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FEDERAL RESERVE BANK OF ST. LOUIS

THE BUSINESS REVIEW



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NOVEMBER 1, 1943

The Role of the Small Industrial Plant

THE place and significance of the small industrial enterprise is of special interest at this time when so much thought is being given to the problems of reconversion after the war is won. Available data with respect to size of manufacturing enterprises disclose the relative importance of small concerns in Philadelphia. The district pattern with respect to plant size is believed to be similar to that of Philadelphia because there is a very close relation between the size distribution of Philadelphia concerns and manufacturing enterprises throughout the country.

Philadelphia, a prominent center of manufacturing for many years, had over 5,000 manufacturing establishments in 1940, and they employed approximately 270,000 workers. The average per plant was about 50 workers. This

PERCENTAGE DISTRIBUTION OF CONCERNS AND EMPLOYMENT IN PHILADELPHIA MANUFACTURING INDUSTRIES BY SIZE OF PLANT—1940

Employment Size	Plants	Employees
Small plants {		
Less than 5.....	39.6%	1.8%
6- 10.....	14.2	2.1
11- 25.....	16.4	5.3
26- 50.....	10.9	7.5
51- 100.....	8.0	11.2
101- 200.....	5.9	15.8
201- 500.....	3.6	21.2
501-1000.....	0.8	10.8
1001-and over.....	0.6	24.3
Total.....	100 0%	100.0%

Source of data: Pennsylvania Department of Internal Affairs, "Tenth Industrial Directory."

average, however, should not be regarded as typical or representative of the size of Philadelphia manufacturing establishments. It is more useful as a basis for comparing the number of plants that are smaller or larger than average. A more informative picture of scale of operation of Philadelphia manufactures is shown in the accompanying table.

The most striking revelation of this table is the large proportion of small plants. The four smallest groups, all employing less than the average of 50 workers per plant, may be designated as small plants. This group represented 81 per cent of the total number of concerns in the city. In other words, 4 out of every 5 concerns are small scale. The small plants employ 17 per cent of all workers engaged in manufacturing; but by reason of their numerical preponderance and their representation of specialized types of enterprise they play a prominent role in the economy of this area.

Among the several major industries there is considerable variation in the occurrence of small plants. The ratio of small plants to the total number of plants in each industry is high in the printing, food processing, and chemical industries. Small plants are relatively less frequent in the heavy industries, such as iron and steel, machinery and the manufacture of transportation equipment. Curiously, the occurrence of small plants is not as great in the manufacture of textiles and clothing as might be ex-

pected. The percentage falling in the small plant category in these industries is 65 and 74 respectively, in contrast with 81 per cent for all manufacturing in Philadelphia.

The explanation for this anomaly is to be found in the technology employed. In textile manufacturing the conversion of millions of small fibers into a bolt of cloth requires numerous manufacturing operations with frequent transfer of the goods-in-process from one machine to another. While most of the operations employ mechanical equipment, the machinery is not as highly automatic as in many other industries. Furthermore, no revolutionary changes in textile technology have occurred for over a century, which is in distinct contrast with technological change in other industries—particularly in metal fabrication. Thus textile manufacturing still requires considerable hand labor, which accounts in part for the lower frequency of small plants as measured by number of workers employed.

In clothing manufacture the use of high speed sewing machines, power driven cloth cutters and related machinery has raised the minimum number of employees required to constitute an efficiently operating plant — especially in the men's clothing industry. Consequently, plants of intermediate size are not unusual.

Although manufacturing generally has shifted toward large scale production, owing mainly to economies of mechanization, the small plant has some very definite advantages in certain industries. In the food industries where either the raw material, as in canning, or the finished product, as in baking, is highly perishable, small plants, near the source of the raw material or near the markets, respectively, can often operate more economically than large plants. In some branches of the textile and clothing industries where marketability of the products is largely dependent upon frequent and substantial changes in style, the very small plant by reason of its greater flexibility has a distinct advantage. Small plants also flourish where exquisite workmanship is the basis of consumer appeal, as in ceramics and in some branches of job printing. Again, where raw materials are widely scattered and the finished product costly to transport by reason of low value per pound, as in brick and tile manufacturing, the small plant usually predominates.

The small plant is by no means obsolete or scheduled for the museum of extinct industrial

species. In every industry there is room for originality of ideas. This is being demonstrated constantly by the appearance of new products and new processes in which small plants as well as the large enterprises make contributions. Furthermore, it must not be overlooked that most of the large industrial units grew from small and obscure origins because they had a distinct contribution to make to the industrial arts. Finally, the fact that so many small plants survive the competition of their larger competitors is sufficient evidence of their indispensability in an economy of free enterprise.

Revised estimates of defense migration. Changes in civilian population of metropolitan counties of the Third Federal Reserve District, as reported in last month's Business Review, contained some errors which arose from tentative compilation of data by the Bureau of the Census (P-3 No. 37, entitled, "Population, Preliminary Estimates of the Civilian Population of Metropolitan Counties, March 1, 1943"). The Bureau based its estimates on registrations for War Ration Book Two during the initial registration period, February 22-27.

A later report released by the Census Bureau on October 31, including late registrations, is apparently a more accurate estimate of population as of April 1, 1943.

The apparent changes in population of metropolitan counties based upon the revised Census release are shown in the table below. It should be noted that the decline in population of Lancaster County since April 1, 1940 was considerably smaller than was reported in this Bulletin last month. Civilian population of the 137 metropolitan areas of the country increased 2.4 per cent instead of 5.1 per cent, as previously reported.

CIVILIAN POPULATION CHANGES BETWEEN
APRIL 1, 1940, AND MARCH 1, 1943
METROPOLITAN COUNTIES

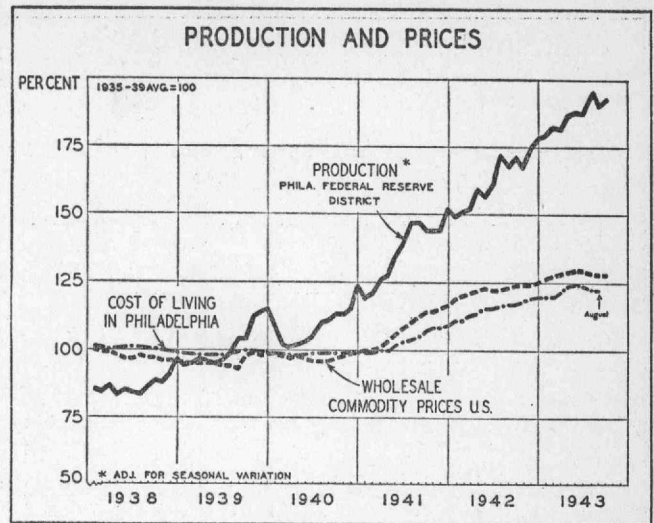
	Estimated change Per cent
Third Federal Reserve District—12 areas	
Wilmington	+ 4.9
Philadelphia	+ 0.3
Allentown-Bethlehem-Easton	- 1.6
Trenton	- 0.2
York	- 1.8
Harrisburg	- 3.3
Reading	- 7.3
Altoona	- 9.0
Johnstown	- 9.8
Atlantic City	-13.5
Scranton-Wilkes-Barre	-17.9
Lancaster	- 5.8
Total Third Federal Reserve District	
Metropolitan counties	- 3.7

Manufacturing. War requirements continue to dominate the market for factory products. Demand from civilian sources also remains strong, as indicated by increasing inquiries for virtually all types of consumers' goods, but actual sales are still restricted by the scarcity of materials in some lines, and by a shortage of manpower in others. Unfilled orders for the products of heavy industries other than building materials have fluctuated narrowly for several months near the highest levels on record. Recent sharp declines in the volume of industrial and heavy engineering construction are reflected in the smaller backlogs reported by producers of cement, lumber, and similar materials. Outstanding commitments for nondurable goods, including many textile and leather products, remain substantial and are larger than at this time last year.

Factory employment in Pennsylvania decreased slightly in September, but payrolls continued at the August peak. The number of wage earners was estimated at nearly 1¼ million, and the volume of wage disbursements at over \$51 million a week. Comparisons with a year ago show increases of 3 per cent in employment and 20 per cent in payrolls, with the most pronounced gains continuing in the durable goods industries. Total working time was considerably greater than in September 1942.

The average number of hours worked a week per employee was just under the thirteen-year peak of 45 reported last May, and again in August; it compared with 42 hours in September 1942, and 37 at the beginning of the defense and war production program in June 1940. At approximately one-third of the reporting plants in a five-county area including Philadelphia, working time averaged 48 or more hours a week during reporting periods in one or more of the past three months.

The output of factory products in this district increased somewhat from August to September, owing to further gains in the heavy industries, particularly those turning out metal products and transportation equipment. Total production was 15 per cent greater than a year ago and nearly one-fifth larger in the first nine months this year than last. Over the past twelve months the manufacture of durable goods has risen 19 per cent, as against an increase of only 4 per cent in the output of lighter products.



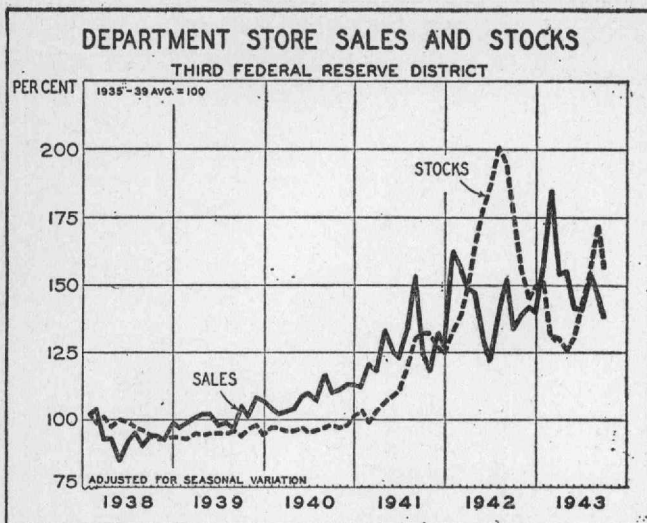
Coal. Supplies of anthracite and bituminous coal have become increasingly tight. A persistent shortage of manpower, aggravated by the recurrence of unauthorized walkouts in the absence of a new working agreement, has made it impossible to meet all demands promptly.

Output and shipments of anthracite increased slightly in September to about the level of a year ago. In the nine months ended September, the production of approximately 46 million tons was little larger than in the same period last year. Requirements for the entire twelve months have been estimated at 65 million tons, or 5 million more than was produced in 1942.

The production of soft coal in Pennsylvania was somewhat below the high level reached in August, but larger than in September 1942. Shipments rose to a new peak, and were the largest reported for any month in well over a decade. The output of bituminous mines through September was smaller this year than last, while shipments for the period were about 3 per cent greater.

Building. Activity in building trades continues well below the peak levels prevailing last fall, when new capacity for the manufacture of munitions, and additional housing facilities for workers were more important parts of the war production program. A persistent scarcity of steel and similarly critical materials and the growing shortage of manpower have substantially curtailed operations on all projects except those of a most urgent nature.

New awards of building contracts in this district increased slightly in September to approx-



imately \$9½ million, but they were the smallest for that month in nearly a decade. As in other recent months, the decline from 1942 was exceedingly steep, particularly in awards for factory, commercial, and educational buildings. In the nine months ended September contracts were sharply smaller than a year earlier for all classes of construction except multiple family dwellings. Awards totaling little more than \$60 million were 50 per cent less than in 1942 and below the dollar volume reported in any similar period since 1935.

Trade. Retail dollar sales in September and in the first nine months were above 1942 levels in most reporting lines, reflecting continued expansion in consumer incomes. From August to September sharp, though less than seasonal, increases were reported by department, women's apparel and shoe stores; at men's apparel stores the increase was exceptionally large, and at furniture stores volume was somewhat greater than in August. Preliminary reports indicate that sales were stimulated in October by early purchases of holiday goods.

Inventory changes at retail stores in September did not reflect the increases that are usual in that month, emphasizing the difficulty of building up supplies in the face of growing shortages in numerous lines. Stocks in dollars at department and shoe stores at the end of September were below the high levels of a year ago, but at women's apparel stores they showed an increase of about one-fifth. Outstanding orders for merchandise by reporting department stores at the close of the month were considerably more than double the dollar volume in September 1942.

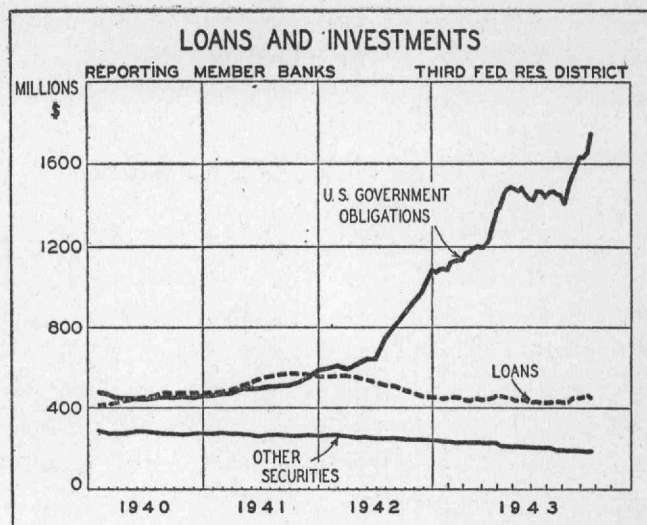
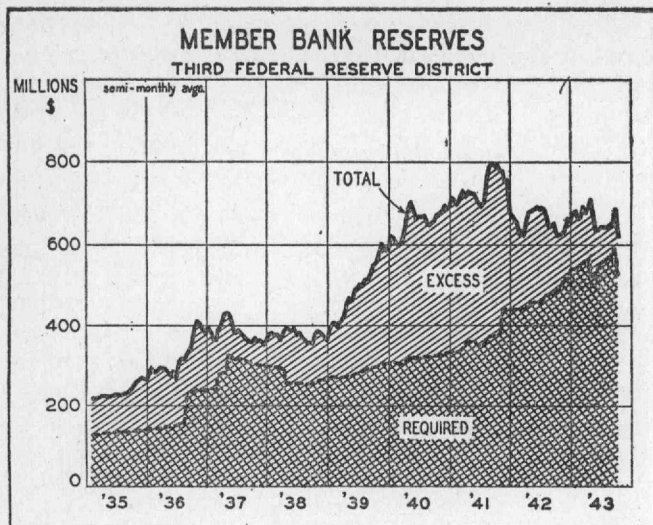
Business at wholesale expanded somewhat further in September, with gains in all lines except hardware and paper. The total value of sales was 7 per cent larger than a year ago and 12 per cent greater in the nine months ended September. Wholesalers' inventories decreased somewhat from August, and were sharply smaller than in September of last year.

Freight-car loadings in this section were somewhat larger in September this year than last, increases being especially pronounced in the case of less than carlot merchandise, solid fuels, grain products and livestock. With heavy shipments of war freight continuing throughout the year, seasonal fluctuations have lost much of their significance; however, it is anticipated that the movement of freight during the period of peak traffic this fall will involve a substantial increase in volume.

Treasury finance. Investors other than commercial banks purchased \$18,943 million of securities during the Third War Loan Drive. This record-breaking total substantially exceeded the goal, and compared with \$13½ billion similarly placed in the Second Drive and with less than \$8 billion in the First. In the case of Pennsylvania, New Jersey, and Delaware, sales were 112, 121, and 118 per cent, respectively, of minimum objectives.

Sales to individuals, partnerships, and personal trust accounts throughout the country were 108 per cent of the \$5 billion quota for this investor class. The proportion attained in Pennsylvania was 104 per cent; in New Jersey, 90 per cent; and in Delaware, 105 per cent. Overall sales of \$5,377 million were considerably larger than in the April Drive and more than three times those made last December. Included in individual purchases was nearly \$2½ billion of Series E War Savings Bonds, an amount \$1 billion more than takings in the Second Drive.

Early in October securities were offered in exchange for Treasury bonds of 1943-45, called for redemption on the 15th, and for certificates maturing November 1; in both instances the bulk of the securities was refunded. Commercial banks were offered approximately \$1½ billion each of 2 per cent bonds of 1951-53 and 7/8 per cent certificates; total subscriptions were about \$11 billion, including \$705 million placed by banks in the Third Federal Reserve District. This necessitated a sharp reduction in allot-



ments on subscriptions exceeding \$50,000; the amount finally allotted was \$3.2 billion.

Weekly offerings of Treasury bills continue in the amount of \$1 billion, or no more than enough to replace maturities. In this district from 66 to 98 banks have submitted bids each week in the past few months, and in most cases allotments to the district have been larger than maturities of bills originally placed here. Last June all member banks in the district held \$308 million of bills, an increase of \$130 million over a period of six months.

Banking conditions. Both in this district and in the country as a whole the volume of credit outstanding at reporting banks advanced steadily from the beginning of September through the third week of October. An increased amount of credit was extended to brokers and dealers to purchase and carry securities; Governments were bought in the market from investors who were lightening their holdings preparatory to entering subscriptions to offerings made during the Drive; investments in Treasury bills were increased, and allotments were received on direct Treasury offerings made to banks subsequent to the Drive. In this district the investment of reporting banks in Governments rose from \$1,413 million on September 1 to \$1,727 million on October 20.

Deposits at these banks have advanced to record high levels. In the past four weeks further gains have been shown in balances of the United States Government, reflecting early in the period payments by credit for securities purchased by customers and in the final week al-

lotments of certificates and bonds to the banks for their own account. Deposits of individuals and business concerns have turned upward lately, but are still considerably under the peak reached in the middle of September. Further gains in individual deposits are in prospect as the Government draws upon its balances to meet the heavy outgo on war.

Pressure upon the reserve positions of commercial banks, temporarily eased during the period of Government financing, may be expected to increase as funds move from war loan accounts, on which no reserve is required under the Federal Reserve Act, to customers' deposits. The latest report for member banks in Philadelphia, covering the week ended October 22, showed reserves about 5 per cent above requirements; the excess at country banks in the first half of October was 39 per cent. Banks, city and country alike, are well buttressed with large quantities of Government securities, which could be used as a basis for borrowing from the Reserve Bank should the need arise. Thus far there has been very little direct borrowing, but a number of banks have met temporary needs by selling Treasury bills to the Reserve Bank, repurchasing them when needs have passed.

Reserve balances of member banks declined \$59 million to \$615 million in the four weeks ended October 20. This decline was due principally to heavy payments to the Treasury on securities and income taxes. The increase in currency demand was comparatively small. Gains in commercial and financial transactions with other districts offset demands upon reserves to a considerable extent.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
	Sept. 1943	Aug. 1943	Sept. 1942	Per cent change		Sept. 1943	Aug. 1943	Sept. 1942	
				Sept. 1943 from Mo. ago	1943 from 9 mos. 1942				
INDUSTRIAL PRODUCTION	156p	154	139	+ 1	+ 13	+ 17	156p	154	139
MANUFACTURING	161p	158	141r	+ 2	+ 15	+ 19	160p	159	141r
Durable goods	268p	256	226	+ 5	+ 19	+ 31			
Consumers' goods	87p	91	84r	- 5	+ 4	+ 2			
Metal products	179	171r	160	+ 4	+ 11	+ 12	181	180r	162
Textile products	66p	74	65	-11	+ 2	- 3	67p	70	65
Transportation equipment	781	738	591	+ 6	+ 32	+ 61	740	724	561r
Food products	106p	112	101r	- 5	+ 6	+ 13	117p	113	110r
Tobacco and products	92	89	109	+ 3	- 16	- 8	106	95	127
Building materials	37	37	50	- 2	- 26	- 21	39	42	54
Chemicals and products	166	165r	140	+ 1	+ 19	+ 14	165	165	138
Leather and products	96p	101	95	- 5	+ 1	- 9	105p	104	105
Paper and printing	96	96	88	+ 1	+ 10	+ 2	96	94	87
Individual lines									
Pig iron	115	124r	119	- 7	- 3	- 2	108	109r	112
Steel	148	139	136	+ 6	+ 9	+ 7	141	142	129
Silk manufactures	81	88	75	- 8	+ 8	+ 3	81	86	75
Woolens and worsteds	55p	59	53	- 6	+ 5	- 1	59p	60	56
Cotton products	52	58	63	-12	- 18	- 3	49	53	60
Carpets and rugs	48p	51	51r	- 8	- 6	- 6	48p	49	51
Hosiery	74	90	69	-18	+ 7	- 2	74	78	69
Underwear	146	166	144	-12	+ 1	+ 3	146	155r	144
Cement	39	38	71	+ 4	- 45	- 39	46	47	84
Brick	55	58	68	- 5	- 18	- 11	56	60	68
Lumber and products	25	26	27	- 3	- 5	- 9	27	29	28
Bread and bakery products				+ 2*	+ 2*	+ 10*	116	114	114
Slaughtering, meat packing	110	120	96	- 8	+ 14	+ 6	112	102	98
Sugar refining	98	98	70	- 1	+ 40	+ 39	84	85	60
Ginning and preserving	120p	138	110r	-12	+ 9	+ 28	163p	150	145r
Cigars	91	88	109	+ 4	- 16	- 9	106	94	126
Paper and wood pulp	99	98	90	+ 1	+ 11	+ 3	98	95	89
Printing and publishing	112	117	115	- 5	- 3	- 5	128	126	131
Shoes	80p	86	76	- 6	+ 6	- 13	84p	83	79
Leather, goat and kid	103	95	90	+ 9	+ 14	+ 4	98	97	85
Paints and varnishes	171	166	166	+ 3	+ 3	+ 3	165	163	159
Coke, by-product									
COAL MINING	83	84	83r	- 2	0	0	83	84r	83r
Anthracite	81	81	81r	0	0	+ 1	81	81	81r
Bituminous	99	111r	97	-11	+ 1	- 5	101	105r	99
CRUDE OIL	403	404	465	0	- 13	- 10	403	404	465
ELEC. POWER—OUTPUT	414	424	378	- 2	+ 9	+ 12	406	403	371
Sales, total	443	444	380	0	+ 17	+ 14	438	422	376
Sales to industries	347	339	280	+ 2	+ 24	+ 19	368	350	297
BUILDING CONTRACTS									
TOTAL AWARDS†	49	50	124	- 1	- 60	- 31	48	48	120
Residential†	36	38	33	- 5	+ 9	- 1	42	42	39
Nonresidential†	59	65	208	- 8	- 71	- 41	56	60	195
Public works and utilities†	47	42	202	+12	- 77	- 38	43	37	184

* Unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.

p—Preliminary.
r—Revised.

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932 = 100	Employment				Payrolls			
	Sept. 1943 index	Per cent change from		Sept. 1943 index	Per cent change from			
		Aug. 1943	Sept. 1942		Aug. 1943	Sept. 1942		
GENERAL INDEX	134	+ 1	- 0	323	+ 1	+17		
Manufacturing	184	- 1	+ 3	478	0	+20		
Anthracite mining	50	- 1	-19	89	- 4	+ 2		
Bituminous coal mining	82	- 1	-16	352	- 2	+14		
Building and construction	57	+11	- 1	143	+12	+14		
Quar. and nonmet. mining	99	+ 3	-18	316	- 6	-11		
Crude petroleum prod.	139	+ 1	- 3	226	+ 4	+12		
Public utilities	100	0	- 4	139	- 1	+ 5		
Retail trade	109	+ 5	+ 1	147	+ 1	+ 2		
Wholesale trade	105	- 2	- 8	146	- 1	+ 3		
Hotels	101	+ 2	+ 3	153	+ 1	+13		
Laundries	99	- 4	-11	154	+ 1	- 2		
Dyeing and cleaning	96	- 2	- 4	154	+ 3	+ 8		

Manufacturing

Indexes: 1923-5 = 100	Employment*				Payrolls*			
	Sept. 1943 index	Per cent change from		Sept. 1943 index	Per cent change from			
		Aug. 1943	Sept. 1942		Aug. 1943	Sept. 1942		
TOTAL	118	- 1	+ 3	195	0	+20		
Iron, steel and products	131	0	+ 4	277	+ 1	+20		
Nonferrous metal products	194	- 2	+ 1	391	- 2	+17		
Transportation equipment	148	0	-22	264	- 1	+36		
Textiles and clothing	83	- 2	- 7	117	- 2	+12		
Textiles	75	- 2	- 6	109	- 2	+13		
Clothing	112	- 2	- 8	160	0	+11		
Food products	121	+ 1	- 2	175	+ 3	+12		
Stone, clay and glass	90	0	- 4	129	+ 1	+ 9		
Lumber products	51	- 1	- 2	77	- 3	+15		
Chemicals and products	123	- 1	+ 4	207	- 1	+18		
Leather and products	78	- 3	-14	113	- 2	- 2		
Paper and printing	102	0	+ 4	146	+ 1	+17		
Printing	93	+ 1	+ 4	130	+ 3	+18		
Others:								
Cigars and tobacco	60	- 2	-13	82	+ 2	+ 8		
Rubber tires, goods	140	+ 2	+31	274	+ 7	+64		
Musical instruments	96	+13	+75	169	+15	+34		

* Figures from 2912 plants.

Hours and Wages

Percentage change—September 1943 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Aug. 1943	Sept. 1942	Aug. 1943	Sept. 1942	Aug. 1943	Sept. 1942	Aug. 1943	Sept. 1942	Aug. 1943	Sept. 1942
	Allentown	0	- 2	+ 1	+18	- 63	+294	+28	+ 5	+15	+38
Altoona	- 3	+ 8	- 8	+18	- 12	+ 25	+22	+ 8	+20	+25
Harrisburg	- 1	- 9	0	+ 3	+177		+28	+ 6	+ 1	+39
Johnstown	+ 1	- 4	+ 1	-13	- 43	- 59	+16	+ 3	+16	+14
Lancaster	- 1	+ 7	+ 3	+24	+776	+906	+24	+10	+18	+34
Philadelphia	0	+ 9	+ 3	+23	- 27	- 53	+45	+ 4	+21	+40
Reading	- 1	- 3	+ 2	+20	+948	+888	+25	+11	+25	+31
Scranton	- 1	+13	- 3	+27	- 99	+119	+34	+15	+78	+39
Trenton					- 49	- 64	+34	+13	- 11	+34
Wilkes-Barre	-10	-12	-26	-27	+ 39	+ 51	+28	+11	+17	+32
Williamsport	- 2	+ 3	- 3	+24	+ 26	+ 13			+13	- 7
Wilmington	+ 1	+32	+ 3	+51	- 13	- 89	+28	- 2	+38	+31
York	- 1	- 7	+ 1	+ 1	+ 56	+ 12	+ 7	+12	+24	+27

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

Factory workers Averages September 1943 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	44.7	+ 6	\$1.027	+ 9	\$45.63	+16
Iron, steel and prods.	46.3	+ 7	1.098	+ 7	50.81	+14
Nonfer. metal prods.	45.2	+ 7	.965	+11	43.65	+19
Transportati on equip.	47.0	0	1.168	+ 6	54.87	+ 7
Textiles and clothing	38.8	+ 7	.732	+12	28.37	+20
Textiles	39.8	+ 8	.756	+11	30.06	+21
Clothing	36.6	+ 4	.672	+12	24.88	+19
Food products	43.3	+ 4	.777	+12	33.75	+16
Stone, clay and glass	39.6	+ 7	.897	+ 6	35.43	+13
Lumber products	43.0	+ 3	.749	+15	32.02	+20
Chemicals and prods.	43.6	+10	1.038	+ 5	45.24	+16
Leather and prods.	40.2	+ 7	.719	+ 8	28.79	+15
Paper and printing	43.2	+ 8	.881	+ 7	38.29	+12
Printing	41.4	+10	1.038	+11	42.88	+13
Others:						
Cigars and tobacco	41.4	+11	.601	+13	24.85	+25
Rubber tires, goods	43.8	+11	.991	+12	43.44	+25
Musical instruments	48.9	+ 6	.938	+ 4	45.88	+10

* Figures from 2758 plants.

† Figures from 2912 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Sept. 1943 from		1943 from 9 mos. 1942
	Month ago	Year ago	
Sales			
Total of all lines.....	+ 5	+ 7	+12
Boots and shoes.....	+22	+ 4	+ 3
Drugs.....	+ 6	+ 3	+ 5
Dry goods.....	+ 4	+ 5	+20
Electrical supplies.....	+16	- 9	+29
Groceries.....	+ 2	+20	+12
Hardware.....	0	-10	+11
Jewelry.....	+ 1	-29	- 7
Paper.....	- 9	+29	- 9
Inventories			
Total of all lines.....	- 4	-21	.....
Dry goods.....	- 5	-27	.....
Electrical supplies.....	- 4	-41	.....
Groceries.....	- 3	- 7	.....
Hardware.....	0	-12	.....
Jewelry.....	- 6	-37	.....
Paper.....	- 6	-16	.....

Source: U. S. Department of Commerce.

Prices	Sept. 1943	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939=100)....	178	+ 1	+ 6	+ 78
Wholesale (1926=100).....	103	0	+ 4	+ 37
Farm.....	124	0	+15	+103
Food.....	105	- 1	+ 3	+ 56
Other.....	97	0	+ 2	+ 21
Living costs (1935-1939=100)....				
United States.....	124	0	+ 5	+ 25
Philadelphia.....	123	0	+ 5	+ 25
Food.....	135	0	+ 9	+ 45
Clothing.....	131	+ 1	+ 4	+ 32
Rent.....	107	0	0	+ 4
Fuels.....	106	0	+ 2	+ 10
Housefurnishings.....	125	0	+ 2	+ 24
Other.....	115	0	+ 2	+ 14

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939=100	Adjusted for seasonal variation						Not adjusted		
	Sept. 1943	Aug. 1943	Sept. 1942	Per cent change			Sept. 1943	Aug. 1943	Sept. 1942
				Sept. 1943 from		1943 from 9 mos. 1942			
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	138p	146	133	- 5	+ 4	+ 6	148p	107	143
—Philadelphia.....	136	143r	132	- 5	+ 3	+ 6	146	102	143
Women's apparel.....	137	145	118	- 5	+16	+21	160	115	137
Men's apparel.....	150	104	128	+44	+17	+ 2	135	79	115
Shoe.....	138	162	143	-15	- 4	- 1	157	98r	163
Inventories									
Department stores—District.....	156p	172	177	- 9	-12	.....	165p	156	187
—Philadelphia.....	157	175	181	-10	-14	.....	165	156r	190
Women's apparel.....	182	219	151	-17	+20	.....	212	212r	177
Shoe.....	87	95	104	- 8	-16	.....	94	97	112
FREIGHT-CAR LOADINGS									
Total.....	138	148	132	- 7	+ 4	- 3	154	150	148
Merchandise and miscellaneous.....	131	134	128	- 3	+ 2	- 3	142	138	139
Merchandise—l.c.l.....	87	88	74	- 1	+17	- 4	90	88	77
Coal.....	145	169	130	-14	+12	- 1	160	154	143
Ore.....	183	201	190	- 9	- 4	-12	212	201	197
Coke.....	200	216	185	- 7	+ 8	- 4	295	299	308
Forest products.....	109	108	110	+ 2	- 1	+ 5	137	131	138
Grain and products.....	131	128	120	+ 3	+ 9	+ 5	130	124	119
Livestock.....	123	135	114	- 9	+ 8	+13	148	130	137
MISCELLANEOUS									
Life insurance sales.....	109	116	80	- 6	+35	+ 7	96	97	71
Business liquidations									
Number.....				-27*	-75*	-64*	12	16	48
Amount of liabilities.....				-64*	-74*	+17*	6	17	25
Check payments.....	220	177	158	+24	+39	+20	198	158	144

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

BANKING STATISTICS

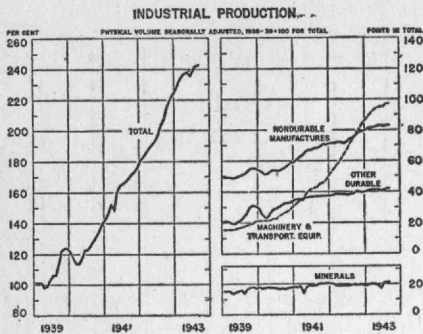
MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (000,000's omitted)	Oct. 20, 1943	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 244	+\$ 1	-\$ 24
Loans to brokers, etc.....	43	+ 4	+ 17
Other loans to carry secur.....	13	+ 2	*
Loans on real estate.....	43	- 1	- 4
Loans to banks.....	.....	- 5	.....
Other loans.....	105	.....	*
Total loans.....	\$ 448	+\$ 1	-\$ 31
Government securities.....	\$1,655	+\$147	+\$777
Obligations fully guar'eed.	72	.....	+ 8
Other securities.....	186	- 3	- 60
Total investments.....	\$1,913	+\$144	+\$725
Total loans & investments.	\$2,361	+\$145	+\$694
Reserve with F. R. Bank ..	364	- 49	40
Cash in vault.....	29	+ 1	+ 2
Balances with other banks.....	82	- 3	- 21
Other assets—net.....	62	+ 1	- 4
Liabilities			
Demand deposits, adjusted.	\$1,493	-\$ 40	+\$ 65
Time deposits.....	162	.....	+ 1
U. S. Government deposits.....	653	+ 156	+ 580
Interbank deposits.....	349	- 21	- 18
Borrowings.....	.....	.....	.....
Other liabilities.....	12	- 1	- 2
Capital account.....	224	+ 1	+ 5

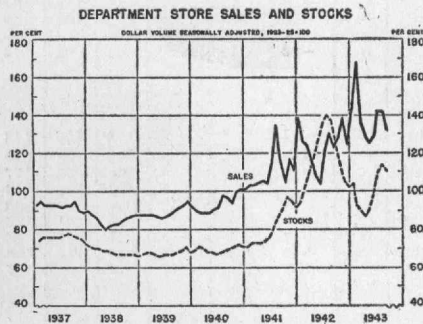
* Figures not available.

Philadelphia Federal Reserve District (Millions of dollars)					Changes in weeks ended—				Changes in four weeks		
					Sept. 29	Oct. 6	Oct. 13	Oct. 20			
Sources of funds:											
Reserve Bank credit extended in district.....					- 6.2	+ 1.5	-18.9	+16.0	- 7.6		
Commercial transfers (chiefly interdistrict).....					+20.1	+37.2	- 2.1	+21.5	+ 76.7		
Treasury operations.....					-76.0	-45.4	+36.1	-40.7	-126.0		
Total.....					-62.1	- 6.7	+15.1	- 3.2	- 56.9		
Uses of funds:											
Currency demand.....					- 0.7	- 1.5	+ 6.6	+ 2.6	+ 7.0		
Member bank reserve deposits.....					-63.3	- 2.0	+10.8	- 4.8	- 59.3		
"Other deposits" at Reserve Bank.....					+ 1.9	- 2.8	- 2.4	- 0.9	- 4.2		
Other Federal Reserve accounts.....					- 0.0	- 0.4	+ 0.0	- 0.0	- 0.4		
Total.....					-62.1	- 6.7	+15.1	- 3.2	- 56.9		
Member bank reserves (Daily averages; dollar figures in millions)					Federal Reserve Bank of Phila. (Dollar figures in millions)				Changes in		
					Held	Re- quired	Ex- cess	Ratio of excess to re- quired	October 20, 1943	Four weeks	One year
Phila. banks											
1942: Oct. 1-15..					\$388	\$324	\$64	20%	\$ 0.7	+\$ 0.1	-\$ 0.4
1943: Sept. 1-15..					411	388	23	6	0	0	0
Sept. 16-30..					378	346	32	9	4.4	- 0.1	- 0.9
Oct. 1-15..					347	329	18	6	661.0	+ 31.6	+ 342.4
Country banks											
1942: Oct. 1-15..					233	162	71	44	\$666.1	+\$31.6	+\$341.1
1943: Sept. 1-15..					280	208	72	35	1,060.4	+ 9.0	+ 290.0
Sept. 16-30..					274	200	74	37	614.7	- 59.3	- 0.9
Oct. 1-15..					272	196	76	39	39.8	+ 15.0	- 1.5
									108.9	+ 3.4	+ 39.2
									3.6	- 4.2	- 5.7
									1,170.5	- 62.6	- 26.1
									64.1%	- 2.1%	- 15.3%

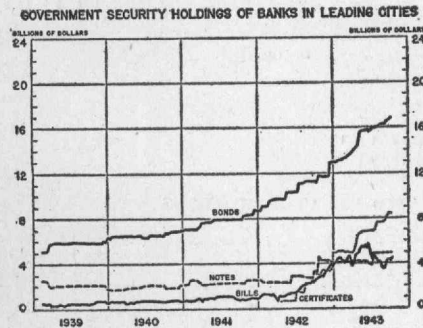
National Summary of Business Conditions



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for September 1943



Federal Reserve indexes. Monthly figures, latest shown are for September 1943.



Excludes guaranteed securities. Data not available prior to February 9, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for October 13, 1943.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for October 13, 1943.

Industrial activity showed little change in September and in the first half of October. Distribution of commodities continued in large volume and prices remained steady.

Industrial production. Physical volume of industrial production as measured by the Board's seasonally adjusted index, as recently revised, was 243 per cent of the 1935-39 average in September, compared with 242 in August and 239 in July.

There were increases in output in the iron and steel and transportation equipment industries while activity in other durable goods industries showed little change or declined slightly. Open hearth and Bessemer steel production exceeded its previous peak level, reached in March of this year, and output of pig iron likewise established a new record. In the machinery industry as a whole activity was maintained at the level of recent months although there was some further curtailment of output of machine tools and machine tool accessories.

Total output of nondurable manufactures continued at the August level. Cotton consumption, which had been declining since May, rose 6 per cent from August to September, but was 9 per cent below the high level of a year ago. Shoe production was maintained at the level of recent months and was slightly larger than a year ago. The output of manufactured food products rose seasonally.

Petroleum refining continued to rise in September and was at a rate about double the 1935-39 average. The Board's index of this industry is substantially higher than the old index because greater weight is given to aviation gasoline and other special war products. Output in the chemical industry as a whole declined in August, as some further expansion in industrial chemicals was more than offset in the total by reductions elsewhere, reflecting readjustment of the war program. Newsprint consumption rose less than is usual at this season, in the face of increasing supply difficulties and a further 5 per cent cut in permitted consumption of newsprint was ordered, beginning October 1.

Crude petroleum production continued to rise in September, reflecting further improvement of transportation facilities for petroleum products. Output of crude petroleum in August and September exceeded the earlier peak levels reached in December 1941 and January 1942. Coal production continued at a high level.

In September the value of construction contracts awarded in 37 Eastern states was at about the same low level as in July, according to reports of the F. W. Dodge Corporation, and was considerably smaller than in August when there was a temporary increase because one exceptionally large contract was placed in that month.

Distribution. Department store sales increased less than seasonally in September, following an unusually large volume of sales in July and August, and the Board's seasonally adjusted index declined from 142 to 131. During the first half of October sales showed a gain over September although usually there is some decline at this season.

Railroad freight traffic in September and the first part of October was maintained at the high level of previous months. Coal shipments exceeded the record movement of last July and loadings of grain and livestock were 10 per cent higher than a year ago.

Commodity prices. Prices of grains advanced from the middle of September to the middle of October. Livestock prices were slightly lower, reflecting partly the establishment of Federal maximum prices for live hogs and sharply increased marketings of cattle. Wholesale prices of most other commodities continued to show little change.

Agriculture. Crop prospects showed little change during September, according to official reports. There was a further small improvement in prospects for the corn and potato crops, while the previous forecast for cotton production was lowered slightly. Aggregate crop production is expected to be 7 per cent below the peak volume of last season but higher than in any other previous year.

Bank credit. During the five weeks ending October 13, Government security holdings at reporting banks in 101 leading cities increased by about 2.5 billion dollars reflecting substantial open-market purchases during the Drive, and also, some purchases of bills on subscription from the Treasury. Loans showed a net increase of 2.2 billion dollars over the same period. Over two-thirds of the total amount represented loans to brokers, dealers, and customers for purchasing or carrying securities; in the last week of the period there were some declines, however, as repayments were made on the liquidation of the securities. Commercial loans, which have been increasing steadily since June, rose further by 540 million over the five weeks.

Holdings of Government securities by the Federal Reserve System showed little change from the end of September to the third statement date of October, but there were some shifts among the kinds of securities held. Treasury bills held under option declined by 200 million dollars between September 30 and October 20, while holdings of certificates of indebtedness and of Treasury bills outside of the option accounts increased by about 200 million. Total holdings of United States Government securities by the Reserve System on October 20 were 8.9 billion dollars.