

THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
SEPTEMBER 2, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

Business and Banking Conditions in the United States

Volume of industrial output was steady during July and the first half of August, after a rapid expansion in May and June. Employment continued to increase. Reflecting mainly awards for national defense projects, construction contracts rose to the highest level in ten years. Prices of basic commodities declined somewhat further.

Production. In July the Board's revised index of industrial production stood at 121 per cent of the 1935-1939 average, according to preliminary data. This is the same as in June and 17 points above the level prevailing a year ago before the outbreak of war. In most lines activity was maintained at the levels reached in June or increased further.

Steel production in July was at about 85 per cent of capacity and in the first half of August there was an increase to about 90 per cent. Production of pig iron and coke and output of nonferrous metals were also in large volume. In the machinery, shipbuilding, and aircraft industries, where new orders had been large during the first half of the year and a

considerable backlog of unfilled orders had accumulated, activity was maintained at high levels in July, although ordinarily there are declines at this season. Lumber production declined sharply early in July but has subsequently increased accompanying a considerable rise in new orders.

In the automobile industry output declined sharply in July and the first half of August as plants were closed to prepare for the shift to new model production. The decline was greater than at this season in other recent years, reflecting the fact that production had been at high levels during the first half of 1940 and large stocks had accumulated. These stocks were reduced considerably in July as production was curtailed and retail sales continued large.

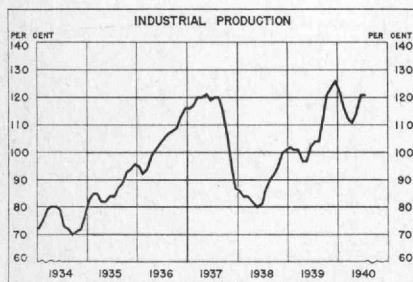
Textile production increased considerably further in July, reflecting chiefly a marked rise in activity at woolen mills where output is still below the levels of a year ago. Production of cotton and rayon textiles was maintained in July and was in larger volume than last summer, while activity at silk mills increased some-

what from the exceptionally low level reached in June. Shoe production increased seasonally, while output of manufactured foods, which in June had been unusually large for that time of year, showed less than the customary increase in July.

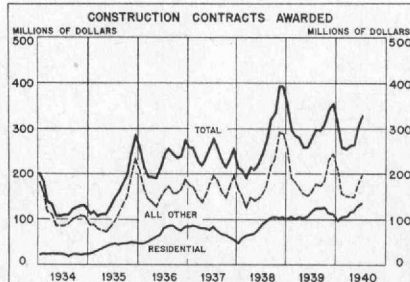
Coal production has risen further and shipments of iron ore down the Lakes have continued at near-capacity rates. Petroleum production has been curtailed sharply, however, reflecting partly a continued high level of stocks of petroleum products.

Value of new construction work undertaken increased sharply in July, owing mainly to a further rise in public construction, and was at the highest level in the past decade, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Awards for both residential and nonresidential private building increased somewhat, although some decline is usual at this season.

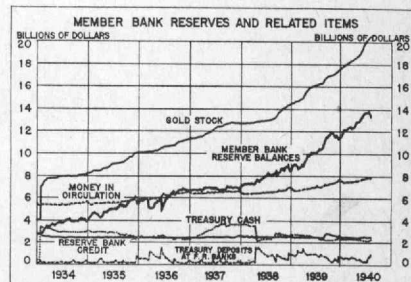
Increases were most pronounced in the Atlantic, Gulf, and Pacific Coast States, reflecting awards of additional contracts for naval air station and shipyard construction. In the central



Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average=100. By months, January 1934 to July 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for May and June and estimate for July.



Wednesday figures, January 3, 1934, to August 7, 1940.

portions of the country there were generally small increases, although in some areas awards were lower.

Distribution. Distribution of commodities to consumers was sustained in July at about the levels prevailing in the first half of the year. Sales at department stores declined more than seasonally, while sales at variety stores showed little change, although a decline is usual in July.

Total freight-car loadings increased seasonally in July. Shipments of grain showed a considerable rise and loadings of coal and coke continued to advance, while shipments of miscellaneous freight, which include most manufactured products, declined by somewhat more than the usual seasonal amount.

Commodity prices. Prices of basic commodities declined somewhat further from the middle of July to the middle of August, with decreases

chiefly in prices of commodities influenced by foreign supplies, such as lead, rubber, cocoa, and coffee. Prices of steel scrap and zinc, on the other hand, advanced somewhat in this period.

Agriculture. Prospects for most crops showed little change in July, according to the Department of Agriculture. Production this year is expected to approximate the 1929-1938 average and, considering carryovers, supplies of most crops will be large. Conditions for wheat and oats improved during July, while the corn crop showed some deterioration. A cotton crop of 11,429,000 bales was indicated for this season as compared with 11,817,000 bales last season.

Bank credit. Total loans and investments at reporting member banks in 101 leading cities increased substantially during the five weeks ending

August 14, owing mainly to purchases of direct and guaranteed securities newly issued by the United States Government. Sale of these securities caused a large increase in Treasury balances with the Federal Reserve Banks. As a result of this temporary development, excess reserves declined by \$450,000,000 in this period despite an increase of over \$500,000,000 in monetary gold stock.

Government security market. Prices of United States Government securities were relatively steady during July and the early part of August but declined slightly around the middle of August accompanying news of intensification of European warfare. The yield on the 1960-65 bonds increased to 2.39 per cent on August 14 compared with 2.34 per cent on July 1 and 2.26 per cent on April 2 at the year's peak in prices.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Industrial activity in the Third Federal Reserve District was well sustained in July and further improvement was in evidence in August. The demand for capital goods has continued to increase owing in part to actual and anticipated production for national defense. Demand for consumers' goods continues light as seasonal ordering has been delayed, but a substantial volume of business is expected this fall from both civilian and government sources.

The seasonally adjusted index of industrial production advanced 4 per

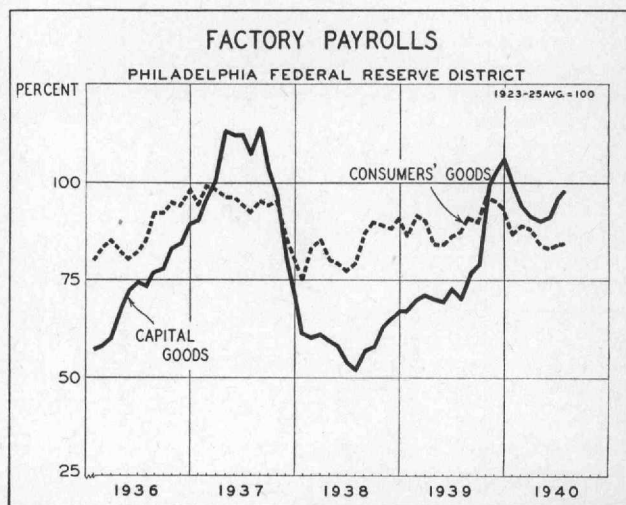
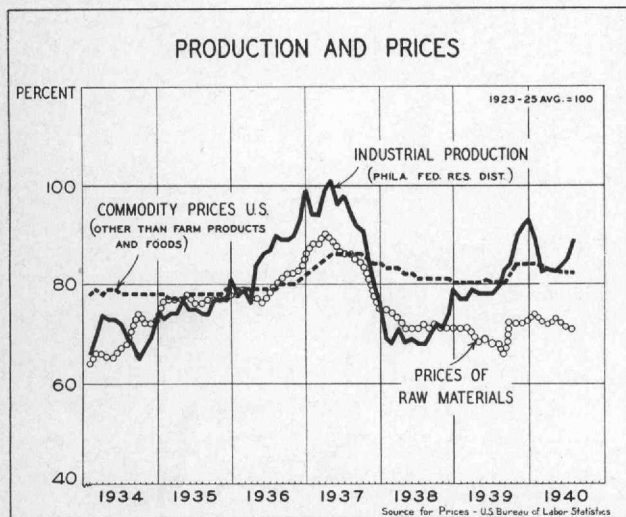
cent from June to July. Manufacturing activity and the production of electric power showed improvement; the output of bituminous coal increased and the production of anthracite materially exceeded seasonal expectations.

Construction activity expanded considerably in the month, especially in the case of nonresidential building and public works and utilities. Current levels are well above a year ago.

Employment and payrolls in Pennsylvania in general showed little change from June to July. Increases

were reported in manufacturing lines and further substantial advances appear to have occurred in August. The trend of wage payments in extractive industries was mixed, increases being reported in the case of bituminous coal mining and production of crude petroleum and declines being shown at anthracite mines and quarries. Declines also prevailed in the trade and service industries.

Sales at wholesale and retail declined in July after having shown improvement in the preceding months, but remain larger than a year ago.



The volume of wholesale business continues to be sustained primarily by reorders.

Commodity prices were somewhat weak from the middle of July until early August, but subsequently showed firmness. In the case of staple commodities strength has been shown recently in quotations on industrial materials, chiefly metals.

Manufacturing. The demand for products manufactured in this district has continued to expand, the largest gains again being in the case of heavy goods. Inquiries for and sales of iron and steel products and building materials increased in the four weeks ended the middle of August and are well above a year ago. The demand for certain textiles and shoes also improved somewhat in the period.

The volume of unfilled orders at plants producing capital goods increased further in the month, and backlogs in the manufacturing industry generally were larger than a year ago in all reporting lines except textiles and some miscellaneous products. Inventories of both raw and finished goods at reporting factories are about the same as a month and a year ago.

Prices of manufactured goods are generally firm. Some weakness is apparent in certain textiles and leather, and increases have been reported in the case of lumber products.

Employment and payrolls at Pennsylvania factories increased about 1 per cent from June to July, when employment ordinarily shows no change and wage payments decline 2 per cent. Preliminary reports from over 1600 establishments indicate further substantial gains in August at both iron and steel and textile mills.

At the levels in July the total number of factory wage earners in Pennsylvania was estimated at 907,000, or about the same as in March. Aggregate wage payments were estimated at \$22,500,000 a week, which, except for the four months from last October to January, was the highest level since the fall of 1937.

The sharpest gains in the month were reported by the capital goods industries, where employment was 20 per cent and payrolls nearly 40 per cent above a year ago. At iron and steel mills, where there is customarily no change in the month, employment increased 3 per cent, the greatest improvement being at steel works and rolling mills, forges, foundries, and

Business Indicators Philadelphia Federal Reserve District

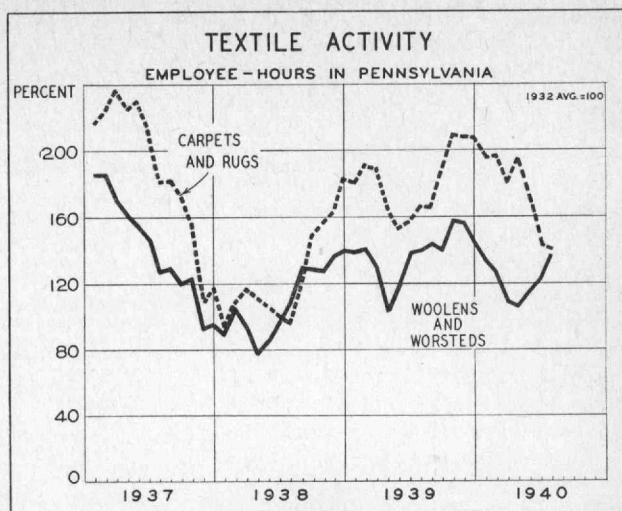
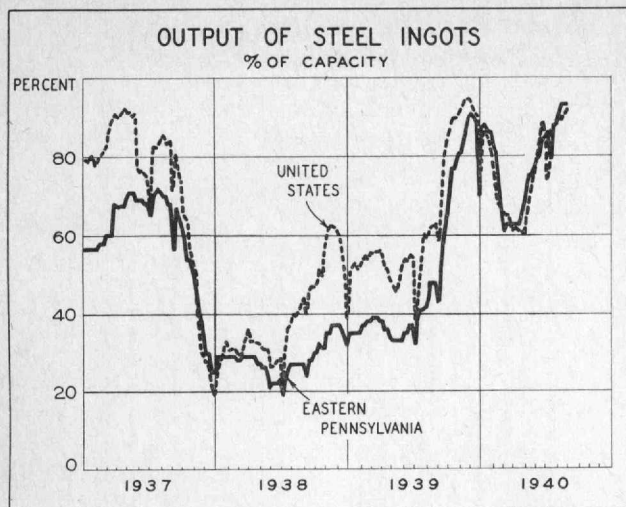
	Index numbers: percentages of the 1923-1925 average as 100											
	Adjusted for seasonal variation						Not adjusted					
	Adjusted indexes allow for the usual seasonal change in activity.						Unadjusted indexes reflect merely the actual change which may or may not be typical.					
	Per cent change											
	July 1939	May 1940	June 1940	July 1940	July 1940 from Month ago	July 1940 from Year ago	July 1939	May 1940	June 1940	July 1940	July 1940 from 7 mos. 1939	July 1940
Industrial production												
Manufacturing—total	81r	84	85	89p	+ 4	+10	+ 8	77	83	84	84p	84p
DURABLE GOODS	79r	82	83	86p	+ 4	+ 9	+ 9	76	81	82	82p	82p
CONSUMERS' GOODS	69r	85	87	92p	+ 5	+34	+32	64	86	92	93	93
Metal products	87	80	80	82p	+ 3	- 6	- 4	86	86	92	93	93
Textile products	67	86	91	98	+ 8	+46	+39	64	86	92	93	93
Transportation equipment	80	65	64	69p	+ 7	-14	-11	74	63	63	63p	63p
Food products	81	99	103	108	+ 5	+33	+34	79	103	104	105	105
Tobacco and products	85	84	86	86p	+ 1	+ 1	+ 3	81	80	81	80p	80p
Building materials	92	114	97	92	+ 4	+ 1	+ 6	99	111	104	100	100
Chemicals and products	38	43	40r	40p	- 1	+ 5	+10	41	45	44r	43p	43p
Leather and products	124	120	128	129p	+ 1	+ 3	+11	123	122	128	127p	127p
Paper and printing	133	103	108	114p	+ 6	-14	- 9	121	94	105	104p	104p
Coal mining	86	91	89	88	+ 1	+ 2	+ 3	83	91	89	85	85
Anthracite	57r	59	72	83p	+14	+44	+ 4	46	58	66	65p	65p
Bituminous	56r	57	71	82p	+15	+46	- 2	44	57	65	64p	64p
Crude oil	68r	77	83	87	+ 4	+28	+49	60r	70	73	76	76
Electric power	424	445	405	411	+ 1	- 3	+ 2	424	463	421	411	411
Output	261	288	283	292	+ 3	+12	+ 9	242	268	269	272	272
Sales, total†	251	274	277	276	- 0	+10	+ 9	236	263	269	260	260
Sales to industries†	175	183	196	184	- 6	+ 5	+ 9	178	186	198	187	187
Employment and wages—Pa.												
Factory—Employment					+ 2*	+ 7*	+ 8*	81r	84	86r	87	87
Payrolls					+ 1*	+20*	+18*	70r	79	82	83	83
Man-hours (1927-28 = 100)					+ 2*	+23*	+21*	66	78	80	81	81
General (1932 = 100)												
Employment					- 0*	+ 6*	+ 7*	105r	110	112r	111	111
Payrolls					+ 0*	+17*	+15*	136r	154	159	159	159
Building and real estate												
Contracts awarded†—total	73r	66	69	93	+35	+28	- 0	67	63	71	86	86
Residential†	56r	54	55	51	- 7	- 9	- 9	64	57	58	58	58
Nonresidential†	52r	47	56	94	+68	+83	- 3	47	50	57	87	87
Public works and utilities†	141r	158	142	187	+32	+33	+19	121	111	135	161	161
Permits for building—17 cities	20	27	23	21	- 9	+ 8	+ 6	24	30	29	26	26
Real estate deeds—Philadelphia†	51	54	56	58	+ 3	+13	+15	51	52	56	58	58
Writs for Sheriff sales—Phila.	296	289	254	256	+ 1	-14	-12	281	303	254	243	243
Distribution												
Retail trade—sales	77r	81	84	79p	- 6	+ 3	+ 3	54	84	84	55p	55p
stocks	75	79	77	78p	+ 2	+ 5	+ 7	67	79	72	70p	70p
Wholesale trade—sales					- 7*	+17*	+ 7					
stocks					- 1*	+ 4*						
Life insurance sales	77	84	91	93	+ 3	+21	+ 3	74	90	94	90	90
New passenger auto. registrations					- 0*	+54*	+38*	103	164	159	158	158
Hotels—Occupancy... (1934 = 100)					-24*	+ 4*	+ 5*	93	130	128	97	97
Income, total (1934 = 100)					-44*	+ 4*	+ 8*	82r	137	151	85	85
Freight-car loadings—total	62	70	75	75	+ 0	+21	+22	63	72	76	78	78
Merchandise and miscellaneous	62	69	73	73	- 0	+18	+17	63	72	75	75	75
Coal	66	71	80	79	- 1	+19	+28	59	66	70	70	70
Business liquidations												
Number					+21*	0*	-10*	95r	74	79	95	95
Amount of liabilities					-13*	-48*	-27*	42	31	25	22	22
Payment of accounts												
Check payments	89	91	93	89	- 4	- 0	+ 6	87	90	97	87	87
Rate of collections (actual)												
Retail trade	32	32	32	33	+ 3	+ 3		32	33	33	33	33
Prices—United States												
WHOLESALE (1926 = 100)					+ 0*	+ 3*	+ 3*	75	78	78r	78	78
Farm products					+ 0*	+ 6*	+ 5*	63	68	66	66	66
Foods					+ 0*	+ 4*	+ 3*	67	71	70	70	70
Other commodities					+ 0*	+ 3*	+ 2*	80	82	82	82	82
RETAIL FOOD					- 1*	+ 3*	+ 2*	76	79	80	79	79
Philadelphia					- 0*	+ 2*	+ 0*	78	79	80	80	80
Scranton					- 0*	+ 3*	+ 3*	74	76	76	76	76

(In millions of dollars)	July 1939	April 1940	May 1940	June 1940	July 1940	% change from	
						Month ago	Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted	\$ 0.3	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.2	+100	-33
Other bills and securities	217	200	200	200	197	- 1	- 9
Member bank reserves	502	683	697	667	670	+ 0	+33
Reserve ratio (per cent)	77.9	83.9	84.2	84.0	84.5	+ 1	+ 8
Reporting member banks							
Loans	\$ 400	\$ 437	\$ 446	\$ 453	\$ 460	+ 2	+15
Investments	700	719	723	728	725	- 0	+ 4
Bankers' acceptances outstanding	8.1	9.5	9.2	8.9	9.1	+ 2	+12

* 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.



machine shops. Increases were also reported in the transportation equipment industry, reflecting gains at plants producing motor trucks and railway equipment. At establishments turning out stone, clay and glass products, employment and payrolls were unusually well sustained.

Employment in the consumers' goods industries increased about 1 per cent from June to July, while wage payments were unchanged. Current levels are still below a year ago. Improvement in the month was most marked at woollen and worsted and hosiery mills and at shoe factories. Increases at clothing mills were smaller than seasonal expectations.

Average hourly earnings of factory workers in Pennsylvania advanced for the fifth consecutive month to reach a new high of 72.8 cents. This compares with a peak of 72 cents in 1937. Weekly earnings declined slightly to \$26.43.

Employment and payrolls in Delaware factories declined nearly 2 per cent in the aggregate, reflecting a temporary curtailment of activity in important plants producing transportation equipment. Compared with a year ago employment showed a gain of 11 per cent and payrolls 20 per cent.

At factories in southern New Jersey employment increased fractionally from June to July, and payrolls expanded 1 per cent. At these levels there were 19 per cent more wage earners working than in 1939 and wage payments aggregated 35 per cent more than a year earlier.

The output of manufactured goods in this district was sustained in July instead of showing the customary decline. On a seasonally adjusted basis

there was an aggregate increase of 4 per cent. Output of capital goods increased 5 per cent to a level 34 per cent above a year ago, while consumers' goods expanded 3 per cent but were still 6 per cent below 1939.

Among the major lines the largest gains in the month were in the output of metals, textiles, leather, and transportation equipment. Of the individual products the sharpest increases in durable goods were in the case of motor trucks, steel castings, steel, and brick, and in nondurable goods, hosiery, underwear, and sugar. Compared with 1939 the largest gains were reported by shipyards, iron and steel mills, steel foundries and plants producing locomotives and cars.

The output of electric power increased somewhat in July instead of showing the customary decline and was 12 per cent above a year ago. Total sales were about the same as in June on a seasonally adjusted basis.

Coal and other fuels. The market for fuels generally is well sustained, and demand from heavy industries for bituminous coal and coke has been especially active. Purchases of anthracite by retail dealers continue substantial and in recent weeks have been larger than a year ago. The value of coal exported from the United States declined 8 per cent from June to July but was still 65 per cent larger than a year ago.

Production of anthracite was reduced considerably less than usual in July and was the largest for the month since 1930. Activity at the mines slackened seasonally in early August. In the first seven months of this year production aggregated 29,400,000 tons,

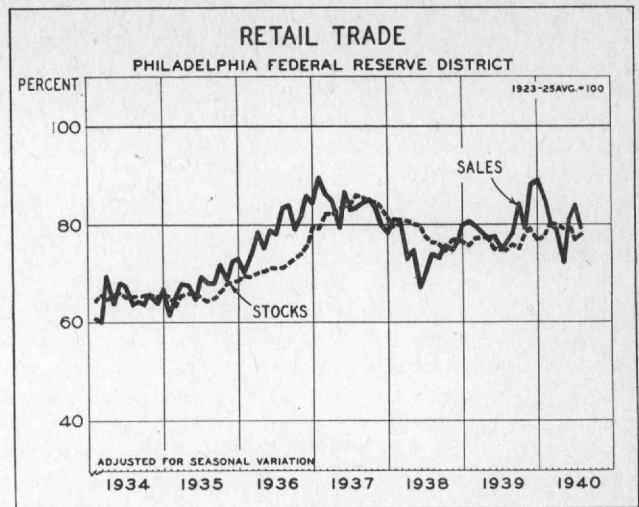
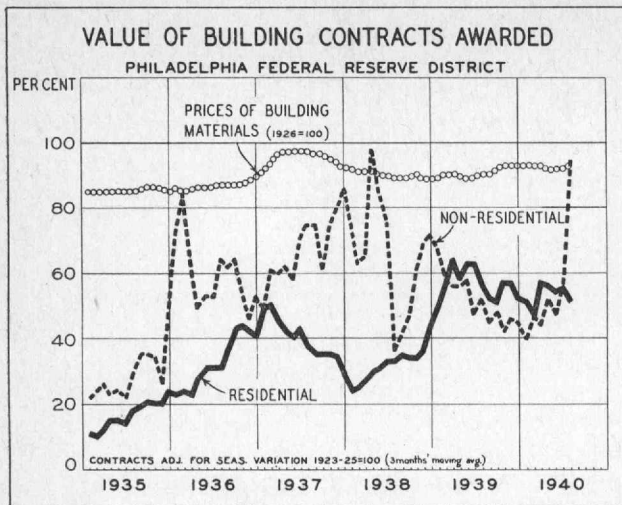
or about 2 per cent less than a year earlier, when demand was stimulated by the temporary stoppage of operations at bituminous mines.

Output of soft coal in Pennsylvania has exceeded seasonal expectations since February, and in July the volume was 28 per cent greater than a year earlier. Production expanded somewhat further in early August, according to preliminary reports.

Production of by-product coke has increased sharply since the spring and in July was only slightly below the peak of recent years reached last November. Output of gas and fuel oils decreased somewhat in July and was slightly below the level of a year earlier. In the first seven months this year operations at by-product coke ovens and oil refineries were substantially above 1939.

Building. Construction activity in this district improved sharply again in July and was well above the levels of a year ago. Payrolls in the construction and contracting industry in Pennsylvania showed an increase of 57 per cent from the seasonal low point in February, compared with a gain of 29 per cent in the comparable period of 1939 and only 8 per cent in 1938.

The value of new contracts awarded in July aggregated \$29,136,000 or 37 per cent more than in June and 83 per cent above a year ago. The increase in the month was due largely to an expansion from \$1,072,000 to \$10,965,000 in awards for factories, which reflected chiefly awards for the construction of additional shipbuilding facilities. Decreases from June were shown in the case of residential and commercial building.



Building contracts Philadelphia Federal Reserve District	July 1940 (000's omitted)	Per cent change	
		From month ago	1940 from 7 mos. 1939
Residential.....	\$ 6,835	- 13	- 6
Apts. and hotels.....	1,539	- 34	- 18
Family houses.....	5,296	- 5	- 2
Nonresidential.....	14,482	+153	+ 21
Commercial.....	1,090	- 67	+ 25
Factories.....	10,965	+923	+154
Educational.....	975	+668	+ 6
All other.....	1,452	+ 15	- 37
Total buildings.....	\$21,317	+ 57	+ 6
Public works and utilities.	7,819	+ 2	+ 35
Grand total.....	\$29,136	+ 37	+ 13

Source: F. W. Dodge Corporation.

Awards totaled \$124,400,000 in the first seven months of the year, compared with \$109,900,000 last year and a 1930-1939 average for the period of \$95,200,000. The sharpest increase over 1939 was in contracts for factory buildings, which have comprised nearly 15 per cent of awards to date, as against less than 7 per cent in 1939.

Agriculture. The outlook for agriculture in this district has improved somewhat since early August. General rains have replenished soil moisture and have been particularly beneficial to late truck crops, tobacco and pastures. Fall plowing is beginning in several southern counties.

Estimated yields of corn, oats, tobacco, and white potatoes have been revised upward since July, according to reports of the Department of Agriculture. Compared with the five-year average, the output of oats, hay, and tobacco will be substantially larger this year, while some decrease is indicated in the case of most other leading field crops. The quality of orchard fruits is satisfactory, but the commercial crop of apples in Pennsylvania and New Jersey is expected

to be somewhat smaller than in 1939.

Cash income from the sale of farm products and from government payments in Pennsylvania, New Jersey, and Delaware has increased further, and in the first six months of 1940 totaled nearly \$180,500,000, or about 3 per cent more than in the same period last year.

Distribution, trade and service. The distribution of commodities to consumers continues to lag in the expansion in general business activity. The aggregate income of factory workers, which represents the basic source of purchasing power, during the first seven months of the year averaged nearly 18 per cent above the corresponding period in 1939 in the Philadelphia Federal Reserve District. During this time retail sales showed an increase of only 3 per cent over a year before, and wholesale trade was but 7 per cent higher. Shipments by rail freight in the Allegheny District were 22 per cent above 1939, but this was due primarily to large increases in the movement of such heavy goods as ore, coke, and coal. Less than carload shipments of merchandise in the first seven months of this year aggregated about the same as in 1939.

The prospects for distributive activity during the balance of the year, however, are generally regarded as favorable. Latest preliminary reports of retail sales indicate substantial increases over a year ago, and retailers anticipate an active fall season. Stores continue to be cautious in their buying policies.

The dollar volume of retail trade sales declined more than seasonally during the summer lull in July, following substantial improvement in

business in the two preceding months. Aggregate sales of reporting stores decreased 6 per cent more than was to be expected in the month, all lines except women's apparel showing reductions on an adjusted basis.

Compared with July 1939 total sales were 3 per cent larger, reflecting gains at department and men's apparel stores. Women's specialty shops and credit stores had slightly smaller volumes of business than a year earlier, and at shoe stores there was a greater decline.

Stocks of goods at retail stores increased about 2 per cent from June to July, after allowing for seasonal changes. This was due to increases at apparel stores. Compared with July 1939 aggregate retail inventories were 5 per cent larger.

Wholesale trade sales declined from June to July in all reporting lines, the sharpest decrease being reported in the case of dry goods. The aggregate reduction was 7 per cent. Total sales were 17 per cent larger than in July 1939. Stocks of goods at wholesale establishments declined 1 per cent in July and at the end of the month were only 4 per cent larger than in July 1939.

Shipments by rail freight in the Allegheny District showed a small seasonal increase from June to July and in the aggregate were more than 20 per cent above July 1939. Loadings of coke and ore continued the sharp expansion which has been in evidence for some time. The movement of grain increased more than was to be expected and shipments of forest products were sustained instead of showing the customary decline. Loadings of coal increased somewhat less than usual, and the movement of mer-

chandise and miscellaneous materials was about unchanged, as was to be expected.

Sales of new passenger automobiles in July were in nearly the same volume as in June and were 54 per cent larger than in July 1939. In the first seven months of this year sales aggregated 38 per cent more than in the corresponding period a year ago.

The income of nonresort hotels in this district was 4 per cent larger than in July 1939 and in the first seven months was 8 per cent above a year ago.

Hotel business Philadelphia Federal Reserve District	July: per cent change from		1940 from 7 mos. 1939
	Month ago	Year ago	
Capacity.....	+ 0	+ 0	.....
Room occupancy.....	-24	+ 4	+ 5
Per cent of capacity used:			
July 1940.....	43.0		
June 1940.....	66.8		
July 1939.....	41.4		
Revenue from:			
Guest rooms.....	-44	+ 5	+ 9
Food.....	-43	+ 4	+ 7
Other sources.....	-44	+ 4	+ 7
Total revenue.....	-44	+ 4	+ 8

Banking conditions. Outstanding credit of the reporting banks has increased further in the past month, expansion being concentrated chiefly in loans to trade and industry, which are in the largest volume in late years. Deposits declined somewhat.

These changes were reflected in a reduction in reserve balances, which in the case of all member banks in this district declined to \$644,000,000 on August 21. This was the lowest for any weekly statement date since March but was still \$128,000,000 above a year ago. Average reserves of \$651,000,000 in the first half of August sharply exceeded requirements, the percentage of excess to required reserves being 108 per cent at Philadelphia banks and 89 per cent at the country banks.

Member bank reserves (Daily averages in millions of dollars)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
Philadelphia banks:				
1940—July 1-15	\$479.0	\$221.4	\$257.6	116%
July 16-31	483.3	223.7	259.6	116 "
Aug. 1-15	462.9	222.2	240.7	108 "
1939—Aug. 1-15	356.6	195.5	161.1	82 "
Country banks:				
1940—July 1-15	189.1	97.4	91.7	94 "
July 16-31	187.6	98.1	89.5	91 "
Aug. 1-15	188.0	99.3	88.7	89 "
1939—Aug. 1-15	159.5	96.3	63.2	66 "

A decline of \$16,000,000 in member bank reserves in the four weeks ended August 21 was due principally to the

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Aug. 21, 1940	Changes in—	
		Four weeks	One year
Bills discounted.....	\$ 0.1	—\$ 0.1	—\$ 0.1
Bills bought.....	0	0	0.0
Industrial advances.....	2.4	— 0.3	— 0.3
U. S. securities.....	194.1	— 0.3	— 11.1
Total.....	\$ 196.6	—\$ 0.7	—\$11.5
Note circulation.....	367.3	+ 6.3	+ 45.9
Member bank deposits.....	643.9	— 15.9	—128.2
U. S. general account.....	55.4	+ 23.3	+ 14.2
Foreign bank deposits.....	85.0	+ 12.1	+ 51.1
Other deposits.....	24.1	+ 13.2	+ 15.4
Total reserves.....	1,000.7	+ 38.6	+266.4
Reserve ratio.....	85.1%	+0.5%	+5.1%

fact that local Treasury receipts exceeded disbursements by \$22,000,000. Transfers of unemployment trust funds to the Government were heavy, a substantial amount of Social Security taxes was paid, and the Treasury's cash income was further increased by the sale of Commodity Credit Corporation notes, of which nearly \$12,000,000 were allotted in this district. An increased demand for currency also contributed to the reduction in reserves. A considerable gain was shown in transactions with other districts, but part of these funds was absorbed by an increase in miscellaneous deposits at this bank.

The demand for reserve bank credit continued slow. Small declines were shown both in bills discounted and in industrial advances, and the participation of this bank in System holdings of United States Government securities decreased \$300,000 to \$194,100,000 owing to small sales from the System Open Market Account.

Deposits at the reporting member banks declined only \$5,000,000 in the past four weeks, as withdrawals were largely counterbalanced by deposits created through the extension of additional bank credit. Aggregate deposits of \$1,755,000,000 on August 21 were \$37,000,000 below the record high point in May, but were still much larger than a year ago.

Total loans and investments of the reporting banks increased \$16,000,000 in the four weeks ended August 21

Reporting member banks (000,000's omitted)	Aug. 21, 1940	Changes in—	
		Four weeks	One year*
Assets			
Commercial loans.....	\$ 232	+\$12	+\$44
Open market paper.....	35	+ 4	+ 9
Loans to brokers, etc.....	22	— 1	+ 3
Other loans to carry secur.....	32	+ 2	+ 1
Loans on real estate.....	50	0	+ 1
Loans to banks.....	1	0	0
Other loans.....	106	0	+ 12
Total loans.....	\$ 478	+\$17	+\$70
Government securities.....	\$ 361	—\$ 1	—\$ 1
Obligations fully guaranteed	93	+ 3	+ 4
Other securities.....	276	— 3	+ 2
Total investments.....	\$ 730	—\$ 1	—\$ 3
Total loans & investments	\$1,208	+\$16	+\$67
Reserve with F. R. Bank.....	472	— 20	.....
Cash in vault.....	20	0	.....
Balances with other banks.....	202	— 2	.....
Other assets—net.....	80	0	.....
Liabilities			
Demand deposits, adjusted.....	\$1,014	—\$13	.....
Time deposits.....	262	0	.....
U. S. Government deposits.....	46	0	.....
Interbank deposits.....	433	+ 8	.....
Borrowings.....	.....	.....	.....
Other liabilities.....	13	— 1	.....
Capital account.....	214	0	.....

* On comparable basis.

to \$1,208,000,000. The outstanding change was a further expansion in the volume of commercial loans from \$220,000,000 to \$232,000,000, which materially exceeded the rise of \$5,000,000 reported in the corresponding period of 1939. These loans have shown an increase of \$41,000,000 from the low in January and currently are 23 per cent larger than a year ago.

The increase of \$17,000,000 in total loans in the latest period to \$478,000,000 also reflected an expansion of several millions of dollars in holdings of open market paper and a slight rise in loans to purchase or carry securities. In contrast, investments declined \$1,000,000 to \$730,000,000 and are somewhat smaller than a year ago. Sales of direct issues of the Federal Government and of corporate and municipal securities were not quite offset by an increase of \$3,000,000 in guaranteed obligations, which was due primarily to the allotment of Commodity Credit Corporation notes on August 1.

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks*
	July 31	Aug. 7	Aug. 14	Aug. 21	
Sources of funds:					
Reserve bank credit extended in district.....	+ 0.9	— 4.2	+ 2.5	+ 1.4	+ 0.6
Commercial transfers (chiefly interdistrict).....	+19.9	+12.5	+ 6.0	—13.3	+25.1
Treasury operations.....	+ 2.2	—14.7	— 6.5	— 3.5	—22.5
Total.....	+23.0	— 6.4	+ 2.0	—15.4	+ 3.2
Uses of funds:					
Currency demand.....	+ 1.0	+ 2.5	+ 2.5	— 0.1	+ 5.9
Member bank reserve deposits.....	+ 9.2	—18.9	— 3.4	— 2.8	—15.9
"Other deposits" at reserve bank.....	+12.7	+10.1	+ 2.9	—12.5	+13.2
Other Federal Reserve accounts.....	+ 0.1	— 0.1	— 0.0	— 0.0	— 0.0
Total.....	+23.0	— 6.4	+ 2.0	—15.4	+ 3.2

* 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.)

(Indexes are percentages of the 1923-25 average taken as 100. Total and group indexes are weighted proportionately.)	Employment*			Payrolls*			Employee hours†	
	July 1940 index	Per cent change from		July 1940 index	Per cent change from		July 1940—per cent change from	
		June 1940	July 1939		June 1940	July 1939	June 1940	July 1939
All manufacturing	87	+2	+7	83	+1	+20	+2	+23
Iron, steel and prods.	84	+3	+22	106	+2	+41	+2	+39
Non-fer. metal prods.	127	+1	+14	158	+2	+27	-0	+23
Transportation equip.	61	+1	+11	64	+1	+18	+2	+29
Textiles and clothing.	84	+2	-9	74	+3	-9	+3	-12
Textiles.	78	+2	-11	69	+3	-10	+2	-12
Clothing.	110	+2	-6	100	+4	-4	+5	-14
Food products.	104	-0	0	111	-3	+2	-5	-1
Stone, clay and glass.	77	+1	+9	79	+2	+22	+3	+24
Lumber products.	63	+3	+6	59	+4	+12	+2	+14
Chemicals and prods.	94	-0	+13	107	+0	+21	+0	+28
Leather and products.	86	+5	-6	87	+7	+2	+7	-10
Paper and printing.	97	-2	+0	100	-4	+4	-3	+5
Printing.....	87	-2	-4	91	-5	-1	-4	-0
Others:								
Cigars and tobacco.....	64	+1	+3	58	-6	+2	-4	+3
Rubber tires, goods.	80	-0	-4	91	-3	-8	-2	-8
Musical instruments....	65	-3	+17	66	-2	+30	-3	+26

* Figures from 2,419 plants.

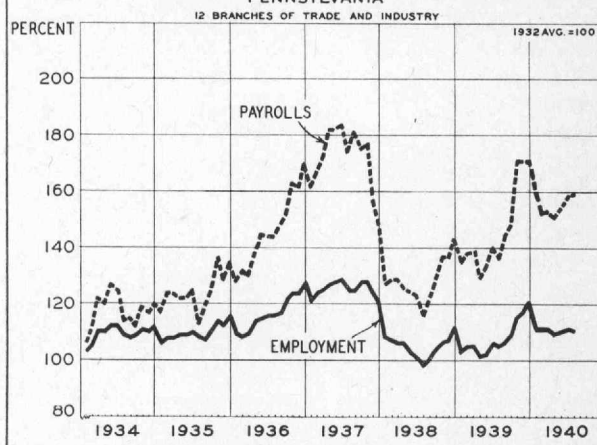
† Figures from 2,180 plants.

General Index Numbers

Covering twelve branches of trade and industry

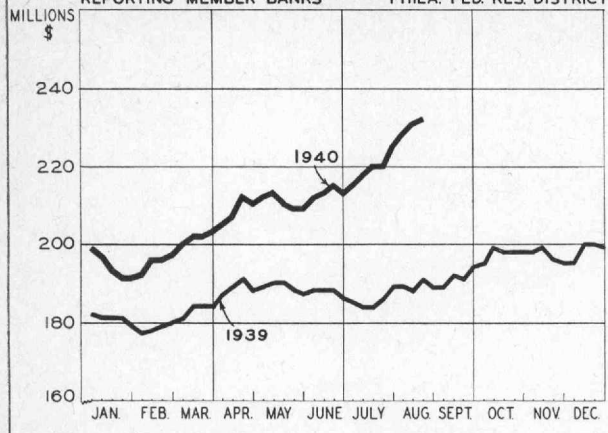
(Indexes are percentages of the 1932 average taken as 100. Individual indexes are combined proportionately into general index number.)	Employment			Payrolls		
	July 1940 index	Per cent change from		July 1940 index	Per cent change from	
		June 1940	July 1939		June 1940	July 1939
General index (weighted)	111	-0	+ 6	159	+ 0	+17
Manufacturing	135	+2	+ 7	205	+1	+20
Anthracite mining	67	+1	+13	62	-10	+44
Bituminous coal mining	104	+2	+14	200	+ 5	+33
Building and construction	56	+1	+ 1	80	+ 2	+ 5
Quarrying and non-met. mining	113	-1	+ 6	219	-4	+15
Crude petroleum producing	137	+0	+ 2	167	+ 2	+ 9
Public utilities	99	+2	+ 4	110	+ 0	+ 4
Retail trade	101	-8	+ 4	123	- 7	+ 6
Wholesale trade	117	-0	+ 2	124	+ 0	+ 6
Hotels	101	-2	- 3	115	- 5	+ 0
Laundries	107	0	+ 6	135	- 6	+ 3
Dyeing and cleaning	101	-7	- 1	121	-18	- 0

INDUSTRIAL EMPLOYMENT AND PAYROLLS PENNSYLVANIA



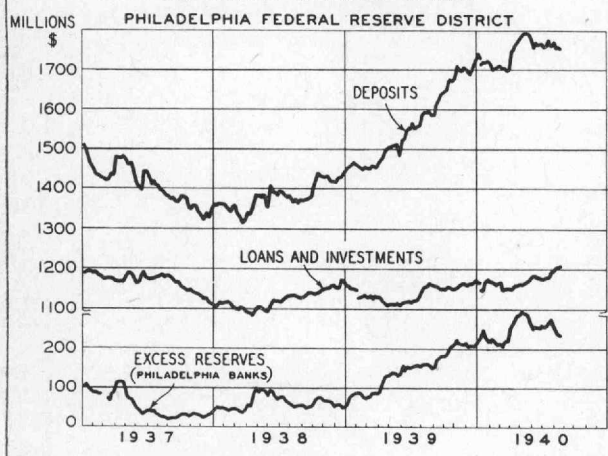
COMMERCIAL LOANS

REPORTING MEMBER BANKS PHILA. FED. RES. DISTRICT



REPORTING MEMBER BANKS

PHILADELPHIA FEDERAL RESERVE DISTRICT



Percentage change—July 1940 from July 1939

City areas*	Manufacturing		Building permits (value)	Debits	Retail trade sales
	Employment	Wage payments			
Allentown.	+13	+23	+234	+6	+1
Altoona.	+18	+34	+32	+5	+3
Harrisburg.	+14	+28	+121	+9	+15
Johnstown.	+33	+47	+115	+25	+23
Lancaster.	-1	-1	-51	+9	+3
Philadelphia.	+3	+9	+57	+5	+7
Reading.	-2	+1	+626	-1	+7
Scranton.	-9	-4	-16	+6	+7
Trenton.	+9	+17	-5	+29	+5
Wilkes-Barre.	-5	-3	+54	+15	+8
Williamsport.	+2	+3	+20	+15	.....
Wilmington.	+12	+20	-91	+7	+5
York.	+9	+18	-9	+16	+5

July 1940 from June 1940

Allentown.	+2	-2	+121	+6	-33
Altoona.	+0	+6	+56	-3	-26
Harrisburg.	+5	+2	+123	+8	-26
Johnstown.	+1	+2	-42	+9	-27
Lancaster.	+2	+3	-41	+1	-21
Philadelphia.	+2	+1	-5	+1	-35
Reading.	-2	+3	+115	-2	-28
Scranton.	-1	-3	+53	-5	-26
Trenton.	-5	-5	-70	+5	-36
Wilkes-Barre.	-0	-4	-22	+3	-31
Williamsport.	-1	-3	+59	+5	.....
Wilmington.	-3	-2	-57	-15	-34
York.	+6	+5	-41	+3	-32

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

Index numbers of individual lines of trade and manufactures

Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923-1925 average as 100										
	Adjusted for seasonal variation							Not adjusted			
	Per cent change										
	July 1939	May 1940	June 1940	July 1940	July 1940 from Month ago	1940 from Year ago	1940 from 7 mos. 1939	July 1939	May 1940	June 1940	July 1940
Adjusted indexes allow for the usual seasonal change in activity.											
Unadjusted indexes reflect merely the actual change which may or may not be typical.											
Retail trade											
Sales											
Total of all stores	77r	81	84	79p	- 6	+ 3	+ 3	54	84	84	55p
Department	67	74	75	73	- 3	+ 8	+ 4	46	74	73	50
Men's apparel	65r	74	81	70	-14	+ 8	+ 4	50r	71	93	54
Women's apparel	96r	93	95	95	+ 0	- 1	- 4	56	92	86	55
Shoe	82	81	95	77	-19	- 6	- 2	68	105	112	64
Credit	94	94	97	92p	- 5	- 2	+ 4	69	104	92	67p
Stocks of goods											
Total of all stores	75	79	77	78p	+ 2	+ 5	.....	67	79	72	70p
Department	51	54	52	52	+ 0	+ 2	.....	45	54	49	46
Women's apparel	96	98	96r	102	+ 5	+ 6	.....	75	98	83	79
Shoe	68	72	70	70	- 0	+ 3	.....	59	76	67	61
Credit	99	107	106	106p	- 0	+ 7	.....	91	103	97	97p
Rate of stock turnover											
7 months (on annual basis)	.....	.....	.....	.....	.....	.....	+ 2*	4.08	.....	.....	4.17
Wholesale trade											
Sales											
Total of all lines	.....	.....	.....	.....	- 7*	+17*	+ 7*	.....	.....	.....	.....
Boots and shoes	.....	.....	.....	.....	- 7*	+28*	+ 4*	.....	.....	.....	.....
Drugs	.....	.....	.....	.....	- 5*	+ 1*	+ 1*	.....	.....	.....	.....
Dry goods	.....	.....	.....	.....	-13*	+ 6*	+ 1*	.....	.....	.....	.....
Electrical supplies	.....	.....	.....	.....	- 8*	+40*	+20*	.....	.....	.....	.....
Groceries	.....	.....	.....	.....	- 4*	+ 3*	- 0*	.....	.....	.....	.....
Hardware	.....	.....	.....	.....	- 7*	+23*	+15*	.....	.....	.....	.....
Jewelry	.....	.....	.....	.....	-10*	+71*	+24*	.....	.....	.....	.....
Paper	.....	.....	.....	.....	- 5*	+31*	+20*	.....	.....	.....	.....
Stocks of goods											
Total of all lines	.....	.....	.....	.....	- 1*	+ 4*	.....	.....	.....	.....	.....
Dry goods	.....	.....	.....	.....	- 3*	-16*	.....	.....	.....	.....	.....
Electrical supplies	.....	.....	.....	.....	- 6*	+14*	.....	.....	.....	.....	.....
Groceries	.....	.....	.....	.....	- 0*	+12*	.....	.....	.....	.....	.....
Hardware	.....	.....	.....	.....	- 0*	+10*	.....	.....	.....	.....	.....
Jewelry	.....	.....	.....	.....	+ 2*	+ 3*	.....	.....	.....	.....	.....
Paper	.....	.....	.....	.....	+ 6*	+13*	.....	.....	.....	.....	.....
Output of manufactures											
Pig iron	44	72	82	85	+ 4	+95	+ 86	40	75	78	79
Steel	66r	76	85	98	+15	+49	+ 38	60	80	87	89
Iron castings	56	70	73	69	- 6	+22	+ 39	54	73	72	66
Steel castings	65	80	93	126	+35	+94	+ 28	58	84	97	112
Electrical apparatus	74	112	106r	101	- 5	+35	+ 39	78	103	106r	106
Motor vehicles	15	12	13	17	+36	+11	- 11	16	15	15	17
Automobile parts and bodies	68	74	69	70	+ 2	+ 2	+18	66	78	69	67
Locomotives and cars	20	36	32	32	+ 3	+66	+110	20	35	32	32
Shipbuilding	371	478	529	553	+ 4	+49	+ 43	360	492	524	536
Silk manufactures	74	69	66r	61	- 7	-18	- 14	73	67	62	59
Woolen and worsteds	58	53	50r	53	+ 6	- 9	- 8	55r	50	48	50
Cotton products	53	41	43	44	+ 4	-17	+ 1	46	40	40	39
Carpets and rugs	104	92	74	72	- 2	-31	- 10	95	89	71	67
Hosiery	109	76	78	97	+25	-11	- 17	90	76	76	80
Underwear	172	127	126	148	+18	-14	- 3	142	129	126	123
Cement	63	69	57	53p	- 8	-16	+ 2	73	78	68	62p
Brick	36	39	45r	51	+15	+44	+29	34	41	47r	49
Lumber and products	24	30	27	25	- 7	+ 7	+ 8	26	28	28r	28
Bread and bakery products	.....	.....	.....	.....	- 1*	- 2*	- 0*	93	90	92	92
Slaughtering, meat packing	110	105	104	103	- 1	- 6	+ 3	97	105	98	91
Sugar refining	66	60	51	86	+70	+29	- 2	68	74	54	88
Canning and preserving	75	78	81	84p	+ 3	+12	+14	61	59	58	58p
Cigars	90	113	96	91	- 5	+ 1	+ 7	98	110	103	99
Paper and wood pulp	73	80	83	85	+ 2	+17	+12	70	80	82	82
Printing and publishing	89	93	91	89	- 2	- 0	- 2	86	94	90	86
Shoes	155	108	126	135	+ 7	-13	- 12	144	98	120	125
Leather, goat and kid	111r	99	91	94p	+ 4	-16	- 4	98	90	92	83p
Explosives	78	95	94	99	+ 6	+27	+28	77	96	94	97
Paints and varnishes	83	80	84	93	+10	+11	+ 6	78	85	86	86
Petroleum products	172	152	164	157p	- 4	- 9	+ 4	173	152	165	158p
Coke, by-product	102	122	135	140	+ 4	+37	+ 39	100	126	135	137

* Computed from data unadjusted for seasonal variation.

p—Preliminary.

r—Revised.

