



FEDERAL RESERVE BANK
OF PHILADELPHIA

*Business Conditions in
the Philadelphia Federal
Reserve District*

March 3, 1919

DURING the past month, the process of readjustment of industries in this district has made some progress. There have been recessions in prices of many commodities and in anticipation of further reductions, the attitude of buyers has continued to be marked by conservatism. Many producers are operating on small profits because of the continuation of high manufacturing costs and the necessity of quoting goods at more reasonable prices. It is reported that dealers are selling some lines of goods at less than the cost of production. Curtailment of production has been noted and this has been aided, in the case of many textile lines, by the unsettled labor situation.

The retail business situation continues to be very encouraging. Compared to January, there has not been very much change, but compared to last year, the estimated increase of volume of business runs from 18 to 25 per cent. The mild weather has resulted in a comparatively light demand for heavy-weight material. Many of the stores are still in possession of large stocks of winter goods, which they will have to carry over until next winter.

On pages 6 and 7 is a table showing the result of inquiries made of representative concerns in the district as to industrial and business conditions. From the replies received, it seems that the transition from war work to civilian business is proceeding satisfactorily, and inventories do not seem to be unusually large. Labor is in greater supply in almost every line and appears to be less restless. The uncertainty of the future and the lack of satisfactory amounts of orders on hand are reflected in the small number of firms reporting any anticipated construction of plants or extensive repairs. Five per cent of the replying concerns consider the outlook excellent; 17 per cent, good; 20 per cent, fair; 54 per cent, uncertain; 8 per cent, poor.

Building Building operations have not shown any expansion as yet, due to the high cost of materials and labor, but it is understood that municipal improvement projects, which had been held in abeyance during the period of the war, are to be resumed, and this will aid in clarifying the labor situation. Some residential building is also anticipated.

Chemicals Chemicals and drugs have not been in very large demand since the signing of the armistice and prices have shown heavy reductions with further declines expected. The industry was largely dependent on Government orders, and cancellations of contracts have had a far-reaching effect. Manufacturers are anticipating fair adjustments with the Government to save them from great losses.

Clothing Business in men's apparel lines has been exceptionally good, retailers having had an unusually heavy business since the first of the year. This is ascribed to the large body of men within the draft age who bought little or nothing in apparel lines until it was fully determined whether their services would be required and to the alteration in the physical proportions of those who were in the army or navy. There is a trend to lower prices in all articles entering into the making of clothing, excepting fine woollens. On the other hand, the 44-hour week which has been granted to labor in all markets adds about 10 per cent to the already high wages paid, which on January 1 were fully 20 per cent more than a year ago. It is because of this heavy increase in manufacturing costs, which is counteracting the benefits of price reductions in raw materials, that retailers are not fearful of a heavy depreciation in clothing values.

Coal The unusually mild winter has caused the demand for coal to be very light. A canvass of all consumers in New England, and along the eastern seaboard, shows that all large consuming plants have sufficient supplies of fuel on hand to carry them from two to five months. This has created a condition whereby bituminous mines are working on a very limited time. There has

been an entire suspension of a large percentage of producers, owing to their inability to market the product. A condition which has not heretofore existed is the partial closing down of the anthracite mines, which during February is expected to result in the suspension of the operation of at least 50 per cent of the mines. Nearly all the coal above ground now was produced at high pressure and represents a relatively high cost of production. The experience of the past year has taught the country a good deal about the more scientific distribution of coal and the necessity of supplying far away territory first, so as to prevent the delays that are inevitable when rush shipments are attempted in the season of the year when the highways of commerce are apt to be clogged with snow and ice.

Cotton and cotton yarns In the cotton yarn trade, the demand is down to the minimum, and prices have fallen off very materially. Raw cotton has dropped a good deal and most cotton yarns have fallen off from 25 to 30 cents a pound. This means that most of the excess profit which prevailed on cotton yarns has now been eliminated, and yarns are rapidly approaching an absolute cost basis on the present prices of cotton. Even at this lower figure for yarns, however, the prices are still very much above normal, and it is difficult to do business far ahead. There is, however, a very large potential demand for all textiles into which cotton yarns enter, and it is felt by one large house that the next 60 to 90 days will see the worst of the liquidation, and a gradual improvement in business is then expected.

One of the leading cotton concerns in the district reports that "at the present time the spot cotton business is in complete state of stagnation, due almost entirely to the general upset conditions of the world's trade. Cancellations, both actual and threatened, had the effect of more or less demoralizing our mill trade to such an extent that they ceased to buy for forward delivery and in many instances curtailed production. Labor troubles have also added to the general upsetting of the spinning trade. As mills, both North and South, have probably about three months' supply of raw cotton still on hand and with labor troubles not yet settled and no demand from the civilian trade, it would look as if the period of inactivity

would continue. The export demand has not increased as much as anticipated, and there is a lack of desire on the part of the South to part with their cotton at present values."

Groceries Wholesale grocery firms are not optimistic in view of the recent declines in food prices. Many were carrying fairly large stocks to meet the unusual demand up to the time of the armistice, and they feel that heavy losses will be sustained in selling these goods. The opinion generally expressed is that declining markets are to continue for the balance of the year. Some export business in canned goods and dried fruit is noted.

Iron and steel The pig iron market has not shown any increase in activity, and from reports continually received there is no indication of any large amount of new business in sight. Prices are lower than last month and further declines are expected. Bar iron prices have been reduced 15 per cent within the month.

The demands for steel are not absorbing the output of the mills and much of the product is going into stock. Due to the absence of new building of any kind there is practically no demand for structural steel. The foreign demand is small.

Manufacturers of locomotives and railroad equipment have been working mainly on old orders and report a practical suspension of any business with the railroads and very little other business. They are now making efforts to secure foreign orders but state that, owing to the difficulty of securing dollar exchange, few buyers can finance purchases in the United States.

In view of the present uncertainty, it is pleasing to find that optimism prevails among a large number of iron and steel men. Their view is typified by the opinion of the president of one of the largest steel plants in the district who stated that he did not expect any large buying movement in the immediate future, but that the country would enter a period of unusual prosperity after the economic structure had been altered to a peace-time basis.

Leather Conditions in the leather business reflect a distinct feeling of optimism. A very large proportion of the hides which go into manufactured products comes from foreign sources. The great demand for leather during the war has produced a scarcity everywhere, consequently dealers in leather and leather products look for no reductions in prices of standard goods. Shoe people regard the outlook as good.

Paper The paper business is said to be in an uncertain condition due to the feeling among buyers, both foreign and domestic, that there will be a readjustment of values. Costs are still advancing but declines are expected later. Prospects for the paper trade are regarded as very bright.

Textiles Underwear manufacturers are continuing to suffer from slack business, but in spite of the discouragement due to the lack of early buying, they expect a good demand later. Retail buying of hosiery is said to be very good, and this will gradually absorb goods produced at high cost. Taking the knit goods trade as a whole, buyers are making approximately 25 to 30 per cent of their normal purchases and production is not more than 25 per cent of capacity, according to a leading trade organization.

Wooden boxes The box industry bears the same relation to merchandise as does the freight car to commerce, as neither boxes nor freight cars are needed until goods are ready to be shipped. When general business started to decline, the box industry curtailed operations in sympathy and it is reported that some plants are not operating at more than 10 per cent of their capacity.

Wool and worsted yarns The general feeling prevails that the auction sales of Government wool are gradually accomplishing the readjustment of prices called for by the cessation of hostilities and the resumption of civilian business by our manufacturers. Competition for all desirable lots of wool is

SUMMARY OF

INDUSTRIES REPORTING

INDUSTRIES REPORTING	Re- plies re- ceived	Quantities of materials, supplies and goods, as shown by last inventory.				Have the prices of your product been lowered from the high prices prevailing during the war?		Is labor more abundant?		Is labor less restless?							
		Larger than normal		Principally for													
		Yes	No	War work	Civilian business							Yes	No	Yes	No	Yes	No
Agricultural implements	5	2	3	0	5	0	5	4	1	4	1						
Automobiles and parts	3	2	1	1	1	3	0	3	0	2	1						
Canning	5	4	1	1	4	5	0	3	1	2	1						
Cement, slate and stone	4	3	1	0	4	0	4	4	0	2	2						
Chemicals, fertilizers, drugs, soaps, etc.	8	3	4	0	7	6	2	7	1	4	3						
Coal	4	1	3	0	4	1	3	3	1	2	2						
Confectionery	4	3	1	0	4	1	3	4	0	3	1						
Cotton and cotton goods	4	1	3	0	4	4	0	3	1	2	2						
Department stores	3	3	1	0	3	2	1	3	0	2	1						
Drygoods and notions	4	2	2	0	4	3	1	4	0	3	1						
Dyeing and finishing	3	3	0	0	3	2	1	3	0	1	2						
Furniture	3	2	1	0	3	2	1	3	0	3	0						
Glass	4	2	1	0	4	3	1	3	1	3	1						
Groceries and food products	19	13	5	0	19	13	4	18	1	13	5						
Hardware	7	4	3	0	7	5	1	7	0	4	3						
Hats	2	1	1	0	2	1	1	2	0	2	0						
Hosiery and knit goods	15	8	6	2	12	13	1	14	1	6	8						
Iron and steel	13	5	8	2	10	11	1	13	0	7	5						
Leather, hides and glazed kid	13	2	11	0	13	2	11	13	0	13	0						
Linoleum	3	1	2	0	3	3	0	3	0	1	2						
Locomotives, boilers, engines, etc.	10	4	6	3	7	8	2	10	0	6	4						
Lumber and millwork	10	4	5	1	9	2	7	8	2	7	2						
Mach'y., f'dry. products, mach. tools, etc.	26	13	12	4	20	17	9	25	1	15	10						
Men's and women's wear	5	1	4	0	5	2	3	2	2	2	2						
Paints	2	2	0	0	2	0	2	2	0	1	1						
Paper, paper products and twine	7	2	5	0	7	5	2	7	0	6	1						
Petroleum	3	1	2	0	3	2	1	3	0	2	1						
Pottery	6	2	4	0	6	3	3	6	0	4	2						
Rubber goods	3	1	2	0	3	0	3	2	1	2	1						
Shipbuilding	3	2	1	1	1	2	1	3	0	1	2						
Shoes	6	3	3	0	6	0	6	2	4	1	5						
Silks, laces, etc.	10	5	5	1	9	6	4	10	0	6	4						
Tin plate and tin cans	3	2	1	0	3	2	0	3	0	3	0						
Tobacco, cigars, etc.	6	1	5	0	6	1	5	6	0	1	5						
Wire	3	1	2	1	2	1	2	2	1	2	1						
Miscel. (gummed labels, pianos, pens)	2	0	2	2	0	2	0	2	0	2	0						
Wooden boxes	14	2	12	1	13	13	1	13	1	4	10						
Woolens and worsted	3	3	0	0	3	0	3	3	0	3	0						
TOTALS	239	114	129	20	221	146	95	226	20	147	92						

REPLIES

Is there less re-employment?		Is labor more efficient?		Has there been any lowering of wages?		Are you paying less for raw-materials?		Is the supply adequate?		Extensions or repairs to your plant contemplated in the near future, which will necessitate the purchase of building materials or equipment?		Have you a satisfactory amount of orders on hand?		OUTLOOK				
Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Excel- lent	Good	Fair	Uncer- tain	Poor
4	1	3	1	0	4	2	3	5	0	0	4	5	0	0	2	2	1	0
3	0	1	2	0	3	3	0	3	0	1	2	1	2	0	1	0	2	0
1	2	0	3	1	3	1	3	3	0	1	4	0	4	0	0	0	5	0
2	1	1	2	0	4	2	1	4	0	1	3	1	3	1	1	0	2	0
5	2	3	4	1	6	6	1	7	0	1	7	5	2	0	4	2	2	0
2	2	1	3	0	4	1	3	4	0	0	4	0	4	0	0	0	1	3
2	2	1	2	0	4	0	4	4	0	2	2	3	1	1	1	1	1	0
3	1	2	2	0	4	4	0	4	0	0	4	0	4	0	0	2	1	1
2	0	2	1	0	3	0	0	0	0	1	1	0	0	0	1	2	0	0
3	1	2	2	0	4	4	0	4	0	0	4	1	2	0	1	1	2	0
2	0	0	3	0	3	2	0	3	0	0	3	1	2	0	0	0	3	0
1	2	2	1	0	3	0	3	3	0	1	2	3	0	1	1	1	0	0
2	2	3	1	2	2	3	1	3	1	2	2	1	3	0	0	2	2	0
14	4	8	10	1	18	6	5	15	0	2	17	5	10	0	1	6	11	1
5	1	2	5	0	7	4	3	7	0	0	7	0	6	0	3	0	3	1
2	0	1	1	0	2	1	1	2	0	0	2	1	1	1	1	0	0	0
13	4	5	10	1	14	12	3	15	0	1	14	3	12	0	2	0	12	1
9	0	6	6	0	13	8	2	13	0	2	11	5	8	0	1	3	5	4
2	3	5	7	1	12	4	8	8	4	4	9	7	6	2	2	3	4	1
2	1	1	2	1	2	2	1	2	1	0	3	0	3	0	0	0	3	0
8	2	2	6	1	9	6	4	10	0	1	9	3	7	0	1	1	6	2
3	4	5	4	1	9	2	6	6	2	1	8	2	7	0	1	6	3	0
20	4	6	17	2	24	19	6	26	0	7	19	7	19	1	1	2	20	2
3	1	2	2	0	5	2	2	3	1	0	5	0	3	0	0	1	4	0
1	1	0	2	0	2	2	0	2	0	0	2	0	2	0	0	0	2	0
7	0	3	4	1	6	4	2	6	0	2	5	1	5	2	3	0	2	0
2	1	2	1	0	3	3	0	2	0	1	2	2	1	1	1	1	0	0
5	1	0	5	0	6	0	6	6	0	1	5	0	5	0	0	0	4	2
2	1	1	2	0	3	2	1	3	1	2	1	1	2	0	0	1	2	0
0	2	0	3	0	3	2	1	3	0	0	3	2	1	0	0	0	3	0
1	4	0	5	0	6	0	6	1	3	1	5	5	1	0	3	2	1	0
8	2	4	6	2	8	5	5	10	0	3	7	4	6	0	1	3	6	0
3	0	2	1	0	3	2	1	3	0	0	3	1	2	0	2	0	1	0
2	3	1	3	0	6	3	3	4	2	0	6	4	2	1	1	2	2	0
2	1	3	0	1	2	1	1	2	1	1	2	2	1	0	1	1	1	0
1	0	2	0	0	2	1	0	2	0	1	1	1	1	0	1	0	1	0
11	3	2	12	1	13	12	0	13	1	1	13	2	12	0	1	3	9	1
1	2	2	1	0	3	0	3	3	0	1	2	3	0	0	2	0	1	0
168	61	86	142	17	228	131	89	212	16	42	203	82	150	11	41	48	128	19

growing stronger. Wool values are not yet settled and conditions in worsted yarns and woolens are uncertain due to the inability to fix a firm cost basis, but much progress has been made and the business outlook is considerably improved.

Financial Since the signing of the armistice, there has been a notable increase in the saving deposits of institutions in this district, running from 6 to 16 per cent. The increase during January was particularly marked. It is believed that a great deal of this money was hoarded during the war, especially by foreigners who had fears as to the action of the Government.

The money market in Philadelphia during the past month has been without feature. Commercial paper brokers have very little paper to offer. The prevailing rate is $5\frac{1}{2}$ per cent, with high-grade short maturities going as low as 5 per cent.

The demands upon the Federal Reserve Bank continue very heavy, total discount and open market operations during January amounting to \$686,466,137, which is more than double the total operations for the entire year 1917.

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

	At the close of business	
	Feb. 14, 1919	Jan. 17, 1919
	(000's omitted)	
Number of banks reporting.....	56	55
United States bonds to secure circulation.....	11,497	11,497
Other United States bonds, including Liberty bonds	44,904	42,348
United States certificates of indebtedness.....	113,187	84,375
Total United States securities owned.....	169,588	138,220
Loans secured by United States bonds and cer- tificates	147,033	136,600
All other loans and investments.....	620,808	609,475
Total loans and investments	937,429	884,295
Reserve with Federal Reserve Bank.....	62,289	65,355
Cash in vault.....	19,650	21,909
Net demand deposits on which reserve is com- puted	631,872	658,349
Time deposits	21,316	18,679
Government deposits	43,513	48,271

STATEMENT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA

RESOURCES	February 17, 1919	Previous month	Year ago
Gold reserve	\$132,954,981	\$138,876,914	\$120,982,988
Legal tender, silver, etc.	362,303	2,250,985	2,488,414
Total reserve	133,317,284	141,127,899	123,471,402
Bills discounted—members Secured by Government war obligations	173,938,888	153,550,634	—
All other	13,892,312	15,517,866	30,863,400
Bills bought in open market	2,409,783	2,769,699	13,616,245
United States securities	12,665,400	11,242,900	8,536,850
Total earning assets	202,906,383	183,081,099	53,016,496
Mutilated notes and fit notes on hand	7,657,450	9,522,912	6,492,540
Due from other Federal Reserve banks	—	—	5,768,012
Due from depositary banks —war loan accounts	63,956,375	—	—
Uncollected items	69,051,267	80,640,425	41,627,553
All other resources	2,005,491	2,012,599	277,349
Total resources	478,894,250	416,384,934	230,653,352
LIABILITIES			
Capital paid in	7,472,900	7,569,950	6,774,800
Surplus	1,304,172	1,304,172	—
Profit and loss	—	—	220,238
Government deposits	8,975,347	1,789,722	10,452,858
Due to members—reserve accounts	101,407,519	112,685,475	82,220,415
Collection items	56,655,673	55,769,689	32,610,245
Total gross deposits	167,138,540	170,244,886	125,283,518
Government deposits—spe- cial accounts	67,480,017	—	—
Federal Reserve notes out- standing	221,675,275	225,710,555	98,142,975
Federal Reserve bank notes outstanding	11,088,000	9,604,000	—
All other liabilities	2,735,346	1,951,371	231,821
Total liabilities	478,894,250	416,384,934	230,653,352

BUSINESS INDICATORS

	February 17, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$759,658,000	+ 0.7	+ 31
Deposits	646,598,000	- 1.5	+ 3
Ratio, loans to deposits.	117%	(Actual) 115%	(Actual) 93%
Federal Reserve Bank:			
Discounts and collateral loans	187,831,000	+ 10	+ 616
Cash reserve	133,317,000	- 5.5	+2.6
90-day discount rate...	4¾%	(Actual) 4¾%	(Actual) 4½%
Commercial paper	5½%	(Actual) 6%	(Actual) 5½%
	January, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia.....	\$1,832,170,234	+ 3.3	+ 20.3
Elsewhere in district...	112,853,564	+ 5.7	+ 3.9
Total	\$1,945,023,798	+ 3.6	+ 18.8
Port of Philadelphia:			
Exports	\$21,614,000	- 31	- 45
Imports	10,111,000	+ 62	+ 43
Building permits — Phila- delphia	\$684,505	- 12	- 59
Post Office receipts— Philadelphia	1,005,751	- 16	- 13
Commercial failures in dis- trict (per Bradstreet's).	41	(Actual) 26	(Actual) 79
Commodity prices:			
Annalist, February 15..	281.723	- 5.5	- 1.4
Dun's, February 1.....	\$220.720	- 4.4	- 3.3
Bradstreet's, February 1.	\$17.6644	- 5.0	- 2.3

Compiled February 17, 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.

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