THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA

JULY 1, 1944

INDUSTRIAL production and total nonagricultural employment in the country as a whole have been declining gradually since the latter part of 1943. Over-all labor supply has not changed significantly in recent months, and manpower problems persist in certain areas and throughout several critical industries. Raw material supplies on the whole have continued to improve since the early months of this year.

With the long awaited invasion of Western Europe well under way, two things stand out clearly in the general business picture. The situation on the fighting fronts, while highly favorable, requires that the output of munitions be continued on an all-out basis for the present, with production schedules maintaining the necessary flexibility to meet any changes in the military demand. On the other hand, the progress of our armed forces throughout the world suggests that the groundwork must be laid for a prompt reconversion to peacetime output of whatever facilities subsequently may be released from war production.

Recent pronouncements by the War Production Board indicate full recognition of these elements of the present situation. While prophesying that from the standpoint of munitions manufacture the next several months may well prove the most critical of the entire war period, the Board emphasizes the growing urgency of reconversion problems by revealing plans to facilitate an early resumption of civilian output by producers whose Government contracts are completed or cancelled. Manpower and raw material supplies permitting, the program envisages a "stagger system" of reconversion, inasmuch as a given plant may have to continue in munitions production, while that of a prewar competitor or a firm entirely new to the field prepares to turn out goods for non-military use. Although the hardships attending the proposed system are at once apparent, the Board's position in authorizing it is summed up in the Chairman's statement that—"The country cannot afford to delay the return to civilian production until all manufacturers in each industry have terminated their essential work . . ."

Other features of the program include provisions for assisting qualified producers in their efforts to obtain necessary raw materials through some relaxation of restrictions governing the end uses of war metals and other controlled items. After July 1 it is planned to permit purchases of machinery, tools, and dies from surpluses listed with the War Production Board and with the Defense Plants Corporation. Those in a position to reconvert also will be allowed to make a single working model of the approved product, and materials and components will be authorized for its construction.

On the manpower front, the principal developments have been the nation-wide extension of the system of controlled referrals, formerly operating only in tight labor markets, and a decentralization of authority for the administration of the regulations by granting wider discretionary powers to regional representatives of the War Manpower Commission. Beginning July 1, the United States Employment Service

Continued on page 7

The Economy of The Third Federal Reserve District

What was the structure of the manufacturing industries in the Third Federal Reserve District before the war? How is it being altered by the war?

Answers to these questions may help to deal with post-war problems and prospects. This analysis attempts to answer the first question.

Manufacturing industries in 1940

The high degree of industrialization of this district has enabled it to play an important role in the war effort. Since its industrial structure was highly diversified, the district was in a position to supply a great variety of urgently needed products at the outset of the war. The armed forces, whether in training or in battle, need not only a vast array of specialized war gear but also most of the things which they normally consume as civilians. As a consequence, a nation at war needs the products of practically every major industry, though of course, with varying degrees of urgency.

In 1939, the Third District had over 12,000 manufacturing establishments producing $5,000 or more of products a year. As previously noted, the industries employed 9 per cent of the country's wage earners and accounted for $1,994 million or 8.1 per cent of the country's value added by manufacturing. Throughout a long history of industrial development, manufacturing in this district has become highly diversified. Almost every major industry is represented in this area. The relative importance of the principal industries is indicated in Table 1 which shows the number of people each industry group employed in 1940. Since this distribution embraces all workers engaged in manufacturing in any capacity, it shows the relative importance of the major industrial groups from the standpoint of industrial employment.

TABLE 1: MANUFACTURING EMPLOYMENT IN THE THIRD DISTRICT—1940

Industry	Third District		United States		Per cent Third Dist. of U.S.
	Thousands	Per cent of total	Thousands	Per cent of total	
Textile mill products	154	17%	1,170	11%	13.2%
Iron and steel and their products*	123	14	1,263	12	9.7
Apparel and other fabricated textile products	103	12	781	7	13.2
Food and kindred products	72	8	1,094	10	6.6
Machinery*	71	8	1,072	10	6.6
Chemicals and allied products	42	5	440	4	9.5
Printing, publishing, and allied industries	41	5	631	6	6.5
Transportation equipment, except automobiles*	40	5	306	3	13.1
Stone, clay, and glass products*	35	4	337	3	10.4
Leather and leather products	32	4	364	4	8.8
Paper and allied products	26	3	328	3	7.9
Furniture and store fixtures*	20	2	362	3	5.5
Automobiles and auto equipment*	18	2	575	6	3.1
Petroleum and coal products	18	2	201	2	9.0
Nonferrous metals and their products*	12	1	279	3	4.3
Other manufacturing	73	8	1,370	13	5.3
	880	100%	10,573	100%	8.3%

* Durable goods.

Textile industries were the largest. They employed over 150,000 or 17 per cent of all the district's workers engaged in manufacturing and are much more important to the economy of this district than to that of the entire United States. In addition, composition of the textile industries of the district is entirely different from that of the country. Cotton textiles, which employ over 40 per cent of the country's textile workers, are of comparatively minor importance in this district.

The textile industries include all manufacturers engaged in any stage of converting fibrous raw materials into fabrics. This embraces a group of industries with many subdivisions, of which the two major ones are primary textiles and textile products. The primary textile industries are those that convert natural or synthetic fibers into yarn or woven cloth. The textile products industries, for the most part, convert the output of the primary textile manufacturers into finished products, such as knit goods, housefurnishings, and industrial textiles but they do not include the clothing industries that make apparel from woven cloth.

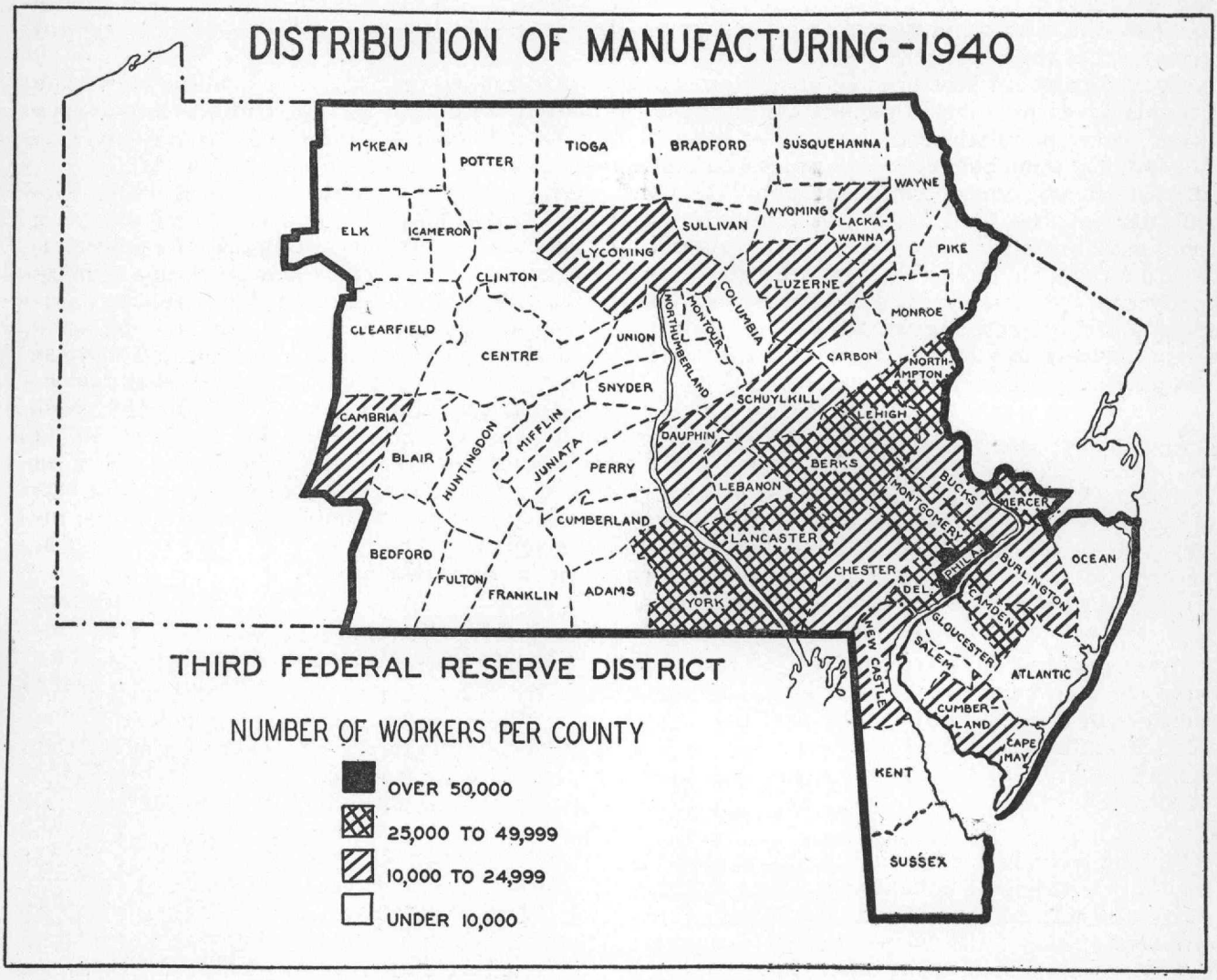
In 1940, more than half of the textile workers of the Third District were employed in the industries making finished textile products. The leading industry within this group was hosiery manufacturing. Women's full-fashioned hose, as distinguished from seamless hose, employed about 80 per cent of the district's hosiery workers. This branch of the industry has been prominently identified with this district since the '20's, when full-fashioned hose displaced seamless hosiery in the women's wear market. Knit goods other than hosiery ranked second among the textile products industries of the district.

Other important industries in this group were floor coverings, housefurnishings, hats, lace goods, and industrial textiles. These industries have very little in common except that they perform the final processing of materials of fibrous origin.

Primary textiles, which accounted for less than half of the district's textile employees, consisted chiefly of rayon, silk, and woolen and worsted manufacturing. Dyeing and finishing, which is closely associated with cotton textiles, was of only minor importance in this area.

Industries making iron and steel and their products ranked second among the major industry groups of the Third District. These industries employed 123,000 or 14 per cent of the district's manufacturing employees. They were of greater relative importance in the industrial economy of the district than in that of the United States; for the country as a whole these industries employed 12 per cent of its manufacturing employees.

These industries, like textiles, consist of two principal types—the primary producers and the fabricators. The primary steel producers operate blast furnaces that convert iron ore into pig iron; steel furnaces that convert pig iron and ferrous scrap into steel ingots; and rolling mills that reduce ingots into semi-finished products, such as plates, sheets and bars and some finished products, such as rails and car wheels. The fabricators convert semi-finished steel into a great variety of finished products, such as heating and plumbing supplies, foundry products, machine-shop products, hardware, tools, structural steel, wire, forgings, and other items.



The steel industry of this district includes both primary steel producers and fabricators. However, more than half of the steel mill workers within the district were employed in fabricating plants in contrast to the Pittsburgh area, where most of the steel mill workers were employed in primary steel manufacture.

Manufacturing of apparel and other fabricated textile products ranked third—employing 12 per cent of the district's manufacturing employees. The leading industries in this group were, in order of importance—men's and boys' furnishings, women's clothing, and men's and boys' clothing. The manufacture of women's clothing is confined largely to big cities which are style centers.

The food industries employed 8 per cent of the manufacturing employees. Prominence of baking—the largest industry within the group—grows out of the dietary importance of its products. Bakeries are scattered in about the same proportion as population density because their products are perishable. In view of the growing dependence upon commercially processed foods and the heavy concentration of population in this district, the food industries might be expected to occupy a more prominent place in the district's industrial structure. However, many food processing industries must be near their source of raw materials; and agriculture is a relatively minor activity in this district in comparison with some other areas.

The machinery industries also employed 8 per cent of the manufacturing workers of the district. This includes a wide range of industrial equipment as well as electrical machinery. These industries occupied a somewhat smaller position in the industrial economy of the district than they did in that of the United States.

The remaining industries accounted for more than 40 per cent of the district's employed workers in manufacturing. The fact that none of these employed over 5 per cent of the workers is indicative of the industrial diversification of the district.

Further evidence of the industrial diversification in this district is indicated in Table 2 which shows the percentages of manufacturing workers employed by the three leading industrial groups. Compared with other industrialized areas, this district had the smallest percentage of its workers employed in its leading industrial group and a smaller proportion in the three leading industrial groups with the exception of New York and California. For the country as a whole the leading industry group employed 12 per cent and the three leading industry groups 33 per cent of all manufacturing employees.

TABLE 2: PERCENTAGE OF MANUFACTURING EMPLOYEES IN LEADING INDUSTRIAL GROUPS

Area	Per Cent Employed in		
	Leading Industry Group	Two Leading Groups	Three Leading Groups
Third District	17%	31%	43%
Massachusetts	23	35	47
New York	21	30	39
Ohio	26	44	50
Michigan	51	60	69
North Carolina	58	67	74
Texas	20	37	47
California	19	31	40

A comparison of the industrial pattern of the district with that of the United States shows that six industries were of greater relative importance to the economy of this district than they were in the United States economy. They were textiles, steel, apparel, chemicals, transportation equipment—exclusive of automobiles—and stone, clay and glass products. The district had a well-balanced industrial structure as shown by the fact that 36 per cent of its manufacturing workers were employed in durable goods industries compared with 40 per cent for the United States. The durable goods industries are stimulated by the periodic upsurges of business activity because they manufacture producers' goods to a large extent. The non-durable goods industries afford a measure of economic stability because their products are largely consumer goods.

Distribution of manufacturing

Manufacturing in the Third District was heavily concentrated in the southeastern section. Philadelphia, the leading industrial center, accounted for 28 per cent of the district's manufacturing workers. Ten southeastern counties, including Philadelphia, had 65 per cent of the workers and an additional 21 per cent were in 12 counties, most of which were located in the southeastern industrial area. The remaining 14 per cent were scattered throughout 38 counties where manufacturing was of comparatively minor importance. Table 3 shows the

concentration and the map shows the location of manufacturing in the district.

TABLE 3: MANUFACTURING WORKERS IN 1940

Size of group	Number of counties	Thousands of workers	Per cent of district
Over 50,000.....	1	248	28%
25,000 to 49,999.....	9	326	37
10,000 to 24,999.....	12	183	21
Under 10,000.....	38	123	14
	60	880	100%

Philadelphia is the most important center of manufacturing owing largely to its advantageous position. Located on a tidal estuary, 90 miles upstream with a deep-water channel, it is both a seaport and an inland city. A good harbor and adequate port facilities accommodate both coastwise and ocean-going vessels that bring in raw materials for manufacture and carry out finished products to distant markets. The city's location on both the Delaware and Schuylkill rivers is favorable to manufacturing because most processes require large amounts of water. Other factors accounting for the importance of Philadelphia as a center of manufacturing are its railroad facilities for gathering inland raw materials and bituminous coal, its abundance of flat land for low cost home and factory sites, its large local market and accessibility to still larger markets of the heavily populated middle Atlantic seaboard, its abundant supply of skilled labor and a plentiful supply of food available in the adjacent agricultural regions of Pennsylvania, New Jersey, Delaware, and Maryland.

TABLE 4: MANUFACTURING EMPLOYMENT IN LEADING INDUSTRIAL COUNTIES OF THIRD DISTRICT—1940

Industrial group	Philadelphia		9-county* area		12-county† area		Total 3rd Dist.
	Thous.	% of total	Thous.	% of total	Thous.	% of total	Thous.
Textile mill products.....	40	16	65	20	30	16	154
Iron and steel and their products.....	22	9	53	16	41	22	123
Apparel and other fabricated textile products..	33	13	28	9	26	14	103
Food and kindred prods...	23	9	21	6	18	10	72
Machinery.....	26	10	29	9	7	4	71
Chemicals and allied prods.	9	4	9	3	12	6	42
Printing, publishing, and allied products	18	7	12	4	7	4	41
Transportation equipment (ex. automobiles).....	14	6	16	5	4	2	40
Stone, clay, and glass prods.	13	1	16	5	7	4	35
Leather and leather prods.	7	3	10	3	9	5	32
Paper and allied prods....	8	3	9	3	5	2	26
Furniture and store fixtures	5	2	8	2	4	2	20
Automobiles and auto equipment.....	7	3	10	3	1	1	18
Petroleum and coal prods.	6	2	8	2	1	1	18
Nonferrous metals and their products.....	3	1	4	1	1	1	12
Other manufacturing.....	24	10	28	9	10	6	73
Total.....	248	100	326	100	183	100	880

Note: These data, taken from the Census of Population, are based on place of residence of the workers. Place of employment, which would be more accurate, is not available by industrial classification.

* Berks, Camden, Delaware, Lancaster, Lehigh, Mercer, Montgomery, Northampton, and York.

† Bucks, Burlington, Cambria, Chester, Cumberland, Dauphin, Lackawanna, Lebanon, Luzerne, Lycoming, New Castle, and Schuylkill.

Philadelphia is outstanding in many lines of products. The variety of industries and their relative importance from the standpoint of employment are shown in Table 4. In 1940, the largest industrial group was textile mill products which employed 40,000 or 16 per cent of the workers. Specific industries which accounted for most of these textile workers were hosiery; knit goods, such as sweaters, bathing suits and underwear; carpets and rugs; woolens and worsteds; pile fabrics; and narrow fabrics.

The needle trades which manufacture clothing from woven cloth ranked second. The largest industry in this group was men's clothing but the manufacture of women's and children's clothing employed approximately three-fourths as many workers.

Machinery ranked third among the major industries of Philadelphia. Employment was distributed almost equally between electrical machinery and general industrial machinery. A large part of Philadelphia's electrical products consisted of power plant equipment, storage batteries, and radios. The machinery industries of Philadelphia are extremely diversified. They comprise such products as mechanical power transmission equipment, machine tools, conveyors, gas engines, and a great variety of specialized machinery for the printing trades, food industries, textile industries and others.

Industries making iron and steel and their products also constituted an important part of Philadelphia's industrial structure. Philadelphia had no integrated steel companies performing all of the operations from smelting the ore to fabrication of finished steel products. But it did have several firms that operate furnaces to make primary steel which they subsequently shape in their rolling, forging, drawing, or casting departments. However, most of the steel mill workers of Philadelphia were employed by companies engaged in fabricating steel products, such as bearings, boilers, drums, cans, pipes, tubing, hardware, sheet metal, ornamental ware, and many other items.

Food processing employed about as many workers as the iron and steel group. Food processing—baking, meat packing, etc.—is naturally important in an area that is almost entirely metropolitan.

Printing, publishing, and allied industries also were important, accounting for 7 per cent of the city's manufacturing employees. These industries are usually located in large industrial or commercial centers because of the advantage of being near their markets to give quick service.

Philadelphia was also a leading center in the manufacture of transportation equipment exclusive of automobiles. Although no automobiles were produced here, the city had several large companies specializing in automobile and truck bodies, motor buses, and automobile parts.

The varied industrial structure of pre-war Philadelphia made for greater stability of industrial activity and employment than is found in areas dependent upon one or a few industries. Less than a third of the workers were employed by the city's two leading industries—textiles and apparel—and their products are in constant demand because they are nondurable. About 68 per cent of Philadelphia's workers were employed in the production of nondurable goods which is in contrast to 64 per cent for the Third District and 60 per cent for the United States.

Ranking next to Philadelphia was a secondary area consisting of nine counties in each of which 25,000 to 50,000 were employed in manufacturing. This group consisted of Montgomery on the northwest of Philadelphia, Delaware county on the southwest, Camden and Mercer counties in New Jersey, and five counties running diagonally in southeastern Pennsylvania—Northampton, Lehigh, Berks, Lancaster, and York.

As a group, these nine counties are akin to Philadelphia in the variety of their manufactures. However, there were notable differences in the composition of their leading industrial groups. Compared with Philadelphia, the nine counties had larger proportions in textiles, iron and steel, and stone, clay, and glass industries. Conversely, they had smaller proportions employed in apparel, food, and printing and publishing.

Availability of raw materials is an important locational factor in both iron and steel and stone, clay, and glass manufacturing. The prominence of these industries in the outlying counties is due also in part to their need for low-priced land since considerable space is required, particularly by the integrated steel producers. Textiles often complement the heavy industries by utilizing the available female labor.

The smaller relative importance of the apparel, food, and printing and publishing groups in the nine counties is a result of the fact that these industries can operate to better advantage in large metropolitan centers where their largest markets are found.

Though they were all highly industrialized, the nine counties differed considerably in the composition of their manufacturing industries. In Montgomery county the largest proportion of workers (22 per cent) was employed in textiles, followed closely by iron and steel (20 per cent) and these together with apparel accounted for more than half of the workers. In Delaware county, largely by reason of its river frontage, transportation equipment, consisting of ships, locomotives, and automobiles, accounted for 22 per cent of manufacturing. Petroleum refining ranked second owing chiefly to the convenience of bringing in crude oil by coastwise tankers. In Camden, which also fronts on the Delaware river at tidewater, shipbuilding was likewise a leading industry but employment in its machinery industries was just as large, due primarily to radio manufacturing. Mercer county, on the New Jersey side of the Delaware river, had somewhat greater industrial diversification than Camden or Delaware. Iron and steel, made up largely of wire products, steam boilers, and automotive hardware, ranked first and clay products, for which Trenton is noted, employed almost as many workers.

The outstanding industries in the five counties cutting across southeastern Pennsylvania were either iron and steel or textiles. The Bethlehem steel mills put this industry far in the forefront in Northampton county. About 37 per cent of the workers in that county were employed in iron and steel manufacturing and 18 per cent in textile mills. The industrial pattern of Lehigh, the adjoining county, was similar to that of Northampton county—steel industries ranked

first, followed by textiles; however, steel manufacturing was not as highly integrated in the Lehigh area.

Berks county manufacturing was primarily textile (50 per cent of the workers) by reason of the heavy concentration of hosiery manufacturing in Reading. Steel industries ranked second, employing about 16 per cent of the county's manufacturing workers. In Lancaster county, the leading industries were likewise steel and textiles in that order, but these two industry groups employed smaller percentages, 28 and 10 respectively, of the county's manufacturing employees, which reflects greater diversification. Steel and machinery were the leading industries in the adjacent county of York. However, apparel, textiles, and furniture were also quite prominent, thus making a rather diversified industrial pattern.

In the twelve counties (lightly shaded on the map) that accounted for 21 per cent of the district's manufacturing employees, there was somewhat less diversification than in the nine-county area and Philadelphia. Iron and steel predominated in Burlington, Chester, Lebanon, Dauphin, and Cambria counties. In Cambria county, three-quarters of the employees were steel workers, most of them employed in the Johnstown plants of the country's two leading steel companies, U. S. Steel and Bethlehem.

Textile products were outstanding in two of the anthracite counties—Lackawanna and Luzerne. Silk throwing and silk and rayon weaving were developed in this area to take advantage of the female labor supply. Textiles were also predominant in Lycoming and Bucks counties; silk and rayon were the principal products in Lycoming and hosiery in Bucks county. The apparel industries, mostly shirts and underwear, were the principal employers of manufacturing workers in Schuylkill county which is part of the anthracite region.

Although other industries have developed in recent years, chemicals were still predominant in New Castle county, Delaware, and glassware in Cumberland county, New Jersey, where local supplies of glass sand are abundant.

There was some manufacturing in each of the remaining 38 counties of the district but the group as a whole employed only 14 per cent of the district's manufacturing employees in 1940. In the individual counties manufacturing was not diversified, as might be expected, because in many instances one or a few leading companies dominated the scene. For example, a large chemical establishment employed over 60 per cent of the employees of Salem county in New Jersey and a single rayon plant employed 60 per cent of the workers in Mifflin county, Pennsylvania. About 40 per cent of the workers in Carbon county were employed in zinc smelting and refining. Manufacturing in Center and Clearfield counties was mostly brick, terra cotta, and fire clay products.

The importance of manufacturing in the Third District is due in part to the development of textiles and apparel—in 42 of the district's 60 counties either textiles or apparel was among the two leading industries. These industries, providing substantial opportunities for employment of women, have been established in many areas where the male labor is employed in the heavy industries such as steel, machinery, and coal mining. The combination of both light and heavy industries makes for greater industrialization, more diversification and increased stability of employment and income.

Business and Banking

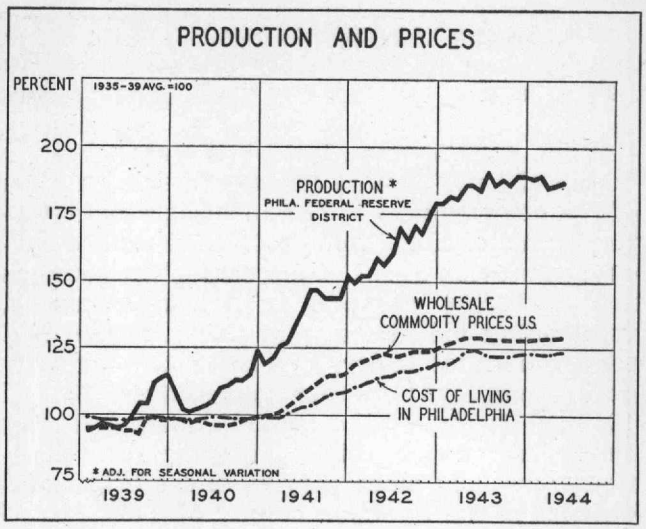
Continued from page 1

and such other existing agencies as may be officially designated will endeavor to channel all male workers over seventeen years of age to business and industrial establishments throughout the country. Only the smallest firms—those employing up to eight workers—and agricultural enterprises may obtain personnel entirely through their own efforts.

The procedure being established by the War Production Board depends in large measure for its successful operation on these changes in the administration of manpower controls. Thus, regional representatives of the Board will consult with local officials of the War Manpower

Commission on the availability of labor in areas where munitions makers released from war contracts are to be permitted to obtain necessary raw materials and to convert facilities to the manufacture of civilian goods.

Industry and trade. Industrial activity in the Philadelphia Federal Reserve District in May was maintained close to the level of a month and year ago. Output of manufactures rose 1 per cent on an adjusted basis, reflecting principally small gains in nondurable goods lines; the production of durable goods was about the same as in April. Output of coal increased in the month and was greater than in May 1943. Production of crude petroleum was somewhat smaller than in April and below last year's level.



Wholesale commodity prices have shown a slight rise since the turn of the year, following narrow fluctuations for many months. Similarly, the cost of goods purchased by wage earners and lower-salaried workers in large cities throughout the country has not changed significantly for some time, according to the Bureau of Labor Statistics. Retail prices of house furnishings, and to a lesser extent articles of clothing and certain miscellaneous items, have risen steadily over the past four months, but these advances have been largely offset by a downtrend of quotations on foods.

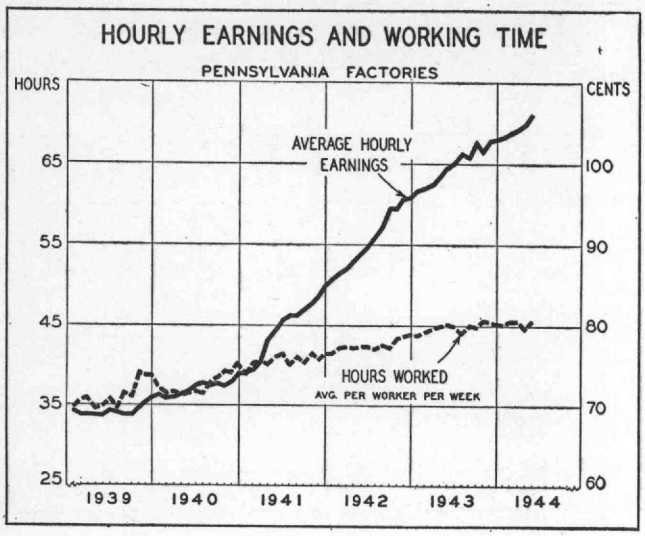
Factory employment in Pennsylvania decreased slightly further from April to May, reflecting small declines in both durable and nondurable goods industries. The number employed, estimated at approximately 1¼ million, was down 2 per cent from a year earlier and 4 per cent from last fall's all-time high. The volume of wage payments exceeded $55 million a week, a total 2 per cent greater than in April, and close to the highest on record. Most major lines reported increases in payrolls during May, the largest rise being in the transportation equipment and food processing industries. Gains over a year ago occurred in all lines except textile and leather products. Total working time showed some increase in the month but was less than in May 1943.

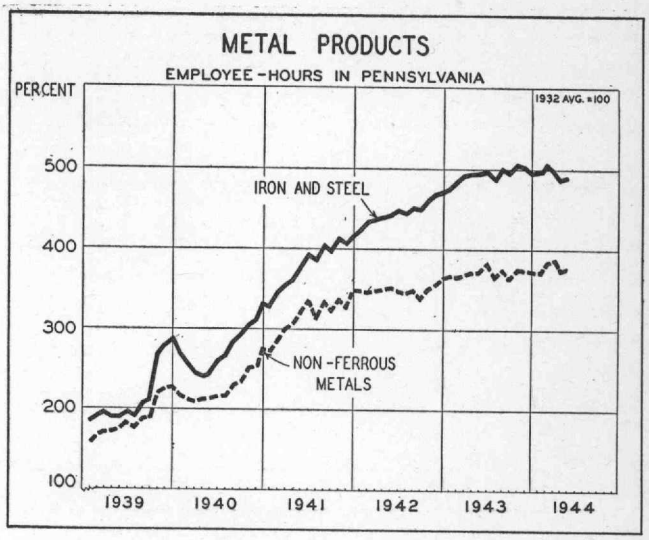
The weekly income of wage earners at reporting plants in Pennsylvania rose to a new high in May, averaging $48.17, as against $46.69 in April, and $44.54 a year ago. This gain reflected a further advance in average hourly earnings to about $1.06, and an increase in the average number of hours worked per employee to 45½ a week. Average working time in May was the highest reported in nearly fifteen years.

Anthracite and bituminous coal mines have been returned to private operation after remaining under Federal jurisdiction for more than a year. New working agreements approved by the War Labor Board have been signed by operators and representatives of the miners; back-dated to May 1, 1943 for anthracite and April 1 in the case of bituminous, they cover compensation and working conditions over a two-year period. According to the Administrator for Solid Fuels, the productivity of the nation's hard and soft coal miners reached a new high level during the extended period of Government operation. This was accomplished in spite of a continuing drain on young manpower, which was reflected in an increase in the average age of miners from 32 to 45 years.

The output of both anthracite and bituminous coal increased in May and was substantially larger than a year earlier, as producers continued their efforts to build up reserves from the unusually low levels prevailing in recent months. The tonnage of anthracite mined in the first five months of 1944 was little larger than in the same period last year, but production of bituminous coal in Pennsylvania increased about 7 per cent.

Building construction has continued to slacken nationally and locally with the com-





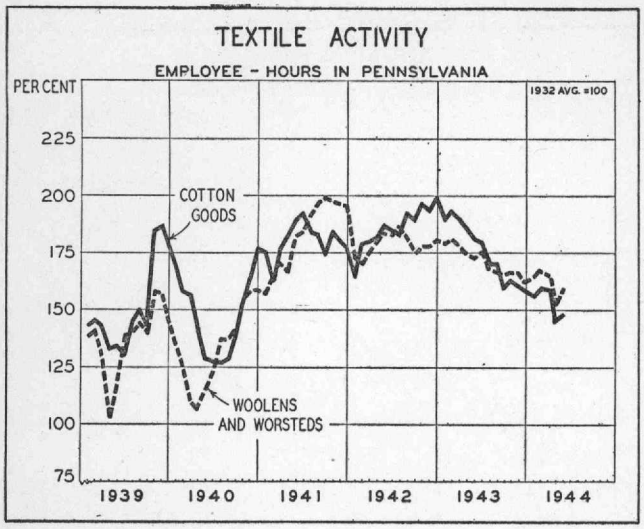
pletion of military installations, industrial facilities, and war housing projects. Manpower and material shortages necessitate the continuance of rigid restrictions on new undertakings of a non-critical nature. In this district, the value of new contracts awarded in May decreased 15 per cent to approximately $10 million. Placements aggregating $45 million in the five months ended May were about one-half the dollar volume reported a year earlier; they were the smallest for the period since 1935, and compared with a wartime peak of $138 million in the initial five months of 1942.

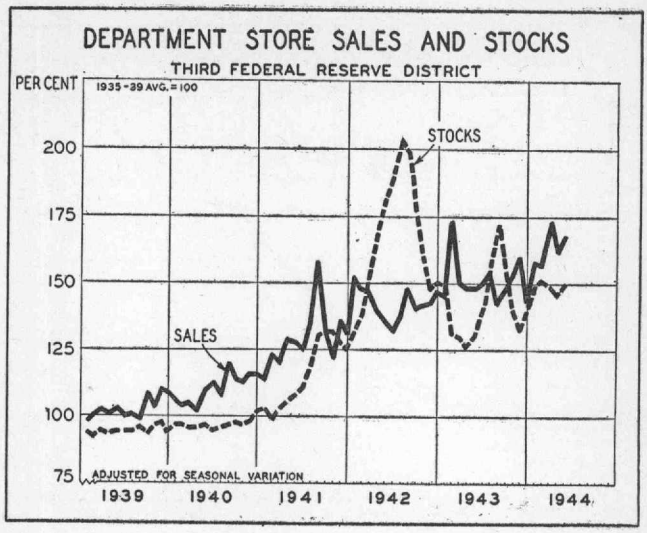
The agricultural situation in this district showed some further improvement during June. The distribution of rainfall was rather uneven over much of the month, but growing conditions for crops and pastures on the whole were favorable. Seasonal farming operations are still behind schedule in some sections, owing to delays earlier in the season and to a continued scarcity of labor. Larger crops of wheat, oats, and orchard fruits are in prospect this year than last; early indications also suggest a record crop of tomatoes for processing. Tobacco planting in Pennsylvania was still under way toward the close of June, with the condition of the crop about average for this time of the year.

Primary distribution by rail in the country as a whole is increasing more rapidly than had been anticipated a few months ago, according to reports from Federal agencies concerned with the operations of the carriers. Meanwhile, shortages of equipment have been only partially relieved as a result of authorized increases in the production schedules of freight car and locomotive builders; the scarcity of railroad personnel has grown more acute, with additional workers most urgently needed in the track maintenance and equipment repair departments. Total freight car loadings in this section have continued unusually heavy, and in the first five months of 1944 were 7 per cent greater than in the same period last year. The number of cars loaded has shown increases in all the principal commodity classifications; the sharpest rise—30 per cent—has occurred in loadings of livestock.

Business at wholesale decreased slightly from April to May and dollar volume was somewhat less than a year ago. Declines in the month in sales of electrical supplies, groceries, and hardware were only partly offset by increases in such lines as drugs, dry goods, jewelry, and paper. Aggregate sales in the five months ended May were 7 per cent larger this year than last. Inventories at wholesale establishments showed some reduction as compared with April, but they were larger than at the end of May 1943.

The value of retail sales by reporting department and women's apparel stores in this district on an adjusted basis increased in May, but sales at men's apparel and shoe stores did not measure up to seasonal expectations. Increases over a year ago were substantial in all cases, ranging from 13 per cent at establishments





specializing in footwear to 23 per cent at women's apparel stores. Sales by furniture stores expanded 19 per cent in the month to a level 7 per cent above May 1943. Inventories at the end of May exceeded those of a year earlier except at shoe and furniture stores.

Banking conditions. The effects of the Fifth War Loan Drive were reflected during the third week of June in reduced deposits of customers and in larger war loan accounts to the credit of the Government, although drafts on the former also included substantial amounts for income taxes. From the temporary low point at the close of the Fourth Drive, adjusted demand deposits at reporting member banks in this district had increased well over $300 million to a record high level of $1,831 million on June 14. This sharp gain was achieved in the face of a continuing heavy demand for currency. It represented heavy accumulations in the balances of individuals and business concerns—largely a result of Government expenditures—and a considerable expansion in deposits of states and local governments.

During the four latest weeks, ended June 21, total deposits at the reporting institutions moved up $68 million to more than $2.5 billion, owing in part to the receipt of funds for credit to accounts held for other banks. Reserves and balances with correspondents were built up, but the largest increase among the assets was in the securities portfolio. The investment in Governments stood at $1,625 million on June 21, up $39 million in four weeks and $176 million in the past twelve months. Changes in the loan portfolio were small. A slight increase has taken place lately in advances to brokers and others to purchase or carry Government securities, but these loans now total only about $6 million, or about the same volume as was on the books at the beginning of the last drive.

For all member banks of the district the four latest weeks show a gain of $45 million in reserves to $695 million. Treasury receipts from taxes and sales of securities outstripped Government disbursements in the area by about $75 million and currency demand continued active, save for a modest return flow toward the close of the period. But these factors tending to reduce reserves were more than balanced by heavy gains in commercial and financial transactions with other districts. The inflow of funds was particularly large in the third week of June, when some transfers doubtless were made to take care of payments to the Treasury in this district.

Earning assets of the Federal Reserve Bank now exceed $1 billion. An increase of $84 million between May 24 and June 21 reflected participation in System holdings of securities, which moved up sharply in the period. Discounts for member banks, at no time large in recent years, declined to less than $2 million; and the volume of Treasury bills held by this Bank under repurchase option showed little net change, continuing to hold around $125 million, despite the substantial volume of purchases from and resales to banks.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 =100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
				May 1944 from		1944 from 5 mos. 1943			
	May 1944	Apr. 1944	May 1943	Mo. ago	Year ago		May 1944	Apr. 1944	May 1943
INDUSTRIAL PRODUCTION	152p	151	151r	+ 1	+ 1	+ 2	151p	149	150r
MANUFACTURING	156p	155	155r	+ 1	+ 1	+ 2	155p	152	154r
Durable goods	247p	247	248r	0	0	+ 1	.....	.....	.....
Consumers' goods	94p	93	93r	+ 1	+ 1	+ 3	.....	.....	.....
Metal products	185	189r	181r	− 2	+ 2	+ 5	182	181r	179r
Textile products	70p	68	74r	+ 2	− 5	− 3	67p	66	71
Transportation equipment	660p	643	649r	+ 3	+ 2	+ 3	683p	665	672r
Food products	116p	114	106r	+ 2	+ 9	+ 16	112p	109	100r
Tobacco and products	96	97	114	− 1	− 16	− 17	93	88	111
Building materials	34p	34	40	0	− 15	− 24	34p	33	41
Chemicals and products	155p	162	162	− 5	− 4	+ 6	157p	165	164
Leather and products	106p	99	117	+ 6	− 10	− 6	96p	98	106
Paper and printing	94	93	90	+ 1	+ 4	+ 4	95	95	91
Individual lines									
Pig iron	96	93	101	+ 4	− 4	− 1	100	105	105
Steel	132	131r	134	+ 1	− 1	+ 2	138	137	140
Silk manufactures	86	85	88	+ 1	− 2	+ 3	82	83	84
Woolens and worsteds	64p	62	65r	+ 3	− 2	− 1	61p	58	62r
Cotton products	46	42	58	+ 8	− 21	− 21	45	44	57
Carpets and rugs	55p	52	58	+ 6	− 5	− 3	54p	51	57
Hosiery	70	67	80	+ 5	− 12	− 11	70	67	80
Underwear	142	145r	161	− 2	− 12	− 9	143	142r	163
Cement	23p	24	41	− 5	− 45	− 54	26p	24	46
Brick	47	48	58	0	− 18	− 20	50	50r	61
Lumber and products	32	32	29	+ 2	+ 12	+ 13	30	30	27
Bread and bakery products	.....	.....	.....	+ 4*	+ 10*	+ 10*	123	118	111
Slaughtering, meat packing	126	127	104	− 1	+ 21	+ 33	126	124	104
Sugar refining	107	85	76	+27	+ 41	+ 49	132	110	94
Canning and preserving	137p	140	135r	− 2	+ 2	+ 19	113p	118	102r
Cigars	95	96	114	− 1	− 17	− 16	92	88	111
Paper and wood pulp	84	82	85	+ 2	− 1	0	84	83	85
Printing and publishing	96	95	91	0	+ 5	+ 5	97	97	92
Shoes	131	117	138	+11	− 5	− 5	119	117	125
Leather, goat and kid	82p	82	97	0	− 16	− 6	75p	80	88
Paints and varnishes	94	92	86	+ 3	+ 10	+ 7	100	96	91
Coke, by-product	165p	165	155	0	+ 6	+ 5	171p	171	161
COAL MINING	88	85	81	+ 4	+ 9	+ 6	87	83	80
Anthracite	84	81	78	+ 4	+ 8	+ 1	84	81	78
Bituminous	122	113	105	+ 8	+ 16	+ 7	109	103	95r
CRUDE OIL	366	374	406	− 2	− 10	− 11	381	385	422
ELEC. POWER—OUTPUT	439	419	414	+ 5	+ 6	+ 7	409	410	385
Sales, total	441	424	400	+ 4	+ 10	+ 10	423	437	384
Sales to industries	342	358	316	− 4	+ 8	+ 12	348	361	322
BUILDING CONTRACTS									
TOTAL AWARDS†	39	35	67	+13	− 41	− 67	38	33	64
Residential†	14	15	43	− 8	− 67	− 63	15	14	45
Nonresidential†	44	43	75	+ 4	− 41	− 64	47	44	79
Public works and utilities†	117	69	119	+70	− 1	− 71	82	63	83

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

Local Business Conditions*

Percentage change—May 1944 from month and year ago	Factory Employment		Factory Payrolls		Building permits value		Retail Sales		Debits	
	April 1944	May 1943	April 1944	May 1943	April 1944	May 1943	April 1944	May 1943	April 1944	May 1943
Allentown	− 2	− 5	0	+ 4	+145	+382	− 2	+ 9	− 6	+12
Altoona	0	0	+ 5	+11	+ 42	+ 36	− 4	+18	+ 1	+20
Harrisburg	0	− 3	0	0	− 94	− 94	+ 1	+ 7	0	+ 3
Johnstown	+ 1	− 7	− 3	+ 7	− 33	+ 72	+ 3	+27	+ 2	+16
Lancaster	− 1	+ 4	− 1	+ 9	+ 94	+120	0	+11	+ 6	+51
Philadelphia	− 1	− 3	+ 3	+ 5	+ 24	− 56	+ 3	+15	+ 2	+ 3
Reading	− 2	− 5	+ 2	0	+ 46	+ 71	− 2	+10	0	+10
Scranton	+ 1	+21	+ 7	+34	+ 67	+130	0	+22	− 3	+24
Trenton	.....	.....	.....	.....	+164	− 53	0	+ 7	+37	+ 4
Wilkes-Barre	− 1	− 3	+ 1	− 9	+ 64	+142	+ 1	+25	− 7	+12
Williamsport	− 3	−13	− 5	−13	+ 14	+ 52	.....	.....	− 6	−17
Wilmington	+ 1	− 5	+ 7	+ 2	+ 4	− 94	+ 5	+22	−13	+12
York	− 2	− 7	− 1	− 3	− 4	− 69	+ 2	+11	− 6	+ 9

* 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		
	May 1944 index	Per cent change from		May 1944 index	Per cent change from	
		Apr. 1944	May 1943		Apr. 1944	May 1943
GENERAL INDEX	132	0	− 2	336	+ 3	+ 7
Manufacturing	184	− 1	− 2	501	+ 2	+ 6
Anthracite mining	49	0	− 6	99	+10	+28
Bituminous coal mining	79	− 1	− 8	367	+ 1	+17
Building and construction	46	+10	− 1	133	+21	+17
Quar. and nonmet. mining	84	+ 1	−17	280	+ 6	− 8
Crude petroleum prod.	134	0	− 2	237	− 5	+14
Public utilities	97	0	− 3	141	+ 2	+ 4
Retail trade	112	0	+ 2	153	+ 1	+ 4
Wholesale trade	104	0	− 3	146	+ 2	+ 2
Hotels	101	+ 2	+ 2	170	+ 2	+12
Laundries	103	+ 1	− 5	183	+ 6	+ 5
Dyeing and cleaning	107	+ 5	+ 3	189	+10	+ 3

Manufacturing

Indexes: 1923-5 =100	Employment*			Payrolls*		
	May 1944 index	Per cent change from		May 1944 index	Per cent change from	
		Apr. 1944	May 1943		Apr. 1944	May 1943
TOTAL	118	− 1	− 2	204	+ 2	+ 6
Iron, steel and products	128	− 1	− 2	280	+ 2	+ 5
Nonferrous metal products	199	0	+ 3	424	0	+11
Transportation equipment	169	− 2	− 2	313	+ 4	+ 9
Textiles and clothing	80	− 1	− 7	120	+ 3	− 3
Textiles	73	− 1	− 7	111	+ 3	− 3
Clothing	106	0	− 8	165	+ 4	− 2
Food products	119	− 1	+ 8	186	+ 4	+18
Stone, clay and glass	86	− 2	− 2	131	0	+ 8
Lumber products	51	0	− 1	81	+ 1	+10
Chemicals and products	115	− 2	− 6	211	0	+ 3
Leather and products	73	− 1	−13	114	+ 1	− 5
Paper and printing	101	− 1	0	148	0	+ 7
Printing	93	− 1	+ 2	130	0	+ 9
Others:						
Cigars and tobacco	54	− 2	−12	73	+ 2	−11
Rubber tires, goods	148	− 1	+16	302	+ 1	+29
Musical instruments	85	− 8	+38	151	−10	+42

* Figures from 2862 plants.

Hours and Wages

Factory workers Averages May 1944 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	45.6	+ 1	$1.062	+ 7	$48.17	+ 8
Iron, steel and prods.	47.0	+ 2	1.117	+ 5	52.46	+ 7
Nonfer. metal prods.	46.0	+ 2	.993	+ 9	45.67	+11
Transportation equip.	47.9	0	1.254	+10	60.09	+10
Textiles and clothing	39.7	− 2	.761	+ 7	30.23	+ 6
Textiles	40.7	− 1	.777	+ 6	31.65	+ 5
Clothing	37.3	− 4	.720	+11	27.28	+ 8
Food products	44.5	+ 1	.816	+ 5	36.58	+ 7
Stone, clay and glass	41.5	+ 6	.914	+ 5	37.78	+10
Lumber products	44.0	+ 1	.759	+ 8	33.20	+ 9
Chemicals and prods.	46.2	+ 3	1.060	+ 5	48.98	+ 9
Leather and prods.	41.8	+ 3	.747	+ 5	31.23	+ 9
Paper and printing	43.7	+ 2	.899	+ 4	39.78	+ 7
Printing	40.5	+ 2	1.046	+ 4	42.87	+ 7
Others:						
Cigars and tobacco	40.3	− 4	.613	+ 6	24.72	+ 2
Rubber tires, goods	44.0	− 1	1.030	+13	45.33	+12
Musical instrument	48.4	− 1	.961	+ 4	46.51	+ 3

* Figures from 2712 plants. † Figures from 2862 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change: May 1944 from Month ago	May 1944 from Year ago	1944 from 5 mos. 1943
Sales			
Total of all lines	− 2	− 3	+ 7
Drugs	+10	+ 9	− 1
Dry goods	+ 5	− 7	+ 7
Electrical supplies	−23	−42	− 5
Groceries	− 2	+ 5	+11
Hardware	− 8	+ 3	+ 7
Jewelry	+11	+12	+10
Paper	+ 9	+22	+21
Inventories			
Total of all lines	− 3	+ 6	.....
Dry goods	− 6	+16	.....
Electrical supplies	+ 1	− 7	.....
Groceries	− 3	+10	.....
Hardware	− 1	+ 3	.....
Jewelry	.....	.....	.....
Paper	+ 2	−12	.....

Source: U. S. Department of Commerce.

Prices	May 1944	Per cent change from: Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 =100)	181	0	+ 3	+ 81
Wholesale (1926 =100)	104	0	0	+ 39
Farm	123	0	− 2	+101
Food	105	0	− 5	+ 56
Other	99	0	+ 2	+ 23
Living costs (1935-1939 =100)				
United States	125	0	0	+ 27
Philadelphia	124	0	− 1	+ 26
Food	133	0	− 6	+ 43
Clothing	137	+ 1	+ 7	+ 38
Rent	107	0	0	+ 4
Fuels	109	− 1	+ 3	+ 13
Housefurnishings	133	+ 1	+ 8	+ 33
Other	119	0	+ 4	+ 18

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 =100	Adjusted for seasonal variation: May 1944	Apr. 1944	May 1943	Per cent change: May 1944 from Month ago	May 1944 from Year ago	1944 from 5 mos. 1943	Not adjusted: May 1944	Apr. 1944	May 1943
RETAIL TRADE									
Sales									
Department stores—District	168p	162	148r	+ 4	+ 14	+ 9	162p	159	142
Philadelphia	166	153r	145r	+ 9	+ 15	+ 7	155	150	136
Women's apparel	169	145r	137	+ 16	+ 23	+10	161	157r	131
Men's apparel	160	165	135	− 3	+ 19	0	148	147	125
Shoe	127	156r	113	− 19	+ 13	− 2	157	180r	139
Furniture	.....	.....	.....	+ 19*	+ 7*	.....	.....	.....	.....
Inventories									
Department stores—District	150	146	131r	+ 2	+ 15	.....	150	151	131
Philadelphia	149	146	130	+ 2	+ 15	.....	149	149	130
Women's apparel	183	171r	165	+ 7	+ 11	.....	177	171r	160
Shoe	69	73r	91	− 5	− 24	.....	76	81r	100
Furniture	.....	.....	.....	+ 1*	− 14*	.....	.....	.....	.....
FREIGHT CAR LOADINGS									
Total	151	149	142	+ 1	+ 6	+ 7	152	142	143
Merchandise and miscellaneous	133	137	131	− 3	+ 1	+ 4	137	135	135
Merchandise—l.c.l.	89	90	86	− 1	+ 4	+ 6	89	90	86
Coal	185	191	158	− 3	+ 17	+12	165	153	141
Ore	237	301	217	− 21	+ 9	+12	301	156	276
Coke	255	256	232	0	+ 10	+ 8	216	207	197
Forest products	136	144	119	− 6	+ 15	+12	131	121	114
Grain and products	147	129	132	+ 14	+ 12	+11	137	120	123
Livestock	140	148	134	− 5	+ 4	+30	127	136	122
MISCELLANEOUS									
Life insurance sales	114	122	106	− 7	+ 7	+18	113	122	105
Business liquidations									
Number	.....	.....	.....	+264*	− 22*	−73*	16	4	21
Amount of liabilities	.....	.....	.....	+181*	+148*	−91*	10	4	4
Check payments	162	177	161	− 8	+ 1	+ 7	162	174	161

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

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions $)	June 21, 1944	Changes in—: Four weeks	One year
Assets			
Commercial loans	$240	−$ 3	+$ 7
Loans to brokers, etc.	34	.....	+ 3
Other loans to carry secur.	13	+ 1	+ 2
Loans on real estate	36	− 2	− 8
Loans to banks	6	+ 4	+ 1
Other loans	102	+ 1	− 9
Total loans	$431	+$ 1	−$ 4
Government securities	$1571	+$17	+$195
Obligations fully guar'teed	54	+ 22	− 19
Other securities	173	− 2	− 34
Total investments	$1798	+$37	+$142
Total loans & investments	$2229	+$38	+$138
Reserve with F. R. Bank	421	+ 22	+ 21
Cash in vault	30	+ 1	+ 2
Balances with other banks	80	+ 10	− 3
Other assets—net	53	− 7	− 7
Liabilities			
Demand deposits, adjusted	$1780	+$33	+$135
Time deposits	179	− 1	+ 19
U. S. Government deposits	250	− 13	− 4
Interbank deposits	357	+ 49	− 10
Borrowings	1	− 3	+ 1
Other liabilities	17	+ 1	+ 3
Capital account	229	− 2	+ 7

Philadelphia Federal Reserve District (Millions of dollars)	Changes in weeks ended—: May 31	June 7	June 14	June 21	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	+ 6.2	− 5.9	+ 6.4	+ 1.2	+ 7.9
Commercial transfers (chiefly interdistrict)	+10.1	+34.3	+ 4.8	+91.7	+140.9
Treasury operations	+ 3.8	+ 1.3	+14.1	−94.7	− 75.5
Total	+20.1	+29.7	+25.3	− 1.8	+ 73.3
Uses of funds:					
Currency demand	+13.3	+ 6.2	+10.0	− 3.6	+ 25.9
Member bank reserve deposits	+ 5.6	+25.4	+15.0	− 1.3	+ 44.7
"Other deposits" at Reserve Bank	+ 1.3	− 2.0	+ 0.3	+ 3.2	+ 2.8
Other Federal Reserve accounts	− 0.1	+ 0.1	+ 0.0	− 0.1	− 0.1
Total	+20.1	+29.7	+25.3	− 1.8	+73.3

Member bank reserves (Daily averages: dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1943: June 1-15	$383	$359	$24	7%
1944: May 1-15	373	365	8	2
May 16-31	385	376	9	2
June 1-15	403	394	8	2
Country banks				
1943: June 1-15	252	187	65	35
1944: May 1-15	268	220	48	22
May 16-31	269	223	46	21
June 1-15	283	228	55	24

Federal Reserve Bank of Phila. (Dollar figures in millions)	June 21, 1944	Changes in: Four weeks	One year
Bills discounted	$ 1.9	−$ 5.0	+$ 1.7
Industrial advances	4.9	− 0.7	+ 0.2
U. S. Securities	1018.4	+ 89.6	+ 579.0
Total	$1025.2	+$84.0	+$580.9
Note circulation	1253.1	+ 25.6	+ 290.9
Member bk. deposits	694.6	+ 44.7	+ 55.7
U.S. general account	1.2	− 25.3	+ 0.7
Foreign deposits	140.9	+ 2.8	+ 51.5
Other deposits	8.6	+ 2.8	+ 3.5
Total reserves	1074.5	− 45.2	− 191.9
Reserve ratio	51.2%	− 3.5%	− 23.5%