

# THE BUSINESS REVIEW

THIRD FEDERAL  
PHILADELPHIA



RESERVE DISTRICT AM 9 27  
OCTOBER 1, 1938

FEDERAL RESERVE BANK OF PHILADELPHIA

RECEIVED  
STATISTICAL DIVISION

## Business and Banking Conditions in the United States

Industrial activity increased considerably in August and advanced further in September. Factory employment and payrolls also showed a substantial rise in August, and distribution of commodities to consumers increased seasonally.

**Production.** Volume of industrial production showed a further considerable increase in August, and the Board's seasonally adjusted index rose from 83 to 88 per cent of the 1923-1925 average. In manufacturing, increases in output were general except in the automobile industry where there was a sharp seasonal decline as plants were closed for inventory taking and for preparations for the shift to new model production. At steel mills, where activity had risen considerably in July, there was a further advance in August and production was at an average rate of 42 per cent of capacity as compared with 35 per cent in the previous month. Output of lumber and plate glass also increased. In the textile industry the sharp advance that had been under way since early summer continued. Mill consumption of wool and cotton increased further, and deliveries of rayon were

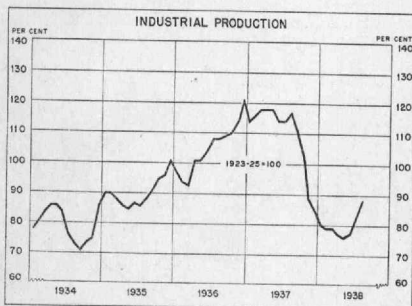
maintained at the high level reached in July. Shoe production showed a further increase and activity at meat packing establishments showed less than the usual seasonal decline. Production of bituminous coal and crude petroleum increased somewhat further.

In the first three weeks of September steel ingot production continued to increase, while automobile production remained at the low level reached in August. Output of crude petroleum was reduced, as wells in Texas were closed on both Saturdays and Sundays, whereas in August only Sunday closings had been required.

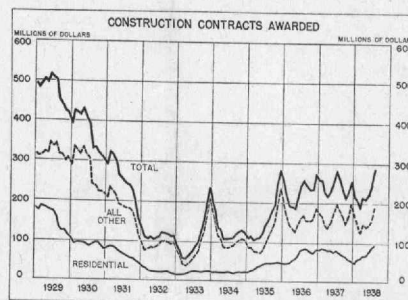
Value of construction contracts awarded in 37 eastern states increased considerably in August, according to figures of the F. W. Dodge Corporation. The increase was in publicly-financed projects and reflected partly the expansion of the Public Works Administration program and the award of the first contract for the slum clearance projects of the United States Housing Authority. Awards for private residential building continued at about the same rate as in July and were close to the level reached in the spring of 1937.

Commercial building, which had increased in July owing to the award of a contract for a large office building, declined in August to about the level of other recent months.

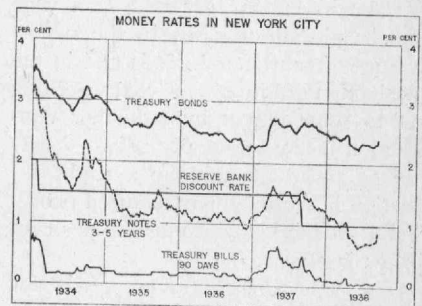
**Employment.** Factory employment and payrolls showed a marked rise from the middle of July to the middle of August, while in nonmanufacturing industries employment showed little change. The number employed at factories producing durable goods increased for the first time since the



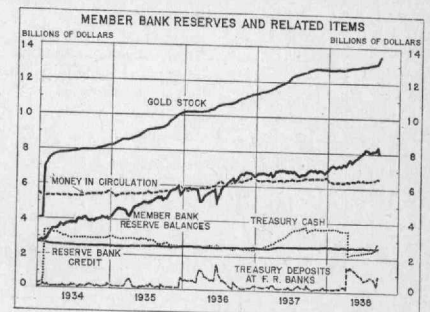
Index of physical volume of production, adjusted for seasonal variation. By months, January 1934 to August 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for June and July and estimate for August.



Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3 to 5-year Treasury notes and on Treasury bonds callable after 8 years, and weekly average of daily dealers' quotations on 90-day Treasury bills or rate on new bills offered in week. For weeks ending January 6, 1934, to September 17, 1938.



Wednesday figures, January 3, 1934, to September 21, 1938.

summer of 1937 and in the nondurable goods industries, where employment had increased in July, there was a further rise. Most leading industries reported increases in the number of workers.

**Distribution.** Distribution of commodities to consumers increased seasonally from July to August. Department store sales showed about the usual rise and mail order sales increased, while variety store sales declined. In the first half of September sales at department stores increased more than seasonally.

Freight car loadings increased somewhat further in August, reflecting chiefly larger shipments of miscellaneous freight.

**Commodity prices.** Prices of silk and rubber showed some advance from the

middle of August to the third week of September and there were also increases at the end of the period in non-ferrous metals. Wheat prices fluctuated considerably but showed little net change in this period. Prices of cotton and wool declined somewhat, and there were further decreases in prices of some finished industrial products.

**Bank credit.** A heavy inflow of gold from abroad during the five weeks ending September 21 resulted in an increase of over \$500,000,000 in the monetary gold stock. Member bank reserves were increased by Treasury payments for gold acquired but were sharply reduced in the last week of the period by payments to the Treasury for cash purchases of new securities and quarterly income tax collections. As a consequence of these transactions, ex-

cess reserves, which had increased to \$3,130,000,000, were reduced to \$2,740,000,000 on September 21.

Total loans and investments of reporting member banks in leading cities increased sharply during August and the first three weeks of September, reflecting chiefly an increase in holdings of United States Government obligations. Balances held in New York City for foreign banks showed a substantial increase.

**Money rates and bond yields.** The average yield on long-term Treasury bonds increased in September from the low point reached at the end of August. The average rate on new issues of Treasury bills increased to 0.11 per cent, compared with 0.05 per cent. Yields on high grade corporate bonds increased slightly.

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

Industrial production in the Philadelphia Federal Reserve District, after declining slightly in July, increased 3 per cent in August, reaching the highest level since March of this year. The seasonally adjusted index rose to 71 per cent of the 1923-25 average compared with 68 in July and 92 a year ago. Substantial gains in the manufacture of consumers' goods and in the production of bituminous coal were offset to some extent by a further contraction in the seasonally adjusted output of anthracite and by a slight reduction in durable manufactured goods. Total production continued 28 per cent below last year.

The value of contract awards for family houses and for commercial, fac-

tory, and other buildings increased sharply from July to August. Total awards of building contracts advanced 17 per cent in the month but for the first eight months of the year remained 13 per cent under 1937.

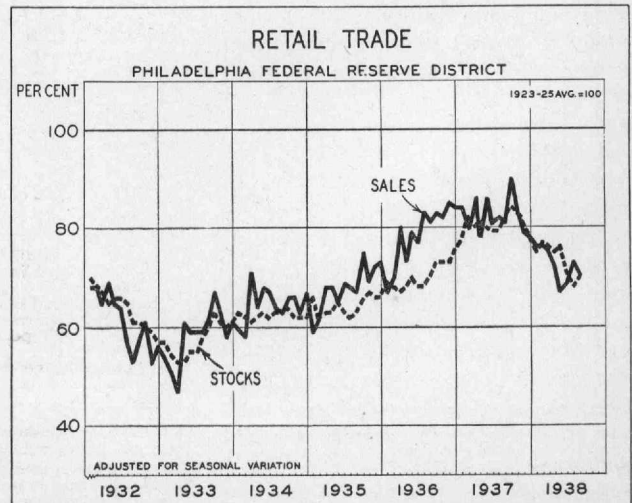
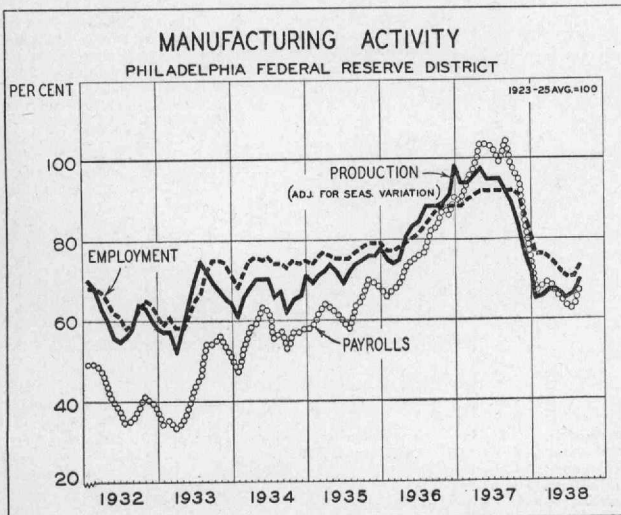
Industrial employment increased slightly from July to August but remained 20 per cent below last year. Payrolls gained 6 per cent in the month but continued nearly one-third below August 1937. Early reports for September indicate that factory employment, payrolls, and man-hours have increased further.

Agricultural income this year has been relatively well maintained, showing a decline of only 7 per cent from 1937. The yield of most of the im-

portant field crops will be above the five-year average.

Retail sales increased less than was to be seasonally expected from July to August, and the decline from a year ago widened from 12 to 14 per cent. Reports for the first half of September from a limited number of stores show a somewhat smaller decline from a year ago. Wholesale trade expanded slightly in August, most lines showing increased sales. Stocks of goods in both channels of trade were somewhat larger than in July but substantially below the volume on hand in 1937.

Prices fluctuated irregularly throughout August with agricultural staples showing some weakness. Industrial



## Business Indicators Philadelphia Federal Reserve District

raw materials, on the other hand, have remained generally firm. Quotations on steel scrap have receded somewhat from the high levels prevailing at the beginning of the month but other commodities have recently shown advances. Prices of all commodities, raw and finished combined, have advanced almost steadily since the low point reached in the third week of August.

**Manufacturing.** Demand for most factory products in this district has continued to improve. Sales of textile products have shown further gains but the increase in this group appeared to be less pronounced than that in other lines. The volume of unfilled orders also has increased generally since July, but it remains substantially below the levels prevailing last year.

Plant operations appear to have increased considerably since July but very few firms have reported any advance over a year ago. Stocks of both finished goods and raw materials have continued to decline, textile manufacturers reporting the greatest reductions.

Factory employment in this district advanced 4 per cent from July to August, while the amount paid out in wages expanded more than 8 per cent. Preliminary reports for September indicate that payrolls and working time have increased further, though they are still much lower than last year. In the first eight months of this year, as well as in August, employment averaged approximately one-fifth and payrolls one-third below the levels prevailing in the corresponding periods a year ago.

In Pennsylvania, employment in August also increased 4 per cent over the previous month, the greatest gains being at railroad repair shops, men's clothing establishments, and plants producing leather goods. Small gains were also registered in the number of persons employed by iron and steel fabricators, while producers of unfinished steel reduced the number on their payrolls. An increase of 10 per cent was reported in aggregate employee-hours from July to August.

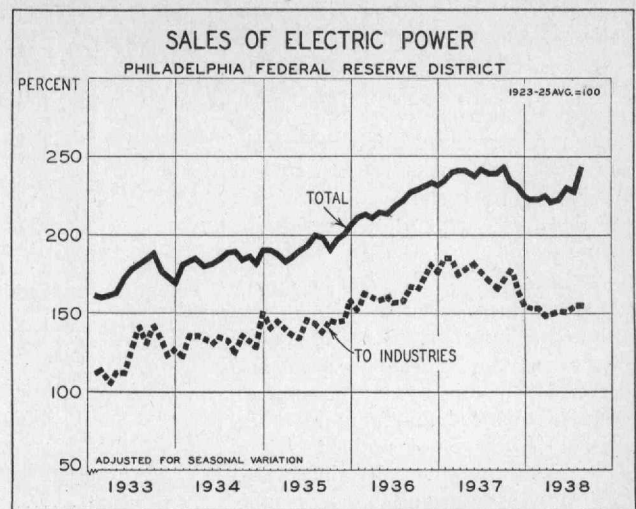
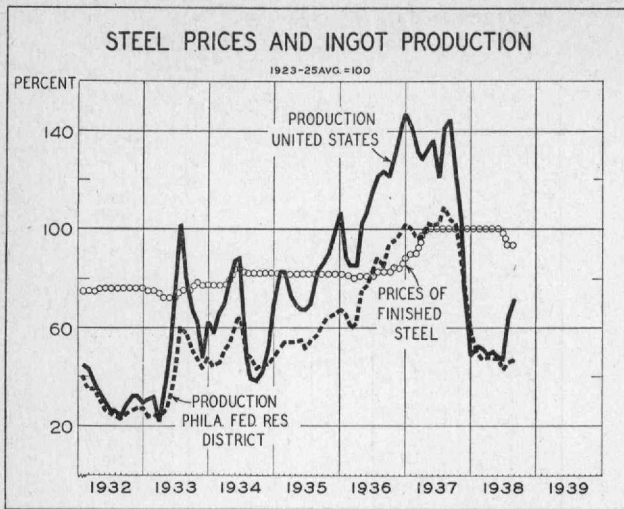
Wages paid by Pennsylvania manufacturers advanced over 9 per cent from July to August, the largest increases being reported in the textile and clothing group. Average weekly earnings of employees in all lines combined increased nearly 6 per cent from the previous month, despite a slight contraction in hourly earnings. The index of weekly earnings in Pennsyl-

	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	Adjusted indexes allow for the usual seasonal change in activity.				Unadjusted indexes reflect merely the actual change which may or may not be typical.							
	Aug. 1937	June 1938	July 1938	Aug. 1938	Per cent change		Aug. 1937	June 1938	July 1938	Aug. 1938		
				Aug. 1938 from	1938 from 8 mos. 1937							
				Month ago	Year ago							
<b>Industrial Production</b> .....	92	69	68	71p	+ 3	-23	-28	92	68	65	70p	
<b>Manufacturing—total</b> .....	92	65	66	70p	+ 5	-24	-30	92	64	64	69p	
<b>DURABLE GOODS</b> .....	94	50	51	50p	- 1	-46	-42	.....	.....	.....	.....	
<b>CONSUMERS' GOODS</b> .....	91	74	77	83p	+ 8	- 9	-23	.....	.....	.....	.....	
<b>Metal products</b> .....	109	46	47	49	+ 4	-56	-51	114	47	45	50	
<b>Textile products</b> .....	85	59	62	75p	+21	-11	-36	80	58	57	71p	
<b>Transportation equipment</b> .....	88	65	66	61	- 2	- 0	-21	87	66	64	59	
<b>Food products</b> .....	82	78	83	82p	- 2	- 0	- 5	83	74	80	79p	
<b>Tobacco and products</b> .....	97	97	89	99	+12	+ 3	- 9	103	105	96	106	
<b>Building materials</b> .....	44	33	31	33	+ 8	-25	-37	49	36	34	38	
<b>Chemicals and products</b> .....	124	103	106	103p	- 4	-17	-17	124	104	105	103p	
<b>Leather and products</b> .....	147	103	128	116p	-10	-21	-23	150	100	117	120p	
<b>Paper and printing</b> .....	92	86	85	85	- 0	- 8	- 9	89	85	82	82	
<b>Coal mining</b> .....	46r	68	47	41p	-15	-12	-16	45r	60	40	40p	
<b>Anthracite</b> .....	42r	71	47	39p	-17	- 7	-14	42r	62	39	39p	
<b>Bituminous</b> .....	76	47	50r	53	+ 5	-31	-38	71	41	44	50	
<b>Crude oil</b> .....	528	423	424	431	+ 1	-18	- 5	528	440	424	431	
<b>Electric power</b> .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	
<b>Output</b> .....	248	243	241	254	+ 5	+ 2	- 5	236	231	224	241	
<b>Sales, total</b> .....	239	230	227	243	+ 7	+ 2	- 5	227	223	214	231	
<b>Sales to industries</b> .....	166	150	155	155	+ 0	- 7	-14	171	152	158	160	
<b>Employment and wages—Pa.</b>												
<b>Factory—wage earners</b> .....					+ 4*	-22*	-21*	92	69	69	72	
<b>Payrolls</b> .....					+ 9*	-36*	-34*	104	62	61	67	
<b>Man-hours (1927-28=100)</b> .....					+10*	-41*	-42*	95	52	51	56	
<b>General (1932=100)</b>												
<b>Employment</b> .....					+ 1*	-20*	-18*	123	99	97	98	
<b>Payrolls</b> .....					+ 6*	-31*	-28*	189	129	122	130	
<b>Building and real estate</b>												
<b>Contracts awarded†—total</b> .....	56	52	42	46	+ 9	-18	-13	57	59	43	46	
<b>Residential†</b> .....	41	30	36	42	+15	+ 1	-21	39	35	38	39	
<b>Non-residential†</b> .....	71	66	34	38	+11	-46	- 7	72	77	33	39	
<b>Public works and utilities†</b> .....	65	77	76	76	+ 0	+18	-15	71	86	81	84	
<b>Permits for building—17 cities</b> .....	24	10	13	14	+14	-40	-47	22	13	15	13	
<b>Real estate deeds—Philadelphia†</b> .....	55	48	49	48	- 3	-14	-19	53	48	49	46	
<b>Writs for sheriff sales—Phila.</b> .....	428	426	315	301	- 4	-30	-35	411r	426	299	289	
<b>Distribution</b>												
<b>Retail trade—sales</b> .....	81	69	73	70p	- 4	-14	-14	64	69	51	55p	
<b>stocks</b> .....	82	71r	68	70	+ 3	-15	-15	79r	68r	63	67	
<b>Wholesale trade—sales</b> .....	.....	.....	.....	.....	+ 3*	-17*	-17*	93	76	75	77	
<b>stocks</b> .....	.....	.....	.....	.....	+ 3*	-15*	.....	77	65	63	65	
<b>Life insurance sales</b> .....	98	76	72	74	+ 3	-25	-25	83	79	69	62	
<b>New passenger auto. registrations</b> .....	.....	.....	.....	.....	+10*	-62*	-54*	154	84	66	59	
<b>Hotels—Occupancy... (1934=100)</b> .....	.....	.....	.....	.....	+ 1*	-12*	- 5*	111r	122	97r	98	
<b>Income, total (1934=100)</b> .....	.....	.....	.....	.....	+ 2*	-14*	- 3*	99r	121	83r	85	
<b>Freight car loadings—total</b> .....	73	51	52	52	+ 0	-29	-35	78	51	52	54	
<b>Merchandise and miscellaneous</b> .....	76	51	52	53	+ 3	-30	-34	79	53	53	55	
<b>Coal</b> .....	63	54	53	51	- 3	-18	-29	60	47	47	49	
<b>Business liquidations</b>												
<b>Number</b> .....					+18*	+50*	+63*	68	86	86	101	
<b>Amount of liabilities</b> .....					+17*	-83*	-38*	208	28	30	35	
<b>Payment of accounts</b>												
<b>Check payments</b> .....	88	82	83	80	- 4	-10	-14	75	85	80	68	
<b>Rate of collections (actual)</b> .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	
<b>Retail trade</b> .....	32	30	30	31	+ 6	- 2	.....	29	31	30	28	
<b>Prices—United States</b>												
<b>WHOLESALE (1926=100)</b>												
<b>Farm products</b> .....	.....	.....	.....	.....	- 1*	-11*	- 9*	87	78	79	78	
<b>Foods</b> .....	.....	.....	.....	.....	- 3*	-22*	-24*	86	69	69	67	
<b>Other commodities</b> .....	.....	.....	.....	.....	- 2*	-16*	-15*	87	73	74	73	
<b>RETAIL FOOD</b> .....	.....	.....	.....	.....	0*	- 5*	- 4*	86	81	81	81	
<b>Philadelphia</b> .....	.....	.....	.....	.....	- 2*	- 8*	- 7*	85	80	80	78	
<b>Scranton</b> .....	.....	.....	.....	.....	- 1*	- 9*	- 8*	89	82	81	81	
<b>Scranton</b> .....	.....	.....	.....	.....	- 4*	-11*	- 9*	82r	77	77	73	

	(In millions of dollars)					% change from	
	Aug. 1937	May 1938	June 1938	July 1938	Aug. 1938	Month ago	Year ago
<b>Banking and credit</b>							
<b>Federal Reserve Bank</b>							
<b>Bills discounted</b> .....	\$ 0.9	\$ 1.6	\$ 1.4	\$ 1.3	\$ 1.2	-8	+33
<b>Other bills and securities</b> .....	217	214	213	234	234	0	+ 8
<b>Member bank reserves</b> .....	369	388	386	375	358	-5	- 3
<b>Reserve ratio (per cent)</b> .....	72.9	74.6	74.5	70.4	69.9	-1	- 4
<b>Reporting member banks</b>							
<b>Loans</b> .....	\$ 474	\$ 434	\$ 425	\$ 418	\$ 418	0	-12
<b>Investments</b> .....	708	666	686	706	714	+1	+ 1
<b>Deposits (a)</b> .....	1,394	1,385	1,385	1,388	1,372	-1	- 2
<b>Bankers' acceptances outstanding</b> .....	13.5	10.4	9.0	8.9	9.1	+2	-33

\* Computed from data unadjusted for seasonal variation.  
 † Not included in production index.  
 ‡ 3-month moving daily average centered at 3rd month.

p—Preliminary. r—Revised.  
 (a) Less cash items in process of collection.



vania manufacturing plants was higher in August than at any time since last November.

Employment and payrolls in southern New Jersey advanced nearly 9 per cent from July but remained approximately one-fifth below 1937. In Delaware, employment increased more than 13 per cent in August and payrolls approximately 4 per cent. The index of employee-hours stood at the highest level since December 1937.

Output of manufactures in August increased for the second consecutive month on a seasonally adjusted basis, the combined index rising from 66 to 70, compared with an advance from 65 to 66 in the previous period. Last year manufacturing activity declined in these months. Factory output in August, however, was nearly one-fourth below a year ago and in the first eight months averaged 30 per cent less than in the same period of 1937.

Output of durable goods receded slightly, losing the gain which occurred in the previous month. Consumers' goods, however, showed a substantial increase, the adjusted index of production advancing from 77 in July to 83 in August. Compared with 1937, the output of consumers' goods in August declined only 9 per cent, while the volume of durable goods was scarcely more than half that produced a year earlier.

Of the various groups, textile products showed the greatest increase from July to August, advancing over 20 per cent. Within this group the most significant gains occurred in the production of floor coverings, men's clothing, and silk products. A small expan-

sion in the production of metal products was accounted for by substantial gains in the output of pig iron and steel castings.

Both output and sales of electric power in August increased somewhat over July. The seasonally adjusted index of total sales of electricity was the highest since December 1937, while the index of output was at the highest level since April of last year.

**Coal and other fuels.** Mining companies report some increase in the demand for anthracite coal, and preliminary data for the opening weeks of September indicate a higher level of operations than in the preceding month. August output on a daily average basis was virtually the same as in July, although a substantial increase is to be expected seasonally. Accordingly, the adjusted index of production dropped from 47 to 39 per cent of the 1923-25 average. Shipments of hard coal declined from July to August and in the latter month were smaller than a year earlier. Output likewise compared unfavorably with a year ago, figures for August showing a decline of 7 per cent and for the first eight months of 1938, a decrease of 14 per cent.

A measure of improvement in the industrial situation is indicated by numerous reports of an increased demand for bituminous coal in September. The seasonally adjusted index of tonnage mined in Pennsylvania has shown a steady rise from 46 per cent of the 1923-25 average in April to 53 in August, and reports for the early part of September show further gains in actual output. Production in Au-

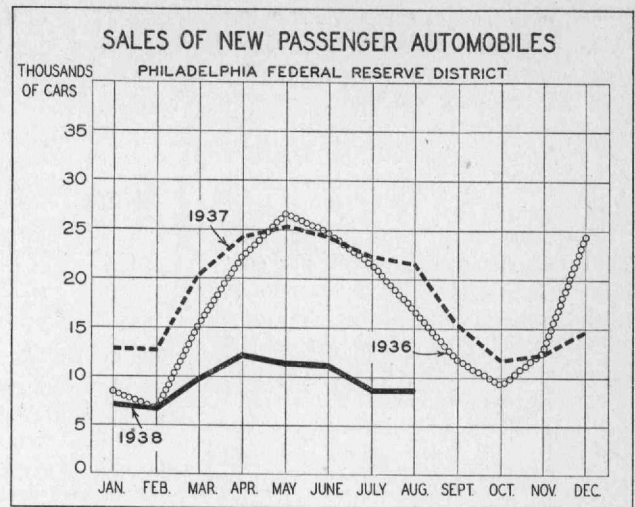
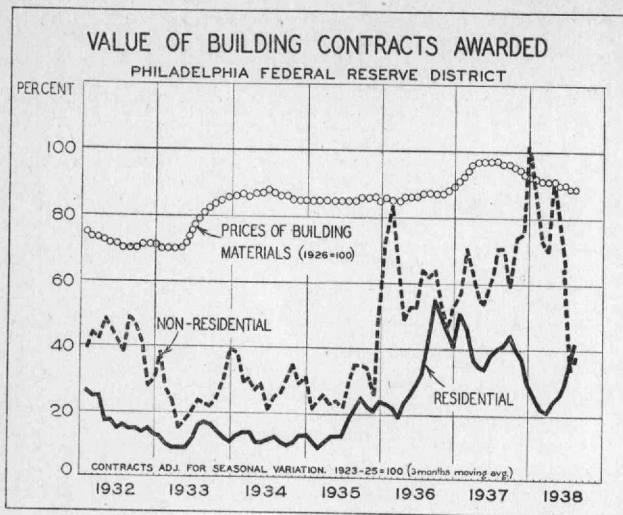
gust, however, was still 31 per cent under a year earlier and for the year to date has shown a decline of 38 per cent.

There was a rise of 15 per cent in the output of by-product coke from July to August, when little change ordinarily occurs, but production still was much under a year ago. Preliminary figures indicate that the output of gas and fuel oils in August declined about 6 per cent from the previous month and 16 per cent from August 1937.

**Building and real estate.** The value of building contracts awarded in this district increased 17 per cent in August to \$13,157,000 but continued 18 per cent smaller than a year ago. The gain over July reflected larger awards for all types of construction except apartments and hotels, educational buildings, and public works and utilities. Contracts let for family houses, which have increased sharply since January, were 26 per cent greater than in July and 19 per cent above a year ago. This

Building contracts Philadelphia Federal Reserve District	August 1938 (000's omitted)	Per cent change	
		From month ago	1938 from 8 mos. 1937
Residential.....	\$ 5,418	+ 6	- 21
Apts. and hotels.....	627	- 52	+ 4
Family houses.....	4,791	+ 26	- 24
Non-residential.....	4,538	+ 57	- 7
Commercial.....	1,497	+ 71	- 23
Factories.....	767	+306	- 77
Educational.....	748	- 31	- 5
All other.....	1,526	+107	+119
Total buildings.....	\$ 9,956	+ 24	- 13
Public works and utilities.....	3,201	- 2	- 15
Grand total.....	\$13,157	+ 17	- 13

Source: F. W. Dodge Corporation.



was the first month in 1938 to show an increase over the corresponding month of 1937.

In the first eight months of this year awards of building contracts approximated \$101,000,000, or 13 per cent less than in the same period of 1937.

Although the local real estate situation continues less active than in the spring of last year, conditions generally have shown improvement over the past few months. In the residential field, demand for new houses has increased considerably since early this year. Sales of old properties, particularly in the price range above \$6,000, however, have not been numerous. There has been some seasonal gain in the renting demand for apartments and small houses, and in the case of the latter few vacancies exist. Rentals generally continue firm although concessions have been made in the higher brackets. Inquiries for commercial and industrial space have increased somewhat in recent weeks, and the available number of desirable properties in this class is smaller than in the autumn of 1937.

Wholesale prices of building materials have shown greater firmness, reflecting chiefly increased quotations for face brick and yellow pine flooring. The price index of the Bureau of Labor Statistics, after reaching at the close of July the lowest level in eighteen months, showed virtually no change during August but advanced slightly in September.

**Agriculture.** Although fall plowing and seeding were delayed by excessive rains in mid-September, growing conditions for late crops and pastures subsequently have shown marked improvement. A considerable portion of the

rye crop has been planted, and wheat seeding, which was postponed because of dry weather earlier in the month, is progressing rapidly.

The harvest of most field crops in this district is nearly completed. Yields appear to be above the five-year average except in the case of white potatoes, which have been damaged considerably by blight. Production of tobacco, an important crop in Pennsylvania, is expected to be 13 per cent greater than a year ago and 10 per cent larger than the 1932-36 average. The harvest of orchard fruits, on the other hand, will be somewhat smaller this year than last but will probably exceed the average.

Farm cash income in the three states included in this district continues below 1937 levels, the decline in the first seven months this year amounting to 7 per cent. This unfavorable comparison reflected substantially lower prices received for crops.

In the country as a whole average prices for agricultural commodities have shown a rising tendency since the third week of August, when they reached the lowest level in several years.

**Distribution, trade and service.** Retail trade sales of general merchandise, wearing apparel and shoes increased less than was to be expected from July to August so that the index, adjusted for seasonal variation, declined 4 per cent. Contractions from July ranged from 5 per cent in the case of department stores to 19 per cent at credit stores. The index of women's apparel stores was the only one to show an increase over the previous month.

The volume of goods sold by all re-

porting establishments declined 14 per cent from August 1937, while in May, June, and July, contractions from the corresponding months in the previous year were 22 per cent, 16 per cent, and 12 per cent, respectively. Sales by women's apparel stores in August compared least unfavorably with a year ago, showing a decrease of 9 per cent compared with reductions of 15 and 17 per cent respectively in sales by department and men's apparel stores. In the first eight months of the year also, the volume of sales was 14 per cent below the same period in 1937.

Aggregate sales by reporting wholesalers increased slightly from July to August but remained substantially below a year ago. Compared with July, electrical supplies and groceries were the only lines to show actual decreases. The volume of boots and shoes distributed to retailers was more than double that in July. In the eight months' period, groceries, drugs, and footwear showed the smallest declines in comparison with last year, while sales of jewelry and electrical supplies showed the greatest.

Inventories on hand at both retail and wholesale establishments increased in August but at the end of the month were 15 per cent less than a year ago. Compared with the earlier year, declines in retail stocks ranged from 13 per cent at department stores to 16 per cent at credit stores. Inventories in all wholesale lines except drugs showed significant contractions in the same period.

The volume of freight shipped by rail increased for the third successive month, owing to a gain in loadings of

merchandise and miscellaneous materials. The margin of decrease from a year ago has narrowed consistently since May, total car loadings in August being 29 per cent below August 1937. Shipments of coal, however, have declined on a seasonally adjusted basis in each of the last two months.

Sales of new passenger automobiles in this district were over 60 per cent below a year ago. This is attributable partly to the fact that automobile producers closed their plants for model change-overs earlier this year than last.

Total revenue reported by nonresort hotels in this district increased 2 per cent from July but was 14 per cent under August 1937.

Hotel business Philadelphia Federal Reserve District	Aug.: per cent change from		1938 from 8 mos. 1937
	Month ago	Year ago	
Capacity.....	0	+ 0	.....
Room occupancy.....	+1	-12	-5
Per cent of capacity used:			
Aug. 1938.....	45.9		
July 1938.....	45.3		
Aug. 1937.....	52.0		
Revenue from:			
Guest rooms.....	+2	-14	-3
Food.....	+3	-17	-4
Other sources.....	+3	-12	-3
Total revenue.....	+2	-14	-3

**Banking conditions.** A sluggish demand for commercial loans, an increase in investments, and large excess reserves have been the principal features of the banking situation. For some months the ratio of excess to required reserves has fluctuated narrowly around 50 per cent at the country banks. While a substantial decline has occurred at banks in Philadelphia since early June, the surplus funds in the first half of September still averaged 32 per cent of requirements. The combined excess of all members in this half-month was \$98,800,000.

The virtual absence of borrowing by banks and their large balances with correspondents give further evidence of easy money conditions. At the end of June member banks in the Philadelphia Federal Reserve District reported \$267,000,000 of demand balances with domestic banks as against an average of but \$109,000,000 in 1929.

Reserve requirements of member banks (Dollar figures in millions)	Held	Re-quired	Ex-cess	Ratio of excess to re-quired
<b>Reserve city banks:</b>				
Aug. 1-15.....	\$220.9	\$164.2	\$56.7	35%
Aug. 16-31.....	217.8	163.2	54.6	33 "
Sept. 1-15.....	215.5	162.7	52.8	32 "
<b>Country banks:</b>				
Aug. 1-15.....	139.6	92.0	47.6	52 "
Aug. 16-31.....	137.4	91.8	45.6	50 "
Sept. 1-15.....	138.2	92.2	46.0	50 "

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Sept. 21, 1938	Changes in—	
		Five weeks	One year
Bills discounted.....	\$ 1.1	-\$0.1	+\$ 0.4
Bills bought.....	.....	.....	- 0.2
Industrial advances.....	3.3	+ 0.0	- 0.5
U. S. securities.....	230.8	0	+ 17.4
Total.....	\$235.2	-\$0.1	+\$17.1
Note circulation.....	304.4	+ 1.8	- 12.2
Member bank deposits.....	354.2	- 0.1	- 8.7
U. S. general account.....	56.4	+21.5	+ 46.7
Foreign bank deposits.....	19.1	+ 7.7	- 3.3
Other deposits.....	2.4	+ 0.3	- 3.8
Total reserves.....	521.7	+28.7	- 0.5
Reserve ratio.....	70.8%	+ 0.9%	- 1.9%

Lately the fluctuations in reserves have been comparatively small and the aggregate of \$354,200,000 on September 21 was virtually the same as that reported five weeks earlier. Large sums flowed into the Treasurer's account at the reserve bank as a result of income taxes and cash payments for new issues of government securities, but the net amount taken from the local market by all Treasury operations was only \$18,600,000 for the period as a whole. The effect of this loss upon reserves was almost entirely offset by a favorable balance of \$16,300,000 in commercial and financial transactions with other districts and by funds derived from other sources. Currency demand has shown little change other than the temporary expansion over Labor Day.

The improvement in business activity and in equity prices since the spring has had little effect upon the amount of credit extended in this district. Commercial demand has not been sufficient to cause even a seasonal rise in the volume of loans, and the accommodation extended to brokers, dealers, and individuals to purchase or carry securities has varied little for months past.

In the five weeks ended September 21 the trend of loans at the reporting member banks in leading cities continued generally downward, declining \$4,000,000 in this period. A contraction of \$6,000,000 in commercial loans was in sharp contrast to an expansion

Reporting member banks (000,000's omitted)	Sept. 21, 1938	Changes in—	
		Five weeks	One year
<b>Assets</b>			
Commercial loans.....	\$ 187	-\$ 6	-\$36
Open market paper.....	20	.....	- 5
Loans to brokers, etc.....	15	- 1	- 9
Other loans to carry secur.....	34	.....	- 3
Loans on real estate.....	58	.....	- 2
Loans to banks.....	2	.....	- 1
Other loans.....	99	+ 3	- 7
Total loans.....	\$ 415	-\$ 4	-\$63
Government securities.....	\$ 348	+\$11	+\$32
Obligations fully guar'eed.....	95	+ 1	- 2
Other securities.....	284	+ 1	+ 11
Total investments.....	\$ 727	+\$13	+\$41
Total loans & investments.....	\$1,142	+\$ 9	-\$22
Reserve with F. R. Bank.....	229	+ 5	+ 1
Cash in vault.....	17	+ 1	- 1
Balances with other banks.....	151	- 10	+ 28
Other assets—net.....	83	+ 1	- 5
<b>Liabilities</b>			
Demand deposits, adjusted.....	\$ 740	-\$11	-\$53
Time deposits.....	294	.....	+ 4
U. S. Government deposits.....	40	+ 20	+ 22
Interbank deposits.....	304	- 6	+ 36
Borrowings.....	.....	.....	- 1
Other liabilities.....	18	+ 3	- 5
Capital account.....	226	.....	- 2

of \$8,000,000 in the corresponding period last year. Approximately \$187,000,000 of commercial loans were outstanding, indicating a decrease of \$36,000,000 or 16 per cent from a year earlier.

Investments of the reporting banks, on the other hand, have shown further expansion. The portfolio of \$727,000,000 on September 21 was \$78,000,000 over the low point for the current year reached last April and was at the highest level since the spring of 1937. All but \$2,000,000 of the gain of \$13,000,000 in the past five weeks was in United States Government securities, reflecting allotment of the new issues.

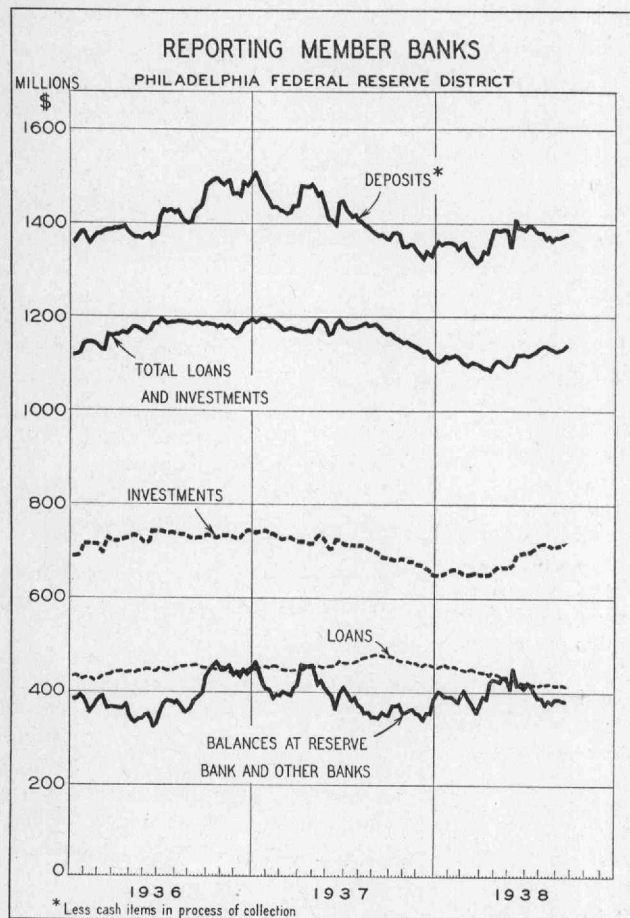
A reduction of \$11,000,000 in adjusted demand deposits is accounted for by customers' payments in connection with income taxes and Treasury securities. Similar factors probably account for a decrease of \$6,000,000 in balances held for other banks. Total deposits, however, increased slightly, owing to an expansion of \$20,000,000 in deposits of Federal Government rep-

#### MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—					Changes in five weeks
	Aug. 24	Aug. 31	Sept. 7	Sept. 14	Sept. 21	
<b>Sources of funds:</b>						
Reserve bank credit extended in district.....	+1.5	+1.0	-2.8	+4.6	- 1.0	+ 3.3
Commercial transfers (chiefly interdistrict).....	+1.6	-5.5	+0.9	-9.2	+28.5	+16.3
Treasury operations.....	-7.0	+9.4	+5.2	+4.6	-30.8	-18.6
Total.....	-3.9	+4.9	+3.3	+0.0	- 3.3	+ 1.0
<b>Uses of funds:</b>						
Currency demand.....	-1.5	+0.9	+3.4	-0.6	- 2.0	+ 0.2
Member bank reserve deposits.....	-2.6	+4.0	-0.7	-1.2	+ 0.4	- 0.1
"Other deposits" at reserve bank.....	+0.2	+0.0	+0.6	+1.9	- 2.4	+ 0.3
Unexpended capital funds.....	-0.0	-0.0	-0.0	-0.1	+ 0.7	+ 0.6
Total.....	-3.9	+4.9	+3.3	+0.0	- 3.3	+ 1.0

resenting payment for deposit credit for Treasury securities.

Assets of the reporting banks, other than cash items in process of collection, on September 21 were \$1,622,000,000. While this amount was practically the same as a year earlier, material changes have taken place in its composition. Loans have declined \$63,000,000, while investments and balances with correspondents increased \$41,000,000 and \$28,000,000 respectively.



City areas*	Percentage change—August 1938 from August 1937				
	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown.....	-18	-31	-30	-13	-16
Altoona.....	-32	-61	-93	-22	-28
Harrisburg.....	-22	-35	-90	+8	-14
Johnstown.....	-39	-58	-92	-32	.....
Lancaster.....	-14	-16	-66	-7	-9
Philadelphia.....	-20	-25	+2	-7	-15
Reading.....	-18	-25	+24	+7	-13
Scranton.....	-12	-13	+148	-7	-4
Trenton.....	-16	-22	+99	+3	-10
Wilkes-Barre.....	-10	-8	+3	-13	-6
Williamsport.....	+1	-7	+48	-6	-4
Wilmington.....	-27	-31	-76	+15	-15
York.....	-16	-23	-77	-14	-11

August 1938 from July 1938					
Allentown.....	+0	+4	+87	-4	-1
Altoona.....	+24	+35	-24	-2	+5
Harrisburg.....	+2	+7	+17	+10	+5
Johnstown.....	+1	+6	-34	+4	.....
Lancaster.....	+5	+8	+100	-6	-11
Philadelphia.....	+3	+4	0	-8	+10
Reading.....	+9	+24	-18	+2	-5
Scranton.....	-1	+4	+51	-7	+1
Trenton.....	+1	+12	-4	+10	-7
Wilkes-Barre.....	+8	+16	+35	-7	-4
Williamsport.....	+1	+6	+67	+5	.....
Wilmington.....	0	+2	-72	-13	-4
York.....	+7	+11	-27	-2	+1

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

## Employment and Payrolls in Pennsylvania

(All figures are rounded from original data)

### Manufacturing Indexes

	Employment*			Payrolls*			Employee-hours†	
	Aug. 1938 index	Per cent change from		Aug. 1938 index	Per cent change from		Aug. 1938—per cent change from	
		Aug. 1937	July 1938		Aug. 1937	July 1938	Aug. 1937	July 1938
<b>All Manufacturing.....</b>	<b>72</b>	<b>-22</b>	<b>+4</b>	<b>67</b>	<b>-36</b>	<b>+9</b>	<b>-41</b>	<b>+10</b>
Iron, steel and products.....	61	-34	+1	60	-52	+10	-52	+10
Non-fer. metal prods.....	100	-26	-1	105	-35	+1	-35	+3
Transportation equip.....	48	-27	+9	43	-37	+11	-52	+11
Textiles and clothing.....	90	-12	+8	80	-11	+18	-12	+18
Textiles.....	84	-13	+8	77	-12	+18	-13	+18
Clothing.....	112	-9	+11	96	-8	+17	-6	+17
Food products.....	103	-3	-0	108	-6	-2	-9	-2
Stone, clay and glass.....	64	-28	+6	58	-37	+14	-42	+12
Lumber products.....	54	-21	+5	47	-27	+13	-31	+10
Chemicals and products.....	79	-17	+1	82	-27	+3	-35	+2
Leather and products.....	84	-11	+2	79	-16	+4	-12	+7
Paper and printing.....	92	-7	-0	91	-9	+1	-11	+2
Printing.....	86	-5	+0	85	-1	-0	-7	-0
Others:								
Cigars and tobacco.....	66	-4	+5	62	-8	+5	-7	+4
Rubber tires, goods.....	80	-4	+6	88	+1	+3	-1	+4
Musical instruments.....	47	-16	+3	41	-26	+3	-26	+4

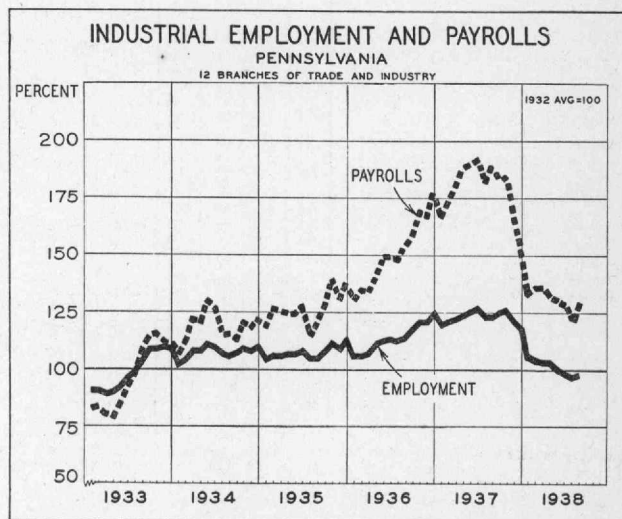
\* Figures from 2314 plants.

† Figures from 2085 plants.

## General Index Numbers

Covering twelve branches of trade and industry

	Employment			Payrolls		
	Aug. 1938 index	Per cent change from		Aug. 1938 index	Per cent change from	
		Aug. 1937	July 1938		Aug. 1937	July 1938
<b>General index (weighted).....</b>	<b>98</b>	<b>-20</b>	<b>+1</b>	<b>130</b>	<b>-31</b>	<b>+6</b>
Manufacturing.....	113	-22	+4	163	-36	+9
Anthracite mining.....	50	-24	-16	34	-32	-1
Bituminous coal mining.....	94	-22	+2	144	-33	+16
Building and construction.....	58	-38	+2	78	-39	+5
Quarrying and non-met. mining.....	100	-22	+2	181	-32	+12
Crude petroleum producing.....	138	-15	-3	153	-9	-2
Public utilities.....	96	-3	+1	104	-2	+2
Retail trade.....	95	-12	-2	110	-11	-3
Hotels.....	111	-6	+0	111	-9	-1
Laundries.....	107	-3	-1	113	-5	-2
Dyeing and cleaning.....	100	-8	-2	121	-3	-3
Dyeing and cleaning.....	105	-1	-4	125	+3	-7



# Index numbers of individual lines of trade and manufactures

## Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923-1925 average as 100										
	Adjusted for seasonal variation						Not adjusted				
	Aug. 1937	June 1938	July 1938	Aug. 1938	Per cent change			Aug. 1937	June 1938	July 1938	Aug. 1938
					Aug. 1938 from	1938 from 8 mos. 1937					
				Month ago	Year ago						
Adjusted indexes allow for the usual seasonal change in activity.											
Unadjusted indexes reflect merely the actual change which may or may not be typical.											
<b>Retail trade</b>											
<b>Sales</b>											
Total of all stores	81	69	73	70p	- 4	-14	-14	64	69	51	55p
Department	73r	63	65	62	- 5	-15	-14	56	63	46	48
Men's apparel	75	67	66	63	- 5	-17	-15	59r	73	54	49
Women's apparel	126	88	85r	114	+33	- 9	- 9	86	86	57r	78
Shoe	64	73	64	56p	-13	-12	-10	48	87	59	43p
Credit	88r	73	92	74p	-19	-16	-16	83	68	60	70p
<b>Stocks of goods</b>											
Total of all stores	82	71r	68	70	+ 3	-15		79r	68r	63	67
Department	60r	53	51	52	+ 2	-13		56r	51	47	48
Women's apparel	125	97	100	107	+ 7	-14		110	86	75	94
Shoe	79	67	64	67	+ 5	-15		79	66	60	67
Credit	109r	93	88	91	+ 3	-16		107r	90	88	90
<b>Rate of stock turnover</b>											
8 months (actual, not indexes)											
							- 6*	2.48			2.33
<b>Wholesale trade</b>											
<b>Sales</b>											
Total of all lines					+ 3*	-17*	-17*	93	76	75	77
Boots and shoes					+120*	+11*	- 8*				
Drugs					+ 1*	+ 2*	- 3*				
Dry goods					+16*	-25*	-28*				
Electrical supplies					- 8*	-41*	-37*				
Groceries					- 2*	- 9*	- 6*				
Hardware					+ 3*	-20*	-25*				
Jewelry					+16*	-41*	-31*				
Paper					+16*	-20*	-25*				
<b>Stocks of goods</b>											
Total of all lines					+ 3*	-15*		77	65	63	65
Drugs					+ 9*	+ 1*					
Dry goods					+ 4*	- 8*					
Electrical supplies					+ 9*	-17*					
Groceries					+ 2*	-16*					
Hardware					- 0*	-16*					
Jewelry					+ 7*	- 8*					
Paper					- 2*	-27*					
<b>Output of manufactures</b>											
Pig iron	91	26	27	37	+38	-59	-60	81	25	25	33
Steel	104	43	46	47	+ 2	-55	-54	106	44	42	48
Iron castings	81	51	49	48	- 2	-40	-46	79	50	47	47
Steel castings	136	42	45	59	+33	-57	-58	131	44	40	57
Electrical apparatus	125	55	51	53	+ 3	-58	-46	139	55	54	58
Motor vehicles	13	12	13	15	+14	+20	-32	11	14	14	13
Automobile parts and bodies	76	38	37	42	+14	-44	-40	71	38	36	40
Locomotives and cars	45	16	13	14	+ 8	-68	-55	45	16	13	14
Shipbuilding	264	248	257	219	-15	-17	- 1	262	246	250	217
Silk manufactures	86	74	69r	84	+23	- 3	-27	84	70	67r	82
Woolen and worsteds	54	43	47	54	+16	+ 0	-46	55	41	44	55
Cotton products	68r	31	38	40	+ 7	-41	-49	61r	29	33	36
Carpets and rugs	109	57	58	88	+51	-19	-62	100	55	53	80
Hosiery	111	83	87	99	+13	-11	-22	97	81	71	86
Underwear	125	114	129	123	- 4	- 1	-23	116	114	107	114
Cement	50	58	51	54	+ 6	+ 9	-13	63	69	60	68
Brick	55	22	26	27	+ 5	-51	-59	58	23	25	28
Lumber and products	34	23	21	23	+11	-31	-33	37	24	23	25
Bread and bakery products					- 9*	+ 6*	- 3*	94	89	97	89
Slaughtering, meat packing	84	89	88	93	+ 5	+11	- 2	73	85	79	79
Sugar refining	89	33	48	77	+62	-13	-24	76	36	49	66
Canning and preserving	67	67	72	71p	- 2	+ 6	- 5	74	48	59	63p
Cigars	96	96	87	98	+12	+ 3	- 9	102	104	94	105
Paper and wood pulp	77	63	66	66	- 0	-14	-16	77	62	64	66
Printing and publishing	95	91	89	88	- 0	- 7	- 8	92	90	86	86
Shoes	167	135	178	171	- 4	+ 2	-10	179	128	166	183
Leather, goat and kid	127	74	80	63p	-22	-61	-38	122	74	71	60p
Explosives	92	66	72	72	- 1	-22	-20	92	66	71	72
Paints and varnishes	76	76	75	73	- 3	- 4	-21	77	77	70	74
Petroleum products	160	143	149	140p	- 7	-13	- 9	161	144	150	141p
Coke, by-product	139	64	66	76	+15	-45	-44	136	64	65	74

\* Computed from data unadjusted for seasonal variation.

p—Preliminary.

r—Revised.

