

# THE BUSINESS REVIEW

THIRD FEDERAL  
PHILADELPHIA



RESERVE DISTRICT  
SEPTEMBER 1, 1936

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FEDERAL RESERVE BANK of PHILADELPHIA

## Business and Banking Conditions in the United States

Production, employment, and trade increased further in July, when allowance is made for the usual seasonal changes, and commodity prices continued to advance. Money rates remained at extremely low levels.

**Production and employment.** Industrial production, which usually declines considerably in July, was maintained at the level of the preceding three months, and the Board's seasonally adjusted index advanced to 108 per cent of the 1923-1925 average as compared with 103 per cent in June. Output of steel continued at about the June rate, although a sharp decrease is usual, and automobile production declined by less than the usual amount. In the first three weeks of August there was little change in activity at steel mills, while at automobile factories output was curtailed as preparations were made for the production of 1937 models. Output of nondurable products was larger in July than in June, reflecting chiefly a sharp rise in activity at cotton mills and greater than seasonal increases in production at shoe factories, silk mills, and flour mills. At coal mines output increased and crude petroleum continued to be produced in large volume.

Factory employment increased further in July, contrary to seasonal tendency. The number of workers was larger than in June at steel mills, foundry and machine shops, and furniture factories, while at railroad repair shops there was a decline. Among the nondurable goods industries employment increased at textile mills and meat packing plants, and declined less than seasonally at establishments producing wearing apparel. Factory payrolls decreased by a smaller amount than is usual in July.

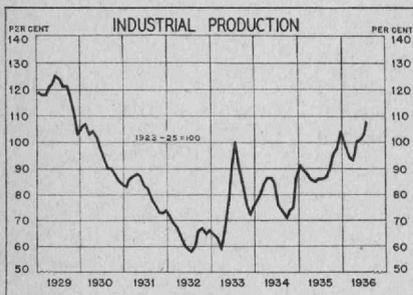
The value of construction contracts awarded increased considerably from June to July, according to the F. W. Dodge Corporation, with large increases reported for both publicly-financed and privately-financed work.

**Agriculture.** Crop prospects declined during July as a result of continued drought. On the basis of August 1 conditions, the corn crop was estimated by the Department of Agriculture at 1,439,000,000 bushels, a reduction of 37 per cent from last season, and estimates for spring wheat, oats, hay and potatoes were also considerably under the harvests of a year ago. The cotton crop was forecast at 12,481,000 bales

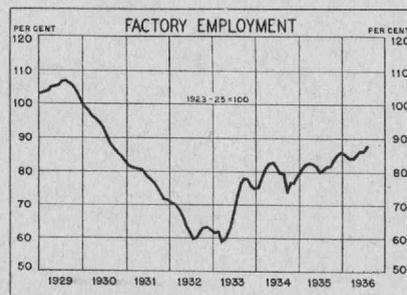
as compared with 10,638,000 bales last year and an average of 14,667,000 bales during the five years 1928-1932.

**Distribution.** Retail trade was sustained in July at a higher level than is usual in that month. The Board's adjusted index of department store sales, which allows for a considerable seasonal decline, increased from 88 per cent of the 1923-1925 average in June to 91 per cent in July and mail order and variety store sales also showed smaller decreases than are usual for the season. Freight car loadings increased in July.

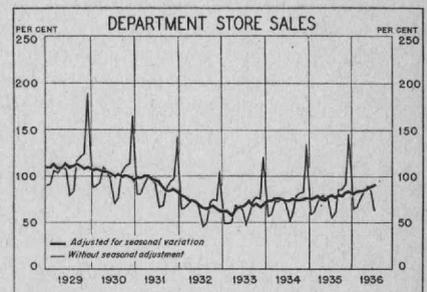
**Commodity prices.** Wholesale commodity prices continued to advance



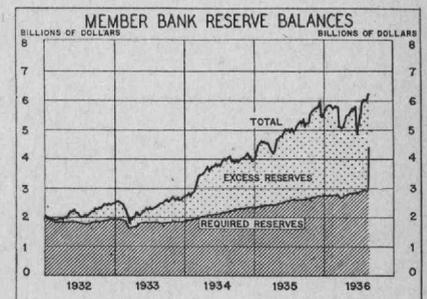
Index of physical volume of production, adjusted for seasonal variation.



Index of number employed, adjusted for seasonal variation.



Indexes of value of sales.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932 to August 19, 1936.

between the middle of July and the middle of August. Prices of wheat, flour, feed grains, and dairy products rose considerably, owing primarily to the drought, and livestock prices also advanced while cotton declined. There was a considerable increase in the price of steel scrap.

**Bank credit.** Excess reserves of member banks decreased from \$2,920,000,000 on July 15 to \$1,810,000,000 on August 19. About \$1,470,000,000 of excess reserves were absorbed by the increase of 50 per cent in reserve requirements of member banks, which went into effect August 15. This decrease was offset in part by a growth

of \$360,000,000 in total reserve balances, reflecting principally large disbursements by the Treasury from its funds held on deposit with Federal Reserve banks.

After the increase in reserve requirements, there remained a large amount of excess reserves widely distributed among member banks. The money market was not affected by the action, and interest rates remained at extremely low levels. In the week ending August 19 a few scattered banks borrowed at the reserve banks, but the total amount borrowed was negligible, and some banks drew upon their balances with other banks in order to

meet the increase in requirements. Deposits of domestic banks with reporting member banks in leading cities declined by \$210,000,000 in the week.

Between July 15 and August 19 loans and investments of reporting member banks in leading cities declined by \$260,000,000, reflecting reductions of \$130,000,000 in loans on securities and of \$160,000,000 in holdings of United States government direct obligations, partly offset by an increase of \$60,000,000 in other loans to customers. Adjusted demand deposits, which increased to a new high level on July 22, were slightly smaller on August 19.

## *Business and Banking Conditions in the Philadelphia Federal Reserve District*

Business conditions in the Philadelphia Federal Reserve District continue to reflect a high level of activity as compared with the past four years. Additional improvement since June has been a marked characteristic of the majority of important lines of industry, trade and service. Industrial production has risen for the fourth consecutive month; this bank's adjusted index measuring output of manufacturing and extractive industries in July reached 89, relative to the 1923-25 average, as compared with 86 in the previous month and 74 a year ago. It has continued at the highest level since 1930.

Building and construction activity increased in the month and continued substantially greater than last year. The value of building contracts has shown further gains; increases from June to July were particularly striking

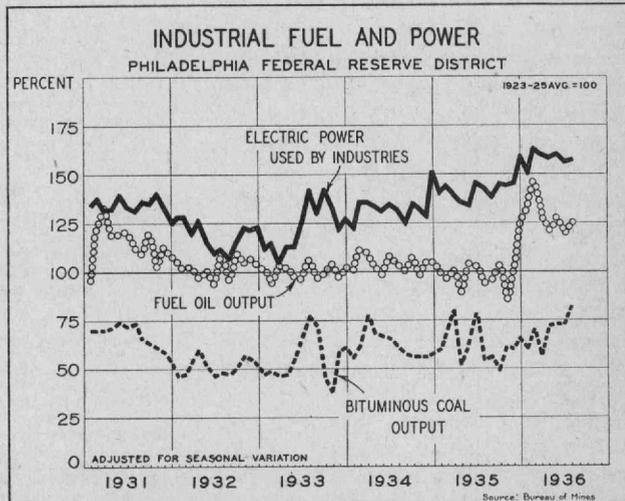
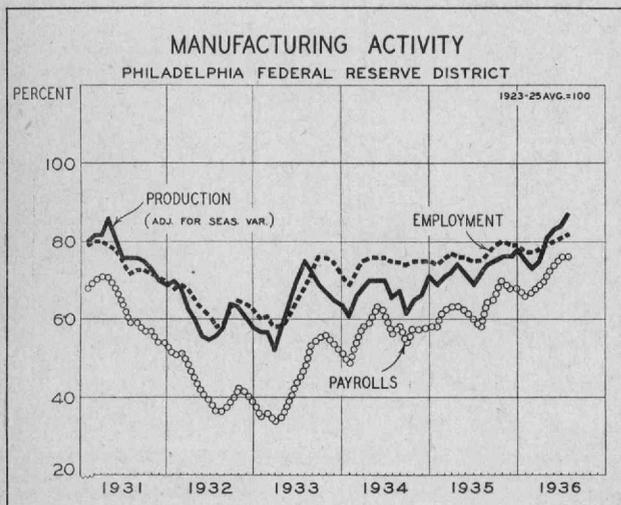
in the awards for residential and factory construction.

Production of field and orchard crops in the aggregate appears to be smaller this year than last, as measured by the official condition report as of August 1. The effect of drought on crops and pastures in this district generally has continued to be less serious than in other parts of the country. Largely as a result of higher prices and increased volume of livestock products, aggregate income of farmers has been at a much higher level than for several years past.

Retail and wholesale trade sales appear to have declined by a smaller amount than usual from June to July, thus indicating improvement; gains over last year have continued substantial in July and early August. This is also true of automobile sales. Shipments of commodities have increased somewhat more than seasonally.

Employment and compensation in twelve branches of trade and industry of Pennsylvania showed little change from the middle of June to the middle of July. Early reports for August indicate seasonal expansion in factory employment and wage disbursements. The number of persons on relief rolls and the amount spent for direct relief in Pennsylvania between the end of June and the middle of August declined about 7 per cent, resulting partly from the improved industrial conditions during that period.

**Manufacturing.** Reports from manufacturers in general indicate that sales have improved in the past month and compare still more favorably with a year ago. Products of the iron and steel industry are in demand and reports of increases in sales over early July have materially exceeded those showing declines in a number of the



## Business Indicators Philadelphia Federal Reserve District

textile lines, several of the building materials, and some other branches of industry. Unfilled orders on the books have expanded and operations have been enlarged.

Finished goods in stock recently have been reduced in many instances and are in smaller volume than a year ago, but for the most part there has been no material change in inventories of raw materials during the past month.

Reports of advances in prices continue to be rather numerous. Although the index of the Bureau of Labor Statistics for commodities other than farm products and foods rose only from 79.5 on July 25 to 79.7 on August 22, more pronounced increases were shown in the case of the chemical and drug, textile, and hide and leather groups. Over the past year price increases in the building and fuel and lighting material groups have closely approximated the rise of about 2 per cent in the combined index, while the hide and leather classification shows an advance of over 4 per cent.

Factory employment in this section showed an additional gain between the middle of June and the middle of July, contrary to the usual seasonal let-down. Wage payments and employee-hours actually worked, which also ordinarily decline in this period, showed little change, indicating a continuance of activity at higher levels than customary. Preliminary reports for August disclose that factory employment and payrolls have been fully maintained at the level of the preceding month, and that in several lines a further expansion is apparent.

Estimates for Pennsylvania, a large part of which is in this district, indicate that about 886,000 wage earners were employed in the factories of that state in the payroll period nearest to the middle of July and the total wage disbursements approximated \$19,571,000 a week. Average earnings of wage earners were about \$22.44 a week, or 20 per cent higher than a year ago.

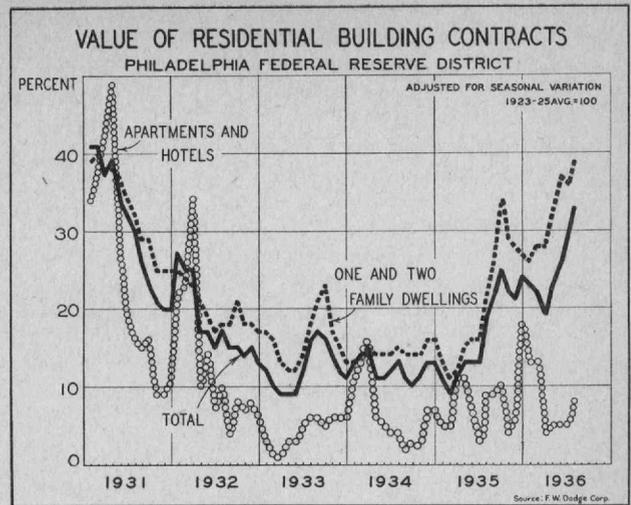
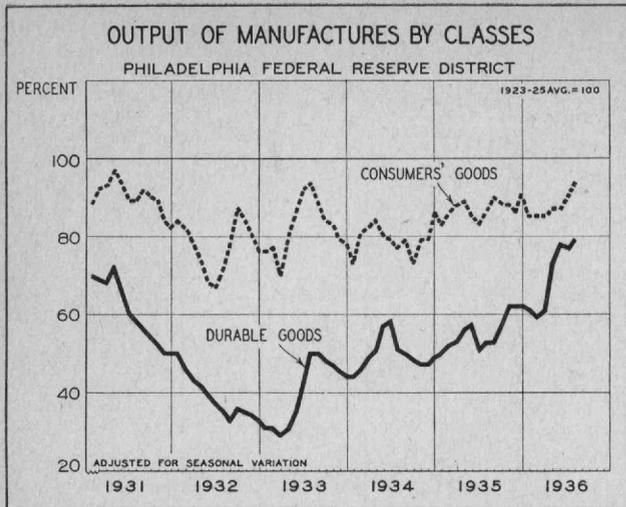
Manufacturing as a whole has continued to be remarkably well sustained and there has been an almost uniform absence of the usual summer recessions in output. Our index of productive activity, which is adjusted for normal seasonal changes, rose in July to 87 per cent of the 1923-25 average, reaching the highest point since 1930, when production was declining. This increase has been continuous for five months and for the year to date the rate of factory output has been about 12 per cent

	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	July 1935	May 1936	June 1936	July 1936	Per cent change			July 1935	May 1936	June 1936	July 1936	
					July 1936 from	1936 from	1935					
Adjusted indexes allow for the usual seasonal change in activity.				Month ago	Year ago	mos. 1935						
Unadjusted indexes reflect merely the actual change which may or may not be typical.												
<b>Industrial production</b>												
Manufacturing—total	74	85	86	89p	+ 4	+ 21	+ 10	70	84	85	85p	
DURABLE GOODS	72	83	84	87p	+ 3	+ 22	+ 12	69	81	84	83p	
CONSUMERS' GOODS	53	78	77	79p	+ 3	+ 51	+ 31					
Metal products	86	87	91	94p	+ 3	+ 9	+ 2					
Textile products	60	84	86	90	+ 4	+ 49	+ 29	58	84	87	86	
Transportation equipment	85	81	86	91p	+ 6	+ 7	- 2	79	78	84	84p	
Food products	33	76	75	77	+ 2	+ 133	+ 71	32	79	75	75	
Tobacco and products	75	78	81	85p	+ 6	+ 13	+ 8	73	76	77	80p	
Building materials	88	100	88	100	+ 14	+ 15	+ 9	94	97	95	108	
Chemicals and products	30	45	40	40p	+ 0	+ 36	+ 24	32	46	44	44p	
Leather and products	103	118	116	120p	+ 4	+ 17	+ 11	101	120	117	118p	
Paper and printing	141	125	122	143p	+ 17	+ 1	+ 0	128	114	119	129p	
Coal mining	80	85	86	84	- 3	+ 5	+ 4	77	86	85	81	
Anthracite	61	69	67	74	+ 11	+ 21	- 2	51	69	58	61	
Bituminous	62	69	66	73	+ 11	+ 18	- 2	51	69	57	60	
Crude oil	54	73	73	82	+ 12	+ 51	+ 6	48	65	65	72	
Electric power	375	417	404	428	+ 6	+ 14	+ 6	386	434	420	441	
Output	215	228	229	236	+ 3	+ 10	+ 12	200	212	218	219	
Sales, total†	200	214	218	221	+ 1	+ 11	+ 13	188	205	212	208	
Sales to industries†	144	160	156	157	+ 1	+ 10	+ 12	146	163	157	161	
<b>Employment and wages—Pa.</b>												
Factory—Wage earners					+ 2*	+ 10*	+ 5*	75	79	81	82	
Payrolls					- 0*	+ 32*	+ 18*	58	74	76	76	
Man-hours (1927-28 = 100)					- 1*	+ 37*	+ 23*	58	79	81	80	
General (1932 = 100)												
Employment					- 1*	+ 7*	+ 4*	105	113	114	113	
Payrolls					- 1*	+ 28*	+ 15*	115	149	149	148	
<b>Building and real estate</b>												
Contracts awarded†—total	23	42	49	57	+ 17	+ 151	+ 146	24	51	56	59	
Residential†	19	26	29	33	+ 17	+ 75	+ 83	20	33	34	35	
Non-residential†	30	53	53	64	+ 21	+ 112	+ 143	29	60	62	62	
Public works and utilities†	19	70	92	115	+ 25	+ 501	+ 250	20	82	104	122	
Permits for building—17 cities	8	20	13	16	+ 24	+ 100	+ 133	10	22	16	19	
Writs for Sheriff sales—Phila.	667	525	558	694	+ 25	+ 4	- 28	634	551	558	660	
<b>Distribution</b>												
Retail trade—sales	66	79	78	80p	+ 2	+ 20	+ 10	48	81	77	58p	
stocks	62	69	67	68p	+ 1	+ 9		56	69	64	61p	
Wholesale trade—sales	78	89	88	89p	+ 1	+ 14	+ 8	72	83	84	83p	
stocks	62	69	68	69p	+ 0	+ 10		62	68	66	68p	
Life insurance sales	99	94	99	95	- 4	- 5	- 8	95	101	103	91	
New passenger auto. registrations	100	138	127	133	+ 5	+ 33	+ 27	113	199	177	150	
Hotels—Occupancy (1934 = 100)					- 18*	+ 17*	+ 9*	90	121	128	105	
Income, total (1934 = 100)					- 38*	+ 18*	+ 12*	77	122	146	91	
Freight car loadings—total	53	68	68	71	+ 5	+ 33	+ 13	55	70	69	73	
Merchandise and miscellaneous	57	69	69	71	+ 4	+ 25	+ 14	58	72	71	73	
Coal	49	69	65	70	+ 8	+ 43	+ 1	43	64	56	62	
<b>Business liquidations</b>												
Number					- 30*	- 14*	- 16*	62r	66	76	54	
Amount of liabilities					- 49*	- 52*	- 37*	47r	22	44	23	
<b>Payment of accounts</b>												
Check payments	77	80	81	82	+ 1	+ 6	+ 7	75	79	84	80	
Rate of collections (actual)												
Retail trade	31	31	32	32	- 2	+ 4		31	32	34	32	
Wholesale trade	67	72	72	78	+ 8	+ 15		68	72	75	79	
<b>Prices—United States</b>												
WHOLESALE (1926 = 100)					+ 2*	+ 1*	+ 0*	79	79	79	80	
Farm products					+ 4*	+ 5*	- 1*	77	75	78	81	
Foods					+ 2*	- 1*	- 2*	82	78	80	81	
Other commodities					+ 1*	+ 2*	+ 2*	78	79	79	79	
RETAIL FOOD (mid-month)					+ 0*	+ 5*	+ 1*	80	80	84	84	
Philadelphia					- 1*	+ 5*	+ 2*	82	82	87	86	
Scranton					- 1*	+ 4*	+ 2*	78	78	81	80	

	(In millions of dollars)					% change from	
	July 1935	Apr. 1936	May 1936	June 1936	July 1936	Month ago	Year ago
<b>Banking and credit</b>							
<b>Federal Reserve Bank</b>							
Bills discounted	\$ (a)	\$ (a)	\$ (a)	\$ (a)	\$ (a)	+ 18	+ 20
Other bills and securities	181	183	183	184	217	+ 14	+ 40
Member bank reserves	226	292	276	276	316	- 5	+ 5
Reserve ratio (per cent)	66.6	74.1	73.1	73.5	69.9		
<b>Reporting member banks</b>							
Loans to customers	\$ 417	\$ 410	\$ 411	\$ 413	\$ 419	+ 1	+ 0
Other loans and investments	673	757	763	763	770	+ 1	+ 14
Total deposits (adjusted)	1,254	1,389	1,371	1,374	1,423	+ 4	+ 13
Bankers' acceptances outstanding	12.2	11.2	10.6	10.9	11.3	+ 4	- 7

\* Computed from data unadjusted for seasonal variation.  
† 3-month moving daily average centered at 3rd month.  
(a) Less than \$500,000.

p—Preliminary. r—Revised.  
† Not included in production index.



higher than in the same period last year. The chart on the second page shows the trend of factory production, employment and payrolls since 1930. It should be noted that the production index is adjusted for seasonal variation while indexes of employment and payrolls are not so adjusted; this may partly explain the fact that production has been noticeably above employment for the past four months. On the seasonally adjusted basis, the July factory employment index was almost 85 and the payroll index over 81, relative to the 1923-25 average.

Further improvement in factory activity during July was well distributed among the important lines of manufacturing. Adjusted indexes for durable and consumers' goods showed identical percentage gains over June but compared with a year ago the durable goods industries reported an increase of 50 per cent while consumers' goods 9 per cent. Similarly, for the year to date durable goods industries registered a gain of 31 per cent over last year, while those manufacturing non-durable goods showed a gain of only 2 per cent as compared with the average rate prevailing in the first seven months last year. Over a period of several recent years, the rate of increase in the output of such heavy commodities as iron and steel and their products and transportation equipment generally has been much more pronounced than in the case of such consumers' goods as textile, food and leather products.

Among the individual lines of manufacture noticeable increases from June to July occurred in the output of steel castings, automobile parts and bodies, brick, hosiery, silk and cotton manufactures, shoes, cigars and

sugar refining. Changes less favorable than those usually to be expected from June to July were reported by industries including electrical apparatus, shipbuilding, lumber products, woollens and worsteds, meat packing, and printing and publishing.

Output of electricity increased in July, although ordinarily there is a falling off in that month, with the result that there was a further advance of 3 per cent in the seasonally adjusted index to a point 10 per cent higher than a year ago. Sales in total declined less than usual in the month and were 11 per cent above those in July, 1935; sales of power to industries likewise continued substantially above last year. In the first seven months output was 12 per cent and total sales 13 per cent greater than in the like period of 1935.

**Coal and other fuels.** Output of anthracite advanced in July instead of continuing to fall off as it usually does at this time; in early August production slackened somewhat. For the first seven months of the year, output fell slightly below while shipments rose fractionally above the same period in 1935. Supplies of anthracite held by producers and railroads on July 1 were decidedly larger than a year ago, whereas stocks at retail dealers and electric power plants decreased as compared with last year.

Production of bituminous coal increased in July and in the first part of August, after remaining comparatively steady for two months; usually output is at its lowest around mid-summer. Coal carloadings likewise have expanded recently. January to July production and shipments this year were noticeably above a year ago.

After increasing since March, output of by-product coke fell off in July

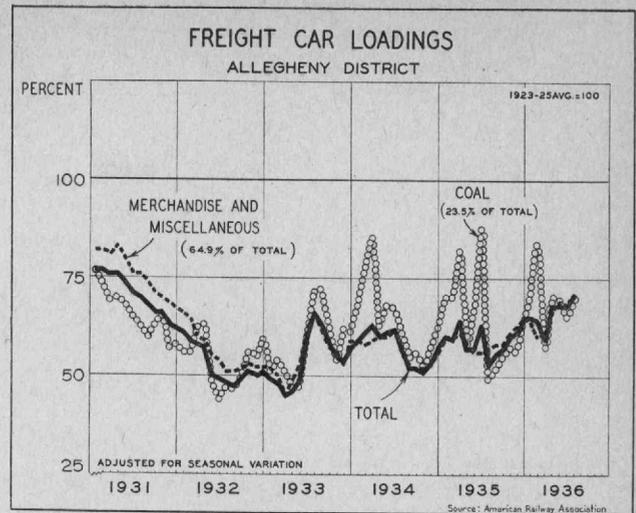
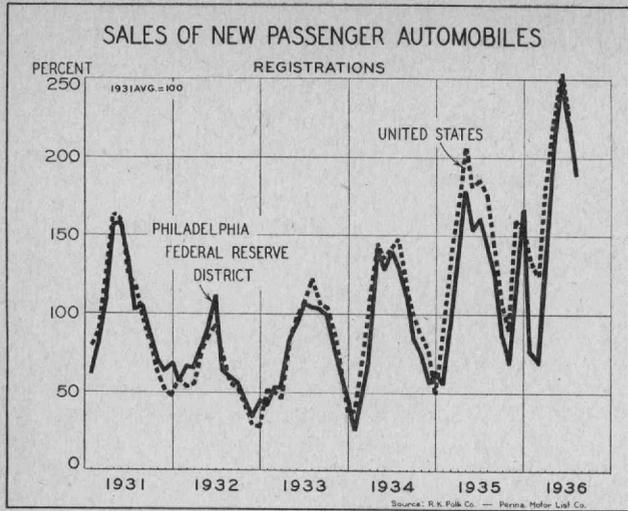
a little more than is usual, whereas employment remained at the June level. For the year to date, production surpassed that of the same period last year by 27 per cent. Prices have continued firm since January. Output of gas and fuel oils advanced in July after declining in the previous month. Production for the seven-month interval was 32 per cent larger this year than last.

(Output and shipment figures are daily averages)	July 1936	Per cent change from	
		Month ago	Year ago
<b>Anthracite</b>			
Production..... tons	158,700	+ 5	+17
Shipments..... tons	139,388	- 5	+10
Stocks..... 1000 tons	1,240 <sup>†</sup>	+45	+28
Prices..... (1926=100)	78.5	+2	+ 2
Employment..... No.	86,718	- 6	- 2
<b>Bituminous</b>			
Production..... tons	343,846	+12	+51
Shipments..... No. cars	22,454	+ 8	+43
Prices..... (1926=100)	96.0	- 1	- 1
Employment..... No.	124,297	- 1	+ 8
<b>Coke</b>			
Prod. .... (1923-25=100)	110.8	- 3	+45
Prices..... (1926=100)	93.7	0	+ 6
<b>Gas and fuel oil</b>			
Prod. .... (1923-25=100)	125.0*	+ 4	+33
Prices..... (1926=100)	67.2	- 7	+ 4

Sources: Bureau of Mines and Bureau of Labor Statistics. \* Estimated. <sup>†</sup> July 1.

**Building.** Awards of building contracts in this district totaled \$17,763,500 in July, an increase of 23 per cent in the month and a gain of 148 per cent over a year earlier. Although the July contract total continued small relative to the pre-depression years, being slightly less than 60 per cent of the 1923-1925 average, it showed considerable expansion compared with the spring of last year, when the value of all contract awards amounted to barely 20 per cent of that average.

Contracts let for all types of building construction, excepting educational and commercial structures, registered large percentage increases in July, the most pronounced gains occurring in awards for factory buildings and apart-



ments and hotels. Contracts awarded for family dwellings, which have risen steeply since early this year, were 36 per cent above the June level and showed an increase of 47 per cent over a year ago. In the first seven months this year the value of all contract awards amounted to \$94,921,600, a gain of 146 per cent as compared with a year earlier and the largest for that interval since 1931.

Building contracts Philadelphia Federal Reserve District	July 1936 (000's omitted)	Per cent change	
		From month ago	1936 from 7 mos. 1935
<b>Residential</b> .....	\$ 4,909	+ 39	+ 83
Apts. and hotels.....	382	+ 95	- 35
Family houses.....	4,527	+ 36	+107
<b>Non-residential</b> .....	<b>6,502</b>	<b>+ 17</b>	<b>+143</b>
Commercial.....	1,059	- 28	+100
Factories.....	1,788	+266	+ 15
Educational.....	2,218	- 7	+810
All other.....	1,437	+ 20	+ 54
<b>Total buildings</b> .....	<b>\$11,411</b>	<b>+ 26</b>	<b>+117</b>
<b>Public works and utilities</b> .....	<b>6,353</b>	<b>+ 18</b>	<b>+250</b>
<b>Grand total</b> .....	<b>\$17,764</b>	<b>+ 23</b>	<b>+146</b>

Source: F. W. Dodge Corporation.

Prices of building materials, after fluctuating narrowly for several months, have shown a rising tendency of late.

**Agriculture.** Seasonal farming operations such as harvesting and fall plowing are progressing about as usual in this district. Although the supply of moisture in recent weeks has been barely sufficient to meet the needs of growing crops and pastures, distribution of rainfall has been fairly even and conditions here are more favorable than those prevailing in the sections of the country where the drought has been severe.

Since July 1, estimated yields of wheat, hay and white potatoes have been revised upward, while the harvest

of corn, oats and tobacco is now expected to be smaller than was indicated on that date. Department of Agriculture estimates as of August 1 indicate that yields of leading field crops in this district, with the exception of tobacco, will be smaller this year than last; compared with the five-year average, production of wheat alone may show some increase. The condition of orchard fruits has changed little in recent weeks; the quality of apples and peaches is said to be somewhat higher than usual, but yields will be smaller than in 1935 and considerably below the average for the years 1928-1932.

Marketings of dairy and poultry products have been increasing steadily since early spring and cash income in this district, a large part of which is derived from the sale of these products, has risen to the highest level in several years. Average wholesale prices for agricultural commodities in the country as a whole have advanced rather sharply for two consecutive months, according to the index of the Bureau of Labor Statistics. At 84.6 per cent of the 1926 average, this index on August 22 compared with 81.4 four weeks earlier and 80.7 a year ago.

**Distribution, trade and service.** The value of retail trade sales by department, apparel, shoe and credit stores in this district during July exceeded those of a year ago by 20 per cent. All lines participated in this increase, the largest gains, however, being reported in the case of women's wearing apparel and credit stores. The seasonal decrease in sales which ordinarily occurs in July was somewhat smaller than usual this year, so that our index, after adjustment for such change, rose from 78 per cent of the 1923-25 average in June to 80 in July. Total dollar

sales in the first seven months this year continued 10 per cent greater than in the same period of 1935.

Business at wholesale in July fell off somewhat from the June level, but as in the case of retail trade sales, the decrease was less than that which customarily occurs in this period. Compared with a year ago, the total dollar sales of eight reporting lines combined showed a gain of 14 per cent, increases ranging from 42 per cent in jewelry to 4 per cent in shoes. In the first seven months this year the value of wholesale trade sales was 8 per cent greater than a year ago, owing in part to higher prices.

Inventories of merchandise at both retail and wholesale showed about the usual change from June to July, a decline at retail stores and a small increase in the case of wholesale lines. Compared with a year ago, however, stocks at the end of July were larger by 9 and 10 per cent, respectively. The rate of stock turnover at retail was 7 per cent and at wholesale 6 per cent more rapid in the first seven months this year than last. The amount of collections in relation to receivables failed to maintain its usual seasonal rate in retail lines but increased sharply at wholesale establishments.

Sales of new passenger automobiles in this district decreased in July by a smaller percentage than customary and were nearly one-third again as large as in the same month last year. The number of new units sold thus far this year has exceeded last year's volume by 27 per cent.

Total freight car loadings in this section increased appreciably in July and were 13 per cent larger in the first seven months this year than last. The volume of rail freight, consisting

largely of manufactures originating in the Philadelphia industrial area, also was considerably greater than in June and in early August continued close to the July level.

Activity of commercial hotels declined sharply from June to July, reflecting largely a substantial drop in the business of Philadelphia hotels which reported large income during the convention period in June. Compared with a year ago, however, room occupancy and income from all sources have continued materially larger.

Hotel business Philadelphia Federal Reserve District	July per cent change from		1936 from 7 mos. 1935
	Month ago	Year ago	
Capacity.....	+ 0	- 0	.....
Room occupancy.....	-18	+17	+ 9
Per cent of capacity used:			
July 1936.....	47.9		
June 1936.....	59.4		
July 1935.....	38.7		
Income from:			
Guest rooms.....	-35	+20	+12
Food.....	-41	+15	+12
Other sources.....	-41	+18	+13
Total revenue.....	-38	+18	+12

**Banking conditions.** Under the Federal Reserve Act member banks are required to maintain reserves, in the form of balances at the reserve banks, equal to certain percentages of their demand and time deposits. Both locally and nationally these reserve deposits had risen to levels far surpassing the requirements imposed by law; the difference between total and required reserves is known as "excess reserves".

Effective after August 15 the percentages of reserves required to be kept by members against deposits were increased by one-half. In announcing this change last month the Board of Governors of the Federal Reserve System said in part: "This action eliminates as a basis of possible injurious credit expansion a part of the excess reserves . . . The part of the excess reserves thus eliminated is superfluous for all present or prospective needs of commerce, industry, and agriculture and can be absorbed at this time without affecting money rates and without restrictive influence upon member banks. . ."

Over the last half of July the reserves required to be maintained by member banks in this district averaged 154 millions. As the amount actually carried was 318 millions, an average excess of 164 millions was indicated. Unless reserves should be materially enlarged, it is clear that the increase of one-half in requirements effective after August 15 would substantially reduce this excess.

In the week of August 19 the district gained funds from other sections, some portion doubtless representing the recall by banks of monies on deposit with correspondents elsewhere. This gain was partly instrumental in raising member bank reserve deposits to 329 millions, the highest point ever shown in any weekly statement. Borrowing from the reserve bank increased very little, the total of bills discounted continuing well under half a million dollars.

Federal Reserve Bank of Philadelphia Dollar figures in millions)	Aug. 19, 1936	Changes in—	
		Four weeks	One year
Bills discounted.....	\$ 0.3	+\$ 0.1	-\$ 0.2
Bills bought.....	0.3	+ 0.0	- 0.2
Industrial advances	5.1	- 0.1	+ 1.2
United States securities.....	211.2	0	+ 34.1
Total bills and securities.....	\$216.9	+\$ 0.0	+\$34.9
Federal res. note circulation.....	294.0	- 3.1	+ 51.1
Member bank reserve deposits..	329.3	+ 9.8	+ 78.4
U. S. Treasurer—general account	8.8	- 10.8	+ 6.7
Foreign bank deposits.....	8.4	+ 2.7	+ 6.0
Other deposits.....	1.7	+ 0.1	- 5.4
Total reserves.....	448.3	- 1.3	+102.2
Reserve ratio.....	69.8%	- 0.1%	+ 1.3%

Despite the inflow of funds lately, over the four weeks from July 22 to August 19 the district had an adverse balance of nearly 14 millions in commercial and financial transactions with other sections of the country. This loss of funds, however, was overbalanced by a 21 million excess of Treasury disbursements over local receipts and a decline of 2½ millions in currency demand, with the result that reserve deposits of member banks rose nearly 10 millions. This increase was due largely to additional reserves acquired by banks outside of Philadelphia, as the total for banks in that city declined.

The return of currency from circulation since July 4 has not equalled the outflow in the three preceding weeks, when it had been stimulated by the

cashing of adjusted service checks. While the amount of all kinds of money in circulation in this district is not known, there is no doubt that it materially exceeds that a year ago, as do the national figures; unquestionably increased business activity and payrolls and the cashing of checks for veterans have been leading factors in this change.

Up to July 22 the total of adjusted service checks charged to the account of the United States Treasurer by this bank had been 70¼ millions of dollars. In the four weeks following the amount so charged was only 5½ millions. These disbursements together with those for work relief account largely for the local excess of Government expenditures over receipts.

Reporting member banks (000,000's omitted)	Aug. 19, 1936	Changes in	
		Four weeks	One year
<b>Assets</b>			
Loans to brokers and dealers:			
In New York City.....	\$ 9		-\$ 4
Outside New York City	20	-\$ 4	+ 8
Loans on securities to others (except banks).	148	+ 1	- 4
Acceptances and commercial paper bought.....	25	+ 3	+ 3
Loans on real estate.....	62	- 1	- 8
Loans to banks.....	2		- 1
Other loans.....	188	+ 7	+ 11
Total loans.....	\$ 454	+\$ 6	+\$ 5
U. S. Government securities.....	318	- 4	+ 48
Obligations fully guaranteed by U. S. Gov't..	100	- 5	+ 17
Other securities.....	316	+ 3	+ 40
Total loans and investments	\$1,188		+\$110
Reserve with Fed. Res. Bank.....	214	- 11	+ 42
Cash in vault.....	14	- 1	.....
Balances with other banks	145	- 10	- 1
Other assets—net.....	88	+ 1	- 5
<b>Liabilities</b>			
Demand deposits, adjusted	\$ 756	-\$ 7	+\$ 78
Time deposits.....	275	- 1	+ 7
U. S. Government deposits	71		+ 36
Interbank deposits.....	302	- 16	+ 20
Borrowings.....			
Other liabilities.....	21		+ 3
Capital account.....	224	+ 3	+ 2

Deposits of reporting member banks declined 24 millions in the four weeks ending August 19, owing principally to a drop of 16 millions in funds held for other banks which occurred largely in the last week of the period. This

#### MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (In millions of dollars)	Changes in weeks ending				Changes in four weeks
	July 29	Aug. 5	Aug. 12	Aug. 19	
<b>Sources of funds:</b>					
Reserve bank credit extended in district.....	- 0.6	+ 0.9	- 0.1	- 0.1	+ 0.1
Commercial transfers (chiefly interdistrict).....p	-11.1	- 3.5	- 5.6	+ 6.3	-13.9
Treasury operations.....p	+ 3.3	+ 4.2	+ 8.5	+ 5.3	+21.3
Total.....	- 8.4	+ 1.6	+ 2.8	+11.5	+ 7.5
<b>Uses of funds:</b>					
Currency demand.....p	- 2.0	- 1.1	+ 2.7	- 2.1	- 2.5
Member bank reserve deposits.....	- 6.7	+ 2.5	+ 0.4	+13.6	+ 9.8
"Other deposits" at reserve bank.....	+ 0.3	+ 0.2	- 0.4	+ 0.0	+ 0.1
Unexpended capital funds of reserve bank.....	+ 0.0	+ 0.0	+ 0.1	- 0.0	+ 0.1
Total.....	- 8.4	+ 1.6	+ 2.8	+11.5	+ 7.5

p—Preliminary

loss of deposits was met mainly by reductions of 11 millions in reserve deposits held at the reserve bank and 10 millions in balances with correspondents.

Outstanding credit of the reporting banks in total shows practically no change, although the component groups varied considerably. Detailed figures reveal declines of 3 millions in loans to customers on the security of stocks and bonds and one million in loans on real estate. Holdings of direct and guaranteed obligations of the United States also were reduced 9 millions. These decreases, however, were equalled by the increases, which included 3 millions of open market paper, 3 millions of miscellaneous securities, and 7 millions in the unclassified group of loans ordinarily termed "Commercial". Loans of the latter type expanded week by week from 181 to 188 millions, the highest point this year, and now are 11 millions or over 6 per cent above a year ago. The trend here thus far in 1936 has closely paralleled that shown in figures submitted by reporting banks in 100 leading cities of the country outside of New York City.

## Employment and Payrolls in Pennsylvania

(All figures are rounded from original data.)

### Manufacturing Indexes

(Indexes are percentages of the 1923-25 average taken as 100. Total and group indexes are weighted proportionately.)	Employment*			Payrolls*			Employment-hours†	
	July 1936 index	Per cent change from		July 1936 index	Per cent change from		July 1936—per cent change from	
		July 1935	June 1936		July 1935	June 1936	July 1935	June 1936
<b>All manufacturing</b> . . . . .	82	+10	+2	76	+32	-0	+37	-1
Iron, steel and products . . . . .	75	+19	+3	78	+55	-1	+52	-2
Non-ferrous metal prods. . . . .	115	+13	-2	114	+24	-8	+28	-8
Transportation equip. . . . .	60	+25	-2	53	+48	-4	+77	-2
Textiles and clothing . . . . .	99	+3	+2	82	+16	+4	+13	+2
Textiles . . . . .	94	+1	+2	80	+17	+6	+13	+2
Clothing . . . . .	117	+11	+1	91	+11	-2	+11	+0
Food products . . . . .	103	0	+2	99	+10	+3	+7	+3
Stone, clay and glass . . . . .	81	+8	+2	70	+30	+3	+25	+2
Lumber products . . . . .	66	+8	+6	53	+19	+2	+20	-0
Chemicals and products . . . . .	87	+5	+0	85	+20	+0	+32	-0
Leather and products . . . . .	89	-8	+2	77	-12	+6	-9	+10
Paper and printing . . . . .	92	+3	+0	84	+10	-4	+9	-4
Printing . . . . .	86	+3	-1	81	+8	-4	+3	-5
Others:								
Cigars and tobacco . . . . .	66	-0	+1	58	+4	+7	+1	+8
Rubber tires, goods . . . . .	83	+12	+3	82	+56	-2	+48	-3
Musical instruments . . . . .	52	+6	+2	45	+20	+8	+28	+9

\* Figures from 2285 plants.

† Figures from 2048 plants.

### General Index Numbers

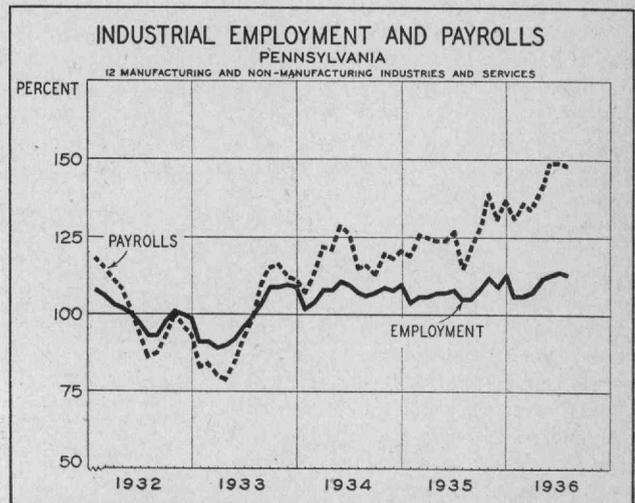
Covering twelve branches of trade and industry

(Indexes are percentages of the 1932 average taken as 100. Individual indexes are combined proportionately into general index number.)	Employment			Payrolls		
	July 1936 index	Per cent change from		July 1936 index	Per cent change from	
		July 1935	June 1936		July 1935	June 1936
<b>General index (weighted)</b> . . . . .	113	+7	-1	148	+28	-1
Manufacturing . . . . .	129	+10	+2	186	+32	-0
Anthracite mining . . . . .	78	-2	-6	70	-1	-11
Bituminous coal mining . . . . .	117	+8	-1	184	+104	+4
Building and construction . . . . .	80	+12	+1	95	+42	+3
Quarrying and non-met. mining . . . . .	116	+11	+2	207	+57	+3
Crude petroleum producing . . . . .	167	-17	+1	168	-2	-1
Public utilities . . . . .	93	+4	+1	97	+7	-1
Retail trade . . . . .	105	+2	-9	111	+8	-7
Wholesale trade . . . . .	111	+7	+0	107	+9	+1
Hotels . . . . .	105	+3	-2	108	+12	-4
Laundries . . . . .	103	+5	+3	112	+12	+3
Dyeing and cleaning . . . . .	107	+8	-1	111	+5	-11



City areas*	Percentage change—July 1936 from July 1935				
	Manufacturing Employment	Manufacturing Wage payments	Building permits (value)	Debits	Retail trade sales
Allentown . . . . .	+13	+34	+356	+10	+11
Altoona . . . . .	+3	+60	-49	+27	+28
Harrisburg . . . . .	+7	+22	+409	+14	+8
Johnstown . . . . .	+21	+68	+513	+52	+72
Lancaster . . . . .	+8	+19	+128	+26	+9
Philadelphia . . . . .	+6	+13	+103	+5	+12
Reading . . . . .	+10	+45	+760	+22	+13
Scranton . . . . .	-0	+8	-71	+7	+4
Trenton . . . . .	+4	+9	-11	+14	+21
Wilkes-Barre . . . . .	+3	+7	+185	+24	+7
Williamsport . . . . .	+4	+15	+222	+30	.....
Wilmington . . . . .	+15	+25	+70	+17	+15
York . . . . .	+3	+11	+70	+19	.....
July 1936 from June 1936					
Allentown . . . . .	+4	+2	+66	+5	-20
Altoona . . . . .	+1	-1	+55	-3	-14
Harrisburg . . . . .	+1	-1	+48	+3	-28
Johnstown . . . . .	+4	-2	-11	-1	-22
Lancaster . . . . .	-0	+0	-19	+4	-10
Philadelphia . . . . .	+1	+1	+60	-5	-30
Reading . . . . .	-1	+4	+17	+7	-20
Scranton . . . . .	+2	+3	-85	+4	-21
Trenton . . . . .	+0	-7	+95	+3	-29
Wilkes-Barre . . . . .	+6	+6	+42	+8	-23
Williamsport . . . . .	+1	-2	-5	+4	.....
Wilmington . . . . .	+4	+2	-37	-11	-26
York . . . . .	+8	+7	+40	+2	.....

\* Area not restricted to the corporate limits of cities given here.



# Index numbers of individual lines of trade and manufacture

## Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	July 1935	May 1936	June 1936	July 1936	Per cent change		July 1935	May 1936	June 1936	July 1936		
					July 1936 from	1936 from 7 mos. 1935						
				Month ago	Year ago							
<b>Retail trade</b>												
<b>Sales</b>												
Total of all stores	66	79	78	80p	+ 2	+ 20	+10	48	81	77	58p	
Department	62	76	74	70p	- 6	+ 13	+10	46	74	71	52p	
Men's apparel	65	70	70	70p	- 0	+ 8	+15	53	67	75	57p	
Women's apparel	85	96	87	97	+ 11	+ 15	+12	56	99	85	64	
Shoe	57	81	70	61	- 12	+ 7	+ 6	52	96	83	56	
Credit	71	84	92	108	+ 17	+ 52	+28	46	89	87	70	
<b>Stocks of goods</b>												
Total of all stores	62	69	67	68p	+ 1	+ 9	.....	56	69	64	61p	
Department	50	55	53	52p	- 2	+ 3	.....	46	54	51	48p	
Men's apparel	74	71	71	82p	+ 16	+ 10	.....	60	71	67	66p	
Women's apparel	87	97	98	104	+ 6	+ 18	.....	66	98	88	78	
Shoe	62	70	68	64	- 6	+ 3	.....	58	73	66	60	
Credit	69	85	81	78	- 3	+ 13	.....	68	82	78	77	
<b>Rate of stock turnover</b> 7 months (actual, not indexes)							+ 7*	2.23				2.39
<b>Wholesale trade</b>												
<b>Sales</b>												
Total of all lines	78	89	88	89p	+ 1	+ 14	+ 8	72	83	84	83p	
Boots and shoes	41	70	59	43	- 28	+ 4	+11	34	69	51	35	
Drugs	88	95	98	99	+ 1	+ 13	+ 9	83	95	95	93	
Dry goods	38	48	44	48	+ 10	+ 25	+12	30	45	40	37	
Electrical supplies	85	132	108	100p	- 7	+ 18	+15	69	100	88	82p	
Groceries	110r	107	117	123p	+ 5	+ 12	+ 2	111r	106	119	124p	
Hardware	47	57	55	52	- 6	+ 10	+12	46	63	58	50	
Jewelry	37	49	54	52	- 3	+ 42	+11	25	41	45	35	
Paper	64	76	73	75	+ 3	+ 17	+12	61	75	70	71	
<b>Stocks of goods</b>												
Total of all lines	62	69	68	69p	+ 0	+ 10	.....	62	68	66	68p	
Boots and shoes	26	23	20	29	+ 47	+ 15	.....	26	22	19	29	
Drugs	97	107	116	113	- 2	+ 17	.....	96	108	109	112	
Dry goods	38	38	37	38	+ 1	- 0	.....	38	38	37	38	
Electrical supplies	94	116	113	105p	- 7	+ 12	.....	94	111	111	105p	
Groceries	67	72	70	72	+ 4	+ 7	.....	62	68	63	66	
Hardware	69	79	77	81	+ 5	+ 19	.....	69	81	79	81	
Jewelry	46	54	53	51	- 3	+ 11	.....	53	58	58	59	
Paper	61	64	62	63	+ 1	+ 4	.....	61	64	62	63	
<b>Rate of stock turnover</b> 7 months (actual, not indexes)							+ 6*	3.19				3.39
<b>Output of manufactures</b>												
Pig iron	26	46	53	56	+ 5	+116	+77	24	48	50	51	
Steel	55	77	82	89	+ 8	+ 63	+37	50	81	84	81	
Iron castings	59	71	85	79	- 7	+ 33	+32	57	73	84	75	
Steel castings	62	93	93	123	+ 33	+ 98	+74	55	97	96	110	
Electrical apparatus	75	103	99	94	- 5	+ 25	+13	79	95	99	99	
Motor vehicles	11	12	12	15	+ 19	+ 31	+24	11	15	15	15	
Automobile parts and bodies	42	62	60	69	+ 16	+ 64	+49	40	65	60	66	
Locomotives and cars	16	32	32	34	+ 7	+108	+57	16	32	33	34	
Shipbuilding	75	242	240	230	- 4	+206	+90	73	249	237	224	
Silk manufactures	83	80	88r	93	+ 6	+ 12	- 5	81	77	83r	91	
Woolen and worsteds	88	72	78r	72	- 7	- 18	- 0	82	67	74	67	
Cotton products	43	46	50	55	+ 10	+ 28	+18	38	46	48r	48	
Carpets and rugs	133	126	123	124	+ 1	- 7	+ 7	121	122	118r	113	
Hosiery	103	98	105	122	+ 16	+ 18	- 8	85	98	103	100	
Underwear	124	140	149	155	+ 4	+ 24	+15	103	142	149	128	
Cement	37	59	49	50p	+ 1	+ 33	+16	44	67	59	58p	
Brick	34	47	45	51	+ 12	+ 48	+36	33	50	47	49	
Lumber and products	23	35	32	29	- 10	+ 29	+28	25	33	33r	32	
Bread and bakery products	.....	.....	.....	.....	0*	+ 3*	.....	87	88	90	90	
Slaughtering, meat packing	69	85	96	90	- 6	+ 31	+16	62	85	91	81	
Sugar refining	106	88	74	168	+128	+ 57	+39	108	108	79	171	
Canning and preserving	65	67	70	73p	+ 5	+ 12	+ 9	54	51	50	51p	
Cigars	87	99	87	99	+ 14	+ 14	+10	94	96	95	107	
Paper and wood pulp	58	69	68	67	- 0	+ 17	+10	55	69	67	65	
Printing and publishing	84	88	90	87	- 3	+ 3	+ 3	82	89	89	84	
Shoes	155	123	133	164	+ 24	+ 6	- 0	144	112	126	153	
Leather, goat and kid	128	127	111	122p	+ 9	- 5	+ 2	113	116	113	107p	
Explosives	70	78	75r	80	+ 7	+ 14	+ 9	69	79	75r	79	
Paints and varnishes	78	82	87	93	+ 6	+ 18	+13	73	87	89r	86	
Petroleum products	136	157	148	153p	+ 4	+ 12	+ 8	137	158	149	154p	
Coke, by-product	78	108	114	113	- 1	+ 45	+27	76	112	114	111	

\* Computed from data unadjusted for seasonal variation.      p—Preliminary.      r—Revised.

