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THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
FEBRUARY 1, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

Business and Banking Conditions in the United States

Industrial activity, after a rapid rise in recent months, declined less than seasonally in December. In the first half of January activity did not show the usual seasonal increase. Distribution of commodities to consumers was maintained in large volume.

Production. Industrial output decreased in December, but by a smaller amount than is usual at this season, with the consequence that the Board's index, which allows for usual seasonal variations, advanced further from 124 to 128 per cent of the 1923-1925 average. As in other recent months, the rise in the index continued to reflect mainly increased activity in industries producing durable goods. Automobile production rose sharply in December owing to the reopening of plants of one large producer which had been closed for almost two months. Plate glass production also increased. At steel mills activity was maintained near the high level that prevailed in October and November; fourth quarter production of steel ingots was greater than in any other three-month period on record. Output of zinc and deliveries of tin continued to increase

in December, and lumber production declined less than seasonally.

In the nondurable goods industries, where production had been at high levels throughout the autumn, changes in output in December were largely seasonal in character. At woolen textile mills, however, there was a considerable reduction in activity, and activity at silk mills declined to a low level, reflecting in part continued high prices of raw silk. Output of crude petroleum continued at a high rate in December, while coal production was reduced, following a large volume of output in the two preceding months.

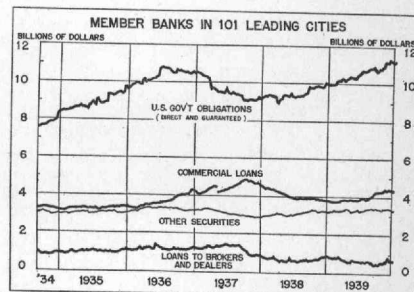
In the first half of January steel ingot production was at a somewhat lower level than in December, while automobile assemblies were maintained at about the same high rate as in the previous month.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in December, owing to the inclusion in the December figures of a large amount for a dam under construction by the Tennessee Valley Authority. Contracts for private building, both

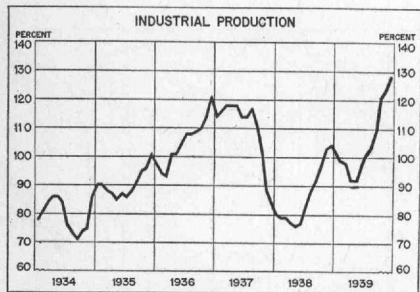
residential and nonresidential, declined seasonally.

Employment. According to reports from leading industrial states, factory employment decreased less than seasonally in December and payrolls showed a further advance.

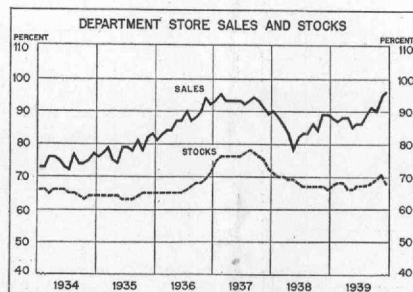
Distribution. Distribution of commodities to consumers increased further in December. Sales at variety stores showed about the usual sharp rise and sales at department stores and mail-order houses increased more than seasonally.



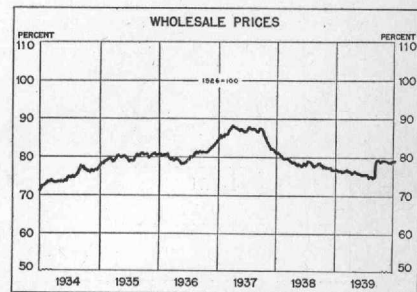
Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to January 10, 1940. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.



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



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



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending January 13, 1940.

Freight-car loadings declined by more than the usual seasonal amount from November to December, reflecting chiefly a further reduction in coal shipments and a decrease in loadings of ore, which had been at a high level in the previous month.

Commodity prices. Prices of wheat, which had advanced sharply early in December and continued at the higher level during the rest of the month, declined considerably in the first half of January. Smaller decreases occurred in some other commodities, including

hides, tin, and zinc. Prices of most other basic commodities, such as cotton, wool, lead, and steel scrap, showed little change.

Government security market. Prices of United States Government securities continued to advance during December and were steady during the first two weeks of January.

Bank credit. Total loans and investments of reporting member banks in 101 leading cities declined in the four weeks ending January 10, following an increase during the first half of De-

ember. These changes reflected largely a temporary rise and a subsequent decline in loans to security brokers and dealers in connection with the Government's flotation of a new issue of bonds. Total holdings of United States Government obligations at city banks showed little net change during the period.

As a result chiefly of further increases in gold stock as well as the post-holiday return of currency from circulation, excess reserves of member banks increased sharply in the four weeks ending January 10.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Industrial activity in the Third Federal Reserve District improved further in December. The index after allowing for seasonal change increased 1 per cent, advancing for the seventh consecutive month to a level 17 per cent above a year earlier and 37 per cent above the recession low in July 1938. The gain in the month reflected smaller than seasonal declines in the output of manufactures. Production of coal and crude oil declined somewhat more than was to be expected.

During 1939 as a whole industrial production averaged 17 per cent above the level in 1938, reflecting an improvement of 19 per cent in manufacturing activity, 13 per cent in coal mining, and 10 per cent in the production of electric power. The output of crude oil was reduced somewhat in the year.

Construction activity decreased in the last quarter of the year, after allowing for seasonal changes, and in December

was somewhat below the level of a year earlier.

Preliminary indications are that for the first time since last summer employment and payrolls in this district declined somewhat in January. Employment and income, however, continue near the peak levels reached in 1937.

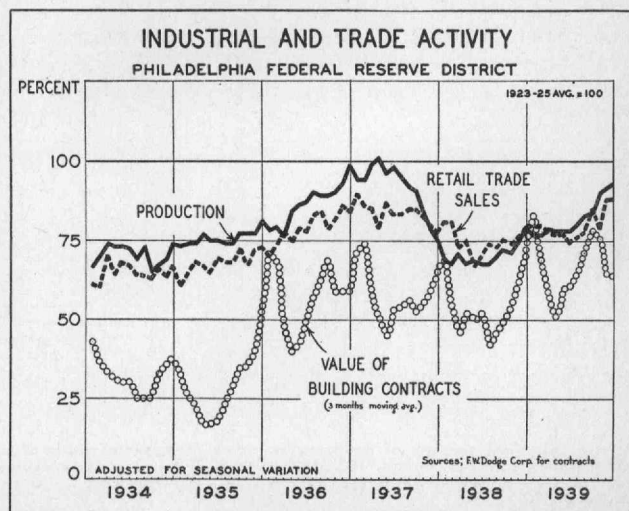
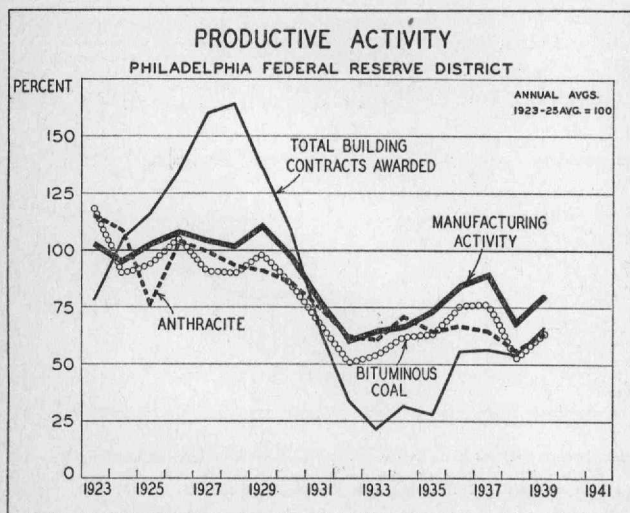
Distribution to consumers has been fairly well sustained. Retail trade sales showed the customary sharp advance in December and according to early reports have shown the usual seasonal contraction in January. Wholesale trade has declined somewhat, as was to be expected, but a substantial volume of reordering continues in evidence and spring sales to retailers are expected to exceed a year ago. Stocks at retail stores continue to decline and are low in relation to the current level of business.

Manufacturing. The market for factory products in this district continued

quiet from the middle of December to the middle of January, but manufacturers in some important lines expect increased orders within the next month. While inquiries and sales have declined substantially from the high levels last fall and are somewhat below late November and early December, the volume of new business is larger than a year ago in all lines except certain textiles. Prices have weakened somewhat since the turn of the year but are still higher than a year ago.

The number of cancellations is still unusually small despite heavy placements in the fall, and unfilled orders continue large for this season, although backlogs have been reduced considerably in the past two months.

Inventories of both raw and finished goods at reporting concerns have shown little change since the middle of December, but the volume of manufactured goods in producers' stocks is



smaller than in January 1939, particularly at textile mills.

Operations have been reduced somewhat from the levels in December but plants are much more active than last year. The recent high operating rates have required further replacement of equipment, especially in the textile industry. Some plant expansion continues in evidence.

Employment and payrolls in Pennsylvania factories in December approximated the peaks reached a month before. The estimated number of wage earners was about 920,000 or 14 per cent more than in December 1938 and 16 per cent above the 795,000 employed in May. The volume of factory wage payments was estimated at \$23,400,000 a week in December or 31 per cent more than a year earlier and 34 per cent above the \$17,500,000 in May. At the end of the 1937-38 recession, factory payrolls in Pennsylvania amounted only to about \$14,500,000 a week. Preliminary reports indicate that employment and payrolls in January declined more than seasonally for the first time since early last summer, the principal reductions being in the iron and steel industry.

The chief gains in the sharp recovery during the second half of 1939 were in industries producing capital goods, where employment advanced 26 per cent from May to December as against an increase of only 5 per cent in consumers' goods industries. Wage payments by producers of capital goods expanded 50 per cent in the period, compared with an increase of only 10 per cent in consumers' lines.

During 1939 as a whole the number of factory wage earners averaged 838,000 or 8 per cent more than the average the year before, and wage payments averaged \$19,500,000 a week, an increase of 21 per cent over the 1938 level.

From November to December employment and payrolls improved further in the durable goods lines, particularly in the iron and steel industry at rolling mills, foundries, and in such finished lines as machinery, engines and pumps, and hardware and tools. Substantial improvement was also reported by producers of nonferrous metal products, automobiles and trucks, locomotives and cars, and ships. At textile and clothing mills activity was fairly well sustained. Employment and payrolls increased sharply at factories producing men's clothing, where there is usually a substantial decline at this time of year. The principal reductions

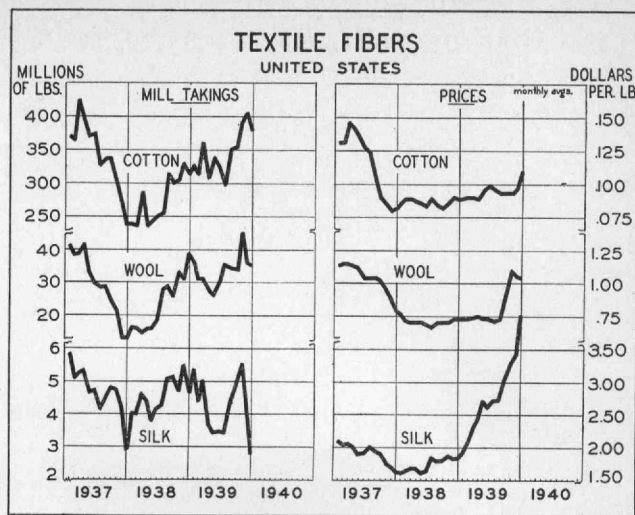
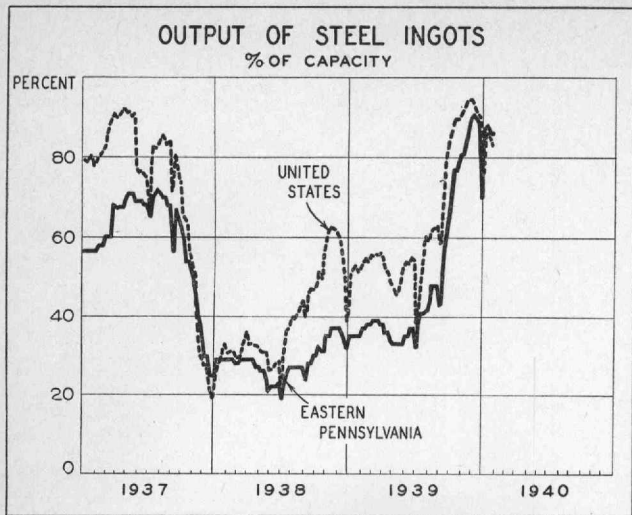
Business Indicators Philadelphia Federal Reserve District

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					
	Dec. 1938	Oct. 1939	Nov. 1939	Dec. 1939	Per cent change		Dec. 1938	Oct. 1939	Nov. 1939	Dec. 1939		
					Month ago	Year ago						
Industrial production												
Manufacturing—total	79	90	92	93p	+ 1	+17	+17	76	94	93	89p	
DURABLE GOODS	76	88	90	91p	+ 1	+20	+19	74	92	92	88p	
CONSUMERS' GOODS	65	93	98	100p	+ 2	+53	+34					
Metal products	87	90	89	90p	+ 2	+ 4	+12					
Textile products	65	91	100r	104	+ 5	+60	+35	62	94	99r	99	
Transportation equipment	83	85	85	86p	+ 1	+ 3	+24	80	89	89	83p	
Food products	70	100	101	97	- 3	+39	+40	70	95	97	98	
Tobacco and products	73	78	79	78p	- 2	+ 7	+ 3	73	82	80	77r	
Building materials	97	101	94	106	+12	+10	+ 3	70	124	112	77	
Chemicals and products	33	46	48r	47	- 1	+43	+21	30	49	47	43	
Leather and products	111	131	133	133p	- 1	+20	+11	109	133	134	131p	
Paper and printing	129	124	122	118p	- 3	- 8	+ 4	120	132	116	112p	
Coal mining	88	89	89	92	+ 3	+ 4	+ 2	89	90	90	93	
Anthracite	66	61	63	61p	- 3	- 8	+13	66r	76	66	60p	
Bituminous	67r	58	60	59p	- 2	-12	+10	66r	74	62	58p	
Crude oil	62	85	86	76	-11	+23	+18	65	91	95	80	
Electric power	437	460	482	479	- 1	+10	- 2	410	460	468	450	
Output	248	273	272	269	- 1	+ 8	+10	266	281	283	288	
Sales, total†	244	271	276	267	- 3	+ 9	+11	252	271	284	275	
Sales to industries‡	177	198	194	204	+ 5	+16	+13	168	192	198	194	
Employment and wages—Pa.												
Factory—Wage earners					- 0*	+14*	+ 8*	80r	90	91	91	
Payrolls					+ 0*	+31*	+21*	69r	89	90	90	
Man-hours (1927-28=100)					+ 1*	+35*	+25*	66	86	88	89	
General (1932=100)												
Employment					+ 3*	+ 8*	+ 3*	112r	115	117	121	
Payrolls					- 0*	+19*	+14*	143r	171	171	171	
Building and real estate												
Contracts awarded†—total	73	76r	64r	64	- 1	-13	+19	67	78r	64r	59	
Residential†	44	66r	61r	53	-13	+20	+64	42	65r	64r	51	
Nonresidential†	86	41	43	54	-24	-37	-24	77	40	46	49	
Public works and utilities†	98	206	95	88	- 7	-10	+43	114	200	106	103	
Permits for building—17 cities	21	22	33	19	-44	- 9	+65	14	23	31	13	
Real estate deeds—Philadelphia†	43	52	54	50	- 7	+16	+ 6	53	50	53	61	
Writs for Sheriff sales—Phila.	341	313	264	287	+ 9	-16	-19	348	156	296	293	
Distribution												
Retail trade—sales	80r	79	88	88p	+ 0	+11	+ 7	131r	93	103	145p	
stocks	77r	78	80	77p	- 3	+ 0		72r	88	89	72p	
Wholesale trade—sales					-2*	+11*	+10*					
stocks					-7*	+12*						
Life insurance sales	127	101	90	84	- 6	-33	+ 5	133	92	95	89	
New passenger auto. registrations					+ 8*	- 0*	+38*	122	94	113	122	
Hotels—Occupancy (1934=100)					-10*	+ 5*	- 2*	101	128	116	105p	
Income, total (1934=100)					+ 5*	+ 8*	- 3*	124r	129	129	135p	
Freight-car loadings—total	62	76	83	84	+ 1	+34	+22	56	84	83	73	
Merchandise and miscellaneous	62	74	81	84	+ 4	+36	+21	55	80	80	73	
Coal	62	76	75	71	- 5	+14	+16	66	87	82	75	
Business liquidations												
Number					-22*	-12*	- 1*	71	64	81	63	
Amount of liabilities					-31*	-59*	-12*	34	30	20	14	
Payment of accounts												
Check payments	94	85	85	104	+22	+11	+ 8	101	87	91	112	
Rate of collection (actual)												
Retail trade	29	32	35	30	-15	+ 2		29	33	36	30	
Prices—United States												
WHOLESALE (1926=100)					0*	+ 3*	- 2*	77	79	79	79	
Farm products					+ 0*	0*	- 5*	68	67	67	68	
Foods					- 1*	- 2*	- 4*	73	73	72	72	
Other commodities					- 0*	+ 4*	- 0*	80	84	84	84	
RETAIL FOOD					- 1*	- 2*	- 2*	79	78	78	77	
Philadelphia					+ 0*	- 0*	- 2*	78	79	78	78	
Scranton					- 1*	- 1*	- 1*	75	75	75	74	

(In millions of dollars)	Dec. 1938	Sept. 1939	Oct. 1939	Nov. 1939	Dec. 1939	% change from	
						Month ago	Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted	\$ 1.4	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.7	+75	-50
Other bills and securities	226	236	241	231	218	- 6	- 4
Member bank reserves	366	540	572	598	588	- 2	+61
Reserve ratio (per cent)	72.9	77.6	77.3	79.6	81.0	+ 2	+11
Reporting member banks							
Loans	\$ 415	\$ 415	\$ 422	\$ 426	\$ 431	+ 1	+ 4
Investments	724	737	729	735	734	- 0	+ 1
Deposits (a)	1428	1617	1660	1696	1703	+ 0	+19
Bankers' acceptances outstanding	10.9	8.6	9.0	10.2	10.1	- 1	- 7

* 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.



in December were at plants turning out silk goods and hosiery, where the high price of raw materials and unsettled market conditions have disturbed production.

Average hourly earnings of factory workers increased fractionally to 71 cents in December compared with 69 cents last May. Weekly earnings reached \$27.33 compared with only \$23.70 at the 1939 low point. Average weekly working time per man was 38.7 hours, the same as in November and about four hours a week longer than in May.

In Delaware factories employment increased fractionally in December and wage payments expanded about 2.5 per cent. The only substantial declines in the month were reported by producers of building materials, where activity has been curtailed because of the severe winter weather. During 1939 employment averaged 10 per cent above 1938 and payrolls 15 per cent higher.

In Southern New Jersey employment and payrolls respectively declined 3 and 4 per cent from November but for the year as a whole averaged 13 and 25 per cent above 1938.

The output of factory products in this district declined less than seasonally from November to December and the index, after allowing for seasonal change, increased 1 per cent to the highest level since the late summer of 1937 and 20 per cent above the 1938 peak reached in December of that year. On an adjusted basis the sharpest gains in the month were in the output of tobacco products and metal goods. Textiles were well sustained, especially at plants producing carpets and rugs. Substantially larger than seasonal declines were reported in silk manufactures and cotton products. Most other

major lines of productive activity failed to maintain the high levels reached in November.

Production of electric power increased about 1 per cent less than usual in December and total sales declined about 3 per cent more than was to be expected. Sales to industry continued large, showing an expansion of 5 per cent on a seasonally adjusted basis.

Coal and other fuels. Increased heating requirements have stimulated the demand for anthracite, and sales at the mines have increased considerably since the turn of the year. Conditions within the industry are improving as a result of a plan to stabilize production, recently agreed upon by leading mine operators and their employees.

Output of collieries declined somewhat more than usual in December, owing to sharply curtailed operations during the first half of the month. In early January, however, production expanded and was well above the level of a year earlier. Shipments showed some gain from November to December, but were the smallest on record for that month. The volume of anthracite mined in 1939 totaled 50,800,000 tons, as against 46,000,000 in 1938 and an average of 53,000,000 in the preceding five years.

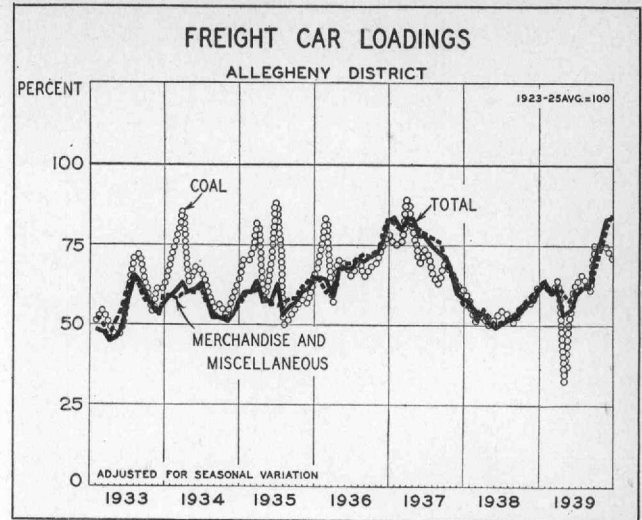
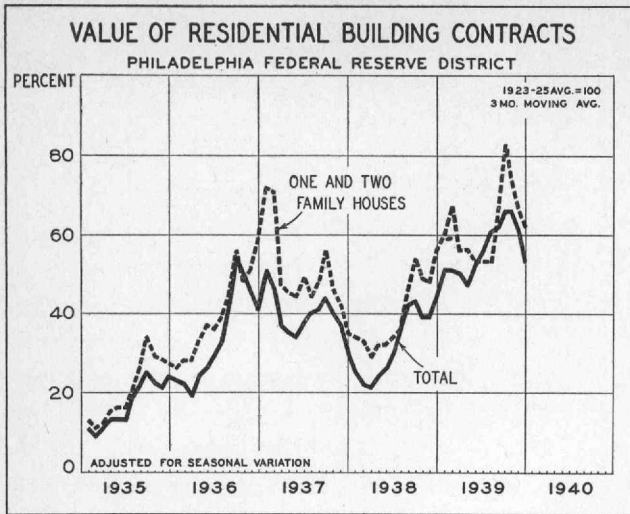
Demand for Pennsylvania bituminous coal continues considerably more active than a year ago, but sales to manufacturing plants and public utility companies have decreased since early January. Activity at the mines slackened more than seasonally in December and early January, following substantial increases during the preceding seven months, but was above a year ago. Total production in this state in 1939 approximated 90,800,000 tons, or 18 per cent more than the year before.

Output of by-product coke in December was close to the high November level and was 40 per cent greater than in December 1938. Activity at gas and fuel oil refineries slackened in December for the third successive month and was 3 per cent less than a year earlier. Production of by-product coke expanded 35 per cent from 1938 to 1939 and gas and fuel oils, 7 per cent.

Building. Construction activity in this district has been decreasing more sharply than usual since fall and in December operations on contracts previously awarded were below the level of a year earlier. The recession in the final quarter of 1939 was due chiefly to slackening in residential building, which had expanded rapidly in the preceding five months, reaching a nine-year peak in September.

The value of new contract awards increased 13 per cent in December to approximately \$14,000,000 but was 24 per cent smaller than in the same month of 1938. The gain over November reflected a sharp expansion in the dollar volume of contracts for public works and utilities and unclassified building, including hospitals and other institutions. Awards for commercial structures also increased, but substantial declines were reported in the case of residences, factories and educational buildings. The value of contracts let in December for all classes of construction except industrial buildings and miscellaneous structures was considerably smaller than a year earlier.

Contracts awarded during 1939 amounted to nearly \$200,000,000. While this total was the largest since 1930 and was 19 per cent greater than in 1938, it was only about one-half of the 1923-29 average and compared with



a record high of \$500,000,000 in 1928. The value of contracts let for family houses was 46 per cent greater than in 1938 and awards for apartments and hotels were considerably more than double the small volume of a year earlier. Sharp increases also were reported in industrial buildings, and public works and utilities, but contracts for educational and unclassified structures were substantially smaller in 1939 than in 1938.

Building contracts Philadelphia Federal Reserve District	Per cent of 1939 total	Dec. 1939 (000's omitted)	Per cent change	
			From month ago	1939 from 1938
Residential	41.3	\$ 4,147	- 39	+ 64
Apts. and hotels.....	10.1	808	- 66	+164
Family houses.....	31.2	3,339	- 24	+ 46
Nonresidential	28.3	4,974	+ 31	- 24
Commercial.....	8.0	1,345	+ 19	+ 21
Factories.....	5.7	766	- 21	+ 74
Educational.....	3.3	739	- 40	- 74
All other.....	11.3	2,124	+361	- 24
Total buildings	69.6	\$ 9,121	- 14	+ 11
Public works and utilities	30.4	5,002	+154	+ 43
Grand total	100.0	\$14,123	+ 13	+ 19

Source: F. W. Dodge Corporation.

Distribution, trade and service. Retail trade sales in the Philadelphia district showed the customary sharp increase in December. Although the Christmas buying season started slowly, business improved substantially before the holiday. For the month as a whole sales at apparel and shoe stores expanded more than seasonally, and the aggregate index, after allowing for seasonal gains, continued at the November level, which was the highest since January 1937.

Preliminary reports indicate that the decline in business during the post-Christmas lull has been of about seasonal proportions. In the second half of January, consumer purchases of

winter clothing and promotional goods were stimulated by unusually severe weather.

Christmas trade in all reporting lines was substantially better than in 1938. The largest gain was at credit stores where sales of radios, furniture, and other household equipment were 19 per cent above the year before. The smallest increase was 7 per cent at women's apparel stores. Department stores reported an expansion of 9 per cent from December 1938.

The volume of retail business was sustained at relatively high levels throughout 1939 and averaged 7 per cent above the preceding year, during the first half of which general business conditions were sharply depressed. In May 1938, the adjusted index of retail trade sales reached a three-year low, but in the next eight months sales improved 20 per cent. After losing a substantial part of this gain in the first six months of 1939, trade was stimulated by improved consumer incomes, and the level of business in November and December was more than 30 per cent above the 1938 low.

Stocks of goods at retail establishments were reduced more than seasonally from November in all lines except women's specialty shops. The average level of inventories was about the same at the end of the month as a year earlier when sales and general business conditions were considerably less active.

Sales at wholesale averaged 2 per cent less in December than in November, owing to sharp declines at establishments selling paper, dry goods, and footwear. Reorders of Christmas merchandise increased trade substantially in jewelry, electrical supplies, and drugs.

Wholesale trade sales in December were 11 per cent above the year before, the principal increases being in electrical supplies, paper, and hardware, and for the year as a whole aggregate sales were 10 per cent larger than in 1938. Stocks of goods declined in all reporting lines in December but were 12 per cent larger than a year earlier.

Shipments of freight by rail in the Allegheny District declined less than usual from November to December, and the seasonally adjusted index reached the highest level since January 1937. The gain was due primarily to a substantially smaller than expected decline in shipments of miscellaneous goods, which, after allowing for seasonal changes, were the largest since 1930. Loadings of coal, grain, forest products, ore, and less-than-car lots declined somewhat more than usual, and loadings of coke increased less than was to be expected, following a heavy movement in the preceding months. All types of shipments were considerably larger in 1939 than 1938 except livestock and forest products. Particularly large gains were reported in the case of coke and ore, owing to the high level of activity in the steel industry.

Registrations of new passenger automobiles in December were about the

Hotel business Philadelphia Federal Reserve District	Dec. per cent change from		1939 from 1938
	Month ago	Year ago	
Capacity.....	+ 0	- 1	.....
Room occupancy.....	-10	+ 5	-2
Per cent of capacity used:			
Dec. 1939.....	49.6		
Nov. 1939.....	54.8		
Dec. 1938.....	46.9		
Revenue from:			
Guest rooms.....	- 8	+11	-2
Food.....	+ 9	+ 7	-3
Other sources.....	+20	+ 7	-3
Total revenue	+ 5	+ 8	-3

same as in December 1938 but for 1939 as a whole averaged 38 per cent larger than the year before.

Total revenue of nonresort hotels in the district was 5 per cent larger in December than in November and 8 per cent above December 1938. For the year as a whole, however, revenue was 3 per cent less than the year before.

Banking conditions. The reserves of member banks in this district during 1939 showed the sharpest increase on record, rising \$224,000,000 to \$598,000,000 at the close of the year. More than \$200,000,000 was gained in commercial and financial transactions with other districts, partly as a result of the sale of newly-issued securities, and operations of the Federal Treasury and government agencies also supplied more than \$60,000,000 of reserve funds. Approximately \$50,000,000 was absorbed by an expansion in currency demand, owing chiefly to a need for more hand-to-hand money for industrial payrolls and trade purposes.

Average reserves in the first half of January increased further to a new peak of \$621,900,000 and exceeded requirements by \$311,800,000. The proportion of excess to required reserves was 110 per cent at member banks in Philadelphia and 80 per cent at country banks, as against 41 and 53 per cent respectively a year ago.

Member bank reserves (Dollar figures in millions)	Held	Re-quired	Ex-cess	Ratio of excess to re-quired
Philadelphia banks:				
1939—Dec. 1-15	\$418.5	\$209.4	\$209.1	100%
Dec. 16-31	418.0	209.6	208.4	99 1/2
1940—Jan. 1-15	446.2	212.3	233.9	110 "
1939—Jan. 1-15	246.3	174.8	71.5	41 "
Country banks:				
1939—Dec. 1-15	167.1	97.6	69.5	71 "
Dec. 16-31	172.8	98.2	74.6	76 "
1940—Jan. 1-15	175.7	97.8	77.9	80 "
1939—Jan. 1-15	148.1	96.5	51.6	53 "

In the five weeks ended January 24 member bank reserves increased \$19,600,000, reflecting a combination of factors. The volume of currency returned from circulation amounted to \$25,000,000, approximating that reported a year earlier. Payments from the Treasurer's deposits at this bank, including an advance by the Federal Deposit Insurance Corporation on the assets of a bank which had its deposit liabilities assumed by other institutions, exceeded local government receipts by more than \$19,000,000. On the other

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Jan. 24, 1940	Changes in—	
		Five weeks	One year
Bills discounted.....	\$ 0.7	-\$ 0.2	-\$ 0.5
Bills bought.....	0.0	0.0	0.0
Industrial advances.....	3.1	+ 0.0	+ 0.1
U. S. securities.....	203.2	- 10.6	- 2.7
Total.....	\$207.0	-\$10.8	-\$ 3.1
Note circulation.....	342.2	- 10.5	+ 28.5
Member bank deposits.....	608.0	+ 19.6	+196.7
U. S. general account.....	42.7	- 33.2	+ 4.3
Foreign bank deposits.....	40.5	+ 0.8	+ 23.9
Other deposits.....	17.0	+ 3.6	+ 10.1
Total reserves.....	863.5	+ 4.6	+264.0
Reserve ratio.....	82.2%	+1.9%	+6.0%

hand, funds were taken from the market by a shrinkage in reserve bank float, which expanded during the holiday delays in the mails, by a loss of \$7,700,000 in interdistrict commercial transactions, and by some absorption of funds in miscellaneous deposits at this bank.

Advances for working capital to industries by the Federal Reserve Bank of Philadelphia increased slightly, while borrowings of member banks declined somewhat. The principal change in earning assets of this bank was a decrease of \$10,600,000 in holdings of governments to \$203,200,000. This reflected a reduction in the proportionate share of this bank in System holdings of securities at the beginning of the year, when the usual quarterly reallocation among the reserve banks was made, and sales from the System investment portfolio over part of the period.

Deposits at reporting member banks increased seasonally over the turn of the year, establishing a new record on January 3. For the five weeks to January 24 the statements show a net gain in deposits of approximately \$27,000,000, after adjustments for the figures of a discontinued bank. This increase was due largely to an increased volume of funds held for correspondent banks.

Outstanding credit of these banks on a comparable basis increased \$21,000,-

Reporting member banks (000,000's omitted)	Jan. 24, 1940	Changes in—	
		Five wks.*	One yr.*
Assets			
Commercial loans.....	\$ 191	-\$ 6	+\$ 15
Open market paper.....	23	- 2	0
Loans to brokers, etc.....	23	- 2	+ 4
Other loans to carry secur.....	32	0	0
Loans on real estate.....	50	0	+ 2
Loans to banks.....	1	0	- 1
Other loans.....	92	+ 1	- 5
Total loans.....	\$ 412	-\$ 9	+\$ 15
Government securities.....	\$ 372	+\$15	+\$ 12
Obligations fully guaranteed.....	101	+ 3	+ 14
Other securities.....	284	+ 12	+ 21
Total investments.....	\$ 757	+\$30	+\$ 47
Total loans & investments.....	\$1,169	+\$21	+\$ 62
Reserve with F. R. Bank.....	448	+ 9	
Cash in vault.....	19	- 5	
Balances with other banks.....	227	+ 1	
Other assets—net.....	88	- 1	
Liabilities			
Demand deposits, adjusted.....	\$ 964	+\$ 4	
Time deposits.....	261	+ 1	
U. S. Government deposits.....	54	0	
Interbank deposits.....	441	+ 22	
Borrowings.....			
Other liabilities.....	17	- 1	
Capital account.....	214	- 1	

* Adjusted for changes in reporting banks to preserve comparability.

000 in the period, owing to substantial purchases of securities. The investment in direct government issues increased \$15,000,000 to a new high of \$372,000,000; holdings of United States bonds expanded \$19,000,000 while Treasury notes declined \$4,000,000, partly as a result of exchange transactions. Other changes in the investment portfolio comprised increases of \$3,000,000 in guaranteed obligations and \$12,000,000 in corporate and municipal securities.

Loans of the reporting banks were decreased \$9,000,000 in the five weeks. Open market paper and accommodation extended to brokers and dealers declined somewhat, but the largest reduction was \$6,000,000 in commercial loans as the seasonal need for funds declined. While the volume of commercial loans at present is about 10 per cent larger than a year ago, the rate of increase since the spring of last year has lagged considerably behind the expansion in business activity.

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ended—					Changes in five weeks
	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	
Sources of funds:						
Reserve bank credit extended in district.....	-14.7	+ 2.0	- 1.0	- 1.3	+ 1.1	-13.9
Commercial transfers (chiefly interdistrict).....	+10.1	+ 6.3	+ 1.8	-20.5	- 5.4	- 7.7
Treasury operations.....	+ 8.0	+ 4.7	+ 3.8	+27.6	-24.7	+19.4
Total.....	+ 3.4	+13.0	+ 4.6	+ 5.8	-29.0	- 2.2
Uses of funds:						
Currency demand.....	- 3.5	- 9.3	- 6.1	- 3.9	- 2.3	-25.1
Member bank reserve deposits.....	+ 0.6	+23.4	+11.0	+11.1	-26.5	+19.6
"Other deposits" at reserve bank.....	+ 6.2	- 0.9	- 0.3	- 1.2	- 0.2	+ 3.6
Other Federal Reserve accounts.....	+ 0.1	- 0.2	+ 0.0	- 0.2	- 0.0	- 0.3
Total.....	+ 3.4	+13.0	+ 4.6	+ 5.8	-29.0	- 2.2

Employment and Payrolls in Pennsylvania

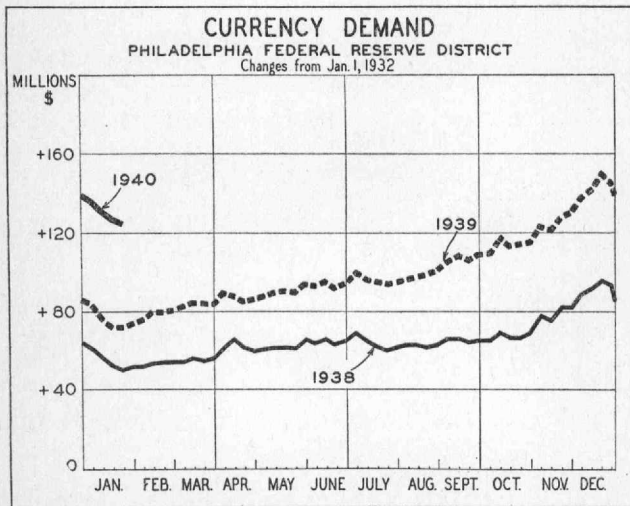
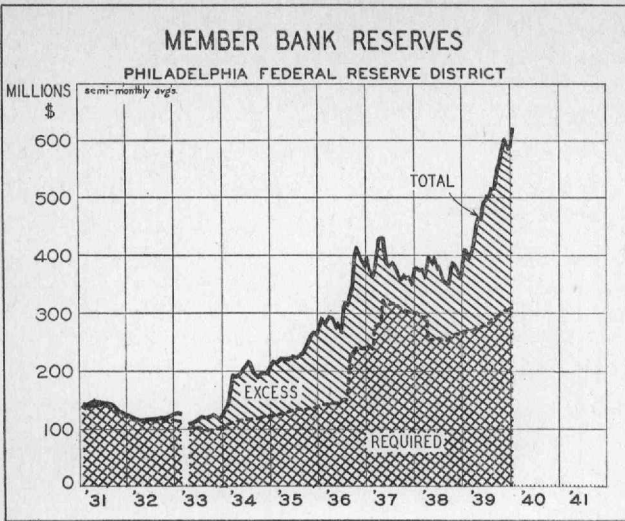
(All figures are rounded from original data.)

Manufacturing Indexes

	Employment*		Payrolls*		Employee-hours†	
	Dec. 1939 index	Per cent change from	Dec. 1939 index	Per cent change from	Dec. 1939—	
		Nov. 1939		Dec. 1938	Nov. 1939	Dec. 1938	per cent change from
(Indexes are percentages of the 1923-25 average taken as 100. Total and group indexes are weighted proportionately.)						
All manufacturing	91	-0 +14	90	+0 +31	+1 +35	
Iron, steel and products . . .	85	+2 +29	112	+2 +57	+2 +54	
Nonferrous metal prods. . .	123	-0 +25	156	+2 +41	+1 +43	
Transportation equip.	65	+1 +24	77	+2 +46	+5 +50	
Textiles and clothing	95	-4 -1	87	-6 -0	-4 +2	
Textiles	90	-5 -2	83	-7 -3	-5 +0	
Clothing	115	+1 +2	106	+2 +12	+5 +10	
Food products	107	-2 +3	114	+1 +7	+1 +6	
Stone, clay and glass	82	-2 +16	85	-3 -24	-3 -31	
Lumber products	65	-0 +19	62	-2 -32	-2 -22	
Chemicals and products	95	+0 +16	108	+1 +22	+0 +28	
Leather and products	89	+0 +1	86	+4 +1	+7 +4	
Paper and printing	101	-0 +6	109	+3 +10	+2 +9	
Printing	92	+0 +2	101	+5 +5	+4 +2	
Others:						
Cigars and tobacco	63	+6 0	56	-1 -6	-1 -6	
Rubber tires, goods	86	-5 +7	98	+2 +11	+1 +11	
Musical instruments	62	-0 +9	71	-0 +17	-1 +14	

* Figures from 2,442 plants.

† Figures from 2,191 plants.



General Index Numbers

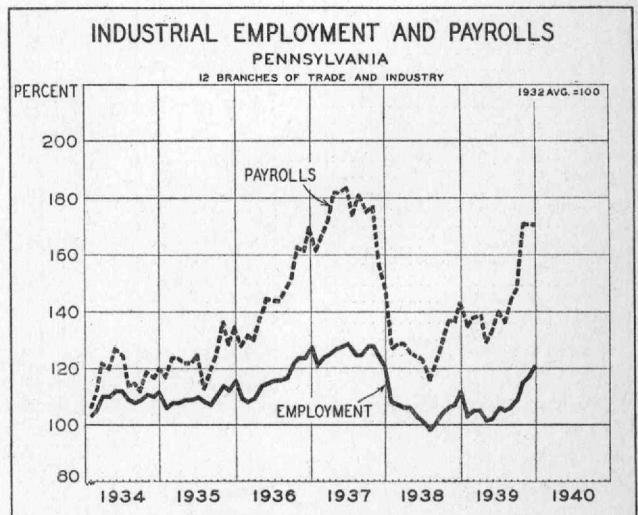
Covering twelve branches of trade and industry

	Employment		Payrolls	
	Dec. 1939 index	Per cent change from	Dec. 1939 index	Per cent change from
		Nov. 1939		Dec. 1938
(Indexes are percentages of the 1932 average taken as 100. Individual indexes are combined proportionately into general index number.)				
General index (weighted)	121	+3 +8	171	-0 +19
Manufacturing	142	-0 +14	222	+0 +31
Anthracite mining	68	-1 -0	46	-37 -37
Bituminous coal mining	111	-1 +8	216	-11 +9
Building and construction	49	-9 -10	69	-11 -5
Quarrying and non-met. mining . .	105	-6 +16	207	-9 +36
Crude petroleum producing	133	+1 -1	160	+0 +9
Public utilities	96	-0 +2	109	+0 +5
Retail trade	142	+25 +4	161	+23 +5
Wholesale trade	118	-0 +3	123	+0 +6
Hotels	102	-2 -8	118	-1 -5
Laundries	100	+3 +3	128	+0 +4
Dyeing and cleaning	94	-1 -3	109	-9 -4

City areas*	Percentage change—December 1939 from December 1938				
	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown	+23	+37	+59	+12	+11
Altoona	+18	+35	+187	-5	+14
Harrisburg	+18	+50	-54	-4	+9
Johnstown	+42	+78	-11	+17	+21
Lancaster	+8	+10	-72	-2	+7
Philadelphia	+7	+15	+17	+7	+8
Reading	+8	+13	-89	+6	+9
Scranton	0	+6	+110	-1	+4
Trenton	+18	+28	+72	+1	+18
Wilkes-Barre	+10	+14	-84	-4	+5
Williamsport	+7	+10	+330	+8	.....
Wilmington	+13	+19	+11	+11	+20
York	+17	+23	+447	+18	+8

City areas*	December 1939 from November 1939				
	Employment	Wage payments	Building permits (value)	Debits	Retail trade sales
Allentown	+1	+0	-77	+9	+73
Altoona	+1	+2	-83	+11	+64
Harrisburg	+1	+6	-85	+21	+67
Johnstown	+3	+1	-69	+9	+71
Lancaster	+0	+1	-63	+10	+72
Philadelphia	-1	+0	-52	+28	+36
Reading	-1	-1	-96	+12	+65
Scranton	-3	-1	+228	+19	+58
Trenton	+0	-2	+23	+36	+64
Wilkes-Barre	+0	-2	+144	+26	+54
Williamsport	-2	-3	-59	-4	.....
Wilmington	+1	+3	+60	+100	+80
York	-1	-4	+65	+22	+76

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



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					
	Dec. 1938	Oct. 1939	Nov. 1939	Dec. 1939	Per cent change			Dec. 1938	Oct. 1939	Nov. 1939	Dec. 1939	
					Month ago	Year ago	1939 from 1938					
Retail trade												
Sales												
Total of all stores	80r	79	88	88p	+ 0	+ 11	+ 7	131r	93	103	145p	
Department	70	69	78	76p	- 3	+ 9	+ 7	127	80	95	139p	
Men's apparel	76	74	81	84p	+ 4	+ 11	+ 7	127	83	89	142p	
Women's apparel	99r	98	102	106	+ 4	+ 7	+ 1	151r	111	115	161	
Shoe	93r	81	93	98	+ 6	+ 5	+ 3	111	91	90	117	
Credit	89	97	107	106p	- 1	+ 19	+ 13	140	121	130	167p	
Stocks of goods												
Total of all stores	77r	78	80	77p	- 3	+ 0	.....	72r	88	89	72p	
Department	51	53	54	51p	- 5	+ 1	.....	47	61	63	47p	
Women's apparel	108r	109	108	109	+ 1	+ 1	.....	100r	130	127	101	
Shoe	62	67	66	65p	- 1	+ 6	.....	58	73	70	61p	
Credit	105	103	106	103p	- 4	- 2	.....	96	115	117	94p	
Rate of stock turnover 12 months (actual, not indexes)							+10*	4.11			4.51	
Wholesale trade												
Sales												
Total of all lines					- 2*	+ 11*	+ 10*					
Boots and shoes					- 30*	- 16*	+ 1*					
Drugs					+ 8*	+ 1*	.....				
Dry goods					- 23*	+ 2*	+ 2*					
Electrical supplies					+ 18*	+ 32*	+ 32*					
Groceries					- 2*	+ 1*	+ 1*					
Hardware					- 5*	+ 29*	+ 21*					
Jewelry					+ 31*	+ 15*	+ 21*					
Paper					- 14*	+ 30*	+ 13*					
Stocks of goods												
Total of all lines					- 7*	+ 12*	.....				
Dry goods					- 6*	+ 9*	.....				
Electrical supplies					- 23*	+ 22*	.....				
Groceries					- 1*	+ 12*	.....				
Hardware					- 3*	+ 14*	.....				
Jewelry					- 16*	+ 1*	.....				
Paper					- 0*	+ 24*	.....				
Output of manufactures												
Pig iron	42	71	80	77	- 4	+ 81	+ 55	42	70	81	76	
Steel	62	93	102	106	+ 4	+ 72	+ 41	58	93	98	100	
Iron castings	46	64	57	76	+ 32	+ 66	+ 18	43	68	59	70	
Steel castings	77	127	144	116	- 19	+ 51	+ 44	74	121	134	111	
Electrical apparatus	75	87	96r	103	+ 8	+ 37	+ 25	73	95	102r	100	
Motor vehicles	19	23	20	25	+ 23	+ 29	+ 21	15	21	18	20	
Automobile parts and bodies	74	91	96	81	- 16	+ 9	+ 38	73	86	88	79	
Locomotives and cars	14	28	33r	36	+ 10	+ 156	+ 22	14	28	31	36	
Shipbuilding	264	417	413	411	- 1	+ 56	+ 45	277	401	413	432	
Silk manufactures	87	91	92r	82	- 10	- 6	+ 9	89	93	93r	84	
Woolen and worsteds	62	65	65	68	+ 4	+ 10	+ 33	58	71	71	63	
Cotton products	43	57r	56r	52	- 7	+ 22	+ 33	46	59r	59r	56	
Carpets and rugs	115	126	126	150	+ 19	+ 30	+ 82	109	144	144	141	
Hosiery	109	105	103	106	+ 3	- 2	+ 18	106	115	117	103	
Underwear	138	147	155	150	- 3	+ 9	+ 23	136	160	157r	148	
Cement	43	65	69	68	- 1	+ 58	+ 19	36	73	68	56	
Brick	35	57	58	57	- 1	+ 65	+ 43	33	58	57	55	
Lumber and products	26	29	29	29	+ 1	+ 12	+ 10	26	30	29	29	
Bread and bakery products					- 4*	- 4*	- 0*	90	88	90	86	
Slaughtering, meat packing	89	103	97	99	+ 2	+ 11	+ 11	96	108	108	107	
Sugar refining	31	102	112	84	- 25	+ 170	+ 14	20	86	73	55	
Canning and preserving	52	53	58	60p	+ 3	+ 15	+ 8	53	70	64	63p	
Cigars	95	100	93	104	+ 13	+ 10	+ 4	68	123	111	75	
Paper and wood pulp	68	79	81	80	- 0	+ 19	+ 13	68	81	81	81	
Printing and publishing	93	91	91	94	+ 4	+ 2	+ 0	94	91	92	95	
Shoes	176	151	144	148	+ 2	- 16	- 8	150	163	136	125	
Leather, goat and kid	84	99	100	91p	- 9	+ 7	+ 28	92	103	97	99p	
Explosives	79	91	105	110	+ 4	+ 39	+ 14	78	92	105	109	
Paints and varnishes	79	82	83	86	+ 4	+ 10	+ 9	76	88	85	84	
Petroleum products	144	174	170	166p	- 2	+ 16	+ 8	143	175	171	165p	
Coke, by-product	103	138	146	145	- 1	+ 40	+ 35	100	135	141	141	

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

