

THE BUSINESS REVIEW

THIRD FEDERAL
PHILADELPHIA



RESERVE DISTRICT
DECEMBER 2, 1940

FEDERAL RESERVE BANK OF PHILADELPHIA

Business and Banking Conditions in the United States

Industrial output rose sharply in October and the first half of November and prices of basic commodities advanced further. New orders both for defense purposes and for civilian needs continued in large volume.

Production. Volume of industrial production, as measured by the Board's seasonally adjusted index, rose further in October to about 128 per cent of the 1935-1939 average as compared with 125 in September and 126 at the peak reached last December.

Increases in output were marked in the automobile and textile industries. In the rayon industry, where production in September had been curtailed by a strike, activity increased considerably and cotton textile mills were also more active. Mill sales of cotton goods have been large since the middle of August, reflecting increased civilian and military demand, and have been in excess of production during most of this period. At wool textile mills, where activity had risen sharply in September, there was a further increase in October. Backlogs of orders in this industry are now of considerable

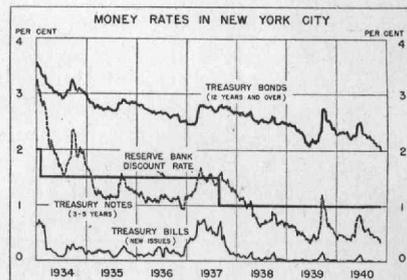
size owing to a large volume of orders received during the past two months, particularly from the government. Automobile production rose to about 500,000 cars and trucks, the largest monthly total since the spring of 1937, and retail sales of both new and used automobiles were reported to be large for this time of year.

In the steel and machinery industries activity continued at a high rate in October. In the first half of November steel ingot production advanced slightly further and was at about 96 per cent of capacity. This high rate of output is expected to be maintained for some time to come, according to trade reports, as new orders for steel have continued large. Lumber production, which had risen sharply since mid-summer, declined less than seasonally in October. New orders for lumber were somewhat below the high rate of August and September but remained above production, reflecting in part continued government demands.

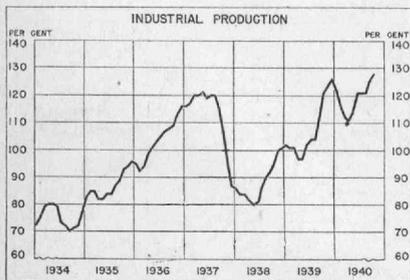
Bituminous coal production declined sharply in October but in the

first half of November showed some increase. In this industry output had been maintained in large volume during the summer owing in part to considerable stocking of coal in anticipation of higher prices. Anthracite production also declined in the first half of October but rose sharply in the latter part of the month owing in part to seasonal influences. Crude petroleum production, which had been curtailed during most of the summer, increased further in October.

Value of construction contract awards increased in October, following



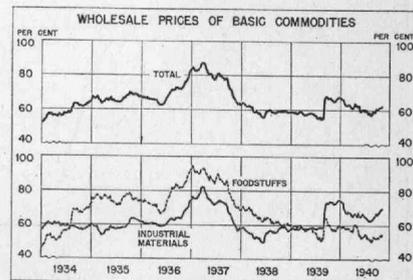
For weeks ending January 6, 1934, to November 9, 1940.



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



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1940. Indexes compiled by the United States Bureau of Labor Statistics.



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to November 7, 1940.

a decline in the previous month, according to figures of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Changes in the amount of contract awards in recent months have reflected principally fluctuations in contracts for public projects. Awards for private construction have shown about the usual seasonal changes, following a sharp rise in July and August.

Distribution. In October department store sales declined considerably from the advanced level of the two preceding months, while sales at variety stores, which also had been large in August and September, increased seasonally. In the early part of November department store sales increased somewhat.

Total loadings of revenue freight in October were maintained at about the level reached in September. Ship-

ments of miscellaneous merchandise increased further, while loadings of coal showed a sharp decrease. In the first week of November freight-car loadings declined by less than the usual seasonal amount.

Wholesale commodity prices. Prices of basic commodities continued to advance from the middle of October to the middle of November, with the chief increases in industrial materials, particularly lead, hides, wool and textile yarns. The general index of wholesale commodity prices rose further by about 1 per cent in this period, reflecting increases in prices of some finished goods as well as of materials.

Bank credit. Total loans and investments at reporting member banks in 101 leading cities have increased substantially since the end of September. Commercial loans showed sizable in-

creases both in New York City and in other leading cities. Following reductions during August and September, holdings of United States Government obligations at these banks also increased. Federal Reserve System holdings of government obligations were reduced by \$180,000,000 between September 25 and November 13.

United States Government security prices. After rising moderately during the latter part of October prices of United States Government securities advanced sharply in the early part of November. The quotation on the 1960-65 bonds reached a new high level at about 110¼, and the yield on this issue declined to 2.12 per cent compared with 2.25 per cent in October and 2.26 per cent in June 1939 and again in April 1940. The average yield on 3 to 5 year Treasury notes declined to less than ¾ of 1 per cent.

Business and Banking Conditions in the Philadelphia Federal Reserve District

Industrial production in the Third Federal Reserve District was sustained in October near the highest levels of the past three years. The output of heavy manufactured goods exceeded any period since 1930, and production of consumers' goods and electric power increased somewhat more than was to be seasonally expected in the month. Activity at mines and in oil fields declined.

The continued expansion in business activity is reflected in sustained rises in consumer incomes, an increased use of bank credit, and a generally firm price structure. The principal factor

in the improvement during the past few months, however, appears to have been the increasing demand for defense materials, which has stimulated private buying and resulted in extended delivery periods.

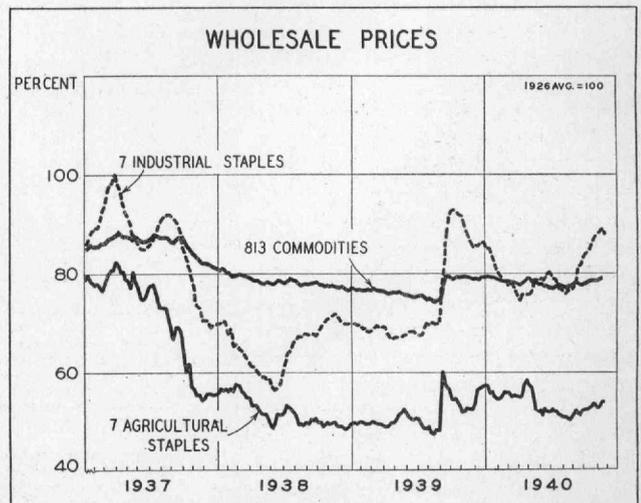
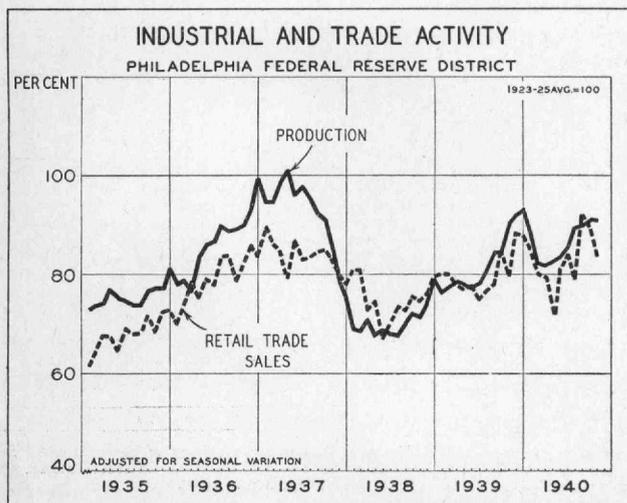
Information on new methods of financing defense production has been made available to banking and industrial establishments in a circular recently issued by this bank. This includes some discussion of supplies and facilities contracts with an indication of the general procedure in acquiring and financing government orders.

Construction activity declined some-

what in October from the high levels reached in the preceding months, but the prospects are for an increasing amount of plant expansion.

General employment and payrolls in Pennsylvania increased 3 per cent from September to October to the highest level since 1937. Gains in the month were general except in anthracite mining and certain trade and service industries. Preliminary reports indicate further increases in factory employment and wage disbursements in November.

Retail business continued active in October, although the gain over the



Business Indicators Philadelphia Federal Reserve District

preceding month was smaller than was to be seasonally expected. Sales at wholesale expanded further and stocks in both channels of trade increased somewhat. Both sales and stocks in distributive establishments are above a year ago.

Wholesale prices in the aggregate have advanced almost steadily since September and now approximate the high point reached at the end of 1939 and early this year. The largest advances recently have been in quotations on industrial raw materials and imported commodities.

Manufacturing. The demand for products manufactured in this district continues active. Sales of iron and steel and miscellaneous manufactures advanced further in the month ended the middle of November; buyers' interest in textile and leather products remained strong; while demand for building materials declined seasonally. Sales in virtually all reporting lines, particularly in the case of iron and steel and construction materials, are substantially above a year ago, and delivery periods are lengthening. Government demand for defense materials continues increasingly active, and the impact of this production is spreading into many related lines.

The volume of unfilled orders on hand at reporting steel and textile mills increased further in the month, and backlogs generally were larger than those on hand in the same period of 1939, except in the case of some consumers' goods. Prices in most lines advanced in the month and were above a year ago, the gains being especially pronounced in the building materials industries.

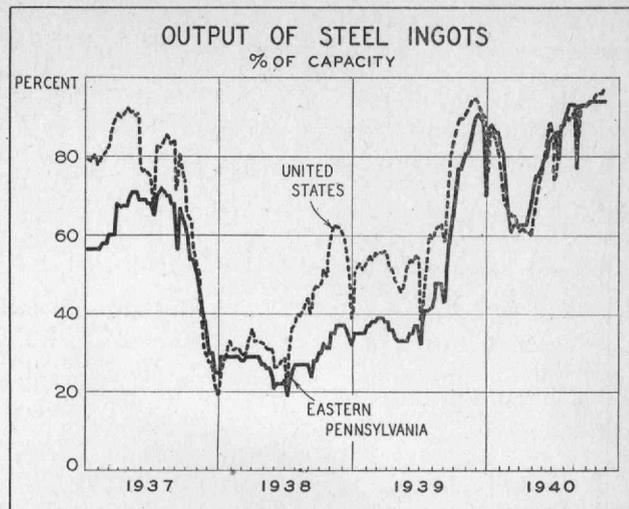
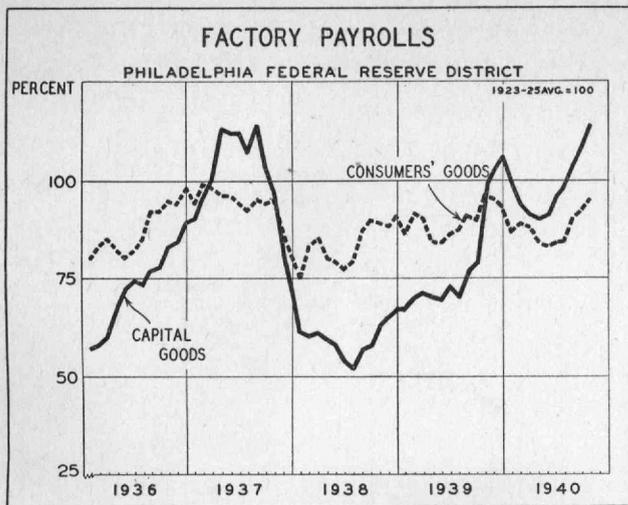
Factory operations increased further in the latest period and are generally at higher levels than a year ago. Inventories of raw materials have increased somewhat, while supplies of finished goods have declined. At most reporting plants stocks appear to be near the level prevailing in the late fall of 1939.

Employment at Pennsylvania factories increased 3 per cent from September to October and wage disbursements were expanded 5 per cent. Customarily the number of workers advances only slightly and payrolls are unchanged at this season of the year. The gain in employment was the fifth in succession and carried the index to a level 11 per cent above the year's low point in May and 4 per cent above October of last year. Wage pay-

| | 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. | | | | | | | | | | | | | |
| | Oct. 1939 | | Aug. 1940 | | Sept. 1940 | | Oct. 1940 | | Per cent change | | 1940 from 10 mos. 1939 | | Oct. 1939 | | Aug. 1940 | | Sept. 1940 | | Oct. 1940 | |
| | | | | | | | | Oct. 1940 from | | 1940 from 10 mos. 1939 | | | | | | | | | | |
| | | | | | | | | Month ago | | Year ago | | | | | | | | | | |
| Industrial production | | | | | | | | | | | | | | | | | | | | |
| Manufacturing—total | 91r | 90r | 91 | 91p | 0 | + 1 | + 7 | 94 | 89 | 93 | 95p | | | | | | | | | |
| Durable goods | 88 | 88r | 90 | 91p | + 1 | + 3 | + 8 | 92 | 89 | 92 | 95p | | | | | | | | | |
| Consumers' goods | 87r | 92 | 101 | 101p | 0 | +16 | +31 | | | | | | | | | | | | | |
| Metal products | 90r | 85r | 82 | 83p | + 1 | - 7 | - 5 | | | | | | | | | | | | | |
| Textile products | 92r | 96 | 104r | 104 | 0 | +13 | +36 | 94 | 99 | 104r | 107 | | | | | | | | | |
| Transportation equipment | 85 | 76r | 70 | 74p | + 6 | -13 | -12 | 89 | 72r | 71 | 77p | | | | | | | | | |
| Food products | 100 | 121 | 138 | 145 | + 5 | +46 | +39 | 95 | 117 | 130 | 139 | | | | | | | | | |
| Tobacco and products | 78 | 83 | 81 | 79p | - 2 | + 2 | + 2 | 82 | 83 | 87 | 87p | | | | | | | | | |
| Building materials | 101 | 104 | 102 | 103 | 0 | + 1 | + 5 | 124 | 111 | 118 | 125 | | | | | | | | | |
| Chemicals and products | 46 | 42 | 43 | 45p | + 4 | - 3 | - 8 | 49 | 48 | 47 | 48p | | | | | | | | | |
| Leather and products | 131 | 131 | 140 | 132p | - 6 | + 1 | + 9 | 133 | 131 | 139 | 134p | | | | | | | | | |
| Paper and printing | 124 | 107 | 107 | 104p | - 3 | -17 | -10 | 132 | 110 | 117 | 110p | | | | | | | | | |
| Coal mining | 89 | 87r | 86r | 86 | 0 | - 3 | + 1 | 90 | 84r | 86r | 87 | | | | | | | | | |
| Anthracite | 73r | 73 | 69 | 58p | -15 | -20 | - 1 | 77r | 56 | 67 | 62p | | | | | | | | | |
| Bituminous | 71r | 72 | 67 | 56p | -16 | -21 | - 5 | 75r | 53 | 64 | 59p | | | | | | | | | |
| Crude oil | 86r | 82 | 85 | 78 | - 8 | - 9 | + 30 | 92r | 77 | 87 | 84 | | | | | | | | | |
| Electric power | 460 | 413 | 407 | 403 | - 1 | -12 | - 1 | 460 | 413 | 407 | 403 | | | | | | | | | |
| Output | 272r | 294 | 289 | 293 | + 2 | + 8 | + 8 | 281 | 280 | 283 | 302 | | | | | | | | | |
| Sales, total | 271 | 290 | 289 | 290 | 0 | + 7 | + 9 | 271 | 276 | 287 | 290 | | | | | | | | | |
| Sales to industries | 198 | 193 | 207 | 206 | 0 | + 4 | +10 | 192 | 198 | 219 | 200 | | | | | | | | | |
| Employment and wages—Pa. | | | | | | | | | | | | | | | | | | | | |
| Factory—Employment | | | | | + 3* | + 4* | + 8* | 90 | 90 | 91 | 94 | | | | | | | | | |
| Payrolls | | | | | + 5* | + 9* | +17* | 88r | 89 | 92 | 96 | | | | | | | | | |
| Man-hours (1927-28=100) | | | | | + 5* | + 8* | +20* | 87r | 87 | 90r | 94 | | | | | | | | | |
| General (1932=100) | | | | | | | | | | | | | | | | | | | | |
| Employment | | | | | + 3* | + 3* | + 6* | 116r | 113 | 117 | 120 | | | | | | | | | |
| Payrolls | | | | | + 3* | + 5* | +14* | 170r | 167 | 173r | 179 | | | | | | | | | |
| Building and real estate | | | | | | | | | | | | | | | | | | | | |
| Contracts awarded†—total | 75r | 90 | 94 | 73 | -23 | - 3 | + 4 | 78 | 88 | 91 | 75 | | | | | | | | | |
| Residential† | 57r | 49 | 53 | 52 | - 2 | - 8 | - 8 | 65 | 55 | 62 | 60 | | | | | | | | | |
| Nonresidential† | 42r | 104 | 111 | 79 | -29 | +89 | +27 | 40 | 96 | 104 | 76 | | | | | | | | | |
| Public works and utilities† | 190r | 187 | 157 | 110 | -30 | -42 | - 1 | 200 | 162 | 143 | 116 | | | | | | | | | |
| Permits for building—17 cities | 22 | 22 | 65 | 41 | -36 | +84 | +23 | 23 | 20 | 58 | 42 | | | | | | | | | |
| Real estate deeds—Philadelphia† | 52 | 57 | 63 | 58 | - 8 | +11 | +14 | 50 | 55 | 54 | 55 | | | | | | | | | |
| Writs for Sheriff's sales—Phila. | 313 | 340 | 286 | 444 | +55 | +42 | - 5 | 156 | 327 | 332 | 222 | | | | | | | | | |
| Distribution | | | | | | | | | | | | | | | | | | | | |
| Retail trade—sales | 80r | 92 | 89 | 84p | - 6 | + 5 | + 5 | 93 | 69 | 91 | 98p | | | | | | | | | |
| stocks | 78 | 77 | 78 | 79p | + 1 | + 1 | ... | 88 | 74 | 84 | 89p | | | | | | | | | |
| Wholesale trade—sales | | | | | + 2* | + 4* | + 6* | | | | | | | | | | | | | |
| stocks | | | | | + 1* | + 1* | ... | | | | | | | | | | | | | |
| Life insurance sales | 101 | 91 | 104 | 99 | - 5 | - 2 | + 4 | 92 | 77 | 83 | 90 | | | | | | | | | |
| New passenger auto registrations | | | | | +87* | +32* | +34* | 94 | 91 | 67 | 125 | | | | | | | | | |
| Hotels—Occupancy (1934=100) | | | | | + 5* | + 6* | + 6* | 126r | 109 | 129 | 135p | | | | | | | | | |
| Income, total (1934=100) | | | | | +11* | +10* | + 9* | 131r | 98 | 130 | 145p | | | | | | | | | |
| Freight-car loadings—total | 76 | 75 | 75 | 75 | - 1 | - 2 | +17 | 84 | 79 | 85 | 83 | | | | | | | | | |
| Merchandise and miscellaneous | 74 | 73 | 73 | 76 | + 4 | + 3 | +14 | 80 | 76 | 83 | 82 | | | | | | | | | |
| Coal | 76 | 77 | 76 | 64 | -16 | -16 | +18 | 87 | 74 | 79 | 73 | | | | | | | | | |
| Business liquidations | | | | | | | | | | | | | | | | | | | | |
| Number | | | | | - 4* | + 4* | - 6* | 72r | 65 | 79 | 75 | | | | | | | | | |
| Amount of liabilities | | | | | + 3* | -31* | -25* | 31r | 20 | 21 | 21 | | | | | | | | | |
| Payment of accounts | | | | | | | | | | | | | | | | | | | | |
| Check payments | 85 | 95 | 92 | 88 | - 5 | + 3 | + 5 | 87 | 81 | 87 | 90 | | | | | | | | | |
| Rate of collections (actual) | | | | | | | | | | | | | | | | | | | | |
| Retail trade | 32 | 35 | 35 | 33 | - 5 | + 3 | ... | 33 | 31 | 31 | 34 | | | | | | | | | |
| Prices—United States | | | | | | | | | | | | | | | | | | | | |
| Wholesale (1926=100) | | | | | + 1* | - 1* | + 2* | 79 | 77 | 78 | 79 | | | | | | | | | |
| Farm products | | | | | 0* | - 1* | + 4* | 67 | 66 | 66 | 66 | | | | | | | | | |
| Foods | | | | | - 1* | - 3* | + 1* | 73 | 70 | 71 | 71 | | | | | | | | | |
| Other commodities | | | | | + 1* | 0* | + 2* | 84 | 82 | 82 | 83 | | | | | | | | | |
| Retail food | | | | | - 1* | 0* | + 2* | 78 | 78 | 79 | 78 | | | | | | | | | |
| Philadelphia | | | | | 0* | - 2* | 0* | 79 | 79 | 78 | 78 | | | | | | | | | |
| Scranton | | | | | 0* | 0* | + 2* | 75 | 74 | 75 | 75 | | | | | | | | | |

| (In millions of dollars) | Index numbers: percentages of the 1923-1925 average as 100 | | | | | % change from | |
|----------------------------------|--|-----------|-----------|------------|-----------|---------------|----------|
| | Oct. 1939 | July 1940 | Aug. 1940 | Sept. 1940 | Oct. 1940 | Month ago | Year ago |
| | | | | | | | |
| Banking and credit | | | | | | | |
| Federal Reserve Bank | | | | | | | |
| Bills discounted | \$0.4 | \$0.2 | \$0.2 | \$0.3 | \$0.3 | 0 | -25 |
| Other bills and securities | 241 | 197 | 196 | 195 | 203 | +4 | -16 |
| Member bank reserves | 572 | 670 | 650 | 658 | 677 | +3 | +18 |
| Reserve ratio (per cent) | 77.3 | 84.5 | 85.2 | 85.0 | 84.7 | -0 | +10 |
| Reporting member banks | | | | | | | |
| Loans | \$409 | \$460 | \$475 | \$474 | \$477 | +1 | +17 |
| Investments | 719 | 725 | 731 | 729 | 727 | -0 | +1 |
| Bankers' acceptances outstanding | 9.0 | 9.1 | 9.7 | 9.3 | 9.4 | +1 | +4 |

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



ments increased for the sixth consecutive month and were 21 per cent above last April and 9 per cent higher than a year ago.

Preliminary reports indicate further gains in November, when a seasonal decline was to be expected. The principal improvement appears again to have been in the heavy goods industries, particularly in basic iron and steel lines and at foundries and machine shops.

From September to October expansion was greatest at plants producing capital goods, where payrolls advanced to a level 27 per cent above April and 15 per cent above October 1939. Improvement was especially apparent in the nonferrous metals industries and in such iron and steel lines as steel works and rolling mills, foundries and machine shops, and plants producing structural materials and other heavy equipment. Producers of transportation equipment also reported substantial increases in employment and wage disbursements.

Further improvement occurred at plants producing consumers' goods, where wage disbursements were 15 per cent above the year's low point in May. In these lines, however, the levels were still somewhat below those prevailing in October of last year, when consumer buying was unusually active. Improvement was evidenced in virtually all lines of textiles, especially cotton goods, woolens and worsteds, and carpets and rugs. Gains also appeared in the case of food products, but declines prevailed in the clothing industry.

Hourly earnings of factory workers in Pennsylvania continued to average nearly 73 cents, and as hours worked

per week advanced to 39.3, the highest since early 1937, weekly earnings reached an average of \$28.29, the highest in records going back to 1923.

Employment in Delaware factories increased 1 per cent from September to October and wage payments advanced 3 per cent, reflecting gains in the case of textiles, metals, chemicals, and leather products. The number of workers totaled 11 per cent more and payrolls were 17 per cent higher than a year earlier. In southern New Jersey employment and payrolls both declined 3 per cent in the latest month but continued 12 and 19 per cent respectively above October 1939.

The output of goods manufactured in this district expanded somewhat further from September to October to a level 3 per cent above October of last year. In capital goods lines the gain over a year ago was 16 per cent compared with a decline of 7 per cent in the output of consumers' goods. The principal improvement in the month was in textiles, transportation equipment, and building materials. Production of metal goods expanded about seasonally from earlier high levels, while chemicals, leather, and food products declined. During the period January to October, total manufacturing output averaged 8 per cent above the corresponding period in 1939, reflecting an increase of 31 per cent in the output of heavy goods and a decline of 5 per cent in consumers' lines.

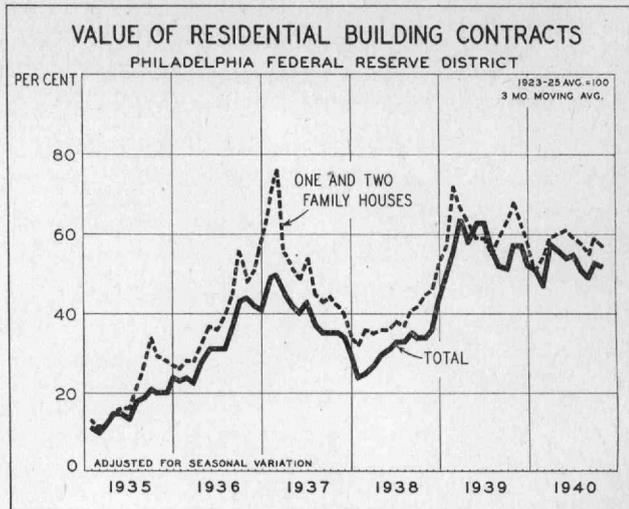
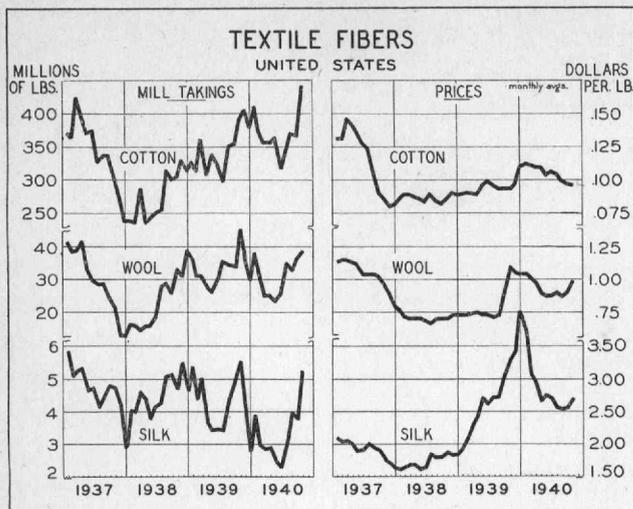
The production of electric power increased 2 per cent more than usual from September to October and was 8 per cent above October 1939. Sales of power changed about seasonally in the month but continued well above a year ago.

Coal and other fuels. The domestic market for fuels continues fairly active; sales of bituminous coal and coke to industry are expanding with increasing manufacturing requirements, and the demand for anthracite is steady. Shipments of coal to foreign countries have decreased for the fifth consecutive month and in October were 37 per cent less than a year ago. Monthly exports of gas and fuel oils have been consistently below 1939. Prices are generally firm.

Production of anthracite declined, contrary to seasonal expectations, from September to October and slackened further in early November, owing in part to an accumulation of stocks in previous months. Output averaged about 157,000 tons a day in October as against 169,000 tons in the preceding month. The production of hard coal in the first ten months of 1940 was 5 per cent less than a year ago, when output was stimulated by restricted operations in the soft coal regions in April and May.

Output of bituminous coal also declined during October, when a further increase was to be expected seasonally. Operations were 4 per cent below September and 9 per cent less than in 1939. Thus far this year production of soft coal in Pennsylvania, aggregating nearly 93,000,000 tons, has been 30 per cent above 1939 and the highest since 1937.

By-product coke ovens in this district continue unusually active and in October operations were at the highest level in records going back to 1923. Output of gas and fuel oils, however, declined to the lowest point of the year. During the first ten months of 1940 activity at both coke ovens and oil refineries was above 1939.



Building. Construction activity in this district declined from September to October, on the basis of contract awards, and for the first time since last spring was below the levels prevailing in 1939. Residential construction was fairly well sustained in the month, but a sharp decline occurred in operations on commercial and industrial structures and public works and utilities. Despite the temporary lull, prospects are for further widespread plant expansions within the next several months.

7 per cent above the corresponding period of 1939. Residential activity has been somewhat lower than last year, but awards for commercial, factory, and educational buildings have been substantially higher. Contracts for public works and utilities in the first ten months aggregated about the same value this year as last.

turnover so far this year has been somewhat more rapid than in the same period of 1939.

Business at wholesale showed a gain of about 2 per cent from September to October. Increased sales at establishments handling paper, hardware, groceries, and dry goods more than offset sharp declines in the case of shoes and jewelry and a smaller contraction in the sale of electrical supplies. The total dollar volume for October was 4 per cent greater this year than last, and sales in the first ten months of 1940 were 6 per cent above the level of a year ago. Wholesalers' inventories in the aggregate were slightly larger than in September and showed a small increase over October 1939.

Freight-car loadings in the Allegheny district in October were well sustained for the third successive month, but they slackened somewhat in early November, according to preliminary reports. Compared with September, shipments of merchandise and miscellaneous commodities, ore, and forest products were unusually heavy. Coal traffic, however, declined considerably in October, and loadings of grain, livestock, and coke did not measure up to seasonal expectations. The movement of commodities originating in the Philadelphia area, consisting chiefly of manufactured products, continued heavier than usual throughout October and exceeded the volume of a year ago by a substantial margin.

Registrations of new passenger automobiles have increased sharply from the year's low reached in the September changeover period and in October showed a gain of 32 per cent over a year earlier. The volume of sales in

| Building contracts Philadelphia Federal Reserve District | October 1940 (000's omitted) | Per cent change | |
|---|---------------------------------------|----------------------|------------------------------------|
| | | From month ago | 1940 from 10 mos. 1939 |
| Residential | \$ 5,783 | -45 | - 7 |
| Apts. and hotels..... | 1,136 | -72 | - 5 |
| Family houses..... | 4,647 | -28 | - 8 |
| Nonresidential | 6,251 | -23 | +38 |
| Commercial..... | 1,589 | -40 | +25 |
| Factories..... | 1,630 | - 7 | +160 |
| Educational..... | 509 | + 5 | +26 |
| All other..... | 2,543 | -23 | - 8 |
| Total buildings | \$12,034 | -36 | +11 |
| Public works and utilities | 4,415 | -16 | - 1 |
| Grand total | \$16,449 | -31 | + 7 |

Source: F. W. Dodge Corporation.

The value of building contracts awarded in October declined more than 30 per cent from September, the largest reductions being in residential and commercial fields. In the case of family dwellings, awards were considerably below October 1939 when activity was at an unusually high level. These declines were practically offset, however, by contracts for factories, educational buildings, and miscellaneous nonresidential structures, which were well above a year earlier.

In the first ten months of this year total building contracts have averaged

Distribution, trade and service. The movement of commodities through distributive channels continued active during October and remained above the level of a year ago. Shipments of manufactured goods by rail improved further. Sales at wholesale and retail exceeded the volume in September, although purchases by consumers did not expand so sharply as is customary at this time of year. Inventories increased somewhat further but at the end of October were only slightly larger than in 1939.

Retail trade sales in this district in October increased nearly 8 per cent from the large volume reported a month earlier. This gain was less than usual for the period and the seasonally adjusted index receded from 89 to 84. Smaller than customary increases were reported by department, men's apparel, and credit stores, and declines from September occurred in the case of women's apparel and shoes. The aggregate dollar volume of business handled in October, however, continued about 5 per cent greater than in the same month last year. Sales in all reporting lines were above the 1939 level, with the most pronounced improvement occurring at department stores.

Stocks of merchandise at retail establishments increased about seasonally during October. The rate of stock

the first ten months of 1940 was 34 per cent larger than in 1939 and the highest since 1937.

Revenue at nonresort hotels in this district expanded 11 per cent from September to October and was greater than in the same month last year.

| Hotel business Philadelphia Federal Reserve District | Oct. per cent change from | | 1940 from 10 mos. 1939 |
|--|------------------------------|-------------|------------------------------------|
| | Month ago | Year ago | |
| Capacity..... | 0 | 0 | ..... |
| Room occupancy..... | + 5 | + 6 | + 6 |
| Per cent of capacity used: | | | |
| Oct. 1940..... | 59.7 | | |
| Sept. 1940..... | 56.6 | | |
| Oct. 1939..... | 56.4 | | |
| Revenue from: | | | |
| Guest rooms..... | + 2 | + 5 | + 9 |
| Food..... | +24 | +17 | +10 |
| Other sources..... | +14 | +12 | + 7 |
| Total revenue..... | +11 | +10 | + 9 |

Banking conditions. Commercial loans have increased moderately in the past month to a level approximating the highest point of 1940 and well above a year ago. Expansion in funds available to trade and industry to finance the general increase in business activity and production under the defense program was reflected in further growth in excess bank reserves. The reserves of all member banks in the district are more than double the requirements against deposits, and in most instances could be increased considerably by drawing upon the heavy balances maintained with correspondents.

| Member bank reserves (Daily averages: dollar figures in millions) | Held | Re- quired | Ex- cess | Ratio of excess to re- quired |
|---|---------|---------------|-------------|--|
| Philadelphia banks: | | | | |
| 1940: Oct. 1-15 | \$475.4 | \$223.8 | \$251.6 | 112% |
| Oct. 16-31 | 482.8 | 226.0 | 256.8 | 114 " |
| Nov. 1-15 | 484.7 | | | |
| 1939: Nov. 1-15 | 429.6 | 210.0 | 219.6 | 105 " |
| Country banks: | | | | |
| 1940: Oct. 1-15 | 199.1 | 100.6 | 98.5 | 98 " |
| Oct. 16-31 | 196.0 | 100.7 | 95.3 | 95 " |
| Nov. 1-15 | 197.8 | | | |
| 1939: Nov. 1-15 | 173.2 | 97.2 | 76.0 | 78 " |

Banking and business institutions throughout the Philadelphia Federal Reserve District have been informed of the general procedure to be followed by business concerns seeking government orders and funds to finance production on these orders. Sources of information with respect to materials to be purchased and bids already accepted, and legislation or regulations applying to assignments of government contracts and the amortization of defense facilities are indicated in a cir-

| Federal Reserve Bank of Philadelphia (Dollar figures in millions) | Nov. 20, 1940 | Changes in— | |
|--|---------------------|---------------|-------------|
| | | Four weeks | One year |
| Bills discounted..... | \$0.5 | + \$0.1 | + \$0.0 |
| Bills bought..... | 0 | 0 | 0 |
| Industrial advances..... | 2.1 | - 0.3 | - 1.0 |
| U. S. securities..... | 187.1 | - 10.5 | - 35.3 |
| Total..... | \$189.7 | -\$10.7 | -\$36.3 |
| Note circulation..... | 391.6 | + 12.7 | + 51.6 |
| Member bank deposits..... | 700.6 | + 28.0 | +109.3 |
| U. S. general account..... | 26.0 | + 12.1 | - 27.0 |
| Foreign bank deposits..... | 75.3 | + 1.7 | + 37.1 |
| Other deposits..... | 30.9 | + 5.6 | + 18.0 |
| Total reserves..... | 1,056.6 | + 69.8 | +228.6 |
| Reserve ratio..... | 86.3% | +1.5% | +6.3% |

cular prepared by this bank. This circular may be obtained upon request.

Member bank reserves aggregating \$700,600,000 on November 20 were the largest shown in any weekly statement in the past six months and exceeded the figures of a year ago by \$109,300,000. In the past four weeks the expansion has amounted to \$28,000,000, reflecting chiefly sharp gains in commercial and financial transactions with other districts. Additional funds were supplied to the local market by Treasury operations. The Treasury received large amounts of Social Security taxes and of unemployment trust funds from the states, but disbursements for defense, work relief, and routine operations exceeded receipts. Funds were absorbed by an increase in outstanding officers' checks of this bank and by an expansion of \$18,000,000 in currency demand, which exceeded by several millions of dollars the amounts called for in the corresponding periods a year and two years ago.

Holdings of government securities by this bank declined \$10,500,000 to \$187,100,000 as a result of further sales from the System Open Market Account. Changes in discounts for member banks and in industrial advances were negligible.

Outstanding credit of the reporting member banks was at the highest point since 1931 on the 13th of the month but declined to \$1,205,000,000 on November 20, a level slightly lower

| Reporting member banks (000,000's omitted) | Nov. 20, 1940 | Changes in— | |
|---|---------------------|---------------|--------------|
| | | Four weeks | One year* |
| Assets | | | |
| Commercial loans..... | \$ 231 | + \$ 4 | + \$38 |
| Open market paper..... | 35 | - 2 | + 11 |
| Loans to brokers, etc..... | 21 | - 2 | 0 |
| Other loans to carry secur..... | 34 | + 2 | + 3 |
| Loans on real estate..... | 50 | 0 | 0 |
| Loans to banks..... | 1 | 0 | 0 |
| Other loans..... | 107 | - 1 | + 13 |
| Total loans..... | \$ 479 | + \$ 1 | + \$65 |
| Government securities..... | \$ 362 | - \$ 2 | + \$ 3 |
| Obligations fully guaranteed..... | 90 | - 3 | - 11 |
| Other securities..... | 274 | + 3 | + 5 |
| Total investments..... | \$ 726 | - \$ 2 | - \$ 3 |
| Total loans & investments..... | \$1,205 | - \$ 1 | + \$62 |
| Reserve with F. R. Bank..... | 521 | + 28 | ..... |
| Cash in vault..... | 23 | + 1 | ..... |
| Balances with other banks..... | 222 | - 9 | ..... |
| Other assets—net..... | 80 | 0 | ..... |
| Liabilities | | | |
| Demand deposits, adjusted..... | \$1,047 | + \$14 | ..... |
| Time deposits..... | 258 | - 3 | ..... |
| U. S. Government deposits..... | 47 | 0 | ..... |
| Interbank deposits..... | 467 | + 5 | ..... |
| Borrowings..... | ..... | ..... | ..... |
| Other liabilities..... | 14 | 0 | ..... |
| Capital account..... | 218 | + 3 | ..... |

* On comparable basis.

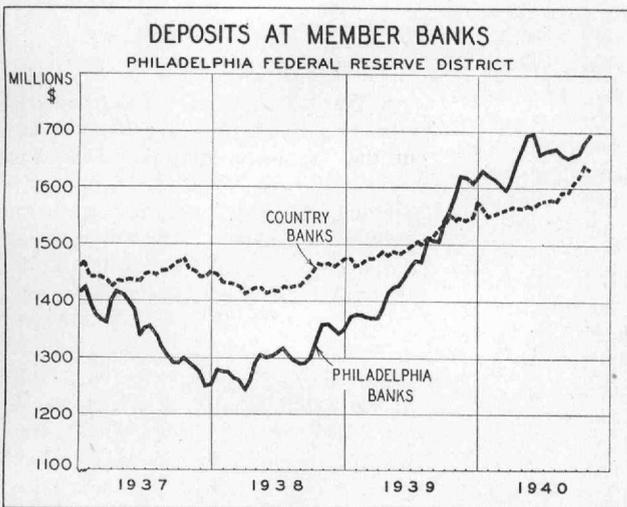
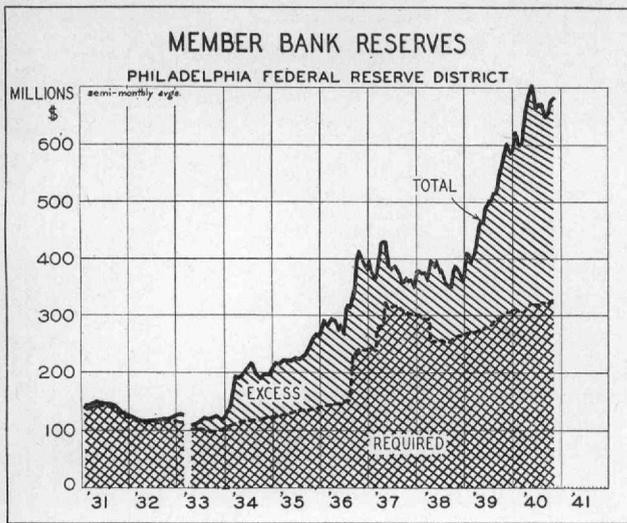
than that shown four weeks earlier. Commercial loans increased \$4,000,000, but the expansion in total loans was restricted to \$1,000,000 by declines in holdings of open market paper and in unclassified loans. The investment portfolio was reduced \$2,000,000, as the sale of \$5,000,000 of governments was only partly offset by the purchase of corporate and municipal securities.

Deposits at the reporting banks increased \$16,000,000 in the four weeks ended November 20 to \$1,819,000,000, owing principally to the heavier balances carried by individuals and business concerns. In the last half of October gross deposits at all member banks in the district averaged \$3,331,000,000, a record level, and were \$200,000,000 larger than a year earlier. Increases over the twelve months amounted to 7 per cent at banks in Philadelphia and in other cities and towns with populations of 15,000 or more, and to 4 per cent at members located in smaller centers.

MEMBER BANK RESERVES AND RELATED FACTORS

| Philadelphia Federal Reserve District (Millions of dollars) | Changes in weeks ending— | | | | Changes in four weeks |
|--|--------------------------|--------|---------|----------|-----------------------------|
| | Oct. 30 | Nov. 6 | Nov. 13 | Nov. 20* | |
| Sources of funds: | | | | | |
| Reserve bank credit extended in district..... | - 0.1 | - 0.3 | - 0.7 | + 2.2 | + 1.1 |
| Commercial transfers (chiefly interdistrict)..... | + 4.2 | + 4.8 | + 20.9 | + 14.2 | + 44.1 |
| Treasury operations..... | + 19.9 | - 3.3 | + 0.8 | - 10.3 | + 7.1 |
| Total..... | + 24.0 | + 1.2 | + 21.0 | + 6.1 | + 52.3 |
| Uses of funds: | | | | | |
| Currency demand..... | + 0.8 | + 8.6 | + 3.2 | + 5.7 | + 18.3 |
| Member bank reserve deposits..... | + 14.2 | - 8.8 | + 19.7 | + 2.9 | + 28.0 |
| "Other deposits" at reserve bank..... | + 9.0 | + 1.4 | - 2.2 | - 2.6 | + 5.6 |
| Other Federal Reserve accounts..... | - 0.0 | + 0.0 | + 0.3 | + 0.1 | + 0.4 |
| Total..... | + 24.0 | + 1.2 | + 21.0 | + 6.1 | + 52.3 |

* Preliminary.



| City areas* | Percentage change—October 1940 from October 1939 | | | | |
|-------------------|--|---------------|--------------------------|--------|--------------------|
| | Manufacturing | | Building permits (value) | Debits | Retail trade sales |
| | Employment | Wage payments | | | |
| Allentown..... | +11 | +18 | +62 | +5 | +3 |
| Altoona..... | +4 | +2 | +144 | +19 | +9 |
| Harrisburg..... | +11 | +17 | -42 | +9 | +13 |
| Johnstown..... | +8 | +13 | -49 | +10 | +9 |
| Lancaster..... | -2 | -1 | +109 | +3 | +3 |
| Philadelphia..... | +6 | +14 | +139 | +11 | +8 |
| Reading..... | 0 | +4 | +140 | +3 | +18 |
| Scranton..... | -7 | -9 | -32 | -13 | -3 |
| Trenton..... | +4 | +9 | -10 | +28 | +13 |
| Wilkes-Barre..... | +2 | +7 | +159 | +6 | -2 |
| Williamsport..... | -1 | -2 | -56 | +15 | ..... |
| Wilmington..... | +7 | +15 | -44 | +6 | +11 |
| York..... | +9 | +16 | +242 | +12 | +7 |

| City areas* | October 1940 from September 1940 | | | | |
|-------------------|----------------------------------|---------------|--------------------------|--------|--------------------|
| | Employment | Wage payments | Building permits (value) | Debits | Retail trade sales |
| Allentown..... | +3 | +3 | +36 | +20 | +10 |
| Altoona..... | +1 | +9 | +13 | +20 | +8 |
| Harrisburg..... | +4 | +8 | +92 | +2 | -1 |
| Johnstown..... | +1 | +4 | -48 | +12 | +12 |
| Lancaster..... | +2 | 0 | +566 | +20 | +20 |
| Philadelphia..... | +3 | +3 | -21 | +16 | +9 |
| Reading..... | +3 | +9 | -39 | +13 | +20 |
| Scranton..... | +3 | +4 | -17 | +2 | +10 |
| Trenton..... | +2 | +3 | -76 | +38 | +8 |
| Wilkes-Barre..... | +3 | +8 | +151 | +17 | +7 |
| Williamsport..... | -1 | +4 | -74 | +17 | ..... |
| Wilmington..... | +3 | +5 | -45 | +2 | +21 |
| York..... | +5 | +4 | +88 | +15 | +8 |

* 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

| | Employment* | | | Payrolls* | | | Employee-hours† | |
|--------------------------------|-----------------|----------------------|-----------|-----------------|----------------------|-----------|--------------------------------|-----------|
| | Oct. 1940 index | Per cent change from | | Oct. 1940 index | Per cent change from | | Oct. 1940—per cent change from | |
| | | Sept. 1940 | Oct. 1939 | | Sept. 1940 | Oct. 1939 | Sept. 1940 | Oct. 1939 |
| All manufacturing | 94 | +3 | +4 | 96 | +5 | +9 | +5 | +8 |
| Iron, steel and products | 91 | +3 | +13 | 123 | +5 | +16 | +4 | +14 |
| Non-ferrous metal prods. | 133 | +5 | +9 | 176 | +6 | +15 | +7 | +14 |
| Transportation equip. | 69 | +5 | +11 | 77 | +10 | +16 | +10 | +17 |
| Textiles and clothing | 92 | +2 | -8 | 90 | +7 | -5 | +7 | -9 |
| Textiles | 87 | +4 | -9 | 85 | +8 | -6 | +8 | -10 |
| Clothing | 115 | -2 | -7 | 113 | +1 | 0 | -1 | -7 |
| Food products | 113 | +2 | +3 | 119 | +1 | +4 | +3 | +3 |
| Stone, clay and glass | 85 | +4 | +4 | 93 | +6 | +3 | +7 | -1 |
| Lumber products | 65 | 0 | 0 | 64 | -1 | +1 | +1 | +1 |
| Chemicals and products | 98 | 0 | +4 | 111 | -1 | +2 | -2 | +3 |
| Leather and products | 88 | 0 | -2 | 87 | -3 | -1 | -2 | -13 |
| Paper and printing | 100 | +1 | -1 | 105 | 0 | -1 | +2 | -4 |
| Printing | 90 | +3 | -1 | 97 | -2 | -1 | +2 | -2 |
| Others: | | | | | | | | |
| Cigars and tobacco | 67 | +1 | +8 | 62 | 0 | +8 | 0 | +9 |
| Rubber tires, goods | 84 | +2 | -8 | 97 | +3 | -13 | +3 | -14 |
| Musical instruments | 70 | +1 | +17 | 92 | +19 | +36 | +11 | +21 |

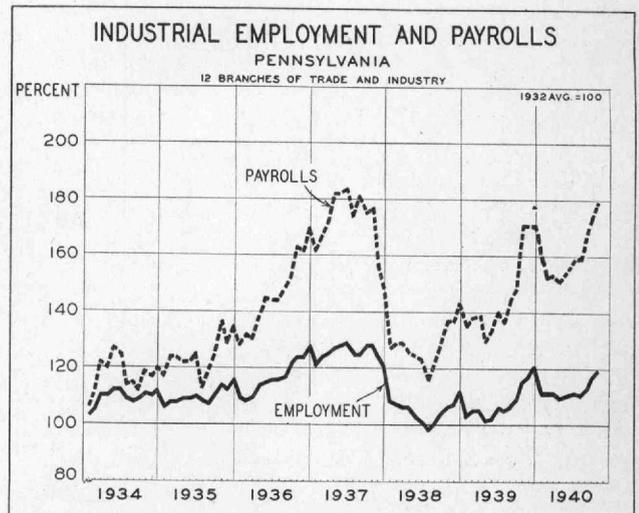
* Figures from 2429 plants.

† Figures from 2194 plants.

General Index Numbers

Covering twelve branches of trade and industry

| | Employment | | | Payrolls | | |
|---------------------------------------|-----------------|----------------------|-----------|-----------------|----------------------|-----------|
| | Oct. 1940 index | Per cent change from | | Oct. 1940 index | Per cent change from | |
| | | Sept. 1940 | Oct. 1939 | | Sept. 1940 | Oct. 1939 |
| General index (weighted) | 120 | +3 | +3 | 179 | +3 | +5 |
| Manufacturing | 146 | +3 | +4 | 235 | +5 | +9 |
| Anthracite mining | 66 | -1 | -4 | 55 | -18 | -38 |
| Bituminous coal mining | 107 | 0 | -2 | 229 | +5 | -6 |
| Building and construction | 61 | +2 | +5 | 94 | +5 | +14 |
| Quarrying and non-met. mining | 118 | 0 | +6 | 243 | +3 | +1 |
| Crude petroleum producing | 135 | -2 | +2 | 166 | +2 | +9 |
| Public utilities | 101 | 0 | +5 | 114 | 0 | +7 |
| Retail trade | 114 | +6 | +5 | 133 | +5 | +5 |
| Wholesale trade | 119 | -1 | +1 | 127 | -2 | +2 |
| Hotels | 105 | +3 | 0 | 123 | +4 | +2 |
| Laundries | 104 | -1 | +7 | 133 | -1 | +3 |
| Dyeing and cleaning | 108 | +3 | +11 | 143 | +4 | +18 |



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 | | | | | |
| | Oct. 1939 | Aug. 1940 | Sept. 1940 | Oct. 1940 | Per cent change | | | Oct. 1939 | Aug. 1940 | Sept. 1940 | Oct. 1940 | |
| | | | | | Oct. 1940 from | | 1940 from 10 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. | | | | | | | | | | | | |
| Retail trade | | | | | | | | | | | | |
| Sales | | | | | | | | | | | | |
| Total of all stores | 80r | 92 | 89 | 84p | - 6 | + 5 | + 5 | 93 | 69 | 91 | 98p | |
| Department | 69 | 80 | 79 | 75 | - 5 | + 9 | + 6 | 80 | 60 | 79 | 87 | |
| Men's apparel | 77r | 81 | 83 | 78 | - 6 | + 2 | + 5 | 86r | 61 | 75 | 87 | |
| Women's apparel | 97r | 114 | 114 | 99 | -14 | + 2 | 0 | 110r | 84 | 118 | 112 | |
| Shoe | 81 | 108 | 94 | 83 | -12 | + 3 | 0 | 91 | 65 | 108 | 93 | |
| Credit | 87 | 109 | 100 | 100p | - 1 | + 3 | + 5 | 121 | 92 | 105 | 125p | |
| Stocks of goods | | | | | | | | | | | | |
| Total of all stores | 78 | 77 | 78 | 70p | + 1 | + 1 | ..... | 88 | 74 | 84 | 89p | |
| Department | 53 | 52 | 53 | 55 | + 2 | + 2 | ..... | 61 | 49 | 57 | 62 | |
| Women's apparel | 109 | 109 | 109r | 108 | - 1 | - 1 | ..... | 130 | 103 | 126r | 130 | |
| Shoe | 67 | 66 | 66 | 66 | + 1 | - 1 | ..... | 73 | 67 | 71 | 72 | |
| Credit | 103 | 101 | 102 | 105p | + 2 | + 2 | ..... | 115 | 98 | 112 | 117p | |
| Rate of stock turnover | | | | | | | | | | | | |
| 10 months (on annual basis) | | | | | | | + 4* | 4.18 | | | | |
| Wholesale trade† | | | | | | | | | | | | |
| Sales | | | | | | | | | | | | |
| Total of all lines | | | | | + 2* | + 4* | + 6* | | | | | |
| Boots and shoes | | | | | -30* | -11* | + 3* | | | | | |
| Dry goods | | | | | + 2* | - 8* | - 1* | | | | | |
| Electrical supplies | | | | | - 6* | +10* | +18* | | | | | |
| Groceries | | | | | + 6* | + 9* | - 1* | | | | | |
| Hardware | | | | | +11* | + 5* | +14* | | | | | |
| Jewelry | | | | | -25* | - 1* | +22* | | | | | |
| Paper | | | | | +18* | + 1* | +14* | | | | | |
| Stocks of goods | | | | | | | | | | | | |
| Total of all lines | | | | | + 1* | + 1* | | | | | | |
| Dry goods | | | | | - 4* | -12* | | | | | | |
| Electrical supplies | | | | | + 5* | + 9* | | | | | | |
| Groceries | | | | | + 5* | + 2* | | | | | | |
| Hardware | | | | | - 2* | +11* | | | | | | |
| Jewelry | | | | | + 7* | + 3* | | | | | | |
| Paper | | | | | - 4* | + 2* | | | | | | |
| Output of manufactures | | | | | | | | | | | | |
| Pig iron | 71 | 94 | 90 | 85 | - 6 | +19 | +72 | 70 | 82 | 84 | 84 | |
| Steel | 94r | 93 | 104 | 102 | - 2 | + 8 | +35 | 94r | 95 | 99 | 102 | |
| Iron castings | 64 | 72 | 72 | 71p | - 2 | +11 | +33 | 68 | 69 | 73 | 75p | |
| Steel castings | 127 | 113 | 135 | 127 | - 6 | - 1 | +31 | 121 | 109 | 122 | 120 | |
| Electrical apparatus | 87 | 103 | 109r | 114 | + 4 | +30 | +38 | 95 | 114 | 120r | 124 | |
| Motor vehicles | 23 | 24 | 24 | 28 | +17 | +22 | - 1 | 21 | 21 | 21 | 26 | |
| Automobile parts and bodies | 91 | 87 | 98 | 112 | +14 | +23 | +19 | 86 | 82 | 93 | 106 | |
| Locomotives and cars | 28 | 35 | 39 | 42 | +10 | +52 | +92 | 26 | 35 | 37 | 40 | |
| Shipbuilding | 417 | 581 | 675 | 678 | 0 | +62 | +52 | 401 | 575 | 641 | 651 | |
| Silk manufactures | 91 | 75 | 73r | 77 | + 7 | -15 | -14 | 93 | 73 | 73r | 79 | |
| Woolen and worsteds | 66r | 55 | 53 | 56 | + 6 | -14 | -10 | 72r | 56 | 58 | 61 | |
| Cotton products | 57 | 43 | 45r | 47 | + 4 | -18 | - 4 | 59 | 39 | 42 | 48 | |
| Carpets and rugs | 126 | 97 | 89 | 91 | + 2 | -28 | -17 | 144 | 89 | 96 | 102 | |
| Hosiery | 105 | 104 | 88 | 92 | + 4 | -12 | -16 | 115 | 90 | 88 | 101 | |
| Underwear | 147 | 138 | 129 | 127 | - 2 | -13 | - 7 | 160 | 128 | 129 | 138 | |
| Cement | 65 | 63 | 65 | 65p | 0 | 0 | + 4 | 73 | 79 | 76 | 72p | |
| Brick | 57 | 47 | 50r | 53 | + 7 | - 6 | +21 | 58 | 49 | 51r | 54 | |
| Lumber and products | 29 | 26 | 27 | 29 | + 6 | - 2 | + 4 | 30 | 28 | 29 | 30 | |
| Bread and bakery products | | | | | 0* | + 5* | + 1* | 88 | 89 | 93r | 93 | |
| Slaughtering, meat packing | 103 | 115 | 103 | 103 | 0 | 0 | + 3 | 108 | 97 | 103 | 108 | |
| Sugar refining | 102 | 51 | 68 | 71 | + 4 | -31 | -18 | 86 | 44 | 59 | 59 | |
| Canning and preserving | 53 | 72 | 68 | 60p | -12 | +13 | +14 | 70 | 82 | 89 | 90p | |
| Cigars | 100 | 103 | 101 | 102 | 0 | + 2 | + 5 | 123 | 110 | 117 | 125 | |
| Paper and wood pulp | 79 | 81 | 79 | 77 | - 2 | - 3 | +10 | 81 | 81 | 79 | 78 | |
| Printing and publishing | 91 | 88r | 88r | 88 | 0 | - 3 | 0 | 91 | 85r | 87r | 89 | |
| Shoes | 151 | 130 | 131 | 132 | + 1 | -13 | -12 | 163 | 139 | 149 | 142 | |
| Leather, goat and kid | 99 | 86 | 83 | 77p | - 7 | -22 | - 6 | 103 | 82r | 87 | 80p | |
| Explosives | 91 | 126 | 138 | 163 | +18 | +78 | +39 | 92 | 126 | 138 | 164 | |
| Paints and varnishes | 82 | 83 | 89 | 80 | -11 | - 2 | + 4 | 88 | 85 | 85r | 85 | |
| Petroleum products | 174 | 159 | 170 | 150p | -12 | -14 | + 1 | 175 | 160 | 173 | 151p | |
| Coke, by-product | 137r | 142 | 148 | 147 | - 1 | + 7 | +32 | 135 | 140 | 142 | 144 | |

* Computed from data unadjusted for seasonal variation.
 † Bureau of the Census, U. S. Department of Commerce.

p—Preliminary.

r—Revised.

