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THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

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FEDERAL RESERVE BANK
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PRODUCTIVE activity in the country did not change significantly during the second half of 1944, when the over-all output of factory products and minerals averaged 5 per cent below the wartime high reached a year earlier. Production for the entire twelve months, however, was within 2 per cent of the 1943 peak, and considerably more than double that of pre-war 1939. Limitations imposed by manpower resources, and the difficulties associated with frequent changes in military requirements for munitions placed a ceiling on productive activity in 1944; manufacturing facilities and available supplies of raw materials would have permitted a higher rate of industrial output than actually was achieved.

The production of war goods, scheduled to rise steadily through the first half of 1945, dominates the business outlook for the year, as both the pattern and the scale of other economic activity will be determined in large part by the requirements of munitions makers for manpower, raw materials, and productive facilities. As long as the need exists for expanding, or maintaining the all-out war effort, employment, income, and trade (to the extent that consumers' merchandise is available) will continue far above prewar levels, but the likelihood of increasing the output of civilian items either through greater use of existing facilities or by reconversion remains remote.

Manpower shortages, never entirely eliminated in a number of industrial areas and throughout a few key industries, have grown more pronounced since the turn of the year.

In this district, the impact of sharply increased production schedules for ammunition and a wide range of other critical munitions is reflected in more sweeping measures taken by manpower authorities to channel workers into war plants making the most urgently needed items. The War Manpower Commission has lowered the employment ceilings of a large number of producers of nonessential goods in the Allentown area, thus effecting the release of several hundred workers for reemployment in munitions plants critically short of labor. Similar procedure is contemplated in Philadelphia and elsewhere in this district upon the completion of extensive surveys undertaken to determine the minimum labor requirements of non-essential industries.

Further tightening of the raw material supply situation is evidenced by sharp reductions in the quantity of steel, copper, and other war metals that will be allocated this year to producers of civilian goods under the Spot Authorization Plan. The resumption of rigid control over the non-war use of raw materials not only will limit the operations of small producers authorized to reconvert their facilities but it may delay indefinitely the approval by the War Production Board of a large number of pending applications.

First quarter production schedules approved thus far cover the manufacture of civilian goods valued at nearly \$186 million, but manpower stringency and metal shortages

(Continued on page 10)

The Economy of the Third Federal Reserve District

Impact of the War on the Mineral Industries

The wartime tempo of industrial activity has placed increased demands upon the three principal extractive industries of the Third District—anthracite, bituminous coal and petroleum. These minerals are in greater demand as fuel for manufacturing, transportation, and power production. The war has also stimulated the use of coal and petroleum as raw materials for the manufacture of TNT, alcohols, solvents, glycerine, acids, synthetic rubber, and nylon. Moreover, the shortage of petroleum on the Atlantic seaboard caused by the submarine warfare of the early war period accentuated the demand for minerals of the Third District. As a result of the widespread conversion to coal, the domestic and industrial markets for bituminous and anthracite of this area expanded overnight.

Output of the mineral industries of the district responded quickly to the increased demand; anthracite production rose above the depression level of the '30's; bituminous reached its highest point since the early '20's; and petroleum continued at the peak level attained in the late '30's. This has been accomplished despite labor and equipment shortages with the aid of some important innovations in mining practice. In anticipation of keen post-war competition each of the three industries has put even greater efforts into research during the war, resulting in several new developments of significance for their future markets.

ANTHRACITE

Reserves in 1940

The anthracite resources with which we entered the war years were more than enough to meet the highest conceivable needs over a prolonged period. Total reserves, estimated as of January 1940, were 16.4 billion net tons, enough to last over 150 years at the average rate of depletion of the period 1922-39. Over 60 per cent of these reserves, or about 10 billion tons, are located in the Southern field, which extends diagonally from Carbon County through Schuylkill and Lebanon into Dauphin,

as shown on the map. The original coal deposit in this field was by far the largest, but because its coal is less readily accessible it has not been mined as rapidly as some of the others. If the future rate of depletion should equal that of recent years, this field would last about 500 years. However, in view of the fact that the other three fields will probably be exhausted long before this, the rate of depletion in the Southern field may increase substantially.

The second largest reserve is found in the Western Middle field, which is adjacent to the Southern field and lies in an east-west direction across Northumberland and Schuylkill counties. The reserves of this field amount to 3.6 billion tons, about 22 per cent of the total, and, at the 1922-39 average rate of depletion, will last about 150 years. Only a fourth of the original deposit had been removed by the end of 1939. As in the case of the Southern field, the coal of this field is not as easily mined as that of the Northern and Eastern Middle fields.

The Northern field, which cuts diagonally across Lackawanna and Luzerne counties, passing through Scranton and Wilkes-Barre, has reserves of 2.7 billion tons, enough to last about 50 years. The rate of depletion in this field has been more than twice as rapid as that in any of the others.

The area with the smallest original deposit and the smallest remaining reserves is the Eastern Middle field. It is centered about the town of Hazleton in Luzerne County but reaches into Carbon, Schuylkill, and Columbia counties.

It should be emphasized that these estimates of reserves and their life expectancy are computed on the basis of a survey of the fields made in 1922. The estimates assume an average rate of depletion equal to that of the succeeding 18 years, and also assume no new discoveries and no change in mining technique which would increase recovery. A change in any of these factors would, of course, require a revision of the estimates.

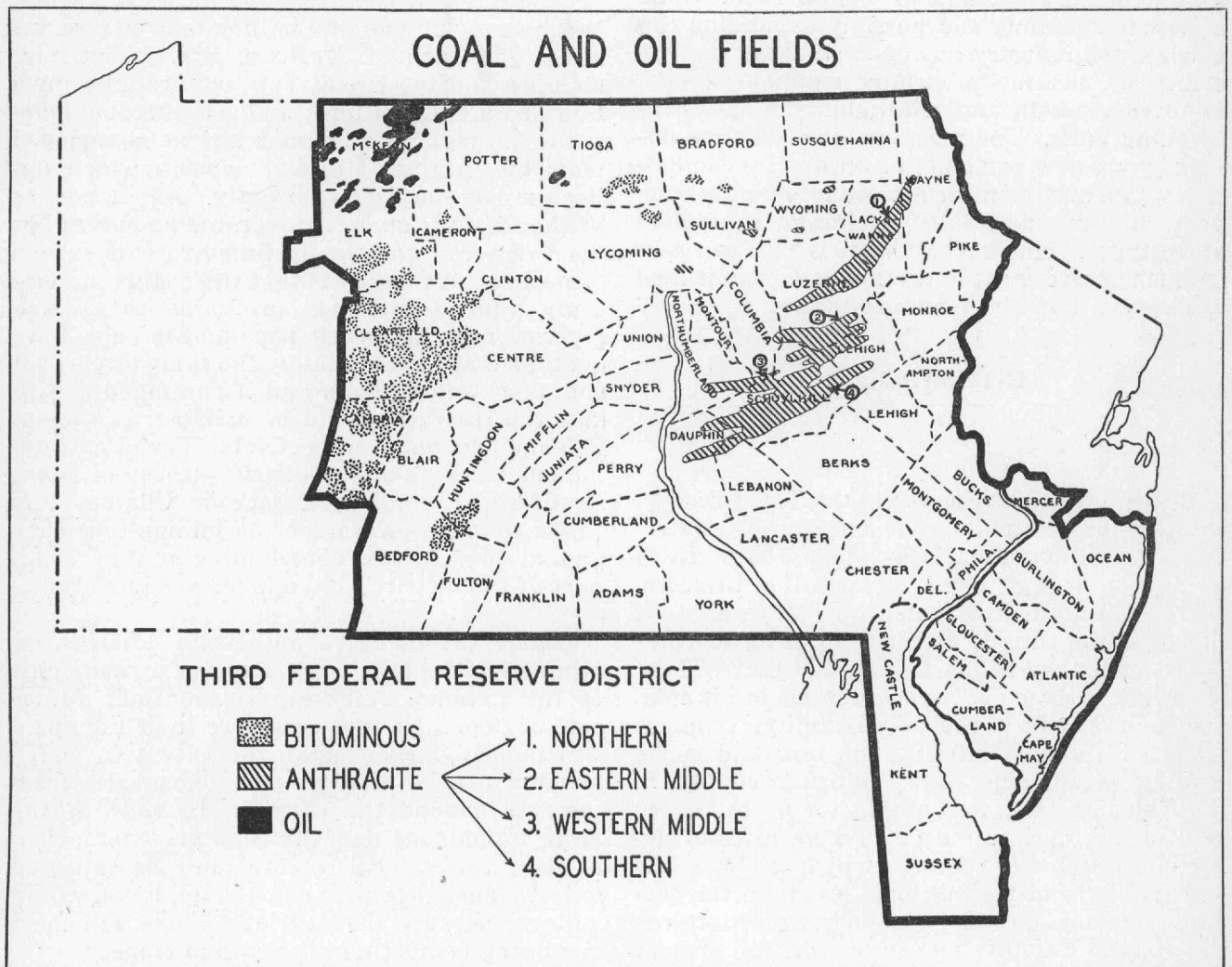
Wartime Trends

Although the output of 64 million tons of anthracite in 1944 is far below the record level of 100 million tons produced in the First World War (1917), it represents an increase of 25 per cent over 1939. As can be seen in the chart, most of the expansion took place in 1941 and 1942.

The greatest increase in production between 1939 and 1943* occurred in the Southern field—an increase of 72 per cent. By 1943, production in this field almost equaled that of the Western Middle field. Over the same period, production in the Western Middle field increased 28 per cent; in the Eastern Middle field, 19 per cent; while in the Northern field production declined slightly.

In contrast to the rising level of production, employment in the anthracite fields has declined steadily from 93,100 in 1939 to 74,000 in 1944—a decrease of 21 per cent. The War Manpower Commission estimates a loss of 11,000 men from the anthracite mines to the armed services between January 1, 1942 and July 1, 1943, and another 29,000 are in the 18-37 age group. Estimates of migration indicate that the anthracite counties have been losing population heavily over the war years to war centers, where better paying jobs were available. The problem of manning the mines was further complicated by the fact that a licensed miner leaving for war or for other industries cannot be replaced by drawing upon other sections of the labor supply; under Pennsylvania law a two-year apprenticeship is a requisite for obtaining a license.

* Data for 1944 are not available for the individual fields.



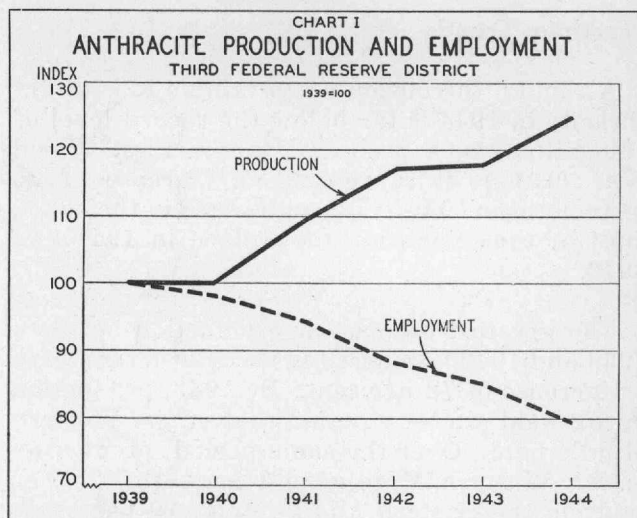
In spite of the growing labor shortage, production was expanded by increasing the number of days worked, longer hours, and greater mechanization. The Bureau of Labor Statistics reports an increase of 14 per cent in the average hours worked, between 1939 and 1943. In 1943, 14.7 million tons of anthracite were loaded mechanically, as compared with 11.8 million tons in 1939. Cleaning and cutting machines have also been used more extensively. Strip mining, which is many times more productive per man hour than underground mining, accounted for 15 per cent of all anthracite mined in 1942, compared with 11 per cent in 1939.

The war shortage of fuel oil restored to anthracite some of its lost markets through forced conversion to coal-burning units. Conversion to anthracite has taken place largely among domestic users and is estimated to have increased total demand by 1,250,000 tons in 1943. With a view to retaining and possibly expanding this market, the industry has been studying the efficiency of anthracite-burning equipment, both as to combustion and adaptability to post-war dwelling units. The most striking wartime discovery is a new principle of anthracite combustion which may be incorporated into highly compact, efficient, and fully automatic equipment of all types. This development is said to result in much greater heat liberation and greater heat absorption than obtainable formerly.

BITUMINOUS

Reserves in 1940

Bituminous coal reserves in the Third District are less than half as great as those of anthracite—6.8 billion tons in January 1940. However, even at high levels of operation these reserves will not be exhausted for many years. If mined at the rate of extraction during the pre-war decade they will last about 300 years. There is a wide variance between counties in bituminous reserves and in their accessibility. Cambria leads with about 3,400 million tons and is the leading bituminous coal-producing county in the Third District, accounting for 65 to 70 per cent of the total output. At recent rates of depletion, Cambria's reserves will last about 220 years. The coal reserves in Clearfield, the second bituminous-producing county, are two-thirds the size of Cambria's reserves, but at present



rates of depletion they should last about 600 years.

Between 200 and 300 million tons of reserves remain in each of McKean, Elk, and Centre counties and the Broad Top field (at the junction of Fulton, Bedford, and Huntingdon counties). A negligible amount has been removed from the original McKean deposit, which has been mined only intermittently. About a third of the Centre County recoverable resources has been removed and the declining rate of extraction since 1924 suggests that the coal is increasingly difficult and less profitable to extract. Operations in the Broad Top and Elk fields have continued at approximately the same levels over the past twenty years, and if continued at this rate the reserves should be exhausted in about 200 and 300 years, respectively. The other bituminous reserves of the district—those of Blair, Bradford, Lycoming, Cameron, Clinton, and Tioga counties—are under 55 million tons each and at present are contributing a very small part of the district's bituminous production.

Unlike the district's anthracite deposits, its bituminous deposits constitute but a small part of the national reserves. Hence their future rate of depletion, and therefore their life span, will depend largely upon the extent to which demand can be filled more economically from reserves outside the district. In view of the large bituminous deposits relatively untouched in many areas, local reserves may be expected to last longer than past rates of depletion would indicate because the district's mines will meet increasing competition in years to come.

Wartime Trends

Bituminous production in the district increased from 19 million tons in 1939 to 29 million tons in 1943—an increase of 53 per cent, which was slightly greater than both the increase in coal output of Pennsylvania (52 per cent) and the increase in national output (50 per cent). Production of bituminous in Cambria County did not keep pace with the district as a whole—increasing 42 per cent—but the wartime increase in production in Clearfield was 101 per cent. Greater coal production was due, in part, to the opening up of marginal mines. This may account for the increase of 170 per cent in Centre County and the eightfold expansion in Clinton County, particularly since these were the only counties showing substantial increases in employment over this period. In both counties numerous mines had been abandoned during the late '20's and '30's. The war also stimulated the re-opening of coal mines in McKean County, which had produced no coal whatsoever since 1937.

The district's record of constantly expanding bituminous production is remarkable in the face of declining employment since 1941. In 1943 employment was 25,900 in contrast to 29,300 in 1939. This represents a decline of 11 per cent and compares with a decline of 4 per cent in Pennsylvania and of 12 per cent nationally. As in the case of anthracite, production in the district has been increased by longer hours, more days worked, and greater mechanization. Days worked have increased approximately 50 per cent in the most important counties. Although no district figures are available, in Pennsylvania 35 per cent of total underground bituminous output was mechanically loaded in 1943 in contrast to 19 per cent in 1939. Only 12 per cent was mined by hand in 1943 compared with 15 per cent in 1939.

The bituminous industry is also concerned with retaining its new markets gained during the war at the expense of petroleum. Research in bituminous coal combustion has resulted in two developments which show promise. One is a low-cost and completely smokeless magazine stove, particularly adaptable to small homes, and the other a new type of fully automatic mechanical stoker.

PETROLEUM

Reserves in 1940

The total oil reserves of the district's four oil-producing counties—Elk, McKean, Potter, and Tioga, amounted to 972 million barrels in January 1940 as estimated by the Pennsylvania Department of Internal Affairs. Of this amount, however, only 171 million barrels were physically recoverable by extractive techniques known at that time, and of this only 88 million barrels were economically recoverable under prices and costs prevailing in 1940. Over a period of years the average rate of extraction has been 14 million barrels annually; but the actual duration of oil extraction is contingent upon costs, prices, and developments in drilling and extraction. It will be recalled that district oil production reached a very low point following the last war when the physically recoverable reserves were believed to be nearly exhausted; but the application of water-flooding methods in McKean County restored a high level of production to the field.

The great bulk of the district's economically recoverable reserves—80 million barrels—were located in McKean County. Elk County has economically recoverable reserves of 7 million barrels, and Potter County 660 thousand. Physically recoverable reserves have been exhausted in Tioga County, but one million barrels of oil remain in the ground.

The district's petroleum reserves are an inconsiderable part of the national reserves but they make up in quality what they lack in quantity. Pennsylvania's crude oil is worth about twice that of Texas crude oil because of its paraffin base which yields high grade lubricants.

Wartime Trends

Production of crude oil in the district rose from 14 million barrels in 1939 to 15 million barrels in 1942, an increase of 7 per cent, which compares with an increase of 10 per cent in national output over the same period. McKean County, of course, accounts for most of the district's increase, but it is interesting to note that production in Potter County grew from 10,000 barrels in 1939 to almost 49,000 barrels in 1942. No operations were undertaken in Tioga County.

The mineral industries of the district will enter the post-war period with an important advantage—they will require no physical reconversion of facilities. However, their immediate future will be contingent upon the speed with which other industries are able to reconvert, while their ultimate scale of operations will depend upon the level of post-war consumption and investment. The most serious problems of the early post-war years will be making the necessary adjustments in costs, production, and capacity.

The struggle for competitive advantages between the various fuels promises to be the biggest issue in the long run. The war, by bringing about the conversion to coal, the building of new pipelines, and by technological changes, has altered the pre-war status substantially. Whether the scales will balance again in favor of petroleum and against coal as after the last war remains to be seen. One factor, formerly little considered, must now be given greater weight, namely the quantities of existing reserves. The war is exacting a heavy toll upon our petroleum resources. After the war we may

have to import more petroleum or make more extensive use of our coal resources. The latter would obviously be more beneficial to the district.

The future demand for anthracite, and to a lesser extent for bituminous, is at present of fundamental importance to the prosperity of the district. Although only 5 per cent of the district's working population was employed in mining in 1940, the proportion ran as high as one-third in Luzerne, Schuylkill, and Cambria counties. If coal production declines in these areas, not only miners but whole communities will be unemployed, not to mention the effect upon related industries such as transportation, trade, and public utilities. A condition of depression in an important section of the district would soon be felt in other sections, first by a decreased demand for goods and second by the infiltration of unemployed seeking jobs. Some new industries have been developed during the war in the anthracite area and further diversification is desirable to ward off the hazards of specialization.

Automotive Equipment Industry

Automotive equipment is a satellite of the motor vehicles industry from which it derives most of its economic characteristics. It has paralleled the motor vehicle industry in its growth, organization, manufacturing techniques, and rapid conversion to national defense. The problems which it will face in reconversion to peacetime operations are likewise similar to those of the parent industry.

Automotive equipment is one of the largest manufacturing industries of the United States. In 1939 this industry produced about \$1½ billion of products, for which it employed over 200,000 wage earners and paid over \$350 million in wages. The highly diversified products of this industry may be grouped into the following three principal classes, according to the purpose for which they are used: (1) parts and accessories for new cars, known as original equipment; (2) replacement parts and accessories; and (3) non-automotive products. The producers fall into two groups: the independent parts makers, each of whom usually specializes

in one or a few related lines; and the automobile manufacturers, some of whom make a great variety of parts for their own use.

Growth of the Industry

Since 1900, which marks the commercial introduction of the automobile, the automotive equipment industry, like motor vehicle manufacturing, has grown quite rapidly. The manufacture or assembling of automobiles was begun around the turn of the century by carriage makers, bicycle manufacturers, machine tool producers, and independent pioneers, such as Ford. They all relied heavily upon the parts manufacturers to supply them with their major requirements, such as bodies, wheels, axles, and so forth. In the early days, the parts manufacturers also made an important financial contribution to the development of the American automobile industry. They supplied the automobile manufacturers with working capital by selling their parts on generous time payment plans. Both went through a period of phenomenal expansion from 1904, the first year for which data

on parts production are available, to 1919, as shown in Chart I. This reflected: (1) the increasing popularity of the automobile; (2) the development of mass production based on constant improvements in process and products; and (3) increasing standardization which contributed greatly to the development of low-priced cars within reach of many buyers with modest incomes.

The automotive equipment industry continued to grow, though not quite as rapidly as in the earlier period, from a business which contributed \$330 million in value added and employed 130,000 wage earners in 1919, to a pre-war peak in 1937, when value added was \$800 million and employment over 280,000 wage earners. Automobile manufacturing, on the other hand, attained its pre-war peak in 1929, as shown in Chart I. Compared with motor vehicle manufacturing, the parts industry demonstrated a more vigorous recovery from the drastic depression of the early 'thirties. This reflects two things; first, car owners were apparently using their limited funds to repair and improve their used cars rather than to buy new automobiles, and, second, parts manufacturers were diversifying their output by going into production of non-automotive products.

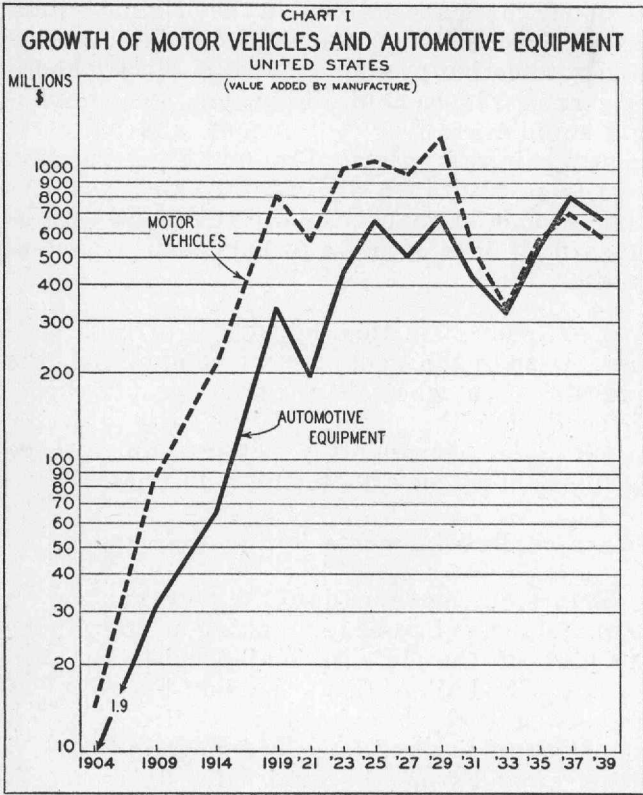
Economic Characteristics of the Industry

Automotive equipment is a large-scale industry. Most of the companies in this industry attained large size as the industry itself grew. In 1939 the capital invested by the companies which produced most of the output ranged from \$4 million to \$40 million each; average capital investment of these companies was approximately \$20 million each. Although the scale of operations in this industry is considerably smaller than in motor vehicles, it is much larger than the average for all manufacturing industries of the country.

Since American automobiles are highly standard products, it naturally follows that the products of this industry, most of which go into the manufacture of automobiles, are also highly standardized. Product standardization based upon the use of highly specialized power-driven machine tools to make interchangeable parts, is one of the principal factors which make for low manufacturing costs. Over a period of years, decline in unit costs was attributable to growing volume of output which permitted distribution of heavy initial tool and die costs over expanding volume of production.

Direct labor costs are about 20 per cent of total costs of manufacturing, which is in contrast to about 40 per cent of total costs for materials. Although wage rates have gone up considerably in recent years, owing partly to the unionization of the industry, labor costs have been held in check as a result of standardization of product and mechanization of process. Annual earnings of the workers averaged about \$1,600 in 1939, which compared favorably with earnings in the automobile industry.

Competition in automotive equipment manufacturing is somewhat peculiar by reason of its close relationship to the motor vehicle industry. Parts manufacturers compete not only with each other but also with their customers. Approximately 90 per cent of the pre-war output of the automobile industry was produced by Ford, General Motors, and Chrysler. The "big three" are their best customers and also their keenest competitors because the automobile companies have the facilities to manufacture many of the parts required in the final assembly of automo-



biles. The "big three" generally take a position known as "tapered integration", that is, they are equipped to produce a certain proportion of their normal requirements of numerous automotive parts. In periods when there is a modest demand for automobiles they can produce most of their own parts. At other times, when demand is brisk, they buy many of their parts from the independent parts manufacturers. It appears that the automobile manufacturers periodically shift from a policy of buying most of their parts to making most of their own parts, depending, no doubt, upon changing cost and competitive conditions. As a result, the independent parts manufacturers of original equipment are confronted by sharp fluctuations in demand. This is revealed in Chart II—fluctuations in output of original equipment are greater than that of replacement parts. For the

automobile manufacturer, the advantage of multiple sources of supply is obvious, but it likewise makes for greater irregularity of production for the independent parts manufacturer.

The instability of the original equipment business is accentuated by the fact that sales are ordinarily made on an annual contract basis for the model year, and the contracts usually are elastic with respect to both price and volume. This factor in conjunction with the inequality of bargaining power growing out of the fact that many parts producers vie with each other for the business of the "big three" adds to the instability of the original equipment branch of the business.

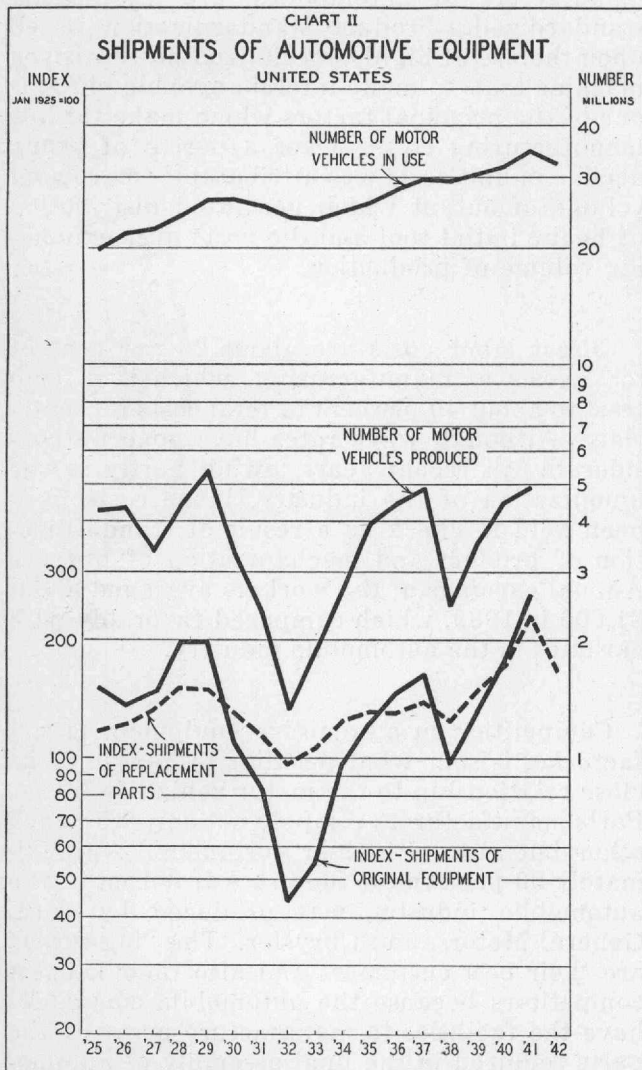
The replacement market, comprising such things as spark plugs, piston rings, batteries, brake linings, and so forth is steadier than the original equipment market. Principal factors influencing demand for replacement parts are the number of cars in use, their age, and the general level of buying power.

Another characteristic of the industry which has been in process of development for some years prior to the war, is increased diversification of products. Numerous manufacturers, particularly those specializing in the original equipment division, have branched out into various non-automotive products, such as electrical refrigerators, household oil-burners, steel plumbing supplies, railway equipment, and more recently, aircraft parts. Product diversification serves as insurance against adverse trends in the automotive market or the still more serious hazard of loss of a large contract to a competitor.

Management in this industry is of high caliber. Despite the acuteness of competition, the industry as a whole has a good profit record. Even during the period of the early 'thirties, profits were considerably better than average earnings of all manufacturing industries.

Wartime Developments in the Industry

Before our entrance into the war, most parts manufacturers had begun making military items as part of the defense and Lend-Lease programs. The bulk of this armament business was in sub-contracts from primary contractors, but some companies had large orders from the Government and from the British for finished ord-



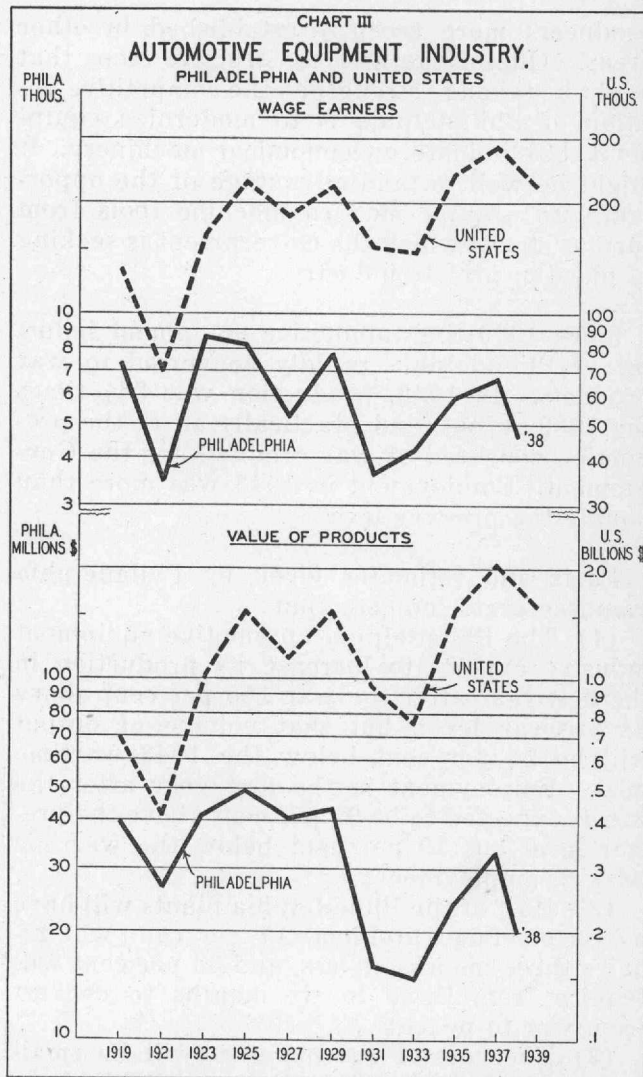
nance, including shells, ammunition, and machine guns.

With the cessation of passenger car production and the limitation on civilian truck output in 1942, following our entrance into the war, the normal original equipment market was practically suspended. This loss was more than offset, however, by sub-contracts for parts and sub-assemblies for motor vehicle manufacturers and others making airplanes, tanks, engines, military vehicles, guns, ammunition, and other military equipment. No definite wartime production figures are available for the parts industry alone, but it undoubtedly shared in a large part of the shipments of the total automotive industry, which rose from a peacetime peak of almost \$5 billion in 1941 to over \$9 billion in 1944, with unfilled orders exceeding \$11 billion at the beginning of 1945. It is likely that military parts production reached its peak around the middle of 1944 and has begun to taper off, reflecting the accumulation of adequate stocks of some items.

Civilian replacement parts were limited to those for essential vehicles in July 1942 by WPB order, resulting in a substantial decline from the high level of output of the preceding year. Government restrictions were eased in 1943 to maintain transportation and since August 1944 manufacturers of replacement parts have been limited only by availability of materials, facilities, and manpower.

Since the outbreak of the war, manufacturing costs have gone up considerably and in many instances for causes beyond the control of the manufacturers. Producers of final assemblies often encounter long delays in the receipt of essential sub-assemblies or component parts. Such delays, perhaps inevitable under war conditions, nevertheless run up costs of the final product.

At the recent forum conducted by the Committee for Economic Development, members of the industry in Philadelphia pointed out that rising costs were approaching and, in some instances, were close to price ceilings on civilian products. Removal of price ceilings was cited as the way out of the narrowing cost-price relationship if present conditions continue after completion of war contracts. But present conditions of production, such as overtime payment and delays in receipt of essential sub-assemblies or component parts, are not so likely to continue after the war ends.



Automotive Equipment Manufacturing in Philadelphia

Pre-war trends of automotive equipment manufacturing in Philadelphia, shown in Chart III, reflect the drift to Detroit. The industry as a whole is not so heavily concentrated in the Detroit area as the automobile industry itself, but many equipment manufacturers, originally located in the East, have expanded by establishing plants closer to the market for their products. This explains why the industry in Philadelphia has not maintained its former position.

Members of the industry who have plants in Philadelphia and elsewhere pointed out that the labor market in Philadelphia is of high quality and is preferable to that of many other areas. Nevertheless, Philadelphia may expect continued and vigorous competition from energetic

producers more recently established in other areas. One of the first constructive steps that might be taken to strengthen the competitive position of Philadelphia is to modernize equipment, to eliminate uneconomical machinery. It might be well to take advantage of the opportunity to acquire modern machine tools from surplus stocks which the Government is seeking to place in private industry.

Since 1939 the automotive equipment industry of Philadelphia rapidly converted to war products. In 1943, production was $3\frac{3}{4}$ times the 1939 output, and practically all of the production consisted of war products for the Government. Employment in 1943 was more than double the pre-war level.

Facts and estimates given by Philadelphia manufacturers indicate that:

(1) The Philadelphia automotive equipment industry expects to increase its production in the first year after the war 180 per cent above its pre-war level, but that volume of output will be 25 per cent below the 1943 wartime peak. Employment in the first year after the war is expected to be 95 per cent above the pre-war level but 10 per cent below the wartime peak of employment;

(2) Half of the Philadelphia plants will have no reconversion problem, 17 per cent will require three months or less, and 33 per cent will require from three to six months to convert from war to peace;

(3) The cost of reconversion will be small and most of the funds will be available from the companies' own resources;

(4) Most of the cooperating firms, 83 per cent, expect to improve their products and process, and to manufacture new products after the war. Such new products, it is estimated, will constitute 29 per cent of their total post-war output.

Post-war Outlook

The post-war prospects for the automotive equipment industry, as a whole, are unusually good. A pent-up demand for motor vehicles estimated at 6-6 $\frac{1}{2}$ million units, should result in new high levels for original equipment parts, as soon as car manufacturers can reconvert.

Replacement parts, already on the way back, should benefit more immediately from the backlog built up by wartime restrictions, since the market for them is the cars already in existence. A recent national survey revealed that parts makers were able to fill only about half of their replacement orders and that their inventories were almost depleted in an effort to keep 6,300 jobbers, and through them 100,000 repair shops, supplied.

There are several factors which contribute to this already growing demand for replacements. A large part of civilian vehicles are now over-age and therefore in special need of repair. Fewer cars have been scrapped, leaving fewer parts to be recovered by repair shops. Then, too, many war workers have not been able to spare cars long enough to have repairs done.

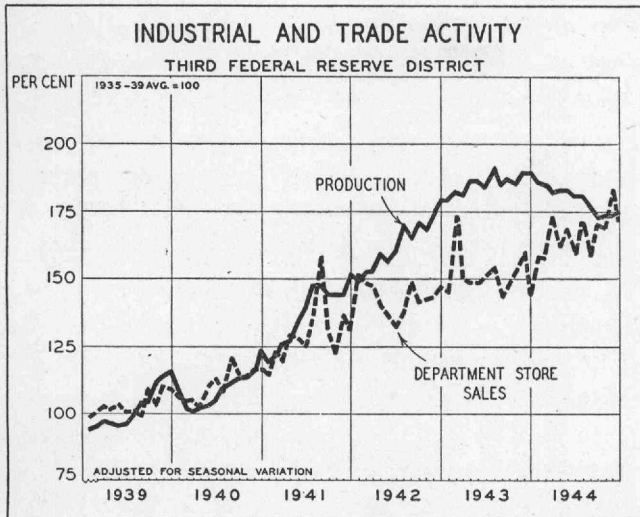
The long-time trend of original equipment will be determined by the general trend in automotive production; demand for replacement parts is determined by the number of cars in use and the length of time they are kept on the road. Individual firms in the original equipment field, however, would be affected also by shifts in contracts by car manufacturers after the initial period of civilian production has been passed. Non-automotive lines will not only find a deferred demand, built up during the war, but should increase in importance for many companies as a stabilizing influence if such companies can successfully compete with those already in the field.

Business and Banking

(Continued from page 1)

are expected to reduce this program considerably. In fact, in labor-short areas such as Philadelphia, where munitions making is highly diversified, the post-war programs of producers, large and small, appear destined to be restricted to the planning stage for an indefinite period.

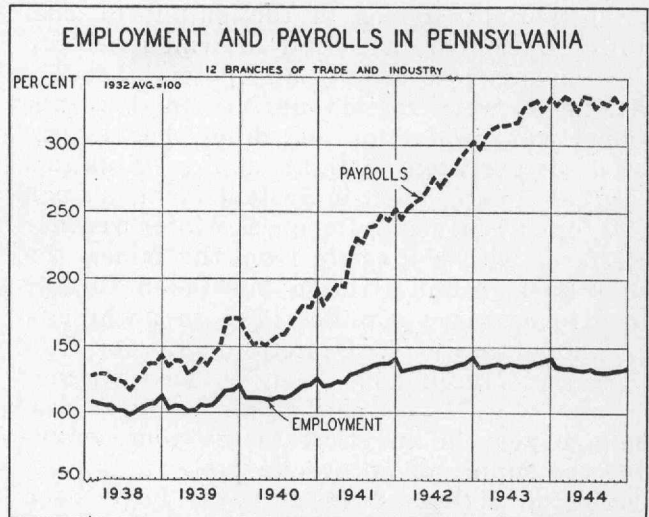
Industry. Industrial production in the Philadelphia Federal Reserve District was well maintained during the closing months of 1944, following some declines earlier in the year. Changes over the past twelve months were about in line with those which occurred in the country as a whole; locally and nationally they



were in marked contrast with the steeply rising trend in evidence from early 1940 until the latter part of 1943. Total output of factory products and minerals in this district in 1944 was down about 3 per cent from the wartime peak reached the preceding year. Activity in heavy industries showed a decrease of 6 per cent owing in some measure to reductions in certain munitions schedules authorized last summer. The production of lighter goods was slightly larger than in 1943, reflecting principally a higher rate of operations in the food processing industry which was only partly offset by decreases in such lines as textile and leather manufacturing. Output of solid fuels increased last year, but production of crude petroleum was about one-tenth less than in 1943.

Price changes at the wholesale level continued narrow over most of last year, although a slight upward tendency was in evidence beginning in the early fall, when quotations on raw materials showed small successive advances. Retail prices, as measured by the cost of goods and services purchased by wage earners and lower-salaried workers in large cities, rose very gradually over most of the year; the cost of foods and fuel showed remarkable stability, but virtually uninterrupted advances were reported in the case of clothing and housefurnishing goods. Living costs in Philadelphia followed rather closely the national trend.

Employment in Pennsylvania factories fluctuated very little during the last four months of 1944, following declines throughout the spring and early summer which accounted for a December level approximately 6 per cent lower



than a year earlier. Over the entire twelve months the number of wage earners averaged close to $1\frac{1}{4}$ million, or about 3 per cent less than in 1943. Changes in wage payments were quite narrow last year, although the trend was slightly downward from the wartime peak reached in February. Averaging nearly \$55 million a week in 1944, payrolls were about 4 per cent higher than in the preceding year. Total employee hours worked showed a small decrease from 1943 to 1944.

For the year as a whole the number employed in both durable and consumers' goods industries declined 3 per cent, while wage disbursements rose 3 and 5 per cent respectively. Last year was the first since the inception of the defense and war production program in 1940 in which changes in the consumers' goods division were in line with those occurring in heavy goods lines, where the bulk of munitions is turned out. Divergent trends again may develop, owing to the larger volume of war goods scheduled for production during the first six months of 1945.

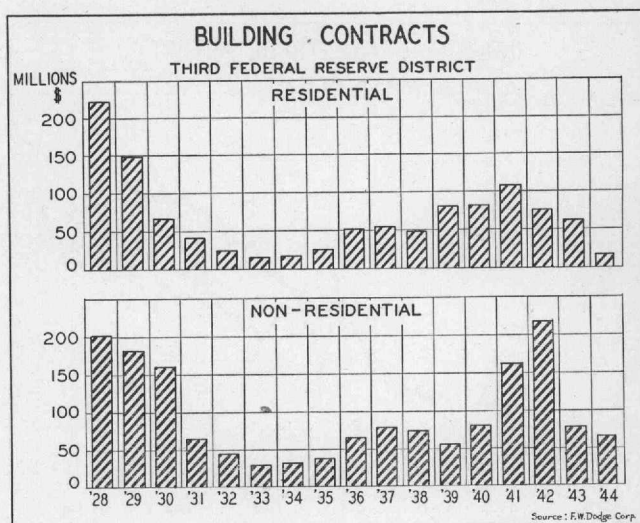
The weekly income of wage earners at reporting plants in Pennsylvania advanced slightly to an average of \$48.45 in December, reflecting a small increase in average working time. Hourly earnings averaged almost \$1.08, or about the same as in November, when they were the highest in records covering nearly two decades. An advance of approximately 7 per cent in average weekly income during 1944 was attributable almost entirely to the rise in hourly earnings, as the average number of hours worked per employee did not change significantly.

Substantial declines in the output of coal during December, a period in which heating requirements rose steeply and potential industrial needs were revised upward in line with higher war production schedules, has aggravated a persistently tight supply situation. With consumers increasingly dependent on stock piles for current requirements as winter weather interferes with shipments from the mines, the Solid Fuels Administration has taken further steps to conserve supplies of both anthracite and bituminous coal. Dealers' quotas for February and March have been reduced another 5 per cent to 82½ per cent of their 1942-43 base tonnage year in an effort to distribute equitably the supply of anthracite fuel. Retail deliveries in sixteen eastern states have been limited to consumers having less than a five-day supply. Beginning February 1 a nationwide "dimout" becomes effective with the elimination of all display and other nonessential lighting using electricity generated with coal.

Output of anthracite on an adjusted basis decreased 13 per cent in December to a level 4 per cent below a year earlier. Bituminous coal production in Pennsylvania was down 10 per cent in the month, after allowing for the customary seasonal change, and was 18 per cent less than in December, 1943. The tonnage of soft coal mined in the country showed a decrease of a little over one-tenth. Heavy production of heating and industrial coals from early spring until late in the fall raised the 1944 aggregate tonnage to the highest level in many years. The volume of anthracite mined over the entire twelve months was 7 per cent greater than in the preceding year; the production of bituminous coal was up 6 per cent in Pennsylvania and 5 per cent in the nation as a whole.

In spite of the record output of solid fuels during 1944, latest estimates of over-all requirements suggest that consumption may exceed production by a wide margin in the coal year ending March 31. Anticipating a serious drain on reserve supplies, the Solid Fuels Administration has indicated that much broader conservation measures will be necessary next season, particularly if all-out war on both major fronts continues through 1945.

Construction activity in the country, which decreased almost 50 per cent last year, is scheduled to decline nearly one-fifth further during 1945 to the smallest dollar volume in the past



decade. Estimated by the War Production Board at about \$3¼ billion, operations this year are unlikely to exceed one-quarter of the 1942 record performance. Virtually all of the anticipated decline in 1945 is expected to be in construction arising from military requirements. Privately financed projects may continue in small volume but increase in relative importance, possibly accounting for about one-half of the current year's construction total, as against 40 per cent in 1944 and only 20 per cent in the two years immediately following the attack on Pearl Harbor.

Activity in this district, as measured by the value of contracts awarded, declined almost one-third from 1943 to 1944. Awards for residences were just under 30 per cent of the dollar volume reported in 1943, and contracts for factory and commercial structures were only about 50 per cent of that year's total. The only increases over the twelve months were in placements for public works and utilities, educational buildings, and unclassified structures. Contracts awarded in December declined 5 per cent to a level 30 per cent below a year earlier; they were the smallest for that month in a decade, and little more than one-tenth of the near-record dollar volume reported in December 1942.

Severe winter weather shortly after the turn of the year interfered with rail freight traffic in the northeastern part of the country to the extent that the Office of Defense Transportation immobilized deliveries of all but war goods for a three-day period in the latter part of January. A similar although somewhat less

acute situation prevailing over much of December probably accounted in part for an unusually sharp decline in that month in the number of freight cars loaded in the Allegheny section. On an adjusted basis total loadings were down 9 per cent from November to a level 7 per cent below December 1943. Shipments of merchandise and miscellaneous commodities showed only a seasonal decrease in the month, but declines in other categories exceeded expectations, and by wide margins in the case of ore, coal, and agricultural products. For the year as a whole, freight car loadings showed an increase of about 4 per cent, reflecting gains in all major classifications except ore.

Trade. Wholesale trade sales in 1944 were 4 per cent larger than in the preceding year, reflecting larger dollar volume in all reporting lines except drugs and dry goods. Total sales decreased rather sharply in December, but were about one-tenth greater than in the same month of 1943. Inventories at wholesale establishments declined somewhat in the month to a level 9 per cent below a year earlier.

Heavy consumer buying last year raised the value of retail sales to new high levels. Increases over 1943 at reporting stores in this district ranged from 2 per cent at shoe stores to 12 per cent at establishments specializing in women's apparel. At department and men's apparel stores the gain over the twelve months was 10 per cent. On the basis of reports from a limited number of department and women's apparel stores, year to year increases narrowed in the early weeks of 1945. In the four weeks ended January 27 dollar volume at these establishments was only 7 per cent above the level of a year earlier, as against 23 per cent in a comparable period of December.

Although December sales generally were much larger in 1944 than in 1943, all lines except shoes reported smaller than seasonal increases over November. On an adjusted basis, decreases in the month were 6 per cent at department stores and 7 and 8 per cent respectively at men's and women's apparel stores. These changes reflected in considerable part unusually heavy holiday buying earlier in the season. Sales by furniture stores have fluctuated widely for some months, possibly reflecting difficulties in obtaining supplies because of labor and material shortages at producing establish-

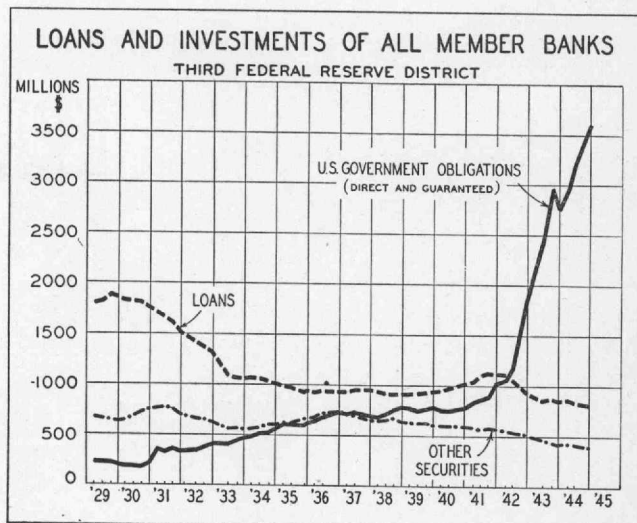
ments. In December dollar volume was 15 per cent greater than a year earlier.

Retail inventories decreased somewhat more than seasonally from November to December in all reporting lines. They showed declines from the preceding year ranging from 5 per cent at women's apparel and furniture stores to 20 per cent at shoe stores.

Banking conditions. Sales of Treasury securities credited to the sixty counties of the Third Federal Reserve District during the Sixth War Loan were the largest on record. Very few counties failed to reach over-all quotas. Allowing for a proportionate share of state purchases in Pennsylvania, which in the last two drives have not been allocated among the counties, totals for this district were about as follows: Sixth Loan—\$1,066 million; Fifth—\$1,003 million; Fourth—\$856 million; and the Third—\$934 million.

Sales of Series E savings bonds in the last drive, which covered the Christmas shopping season, were somewhat smaller than in the Fourth and Fifth. But total sales to individuals in the district were exceeded only in the Fifth Drive, when quotas were larger, and the subscriptions of corporate and other investors were the greatest of any of the six drives.

In this district, as elsewhere in the country, bank credit was extended actively over the period of the drive, with loans and investments of reporting banks in leading cities rising from



\$2,259 million on November 15 to \$2,461 million on December 20. New high points were reached early in 1945, but for the five weeks ended January 24 the net increase in earning assets was small. Repayments, principally on commercial advances and on loans to purchase or carry Governments, reduced the loan portfolio by \$51 million to \$424 million, the lowest point since early 1940. The investment in Governments, however, increased more than \$60 million to \$1,896 million, a new high point. Purchases in the past month and over the past year have been chiefly United States bonds.

The general level of deposits at reporting banks has changed little since the loan drive. Small recoveries in customers' deposits, following the usual sharp decline during the drive, have been largely offset by withdrawals from other balances.

Reserves of all member banks in the district continue larger than a year ago, but in the five weeks through January 24 declined \$18 million to \$693 million. While funds were gained in transactions with other districts, and to a lesser extent from the return of currency after the holidays, larger amounts were absorbed by payments to the Treasury—partly as a result of heavy income taxes early in the period—and by a substantial reduction in float. Bank borrowings from the Reserve Bank were reduced from \$71½ million to less than half a million dollars; this decline was balanced in part by sales of bills to this Bank, as reflected in an increase of

\$4 million to \$187 million in holdings under repurchase option.

Member banks in this district had \$4.8 billion of loans and investments outstanding at the close of 1944, according to preliminary tabulations. An increase of \$775 million or 19 per cent during 1944 was larger in dollars, but not in percentage, than the record-breaking expansion of the preceding year. Loans declined further from the wartime peak in 1941 and small declines were reported in municipal and corporate securities, but these changes were overshadowed by an increase of \$846 million in holdings of Federal Government obligations.

At country member banks in this district the expansion in outstanding credit last year was half again as large as at members in Philadelphia, but for the entire war period, from June 1939 to December 1944, the latter experienced the greater proportionate gain—124 per cent as against 99 per cent. Late reports still show somewhat larger loans outstanding at the city banks than at the outbreak of war in Europe, while the decline outside of Philadelphia has been considerable. Sharp declines in holdings of miscellaneous securities are common to both groups of banks. The extraordinary shift in earning assets of these institutions over the past fifteen years, as Governments became increasingly dominant, is shown visually in the accompanying chart and is emphasized by the fact that Governments now constitute 75 per cent of the total, as compared with only 7 per cent in 1929 and 32 per cent in June 1939.



BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5=100	Adjusted for seasonal variation						Not adjusted		
	Dec. 1944	Nov. 1944	Dec. 1943	Per cent change		1944 from 12 mos. 1943	Dec. 1944	Nov. 1944	Dec. 1943
				Dec. 1944 from	Year ago				
INDUSTRIAL PRODUCTION	142p	141	152r	+1	-6	-3	140p	142	150r
MANUFACTURING	147p	145	156r	+2	-6	-3	145p	146	155r
Durable goods	221p	221	245r	0	-10	-6			
Consumers' goods	97p	91	94r	+6	+3	+2			
Metal products	183	176	189	+4	-3	+1	174	176r	181
Textile products	72p	68	71	+6	+1	-3	70p	69	70
Transportation equipment	525	551r	641r	-5	-18	-11	538	543r	660r
Food products	125p	121	121r	+3	+3	+9	123p	123	118r
Tobacco and products	127	89	123	+43	+3	-13	92	106	89
Building materials	39	37	41	+6	+4	-13	36	37r	38
Chemicals and products	176	168	166	+4	+6	+4	173	169	164
Leather and products	101p	107	108r	-6	-6	-4	95p	102	102r
Paper and printing	95	96	95	-1	0	+2	96	97	96
Individual lines									
Pig iron	95	96	105r	-1	-9	-5	94	97	104r
Steel	146	142	148	+3	-1	0	137	136r	139
Silk manufactures	86	85	87	+1	+1	+1	87	86	88
Woolen and worsteds	70p	60	60	+16	+16	+3	65	65	57
Cotton products	42	42	45	1	-8	-17	45	44	49
Carpets and rugs	63p	57	50	+10	+26	+6	63	60	50
Hosiery	71	60	77	+17	-8	-10	69	69	75
Underwear	145	140r	152	+3	-4	-8	143	142	150
Cement	43	39	41	+11	+5	-34	35	38	33
Brick	48	48	56	+2	-14	-17	47	47	55
Lumber and products	32	30	32	+6	0	+10	31	30	31
Bread and bakery products				+1*	+8*	+9*	134	133	124
Slaughtering, meat packing	107	111	119	-3	-10	+13	115	122	129
Sugar refining	166	142	174	+17	-5	+17	108	92	113
Canning and preserving	155p	147	143r	+5	+8	+8	161p	160	145r
Cigars	126	87	122	+46	+3	-13	91	104	88
Paper and wood pulp	84	85r	85	-1	-1	0	85	85r	86
Printing and publishing	97	98	97	-1	0	+3	98	99	98
Shoes	128	131	133	-3	-4	+3	108	123	113
Leather, goat and kid	75p	84	83r	-10	-9	-6	82	81	91r
Paints and varnishes	97	92	100	+5	-3	+3	94	95	97
Coke, by-product	168p	175	171	-4	-2	+4	163	168	166r
COAL MINING	70	80	75	-12	-6	+7	71	81	76r
Anthracite	69	79	72	-13	-4	+7	69	79	72
Bituminous	82	91	99r	-10	-18	+6	86	100	104r
CRUDE OIL	340	351	394	-3	-14	-11	320	341	371
ELEC. POWER—OUTPUT	413	423	403	-2	+2	+5	442	440	431
Sales, total	426	426	443	0	-4	+3	439	439	456
Sales to industries	377	341	379	+10	-1	+3	358	348	360
BUILDING CONTRACTS									
TOTAL AWARDS†	33	33	44	0	-24	-47	37	36	48
Residential†	6	7	37	-13	-84	-69	6	8	36
Nonresidential†	60	56	58r	+7	+4	-35	64	56	62
Public works and utilities	53	65	44r	-18	+23	-41	64	75	52

* 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			
	Dec. 1944 index	Per cent change from		Dec. 1944 index	Per cent change from			
		Nov. 1944	Dec. 1943		Nov. 1944	Dec. 1943		
GENERAL INDEX	134	+1	-5	332	+1	-1		
Manufacturing	179	0	-6	490	0	-1		
Anthracite mining	47	-1	-6	94	+9	-3		
Bituminous coal mining	73	-1	-10	329	+3	-14		
Building and construction	46	-5	0	118	-6	+4		
Quar. and nonmet. mining	78	-5	-14	242	-2	-17		
Crude petroleum prod.	131	-2	-3	245	-3	+9		
Public utilities	97	0	-1	147	0	+6		
Retail trade	142	+10	-2	194	+14	+6		
Wholesale trade	104	0	-1	152	0	+4		
Hotels	102	0	0	178	+2	+8		
Laundries	99	0	-1	176	-1	+11		
Dyeing and cleaning	94	-2	-2	148	-9	-3		

Manufacturing

Indexes: 1923-5=100	Employment*				Payrolls*			
	Dec. 1944 index	Per cent change from		Dec. 1944 index	Per cent change from			
		Nov. 1944	Dec. 1943		Nov. 1944	Dec. 1943		
TOTAL	115	0	-6	200	0	-1		
Iron, steel and products	125	0	-5	273	0	-1		
Nonferrous metal products	210	+1	+9	467	+1	+13		
Transportation equipment	154	-1	-13	281	-1	-9		
Textiles and clothing	79	0	-5	125	+2	+2		
Textiles	73	+1	-4	117	+2	+3		
Clothing	102	-1	-8	163	0	-1		
Food products	128	0	+4	198	+1	+9		
Stone, clay and glass	83	0	-8	126	-1	-6		
Lumber products	51	+1	+1	84	+3	+5		
Chemicals and products	116	0	-5	211	+3	+2		
Leather and products	72	0	-7	118	+2	+5		
Paper and printing	102	0	-2	153	0	+4		
Printing	95	+1	-1	134	-1	+5		
Others:								
Cigars and tobacco	51	0	-13	77	+1	-4		
Rubber tires, goods	151	+1	-1	322	-1	+6		
Musical instruments	93	+2	-7	124	-5	-33		

* Figures from 2823 plants.

Hours and Wages

Factory workers Averages December 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	45.3	0	\$1.075	+4	\$48.45	+5
Iron, steel and prods.	46.5	0	1.135	+4	52.80	+4
Nonfer. metal produs.	46.5	+1	1.020	+5	47.47	+6
Transportation equip.	46.9	-3	1.282	+8	60.09	+5
Textiles and clothing	40.4	+1	.793	+7	31.97	+9
Textiles	41.8	+2	.806	+6	33.69	+8
Clothing	36.9	-2	.756	+11	28.27	+10
Food products	44.3	0	.808	+1	36.05	+2
Stone, clay and glass	40.8	+1	.925	+2	37.63	+3
Lumber products	43.6	-2	.791	+7	34.12	+4
Chemicals and prods.	46.7	+4	1.053	+3	49.11	+6
Leather and prods.	42.3	+5	.775	+7	32.84	+13
Paper and printing	44.3	+3	.909	+4	40.66	+7
Printing	40.2	+1	1.063	+4	43.11	+5
Others:						
Cigars and tobacco	43.0	+4	.642	+6	27.61	+10
Rubber tires, goods	45.3	+2	1.044	+5	47.26	+7
Musical instruments	39.3	-20	.885	-11	34.80	-28

* Figures from 2677 plants.

† Figures from 2823 plants.

Local Business Conditions *

Percentage change—December 1944 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debts	
	Nov. 1944	Dec. 1943	Nov. 1944	Dec. 1943	Nov. 1944	Dec. 1943	Nov. 1944	Dec. 1943	Nov. 1944	Dec. 1943
Allentown	+1	-5	+3	+2	-75	-98	+38	+20	+5	+15
Altoona	0	+2	+3	+6	-37	-60	+26	+18	-1	+25
Harrisburg	+1	+1	0	+4	-65	+3	+42	-20	+14	0
Johnstown	+1	-2	-2	-3	-90	-56	+21	+24	+1	+14
Lancaster	-1	-10	0	-6	-91	+51	+32	+17	-5	+15
Philadelphia	-1	-9	+1	-4			+26	+19	-3	+13
Reading	0	-5	0	0	+236	+127	+40	+15	+4	+12
Scranton	+2	+10	+6	+27	-32	-96	+44	+22	+54	+55
Trenton					-21	-68	+51	+20	+10	+13
Wilkes-Barre	+2	0	+12	+16	+40	-25	+44	+26	+5	+9
Williamsport	-1	-11	-2	-10	-84	-60			-8	-5
Wilmington	0	-10	0	-6	+137	-62	+39	+14	-32	+10
York	+1	-2	+3	+8	-43	+49	+42	+19	+14	+14

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

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Dec. 1944 from		1944 from 1943
	Month ago	Year ago	
Sales			
Total of all lines.....	- 8	+11	+ 4
Drugs.....	-14	- 5	- 2
Dry goods.....	-29	- 3	- 2
Electrical supplies.....	+ 1	+31	+ 3
Groceries.....	- 3	+16	+ 4
Hardware.....	+ 6	+ 9	+ 1
Jewelry.....	-13	+ 1	+ 1
Paper.....	- 2	+10	+ 8
Inventories			
Total of all lines.....	- 3	- 9	.....
Dry goods.....	- 6	-32	.....
Electrical supplies.....	+ 1	+30	.....
Groceries.....	+ 1	- 9	.....
Hardware.....	- 6	- 2	.....
Jewelry.....	.....	.....	.....
Paper.....	-12	- 9	.....

Source: U. S. Department of Commerce.

Prices	Dec. 1944	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)....	183	+ 1	+ 2	+ 83
Wholesale (1926 = 100).....	105	0	+ 1	+ 40
Farm.....	126	+ 1	+ 3	+106
Food.....	106	0	0	+ 57
Other.....	99	0	+ 1	+ 23
Living costs (1935-1939 = 100)....				
United States.....	127	0	+ 2	+ 29
Philadelphia.....	126	+ 1	+ 2	+ 28
Food.....	135	+ 1	- 1	+ 45
Clothing.....	144	0	+ 9	+ 45
Rent.....	107	0	0	+ 4
Fuels.....	109	0	+ 1	+ 13
Housefurnishings.....	141	+ 1	+13	+ 41
Other.....	121	0	+ 4	+ 20

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Dec. 1944	Nov. 1944	Dec. 1943	Per cent change		1944 from 1943	Dec. 1944	Nov. 1944	Dec. 1943
				Dec. 1944 from					
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	171p	183	144	- 6	+19	+10	305p	231r	256
Philadelphia.....	158	170	134	- 7	+19	+ 8	286	227	242
Women's apparel.....	173	188r	140	- 8	+23	+12	285	212r	231
Men's apparel.....	174	187	134	- 7	+30	+10	317	214	246
Shoe.....	177	170	133	+ 4	+33	+ 2	211	168	160
Furniture.....	.....	.....	.....	+ 22*	+15*	.....	.....	.....	.....
Inventories									
Department stores—District.....	131p	134	139	- 2	- 6	.....	120p	163	128
Philadelphia.....	125	128	137	- 2	- 9	.....	118	156	129
Women's apparel.....	168	181	176r	- 7	- 5	.....	164	214	173r
Shoe.....	80	84	100	- 4	-20	.....	72	84	90
Furniture.....	.....	.....	.....	- 12*	- 5*	.....	.....	.....	.....
FREIGHT-CAR LOADINGS									
Total.....	131	144	140	- 9	- 7	+ 4	125	145	134
Merchandise and miscellaneous.....	134	134	137	0	- 2	+ 1	127	138	130
Merchandise—l.c.l.....	86	90	88	- 5	- 3	+ 3	85	93	87
Coal.....	119	142	136	- 16	-13	+11	128	153	146
Ore.....	113	189	149	- 40	-24	0	57	189	74
Coke.....	173	174	208	- 1	-17	+ 3	187	195	225
Forest products.....	106	107	128	- 1	-17	- 2	91	103	109
Grain and products.....	111	126	134	- 12	-17	+ 6	115	142	139
Livestock.....	128	136	138	- 6	- 7	+12	139	155	149
MISCELLANEOUS									
Life insurance sales.....	106	118	92	- 11	+16	+13	114	134	99
Business liquidations	.....	.....	.....	+593*	0*	-67*	10	1	10
Number.....	.....	.....	.....	.....	+18*	-84*	9	0	7
Amount of liabilities.....	.....	.....	.....	.....	+17	+ 9	226	221r	193
Check payments.....	189	207	161	- 9	+17	+ 9	226	221r	193

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

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	Jan. 24, 1945	Changes in	
		Five weeks	One year
Assets			
Commercial loans.....	\$ 229	-\$17	-\$ 25
Loans to brokers, etc.....	36	- 8	.....
Other loans to carry secur.....	15	-16	+ 5
Loans on real estate.....	35	- 3	- 4
Loans to banks.....	3	- 7	+ 7
Other loans.....	106	.....	+ 2
Total loans.....	\$ 424	-\$51	-\$ 29
Government securities.....	\$1840	+\$69	+\$311
Obligations fully guar' teed.....	56	- 6	- 15
Other securities.....	159	+ 6	- 16
Total investments.....	\$2055	+\$69	+\$280
Total loans & investments.....	\$2479	+\$18	+\$251
Reserve with F. R. Bank.....	404	- 6	+ 12
Cash in vault.....	30	- 6	.....
Balances with other banks.....	80	-12	- 3
Other assets—net.....	50	+ 3	- 10
Liabilities			
Demand deposits, adjusted.....	\$1710	+\$16	+\$ 46
Time deposits.....	191	+ 5	+ 20
U. S. Government deposits.....	536	- 6	+ 214
Interbank deposits.....	352	- 14	- 43
Borrowings.....	.....	- 6	.....
Other liabilities.....	18	.....	+ 5
Capital account.....	236	+ 2	+ 8

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended —					Changes in five weeks
	Dec. 27	Jan. 3	Jan. 10	Jan. 17	Jan. 24	
Sources of funds:						
Reserve Bank credit extended in district.....	-22.6	- 3.1	-13.7	+16.9	-12.8	-35.3
Commercial transfers (chiefly interdistrict).....	+55.4	- 5.7	- 9.3	-19.3	+12.8	+33.9
Treasury operations.....	-53.9	+10.7	+27.1	-11.6	+ 3.7	-24.0
Total.....	-21.1	+ 1.9	+ 4.1	-14.0	+ 3.7	-25.4
Uses of funds:						
Currency demand.....	+ 2.6	- 8.4	- .5	- 1.4	+ 2.1	- 5.6
Member bank reserve deposits.....	-22.6	+13.0	+ 4.0	-11.7	- .3	-17.6
"Other deposits" at Reserve Bank.....	- 1.2	- 1.5	+ .6	- .5	+ 1.8	- .8
Other Federal Reserve accounts.....	+ .1	- 1.2	+ .0	- .4	+ .1	- 1.4
Total.....	-21.1	+ 1.9	+ 4.1	-14.0	+ 3.7	-25.4

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)	
					Jan. 24, 1945	Changes in
Phila. banks						
1944: Jan. 1-15.....	\$370	\$357	\$13	4%		
Dec. 1-15.....	393	377	16	4		
Dec. 16-31.....	385	368	17	5		
1945: Jan. 1-15.....	388	373	-15	4		
Country banks						
1944: Jan. 1-15.....	272	215	57	26		
Dec. 1-15.....	310	247	63	26		
Dec. 16-31.....	315	245	70	28		
1945: Jan. 1-15.....	316	247	69	28		

Federal Reserve Bank of Phila. (Dollar figures in millions)	Jan. 24, 1945	Changes in	
		Five weeks	One year
Discounts and advances.....	\$ 0.4	-\$ 7.2	-\$ 0.7
Industrial loans.....	2.7	+ 0.0	- 1.3
U. S. securities.....	1237.5	-41.5	+ 458.6
Total.....	\$1240.6	-\$48.7	+\$456.6
Note circulation.....	1427.5	- 3.6	+ 275.3
Member bk. deposits.....	692.8	-17.6	+ 47.0
U. S. general account.....	13.0	-107.1	- 8.1
Foreign deposits.....	96.6	- 9.3	- 35.2
Other deposits.....	5.7	- 0.8	- 4.1
Total reserves.....	1003.0	-58.3	-\$182.5
Reserve ratio.....	44.9%	+ 0.2%	- 15.6%