



FEDERAL RESERVE BANK  
OF PHILADELPHIA

*Business Conditions in  
the Philadelphia Federal  
Reserve District*

*April 1, 1919*

**T**HE declines in prices of raw materials and manufactured articles during the past few weeks have improved the business situation, and indicate that progress is being made in the process of readjustment.

Retail sales are showing continued growth, and as far as can be foreseen, the outlook promises to be good for some time to come. Distributors of women's wearing apparel report difficulties in securing merchandise. Most of the desired goods are made by women, and this class of labor is very hard to obtain. Should these conditions clear up, a tremendous spring business is expected. Collections are reported as remarkably good.

Manufacturers of men's shirts report satisfactory orders, and are laying plans for largely increased business for the fall season.

**Automobiles** Trade conditions in the passenger automobile business are not only extremely encouraging as to prospects, but actual sales and deliveries are greater than ever known at this time of the year. Ordinarily, during the winter months, dealers feel fortunate to make a small profit or to break even, but since the middle of October there has been a continuous and profitable business. Collections have been exceptionally prompt, and it is interesting to note that dealers have been asked to take fewer notes from car buyers than at any time during the past two years. One distributor of a popular medium-priced car

reports that the demands for the car are far in excess of the ability to supply it.

**Coal** Coal production, which, during the month of February, was at a very low ebb, is now showing some increase. Bituminous production in the central Pennsylvania fields is still only at about 60 per cent. of capacity, due in a very large measure to the lack of a market. Scarcity of labor no longer plays an important part; the problem now is to keep available labor employed. The lack of demand is proving a source of trouble to the operators. In the anthracite trade the unnatural and unusual policy is being pursued, in the face of decreased buying and increasing supplies, of raising prices, in the hope of stimulating (?) buyers.

**Cotton** Conditions are still very much unsettled with the mills, especially those having Government contracts on their books. The delay in settling some of these contracts has caused some unrest, and there is also some complaint about the slow payments made by the Government for goods already delivered or on which cancellation has been effected. Generally speaking, there seems to be a better feeling in the cotton trade than has existed for some time, and improvement is expected. The South still has a large portion of this year's cotton crop unsold, and there is a strong tendency on the part of growers to hold for higher prices. It is expected that the terms of the Peace Conference will provide for an early ending of the blockades which will mean additional outlets for American cotton. Present conditions in the cotton piece goods market are unsettled, but the feeling is that prices have reached a point where improvement can be looked for.

**Furniture** Furniture manufacturers say that collections are very good and that new business seems to be very much easier to get. The demand for talking machings and other articles of luxury in the furniture line is exceedingly large. Manufacturers continue to complain about the difficulties of securing skilled workmen.

**Groceries** Retail grocers are buying from hand to mouth, and wholesalers report business very dull. The large stocks of goods on hand have resulted in sharp declines in prices, due to lack of demand. Export business in evaporated and canned fruits is very active. Cereals have declined sharply. There is some apprehension as to what disposition the Government will finally make of its surplus stocks.

**Iron and steel** Conditions in the iron and steel industry up to a short time ago were very dull and new orders few. This was due to the uncertainty as to the stability of prices. Buyers felt there should be further reductions and declined to place orders. Since the establishment of the revised schedule of prices buyers are manifesting much greater interest and the long-deferred buying movement is expected to soon be under way. Steel men also complain about slow collections, due to the delay on the part of the Government in adjusting and settling its war contracts. Manufacturers of machine tools report business as being very dull, but this is only what was expected to follow the cessation of hostilities.

**Jewelry** The demand for jewelry continues to be brisk. Many of the finer articles are noticeably scarce, and prices are rising as a result, but customers seem willing to pay the new prices. The outlook is deemed favorable, and the heavier taxes on jewelry are not expected to have a harmful effect on the business.

**Leather** Business has been very good and prices have held firm, due to the strong demand. As the European market becomes more accessible, following the return of peace, demand is expected to be even better, as export trade will be greatly stimulated. Supplies of leather, especially of the finer grades, are becoming scarce. The feeling seems uniform that prices of finished leathers are no higher than they should be, based on the replacement cost of hides, and there appears to be no immediate prospect of any marked declines in leather goods.

**Paints, etc.** Demand for paints, and materials used in their composition, has not been up to normal, due to the expectation that prices would drop. As the spring advances, it is felt that an increased demand will be very noticeable. Very little linseed oil has been sold, as paint manufacturers and oil cloth and linoleum manufacturers are not calling for the usual amount required at this season of the year. As the upkeep of properties was very generally neglected during the war, it is anticipated that the demand for lead, oil and all articles required in the manufacture of paint will be unprecedented, as structures generally throughout the country are said to require repainting.

**Resorts** There have been unusually large crowds in Atlantic City the past two months, weather conditions being very favorable, and the large beach-front hotels have been filled.

The war imposed upon everyone a large amount of work, and during the past two summers people did not take their customary vacations. The community wants a relaxation from the strain caused by war conditions, and present indications point to an extraordinary exodus during summer months to various seashore and mountain resorts, despite the high income taxes.

**Rubber goods** Rubber products, such as rubbers, raincoats, etc., have not been in as good demand as usual, due to the very mild winter.

Automobile tires have been in brisk demand, the business being helped by the open winter. The outlook is for a brisk business during the coming season, especially in the agricultural and farming districts of the West and South.

**Shoes** Generally speaking, manufacturers are busy. Orders for fall delivery are being placed freely, and a good season is expected. Prices are not expected to go lower, due to the limited amount of raw material available, high cost of labor, and the European demands, which are expected to be augmented as conditions become more settled there.

**Textiles** Slow, but steady, improvement is shown in knit-goods, buying having been stimulated to some extent by the fact that the closing down of many mills and the operating of many others on part time threatened a scarcity in some lines. Jobbers manifest more confidence, as it becomes apparent that retail business now is approximately normal. Further reductions in prices are expected, but on account of the present cost of materials and labor, they are not expected to be drastic.

There is a good demand for novelties and specialties, notably in sweater coats. There has been moderate buying for next fall, but this has been retarded to some extent by the mild winter, making it appear that merchants feel they will have a possible carry-over of heavy weights. A stronger demand for hosiery and underwear has developed, some manufacturers selling in good volume, and there is increasing interest in the domestic market. As to the remainder of the year, the outlook is more promising than at any time since the signing of the armistice.

**Wool and woolsens** The course of prices at the recent auction sales of Government wool, indicate that the values established are based upon an immediate and urgent de-

mand from the mills to cover orders already booked. Within the past fortnight a big business has been placed with the mills.

A very large manufacturer of woolens reports that business is running ahead of last year, and that their customers all over the country seem to be very busy and look forward to the future with confidence.

**Financial** From inquiries made of commercial paper dealers as to the results shown by statements covering last year's business, we learn that in a large number of cases, the statements show reduced inventories, as the result of drastic liquidations, in order to avoid heavy losses in a falling market. For this reason, borrowings have been light and concerns are using their brokers and their banks much less than is usual at this time of year. Quite satisfactory profits were realized in the majority of instances, and very few cases of a decrease in net worth are recorded. Due to a careful pricing of inventory and heavy depreciation charges on merchandise, plants and machinery, the profits shown are not as large as the actual results.

There has been no change in money market conditions in the district. Borrowings at the Reserve Bank have been large, total loans and investment operations in February amounting to \$643,150,000, compared to \$683,722,000 the previous month. In February, 322 member banks were accommodated through the discount of paper, compared with 351 in January.



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

	At the close of business	
	<u>Mar. 14, 1919</u>	<u>Feb. 14, 1919</u>
	(In thousands of dollars; <i>i. e.</i> 000's omitted)	
Number of banks reporting.....	<u>56</u>	<u>56</u>
United States bonds to secure circulation.....	\$11,597	\$11,497
Other United States bonds, including Liberty bonds .....	38,010	44,904
United States certificates of indebtedness.....	<u>140,744</u>	<u>113,187</u>
Total United States securities owned ..	<u>190,351</u>	<u>169,588</u>
Loans secured by United States bonds and certificates .....	142,916	147,033
All other loans and investments.....	<u>614,739</u>	<u>620,808</u>
Total loans and investments.....	<u>948,006</u>	<u>937,429</u>
Reserve with Federal Reserve Bank.....	67,219	62,289
Cash in vault.....	19,400	19,650
Net demand deposits on which reserve is computed .....	666,588	631,872
Time deposits .....	21,822	21,316
Government deposits .....	48,681	43,513

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

RESOURCES	March 17, 1919	Previous month	Year ago
Gold reserve . . . . .	\$127,817,471	\$132,954,981	\$141,402,155
Legal tender, silver, etc. . .	270,294	362,303	667,446
<b>Total reserve . . . . .</b>	<b>128,087,765</b>	<b>133,317,284</b>	<b>142,069,601</b>
Bills discounted—members. Secured by Government war obligations . . . . .	169,965,103	173,938,888	15,991,888
All other . . . . .	11,462,529	13,892,312	9,969,934
Bills bought in open market	1,777,063	2,409,783	18,437,843
United States securities . . .	15,164,900	12,665,400	11,497,900
<b>Total earning assets</b>	<b>198,369,595</b>	<b>202,906,383</b>	<b>55,897,565</b>
Mutilated and fit notes on hand:			
Federal reserve notes . . .	12,629,315	7,307,305	3,797,080
Federal reserve bank notes . . . . .	643,735	350,145	—
Due from other Federal reserve banks . . . . .	—	—	1,758,993
Due from depository banks —war loan deposit ac- counts . . . . .	78,251,900	63,956,375	—
Uncollected items . . . . .	84,395,107	69,051,267	40,198,824
All other resources . . . . .	2,356,051	2,005,491	1,222,164
<b>Total resources . . . . .</b>	<b>504,733,468</b>	<b>478,894,250</b>	<b>244,944,227</b>
<b>LIABILITIES</b>			
Capital paid in . . . . .	7,577,400	7,472,900	6,863,900
Surplus . . . . .	2,608,344	1,304,172	—
Profit and loss . . . . .	—	—	220,238
Government deposits . . . .	12,397,741	8,975,347	4,341,421
Due to members—reserve account . . . . .	110,097,018	101,407,519	87,995,951
Collection items . . . . .	55,210,771	56,755,674	33,956,789
<b>Total gross deposits</b>	<b>177,705,530</b>	<b>167,138,540</b>	<b>126,294,161</b>
Government deposits—spe- cial account . . . . .	82,828,137	67,480,017	—
Federal reserve notes out- standing . . . . .	218,569,400	221,675,275	110,900,080
Federal reserve bank notes outstanding . . . . .	13,460,000	11,088,000	—
All other liabilities . . . . .	1,984,657	2,735,346	665,848
<b>Total liabilities . . . . .</b>	<b>504,733,468</b>	<b>478,894,250</b>	<b>244,944,227</b>

**BUSINESS INDICATORS**

	March 17, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
<b>Philadelphia banks:</b>			
Loans .....	\$777,767,000	+2	+34
Deposits .....	664,061,000	+3	+5
Ratio of loans to deposits.....	117%	*117	*91
<b>Federal Reserve Bank:</b>			
Discounts and collateral loans.....	181,427,000	—3	+600
Cash reserve.....	42%	*41	*74
Ninety-day discount rate.....	4¾%	*4¾	*4½
Commercial paper rate.....	5½%	*5½	*6
	February, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
<b>Bank clearings:</b>			
In Philadelphia.....	\$1,457,113,000	—20	+19
Elsewhere in district.....	88,787,000	—21	+4
Total .....	\$1,545,900,000	—20	+18
<b>Port of Philadelphia:</b>			
Exports .....			
Imports .....			
Building permits, Philadelphia.....	\$1,140,685	+67	+93
Postoffice receipts, Philadelphia.....	1,049,778	+4	+9
Commercial failures in district (per Bradstreet's) .....	26	*41	*78
<b>Commodity prices:</b>			
Annalist, March 15.....	291.794	+3	+2
Dun's, March 1.....			
Bradstreet's, March 1.....	\$17.2244	—2	—4

\*Actual figures.

The purpose of this bulletin 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.