

# THE BUSINESS REVIEW



## FEDERAL RESERVE BANK OF PHILADELPHIA

DECEMBER 1, 1944

**W**ITH the intensity of the fighting rising to a new peak in Western Europe and operations in both major theaters of war reported some weeks ahead of original military timetables, the demand for many types of munitions has expanded considerably beyond expectations. Over-all monthly goals, therefore, have been raised well above the actual rate of production prevailing in the late summer and early fall, and they exceed the record output of December 1943, according to the War Production Board. Specific factors prompting this upward revision include the increasing amount of redesigning necessary in some programs to meet changing battle requirements; a sharp expansion in current needs for other munitions long produced in their present form; and the continued behind-schedule performance in certain categories as a result of persistent manpower shortages in particular trades and specialized skills.

In an all-out attempt to reach higher goals set for coming months, the War Production Board in early December issued a sweeping directive suspending for three months further reconversions to civilian production under the "Spot Authorization Plan" in areas of acute labor shortage and in some other sections where munitions output was behind schedule. Approximately 125 cities, including Philadelphia, Harrisburg, Trenton, and Wilmington in this district, are affected by the order. In the Philadelphia area, the manpower situation has improved to the extent that regional authorities report a substantial decrease in anticipated requirements over the past several months. The still serious nature of the local problem, however, is

indicated by the fact that a large percentage of current manpower needs—estimated at 19,000 additional workers for November and December—is concentrated in war industry participating in so-called "must programs."

Meanwhile, some further easing of the once critical raw material supply situation is suggested by the allocation of larger quantities of war metals for use in the manufacture of civilian products during the early months of next year. In addition to the controlled materials—copper, aluminum, and magnesium—tentatively released under the "Spot Authorization Plan", increased tonnages of steel will be made available during the first quarter of 1945 to meet the nation's transportation needs.

**Industry.** Productive activity in the Philadelphia Federal Reserve District on an adjusted basis showed virtually no change from September to October, but was down about 6 per cent from the level of a year earlier. Output of both durable and non-durable manufactures was maintained in the month; the aggregate tonnage of coal mined increased slightly, while the production of crude oil showed some decline. In the ten months ended October total industrial production was a little less than in the same period last year. A decrease in heavy industry lines, attributable to cut-back production schedules for certain types of munitions during the summer, and a reduction in the output of petroleum were only partly offset by increases in the production of nondurable goods and solid fuels.

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# The Economy of the Third Federal Reserve District

## An Inventory of Housing—1940

Of total construction contracts awarded in the Third Federal Reserve District in the past 24 years, residential construction accounted for about 40 per cent—more than any other single line of construction activity. The real importance of residential construction for the building and allied trades, however, is even greater because a large segment of nonresidential construction—schools, stores, streets, postoffices, etc.—flows from new residential developments. With the return of service men to civilian life, removal of wartime restrictions, release of wartime savings, and execution of local planning programs, the demand for housing and for better housing is expected to be large. This article will attempt to appraise the available housing resources of the Third District, pointing out the fields which exist for new investment in the post-war period.

### Physical Condition—1940

Owing to the war restrictions which have been placed on the use of building materials, the physical condition of the district's housing today and immediately after the war can be no better than it was in 1940. For this reason, 1940 figures indicate minimum post-war needs.

### State of Repair

In the Third District, 15 per cent of all dwelling units were in need of major repairs<sup>1</sup> in 1940—a somewhat better record than the 18 per cent for the country as a whole. As might be expected, the urban dwelling units of the district were in much better repair than the rural—12 per cent needed major repairs in 1940, in contrast to 21 per cent of the rural units. The district's rural units compare favorably with 28 per cent of the country's rural units needing major repairs, but the proportion of its urban units is slightly higher than the national average of 11 per cent.

Within the district there is a considerable

<sup>1</sup> A dwelling unit was deemed to need major repairs by census enumerators "when parts of the structure, such as floors, roof, plaster, walls, or foundations required repairs or replacements, the continued neglect of which would impair the soundness of the structure and create a hazard to its safety as a place of residence." 16th Census of the United States, 1940—Housing. Vol. II. Part I.

range—from 6 per cent needing repairs in Delaware County to 39 per cent in Tioga County. Almost all counties with over 20 per cent of their dwelling units needing major repairs lie to the north of a line drawn diagonally across the map of the district from Fulton to Monroe. Poorer housing conditions are a reflection of the economy in this region—the farm land is less productive than that in southeastern Pennsylvania and a declining output of bituminous and anthracite coal fields has curtailed income. An unusually high vacancy rate in some of these counties, notably the northern tier, also accounts for this condition. For example, in 1940, 13 per cent of all dwelling units in Potter were vacant, 14 per cent in Susquehanna, 15 per cent in Wayne, 16 per cent in Wyoming, and 20 per cent in Sullivan, compared with 6 per cent for the district as a whole. Only between 10 and 20 per cent of the housing in urban areas in Bedford, Mifflin, Centre, Clearfield, Elk, Lycoming, and Bradford, and less than 10 per cent in Potter, needed major repairs. On the other hand, urban housing in need of major repair in the counties with the large cities of Scranton, Wilkes-Barre, and Altoona ranged between 20 and 30 per cent, while in Cambria county, where Johnstown is the only large city, 36 per cent of the urban units were in this condition.

In spite of the slums usually associated with a heavily industrialized area only 7 per cent of the houses in Philadelphia needed major repairs. This may be explained by the fact that where a large part of the dwelling units are multiple, a dangerous structural condition becomes a community rather than a family concern. Moreover, legislation in the form of a Housing Code has assisted somewhat in maintaining housing standards.

The situation in urban areas of the southeastern half of the district is much the same as that indicated in the map for all units except that Franklin, Lancaster, and Lehigh counties move up into the 10 per cent or less interval while Mercer drops back to the 10-20 per cent group.

The rural areas in some of these counties, however, are somewhat below the general level

of the area as a whole. In Franklin, Schuylkill, Burlington, Camden, and Salem between 20 and 30 per cent of the rural houses are in need of major repairs, while in Atlantic 37 per cent were in this condition.

### Modern Improvements

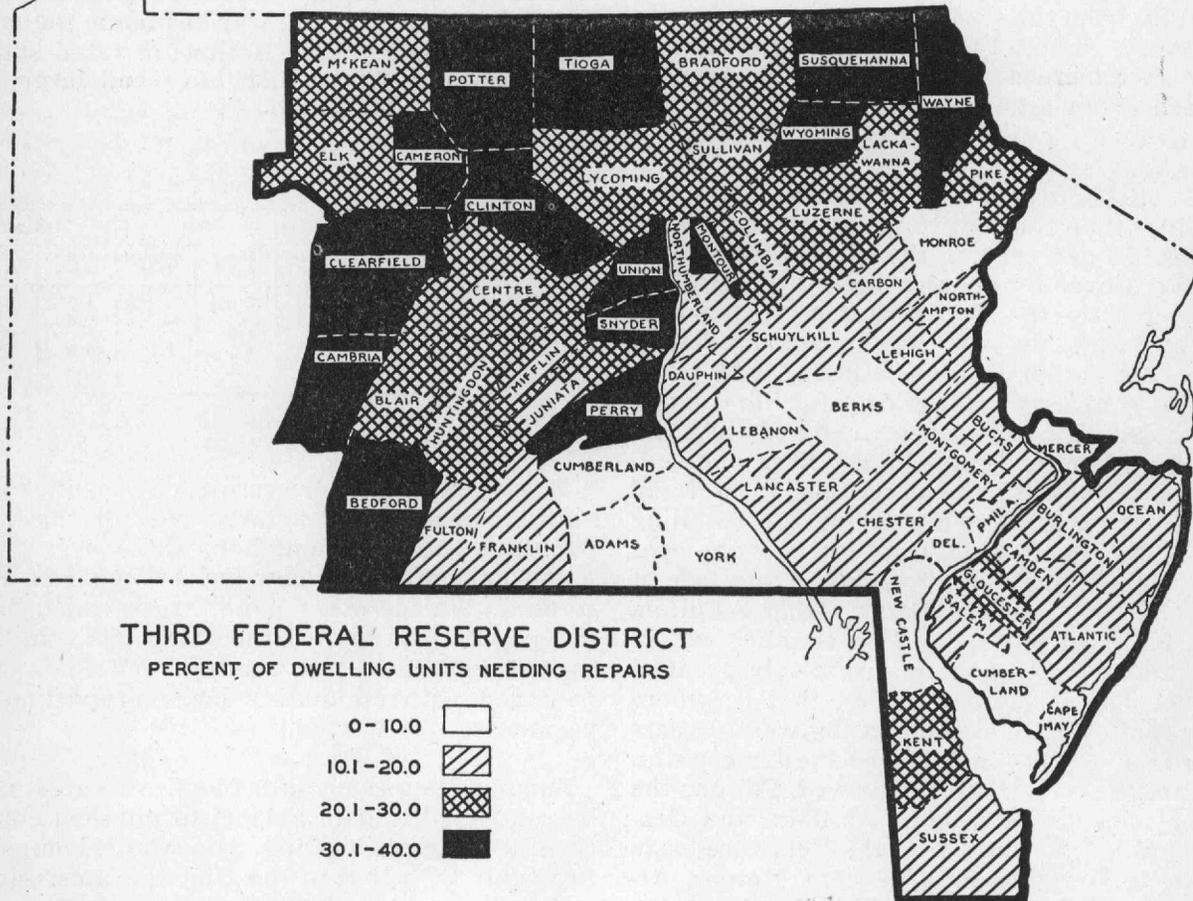
Two modern improvements—running water and electricity—have been selected as a measure of the adequacy of dwelling units for healthful, efficient living. Their absence in 1940 should bring about a demand for them in the post-war period.

Compared with 70 per cent for the United States as a whole, 87 per cent of the dwelling units of the Third District are equipped with running water. Counties ranking better than the district average are all predominantly urban—Philadelphia, Delaware, New Castle, Cam-

den, Mercer, Dauphin, Luzerne, and Lackawanna. Those where less than 60 per cent have this improvement include some of the predominantly rural and more sparsely populated western counties of Pennsylvania—Centre, Union, Snyder, Juniata, Perry, Bedford, Fulton, Sullivan, and Adams, and the two rural counties of Delaware—Kent and Sussex.

As a whole, the district's record on electrification is good—93 per cent of its dwelling units have electricity in contrast to 79 per cent for the country as a whole. This average suggests that electrification is approaching the saturation point in the district. This is true of the district's urban areas where 98 per cent of the housing units are electrified, compared with the national average of 96 per cent. Only three counties—Salem, Kent, and Sussex—have less than 95 per cent of their urban homes so equipped.

## CONDITION OF DWELLING UNITS



However, in the rural areas there is still substantial room for expansion in this field. Although the district's average for rural areas is 81 per cent with electricity, in many of the individual counties the proportion is very much lower, ranging down to 39 per cent in Fulton. In fact, in almost every county west of the Susquehanna and its eastern branch, rural housing is less than 75 per cent electrified. This is also the case in Kent, Sussex, Susquehanna, and Wayne. Only two counties—Mercer and Delaware—have electricity in as much as 95 per cent of their rural dwelling units.

### Age

The age of an area's dwelling units is a general measure of the condition of its housing. Old age does not necessarily indicate poor condition, but it does mean that the factors of depreciation and obsolescence are involved to a considerable extent. More frequent repairs are required to keep the dwelling unit in good condition and from the standpoint of the market, an old house is definitely at a disadvantage beside a new one; increased building activity may be expected in an area where housing is old and outmoded.

The houses of the Third District are considerably older than those of the country as a whole. In 1940, 24 per cent of the district's dwelling units were over 50 years of age in contrast to 13 per cent for the United States; 20 per cent between 11 and 20 years of age compared with 25 per cent nationally; and 8 per cent 10 years or less in contrast to 16 per cent for the country as a whole. The largest proportion of old housing is found generally in the northern and central counties. With the exception of McKean and Potter, over 40 per cent of the dwelling units in the northern tier counties were over half a century old in 1940; this was also true of Union, Snyder, Juniata, Perry, Adams, Fulton, Lancaster, and Chester. The counties where residential construction was relatively greatest over the decade of the thirties, that is, where 12 per cent or more of the housing was 10 years old or less in 1940, include the border counties McKean, Wayne, Monroe, Bedford, Fulton; the interior counties Huntingdon, Mifflin, and Centre, and all of the counties of the Delaware basin and the Atlantic seaboard except Mercer, Atlantic, and Philadelphia. In Philadelphia 4 per cent of the housing was in this category.

### Adequacy of Housing in 1940

The proportion of houses vacant and for sale or rent is a rough measure of the adequacy of an area's housing in relation to its population even though it is influenced by discrepancies between cost of available housing and income of the population. A vacancy rate of about 5 per cent is considered "normal." This was the rate for the United States in April 1940. The Third District's rate was slightly lower—4.4 per cent and would have been still lower had it not been for the high rate of seasonal vacancies in New Jersey summer resort counties. For the Pennsylvania part of the district the rate was 3.2 per cent, for New Jersey, 11.1 per cent, and for Delaware, 4.3 per cent. Excluding the seashore counties of New Jersey, the highest rates occurred in the northern tier of counties, except McKean, and in the two agricultural counties of Delaware—Sussex and Kent. A vacancy rate of less than 2 per cent was found in Cambria, Blair, Lancaster, Luzerne, Columbia, Schuylkill, Northumberland, and Clinton. It is in this matter of vacancies that the war has made the most profound change. The following table shows cities in the district which have had large immigrations of population.

Vacancy Rates

	1940		1941		1942	
	April Census	May-Aug.	Jan.-April	Sept.-Dec.	Jan.-April	May-Aug.
Philadelphia.....	4.7%	3.5%	2.6%	2.1%	1.7%	1.9%
Camden.....	3.0	1.7	*	2.2	0.8	*
Trenton.....	2.2	*	1.2	*	*	0.8
Wilmington.....	2.6	*	1.7	1.1	0.9	*

\* No data available.

These cities are overcrowded despite war housing projects. If a large part of this new population should remain in these areas, the post-war demand for new houses would be substantial. On the other hand, areas which have lost population, notably the anthracite counties, the northern tier, and Cambria and Blair may be faced with an unduly large proportion of vacancies.

Summarizing the results of this survey, it may be concluded that in respect to physical condition the district's housing, as a whole, compares favorably with that of the United States. However, where almost 300,000 dwelling units need major repairs, 156,000 lack electricity, 268,000

lack running water, and 453,000 are over 50 years old, there is obviously a need for a considerable volume of construction work. In view of the large incomes enjoyed by farmers during the war period and the fact that the greatest needs of the district are in the rural areas, it would appear that the chances for fulfilling a

large part of them are good. The formation of new family units at a rapid rate immediately after the war will substantially augment the existing demand for housing even though the volume of new housing undertaken in particular areas will depend very much on the direction and extent of population changes.

## The Cutlery, Tools, and Hardware Industry

The cutlery, tools, and hardware industry manufactures more than 100,000 individual items which retail at prices ranging from one cent to several hundred dollars a piece. Most of the products are durable goods and they pass through an amazing variety of distributive channels. In some branches of the industry skilled labor is very important because the products do not lend themselves to mass production of standardized articles as in the case of automobiles or alarm clocks.

In 1939 the industry produced \$365 million of products and employed 82 thousand workers. In 1919, when many of the industry's products were selling at higher price levels, output was \$378 million and employment was about 100 thousand workers. Although physical volume of output increased during the two decades prior to the war, employment declined owing largely to mass production of builders' and motor vehicle hardware which comprised a growing proportion of total output in this industry.

One of the principal reasons for the slow growth or lack of growth in some branches of the industry is the rapid mechanization of American industries in general. The producers of hand tools lost many of their former markets as a result of the introduction of power-driven tools. The substitution of paper board for wood in the production of shipping containers has likewise had an adverse effect upon the demand for hand tools. Furthermore, the market for hand tools has also been affected adversely by changing modes of American life. There has been a decline in home workshops owing to the growing popularity of avocational interests such as motion pictures and outdoor sports.

The composition of the cutlery, tools, and hardware industry is indicated in the table. In 1939 cutlery and edge tools accounted for 16 per cent of the value of output and 19 per cent

of the workers. The hand tools industry (excluding edge tools, files, and saws) likewise employed 19 per cent of the workers but accounted for 21 per cent of the value of output. Saws and files, as shown in the table, were comparatively small divisions of the industry. "Other hardware," consisting largely of motor vehicle and builders' hardware, was the largest branch of the industry; it accounted for over one-half of the output and employed over one-half of the wage earners.

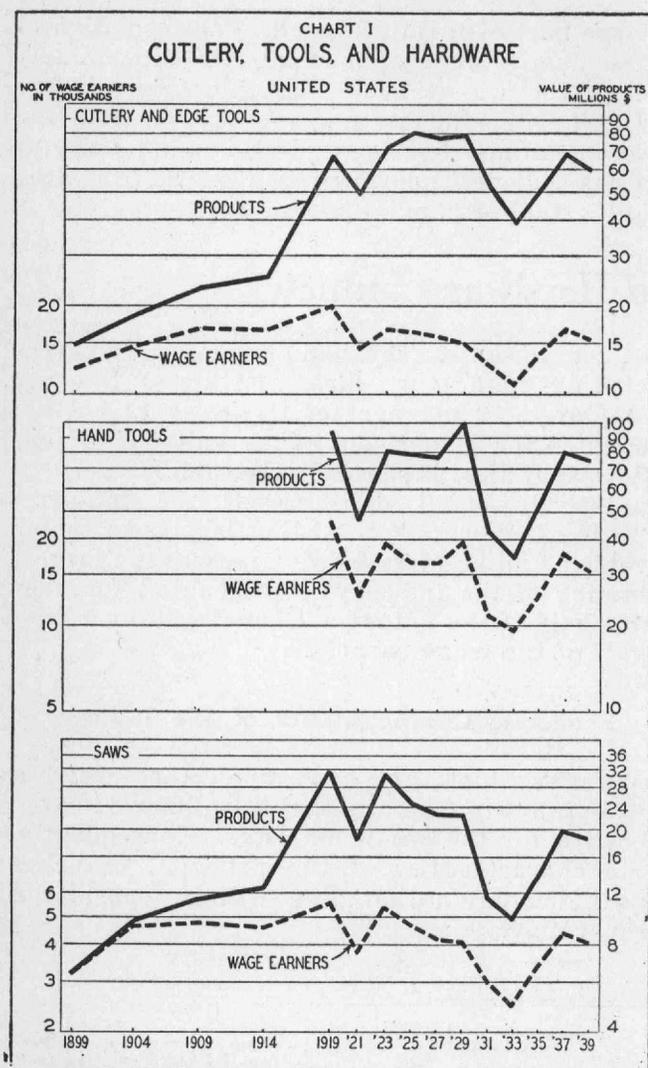
### Economic Characteristics of the Industry

Cutlery, tools, and hardware embrace such a wide range of products that it is difficult to generalize for the whole industry. Consequently, the characteristics of the principal branches as indicated in the table will be considered separately.

U. S. Cutlery, Tools, and Hardware—1939

Products	Value of output (Thous. \$)	Per cent	No. of wage earners	Per cent
Cutlery and edge tools.....	\$ 59,924	16	15,399	19
Hand tools (except edge tools, files and saws).....	75,290	21	15,343	19
Saws.....	18,471	5	4,072	5
Files.....	11,294	3	3,205	4
Other hardware.....	200,358	55	43,629	53
	\$365,337	100	81,648	100

The growth of the cutlery and edge tools division in the forty years ending with 1939 is indicated in Chart I. Value of output increased from \$15 million to \$60 million and employment rose from 12 thousand to 15 thousand. Razors, razor blades, and dry shavers were the largest components, accounting for over one-third of the output of this branch of the industry. The safety razor, an American invention, is primarily responsible for the growth of this division. Safety razors and blades are products which lend themselves to mass production and it is significant that wages represent only 14



employment have declined during the two decades preceding the war, as shown in Chart I. This branch of the industry has been particularly affected by the mechanization of American industries. The markets for hand tools have contracted as a result of such developments as power-driven screw drivers, drop hammers, and drill presses in manufacturing, the introduction of machines like hay loaders and cultivators in agriculture, and steam shovels, trench diggers, and road scrapers in the construction industry. In some branches of the hand tool industry, wages are more than 50 per cent of manufacturing costs because of the importance of skilled labor.

Recent developments in hand tool manufacturing are improvements in heat treating, better control devices, more accurate designing and decorating for the purpose of enhancing the marketability of these products. Competition is based on both price and quality. In the early thirties, popular-priced lines were introduced to compensate for shrinking markets.

Dollar volume of output and employment in the manufacture of saws reached a peak in 1919. Since that time, value of output has declined more than employment. The manufacture of saws requires a large amount of hand work by highly skilled craftsmen. About 55 per cent of the labor in this industry is skilled, 25 per cent semi-skilled, and 20 per cent unskilled. The outstanding technical developments in recent years have been metallurgical improvements to lighten the weight of saws. In this branch, as in hand tools, Philadelphia has outstandingly prominent manufacturers.

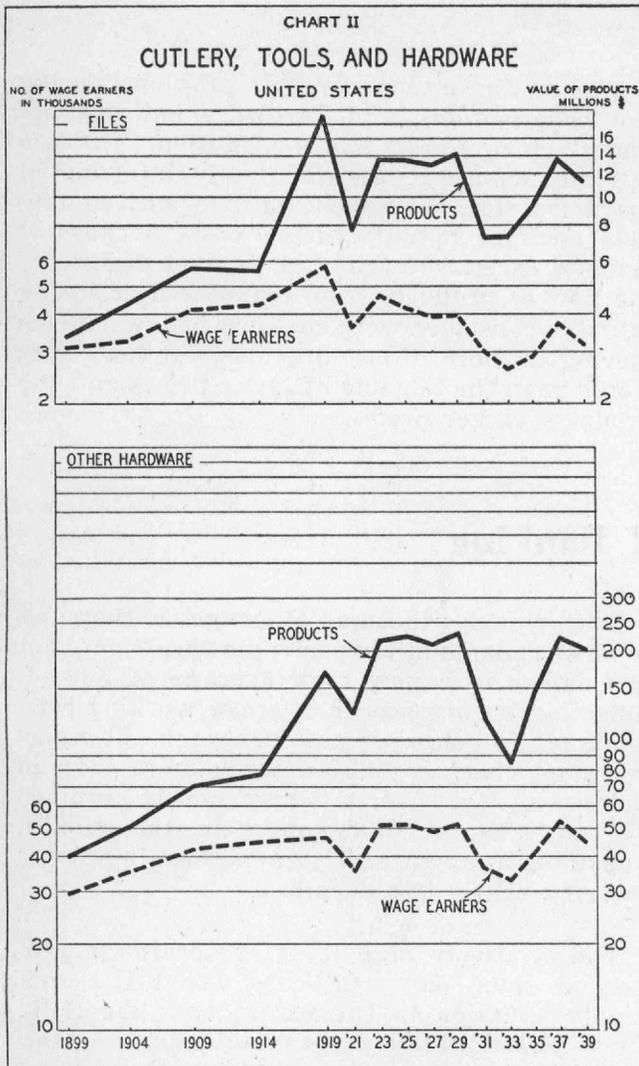
The growth of file manufacturing closely parallels that of the saw industry. In many respects this industry is similar to the saw and hand tool industry except that a large amount of output consists of unbranded products produced for large buyers such as Ford and General Motors. The growth of this industry has been retarded somewhat by such developments as drop forging, power grinding, and increased precision in metal cutting with machine tools.

"Other hardware" has been the fastest growing division of the industry in value of output. This may be ascribed primarily to the rapid development of the automobile industry since motor vehicle hardware accounts for more than

per cent of the value of products. The same technique of manufacturing has also been applied to the manufacture of kitchen cutlery, some artisans' knives, and low-priced pocket knives.

On the other hand, considerable hand labor is required in the production of straight razors, scissors and shears, and pocket knives with forged blades. Wages in the production of these products range from 30 to 45 per cent of the value of products. This explains why we are at a competitive disadvantage with foreign producers in these lines because our wage scales are much higher than in other countries.

Hand tools (other than edge tools, files and saws) consist largely of mechanics' hand tools, forks, hoes, rakes, spades, and shovels. In the manufacture of these products both output and



one-third of total output. Motor vehicle and builders' hardware are standardized products turned out on a mass production basis and this explains why growth in employment has not kept pace with that of output as shown in Chart II.

### Wartime Development in Cutlery, Tools, and Hardware

As might be expected there has been a huge increase in the demand for most lines of the combined hardware industries during the war. The manufacturers of civilian goods, such as cutlery, converted to war products in 1942 owing to restrictions placed upon civilian goods manufacturing. In the hand tools industry, there has been more wartime expansion in products made from malleable iron castings which

occupy an intermediate position between high-grade forged steel and low-priced case-hardened cast iron goods. An important development in the saw industry was a marked expansion in output of power-driven saws to meet the greatly increased wartime needs in the construction and metal fabricating industries. In the file industry, special purpose files for aluminum, magnesium, and alloy steels have been developed during the war. In most branches of hardware, considerable progress has been made in standardization and simplification for the purpose of increasing wartime output.

### Post-War Prospects of the Cutlery, Tools, and Hardware Industry in Philadelphia

In 1939 cutlery and edge tools represented 2 per cent of output in Philadelphia. Saws, files, and hand tools other than edge tools represented 78 per cent, and the balance, 20 per cent, consisted of "Other hardware."

Output in the Philadelphia area, as shown by the survey of the Committee for Economic Development, rose from \$11 million in 1939 to \$49 million in 1943—almost a fourfold increase. Employment during the same period rose from 2,800 to 4,000 workers. Dollar value of output rose much more than employment, owing partly to the production of higher priced products and also because working hours were boosted considerably during the war. About 79 per cent of the wartime output in Philadelphia consisted of products for strictly war purposes.

The survey of the Committee for Economic Development also shows that in the first year after the war, output is expected to be \$14 million, which would be 33 per cent above 1939 but 71 per cent below the peak wartime output in 1943. Employment in the post-war year is expected to be 3,200 workers, which would be 13 per cent above 1939 but 22 per cent below 1943.

No serious problems of post-war reconversion are expected. According to the survey, two-thirds of the firms in Philadelphia will be able to resume peacetime operations within three months or less and capital requirements for retooling are insignificant in comparison with sales output.

Since a large proportion of Philadelphia's productive capacity is in saws, files, and hand tools (except edge tools), post-war markets will

depend to a considerable extent upon the building and construction industry. The F. W. Dodge Corporation has estimated that total construction in the post-war decade will be at the rate of slightly over \$5 billion annually for the 37 states east of the Rocky Mountains. This would be about twice the volume of construction during the 1930-39 period and about 5 per cent above the prosperous 1920-29 decade. If the Dodge estimated rates of increase are applied to the Department of Commerce estimates of over-all construction for the United States, total construction, including farm building, in the post-war decade would be almost \$10 billion

annually.

Among the major post-war problems facing the cutlery, tools, and hardware industry are manufacturing costs and distribution. The two are not separate but are closely interrelated problems. The multiplicity of distributive channels adds to manufacturing costs because it leads to excessive variety in product design. If the flow of products from manufacturer to the ultimate consumer were confined to fewer items moving in more direct channels, the consumer would reap the benefits of lower prices and the producer larger profits.

## Business and Banking

*(Continued from page 1)*

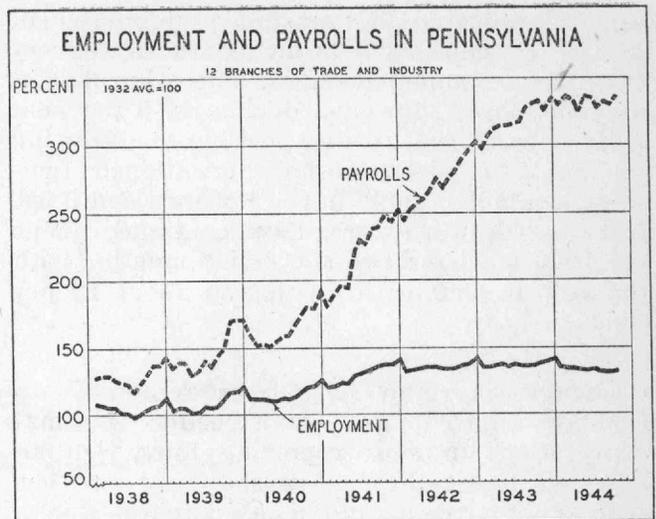
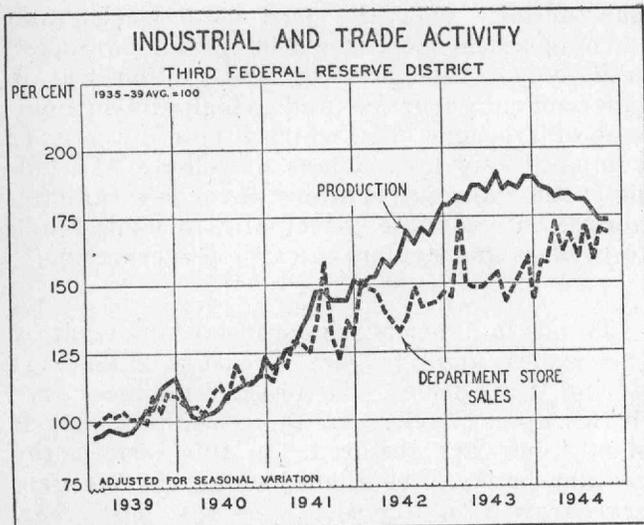
Wholesale commodity prices throughout the country have continued to fluctuate narrowly and in October were little higher than a year earlier. Similarly, the cost of goods and services purchased by wage earners and lower-salaried workers in large cities has shown a considerable degree of stability for some months. According to the Bureau of Labor Statistics, living costs in Philadelphia advanced slightly more than one per cent during the year ended October. Over this period, increases in the retail price of clothing and homefurnishing goods have been largely offset by a decrease in the price of food.

Employment in Pennsylvania manufacturing plants was substantially maintained from September to October at a level about 6 per cent below a year earlier. Changes in the month were very narrow in all major groups; over the twelve months, however, declines occurred in all the principal lines but nonferrous metal and food products. Wage payments showed some increase in October, reflecting small gains except in the case of chemical and leather products, where disbursements were virtually unchanged from September. Payrolls were in about the same aggregate volume as a year ago; the only decreases reported were in the transportation equipment and stone, clay, and glass products industries; gains of from 5 to about 10 per cent occurred in the non-ferrous metal, food, leather, and paper products groups. Total working time also increased somewhat in October, but it was 5 per cent below the wartime peak reached just a year earlier.

The weekly income of wage earners at reporting plants in Pennsylvania rose 2 per cent in October to a new high average of \$48.84, reflecting an increase in average working time to almost 46 hours per man per week. Earnings averaged close to \$3.00 a week more than in October of last year. Average hourly earnings did not change significantly in the month, remaining at about \$1.07, the highest in records covering nearly two decades.

The relatively high level of anthracite production since early fall has eased the spot supply situation to the extent that the Solid Fuels Administration has authorized retail dealers to deliver to householders their quota for the entire season. The supply outlook for the coal year to March 31, however, remains tight, and there is no assurance that over-all requirements can be met in full. Output of the fuel in October was 5 per cent greater than a year earlier and the largest for that month in more than a decade. Production in the ten months ended October was up about 6 per cent from a year ago.

Production of bituminous coal in the country as a whole, showed a small increase during October, but the output of Pennsylvania mines averaged 3 per cent or about 25,000 tons a day less than in September. Production of the fuel in this state also was somewhat smaller than in October 1943, although the tonnage mined in the first ten months was 7 per cent larger this year than last.



Construction activity in the country as a whole has continued to slacken since the late summer and for the full year may amount to less than one-half the total dollar volume in 1943, according to the War Production Board. Work completed during October was valued at \$308 million, a decline of 6 per cent in the month and 40 per cent in the year. Privately and publicly financed operations showed proportionate decreases from September to October, but over the twelve months by far the greatest decline was in projects financed with public funds.

In the Philadelphia Federal Reserve District, the value of new contracts awarded rose steeply in October from an exceptionally low level in the preceding month. Placements for nonresidential construction were considerably more than double the dollar volume reported in September, reflecting substantial increase in all categories except educational buildings. Awards for residences declined very sharply in October to the lowest level in many years. With the war housing program nearing completion in this district, activity in the residential field continues to be retarded by the tight manpower situation and by the scarcity of lumber and other materials in short supply that must be reserved for war-essential uses. In the ten months ended October total awards of building contracts were nearly one-third less than a year earlier and the smallest for the period in the past nine years.

Freight-car loadings in this section in October on an adjusted basis showed virtually no change from the preceding month and a year ago. Shipments of merchandise and miscellaneous commodities, coal, and coke were less than in September, while increases were reported in the case of ore, grain, livestock, and forest products. The number of cars of revenue freight loaded in the first ten months was 5 per cent greater this year than last, the most pronounced gains being in the livestock, grain, and coal classifications.

**Trade.** Wholesale trade sales in this district rose 8 per cent in October to a level 5 per cent above a year earlier. Increases in the month occurred in all reporting lines except electrical supplies, where sales were about the same as in September. Total dollar volume in the first ten months of 1944 was little larger than in the same period last year, increases in the sale of paper, groceries, hardware, and jewelry being offset in considerable part by declines in other branches of trade. Inventories at wholesale establishments decreased a little from September to October, but remained somewhat larger than a year ago.

Retail sales by reporting department and apparel stores in this district were substantially larger in October this year than last. Increases in dollar volume amounting to 9 per cent at department stores and 16 per cent at establishments specializing in men's and women's

apparel reflected in part heavy purchases of gift merchandise early in the month for delivery to service personnel overseas. The value of sales by shoe stores showed a decline of 5 per cent from October 1943, owing possibly to a growing tendency to purchase more unrationed footwear available chiefly in the lower-priced lines. Sales by furniture stores have continued above the 1943 level for two successive months, with the gain in October widening to about 12 per cent.

Changes in retail sales from September to October approximated or exceeded seasonal expectations in most reporting lines. On an adjusted basis, they decreased only one per cent at department and men's apparel stores, increased a like amount at shoe stores, and rose 10 per cent at women's apparel stores.

Inventories at department and women's apparel stores increased less than seasonally in October, while they showed a contra-seasonal gain at shoe stores. The value of stocks was slightly larger than a year ago at department stores but smaller than twelve months earlier in the case of women's apparel and shoe stores. The inventories of furniture stores rose somewhat in the month and year.

**Banking conditions.** The Sixth War Loan is now in full swing. Sales credited to Pennsylvania through December 1, with less than half of the drive period elapsed, reached 44 per cent of the quota set for individuals. Included in the figures were sales of marketable issues processed since November 20 and nonmarketables since November 1. The marketable securities— $\frac{7}{8}$  per cent certificates,  $1\frac{1}{4}$  per cent notes, and 2 and  $2\frac{1}{2}$  per cent bonds—continue on sale through December 16.

Over the past month deposits at reporting banks in leading cities of the Third Federal Reserve District have shown an increase of \$75 million to \$2,628 million, despite a continuing decline in Treasury balances to about the point reached at the beginning of the last loan drive. Adjusted demand deposits rose sharply, and the level of \$1,896 million on November 22 was \$65 million higher than in the opening days of the Fifth War Loan.

Reserves of the reporting banks have risen

substantially over the past four weeks, and earning assets increased \$44 million to \$2,288 million. Of this increase, \$33 million was in Government securities and principally in holdings of Treasury bills, which a month ago were comparatively low. Loans moved up \$10 million; this gain was scattered over several categories, but was due principally to loans made to brokers and dealers to carry Governments.

Trends in deposits are confused somewhat by the cycles arising from Treasury financing; during the drives, customers' balances are drawn upon heavily and then, as the money is spent, they are restored. In this district the country banks have shared chiefly in the general growth in deposits over the past year. In the first half of November deposits of members in Philadelphia, excluding interbank and war loan balances, averaged \$1,939 million, showing a gain of \$182 million over the last half of December 1943. For the country banks the average of such deposits was \$2,651 million and the gain over the closing weeks of last year was \$376 million; much of this increase, nearly one-half in fact, was in time balances.

Analysis of reserve positions also demonstrates marked differences between the reserve city banks in Philadelphia and the country banks. The city banks, rather fully invested for the most part, carried reserves only 3 per cent above requirements in the first fifteen days of November. Their excess, averaging \$12 million, contrasted with \$57 million at the country banks, which was equal to 23 per cent of requirements.

For all member banks the trend of reserves recently has been upward. Balances totaling \$732 million on November 22 were \$50 million larger than they were four weeks earlier. This gain was combined with smaller use of Reserve Bank credit; float increased, but the volume of Treasury bills held by this Bank under repurchase agreement declined \$30 million to \$162 million. At the same time the banks were called upon to meet a sharp pre-holiday demand for currency and to make net payments to the Treasury. The funds to meet these demands were provided largely by a gain of over \$140 million in interdistrict commercial transactions, some part of which reflected security sales in other markets.

# BUSINESS STATISTICS

## Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
	Oct. 1944	Sept. 1944	Oct. 1943	Per cent change			Oct. 1944	Sept. 1944	Oct. 1943
				Oct. 1944 from 10	1944 from 10				
					Mo. ago	Year ago			
<b>INDUSTRIAL PRODUCTION</b>	141p	141	150	0	-6	-2	144p	141	152
<b>MANUFACTURING</b>	144p	144	154	0	-7	-2	147p	144	157
<b>Durable goods</b>	224p	224	249	0	-10	-6			
<b>Consumers' goods</b>	88p	88	88	0	+1	+2			
Metal products	174	176r	177	-2	-2	+2	180	179r	184
Textile products	67p	66	68	+2	-2	-3	69p	66	70
Transportation equipment	578	570	695r	+1	-17	-9	553	539	665r
Food products	110p	110	112	0	-2	+10	123p	119	121
Tobacco and products	81	80	85	+1	-4	-15	99	93	104
Building materials	35	34	39	+3	-10	-17	37	36r	41
Chemicals and products	165	163r	162	-2	+2	+4	166	166r	164
Leather and products	94p	92	101	+2	-7	-5	100p	101	107
Paper and printing	97	98	96	-1	+1	+3	98	98	97
<b>Individual lines</b>									
Pig iron	99	108	109	-9	-9	-4	98	101	108
Steel	139	144	143	-3	-2	0	139	137	143
Silk manufactures	85	81r	83	+5	+2	+1	87	81r	85
Woolen and worsteds	55	55r	53r	+1	+5	+1	60	59r	57r
Cotton products	42	46	48	-7	-12	-18	44	43	50
Carpets and rugs	51	53r	50r	+4	+1	+3	53	53r	52r
Hosiery	63	68	70	-8	-10	-10	69	68	77
Underwear	130	136	140	-4	-7	-9	142	136	152
Cement	31	28r	42	+8	-26	-40	34	33r	47
Brick	49	47r	55	+3	-12	-18	49	48	56
Lumber and products	30	30	28	0	+6	+13	31	31	29
Bread and bakery products				+3*	+7*	+10*	131	126	122
Slaughtering, meat packing	109	107	107	+2	+3	+19	114	109	111
Sugar refining	91	60	121	+51	-25	-21	76	52	102
Canning and preserving	111p	125	128	-11	-13	-9	165p	163	170
Cigars	79	79	83	0	-5	-15	97	91	102
Paper and wood pulp	85	81	84	+5	+1	0	87	81	86
Printing and publishing	100	102	98	-2	+1	+3	100	101	99
Shoes	117	107	112	+10	+5	-4	127	122	121
Leather, goat and kid	72p	78	90	-8	-20	-6	75	81	94
Paints and varnishes	90	103	93	-13	+4	+4	96	98	100
Coke, by-product	163	172	166r	-5	-1	+4	160	166	162
<b>COAL MINING</b>	85	83	82r	+2	+4	+7	86	83	83r
Anthracite	34	81	80	+4	+5	+6	84	81	80
Bituminous	94	101	96r	-7	-3	+7	100	103	103r
<b>CRUDE OIL</b>	343	356	388	-4	-12	-11	343	356	388
<b>ELEC. POWER—OUTPUT</b>	415	428	400	-3	+4	+6	428	420	412
Sales, total	423	433	440	-2	-4	+5	423	429	440
Sales to industries	349	336	383	+4	-9	+5	339	356	372
<b>BUILDING CONTRACTS</b>									
<b>TOTAL AWARDS†</b>	33	41	42	-21	-22	-49	34	40	43
Residential†	7	7	38	-1	-31	-66	8	9	43
Nonresidential†	46	72	38	-36	+21	-38	44	67	37
Public works and utilities†	80	76	55	+5	+44	-37	84	69	58

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

## Employment and Income in Pennsylvania Industry, Trade and Service

Indexes: 1932 = 100	Employment			Payrolls		
	Oct. 1944 index	Per cent change from		Oct. 1944 index	Per cent change from	
		Sept. 1944	Oct. 1943		Sept. 1944	Oct. 1943
<b>GENERAL INDEX</b>	132	+1	-4	337	+2	+1
Manufacturing	180	0	-6	499	+2	0
Anthracite mining	48	-1	-5	100	+6	+11
Bituminous coal mining	74	-2	-10	354	+2	+2
Building and construction	51	+1	-1	267	+1	0
Quar. and nonmet. mining	83	0	-2	147	-6	-13
Crude petroleum prod.	134	0	3	247	+1	+5
Public utilities	97	+7	+1	165	+6	+5
Retail trade	120	+1	-3	154	+4	+4
Wholesale trade	103	+1	+1	172	+1	+6
Hotels	103	+1	0	174	+3	+11
Laundries	100	+2	0	172	+7	+3
Dyeing and cleaning	97	+1	-1			

### Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	Oct. 1944 index	Per cent change from		Oct. 1944 index	Per cent change from	
		Sept. 1944	Oct. 1943		Sept. 1944	Oct. 1943
<b>TOTAL</b>	116	0	-6	204	+2	0
Iron, steel and products	126	-1	-5	280	+1	0
Nonferrous metal products	206	0	+6	457	+2	+11
Transportation equipment	156	-1	-13	290	+4	-4
Textiles and clothing	78	0	-5	124	+4	+1
Textiles	72	0	-5	115	+3	+2
Clothing	104	0	-7	167	+4	+2
Food products	126	0	+3	197	+1	+10
Stone, clay and glass	83	-1	-8	130	+3	-2
Lumber products	51	0	-1	85	+1	+0
Chemicals and products	116	+1	-5	211	0	+5
Leather and products	72	0	-6	119	0	+5
Paper and printing	100	+2	-3	154	+2	+2
Printing	94	+1	0	137	-1	+7
<b>Others:</b>						
Cigars and tobacco	51	+1	-13	76	+1	-6
Rubber tires, goods	149	+1	+3	322	-1	+15
Musical instruments	84	+8	-16	119	+1	-32

\* Figures from 2830 plants.

### Hours and Wages

Factory workers Averages October 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
<b>TOTAL</b>	45.8	+1	\$1.071	+6	\$48.84	+6
Iron, steel and prods.	47.3	+1	1.133	+5	53.55	+5
Nonfer. metal prods.	47.0	+2	1.006	+5	47.31	+7
Transportation equip.	47.1	-1	1.260	+9	59.37	+8
Textiles and clothing	40.6	+1	.788	+7	31.97	+8
Textiles	41.7	+1	.805	+6	33.55	+7
Clothing	38.0	+1	.746	+10	28.66	+12
Food products	44.5	0	.806	+3	36.25	+5
Stone, clay and glass	42.1	+2	.929	+5	39.04	+7
Lumber products	44.0	-2	.784	+5	34.25	+3
Chemicals and prods.	46.1	+2	1.068	+4	49.12	+6
Leather and prods.	42.8	+5	.767	+6	32.84	+12
Paper and printing	44.8	+3	.919	+6	41.46	+9
Printing	41.5	+2	1.064	+5	44.39	+7
<b>Others:</b>						
Cigars and tobacco	42.5	+2	.639	+6	27.18	+8
Rubber tires, goods	45.6	+3	1.051	+8	47.89	+11
Musical instruments	41.9	-13	.878	-7	36.77	-19

\* Figures from 2682 plants. † Figures from 2830 plants.

### Local Business Conditions\*

Percentage change— October 1944 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Sept. 1944	Oct. 1943	Sept. 1944	Oct. 1943	Sept. 1944	Oct. 1943	Sept. 1944	Oct. 1943	Sept. 1944	Oct. 1943
Allentown	0	-6	+3	0	-54	-72	+3	+1	+6	+9
Altoona	+1	+2	+10	+16	-31	+57	+5	+22	+7	+27
Harrisburg	-1	-2	0	+2	-37	+734	+1	+5	-6	+2
Johnstown	-1	-5	+1	+3	-37	-61	+5	+21	+2	+12
Lancaster	-1	-8	+4	-4	-42	-63	+2	+3	-1	+29
Philadelphia	0	-9	+1	-4	+104	+60	+15	+10	+5	+6
Reading	0	-6	+3	-1	-20	-52	-1	0	-6	+7
Scranton	-2	+12	+3	+31	+14	+276	+3	+16	-31	+23
Trenton					+14	+21	+1	+9	-10	+8
Wilkes-Barre	0	+5	+14	+23	-69	+6	+5	+15	0	+10
Williamsport	-1	-12	+1	-9					+3	-10
Wilmington	-1	-10	+1	-10	+50	-38	+10	+9	-4	+4
York	0	-5	+6	+3	-60	-42	+1	+10	+10	+20

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

## Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Oct. 1944 from		1944 from 10 mos. 1943
	Month ago	Year ago	
<b>Sales</b>			
Total of all lines.....	+ 8	+ 5	+ 2
Drugs.....	+11	+ 7	- 1
Dry goods.....	+ 6	- 5	- 3
Electrical supplies.....	0	- 1	- 4
Groceries.....	+ 9	+10	+ 7
Hardware.....	+ 9	+ 6	+ 5
Jewelry.....	+20	+ 9	+ 1
Paper.....	+ 9	+ 9	+ 9
<b>Inventories</b>			
Total of all lines.....	- 1	+ 5	.....
Dry goods.....	-10	- 9	.....
Electrical supplies.....	- 3	+25	.....
Groceries.....	+ 6	+ 6	.....
Hardware.....	- 2	+ 4	.....
Paper.....	+ 2	+13	.....

Source: U. S. Department of Commerce.

Prices	Oct. 1944	Per cent change from		
		Month ago	Year ago	Aug. 1939
<b>Basic commodities</b> (Aug. 1939=100).....	182	0	+ 2	+ 82
<b>Wholesale</b> (1926=100).....	104	0	+ 1	+ 39
Farm.....	123	+ 1	+ 1	+102
Food.....	104	0	- 1	+ 55
Other.....	99	0	+ 1	+ 23
<b>Living costs</b> (1935-1939=100).....				
United States.....	126	0	+ 2	+ 28
Philadelphia.....	125	0	+ 1	+ 28
Food.....	134	- 1	- 3	+ 44
Clothing.....	143	0	+ 9	+ 44
Rent.....	107	0	0	+ 4
Fuels.....	109	0	+ 3	+ 13
Housefurnishings.....	139	0	+11	+ 38
Other.....	120	0	+ 3	+ 19

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Oct. 1944	Sept. 1944	Oct. 1943	Per cent change		1944 from 10 mos. 1943	Oct. 1944	Sept. 1944	Oct. 1943
				Month ago	Year ago				
<b>RETAIL TRADE</b>									
<b>Sales</b>									
Department stores—District.....	168	170	154r	- 1	+ 9	+ 9	190	173	174r
Philadelphia.....	167	157	152	+ 7	+10	+ 7	187	162	172
Women's apparel.....	170	155r	147	+10	+16	-11	195	181r	168
Men's apparel.....	183	184	158	- 1	+ 7	+ 7	195	171	169
Shoe.....	134	133	141	+ 1	- 5	- 2	142	157	150
Furniture.....				+19*	+12*				
<b>Inventories</b>									
Department stores—District.....	143	154	140	- 8	+ 2	.....	168	163	165
Philadelphia.....	136	152	136	-11	0	.....	162	159	162
Women's apparel.....	176	179	179	- 1	- 1	.....	215	209	218r
Shoe.....	85	77	91	+10	- 6	.....	87	80	93
Furniture.....				+ 3*	+ 4*				
<b>FREIGHT-CAR LOADINGS</b>									
Total.....	137	137	136	0	0	+ 5	148	154	147
Merchandise and miscellaneous.....	128	130	129	- 2	- 1	+ 2	135	142	137
Merchandise—L.c.l.....	87	89	85	- 2	+ 3	+ 4	92	92	90
Coal.....	141	146	135	- 3	+ 5	+12	155	161	148
Ore.....	184	171	185	+ 7	- 1	+ 3	265	276	266
Coke.....	172	191	188	-10	- 8	+ 6	196	202	214
Forest products.....	102	100	102	+ 1	0	+ 4	119	125	119
Grain and products.....	164	145	152	+13	+ 8	+12	164	143	152
Livestock.....	133	123	132	+ 8	+ 1	+16	155	148	154
<b>MISCELLANEOUS</b>									
Life insurance sales.....	118	114	105	+ 3	+12	+14	122	101	109
Business liquidations									
Number.....				+ 50*	-70*	-69*	4	3	15
Amount of liabilities.....				+491*	-78*	-85*	7	1	29
Check payments.....	178	191	167	- 7	+ 7	+ 6	175	172	163r

\* Computed from unadjusted data.

r—Revised.

# BANKING STATISTICS

## MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	Nov. 22, 1944	Changes in—	
		Four weeks	One year
<b>Assets</b>			
Commercial loans.....	\$ 237	+\$ 2	-\$ 8
Loans to brokers, etc.....	45	+ 5	+ 2
Other loans to carry secur.....	12	.....	+ 1
Loans on real estate.....	38	.....	- 3
Loans to banks.....	2	+ 2	+ 2
Other loans.....	103	+ 1	.....
<b>Total loans.....</b>	<b>437</b>	<b>+ 10</b>	<b>- 6</b>
Government securities.....	\$1632	+\$ 33	+\$ 45
Obligations fully guar'teed.....	62	.....	- 9
Other securities.....	157	+ 1	- 23
<b>Total investments.....</b>	<b>\$1851</b>	<b>+\$ 34</b>	<b>+\$ 13</b>
<b>Total loans &amp; investments.....</b>	<b>\$2288</b>	<b>+\$ 44</b>	<b>+\$ 7</b>
Reserve with F.R. Bank.....	441	+ 31	+ 68
Cash in vault.....	29	- 2	- 1
Balances with other banks.....	79	.....	+ 2
Other assets—net.....	54	+ 2	- 8
<b>Liabilities</b>			
Demand deposits, adjusted.....	\$1896	+\$145	+\$302
Time deposits.....	186	- 1	+ 23
U. S. Government deposits.....	186	- 82	- 308
Interbank deposits.....	360	+ 13	+ 30
Borrowings.....	10	+ 2	+ 7
Other liabilities.....	18	+ 1	+ 6
Capital account.....	235	+ 1	+ 10

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—				Changes in four weeks
	Nov. 1	Nov. 8	Nov. 15	Nov. 22	
<b>Sources of funds:</b>					
Reserve Bank credit extended in district.....	-10.6	- 8.7	+35.0	-36.4	- 20.7
Commercial transfers (chiefly interdistrict).....	+61.8	+ 4.0	- 4.9	+82.4	+143.3
Treasury operations.....	+ 4.6	- 5.9	- 5.1	-13.8	- 20.2
<b>Total.....</b>	<b>+55.8</b>	<b>-10.6</b>	<b>+25.0</b>	<b>+32.2</b>	<b>+102.4</b>
<b>Uses of funds:</b>					
Currency demand.....	+ 7.6	+15.5	+ 8.7	+14.8	+ 46.6
Member bank reserve deposits.....	+46.9	-22.9	+16.7	+ 9.3	+ 50.0
"Other deposits" at Reserve Bank.....	+ 1.4	- 3.3	- 0.3	+ 7.9	+ 5.7
Other Federal Reserve accounts.....	- 0.1	+ 0.1	- 0.1	+ 0.2	+ 0.1
<b>Total.....</b>	<b>+55.8</b>	<b>-10.6</b>	<b>+25.0</b>	<b>+32.2</b>	<b>+102.4</b>

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)	Nov. 22, 1944	Changes in	
							Four weeks	One year
<b>Phila. banks</b>								
1943: Nov. 1-15.....	\$360	\$347	\$13	4%				
1944: Oct. 1-15.....	378	367	11	3				
Oct. 16-31.....	389	379	10	3				
Nov. 1-15.....	407	395	12	3				
<b>Country banks</b>								
1943: Nov. 1-15.....	264	204	60	29				
1944: Oct. 1-15.....	304	243	61	25				
Oct. 16-31.....	302	248	54	22				
Nov. 1-15.....	307	250	57	23				
Disc. and advances.....	\$ 12.0	-\$ 0.7	+\$ 7.9					
Industrial loans.....	3.1	- 0.4	- 1.3					
U. S. securities.....	1232.2	+ 82.4	+ 525.6					
<b>Total.....</b>	<b>\$1247.3</b>	<b>+\$81.3</b>	<b>+\$532.2</b>					
Note circulation.....	1397.2	+ 41.5	+ 297.0					
Member bk. deposits.....	732.2	+ 50.0	+ 120.6					
U. S. general account.....	11.0	+ 0.1	- 13.0					
Foreign deposits.....	111.9	+ 1.9	- 13.3					
Other deposits.....	11.8	+ 5.7	+ 8.4					
<b>Total reserves.....</b>	<b>1021.4</b>	<b>+ 7.7</b>	<b>- 139.9</b>					
<b>Reserve ratio.....</b>	<b>45.1%</b>	<b>- 1.7%</b>	<b>- 17.2%</b>					