



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

February 1, 1919

INDUSTRY in general throughout the district has been marked by a pronounced slackening in productive effort. Government cancellations have had a very serious effect, and civilian orders are not yet under way in large volume. The matter of price is the principal point at issue between the buyer and seller. It is merely a question of who can or will hold out the longest. This condition has been maintained for quite a time now, and shelves are emptier than they were at the time of the armistice. Some hope, however, is to be found in the latest indices of commodity prices which have been published by leading business publications. Bradstreet's index figure on January 1st showed a recession of 2.5 per cent from that of December 1st. Dun's record of price changes for the week ending January 18th showed 18 advances and 53 declines. It appears fair to assume that the crest of commodity prices has passed. How rapid the fall will be, however, it is impossible to predict. Such recessions as have taken place have had the uniform effect of stimulating inquiries and orders, indicating a potential demand of some strength.

Retail trade has been very good and is ahead of last year. There is a steady demand for goods even at the current high prices, and people want the best of everything.

In view of the many people outside of this country who are dependent upon us for food supplies, it is not expected that there will be any recession in food prices until such time as the European crops are normal. Cold storage holdings of meats, with the excep-

tion of beef, have shown a considerable increase over last year, but dairy products, such as butter and eggs, show a heavy decrease. Wholesale grocery concerns report quiet business conditions, but state that the hope for lowering in prices is not warranted by the facts.

With regard to clothing, which is one of the principal items of expense to the working people, there is not likely to be any considerable falling off of prices, as the supply of goods on hand is small, and the men returning from the service have to buy new clothes.

There is still an acute shortage of rentable property, and as long as this condition exists no fall-off in rentals is expected.

With the cessation of Government restriction on the production of pleasure cars, automobile dealers are going after business with renewed energy, and they report very satisfactory sales in spite of the season. People are not disposing of their cars to any great extent, and the demand for medium-priced used cars is said to be good.

The condition of the winter wheat crop in Pennsylvania is reported to be much better than for some years past, and there was an increase of 122,000 in the number of acres planted. The corn crop is expected to be about 2,000,000 bushels below that of last year, but its advanced degree of maturity has offset in part this estimated loss. The breeding of animals has been pushed very extensively with gratifying results. Farm labor shortage has been very acute, but the bad effects have been lessened by the use of boys and farmerettes, and particularly by the widespread use of farm tractors and other improved implements. From 1917 to 1918 the number of farm tractors in use increased from 1080 to 2800. In New Jersey the mild winter has given the farmers ample opportunity to take care of crops, and they are in good shape. Delaware reports high prices and prosperity in spite of some light crops during 1918.

The Christmas holidays resulted in a lower rate of coal production; but this condition was only temporary, and production is once more improving. The let-down in industry has lessened the demand for coal and the number of miners available is now increasing, with the result that there is a surplus in some sizes in parts of the district. Favorable weather conditions have also aided very considerably in making the situation much easier than last year.

During the year 1918 the production of beehive coke decreased, while by-product coke capacity increased. By-product coke is gradually coming to play a major part in the coke industry. During the year 2445 by-product ovens were placed in operation, making a total of 9440 in the United States and Canada at the end of the year. Fourteen new plants in the process of construction will add 1620 ovens to this number.

A great many workmen in this district have been liberated from the so-called war essential industries, and a steadily increasing number will be absorbed by industries whose operations have been very much curtailed during the period of the war, such as the carpet, plush and lace mills, which represent a considerable capital investment in this district. It will not be an easy matter to reduce the high standard of living which has prevailed during recent years, and it may be necessary to grant to labor a larger participation in the profits of business in order to avert serious trouble in the future. Up to this time the district has not been troubled by many strike disturbances.

In the iron and steel industry a waiting policy by both buyers and sellers has apparently been pursued. A few weeks before the end of the year the General Committee of the American Iron and Steel Institute recommended certain reductions in prices, ranging from \$4 to \$6 per ton on finished materials. These prices were suggested for the free market which was to hold sway after the first of the year, when price restrictions were all removed. The turn of the year did not bring as much activity as was expected, as many of the largest sellers were unwilling to cut prices while costs remained at so high a level. After the holidays, in keeping with the small quantity of iron and steel being ordered, many mills resumed operations with reduced working forces. The two largest consumers of iron and steel products are the shipbuilding companies and the railroads. Recently they have been small purchasers, and the demand for structural iron and steel also has been small. Many customers who had contracted at high prices insisted that prices be lowered. At first mills were not disposed to grant their requests or to offer reduced prices on new orders, but there is now a tendency to make some concessions, with the result that inquiries and orders have increased somewhat. Production of steel mills in the district is now about 65 per cent of capacity, but such production is equal to about 90 per cent of the pre-war capacity of the plants.

Production of pig iron during December averaged 110,762 gross tons per day, showing a steady diminution since September. This was still a high rate, and was probably due to the finishing of war orders. Steel ingot production also showed a small decline. The total amount of pig iron produced during 1918 in this country was 38,506,249 tons, compared to 38,185,982 tons in 1917.

The recent Government auctions of raw wool in this city and Boston unsettled the wool market, due to the uncertainty as to prices of this material. Manufacturers of yarns and woollen cloths have been restricting their output pending the settlement of the situation. At first prices were too high to attract any considerable interest on the part of dealers, and many lots were withdrawn. An investigation by a committee of wool men of the London prices of wool of the same grade as those offered by the Government found that Government prices were too high. These prices have been adjusted to conform more to the London prices, and at the auction held in Boston wool sold much more freely. There is a feeling that the demand for wool products will increase considerably when the prices of wool have been more definitely settled.

Conditions in the knit goods market are said to be fundamentally sound, and it is felt that 1919 will be a good merchandising year. Prices for the fall season are higher than last year. The mills in the district are at present finishing Government orders. There is a little new business offered.

Bankers and those engaged in exporting and importing are interested in the plan to establish an international gold settlement along the lines of the gold settlement fund used by the Federal Reserve banks. Such a scheme would limit fluctuations in foreign exchange rates and reduce shipments of gold to a minimum.

Subscriptions every two weeks to a large amount of United States certificates of indebtedness have made severe demands on the funds of the member banks and resulted in continued heavy borrowing from this bank. Daily earning assets averaged \$140,000,000 more than at this time last year. There seems to be more or less liquidation under way in general business, and it is hoped that the funds thus released will provide the means for further Government financing, and so lessen the demands on this bank. It is believed that member banks will do everything possible to liquidate their war paper without it becoming necessary for the reserve banks to increase their discount rates. As long as the loans of these institutions are as high as they are today, an easy money market cannot be expected.

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

	At the close of business	
	<u>Jan. 17, 1919</u>	<u>Dec. 20, 1918</u>
	(000's omitted)	
Number of banks reporting.....	55	56
United States bonds to secure circulation.....	11,497	11,492
Other United States bonds, including Liberty bonds	42,348	74,716
United States certificates of indebtedness.....	84,375	52,715
Total United States securities owned.....	138,220	138,923
Loans secured by United States bonds and cer- tificates	136,600	167,457
All other loans and investments.....	609,475	619,796
Reserve with Federal Reserve Bank.....	65,355	63,701
Cash in vault.....	21,909	22,291
Net demand deposits on which reserve is com- puted	658,349	634,332
Time deposits	18,679	18,212
Government deposits	48,271	47,114

STATEMENT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA

RESOURCES	January 20, 1919	Previous month	Year ago
Gold reserve	\$142,292,920	\$131,506,283	\$121,137,000
Legal tender, silver, etc. . .	1,344,197	800,289	2,611,000
Total reserve	143,637,117	132,306,572	123,748,000
Bills discounted—Members secured by Gov. war obligations	149,913,859	153,084,750	—
All other	16,529,823	14,557,436	31,163,000
Bills bought in open market	2,715,533	5,832,632	14,269,000
United States securities. . .	12,210,400	20,294,000	8,566,000
Total earning assets. .	181,369,615	193,768,818	53,998,000
Due from other Federal reserve banks—net.	—	—	7,199,000
Uncollected items	79,831,313	87,092,783	46,772,000
Due from Treasurer of U. S., 5% fund Federal reserve bank notes.	500,000	450,000	—
All other resources.	*87,733,692	1,987,644	—
Total resources	493,071,737	415,605,819	231,717,000
LIABILITIES			
Capital paid in.	7,569,950	7,562,300	6,775,000
Surplus	1,304,172	—	—
Due to members—reserve account	101,970,927	95,305,626	80,622,000
Collection items	53,319,745	66,646,671	32,990,000
Government deposits	—	2,060,942	19,361,000
Total gross deposits. .	155,290,672	164,013,239	132,973,000
Federal reserve bank notes in actual circulation.	9,604,000	9,591,661	—
Federal reserve notes in actual circulation	224,403,805	232,227,425	91,823,000
All other liabilities.	†94,898,707	3,211,194	146,000
Total liabilities	493,071,737	415,605,819	231,717,000

* Includes due from depositary banks—War Loan Account—\$74,879,150.

† Includes Government deposits—special account—\$92,901,306.

12

BUSINESS INDICATORS

	January 20	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$753,251,000	+ 2	+ 29
Deposits	655,601,000	+ 3	— 1.5
Ratio	115%	(Actual) 116%	(Actual) 88%
Federal Reserve Bank:			
Discounts and collateral loans	166,443,000	+ 3	+ 440
Cash reserve	46.5%	+ 1.5	— 24.5
90-day discount rate...	4¾%	(Actual) 4¾%	(Actual) 4½%
Commercial paper	6%	(Actual) 6%	(Actual) 5½%
		Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia.....	\$1,772,418,777	— 0.5	+ 14.0
Elsewhere in district...	106,031,694	+ 3.0	+ 3.7
Total	\$1,878,450,471	— 0.4	+ 13.8
Building permits — Phila-			
delphia	778,070	+ 37	+ 5
Post Office receipts— Philadelphia	1,196,586	+ 19	+ 3
Commercial failures in dis- trict (per Bradstreet's) .	26	(Actual) 26	(Actual) 63
Commodity prices:			
Dun's (Jan. 1)	230.146	— 0.1	+ 3.8
Bradstreet's (Jan. 1)...	18.5573	— 2.5	+ 3.3

Compiled January 20, 1919

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.

14