

THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
AUGUST 1, 1939

FEDERAL RESERVE BANK OF PHILADELPHIA

FEDERAL RESERVE BANK OF ST. LOUIS
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STATISTICAL DIVISION

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Business and Banking Conditions in the United States

Output of factories and mines increased in June reflecting chiefly sharp expansion at steel mills and bituminous coal mines. In the first half of July industrial activity was generally maintained.

Production. The Board's seasonally adjusted index of industrial production advanced to 97 in June as compared with 92 in April and May.

At steel mills output increased from a rate of 45 per cent of capacity in the third week of May to 54 at the end of June and to 56 in the third week of July. Automobile production, which had declined in May, showed some increase in June when a decline is customary. In the first three weeks of July automobile output was at a lower rate, reflecting in part curtailment preparatory to the change-over to new models. Plate glass production rose considerably in June. Output of lumber, which usually shows some increase over May, was unchanged. Among nondurable goods industries woolen mills showed increased activity in June, and activity at cotton and silk mills was maintained though declines are usual at this sea-

son. Meat packing was lower than in May.

Mineral production increased considerably in June reflecting a sharp rise in output at bituminous coal mines which had been closed during April and the first half of May. Production of anthracite declined from May to June and there was some reduction in output of petroleum.

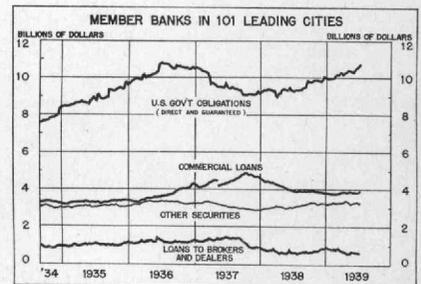
Value of construction contracts awarded declined in June, according to F. W. Dodge Corporation figures, reflecting chiefly a greater than seasonal decrease in private residential building. Contracts awarded for public residential construction, principally for United States Housing Authority projects, were maintained at the advanced level reached in May, while public construction other than residential showed a small decline.

Employment. Factory employment and payrolls increased somewhat from the middle of May to the middle of June according to reports from a number of important industrial states. There was a sharp expansion in employment at bituminous coal mines following the reopening of the mines in the middle

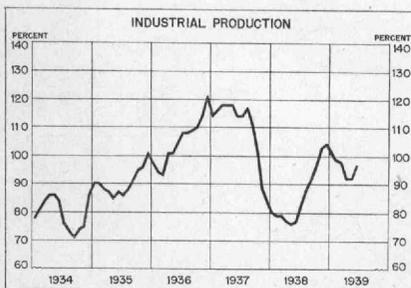
of May, and the number employed on the railroads increased more than seasonally from May to June.

Distribution. Department store sales showed a less than seasonal decline from May to June and the Board's adjusted index advanced from 85 to 86, which compares with a level of 88 during the first four months of the year. Sales at variety stores and by mail order houses showed little change.

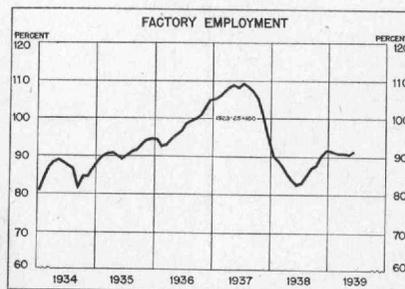
Freight-car loadings increased more than seasonally in June reflecting a sharp rise in shipments of coal and



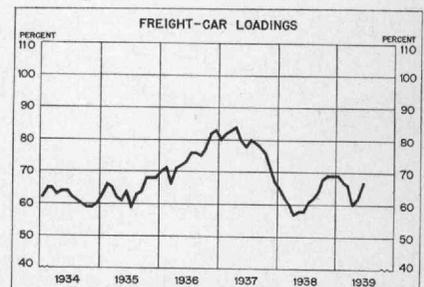
Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to July 12, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1939.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to June 1939.

smaller increases in shipments of grain and miscellaneous freight.

Commodity prices. Prices of hides, silk, steel scrap, copper, and some other industrial materials advanced from the middle of June to the third week of July, while some farm products, particularly grains, declined. Prices of most other commodities showed little change.

Agriculture. A total wheat crop of 716,655,000 bushels was indicated on the basis of July 1 conditions, according to the Department of Agriculture. This would be much smaller than last

year's large crop and somewhat below the 1928-1937 average. Cotton acreage in cultivation was estimated to be about the same as last year but one-third less than the 10-year average. A record tobacco crop is indicated. Most other major crops are expected to approximate last year's harvests and are generally larger than average.

Bank credit. Total loans and investments of member banks in 101 leading cities continued to increase during the four weeks ending July 12, reflecting largely purchases of United States Government securities. Commercial loans, which had shown little change

in recent months, increased slightly. Deposits and reserves at these banks rose to new high levels in July, reflecting continued gold imports and Treasury disbursements from its balances at the reserve banks.

Money rates. Prices of United States Government securities, which had declined somewhat during June, recovered part of the loss in July. The longest term Treasury bond outstanding showed a yield of 2.31 per cent on July 20, as compared with a record low of 2.26 on June 5. Open-market money rates showed little change.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Business activity in the Philadelphia Federal Reserve District continues well maintained. Production and sales of commodities are substantially exceeding the levels prevailing in the first part of last year, and some further improvement is indicated by the July reports from several important lines of trade and industry.

Output of manufactures increased slightly from May to June, while production of anthracite and crude petroleum declined. Employment and payrolls in twelve branches of trade and industry increased considerably during the month and as compared with a year ago. Early reports from manufacturing plants indicate that employment, payrolls and working time in July were sustained close to or at higher than seasonal levels, and in the case of industries producing consumers' goods, including textiles, an improvement in activity is shown.

Residential building has been considerably above the level of last year. There apparently exists an active demand for houses selling at a moderate price. Rental demand for houses in the lower-priced range also seems to be relatively strong. With some exceptions, the volume of operations on nonresidential buildings, on the other hand, has been smaller than a year ago. Contracts for public works and utilities show virtually no change from a year ago but were larger in the first half of this year than in the same period last year. Declines in contract awards for all types of construction from May to June were partly seasonal.

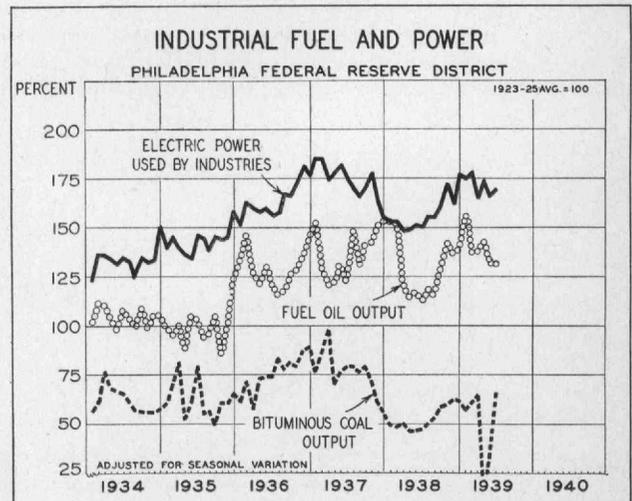
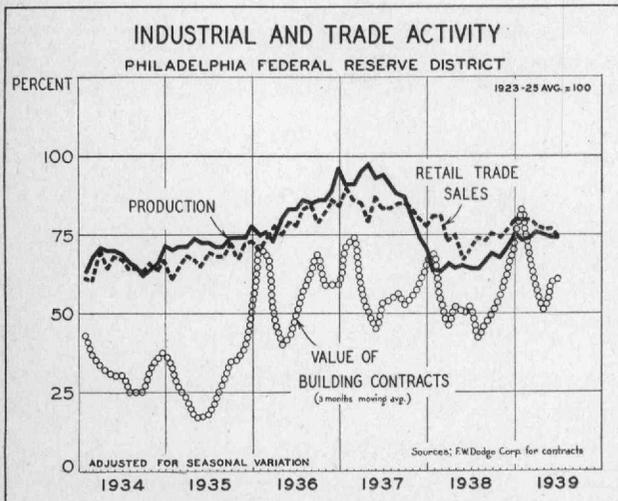
Agricultural conditions reflect the serious effects of the prevailing drought upon growing crops and pastures. Seasonal farm work is progressing at a normal rate. Production of field crops appears to be smaller this year than last except in the case of tobacco.

Income of farmers has been somewhat less this year than last.

Dollar sales of merchandise by retail and wholesale establishments have been well maintained at levels higher than last year. Inventories have been reduced further and continue noticeably smaller than a year ago. Shipments of goods by rail and water show improvement and exceed the volume of last year.

Commodity prices generally show little change, although in several instances manufacturers report slight advances since early June. Industrial staples have been firm, while agricultural products, especially grains, declined in July.

Manufacturing. The market for products manufactured in this district is well sustained and sales have been substantially larger than a year ago. The volume of unfilled orders continues at the relatively high level reached in



Business Indicators

Philadelphia Federal Reserve District

June and it is noticeably greater than in July last year. Inquiries currently being received by manufacturers indicate that the pace of industrial activity is apparently exceeding the usual summer rate.

There has been a further reduction in inventories of finished goods, although several reports show increases since the middle of June. Stocks of manufactured products at the majority of reporting plants are considerably smaller than a year ago. Increased purchases of raw materials are more widely prevalent but the total amount held in July was still much smaller than at the same time last year. Several reports show price advances, especially in the case of textile goods and fibers, leather, lumber, and electrical supplies.

A number of reports from industries including textiles, leather, building materials, paper, and chemicals show additional purchases of plant equipment, and in some cases plant expansion has been undertaken or is under consideration.

It appears from early reports that factory employment and wage disbursements in July have been maintained at about the levels which usually prevail between June and July, but they are considerably above last year. In several important lines, particularly textiles, there have been increases in payrolls and working time instead of decreases from the June volumes, as is to be seasonally expected.

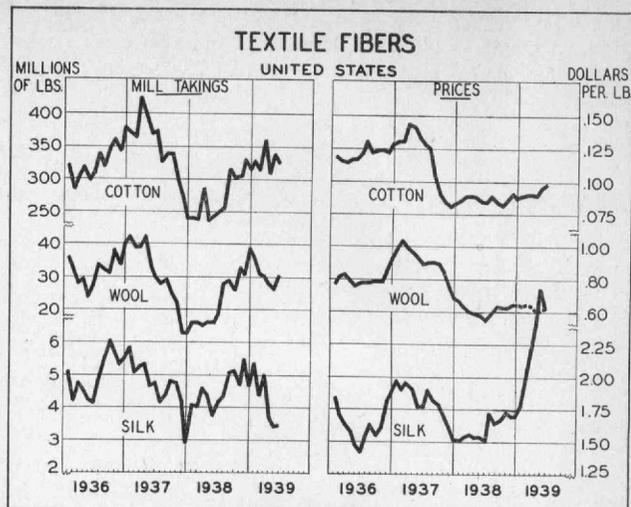
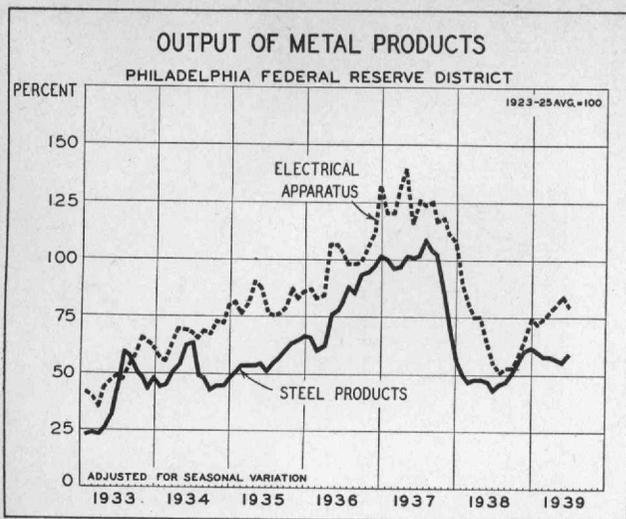
The number of factory wage earners in June was about 1 per cent larger than in May and the amount of wage payments was 5 per cent greater. Employment exceeded the volume of a year ago by 9 per cent and payrolls by 24 per cent. The expansion in payrolls and working time in the month and year was shared by industries producing both durable and nondurable goods. Compared with a year ago, however, the increase in wage disbursements by the consumers' goods industries amounted to 11 per cent, whereas in the case of durable goods industries the increase was about 35 per cent.

The output of manufactures increased somewhat more than usual in June, carrying the seasonally adjusted index to a level within 3 per cent of the March peak and 18 per cent above a year ago. Over the first six months, the average rate of factory operations this year was 16 per cent higher than in 1938. Early reports indicate some further improvement in July.

The gain in factory output from May

	Index numbers: percentages of the 1923-1925 average as 100										
	Adjusted for seasonal variation						Not adjusted				
	June 1938	Apr. 1939	May 1939	June 1939	Per cent change			June 1938	Apr. 1939	May 1939	June 1939
					June 1939 from		1939 from 6 mos. 1938				
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.											
Industrial production	68r	78	78	77p	- 1	+14	+13	67r	77	77	76p
Manufacturing—total	64r	75	75	75p	+ 1	+18	+16	63r	74	73	75p
DURABLE GOODS	53r	70	69	72p	+ 5	+35	+20	53r	63	64	66
CONSUMERS' GOODS	74	83	83	81p	- 2	+ 9	+14	74	83	83	81p
Metal products	46	64	64	66	+ 3	+ 41	+17	47	63	64	66
Textile products	59	76	73	71p	- 2	+20	+34	58	73	70	69p
Transportation equipment	53r	71	74	77	+ 5	+47	+27	53r	75	77	78
Food products	78	76	82	80p	- 2	+ 3	+ 3	74	74	80	76p
Tobacco and products	97	98	106	95	-10	- 2	+ 5	105	89	103	103
Building materials	33	37	33	37p	+15	+15	+17	36	36r	34	41p
Chemicals and products	103	110	108	115p	+ 6	+12	+ 5	104	112	110	116p
Leather and products	103	119r	116	118p	+ 2	+14	+ 4	100	117	105	115p
Paper and printing	86	85	87	87	- 1	+ 0	- 0	85	87	88	86
Coal mining	68	71	69	60p	-13	-13	+ 9	60	74	68	52p
Anthracite	74r	80	73	59p	-19	-20	+ 7	64r	83	73	51p
Bituminous	47	1	33	66	+98	+40	+ 2	41	1	30	58
Crude oil	423	436	423	419	- 1	- 1	-10	440	449	440	435
Electric power											
Output	243	260	268	266	- 1	+ 9	+11	231	254	249	252
Sales, total†	230	244	252	255	+ 1	+11	+12	223	252	242	247
Sales to industries†	150	174	166	169	+ 2	+12	+13	152	176	170	170
Employment and wages—Pa.											
Factory—Wage earners					+ 1*	+ 9*	+ 4*	69	76	75	75
Payrolls					+ 5*	+24*	+14*	62	74	73	77
Man-hours (1927-28=100)					+ 5*	+30*	+18*	52	65	64	67
General (1932=100)											
Employment					+ 4*	+ 5*	- 1*	99	98	100	104
Payrolls					+ 7*	+15*	+ 8*	129	136	139	149
Building and real estate											
Contracts awarded†—total	52	51	60	61	+ 1	+17	+23	59	60	72	70
Residential†	30	47	53	56	+ 6	+89	+108	35	54	67	67
Nonresidential†	66	51	54	41	-25	-38	-26	77	57	61	48
Public works and utilities†	77	86	96	111	+16	+46	+37	86	80	112	126
Permits for building—17 cities	10	12	25	26	+ 4	+149	+85	13	18	28	32
Real estate deeds—Philadelphia†	48	45	49	51	+ 3	+ 5	+ 2	48	44	47	51
Writs for Sheriff sales—Phila.	426	260	277	377	+36	-11	-25	426	273	291	377
Distribution											
Retail trade—sales	70r	77	77	74p	- 4	+ 6	+ 5	70r	82	81	74p
stocks	78r	77	75	75p	+ 0	- 4	- 4	73r	79	75	70p
Wholesale trade—sales					- 2*	+10*	+ 6*				
stocks					- 2*	- 4*	- 4*				
Life insurance sales	76	77	77	80	+ 3	+ 5	+13	79	86	82	83
New passenger auto. registrations					- 3*	+42*	+43*	84r	128	123	120
Hotels—Occupancy . . . (1934=100)					+ 1*	- 3*	- 5*	121r	122	118	118p
Income, total (1934=100)					- 6*	- 5*	- 5*	121	136	122	114p
Freight-car loadings—total	51	53	55	60	+11	+19	+14	51	52	56	61
Merchandise and miscellaneous	51	60	58	61	+ 4	+19	+15	53	62	61	63
Coal	54	32	49	63	+29	+16	+ 5	47	29	45	55
Business liquidations											
Number					-31*	+13*	+18*	86	123	141	97
Amount of liabilities					-64*	-61*	-11*	27r	37	30	11
Payment of accounts											
Check payments	85r	82	88	95	+ 8	+11	+ 8	89r	83	87	99
Rate of collections (actual)											
Retail trade	30	30	32	31	- 3	+ 5	.....	31	31	33	32
Prices—United States											
WHOLESALE (1926=100)					- 1*	- 3*	- 4*	78	76	76	76
Farm products					- 2*	- 9*	- 6*	69	64	64	62
Foods					- 1*	- 8*	- 5*	73	69	68	68
Other commodities					- 0*	- 1*	- 2*	81	80	81	80
RETAIL FOOD					- 0*	- 5*	- 3*	80	77	76	76
Philadelphia					- 1*	- 5*	- 3*	82	78	79	78
Scranton					- 2*	- 5*	- 3*	77	73	75	74
	(In millions of dollars)	June 1938	Mar. 1939	Apr. 1939	May 1939	June 1939	% change from				
							Month ago	Year ago			
Banking and credit											
Federal Reserve Bank											
Bills discounted	\$ 1.4	\$ 0.5	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.4	+33	-71			
Other bills and securities	213	209	210	210	209	209	- 0	- 2			
Member bank reserves	386	410	444	466	493	493	+ 6	+28			
Reserve ratio (per cent)	74.5	77.3	77.7	78.3	79.0	79.0	+ 1	+ 6			
Reporting member banks											
Loans	\$ 413	\$ 411	\$ 411	\$ 411	\$ 413	\$ 413	+ 0	0			
Investments	676	719	707	700	704	704	+ 1	+ 4			
Deposits (a)	1385	1455	1487	1504	1537	1537	+ 2	+11			
Bankers' acceptances outstanding	9.0	9.6	9.0	8.2	7.9	7.9	- 4	-12			

* Computed from data unadjusted for seasonal variation. p—Preliminary. r—Revised.
 † Not included in production index. (a) Less cash items in process of collection.
 ‡ 3-month moving daily average centered at 3rd month.



to June in durable goods industries reflected chiefly substantial expansion in activity at plants turning out pig iron, steel, iron castings, transportation equipment, and building materials including brick and cement. In the consumers' goods industries the most pronounced improvement in this period occurred in the manufacture of woolen and worsted fabrics and shoes. Operations at cotton and hosiery mills and canning factories also were maintained above their customary seasonal levels.

Production of electric power showed a smaller than customary gain over May, but was 9 per cent larger than in June 1938. Total sales expanded somewhat in the month.

Coal and other fuels. Sales of anthracite in this district have slackened further since the middle of last month, reflecting chiefly the seasonal lull in demand for household fuel. Output of mines dropped sharply in June and was below that of any corresponding month in the past seven years. Production in the first three weeks of July, however, was well sustained and was about 13 per cent larger than in the same period of 1938.

The industrial demand for Pennsylvania bituminous coal has slackened somewhat, following several weeks of active buying to replenish stocks depleted during the recent shutdown. Colliery output continued to expand throughout June and the early part of July, and was substantially above the low level of a year earlier.

Following a sharp curtailment in May, occasioned partly by the reduced fuel supply, the output of by-product coke increased substantially in June, instead of declining seasonally, and was about 50 per cent greater than a year ago. Production of gas and fuel oils,

while only slightly above the May level, was 17 per cent larger than in June 1938. Activity at coke ovens and oil refineries in the first half of 1939 was at a higher rate than a year earlier.

Building and real estate. The value of building contracts awarded in the Third Federal Reserve District declined seasonally from May to June, after having increased substantially in each of the three preceding months. In the first half of this year the value of awards aggregated nearly \$94,000,000; this volume was 23 per cent greater than a year ago and was the largest for any corresponding period since 1931.

Building contracts Philadelphia Federal Reserve District	June 1939 (000's omitted)	Per cent change	
		From month ago	1939 from 6 mos. 1938
Residential	\$ 7,678	-26	+108
Apts. and hotels	2,258	-49	+352
Family houses	5,420	- 8	+ 70
Nonresidential	3,127	-26	- 26
Commercial	1,221	+13	- 2
Factories	800	- 8	+169
Educational	138	-89	- 70
All other	968	+ 1	- 34
Total buildings	\$10,805	-26	+ 18
Public works and utilities	3,992	-37	+ 37
Grand total	\$14,797	-29	+ 23

Source: F. W. Dodge Corporation.

Residential construction this year has been more than twice the dollar volume in 1938 and considerably larger than in any other year since 1929. In the first half of 1939, awards for dwellings constituted 44 per cent of the total contracts awarded as against 26 per cent last year, 33 per cent in 1937, and only 18 per cent in 1930.

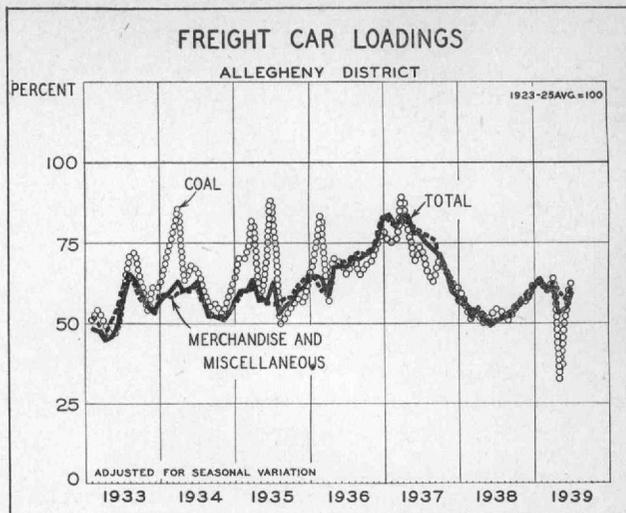
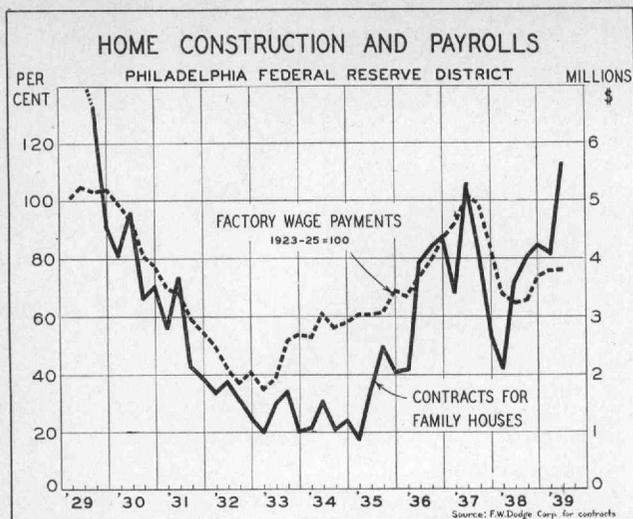
The accompanying chart shows the relationship between family house construction and the income of wage earners. It illustrates broadly the fact that the volume of such construction de-

pends largely upon sustained employment and earnings of the population. While changes in the method and cost of financing may tend to foster the building of houses, purchases are also conditioned by the fact that prospective home owners are employed, are receiving adequate income, and have reasonable prospects of maintaining stable earnings.

Construction of commercial and industrial buildings this year has been 40 per cent above 1938 but 23 per cent below 1937, when industrial conditions were more favorable. Awards for commercial structures for the most part have been for new store-fronts in the larger trading centers and for renovations. There has been virtually no increase in available office space. Factory building has been largely confined to small additions, as continued uncertainties in the industrial outlook apparently hampered planning ahead by manufacturers.

The volume of construction by public utility companies in this district has been negligible so far this year, but expenditures on public works have continued heavy in many localities. Awards for public works and utilities combined in the first half of this year were about 37 per cent larger than in 1938 and the greatest since 1931.

Residential construction has been most active in Philadelphia and surrounding areas, where a substantial amount of speculative building of houses in the \$4,000 to \$6,000 class has been completed or is now in process. In the suburbs of large cities generally, construction of houses selling for from \$6,000 to \$8,000 also has been fairly active. The volume of construction also has been substantial in other cities in eastern Pennsylvania and Del-



aware, except in those areas where industrial conditions continue somewhat depressed, such as in the anthracite region and in some of the heavy industry centers. Factory payrolls have been well maintained in localities dependent chiefly upon diversified manufacturing, where steady income has stimulated the purchase of homes. Activity in rural regions continues at its customary low levels.

A large part of residential construction is being financed through mortgages insured by the Federal Housing Administration. In Pennsylvania, New Jersey and Delaware, mortgages accepted for insurance in the period from January 1937 to April 1939 amounted to \$137,846,000 compared with a total award of contracts for family houses aggregating approximately \$215,000,000. Applications for insurance so far this year have been much more numerous than in the same period of 1938.

The stimulus afforded residential construction by the Federal Housing Administration has been due principally to long maturities, small down payments, and lower interest rates. Mortgage funds continue to be available in a substantial volume.

Many builders feel that building activity would be further stimulated if costs were reduced. Prices of building materials rose sharply from 1936 to the middle of 1937. In the ensuing year these prices declined noticeably and have since shown little change, but the current level, as measured by the index compiled by the Bureau of Labor Statistics, is about 5 per cent above that prevailing in early 1936. Labor costs also have increased sharply since

1935-36 and are currently estimated at a level about 20 per cent higher than those in the earlier period.

Rental demand for houses renting up to \$40 a month is strong in the larger centers; the demand for houses renting from \$40 to \$60 a month appears to be fair. Vacancies among small and medium-priced houses are apparently few. The rental market for apartments and for more expensive houses has been less active. Rents for the most part have continued steady in the past year except for some advance in Philadelphia, where taxes are increasing somewhat.

The outlook for continued residential construction appears favorable, provided present industrial and income trends are maintained, labor difficulties are avoided, and costs and taxes are held down. A substantial improvement in industrial activity is necessary before private nonresidential construction will be undertaken in any significant volume.

Agriculture. Crops and pastures have been severely affected by drought in many parts of this district, scattered showers being insufficient to supply the necessary moisture. Seasonal farming operations such as the threshing of winter grains and haying are progressing about as usual, and early potatoes are being dug in a few of the southern counties.

Production of wheat, corn, oats, hay, and white potatoes is estimated to be smaller this year than last. In the case of tobacco, an important crop in eastern Pennsylvania, the 1939 yield is expected to be about 10 per cent greater than a year ago, and the largest since 1932. Compared with the five-year average, the output of wheat, hay, and

white potatoes will show a substantial decline.

Receipts from the sale of farm products in Pennsylvania, New Jersey and Delaware did not measure up to seasonal expectations in May and continued below the level of a year earlier for the third successive month. In the first five months of 1939 total cash income from crops and livestock products marketed was 5 per cent less than a year ago, and was the smallest for that period since 1936.

Distribution, trade and service. Freight-car loadings in June increased more than seasonally for the second successive month, reflecting a further sharp gain in the movement of coal, and unusually well sustained shipments of merchandise and miscellaneous commodities. Total loadings were 19 per cent larger than in June 1938 and 14 per cent greater in the first six months this year than last. The waterway traffic at the Port of Philadelphia in connection with foreign trade and intercoastal shipment of merchandise, as measured by vessel tonnage, was about 14 per cent larger in the first six months this year than in the same period last year. Early figures for July indicate a further improvement in shipments of goods by rail and water.

Retail sales in this district decreased about 4 per cent from May to June, when allowance is made for seasonal change and the number of trading days. This change reflected chiefly a decline in business at department and women's apparel stores. At shoe and credit stores sales in June approximated seasonal levels. Compared with a year ago, aggregate sales showed a gain of 6 per cent in June and in the first six months of 1939 an increase of 5 per

cent. Reports covering the first three weeks of July indicate that sales continued larger than a year ago.

At wholesale establishments total sales were somewhat below the May level, but continued about 10 per cent larger than a year ago. Sales of electrical supplies, hardware and jewelry showed especially large gains over 1938.

Inventories in both channels of trade were reduced somewhat from May to June, owing partly to seasonal influences. Stocks are smaller than a year ago, although a greater volume of business is being handled.

In line with seasonal expectations, sales of new passenger automobiles decreased somewhat from May to June but they have continued substantially larger than last year.

Income of nonresort commercial hotels decreased 6 per cent from May and was 5 per cent less than in June of last year.

Hotel business Philadelphia Federal Reserve District	June: per cent change from		1939 from 6 mos. 1938
	Month ago	Year ago	
Capacity.....	+ 0	- 1	.....
Room occupancy.....	+ 1	- 3	-5
Per cent of capacity used:			
June 1939.....	52.7		
May 1939.....	52.4		
June 1938.....	53.7		
Revenue from:			
Guest rooms.....	+ 3	- 4	-6
Food.....	-16	-11	-5
Other sources.....	- 9	- 2	-2
Total revenue.....	- 6	- 5	-5

Banking conditions. The reserves of both city and country member banks in this district have increased further in the past month as a result of funds supplied to the market by Treasury operations. The aggregate of \$508,400,000 reported on July 19 surpassed the volume of a year ago by \$140,900,000 and established a new record. The growth in reserves in this district during the past year proportionately has been greater than in the country at large—38 per cent as against 27 per cent for all member banks in the reserve system.

Member bank reserves (Dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
Philadelphia banks:				
1939—June 1-15	\$337.8	\$186.8	\$151.0	81%
June 16-30	340.3	186.6	153.7	82 "
July 1-15	345.5	187.7	157.8	84 "
1938—July 1-15	243.9	166.1	77.8	47 "
Country banks:				
1939—June 1-15	153.8	94.7	59.1	62 "
June 16-30	153.2	94.4	58.8	62 "
July 1-15	157.1	95.2	61.9	65 "
1938—July 1-15	139.4	91.5	47.9	52 "

Total reserves increased \$9,600,000 in the four weeks ended July 19. Treas-

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	July 19, 1939	Changes in—	
		Four weeks	One year
Bills discounted.....	\$ 0.3	-\$0.0	-\$ 0.9
Bills bought.....	0.1	- 0.0	+ 0.0
Industrial advances.....	2.7	+ 0.2	- 0.1
U. S. securities.....	213.4	+ 6.5	- 17.3
Total.....	\$216.5	+\$6.7	-\$18.3
Note circulation.....	317.1	+ 4.1	+ 15.9
Member bank deposits.....	508.4	+ 9.6	+140.9
U. S. general account.....	39.5	- 6.0	+ 5.2
Foreign bank deposits.....	27.1	- 7.3	+ 14.5
Other deposits.....	9.6	+ 4.8	+ 5.6
Total reserves.....	707.9	- 2.2	+202.2
Reserve ratio.....	78.5%	- 0.7%	+ 8.2%

ury expenditures were approximately \$33,000,000 larger than receipts from local sources, but a substantial part of the funds so provided was offset by losses in the settlement of financial and commercial transactions with other districts, an increase in outstanding officers' checks of this bank, and a holiday expansion in the demand for currency.

Discounts for members by this bank continue in very small volume and industrial advances have not changed materially in the past four weeks, but United States securities held by the bank increased \$6,500,000 to \$213,400,000. This expansion in investments reflected an increase of \$10,900,000 at the beginning of July, when the usual quarterly redistribution of System holdings among the reserve banks resulted in a larger proportionate allotment to this bank. This increase was offset in part by maturities of Treasury bills from System holdings without complete replacement.

Deposits at reporting member banks expanded further to a new high level on July 5 and on the 19th still were \$173,000,000 or more than 12 per cent greater than a year ago. Over the last four weeks there has been an increase of \$7,000,000.

Outstanding credit of the weekly reporting banks continues in smaller volume than at the beginning of the year. An increase of \$7,000,000 in holdings of direct securities of the Federal Government between June 21 and July 19 was due in part to switching operations, as reflected in a decline of

Reporting member banks (000,000's omitted)	July 19, 1939	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 184	-\$ 4	-\$ 5
Open market paper.....	25	+ 1	+ 6
Loans to brokers, etc.....	20	0	+ 4
Other loans to carry secur.....	32	0	- 2
Loans on real estate.....	54	+ 1	- 1
Loans to banks.....	1	0	1
Other loans.....	96	+ 3	+ 5
Total loans.....	\$ 412	+\$ 1	+\$ 6
Government securities.....	\$ 347	+\$ 7	+\$ 12
Obligations fully guar teed.....	98	- 5	+ 2
Other securities.....	264	0	- 4
Total investments.....	\$ 709	+\$ 2	+\$ 10
Total loans & investments.....	\$1,121	+\$ 3	+\$ 16
Reserve with F. R. Bank.....	363	+ 4	+ 124
Cash in vault.....	17	- 1	+ 1
Balances with other banks.....	190	- 1	+ 31
Other assets—net.....	101	0	- 3
Liabilities			
Demand deposits, adjusted.....	\$ 855	+\$ 1	+\$ 87
Time deposits.....	280	0	- 11
U. S. Government deposits.....	33	0	+ 33
Interbank deposits.....	368	+ 6	+ 64
Borrowings.....	0	0	0
Other liabilities.....	13	- 1	- 2
Capital account.....	223	- 1	- 2

\$5,000,000 in guaranteed obligations. The investment in corporate and municipal securities did not change in this period.

Loans in the aggregate increased slightly to \$412,000,000, owing to increases in open market paper, in real estate loans and in unclassified accommodation. Commercial loans, however, declined \$4,000,000 to \$184,000,000 and now comprise only 16 per cent of the credit being extended by the reporting banks, as against 63 per cent in the form of investments.

The trend of commercial loans in the past year, as the chart on the next page indicates, has shown little relationship to changes in industrial production. Loans declined over the last half of 1938 when production was showing material expansion. There was a small increase early this year, part of which has been offset by recent declines. These loans still are somewhat under the level of a year ago, although most indicators of business activity stand at substantially higher levels.

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks
	June 28	July 5	July 12	July 19	
Sources of funds:					
Reserve bank credit extended in district.....	- 1.5	+ 3.5	- 1.8	- 0.3	- 0.1
Commercial transfers (chiefly interdistrict).....	-11.1	+ 8.4	-11.5	- 1.3	-15.5
Treasury operations.....	+ 4.4	+12.0	+12.1	+ 4.2	+32.7
Total.....	- 8.2	+23.9	- 1.2	+ 2.6	+17.1
Uses of funds:					
Currency demand.....	+ 2.0	+ 6.0	- 3.3	- 1.3	+ 3.4
Member bank reserve deposits.....	-10.5	+12.8	+ 0.7	+ 6.6	+ 9.6
"Other deposits" at reserve bank.....	+ 0.3	+ 5.7	+ 1.4	- 2.6	+ 4.8
Unexpended capital funds.....	- 0.0	- 0.6	- 0.0	- 0.1	- 0.7
Total.....	- 8.2	+23.9	- 1.2	+ 2.6	+17.1

Employment and Payrolls in Pennsylvania

(All figures are rounded from original data)

Manufacturing Indexes

	Employment*			Payrolls*			Employee-hours†	
	June 1939 index	Per cent change from		June 1939 index	Per cent change from		June 1939—per cent change from	
		May 1939	June 1938		May 1939	June 1938	May 1939	June 1938
All manufacturing . . .	75	+1	+9	77	+5	+24	+5	+30
Iron, steel and products . . .	68	+1	+13	77	+4	+35	+4	+36
Non-ferrous metal prods. . .	108	+2	+8	127	+5	+19	+4	+24
Transportation equip.	52	+4	+19	54	+18	+36	+15	+64
Textiles and clothing	88	-3	+8	78	+1	+19	-0	+24
Textiles	83	-4	+6	74	-2	+15	-1	+21
Clothing	108	+1	+12	98	+10	+40	+3	+39
Food products	102	-0	+1	109	+2	+4	+1	+2
Stone, clay and glass	72	+7	+15	70	+11	+22	+15	+25
Lumber products	58	+5	+11	52	+7	+22	+7	+14
Chemicals and prods.	82	-2	+4	91	+3	+10	+5	+17
Leather and products	89	+6	+11	81	+16	+18	+23	+20
Paper and printing	97	+0	+4	99	+0	+8	-1	+4
Printing	92	-0	+3	95	-1	+6	-3	-2
Others:								
Cigars and tobacco	62	+6	-4	55	+10	-8	+11	-12
Rubber tires, goods	81	+3	+9	96	+6	+24	+5	+19
Musical instruments	57	-2	+28	53	+9	+42	+8	+38

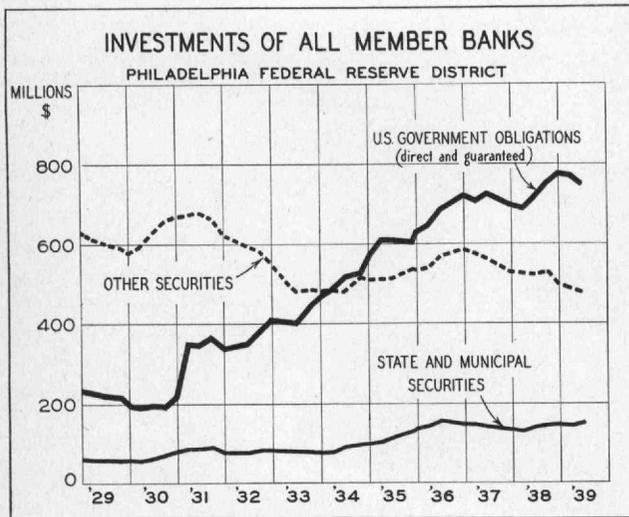
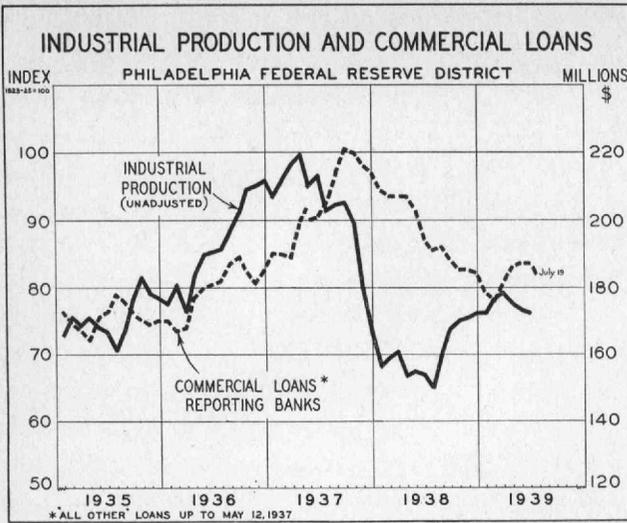
* Figures from 2,364 plants.

† Figures from 2,131 plants.

General Index Numbers

Covering twelve branches of trade and industry

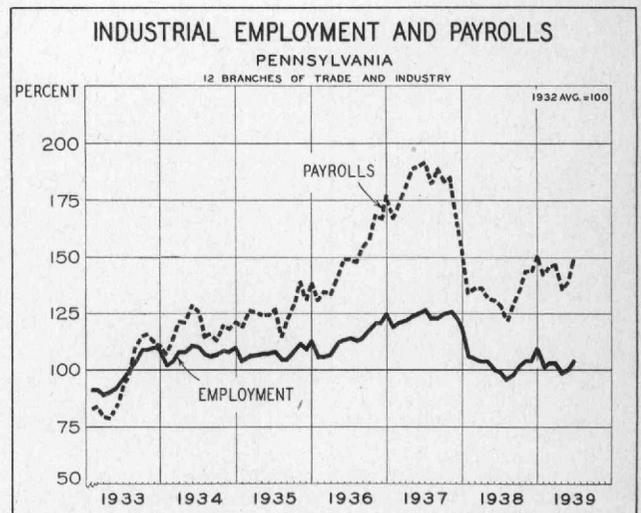
	Employment			Payrolls		
	June 1939 index	Per cent change from		June 1939 index	Per cent change from	
		May 1939	June 1938		May 1939	June 1938
General index (weighted) . . .	104	+4	+5	149	+7	+15
Manufacturing	119	+1	+9	187	+5	+24
Anthracite mining	67	-3	-10	62	-36	-28
Bituminous coal mining	107	+175	+13	195	+844	+46
Building and construction	55	-3	-2	73	-6	-4
Quarrying and non-met. mining	111	+8	+12	201	+7	+17
Crude petroleum producing	130	-1	-10	154	+0	-8
Public utilities	94	+1	+1	106	+2	+4
Retail trade	106	+1	+2	123	+1	+1
Wholesale trade	114	-0	+3	116	-0	+3
Hotels	105	-4	-6	120	-2	-3
Laundries	102	+5	-0	135	+3	+7
Dyeing and cleaning	105	+1	-6	141	+2	-2



City areas*	Percentage change—June 1939 from June 1938				
	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown	+8	+21	+160	+14	+4
Altoona	+68	+215	+14	+9	+17
Harrisburg	+4	+12	+113	-4	+0
Johnstown	+3	+36	+64	+12	+6
Lancaster	+10	+22	+93	+6	+0
Philadelphia	+13	+22	+207	+12	+4
Reading	+11	+25	+13	+19	+4
Scranton	-2	+16	-6	+2	-2
Trenton	+9	+26	+49	+22	+17
Wilkes-Barre	+2	+9	-48	-2	-6
Williamsport	+3	+15	+162	+10	.....
Wilmington	+19	+25	+75	+16	+7
York	+7	+15	-40	+14	+3

City areas*	June 1939 from May 1939				
	Employment	Wage payments	Building permits (value)	Debits	Retail trade sales
Allentown	-0	+1	-36	+2	-3
Altoona	+2	+33	-49	+1	-10
Harrisburg	+2	+6	+67	+10	-9
Johnstown	+0	+8	+129	+7	-7
Lancaster	+1	+4	+394	-1	-17
Philadelphia	+1	+4	+16	+10	-8
Reading	-2	+1	-42	+2	-9
Scranton	-0	+15	+292	-5	-17
Trenton	+2	+6	+63	-10	+11
Wilkes-Barre	+1	+6	-13	-4	-12
Williamsport	+1	+2	-22	+6	.....
Wilmington	-1	+2	+62	+32	+4
York	+5	+2	-10	+3	-4

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



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					
	June 1938	Apr. 1939	May 1939	June 1939	Per cent change		June 1938	Apr. 1939	May 1939	June 1939		
					June 1939 from Month ago	1939 from 6 mos. 1938						
Retail trade												
Sales												
Total of all stores.....	70r	77	77	74p	- 4	+ 6	+ 5	70r	82	81	74p	
Department.....	63	68	71	66p	- 7	+ 5	+ 6	62r	67	70	65p	
Men's apparel.....	65r	74	73	69	- 5	+ 7	+ 6	74r	70	70	79	
Women's apparel.....	91r	96	97	92	- 5	+ 1	- 1	83r	116	96	84	
Shoe.....	85r	94	80	81	+ 1	- 5	+ 2	101r	110	104	96	
Credit.....	72r	82	84	85p	+ 1	+18	+ 9	68	92	92	80p	
Stocks of goods												
Total of all stores.....	78r	77	75	75p	+ 0	- 4	.....	73r	79	75	70p
Department.....	53	51	52	52p	+ 0	- 4	.....	51	53	52	49p
Women's apparel.....	103r	108	100	101	+ 1	- 1	.....	88r	107	100	87
Shoe.....	69r	71	69	69	- 0	+ 0	.....	66	76	73	66
Credit.....	98r	97	95	96p	+ 1	- 3	.....	90	99	91	88
Rate of stock turnover 6 months (actual, not indexes).....							+ 12*	1.82				2.03
Wholesale trade												
Sales												
Total of all lines.....					- 2*	+10*	+ 6*					
Boots and shoes.....					-22*	- 6*	+ 5*					
Drugs.....					- 8*	+ 2*	+ 6*					
Dry goods.....					- 7*	+ 8*	- 3*					
Electrical supplies.....					+ 6*	+37*	+22*					
Groceries.....					+ 0*	+ 1*	+ 1*					
Hardware.....					- 2*	+28*	+13*					
Jewelry.....					+ 4*	+15*	+25*					
Paper.....					- 6*	+ 3*	+ 6*					
Stocks of goods												
Total of all lines.....					- 2*	- 4*	.....				
Dry goods.....					+ 1*	- 2*	.....				
Electrical supplies.....					+ 1*	+ 5*	.....				
Groceries.....					- 8*	- 6*	.....				
Hardware.....					+ 1*	-11*	.....				
Jewelry.....					+ 3*	- 6*	.....				
Paper.....					- 2*	- 6*	.....				
Output of manufactures												
Pig iron.....	26	35	38	43	+15	+67	+ 33	25	40	39	41	
Steel.....	43	57	56	60	+ 6	+39	+ 24	44	60	59	61	
Iron castings.....	51	50	50	58	+17	+15	+ 9	50	52	52	58	
Steel castings.....	42	71	72	68	- 6	+61	+ 39	44	72	75	70	
Electrical apparatus.....	55	81	84	80	- 4	+45	+ 7	55	71	77	80	
Motor vehicles.....	12	17	17	17	+ 2	+46	+ 13	14	21	21	21	
Automobile parts and bodies.....	38	54	58	62	+ 6	+65	+ 29	38	59	61	62	
Locomotives and cars.....	16	16	19	19	+ 1	+22	- 22	16	17	19	20	
Shipbuilding.....	248	332	335	352	+ 5	+41	+ 33	246	339	345	348	
Silk manufactures.....	74	82	76	72	- 5	- 3	+ 14	70	80	73	69	
Woolen and worsteds.....	44r	47	55	58	+ 6	+34	+ 53	42r	43	51	56	
Cotton products.....	31	40	43	44	+ 3	+45	+ 38	29	42	42	42	
Carpets and rugs.....	57	113	106	98	- 7	+72	+135	55	106	102	94	
Hosiery.....	83	100	95	98	+ 3	+19	+ 27	81	100	95	96	
Underwear.....	114	142	139	139	+ 0	+22	+ 25	114	139	140	139	
Cement.....	58	62	48	57p	+19	- 2	+ 14	69	62	54*	68p	
Brick.....	22	32	25r	35	+42	+60	+ 26	23	33r	26r	36	
Lumber and products.....	23	24	28	27	- 2	+17	+ 7	24	23	26	28	
Bread and bakery products.....					- 2*	+ 3*	+ 2*	89	85	94	92	
Slaughtering, meat packing.....	89	96	104	102	- 2	+14	+ 12	85	94	103	96	
Sugar refining.....	33	82	57	24	-59	-30	+ 2	36	106	70	25	
Canning and preserving.....	67	60	67	71p	+ 6	+ 6	+ 2	48	50	51	51p	
Cigars.....	96	97	105	94	-10	- 2	+ 6	104	88	101	102	
Paper and wood pulp.....	63	70	71	71	+ 1	+14	+ 12	62	70	71	71	
Printing and publishing.....	91	89	90	90	- 1	- 2	- 2	90	90	91	89	
Shoes.....	135	132	126	142	+12	+ 5	- 9	128	132	115	135	
Leather, goat and kid.....	74	106	106	95p	-10	+29	+ 27	74	103r	96	96p	
Explosives.....	66	67	72	83	+15	+25	+ 2	66	68	73	83	
Paints and varnishes.....	76	77	78r	83	+ 5	+ 9	+ 6	77	81	83r	84	
Petroleum products.....	143	153	151	151p	+ 0	+ 5	+ 3	144	153	151	152p	
Coke, by-product.....	64	86	69	95	+39	+50	+ 24	64	90	71	95	

* Computed from data unadjusted for seasonal variation.

p—Preliminary.

r—Revised.

