



FEDERAL RESERVE BANK  
OF PHILADELPHIA

*Business Conditions in  
the Philadelphia Federal  
Reserve District*

*September 3, 1918*

**G**ENERAL business throughout the district is now substantially back to the maximum level of a year ago, although held in check in some lines by inability to get goods. War influences control business, and all activities are entirely subject to them.

The manufacture of war essentials is now completely under Government control, while the production of non-essential goods is almost wholly dependent upon accumulated supplies, inasmuch as the procuring of new supplies is virtually impossible.

From the operating and producing standpoint, most lines of business are very active. As has been the case for some time, the demand for goods necessary to the conduct of the war is sufficient to more than employ all the available machinery and labor, and it will be months before certain goods can be produced in any amount for civilian use. The Government being the principal purchaser of goods, there is no question as to payment of bills; large wages make for a large purchasing power on the part of the people, so that the distribution of goods through the jobbers and retailers has been satisfactory, and collections are very good.

Fall trade is about to open. Prices are considerably higher, and there is some uncertainty as to just how the advanced prices will be received. Jobbers are beginning to offer goods for next Spring; their prices are in advance of a year ago, and there is reported hesitation on the part of buyers in making purchases.

The coal situation is more satisfactory mainly because the car supply shows improvement, but there is still anxiety about the supply next Winter owing to the extent that the labor shortage is restricting production.

It is stated that the regulation of the prices of cotton yarns and fabrics, with the notice that a new schedule of prices may be made on October 1, has retarded dealings in most varieties of cotton goods, although it is reported that orders are being taken subject to the prices that may be fixed on that date.

The wool business has been taken over by the Government. No wool is being sold for civilian purposes, and all importation of foreign wools has been suspended, except for Government use. Nearly all the wool and woolen manufacturers of the country are working on Government orders. Dealers in woolen goods are practically out of business. An insignificant quantity of cloth is being made, but of so poor a quality that in ordinary times it would be hardly salable. We are advised that manufacturers of clothing and other users of cloth have laid in large stocks, and the chances are that all the civilian clothing needed can be supplied for the next twelve months, the only suffering being from the prices consumers will have to pay.

The effect of Government domination extends similarly to the manufacture of iron and steel products, another large industry of this district. The largest possible tonnage is being turned out, and producers have given up all thought of supplying any steel for other than war or Government purposes for an indefinite time. The July output of iron was better than in any similar month, and the number of furnaces in blast was the greatest ever known.

Truck farms are reported fair to good. The soil is dry, but local showers have relieved the situation in many sections.

STATEMENT SHOWING THE PRINCIPAL RESOURCE  
AND LIABILITY ITEMS OF MEMBER BANKS  
IN PHILADELPHIA, SCRANTON  
CAMDEN AND WILMINGTON

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	At the close of business	
	<u>August 16, 1918</u>	<u>July 19, 1918</u>
	(000's omitted)	
Number of banks reporting.....	50	49
United States bonds to secure circulation.....	\$12,770	\$12,970
Other United States bonds, including Liberty bonds .....	30,601	25,905
United States certificates of indebtedness.....	49,703	26,070
Total United States securities owned....	93,074	64,945
Loans secured by United States bonds and cer- tificates .....	44,225	42,584
All other loans and investments.....	620,256	616,934
Reserve with Federal Reserve Bank.....	66,063	65,717
Cash in vault.....	21,004	20,880
Net demand deposits on which reserve is com- puted .....	578,632	561,652
Time deposits .....	14,421	15,340
Government deposits .....	42,451	30,532

**STATEMENT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA**

RESOURCES	August 23, 1918	Previous week	Year ago
Gold coin and certificates in vault .....	\$279,127	\$440,615	\$28,738,800
Gold settlement fund.....	48,480,534	63,970,204	26,867,000
Gold with foreign agencies	408,022	408,021	3,675,000
<b>Total gold held by Bank</b>	<b>49,167,683</b>	<b>64,818,850</b>	<b>59,280,800</b>
Gold redemption fund— Federal Reserve Bank notes .....	50,000	—	—
Gold with Federal Reserve Agent .....	113,780,150	96,541,365	32,160,860
Gold redemption fund....	5,000,000	5,000,000	700,000
<b>Total gold reserve.....</b>	<b>167,997,833</b>	<b>166,360,205</b>	<b>92,141,660</b>
Legal tender notes, silver, etc. ....	730,730	804,964	1,204,726
<b>Total reserve .....</b>	<b>168,728,563</b>	<b>167,165,169</b>	<b>93,346,386</b>
Bills discounted—members.	85,182,612	93,985,303	9,762,376
Bills bought in open market	11,035,313	11,325,406	18,607,787
<b>Total bills on hand...</b>	<b>96,217,925</b>	<b>105,310,709</b>	<b>28,370,163</b>
U. S. Government long- term securities .....	1,347,550	1,347,400	549,300
U. S. Government short- term securities .....	1,210,500	1,220,500	2,548,000
<b>Total U. S. securities.</b>	<b>2,558,050</b>	<b>2,567,900</b>	<b>3,097,300</b>
Municipal warrants .....	—	—	131,012
<b>Total earning assets ....</b>	<b>98,775,975</b>	<b>107,878,609</b>	<b>31,598,475</b>
Due from other Federal re- serve banks—net .....	10,784,722	874,667	—
Uncollected items .....	43,607,185	41,820,476	28,538,869
Deductions from gross de- posits .....	54,391,907	42,695,143	28,538,869
All other resources.....	1,623,480	1,216,639	239,450
<b>Total resources .....</b>	<b>323,519,926</b>	<b>318,955,560</b>	<b>153,723,180</b>
<b>LIABILITIES</b>			
Capital paid in .....	7,151,350	7,151,350	5,276,650
Government deposits ....	13,628,091	3,973,559	1,809,349
Due to members—reserve account .....	82,558,678	97,139,889	70,693,920
Collection items .....	38,092,194	32,120,319	26,250,267
Due to other Federal re- serve banks—net.....	—	—	6,487,760
<b>Total gross deposits.</b>	<b>134,278,963</b>	<b>133,233,767</b>	<b>105,241,296</b>
Federal reserve bank notes in actual circulation....	258,413	—	—
Federal reserve notes in actual circulation .....	180,426,000	177,231,420	42,728,455
All other liabilities .....	1,405,200	1,339,023	476,780
<b>Total liabilities .....</b>	<b>323,519,926</b>	<b>318,955,560</b>	<b>153,723,180</b>
<b>Reserve against all liabil- ities .....</b>	<b>64.75%</b>	<b>62.42%</b>	<b>78.10%</b>

In an effort to solve the labor problem and prevent the loss in production due to flotation of labor from one section to another, there have been organized in this district about forty-five local United States Employment Offices. During the first half of August they received applications for approximately 500,000 unskilled laborers, and were in a position to fill about 20 per cent of the requests. A number of applications are received for women to do laboring work at the same rate per hour as is offered men in the same capacity.

Government financing and the requirements of business are maintaining an active demand for money, and rates throughout the district continue firm at 6 per cent for nearly all classes of loans. The large subscriptions of banks to United States certificates of indebtedness are causing them to restrict credits wherever possible, and the tendency is to curtail accommodations to lines of business not necessary to public welfare, or essential to the conduct of the war.

There is continued absorption of high-grade railroad securities, which are selling at unusually low levels. Sentiment has been helped by the announcement that the interest rate of the next Liberty Loan will not be higher than that of the Third Loan, and increasing confidence in the security markets is noted.

Total loan and investment operations of the Federal Reserve Bank during July amounted to \$140,269,123 of which 50 per cent represented notes secured by United States Government bonds or certificates of indebtedness. Two hundred and forty-five of the 645 member banks in the district were accommodated during the month. Loan operations for the entire year 1918 will likely run well over \$1,000,000,000, compared with \$329,700,000 for the year 1917.

Earning assets reached the record figure of \$113,060,614 on August 14, and a new high record for loan operations on any one day was made on August 8, when the total was \$17,141,131.

The reserve of the bank has averaged about 62 per cent during the past month against total liabilities of \$253,000,000 of which \$170,000,000 were liabilities for Federal reserve notes and \$83,000,000 were liabilities for deposits.

## BUSINESS INDICATORS

	August 17, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
<b>Philadelphia banks:</b>			
Loans .....	\$616,000,000	+ 1.6	+ 11.4
Deposits .....	610,000,000	- 0.9	- 1.8
Ratio .....	101 %	(Actual) 98 %	(Actual) 89 %
<b>Federal Reserve Bank:</b>			
Discounts and collateral loans—members ....	83,927,000	+ 32	+ 578
Cash reserve .....	62 %	- 5	- 13
90-day discount rate...	4¾ %	(Actual) 4¾ %	(Actual) 4 %
Commercial paper .....	6 %	(Actual) 6 %	(Actual) 5 %
	July, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
<b>Bank clearings:</b>			
In Philadelphia.....	\$1,765,812,000	+ 4	+ 33
Elsewhere in district...	115,622,000	+ 7	+ 16
<b>Total .....</b>	<b>\$1,881,434,000</b>	<b>+ 4</b>	<b>+ 32</b>
<b>Port of Philadelphia:</b>			
Exports .....	28,493,000	+ 6.4	+ 33
Imports .....			
Building permits — Phila- delphia .....	\$1,141,000	- 32	- 78
Post Office receipts— Philadelphia .....	951,000	- 0.7	+ 35
Commercial failures in dis- trict (per Bradstreet's).	29	(Actual) 33	(Actual) 48
<b>Commodity prices:</b>			
Annalist, August 17. ....	290.021	+ 1.7	+ 7.9
Dun's, August 1 .....	232.058	- 0.2	+ 6
Bradstreet's, August 1..	19.1162	- 0.4	+ 17

*Compiled August 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.