THE BUSINESS REVIEW

THIRD FEDERAL RESERVE DISTRICT
PHILADELPHIA NOVEMBER 1, 1939

FEDERAL RESERVE BANK OF PHILADELPHIA

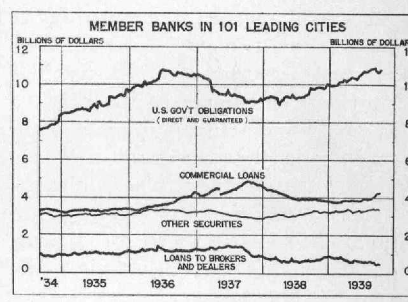
Business and Banking Conditions in the United States

Volume of industrial production, which had turned up sharply last summer, advanced still more rapidly in the six weeks after the outbreak of war. Employment also increased but at a less rapid rate. Consumption of goods by industry and by individuals has not expanded so rapidly as production and orders. Buying of basic commodities, after a burst of activity in early September, has slackened considerably, but orders for many semifinished goods and for finished products, particularly machinery and railroad equipment, have continued in large volume. Most orders have come from domestic sources. Prices of basic commodities advanced sharply in the early part of September, but in recent weeks prices of foodstuffs have declined while prices of industrial materials in most instances have been maintained. Prices of finished goods have shown a much smaller advance.

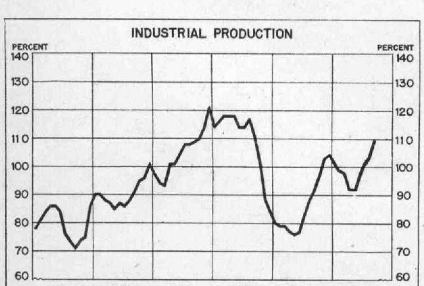
Production. In September the Board's seasonally adjusted index of industrial production advanced to 110 per cent of the 1923-1925 average as compared with 103 in August and 92 last spring. Increases in output of iron and steel, flour, sugar, meat products, and petroleum were particularly marked in September. In the steel industry ingot production rose from an average rate of 61 per cent of capacity in August to 71 in September. In the first three weeks of October the rate advanced further to 90 per cent and actual volume of output was at the highest level on record. Flour production rose to near record levels and at meat-packing establishments activity was at the highest rate reached in several years. The sharp increase in output of crude petroleum followed a considerable reduction in the previous month and currently production is at about the high rate prevailing before wells were closed in the latter half of August.

In other industries increases in activity, though quite general, were not so marked. Automobile production showed a sharp seasonal rise as volume production of new model cars was begun at most plants, and in related lines, such as plate glass, activity also increased. Textile production increased somewhat further from the high level reached earlier. Shoe production, however, which had been in large volume in the first eight months of the year, decreased in September. Mineral production advanced generally and iron ore shipment schedules were expanded to build up stocks at lower lake ports before the close of the shipping season.

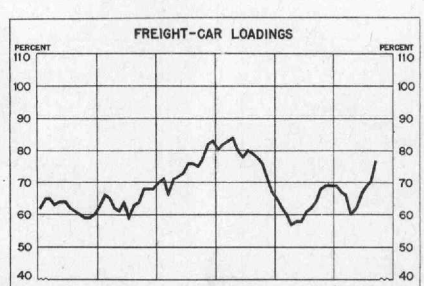
Value of construction contracts, as reported by the F. W. Dodge Corporation, rose further in September, reflecting a contraseasonal increase in private residential building. Other private construction showed little change and there was some reduction in the



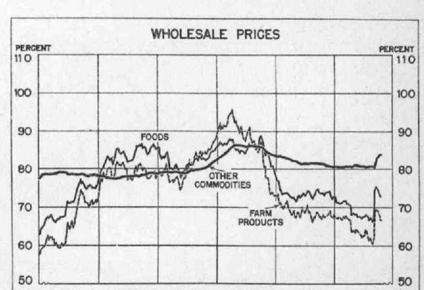
Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to October 11, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.



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



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



Indexes compiled by the United States Bureau of Labor Statistics, 1926 =100. By weeks, 1934 to week ending October 14, 1939.

volume of new public projects, both residential and nonresidential.

Distribution. In September and the early part of October department store sales increased considerably. Freight-car loadings also advanced sharply, with the most marked increases reported in shipments of coal and of miscellaneous freight, which includes most manufactured products.

Commodity prices. Wholesale prices of foodstuffs declined after the middle of September, following sharp advances earlier in the month. Prices of industrial commodities, which rose considerably until the third week in September, subsequently were generally maintained, although prices of some materials, such as steel scrap, hides, and rubber, declined from earlier peak levels.

Bank credit. Following reductions during the early part of September, Government security holdings by member banks in 101 leading cities increased somewhat during the three weeks ending October 11, reflecting largely the purchase of Treasury bills. Commercial loans continued to increase, but at a less rapid rate than in late August and early September. The volume of demand deposits at city banks also increased further.

Excess reserves, which had increased sharply at member banks during the first half of September, showed further moderate increases during the four weeks ending October 11.

Money rates and bond yields. Prices of United States Government securities increased in the latter part of September and the first half of October, following sharp declines early in September. Average yields on long term Treasury bonds declined from 2.79 per cent on September 21 to 2.62 per cent on October 16. Yields on Treasury notes declined to 0.78 per cent from 1.30 per cent early in September.

Business and Banking Conditions in the Philadelphia Federal Reserve District

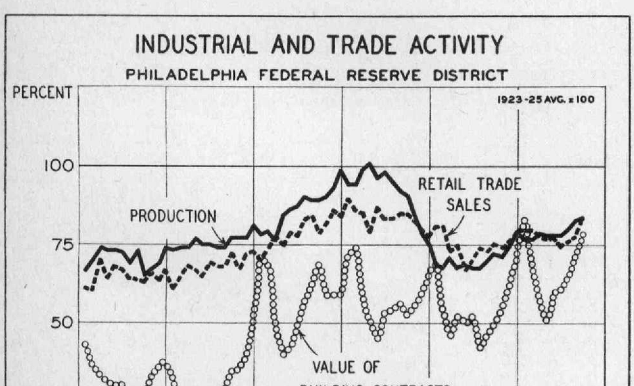
Industrial production in the Third Federal Reserve District has increased sharply since the middle of September, under the stimulus of the large volume of orders placed shortly after the outbreak of war. The index, after adjustment for seasonal changes, advanced 2 per cent further from August to September and was 17 per cent above September 1938 or the highest in nearly two years. Reports for October indicate continued substantial gains and, owing to an unusual accumulation of orders at most plants, current high levels are expected to be sustained throughout the balance of the year.

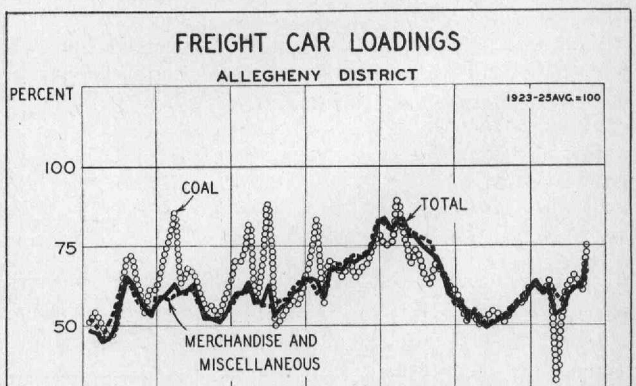
In the manufacturing industry, the greatest gains have been at iron and steel and textile mills, where demand has been exceptionally active. The output of fuels has increased sharply with expanding plant activity and heavier seasonal demand. Awards of building contracts declined in September but construction activity continued to advance. Industrial and trade expansion is resulting in some additions to plants in a few basic lines, but the general outlook for the building industry is somewhat clouded by rising costs.

Employment and payrolls are increasing substantially. In early September little change was reported by the manufacturing industry but since then additional workers have been hired and the volume of wage disbursements has been increased considerably more than was to be seasonally expected. In September the sharpest gains were reported by the coal mining industry and by retail distributors.

Sales to consumers increased more than usual in September and since then have been sustained at high levels. Purchases at wholesale also increased sharply, owing in part to speculative buying, and currently the volume of business is being sustained by reorders and the demand for holiday goods. Markets for raw materials and manufactured goods are generally much quieter than in the period immediately following the outbreak of war. Inventories at both wholesale and retail establishments still appear low in relation to sales.

Prices of staple industrial materials continue firm near the peaks reached in September but quotations on agricultural goods have declined sharply. The index of wholesale prices of 813 commodities compiled by the Bureau of Labor Statistics was 79.4 per cent of the 1926 average in the week ended October 21, compared with 79.5 at the





peak in September and only 74.8 in the last week of August.

Manufacturing. Sales of factory products in this district again increased after the middle of September, particularly at plants producing and fabricating steel. Backlogs of orders, which expanded substantially after the outbreak of war, continued to increase and are well above the levels of a year ago. Gains were especially marked in unfilled orders at steel and textile mills. Prices of finished steel products have not increased to any great extent as yet, but in most other leading lines quotations have advanced sharply.

Inventories of raw materials thus far have shown no substantial increase except at textile mills, as purchases in most lines have apparently gone into immediate production. Supplies generally approximate the levels of a year ago. Inventories of finished goods at producing establishments have declined, owing to active sales, and are much smaller than in 1938.

Operations have expanded materially since the middle of September, following small gains in the previous month, and are substantially above last year in most major industries. At many plants activity has approached effective capacity, stimulating purchases of equipment and, in some cases, plant expansion.

Employment in Pennsylvania factories increased over 1 per cent to about 843,000 workers between the middle of August and the middle of September before any pronounced volume of production was undertaken on large orders received in the first half of the month. Payrolls in this period continued near the August level of about $19,300,000 a week, owing partly to the fact that operations in some basic lines were curtailed during holiday periods. Since the middle of September, however, both employment and payrolls have increased sharply. According to reports from nearly 1,200 concerns, employment may have reached nearly 900,000 in October, and wage disbursements at factories are apparently well above $21,000,000 a week, the gain being more than double the usual increase from September to October.

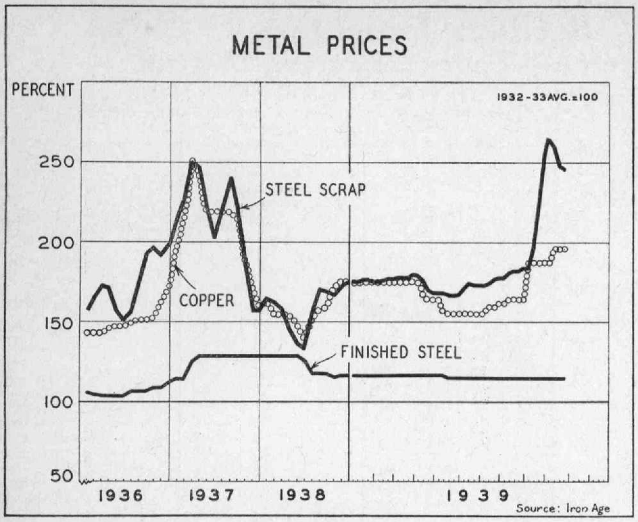
In the month ended the middle of September, employment and payrolls in the iron and steel industry were above seasonal expectations, owing to substantial improvement at plants turning out such basic materials as pig iron, steel sheets, bars and shapes, and

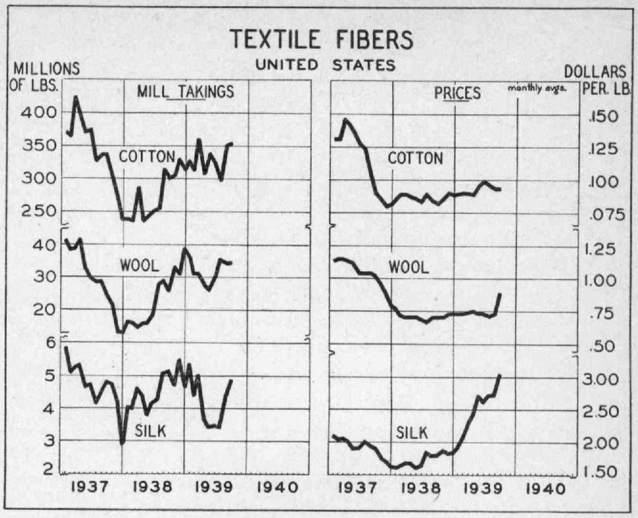
Business Indicators
Philadelphia Federal Reserve District

Adjusted indexes allow for the usual seasonal change in activity. Unadjusted indexes reflect merely the actual change which may or may not be typical.	Index numbers: percentages of the 1923–1925 average as 100										
	Adjusted for seasonal variation							Not adjusted			
					Per cent change						
					Sept. 1939 from		1939 from 9 mos. 1938				
	Sept. 1938	July 1939	Aug. 1939	Sept. 1939	Month ago	Year ago		Sept 1938	July 1939	Aug 1939	Sept. 1939
Industrial production	**72r**	**80**	**83**	**84p**	**+ 2**	**+ 17**	+15	**74**	**77r**	**82**	**86p**
Manufacturing—total	**71**	**79r**	**82**	**82p**	**0**	**+ 16**	+17	**72r**	**76r**	**81**	**83p**
Durable goods	57	75	74	78p	+ 6	+ 38	+26	....	....	....	....
Consumers' goods	83r	87r	92	88p	− 4	+ 5	+13	....	....	....	....
Metal products	52	67	67r	73	+ 8	+ 41	+24	51	64	70r	73
Textile products	75r	80r	90	80p	− 11	+ 7	+28	76r	74r	84	82p
Transportation equipment	60	81	83	89	+ 8	+ 47	+35	57	79	79	84
Food products	82	85	81	83p	+ 3	+ 2	+ 3	85	81r	80	88p
Tobacco and products	101	92	103	100	− 3	− 1	+ 4	116	99	110	116
Building materials	33r	38	39	39	+ 0	+ 17	+19	36r	41	44	42
Chemicals and products	111	124	122	131p	+ 7	+ 18	+ 9	110	123	123	130p
Leather and products	109	133	122	121p	− 1	+ 11	+ 4	121	121	125	132p
Paper and printing	87	86	87	89	+ 2	+ 3	+ 1	86	83	85	88
Coal mining	**51**	**55**	**55**	**71p**	**+ 31**	**+ 40**	+14	**52r**	**46**	**54**	**72p**
Anthracite	50	53	53	71p	+ 34	+ 42	+13	51r	44	53	72p
Bituminous	59	67	67r	75	+ 11	+ 27	+11	60	59	63r	76
Crude oil	**419**	**424**	**432**	**432**	**+ 0**	**+ 3**	− 7	**419**	**424**	**432**	**432**
Electric power											
Output	247	261	273	268	− 2	+ 8	+10	242	242	259	262
Sales, total‡	242	251	259	265	+ 2	+ 10	+11	240	236	246	263
Sales to industries‡	161	175	165	180	+ 9	+ 12	+12	171	178	170	191
Employment and wages—Pa.											
Factory—Wage earners	....	....	....	....	+ 1*	+ 8*	+ 6*	73	77	78	80
Payrolls	....	....	....	....	+ 0*	+ 19*	+17*	69	76r	82r	82
Man-hours (1927–28 = 100)	....	....	....	....	+ 1*	+ 22*	+20*	59	66	71	72
General (1932 = 100)											
Employment	....	....	....	....	+ 3*	+ 5*	+ 1*	102	102	104r	107
Payrolls	....	....	....	....	+ 2*	+ 15*	+10*	136	143	152r	156
Building and real estate											
Contracts awarded†—total	**50**	**65**	**71**	**79**	**+ 11**	**+ 57**	+34	**49**	**67**	**72**	**77**
Residential†	43	61	62	67	+ 10	+ 56	+86	40	64	58	62
Nonresidential†	45	49	41	46	+ 13	+ 4	−19	44	47	42	45
Public works and utilities†	96	114	167	212	+ 27	+121	+69	88	121	184	195
Permits for building—17 cities	19	20	36	20	− 45	+ 3	+77	17	24	32	18
Real estate deeds—Philadelphia†	50	51	53	55	+ 4	+ 9	+ 5	43	51	51	47
Writs for Sheriff sales—Phila.	325	296	335	244	− 27	− 25	−20	377	281	321	283
Distribution											
Retail trade —sales	75r	76	78	84p	+ 7	+ 11	+ 6	77r	54	59	85p
stocks	75r	75	76	75p	− 1	+ 1	....	80r	67	73	81p
Wholesale trade—sales	....	....	....	....	+ 38*	+ 24*	+ 8*	....	....	....	....
stocks	....	....	....	....	+ 2*	+ 1*	....	....	....	....	....
Life insurance sales	81	77	82	91	+ 11	+ 12	+12	65	74	69	73
New passenger auto. registrations	....	....	....	....	− 17*	+ 64*	+45*	40	103	79	66
Hotels—Occupancy ... (1934 = 100)	....	....	....	....	+ 4*	− 4*	− 3*	115r	96	106	110p
Income, total (1934 = 100)	....	....	....	....	+ 12*	− 6*	− 4*	109r	81	91	102p
Freight-car loadings—total	**54**	**62**	**62**	**70**	**+ 13**	**+ 30**	+17	**60**	**63**	**65**	**79**
Merchandise and miscellaneous	55	62	63	67	+ 7	+ 23	+17	61	63	65	76
Coal	56	66	61	76	+ 23	+ 34	+12	59	59	59	79
Business liquidations											
Number	....	....	....	....	+ 18*	− 31*	+ 4*	103	99	60	71
Amount of liabilities	....	....	....	....	+139*	+ 37*	− 9*	23	42	13	32
Payment of accounts											
Check payments	79	89	92	91	− 1	+ 16	+ 9	75	87	78	87
Rate of collections (actual)											
Retail trade	32	32	33	34	+ 6	+ 9	....	28	32	29	30
Prices—United States											
Wholesale (1926 = 100)	....	....	....	....	+ 5*	+ 1*	− 3*	**78**	**75**	**75**	**79**
Farm products	....	....	....	....	+ 13*	+ 1*	− 6*	68	63	61	69
Foods	....	....	....	....	+ 12*	+ 1*	− 5*	74	67	67	75
Other commodities	....	....	....	....	+ 2*	+ 1*	− 2*	81	80	80	82
Retail food	....	....	....	....	+ 5*	+ 0*	− 3*	**79**	**76**	**75**	79
Philadelphia	....	....	....	....	+ 4*	+ 0*	− 3*	80	78	77	80
Scranton	....	....	....	....	+ 8*	+ 5*	− 2*	73	74	71	77

(In millions of dollars)	Sept. 1938	June 1939	July 1939	Aug. 1939	Sept. 1939	% change from Month ago	% change from Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted	$ 1.0	$ 0.4	$ 0.3	$ 0.3	$ 0.3	0	−70
Other bills and securities	235	209	217	209	236	+13	+ 0
Member bank reserves	353	493	502	516	540	+ 5	+53
Reserve ratio (per cent)	70.1	79.0	77.9	79.5	77.6	− 2	+11
Reporting member banks							
Loans	$ 404	$ 413	$ 412	$ 418	$ 415	− 1	+ 3
Investments	710	704	710	738	737	− 0	+ 4
Deposits (a)	1377	1537	1558	1591	1617	+ 2	+17
Bankers' acceptances outstanding	9.9	7.9	8.1	8.8	8.6	− 2	−13

* 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.





structural steel products. At plants producing transportation equipment, employment and payrolls also showed some improvement, but in the case of most textiles substantial declines were reported instead of the usual gains in the month. At canning and preserving establishments the number of wage earners and the volume of wage payments increased sharply.

Employment in Delaware factories increased over 6 per cent from the middle of August to the middle of September, and payrolls were expanded nearly 9 per cent, owing principally to substantial gains at canneries and at plants producing transportation equipment. In southern New Jersey, employment advanced 5 per cent in the period and payrolls about 6 per cent.

Compared with September 1938 when the expansion of that year was well under way, employment showed gains of over 8 per cent in Pennsylvania factories, 10 per cent in Delaware, and about 14 per cent in southern New Jersey. Wage disbursements were more than 18 per cent higher this year than last in Pennsylvania, 12 per cent larger in Delaware, and 28 per cent in southern New Jersey.

The output of manufactured goods in this district expanded seasonally from August to September, and since then activity has advanced rapidly. Production of durable goods increased about 6 per cent in September, owing chiefly to gains in the output of pig iron, steel, steel castings, and transportation equipment. The production of consumers' goods declined about 4 per cent after allowing for seasonal change, principally because of reductions in the output of silk manufactures, woolens and worsteds, cotton products, and underwear, which usually increases in the period. Activity at carpet and rug mills expanded somewhat but failed to measure up to seasonal expectations.

The output of electric power increased 2 per cent less than usual from August to September, but total sales were 2 per cent larger than was to be expected. Sales to industries expanded 9 per cent more than seasonally.

Coal and other fuels. The market for fuel has improved greatly since early September, owing to increased seasonal heating requirements and to the heavy demand for industrial power accompanying rapidly expanding productive activity. Output, sales, and shipments of coal and fuel oils rose sharply in September and were sustained at high levels in the first half of October.

The demand for anthracite has increased substantially in the past two months, sales to domestic households being supplemented by large shipments to Canada. Colliery output expanded sharply in the second half of September so that the seasonally adjusted index advanced about 34 per cent. Production in the first half of October continued at a high level.

Demand for bituminous coal by railroads, public utilities, and manufacturing plants, especially iron and steel mills, has been unusually large in recent weeks. The output of mines increased about 11 per cent more than usual in September and continued to advance sharply in the following month, reaching the highest level since the spring of 1937. Shipments were the largest in nearly two years and prices have been advanced to a level considerably above 1938.

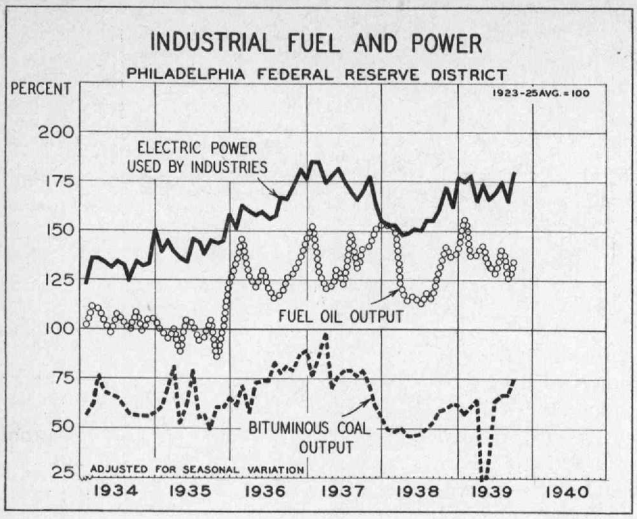
The output of by-product coke, stimulated by rapidly expanding activity in the iron and steel industry, continued above seasonal levels in September for the fourth successive month and was the largest in the past two years. In the first nine months, production was nearly one-third above a year earlier. Activity at oil refineries also increased in September, after being sharply curtailed in the preceding month, and was substantially above the level of a year ago. Output of gas and fuel oils was about 9 per cent larger in the first nine months this year than last.

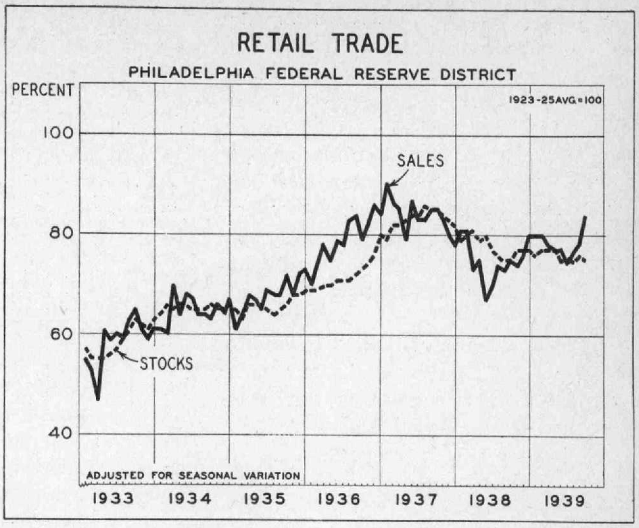
Building. Construction activity in this district, as indicated by a three-month moving average of contract awards, increased further in September, continuing the sharp upward trend that has been in evidence since the spring. Operations on public projects showed the most pronounced gains and the private construction of both single and multiple family dwellings remained at a high level. Factory and commercial building activity was well above the low levels of 1938.

Building contracts Philadelphia Federal Reserve District	Sept. 1939 (000's omitted)	Per cent change: From month ago	Per cent change: 1939 from 9 mos. 1938
Residential	$ 9,219	+ 8	+ 86
Apts. and hotels	2,873	+104	+214
Family houses	6,346	− 11	+ 63
Non-residential	4,266	+ 60	− 19
Commercial	1,029	− 17	+ 5
Factories	894	+ 43	+144
Educational	230	+ 9	− 73
All other	2,113	+257	− 17
Total buildings	$13,485	+ 20	+ 23
Public works and utilities	5,422	− 62	+ 69
Grand total	$18,907	− 26	+ 34

Source: F. W. Dodge Corporation.

New awards of building contracts decreased 26 per cent in September to approximately $18,900,000, but were still over one-third greater than a year





earlier. The decline from August reflected a sharp reduction in the value of new contracts let for public works and utilities and a seasonal slackening in awards for family houses. Compared with a year ago, contracts for all classes of construction except educational buildings were much larger.

Contracts awarded in the first nine months of this year aggregated $154,000,000, or 34 per cent more than in 1938 and the largest since 1930. Marked gains over a year ago were reported in the case of residential buildings, which comprised 42 per cent of total awards as against 30 per cent last year. Contracts for factory construction were two and one-half times the small volume of a year ago.

Wholesale prices of building materials have been rising for six successive weeks and in the middle of October were the highest since 1937. Recent advances have been due to higher quotations for metal products, lumber, and paint materials.

Agriculture. Harvesting and fall planting are virtually completed, and in the southern part of this district winter grains are germinating. Widespread rains in early October were beneficial to late truck crops and grass lands.

Production of leading field crops in the district will be smaller this year than last, except in the case of the tobacco crop, which is expected to be the largest since 1932. The wheat harvest probably will be nearly 15 per cent smaller than in 1938, but slightly above the 1933-1937 average. The apple harvest in Pennsylvania will be unusually heavy, estimates indicating a commercial crop of approximately 5,900,000 bushels, or 55 per cent more than last year and well above the ten-year average.

Cash income from the sale of both crops and livestock products in Pennsylvania, New Jersey, and Delaware continues somewhat less than in 1938. Wholesale prices of agricultural commodities in the country as a whole have declined from the peaks in early September but remain substantially above August levels. The price index of the Bureau of Labor Statistics on October 21 was 67.5 per cent of the 1926 average, as against 60.4 two months ago and a fourteen-month high of nearly 70 in mid-September.

Distribution, trade and service. Retail trade sales improved substantially from August to September at the start of the active fall buying season. The index of sales, after allowing for seasonal change, was 7 per cent higher than in August, registering improvement for the third successive month. The adjusted index in September was the highest in the past two years and was only about 6 per cent below the recovery peak reached in early 1937. Preliminary reports covering the first half of October indicate additional gains.

Practically all lines advanced more than was to be expected in September, the gains ranging from 9 per cent at department stores to 16 per cent at shoe stores. At establishments specializing in credit sales of durable consumers' goods, the increase in the volume of business was slightly smaller than usual but sales of these articles have been maintained at a high level for some time.

The volume of sales at retail, after adjustment for usual changes, has increased 13 per cent from the year's low last June and is 11 per cent above September 1938, when business activity was improving.

Despite the improvement in sales to consumers, inventory buying by retail establishments continues unusually cautious. Increases in fall stocks in September were slightly smaller than is customary at that time of year, although orders were placed somewhat further in advance because of possible increases in prices and delay in deliveries. Inventories were at approximately the same level as in September 1938, although business was much better.

Sales at wholesale also advanced sharply in the month, particularly in the case of dry goods and jewelry. The volume of business was 24 per cent larger than in September 1938, all lines except footwear reporting substantial increases, which in part reflected a wave of speculative purchases early in the month. Stocks at wholesale establishments increased somewhat in September but were about the same as a year earlier.

Shipments by rail freight increased more than usual during September to the highest level in two years. Total shipments in the Allegheny district advanced 13 per cent, after allowing for seasonal expansion, owing to a gain of 23 per cent in loadings of coal and 7 per cent in shipments of merchandise and miscellaneous commodities. Reflecting the marked expansion in industrial and trade activity, loadings of coke, livestock and forest products also increased more than usual, and shipments of grain and ore expanded greatly instead of registering the customary decline in the month.

The high level was sustained in the first half of October.

Registrations of new passenger automobiles declined 17 per cent from August to September, as dealers were unable to get any substantial number of 1940 models. Sales were 64 per cent above a year earlier, however, when the 1938 model season was just ending. In the first nine months of the year sales in this district were 45 per cent above 1938.

The total income of nonresort hotels in this district increased 12 per cent from August to September but was 6 per cent below a year ago.

Hotel business Philadelphia Federal Reserve District	Sept.: per cent change from		1939 from 9 mos. 1938
	Month ago	Year ago	
Capacity	− 0	−1	......
Room occupancy	+ 4	−4	−3
Per cent of capacity used:			
Sept. 1939 .... 52.0			
Aug. 1939 .... 49.9			
Sept. 1938 .... 53.7			
Revenue from:			
Guest rooms	+ 3	−5	−4
Food	+29	−7	−5
Other sources	+15	−8	−3
Total revenue	+12	−6	−4

Banking conditions. Member bank reserves and deposits at reporting banks in this district advanced to new high levels in the past month, largely as a result of heavy disbursements by the Treasury. Expanding business activity was reflected in an increased volume of loans for commercial and industrial purposes. Total bank credit, however, showed little change, as security holdings were reduced.

The reserves of member banks on October 18 were at a record level of $582,200,000, showing an increase of nearly 50 per cent over a year earlier. In the first half of the month, when the average was only $560,500,000, reserves of Philadelphia banks were 92 per cent in excess of requirements and those of country banks, 80 per cent.

Member bank reserves (Dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Philadelphia banks:				
1939: Sept. 1–15	$357.5	$195.9	$161.6	82%
Sept. 16–30	379.2	199.0	180.2	91 "
Oct. 1–15	385.1	200.5	184.6	92 "
1938: Oct. 1–15	237.1	167.7	69.4	41 "
Country banks:				
1939: Sept. 1–15	171.1	97.3	73.8	76 "
Sept. 16–30	172.9	97.7	75.2	77 "
Oct. 1–15	175.4	97.7	77.7	80 "
1938: Oct. 1–15	143.6	94.8	48.8	51 "

Member bank reserves increased $32,500,000 in the four weeks ended October 18. More than $40,000,000 was made available to the local market through operations of the Treasury,

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Oct. 18, 1939	Changes in—	
		Four weeks	One year
Bills discounted	$ 0.4	+$0.0	−$ 0.7
Bills bought	0.1	+ 0.0	+ 0.0
Industrial advances	3.1	+ 0.5	− 0.0
U. S. securities	236.3	− 5.0	+ 13.5
Total	$239.9	−$4.5	+$12.8
Note circulation	331.9	+ 4.6	+ 25.6
Member bank deposits	582.2	+32.5	+190.3
U. S. general account	11.6	−33.1	− 16.1
Foreign bank deposits	40.5	− 7.6	+ 21.2
Other deposits	9.5	+ 4.7	+ 6.9
Total reserves	754.4	+ 4.7	+211.2
Reserve ratio	77.3%	+ 0.4%	+ 4.6%

and small amounts were supplied through a gain in commercial and financial transactions with other districts and an increase in reserve bank credit. Offsetting transactions included a rising demand for currency as factory payrolls and trade volume expanded and an increased volume of miscellaneous deposits at the Federal Reserve Bank.

Government securities held by the Federal Reserve Bank in the four weeks ended October 18 were reduced $5,000,000 to $236,300,000, reflecting unreplaced maturities of Treasury bills. Industrial advances by this bank increased $500,000 to $3,100,000 in the period and float also expanded, while discounts for member banks were virtually unchanged.

An increase of $7,000,000 in commercial loans to $198,000,000 was the most significant change in outstanding credit of the reporting member banks in the four weeks to October 18. These loans have expanded $21,000,000 since the low in February and currently are about 8 per cent larger than a year ago. Extensions of credit to business, however, are still considerably smaller than in October 1937, although industrial and trade activity is approaching those earlier levels.

Small increases also were reported in holdings of open market paper and in loans to brokers and dealers in securities. The investment portfolio, however, shows a further reduction of $7,000,000 to $728,000,000. This was

Reporting member banks (000,000's omitted)	Oct. 18, 1939	Changes in—	
		Four weeks	One year
Assets			
Commercial loans	$ 198	+$ 7	+$ 15
Open market paper	26	+ 1	+ 3
Loans to brokers, etc.	18	+ 1	+ 2
Other loans to carry secur.	31	0	− 2
Loans on real estate	55	0	+ 1
Loans to banks	1	0	0
Other loans	94	0	− 2
Total loans	$ 423	+$ 9	+$ 17
Government securities	$ 362	−$ 1	+$ 20
Obligations fully guar'teed	92	− 2	− 3
Other securities	274	− 4	− 2
Total investments	$ 728	−$ 7	+$ 15
Total loans & investments	$1,151	+$ 2	+$ 32
Reserve with F. R. Bank	420	+ 33	+ 164
Cash in vault	18	0	0
Balances with other banks	224	+ 13	+ 40
Other assets—net	100	0	− 5
Liabilities			
Demand deposits, adjusted	917	+$21	+$133
Time deposits	281	− 1	− 9
U. S. Government deposits	53	0	+ 15
Interbank deposits	425	+ 28	+ 97
Borrowings	0	0	0
Other liabilities	14	0	− 2
Capital account	223	0	− 3

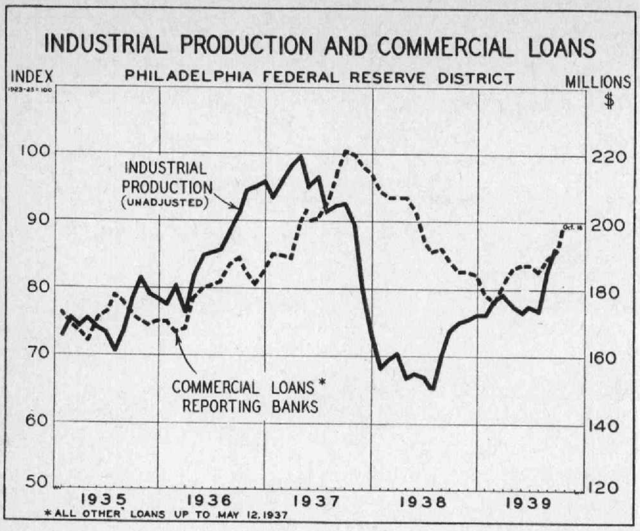
due chiefly to sales of guaranteed obligations and other securities, including corporate bonds. Holdings of direct issues of the United States Government declined only slightly, and the current volume of $362,000,000 is within $4,000,000 of the all-time peak for the reporting banks reached earlier this year.

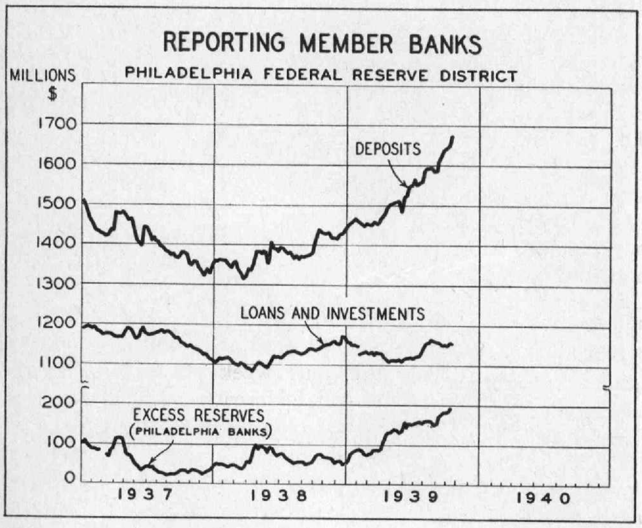
Deposits at these banks continued to expand sharply, rising $48,000,000 in the four weeks to $1,676,000,000. Substantial increases were reported in balances of individuals, firms and corporations and in deposits held for other banks, but deposits of states and local governments decreased to the smallest volume since May.

The trend of deposits has been generally upward since March 1938 for an aggregate gain of $362,000,000. Outstanding credit has shown an increase of only about $70,000,000, while the combined total of reserves and balances with correspondents has risen $287,000,000 to $644,000,000 or approximately three times the reserves required to be held against deposits.

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ended—				Changes in four weeks
	Sept. 27	Oct. 4	Oct. 11	Oct. 18	
Sources of funds:					
Reserve bank credit extended in district	− 0.9	+1.1	− 0.9	+ 1.8	+ 1.1
Commercial transfers (chiefly interdistrict)	+ 3.2	−4.7	− 1.8	+ 4.8	+ 1.5
Treasury operations	+18.9	+3.2	+11.1	+ 8.2	+41.4
Total	+21.2	−0.4	+ 8.4	+14.8	+44.0
Uses of funds:					
Currency demand	+ 2.5	+1.2	+ 7.2	− 4.1	+ 6.8
Member bank reserve deposits	+10.9	−1.3	+ 0.5	+22.4	+32.5
"Other deposits" at reserve bank	+ 7.8	−0.2	+ 0.7	− 3.6	+ 4.7
Other Federal Reserve accounts	− 0.0	−0.1	− 0.0	+ 0.1	− 0.0
Total	+21.2	−0.4	+ 8.4	+14.8	+44.0





City areas*	Percentage change—September 1939 from September 1938				
	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employ-ment	Wage payments			
Allentown	+13	+21	+ 12	+19	+17
Altoona	+ 5	+41	+294	+11	+28
Harrisburg	+ 8	+19	− 42	− 2	− 1
Johnstown	+23	+42	− 29	+11	+ 8
Lancaster	+ 5	+10	+ 7	+16	+ 8
Philadelphia	+11	+16	− 14	+14	+ 9
Reading	+ 6	+ 7	+ 68	+ 7	+ 9
Scranton	− 2	+ 1	+ 28	+ 0	+ 6
Trenton	+12	+27	+219	+17	+24
Wilkes-Barre	+ 1	+ 4	+ 43	+13	+ 5
Williamsport	+ 3	+ 4	− 76	+14	....
Wilmington	+11	+14	+465	+20	+12
York	+ 6	+ 8	+ 4	+13	+10
	September 1939 from August 1939				
Allentown	+ 0	− 3	+ 2	+ 2	+29
Altoona	+ 1	− 7	+ 27	+ 6	+25
Harrisburg	+ 3	+ 3	+ 49	+ 1	+42
Johnstown	+13	+10	+221	+ 5	+19
Lancaster	+ 2	+ 3	+713	+13	+39
Philadelphia	+ 1	+ 1	− 65	− 3	+52
Reading	− 1	− 4	− 16	+ 6	+45
Scranton	− 0	− 8	+ 62	+ 8	+47
Trenton	+11	+13	+ 32	− 2	+49
Wilkes-Barre	+ 1	− 2	− 36	+ 5	+50
Williamsport	+ 2	− 1	− 71	+ 3	....
Wilmington	+ 5	+ 9	− 30	+22	+15
York	+ 5	+ 8	+ 40	+ 4	+45

* 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

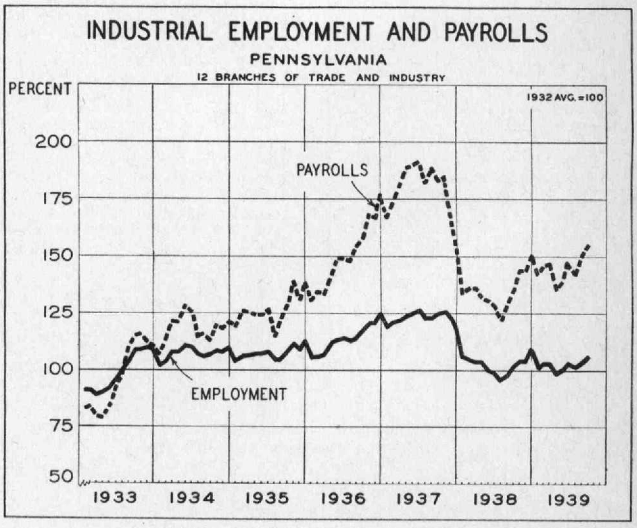
(Indexes are percentages of the 1923–25 average taken as 100. Total and group indexes are weighted proportionately.)	Employment*			Payrolls*			Employe-hours†	
	Sept. 1939 index	Per cent change from		Sept. 1939 index	Per cent change from		Sept. 1939 per cent change from	
		Aug. 1939	Sept. 1938		Aug. 1939	Sept. 1938	Aug. 1939	Sept. 1938
All manufacturing	**80**	+1	+ 8	82	+ 0	+19	+ 1	+22
Iron, steel and prods.	71	+3	+14	82	+ 1	+35	+ 2	+34
Non-fer. metal prods.	110	−0	+ 9	132	+ 2	+19	+ 1	+24
Transportation equip.	59	+6	+25	58	− 1	+35	+ 2	+43
Textiles and clothing	93	−3	+ 0	82	− 7	− 3	− 5	+ 2
Textiles	87	−3	− 1	77	− 7	− 4	− 5	+ 2
Clothing	119	−1	+ 4	104	− 8	+ 3	− 9	+ 0
Food products	110	+5	+ 2	115	+ 6	+ 3	+ 8	+ 2
Stone, clay and glass	76	+3	+18	74	+ 2	+26	+ 2	+24
Lumber products	61	+2	+ 4	57	+ 2	+ 7	+ 1	+ 3
Chemicals and prods.	88	+3	+11	97	+ 2	+19	+ 4	+28
Leather and products	89	−1	+ 4	86	+ 2	+ 8	+ 2	+ 2
Paper and printing	98	+2	+ 4	103	+ 5	+ 9	+ 4	+ 6
Printing	90	+2	+ 2	97	+ 6	+ 8	+ 4	+ 2
Others:								
Cigars and tobacco	60	−4	− 8	56	− 3	−12	− 4	−15
Rubber tires, goods	86	+0	+ 8	100	+11	+ 6	+10	+ 6
Musical instruments	57	+2	+19	62	+17	+37	+12	+34

* Figures from 2355 plants. † Figures from 2123 plants

General Index Numbers

Covering twelve branches of trade and industry

(Indexes are percentages of the 1932 average taken as 100. Individual indexes are combined proportionately into general index number.)	Employment			Payrolls		
	Sept. 1939 index	Per cent change from		Sept. 1939 index	Per cent change from	
		Aug. 1939	Sept. 1938		Aug. 1939	Sept. 1938
General index (weighted)	**107**	+ 3	+ 5	156	+ 2	+15
Manufacturing	125	+ 1	+ 8	199	+ 0	+19
Anthracite mining	65	+ 2	+ 5	68	+18	+35
Bituminous coal mining	98	+ 6	+ 1	190	+10	+19
Building and construction	57	+ 0	− 4	80	+ 2	+ 3
Quarrying and non-met. mining	108	− 0	+ 7	205	− 3	+21
Crude petroleum producing	131	− 2	− 4	151	− 3	− 5
Public utilities	96	− 0	+ 1	105	− 2	+ 2
Retail trade	106	+13	+ 1	121	+ 9	+ 3
Wholesale trade	115	+ 1	+ 2	120	+ 2	+ 6
Hotels	104	+ 2	− 4	114	+ 2	− 2
Laundries	100	− 1	− 0	125	+ 0	+ 3
Dyeing and cleaning	96	+ 5	−10	122	+13	−14



Index numbers of individual lines of trade and manufactures

Philadelphia Federal Reserve District

Adjusted indexes allow for the usual seasonal change in activity.

Unadjusted indexes reflect merely the actual change which may or may not be typical.

Index numbers: percentages of the 1923–1925 average as 100

	Adjusted for seasonal variation							Not adjusted			
					Per cent change						
					Sept. 1939 from		1939 from 9 mos. 1938				
	Sept 1938	July 1939	Aug. 1939	Sept 1939	Month ago	Year ago		Sept. 1938	July 1939	Aug. 1939	Sept. 1939
Retail trade											
Sales											
Total of all stores	75r	76	78	84p	+ 7	+11	+ 6	77r	54	59	85p
Department	66r	67	67	73p	+ 9	+ 9	+ 6	66r	46	50	73p
Men's apparel	72r	63	70	76	+ 9	+ 5	+ 4	66r	49	53	69
Women's apparel	100r	97	96	107p	+ 12	+ 7	− 0	104r	56	66	110p
Shoe	87r	82	84	98	+ 16	+12	+ 3	99r	68	50	111
Credit	79r	94	100	97p	− 3	+22	+ 12	83	69	84	101p
Stocks of goods											
Total of all stores	75r	75	76	75p	− 1	+ 1	......	80r	67	73	81p
Department	50r	51	52	51p	− 2	+ 1	......	54r	45	48	54p
Women's apparel	105r	96	107	105	− 2	+ 0	......	121r	75	101	121
Shoe	66	68	70	67	− 4	+ 2	......	71	59	71	72
Credit	92r	99	95	94p	− 0	+ 2	......	101	91	92	103p
Rate of stock turnover											
9 months (actual, not indexes)							+ 11*	2.66			2.95
Wholesale trade											
Sales											
Total of all lines					+ 38*	+24*	+ 8*				
Boots and shoes					+ 5*	+ 3*	+ 3*				
Dry goods					+ 58*	+20*	− 0*				
Electrical supplies					+ 4*	+49*	+ 27*				
Groceries					+ 30*	+17*	+ 1*				
Hardware					+ 34*	+30*	+ 16*				
Jewelry					+183*	+31*	+ 20*				
Paper					+ 28*	+18*	+ 8*				
Stocks of goods											
Total of all lines					+ 2*	+ 1*					
Dry goods					− 2*	− 9*					
Electrical supplies					− 3*	+15*					
Groceries					+ 5*	+ 2*					
Hardware					+ 0*	+ 1*					
Jewelry					+ 8*	+ 1*					
Paper					+ 5*	+ 6*					
Output of manufactures											
Pig iron	36	44	52	58	+ 11	+59	+ 39	34	40	46	54
Steel	51	65	65	73	+ 11	+41	+ 30	49	60	67	69
Iron castings	47	56	56	56	+ 0	+19	+ 11	48	54	54	57
Steel castings	68	65	62	84	+ 34	+23	+ 33	62	58	60	76
Electrical apparatus	53	74	76r	77	+ 1	+44	+ 17	59	78	84r	84
Motor vehicles	16	15	22	20	− 10	+21	+ 18	14	16	18	17
Automobile parts and bodies	53	68	70	83	+ 18	+56	+ 42	50	66	66	78
Locomotives and cars	14	20	20r	22	+ 9	+57	− 4	14	20	21	21
Shipbuilding	257	371	356	373	+ 5	+45	+ 39	244	360	352	355
Silk manufactures	84	74	89	82	− 9	− 3	+ 10	84	73	87r	82
Woolen and worsteds	51	58	64	58	− 8	+15	+ 39	55	54	65	64
Cotton products	43	53	54	48	− 10	+12	+ 34	41	46	49	46
Carpets and rugs	86	104	142r	127	− 11	+48	+104	93	95	130	140
Hosiery	100	109	117	102	− 13	+ 2	+ 23	100	90	101	102
Underwear	125	172	164	144	− 12	+15	+ 26	125	142	153r	144
Cement	51	63	60r	58	− 4	+15	+ 16	59	73	76	68
Brick	31	36	36r	39	+ 8	+25	+ 30	31	34	37r	39
Lumber and products	24r	24	27	27	+ 0	+15	+ 9	25r	26	30	29
Bread and bakery products					+ 7*	− 5*	− 0*	96	93	85	91
Slaughtering, meat packing	98	110	106	103	− 3	+ 4	+ 12	98	97	89	103
Sugar refining	123	66	104	148	+ 43	+21	+ 11	106	68	89	128
Canning and preserving	53	75	63	61p	− 4	+15	+ 4	68	61	71	82p
Cigars	99	90	102	99	− 3	− 0	+ 4	115	98	109	115
Paper and wood pulp	68	73	74	74	+ 1	+ 9	+ 11	68	70	74	74
Printing and publishing	90	89	90	92	+ 2	+ 2	− 1	89	86	87	91
Shoes	155	155	150	143	− 5	− 7	− 10	176	144	161	163
Leather, goat and kid	65	112	95	99p	+ 5	+52	+ 31	68	98	91	103p
Explosives	74	78	85	89	+ 5	+20	+ 6	74	77	85	89
Paints and varnishes	78	83	83r	88	+ 6	+13	+ 9	74	78	85r	83
Petroleum products	151	172	162	174p	+ 7	+15	+ 6	153	173	163	176p
Coke, by-product	86	102	112	125	+ 12	+46	+ 32	82	100	109	120

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