

THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

NOVEMBER 2, 1942

FURTHER expansion in the output of durable goods and declines in the production of consumers' goods reflect the continued adjustment of this district to the requirements of war. In some cases industries have not expanded as much as usual for this time of the year primarily because of the high levels that have been maintained through normally slack seasons. General indexes often fail to reflect the changes that are occurring in particular lines. In the case of building contracts a very high level was reached in September, but this was due mainly to heavy awards for industrial structures; contracts for small dwellings have declined sharply and were only 7 per cent of the total, as against more than one-third a year earlier.

Rising industrial payrolls continue to be reflected in active consumer purchases. Retail sales, however, have not shown correspondingly large gains over 1941, as wage earners increase their savings and reduce instalment debt. Inventories in retail lines are substantially larger than they were last fall, but at wholesale establishments stocks of goods have declined somewhat.

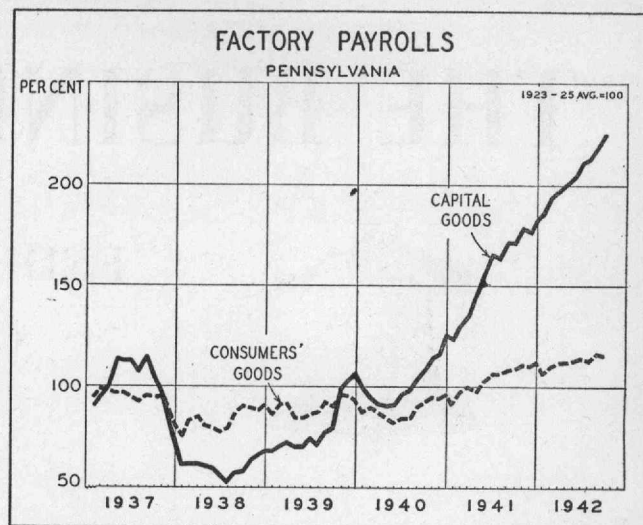
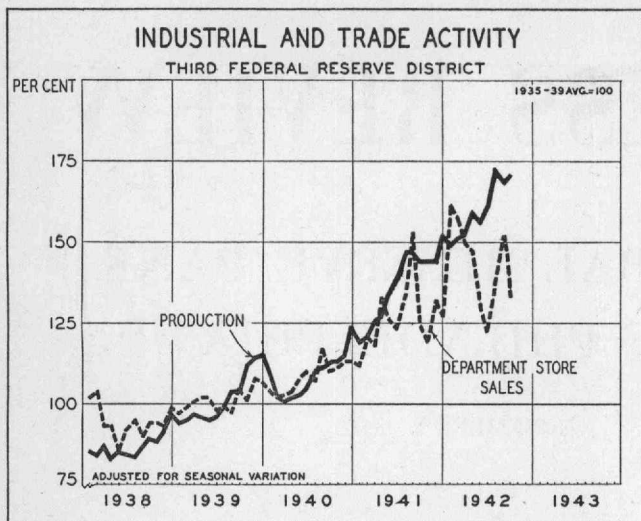
On October 3 the President, acting under Congressional authority, issued a general order to effect the stabilization of prices, wages, and salaries affecting the cost of living. At the same time he appointed a director of the newly created Office of Economic Stabilization. The need for action is revealed in the changes that had occurred in prices and wages since the outbreak of war in Europe. For the country as a whole factory employment expanded 46 per cent, payrolls 135 per cent, and average hourly

wages 36 per cent in the three years of war. The general index of wholesale prices rose 33 per cent, and prices of staple commodities which were uncontrolled advanced about 89 per cent. The cost of living increased 19 per cent over the same period. Such disparities as well as the general increase called for action.

Bank investments have been sharply increased by allotments of new Treasury securities, while loans at reporting institutions in this district have been tending downward since the spring. The Federal Reserve Bank of Philadelphia took another step to assist the war-financing program by reducing its discount rates on three categories of loans.

Manufacturing. The distinction between essential and nonessential goods is increasingly sharp in the market for manufactures. Heavy requirements of the armed forces are maintaining an active market for the factory products of this district, and shipments are going forward in increasing volume. Demand has fallen off somewhat in civilian lines, reflecting the inability of producers to supply goods in normal volumes and increasing uncertainties in shipment dates.

The output of durable goods, very largely for war purposes, continues high and further expansion depends largely upon the completion of conversion and construction programs and the ability to secure trained workers and requisite materials. This high rate of activity extends also to some of the nondurable lines, such as the textile mills which have been working on uniform cloth and other supplies for the



Government. But in other directions the restrictions of the war economy and the scarcity of labor have resulted in curtailed production schedules. Unfilled orders for heavy goods continue large, but backlogs have declined somewhat in the case of products primarily for civilian consumption.

Employment and payrolls in Pennsylvania factories increased further from August to September, but the growth in working forces has been slight in recent months. The number employed reached a new peak of 1,188,000, and the volume of wage payments a record high estimated at \$42,800,000 a week. Gains over a year ago amounted to 4 and 23 per cent respectively. Working time declined slightly in the month but showed an increase of 10 per cent over a year ago.

In the heavy industries employment increased somewhat further in September and wage disbursements rose substantially to a level of 32 per cent above 1941. Small declines were reported by establishments making lighter products, where the number employed was less than a year earlier and the volume of payrolls only 5 per cent larger.

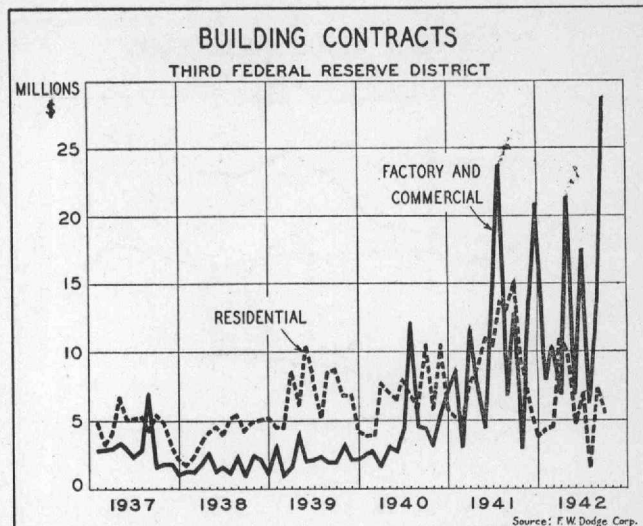
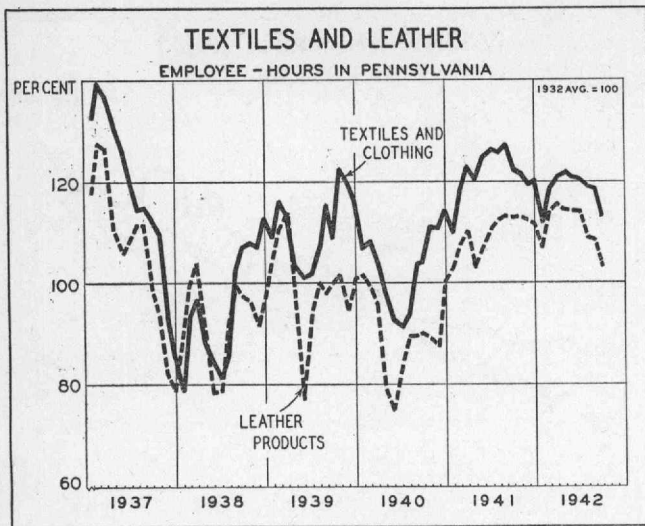
Average hourly earnings of factory workers in Pennsylvania continued to advance in September, reaching a new high of 94½ cents, or 12½ cents an hour more than in 1941. The average number of hours worked per week was 42, compared with a twelve-year peak of 42½ in August, and 40 a year ago. Weekly income increased in September to an average of \$39.45, the highest in records back through 1923, and \$6.64 more than in the same month last year.

The output of factory products in this district rose 2 per cent in September to a level 19 per cent above a year ago. The gain in the month was due to a much higher rate of activity in durable goods lines, where production increased 9 per cent on a seasonally adjusted basis and was 47 per cent greater than a year earlier. A further decline of 5 per cent occurred in September at plants making consumers' goods, where output was 7 per cent less than in 1941.

Coal and other fuels. The demand for fuels continues exceptionally active. Dealers have been accumulating reserves of anthracite; war plants and railroads have been heavy purchasers of bituminous coal; and the peak rate of operations in the iron and steel industry has sustained the demand for coke. Growing shortages of labor make it increasingly difficult to maintain the production of solid fuels at the high levels prevailing for several months. Transportation difficulties limiting the supply of fuel oil necessitate a reduction in consumption for heating purposes this season in thirty Eastern and Middle Western states.

Output of anthracite increased less than seasonally in September, but it was the largest for the month since 1929. Shipments increased for the third successive month. In the first nine months both output and shipments were appreciably larger than a year ago.

Production of bituminous coal in Pennsylvania also expanded less than usual in September. The volume of coal mined was about the same as a year earlier. Shipments expanded sharply to the highest level in thirteen years.



Production in the first nine months was 15 per cent and shipments 17 per cent greater than in 1941.

Building. Activity in the building industry in this district increased in September to approximately the peak levels prevailing in the early summer. Operations against contracts placed to meet urgent war requirements have continued to expand, offsetting further declines in the case of many less essential projects.

Contracts awarded in September approximating \$44 million have been exceeded in only one other month in the past twelve years. Placements were 70 per cent above the August level and 17 per cent greater than a year ago. Large increases were reported in September for all classes of construction except one and two-family houses, which declined 55 per cent and were the smallest for that month since 1935. Contracts for factories rose to an all-time high of \$25 million, accounting for nearly 60 per cent of the total.

Awards of building contracts in the first nine months increased 6 per cent over 1941 and were the largest for the period in recent years. Contracts for factories and public works and utilities were chiefly responsible for the increase. Awards for residences, commercial structures, and educational buildings, which contributed heavily to contract totals last year, registered declines ranging from 38 to 66 per cent.

Agriculture. The growing season for crops in many parts of this district ended with killing frosts in the last week of September. Subsequently, weather conditions were generally

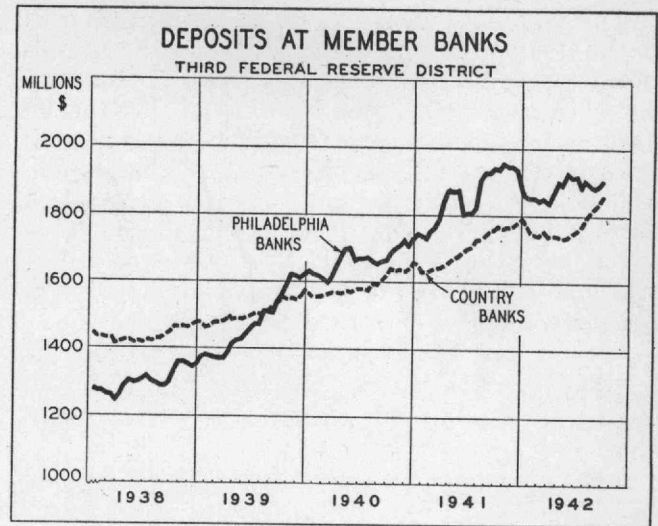
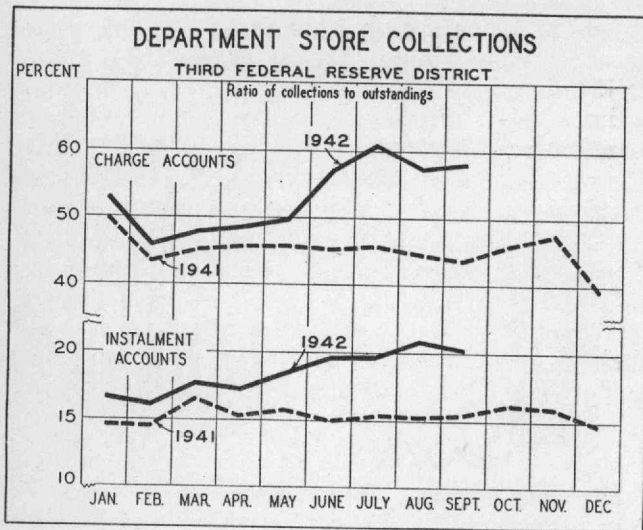
favorable for harvesting and other farm work, but the acute shortage of labor continued to delay operations in many sections. Yields of fruits and vegetables generally have been larger than in 1941, and in many cases well above the averages of other recent years. Insect damage, plant disease and unfavorable weather over part of the season curtailed the production of several leading field crops.

The market for agricultural commodities has continued exceptionally active. Expanding military requirements have accounted for heavy purchases of livestock products and vegetables suitable for canning. Increased sales of farm produce generally also reflect improvement in the demand from civilians with larger spendable incomes.

Farm cash income in Pennsylvania, New Jersey, and Delaware approximated \$66½ million in August, or 39 per cent more than a year earlier. In the first eight months, the income from marketings exceeded \$400 million as against slightly less than \$300 million in the same period of 1941.

Trade. Retail sales in this district continued to expand during September and in most lines were above the dollar volume of a year ago. Increases in the month at department, women's apparel, and shoe stores were less than usual, but a sharp rise in sales of men's apparel substantially exceeded seasonal expectations. Further gains were reported in early October.

Gains in department store sales over last year are being sustained by much heavier sales for



cash, which in September were nearly one-half of the total. Charge account sales declined somewhat in the twelve months and those made on the instalment plan were more than one-third smaller. Collections on both charge and instalment business have been substantially more rapid than last year. In the case of furniture stores, sales increased slightly in September, but were less than in September, 1941, increased cash volume being more than offset by smaller distribution on an instalment basis.

Inventories at retail establishments in September showed an unusually small increase for the second successive month. They were substantially larger than a year ago in all reporting lines except shoes, and in the case of reporting department stores were 85 per cent larger in dollars than in September 1939, the first month of the war. Merchandise on order by department stores has been increasing slowly since June, although outstanding commitments have continued below the high levels prevailing in the third quarter of 1941, when anticipatory buying was especially heavy.

Wholesale trade sales expanded 12 per cent in September, reflecting gains in all lines but paper. Total sales remained somewhat smaller than a year earlier, but in the first nine months they were 15 per cent above the 1941 level. Inventories in the aggregate decreased slightly in the month and were about 5 per cent less than a year ago. Stocks of electrical supplies, hardware, and jewelry continued sharply smaller than in 1941, while substantial increases were reported in the case of dry goods and shoes.

Shipments of freight by rail and motor truck increased from August to September. The tonnage carried by the railroads continued unusually heavy, although the number of cars loaded showed a smaller than seasonal gain in the month and was less than in September 1941. Total loadings in the first nine months were 2 per cent larger than a year ago.

Banking conditions. Discount rates have been reduced by the Federal Reserve Banks in recent weeks. Effective October 17, the Federal Reserve Bank of Philadelphia reduced the rate on notes of member banks secured by United States Government obligations having one year or less to run to call or maturity date from 1 per cent to $\frac{1}{2}$ per cent; on advances to individuals, partnerships, or corporations other than banks under the last paragraph of Section 13 of the Federal Reserve Act the rate was lowered from $2\frac{1}{2}$ to 2 per cent, and on advances to members under Section 10(b) from 2 to $1\frac{1}{2}$ per cent. All Reserve Banks continue to purchase Treasury bills at a rate of $\frac{3}{8}$ per cent per annum, and to give selling banks the option of taking them back at a like rate before maturity.

Large amounts of Treasury bills have been acquired by member banks in this district, but relatively few have been sold by them to this Bank. Member bank borrowing also continues very light, as banks for the most part have reserves substantially in excess of requirements and heavy balances with correspondent institutions. In the third week of October the reserves of members in Philadelphia are estimated to have been nearly 20 per cent above requirements, and at country banks 40 per cent or more in excess.

The combined reserves of all member banks in the district declined \$15 million to \$616 million in the four weeks ended October 21. Reserves were drawn upon actively to make large cash payments on new Government securities, reflected in net Treasury receipts of \$89 million, and money in circulation continued to expand throughout the period. As shown in the table given later in this report, the principal offset was a substantial gain in commercial and financial transactions with other districts.

Holdings of Government securities by the reporting member banks have increased more than one-quarter billion dollars since early July, raising investment portfolios to \$1,188 million, or 71 per cent of their total earning assets. Allotments of new offerings largely explain the increase of \$109 million during the four latest weeks in direct Governments held. Meanwhile loans continued to shrink as repayments on commercial advances exceeded new accommodation and the volume of consumer credit outstanding contracted. Commercial loans declined \$11 million to \$260 million, and are nearly one-sixth smaller than at the peak last March, reflecting in part reduced working capital requirements in nonessential lines as wartime restrictions bear more heavily on the economy.

Deposits at the reporting banks reached a new peak at \$2,034 million on October 21. Interbank deposits, with reciprocal balances reported net, and state and local government balances have been reduced somewhat since the latter part of September. But Federal Government deposits rose sharply as a result of extensive credit payments on Treasury securities, and gains also were recorded in the balances of individuals and business enterprises to levels materially larger than a year ago.

Treasury financing. Revised estimates indicate that expenditures of the Federal Government in the fiscal year 1942-43 will be larger than previously anticipated. War costs, including those of Government corporations, are expected to reach \$78 billion; in addition nearly \$1.9 billion is required for interest on the debt and about \$4 billion for other budget expenses. Borrowing is expected to exceed \$60 billion.

The public debt increased \$14 billion in the quarter ended September 30 to \$91 billion, including guaranteed securities. Three major

offerings were made in October. They comprised Treasury bonds and notes totaling about \$4 billion, and \$2 billion in 7/8 per cent one-year certificates of indebtedness, the latter designed principally to furnish funds to retire \$1.5 billion of certificates due November 1. In this district subscriptions to 1 1/2 per cent notes maturing December 1946 totaled \$93 million and to 2 per cent bonds of 1950-52, \$102 million; these amounts were 4.4 and 5.2 per cent respectively of national totals. Subscriptions to the certificates totaled \$3.1 billion in the country as a whole and \$96 million in this district.

Substantial sales of the new series tax savings notes were made in October. These notes provide an attractive means for the accumulation of funds against the heavy income taxes due next year. Notes of Series C may be used for tax payments and as an investment for short term idle funds; they are redeemable at par and accrued interest by holders other than banks accepting demand deposits, if not used in payment of taxes.

Weekly offerings of Treasury bills were raised from \$400 to \$500 million, beginning with the issue dated October 21. The placement rate of about 0.37 per cent on the last two issues of the month was much the same as on earlier offerings. In the Third Federal Reserve District over 60 banks on the average have been submitting tenders each week, as shown below:

Bids on Treasury bills		
Third F. R. District	Banks	Amount
Issue dated—		
Sept. 30	54	\$21,500,000
Oct. 7	73	25,400,000
Oct. 14	62	19,800,000
Oct. 21	63	35,700,000
Oct. 28	65	26,100,000

Holdings of Treasury bills by weekly reporting banks in this district advanced to \$121 million on October 21 from \$1 million a year earlier.

Nearly \$34 million of War Savings bonds were sold in the first 22 days of October, according to reports from the Federal Reserve Bank and issuing agencies in this district other than postoffices. Sales of Series F and G were about the same as in the corresponding period of September, but those of Series E advanced to \$20.5 million from \$17.9 million, reflecting the spreading use of the payroll savings plan.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
	Sept. 1942	Aug. 1942	Sept. 1941	Per cent change			Sept. 1942	Aug. 1942	Sept. 1941
				Sept. 1942 from		1942 from 9 mos. 1941			
				Mo. ago	Year ago				
INDUSTRIAL PRODUCTION	139p	136	117r	+2	+19	+20	139p	135	118r
MANUFACTURING	140p	136	117r	+3	+20	+21	141p	137	118
Durable goods	224p	205	153	+9	+47	+46			
Consumers' goods	84p	89	91r	-5	-7	-3			
Metal products	160	153r	145	+5	+11	+17	162	161	146
Textile products	66p	75	78r	-11	-14	-12	67p	71	79
Transportation equipment	587	523r	273r	+12	+115	+116	556	513r	258
Food products	104p	101	92r	+3	+14	+9	115p	104	101r
Tobacco and products	109	111	111	-2	-2	+2	127	119	129
Building materials	49	48	54	+2	-8	+4	54	55	58
Chemicals and products	141	135	152	+5	-7	-3	140	135	150
Leather and products	90p	96	127	-6	-30	-7	99p	98	139
Paper and printing	88	87r	93	0	-5	0	87	85	92
Individual lines									
Pig iron	119	126r	113	-5	+5	+12	112	111r	106
Steel	135	127r	129	+7	+5	+10	129	129r	123
Silk manufactures	75	83r	72	-9	+4	-1	75	80	72
Woolens and worsteds	54p	57	75	-5	-28	-15	58p	57	81
Cotton products	63	67	58r	-6	+8	+4	60	61	55r
Carpets and rugs	53p	52	108	+2	-51	-51	53p	49	116
Hosiery	69	93	88	-26	-22	-13	69	81	88
Underwear	144	164r	160	-12	-10	+1	144	152r	160
Cement	71	67	74	+7	-4	+5	84	83	87
Brick	67	66	71	+1	-6	+4	68	69	72
Lumber and products	27	28	32	-3	-16	-2	28	30	33
Bread and bakery products				+5*	+15*	+8*	115	110	100
Slaughtering, meat packing	96	97	95	-1	+1	0	98	84	96
Sugar refining	70	61	30	+15	+133	-17	60	52	26
Canning and preserving	119p	116	103r	-2	+15	+20	161p	134	141r
Cigars	109	111	110	-2	-1	+12	126	119	128
Paper and wood pulp	77	78	90	-1	-14	0	77	78	90
Printing and publishing	90	89r	93	0	-4	0	89	87	92
Shoes	115	120	140	-4	-18	-10	131	128	160
Leather, goat and kid	65p	73	115r	-11	-43	-2	68p	70	119
Paints and varnishes	90	84	104	+7	-13	-7	85	86	99
Coke, by-product	166	162	154	+2	+7	+7	159	158	148
COAL MINING	85p	101	84r	-16	+1	+7	83p	77	82r
Anthracite	84p	101	83r	-17	+1	+7	81p	75	80r
Bituminous	95	101r	95r	-6	0	+15	97	95r	97r
CRUDE OIL	465	467	431	-1	+8	+15	465	467	431
ELEC. POWER—OUTPUT	378	378	344	0	+10	+10	371	359	337
Sales, total	380	381	345	0	+10	+11	376	362	342
Sales to industries	280	281	249	0	+12	+15	297	289	264
BUILDING CONTRACTS									
TOTAL AWARDS†	124	118	153	+6	-19	+10	120	114	148
Residential†	33	38	96	-14	-66	-31	39	43	113
Nonresidential†	208	175	196	+19	+6	+20	195	161	185
Public works and utilities†	202	245	178	-17	+14	+65	184	213	162

*Unadjusted for seasonal variation. p—Preliminary. †3-month moving daily average centered at 3rd month. r—Revised.

Local Business Conditions*

Percentage change—September 1942 from month and year ago	Employment		Payrolls		Building permits value		Retail sales		Debits	
	Aug. 1942	Sept. 1941	Aug. 1942	Sept. 1941	Aug. 1942	Sept. 1941	Aug. 1942	Sept. 1941	Aug. 1942	Sept. 1941
	Allentown	-2	+5	0	+20	-55	-83	+13	+8	-1	0
Altoona	-5	5	-8	+6	-18	-86	+7	-11	+4	-4
Harrisburg	+1	+2	+2	+23	-71	-91	+22	+20	-10	+7
Johnstown	+1	-8	+5	+3	+21	-72	+10	-11	-6	+3
Lancaster	+2	+7	+2	+27	-41	-81	+20	+13	+7	+7
Philadelphia	+1	+16	+4	+47	-84	-84	+32	+5	+2	+10
Reading	-1	-6	-3	+8	+20	-64	+8	+16	+6	-10
Scranton	-1	-4	+2	+7	-24	-99	+29	-4	+42	+32
Trenton	0	-10	0	+5		+156	+24	+3	-15	-2
Wilkes-Barre	+1	+16	-1	+49	-28	-79	+29	+6	-3	+3
Williamsport	-1	+4	-7	+22	-43	-90			+1	+54
Wilmington	+1	+18	+5	+56		+255	+25	0	+17	+6
York	+6	-2	+6	+24	-53	-91	+10	+14	+10	+26

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

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932 = 100	Employment			Payrolls		
	Sept. 1942 index	Per cent change from		Sept. 1942 index	Per cent change from	
		Aug. 1942	Sept. 1941		Aug. 1942	Sept. 1941
GENERAL INDEX	133	0	-1	276	+2	+16
Manufacturing	178	0	+4	396	+1	+23
Anthracite mining	62	0	-6	88	+5	+2
Bituminous coal mining	98	-1	-8	309	+2	-1
Building and construction	58	+2	-16	126	+8	-2
Quar. and nonmet. mining	119	-4	-8	357	0	+6
Crude petroleum prod.	143	-1	+1	199	+1	+10
Public utilities	103	-2	-4	134	+1	+6
Retail trade	107	+5	-10	146	+7	-2
Wholesale trade	114	-2	-11	141	0	+3
Hotels	97	+1	-8	137	+3	+6
Laundries	111	-1	-8	158	-1	-4
Dyeing and cleaning	100	-1	-10	141	0	-6

Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	Sept. 1942 index	Per cent change from		Sept. 1942 index	Per cent change from	
		Aug. 1942	Sept. 1941		Aug. 1942	Sept. 1941
TOTAL	115	0	+4	162	+1	+23
Iron, steel and products	125	0	+8	229	+2	+25
Nonferrous metal products	191	0	+7	333	+3	+28
Transportation equipment	121	+1	+28	195	+1	+70
Textiles and clothing	89	-2	-8	105	-5	+2
Textiles	80	-2	-9	97	-5	+3
Clothing	122	0	-6	145	-4	-1
Food products	123	+5	+4	156	+4	+17
Stone, clay and glass	93	-1	-5	117	-2	+3
Lumber products	53	-4	-23	67	-2	-13
Chemicals and products	118	+1	+4	174	+4	+19
Leather and products	91	-3	-8	114	-3	+2
Paper and printing	98	+1	-7	124	+4	+1
Printing	90	+2	-3	110	+5	+2
Others:						
Cigars and tobacco	69	-1	-4	76	-1	+5
Rubber tires, goods	107	+5	+10	167	-3	+30
Musical instruments	55	-2	-29	72	-6	-16

*Figures from 2856 plants.

Hours and Wages

Factory workers Averages September 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
Iron, steel and prod.	43.4	+5	1.025	+11	44.46	+17
Nonfer. metal prod.	42.2	+2	.874	+22	36.84	+24
Transportation equip.	46.8	+9	1.098	+20	51.31	+30
Textiles and clothing	36.4	-2	.656	+13	23.66	+10
Textiles	36.8	-1	.680	+14	25.02	+12
Clothing	35.3	-3	.597	+10	20.94	+6
Food products	41.9	+5	.692	+9	29.12	+14
Stone, clay and glass	36.9	-1	.847	+8	31.14	+7
Lumber products	41.6	0	.649	+10	26.74	+10
Chemicals and prod.	39.7	+2	.989	+11	38.93	+13
Leather and prod.	37.8	-2	.664	+12	25.11	+10
Paper and printing	39.8	-2	.822	+10	34.14	+8
Printing	37.8	0	.939	+3	38.10	+4
Others:						
Cigars and tobacco	37.4	-2	.533	+12	19.92	+10
Rubber tires, goods	39.4	+1	.882	+17	34.76	+18
Musical instruments	42.5	+2	.806	+15	34.27	+17

*Figures from 2667 plants.

†Figures from 2856 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Sept. 1942 from		1942 from 9 mos. 1941
	Month ago	Year ago	
Sales			
Total of all lines.....	+12	- 3	+15
Boots and shoes.....	+ 2	+24	+17
Drugs.....	+10	+ 3	+11
Dry goods.....	+23	+10	+36
Electrical supplies.....	+15	-21	-12
Groceries.....	+ 7	+ 1	+13
Hardware.....	+ 4	-18	+21
Jewelry.....	+40	+ 6	+ 7
Paper.....	- 1	-24	+38
Inventories			
Total of all lines.....	- 1	- 5	.....
Boots and shoes.....	- 2	+11	.....
Dry goods.....	0	+18	.....
Electrical supplies.....	-14	-34	.....
Groceries.....	+ 5	- 8	.....
Hardware.....	- 4	-23	.....
Jewelry.....	- 4	-21	.....
Paper.....	- 2	+ 6	.....

Source: U. S. Department of Commerce.

Prices	Sept. 1942	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100) ..	168	+ 1	+ 8	+68
Wholesale (1926 = 100).....	100	0	+ 8	+33
Farm.....	103	+ 2	+18	+77
Food.....	102	+ 2	+14	+52
Other.....	95	0	+ 4	+19
Living costs (1935-1939 = 100) ..				
United States.....	118	0	+ 9	+19
Philadelphia.....	117	0	+10	+19
Food.....	124	0	+15	+33
Clothing.....	126	0	+14	+27
Rent.....	107	0	+ 1	+ 4
Fuels.....	104	0	+ 1	+ 7
Housefurnishings.....	122	0	+ 9	+22
Other.....	113	+ 1	+ 7	+12

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation ¹						Not adjusted		
	Sept. 1942	Aug. 1942	Sept. 1941	Per cent change			Sept. 1942	Aug. 1942	Sept. 1941
				Sept. 1942 from		1942 from 9 mos. 1941			
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	133	152	125	-13	+ 6	+12	143	112	134
Philadelphia.....	132	152	124	-13	+ 6	+14	143	108	134
Women's apparel.....	118	132	120	-11	- 2	+ 9	137	105	139
Men's apparel.....	127	114	123	+12	+ 3	+12	115	86	111
Shoe.....	143	205	120	-30	+20	+24	163	123	136
Inventories									
Department stores—District.....	174p	195	132	-11	+32	.....	184p	177	139
Philadelphia.....	176	199	123	-12	+43	.....	185	177	130
Women's apparel.....	151	174	128	-13	+18	.....	177	169	149
Shoe.....	104	109	106	- 5	- 2	.....	112	111	115
FREIGHT-CAR LOADINGS									
Total	131	136r	138	- 4	- 5	+ 2	148	144	155
Merchandise and miscellaneous.....	122	128r	133	- 4	- 8	- 2	139	134	151
Merchandise—l.c.l.....	73	76r	107	- 4	-31	-17	77	76	112
Coal.....	137	150	145	- 8	- 5	+ 9	143	144	150
Ore.....	193	179	167	+ 8	+15	+13	308	312	267
Coke.....	205	217	194	- 6	+ 5	+ 9	197	191	186
Forest products.....	129	132	159	- 2	-19	+ 1	138	138	170
Grain and products.....	117	98	115	+20	+ 2	0	119	115	117
Livestock.....	115	111	94	+ 4	+23	+11	137	115	111
MISCELLANEOUS									
Life insurance sales.....	88	83	128	+ 6	-31	- 9	71	70	103
Hotels—(1934 = 100).....									
Occupancy.....				+ 8*	+12*	+ 8*	127	117r	114
Income, total.....				+16*	+20*	+14*	133	115	110
Business liquidations									
Number.....				+14*	-41*	-33*	48	42	81
Amount of liabilities.....				+19*	-10*	-55*	25	21	27
Check payments.....	151	161	138	- 6	+ 9	+ 6	143	137	131

*Computed from unadjusted data.

p—Preliminary.

r—Revised.

BANKING STATISTICS

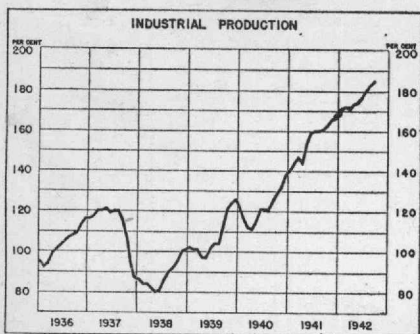
MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (000,000's omitted)	Oct. 21, 1942	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 260	-\$ 11	-\$ 43
Open market paper.....	23	- 1	- 16
Loans to brokers, etc.....	26	.....	- 2
Other loans to carry secur.....	32	- 1	+ 1
Loans on real estate.....	47	.....	- 4
Loans to banks.....	.....	.....	.....
Other loans.....	86	- 6	- 27
Total loans.....	\$ 479	-\$ 19	-\$ 91
Government securities.....	\$ 878	+\$109	+\$448
Obligations fully guar' teed ..	64	- 4	- 32
Other securities.....	246	- 4	- 22
Total investments.....	\$1188	+\$101	+\$394
Total loans & investments.	\$1667	+\$ 82	+\$303
Reserve with F. R. Bank.....	404	- 16	- 170
Cash in vault.....	27	.....	.....
Balances with other banks.....	103	- 5	*
Other assets—net.....	66	.....	- 10
Liabilities			
Demand deposits, adjusted.....	\$1433	+\$ 24	+\$166
Time deposits.....	161	- 2	- 95
U. S. Government deposits.....	73	+ 53	+ 52
Interbank deposits.....	367	- 14	*
Borrowings.....	.....	.....	.....
Other liabilities.....	14	- 1	- 1
Capital account.....	219	+ 1	+ 1

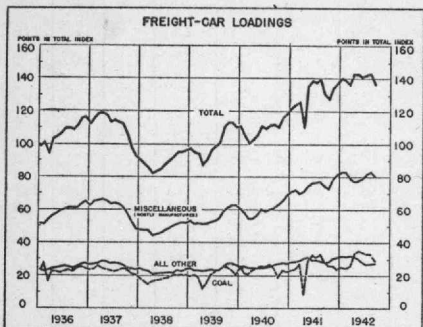
*Reciprocal bank balances now reported net.

Philadelphia Federal Reserve District (Millions of dollars)					Changes in weeks ended—				Changes in four weeks
					Sept. 30	Oct. 7	Oct. 14	Oct. 21	
Sources of funds:									
Reserve Bank credit extended in district.....					+ 3.9	- 1.2	- 1.2	+ 3.4	+ 4.9
Commercial transfers (chiefly interdistrict).....					+25.2	+ 8.9	+28.6	+13.7	+76.4
Treasury operations.....					-76.3	+29.3	+23.8	-65.8	-89.0
Total.....					-47.2	+37.0	+51.2	-48.7	- 7.7
Uses of funds:									
Currency demand.....					+ 5.6	+ 4.9	+ 6.8	+ 3.5	+20.8
Member bank reserve deposits.....					-40.3	+34.2	+40.0	-48.6	-14.7
"Other deposits" at Reserve Bank.....					-12.3	- 2.0	+ 4.7	- 3.4	-13.0
Other Federal Reserve accounts.....					- 0.2	- 0.1	- 0.3	- 0.2	- 0.8
Total.....					-47.2	+37.0	+51.2	-48.7	- 7.7
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)	Oct. 21, 1942	Changes in—		
							Four weeks	One year	
Phila. banks									
1941: Oct. 1-15.....						\$576.1	\$264.6	\$311.5	118%
1942: Sept. 1-15.....						424.5	324.3	100.2	31 "
Sept. 16-30.....						407.2	325.7	81.5	25 "
Oct. 1-15.....						388.2	324.0	64.2	20 "
Country banks									
1941: Oct. 1-15.....						\$221.8	\$113.5	\$108.3	95%
1942: Sept. 1-15.....						229.7	156.7	73.0	47 "
Sept. 16-30.....						226.4	158.7	67.7	43 "
Oct. 1-15.....						233.9	162.5	71.4	44 "
Total.....						\$324.9	+\$67.6	+\$149.3	
Bills discounted.....						\$ 1.1	+\$ 0.7	+\$ 1.0	
Bills bought.....						0	0	0	
Industrial advances.....						5.2	+ 0.1	+ 1.7	
U. S. securities.....						318.6	+ 66.8	+ 146.6	
Total.....						\$324.9	+\$67.6	+\$149.3	
Note circulation.....						770.4	+ 27.5	+ 260.9	
Member bk. deposits.....						615.6	- 14.7	- 152.0	
U. S. general account.....						41.3	+ 10.8	- 23.8	
Foreign deposits.....						69.8	- 3.7	- 39.6	
Other deposits.....						9.4	- 13.0	- 3.6	
Total reserves.....						1196.6	- 64.7	- 115.0	
Reserve ratio.....						79.4%	- 4.7%	- 10.2%	

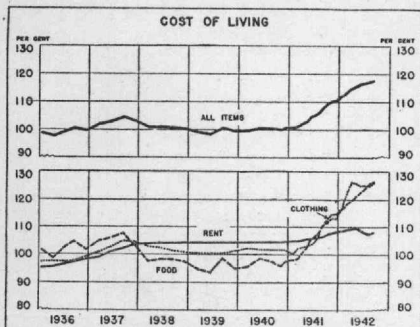
National Summary of Business Conditions



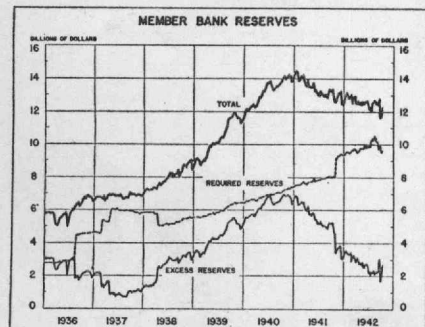
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for September 1942.



Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average=100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for September 1942.



Bureau of Labor Statistics' indexes, 1935-39 average=100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter. Latest figures shown are for August 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for October 14, 1942.

Industrial activity expanded further in September and the first half of October. Prices of uncontrolled commodities continued to advance in September. Early in October an Office of Economic Stabilization was established with a view to more effective control of prices and wages affecting the cost of living.

Production. Industrial production increased more than seasonally in September and the Board's adjusted index rose 2 points to 185 per cent of the 1935-1939 average. Armament production continued to advance. Steel production was maintained at a high level during September and then increased during October, reaching 101 per cent of rated capacity in the third week of the month. Cotton consumption continued at a high rate and output of manufactured food products rose more than seasonally owing chiefly to increased activity in the meat-packing and canning industries. Coal production, which had been maintained in large volume during the summer months, did not show the usual sharp seasonal rise in September and the first half of October. Output of crude petroleum showed little change following a considerable increase in August.

Value of construction contracts awarded in September was about the same as in August, according to reports of the F. W. Dodge Corporation. As in other recent months, awards were mainly for publicly-financed work which, in September, amounted to over 90 per cent of the total.

Contracts for manufacturing buildings reached the highest total yet reported, and increased awards for defense housing raised the total for residential building by about one-fourth despite a decline in privately-financed work. Awards for public works and utilities and for commercial buildings dropped substantially.

Distribution. Department store sales, which had been unusually large in August, showed somewhat less than the usual sharp seasonal rise during September. In the first half of October sales were sustained near the high level prevailing at the beginning of the month. Variety store sales increased seasonally from August to September, while sales in small towns and rural areas rose by more than the usual seasonal amount.

Railroad freight-car loadings increased further in September and the first half of October. The rise was small for this time of year, however, owing mainly to the fact that shipments of many commodities, particularly coal, had been maintained at unusually high levels during the summer months.

Commodity prices. Prices of uncontrolled commodities advanced further in September. During the first half of October, after passage of an amendment to the Price Control Act of 1942, more widespread controls were announced. Maximum prices at the highest levels reached around the end of September were established for butter, cheese, eggs, and various other foods. These items constitute nearly one-third of the food budget and now the proportion of the total under control is about 90 per cent. Another action directed residential rents throughout the country to be limited to the levels of March 1, 1942, where-rent control procedures were not already in effect.

Agriculture. The October 1 official crop report confirmed earlier prospects that unusually heavy crop yields were in sight. The Department of Agriculture pointed out, however, that, as the harvest progresses under difficulties, particularly as to labor supply, farmers are showing less assurance that it can be completed in season. Record crops of grain, hay, oilseeds, sugar, vegetables, and probably fruits are still likely.

Bank credit. Following a temporary peak of 3 billion dollars in mid-September, excess reserves of member banks declined to 1.7 billion dollars in the latter half of September but increased considerably in the first three weeks of October. This increase resulted in part from the action of the Board of Governors of the Federal Reserve System in reducing reserve requirements on demand deposits at central reserve city banks from 22 to 20 per cent, which added about 400 million dollars to excess reserves. In addition member bank reserves were increased through purchases of Government securities by the Federal Reserve Banks. As a result of these developments excess reserves of all member banks on October 21 amounted to 2.4 billion dollars, of which about 500 million dollars were in New York City.

At reporting banks in leading cities heavy purchases of new Treasury certificates of indebtedness and Treasury notes were reflected in an increase of 1.6 billion dollars in Government security holdings during the four weeks ending October 14. Further large increases occurred in the following week as banks received their allotments of the new 1½ per cent notes and 2 per cent bonds. Commercial loans, after declining in August and September, increased in the first two weeks of October, mainly in New York City, while other loans declined further.

United States Government security prices. Prices of United States Government securities continued steady last month. Long-term taxable bonds are yielding 2.33 per cent on the average and long-term partially tax-exempt bonds are yielding 2.05 per cent.