

# THE BUSINESS REVIEW

THIRD FEDERAL  
PHILADELPHIA



RESERVE DISTRICT  
AUGUST 1, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

FEDERAL RESERVE BANK

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STATISTICAL DIVISION

## Business and Banking Conditions in the United States

Volume of industrial production increased rapidly during June and rose somewhat further in the first half of July. Distribution of commodities through retail and wholesale markets and by rail continued active.

**Production.** The Board's seasonally adjusted index of industrial production advanced from 106 in May to 114 in June. In that month, as in May, increases in activity were most marked in the iron and steel and textile industries where declines earlier in the year had been greatest.

Steel ingot production rose from 60 per cent of capacity at the beginning of May to 87 per cent in the latter part of June and was maintained at about that level in the first three weeks of July. Production of coke and pig iron showed similar sharp increases and iron ore shipments down the Lakes were at near-capacity levels. Demand for steel was general as most domestic steel-consuming industries were operating at high rates. Exports of steel, which had declined in April, rose to earlier high levels in May and June, amounting to about 10 per cent of steel-producing capacity.

Automobile production, which had begun to decline in May, continued to decrease in June and the first half of July reflecting in large part seasonal influences. Retail sales of automobiles were in large volume and dealers' stocks of new and used cars declined from the high levels prevailing earlier.

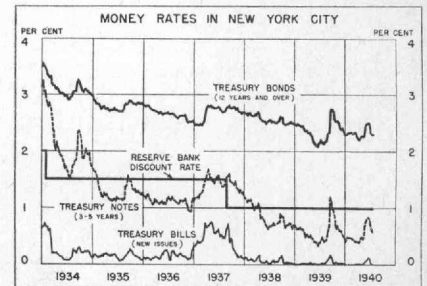
In the textile industry there was a further sharp advance in activity at woolen mills, and at cotton mills output was reduced less than seasonally. Rayon production was maintained at earlier high levels while at silk mills activity remained near the unusually low rate reached in May.

Coal production continued in large volume during June, but output of crude petroleum declined in the latter part of the month, owing to reduced production in Texas fields.

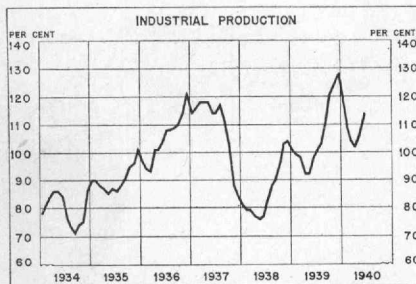
Value of construction contract awards showed little change from May to June, according to F. W. Dodge Corporation figures for 37 eastern states. Awards for private residential building decreased more than seasonally, following a sharp rise in May, and contracts for private nonresidential building also declined. Contracts

for public construction increased further in June, owing in part to expansion in the construction of Army and Navy air bases.

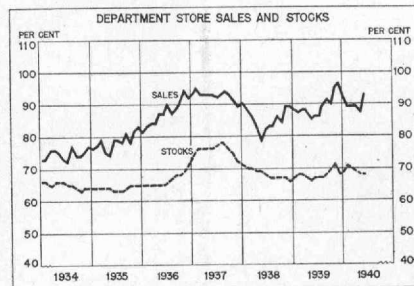
**Distribution.** Department store sales in June were maintained at the May level, although usually there is a considerable decline, and the Board's seasonally adjusted index advanced to 93 as compared with 87 in May and a level of about 89 earlier in the year. Sales at variety stores showed little change from May to June, continuing at the advanced level that has prevailed since the beginning of the year. In the early part of July department



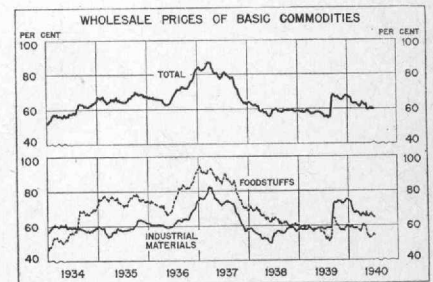
For weeks ending February 6, 1934 to July 13, 1940.



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1940.



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to July 11, 1940.

store sales declined seasonally from the June level.

Freight-car loadings increased further in June. Shipments of coal and miscellaneous merchandise continued to expand and loadings of coke, which usually decline at this season, showed a substantial rise.

**Commodity prices.** Prices of a number of industrial materials, particularly steel scrap, copper, rubber, and silk, declined from the middle of June to the middle of July. Wheat prices also showed decreases in this period, while prices of livestock and products advanced owing partly to seasonal influences.

**Agriculture.** Production of major crops this season, according to the July 1 report of the Department of Agriculture, may be slightly lower

than last season. Tobacco production will be sharply reduced from last year, when the crop was unusually large. Domestic supplies of wheat and other field crops as well as of vegetables and fruit are expected to show little change from last season. Indicated hog production this year will be about 10 per cent smaller than last year.

**Bank credit.** Total loans and investments at reporting member banks in 101 leading cities increased during the five weeks ending July 10, chiefly as a result of increases in holdings of short-term United States Government obligations and in commercial loans. Holdings of United States Government bonds and loans to security brokers and dealers declined.

The monetary gold stock increased by \$885,000,000 in this five-week pe-

riod, the largest gold acquisition for any corresponding period on record. This inflow of gold was reflected in a growth of \$310,000,000 in foreign bank balances with the Federal Reserve Banks and in increased deposits and reserves of member banks. On July 10, excess reserves of member banks amounted to \$6,833,000,000.

**Government security market.** Prices of Government securities, which had advanced sharply in June, showed further increases after July 8 when the Treasury announced a new bond issue for cash subscription. Between June 10 and July 15 the price of the 1960-65 bonds rose about 3 points, and the yield on this issue declined from 2.52 per cent to 2.34 per cent as compared with 2.26 per cent at the year's peak in prices on April 2.

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

Industrial activity in the Third Federal Reserve District increased further from May to June and preliminary indications are that the expansion continued in July. The output of heavy manufactured goods has shown substantial increases. Production for national defense is beginning to get under way, and private buyers have been placing large orders in anticipation of future needs. The demand for fuels has also been active.

The output of consumers' goods in general has declined, owing in part to the usual seasonal lull. The stimulus to buying power resulting from the increasing activity in armament and other capital goods industries appar-

ently has not yet registered in the demand for consumers' goods to any large extent but prospects generally appear favorable.

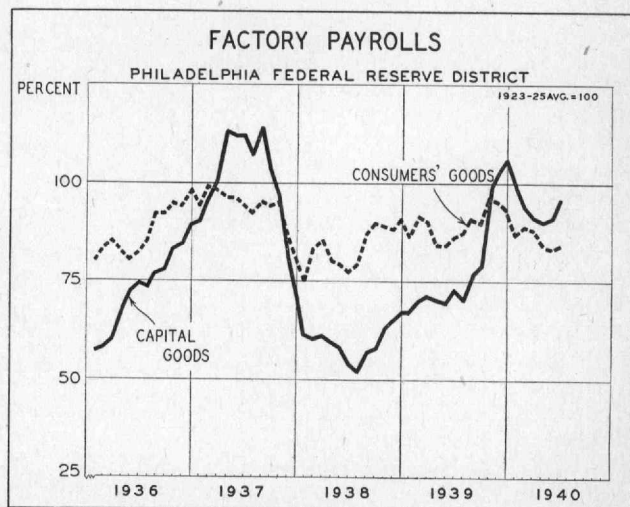
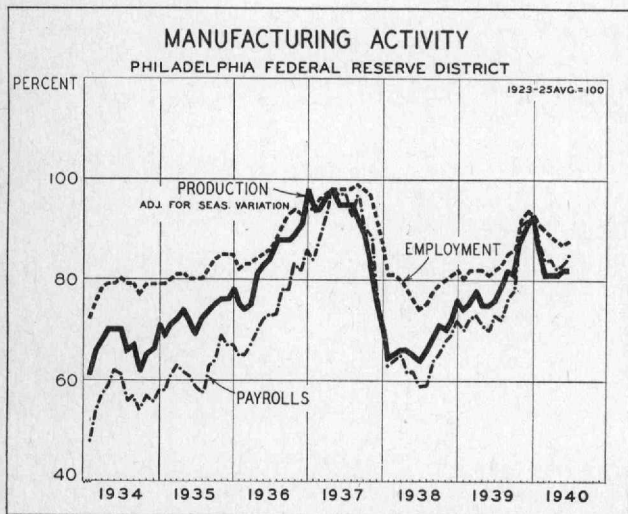
Construction activity increased further in June. Possible needs for additional plant capacity are still somewhat uncertain and no widespread industrial building activity is as yet in evidence.

Retail trade sales have improved substantially, following a moderately dull spring season. Purchases from wholesale establishments continue largely for replacement, and both wholesale and retail distributors are drawing upon inventories rather than placing forward orders.

Incomes from wages received by workers in twelve branches of trade and industry have increased further and are considerably larger than a year ago. Cash farm income also is above that of last year.

Prices of raw materials and manufactured goods have shown some tendency to decline in recent weeks, reflecting the confused outlook as to the domestic demand in many lines and, in the case of agricultural products, the loss of important foreign markets.

**Manufacturing.** The demand for heavy goods manufactured in this district continues active, but some seasonal slackening has appeared in a variety of consumers' lines. The vol-





## Business Indicators

### Philadelphia Federal Reserve District

ume of inquiries for steel products and building materials has increased further in the past month and sales by the iron and steel industry have been expanding. Many buyers appear to be placing orders in anticipation of difficulties in getting deliveries later this year when the armament program is expected to absorb a substantial part of productive capacity in the heavy industries.

Shipyards are operating at capacity and have received additional contracts in the past month. Orders for tanks and other armament are increasing, and the immediate demand for aircraft engines is considerably in excess of the supply. Seasonal activity in building and the prospect of plant expansion under the defense program are stimulating the demand for construction materials.

In consumers' lines, especially textiles, private buying has slackened after having been active in the late spring. Substantial government orders have been received, however, especially for blankets, uniform cloth, and a variety of knit goods. Prices of manufactured articles have been somewhat weak, except in the steel industry where levels have been sustained.

The large volume of unfilled orders accumulated in the heavy industries during the past several months has been generally maintained and in certain lines further increases are reported. Compared with the same period a year ago, when industrial activity was expanding rapidly, the volume of unfilled orders shows increases in the steel industry and declines in textiles and some other lines.

Manufacturing operations have increased further in the past month and in the case of heavy goods are at levels above a year ago. The expansion in business has not as yet occasioned any widespread additions to plants, but purchases of equipment have been fairly numerous.

Inventories of both raw and finished products at reporting establishments in general have shown some further increases in the past month and are larger than a year ago. This is to be expected in view of the general tendency for the demand to rise and the desire to avoid delays in deliveries.

Employment and payrolls at Pennsylvania factories increased in June following steady declines in the first part of the year from the high points reached late in 1939. From the middle of May to the middle of June, when

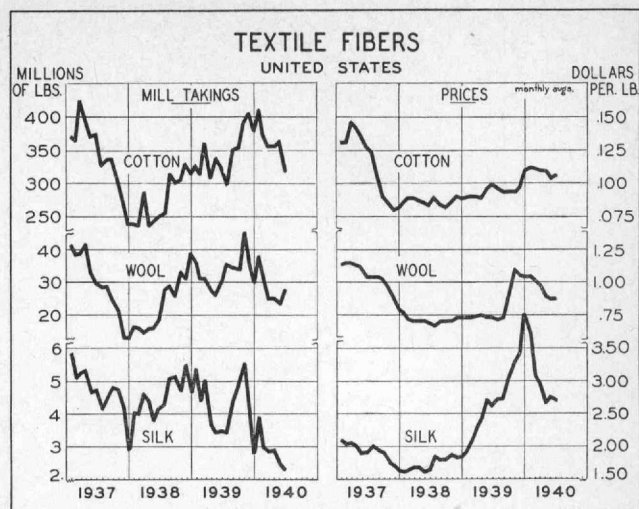
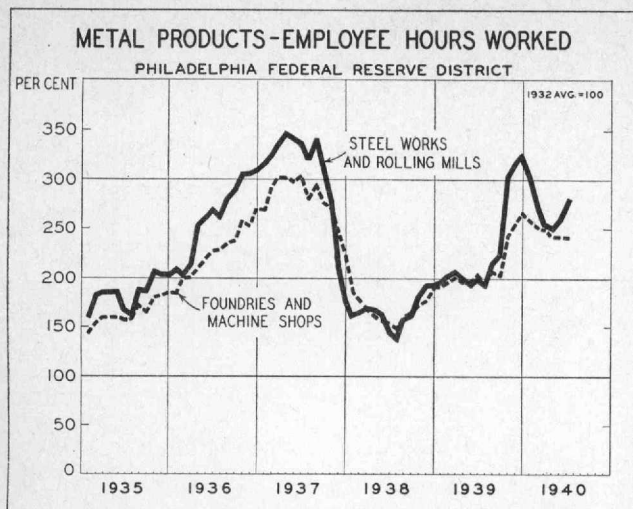
|  | Index numbers: percentages of the 1923-25 average as 100 |            |          |           |                 |        |                       |           |            |          |           |  |
|--|--|------------|----------|-----------|-----------------|--------|-----------------------|-----------|------------|----------|-----------|--|
|  | Adjusted for seasonal variation                          |            |          |           |                 |        | Not adjusted          |           |            |          |           |  |
|  | June 1939  | April 1940 | May 1940 | June 1940 | Per cent change |        |                       | June 1939 | April 1940 | May 1940 | June 1940 |  |
|  |  |            |          |           | June 1940 from  |        | 1940 from 6 mos. 1939 |           |            |          |           |  |
|  |  |            |          | Month ago | Year ago        |        |                       |           |            |          |           |  |
| Adjusted indexes allow for the usual seasonal change in activity.                    |  |            |          |           |                 |        |                       |           |            |          |           |  |
| Unadjusted indexes reflect merely the actual change which may or may not be typical. |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>Industrial production</b> .....   | 78   | 82         | 84       | 85p       | + 1             | + 8    | + 8                   | 78r       | 81         | 83       | 84p       |  |
| <b>Manufacturing—total</b> .....   | 77r  | 81         | 82       | 82p       | - 0             | + 7    | + 9                   | 76r       | 80         | 81       | 81p       |  |
| <b>DURABLE GOODS</b> .....   | 67r  | 84         | 85       | 87p       | + 3             | + 29   | + 31                  |           |            |          |           |  |
| <b>CONSUMERS' GOODS</b> .....  | 83r  | 80         | 80       | 78p       | - 2             | - 6    | - 4                   |           |            |          |           |  |
| Metal products.....  | 66r  | 86         | 86       | 91        | + 5             | + 38   | + 38                  | 67r       | 84         | 86       | 92        |  |
| Textile products.....  | 75r  | 88         | 85       | 82p       | - 6             | - 18   | - 11                  | 73r       | 65         | 63       | 62p       |  |
| Transportation equipment.....  | 77   | 95         | 99       | 103       | + 4             | + 34   | + 34                  | 78        | 100        | 103      | 104       |  |
| Food products.....   | 81   | 79         | 84       | 85p       | + 2             | + 6    | + 3                   | 77        | 76         | 80       | 80p       |  |
| Tobacco and products.....  | 95   | 108        | 114      | 97        | - 15            | + 1    | + 7                   | 103       | 99         | 111      | 104       |  |
| Building materials.....  | 40   | 42         | 43       | 39        | - 8             | - 1    | + 10                  | 44        | 41         | 45       | 43        |  |
| Chemicals and products.....  | 115  | 122        | 120      | 125p      | + 4             | + 9    | + 11                  | 116       | 124        | 122      | 126p      |  |
| Leather and products.....  | 121  | 99         | 103      | 108p      | + 4             | - 11   | - 8                   | 118       | 98         | 94       | 105p      |  |
| Paper and printing.....  | 87   | 88         | 91r      | 89        | - 1             | + 3    | + 3                   | 86        | 89         | 91       | 89        |  |
| <b>Coal mining</b> .....   | 60   | 56         | 59       | 76p       | + 28            | + 27   | - 1                   | 53r       | 57         | 58       | 67p       |  |
| Anthracite.....  | 59   | 54         | 57       | 75p       | + 32            | + 27   | - 7                   | 52r       | 56         | 57       | 66p       |  |
| Bituminous.....  | 65r  | 74         | 77       | 83        | + 7             | + 28   | + 51                  | 57r       | 67         | 70       | 73        |  |
| <b>Crude oil</b> .....   | 419  | 433        | 445      | 405       | - 9             | - 3    | + 3                   | 435       | 446        | 463      | 421       |  |
| <b>Electric power</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| Output.....  | 266  | 285        | 288      | 283       | - 2             | + 6    | + 8                   | 252       | 279        | 268      | 269       |  |
| Sales, total.....  | 255  | 270        | 274      | 277       | + 1             | + 9    | + 9                   | 247       | 278        | 263      | 269       |  |
| Sales to industries.....   | 169  | 185        | 183      | 196       | + 7             | + 16   | + 10                  | 170       | 187        | 186      | 198       |  |
| <b>Employment and wages—Pa.</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>Factory—Wage earners</b> .....  |  |            |          |           | + 1*            | + 7*   | + 8*                  | 80r       | 85         | 84       | 85        |  |
| Payrolls.....  |  |            |          |           | + 4*            | + 16*  | + 17*                 | 71r       | 79         | 79       | 82        |  |
| Man-hours (1927-28=100).....   |  |            |          |           | + 3*            | + 17*  | + 21*                 | 68        | 78         | 78r      | 80        |  |
| <b>General (1932=100)</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| Employment.....  |  |            |          |           | + 1*            | + 5*   | + 7*                  | 106r      | 110        | 110      | 111       |  |
| Payrolls.....  |  |            |          |           | + 3*            | + 13*  | + 14*                 | 140r      | 151        | 154      | 159       |  |
| <b>Building and real estate</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>Contracts awarded†—total</b> .....  | 68r  | 65         | 66       | 69        | + 5             | + 1    | - 6                   | 70        | 62         | 63       | 71        |  |
| Residential.....   | 63r  | 56         | 54       | 55        | + 3             | - 13   | - 10                  | 67        | 52         | 57       | 58        |  |
| Nonresidential.....  | 47r  | 52         | 47       | 56        | + 18            | + 18   | - 16                  | 48        | 53         | 50       | 57        |  |
| Public works and utilities.....  | 133r   | 121        | 158      | 142       | - 10            | + 7    | + 16                  | 126       | 111        | 111      | 135       |  |
| <b>Permits for building—17 cities</b> .....  | 27r  | 16         | 27       | 23        | - 14            | - 14   | + 4                   | 33r       | 23         | 30       | 29        |  |
| <b>Real estate deeds—Philadelphia†</b> .....   | 51   | 49         | 54       | 56        | + 3             | + 10   | + 14                  | 51        | 48         | 52       | 56        |  |
| <b>Writs for Sheriff sales—Phila.</b> .....  | 377  | 236        | 289      | 254       | - 12            | - 33   | - 12                  | 377       | 248        | 303      | 254       |  |
| <b>Distribution</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>Retail trade</b> —sales.....  | 75r  | 72         | 81       | 84p       | + 4             | + 12   | + 3                   | 75r       | 74         | 84       | 84p       |  |
| stocks.....  | 75   | 79         | 79       | 77p       | - 2             | + 3    | + 3                   | 70        | 81         | 79       | 82p       |  |
| <b>Wholesale trade</b> —sales.....   |  |            |          |           | - 1*            | + 8*   | + 6*                  |           |            |          |           |  |
| stocks.....  |  |            |          |           | - 1*            | + 4*   |                       |           |            |          |           |  |
| <b>Life insurance sales</b> .....  | 80   | 79         | 84       | 91        | + 8             | + 14   | - 0                   | 83        | 88         | 90       | 94        |  |
| <b>New passenger auto. registrations</b> .....                                       |  |            |          |           | - 3*            | + 33*  | + 34*                 | 120       | 150        | 164      | 159       |  |
| <b>Hotels—Occupancy (1934=100)</b> .....   |  |            |          |           | - 1*            | + 8*   | + 5*                  | 119       | 132        | 130      | 128p      |  |
| <b>Income, total (1934=100)</b> .....  |  |            |          |           | + 9*            | + 30*  | + 8*                  | 115       | 145        | 137      | 149p      |  |
| <b>Freight-car loadings—total</b> .....  | 60   | 66         | 70       | 75        | + 7             | + 24   | + 21                  | 61        | 63         | 72       | 76        |  |
| Merchandise and miscellaneous.....   | 61   | 65         | 69       | 73        | + 6             | + 20   | + 16                  | 63        | 66         | 72       | 75        |  |
| Coal.....  | 63   | 69         | 71       | 80        | + 13            | + 27   | + 29                  | 55        | 62         | 66       | 70        |  |
| <b>Business liquidations</b> .....   |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>Number</b> .....  |  |            |          |           | + 6*            | + 6*   | - 11*                 | 74r       | 104        | 74       | 79        |  |
| <b>Amount of liabilities</b> .....   |  |            |          |           | - 20*           | + 134* | - 23*                 | 11        | 43         | 31       | 25        |  |
| <b>Payment of accounts</b> .....   |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>Check payments</b> .....  | 95   | 86         | 91       | 93        | + 2             | - 2    | + 6                   | 99        | 87         | 90       | 97        |  |
| <b>Rate of collections (actual)</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| Retail trade.....  | 31   | 33         | 32       | 32        | - 2             | + 3    |                       | 32        | 33         | 33       | 33        |  |
| <b>Prices—United States</b> .....  |  |            |          |           |                 |        |                       |           |            |          |           |  |
| <b>WHOLESALE (1926=100)</b> .....  |  |            |          |           | - 1*            | + 3*   | + 3*                  | 76        | 79         | 78       | 77        |  |
| Farm products.....   |  |            |          |           | - 3*            | + 6*   | + 5*                  | 62        | 69         | 68       | 66        |  |
| Foods.....   |  |            |          |           | - 2*            | + 4*   | + 2*                  | 68        | 72         | 71       | 70        |  |
| Other commodities.....   |  |            |          |           | - 0*            | + 2*   | + 3*                  | 80        | 82         | 82       | 82        |  |
| <b>RETAIL FOOD</b> .....   |  |            |          |           | + 1*            | + 5*   | + 2*                  | 76        | 78         | 79       | 80        |  |
| Philadelphia.....  |  |            |          |           | + 1*            | + 2*   | - 0*                  | 78        | 79         | 79       | 80        |  |
| Scranton.....  |  |            |          |           | 0*              | + 4*   | + 3*                  | 73        | 76         | 76       | 76        |  |

|                                       | (In millions of dollars) |            |            |          |           | % change from |          |
|---------------------------------------|--------------------------|------------|------------|----------|-----------|---------------|----------|
|                                       | June 1939                | March 1940 | April 1940 | May 1940 | June 1940 | Month ago     | Year ago |
| <b>Banking and credit</b> .....       |                          |            |            |          |           |               |          |
| <b>Federal Reserve Bank</b> .....     |                          |            |            |          |           |               |          |
| Bills discounted.....                 | \$ 0.4                   | \$ 0.3     | \$ 0.2     | \$ 0.1   | \$ 0.1    | 0             | -75      |
| Other bills and securities.....       | 209                      | 206        | 200        | 200      | 200       | 0             | - 4      |
| Member bank reserves.....             | 493                      | 611        | 683        | 697      | 667       | -4            | + 35     |
| Reserve ratio (per cent).....         | 79.0                     | 82.9       | 83.9       | 84.2     | 84.0      | -0            | + 6      |
| <b>Reporting member banks</b> .....   |                          |            |            |          |           |               |          |
| Loans.....                            | \$ 401                   | \$ 427     | \$ 437     | \$ 446   | \$ 453    | +2            | + 13     |
| Investments.....                      | 694                      | 726        | 719        | 723      | 728       | +1            | + 5      |
| Bankers' acceptances outstanding..... | 7.9                      | 9.7        | 9.5        | 9.2      | 8.9       | -3            | + 13     |

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

p—Preliminary.

r—Revised.



there is usually a small reduction, employment increased about 1 per cent and wage disbursements nearly 4 per cent. Manufacturing employment for the state as a whole was estimated at 892,000, or 7 per cent above a year ago, and weekly payrolls aggregated \$22,100,000, or 16 per cent more than in June 1939. Early reports indicate a further improvement in the demand for factory labor during July.

The increase in June was due chiefly to further expansion in the durable goods industries. Payrolls in these lines were 30 per cent larger than a year earlier, reflecting sharp gains in activity at plants turning out metal products and certain types of transportation equipment. Wage payments also increased somewhat from May to June in consumers' goods industries, especially men's clothing, shoes, hats, and certain seasonal food products. The general level of payrolls in consumers' lines, however, was 2 per cent below a year ago, owing chiefly to declines in textiles.

The total number of man-hours worked at reporting factories in Pennsylvania increased 3 per cent in June, but the average number per employee was only fractionally higher. An increase in average weekly earnings from \$26.16 in May to \$26.60 in June was due partly to an advance of more than one-half cent in hourly earnings to 72½ cents, the highest in records back to 1927.

Reports from factories in southern New Jersey show increases from May to June of about 3 and 5 per cent respectively in the number of wage earners and in wage disbursements. Employment and payrolls were 20 and 35 per cent above a year ago. At plants in Delaware the increases were some-

what smaller, about 2 per cent in the month in both employees and wages, and 12 and 16 per cent respectively in comparison with a year ago.

Manufacturing activity in this district in June continued at the May level, as was to be seasonally expected, so that the adjusted index of production remained at 82. This level was 7 per cent higher than a year ago, but still 11 per cent under the peak of last December. Output in the first half of the year averaged 9 per cent larger than in the first six months of 1939, reflecting sharp increases in the manufacture of durable goods.

The production of durable goods has been expanding since February and in June was 29 per cent larger than a year ago. An improvement of 3 per cent in the month was principally in primary iron and steel and in transportation equipment, particularly at shipyards.

In contrast to the rising trend in capital goods, the output of consumers' goods declined 2 per cent on an adjusted basis and was 6 per cent smaller than a year ago. Production in the textile group was not maintained at seasonal levels and was 18 per cent smaller than a year ago.

The output of electric power increased less than seasonally from May to June, but total sales and sales to industry increased more than was to be expected.

**Coal and other fuels.** The demand for most fuels remains active for this season and prices generally are steady. Retail dealers in this section are still replenishing their stocks of anthracite in anticipation of fall requirements, and shipments to Canada continue unusually heavy. In New England the

demand for Pennsylvania coal has increased substantially since the war started, as imports from Russia and Wales have declined sharply. Exports of coal in June were valued at \$11,200,000 as compared with \$11,000,000 in May and \$5,600,000 a year ago.

Production of anthracite expanded considerably further in June and was well above seasonal levels in the first half of July. Colliery output averaged nearly 175,000 tons a day in June as against 152,000 in May and 138,000 a year ago.

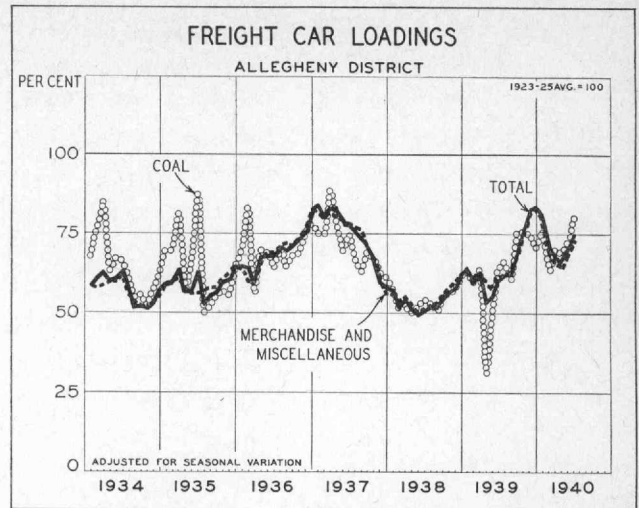
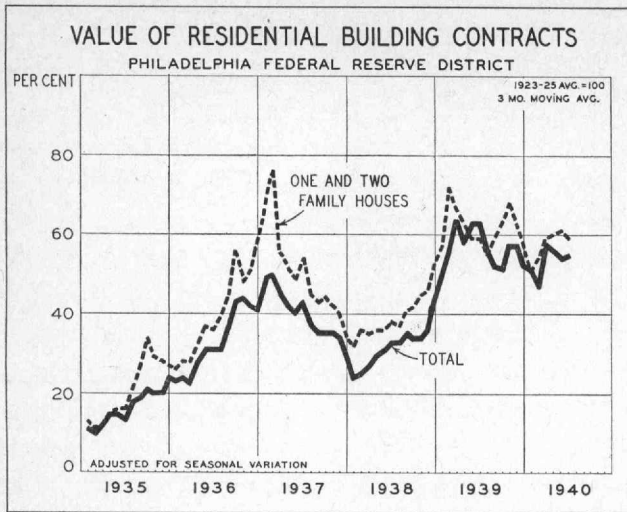
Industrial consumption of bituminous coal continues at a high level, considerably above a year ago. The output of mines expanded further in June, when there is ordinarily a decline, and was the largest for that month since 1930. The volume of production was sustained during the first two weeks of July, according to preliminary reports.

Production of by-product coke increased substantially further from May to June, reflecting expanding activity at plants turning out primary iron and steel. Output of gas and fuel oils in June also was above the May level and considerably greater than a year ago.

**Building.** General industrial and residential construction was unusually active in June and new awards for commercial structures and apartments expanded sharply.

New contracts aggregated \$21,300,000 in June, or 38 per cent more than in May and 44 per cent above 1939. The only declines in June were in houses and educational and miscellaneous structures. Contracts for industrial buildings and apartments were the largest for the month since 1930 and 1929, respectively. The sharp increase in total contracts over June 1939 re-





flected gains in all types of construction except educational buildings. The greatest increases were in commercial and factory buildings and in public works and utilities.

| Building contracts<br>Philadelphia<br>Federal Reserve<br>District | June<br>1940<br>(000's<br>omitted) | Per cent<br>change   |                                |
|---|------------------------------------|----------------------|--------------------------------|
|   |                                    | From<br>month<br>ago | 1940<br>from<br>6 mos.<br>1939 |
| <b>Residential</b> .....  | \$ 7,885                           | + 22                 | -11                            |
| Apts. and hotels.....   | 2,336                              | +507                 | -29                            |
| Family houses.....  | 5,549                              | - 9                  | - 4                            |
| <b>Nonresidential</b> .....                                       | 5,728                              | + 24                 | - 2                            |
| Commercial.....   | 3,265                              | +106                 | +36                            |
| Factories.....  | 1,072                              | + 1                  | +15                            |
| Educational.....  | 127                                | - 81                 | - 9                            |
| All other.....  | 1,264                              | - 2                  | -31                            |
| <b>Total buildings</b> .....                                      | \$13,613                           | + 23                 | - 8                            |
| <b>Public works and utilities</b> .....                           | 7,641                              | + 77                 | + 28                           |
| <b>Grand total</b> .....  | \$21,254                           | + 38                 | + 1                            |

Source: F. W. Dodge Corporation.

In the first half of the year contracts for residential construction were smaller than a year ago, but awards for commercial and industrial buildings and for public works and utilities were considerably larger. Total contracts amounted to \$95,300,000 or slightly more than in 1939 and were the largest for the period since 1931.

**Agriculture.** Growing conditions in this district continued favorable until the middle of July, but the absence of general rains retarded vegetation somewhat later in the month.

The condition of truck crops generally is satisfactory, although moisture is needed in some localities. Fruit prospects vary considerably. An excellent crop of peaches is indicated, but the outlook for apples and pears is somewhat less favorable, owing partly to insect damage. The tobacco crop in Pennsylvania is late, and the plants appear to be developing somewhat unevenly.

Yields of hay, white potatoes and oats will be larger this year than last, according to official estimates based on the condition on July 1. Output of corn and wheat is expected to show some decline from a year ago, and the tobacco harvest will be considerably smaller than the unusually large crop produced last season.

Receipts from the sale of farm products in Pennsylvania, New Jersey and Delaware increased 8 per cent in May to approximately \$31,300,000, slightly more than a year earlier. In the first five months of 1940 the cash income from crops and livestock products totaled \$142,117,000, or 3 per cent more than in the same period last year. Government payments this year also have been larger than in 1939.

**Distribution, trade and service.** Retail sales in this district in June exceeded seasonal expectations for the second successive month and in the first three weeks of July declined less than usual, according to preliminary figures. The adjusted index increased 4 per cent from May to June to within 5 per cent of the high point of the past three years reached last December. The greatest gains in the month were at shoe and men's apparel stores, although sales by other types of stores were also somewhat larger than was to be expected.

The volume of sales in June was 12 per cent above June 1939, increases ranging from 4 per cent at women's specialty shops to 17 per cent at shoe stores. During the preceding five months, sales averaged only about 1 per cent above a year earlier. Consumers' incomes have been substantially larger this year than last but

spring buying was relatively limited, owing to unseasonable weather and general unsettlement.

Stocks of goods at retail establishments declined somewhat more than usual during June and at the end of the month were only 3 per cent larger than a year ago.

Wholesale business in June was slightly smaller than in May. Substantial declines in the sale of shoes and jewelry and smaller reductions in electrical supplies and dry goods were almost offset by gains in the distribution of groceries, drugs, hardware, and paper. Sales in all lines but dry goods were larger in June than a year ago. Inventories of wholesale establishments at the end of June were 4 per cent larger than last year.

Freight-car loadings in the Allegheny District increased more than seasonally in June to the highest level since the fall, and were unusually well sustained in early July. The increase from May to June reflected chiefly larger shipments of miscellaneous freight and of coal and coke, which ordinarily decline in this period. The movement of less than carlot freight was about the same as in May.

Sales of new passenger automobiles in June were only 3 per cent smaller than in May and were nearly one-third greater than a year ago. Dealers' stocks of both new and used cars were at moderately high levels over most of June but subsequently have been reduced considerably as factory production has declined.

The income of nonresort hotels in this district increased 9 per cent in June and was 30 per cent larger than a year ago.

| Hotel business<br>Philadelphia Federal<br>Reserve District | June: per cent<br>change from |             | 1940<br>from<br>6<br>mos.<br>1939 |
|--|-------------------------------|-------------|-----------------------------------|
|  | Month<br>ago                  | Year<br>ago |                                   |
| Capacity .....   | + 0                           | + 0         | .....                             |
| Room occupancy .....                                       | - 1                           | + 8         | +5                                |
| Percent of capacity used:                                  |                               |             |                                   |
| June 1940 .....  | 57.0                          |             |                                   |
| May 1940 .....   | 57.9                          |             |                                   |
| June 1939 .....  | 52.8                          |             |                                   |
| Revenue from:  |                               |             |                                   |
| Guest rooms .....  | +25                           | +36         | +9                                |
| Food .....   | -15                           | +19         | +8                                |
| Other sources .....  | +13                           | +31         | +6                                |
| Total revenue .....  | + 9                           | +30         | +8                                |

**Banking conditions.** Credit extended by reporting member banks increased in the past month to the highest point in recent years, as commercial loans continued to expand and investments were increased through purchases of new Treasury bonds at time of allotment. The volume of deposits continues substantially larger than last year.

The relative increase over a year ago in the reserves of all member banks in this district has been somewhat greater than that shown for the country as a whole. In the first fifteen days of July reserves averaged \$668,000,000, or considerably more than double the requirements against deposits.

| Member bank<br>reserves<br>(Daily averages;<br>dollar figures in<br>millions) | Held    | Re-<br>quired | Ex-<br>cess | Ratio<br>of<br>excess<br>to re-<br>quired |
|---|---------|---------------|-------------|---|
| <b>Philadelphia banks:</b>  |         |               |             |   |
| 1940—June 1-15  | \$473.9 | \$220.5       | \$253.4     | 115%                                      |
| June 16-30  | 478.5   | 221.1         | 257.4       | 116 "                                     |
| July 1-15   | 479.0   | 221.4         | 257.6       | 116 "                                     |
| 1939—July 1-15  | 345.4   | 187.7         | 157.7       | 84 "                                      |
| <b>Country banks:</b>   |         |               |             |   |
| 1940—June 1-15  | 189.5   | 97.2          | 92.3        | 95 "                                      |
| June 16-30  | 191.1   | 97.5          | 93.6        | 96 "                                      |
| July 1-15   | 189.1   | 97.4          | 91.7        | 94 "                                      |
| 1939—July 1-15  | 157.1   | 95.2          | 61.9        | 65 "                                      |

Reserves totaled \$659,800,000 on July 24, having declined \$8,000,000 in the last five weeks. The Treasury withdrew \$16,000,000 from the depository banks in this district and received \$29,100,000 in cash on allotments to this district of \$38,600,000 of new 2¼ per cent bonds of 1954-56. The net amount taken from the local market by Treasury operations, however, was only \$8,400,000, as on other accounts government disbursements exceeded receipts.

Other factors tending to reduce reserve balances were the heavier demand for currency and a decline in float. Member banks gained funds in transactions with other districts and through payments from miscellaneous deposits at this bank.

The principal change in the bill and

| Federal Reserve<br>Bank of Philadelphia<br>(Dollar figures in<br>millions) | July<br>24,<br>1940 | Changes in—   |             |
|--|---------------------|---------------|-------------|
|  |                     | Five<br>weeks | One<br>year |
| Bills discounted .....   | \$0.2               | +\$0.1        | -\$0.1      |
| Bills bought .....   | 0                   | 0             | - 0.1       |
| Industrial advances .....  | 2.7                 | + 0.1         | - 0.0       |
| U. S. securities .....   | 194.4               | - 3.1         | - 16.6      |
| Total .....  | \$197.3             | -\$2.9        | -\$16.8     |
| Note circulation .....   | 361.0               | + 6.7         | + 44.5      |
| Member bank deposits .....   | 659.8               | - 8.1         | + 161.2     |
| U. S. general account .....  | 32.1                | + 4.8         | - 0.6       |
| Foreign bank deposits .....  | 72.9                | + 8.2         | + 44.9      |
| Other deposits .....   | 10.9                | - 7.1         | + 2.4       |
| Total reserves .....   | 962.1               | + 12.9        | + 268.4     |
| Reserve ratio .....  | 84.6%               | + 0.8%        | + 6.2%      |

security holdings of this bank was a decline of \$3,100,000 in governments to \$194,400,000. This decline was due to a reduction in the proportion of the System Open Market Account allotted here and to sales of governments by the System early in the period.

The loans and investments of the reporting member banks have increased \$12,000,000 in the past five weeks to \$1,192,000,000 on July 24. Among the changes shown were an expansion of \$9,000,000 in holdings of direct governments to \$362,000,000, which reflected the new bonds purchased on subscriptions; increases of \$5,000,000 in commercial loans and \$4,000,000 in loans not specifically classified; and a reduction of \$5,000,000 in holdings of corporate and municipal securities.

The advance in commercial loans was in contrast to declines in the corresponding periods of the two preceding years. These loans currently aggregate \$220,000,000, the largest volume in recent years, and are about 20 per cent more than a year ago.

Deposits at reporting banks have declined \$4,000,000 in the past five weeks to \$1,760,000,000, as against a record high of \$1,792,000,000 in the middle of May. This contraction reflected withdrawals from United States Government, State and municipal, and interbank balances, and partly offsetting gains in the deposits of individuals and business concerns.

The loans and investments of all member banks in this district totaled

| Reporting member banks<br>(000,000's omitted) | July<br>24,<br>1940 | Changes in—   |              |
|---|---------------------|---------------|--------------|
|   |                     | Four<br>weeks | One<br>year* |
| <b>Assets</b>                                 |                     |               |              |
| Commercial loans .....                        | \$ 220              | +\$ 5         | +\$37        |
| Open market paper .....                       | 31                  | + 1           | + 5          |
| Loans to brokers, etc. ....                   | 23                  | + 1           | + 2          |
| Other loans to carry secur. .                 | 30                  | - 2           | - 2          |
| Loans on real estate secur. .                 | 50                  | 0             | + 2          |
| Loans to banks .....                          | 1                   | 0             | 0            |
| Other loans .....                             | 106                 | + 4           | + 13         |
| Total loans .....                             | \$ 461              | +\$ 9         | +\$57        |
| Government securities .....                   | 362                 | +\$ 9         | +\$13        |
| Obligations fully guaranteed                  | 90                  | - 1           | - 6          |
| Other securities .....                        | 279                 | - 5           | + 19         |
| Total investments .....                       | \$ 731              | +\$ 3         | +\$26        |
| <b>Total loans &amp; investments</b>          |                     |               |              |
| Reserve with F. R. Bank .....                 | \$1,192             | +\$12         | +\$83        |
| Cash in vault .....                           | 492                 | - 2           | .....        |
| Balances with other banks ..                  | 20                  | 0             | .....        |
| Other assets—net .....                        | 204                 | - 17          | .....        |
| .....   | 80                  | + 1           | .....        |
| <b>Liabilities</b>                            |                     |               |              |
| Demand deposits, adjusted ..                  | \$1,027             | +\$10         | .....        |
| Time deposits .....                           | 262                 | + 1           | .....        |
| U. S. Government deposits ..                  | 46                  | 8             | .....        |
| Interbank deposits .....                      | 425                 | - 7           | .....        |
| Borrowings .....                              | 0                   | 0             | .....        |
| Other liabilities .....                       | 14                  | - 1           | .....        |
| Capital account .....                         | 214                 | - 1           | .....        |

\*On comparable basis.

\$2,342,000,000 on June 29, according to preliminary tabulations. Loans were increased \$34,000,000 above the level of March 26 to \$984,000,000, the largest volume since early 1935. Increases of \$21,000,000 and \$13,000,000 respectively were reported by banks in Philadelphia and by country banks.

Supplementary data contained in weekly reports indicate that the expansion in this city was principally in commercial accommodation and in unclassified loans.

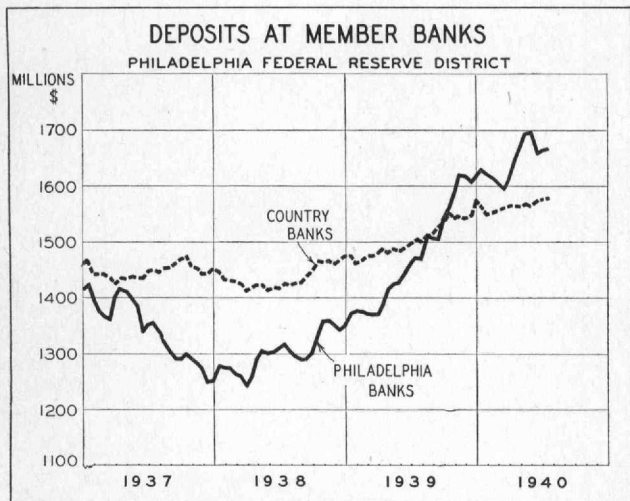
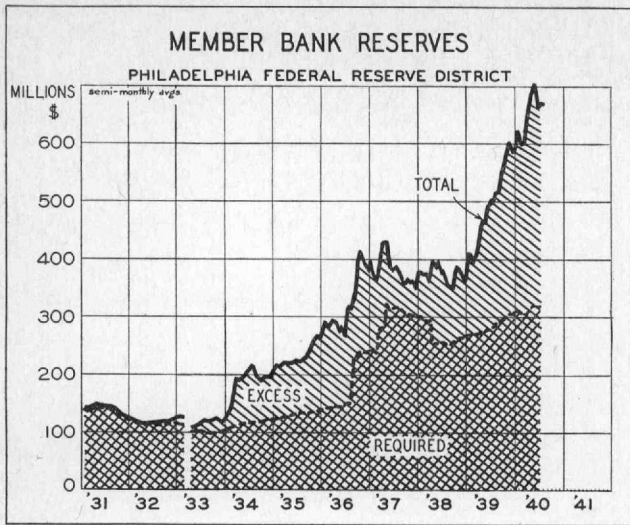
Investments showed virtually no net change in the second quarter of 1940; holdings of State and local government securities increased \$9,000,000, while corporates declined \$8,000,000, and holdings of obligations of the United States Government were reduced about \$1,000,000. The investments of Philadelphia banks were within 2 per cent of the highest point reached on any call date, but security holdings of country banks on June 29 were 12 per cent less than at the high point reported at the end of 1936.

MEMBER BANK RESERVES AND RELATED FACTORS

| Philadelphia Federal Reserve District<br>(Millions of dollars) | Changes in weeks ending— |           |            |            |            | Changes<br>in five<br>weeks* |
|--|--------------------------|-----------|------------|------------|------------|------------------------------|
|  | June<br>26               | July<br>3 | July<br>10 | July<br>17 | July<br>24 |                              |
| <b>Sources of funds:</b>                                       |                          |           |            |            |            |                              |
| Reserve bank credit extended in district ..                    | -5.6                     | - 1.6     | + 0.8      | + 1.8      | - 1.1      | - 5.7                        |
| Commercial transfers (chiefly interdistrict) ..                | +9.9                     | - 8.5     | - 2.0      | + 5.6      | - 2.2      | + 2.8                        |
| Treasury operations .....                                      | +4.1                     | + 2.6     | + 2.2      | + 3.0      | - 20.3     | - 8.4                        |
| Total .....  | +8.4                     | - 7.5     | + 1.0      | + 10.4     | - 23.6     | - 11.3                       |
| <b>Uses of funds:</b>  |                          |           |            |            |            |                              |
| Currency demand .....  | +3.1                     | + 6.7     | - 2.5      | - 1.4      | - 1.6      | + 4.3                        |
| Member bank reserve deposits .....                             | +6.2                     | - 11.4    | + 3.8      | + 15.4     | - 22.1     | - 8.1                        |
| "Other deposits" at reserve bank .....                         | - 0.9                    | - 2.5     | - 0.3      | - 3.5      | + 0.1      | - 7.1                        |
| Other Federal Reserve accounts .....                           | - 0.0                    | - 0.3     | - 0.0      | - 0.1      | - 0.0      | - 0.4                        |
| Total .....  | +8.4                     | - 7.5     | + 1.0      | + 10.4     | - 23.6     | - 11.3                       |

\* Preliminary.





## 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*       |                      |           | Employee-hours†                |           |
|--------------------------------|-----------------|----------------------|-----------|-----------------|----------------------|-----------|--------------------------------|-----------|
|                                | June 1940 index | Per cent change from |           | June 1940 index | Per cent change from |           | June 1940—per cent change from |           |
|                                |                 | May 1940             | June 1939 |                 | May 1940             | June 1939 | May 1940                       | June 1939 |
| <b>All manufacturing</b> ..... | 85              | +1                   | +7        | 82              | +4                   | +16       | +3                             | +17       |
| Iron, steel and prods.....     | 82              | +3                   | +20       | 103             | +6                   | +33       | +5                             | +31       |
| Non-fer. metal prods....       | 126             | +3                   | +16       | 156             | +4                   | +22       | +1                             | +19       |
| Transportation equip....       | 60              | +2                   | +12       | 59              | -0                   | +9        | -2                             | +18       |
| Textiles and clothing....      | 83              | -2                   | -7        | 72              | -0                   | -8        | -2                             | -11       |
| Textiles.....                  | 76              | -3                   | -9        | 67              | -2                   | -10       | -2                             | -10       |
| Clothing.....                  | 108             | +2                   | -2        | 97              | +5                   | -2        | -0                             | -12       |
| Food products.....             | 104             | +2                   | +2        | 115             | +3                   | +5        | +2                             | +6        |
| Stone, clay and glass....      | 76              | +1                   | +5        | 77              | +1                   | +7        | +2                             | +2        |
| Lumber products.....           | 61              | +9                   | +6        | 56              | +9                   | +8        | +7                             | +9        |
| Chemicals and prods....        | 94              | -0                   | +14       | 106             | +1                   | +17       | +0                             | +24       |
| Leather and products....       | 82              | +2                   | -8        | 81              | +19                  | +1        | +12                            | +7        |
| Paper and printing.....        | 99              | +0                   | +2        | 105             | -1                   | +6        | -1                             | +7        |
| Printing.....                  | 89              | -1                   | -3        | 96              | -2                   | +1        | -4                             | +1        |
| Others:                        |                 |                      |           |                 |                      |           |                                |           |
| Cigars and tobacco....         | 64              | +0                   | +3        | 62              | +6                   | +13       | +5                             | +12       |
| Rubber tires, goods....        | 80              | +0                   | -1        | 93              | +3                   | -3        | +3                             | -3        |
| Musical instruments..          | 67              | +1                   | +15       | 68              | +0                   | +26       | +0                             | +24       |

\* Figures from 2,428 plants.

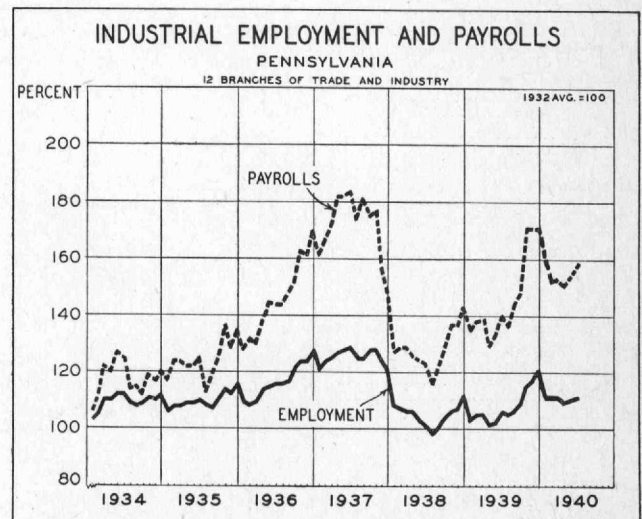
† Figures from 2,188 plants.

### 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        |                      |           |
|--------------------------------------|-----------------|----------------------|-----------|-----------------|----------------------|-----------|
|                                      | June 1940 index | Per cent change from |           | June 1940 index | Per cent change from |           |
|                                      |                 | May 1940             | June 1939 |                 | May 1940             | June 1939 |
| <b>General index (weighted)</b> .... | 111             | +1                   | +5        | 159             | +3                   | +13       |
| Manufacturing.....                   | 133             | +1                   | +7        | 201             | +4                   | +16       |
| Anthracite mining.....               | 66              | -4                   | -3        | 69              | +2                   | +13       |
| Bituminous coal mining....           | 101             | -2                   | +10       | 190             | +1                   | +17       |
| Building and construction....        | 55              | +5                   | +0        | 78              | +3                   | +7        |
| Quarrying and non-met. mining        | 110             | -3                   | +3        | 211             | -4                   | +7        |
| Crude petroleum producing...         | 133             | +0                   | +1        | 158             | -1                   | +1        |
| Public utilities.....                | 98              | +1                   | +3        | 110             | +1                   | +4        |
| Retail trade.....                    | 110             | +3                   | +5        | 133             | +5                   | +9        |
| Wholesale trade.....                 | 118             | -0                   | +3        | 123             | -0                   | +5        |
| Hotels.....                          | 104             | -3                   | -2        | 120             | -4                   | -0        |
| Laundries.....                       | 107             | +3                   | +5        | 143             | +3                   | +6        |
| Dyeing and cleaning.....             | 110             | +3                   | +4        | 151             | +5                   | +7        |



Percentage change—June 1940 from June 1939

| City areas*       | Manufacturing |               | Building permits (value) | Debits | Retail trade sales |
|-------------------|---------------|---------------|--------------------------|--------|--------------------|
|                   | Employment    | Wage payments |                          |        |                    |
| Allentown.....    | +14           | +24           | -25                      | +2     | +16                |
| Altoona.....      | +16           | +2            | +58                      | +9     | +15                |
| Harrisburg.....   | +12           | +21           | -72                      | -4     | +18                |
| Johnstown.....    | +33           | +38           | +42                      | +17    | +33                |
| Lancaster.....    | -1            | +1            | +11                      | +6     | +12                |
| Philadelphia..... | +2            | +9            | -28                      | -14    | +11                |
| Reading.....      | +1            | +3            | +228                     | -2     | +17                |
| Seranton.....     | -6            | -12           | -46                      | -2     | +8                 |
| Trenton.....      | +11           | +20           | +438                     | +5     | +12                |
| Wilkes-Barre..... | +1            | +2            | +29                      | +10    | +8                 |
| Williamsport..... | +6            | +8            | -26                      | +9     | .....              |
| Wilmington.....   | +11           | +16           | -21                      | +18    | +5                 |
| York.....         | +7            | +20           | +270                     | +4     | +12                |

June 1940 from May 1940

|                   |    |    |      |     |       |
|-------------------|----|----|------|-----|-------|
| Allentown.....    | +1 | +4 | -0   | -5  | +8    |
| Altoona.....      | -0 | -1 | -20  | -6  | -1    |
| Harrisburg.....   | +2 | +3 | -59  | -0  | -2    |
| Johnstown.....    | +4 | +8 | +102 | +2  | +1    |
| Lancaster.....    | +0 | +4 | +107 | -7  | -8    |
| Philadelphia..... | +1 | +3 | +64  | -1  | -1    |
| Reading.....      | +1 | +3 | +54  | -10 | -5    |
| Seranton.....     | +0 | -3 | -60  | -2  | -8    |
| Trenton.....      | +1 | +8 | +304 | +3  | +15   |
| Wilkes-Barre..... | -9 | -1 | -81  | -9  | -1    |
| Williamsport..... | +1 | -2 | -21  | -4  | ..... |
| Wilmington.....   | -0 | +1 | -86  | +30 | +5    |
| York.....         | +3 | +6 | -41  | -5  | -1    |

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

