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THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

JANUARY 1, 1945

REPERCUSSIONS of the continued heavy fighting in Western Europe are becoming increasingly apparent on the home front, as evidenced by steeply rising munitions schedules, the tightening of rationing regulations on commodities essential to the civilian economy, and a growing realization that still broader measures may be necessary to assure an adequate supply of manpower in war industry. Prospects of early reconversion under the Spot Authorization Plan have diminished considerably in the past few weeks with emphasis shifting overwhelmingly to both the immediate and the future needs of our armed forces for munitions, materials, and possibly personnel.

Even before the German counter-offensive, the monthly goal for over-all production of war goods had been revised upward by several hundred million dollars. A tremendous increase in requirements for ammunition and truck tires prompted the War Production Board in early December to authorize the construction of additional units of productive capacity. Latest developments in Belgium and Luxembourg suggest that further increases in 1945 production goals may become necessary. Merchant ship building, previously scheduled to decline sharply over the coming twelve months, will be maintained at the current level until mid-year at least, and subsequently may be expanded, reports from the Maritime Commission indicate.

Increased requirements for munitions, some reflecting a reappraisal of the military situation made a month or more ago, others stemming from the most recent developments in Europe, have added to the uncertainty of the business

situation. The plans of many small producers, whose facilities might have been released from munitions making, may have to be revamped or changed drastically. The fact that numerous small units of heavy industry lines are located in the Philadelphia area and in nearby counties suggests that the effects of the stepped-up munition program may become apparent on a broad front in this Federal Reserve District.

In the case of establishments which already have shifted to civilian goods output under the Spot Authorization Plan, next year's programs must be readjusted in line with a War Production Board directive issued about mid-December. This order froze production at the levels prevailing during the final three months of 1944, as indefinite, or so-called "open end" schedules were replaced by quarterly quotas expressed either in dollars or in units of finished goods. As a further check to uncontrolled civilian production, earlier plans to relax long-standing limitation orders for raw materials were abandoned indefinitely; priorities will be issued only for the quantity of material needed to meet manufacturing quotas.

In the light of sharply increased demands for a wide range of munitions items, the supply outlook for steel, some nonferrous metals, and certain other raw materials appearing on the critical list from time to time throughout the war is somewhat less promising than a few weeks ago. Similarly, the manpower situation, which had eased to some extent, again has become tighter. The over-all supply picture has not changed significantly, but the shortages which

(Continued on page 8)

The Economy of the Third Federal Reserve District

An Inventory of Agriculture 1939-1940

Over the past four decades, agriculture in the Third District has declined in relative importance as an economic activity. Over the same period, however, it has completed its evolution from a general self-sufficing variety to a highly specialized type, supporting the nearby urban populations of the large industrial centers. Its true place in the economy of the district as a whole is more adequately measured by this function which it performs than by the 170 thousand persons, or 6 per cent of the employed population, engaged in agriculture. However, from the standpoint of the economy of many individual counties of the district, agriculture is of prime importance as a source of livelihood. In almost a third of the counties, more persons are engaged in agriculture than in any other economic activity. This analysis is in the nature of an inventory of the pre-war agricultural pattern of the Third District intended as a basis for an evaluation of wartime changes in agriculture.

Land in Farms

In 1940, 48 per cent of the land area of the Third District was in farms as compared with 56 per cent in the nation as a whole. Within the district this proportion varied from a low of 6 per cent in Cameron County to a high of 84 per cent in Lancaster County. Sixty per cent or more of the land area of the southern counties—Franklin, Adams, York, Lebanon, Lancaster, Chester, Berks, Lehigh, and Northampton—was in farms. Within these counties are some of the most fertile and productive soils of Pennsylvania, namely those of the Hagerstown and Chester series, noted for their small lime requirements. The terrain in this area varies from flat to gently rolling contours while the annual frost-free period is between five and seven months.

An equally high proportion of the land is in farms in the three counties of Delaware and in Burlington County, New Jersey, where a flat terrain combined with light sandy soils and a long growing season is conducive to a highly productive agriculture. Other counties with 60 per cent or more of their land in farms include Montour, which has a very rich alluvial soil, and Bradford, Susquehanna, and Wayne, where

agricultural resources are diverted to dairy and poultry farming owing to the proximity to the large New York marketing area.

At the other extreme, with less than 30 per cent of their land in farms, are the northwestern counties of McKean, Elk, Cameron, Clinton, and the northeastern counties of Pike, Monroe, Carbon, Luzerne, and Sullivan. A combination of generally poor soil, often rough and stony, a short frost-free season, and an exceptionally rugged topography, with the Allegheny mountains in the west and the Poconos in the east, explain this situation.

Source of Farm Income

The largest source of farm income (excluding products consumed on farms) in the Third District in 1939 was dairy products, which accounted for 29.2 per cent of the total. Poultry and poultry products ranked second and field crops were third, representing 22.7 and 18.4 per cent of the total respectively. Livestock and livestock products amounted to \$128 million which was considerably in excess of the value of total crops sold or traded worth \$73 million. In Table I the per cent of the total farm income contributed by each of the principal products is shown separately for the counties of Pennsylvania, New Jersey, and Delaware as well as for the district as a whole. This reveals the variety of specialized agriculture in different sections of the district.

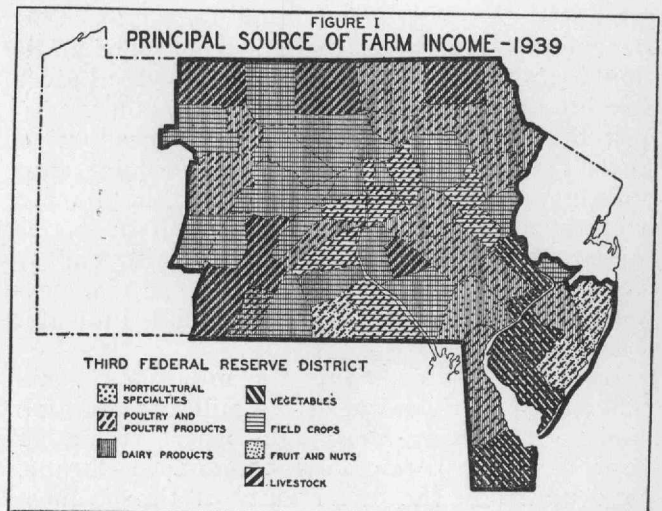


TABLE I
SOURCE OF FARM INCOME—1939

	Counties in			Third District	
	Pennsylvania	New Jersey	Delaware	Per Cent	Millions
Livestock.....	12.9%	3.8%	3.7%	10.6%	\$ 21
Dairy products.....	32.9	19.8	13.7	29.2	59
Poultry and poultry products	18.8	26.8	51.4	22.7	46
Other livestock products...	1.2	.4	.3	1.0	2
Total livestock and products..	65.8%	50.8%	69.1%	63.5%	\$128
Field crops*.....	20.1%	13.8%	11.3%	18.4%	\$ 37
Vegetables.....	4.0	23.1	9.1	7.6	15
Fruits and nuts.....	4.0	8.1	6.6	4.9	10
Horticultural specialties.....	5.6	4.1	3.6	5.2	10
Forest products.....	.5	.1	.3	.4	1
Total crops.....	34.2%	49.2%	30.9%	36.5%	\$ 73
Total income.....					\$201

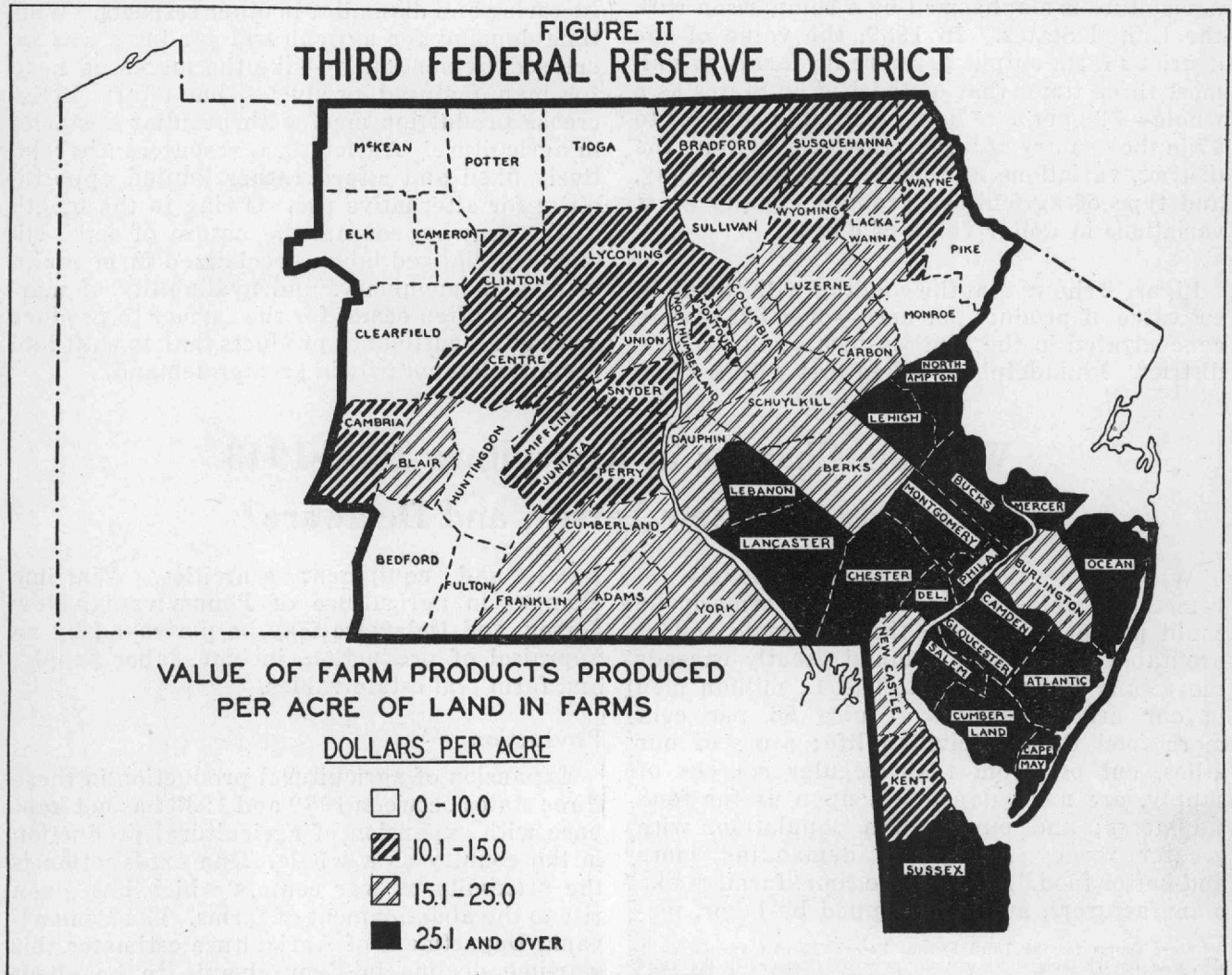
* Includes Irish and sweet potatoes.

Dairy products and field crops account for over 50 per cent of farm income in the Pennsylvania counties, while in the New Jersey

counties poultry and poultry products and vegetables comprise about half of farm income; in Delaware poultry and poultry products alone represent 51 per cent of total farm income.

The two principal farm products of each county are shown in Figure 1. The overwhelming importance of dairying and poultry is readily apparent, but at the same time the diversity of the district's agriculture is also evident. Dairying, poultry, and livestock are the predominant sources of farm income where soil and climate or topographical considerations do not favor intensive land cultivation and where proximity to large cities promises a large market for these perishable products. Proximity to large markets is also the factor explaining the importance of vegetable production in the southeastern counties. Field crops are important in those

FIGURE II
THIRD FEDERAL RESERVE DISTRICT



tributaries. Irish potatoes, hay, corn, wheat, and oats are the biggest field crops, although in Lancaster tobacco outstrips all the rest.

Horticultural specialties, such as mushrooms, flowers and other plants grown under glass are the principal sources of farm income in Philadelphia, Chester and Delaware Counties.

Fruits are a major source of income in Adams County where apples are the most important crop and in Ocean and Atlantic Counties which specialize in cranberries and peaches respectively. In all three of these counties poultry products are also raised to serve as a sort of hedge against the uncertainties of fruit crops.

Value of Farm Products

The general high productivity of the district's agriculture is emphasized by a comparison with the United States. In 1939, the value of the district's farm output per acre in farms was almost three times that of the United States as a whole—\$20 per acre in the district in contrast to \$7 in the country at large. However, within the district, variations in climate, soil, topography, and type of agriculture produce equally great variations in dollar value of output.

Figure 2 shows that the counties with the highest value of product per acre—over \$25—were concentrated in the southeastern section of the district. Philadelphia ranked first with a value

of \$95 per acre owing to its specialization in crops requiring a small growing area. Ocean County is second with a value of \$68 per acre followed by Atlantic, Cumberland (N. J.), Gloucester, Mercer, Lancaster, and Delaware, in that order. The east-central and south-central counties had the next highest value of product per acre, between \$15 and \$25, which was about the average of the district. West and north of these counties were those producing \$10 to \$15 of revenue per acre. Finally in the northwestern and southwestern corners of the district—in Sullivan, Pike, and Monroe—the value of farm product per acre was less than \$10 in 1939. In this last group are some of the counties that have a small proportion of their land area in farms.

The job of gearing agriculture into the war effort is similar in some respects to that of manufacturing and dissimilar in other respects. Wartime demand for agricultural products was increased tremendously—like the increased need for manufactured products—but efforts to increase production meet with peculiar obstacles in agriculture. Agricultural resources are relatively fixed and afford rather limited opportunities for alternative use. Owing to the length of the growing season, the nature of soils, climate, specialized labor, specialized farm equipment and machinery, and availability of markets, it is often easier for the farmer to produce more of his customary products than to shift into products temporarily in greater demand.

Wartime Changes in Agriculture 1939-1943 Pennsylvania, New Jersey, and Delaware*

Wartime developments have completely reversed the status of the farmer. Formerly he could produce far more than he could sell at profitable prices, now demand greatly exceeds the means of production. The 11 million men in our armed services require 66 per cent more food than in civilian life; some of our allies, cut off from their regular sources of supply, are more dependent upon us for food shipments; and our civilian population, with greater money income, is demanding more and better food. At the same time, farmers like manufacturers, are handicapped by labor, ma-

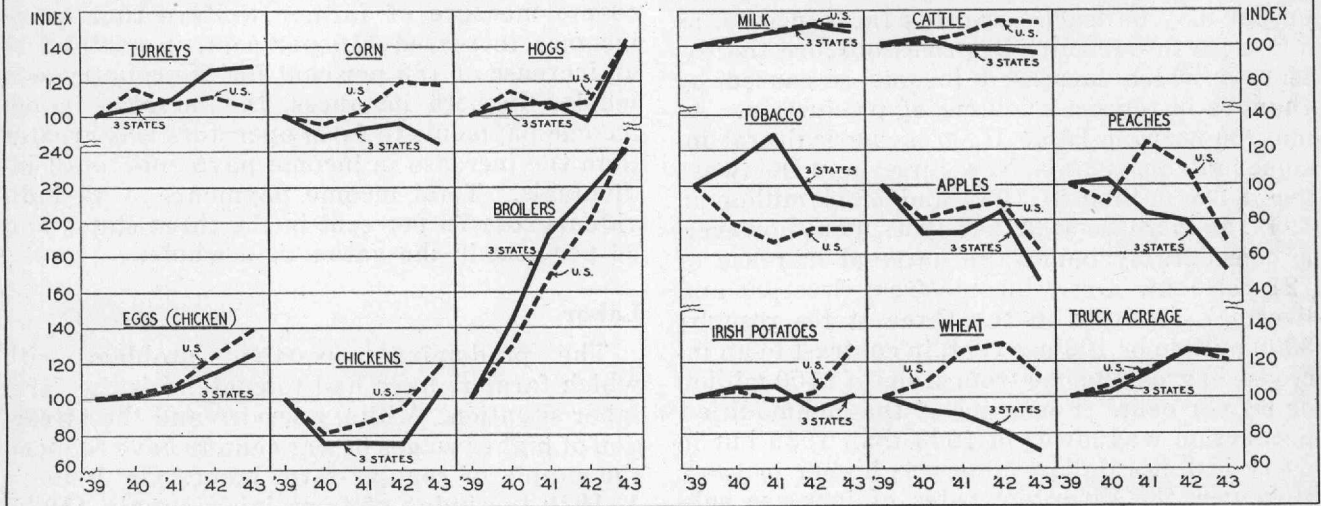
terial, and equipment scarcities. Wartime changes in agriculture of Pennsylvania, New Jersey, and Delaware may be portrayed by an appraisal of production, income, labor supply, and farm real estate values.

Production

Expansion of agricultural production in these three states between 1939 and 1943 has not kept pace with expansion of agricultural production in the country as a whole. One explanation is the proximity of war centers which has given rise to the abandonment of farms. The Pennsylvania Department of Agriculture estimates this wartime decline in Pennsylvania to be about

* Since figures for the Third Federal Reserve District are not available, data for the three states partially or wholly included in the Third District are used throughout this analysis.

PRODUCTION OF SELECTED AGRICULTURAL PRODUCTS IN PA., N.J., AND DEL. AND IN THE U.S.



13,000 farms, representing a loss of 870,000 acres or about 6 per cent of 1940 farm acreage. The fact that farms in this area are smaller and generally more diversified than those in many other parts of the country may be another reason why this area has not responded as effectively to increased demands for agricultural products. Output of large specialized cash-crop farms can be increased more readily than that of small farms producing diversified products. The less than average expansion in output cannot be attributed to a less favorable cost-price structure because it was, if anything, more favorable in this area than in the country as a whole.

The extent to which farm output in Pennsylvania, Delaware, and New Jersey lagged behind that in the United States during the war years is shown in the accompanying charts. These indexes are based on production of commodities* representing 90 per cent of the gross farm income of the three states. Production of truck crops and turkeys showed greater increases in output than those of the United States. Output of hogs, commercial broilers, and milk kept pace with that of the country. The output of tobacco declined but the decline was less in the three states than nationally.

Production of commercial broilers, which is heavily concentrated in Delaware, showed the greatest increase (141 per cent) over 1939. Hog production, showing an increase of 41 per cent, ranked second. A large increase in price

and a vigorous Government program have stimulated the phenomenal increase in broilers while exceptionally favorable price ceilings on pork products in 1943 were responsible for the large hog production.

Wheat acreage harvested declined 15 per cent and corn 6 per cent between 1939 and 1943; and with lower yields per acre due to weather conditions, production of these commodities decreased. These crop acreages were reduced along with those of barley, oats, tobacco, and rye. The feed shortage in the three states was intensified in 1943 by the contraction in grain production. In fact, the number of grain-consuming animals on farms in this area increased, and grain shipments from the corn belt declined because farmers in that area found it more advantageous to feed their corn to their hogs than to sell it at the prevailing price ceilings.

Production of peaches, apples, and other tree crops also declined in the three-state area, owing largely to unfavorable weather conditions including a late wet spring, a hot dry summer, and an early killing frost, and to the labor shortage.

The wartime expansion in production of livestock and livestock products at the expense of crop production is a continuation of the trend evidenced in this area over the thirties. This wartime gain is particularly significant in view of the fact that labor requirements per unit of output are greater for livestock than for crop production.

* Include all commodities representing one per cent or more of gross farm income in either 1939 or 1943.

Income

Only the general pattern of these changes in output may be traced in gross farm income, as advances in agricultural prices obscure the extent to which increased income is caused by changes in physical volume of production. As may be seen in Table II, gross agricultural income in Pennsylvania, New Jersey and Delaware was \$444 million in 1939 and \$854 million in 1943, an increase of 92 per cent. This, however, is considerably below the national increase of 121 per cent. Gross income from livestock and livestock products in the three states rose by \$300 million or 106 per cent, in contrast to an increase in gross income from crops of \$100 million or 68 per cent. For some of the commodities, production was lower in 1943 than 1939 but in every instance dollar value was higher in 1943. However, the divergent rates of increase substantially altered the proportion of total gross income which the various components contributed.

Livestock and livestock products increased their share from 65 per cent to 69 per cent while crops declined from 33 to 29 per cent. Commercial broilers registered the greatest increase in gross income—362 per cent since 1939. Substantial gains were made also by other poultry products—eggs, chickens, and turkeys. Cattle and dairy products were the only commodities of the livestock group whose share declined; and of the various crops, only truck crops increased their proportion.

TABLE II
AGRICULTURAL GROSS INCOME

	Pennsylvania, New Jersey, and Delaware				United States	
	(\$ millions)		% distribution		% change 1939-43	% change 1939-43
	1939	1943	1939	1943		
Commercial broilers	12.3	56.7	2.8	6.6	+362	+324
Hogs	17.7	45.1	4.0	5.3	+155	+238
Chickens	26.8	63.8	6.1	7.5	+138	+159
Eggs (chicken)	55.7	130.7	12.5	15.3	+135	+200
Turkeys	3.6	8.3	.8	1.0	+134	+127
Other livestock and products	3.5	8.1	.8	.9	+130	+96
Cattle and calves	32.6	56.1	7.3	6.6	+72	+98
Dairy products	136.4	224.2	30.7	26.2	+64	+98
Total livestock and products	288.5	593.0	65.0	69.4	+106	+141
Truck crops	42.8	9.2	9.7	10.7	+114	+107
Peaches	4.4	3.6	1.0	1.0	+96	+104
Potatoes	21.3	39.7	4.8	4.7	+87	+144
Corn	5.1	8.2	1.1	.9	+63	+96
Apples	14.8	24.0	3.3	2.8	+62	+120
Tobacco	4.6	5.8	1.0	.7	+27	+106
Wheat	9.6	10.2	2.2	1.2	+6	+90
Total crops	147.3	248.0	33.2	29.0	+68	+123
Total Government payments	8.2	13.2	1.8	1.6	+61	-16
TOTAL GROSS FARM INCOME	444.1	854.3	100.0	100.0	+92	+121

Over the war period, net income payments to farm operators in the three states (a more accurate measure of farmer welfare than gross income) increased 110 per cent, in contrast to an increase of 183 per cent for the country as a whole. In both instances, the increase in net income payments to farm operators was greater than the increase in income payments to all individuals. Total income payments to all individuals rose 76 per cent in the three states and 96 per cent in the nation as a whole.

Labor

The predominant wartime problem with which farmers have had to contend is the farm labor situation. Military service and the attraction of higher wages in war centers have reduced the supply of regular farm labor. On January 1, 1939 the index of farm labor supply (1935-39=100) for Pennsylvania was 105 while the index of labor demand on the same base was 95. By January 1, 1943 the index of labor supply had declined to 56 and the index of demand was 119. The normal supply has had to be supplemented, particularly at harvest time, by inexperienced recruits from nearby towns, penal institutions, and from the armed services. Conscientious objectors and prisoners of war have also been pressed into service. In Bucks, Berks, Lancaster, Franklin, and Potter counties, 11 farm labor camps were set up in 1943 to house workers recruited for the fall harvest.

The over-all decline in farm employment between 1939 and 1943 has been somewhat less severe for the three states than for the country as a whole, as is shown in Table III. However, the local situation was considerably worse in 1941 when employment was down almost 10 per cent compared with 6 per cent in the United States. The increase since that date may be attributable to the efforts of the local Emergency Farm Labor Committees in recruiting additional

TABLE III
ESTIMATED FARM EMPLOYMENT ON JUNE 1
(Thousands)

	Pennsylvania, New Jersey, and Delaware	United States
1939	388	12,451
1940	385	11,991
1941	353	11,685
1942	372	11,917
1943	371	11,659
Per cent change 1939-1943	-4%	-6%

workers, and legislation deferring necessary farm workers from military service.

The relative attractiveness of jobs in industry and agriculture is revealed by a comparison of wage rates. Although farm wage rates have increased tremendously over the past four years, in 1943 they were still far below the 1939 common labor entrance rate for industrial workers in each of the three states and in the country as a whole. This comparison is shown in Table IV.

TABLE IV
WAGE RATES JULY 1

	Agricultural—without board			Common labor 1939 Hourly entrance rate*
	1939 Approximate hourly	1943 Approximate hourly	Per cent increase	
Pennsylvania...	.22	.36	+64	.55
New Jersey.....	.24	.34	+42	.54
Delaware.....	.18	.28	+55	.45
United States..	.15	.23	+42	.50

* Unweighted average of 16 manufacturing industries, three public utilities, and building and construction.
Sources: U. S. Dept. of Agriculture, Bureau of Agricultural Economics
U. S. Dept. of Labor, Bureau of Labor Statistics.

No ceiling has been placed on farm wage rates up to \$2,400 per year; in fact, reductions in rates below the highest rate paid between January 1, 1942 and September 15, 1942 have been prohibited.

Equipment

To offset the inadequate labor supply, the farmer has tried to increase worker productivity through greater use of labor-saving equipment. A survey of 190 Pennsylvania farmers made by Pennsylvania State College revealed that tractors, cultivators, plows, milking machines, and power mowers have been in great demand. However, most of the demand for labor-saving machinery, such as hay loaders, side-delivery rakes, and corn binders, had to go unsatisfied in 1943 owing to the shortage of such equipment. Many farmers for the first time found it necessary to rent or borrow machinery from their neighbors.

Farm Real Estate

Over the war years, activity in the farm real estate market has increased noticeably, both nationally and in Pennsylvania and Delaware, accompanied by a rise in farm real estate prices. Turnover of farm property, as shown in

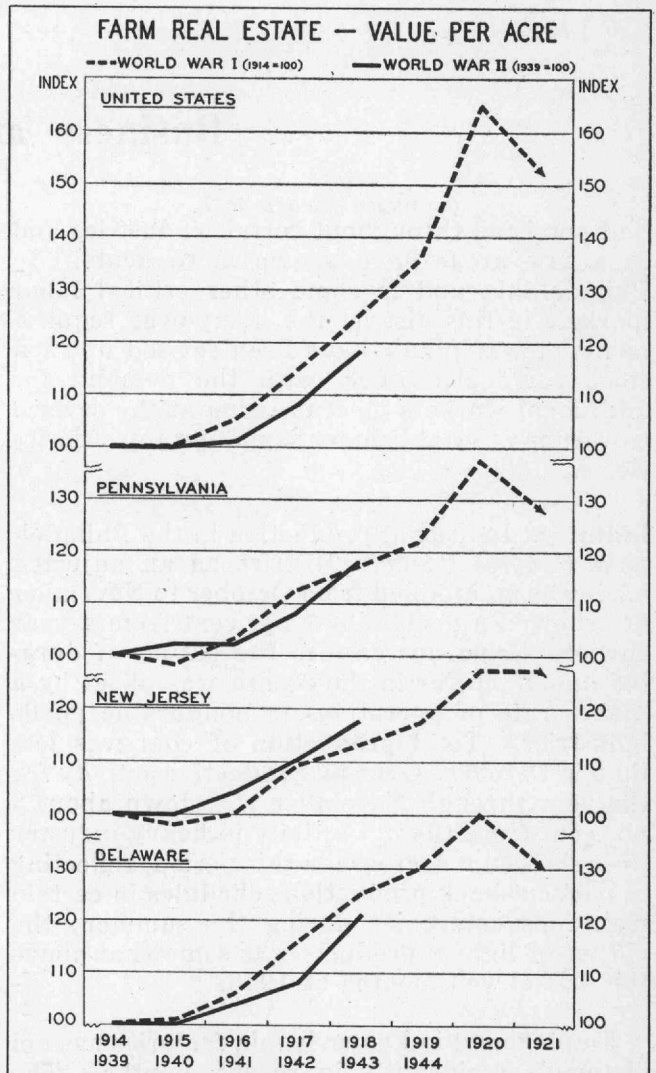
Table V, has become increasingly brisk throughout the country although it has been somewhat less rapid in the three states.

TABLE V
VOLUNTARY SALES AND TRADES
PER 1,000 OF ALL FARMS

	Pennsylvania	New Jersey	Delaware	United States
1939.....	27.4	24.6	17.9	29.7
1940.....	25.4	26.5	20.4	30.2
1941.....	27.9	28.1	19.9	34.1
1942.....	34.4	27.6	20.0	41.7
1943.....	37.6	22.1	26.9	44.4

U. S. Dept. of Agriculture, Bureau of Agricultural Economics.

Farm real estate prices have risen 21 per cent in the United States as a whole between 1939 and 1943, 18 per cent in Pennsylvania, 17 per cent in New Jersey, and 21 per cent in Delaware. Since the trend of farm land values seems



to be duplicating that of 1914-1922, which culminated in wild speculation with catastrophic results, it has caused considerable concern. However, surveys made by the Bureau of Agricultural Economics and by the Farm Credit Administration indicate that speculation, as evidenced by purchase solely for resale at a profit, is not an important factor in the current price increase, particularly in the three states.

The wartime expansion in farm income has enabled farmers to accumulate liquid funds even after substantial reduction of their indebtedness. Thus, tenants have found it possible to become farm owners, and pre-war owners are enlarging their holdings. Farm real estate has also been purchased by urban residents with enlarged incomes, in some cases to assure a source of livelihood after the war, in other cases

as a hedge against inflation. Many of the farms offered for sale are those of aged farmers unable to obtain sufficient labor to operate their farms.

It is noteworthy that the situation in respect to farm mortgage debt is at present running contrary to that of the last war. Between 1914 and 1918 total farm mortgage debt outstanding increased 38 per cent while between 1939 and 1943 (a comparable period) farm mortgage debt actually declined 10 per cent.

Nevertheless, whatever the present cause of the trend towards rising farm real estate prices, if it continues to duplicate that of the first World War and thereafter, inflation and subsequent collapse of farm values may prove as disastrous as after World War I.

Business and Banking

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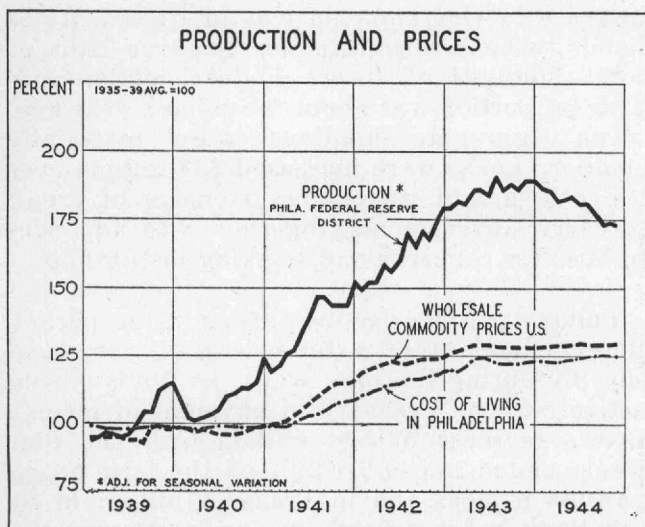
had persisted throughout certain industries and in a few areas have grown more acute. In Philadelphia and in some other critical labor markets in this district the manpower requirements of war plants have been revised upward since early December, with the demand for additional workers most pressing at the several Government establishments making top priority items.

Industry. Industrial production in the Philadelphia Federal Reserve District on an adjusted basis was maintained from October to November but showed a decline of 7 per cent from a year earlier. Some decrease in the output of durable manufactures in the month was offset by a higher rate of operations in nondurable goods industries. Total production of coal was less than in October. Over-all productive activity for the year through November was down about 3 per cent from 1943. Activity in heavy industry lines showed a decrease in this period, reflecting in part cut-back production schedules in certain munitions categories during the summer; the output of lighter products was somewhat above the first eleven months of 1943.

Employment in Pennsylvania factories has not changed significantly in recent months. The

number of workers in November was estimated slightly in excess of 1,200,000, about the same as in October, but 6 per cent less than a year ago. Payrolls and total working time have fluctuated somewhat since last summer, although for the most part changes have not been pronounced. Wage payments approximating \$54½ million a week, showed a small decrease from October and were down 2 per cent from November 1943. Total employee hours declined 2 per cent in November to a level 7 per cent below last year. During peacetime it is customary for employment and payrolls to decrease about 1 and 4 per cent respectively from October to November, as seasonal influences affect numerous industry lines. Over a period of many months of wartime operations, however, these factors have disappeared in some instances, and have been modified in others.

The weekly income of wage earners at reporting plants in Pennsylvania, averaging \$48.44 in November, was somewhat below the October peak, but \$2.00 more than a year ago. The decrease in the month was attributable to a reduction in average working time from a wartime high of 46 hours a week to a little over 45. Average hourly earnings continued to advance in November to almost \$1.08, the highest on record since 1927.



Output of anthracite slackened somewhat in November, following a substantial increase in the preceding month. The tonnage mined was more than one-fifth greater than in November 1943, and exceeded that of any November in well over a decade. Production has approximated or substantially exceeded 5 million tons in each of the past eleven months, establishing a fourteen-year record for sustained high operations. Almost 60 million tons were mined in eleven months of 1944, several million more than in any full pre-war year back to 1931. The production of bituminous coal in Pennsylvania also decreased a little in the shorter month of November, although on a daily basis volume was slightly greater than in October. Colliery output showed a gain of 19 per cent over 1943, and was 8 per cent greater in the first eleven months this year than last.

Building activity nationally and locally has continued at much reduced levels this past year. Preliminary estimates indicate that new construction valued at some \$3.8 billion was put in place throughout the country during 1944. The total, which was within 2 per cent of the dollar volume programmed by the War Production Board, was just under one-half of the amount completed a year earlier, and less than one-third that of the peak war year 1942. The outlook for 1945 remains highly uncertain, as the scale of activity will be regulated in large part by war developments. Some substantial additions to munitions-making facilities, only recently planned, are scheduled for completion by late summer. Activity in other categories, particu-

larly those of lesser importance to the war effort, may continue greatly restricted on the prospect that the conflict in Europe will last longer than had been anticipated.

In the Philadelphia Federal Reserve District, the value of contracts awarded decreased 40 per cent from October to November to a level 35 per cent below a year earlier. The decline in the month reflected much smaller awards for family houses, factory buildings, and public works and utilities. Reductions from November 1943 also were sharp in both the residential and industrial fields. Total placements in the first eleven months of 1944 were approximately one-third less than a year earlier; they were the smallest for the period since 1935, and only 30 per cent of the peak year 1942.

Freight-car loadings in this section on an adjusted basis increased 5 per cent from October to November, and were slightly larger than a year earlier. Gains in the month were reported in all the principal freight classifications except coal and grain products. A small decrease in loadings of coal was about in line with expectations, but a reduction of more than one-fifth in the case of grain products was contrary to seasonal tendency and reflected the unusually high levels prevailing earlier this year. In the eleven months ended November, total loadings were 5 per cent greater than in the 1943 period.

Trade. Business at wholesale increased somewhat further from October to November, reflecting larger sales of electrical supplies, jewelry, hardware, and groceries. Total dollar volume in eight reporting lines was 7 per cent greater than in November of last year, with the most pronounced gains occurring at establishments handling electrical supplies and shoes. Sales of paper, groceries, and hardware were larger in the first eleven months of 1944 than a year earlier, raising the total of all lines for the period to a level 3 per cent above 1943. Inventories showed mixed changes in the month, although in the aggregate stocks were little lower than in October; they were down 2 per cent from November of last year.

Christmas buying appears to have exceeded all previous records in this district, on the basis of reports received thus far from department and women's apparel stores. Total dollar sales by these establishments in each of the three

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weeks immediately preceding the holiday showed increases ranging from 19 to 29 per cent over comparable periods of 1943. More complete reports covering the month of November indicate that department store sales were up 14 per cent from a year earlier; business at both men's and women's apparel stores expanded 17 per cent; and the value of sales by shoe stores rose one-fifth above the 1943 level. Sales for the year through November showed increases over a year ago ranging from 8 to 11 per cent, except at establishments specializing in shoes, where dollar volume was virtually unchanged. In all reporting lines increases in sales from October to November exceeded seasonal expectations for the period.

Retailers' inventories declined in November, except at establishments specializing in women's apparel, where they showed a contra-seasonal increase of 6 per cent. Stocks at the end of the month were somewhat larger than a year earlier at department and women's apparel stores, but they were down about one-tenth at shoe stores.

Banking conditions. With tabulations still incomplete, the record of sales for the Sixth War Loan shows that individual as well as corporate goals were exceeded in each of the three states of this district. For the nation as a whole total sales ran more than \$6 billion ahead of the \$14 billion quota.

Changes in banking figures over the past month reflect the familiar pattern of loan drive periods, with the added influence of heavy income tax payments in the final week. Customers' demand deposits at reporting banks in the Third Federal Reserve District declined from a high of \$1,896 million on November 22 to \$1,694 million on December 20. At the same time there were heavy transfers to war loan accounts, carrying total deposits up \$160 million to record levels.

Expansion in assets of the reporting banks over the four weeks was principally in holdings of Government securities, which increased by \$139 million to \$1,833 million. Purchases of certificates were substantial, but holdings changed little as certificates maturing on December 1 were exchanged for notes under the terms of a Treasury refunding offer. One-half of the

increase in Governments was in United States bonds, which constitute nearly three-fifths of total holdings of direct Federal obligations. This proportion was about the same a year ago, when aggregate holdings were materially smaller. Loans were increased \$38 million over the past month, reflecting extension of credit to carry Governments, together with advances to business concerns and banking institutions.

Following some decline earlier in the period, Reserve Bank credit extended locally increased sharply during the final week, as funds moved actively to the Treasury in payment of income taxes. Increase of \$44 million over the four weeks ended December 20 took the form of expansion in float and in Treasury bills held by this Bank under repurchase option. Despite the funds so supplied and a large favorable balance in interdistrict commercial transactions, the reserves of member banks declined some \$20 million to \$710 million. On balance, approximately \$170 million was absorbed by Treasury operations and \$35 million by withdrawals of currency and coin.

Reserve positions of the member banks in this district have not varied materially over the past year. Semi-monthly figures for banks in Philadelphia have shown reserves averaging from 2 to 6 per cent over requirements, with proportions generally highest during the loan drives, when requirements were reduced by shifts to reserve-free war loan accounts. Banks elsewhere in the district, taken as a whole, have been less fully invested, as indicated by ratios of excess to required reserves ranging for the most part from 21 to 26 per cent.

On the basis of regular reports from a group of banks and the more complete data available from call reports, the Board of Governors has prepared monthly estimates of consumer instalment credit outstanding at all commercial banks in this district. From \$147 million at the close of 1941, outstandings declined steadily to about \$34 million last spring. This sharp reduction, found also in nation-wide figures, reflected restrictions upon the manufacture of consumers' durable goods, improved cash positions of individuals, and the regulations imposed upon consumer credit. In later months of the year there was a slight recovery, with outstandings reaching nearly \$37 million by the end of October.

BUSINESS STATISTICS

Production

Employment and Income

RESIDENT

Philadelphia Federal Reserve District

in Pennsylvania

Industry, Trade and Service

Indexes: 1923-5=100	Adjusted for seasonal variation						Not adjusted		
	Nov. 1944	Oct. 1944	Nov. 1943	Per cent change			Nov. 1944	Oct. 1944	Nov. 1943
				Nov. 1944 from Mo. ago	1944 from 11 mos. 1943	1944 from 11 mos. 1943			
INDUSTRIAL PRODUCTION	140p	141	150r	0	-7	-3	142p	144	151r
MANUFACTURING	144p	144	156r	0	-8	-3	146p	147	157r
Durable goods	221p	225	248r	-2	-11	-6			
Consumers' goods	91p	89	90r	+2	0	+2			
Metal products	176	173r	182	+2	-3	+2	177	180	183
Textile products	67p	66	69	+1	-4	-3	68p	68	70
Transportation equipment	546	578	684r	-5	-20	-10	538	553	674r
Food products	120p	113	118r	+7	+2	+10	123p	122	120r
Tobacco and products	89	81	89	+9	0	-14	106	99	106
Building materials	37	36r	38	+3	-2	-16	39	38r	38
Chemicals and products	171p	168r	166	+2	+3	+3	172p	170r	166
Leather and products	108p	97	107r	+11	0	-4	103p	103	102r
Paper and printing	96	97	97	-1	0	+3	97	98	97
Individual lines									
Pig iron	96	98r	107r	-1	-10	-5	97	97r	108r
Steel	142	139	146	+3	-3	0	137	139	141r
Silk manufactures	85	85	86	0	-1	+1	86	87	87
Woolen and worsteds	56p	55	55r	+2	+3	+1	60p	60	58r
Cotton products	42	42	47	0	-10	-17	44	44	49
Carpets and rugs	53p	51	49r	+5	+9	+3	56p	53	51
Hosiery	60	63	68	-4	-11	-10	69	69	77
Underwear	141	130	153	+8	-8	-9	142	142	154
Cement	39	34r	35	+12	+12	-36	38	39r	34
Brick	48	49	55	-1	-12	-17	47	49	54
Lumber and products	30	30	30	0	-2	+11	30	31	31
Bread and bakery products				+2*	+6*	+9*	133	131	125
Slaughtering, meat packing	111	109	122	+1	-9	+16	122	114	135
Sugar refining	142	91	118	+55	+20	+21	92	76	77
Canning and preserving	142p	125	141r	+13	+1	+9	159p	164	154r
Cigars	87	79	88	+9	-1	-14	104	97	105
Paper and wood pulp	86	85	85	+1	+1	0	86	87	85
Printing and publishing	98	100	99	-2	-1	+3	99	101r	100
Shoes	131	117	123	+12	+7	-3	123	127	116
Leather, goat and kid	86p	77	92r	+11	-7	-5	83p	81r	90r
Paints and varnishes	92	90	97	+3	-5	+3	95	96	100
Coke, by-product	180p	171r	165	+5	+9	+5	172p	168r	159
COAL MINING	80	85	65	-6	+23	+8	81	86	66
Anthracite	79	84	64	-6	+23	+7	79	84	64
Bituminous	91	93r	76r	-3	+19	+8	100	100	84r
CRUDE OIL	351	343	380	+2	-8	-11	341	343	369
ELEC. POWER—OUTPUT	423	415	407	+2	+4	+6	440	428	423
Sales, total	426	423	444	+1	-4	+4	439	423	458
Sales to industries	341	349	370	-2	-8	+4	348	339	377r
BUILDING CONTRACTS									
TOTAL AWARDS†	33	33	44	+1	-25	-47	36	34	48
Residential†	7	7	34	-6	-80	-67	8	8	38
Nonresidential†	56	46	53	+20	+5	-35	56	44	53
Public works and utilities†	65	80	56	-18	+16	-35	75	84	65

Indexes: 1932=100	Employment			Payrolls		
	Nov. 1944 index	Per cent change from		Nov. 1944 index	Per cent change from	
		Oct. 1944	Nov. 1943		Oct. 1944	Nov. 1943
GENERAL INDEX	133	+1	-5	329	-2	+1
Manufacturing	179	0	-6	491	-1	-2
Anthracite mining	47	-1	-4	86	-14	+54
Bituminous coal mining	73	-1	-10	317	-10	+45
Building and construction	49	-4	-2	124	-6	+4
Quar. and nonmet. mining	81	-2	-13	240	-10	-19
Crude petroleum prod.	133	0	-3	254	+3	+10
Public utilities	97	0	-1	147	0	+5
Retail trade	130	+3	+3	169	+2	+2
Wholesale trade	103	0	-3	151	-2	+3
Hotels	102	-1	+3	176	+2	+8
Laundries	100	0	-2	178	+1	+11
Dyeing and cleaning	95	-2	-2	163	-5	+3

Manufacturing

Indexes: 1923-5=100	Employment*			Payrolls*		
	Nov. 1944 index	Per cent change from		Nov. 1944 index	Per cent change from	
		Oct. 1944	Nov. 1943		Oct. 1944	Nov. 1943
TOTAL	115	0	-6	200	-1	-2
Iron, steel and products	124	-1	-6	273	-2	-2
Nonferrous metal products	207	+1	+8	463	+1	+12
Transportation equipment	155	-1	-14	290	0	-9
Textiles and clothing	78	0	-5	123	-1	0
Textiles	72	+1	-5	114	0	0
Clothing	103	-1	-7	164	-2	-1
Food products	128	+1	+3	196	-1	+8
Stone, clay and glass	83	0	-9	127	-3	-4
Lumber products	50	-1	-2	81	-4	0
Chemicals and products	116	0	-6	209	-1	0
Leather and products	72	0	-6	116	-2	+5
Paper and printing	101	0	-3	153	-1	+3
Printing	95	0	-1	135	-2	+3
Others:						
Cigars and tobacco	50	0	-14	76	0	-7
Rubber tires, goods	150	0	+1	326	+1	+14
Musical instruments	91	+8	-7	133	+12	-27

* Figures from 2826 plants.

Hours and Wages

Factory workers Averages November 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	45.2	0	\$1.076	+5	\$48.44	+4
Iron, steel and prods.	46.8	0	1.130	+4	52.89	+4
Nonferrous metal prods.	46.7	0	1.007	+4	47.00	+4
Transportation equip.	46.0	-4	1.304	+9	60.00	+4
Textiles and clothing	40.1	0	.789	+6	31.67	+6
Textiles	41.3	0	.803	+5	33.23	+5
Clothing	37.3	-1	.751	+10	28.36	+9
Food products	44.2	0	.810	+3	36.14	+4
Stone, clay and glass	41.6	+4	.917	+2	38.02	+6
Lumber products	43.1	-3	.776	+3	33.22	+1
Chemicals and prods.	46.1	+2	1.059	+4	48.77	+6
Leather and prods.	42.0	+6	.764	+7	32.17	+13
Paper and printing	44.2	+2	.916	+5	40.78	+6
Printing	40.9	0	1.063	+4	43.73	+4
Others:						
Cigars and tobacco	42.6	+1	.643	+6	27.36	+8
Rubber goods, tires	46.1	+5	1.049	+7	48.33	+13
Musical instruments	41.7	-16	.912	-7	38.05	-22

* Figures from 2679 plants.

† Figures from 2826 plants.

Local Business Conditions*

Percentage change—November 1944 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Oct. 1944	Nov. 1943	Oct. 1944	Nov. 1943	Oct. 1944	Nov. 1943	Oct. 1944	Nov. 1943	Oct. 1944	Nov. 1943
Allentown	0	-6	-2	-1	+56	-85	+30	+10	+10	+24
Altoona	0	+2	-4	+8	+54	+51	+24	+24	+5	+41
Harrisburg	+2	0	0	+3	+85	+250	+26	+13	+5	+11
Johnstown	-1	-4	-3	-1	-23	+83	+28	+32	+10	+26
Lancaster	+1	-9	-1	-5	+667	+192	+26	+11	-1	+32
Philadelphia	-1	-10	0	-7			+20	+13	+34	+42
Reading	0	-6	-2	-3	-74	-66	+25	+9	+29	+45
Scranton	0	+12	-1	+30	-63	-94	+14	+23	+3	+20
Trenton					-69	-67	+18	+6	+28	+24
Wilkes-Barre	0	0	-3	+12	-31	+19	+20	+26	+13	+27
Williamsport	+1	-11	0	-10	-94	+115			+3	-4
Wilmington	-2	-10	+3	-7	-71	-89	+18	+12	+14	+24
York	0	-3	0	+4	-60	-48	+29	+17	+3	+26

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

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Nov. 1944 from		1944 from
	Month ago	Year ago	11 mos. 1943
Sales			
Total of all lines.....	+ 3	+ 7	+ 3
Boots and shoes.....	- 6	+34	.....
Drugs.....	0	+ 3	- 1
Dry goods.....	- 2	+ 6	- 2
Electrical supplies.....	+20	+40	0
Groceries.....	+ 1	- 2	+ 6
Hardware.....	+ 2	- 8	+ 4
Jewelry.....	+ 9	- 1	0
Paper.....	- 8	- 7	+ 8
Inventories			
Total of all lines.....	- 1	- 2	.....
Dry goods.....	-13	-20	.....
Electrical supplies.....	+ 5	+29	.....
Groceries.....	+ 5	- 3	.....
Hardware.....	0	+ 4	.....
Paper.....	- 3	+ 7	.....

Source: U. S. Department of Commerce.

Prices	Nov. 1944	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 =100)....	181p	- 1	+ 2	+ 81
Wholesale (1926 =100).....	104	0	+ 1	+ 39
Farm.....	124	+ 1	+ 2	+104
Food.....	105	+ 1	- 1	+ 56
Other.....	99	0	+ 1	+ 23
Living costs (1935-1939 =100)....	126	0	+ 2	+ 28
United States.....	125	0	+ 2	+ 27
Philadelphia.....	133	0	- 2	+ 43
Food.....	143	0	+ 9	+ 44
Clothing.....	107	0	0	+ 4
Rent.....	109	0	+ 3	+ 13
Fuels.....	139	0	+11	+ 38
Housefurnishings.....	139	0	+ 3	+ 19
Other.....	120	0	+ 3	+ 19

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 =100	Adjusted for seasonal variation						Not adjusted		
	Nov. 1944	Oct. 1944	Nov. 1943	Per cent change		Nov. 1944 from 11 mos. 1943	Nov. 1944	Oct. 1944	Nov. 1943
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—district.....	183	168	161r	+ 9	+14	+10	230	190	202r
Philadelphia.....	170	167	152r	+ 2	+12	+ 8	228	187	202r
Women's apparel.....	189	169r	162	+11	+17	+11	213	194r	183
Men's apparel.....	187	183	160	+ 2	+17	+ 8	214	195	182
Shoe.....	170	134	142	+27	+20	0	168	142	140
Furniture.....				+ 2*	+12*				
Inventories									
Department stores—District.....	134	143	132	- 6	+ 2	.....	163	168	160
Philadelphia.....	128	136	130	- 6	- 1	.....	156	162	158
Women's apparel.....	187p	175r	182	+ 6	+ 3	.....	221p	214r	215r
Shoe.....	84	85	92	- 2	-10	.....	84	87	93
Furniture.....				- 2*	- 7*	.....		
FREIGHT-CAR LOADINGS									
Total.....	144	137	141	+ 5	+ 2	+ 5	145	148	142
Merchandise and miscellaneous.....	134	128	135	+ 5	- 1	+ 2	138	135	139
Merchandise—l.c.l.....	90	87	90	+ 4	0	+ 4	93	92	93
Coal.....	142	141	118	0	+20	+13	153	155	127
Ore.....	189	184	228	+ 3	-17	+ 6	189	265	228
Coke.....	174	172	175	+ 1	0	+ 6	195	196	196
Forest products.....	107	102	112	+ 6	- 4	+ 3	103	119	107
Grain and products.....	126	164	152	-23	-17	+ 9	142	164	172
Livestock.....	136	133	133	+ 2	+ 2	+14	155	155	152
MISCELLANEOUS									
Life insurance sales.....	118	118	105	- 1	+13	+14	134	122	118
Business liquidations									
Number.....				-67*	-86*	-70*	1	4	10
Amount of liabilities.....				.....*	.....*	.....*	0	7	4
Check payments.....	207	178	152r	+16	+36	+ 9	222	175	163

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

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	Dec. 20, 1944	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 246	+\$ 9	-\$ 9
Loans to brokers, etc.....	44	- 1	+ 3
Other loans to carry secur.....	31	+ 19	+ 20
Loans on real estate.....	38	.....	3
Loans to banks.....	10	+ 8	+ 10
Other loans.....	106	+ 3	+ 2
Total loans.....	\$ 475	+\$ 38	+\$ 23
Government securities.....	\$1771	+\$139	+\$291
Obligations fully guar'eed.....	62	.....	9
Other securities.....	153	- 4	- 23
Total investments.....	\$1986	+\$135	+\$259
Total loans & investments.....	\$2461	+\$173	+\$282
Reserve with F. R. Bank.....	410	+ 31	+ 33
Cash in vault.....	36	+ 7	+ 4
Balances with other banks.....	92	+ 13	+ 4
Other assets—net.....	47	- 7	- 11
Liabilities			
Demand deposits, adjusted.....	\$1694	-\$202	+\$ 55
Time deposits.....	186	.....	+ 20
U. S. Government deposits.....	542	+ 356	+ 194
Interbank deposits.....	366	+ 6	+ 28
Borrowings.....	6	- 4	+ 6
Other liabilities.....	18	.....	+ 4
Capital account.....	234	- 1	+ 8

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—				Changes in four weeks
	Nov. 29	Dec. 6	Dec. 13	Dec. 20	
Sources of funds:					
Reserve Bank credit extended in district.....	-13.3	+ 7.6	-13.8	+63.9	+ 44.4
Commercial transfers (chiefly interdistrict).....	+25.3	+10.7	+45.6	+52.4	+134.0
Treasury operations.....	- 8.9	-31.5	-35.0	-95.0	-170.4
Total.....	+ 3.1	-13.2	- 3.2	+21.3	+ 8.0
Uses of funds:					
Currency demand.....	+ 6.3	+10.4	+ 8.0	+10.6	+ 35.3
Member bank reserve deposits.....	+ 2.6	-24.4	- 9.2	+ 9.2	- 21.8
"Other deposits" at Reserve Bank.....	- 5.8	+ 1.0	- 2.0	+ 1.5	- 5.3
Other Federal Reserve accounts.....	+ 0	- 2	- 0	- 0	- 2
Total.....	+ 3.1	-13.2	- 3.2	+21.3	+ 8.0

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)	Changes in	
						Dec. 20, 1944	Four weeks	One year
Phila. banks							
1943: Dec. 1-15.....	\$371	\$360	\$11	3%			
1944: Nov. 1-15.....	407	395	12	3			
Nov. 16-30.....	419	406	13	3			
Dec. 1-15.....	393	377	16	4			
Country banks							
1943: Dec. 1-15.....	263	213	50	24			
1944: Nov. 1-15.....	307	250	57	23			
Nov. 16-30.....	311	252	59	23			
Dec. 1-15.....	310	247	63	26			
Disc. and advances.....	\$ 7.6	-\$ 4.4	+\$ 6.0				
Industrial loans.....	2.8	- 0.4	+ 1.5				
U. S. securities.....	1278.9	+ 46.7	+ 417.9				
Total.....	\$1289.3	+\$ 42.0	+\$422.4				
Note circulation.....	1431.0	+ 33.9	+ 282.1				
Member bk. deposits.....	710.5	- 21.8	+ 96.2				
U. S. general account.....	120.1	+ 109.1	+ 51.9				
Foreign deposits.....	105.8	- 6.1	- 26.1				
Other deposits.....	6.5	- 5.3	- 4.5				
Total reserves.....	1061.4	+ 40.0	- 31.1				
Reserve ratio.....	44.7%	- 0.4%	- 10.6%				