



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

May 2, 1918

MORE and more of the industrial capacity of the district is being devoted to the production of materials essential to the conduct of the war. This has been accomplished through the extension of the system of Government priority orders which control the distribution of raw materials. Many concerns, which have been engaged in the production of non-essentials, have diverted their plants to the manufacture of some kind of war materials and supplies. The gradual drawing away of labor into the more essential war industries, in addition to the difficulties in the way of obtaining supplies, has reduced the output of goods not essential to the conduct of the war.

Although buyers are displaying conservatism, the volume of sales in retail lines continues to be of very satisfactory proportions. Business during the first part of April was slightly behind last year, because of an early Easter and bad weather. Since then, however, the quantity of goods sold has been running ahead of last year. Difficulty is experienced in obtaining goods of the better grades.

On account of the high wages, wage earners now seem to be the principal purchasers of goods, being able to buy goods which heretofore they have been unable to purchase. It is reported that a number of proprietors of small stores in one of the large cities in the district have closed their stores and have taken employment in the shipyards and other places where they can earn more money. Confidence in the continued activity at the shipyards, steel, textile, munition and other manufacturing plants, which have orders on

hand that will absorb the entire product for a considerable time, is the basis for the belief that the present demand for all kinds of commodities will be sustained.

Building There has been very little building in this district, and little is contemplated. Builders are hampered by their inability to secure sufficient materials; furthermore, the necessity of conserving goods and labor to the utmost is being recognized, and there are few non-essential building enterprises in process of construction.

Ten cities and towns situated in this district show a total of building permits issued during March to the value of \$2,129,797. Philadelphia is included in the figures. This is a decrease of 60 per cent from the figures for March, 1917. One hundred and forty-eight towns and cities throughout the country issued permits to the value of \$36,565,279, a decrease of 55 per cent from the previous year's figures.

Coal The anthracite situation is favorable so far as production goes, and the demand for coal is very strong. Anthracite production during March was the greatest recorded in the history of the industry, according to the Anthracite Bureau of Information. During that month production totalled 7,276,777 tons, an increase of 1,464,695 tons over February and of 287,702 tons over March of 1917.

The bituminous situation was serious during the last days of March and the beginning of April, but production has jumped again to more normal figures. Production during the week ending April 13 averaged 1,824,000 tons per day, according to the United States Geological Survey estimates. Car shortage is the principal obstacle to be dealt with, and efforts are now being made to increase the number of cars delivered to the mines.

Cotton Cotton yarns are scarce and have been very high in price. Raw cotton, however, has declined sharply, and the amount offered has increased.

The increasing demands of the Government and the restrictions on imports, together with all the various factors of transportation difficulties, etc., had combined to make the cotton goods market one of great speculative activity. This activity is still

present to some extent, but it has largely decreased, owing to the demand for and the probability of Government price-fixing not only on goods for its own use, but for civilian use as well.

Crops Reports indicate that it will be practically impossible to secure an increased acreage of crops in most sections of the district, because of the great scarcity of labor, which is hampering the farmers in every direction. The use of labor-saving machinery, such as tractors, etc., has been more extended as the supply of farm labor has become smaller. It seems that the farmers are able to get sufficient fertilizer of good quality, but the prices are so high that in many instances they do not buy except in very small quantities. The condition of wheat is reported as fair to good. It is estimated that there will be a 30 per cent increase in the tobacco acreage in the district.

More than ever before, farmers are financing themselves by cash payments, due, apparently, to the prosperity brought about by high prices during the last few years. The use of bank loans or notes to implement dealers to finance such transactions has fallen off to a very noticeable extent.

Food The canned goods situation is causing considerable anxiety. The packers will not pack unless they have orders for future delivery which will enable them to finance their operations by discounting notes at their banks, and on the other hand buyers are holding off because of the high prices. What solution will be reached is problematical as yet.

The flour situation is, of course, very serious until the harvesting of the present winter wheat crop, which is expected to be considerably in excess of last year's crop. The supply of substitutes is now very good, and they are taking the place of flour to a much greater extent than formerly.

The general demand for commodities is strong, and prices range slightly higher in some instances. Bradstreet's commodity index on April 1 was 2 per cent higher than a month previous and 27 per cent higher than on April 1, 1918. Collections are said to be good.

Hardware There has not been much change in the hardware situation during the past few months. Freight congestion is still a vexing problem, causing considerable difficulty in getting goods from manufacturers and in shipping to buyers. Business is being offered freely from all sides, because people will turn anywhere to get what they want, but the Government requirements are becoming so pressing that the supply available for civilian use is not equal to the demand. Demand in the farming sections is strong because of the greater prosperity of the farmers. Many lines, such as handles for axes, picks, rakes, etc., are almost impossible to get anywhere. Prices are stiffening and no declines are indicated.

Iron and steel The production of pig iron during March was most satisfactory. The daily average of production was 103,648 tons, which is the largest since last November, and compared favorably with 82,835 tons, which was the daily average in February of this year.

The scarcity of coke has been one of the hampering factors, but this is gradually being overcome, and furnaces are running at a greater capacity with a corresponding increase in output.

The schedule of prices fixed by the proclamation of the President on March 26 resulted in the lowering of prices on pig iron and scrap steel \$1 per ton, other prices to remain the same. The provision that prices shall continue for three months is a source of dissatisfaction to the trade, as business cannot be conducted properly with too frequent changes in prices.

Steel plants are speeding up production and shipments of plates to shipbuilding and locomotive-building plants due to the urgency of the demands. It would appear that in the future, deliveries for civilian users will show a still smaller proportion to total production than at present.

Knit goods and underwear The advent of seasonable weather has been accompanied by more spirited buying and continuation of the hardening tendency in prices. It is stated that mills engaged in the production of light-weight underwear are booked ahead for 85 to 90 per cent of their output to November of this year, this percentage covering both Government and civilian business, and that next spring will see but very

little in the way of offerings. The Government's demands for light-weight underwear are expected to be especially heavy, and civilians may have to conserve their supplies as they do food.

Hosiery is in good demand, especially for the better grades. The export demand for such articles is also strong, but the limitations of cargo space make it impossible to ship in large quantities.

Shipbuilding Rear-Admiral Bowles, assistant general manager of the Emergency Fleet Corporation, sees a great future in the development of the Delaware River as a shipbuilding center. At present, 11 shipbuilding plants are in operation, with 53 shipways in use or ready for use. Improvements when completed will increase this total to 113. These plants have orders for 382 vessels of a total tonnage of 3,200,000, valued at \$500,000,000. Sixty thousand men are now at work.

Shoes On an average, shoe factories in the United States are running at about 60 per cent of their normal production, according to the estimates of a prominent shoe manufacturer. This fact, coupled with a greatly increased demand for footwear, makes the difficulties of the situation in this industry very apparent.

Fancy trimmings have been largely eliminated and smart effects are secured by color combinations which do not retard output to such a great extent. Many varieties of leather are almost impossible to secure, especially some of the more delicate colors. First-class sole leather is very scarce because of the demands of the Government.

Textiles The textile industry is becoming more and more harassed by the rapidly increasing costs of production and their inability to secure a sufficient supply of labor. It has been pointed out that a great saving in the amount of labor required could be made if the newest types of automatic looms were introduced into the mills. The advantages to be derived from such machinery would not only be felt now, but in the competition after the war as well. Considerable financial aid will be necessary to secure a general substitution of the new types of machinery for the old.

Wool The wool market has been active and strong. On the 5th of April the Government took an option on wools in stock, and it is expected that a decision on such wools will soon be rendered. This action naturally caused a hardening in prices, and especially so in the case of those manufacturers whose importations were included in the Government's option. To eliminate speculation it has been agreed that there shall be no purchases of the new clip until it is ready for distribution.

The Government has asked manufacturers to devote a greater portion of their machinery to Government work, which has been done. It is not yet definitely known to what extent wool machinery is so engaged, but the proportion is undoubtedly considerable. An estimate of the National Association of Wool Manufacturers stated that approximately 45 per cent. of the wool machinery was operating on Government work on March 1, 1918.

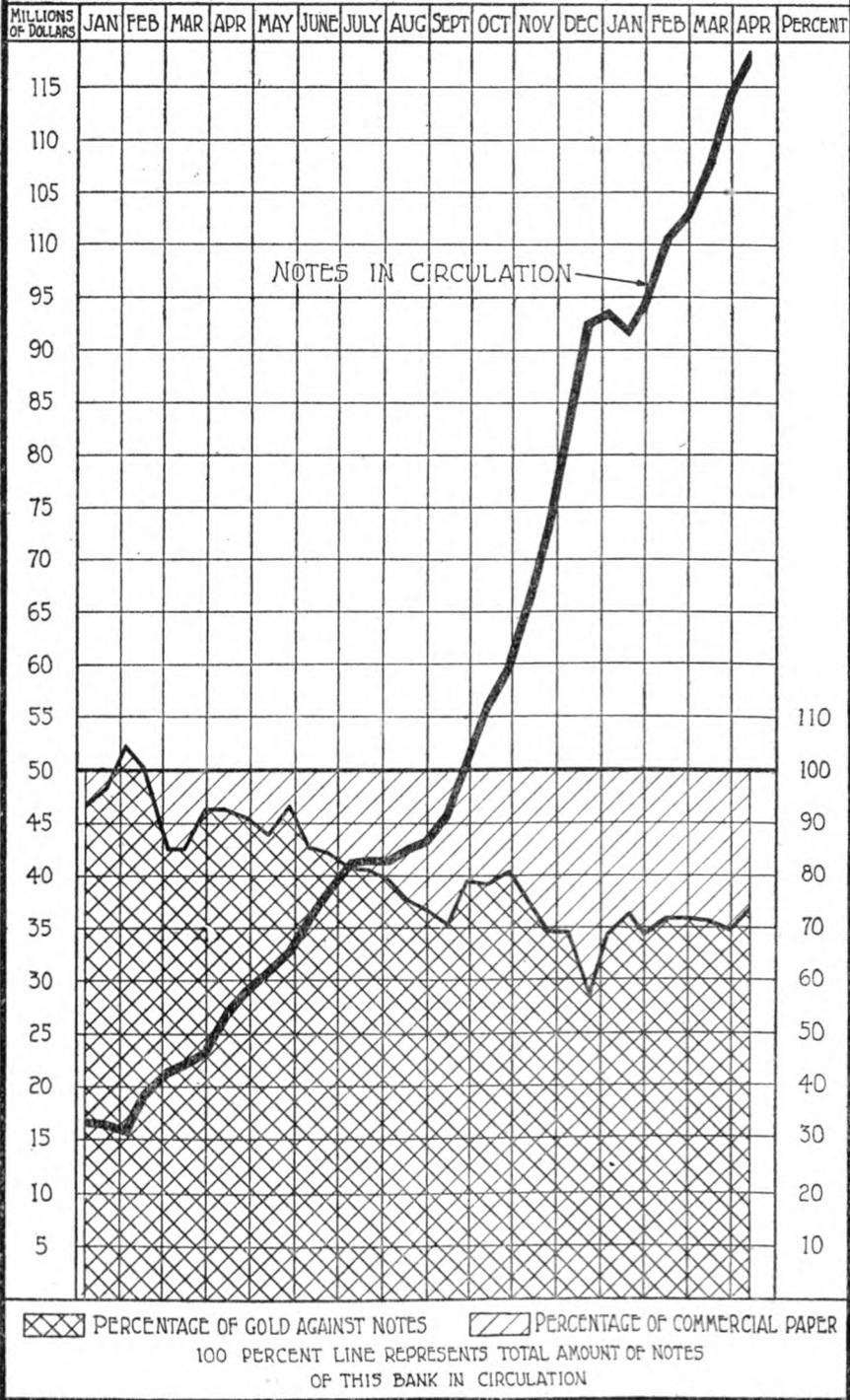
Financial Bank clearings continue to run high, a reflection of the well-maintained business activity, although allowance must still be made for the abnormal advance in commodity prices, which naturally tends to enlarge bank clearings.

Banks and note brokers report that statements of their customers for 1917 almost unanimously showed good profits, that assets in the form of accounts receivable and merchandise on hand were very much larger than for the previous year, and that owing to the high prices for materials, heavy production costs, etc., there had been a corresponding increase in liabilities. The statements indicate that business is being conducted on a more conservative basis than might have been expected under war conditions.

Money rates in Philadelphia have continued firm during the past month, the prevailing rate for commercial paper being 6 per cent.

Rediscounts and loans to member banks by the Federal Reserve Bank amounted to \$40,432,000 in March, compared with \$37,898,000 in February, \$45,987,000 in January and \$3,009,000 in March, 1917. Acceptances purchased by the Bank amounted to \$11,016,000 in March, compared with \$6,030,000 in February, \$9,786,000 in January and \$4,610,000 in March, 1917. The greater part of the borrowing has been in the form of member banks' 15-day notes, secured by Liberty Loan bonds or certificates of indebtedness.

FEDERAL RESERVE NOTES OF THE FEDERAL RESERVE BANK OF PHILADELPHIA WITH SECURITY HELD-1917-1918



BUSINESS INDICATORS

	April 15, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$598,135,000	+ 3	+ 9
Deposits	641,168,000	+ 2	- 7
Ratio	93%	(Actual) 91%	(Actual) 80%
Federal Reserve Bank:			
Discounts and collateral loans	25,786,000	- 1	+1876
Cash reserve.....	74%	0	- 8
90-day discount rate...	4¾%	(Actual) 4½%	(Actual) 4%
Commercial paper.....	6%	(Actual) 6%	(Actual) 5%
	March, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	\$1,427,175,557	+16	- 3
Elsewhere in district...	101,811,793	+25	+ 4
Total	\$1,528,987,350	+17	- 3
Port of Philadelphia:			
Exports	\$32,903,058	+24	-15
Imports	10,082,475	+26	+35
Building permits — Phila- delphia	\$1,130,785	+91	-68
Post-Office receipts— Philadelphia	\$538,541	-44	+26
Commercial failures in dis- trict (per Bradstreet's) .	63	(Actual) 78	(Actual) 61
Commodity prices:			
Annalist (April 6)....	285.848	-0.4	+15
Bradstreet's (April 1)..	\$18.4656	+ 2	+27
Dun's (April 1).....	\$230.313	+ 1	+21

Compiled April 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.