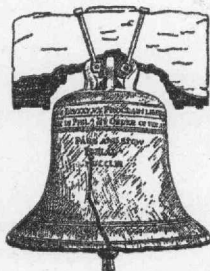


THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

OCTOBER 1, 1942

PRODUCTION for war purposes continues to maintain industrial activity at peak levels.

A much larger quantity of durable manufactures is being turned out than a year ago, whereas declines are reported in consumers' goods. Production and shipments of coal during the first eight months have been larger than in the same period for the past decade.

Construction activity appears to have passed its peak as restrictions are imposed upon non-essential projects and emphasis is shifted from expansion of facilities to more intensive use of existing capacity. In August contracts placed for industrial plants and small houses increased more than enough to offset declines in other categories, but the total volume was substantially smaller than some of the peaks reached in the past year.

Wage payments continue to expand more rapidly than employment owing partly to further increases in hourly earnings. Weekly income is now higher than at any other time in records extending back through 1923. Labor shortages are reported in agriculture as well as in industry. While the buying power of the consumer continues to rise rapidly, purchases of goods in recent months, as reflected in retail sales, have not differed materially from those in 1941. Forward buying by retailers has been less active than last summer, but their stocks of goods continue sharply above those reported at that time.

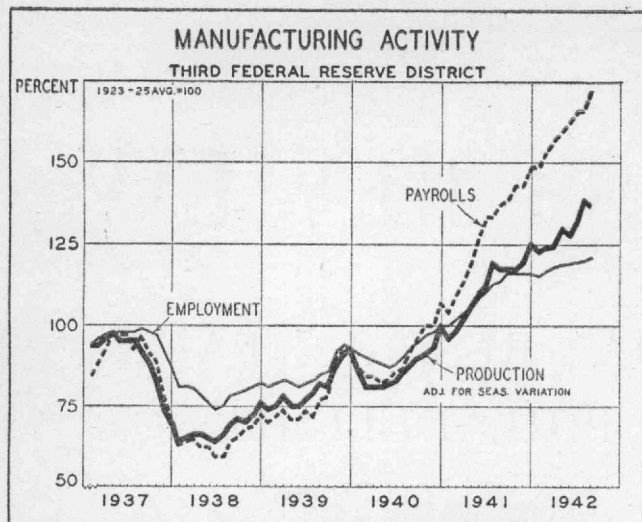
Manufacturing. The demand for manufactured goods in this district has been well sus-

tained, reflecting chiefly continued large purchases of munitions and other equipment essential to the war effort. Sales for civilian use remain at reduced levels, except for small increases in the case of certain textile and leather products. Shipments of both durable and nondurable manufactures continue heavy, principally against large Government orders. Deliveries to the regular trade have slackened further in most lines.

Operations at some war plants have risen to new peaks, but these gains generally have not been pronounced, as production has been near capacity for several months. Reduced activity in many civilian industries continues to reflect a growing shortage of labor and more rigid restrictions on the use of materials. Unfilled orders are very large in most heavy goods lines but backlogs have decreased somewhat further at establishments making lighter products.

Employment in Pennsylvania factories increased slightly in August to a new peak of about 1,183,000 workers, and wage payments rose 4 per cent to a record high of \$42,200,000 a week. During the three years of war, the number employed has expanded 38 per cent; the volume of wage disbursements 114 per cent; and total employee hours worked 85 per cent. Reports from a limited number of concerns indicate that employment and payrolls were well maintained in September.

In the heavy industries, employment in August was 13 per cent above the 1941 level and

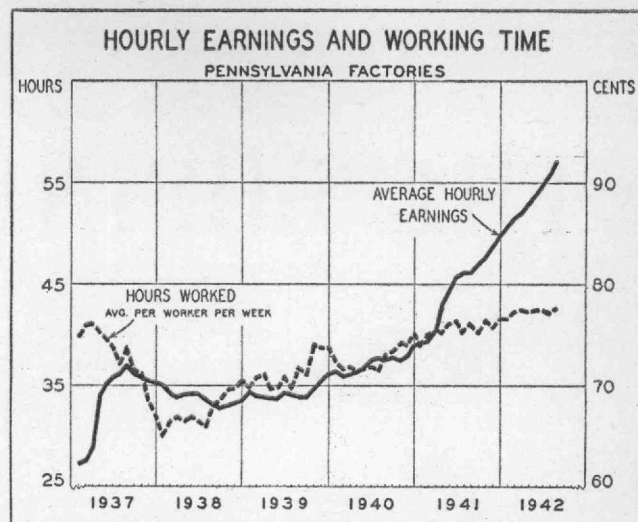


wage payments 28 per cent, reflecting exceptionally sharp gains at metal-working establishments. The number employed at plants making lighter products was 6 per cent less than a year earlier, and payrolls were only 7 per cent larger.

Earnings of factory workers in Pennsylvania increased to a new high average of 92 cents an hour, as against 81 cents in August, 1941, and 69 cents three years ago. Working time rose to a twelve-year peak, averaging 42½ hours, compared with 42 in July, and 41 a year ago. Weekly income, averaging \$38.97 in August, was the highest in records back to 1923, and \$5.68 more than in August of last year.

Output of factory products in this district increased about 2 per cent from July to August, and was 17 per cent greater than a year ago. The gain in the month was somewhat less than seasonal, as was to be expected in view of the high rate of operations previously reported. In the heavy industries output was 43 per cent greater than in August, 1941, but in the case of lighter products it showed a decline of 7 per cent.

Coal and other fuels. The market for anthracite and bituminous coal remains active, in spite of unusually large sales to dealers and consumers through the summer. Orders for fuel oil have been large following the release of limited quantities to householders; rationing in thirty states in the East and Middle West will begin October 1. The demand for coke is sustained at peak levels by the heavy requirements of the iron and steel industry.

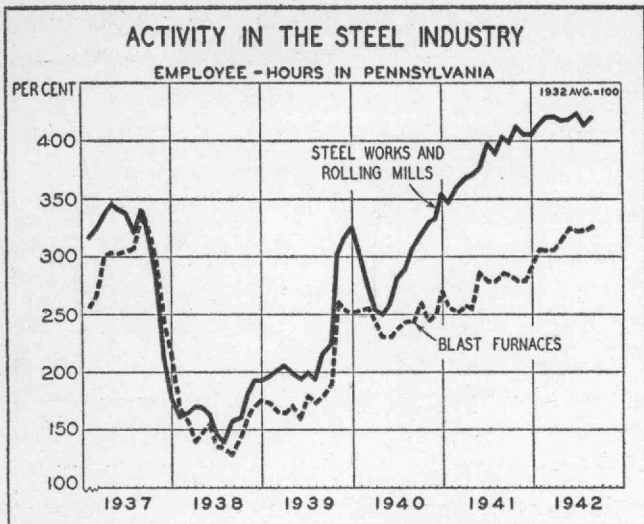


Production of anthracite decreased less than seasonally from July to August and continued substantial during the first half of September. The output of mines through August aggregated 40 million tons, about 8 per cent more than a year earlier and the largest for the period in over a decade. Shipments increased for the third successive month.

The output of bituminous coal in Pennsylvania declined contraseasonally from July, and was slightly smaller than in August, 1941. Production so far this year, however, has been the largest since the late 1920's. Shipments of the fuel expanded considerably in August to an average of 33,600 cars a day. In the first eight months of 1942 deliveries exceeded those for any like period in recent years.

Building. Activity in the construction industry in this district in August was below the high levels prevailing a year ago. Operations on nonessential projects have declined sharply since restrictions were placed on the use of steel and other critical materials several months ago, but the volume of defense construction has remained heavy.

Awards of building contracts expanded 13 per cent in August to \$26 million, owing to increased placements for one and two-family houses and industrial buildings. Contracts for public works and utilities declined sharply from the peak reached in July, but they were still 12 per cent greater than in August, 1941. Awards for commercial structures, educational buildings, and miscellaneous construction decreased in the month to levels substantially lower than a year ago.

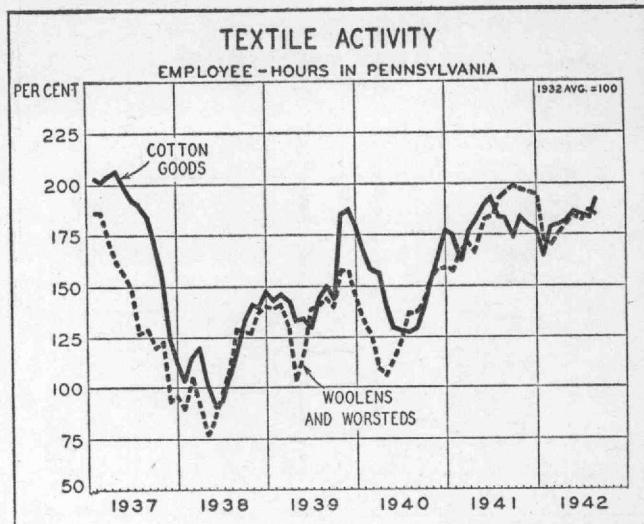


Contract awards totaling \$227,200,000 in the first eight months were the largest for the period in recent years. Pronounced increases over 1941 were reported in contracts for factories and public works and utilities, but residential awards were reduced one-third.

Agriculture. Late crops are maturing rapidly and the condition of pastures is above average for this time of the year. But seasonal farming operations such as harvesting, fall plowing, and the planting of winter grains are being delayed in some sections by the growing shortage of labor. The market for farm products continues decidedly more active than in other years, reflecting the heavy requirements of our armed forces and expanding civilian demand.

Estimated yields of corn and hay have been revised upward; the condition of these crops on September 1 indicated that production would be substantially larger than in 1941, and well above the average for the years 1936-1940. The output of wheat, oats, tobacco, and white potatoes has not measured up to earlier expectations, owing to unfavorable weather during August. Official estimates indicate that production will be smaller this year than last and, in most cases, below the five-year average.

Prices of agricultural commodities have risen slightly further, reflecting principally higher quotations on certain livestock products. Farm cash income in Pennsylvania, New Jersey, and Delaware increased sharply in July to over \$74 million; the total of \$338 million in the first seven months was 34 per cent more than a year earlier.

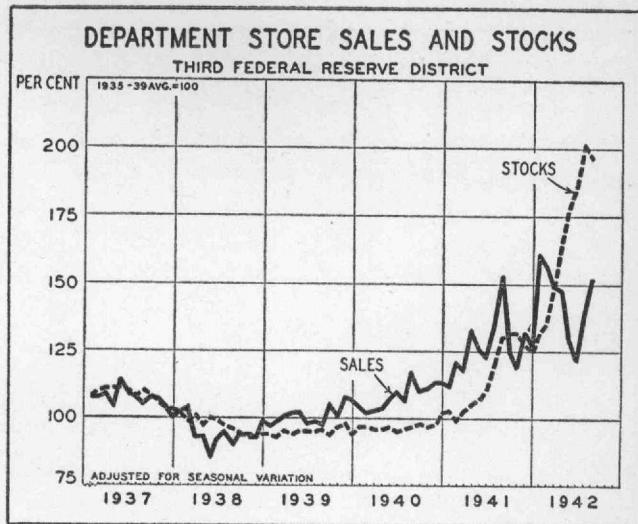
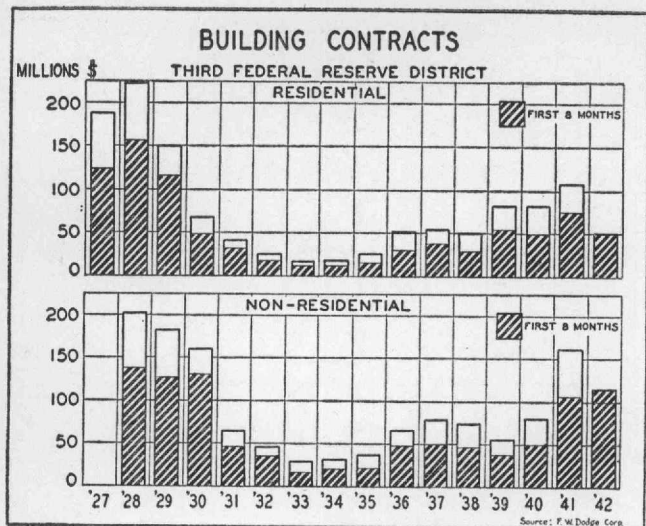


Trade. Retail sales increased in this district during August, but in most lines were somewhat smaller than a year ago. Improvement in the month was pronounced at department, men's apparel, and shoe stores. At women's apparel and credit stores the increase from July was slightly less than usual. Preliminary returns indicate that sales expanded further in September.

The ratio of collections on charge accounts to receivables at department stores decreased from the peak reached in July, but remained considerably above August of last year. In the case of instalment accounts, the collection ratio rose to a new high in August.

Retail inventories increased less than seasonally in August at department, apparel, and shoe stores, and declined at establishments engaged chiefly in the sale of consumer durable goods on an instalment basis. At the end of the month, however, stocks in a number of lines were still sharply larger than a year ago. Outstanding commitments for merchandise by department stores increased somewhat further in August, but continued well below the peak reached in the late summer of 1941. Reports in detail for July show that stocks were equal to 5.8 months' sales as against 3.7 a year earlier. Some of the largest increases in actual stocks over the summer of 1941 were in the apparel departments.

Wholesale trade sales in the aggregate showed practically no change from July to August. Sales in the month were somewhat smaller than a year ago but for the year to date were substantially larger than in 1941 in all lines but electrical supplies. Inventories gen-



erally decreased in the month and in most cases were less than in August, 1941; the sharpest declines from a year ago were in electrical supplies, hardware, and jewelry.

The volume of rail freight shipments remained heavy during August. The tonnage of freight moved continued larger than a year ago, although heavier loadings of individual cars resulted in some decline in the number actually used. Total loadings through August were slightly larger than in 1941, the greatest increases being in shipments of fuels, ore, and livestock.

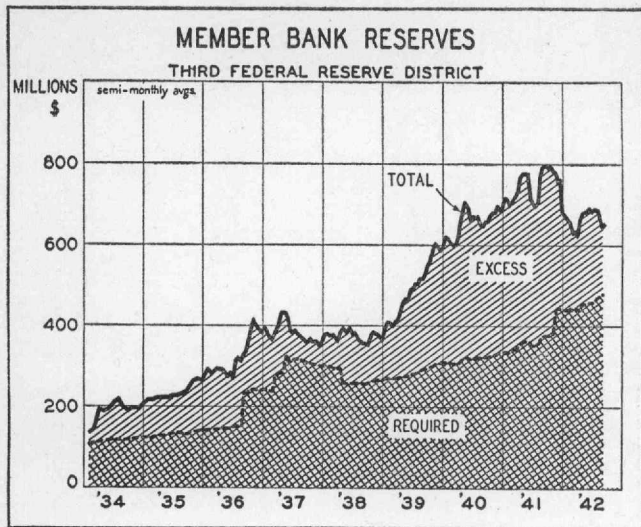
Banking conditions. The spreading influence of war is being reflected to an increasing extent in the condition of the member banks. Earning assets have been raised to new high levels by purchases of Treasury securities, demand deposits of individuals and business enterprises have been expanding and, partly as a result of heavier requirements, excess reserves have declined.

Investments of the reporting banks in this district increased \$35 million to \$1,087 million in the five weeks ended September 23, reflecting allotments of new certificates of indebtedness and further additions to the portfolio of Treasury bills, which now stands at \$105 million. Holdings of United States Government obligations, direct and guaranteed, have expanded nearly \$400 million or approximately 90 per cent since June, 1940; more than one-half of this gain has been in Treasury bonds, although acquisitions this year have been largely shorter term securities.

Loans dropped \$15 million further to less than one-half billion dollars, the lowest point since the early spring of 1941. The trend in commercial loans has been downward since last March, apparently reflecting smaller working capital requirements in lines not related directly to the war effort. Unclassified loans, including personal and instalment loans to individuals, also have been falling and are at the lowest point since early 1940.

Reports from a group of banks in this district which are active in the consumer instalment credit field continue to reflect the curtailment in supplies of durable consumer goods and the restrictions placed upon credit of this type by Regulation W. Outstandings declined 6 per cent further in August, and since the first of the year have dropped 38 per cent. The greatest decline since December was 57 per cent in automotive paper. In other retail paper, created largely through sales of durable goods, the decrease was 30 per cent. Difficulties in securing labor and materials contributed to a shrinkage of 34 per cent in repair and modernization loans. Personal instalment cash loans have comprised more than one-half of the new consumer loans made by reporting banks in recent months; nevertheless the amount outstanding has declined 29 per cent since 1941.

The reserve balances of member banks declined somewhat further in the past month to \$630 million, but are still substantially in excess of requirements. As of September 23 the excess over requirements is estimated to have been approximately one-quarter at banks in Philadelphia and over 40 per cent at the country banks. The decline of over \$150 million in re-



serves since late October of 1941 has been largely at the city banks, with the country banks showing a small increase. In this period the district gained about \$650 million in inter-district commercial and financial transactions, while losing nearly \$600 million through Treasury operations and over \$200 million through the active demand for currency.

Treasury financing. New and revised series of Tax Savings Notes were offered by the Treasury on September 14. They provide a convenient and systematic method of accumulating funds for the payment of taxes. Series C also constitutes an exceptionally attractive medium for the safe investment of idle funds held by business concerns and others. It may be purchased in any amount and is eligible as collateral for loans from banking institutions. Interest accrues on a rising basis and averages about 1.07 per cent a year if the notes are held to maturity, which is three years from the first day of the month in which they are purchased. They can be used in payment of taxes at par and accrued interest by any holder, and have equal value, in the hands of others than banks accepting demand deposits, when redeemed in cash after six months upon thirty days' notice.

Series A Tax Savings Notes, intended primarily for the smaller taxpayer, can be tendered in amounts up to \$5,000 each year for each class of taxes—income, estate or gift. When used in payment of taxes, interest accrues at a rate of 1.92 per cent a year, but if not so used redemption is at cost price, which is par and accrued interest at date of purchase.

War expenditures are rising rapidly and in September may approximate \$5½ billion. Even



in the months of quarterly income tax payments, Treasury receipts from the usual sources are falling far short of disbursements, making frequent recourse to market security issues necessary. Flotations in September were in the short term field. They included 0.65 per cent certificates of indebtedness maturing May 1 next year and 1¼ per cent Treasury notes due in March, 1945. Subscriptions totaled \$5.6 billion and approximately \$3 billion was allotted; in the Third Federal Reserve District subscriptions and allotments were \$216 million and \$118 million respectively.

Weekly offerings of Treasury bills were raised from \$350 million to \$400 million, but the placement rate continues to average about 0.37 per cent. Commercial banks find these bills advantageous for the employment of surplus funds. Income is increased and liquidity is sustained, as the Reserve Banks purchase bills tendered to them at a discount rate of ¾ per cent per annum and give sellers the option of taking them back before maturity at the same rate. In this district 78 banks submitted tenders on the first issue of September and interest remained active later in the month, despite market offerings of new securities and the incidence of the income tax period.

Sales of War Savings bonds in this district by issuing agents other than postoffices totaled \$31.3 million, issue price, in the first twenty-two days of September. The combined sales of Series F and G were little larger than in August, but sales of Series E increased to \$17.9 million from \$14.9 million and \$15.6 million respectively in the corresponding periods of August and July.

BUSINESS STATISTICS

Production Philadelphia Federal Reserve District

Employment and Income in Pennsylvania Industry, Trade and Service

Indexes: 1923-5=100	Adjusted for seasonal variation						Not adjusted		
	Aug. 1942	July 1942	Aug. 1941	Per cent change		1942 from 8 mos. 1941	Aug. 1942	July 1942	Aug. 1941
				Mo. ago	Year ago				
INDUSTRIAL PRODUCTION	137p	139	119	-1	+15	+20	135p	133	118r
MANUFACTURING	137p	139	117	-1	+17	+21	137p	134	118r
Durable goods	208p	211	145	-2	+43	+46			
Consumers' goods	90p	92	97r	-2	-7	-2			
Metal products	154	164	141	-6	+9	+18	161	158	147
Textile products	77p	78	90	-1	-15	-11	72p	72	85
Transportation equipment	531	507r	255	+5	+108	+117	521	492r	247r
Food products	101p	102	92r	0	+10	+8	97p	96	96r
Tobacco and products	111	111	111	0	0	+14	119	120	119
Building materials	48	52	52	-7	-8	+6	55	56r	59
Chemicals and products	135	137	151	-1	-10	-2	135	134	152
Leather and products	105p	117	122	-10	-14	-4	107p	107	125
Paper and printing	88	87	92	0	-5	+1	85	85r	90
Individual lines									
Pig iron	123	116r	118	+6	+4	+13	108	107r	104
Steel	128	140	122	-9	+5	+11	130	128r	124
Silk manufactures	82	86	89	-4	-8	-2	80	84r	87
Woolens and worsteds	61p	63	76	-3	-21	-13	62p	60	78
Cotton products	67	67r	63r	+1	+7	+3	61	58r	57r
Carpets and rugs	54p	56	113	-4	-52	-50	51p	54	104
Hosiery	93	92	106	+1	-12	-11	81	76	92
Underwear	165	184	173	-10	-5	+2	153	153	161
Cement	67	69	72	-3	-7	+6	83	81	90
Brick	66	73	69	-9	-4	+5	69	70	72
Lumber and products	28	30r	32	-8	-13	0	30	33r	34
Bread and bakery products				+4*	+12*	+7*	110	106r	98
Slaughtering, meat packing	97	100	101	-3	-3	0	84	89	86
Sugar refining	61	75	**	-19		-24	52	77	**
Canning and preserving	117p	120	108r	-3	-8	+20	104p	97	131r
Cigars	111	111	111	0	0	+14	119	120	119
Paper and wood pulp	78	83	88	-6	-12	+2	78	79	88
Printing and publishing	90	88	93	+1	-3	+1	87	86r	90
Shoes	120	142	146	-16	-18	-10	128	132	156
Leather, goat and kid	91p	94	100r	-3	-9	+6	88p	83	96r
Paints and varnishes	84	91	101	-8	-17	-6	86	85	103
Coke, by-product	162	161	153	+1	+6	+7	158	157	150
COAL MINING	101p	101r	106*	0	-5	+8	77p	79	81r
Anthracite	101p	99	107r	+2	-6	+8	75p	77	79r
Bituminous	98	113r	102r	-13	-4	+17	92	99r	96r
CRUDE OIL	467	465	419	0	+11	+16	467	465	419
ELEC. POWER—OUTPUT	3*8	383	349	-1	+9	+10	359	356	331
Sales, total	381	374	350	+2	+9	+11	362	352	332
Sales to industries	281	265	252	+6	+11	+16	289	270	260
BUILDING CONTRACTS									
TOTAL AWARDS†	118	122	155	-4	-24	+15	114	112	150
Residential	38	32	91	+19	-58	-25	43	36	102
Nonresidential	175	173	224	+1	-22	+22	161	160	206
Public works and utilities	245	261	183	-6	+34	+75	213	225	159

* Unadjusted for seasonal variation. p—Preliminary.
† 3-month moving daily average centered at 3rd month. r—Revised.
** No Aug. 1941 figs. due to strike.

Indexes: 1932=100	Employment			Payrolls		
	Aug. 1942 index	Per cent change from		Aug. 1942 index	Per cent change from	
		July 1942	Aug. 1941		July 1942	Aug. 1941
GENERAL INDEX	132	0	-1	271	+3	+14
Manufacturing	178	0	+4	390	+4	+22
Anthracite mining	62	0	-6	84	+5	-5
Bituminous coal mining	100	-2	-6	309	+7	-3
Building and construction	57	-2	-20	116	-3	-8
Quar. and nonmet. mining	124	-1	-3	345	-1	+6
Crude petroleum prod.	144	+1	+1	193	-3	+10
Public utilities	105	0	-1	132	0	+5
Retail trade	102	-2	-8	136	-3	-2
Wholesale trade	116	0	-9	142	0	-1
Hotels	95	-1	-8	132	0	+6
Laundries	113	-1	-9	160	+1	+1
Dyeing and cleaning	99	-9	-10	137	-13	-4

Manufacturing

Indexes: 1923-5=100	Employment*			Payrolls*		
	Aug. 1942 index	Per cent change from		Aug. 1942 index	Per cent change from	
		July 1942	Aug. 1941		July 1942	Aug. 1941
TOTAL	114	0	+4	159	+4	+22
Iron, steel and products	125	0	+8	224	+4	+21
Nonferrous metal products	191	+1	+7	345	+4	+31
Transportation equip.	119	+2	+30	187	+4	+68
Textiles and clothing	90	-1	-10	110	+2	+4
Textiles	82	-1	-11	102	+2	+4
Clothing	123	0	-5	151	+2	+3
Food products	117	+4	+7	149	+6	+19
Stone, clay and glass	94	0	-5	120	+3	+4
Lumber products	55	-6	-21	68	-4	-11
Chemicals and products	117	+1	+4	165	+2	+15
Leather and products	94	-1	-3	118	+0	+8
Paper and printing	97	-1	-6	119	+3	+1
Printing	88	-1	-4	105	+4	+5
Others:						
Cigars and tobacco	70	0	-1	77	+4	+11
Rubber tires, goods	102	0	+3	173	+3	+38
Musical instruments	56	-7	-26	77	-6	-19

* Figures from 2863 plants.

Local Business Conditions*

Percentage change—August 1942 from month and year ago	Employment		Payrolls		Building permits value		Retail sales		Debits	
	July 1942	Aug. 1941	July 1942	Aug. 1941	July 1942	Aug. 1941	July 1942	Aug. 1941	July 1942	Aug. 1941
Allentown	-1	+5	+4	+15	+55	-62	+21	-7	-7	-3
Altoona	+3	0	+7	+11	-31	-67	+31	-20	-7	-9
Harrisburg	+1	+2	+9	+21	+218	-63	+28	+9	-4	+18
Johnstown	-1	-9	+7	-1	-52	-51	+16	-30	+1	+7
Lancaster	+2	+6	+6	+26	+17	-69	+8	+1	-5	+7
Philadelphia	+1	+16	+2	+45	+42	+13	+24	+1	-1	-1
Reading	0	+5	+5	+10	-54	-62	+26	+3	-8	-20
Scranton	0	-7	+6	+4	+42	-77	+20	-23	0	+1
Trenton	-1	-8	+2	+6	-60	-85	+10	-15	-6	-10
Wilkes-Barre	+2	+13	-3	+54	-38	-53	+15	-12	-4	+9
Williamsport	+1	+6	+5	+32	-69	+11			+1	+39
Wilmington	+3	+17	+3	+46	-9	-74	+28	-19	-5	+6
York	+1	-4	+3	+24	-75	-75	+22	+17	-9	+13

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

Hours and Wages

Factory workers Averages August 1942 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	42.6	+4	\$.921	+13	\$38.97	+17
Iron, steel and prod.	43.7	+4	.997	+9	43.53	+13
Nonfer. metal prod.	43.1	+2	.863	+20	37.17	+21
Transportation equip.	47.6	+7	1.069	+19	50.85	+28
Textiles and clothing	38.0	+1	.647	+13	24.42	+14
Textiles	38.6	+2	.670	+15	25.82	+17
Clothing	36.5	-1	.589	+9	21.58	+8
Food products	41.4	+5	.712	+7	29.66	+12
Stone, clay and glass	37.5	0	.840	+9	31.51	+9
Lumber products	42.3	+1	.631	+10	26.37	+10
Chemicals and prod.	39.2	-1	.963	+12	37.33	+10
Leather and prod.	38.6	-2	.650	+14	25.08	+12
Paper and printing	39.5	-2	.811	+9	33.08	+7
Printing	37.7	+1	.936	+4	37.12	+7
Others:						
Cigars and tobacco	38.3	+2	.521	+11	19.96	+13
Rubber tires, goods	42.9	+13	.877	+18	37.68	+33
Musical instruments	44.5	+1	.798	+9	35.51	+10

* Figures from 2673 plants. † Figures from 2863 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	August 1942 from		1942 from 8 mos. 1941
	Month ago	Year ago	
Sales			
Total of all lines.....	0	-4	+18
Boots and shoes.....	+47	+3	+16
Drugs.....	0	+11	+12
Dry goods.....	0	-2	+39
Electrical supplies.....	+4	-28	-11
Groceries.....	-6	+4	+15
Hardware.....	-4	8	+25
Jewelry.....	+15	+2	+8
Paper.....	-6	-13	+46
Inventories			
Total of all lines.....	-4	-5	.....
Drugs.....	+2	+18	.....
Dry goods.....	-6	+10	.....
Electrical supplies.....	-11	-25	.....
Groceries.....	-3	-4	.....
Hardware.....	-4	-21	.....
Jewelry.....	-2	-24	.....
Paper.....	-2	0	.....

Source: U. S. Department of Commerce.

Prices	Aug. 1942	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)...	167	0	+10	+67
Wholesale				
(1926 = 100).....	99	+1	+10	+32
Farm.....	106	+1	+21	+74
Food.....	101	+2	+16	+50
Other.....	96	0	+5	+19
Living costs (1935-1939 = 100)...				
United States.....	117	0	+11	+19
Philadelphia.....	117	0	+11	+19
Food.....	124	+1	+18	+33
Clothing.....	126	0	+19	+27
Rent.....	107	0	+2	+4
Fuels.....	104	0	+1	+7
Housefurnishings.....	122	0	+12	+21
Other.....	111	0	+7	+10

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Aug. 1942	July 1942	Aug. 1941	Per cent change			Aug. 1942	July 1942	Aug. 1941
				Month ago	Year ago	1942 from 8 mos. 1941			
RETAIL TRADE									
Sales									
Department stores—District.....	152	139	153	+9	-1	+13	112	92	113r
Philadelphia.....	152	140	148r	+9	+3	+15	108	88	105r
Women's apparel.....	132	134	144r	-1	-8	+11	105	75	113r
Men's apparel.....	114	99r	144	+15	-21	+14	86	77r	109
Shoe.....	205	132	166r	+55	+24	+25	123	110	99r
Credit.....	119p	123	163r	-3	-27	-1	109p	86	148r
Inventories									
Department stores—District.....	196	201	130r	-3	+50	.....	177	173	119
Philadelphia.....	199	200	125r	0	+59	.....	177	172	113
Women's apparel.....	174	201	131r	-13	+33	.....	169	151	127
Shoe.....	109	114	103	-5	+6	.....	111	99	105
Credit.....	240p	249	149r	-4	+61	.....	226p	232	140
FREIGHT-CAR LOADINGS									
Total.....	135	139	144	-2	-6	+3	144	144	151
Merchandise and miscellaneous.....	126	127	139	-1	-9	-1	134	132	144
Merchandise—L.c.l.....	72	76	109	-5	-34	-15	76	75	108r
Coal.....	150	161	159r	-7	-6	+11	144	143	152
Ore.....	179	175	158	+3	+13	+13	312	328	275
Coke.....	217	208	202	+4	+7	+10	191	192	178
Forest products.....	132	134	141	-1	-6	+5	138	139	148
Grain and products.....	98	114	93	-15	+5	0	115	128	110
Livestock.....	111	109	91	+1	+22	+10	115	98	94r
MISCELLANEOUS									
Life insurance sales.....	83	78	114	+7	-27	-6	70	75	96
Hotels—(1934 = 100).....	.....	.....	.....	+8*	+11*	+8*	118	109	106
Occupancy.....	.....	.....	.....	+7*	+22*	+13*	115	107	93
Income, total.....	.....	.....	.....	-45*	-59*	-32*	42	76	101
Business liquidations.....	.....	.....	.....	+61*	+80*	-57*	21	53	103
Number.....	.....	.....	.....	-17*	+1	+5	137	133	135
Amount of liabilities.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Check payments.....	161	137	159	.....	.....	.....	.....	.....	.....

*Computed from unadjusted data. p—Preliminary. r—Revised.

BANKING STATISTICS

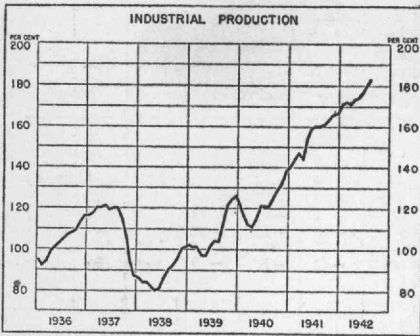
MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (000,000's omitted)	Sept. 23, 1942	Changes in—	
		Five weeks	One year
Assets			
Commercial loans.....	\$ 271	-\$ 8	-\$ 35
Open market paper.....	29	-1	-14
Loans to brokers, etc.....	26	2	1
Other loans to carry secur.....	33	+2	+1
Loans on real estate.....	47	-1	-5
Loans to banks.....	.....	.....	.....
Other loans.....	92	-5	-19
Total loans.....	\$ 498	-\$15	-\$ 73
Government securities.....	\$ 769	+\$31	+\$355
Obligations fully guar'eed.....	68	+4	-28
Other securities.....	250	0	-17
Total investments.....	\$1087	+\$35	+\$310
Total loans & investments.....	\$1585	+\$20	+\$237
Reserve with F. R. Bank.....	420	-12	-181
Cash in vault.....	27	0	+1
Balances with other banks.....	108	-1	*
Other assets—net.....	66	0	-11
Liabilities			
Demand deposits, adjusted.....	\$1409	+\$17	+\$141
Time deposits.....	163	-2	94
U. S. Government deposits.....	20	-25	+1
Interbank deposits.....	381	+16	*
Borrowings.....	.....	.....	.....
Other liabilities.....	15	+2	-5
Capital account.....	218	-1	+1

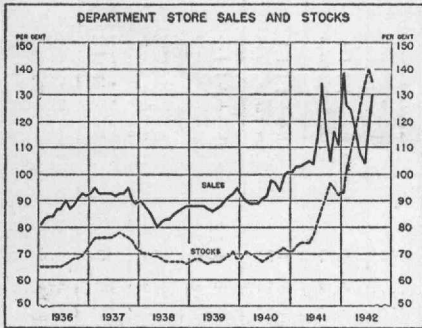
*Reciprocal bank balances now reported net.

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ended—					Changes in five weeks		
	Aug. 26	Sept. 2	Sept. 9	Sept. 16	Sept. 23			
Sources of funds:								
Reserve Bank credit extended in district.....	-3.2	+5.4	+3.0	-3.3	-1.7	+0.2		
Commercial transfers (chiefly interdistrict).....	+10.1	-2.3	+8.7	+30.0	+45.6	+92.1		
Treasury operations.....	+0.9	+14.2	+8.8	-7.6	-72.4	-56.1		
Total.....	+7.8	+17.3	+20.5	+19.1	-28.5	+36.2		
Uses of funds:								
Currency demand.....	+5.0	+11.7	+8.0	+2.6	+5.0	+32.3		
Member bank reserve deposits.....	+3.1	+4.4	+14.5	+15.8	-47.1	-9.3		
"Other deposits" at Reserve Bank.....	-0.3	+1.4	-2.0	-0.0	+13.7	+12.8		
Other Federal Reserve accounts.....	-0.0	-0.2	-0.0	+0.7	-0.1	+0.4		
Total.....	+7.8	+17.3	+20.5	+19.1	-28.5	+36.2		
Member bank reserves (Daily averages: dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired	Federal Reserve Bank of Phila. (Dollar figures in millions)	Sept. 23, 1942	Changes in— Five weeks	One year
Phila. banks								
1941: Sept. 1-15.....	\$578	\$264	\$314	119%	Bills discounted.....	\$ 0.3	-\$ 0.0	+\$ 0.2
1942: Aug. 1-15.....	448	320	128	40	Bills bought.....	0	0	0
Aug. 16-31.....	418	323	95	29	Industrial advances.....	5.1	-0.1	+1.5
Sept. 1-15.....	424	324	100	31	U. S. securities.....	251.9	-4.4	+80.0
Country banks					Total.....	\$257.3	-\$ 4.5	+\$81.7
1941: Sept. 1-15.....	\$220	\$113	\$107	94%	Note circulation.....	742.9	+35.7	+241.9
1942: Aug. 1-15.....	223	153	70	46	Member bk. deposits.....	630.3	-9.3	-173.8
Aug. 16-31.....	225	157	68	44	U. S. general account.....	30.5	+11.0	-1.8
Sept. 1-15.....	230	157	73	47	Foreign deposits.....	73.5	+4.2	-32.2
					Other deposits.....	22.4	+12.8	+8.1
					Total reserves.....	1261.3	+59.0	-44.3
					Reserve ratio.....	84.1%	+0.9%	-5.5%

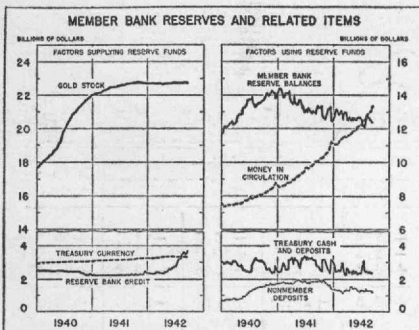
National Summary of Business Conditions



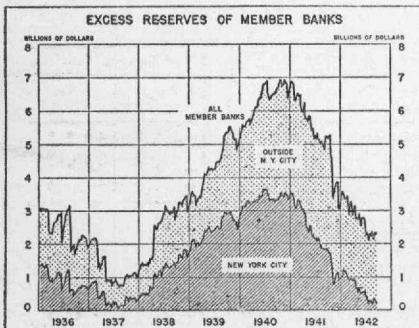
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for August 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for August 1942.



Wednesday figures. Latest figures shown are for September 9, 1942.



Wednesday figures shown are for September 9, 1942.

Industrial output continued to rise in August and the first half of September and retail distribution of commodities also increased. Prices of farm products and foods advanced further.

Production. Industrial output increased in August and the Board's seasonally adjusted index rose 3 points to 183 per cent of the 1935-1939 average. There were further marked increases in activity in the machinery, transportation equipment, and other armament industries. Crude petroleum production increased considerably from the reduced level of recent months and output of manufactured food products rose more than is usual at this time of year. Production of materials, such as steel, nonferrous metals, coal, and lumber, continued in large volume.

Value of construction contracts awarded in August declined from the record high levels of June and July, according to figures of the F. W. Dodge Corporation. The extent to which the continuing large volume of construction reflects the war program is indicated by the fact that in the first eight months of this year 84 per cent of total awards have been for publicly financed projects and in recent months the percentage has been higher.

Distribution. Distribution of commodities to consumers increased considerably in August, reflecting particularly marked increases in department store sales and in sales of general merchandise in small towns and rural areas. Dollar value of sales to consumers in August was somewhat lower than the unusually large sales a year ago, when there was a considerable amount of anticipatory buying, while average prices were about 12 per cent higher. On the basis of physical volume, therefore, sales were smaller than a year ago.

Railroad freight-car loadings were sustained at a high level during August and the first half of September, reflecting continued large shipments of most classes of freight.

Commodity prices. During August and the first half of September the general wholesale price index advanced about half a point to 99.2 per cent of the 1926 average, reflecting chiefly increases in prices of livestock products. Prices of wheat, flour, and some other uncontrolled commodities also advanced. New crop tobacco prices showed sharp increases over last year and a temporary ceiling at current levels was established for flue-cured types.

Retail food prices continued to rise from the middle of July to the middle of August and further increases are indicated in September. Prices of uncontrolled foods in August were 10 per cent higher than in May.

Agriculture. Crop prospects improved considerably during August and aggregate production this year is expected to be about 15 per cent greater than in 1941, which was close to a record year for crops. Unusually high yields per acre are indicated for most major crops and for some others, like oil-seed crops, substantially increased acreages are expected to be harvested. Feed grain supplies are expected to be of record proportions, but owing to the growing number of livestock on farms the supply per animal will probably be about the same as last season.

Bank credit. Excess reserves of member banks, which have generally fluctuated between 2.0 and 2.5 billion dollars in recent months, rose temporarily to over 3 billion on September 16. This increase was due partly to a further reduction in reserve requirements on demand deposits at central reserve city banks from 24 to 22 per cent and partly to Treasury disbursements out of its balances with the Reserve Banks in connection with September 15 tax collections and fiscal operations. Funds for these disbursements arose in part from the issuance of special one-day certificates to the Reserve Banks.

Excess reserves of New York City banks have been declining for a number of months owing principally to the excess of funds raised in that city by the Treasury over amounts expended there. The effect of this drain has been offset in part by purchases of Government securities by the Federal Reserve System and by the two successive reductions in reserve requirements.

At banks outside New York City excess reserves have shown little change in recent months. These banks have lost reserves through currency drain and their required reserves have increased owing to growth of their deposits; both these factors, however, have been largely offset by transfers of funds from New York.

Holdings of Government securities at New York City banks, which increased substantially in July and August, declined somewhat in the first half of September. At banks outside New York City holdings have continued to increase.

United States Government security prices. The recent 3 billion dollar Treasury cash financing operation had little effect on the Government securities market, and prices continued steady.