FEDERAL RESERVE BANK
OF PHILADELPHIA

Business Conditions in the Philadelphia Federal Reserve District

August 2, 1918

THE war continues to be the overshadowing factor everywhere. Notwithstanding the shortage of supplies affecting practically all lines, marked activity in general business continues. This is natural in view of the wage advances and the consequent increase in the spending power of the Nation. Most kinds of merchandise are in better demand than supply. Midsummer influences are not very noticeable. Owing to unusual conditions arising from the rigid prosecution of war policies, there have been some lines, of course, which have been unfavorably affected.

Retail distribution, including men's and women's wearing apparel, has recovered from the setback due to unseasonably cool weather, but there are many indications on the part of the public to limit buying to staples and more actual necessaries.

Business at the South Jersey seashore resorts has been very quiet. Hotels which are normally crowded at this time of year are not half filled, and the stores have felt the effects of war-time economies. While it is anticipated that the reduction in the one-day excursion rates will result in more visitors at the shore resorts, there seems to be little inclination among the majority of the people to go away for any extended time. Many, who formerly went to the seashore or mountain resorts for the better part of the summer, are remaining in or about town.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The shipyards and war industries in the vicinity of Philadelphia are absorbing workmen from all points. This condition has created a severe shortage of rentable property and many families are having difficulty in finding suitable housing. Real estate agents, who usually had large numbers of houses for rent, now advertise that owing to the unprecedented demand for houses, their rent lists are exhausted. This stringency is not being relieved materially by new home construction as building is still quiet. Difficulty in obtaining financial accommodation and high costs and scarcity of materials and labor continue to operate as restrictive factors in the building industry, which generally is at the lowest mark for a decade.

The freight car movement over the Pennsylvania Railroad at Lewistown Junction is of record-breaking proportions, the figures for June being as follows:

	Loaded	Empty	Total
Eastbound	92,174	1,435	93,609
Westbound	19,018	90,997	110,015
Total	111,192	92,432	203,624

Eastbound bituminous coal shows an increase of 27.2 per cent over the month of June, 1917, while westbound miscellaneous fell off 27.6 per cent. Total car movement increased 4.5 per cent.

The iron and steel market continues to be dominated by government orders. The industry, helped by cool weather, has been making an unexpectedly good response to the call for more steel, and is now operating almost to full capacity, even the smallest factories being able to obtain all the orders they can handle. Production of plates and shapes has been exceptional during the past few months. The American International Shipbuilding Corporation, which complained not long ago that its work at Hog Island was being seriously retarded by lack of steel, has announced that steel is arriving in ample quantities. The general testimony of iron and steel producers is that the system of control of deliveries, as inaugurated some time ago, is working quite well, and many concerns in this district have not yet materially changed their method of handling orders as a result of the July 3d statement of the War Industries Board, which granted to producers the right to accept certain orders without priority certificates.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BUSINESS INDICATORS

	July 15, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	$606,991,000	— 4	+ 10
Deposits	615,055,000	— 4	— 5
Ratio	98%	(Actual) 98%	(Actual) 86%
Federal Reserve Bank:			
Discounts and collateral loans—members	63,387,000	+ 31	+451
Cash reserve	67%	— 1	— 17
90-day discount rate	4¾%	(Actual) 4¾%	(Actual) 4%
Commercial paper	6%	(Actual) 6%	(Actual) 5%

	June, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	$1,700,306,000	—0.8	+ 13
Elsewhere in district	107,643,000	—3	+ 8
Total	$1,807,949,000	—0.9	+ 13
Port of Philadelphia:			
Exports	26,786,000	— 34	— 35
Imports	9,932,000	— 27	— 31
Building permits — Philadelphia	$1,671,000	—0.1	— 29
Post-Office receipts—Philadelphia	957,560	— 11	+ 22
Commercial failures in district (per Bradstreet's)	33	(Actual) 56	(Actual) 45
Commodity prices:			
Annalist, July 13	282.168	+0.2	+ 6
Bradstreet's, July 1	19.1849	+0.9	+ 19

Compiled July 20, 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.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

but the work seems to have been done, most of the large farms being equipped with the latest labor saving machinery.

Much surprise has been expressed that Lancaster County's new tobacco crop has shown such good growth in spite of unfavorable weather conditions, being fully two weeks ahead of the crops of the last few years. The fields planted in May, which far exceeded the number planted in that month for many years, are making more rapid development than the fields of the June planting, an incident that many older planters had believed could not be possible. The factories are operating at capacity. The demands for all forms of tobacco goods is showing such a steady increase that in numerous instances night shifts are necessary. Heavy shipments of our troops overseas has increased the demand, particularly for cigarettes.

The money market has remained firm, at 6 per cent, during the past month. The market has been freed from much unnecessary financing by the Capital Issues Committee and the banks have responded to the war needs of the Government by curtailing their credits to non-essential industries. Business on the local stock exchange has been dull, although there is a continued absorption by investors of high-grade railroad securities.

Bills discounted for member banks by the Federal Reserve Bank during June amounted to $92,825,910, a record figure; bills rediscounted for other Federal reserve banks amounted to $2,238,350; acceptances purchased, $4,882,526; total discounts and open market purchases, $104,289,787, compared with $85,531,840 the preceding month. Of the bills discounted for members, $64,877,529 were secured by United States bonds or certificates of indebtedness. The average daily amount of earning assets held by the bank during June was $77,315,535, and the average annual rate of return was 4.2 per cent.

Total discount and investment operations during the first half of the year amounted to $402,780,168, compared with $107,753,637 the same period last year, and $329,743,478 for the entire twelve months of 1917. Gross earnings from such operations amounted to $1,252,946 the first six months of 1918, compared with $316,042 the corresponding period last year, and $987,057 for the entire year 1917.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

The production of anthracite coal is not up to the maximum owing to the depletion of labor through the operation of the selective service law and the inducement offered in the form of higher wages by other industries. One authority reports that the anthracite fields alone are short approximately 33,000 men, who have been drafted or lured away by war plants. This great shortage of labor is compelling the operators to largely suspend normal new development work in order to free miners for the work of producing coal for the market. Dealers in many localities are far behind in delivering even two-thirds of their customers' requirements for the year. The shipments for June, as reported to the Anthracite Bureau of Information, amounted to 6,867,669 long tons, compared with 7,049,037 tons in June, 1917.

There has been a marked improvement in the car supply in the bituminous fields. Production for the week ending June 29 amounted to 12,340,000 tons, the highest in the history of the industry.

The uncertainties of price-fixing negotiations have caused some withholding of purchases in cotton goods. The demand far exceeds the supply.

Fleece wools are leaving the hands of the growers with much greater activity and the valuation of all grades is proceeding at a rapid pace. Inquiry for yarns in anticipation of a revival of the civilian knitting activities in the fall has disclosed a pronounced scarcity of these materials, with prices strong. There is an increasing shortage of woolen goods, and the trade in this line, as in cottons, reflects the influence of impending price regulation, although conditions have steadied somewhat by official assurances that there is enough wool in sight to provide for all military and civilian needs.

Prospects of early sown crops have faded somewhat owing to the prolonged dry weather, but the shading of estimates thus rendered is not material. The berry crop is very short and in some places is not more than 25 per cent of normal. Prices are high. The potato crop has been hurt, but tomatoes, which are helped by a reasonable amount of dry weather, are reported as very good. The acreage is large. Hay and rye are being harvested and crops are heavy. The labor supply has been short all year,

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis