immediate consumption plus those entered for storage in bonded customs warehouses.

Source: U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce.

The value of wholesale trade sales by eight important lines combined proportionately showed an additional increase of 3 per cent, continuing the upward trend since early 1933. A part of this gain reflects further advances in prices, particularly for groceries, hardware and paper. The value of inventories during the year averaged less than in the previous year but at the end of 1935 it was about 3 per cent larger than a year before. The rate of stock turnover increased 3 per cent as compared with 1934. The ratio of collections to outstanding balances also showed a slight gain during the year and continued higher than in the preceding four years.

Dollar sales of merchandise at retail establishments, as measured by reports from representative department, apparel, shoe and credit stores in this district, were 6 per cent larger than in 1934 and substantially greater than in 1932 and 1933. The seasonally adjusted index of retail trade sales in December was 74 per cent of the 1923-25 average as compared with 67 a year ago, 61 two years ago and a low of 56 in 1932. Despite irregular fluctuations,



Twenty-first Annual Report, Federal Reserve Bank of Philadelphia

Distribution Philadelphia Federal Reserve District	Index number (annual average), 1923-25 = 100						
	1929	1930	1931	1932	1933	1934	1935
Freight car loadings:							
Total	106	90	71	52	55	57	59
Merchandise and misc. (64.9% of total)	112	96	76	56	55	57	59
Coal (23.5% of total)	92	79	66	54	58	64	64
Wholesale trade:							
Sales	98	85	73	59	63	75	77
Stocks	102	92	79	66	59	67	66
Rate of stock turnover*	—	—	5.56	5.18	5.62	5.57	5.71
Ratio of collections to outstand- ings*	61	67	64	57	59	69	68
Retail trade:							
Sales	100	91	80	61	58	65	68
Stocks	92	86	76	64	57	62	65
Rate of stock turnover*	3.98	4.00	4.06	3.77	3.84	4.04	4.29
Ratio of collections to outstand- ings*	30	29	28	26	26	28	29
Registration of new passenger auto- mobiles	131	99	80	51	62	73	99
Gasoline consumption (1928 = 100) ..	120	133	150	147	148	158	161
Life insurance sales	146	145	128	106	95	103	104

* Actual ratios, not index numbers.

the trend of retail trade during the past three years has been gradually upward, following a sharp decline between 1929 and 1932-1933. Inventories at retail establishments in the aggregate averaged slightly higher in 1935 than in 1934 and at the end of the year the value was about 5 per cent larger. Retail stocks of merchandise turned about 4.3 times during 1935 and this ratio was the highest in several years. Settlements of accounts by customers have risen steadily since 1932 and the average ratio of collections to receivables in 1935 was 4 per cent higher than a year earlier and substantially higher than in the previous three years.

Estimates of retail and wholesale trade sales Philadelphia Federal Reserve District	Retail	Wholesale
	1929	\$3,092,000,000
1930	2,755,000,000	2,705,000,000
1931	2,378,000,000	2,166,000,000
1932	1,725,000,000	1,575,000,000
1933	1,591,000,000	1,609,000,000
1934	1,766,000,000	1,895,000,000
1935*	1,865,000,000	1,956,000,000

* Preliminary, subject to revision.

The preceding figures are derived from our current indexes which are supplemented by the Census of Distribution of the Department of Commerce. They are only approximations intended to show the trend of sales in absolute rather than relative figures.

Sales of new passenger automobiles, as measured by the registration of all new units in this district, increased to the largest volume since 1929. The low level was reached in 1932, as shown by the following table.

New passenger automobile registration

Philadelphia Federal Reserve District

1923	155,036	1929	210,002
1924	159,487	1930	158,816
1925	167,835	1931	128,703
1926	197,880	1932	82,589
1927	166,688	1933	99,037
1928	177,915	1934	116,787
	1935	158,929	

The sharp increase during the year reflected in part the fact that production of new models occurred at an earlier date in 1935 than was the case in other years. But the principal contributing factors were general improvement in industrial conditions and income from various sources, and the depreciation from wear and tear on the automobiles in use during the depression years. Reports indicate that stocks of used cars held by dealers at the end of the year showed a considerable increase by comparison with those held on the same date in other years.

Sales of ordinary life insurance were virtually in the same volume in 1935 as in 1934, though activity in the third quarter rose at a higher rate than that for the same period in other years. Total sales practically equalled the average in the base years, 1923-1925.

Activity of representative commercial hotels, excluding resort

Hotel activity Philadelphia Federal Reserve District	Index: 1934 = 100		
	1933	1934	1935
Room occupancy	86	100	106
Revenue, total	82	100	107
Guest rooms	88	100	106
Food	86	100	108
Other sources	64	100	111

hotels, increased further during 1935 and the level was substantially higher than in 1933. Room occupancy showed an additional gain of 6 per cent and aggregate income from all sources was 7 per cent larger than in 1934. The table gives index numbers reflecting chiefly the movement of business travelers in this district.

Banking conditions

In this district changes in membership during 1935 were relatively few; additions equaled losses, so that the total of 656 members at the end of the year was the same as at the beginning. The reopening of banks which had been closed during the banking holiday of 1933 was largely completed in 1934.

Rapid expansion in deposits at the member banks furnished them with assets for which they could find little desirable outlet in loans to customers. Many millions of securities were purchased, but a substantial part of the funds provided by increasing deposits and loan liquidation served only to increase reserve balances at the Federal Reserve Bank. Borrowings of members from this bank continued at an exceedingly low level.

Banking legislation and regulations

Outstanding in the field of legislation was the Banking Act of 1935, approved August 23rd. The first section revised existing provisions of law with regard to deposit insurance, placing it upon a permanent basis with a coverage up to \$5,000 for each depositor and setting the annual assessment on insured banks at 1/12 of one per cent of the average of total deposits less certain deductions. The second section made several far-reaching changes in the organization of the Federal Reserve System and in credit administration, as indicated below:

The Board of Governors of the Federal Reserve System (formerly known as the Federal Reserve Board) is to consist of seven appointed members. This provision is effective February 1, 1936.

The open market committee is to consist of the Board of Governors and five representatives of the reserve banks; its decisions will be binding on the reserve banks. (Effective March 1, 1936)

The titles of president and first vice president are substituted for those of governor and deputy governor, which heretofore have been applied to the two chief executive officers

of a reserve bank. They are appointed by the board of directors, with the approval of the Board of Governors of the Federal Reserve System, for terms of five years. (Effective March 1, 1936.)

A permanent section 10(b) is added to the Federal Reserve Act permitting advances by reserve banks to members on their time or demand notes secured "to the satisfaction" of the reserve bank. Maturities may not exceed four months. The interest rate charged is to be not less than $\frac{1}{2}$ of one per cent higher than the highest discount rate in effect at the reserve bank.

Reserve banks must establish discount rates every fourteen days, or more frequently if required by the Board of Governors.

The Board of Governors by vote of four of its members may raise or lower member bank reserve requirements, with present requirements as the minimum and double these as the maximum.

National banks may make loans on improved real estate for five years and up to 50% of appraised value, in an amount equal to unimpaired capital and surplus or 60% of time and savings deposits, whichever is the greater. If provision is made for the amortization of 40% of the loan, a loan may be made up to 60% of appraised value and for as long as ten years.

Title III of the new Act covered many miscellaneous points on which clarification was desirable. It also changed the method of computing net demand deposits subject to reserve, permitting the deduction of amounts due from banks and cash items from gross demand deposits, and required reserves to be kept against United States deposits.

Regulation T, issued by the Board of Governors in 1934 in conformity with its powers over margin requirements under the Securities and Exchange Act, was amended in several respects during 1935 and numerous rulings were made covering specific points. In the latter part of the year brokers and dealers were required to submit monthly reports showing debit and credit balances, in order that the Board might have information to guide it in its supervisory activities.

Toward the close of the year five of the regulations of the Board were revised, to take effect January first. They were: "D"—Reserves of member banks; "H"—Membership of state banking

institutions; "I"—Increase or decrease in capital stock of reserve banks; "P"—Holding company affiliates—voting permits; "Q"—Payment of interest on deposits. A new regulation—"O"—also was issued relating to loans to executive officers of member banks.

Federal Reserve Bank

Industrial loans

There was continued activity during 1935 in the extension of credit to industry under section 13b, added to the Federal Reserve Act in June 1934, which authorizes reserve banks to assist in making working capital available to industrial and commercial businesses. The amount of such loans approved rose sharply in the year. In the last six months there has been some falling off in the applications. From June 1934 to the end of 1935, 136 applications in the aggregate amount of \$22,992,000 were approved by this bank; gratifying cooperation by banking institutions in the district is evidenced by their participation in \$16,543,000 or 72 per cent of the total. To date more than 300 field investigations have been made in connection with the applications.

Industrial loans June 1934 to December 1935 (Participations of other financing institutions included)	Number	Amount
Applications received—net.....	512	\$36,380,000
Under consideration December 31, 1935.....	6	660,000
Loans and commitments approved by Federal Reserve Bank*.....	506	\$35,720,000
	136	\$22,992,000
Actual advances made.....		\$12,378,000
Repayments.....		3,391,000
Advances outstanding December 31, 1935.....		\$8,987,000
Commitments outstanding December 31, 1935.....		1,307,000

* Includes approved applications that subsequently were reduced or withdrawn, or that expired unused.

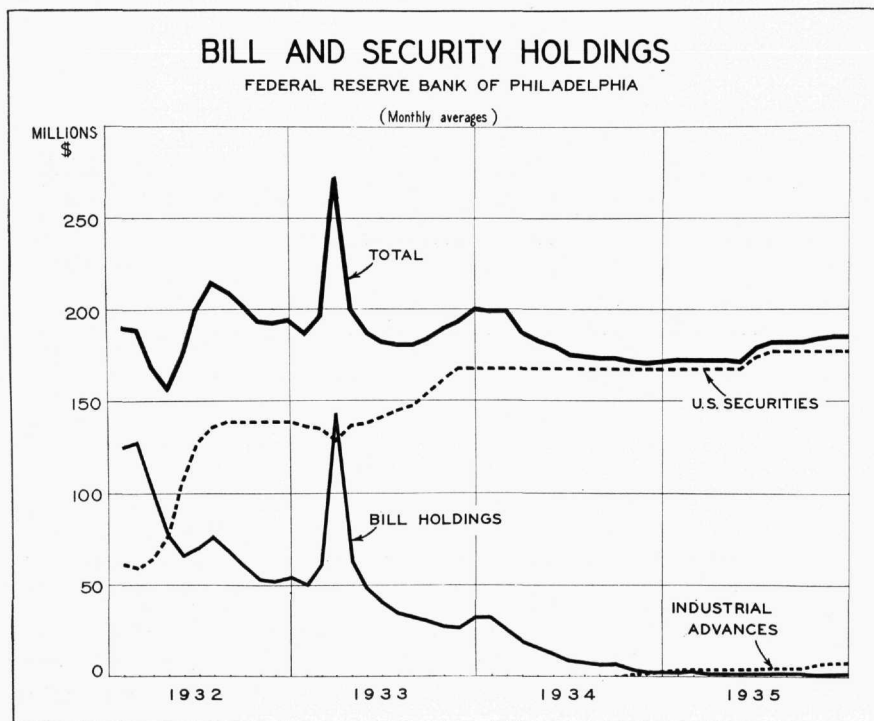
We wish to make due expression of our appreciation of the services of the Industrial Advisory Committee, the members of which have given generously of their time and services to this bank, without compensation.

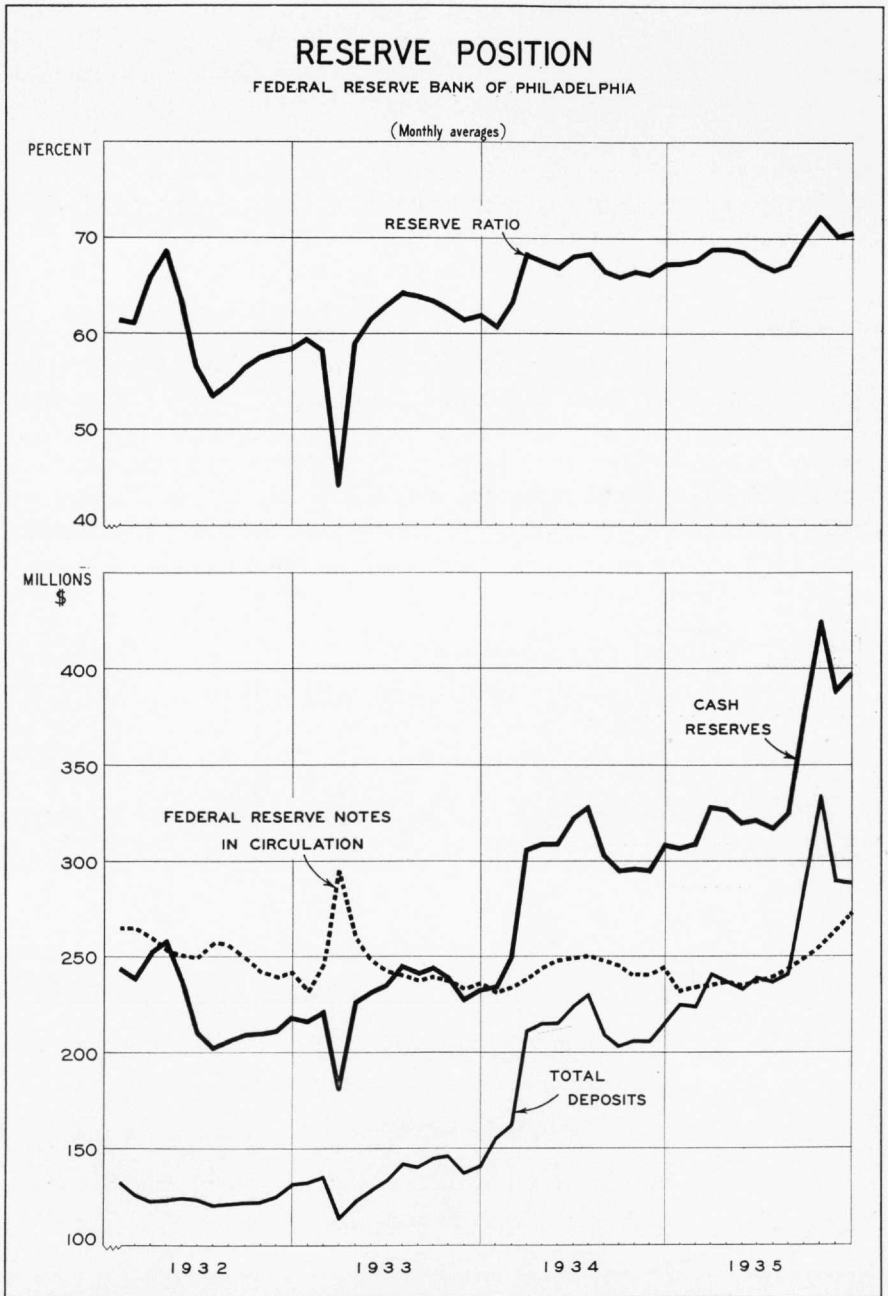
The Committee has met regularly through the year, has considered over 200 applications, and has been of invaluable assistance in passing upon these applications. There were two changes during

1935 in its personnel. Benjamin F. Mechling, president of the Atlantic Elevator Company and vice president of the Nice Ball Bearing Works of Philadelphia, and John T. McDade, treasurer of the Art Loom Corporation, Philadelphia, were appointed to fill vacancies caused by the resignations of Charles E. Brinley, president of the American Pulley Company, Philadelphia, and Richard D. Wood, president of the Millville Manufacturing Company of Millville, New Jersey, and Philadelphia, Pennsylvania.

**Earning
assets and
reserves**

Actual industrial advances by this bank, less repayments, increased from $3\frac{1}{4}$ to $6\frac{3}{4}$ millions during 1935, contributing to an increase from 172 to 185 millions in the bank's bill and security holdings. On only a few days were the bank's holdings of bills discounted for member banks in excess of a million dollars and the average for the year was little over half a million, much the same as that for bills bought, which consisted entirely of foreign bills. The increase of 13 millions in earning assets during the year was due mainly to the fact that in June the bank increased its participation in Federal Reserve System holdings of United States securities by 10 millions.





The trend of cash reserves continued definitely upward, reaching especially high levels in the late summer and early fall as a result of funds temporarily held in the district in connection with a security refunding operation. Despite a rise in total reserves from 309 to 405 millions in the year, the bank's reserve ratio advanced only from 67.2 to 71.1 per cent owing to substantial expansion in both the Federal reserve note and deposit liabilities. It was only in the last three months of the year that the average ratio exceeded 70 per cent.

Unless otherwise indicated, the preceding references have been to changes from December 31, 1934 to December 31, 1935. In the following table averages are given for several of the principal items contained in the statement of the bank:

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Daily averages			
	1932	1933	1934	1935
Bill and security holdings:				
Bills discounted.....	\$ 73	\$ 45	\$ 10	\$ 1*
Bills bought.....	4	4	2	*
Industrial advances.....	0	0	*	4
United States securities.....	111	146	167	173*
Other securities.....	2	1	*	*
Total bills and securities.....	\$190	\$196	\$179	\$178
Federal reserve note circulation.....	252	246	243	244
Member bank reserve deposits.....	119	121	191	235
Total deposits.....	124	135	205	257
Total cash reserves.....	224	228	297	345
Reserve ratio.....	59.6%	60.0%	66.3%	68.8%

* Less than half a million dollars.

Member bank reserves and related factors

Following pronounced accumulation during 1934, reserves of member banks in this district continued to increase in 1935, although in somewhat smaller measure. Nor was the expansion in the excess above legal requirements as large, as may be seen in the following table. The change in the method of computing net demand deposits subject to reserves provided for in the Banking Act of 1935 tended to reduce requirements in the case of many banks.

On December 31, 1935 reserve balances held at this bank totaled 274 millions, as against 211 millions a year earlier. Analytical figures given in the accompanying table reveal that this rise

Twenty-first Annual Report, Federal Reserve Bank of Philadelphia

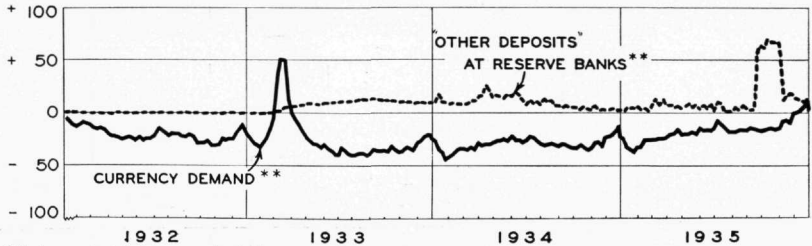
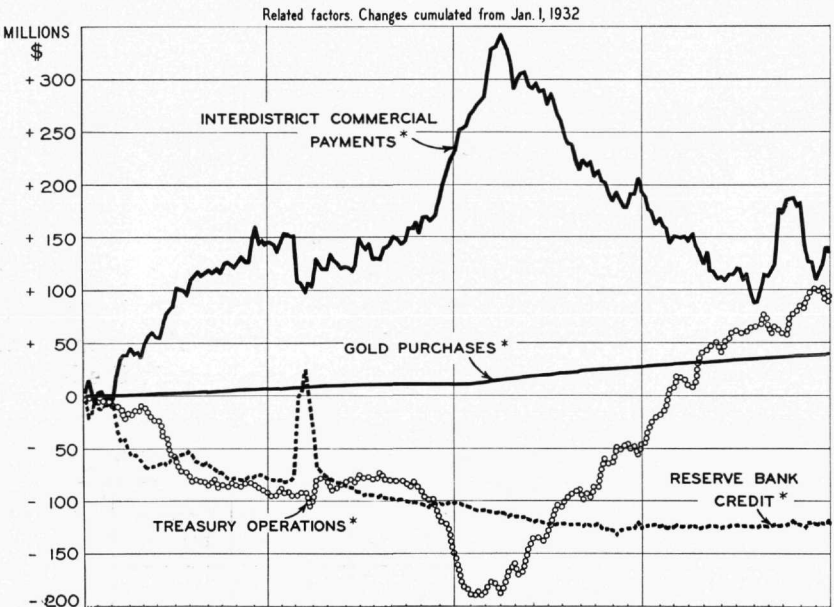
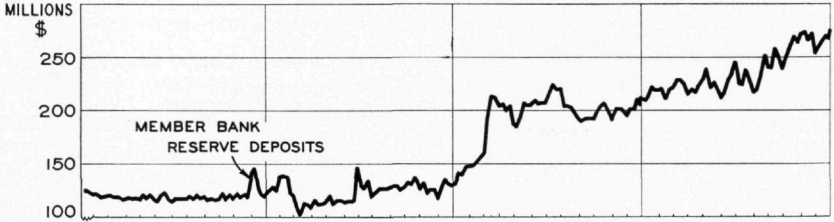
Philadelphia Federal Reserve District (In millions of dollars)	Averages of daily figures		
	Dec. 1933	Dec. 1934	Dec. 1935
Reserves actually held by licensed banks			
Philadelphia banks.....	68	128	182
Country banks.....	53	76	84
All member banks.....	121	204	266
Excess above legal requirements			
Philadelphia banks.....	7	54	91
Country banks.....	10	26	33
All member banks.....	17	80	124

was due largely to Government disbursements, which showed an even greater excess over local receipts than in 1934. Transactions passing through the Treasurer's account at this bank indicate that larger sums were received in payment for new security issues than were disbursed in the cash redemption of securities and in interest. The net amount so received, however, was much smaller than in 1934, constituting therefore a less substantial offset to large net disbursements for other purposes, including relief. Mint payments for gold, in effect a further item of Government disbursement, also contributed to the funds available to the banks,

Member bank reserve deposits and related factors Philadelphia Federal Reserve District (In millions of dollars)	1934 changes that—		1935 changes that—	
	Added to reserves	Reduced reserves	Added to reserves	Reduced reserves
Items increases in which raise reserves				
Reserve bank credit extended locally		-22	+ 2	
Interdistrict commercial payments..		-36		-59
Gold purchases (chiefly by mint)....	+ 16		+ 12	
Treasury operations.....	+104		+140	
Items increases in which reduce reserves				
Currency demand.....		+ 2		+25
"Other deposits" at reserve bank... .	- 7			+ 8
Unexpended capital funds of res. bank	- 15		- 1	
Totals.....	142	60	155	92
Actual change in member bank reserve deposits.....	+82		+63	

MEMBER BANK RESERVES AND RELATED FACTORS

PHILADELPHIA FEDERAL RESERVE DISTRICT



* An increase tends to increase member bank reserves and vice versa.
 ** An increase tends to reduce member bank reserves and vice versa.

while the only type of reserve bank credit which tended to raise member bank reserve balances was an increase in industrial advances.

Several factors were operative which absorbed a portion of the funds so supplied, tending therefore to restrict the increase in reserves. Chief among these were a 25 million increase in currency demand, a rise of 8 millions in miscellaneous deposits at this bank, and, largest of all, an adverse balance of payments of 59 millions in commercial and financial transactions with other districts. This unfavorable balance doubtless reflected security purchases in other markets by banks of this district and possibly some flow of funds to other sections in payment for commodities and services needed here to carry on projects financed by Government funds.

Condition of member banks

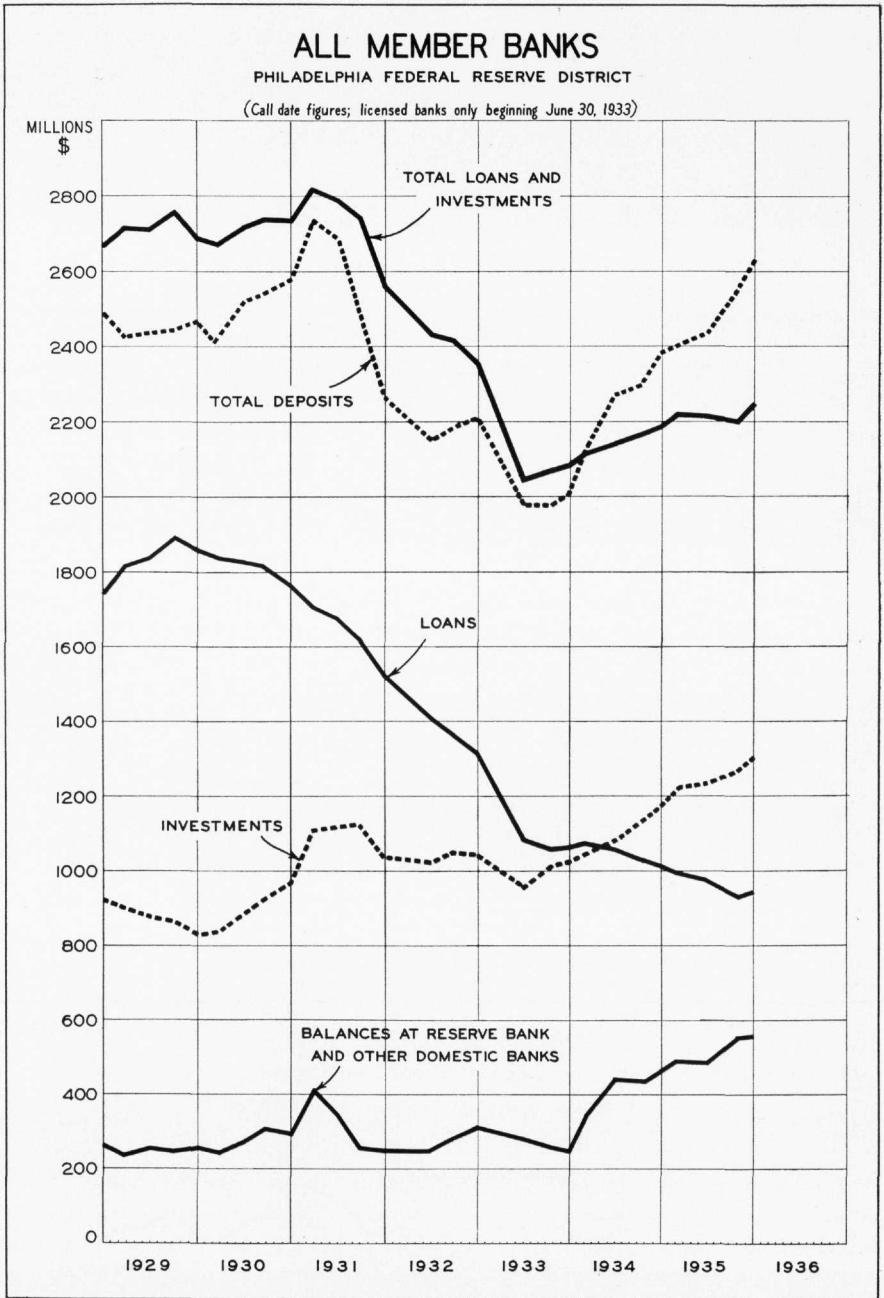
Continuance of deposit expansion over the greater part of 1935 was the most pronounced feature of member bank reports and doubtless was caused largely by Government disbursements. Despite a drop in balances to the credit of the United States Government and trustees of the Postal Savings System, total deposits increased from 2,382 millions to 2,629 millions, reflecting chiefly a pronounced growth in demand deposits. This figure was the highest for any call date since 1931, compared with 1,977 millions at the low in 1933, and exceeded the 1929 average despite the reduction in the number of banks since that year.

A substantial part of the funds accumulated by the banks was used to purchase securities. The increase in securities having the Federal guarantee as to both principal and interest was 86 millions, and in the case of miscellaneous securities was 65 millions. Expansion in these more than compensated for a decline from 505 to 482 millions in direct obligations of the United States Government which was due in part to the retirement of bonds which had been serving as collateral for issues of national bank notes. There was a decline of 8 millions in open market loans, which include purchased paper and loans on securities to brokers and dealers in New York City.

Loans made during the year failed to equal repayments and amounts charged off, with the result that loans to customers on the books of the banks declined from 962 to 905 millions. These figures exclude loans to other banks. A decrease of 28 millions in those made on stock and bond collateral, in the face of a sharp rise

in stock prices and advances in the bond market, suggests that trading in securities was conducted largely within the resources of

Licensed member banks Philadelphia Federal Reserve District (000,000's omitted)	1934 Dec. 31	1935 Dec. 31
ASSETS		
Loans on securities:		
To brokers and dealers in New York City.....	\$ 22	\$ 9
To brokers and dealers elsewhere.....	18	18
To others (except banks).....	306	278
Total loans on securities to others than banks.....	\$ 346	\$ 305
Acceptances and commercial paper bought.....	22	27
Loans on real estate.....	212	212
Loans to banks.....	6	4
Other loans.....	426	397
Total loans	\$1,012	\$ 945
United States Government securities.....	505	482
Securities fully guaranteed by U. S. Government.....	62	148
Other securities.....	606	671
Total loans and investments	\$2,185	\$2,246
Banking house, furniture and fixtures.....	88	88
Other real estate owned.....	55	69
Reserve with Federal Reserve Bank.....	211	275
Cash in vault.....	42	47
Balances with other banks.....	255	285
Checks and other cash items.....	96	104
Other assets.....	34	30
Total assets	\$2,966	\$3,144
LIABILITIES		
Deposits:		
Demand (other than interbank).....	\$ 991	\$1,229
Time (other than interbank).....	999	1,005
United States.....	93	61
Interbank (demand and time).....	276	312
Certified and officers' checks, cash letters of credit and travelers' checks, etc.....	23	22
Total deposits	\$2,382	\$2,629
National bank notes outstanding.....	73	0
Bills payable and rediscounts.....	2	1
Other liabilities.....	30	31
Capital account:		
Preferred stock.....	31	37
Common stock.....	164	161
Surplus.....	215	212
Undivided profits—net.....	41	48
Reserves for contingencies.....	28	24
Retirement fund for preferred stock.....	—	1
Total liabilities	\$2,966	\$3,144
Number of member banks.....	656	656



the purchasers and that the rising level of prices encouraged some liquidation of borrowings previously incurred.

Loans on real estate changed little in the year. Inasmuch as some have been converted into "Other real estate owned" by process of foreclosure and in other instances there doubtless has been an exchange of mortgages for bonds of the Home Owners' Loan Corporation, it is apparent that some new real estate loans were taken on during the year.

Bank loans for the purpose of financing commerce and industry probably are to be found for the most part under the heading "Other loans." A decline in these from 426 to 397 millions suggests the lack of an active demand for accommodation from business customers. Improved collections and the more rapid turnover of goods doubtless have helped to bring about some of this decline, but it also seems quite likely that large disbursements of the Treasury may have so improved the cash position of business houses in numerous instances as to enable them to reduce somewhat their borrowings.

Records of the earnings and expenses of member banks in this district not yet have been tabulated for the last half of 1935. Figures for the first half showed a net profit of nearly 3 millions after charge-offs and depreciation, the first profit for any half year since 1931 shown in the combined figures for all members.

Currency demand

Over most of the year seasonal changes in currency demand were quite similar to those in 1934, but the general trend was distinctly upward in contrast with the maintenance of a rather even level in 1934. This was due in part to the fact that industrial payrolls and trade were in greater volume this year.

Currency demand does not indicate exactly changes in the amount of money in circulation within the district because of the indeterminate amounts of cash that constantly are passing to and fro over its borders. If totals of all kinds of money in circulation within the district could be ascertained, there is little doubt that they would exceed like figures for 1929, as do the national figures, reflecting partly the fact that some of the money hoarded in the years of banking difficulties has not yet been returned to the banks.

The year was marked by the passing of the national bank note as an integral part of our currency. Early in 1935 the Treasury gave notice that 2% Consols of 1930 and 2% Panama Canal loan

bonds, having the circulation privilege, would be retired in the summer, and by legal limitation the circulation privilege attaching to any bond of the United States bearing interest up to 3 $\frac{3}{8}$ % expired on July 22. Beginning in August the reserve banks, upon request of the Treasury, returned to Washington for retirement any such notes received by them, whether or not in condition for further circulation.

No new issues of Federal reserve bank notes were made by this bank during 1935. In March the bank returned over 10 millions of its bank notes to the Federal Reserve Agent. This operation, together with deposits previously made with the Treasury to provide for retirement, completely eliminated the bank's liability for such notes issued to it; any still in the hands of the public are obligations of the Treasury.

The replacement of national bank notes and of Federal reserve bank notes accounted for a part of the expansion from 240 to 271 millions during 1935 in Federal reserve notes of this bank in circulation. Replacement also was effected in part by the use of silver certificates, of which 102 millions was received from the Treasury by this bank in 1935 and 71 millions in 1934.

Federal reserve note issues and collateral Federal Reserve Bank of Philadelphia (000's omitted)	December 31		
	1933	1934	1935
Notes received from comptroller.....	\$394,621	\$394,661	\$397,196
Notes on hand (held by Federal reserve agent).....	145,440	132,340	108,570
Notes issued to bank (outstanding).....	\$249,181	\$262,321	\$288,626
Collateral securing outstanding notes:			
Gold certificate fund—Board of Governors.....	\$ 86,750	\$223,000	\$290,000
Gold.....	83,750	0	0
Eligible paper.....	18,930	830	343
United States Government securities.....	60,000	40,000	0
Total collateral held.....	\$249,430	\$263,830	\$290,343

The privilege of pledging direct obligations of the United States as collateral for Federal reserve notes, subject to the authorization of the Board of Governors, as originally granted in the Glass-Steagall Act of February 27, 1932, was to terminate March 3, 1933, but was extended to March 3, 1934. By amendment in 1934 it was continued for another year with the proviso that the President might prolong it for a further period of two

years. In a proclamation, dated February 14, 1935, he extended the privilege to March 3, 1937.

Discount and interest rates

Open market money rates at New York, already low at the beginning of 1935, in some cases were reduced further during the first half of the year. The rate for ninety-day bankers' bills was unchanged at $\frac{1}{8}$ of one per cent per annum and prime commercial paper dropped only from $\frac{3}{4}$ -1 to $\frac{3}{4}$ of one per cent, but time and call money were reduced from $\frac{3}{4}$ -1 and 1 per cent, respectively, to $\frac{1}{4}$ of one per cent. Toward the close of October, however, advances were made in time money to 1 per cent and in call money to $\frac{3}{4}$ of one per cent. The average of rates on prime commercial loans to customers, as reported by large Philadelphia banks, declined somewhat during the year.

On January 17 this bank reduced its rate for advances to and rediscounts for members under sections 13 and 13a of the Federal Reserve Act from $2\frac{1}{2}$ to 2 per cent, a new low point. Section 10(b) as contained in the Act at the opening of the year did not continue in effect after March third; in November a rate of $2\frac{1}{2}$ per cent was established for advances under Section 10(b) as revised by the Banking Act of 1935. Rates on December 31 for other classes of paper are given below:

Discounts for individuals, partnerships and corporations:

Under third paragraph of Sec. 13 of Federal Reserve Act (paper which would be eligible for rediscount if presented by a member bank)	6%
Secured by direct obligations of the United States, under last paragraph of Sec. 13 of Federal Reserve Act.	4%

Rates on industrial advances:

Advances made direct to industrial or commercial organizations.	4-6%				
Advances made to financing institutions—					
On portion for which institution is obligated.	<table border="0" style="display: inline-table; vertical-align: middle;"> <tr> <td style="font-size: 3em; vertical-align: middle;">}</td> <td style="padding-left: 5px;">1% above established discount rate</td> </tr> <tr> <td></td> <td style="text-align: center;">*</td> </tr> </table>	}	1% above established discount rate		*
}	1% above established discount rate				
	*				
On remaining portion.	*				
Commitments to make advances.	$\frac{1}{2}$ -2%				

* Same as to borrower; minimum of 4%.

Effective January 31, 1935 the rate of interest which member banks might pay on time or savings deposits was reduced from 3 to $2\frac{1}{2}$ per cent by regulation of the Board of Governors of the Federal Reserve System. Late in the year the Board established the following maxima, on the basis of quarterly compounding, to take effect January 1, 1936; these interest rates apply unless non-terminable contracts entered into prior to certain dates provide otherwise:

Savings deposits.....	2½%
Postal Savings deposits classified as time deposits.....	2½ "
Time deposits (other than Postal Savings) having maturities of or requiring written notice of—	
Six months or more.....	2½ "
Ninety days to six months.....	2 "
Thirty days to ninety days.....	1 "

On October 4, 1935 the Banking Advisory Board of New Jersey adopted a regulation, which was approved by the Commissioner of Banking and Insurance, providing that the maximum rate payable on time or savings deposits should not exceed 2 per cent, compounded quarterly. This regulation is to be effective January 1, 1936 and applies unless contracts entered into before October 4, 1935 provide otherwise and cannot be terminated by the bank. The maximum set must be observed by national banks in that state by virtue of Section 24 of the Federal Reserve Act.

Membership

At the beginning of 1935 member banks in this district numbered 656, of which 595 were national and 61 state institutions. The end of the year shows the same total, but the distribution is somewhat different—593 national and 63 state bank members. This change in composition, in the case of banks under national charter, reflects one conversion of a nonmember state bank into a national bank, a consolidation, the absorption of one bank by another, and one suspension caused primarily by a defalcation. This suspension was followed promptly by the setting up of a new national bank—which however does not have the status of a member—by the Federal Deposit Insurance Corporation so that guaranteed deposits up to \$5,000 each might be made available quickly to depositors.

One state bank member withdrew from the System, but this was more than balanced by the entry of three nonmembers into membership.

In June member banks held two-thirds of the deposits of all banks in the district.

Fiduciary powers

During 1935 the number of national banks in this district having fiduciary powers decreased from 257 to 256. Three banks were granted full powers, one of which previously had exercised them under restrictions, and another bank was given the privilege of exercising full powers with restrictions. Four banks were re-

moved from the list, three as a result of voluntary surrender and one owing to suspension.

National banks having fiduciary powers Philadelphia Federal Reserve District	Number of banks having		Totals
	Full powers	Partial powers	
December 31:			
1930.....	268	29	297
1931.....	264	25	289
1932.....	262	23	285
1933.....	252	20	272*
1934.....	240†	17	257
1935.....	241†	15	256

* Excludes 7 non-licensed banks which, at the end of 1933, were being liquidated by conservators.

† Includes two banks granted powers with restrictions.

Departmental operations

Although the volume of discounts for member banks was at a low ebb during 1935, there was a substantial expansion in the volume of work of the discount and credit departments incident to the handling of industrial loans. Increased activity also was reported in the transit and currency departments, while the volume of mail and wire transfers of funds and of non-cash collections diminished.

Departmental operations Federal Reserve Bank of Philadelphia (000's omitted)	1934	1935
Number of pieces or transactions handled:		
Notes and bills discounted—		
Pieces (including transactions under Sec. 13b).....	13	2
Items received as collateral.....	39	75
Notes (currency) counted.....	177,718	185,017
Coins counted.....	264,018	271,050
Ordinary checks handled (including return items).....	61,524	72,050
U. S. Government checks handled.....	4,915	3,108
Items payable at a future date (collection items)—		
Coupons of United States and its agencies.....	1,482	1,319
All other.....	373	352
Transfers of funds*.....	83	64
U. S. Government direct obligations—issues, redemptions and exchanges by fiscal agency department.....	292	430

* Includes wire and mail transfers, but does not include group clearings transfers which in 1935 numbered 490,000.

Owing chiefly to exchange operations for the Treasury, the

number of United States Government securities issued, redeemed or exchanged by this bank as fiscal agent rose from 292,000 in 1934 to 430,000 in 1935, the greatest annual total in more than five years. These figures do not include a substantial volume of securities handled for such Government agencies as the Home Owners Loan Corporation, the Federal Farm Mortgage Corporation and the Farm Credit Administration.

The vault department reports a rise in the average amount of securities held in custody for member banks from \$396,000,000 to \$503,000,000 and in cash and securities held for our own account, the Treasury, and others from \$969,000,000 to \$1,084,000,000. Purchases and sales handled by the securities department for others rose from \$280,000,000 to \$456,000,000, and the number of transactions increased from 24,200 to 30,400.

Personnel and building

Board of directors

Class	Name	Residence	Term expires
A	Group 1 Joseph Wayne, Jr., President, Philadelphia National Bank, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1935
	Group 2 George W. Reily, President, Harrisburg National Bank, Harrisburg, Pa.	Harrisburg, Pa.	Dec. 31, 1936
	Group 3 J. B. Henning, President Wyoming National Bank, Tunkhannock, Pa.	Tunkhannock, Pa.	Dec. 31, 1937
B	Group 1 C. Frederick C. Stout, Member, John R. Evans & Company, Philadelphia, Pa.	Ardmore, Pa.	Dec. 31, 1937
	Group 2 Arthur W. Sewall, President, General Asphalt Company, Philadelphia, Pa.	Philadelphia, Pa.	Dec. 31, 1935
	Group 3 J. Carl De La Cour, Vice President, Wm. S. Scull Company, Camden, N. J.	Riverton, N. J.	Dec. 31, 1936
C	Richard L. Austin, Chairman of the Board	Philadelphia, Pa.	Dec. 31, 1935
	Harry L. Cannon	Bridgeville, Del.	Dec. 31, 1937
	J. David Stern	Haddonfield, N. J.	Dec. 31, 1936

Almost with the advent of the year, January 8th, much sorrow and great loss came to the bank in the sudden death of Alba B. Johnson, who had served the institution as a director from its beginning, first as a class B director and later as class C, succeeding

Charles C. Harrison, deceased. Mr. Johnson had been actively connected with one of the largest and most successful manufacturing concerns in the country, and after retiring from it he maintained close relations with business and philanthropic interests that gave him wide contacts with affairs. In October J. David Stern, newspaper publisher, was appointed by the Board of Governors of the Federal Reserve System to fill Mr. Johnson's unexpired term.

At the regular elections held in the fall Joseph Wayne, Jr., representing group 1 banks as a class A director, and Arthur W. Sewall, representing group 2 banks as a class B director, were unanimously reelected by their respective groups for terms of three years from January 1, 1936.

By appointment of the Board of Governors of the Federal Reserve System Richard L. Austin served as chairman of the board and Federal reserve agent during 1935, and Arthur E. Post and Ernest C. Hill as assistant Federal reserve agents.

The following officers were reappointed by the bank's board of directors at its first meeting of the year: governor—George W. Norris; deputy governors—William H. Hutt, John S. Sinclair; deputy governor, cashier and secretary—C. A. McIlhenny; assistant deputy governors—W. J. Davis, L. E. Donaldson; assistant cashiers—J. M. Toy, S. R. Earl, G. K. Morris; comptroller—W. G. McCreedy. The only change made during the year was the appointment of Mr. McCreedy as an assistant deputy governor in the spring, whereupon he relinquished the office of comptroller, which has not been filled. The number of employees, exclusive of officers, rose from 866 to 900 during 1935.

Work progressed rapidly on the bank building. By the end of the year construction had been largely completed.

Banking and business information

Our Department of Research and Statistics has continued to provide currently economic data on business and banking conditions in this district for the administrative use of this bank, the Board of Governors of the Federal Reserve System, member banks, and the business community in general. The activity of this unit has been broadened and intensified in order to meet the growing demand for dependable statistics showing conditions which prevail not only in the major fields of industry, service and banking but also in the individual lines of business activity. The demand for this type of information by geographic divisions has been especi-

ally urgent on the ground that in many instances it affords means for comparisons in a more specific way than do the combined figures for large industrial areas in different parts of the country.

The scope of this work was described in some detail in the previous annual reports of this bank. But it may be reiterated here that the amicable relationship and trust achieved over a period of years between this bank and business in a spirit of good will and co-operation has been a source of real satisfaction to all those who are responsible for this type of economic and business service. The appreciation on our part is all the greater because individual establishments have continued giving us their private statistical and other information on a purely voluntary basis.

We are equally thankful to all those agencies which have assisted us in making our information more complete and effective, particularly to the Division of Research and Statistics of the Board of Governors of the Federal Reserve System, the Bureau of the Census, the Bureau of Labor Statistics, Central Statistical Board, and the Department of Industrial Research of the Wharton School of Finance and Commerce, University of Pennsylvania. The co-operation of these and many other agencies as well as the ready assistance given us by member banks in this district have made our task easier and the results of our work more useful.

Our library has continued to be an important part of this bank and its service. It has accumulated valuable reference material consisting of official and private documents and many standard books on money, banking and credit as well as on general economic subjects.

Indexes of business conditions
Philadelphia Federal Reserve District
Adjusted for seasonal variation

(1923-1925 average = 100)

Note: Indexes for earlier years are given in previous annual reports.

	Industrial production	Factory output	Coal mining		Crude oil output	Building contract awards (value)	Freight car loadings	Wholesale sales	Retail sales	New passenger automobile registrations
			Anthracite	Bituminous						
1934										
Jan. . .	66	61	82	56	345	43	59	73	55	38
Feb. . .	70	66	89	62	314	36	61	73	55	54
March. .	74	68	109	77	334	33	63	74	71	60
April. .	73	70	73	68	343	31	60	76	65	75
May. . .	73	70	76	67	358	30	61	83	70	71
June. . .	72	70	68	66	365	30	63	81	69	79
July. . .	69	66	63	61	361	25	57	80	62	89
Aug. . .	68	67	50	57	357	25	52	76	62	81
Sept. . .	65	62	62	56	362	25	52	72	69	69
Oct. . . .	67	65	53	56	358	32	51	75	66	71
Nov. . .	69	66	64	56	374	36	53	71	61	64
Dec. . .	74	71	72	58	385	38	57	72	67	93
1935										
Jan. . . .	73	69	76	60	401	32	60	77	56	83
Feb. . . .	74	71	67	69	401	26	60	77	59	98
March. .	74	72	54	80	400	23	64	78	67	98
April. . .	77	74	69	52	396	17	57	81	70	94
May. . . .	75	72	71	62	386	17	57	81	66	85
June. . .	74	69	97	79	372	18	63	79	71	92
July. . . .	74	72	62	54	375	23	53	76	66	100
Aug. . . .	74	74	36	56	365	28	56	74	67	90
Sept. . .	77	75	65	49	377	34	57	78	79	71
Oct. . . .	77	76	48	61	390	35	60	76	70	66
Nov. . . .	77	76	48	61	406	39	61	74	70	143
Dec. . . .	80	78	71	65	415	53	65	79	74	245

Seasonal factors

(Used in adjusting the actual indexes for seasonal changes. The average for the year equals 100)

Jan. . . .	100	99	107	114	96	78	92	88	82	54
Feb. . . .	102	102	107	109	100	81	97	92	82	74
March. .	100	101	83	102	102	93	95	94	91	112
April. . .	98	97	104	91	103	118	97	93	107	151
May. . . .	99	98	100	90	104	120	102	94	101	144
June. . .	98	100	87	88	104	114	99	96	98	140
July. . . .	96	96	82	88	103	103	103	93	73	113
Aug. . . .	100	100	100	94	103	101	104	95	78	110
Sept. . .	102	102	100	102	100	98	111	114	90	96
Oct. . . .	106	105	129	107	100	102	109	114	114	82
Nov. . . .	102	103	104	110	97	100	101	114	120	70
Dec. . . .	97	97	97	105	94	92	90	113	164	54

Indexes of business conditions
Philadelphia Federal Reserve District
Without adjustment for seasonal variation

(1923-1925 average = 100)

	Industrial production	Factory output	Coal mining		Crude oil output	Building contract awards (value)	Freight car loadings	Wholesale sales	Retail sales	New passenger automobile registrations
			Anthracite	Bituminous						
Annual averages										
1923..	104	102	115	117	90	78	104	104	99	97
1924..	96	95	109	89	93	106	96	99	99	99
1925..	100	103	76	94	116	116	100	97	102	104
1926..	108	108	104	105	143	135	106	98	106	123
1927..	104	104	99	91	165	160	101	94	102	104
1928..	102	102	93	90	175	164	102	94	101	111
1929..	110	111	91	98	230	136	106	98	100	131
1930..	98	97	86	85	276	108	90	85	91	99
1931..	79	77	74	67	262	65	71	73	80	80
1932..	63	61	62	51	295	34	52	59	61	51
1933..	66	64	61	54	302	22	55	63	58	62
1934..	70	67	71	62	357	32	57	75	65	73
1935..	75	73	63	62	392	28	59	77	68	99
1934										
Jan....	66	61	89	64	332	34	55	64	45	20
Feb....	72	67	95	67	314	29	59	67	45	40
March..	73	69	89	79	340	30	61	69	70	67
April..	72	68	76	62	353	36	58	70	65	113
May....	72	69	76	60	372	36	62	78	70	103
June....	71	69	60	58	380	34	63	77	67	111
July....	66	63	52	54	372	26	58	75	45	101
Aug....	68	67	50	54	368	25	54	71	49	89
Sept....	67	64	62	57	362	24	57	82	62	66
Oct....	71	68	68	60	358	33	55	85	75	58
Nov....	70	68	65	62	363	36	54	80	74	45
Dec....	71	68	70	61	362	35	52	81	110	50
1935										
Jan....	73	68	82	69	385	25	55	68	45	45
Feb....	75	72	72	75	401	21	58	70	48	72
March..	74	73	45	82	408	21	61	72	61	110
April..	75	72	72	47	408	20	55	75	74	142
May....	74	71	71	56	401	20	58	76	67	123
June....	73	69	85	69	387	20	62	75	69	128
July....	70	69	51	48	386	24	55	71	48	113
Aug....	73	73	36	53	376	28	58	70	52	99
Sept....	78	77	65	50	377	34	63	88	71	68
Oct....	81	80	62	65	390	36	65	87	79	54
Nov....	79	78	50	67	394	39	62	84	84	100
Dec....	78	76	69	69	390	49	59	88	121	132

**Indexes of factory employment, payrolls and
employee-hours in Pennsylvania**
Without adjustment for seasonal variation

Employment

(1923-1925 average = 100)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
1923	105	107	108	107	108	109	108	107	107	107	106	103	107
1924	101	102	102	100	97	93	90	90	92	94	94	96	96
1925	97	99	99	98	98	97	95	96	96	98	98	99	98
1926	99	101	100	99	98	98	97	98	100	101	101	100	99
1927	98	98	99	97	96	96	94	94	95	94	94	93	96
1928	92	94	94	91	91	92	91	93	94	94	95	94	93
1929	94	97	97	98	98	99	99	100	101	102	100	98	98
1930	96	96	96	95	93	91	86	85	86	85	84	81	89
1931	78	79	79	79	77	74	71	72	72	72	71	70	75
1932	68	68	67	65	62	61	58	59	63	65	64	62	63
1933	59	61	58	58	61	65	67	72	75	75	74	71	66
1934	68	72	75	76	75	76	74	74	73	75	74	75	74
1935	74	76	77	76	75	75	75	77	78	79	79	79	77

Payrolls

(1923-1925 average = 100)

1923	99	102	107	106	113	113	106	107	107	111	106	105	107
1924	100	104	105	102	97	89	82	86	89	94	93	100	95
1925	98	100	102	99	99	96	93	95	94	102	99	103	98
1926	101	104	106	103	101	101	97	99	104	108	105	106	103
1927	100	103	104	101	98	98	91	95	92	95	94	94	97
1928	90	96	96	89	92	92	86	93	93	98	97	97	93
1929	95	102	103	104	105	104	99	105	103	107	103	98	102
1930	96	98	98	96	92	87	78	79	79	80	74	71	86
1931	67	69	70	70	67	62	57	58	56	56	52	53	61
1932	49	49	48	44	40	38	34	35	38	41	40	38	41
1933	34	35	33	34	38	43	46	54	54	56	53	51	44
1934	47	53	58	59	63	62	55	57	53	57	57	58	57
1935	58	62	64	63	62	60	58	64	65	70	68	68	64

Employee-hours

(1927-1928 average = 100)

1927	107	111	112	109	107	103	97	100	98	98	97	97	103
1928	92	101	101	94	98	96	90	98	96	101	100	100	97
1929	98	107	108	110	109	109	106	108	106	109	105	99	106
1930	98	100	99	99	96	90	82	82	82	81	76	72	88
1931	68	70	70	72	67	62	57	58	56	58	55	56	62
1932	54	54	53	49	45	43	38	40	44	49	47	45	47
1933	41	42	39	41	47	56	61	64	59	59	55	54	51
1934	49	55	59	60	65	65	56	58	52	56	55	57	57
1935	57	61	63	62	62	60	58	64	65	71	69	69	64