



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

June 3, 1918

THE industries of the district are adjusting themselves to meet the war requirements of the Nation, the output in many lines being almost entirely devoted to filling Government orders. The concentration of all the energies of the business life on the problems of the war is gradually resulting in a more smoothly running machinery of production. The district is singularly fortunate in being able to render services of inestimable value to the country in these times of emergency because of the central position which it occupies with reference to supplies and materials of all kinds.

Retail trade is reported to be about 40 per cent ahead of last year in volume of business, wage-earners on account of their very large earnings being large consumers of goods. Seasonable lines are particularly in good demand.

Manufacturers, as a rule, are extremely busy, but considerable embarrassment is being caused by the scarcity of many kinds of raw materials and the inadequate supply of competent labor.

Coal Shipments of anthracite coal over the 9 principal anthracite carrying railroads amounted to 6,368,372 tons during April according to estimates of the Anthracite Bureau of Information. This compares to 7,276,777 tons in March, which was the record month in the history of the anthracite industry, and 5,592,209 tons in April, 1917. While large quantities of coal continue to arrive, dealers are unable to accumulate reserve supplies because of the continuing strong demand. People are trying to secure a sufficient stock of coal in their bins so as to preclude the possibility of a coal shortage next winter. In order to conserve the supply of anthracite coal for those who need it most, the Fuel Administration has ordered that 24 western and southern states shall not receive anthracite shipments except by special permits.

Bituminous coal production is steadily increasing, due to a better supply of cars and more favorable operating conditions. Labor difficulties are still strongly in evidence as men are attracted elsewhere or drafted. Estimates of the United States Geological Survey, of the production of bituminous coal since the beginning of the year, are as follows:

BITUMINOUS COAL PRODUCTION

Week ending	Tons per working day	Week ending	Tons per working day
January 5.....	1,875,000	March 16.....	1,820,000
January 12.....	1,735,000	March 23.....	1,833,000
January 19.....	1,428,000	March 30.....	1,816,000
January 26.....	1,683,000	April 6.....	1,853,000
February 2.....	1,580,000	April 13.....	1,811,000
February 9.....	1,685,000	April 20.....	1,840,000
February 16.....	1,854,000	April 27.....	1,967,000
February 23.....	1,840,000	May 4.....	1,927,000
March 2.....	1,852,000	May 11.....	1,968,000
March 9.....	1,878,000		

Cotton The decline in raw cotton prices of late does not seem to have been a determining factor in computing the prices of manufactured cotton goods, as prices are still very high and are governed mainly by supply and demand. Trading in cotton goods has been rather quiet in contrast with the excited dealing which existed a short time ago. The Government has entered the market with very large orders, 70,000,000 yards of denim for over-all manufacture alone having been ordered lately. This huge Government demand has displaced civilian orders completely in many lines and it will be some time before any large amount of goods of certain kinds can go to civilian consumers. Print cloths are not in as great demand and there has been some lowering in prices. Bleached goods are very scarce and it is almost impossible to secure any without a Government order.

Food Reports of the United States Department of Agriculture for May 1 show an estimated winter wheat and rye production considerably in excess of the past few years. The economizing in the consumption of wheat has resulted in a much greater consumption of the smaller grains. Wheat flour is very scarce, but the substitutes are plentiful and it is stated that there is a considerable surplus of corn meal.

The sugar situation is easing up a little, but the approaching canning season will result in a stronger demand. However, the National Food Administration is limiting the use of sugar by manufacturers of nonessential products to 80 per cent of their 1917 requirements, except in certain special instances where the amount used is negligible.

The canned goods situation is still very considerably tangled. Cannors will not quote prices, only in exceptional cases, because of their inability to estimate the increased costs of canning. Buyers are holding off until prices are quoted. Government regulations are preventing speculation. While the cannors and jobbers are being held down to reasonable prices, the growers are asking high figures. The Government is having from 15 to 25 per cent of the pack of various commodities reserved for its needs.

Collections in the wholesale grocery business are only fair. This is explained by the great increase in the amount of capital required to carry an adequate stock, according to a leading wholesaler.

Food storage The holdings of the various meat and dairy products in the main compare very favorably with the holdings a year ago, with the exception of lamb, mutton and poultry. The estimates of the Bureau of Markets of the United States Department of Agriculture are given below:

COMPARISON OF COLD STORAGE HOLDINGS

Commodity	HOLDINGS IN POUNDS		Per cent increase or decrease
	May 1, 1917	May 1, 1918	
Frozen beef	118,391,000	206,400,000	+ 74
Cured beef	29,408,000	29,409,000	+0.004
Frozen lamb and mutton..	4,368,000	3,663,000	- 16
Frozen pork	76,091,000	125,134,000	+ 64
Dry salt pork	219,818,000	455,908,000	+ 107
Sweet pickled pork.....	377,280,000	394,753,000	+ 5
Lard	61,640,000	97,716,000	+ 58
Total frozen poultry	42,316,000	14,295,000	- 66
Cold storage eggs.....	2,082,000*	2,915,000*	+ 40
Frozen eggs	3,328,000	8,847,000	+ 166
Creamery butter	3,607,000	10,100,000	+ 180
Packing stock butter.....	173,000	1,229,000	+ 610
American cheese	7,927,000	19,839,000	+ 150

*Cases

Iron and steel The iron and steel industry is operating at greater capacity. It is stated that the general average of pig iron production is now around 95 per cent of capacity, while in the case of the subsidiaries of the largest corporation manufacturing iron and steel it has been estimated that 95 per cent of capacity would not represent an excessive figure. The daily average production of coke and anthracite pig iron during April was 109,607 tons, which represents an increase of approximately 6 per cent over March, 1918, and a slight decrease as compared to April, 1917. On May 1, production was estimated at 113,440 tons per day. The output of steel ingots during April totalled 3,163,410 tons, compared with 3,110,381 tons in March.

The Government requirements have resulted in an appreciable tightening in the supply of pig iron and steel which civilian consumers are getting. Control of the situation is passing more and more into the hands of the Government. Steel manufacturers in this district have pledged 100 per cent of their capacity to the Government until further notification. This, it is hoped, will bring about such an improvement in the general situation that it will be possible to devote further capacity to non-war business at a later date. Meanwhile the Government has announced its intention to co-operate with two of the largest steel companies in the erection of large ordnance factories. This will cause a large demand for structural steel and other equipment. The large orders for cars and locomotives which have just been placed will also tend to intensify the demand for iron and steel in all their forms.

Deliveries of coke have shown some improvement and the bettering of the transportation situation has enabled a large amount of manufactured products which were held up to be delivered and make room for further production. The situation in general is showing a very great advance over the stringent days of the winter months, but efforts must continue in order to insure an increasing supply of coke to take care of increasing demands.

Leather After due deliberation with cattle raisers, importers, packers, etc., prices have been fixed by the Government for all kinds of domestic and foreign hides and skins. Dealers in leather are expecting the promulgation of a price-fixing schedule for their commodity within a short time and it is thought that this may render the cost of civilian footwear more equitable.

The demand for leather has been gaining momentum of late. Jobbers and retailers of boots and shoes are beginning to realize that

they had better order early from the manufacturer if they desire to get their goods in the proper season. The demand for spring footwear was not as heavy as was anticipated, but the Government demands have been so pressing that there is never a lack of business in the shoe market.

Various organizations of leather-producers have in contemplation a merging of the individual organizations into one large body so that they may be better able to serve the country at this time and meet the competition which is expected after the war.

Silk goods The raw silk market does not show much change from week to week. Buying is rather slow and much difficulty is experienced in interpreting the situation, though in some quarters a fall in prices is expected.

On the other hand the manufacturers of silk have been displaying great activity. Buyers are trying to get their goods delivered on time but this is often impossible as the mills are behind schedule. There is a strong demand for seasonable goods and prices have risen. The mills are rather cautious about taking orders for delivery very far in the future as changes affecting the markets of supply and demand take place with disconcerting rapidity.

Textiles The general purchasing public does not seem to heed the increased prices of textile products as much as might have been expected. They want good materials and are willing to pay for them. Demand is very strong both from the civilian users and the Government, but in many lines the Government demands have represented such a large proportion of the possible output that other buyers have been somewhat neglected.

Materials are very expensive, not only because of the high cost of the raw products necessary to their manufacture, but also because of the inability to secure sufficient labor to keep all the machinery in operation.

Transportation The railroad situation is showing improvement as the season advances. The figures for the movement of cars on the Pennsylvania Railroad past Lewistown Junction show a total of 188,000 cars east and west during April, compared with 176,000 cars in March, and 185,000 in April, 1917. The necessity for equipment of all kinds is very urgent as the greatly increased demand for transportation facilities cannot be met by the

means now at the disposal of the Railroad Administration. In an attempt to partially satisfy this need, orders have been placed by the Government for 1,025 locomotives and 95,654 cars of various types, deliveries of which are to begin in July. The benefit to be derived from these increases in equipment will no doubt be considerable.

The Philadelphia-Baltimore-Pittsburgh Conference Committee of the Eastern Railroads, which is a branch of the National Railroad Administration, has issued an order, which became effective May 15, to the effect that all carload shipments of freight into Philadelphia and Baltimore must be accompanied by a permit which is to be secured by the consignee. This ruling is expected to be in effect for the duration of the war, and it is intended to relieve congestion around these seaports and guard against the wasteful misuse of railroad facilities through the forwarding of freight in excess of the consignee's needs or his ability to unload.

Motor trucks have been coming more and more into use as the congestion has increased around the principal ports and industrial centers of this district. Shipments by motor trucks between cities are being made on regular schedules maintained by numerous companies operating trucks. The Philadelphia Chamber of Commerce has instituted a "Return Loads Bureau" to bring shippers and truck operators together and avoid inefficiency due to return trips made without any load or a load below capacity of the truck. While shipments by truck are more costly in the majority of cases, the advantages of certainty and rapidity of transportation more than offset that disadvantage in the case of the lighter and more valuable commodities.

Wool The Government is now taking more complete control of the woolen industry. Prices are usually given as of July 30, 1917. All stocks of wool in the dealers' hands have been listed with the Wool Administrator at Boston. Valuation committees in the various markets are examining wools and fixing prices for those qualities title to which the Government wishes to take over promptly, in order to accelerate the manufacture of uniform fabrics. Deliveries of spot wools when taken over are being made to approved mills by the Wool Distributor, and the wants of those mills having Government contracts supplied with Government-owned wools. The Government has taken over the new clip and shipments are being made to preferred dealers.

Money A firm money market prevailed during the past month, 6 per cent being asked on both call and time loans. Commercial paper ranged from 5¾ to 6 per cent, with but little paper selling under the higher rate.

While loan and investment operations of the Federal Reserve Bank averaged about \$2,000,000 per day during April, and more than \$2,500,000 during the first three weeks of May, borrowings by member banks have not been as heavy as had been anticipated, and it is apparent that the Third Liberty Loan has been floated thus far without any undue strain on the money market. The bulk of the discounting has been in the form of notes secured by Government obligations. Such loans amounted to \$35,100,000 in April, compared with \$21,100,000 in March and \$40,500,000 from May 1 to May 21, inclusive.

Loan and investment operations of the Federal Reserve Bank, and earnings from investments, are given in the following table:

	January	February	March	April	First Four Months	
					1918	1917
Discounts of eligible paper or member banks' collateral notes secured by eligible paper	\$28,236,402	11,185,312	17,977,768	11,903,817	69,303,299	7,642,058
Discounts secured by Government obligations	16,907,280	26,262,056	21,119,160	35,102,271	99,390,767	—
Acceptances purchased	5,167,837	9,171,200	13,129,362	10,821,326	38,289,725	22,045,316
Municipal warrants purchased	10,000	—	—	—	10,000	1,422,767
Government obligations purchased . . .	843,750	451,000	1,336,000	3,334,000	5,964,750	4,598,300
Total—1918	\$51,165,269	47,069,568	53,562,290	61,161,414	212,958,541	—
Total—1917	3,940,771	11,766,311	12,220,424	7,780,935	—	35,708,441
	January	February	March	April	Total	
Earnings from investments: 1918 . . .	\$181,212	158,443	194,086	212,440	746,181	
1917 . . .	36,868	42,145	43,664	46,938	169,583	

BUSINESS INDICATORS

	May 20, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$624,278,000	+ 4	+ 12
Deposits	638,724,000	-0.5	- 2
Ratio	98%	(Actual) 93%	(Actual) 85%
Federal Reserve Bank:			
Discounts and collateral loans	37,787,000	+ 47	+324
Cash reserve.....	72%	- 2	+ 2
90-day discount rate...	4¾%	(Actual) 4¾%	(Actual) 4%
Commercial paper.....	6%	(Actual) 6%	(Actual) 5%
	April, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	\$1,579,825,000	+ 11	+ 12
Elsewhere in district...	120,777,000	+ 19	+ 19
Total	\$1,700,602,000	+ 11	+ 13
Port of Philadelphia:			
Exports	\$39,962,456	+ 21	+0.2
Imports	13,086,630	+ 30	+ 18
Building permits — Phila- delphia	\$2,381,075	+120	- 53
Post-Office receipts— Philadelphia	\$846,082	+57	-18
Commercial failures in dis- trict (per Bradstreet's).	39	(Actual) 63	(Actual) 56
Commodity prices:			
Bradstreet's	\$18.9133	+ 3	+ 25

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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.