THE BUSINESS REVIEW

THIRD FEDERAL RESERVE DISTRICT
PHILADELPHIA OCTOBER 1, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

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Business and Banking Conditions in the United States

Production and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.

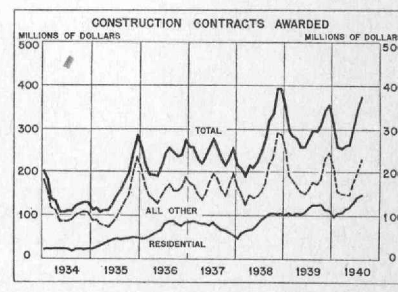
Industrial production. The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month followed by a sharp advance in the first two weeks of September as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

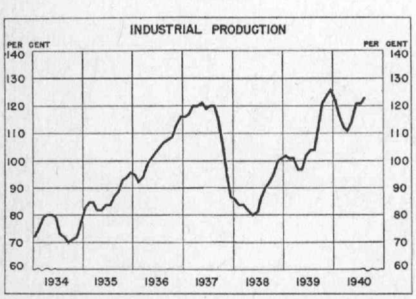
Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally, following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

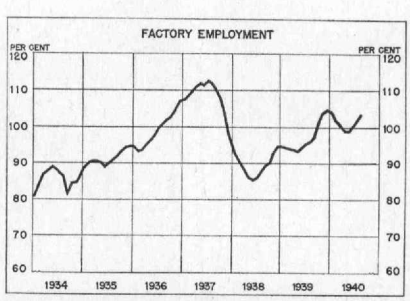
Value of new construction work undertaken in August was at about the same level as in July, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger



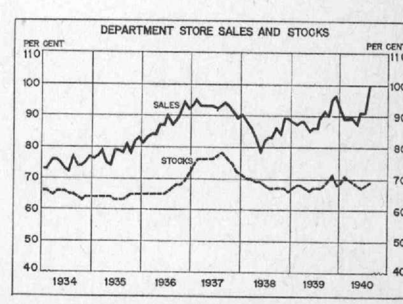
Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for July and August and estimate for September.



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



Index of number employed, adjusted for seasonal variation, 1923–1925 average = 100. By months, January 1934 to August 1940.



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

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than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

Distribution. Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September department store sales continued to increase.

Freight-car loadings advanced from July to August when little change is usual. Shipments of coal and miscellaneous freight increased while loadings of grain showed more than a seasonal decline.

Commodity prices. Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September and, owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced and several new models of automobiles were announced at advanced prices.

Agriculture. Production prospects for most major crops increased during August, according to the Department of Agriculture. On the basis of September 1 conditions the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including government payments, will be about $8,900,000,000 for the calendar year 1940 as compared with $8,540,000,000 last year.

Bank credit. Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ending September 11, while their holdings of investments showed little change.

United States Government security prices. United States Government security prices increased in the last half of August and the first week in September and were steady in the second week in September.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Industrial and trade activity in the Third Federal Reserve District has expanded substantially since the middle of the summer. The demand for manufactured goods has increased further and its scope has broadened considerably. Production under the national defense program is increasing in the case of both durable and nondurable goods, and increased consumer buying power has stimulated output for civil consumption.

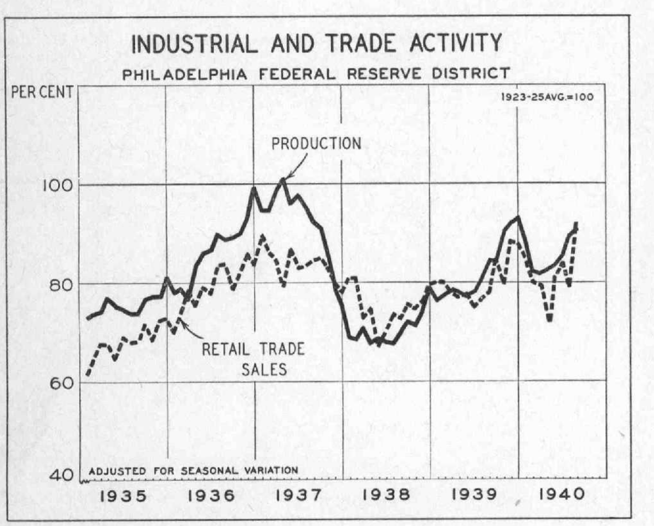
Productive activity in August expanded 2 per cent more than usual in this district and further increases were evident in September. In the manufacturing industry, the output of durable goods increased slightly less than was to be seasonally expected, as these industries have been operating at unusually high levels for some time. Production of nondurable goods, however, advanced 5 per cent more than usual in the month. The output of coal on an adjusted basis declined in August, while production of crude oil and electric power increased slightly.

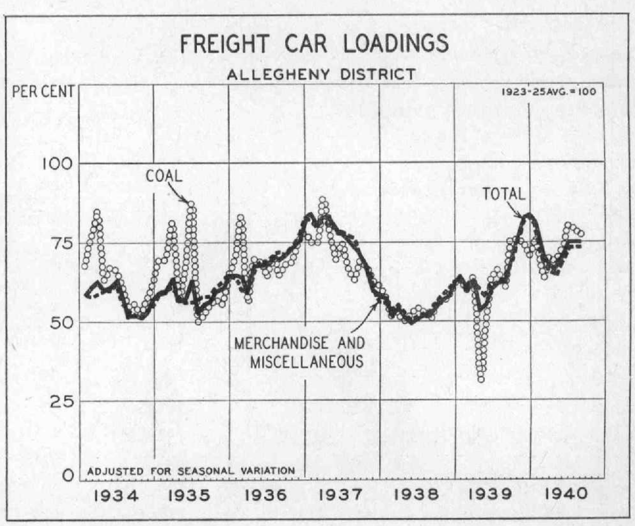
Construction activity in August increased less than seasonally but continued well above a year ago. An increasing amount of factory construction is under way, and commercial building and renovation continue active.

Industrial employment in Pennsylvania increased from July to August and wage disbursements advanced 5 per cent to a level 16 per cent above a year ago. Substantial increases were reported at factories and bituminous mines, and by the building and quarrying industries.

Retail trade sales in this district expanded sharply in August and increased seasonally in September. Consumers are buying actively in both urban and rural areas, and sales generally are larger than a year ago. Wholesale trade has also increased, and stocks at both retail and wholesale establishments are relatively small.

Prices of manufactured goods have been firm under the pressure of increasing demand, and quotations on staple industrial materials have been rising with the expansion of productive activity. Supplies of most basic commodities continue ample. Prices of





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agricultural materials also have firmed somewhat recently but are still relatively low.

Manufacturing. With the national defense program getting under way and an active fall season in prospect, the demand for goods manufactured in this district has improved sharply since the middle of August. Inquiries and sales have broadened, plant activity has expanded, and employment and payrolls have increased further. The current stimulus to buying and the favorable outlook are due primarily to sustained consumer incomes, moderately low inventories on hand in both manufacturing and distributing establishments, the generally higher level of industrial operations, and the prospects for extensive expansion of plants in basic defense lines.

Inquiries and sales have increased sharply in all reporting lines of manufacturing in this district, the largest gains in the month being in textiles and textile products, which had for some time lagged in the general industrial improvement. In most industries except textiles, demand is more active than at the time the war broke out a year ago. Prices of factory products are generally strong and in many lines above the levels prevailing last year.

Backlogs at reporting plants in this area have increased and are above a year ago in several important industries. As inventories of finished goods have declined and in some cases are below the levels prevailing in 1939, operations have expanded further.

Employment in Pennsylvania factories increased 3 per cent from July to August to an estimated 930,000 workers, or 8 per cent more than in August 1939. Wage disbursements also increased about seasonally, rising 6 per cent from July to an estimated $23,800,000 a week, or 19 per cent more than a year earlier. Preliminary reports indicate further substantial increases in employment and payrolls in September.

Wage payments expanded in both the capital and consumers' goods industries in August. In durable goods lines, where payrolls aggregated 34 per cent more than in August 1939, the principal gains were in iron and steel forgings, structural steel, foundry and machine shop products, hardware, some nonferrous metals, automobiles and parts, railway equipment, and cement. At plants producing consumers' goods, wage disbursements were still 2 per cent below August of

Business Indicators
Philadelphia Federal Reserve District

Adjusted indexes allow for the usual seasonal change in activity. Unadjusted indexes reflect merely the actual change which may or may not be typical.	Index numbers: percentages of the 1923–1925 average as 100										
	Adjusted for seasonal variation							Not adjusted			
					Per cent change						
					Aug. 1940 from		1940 from 8 mos. 1939				
	Aug. 1939	June 1940	July 1940	Aug. 1940	Month ago	Year ago		Aug. 1939	June 1940	July 1940	Aug. 1940
Industrial production	**84r**	**85**	**89**	**91p**	**+ 2**	**+ 8**	**+ 8**	**83r**	**84**	**85**	**89p**
Manufacturing—total	**82**	**83**	**86**	**89p**	**+ 3**	**+ 9**	**+ 9**	**81**	**82**	**83**	**89p**
Durable goods	68r	87	93	92p	− 1	+35	+32	....	....	....	....
Consumers' goods	92	80	82	87p	+ 5	− 5	− 4	....	....	....	....
Metal products	67	91	99r	95	− 3	+41	+40	70	92	94r	99
Textile products	90	64	69	78p	+13	−13	−12	84	63	64	73p
Transportation equipment	83	103	108	121	+12	+47	+36	79	104	105	117
Food products	81	86	87	85p	− 2	+ 6	+ 3	80	81	82	81p
Tobacco and products	103	97	92	104	+12	+ 1	+ 5	110	104	100	111
Building materials	39	40	40	42	+ 3	+ 7	+ 9	44	44	44	48
Chemicals and products	122	128	129	127p	− 1	+ 4	+10	123	128	127	128p
Leather and products	121r	108	115	108p	− 6	−11	− 9	124r	105	105	111p
Paper and printing	87	89	88	88	+ 0	+ 1	+ 3	85	89	85	86
Coal mining	**72r**	**73r**	**83**	**73p**	**−11**	**+ 1**	**+ 3**	**55r**	**67r**	**65**	**56p**
Anthracite	73r	72r	82	72p	−12	− 1	− 2	54r	66r	64	53p
Bituminous	68r	83	87	82	− 6	+20	+42	64r	73	76	77
Crude oil	**432**	**405**	**411**	**413**	**+ 1**	**− 4**	**+ 1**	**432**	**421**	**411**	**413**
Electric power											
Output	273	283	292	294	+ 1	+ 8	+ 8	259	269	272	280
Sales, total‡	259	277	276	290	+ 5	+12	+10	246	269	260	276
Sales to industries‡	165	196	184	193	+ 5	+17	+10	170	198	187	198
Employment and wages—Pa.											
Factory—Employment	....	....	....	....	+ 3*	+ 8*	+ 8*	83r	86	87	89
Payrolls	....	....	....	....	+ 6*	+19*	+18*	75r	82	83	89
Man-hours (1927–28 = 100)	....	....	....	....	+ 7*	+21*	+21*	72r	80	81	87
General (1932 = 100)											
Employment	....	....	....	....	+ 1*	+ 7*	+ 7*	106r	112	111	113
Payrolls	....	....	....	....	+ 5*	+16*	+15*	144r	159	159	167
Building and real estate											
Contracts awarded†—total	**74r**	**69**	**93**	**90**	**− 3**	**+22**	**+ 3**	**72**	**71**	**86**	**88**
Residential†	52r	55	51	49	− 4	− 4	− 9	58	58	58	55
Nonresidential†	45r	56	94	104	+10	+131	+10	42	57	87	96
Public works and utilities†	211r	142	187	187	− 0	−11	+12	184	135	161	162
Permits for building—17 cities	36	23	21	22	+ 5	−38	− 2	32	29	26	20
Real estate deeds—Philadelphia†	53	56	58	57	− 1	+ 9	+13	51	56	58	55
Writs for Sheriff sales—Phila.	335	254	256	340	+33	+ 2	−10	321	254	243	327
Distribution											
Retail trade —sales	78	84	79	92p	+16	+18	+ 4	59	84	55	69p
stocks	76	77	78	78p	− 1	+ 2	....	73	72	70	75p
Wholesale trade§—sales	....	....	....	....	+ 3*	+ 8*	+ 7*	....	....	....	....
stocks	....	....	....	....	+ 0*	+ 5*	....	....	....	....	....
Life insurance sales	82	91	93	91	− 2	+11	+ 4	69	94	90	77
New passenger auto. registrations	....	....	....	....	−42*	+16*	+36*	79	159	158	91
Hotels—Occupancy... (1934 = 100)	....	....	....	....	+12*	+ 3*	+ 5*	106	128	97	109p
Income, total (1934 = 100)	....	....	....	....	+15*	+ 6*	+ 7*	92r	151	85	98p
Freight-car loadings—total	**62**	**75**	**75**	**75**	**− 0**	**+21**	**+22**	**65**	**76**	**78**	**79**
Merchandise and miscellaneous	63	73	73	73	+ 1	+16	+17	65	75	75	76
Coal	61	80	79	77	− 3	+26	+28	59	70	70	74
Business liquidations											
Number	....	....	....	....	−32*	+ 5*	− 8*	62r	79	95	65
Amount of liabilities	....	....	....	....	− 9*	+47*	−23*	14r	25	22	20
Payment of accounts											
Check payments	92	93	89	95	+ 6	+ 3	+ 5	78	97	87	81
Rate of collections (actual)											
Retail trade	33	32	33	35	+ 6	+ 7	....	29	33	33	31
Prices—United States											
Wholesale (1926 = 100)	....	....	....	....	− 0*	+ 3*	+ 3*	**75**	**77**	**78**	**77**
Farm products	....	....	....	....	− 1*	+ 8*	+ 5*	61	66	66	66
Foods	....	....	....	....	− 0*	+ 4*	+ 3*	67	70	70	70
Other commodities	....	....	....	....	− 0*	+ 2*	+ 3*	80	82	82	82
Retail food	....	....	....	....	− 1*	+ 4*	+ 2*	**75**	**80**	**79**	**78**
Philadelphia	....	....	....	....	− 2*	+ 2*	+ 0*	77	80	80	79
Scranton	....	....	....	....	− 3*	+ 4*	+ 3*	71	76	76	74

(In millions of dollars)	Aug. 1939	May 1940	June 1940	July 1940	Aug. 1940	% change from	
						Month ago	Year ago
Banking and credit							
Federal Reserve Bank							
Bills discounted	$ 0.3	$ 0.1	$ 0.1	$ 0.2	$ 0.2	0	−33
Other bills and securities	209	200	200	197	196	−1	− 6
Member bank reserves	516	697	667	670	650	−3	+26
Reserve ratio (per cent)	79.5	84.2	84.0	84.5	85.2	+1	+ 7
Reporting member banks							
Loans	$ 406	$ 446	$ 453	$ 460	$ 475	+3	+17
Investments	727	723	728	725	731	+1	+ 1
Bankers' acceptances outstanding	8.8	9.2	8.9	9.1	9.7	+7	+10

* Computed from data unadjusted for seasonal variation.
‡ Not included in production index.
† 3-month moving daily average centered at 3rd month.
p—Preliminary. r—Revised
§ Bureau of the Census, U. S. Department of Commerce.

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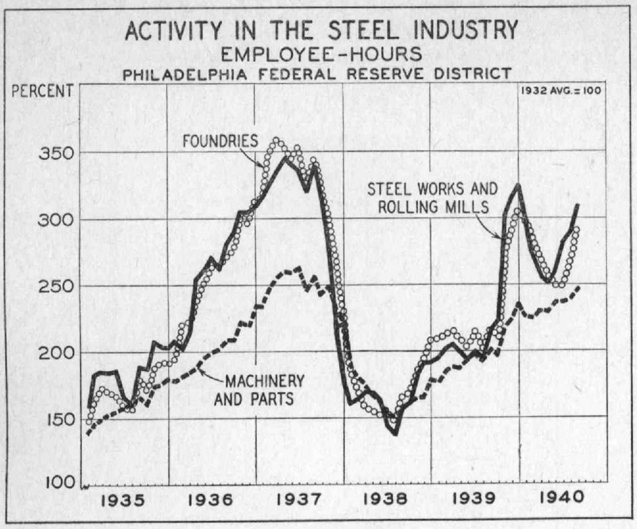

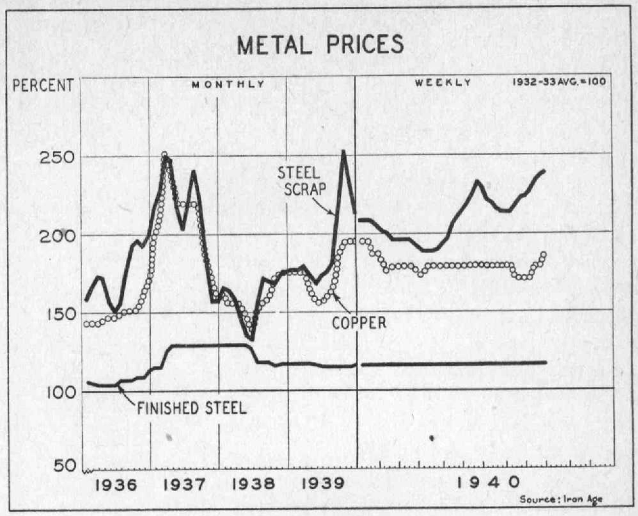

last year. The sharpest gains among these lines in the month were in certain textiles, clothing, and foods.

Average hourly earnings of factory workers in Pennsylvania declined fractionally to 72½ cents in the month but, as the number of hours worked per week increased, weekly wages expanded to $27.31 from $26.39.

At Delaware factories the number of wage earners increased 8 per cent in August, and payrolls expanded 4 per cent, reflecting chiefly gains at plants producing foods and tobacco products. Employment was 15 per cent and payrolls 27 per cent higher than a year earlier. In southern New Jersey, employment advanced 12 per cent in August to a level 20 per cent above a year ago, and payrolls increased 11 per cent in the month and were about 33 per cent larger than in August 1939.

The output of manufactured goods in this district increased 3 per cent more than seasonally from July to August and was 9 per cent above a year ago. Substantial improvement was evident in the volume of textiles, transportation equipment and tobacco products manufactured in the area, while production of metals, foods, leather, and chemicals declined on a seasonally adjusted basis. Among the individual lines of manufacturing, the sharpest gains were in the production of automobiles and parts, carpets and rugs, silk manufactures, and explosives.

The gain over a year ago in the output of manufactured products reflected an expansion in the period of 35 per cent at plants producing heavy goods, especially transportation equipment and metals. Production of nondurable goods, including textile and leather products, was 5 per cent less than a year before.

The output of electric power increased 1 per cent more than seasonally from July to August, while total sales and sales to industry expanded 5 per cent more than was to be expected. Compared with a year ago, sales to industry showed an increase of 17 per cent.

Coal and other fuels. The domestic demand for fuels continues active; increasing productive activity has expanded industrial requirements, and sales for heating purposes are advancing seasonally. Exports of coal decreased about 12 per cent in August but were still 50 per cent greater than in the same month last year. Shipments of crude petroleum and gas and fuel oils to foreign countries continue substantially smaller than in 1939.

Sales of anthracite to retail dealers have increased further since the middle of last month and approximate the volume reported a year ago. Production declined more than usual in August, following improved operations in the preceding two months. In early September activity at the mines increased sharply, according to preliminary figures. The volume of hard coal produced in the first eight months of 1940 was 2 per cent less than a year ago, when production was sharply stimulated by the curtailed output of soft coal.

Output of bituminous coal in Pennsylvania increased less than seasonally in August, following marked expansion in the spring and early summer. Operations increased sharply again in the first half of September as industrial demand continued heavy. The production of soft coal in the first eight months of the year, totaling nearly 72,000,000 tons, was 42 per cent above the reduced levels of 1939 and the largest for the period since 1937.

Activity at by-product coke ovens in this district increased in August for the fourth successive month, approximating the peak levels reached at the beginning of this year. Output of gas and fuel oils was smaller than in July but continued in larger volume than a year ago. In the first eight months this year operations at both coke plants and oil refineries were at a considerably higher rate than in 1939.

Building. Construction activity in this district increased somewhat less than seasonally during August. Current operations, however, continue in large volume relative to previous years, as home building is still fairly active and industrial construction has been stimulated. Recent improvement in general business conditions and the prospects for high operating rates during the next several months have encouraged substantial renovations and some plant additions, and facilities in basic defense lines are being increased to meet unprecedented requirements for

Building contracts Philadelphia Federal Reserve District	August 1940 (000's omitted)	Per cent change: From month ago	Per cent change: 1940 from 8 mos. 1939
Residential	**$ 5,725**	**−16**	**− 11**
Apts. and hotels	609	−60	− 22
Family houses	5,116	− 3	− 7
Nonresidential	**7,489**	**−48**	**+ 33**
Commercial	1,661	+52	+ 26
Factories	2,885	−74	+171
Educational	724	−26	+ 19
All other	2,219	+53	− 26
Total buildings	$13,214	−38	+ 7
Public works and utilities	**4,737**	**−39**	**+ 1**
Grand total	$17,951	−38	+ 5

Source: F. W. Dodge Corporation.

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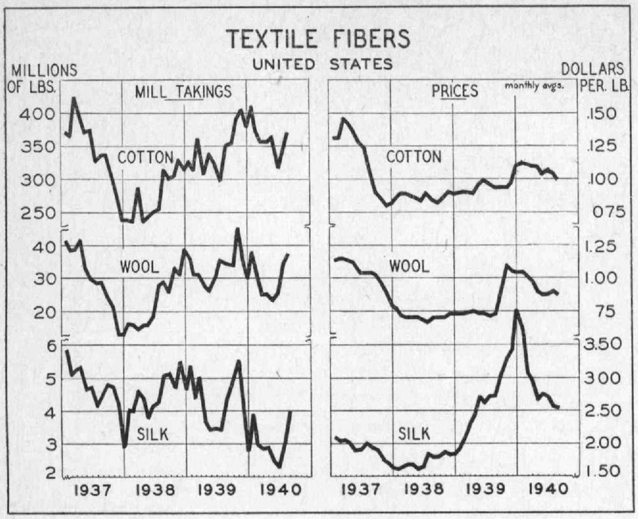

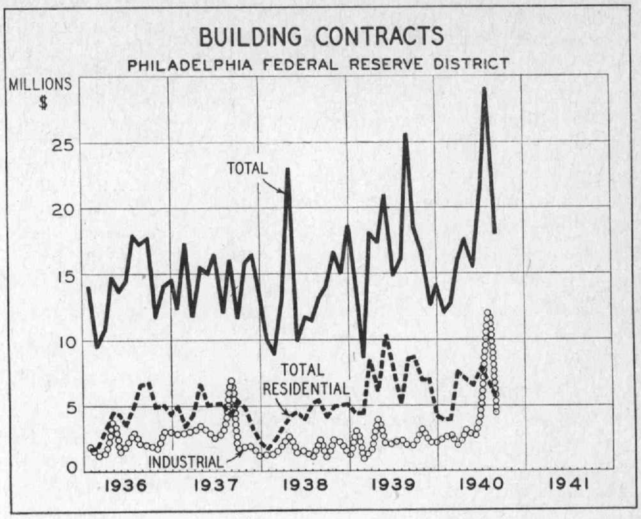

military production. Payrolls in the construction industry in Pennsylvania expanded further in August to the highest level since 1937.

The value of new contracts awarded in the month declined to $17,951,000 or nearly 40 per cent less than the exceptionally large awards placed in July. Total awards were 30 per cent below the 1939 high reached last August. Awards for most types of structures were smaller than in July. The sharpest decline was in contracts for factory buildings, which in the month before had included $10,000,000 for new shipbuilding facilities. The renovation and erection of commercial and unclassified buildings continues to increase. Compared with August 1939, the gains in nonresidential building activity have been more than offset by declines in contracts for residences and public works and utilities.

In the first eight months of the year, construction awards approximated $142,000,000, or the largest for the period since 1930.

Agriculture. Growing conditions for late crops and pastures continued satisfactory throughout most of September. Harvesting, fall plowing, and the seeding of winter grains are progressing rapidly and early plantings of wheat and rye are germinating.

Estimates of the tobacco and white potato crops have been revised sharply upward since August 1 and it is expected that yields will be considerably larger than in 1939. In the case of tobacco, this season's harvest in Pennsylvania will be well above the 1934-38 average and may exceed that of any year since 1932. The indications now are that the output of corn and wheat will be slightly below a year ago and the five-year average, while that of hay and oats will be larger.

Cash income from the sale of farm products in Pennsylvania, New Jersey, and Delaware has continued to expand and in July was 8 per cent larger than in the same month last year. Receipts from the sale of crops and livestock products through July totaled $218,292,000 in 1940, or 4 per cent more than a year earlier. Government payments to farmers in the period, amounting to $6,207,000, showed about the same percentage increase over 1939.

Distribution, trade and service. The movement of commodities into consuming channels expanded sharply in August and advanced further in September. During the several preceding months sales had lagged behind the improvement in general industrial activity. The substantial increase in retail buying reflected sustained increases in consumer incomes and an abrupt change in weather in the second half of August, which stimulated purchases of fall merchandise. Wholesale trade sales also expanded in the month, owing to a large volume of reordering and some advance buying. The movement of railroad freight increased to new high levels for the year.

Sales by retail establishments in this district increased substantially more than usual in August, so that the adjusted index advanced 16 per cent in the month to the highest level since 1930. Early reports indicate sharp seasonal gains in trade during the first three weeks of September.

The greatest improvement from July to August was reported by shoe stores, where sales were sustained instead of continuing to decline seasonally. The volume of business at apparel stores and at credit stores specializing in radios, refrigerators, furniture and other durable consumers' goods also increased more than usual. The gain in sales by department stores was 10 per cent when allowance is made for seasonal changes.

Compared with August 1939, retail trade sales increased 18 per cent, the largest gains being reported by distributors of footwear and women's clothing. In the first eight months of this year total retail sales were 4 per cent larger than a year ago.

As a result of the improvement in sales volume, stocks of goods at retail stores increased slightly less than usual in the aggregate and showed considerably smaller than seasonal increases at shoe and credit stores. Inventories were 2 per cent larger than a year ago.

Wholesale trade sales increased 3 per cent from July to August and expanded further in September. Sharp gains were reported in sales of dry goods, footwear, and jewelry, while the volume of business declined in the case of electrical supplies, paper, groceries, and drugs. Total sales were 8 per cent above August 1939, and in the first eight months of the year they were 7 per cent larger than in the same period last year. Inventories at wholesale establishments in August were about unchanged from July and were about 5 per cent above August 1939.

Freight shipments by rail increased seasonally from July to August and advanced further to reach a new high for the year in September. The aggregate movement of freight in August was 21 per cent above the same month of 1939. The principal gains on an adjusted basis from July were again in

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shipments of ore and coke, reflecting high operating rates in steel and other heavy industries. Less than carlot shipments of merchandise and the movement of forest products also improved in the month. The only declines in shipments on an adjusted basis were in the case of coal and grain, the latter having moved in unusually large volume the month before. Loadings of freight in the Philadelphia area in August were also above July, and a new peak for the year was reached in September.

Sales of new passenger automobiles declined 42 per cent from July to August, as manufacturers shifted into the production of 1941 models. This level, however, was still 16 per cent above August 1939.

The income of nonresort hotels in August increased 15 per cent from July and was 6 per cent above a year ago.

Hotel business Philadelphia Federal Reserve District	Aug., per cent change from		1940 from 8 mos. 1939
	Month ago	Year ago	
Capacity	− 0	+ 0	......
Room occupancy	+12	+ 3	+5
Per cent of capacity used:			
Aug. 1940........ 48.5			
July 1940........ 43.4			
Aug. 1939........ 47.1			
Revenue from:			
Guest rooms	+17	+ 3	+7
Food	+14	+12	+7
Other sources	+12	+ 7	+5
Total revenue	+15	+ 6	+7

Banking conditions. Outstanding credit of the reporting banks has declined in the past month owing to a moderate reduction in commercial loans. In the latter part of August the amount of this type of credit outstanding reached the highest level of recent years. An increased volume of available funds, supplied largely by expansion in deposits, was reflected in heavier balances carried with the Federal Reserve Bank and other banking institutions.

The reserves of all member banks in this district, averaging $656,000,000 in the first half of September, were more than double the legal requirements and approximately $128,000,000 larger than a year ago. An analysis made earlier in the summer showed that the members were then carrying well over $400,000,000 with correspondents. At 458 of the 650 banks correspondent balances were equal to or greater than required reserves.

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Philadelphia banks:				
1940: Aug. 1–15	$462.9	$222.2	$240.7	108%
Aug. 16–31	460.6	222.0	238.6	107 "
Sept. 1–15	463.0	221.9	241.1	109 "
1939: Sept. 1–15	357.5	195.9	161.6	82 "
Country banks:				
1940: Aug. 1–15	188.0	99.3	88.7	89 "
Aug. 16–31	187.8	99.4	88.4	89 "
Sept. 1–15	193.3	99.7	93.6	94 "
1939: Sept. 1–15	171.1	97.3	73.8	76 "

Federal Reserve Bank of Philadelphia (Dollar figures in millions)	Sept. 18, 1940	Changes in—	
		Four weeks	One year
Bills discounted	$0.2	+$0.1	− $0.1
Bills bought	0	0	− 0.1
Industrial advances	2.4	− 0.0	− 0.3
U. S. securities	193.0	− 1.1	− 48.3
Total	$195.6	−$1.0	−$48.8
Note circulation	372.7	+ 5.4	+ 45.5
Member bank deposits	660.6	+16.7	+111.0
U. S. general account	47.9	− 7.5	+ 3.2
Foreign bank deposits	65.0	−19.9	+ 16.9
Other deposits	25.6	+ 1.5	+ 20.8
Total reserves	999.5	− 1.2	+249.8
Reserve ratio	85.3%	+0.2%	+8.4%

In the four weeks ended September 18 member bank reserves increased $16,700,000 to $660,600,000. Approximately $18,000,000 was gained in transactions with other districts. Funds were supplied also by net Treasury disbursements of nearly $7,000,000, although income tax receipts were substantially heavier than a year ago. On the other hand, reserve funds were absorbed by an expansion of $6,000,000 in currency demand.

The only material change in bill and security holdings of the Federal Reserve Bank was a decline of $1,100,000 in holdings of governments to $193,000,000 as a result of sales of securities from the System Open Market Account.

Outstanding credit of the weekly reporting member banks was at the highest point in recent years on August 21, but in the four weeks ended September 18 was reduced to $1,202,000,000 by declines of $4,000,000 in loans and $2,000,000 in investments. The principal changes among the several classifications were decreases of $6,000,000 and $2,000,000, respectively, in commercial loans and in direct obligations of the United States Government and an increase of $3,000,000 in holdings of open market paper, which now are materially larger than a year ago. Commercial loans, totaling $226,000,000 on September 18, were about 20 per cent larger than in mid-September 1939.

Reporting member banks (000,000's omitted)	Sept. 18, 1940	Changes in	
		Four weeks	One year*
Assets			
Commercial loans	$ 226	−$ 6	+$37
Open market paper	38	+ 3	+ 13
Loans to brokers, etc.	21	− 1	+ 4
Other loans to carry secur.	31	− 1	0
Loans on real estate	50	0	+ 1
Loans to banks	1	0	0
Other loans	107	+ 1	+ 17
Total loans	$ 474	− $4	+$72
Government securities	$ 359	−$ 2	−$ 1
Obligations fully guar'teed.	94	+ 1	+ 1
Other securities	275	− 1	+ 3
Total investments	$ 728	−$ 2	+$ 3
Total loans & investments	$1,202	−$ 6	+$75
Reserve with F. R. Bank	485	+ 13	......
Cash in vault	21	+ 1	......
Balances with other banks	216	+ 14	......
Other assets—net	78	− 2	......
Liabilities			
Demand deposits, adjusted	$1,002	−$12	......
Time deposits	261	− 1	......
U. S. Government deposits	47	+ 1	......
Interbank deposits	463	+ 30	......
Borrowings	0	0	......
Other liabilities	15	+ 2	......
Capital account	214	0	......

* On comparable basis.

The reporting banks have gained $18,000,000 of deposits in the past four weeks. Adjusted demand deposits were reduced by tax payments and currency requirements, but these losses were easily offset by a rise of $30,000,000 in balances held for other banks.

In August the deposits at all member banks in the district averaged $3,246,000,000. Balances at country banks averaged $1,592,000,000, the largest on record and approximately 5 per cent greater than in August 1939. At banks in Philadelphia the increase over a year ago was nearly 10 per cent, but the August average of $1,654,000,000 was $41,000,000 under the high point last May, owing principally to payments from the accounts of States and local governments.

MEMBER BANK RESERVES AND RELATED FACTORS

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ending—				Changes in four weeks
	Aug. 28	Sept. 4	Sept. 11	Sept. 18	
Sources of funds:					
Reserve bank credit extended in district	− 0.2	+0.4	+0.9	− 1.8	− 0.7
Commercial transfers (chiefly interdistrict)	− 1.7	+6.1	+1.4	+12.4	+18.2
Treasury operations	+14.7	−1.6	+5.2	−11.6	+ 6.7
Total	+12.8	+4.9	+7.5	− 1.0	+24.2
Uses of funds:					
Currency demand	+ 2.9	+2.8	+0.7	− 0.2	+ 6.2
Member bank reserve deposits	+ 6.3	+2.2	+6.5	+ 1.7	+16.7
"Other deposits" at reserve bank	+ 3.6	−0.0	+0.3	− 2.4	+ 1.5
Other Federal Reserve accounts	− 0.0	−0.1	−0.0	− 0.1	− 0.2
Total	+12.8	+4.9	+7.5	− 1.0	+24.2

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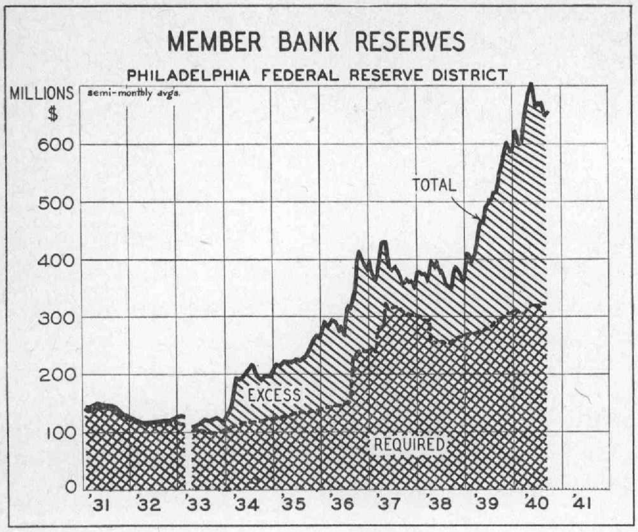
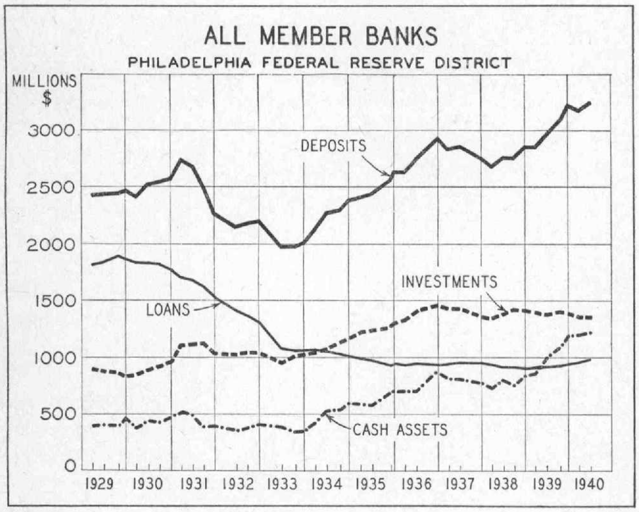




City areas*	Manufacturing: Employment	Manufacturing: Wage payments	Building permits (value)	Debits	Retail trade sales
Percentage change—August 1940 from August 1939					
Allentown	+15	+25	+ 56	+12	+21
Altoona	+17	+25	+ 6	+21	+14
Harrisburg	+18	+31	+ 34	+25	+30
Johnstown	+33	+34	+ 72	+25	+40
Lancaster	− 2	− 1	+454	+ 0	+20
Philadelphia	+ 5	+12	− 57	− 4	+18
Reading	+ 2	+ 8	+ 95	+ 6	+24
Scranton	− 9	− 5	+ 91	+15	+13
Trenton	+17	+27	+116	+24	+25
Wilkes-Barre	+ 2	+ 7	− 43	+ 8	+16
Williamsport	+ 5	+ 6	+102	+11	....
Wilmington	+17	+27	− 68	+14	+ 9
York	+12	+23	+483	+12	+38
August 1940 from July 1940					
Allentown	+ 3	+ 9	− 47	+ 3	+22
Altoona	+ 0	+ 7	− 7	+13	+21
Harrisburg	+ 4	+11	+ 75	+ 5	+16
Johnstown	+ 2	+ 2	− 25	+ 1	+29
Lancaster	+ 1	+ 2	− 19	− 8	+ 5
Philadelphia	+ 3	+ 4	− 31	− 7	+25
Reading	+ 4	+12	− 60	− 0	+22
Scranton	+ 4	+14	+ 23	+ 2	+ 9
Trenton	+ 8	+11	+ 5	+ 7	+16
Wilkes-Barre	+ 9	+18	− 5	− 1	+15
Williamsport	+ 3	+ 9	+101	− 4	....
Wilmington	+ 1	+ 0	+ 42	−10	+19
York	+ 7	+ 9	+421	− 3	+43

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

Employment and Payrolls in Pennsylvania

(All figures are rounded from original data)

Manufacturing Indexes

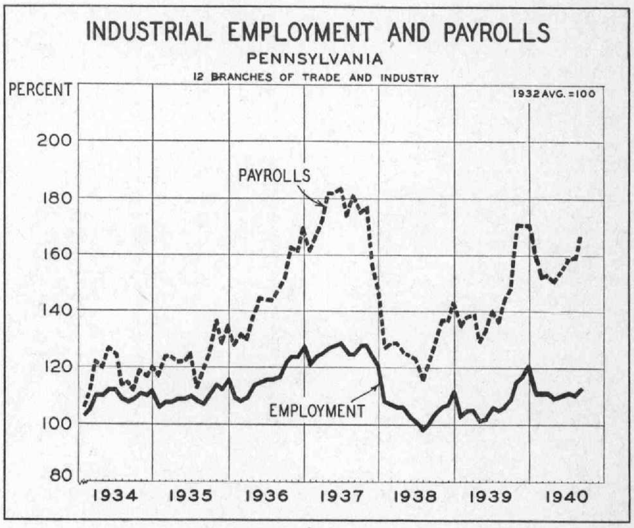
(Indexes are percentages of the 1923–25 average taken as 100. Total and group indexes are weighted proportionately.)	Employment*: Aug. 1940 index	Employment*: Per cent change from July 1940	Employment*: Per cent change from Aug. 1939	Payrolls*: Aug. 1940 index	Payrolls*: Per cent change from July 1940	Payrolls*: Per cent change from Aug. 1939	Employee-hours†: Aug. 1940—per cent change from July 1940	Employee-hours†: Aug. 1940—per cent change from Aug. 1939
All manufacturing	**89**	**+3**	**+ 8**	**89**	**+ 6**	**+19**	**+ 7**	**+21**
Iron, steel and prods.	87	+3	+25	113	+ 6	+37	+ 6	+36
Non-fer. metal prods.	125	−1	+12	161	+ 2	+23	+ 6	+22
Transportation equip.	63	+3	+16	70	+10	+27	+12	+33
Textiles and clothing	88	+5	− 9	82	+11	− 7	+10	−10
Textiles	81	+4	−11	76	+10	− 9	+10	−11
Clothing	119	+8	− 3	112	+13	− 1	+12	− 9
Food products	106	+2	+ 0	114	+ 3	+ 5	+ 5	+ [illegible]
Stone, clay and glass	79	+2	+ 7	81	+ 6	+10	+ 4	+11
Lumber products	64	+1	+ 7	62	+ 5	+10	+ 2	+ 9
Chemicals and prods.	96	+2	+12	108	+ 2	+13	+ 2	+19
Leather and products	88	+2	− 1	87	+ 0	+ 3	− 0	− 9
Paper and printing	99	+2	+ 3	103	+ 2	+ 5	+ 2	+ 4
Printing	87	−0	− 1	93	+ 2	+ 2	+ 2	+ 0
Others:								
Cigars and tobacco	65	+1	+ 4	60	+ 2	+ 3	+ 3	+ 3
Rubber tires, goods	82	+3	− 4	90	− 1	0	− 0	− 2
Musical instruments	68	+4	+20	70	+ 6	+32	+ 6	+28

* Figures from 2,414 plants. † Figures from 2180 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: Aug. 1940 index	Employment: Per cent change from July 1940	Employment: Per cent change from Aug. 1939	Payrolls: Aug. 1940 index	Payrolls: Per cent change from July 1940	Payrolls: Per cent change from Aug. 1939
General index (weighted)	**113**	**+1**	**+ 7**	**167**	**+ 5**	**+16**
Manufacturing	139	+3	+ 8	217	+ 6	+19
Anthracite mining	66	−1	+ 4	56	− 9	− 2
Bituminous coal mining	105	+1	+14	221	+11	+27
Building and construction	58	+3	+ 1	86	+ 8	+10
Quarrying and non-met. mining	116	+1	+ 7	238	+ 7	+13
Crude petroleum producing	135	−0	+ 1	162	− 0	+ 4
Public utilities	100	+0	+ 4	114	+ 3	+ 7
Retail trade	97	−3	+ 4	118	− 3	+ 5
Wholesale trade	119	+1	+ 5	125	+ 1	+ 6
Hotels	100	−2	− 2	114	− 1	+ 2
Laundries	107	+0	+ 6	134	+ 0	+ 8
Dyeing and cleaning	100	−2	+ 9	119	− 4	+11



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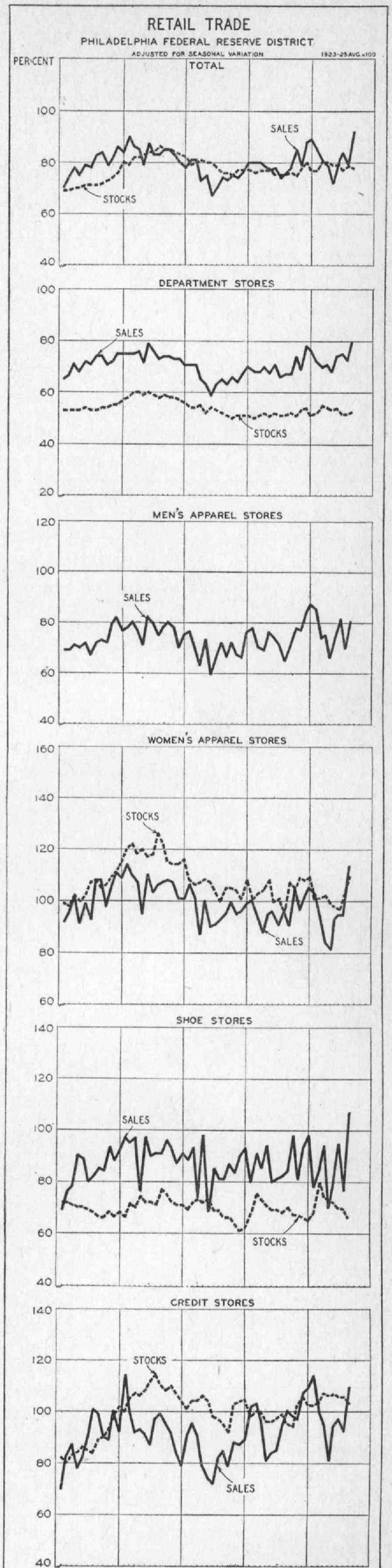
Index numbers of individual lines of trade and manufactures

Philadelphia Federal Reserve District

	Index numbers: percentages of the 1923–1925 average as 100										
	Adjusted for seasonal variation							Not adjusted			
Adjusted indexes allow for the usual seasonal change in activity.					Per cent change						
Unadjusted indexes reflect merely the actual change which may or may not be typical.	Aug. 1939	June 1940	July 1940	**Aug. 1940**	Aug. 1940 from: Month ago	Aug. 1940 from: Year ago	1940 from 8 mos. 1939	Aug. 1939	June 1940	July 1940	**Aug. 1940**
Retail trade											
Sales											
Total of all stores	78	84	79	92p	+16	+18	+ 4	59	84	55	69p
Department	67	75	73	80	+10	+19	+ 6	50	73	50	60
Men's apparel	71r	81	70	80	+15	+13	+ 5	54r	93	54	61
Women's apparel	91r	95	95	114	+20	+25	− 1	67r	86	55	84
Shoe	84r	95	77	108	+41	+29	+ 1	50	112	64	65
Credit	100	97	92	109p	+18	+10	+ 4	84	92	67	92p
Stocks of goods											
Total of all stores	76	77	78	78p	− 1	+ 2		73	72	70	75p
Department	52	52	52	52	+ 1	+ 1		48	49	46	49
Women's apparel	107	96	102	110	+ 8	+ 2		101	83	79	103
Shoe	70	70	70	66	− 5	− 5		71	67	61	67
Credit	95	106	106	103p	− 3	+ 9		92	97	97	100p
Rate of stock turnover											
8 months (on annual basis)							+ 4*	3.99			4.15
Wholesale trade†											
Sales											
Total of all lines					+ 3*	+ 8*	+ 7*				
Boots and shoes					+91*	+ 5*	+ 4*				
Drugs					− 5*	+ 4*	+ 1*				
Dry goods					+21*	+ 9*	+ 2*				
Electrical supplies					−15*	+19*	+ 20*				
Groceries					− 6*	− 3*	− 0*				
Hardware					+ 6*	+24*	+ 16*				
Jewelry					+43*	+36*	+ 25*				
Paper					−11*	+11*	+ 19*				
Stocks of goods											
Total of all lines					+ 0*	+ 5*					
Dry goods					0*	−14*					
Electrical supplies					− 7*	+10*					
Groceries					+ 2*	+12*					
Hardware					− 0*	+16*					
Jewelry					+ 5*	+ 2*					
Paper					+ 0*	+13*					
Output of manufactures											
Pig iron	52	82	85	94	+10	+81	+ 86	46	78	79	82
Steel	65	85	98	93	− 5	+43	+ 38	67	87	89	95
Iron castings	56	73	69	72	+ 4	+28	+ 37	54	72	66	69
Steel castings	62	93	126	113	−10	+82	+ 34	60	97	112	109
Electrical apparatus	76	106	104r	102	− 2	+35	+ 39	84	106	109r	113
Motor vehicles	22	13	17	24	+44	+11	− 8	18	15	17	21
Automobile parts and bodies	70	69	70	87	+24	+24	+ 19	66	69	67	82
Locomotives and cars	20	32	32	35	+11	+71	+103	21	32	32	36
Shipbuilding	356	529	553	581	+ 5	+63	+ 46	352	524	536	575
Silk manufactures	89	66	61	75	+22	−16	− 14	87	63r	60r	73
Woolen and worsteds	65r	50	53	55	+ 5	−14	− 9	66r	48	50	57
Cotton products	54	43	45r	43	− 3	−19	− 2	49	40	39	39
Carpets and rugs	142	74	72	97	+34	−32	− 13	130	71	67	89
Hosiery	117	78	98r	103	+ 6	−12	− 16	101	76	80	90
Underwear	164	126	145r	138	− 5	−16	− 5	153	126	120r	128
Cement	60	57	56	63	+13	+ 4	+ 3	76	68	65	79
Brick	36	45	51	47	− 8	+31	+ 29	37	47	49	49
Lumber and products	27	27	25	26	+ 2	− 5	+ 6	30	28	28	28
Bread and bakery products					− 3*	+ 4*	+ 0*	85	92	92	89
Slaughtering, meat packing	106	104	103	115	+11	+ 8	+ 3	89	98	91	97
Sugar refining	104	51	86	51	−40	−51	− 9	89	54	88	44
Canning and preserving	63	81	84	82p	− 3	+29	+ 16	71	58	68	72p
Cigars	102	96	91	103	+13	+ 1	+ 6	109	103	99	110
Paper and wood pulp	74	83	85	81	− 4	+10	+ 12	74	82	81r	81
Printing and publishing	90	91	89	90	+ 1	+ 0	+ 1	87	90	86	87
Shoes	150	126	135	130	− 4	−14	− 12	161	120	125	139
Leather, goat and kid	93r	90r	97	88p	− 9	− 6	− 5	90r	91r	85	85p
Explosives	85	94	99	126	+27	+48	+ 30	85	94	97	126
Paints and varnishes	83	84	93	83	−11	+ 0	+ 5	85	86	86	85
Petroleum products	162	164	158	151p	− 4	− 7	+ 3	163	165	159	152p
Coke, by-product	111r	135	141	142	+ 1	+28	+ 38	109	135	138	140

* Computed from data unadjusted for seasonal variation. p—Preliminary. r—Revised.
† Bureau of the Census, U. S. Department of Commerce.



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