



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

July 2, 1918

GENERAL confidence in the business situation is denoted by the liberal advance buying throughout the district. The retail demand for seasonable merchandise continues quite active, although the steady decrease in the variety of goods being offered by the leading stores and uniformly high prices are causing a well-defined tendency toward economy. In all lines, increasing difficulty is being experienced in replenishing supplies and the growing shortage of competent labor is an embarrassing feature.

The railroad freight car movement has greatly improved. A new record for the movement of freight to and from the South, in any one day, over the Philadelphia, Baltimore & Washington Railroad, was made in the 24 hours ending at midnight, June 16. Figures compiled that day show that 3,326 cars were counted passing Edgemoor, Del., the principal observation point on the southern division of the Pennsylvania Railroad. The east and west movement via the main line of the Pennsylvania Railroad also continues to be of record-breaking volume.

Coal is moving more freely. Production is decidedly better, but the situation generally is becoming more critical as the demands for war industries and domestic use are estimated at 80,000,000 tons more than was produced last year and the labor supply is gradually being depleted. Some of the men are leaving for higher wages with munitions plants, shipyards, etc., and others are being drafted into the army. Some collieries, because of labor shortage, claim they are unable to operate at more than 50 per cent capacity. The only change of note in the bituminous situation is in the fact that the car supply is better than it has been. The improvement is to such an extent that there are more cars available than can be loaded, in

some places. Here, too, the matter of sufficient and efficient labor will need attention.

Compared with the average for 10 years, the general condition of all crops in the states in this district is indicated as follows:

Pennsylvania	101.4	per cent
New Jersey	101.4	“ “
Delaware	94.4	“ “

New Jersey wheat is improving; truck crops are good; and there are excellent prospects for hay. In Pennsylvania, considerable corn must be replanted. Wet ground has prevented cultivation. Early potatoes, oats and rye are in fine condition. In Lancaster county, the number of tobacco growers is approximately 10,000, and the 1918 acreage is about 25,000. At least 75 per cent of the new crop is planted; it is making good growth, the weather being favorable. The embargo on importations of Sumatra and Java leaf has caused renewed activity in Manila and Porto Rico, and large quantities of the former are being received.

Steel, like most of the big industries, is working nearer capacity than at any time this year. The resolution adopted by the War Industries Board and the American Iron and Steel Institute that all pig iron and steel products shall be shipped hereafter only on priority certificates or to a preferential list of industries will make little, if any, difference, as steel plants have been for many weeks shipping all of their products as the Government directed. The iron and steel industry has shown a rather notable improvement during the month of May. The production of pig iron was the greatest in its history with the exception of October, 1916, the output being 3,446,000 tons, compared with 3,288,000 for April of this year, and 3,417,000 for May last year. The steel production has also increased considerably, the output of this commodity amounting to 2,513,000 tons during May, compared with 2,411,000 the preceding month, and 2,404,000 tons in May, 1917. Labor shortage has become a more important factor in mill and furnace operations, and in some districts there has been at times an excess of cars over loading capacity.

The building situation continues quiet, new construction being confined almost exclusively to the erection of buildings for the government or war industries, although it is reported that plans are being made for a large number of dwellings needed to accommodate

the great influx of labor attracted to Philadelphia by the increased activity at the shipyards and other manufacturing plants.

Cotton mills are sold well ahead. Yarns are scarce and high. The Government is requiring more and more of the production.

The Government has complete control of the wool situation, and it is stated that the trading profit in the business has been practically eliminated. Some houses have reduced their working forces and are making no effort for business.

Textile manufacturers have all the business they can take care of, more, in fact, than they can handle comfortably, considering the labor and transportation difficulties and the scarcity of raw materials.

The demand for printing papers for domestic consumption is practically normal, but it is increasingly difficult to secure reasonably prompt deliveries. On the other hand, the demand from foreign countries, which under existing conditions are obliged to look to the United States as the only source of supply, is phenomenally large. While the selling price of paper has steadily advanced during the past few months, the cost of production has also risen rapidly, and while the volume of business is satisfactory, the average price obtained is not.

Chemicals and dyestuffs are active and command good prices, while collections are good. Drugs are in demand, with scarcity in imported goods. Government requirements are very large.

The money market continued firm, the prevailing rate for paper being 6 per cent. Increased activity is noted in the sale of bonds and other securities. Tax payments and withdrawals of Government funds deposited with the banks resulted in loans and investments of the Federal Reserve Bank reaching a new high record of \$83,677,402, on June 18. On that day, the discount operations of the bank amounted to \$14,672,835, a record figure for any one day. Total discounts and loans granted to member banks during the month of May amounted to \$71,966,894; rediscounts for other Federal reserve banks amounted to \$2,038,200; acceptances purchased amounted to \$11,419,746. The total loan and investment operations during the month amounted to \$85,531,840, compared with \$61,161,414 in April, the previous high figure, and \$25,878,818 in May, 1917.

BUSINESS INDICATORS

	June 15, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$630,165,000	+ 1	+ 11
Deposits	639,152,000	+0.1	—0.4
Ratio	98%	(Actual) 98%	(Actual) 88%
Federal Reserve Bank:			
Discounts and collateral loans to member banks	48,502,000	+ 28	+215
Cash reserve.....	68%	— 4	+12
90-day discount rate...	4¾%	(Actual) 4¾%	(Actual) 4%
Commercial paper.....	6%	(Actual) 6%	Actual 5½%
	May, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	\$1,711,945,000	+ 8	+ 16
Elsewhere in district...	111,232,000	— 8	+ 12
Total	\$1,823,177,000	+ 7	+ 16
Port of Philadelphia:			
Exports	40,919,371	+0.2	— 4
Imports	13,533,749	+ 3	+ 18
Building permits — Phila- delphia	\$1,672,050	— 30	— 53
Post-Office receipts— Philadelphia	1,078,943	+ 19	+ 20
Commercial failures in dis- trict (per Bradstreet's) .	56	(Actual) 39	(Actual) 61
Commodity prices:			
Annalist, June 15.....	\$281.758	—2.2	+0.6
Dun's, June 1.....	224.843	— 1	+ 6
Bradstreet's, June 1....	19.004	—0.3	+ 23

Compiled June 21, 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.