



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

December 2, 1918

A MORE normal situation has resulted from the waning of the influenza epidemic. Retail trade has improved wonderfully and merchants express the belief that the buying during the balance of the year will more than make up the loss caused by the epidemic.

In wholesale lines, however, conservation is manifest, many buyers displaying a disposition to hold back orders until more definite knowledge is available concerning the trend of prices, deliveries, etc. At the same time, inquiries continue fairly numerous, and though purchases are mainly in small lots to cover immediate requirements, the volume of business in the aggregate is very encouraging. Manufacturers continue busy, practically all the leading mills and factories operating to capacity and most of them still complaining of the scarcity of help.

Until the 4,000,000 men now under arms are demobilized, which will take some time, we must continue to feed, clothe and equip them, and it will be many months before business is back again onto a complete peace basis.

The first and greatest responsibility rests upon the Government. It has taken over the country's industries almost completely, and it is not anticipated that the Government will drop its contracts and responsibilities, to the embarrassment of the general business of the country. Contract cancellations are being carefully handled.

While there is a strongly defined tendency to mark time, trying to sketch out the probable breadth of the readjustment on account of the ending of the war, the consensus of opinion is that the period of readjustment will be relatively short, to be followed by an era of industrial activity in which the world will be reconstructed.

What lies in store for our industries in the great reconstruction period ahead is of such proportions that, once the machine is working again, the outlook becomes extremely assuring.

In the construction of vast numbers of buildings and of whole cities in Europe, the demand for machinery and materials will be limited, perhaps, only by the supply that can be furnished. The cost of these will run up into the billions of dollars, and, at least for the early part of this reconstruction, the United States must be relied upon for a great proportion.

Overtime and Sunday work have been abolished in war and shipbuilding industries, but it is believed that the campaign for construction of ships in the yards already built will be carried steadily forward for some time.

The foreign commerce of the district, which has been choked by the war, is expected to revive, and create a new demand for labor. In addition, manufacturers expect a tremendous domestic demand for a great variety of articles which our people have had to dispense with because of the war. Municipal expenditures for needed improvements, held in abeyance during the war, are also under way. Another method of providing needed work will be railroad improvements and extensions. With the Government in control of the roads, it would be easily possible to inaugurate work of this kind.

The situation as regards supplies of fuel reflects considerable improvement, no undue scarcity being apparent, despite the loss in output occasioned by the recent epidemic. The shipments of anthracite for the month of October, as furnished to the Anthracite Bureau of Information, amounted to 6,286,366 tons, as compared with 7,110,950 tons for October last year and 6,234,395 tons for the month of September this year.

Railroad freight car movements continue heavy. The loaded car movement over the Pennsylvania Railroad at Lewistown Junction during October totaled 105,589 cars, compared with 108,481 in September and 94,557 in October, 1917. Eastbound shipments of bituminous coal increased 40.5 per cent over October of last year; miscellaneous westbound decreased 24.1 per cent. During the first 14 days of November the number of loaded freight cars passing the Junction was 46,027, compared with 41,389 during the same period of last year.

While total pig iron production in October surpassed that of September, the daily rate was smaller; the output per day in

October, because of the restraint imposed by the influenza epidemic, fell to 112,482 tons from the high record of 113,942 tons in September; the number of active furnaces on November 1 was unchanged at 365. Yet the aggregate production of 3,486,941 tons in October has only been exceeded by the 3,508,849 tons of October, 1916. The war has practically exhausted accumulated steel supplies. There are indications that a considerable volume of business may soon be placed. Stove manufacturers and others who have been working under restrictions are already looking forward to a period of greater freedom, and are inquiring as to whether they can obtain material without priority orders. It is confidently expected that as soon as the policies dictated at Washington will permit, the placing of orders by "non-essential" users will be started. That the post-war demand must be very large in the aggregate is promised by the already expressed demands for reconstruction work abroad, the great need of new building construction work in this country and the probable renewal of American railroad construction on a large scale. There is every prospect that eventually there will be a period of steady, orderly demand.

There has been a downward tendency in cotton yarn prices while the Government is adjusting contracts. The Government controls the wool situation, owning practically all the wool in the United States. Some is now being released for civilian use.

Mills manufacturing book and high-grade printing papers are running on about a 75 per cent basis, due chiefly to labor shortage and a scarcity of wood pulp. The domestic consumption is not more than 40 per cent of normal, but the excess in production is readily absorbed by the demand for export. As the deficiency in the wood pulp cannot be overcome before next summer, the output of fine printing papers during the first six months of 1919 may be far below normal. The only possible relief appears to be in the hope that the Scandinavian countries have during the war accumulated a large tonnage of pulp, which, with the release of ships, will flow to this country.

Sentiment among builders is particularly optimistic, as they look for a pronounced increase in activity with the removal of government restrictions and the probably better supply of labor that is expected to follow a curtailment of government construction. There has not yet been much change in lumber, but shipments continue to improve and prospects are regarded as brighter. Building at present is at the lowest ebb for a decade, the figures for October being as follows:

	<u>Number of permits</u>		<u>Values</u>	
	<u>October</u>		<u>October</u>	
	<u>1918</u>	<u>1917</u>	<u>1918</u>	<u>1917</u>
Allentown	13	40	\$34,685	\$77,725
Altoona	40	22	10,160	7,651
Atlantic City	61	110	18,453	124,113
Harrisburg	16	26	7,150	146,160
Lancaster	8	20	3,730	8,800
Philadelphia	333	552	843,520	2,030,475
Reading	13	32	1,775	24,125
Scranton	12	35	10,420	236,905
Wilkes-Barre	49	45	13,233	41,851
Williamsport	4	9	400	60,872
York	33	31	7,580	42,450

The precedents of past wars indicate that the inflation of commodity prices, due to war operations, reaches its peak about the time that peace comes definitely in sight. A sharp rise in commodity prices has been followed within a few months by a sharp decline in the number of failures, while a sharp decline in commodity prices has been followed in less than six months by an extremely sharp rise in the commercial mortality. In this connection it is interesting to note that during the month of October Bradstreet's report only 19 failures in this district, which is the lowest figure for a long time. According to Bradstreet's commodity index number, prices have been gradually declining since the apparent zenith point reached last July. On November 1, for the fourth successive month, the index number reflects a decline, the decrease being 1.4 per cent from the record level touched on July 1 last. The retrogression, however, has been by easy stages. The increase over November 1, 1917, is 10.6 per cent, and 47 per cent, contrasted with the like date in 1916.

The money market has remained firm during the past month, the prevailing rate for paper being 6 per cent, with the banks buying very little. There has been continued absorption by investors of high-grade railroad and public utility stocks and bonds.

Loans and discounts to member banks by the Federal Reserve Bank during the month of October amounted to \$215,323,196, of which 89 per cent represented notes secured by Liberty bonds or certificates of indebtedness. Bankers' acceptances purchased

amounted to \$30,976,703. Total discount and investment operations for the first ten months of the year amounted to \$1,146,822,763.

While the reserve against note and deposit liabilities of the Federal reserve banks has dropped below 50 per cent, the Government stands behind our present credits, and no credit collapse is to be expected. One authority ventures the prediction that it is entirely probable that hereafter a much larger volume of credit in proportion to the gold reserve upon which all our credits stand, directly or indirectly, will become customary throughout the commercial world.

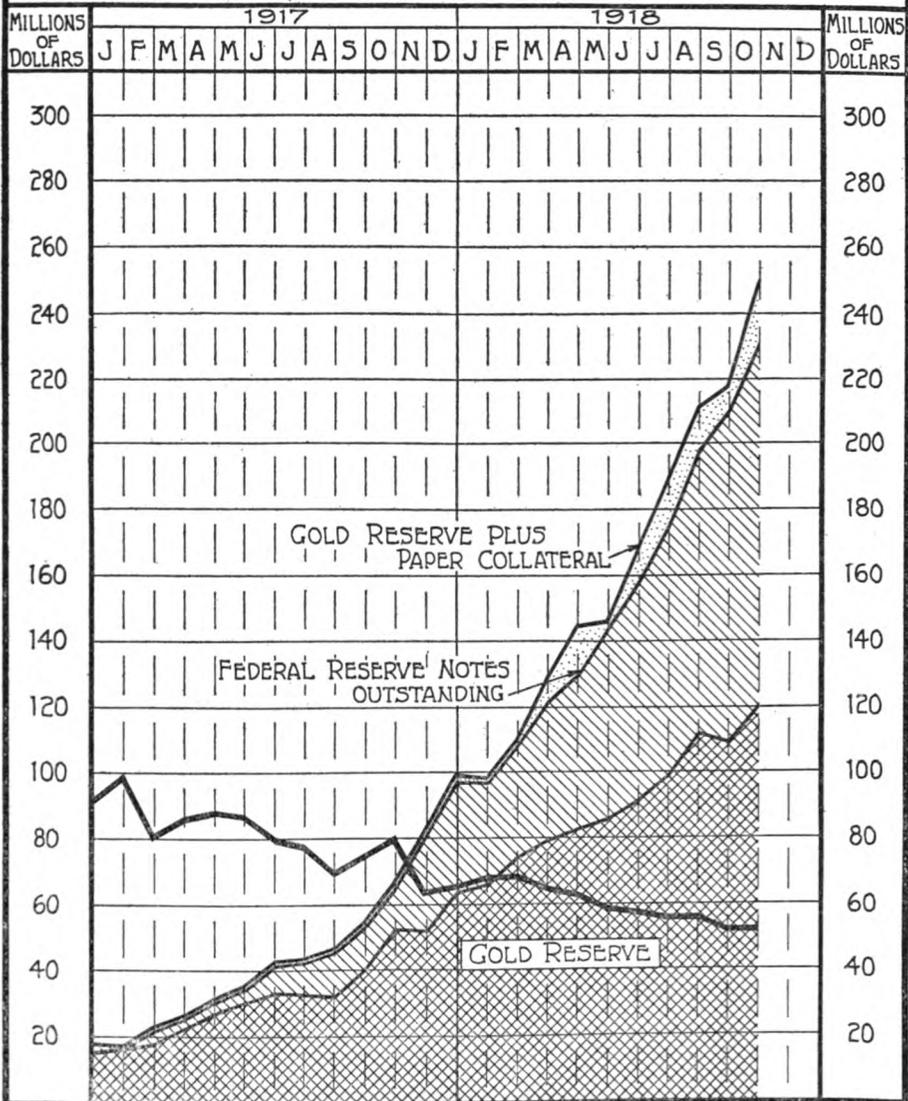
STATEMENT SHOWING THE PRINCIPAL RESOURCE
AND LIABILITY ITEMS OF MEMBER BANKS
IN PHILADELPHIA, SCRANTON,
CAMDEN AND WILMINGTON

	At the close of business	
	Nov. 15, 1918	Oct. 18, 1918
	(000's omitted)	
Number of banks reporting.....	53	52
United States bonds to secure circulation.....	11,492	11,492
Other United States bonds, including Liberty bonds	66,965	32,652
United States certificates of indebtedness.....	46,573	91,746
Total United States securities owned.....	125,030	135,890
Loans secured by United States bonds and cer- tificates	162,759	56,675
All other loans and investments.....	623,124	610,567
Reserve with Federal Reserve Bank.....	56,530	59,962
Cash in vault.....	21,892	22,435
Net demand deposits on which reserve is com- puted	609,060	621,904
Time deposits	15,537	16,094
Government deposits	73,310	26,793

STATEMENT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA

RESOURCES	November 22, 1918	Previous Month	Year ago
Gold coin and certificates in vault	\$193,830	\$152,660	21,105,900
Gold settlement fund.....	32,656,769	69,171,490	40,511,000
Gold with foreign agencies	408,021	408,021	3,675,000
Total gold held by Bank Gold with Federal Reserve Agent	33,258,620	69,732,171	65,291,900
Gold redemption fund....	79,220,925	110,247,700	50,644,465
	7,700,000	6,455,450	950,000
Total gold reserve.....	120,179,545	186,435,321	116,886,365
Legal tender notes, silver, etc.	808,289	771,080	1,022,556
Total reserve	120,987,834	187,206,401	117,908,921
Bills discounted—Members Secured by Gov. war obligations	146,472,164	91,648,373	8,001,886
All other.....	15,889,648	14,739,130	14,912,248
Bills bought in open market	20,585,933	26,081,678	25,603,957
Total bills on hand...	182,947,746	132,469,181	48,518,092
U. S. Government long-term securities	1,362,350	1,347,550	550,400
U. S. Government short-term securities	6,298,500	4,252,000	2,858,000
Total U. S. securities.	7,660,850	5,599,550	3,408,400
Municipal warrants	—	—	43,500
Total earning assets	190,608,596	136,068,731	51,969,992
Due from other Federal reserve banks—net	—	—	—
Uncollected items	85,225,663	73,656,813	30,635,593
Deductions from gross deposits	85,225,663	73,656,813	30,635,593
Due from Treasurer of U. S. 5% fund Federal reserve bank notes	275,000	200,000	—
All other resources.....	9,230,397	1,823,912	331,462
Total resources	406,327,492	400,955,857	200,845,969
LIABILITIES			
Capital paid in	7,459,100	\$7,362,300	5,590,100
Government deposits ...	32,808,272	19,532,648	4,227,301
Due to members—reserve account	70,275,124	81,594,824	82,622,443
Collection items	45,356,935	66,382,855	27,284,784
Due to other Federal reserve banks—net.....	19,632,983	4,937,474	7,093,379
Total gross deposits.	168,073,314	172,447,801	121,227,907
Federal reserve bank notes in actual circulation....	5,032,921	2,952,704	—
Federal reserve notes in actual circulation	222,904,865	216,074,698	73,151,240
All other liabilities	2,857,291	2,178,354	876,722
Total liabilities	406,327,492	400,955,857	200,845,969

FEDERAL RESERVE NOTES FEDERAL RESERVE BANK OF PHILADELPHIA



HEAVY LINE REPRESENTS PERCENTAGE OF GOLD RESERVE

BUSINESS INDICATORS

	November 16, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$743,046,000	+ 15	+ 22
Deposits	619,284,000	- 5	- 8
Ratio	120%	(Actual) 99%	(Actual) 91%
Federal Reserve Bank:			
Discounts and collateral loans—members	156,926,000	+ 41	+ 880
Cash reserve	41%	- 16	- 34
90-day discount rate...	4¾%	(Actual) 4¾%	(Actual) 4%
Commercial paper	6%	(Actual) 6%	(Actual) 5½%
	October, 1918	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia.....	\$1,886,419,000	+ 17	+ 20
Elsewhere in district...	116,888,000	+ 12	+ 7
Total	\$2,003,307,000	+ 17	+ 19
Port of Philadelphia:			
Exports			
Imports			
Building permits — Phila- delphia	843,250	- 21	- 58
Post Office receipts— Philadelphia	1,099,940	+ 14	+ 13
Commercial failures in dis- trict (per Bradstreet's).	19	(Actual) 32	(Actual) 65
Commodity prices:			
Annalist, Nov. 16.....	288.625	+ 2.2	+ 3.8
Dun's, Nov. 1.....	230.529	- 1.3	+ 3.4
Bradstreet's	18.9110	- 0.6	+ 10.8

Compiled November 19, 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.