



FEDERAL RESERVE BANK  
OF PHILADELPHIA

*Business conditions in  
the Philadelphia Federal  
Reserve District*

*February 2, 1918*

**T**HE shutting down of industry throughout the district for several days this month, for the purpose of relieving the freight congestion and expediting the distribution of coal, has disturbed general business, the full effects of which have not yet been ascertained. The industrial loss resulting from this shutdown, however, is expected to be more than offset by the benefit the district will experience through the improvement in the railroad situation.

While the production of iron and steel for some time has been curtailed by the scarcity of coal and coke, the general coal situation has been acute only for the past few weeks. During that time it caused much suffering and possibly large financial losses. Until the situation became serious, there had been no unusual developments in the general business situation.

All branches of business directly connected with the war are continually absorbing more and more of the productive capacity of the district, and are giving constant employment to labor at high wages. Labor conditions are unsatisfactory and much complaint is made about the constant shifting of workers and the loss incident to the continual re-employment of men.

***Building operations*** The building trade, with the exception of Government work, is very inactive. This is largely due to the inability to secure materials and labor, and also

to the fact that there is but slight extension of private industrial plants. Building permits for twelve cities in this district, including Philadelphia, for December, 1917, amounted to \$915,000, as compared with \$6,157,000 in December last year. There is a great need in a number of these cities for houses to accommodate laborers who have recently been drawn there. This is particularly true of Philadelphia, because of the large shipbuilding operations which are in progress, and there is in contemplation the erection of between 7,000 and 8,000 houses to accommodate workmen.

***Chemicals and drugs*** The demand for chemicals and drugs has been very active, because of the urgent demands of both the Government and civilian users and an active export inquiry, particularly from South America. The lack of transportation facilities has been felt to a great extent and has cut down trade, and in addition, it has necessitated the carrying of very large stocks by jobbers and retailers, with a consequent heavy financial strain. Crude drugs are high in price and show indications of going still higher, whereas, the prices of chemicals show a declining tendency. Collections are good. This industry in general has benefited very considerably from the elimination of German competition as a result of the war.

***Coal*** The coal situation has not yet been cleared up to a very great extent and, in fact, the cold weather has so largely increased the demand for coal that the situation for a time, at least, was considerably aggravated. Production has been increasing since the first of the year, and for the week ending January 12, the production of bituminous coal totaled 10,410,140 tons, which is the largest production since the week ending December 8, 1917. In anticipation of better movements of coal in the future, the anthracite operators in Pennsylvania are advertising for 25,000 additional men. Increase in production is gradually being accompanied by better car movements, and we can look forward to some betterment in conditions. The Government has announced that industries which have not been engaged in war work will be called upon to furnish estimates as to what extent they could decrease their consumption of coal and, based upon the facts in the case, a formal order calculated to effect further savings in fuel will be issued. With such an adjustment of demand to supply, it is expected that some solution of the problem will be reached which will be as equitable as possible to all consumers.

**Food** The food needs of our allies have caused the exporting of large quantities of grain. Furthermore, the Government has found it necessary to buy 30 per cent of the flour output to supply the requirements of our army and navy. These sources of demand, coupled with the normal demand of the civilian population, center on a grain supply which is of great magnitude, but not of sufficient size to permit of individual consumption to the extent that has previously existed. Accordingly, there can be no surprise when it is noted that food prices are again taking a jump, as shown by the index numbers of the principal statistical agencies. Whether the necessity exists for further Government regulation of food prices remains to be seen.

According to Bradstreet's reports, it would seem that stocks of grain on hand have remained very nearly stationary since the beginning of December. The Bureau of Markets, of the United States Department of Agriculture, reports very large increases in the holdings of eggs and cheese on January 1, 1918, as compared to a year ago. Holdings of creamery butter, however, are only slightly larger.

The demand for all kinds of groceries is very good, but more especially for the staples, such as flour, salt and sugar, of all of which there is such a scarcity at this time. The supply of sugar is gradually increasing, but the people have in some cases been using molasses and syrups as substitutes. Canned goods are on hand in fairly large quantity. Prices have remained steady for the last two or three weeks. There seems to be some difference of opinion as to whether or not it would be wise to have further price regulation of food, or continue the present plan of selling goods at the usual profit above cost, irrespective of what the goods can be sold for in the market.

**Hardware** Notwithstanding the dullness in the building trade, the demand for hardware products has been good. The Government has been taking about 70 per cent of the goods in this line and the prospects are that it will absorb a still greater percentage of them. The prices are high. Collections are reported as not being good and not in keeping with the otherwise favorable condition of the trade.

**Iron and steel** It has been estimated that iron and steel plants as a whole were operating at about 30 per cent of capacity in the middle of January. This means that the situation

is worse than at any time since the beginning of the great war, with the possible exception of November, 1914. Iron and steel producers are now hampered not only by their inability to secure coal and coke, but by the sweeping embargoes on outgoing traffic, which have largely stopped their shipments. The most important consideration is the fact that iron and steel are prime necessities at this time, and a continuation of the present reduced production means a serious delay in shipbuilding and the manufacture of materials for war use. Orders for steel are practically at a standstill, as it is manifestly impossible to secure delivery during the first quarter of the year, and the uncertainty which exists as to Government price regulation has made both consumers and producers very cautious in giving or accepting orders for delivery after that period.

**Knit goods** The Government orders for knitted underwear for 1918 are reported to have been filled. In the hosiery and underwear lines, factories are running at approximately 75 per cent of capacity, the output being affected by a shortage of labor and needles. Considerable difficulty is being experienced in securing sufficient supplies of yarn. Manufacturers are shortening their credit terms to jobbers and the latter, in turn, to the retailers. The demand is good, stocks are low, and prices are continually advancing. Collections are quite good.

**Port** The port of Philadelphia has been greatly handicapped by lack of ships. Grain ships are waiting, but the grain cannot be brought down to the docks for loading because of the freight congestion of war supplies. This port offers very superior advantages to shippers, such as freedom from lighterage charges, excellent pier facilities, and proximity to the sources of most of the supplies, but it lacks the ships. During the year 1917 exports amounted to \$501,234,069, as compared to \$321,044,258 in 1916. Imports in 1917 totaled \$102,243,605, as compared with \$111,412,698 in 1916. Large shipments of war munitions and supplies account for the great increase in exports. An interesting commentary on the development of our American mercantile marine is to be found in the fact that of the vessels which arrived and cleared at the port of Philadelphia, 16 per cent were of American registry during 1917, whereas in the year prior to the outbreak of the great war the percentage was only 7.

**Retail business** Reports indicate that retail merchandising for the most part has been quite good during January, and much better than might be expected after the holiday season. The demand for the necessities of life continues to be pre-eminent and the demand for luxuries is declining. Collections are better than last year. Considering the year 1917 as a whole, reports indicate that retail trade was approximately 20 per cent greater than in 1916 in the city of Philadelphia. Other towns throughout the district exhibit the same general increase. It is a question whether the quantity of goods purchased has increased, but certainly the volume of trade expressed in money is considerably greater.

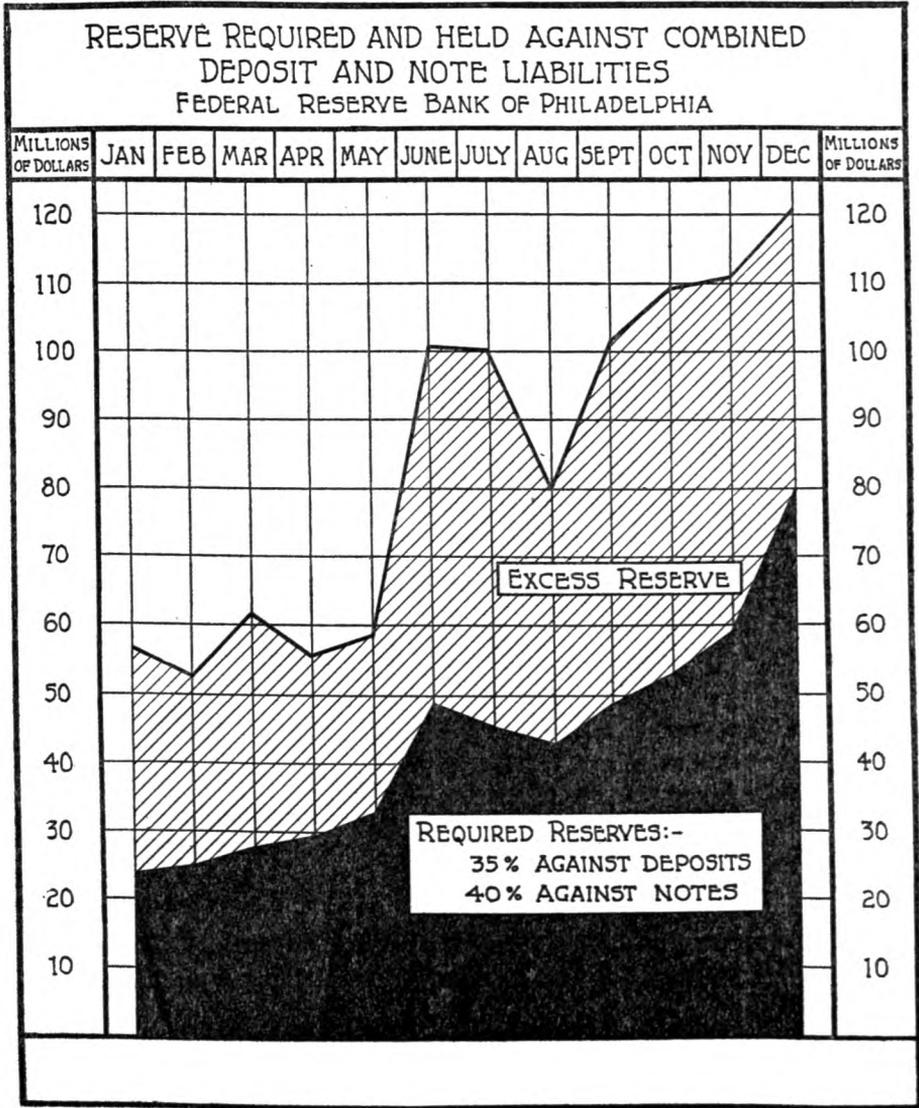
**Wool** The Government regulations applying to imported wools have had a quieting effect on the market, and some merchants have cancelled their foreign orders. The demand for wool is so great, however, that it is considered doubtful if the regulations will have much effect in lowering prices.

**Financial** The last installment of the Second Liberty Loan was paid January 15th. It is interesting to note that only \$26,000,000 remained unpaid on that date in this district, the payment of \$86,000,000 of the amount that could have been then payable, having been anticipated.

The loans and discounts of the Federal Reserve Bank during December amounted to \$45,025,000, as compared with \$31,478,000 in November and \$1,150,000 in December of 1916. The earnings have increased rapidly, and in December they were at the rate of 30.2 per cent on the capital stock.

The money market has been rather quiet, but firm. Call money is quoted at 6 per cent and choice commercial paper at  $5\frac{1}{2}$  to 6 per cent.

## RESERVE POSITION DURING 1917



**FINANCIAL INDICATORS**

	January 17, 1918	Percentage increase or decrease compared with	
		Previous month	Last year
<b>Philadelphia banks:</b>			
Loans .....	\$585,073,000	- 0.5	+ 9
Deposits .....	643,338,000	+ 0.5	- 4
<b>Federal Reserve Bank:</b>			
Discounts and collateral loans .....	30,863,400	- 11	+400
Cash reserve .....	71%	+ 22	- 9
90-day discount rate...	4½%	(Actual) 4½%	(Actual) 4%
Commercial paper.....	5½%	(Actual) 5¾%	(Actual) 3½%
	December, 1917	Percentage increase or decrease compared with	
		Previous month	Last year
<b>Bank clearings:</b>			
In Philadelphia .....	\$1,549,512,824	+ 1	+ 11
Elsewhere in district...	102,350,996	+ 1	- 1
<b>Total .....</b>	<b>1,651,863,820</b>	<b>+ 1</b>	<b>+ 11</b>
<b>Port of Philadelphia:</b>			
Exports .....	40,158,000	+ 24	+ 60
Imports .....	4,446,000	+ 8	- 34
Building permits in Phila- delphia .....	740,020	- 57	- 87
Post-Office receipts in Phil- adelphia .....	1,160,298	+ 8	+ 20
Commercial failures in dis- trict (per Bradstreet's) ..	(Actual) 63	(Actual) 60	(Actual) 93

FEDERAL RESERVE BANK OF PHILADELPHIA  
RICHARD L. AUSTIN, *Chairman*

*Compiled January 26, 1918*

<p>The purpose of this report is to provide member banks and the business community in general with a brief monthly review of prevailing business conditions in this particular Federal reserve district.</p>
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