



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

April 2, 1918

FAVORABLE weather conditions and the consequent easing up of the fuel situation have resulted in increasing activity in many lines of industry. Industries engaged in the production of war essentials have been enabled to produce at an increased rate as the difficulties of transportation tend to lessen.

The milder weather has benefited some retail lines and there is a strong demand for seasonable apparel. The stores report that business during March has been running ahead of last year. Considerable difficulty is experienced in obtaining adequate help, and necessary advances in wages have added to the already greatly increased cost of doing business.

Car movements The beneficial effects of the moderation in the weather during the latter part of February are to be noted in the figures given in the table below:

Car Movements—Total East and West over the Pennsylvania Railroad at Lewistown Junction. (In thousands of cars.)

	1915	1916	1917	1918
January	163	202	178	117
February	140	184	154	135
March	155	211	199	...
April	151	210	185	...
May	155	191	199	...
June	159	175	194	...
July	165	177	181	...
August	175	189	173	...
September	185	184	164	...
October	204	195	160	...
November	193	188	153	...
December	189	164	123	...

The number of cars moved in February exceeded the figures for January by 15 per cent. Moreover, the continuance of mild weather during March will enable a steady improvement to be made in the movement of cars. One of the large eastern railroads has cut down its passenger service 32 per cent and assigned the train crews and motive power to freight service.

Clothing There is a very good retail demand for clothing. One large retailer stated that business was about 20 per cent in excess of March of last year. People are buying suits of a better quality, recognizing that they cannot get good wearing material at the old prices and that the part of wisdom is to pay more. Some trouble is being experienced in securing goods because of the embargoes which have tied up shipments. Collections continue to be good.

Coal The coal situation today is somewhat better than during the trying days of late December and January, but it is rather disappointing in view of what might have been expected with the arrival of milder weather. At present, domestic consumers can secure coal with much greater ease than heretofore, but it cannot be said that any large stock is being accumulated. By order of the Fuel Administration, a decrease in the price of coal will go into effect on April 1.

Steam coal continues in as strong demand as ever and will continue to do so, and those who want it cannot get it in the quantities desired. It has just been announced that the Fuel Administration will put into effect the so-called "zone system" for the distribution of bituminous coal, whereby each district will use coal produced within itself so far as is possible. This will take a great burden from the railroads and will aid the situation to just the extent that the demand for railroad service is lessened.

Production for the week ending March 9 totalled 11,228,000 tons (according to the estimate of the United States Geological Survey) which was the largest production since that of the week ending November 24, 1917.

Cotton Business in cotton yarns has been very active. The Government is buying large quantities of cotton goods. Labor is scarce and, as is usual at this time of year, operatives are returning to the farms, which is increasing the scarcity of labor and raising the rates of wages.

Wool The wool market for some time past has been unable to achieve any degree of peace because of the regulations and rumors of regulations which have been arising at all times. The Government states that it will now exercise its option to take over importations of South American wool of certain grades. This has caused the cancelling of some orders for wool from South American countries but has caused a strong demand for other wools, such as the Australian. The War Trade Board has announced that it does not at present intend to interfere with the ordinary movement of the domestic clip which will be shorn in April, and this announcement has caused a decided feeling of relief. There has been an unusually large and steady consumption of wool. Mills have large orders and are running full. Prices have been uniformly strong. Supplies on hand are not large, and goods are being sold at the price ruling at the time of delivery.

Financial Money rates have remained high, the market in Philadelphia being on a 6 per cent basis. Not very much choice commercial paper has been offered, but there has been a liberal supply of the medium grade. The banks are getting their houses in order for the forthcoming Liberty Loan campaign.

Discount operations at the Federal Reserve Bank during the month of February amounted to \$31,868,000, compared with \$36,200,000 the preceding month, and \$1,682,000 in February, 1917. The Philadelphia institutions have rediscounted in considerable volume, borrowings by out-of-town banks being comparatively small.

Iron and steel Iron and steel production is marked by a slow recovery from the conditions which have curtailed production and are still doing so to a somewhat lesser extent. Coal and coke are still rather short in supply, and embargoes have not been thoroughly straightened out as yet. Manufacturers are now running at from 60 to 75 per cent of capacity. The total production of coke and anthracite pig iron during February amounted to 2,319,399 gross tons, which was a decrease from that of January. However, the daily production was at the rate of 82,835 tons, as compared to 77,799 tons in January, 1918, and 94,473 tons in February, 1917. There is still much room for improvement, but with the continuation of mild weather it is to be anticipated that production will increase very considerably.

Small producers appear to be somewhat worried over the new schedule of prices to be fixed by the Government on April 1. If the prices on finished materials are lowered and raw materials remain at the present levels, then they think it will be very difficult, if not impossible, to get along. The large concerns which combine all the processes of steel making from the mining and transportation of raw material to the manufacture of the finished product will not feel a reduction in prices to nearly as great an extent, as they can continue to make a profit on the production of pig iron and crude steel even when their profit on finished products is very much diminished.

Leather and shoes The shoe manufacturers are at present faced with a very strong demand and inability to manufacture in sufficient quantity due to difficulties in securing labor and heavy leather. It is stated that the heavy leathers are almost impossible to get and that this will very much limit the production of turned shoes. Prices of leathers have remained fairly steady, but the increased costs of labor, materials and overhead charges have much increased the cost of manufacturing shoes.

Textiles The demand for silks has been very good, but production is much hampered by a restricted labor supply and the congestion of traffic conditions. Prices are expected to advance sharply for goods marked for delivery in the fall.

A strong demand, a short supply, and high prices sum up the situation in the knit goods business. Mills are trying their best to catch up with old orders before booking new business.

Food There is no material change in the grocery situation. The improvement in the movement of supplies is rather slight and the continuance of embargoes of all kinds renders the delivery of commodities very irregular. The supply of sugar is showing some increase. Flour is in very short supply, and the substitutes are hard to get. The canned goods situation still presents an enigma, as the jobbers and wholesalers are compelled to hold off in their demands until the Government makes known its needs. Prices remain fairly steady at high levels and the demand is very good. Collections are good.

The supply of grain which is held on farms throughout the country is larger this year than a year ago. On March 1, the holdings of corn were 65 per cent in excess of the holdings at the same time in 1917; oats show a 52 per cent increase; barley, 30 per cent. Wheat was only slightly in excess of last year, the holdings on March 1 being 111,272,000 bushels.

Food storage The holdings of various articles of food in cold storage on March 1 and a comparison with the holdings of the same storages at the same date in 1917 are given below:

COMPARISON OF COLD STORAGE HOLDINGS

Article	Number of storages reporting	March 1, 1917 holdings in pounds	March 1, 1918 holdings in pounds	Per cent increase or decrease
Packing stock butter...	105	867,872	573,429	- 34.
Creamery butter	333	16,952,367	18,168,209	+ 7.
Cold storage eggs.....	374	6,891*	15,583*	+126.
Frozen eggs.....	145	1,334,129	8,613,507	+546.
American cheese	413	15,559,603	41,612,500	+167.
Frozen beef	318	169,792,699	188,087,763	+ 11.
Cured beef	320	37,660,065	36,508,067	- 3.
Frozen lamb and mutton	166	4,948,954	6,929,546	+ 40.
Frozen pork	294	63,352,144	89,288,856	+ 41.
Dry salt pork	401	250,058,920	381,854,062	+ 47.
Sweet pickled pork....	480	378,846,509	350,997,846	- 7.
Lard	479	88,459,714	62,931,026	- 29.
Total frozen poultry...	203	27,796,293	13,881,528	- 50.

*cases

As may be seen by an examination of the foregoing table, there has been a very considerable increase in the holdings of frozen eggs, cheese, lamb, mutton and pork, whereas beef and poultry are either holding their own or falling behind.

BUSINESS INDICATORS

	March 18, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$580,899,000	+0.2	+ 5
Deposits	630,095,000	+ 1	- 5
Ratio	91%	(Actual) 93%	(Actual) 83%
Federal Reserve Bank:			
Discounts and collateral loans	25,961,822	- 1	+1334
Cash reserve	74%	+ 1	- 9
90-day discount rate...	4½%	(Actual) 4½%	(Actual) 4%
Commercial paper.....	6%	(Actual) 5¾%	(Actual) 4%
	February, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia.....	\$1,223,305,964	- 20	- 3
Elsewhere in district...	81,216,156	- 17	- 3
Total	\$1,304,522,120	- 20	- 3
Port of Philadelphia:			
Exports	\$26,534,875	- 32	- 54
Imports	8,021,153	+ 13	- 11
Building permits—Philadel- phia	\$591,865	- 65	- 86
Post-Office receipts—Phila- delphia	\$961,130	- 5	+ 25
Commercial failures in dis- trict (per Bradstreet's)..	78	(Actual) 79	(Actual) 51
Commodity prices:			
Annalist	286.885	+ 1	+ 24
Bradstreet's	\$18.0732	-.04	+ 20
Dun's	\$227.977	+0.4	+ 22

Compiled March 22, 1918

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.