

# THE BUSINESS REVIEW

THIRD FEDERAL  
PHILADELPHIA



RESERVE DISTRICT  
OCTOBER 2, 1939

FEDERAL RESERVE BANK OF PHILADELPHIA

## Business and Banking Conditions in the United States

Industrial activity, which had increased substantially during the summer, showed a sharp advance in the first half of September after the outbreak of war in Europe. Prices of basic commodities and equity securities rose sharply while prices of high grade bonds declined.

**Production.** In August, the Board's seasonally adjusted index of industrial production was at 102 per cent of the 1923-1925 average as compared with 101 per cent reached in July. Volume of manufacturing production increased further, but mineral production declined, owing to a temporary curtailment in output of crude petroleum. In the iron and steel industry output increased somewhat further in August and rose sharply in the first half of September, steel ingot production reaching a rate of 70 per cent of capacity in the week ending September 16 as compared with about 63 per cent at the beginning of the month. Automobile production showed about the usual sharp seasonal changes in this period as the shift to new model production was being made. Output of plate glass increased sharply.

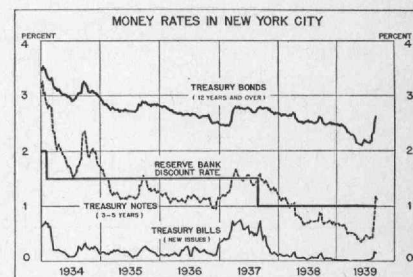
Production of nondurable manufactures advanced in August, reflecting chiefly increased activity at cotton and woolen textile mills. At meat-packing establishments activity declined less than seasonally, while at flour mills, where output has been at a high rate in recent months, there was not the usual large seasonal increase. Shoe production advanced seasonally. At coal mines output increased by about the usual seasonal amount and shipments of iron ore were at the highest rate of this season. Petroleum production declined sharply during the latter half of August, reflecting shutdowns of wells in most of the principal oil-producing states, but increased rapidly in the first half of September when the wells were reopened.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in August, owing to larger awards for publicly-financed projects, including several large dams and an increased volume of United States Housing Administration projects. Private residential building showed little change, although there is usually some seasonal decline. Other

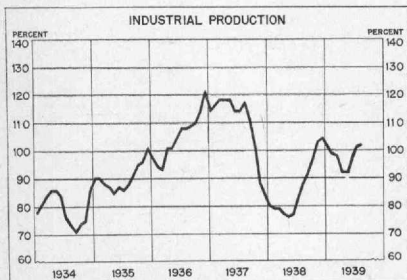
private construction, which in July had been the highest for any month in two years, declined in August.

**Distribution.** Department store sales increased more than seasonally from July to August. The Board's adjusted index advanced from 86 to 89 per cent of the 1923-1925 average and was at about the level reached in the latter part of last year. Sales at variety stores showed little change in August.

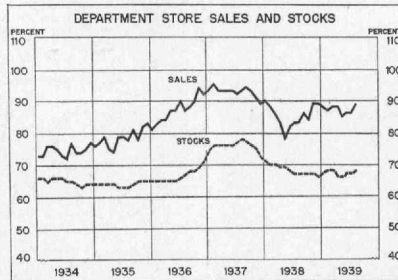
Freight-car loadings rose somewhat further in August, reflecting chiefly continued increases in shipments of coal and miscellaneous freight.



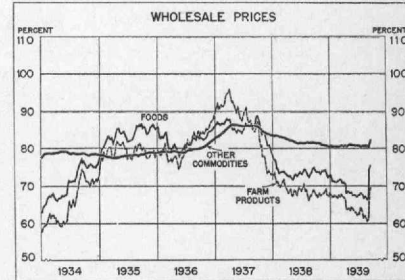
For weeks ending January 6, 1934, to September 16, 1939.



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



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1939.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending September 16, 1939.

**Commodity prices.** Prices of most basic foodstuffs and industrial materials advanced sharply in the first half of September. Prices of wheat, corn, sugar, cocoa, and vegetable oils as well as of hides, rubber, wool, zinc, and tin showed the largest increases. The general level of wholesale commodity prices, as measured by the Bureau of Labor Statistics index, rose 3.1 points and in the week ending September 9 was at 78.4 per cent of the 1926 average, about the same level as a year ago.

**Agriculture.** Crop prospects showed some improvement on September 1 over a month earlier, according to the Department of Agriculture. Indications are that production of all leading crops except cotton will be average or above

average in volume. A cotton crop of 12,380,000 bales, about 10 per cent below the 1928-1937 average, is forecast. This compares with a crop of 11,940,000 bales in 1938 and an estimated world consumption of 11,265,000 bales of American cotton during the past season.

**Government security market.** Average yields on long term Treasury bonds, which had advanced fractionally since last June, increased sharply by about  $\frac{1}{2}$  of 1 per cent in the latter half of August and early September. In pursuance of the System's policy of endeavoring to maintain orderly conditions in the money market, the Federal Reserve banks during the first half of September increased their holdings of government securities by about \$400,-

000,000. On September 1 the Board of Governors of the Federal Reserve System announced that the Federal Reserve banks are prepared at this time to make advances on government obligations to member and nonmember banks at par and at the same rate of discount.

**Bank credit.** Total investments held by reporting member banks in 101 leading cities declined during the first half of September. At New York City banks the decline represented the redemption at maturity of Federal Farm Mortgage Corporation bonds and at banks in other leading cities it represented the sale of Treasury bills and bonds. Commercial loans of city banks showed a substantial growth during August and the first half of September.

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

A wave of buying activity swept through the markets for foods, raw materials, and industrial products immediately following the outbreak of war in Europe on September 1. The demand was primarily from domestic sources; a substantial volume of inquiries for a wide variety of goods was also received from abroad but few actual orders were placed. Foreign demand was in evidence in the case of coal, raw and semifinished steel, and certain chemicals and textiles. Since the middle of the month, markets have become steadier and prices of agricultural products have receded somewhat, as it became apparent that current supplies would easily meet all demand in immediate prospect.

Trading activity in the organized markets for staple commodities was

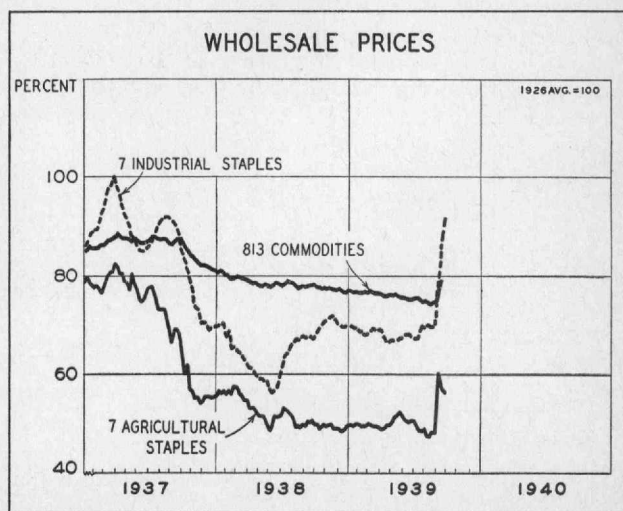
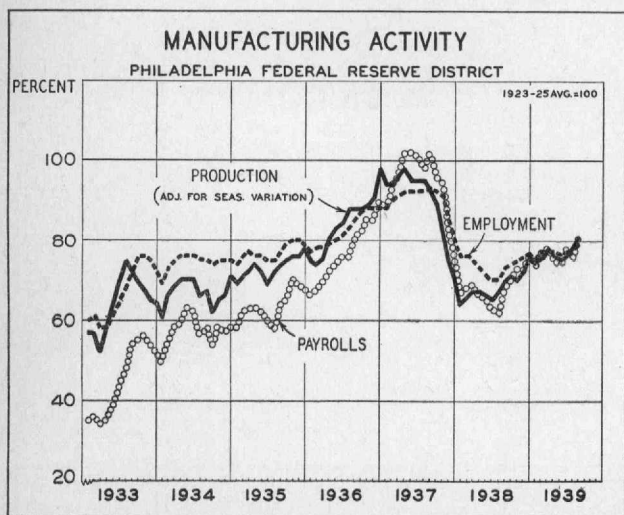
partly speculative, but widespread industrial buying was in evidence as plants accumulated inventories in anticipation of sellers' markets and delayed deliveries. If the war is prolonged, foreign markets for American products in both belligerent and neutral countries will naturally expand. Though the current outlook is unsettled by war, basic domestic business conditions continue favorable. Supplies of raw materials at present are adequate to sustain activity at current rates of operation over the immediate future.

Industrial production in this district increased 3 per cent more than usual from July to August and indications are that further substantial improvement in several important lines has been in progress during Septem-

ber. Current levels are more than 17 per cent above August 1938, and in the first eight months activity averaged 14 per cent higher than last year. Output of manufactures, crude oil, and electric power increased more than usual from July to August. Production of coal showed seasonal expansion.

The construction industry was 10 per cent more active than was expected in August and operations were well above a year ago. The sharp gain in the month reflected increases in public works and utilities and in residential building.

Employment and payrolls in twelve branches of trade and industry in Pennsylvania increased from July to August. All major classes of establishments engaged in production reported substantial advances, while in the trade





and service industries the number of workers and volume of wage disbursements declined. Wage payments were larger than last year in nearly all lines.

Sales at wholesale and retail establishments expanded substantially in the month and continued to show improvement in September. Inventories also increased somewhat more than usual, as stores bought more actively in anticipation of a good fall season. Freight-car loadings have continued the increase which has been in evidence for several months.

Prices of both industrial and agricultural staples advanced sharply in the first week of September but have since leveled off except in the case of such important materials as steel scrap, wool, hides, and silk. The index of wholesale prices of 813 commodities compiled by the Bureau of Labor Statistics rose from 74.8 per cent of the 1926 average in the last week of August to 79.5 in the week ended September 23.

**Manufacturing.** Demand for factory products in this district increased substantially after the middle of August. The volume of both inquiries and sales expanded sharply in all reporting lines, and backlogs of orders reached high levels. Placements and deliveries are currently running well above a year ago, when general business activity was increasing rapidly. Operating rates have advanced in most major industries.

Inventories of finished goods at manufacturing establishments were reduced in the month and are below the levels prevailing a year ago. The general rise in prices of industrial materials following the outbreak of war, however, stimulated purchasing, so that stocks of raw and semifinished products at factories increased for the first time in several months. Despite this gain, supplies are no larger than in September 1938.

Prices of many manufactured goods have advanced substantially from pre-war levels in anticipation of active demand and delayed deliveries, and current levels are well above last year. Several concerns report actual or contemplated purchases of new equipment to allow them to take full advantage of the sellers' markets which they expect to prevail at least over the near future. Practically no expansion of plants has as yet been reported.

In Pennsylvania factories the number of workers increased nearly 2 per cent from July to August, and payrolls

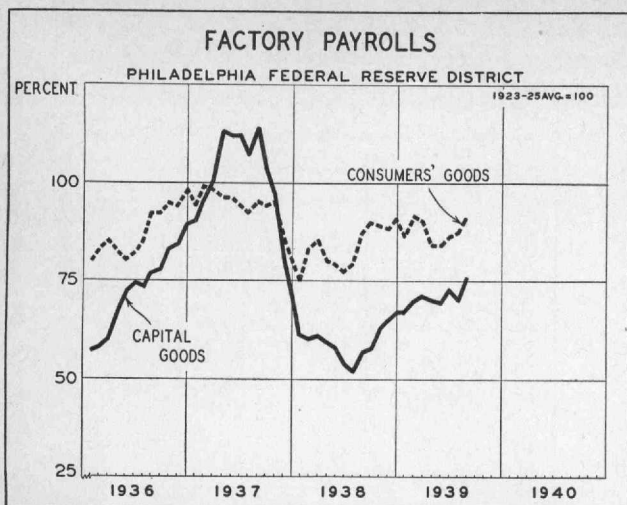
## Business Indicators Philadelphia Federal Reserve District

	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.					Per cent change						
Unadjusted indexes reflect merely the actual change which may or may not be typical.	Aug. 1938	June 1939	July 1939	Aug. 1939	Aug. 1939 from		1939 from 8 mos. 1938	Aug. 1938	June 1939	July 1939	Aug. 1939
					Month ago	Year ago					
Industrial production . . . . .	70r	78r	80	82p	+ 3	+ 17	+14	70r	77r	76	82p
Manufacturing—total . . . . .	69r	76r	78	81p	+ 4	+ 17	+16	69r	75	75	80p
Durable goods . . . . .	53r	73r	75	73p	- 2	+ 37	+24				
Consumers' goods . . . . .	84	82	86	91p	+ 6	+ 9	+13				
Metal products . . . . .	49	65	67	66	- 1	+ 36	+22	51	66	64	69
Textile products . . . . .	77	72	77	88p	+14	+14	+29	72	70	70	82p
Transportation equipment . . . . .	51r	77	81	83	+ 1	+ 61	+34	49r	78	79	79
Food products . . . . .	79	81r	85	83p	- 2	+ 6	+ 4	79	77r	82	79p
Tobacco and products . . . . .	99	95	92	103	+12	+ 4	+ 5	106	103	99	110
Building materials . . . . .	33	40	38	38p	+ 2	+ 16	+19	38	44	41	44p
Chemicals and products . . . . .	105	115	124	121p	- 3	+ 15	+ 8	106	116	123	122p
Leather and products . . . . .	123	121r	133	120p	-10	- 2	+ 3	127	118r	121	123p
Paper and printing . . . . .	84	87	86r	87	+ 1	+ 3	+ 0	82	86	84	85
Coal mining . . . . .	40	60	55	54p	- 0	+ 38	+11	39	52	46	54p
Anthracite . . . . .	38	59	53	53p	- 0	+ 39	+10	38	1	44	53p
Bituminous . . . . .	53	64	67	66	- 0	+ 26	+ 9	50	56	59	62
Crude oil . . . . .	431	419	424	432	+ 2	+ 0	- 8	431	435	424	432
Electric power . . . . .											
Output . . . . .	254	266	261	273	+ 5	+ 7	+10	241	252	242	259
Sales, total† . . . . .	243	255	251	259	+ 3	+ 7	+11	231	247	236	246
Sales to industries† . . . . .	155	169	175	165	- 6	+ 6	+12	160	170	178	170
Employment and wages—Pa.											
Factory—Wage earners . . . . .					+ 2*	+ 9*	+ 5*	72	76	77	78
Payrolls . . . . .					+ 7*	+ 21*	+16*	67	77r	75r	81
Man-hours (1927-28=100) . . . . .					+ 8*	+ 25*	+20*	57	68	66	71
General (1932=100)											
Employment . . . . .					+ 1*	+ 6*	+ 0*	98	103	102	103
Payrolls . . . . .					+ 6*	+ 16*	+10*	130	147r	142r	151
Building and real estate											
Contracts awarded†—total . . . . .	46	61	65	71	+10	+ 56	+34	46	70	67	72
Residential† . . . . .	42	56	61	62	+ 1	+ 48	+81	39	67	64	58
Nonresidential† . . . . .	38	41	49	41	-16	+ 8	-19	39	48	47	42
Public works and utilities† . . . . .	76	111	114	167	+46	+119	+79	84	126	121	184
Permits for building—17 cities . . . . .	14	26	20	36	+84	+151	+89	13	32	24	32
Real estate deeds—Philadelphia† . . . . .	48	51	51	53	+ 3	+ 11	+ 4	46	51	51	51
Writs for Sheriff sales—Phila. . . . .	301	377	296	335	+13	+ 11	-19	289	377	281	321
Distribution											
Retail trade —sales . . . . .	73r	74	76	78p	+ 2	+ 7	+ 5	55	74	54	59p
stocks . . . . .	76r	75	75	76p	+ 2	+ 0	...	73r	70	67	73p
Wholesale trade—sales . . . . .					+ 7*	+ 7*	+ 6*				
stocks . . . . .					+ 1*	- 5*	...				
Life insurance sales . . . . .	74	80	77	82	+ 7	+ 11	+12	62	83	74	69
New passenger auto. registrations . . . . .					-23*	+33*	+44*	59	120	103	79
Hotels—Occupancy (1934=100) . . . . .					+12*	+ 9*	- 3*	98	119	96	107p
Income, total (1934=100) . . . . .					+12*	+ 7*	- 3*	85	115	81	92p
Freight-car loadings—total . . . . .	52	60	62	62	- 0	+ 20	+16	54	61	63	65
Merchandise and miscellaneous . . . . .	53	61	62	63	+ 2	+ 18	+16	55	63	63	65
Coal . . . . .	51	63	66	61	- 8	+ 19	+ 9	49	55	59	59
Business liquidations											
Number . . . . .					-39*	-42*	+ 9*	104r	97	99	60
Amount of liabilities . . . . .					-69*	-70*	-12*	44r	11	42	13
Payment of accounts											
Check payments . . . . .	80	95	89	92	+ 3	+ 16	+ 9	68	99	87	78
Rate of collections (actual)											
Retail trade . . . . .	31	31	32	33	+ 3	+ 4	.....	28	32	32	29
Prices—United States											
Wholesale (1926=100)					- 1*	- 4*	- 4*	78	76	75	75
Farm products . . . . .					- 3*	- 9*	- 7*	67	62	63	61
Foods . . . . .					- 0*	- 8*	- 6*	73	68	67	67
Other commodities . . . . .					- 0*	- 2*	- 2*	81	80	80	80
Retail food . . . . .					- 2*	- 4*	- 4*	78	76	76	75
Philadelphia . . . . .					- 1*	- 4*	- 4*	81	78	78	77
Scranton . . . . .					- 3*	- 3*	- 3*	73	73	74	71

(In millions of dollars)	Aug. 1938	May 1939	June 1939	July 1939	Aug. 1939	% change from	
						Month ago	Year ago
<b>Banking and credit</b>							
<b>Federal Reserve Bank</b>							
Bills discounted.....	\$ 1.2	\$ 0.3	\$ 0.4	\$ 0.3	\$ 0.3	0	-75
Other bills and securities.....	234	210	209	217	209	-4	-11
Member bank reserves.....	358	466	493	502	516	+3	+44
Reserve ratio (per cent).....	69.9	78.3	79.0	77.9	79.5	+2	+14
<b>Reporting member banks</b>							
Loans.....	\$ 406	\$ 411	\$ 413	\$ 412	\$ 418	+1	+3
Investments.....	704	700	704	710	738	+4	+5
Deposits (a).....	1372	1504	1537	1558	1591	+2	+16
<b>Bankers' acceptances outstanding</b>	9.1	8.2	7.9	8.1	8.8	+9	-3

\* 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.



were more than 7 per cent larger. Compared with last year, employment was 9 per cent and wage disbursements 21 per cent higher. Preliminary reports for September indicate further improvement in several important lines, particularly raw and semifinished steel, nonferrous metals, and ship-building.

Average hourly earnings continued at about 69 cents in August, near the level which has prevailed since the latter part of 1937. Working time, however, increased from thirty-five to nearly thirty-seven hours a week, so that average weekly wages rose to \$25.10, the highest level since October 1937 and \$2.60 above August 1938.

Employment in Delaware factories increased more than 5 per cent from July to August, owing in large part to the sharp expansion in activity at canning and preserving establishments. Aggregate payrolls were reduced somewhat in the month.

In southern New Jersey employment and payrolls respectively increased 11 and 13 per cent from July to August and were 10 and 23 per cent above last year.

The output of factory products in this district increased 4 per cent more than usual from July to August, owing to a substantial gain in the production of consumers' goods. Activity at plants turning out these products, after allowing for seasonal changes, reached the highest level in the past two years. Output of producers' goods, on a seasonally adjusted basis, declined about 2 per cent from the peak reached in July, but current indications are that marked improvement in many of these lines has been registered since the middle of August. Among individual industries the sharpest improvements

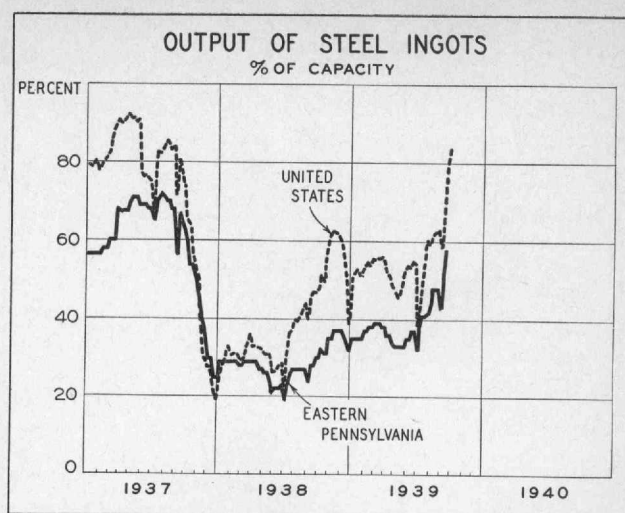
from July to August were in the output of textile products and cigars. The largest decline in activity was in the case of leather.

Current output of manufactures is more than 17 per cent above a year ago. The output of producers' goods, which fluctuates widely with changes in general market conditions, was 37 per cent larger in August than a year before, while in the more stable consumer lines the gain in the twelve-month period amounted to 9 per cent. During the first eight months of the year the output of heavy manufactured products averaged 24 per cent and the lighter consumers' goods 13 per cent above the corresponding period in 1938.

The output of electric power increased 5 per cent more than seasonally from July to August. Total sales expanded 3 per cent more than was to be expected, although sales to industry declined. Output and total sales were 7 per cent above August 1938, and industrial purchases of power were 6 per cent larger.

**Coal and other fuels.** Sales of anthracite have increased considerably, reflecting seasonal improvement in the domestic demand and larger takings by Canadian consumers, whose supplies from overseas have been drastically curtailed since the outbreak of war. Colliery output expanded by the usual amount in August and increased sharply further during the first three weeks of September.

Industrial demand for bituminous coal has improved substantially since early August. Activity at the mines has been well sustained since the spring, and production in August was about one-fourth greater than in the



same month last year. Output and shipments in the period from January to August showed increases over a year ago of 9 and 11 per cent respectively.

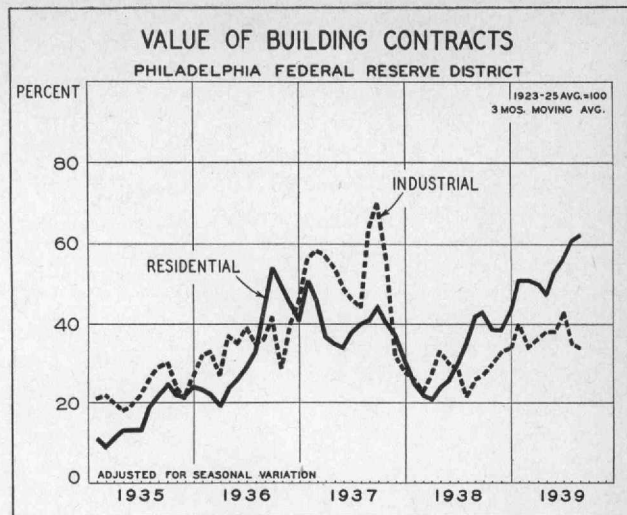
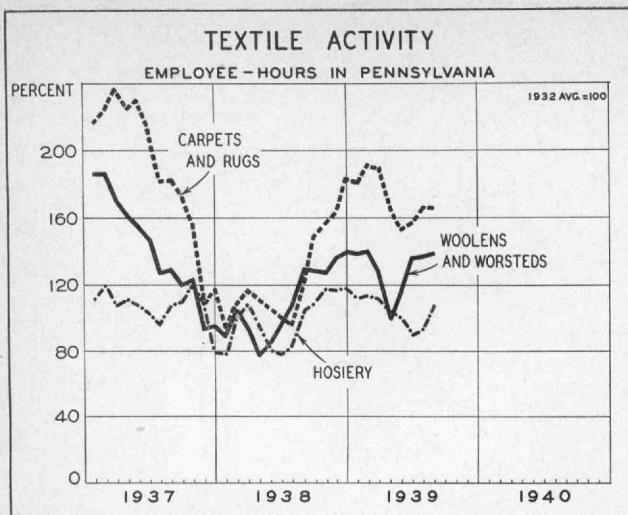
Production of by-product coke in August exceeded seasonal expectations for the third successive month and was the largest since October 1937, reflecting the sustained expansion in the output of primary iron and steel. Production of gas and fuel oils decreased somewhat from the July level but was considerably larger than in August of last year. The average rate of operations at both coke ovens and oil refineries this year has been substantially higher than in 1938.

**Building.** Activity in the construction industry in this district has expanded sharply since the spring, owing chiefly to a high rate of operations in residential building and public works and utilities. A large volume of low-cost housing, including both single and multiple family units, is currently under construction. Factory and commercial building activity has slackened somewhat, but is still above the unusually low levels that

Building contracts Philadelphia Federal Reserve District	Aug. 1939 (000's omitted)	Per cent change	
		From month ago	1939 from 8 mos. 1938
Residential.....	\$8,536	+ 65	+ 81
Apts. and hotels.....	1,407	+474	+198
Family houses.....	7,129	+ 44	+ 60
Nonresidential.....	2,670	- 57	- 19
Commercial.....	1,244	- 15	+ 2
Factories.....	623	- 25	+135
Educational.....	211	- 50	- 69
All other.....	592	- 83	- 22
Total buildings.....	\$11,206	- 2	+ 20
Public works and utilities.....	14,297	+215	+ 79
Grand total.....	\$25,503	+ 60	+ 34

Source: F. W. Dodge Corporation.





prevailed throughout the greater part of 1938.

The value of contract awards increased 60 per cent from July to August, a total nearly double that of a year ago and the largest reported for any month in the past eight years. Contracts let for nonresidential structures decreased considerably in August and were substantially smaller than in the same month last year.

Approximately \$135,000,000 in building contracts was awarded in the first eight months of 1939, a total about one-third greater than a year ago and larger than in any like period since 1931. Increases over 1938 were shown in all classes of construction except educational buildings and unclassified structures, the most pronounced gains occurring in awards for residences and factories.

Wholesale prices of building materials have increased since early September, reflecting higher quotations for lumber, paint materials, and plumbing supplies.

**Agriculture.** Seasonal farming activity has increased in the past few weeks and measures up to normal levels. Conditions in grazing areas have improved somewhat but continue to reflect the effects of drought. Estimates of yields of several leading crops were revised upward on September 1, but production will probably be smaller than last year except in the case of spring wheat and tobacco. The crop of tomatoes for canning will be substantially larger than in 1938, and yields of apples and other orchard fruits are the highest in several years.

In the week following the outbreak

of the European war prices of farm products advanced sharply and subsequently have continued near these high levels. The index of prices of farm products, compiled by the Bureau of Labor Statistics, was 69.5 per cent of the 1926 average in the week ended September 23 compared with 61.1 per cent a month earlier and 68.9 per cent a year ago. Farm cash income in Pennsylvania, New Jersey, and Delaware thus far in 1939 has been somewhat smaller than last year.

**Distribution, trade and service.** Retail trade sales in this district have improved sharply from the low levels prevailing early in the summer. Preliminary reports indicate that the index of total sales in September, after allowing for the usual substantial increase, will approach the highest level of the year. This will represent the third successive month in which the volume of retail business exceeded seasonal expectations.

Sales by department, apparel, shoe, and credit stores throughout the district increased 2 per cent more than usual in August and were 7 per cent larger than a year earlier. The sharpest gain, on a seasonally adjusted basis, was an increase of 10 per cent in sales by men's apparel stores. Sales by credit stores handling furniture and household equipment expanded 6 per cent more than is customary, and consumer purchases of shoes declined 2 per cent less than was to be expected in the dulllest month of the year. The increase in the volume of business at department stores and women's specialty shops was of seasonal proportions.

Compared with a year ago, the largest expansion in sales was reported

by credit stores, reflecting active buying of durable consumers' goods. All other reporting lines also showed improvement over August 1938, ranging from 1 per cent at women's apparel stores to 7 per cent at department stores. In the first eight months of this year sales at retail have averaged about 5 per cent above the same period a year ago.

Inventories at retail establishments were increased somewhat more than seasonally from July to August, as distributors bought more freely in anticipation of an unusually good fall season. The volume of goods on hand at the end of August, however, was no larger than that reported a year earlier. Cautious buying policies and more active sales have combined to cause a substantial increase in the rate of stock turnover during the first eight months of this year as compared with last.

Wholesale trade sales in the district expanded about 7 per cent between July and August, the greatest activity being in jewelry, footwear, and dry goods. Compared with August 1938, business at wholesale showed an increase of 7 per cent. Stocks of goods at wholesale establishments were increased 1 per cent from July to August but were 5 per cent below last year.

Shipments of freight by rail expanded seasonally from July to August and showed substantial improvement in September. Less-than-carload shipments of merchandise and shipments of forest products increased more than usual in August, and rapidly expanding activity in the steel industry resulted in sharp increases in loadings of coke and ore, whereas customarily there is some decline. Freight

shipments originating in the Philadelphia area were substantially larger in August than in July and further sharp gains were reported in the first half of September.

Registrations of new passenger automobiles in this district declined 23 per cent from July to August as the 1939 model season drew to a close but were 33 per cent above August 1938, when factories were just beginning to shut down for the changeover period.

Total revenue of nonresort hotels in this district increased 12 per cent from July to August and was 7 per cent larger than in August 1938.

Hotel business Philadelphia Federal Reserve District	Aug.: per cent change from		1939 from 8 mos. 1938
	Month ago	Year ago	
Capacity.....	- 0	- 1	....
Room occupancy.....	+12	+ 9	- 3
Per cent of capacity used:			
Aug. 1939.....	46.8		
July 1939.....	41.7		
Aug. 1938.....	42.6		
Revenue from:			
Guest rooms.....	+19	+14	- 4
Food.....	+ 5	+ 2	- 4
Other sources.....	+ 7	+ 1	- 2
Total revenue.....	+12	+ 7	- 3

**Banking conditions.** Despite the effect of the European war upon the markets for commodities and securities, the small increase in business loans in this district early in September was largely seasonal, and security loans declined further. Investments of reporting member banks were only slightly reduced in the four weeks ended September 20, although the bond market has been unsettled.

The reserve position of member banks in this district, as in the country, shows further strength. Actual reserves in the first half of September expanded to a record high average volume of \$528,600,000, and excess reserves increased to \$235,300,000 or 80 per cent of requirements. A month earlier excess reserves were \$224,300,000 and a year ago, \$98,800,000.

Member bank reserves (Dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
<b>Philadelphia banks:</b>				
1939: Aug. 1-15	\$356.6	\$195.5	\$161.1	82%
Aug. 16-31	353.8	196.2	157.6	80 "
Sept. 1-15	357.5	195.9	161.6	82 "
Sept. 1-15	215.5	162.7	52.8	32 "
<b>Country banks:</b>				
1939: Aug. 1-15	159.5	96.3	63.2	66 "
Aug. 16-31	162.2	96.8	65.4	68 "
Sept. 1-15	171.1	97.3	73.8	76 "
1938: Sept. 1-15	138.2	92.2	46.0	50 "

Subsequently reserves increased further, reaching \$549,700,000 on September 20. The expansion of \$33,900,000 in reserves since August 23 has resulted principally from heavy

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Sept. 20, 1939	Changes in—	
		Four weeks	One year
Bills discounted.....	\$ 0.4	+\$ 0.1	-\$ 0.7
Bills bought.....	.....	+ 0.0	+ 0.0
Industrial advances.....	2.7	- 0.0	- 0.6
U. S. securities.....	241.3	+ 36.1	+ 10.5
Total.....	\$244.4	+\$36.2	+\$ 9.2
Note circulation.....	327.3	+ 5.9	+ 22.9
Member bank deposits.....	549.7	+ 33.9	+195.4
U. S. general account.....	44.7	+ 3.5	+ 11.7
Foreign bank deposits.....	48.1	+ 17.3	+ 29.0
Other deposits.....	4.8	+ 3.9	+ 2.4
Total reserves.....	749.6	+ 15.3	+228.0
Reserve ratio.....	76.9%	- 3.1%	+ 6.1%

gains in commercial and financial transactions with other sections of the country. Deposits were received from interior banks and funds were transferred to the district in payment for securities sold. The increase in reserves in the four weeks was limited, however, by a rise of nearly \$8,000,000 in the demand for currency, which was heavier than in the corresponding periods of the two preceding years, and by the withdrawal of over \$17,000,000 from the local market through an excess of Treasury receipts over disbursements. This excess was due to the usual quarterly payments of income taxes.

Participation by this bank in System holdings of United States Government obligations increased \$36,100,000 to \$241,300,000. This reflected substantial increases in bonds and notes as a result of System purchases to aid in maintaining an orderly market, while the investment in Treasury bills declined, owing to incomplete replacement of weekly maturities. Borrowing from this bank by member banks continues small.

The volume of commercial and industrial loans extended by reporting member banks increased \$3,000,000 in the second week of September to the highest point of 1939, but showed no net change in the four weeks ended September 20. Total loans declined \$7,000,000, however, chiefly as a result of reductions in the unclassified group and in borrowings by brokers

Reporting member banks (000,000's omitted)	Sept. 20, 1939	Changes in—	
		Four weeks	One year
<b>Assets</b>			
Commercial loans.....	\$ 191	\$ 0	+\$ 6
Open market paper.....	25	- 1	+ 5
Loans to brokers, etc.....	17	- 2	+ 2
Other loans to carry secur.....	31	0	- 3
Loans on real estate.....	55	0	+ 1
Loans to banks.....	1	0	- 1
Other loans.....	94	- 4	+ 1
Total loans.....	\$ 414	-\$ 7	+\$ 11
Government securities.....	\$ 363	-\$ 2	+\$ 15
Obligations fully guar'teed.....	94	- 1	- 1
Other securities.....	278	- 2	+ 4
Total investments.....	\$ 735	-\$ 8	+\$ 18
Total loans & investments.....	\$1,149	-\$15	+\$ 29
Reserve with F. R. Bank.....	387	+ 21	+ 158
Cash in vault.....	18	+ 1	+ 1
Balances with other banks.....	211	+ 27	+ 60
Other assets—net.....	100	0	- 5
<b>Liabilities</b>			
Demand deposits, adjusted.....	\$ 896	+\$ 4	+\$156
Time deposits.....	282	- 1	- 12
U. S. Government deposits.....	53	0	+ 13
Interbank deposits.....	397	+ 30	+ 93
Borrowings.....	.....	.....	.....
Other liabilities.....	14	+ 1	- 4
Capital account.....	223	0	- 3

and dealers in securities.

In the last week of August the reporting banks increased their investment portfolio by \$2,000,000 to \$745,000,000, the largest amount ever held. In the declining markets for securities of the highest grade which followed the outbreak of hostilities in Europe, reductions in security holdings were relatively small, the total decrease to September 20 aggregating only \$10,000,000 or less than 1½ per cent.

While the volume of outstanding credit declined, deposits increased \$33,000,000 from August 23 to a record level of \$1,628,000,000 on September 20, owing to a substantial expansion in interbank balances and in deposits of individuals, firms and corporations. Deposits of states and municipalities declined. The cash position of the reporting banks continues strong. The total of vault cash and deposits with the reserve bank and correspondents increased \$49,000,000 to \$616,000,000, which was nearly three times required reserves.

#### MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks
	Aug. 30	Sept. 6	Sept. 13	Sept. 20*	
<b>Sources of funds:</b>					
Reserve bank credit extended in district.....	+0.7	+ 1.2	+ 1.6	+ 0.5	+ 4.0
Commercial transfers (chiefly interdistrict).....	+8.5	+17.4	+ 9.7	+14.4	+50.0
Treasury operations.....	-9.1	- 0.7	+ 0.2	- 8.0	-17.6
Total.....	+0.1	+17.9	+11.5	+ 6.9	+36.4
<b>Uses of funds:</b>					
Currency demand.....	+2.0	+ 4.7	+ 2.6	- 1.7	+ 7.6
Member bank reserve deposits.....	-0.4	+ 4.5	+20.8	+ 9.0	+33.9
"Other deposits" at reserve bank.....	-1.4	+ 9.4	-10.8	- 1.1	- 3.9
Other Federal Reserve accounts.....	-0.1	- 0.7	- 1.1	+ 0.7	- 1.2
Total.....	+0.1	+17.9	+11.5	+ 6.9	+36.4

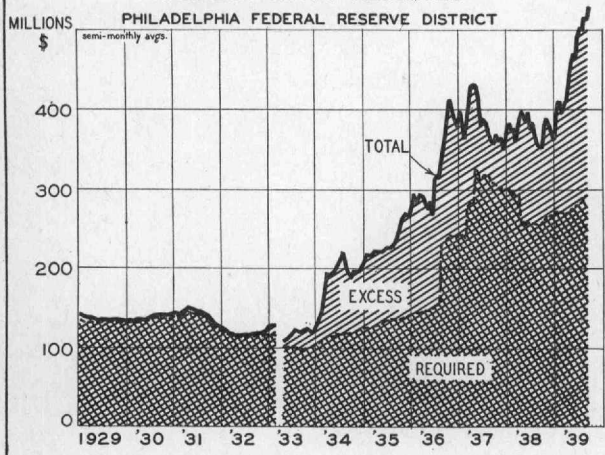
\* Preliminary.



## LOANS AND INVESTMENTS



## MEMBER BANK RESERVES



Percentage change—August 1939 from August 1938

City areas*	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown.....	+16	+28	+22	+13	+7
Altoona.....	+16	+83	+416	+5	+19
Harrisburg.....	+7	+13	+125	-12	-5
Johnstown.....	+9	+38	-6	+4	+20
Lancaster.....	+8	+15	-61	+13	-2
Philadelphia.....	+13	+20	+186	+20	+6
Reading.....	+11	+15	-8	+5	+9
Scranton.....	+5	+19	-36	-3	-1
Trenton.....	+5	+18	-41	+9	+9
Wilkes-Barre.....	+1	+5	+38	+10	+3
Williamsport.....	+3	+5	+27	-2	.....
Wilmington.....	+7	+6	+464	+8	+18
York.....	+6	+15	+61	+7	+5

August 1939 from July 1939

Allentown.....	+2	+8	+14	-3	+4
Altoona.....	+1	+14	+16	-2	+13
Harrisburg.....	+1	+9	+188	-8	+5
Johnstown.....	+3	+11	-6	+1	+16
Lancaster.....	+2	+3	-93	0	-8
Philadelphia.....	+2	+2	+156	+1	+13
Reading.....	+1	+5	+50	-7	+3
Scranton.....	+4	+16	-46	-6	+5
Trenton.....	0	+3	-54	+11	-2
Wilkes-Barre.....	+2	+6	+154	+6	+9
Williamsport.....	-0	+6	+19	-1	.....
Wilmington.....	-3	+5	+58	-16	+18
York.....	+4	+6	-19	+1	+8

\* 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. 1939 index	Per cent change from		Aug. 1939 index	Per cent change from		Aug. 1939—per cent change from	
		July 1939	Aug. 1938		July 1939	Aug. 1938	July 1939	Aug. 1938
<b>All manufacturing.....</b>	<b>78</b>	<b>+2</b>	<b>+9</b>	<b>81</b>	<b>+7</b>	<b>+21</b>	<b>+8</b>	<b>+25</b>
Iron, steel and prods.....	69	+1	+13	81	+9	+35	+8	+34
Non-fer. metal prods.....	110	+0	+11	129	+5	+23	+7	+26
Transportation equip.....	55	+1	+25	54	+8	+34	+8	+57
Textiles and clothing.....	96	+4	+6	88	+9	+8	+8	+12
Textiles.....	89	+4	+6	83	+9	+6	+7	+11
Clothing.....	121	+5	+7	113	+8	+16	+7	+12
Food products.....	105	+2	+2	109	+0	+1	+2	+0
Stone, clay and glass.....	74	+5	+16	73	+12	+26	+12	+26
Lumber products.....	60	+0	+3	56	+7	+10	+6	+6
Chemicals and prods.....	85	+3	+7	94	+6	+14	+9	+24
Leather and products.....	90	-2	+6	84	-2	+4	-3	+3
Paper and printing.....	96	-2	+6	98	+1	+8	+3	+6
Printing.....	88	-3	+2	91	-1	+7	+1	+2
Others:								
Cigars and tobacco.....	63	+1	-4	58	+1	-7	+4	-9
Rubber tires, goods.....	86	+4	+7	90	+8	+2	+6	+3
Musical instruments.....	57	+2	+22	53	+5	+29	+5	+29

\* Figures from 2358 plants.

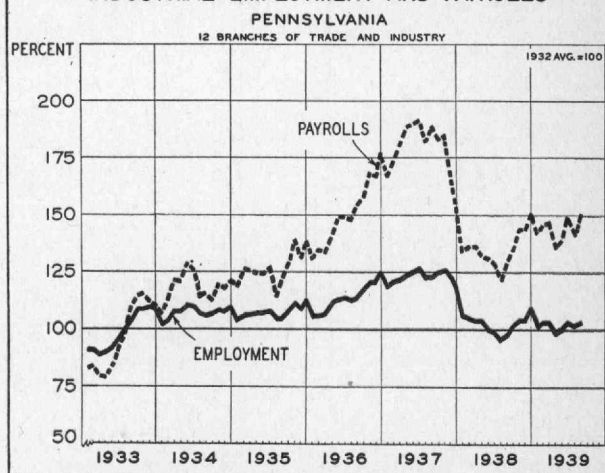
† Figures from 2125 plants.

## General Index Numbers

Covering twelve branches of trade and industry

	Employment			Payrolls		
	Aug. 1939 index	Per cent change from		Aug. 1939 index	Per cent change from	
		July 1939	Aug. 1938		July 1939	Aug. 1938
<b>General index (weighted)....</b>	<b>103</b>	<b>+1</b>	<b>+6</b>	<b>151</b>	<b>+6</b>	<b>+16</b>
Manufacturing.....	123	+2	+9	196	+7	+21
Anthracite mining.....	64	+9	+27	57	+33	+65
Bituminous coal mining.....	91	+0	-3	172	+14	+20
Building and construction.....	57	+4	-2	79	+4	+1
Quarrying and non-met. mining.....	108	+1	+8	205	+8	+15
Crude petroleum producing.....	136	+1	-5	157	+2	-4
Public utilities.....	96	+0	+1	108	+3	+5
Retail trade.....	93	-4	-1	111	-4	+1
Wholesale trade.....	113	-2	+1	117	-0	+5
Hotels.....	103	-2	-3	114	-0	+1
Laundries.....	100	-1	-1	124	-5	+1
Dyeing and cleaning.....	90	-11	-14	106	-13	-14

## INDUSTRIAL EMPLOYMENT AND PAYROLLS



# Index numbers of individual lines of trade and manufactures

## Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923-1925 average as 100										
Adjusted indexes allow for the usual seasonal change in activity.	Adjusted for seasonal variation							Not adjusted			
	Aug. 1938	June 1939	July 1939	Aug. 1939	Per cent change			Aug. 1938	June 1939	July 1939	Aug. 1939
					Aug. 1939 from		1939 from 8 mos. 1938				
					Month ago	Year ago					
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.....	73r	74	76	78p	+ 2	+ 7	+ 5	55	74	54	59p
Department.....	63r	66	67	67p	+ 0	+ 7	+ 5	47r	65	46	50p
Men's apparel.....	66r	69	63	70	+10	+ 6	+ 4	50r	79	49	53
Women's apparel.....	95r	92	97r	96p	- 1	+ 1	- 0	72r	84	56	66p
Shoe.....	81r	81	82	84	+ 2	+ 3	+ 2	49r	96	68	50
Credit.....	85r	85	94	99p	+ 6	+16	+10	72r	81	69	83p
<b>Stocks of goods</b>											
Total of all stores.....	76r	75	75	76p	+ 2	+ 0	.....	73r	70	67	73p
Department.....	51r	51	51	52p	+ 2	+ 0	.....	48	49	45	48p
Women's apparel.....	105r	101	96	105p	+ 9	- 0	.....	99r	87	75	99p
Shoe.....	66r	69	68	70	+ 3	+ 6	.....	67	66	59	71
Credit.....	95r	97	99	95p	- 4	- 0	.....	92r	89	91	92p
<b>Rate of stock turnover</b>											
8 months (actual, not indexes).....							+ 11*	2.33			2.58
<b>Wholesale trade</b>											
<b>Sales</b>											
Total of all lines.....					+ 7*	+ 7*	+ 6*				
Boots and shoes.....					+39*	+17*	+ 3*				
Dry goods.....					+18*	- 1*	- 3*				
Electrical supplies.....					- 1*	+32*	+24*				
Groceries.....					- 6*	- 5*	- 1*				
Hardware.....					+ 9*	+23*	+15*				
Jewelry.....					+74*	+19*	+19*				
Paper.....					+ 8*	+ 8*	+ 7*				
<b>Stocks of goods</b>											
Total of all lines.....					+ 1*	- 5*					
Dry goods.....					+ 0*	- 1*					
Electrical supplies.....					- 4*	+ 8*					
Groceries.....					+ 3*	-14*					
Hardware.....					+ 1*	- 5*					
Jewelry.....					+ 8*	- 3*					
Paper.....					- 1*	+ 1*					
<b>Output of manufactures</b>											
Pig iron.....	37	43	44	52	+19	+39	+ 37	33	41	40	46
Steel.....	47	60	65	65	- 0	+39	+ 28	48	61	60	67
Iron castings.....	48	58	56	56	0	+16	+ 10	47	58	54	54
Steel castings.....	59	68	65	62	- 4	+ 5	+35	57	70	58	60
Electrical apparatus.....	53	80	74r	73	- 3	+38	+ 14	58	80	78r	80
Motor vehicles.....	15	17	15	22	+44	+46	+ 18	13	21	16	18
Automobile parts and bodies.....	42	62	68	70	+ 2	+65	+ 40	40	62	66r	66
Locomotives and cars.....	14	19	20	21	+ 5	+44	- 10	14	20	20	21
Shipbuilding.....	219	352	371	356	- 4	+63	+ 38	217	348	360	352
Silk manufactures.....	87	73	74r	89	+20	+ 3	+11	84	70	73r	86
Woolen and worsteds.....	55	58	58r	64	+11	+16	+42	56	56	54	65
Cotton products.....	41	44	53	54	+ 2	+31	+ 37	37	42	46	49
Carpets and rugs.....	88	98	104	143	+37	+63	+114	80	94	95	130
Hosiery.....	99	98	109	117	+ 7	+18	+ 26	86	96	90	101
Underwear.....	123	140	172r	164	- 5	+33	+ 27	114	140	142	152
Cement.....	54	61	63	61	- 3	+12	+ 16	68	74	73	76
Brick.....	27	38	36r	35	- 3	+26	+ 30	28	40	34r	36
Lumber and products.....	23	27	24	27	+14	+16	+ 8	25	28	26	30
Bread and bakery products.....					- 9*	- 4*	+ 1*	89	92	93	85
Slaughtering, meat packing.....	93	102	110	106	- 3	+14	+ 14	79	96	97	89
Sugar refining.....	77	24	66	104	+56	+34	+ 10	66	25	68	89
Canning and preserving.....	59	70	75	74p	- 2	+25	+ 5	64	50	61	66p
Cigars.....	98	94	90	102	+13	+ 4	+ 5	105	102	98	109
Paper and wood pulp.....	66	72	73	74	+ 2	+12	+12	66	71	70	74
Printing and publishing.....	88	90	89r	90	+ 1	+ 2	- 1	85	89	86r	87
Shoes.....	171	142	155	150	- 3	-12	- 10	183	135	144	161
Leather, goat and kid.....	77r	101r	112	91p	-19	+19	+ 28	73	102r	98	87p
Explosives.....	72	83	78	85	+ 8	+18	+ 5	72	83	77	85
Paints and varnishes.....	73	83	83	80	- 4	+10	+ 7	74	84	78	82
Petroleum products.....	145	151	172	161p	- 6	+11	+ 5	146	152	173	163p
Coke, by-product.....	76	95	102	112	+ 9	+47	+ 31	74	95	100	109

\* Computed from data unadjusted for seasonal variation.

p—Preliminary.

r—Revised.

