Mr Edmiston

THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA

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THE unprecedented production effort to which the nation now stands committed is having widespread repercussions in both war and essential industry. In virtually all heavy goods lines, where the bulk of munitions is produced, and in the case of many nondurables, particularly textiles, the volume of new orders has risen steeply to new high levels and backlogs again are increasing very sharply. Shortages of many raw materials, including steel and most nonferrous metals, have grown more pronounced, necessitating the reinstatement of directives previously employed to regulate their end uses.

These developments, reminiscent of the situation prevailing early in the war, stem in large part from new procurement policies which anticipate the direct and indirect requirements of our armed forces many months in advance of actual combat needs. Manpower stringency persisting in a few key industries and in some centers of war production, including several in the Philadelphia Federal Reserve District, has been aggravated to some extent, but only temporarily. The longer range procurement of supplies and equipment affords greater opportunity for improvements in labor utilization through detailed production planning; subsequently, this procedure may result in a much less pressing manpower supply situation.

Although reconversion to civilian output under the Spot Authorization Plan still is permitted when local conditions justify the step as a means of absorbing small pools of excess manpower, the means of accomplishing it are far less available than in the fall of last year. With many raw materials and virtually all components again in short supply as a result of the greatly increased munitions requirements, small producers at present can do little more than plan their output of peacetime goods. Under present conditions unrated orders for new tools or machinery for postwar delivery cannot be accepted by manufacturers; previously this had been permitted as a preparatory step to reconversion.

Productive activity in the country has risen slightly above the level prevailing in the final three months of last year. The increase in January, while small, was achieved in spite of unusually severe weather which delayed the movement of fuels and other raw materials to consuming establishments. Output of crude steel, however, decreased sharply, as mill operations were reduced to the lowest rate reported in two and one-half years. The tonnage of steel lost in January was reflected only in small part in the activity of the munitions industries, where over-all production fell a little short of the rising schedule set for that month. Deliveries of finished munitions in February and even in subsequent months may be affected to a greater extent by the tight supply situation which has arisen in this all-important war metal.

Industry. Industrial production in the Philadelphia Federal Reserve District on an adjusted basis declined 2 per cent in January to a level 8 per cent below a year earlier. Decreases in the over-all output of factory products reflected a somewhat lower rate of activity in the month at plants producing nondurable goods; operations in heavy industry lines were maintained at the December level. The production of anthracite

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Post-War Construction and Equipment Requirements Philadelphia Manufacturing Industry

Expenditures Planned and Sources of Financing

The most important problem of our economy following the war will be the reconversion of our manufacturing industries to efficient peacetime production. Effective reconversion involves more than mere return to the manufacturing of some type of peacetime product. For Philadelphia industry, this latter cost should not be great, since most of our factories are at present producing war goods substantially similar to their pre-war prototypes. In instances such as textiles, many products now being turned out for the Government could, if available, be used by civilians. The difficult reconversion problem is not just to produce civilian goods, but to adapt our productive facilities to turning out the types and quantities of products desired by the post-war world, and to utilize effectively the cumulative improvement in technology and in materials which has been one of the useful by-products of an otherwise destructive war.

In modernizing our peacetime industry, management must cope with problems of obsolescence and accumulated wear and tear on plant, and in many cases must correct a lack of balance in equipment which has been the outgrowth of specialized war production. This balance is essential to the most effective use of existing equipment. To illustrate, one concern might possess twelve lathes and two drill presses, whereas effective civilian production might require a ratio of 12 to 3. Without one new drill press, four lathes would stand idle.

A return to pre-war volume of production will be insufficient to support the level of national income necessary for approximately full employment. Reconversion will entail new construction and purchases of equipment if industry is to find adequate solutions for its post-war problems. Expansion and modernization will be necessary if our economy is to maintain high levels of productivity beyond that interim period when accumulated consumers' demand for goods, unavailable during the war, will provide a temporary stimulus to employment.

The C. E. D. Survey of New Construction and Renovation Plans in Philadelphia Manufacturing

The importance of capital expenditures to successful reconversion focuses attention on post-war plans of American industry, and the wartime trend toward liquidity among manufacturing enterprises has led to much discussion of the potential needs for outside financing in implementing these plans. With this in mind, the Philadelphia Committee for Economic Development recently circulated a "Confidential Memorandum on Construction and Renovation Prospects" among 450 manufacturing concerns in the city of Philadelphia.

According to the 283 replies received by the Federal Reserve Bank of Philadelphia, prior to the end of January 1945, Philadelphia manufacturers plan to spend an amount representing less than 7 per cent of the value of their 1939 production on new construction and equipment in the post-war period. The same survey indicates that approximately 70 per cent of such expenditures will be financed from the available funds of business itself.

Table I indicates relative coverage, based on value of output in 1939, for each of twelve groups into which Philadelphia manufacturing has been classified. It also shows percentages of reporting firms which anticipate expenditures for new construction or equipment as soon as the war situation permits. The firms replying represented, in 1939, 36.8 per cent of the total manufacturing output in Philadelphia. Except for the transportation equipment group, coverage ranges from a little less than one-fourth to over one-half of the output in each classification. Of the 283 firms replying, 159, or 56 per cent, indicate that they are already planning either new construction or equipment purchases or both. All but nine of the concerns replying have indicated sources from which they expect to finance such expenditures. Among the 159

TABLE I: Sample Coverage and Percentage of Reporting Firms Which Plan Expenditures for New Construction and Equipment

Industry	1939 value of output (Thous. $)		Coverage as % of 1939 output	% of reporting firms which plan expenditures
	Philadelphia total	Reporting firms		
Total manufacturing..	**$1,421,577**	**$522,762**	**36.8%**	**56%**
Food and tobacco....	297,240	85,152	28.7	67
Textiles.............	188,609	53,532	28.4	69
Apparel.............	149,570	35,003	23.4	41
Lumber and furniture.	23,745	7,217	30.4	44
Paper and printing...	163,427	76,510	46.8	66
Chemicals and petroleum products......	184,947	106,375	57.5	86
Leather.............	38,107	19,949	52.4	47
Iron and steel........	64,621	17,795	27.5	39
Nonferrous metals....	24,095	8,961	37.2	67
Machinery (incl. elec.).	144,923	79,581	54.9	46
Transportation equip..	80,485	10,018	12.5	60
Miscellaneous mfg.....	61,808	22,669	36.7	56

enterprises planning expenditures, 3 per cent plan new construction alone, 72 per cent indicate they will acquire new equipment without new construction, and the remaining 25 per cent expect to make expenditures for both purposes.

A sample covering approximately 37 per cent of the total value of manufactured products provides a reasonably satisfactory basis for estimating the over-all picture, and sample figures were expanded to provide dollar estimates of the expenditures now planned by Philadelphia manufacturing concerns, both by industry groups and in total. By a similar process, estimates were made as to sources from which these expenditures will be financed. The results are shown in Table II for the twelve manufacturing groups, indicating both expenditures planned and sources of financing.

Although only 28 per cent of those firms contemplating expenditures indicate that they are planning new construction, 37.5 per cent of total dollar estimates are for this purpose. Greater costs usually are involved when a construction program is planned. With 97 per cent of the firms expecting to purchase additional equipment, on the other hand, only 62.5 per cent of total estimated expenditures are involved.

Reflecting the extremely liquid condition of business generally, the survey indicates that out of $98 million in construction and equipment expenditures planned, $68 million, or 69 per cent, can be financed by businesses out of their own resources; only $26.4 million, or 27 per cent, will be raised by bank credit; and the remaining 4 per cent will come from other sources.

TABLE II: Estimates of Post-War Construction and Renovation Prospects in Philadelphia, Expenditures Planned, and Probable Sources of Funds

(In thousands of dollars)

Industry	Type of expenditure		Total requirements	Source of funds		
	New const.	Machinery		Own funds	Banks	Other sources
Food and tobacco.......	$ 9,932	$ 5,894	$15,826	$15,314	$ 512	$ 0
Textiles...............	5,095	13,269	18,364	11,147	4,315	2,902
Apparel...............	0	590	590	560	30	0
Lumber and furniture....	227	383	610	398	212	0
Paper and printing.......	7,841	22,934	30,775	21,388	9,239	148
Chemicals and petroleum products............	10,054	1,346	11,400	2,234	9,166	0
Leather...............	401	501	902	770	132	0
Iron and steel...........	163	1,765	1,928	1,498	430	0
Nonferrous metals.......	102	479	581	581	0	0
Machinery (incl. elec.)....	270	2,405	2,675	2,246	399	30
Transportation equip.....	1,205	9,320	10,525	8,515	2,010	0
Miscellaneous...........	1,426	2,397	3,823	3,320	2	501
Total manufacturing...	$36,716	$61,283	$97,999	$67,971	$26,447	$3,581

Summary of Estimates for All Philadelphia Manufacturing

	Amount	Per cent
Expenditures		
For new construction........................	$36,716,000	37.5
For equipment.............................	61,283,000	62.5
Total..................................	$97,999,000	100.0
Source of Funds		
Own funds................................	$67,971,000	69.4
Borrowing from banks.......................	26,447,000	27.0
Other sources.............................	3,581,000	3.6
Total..................................	$97,999,000	100.0

In evaluating the relative importance of these estimated expenditures on new construction and equipment, it is interesting to compare them with pre-war output. Table III shows planned expenditures (by industrial classifications) expressed as percentages of dollar volume of output in 1939.

Certain of the classifications of manufacturing are more fully engaged in war production than are others. These would include chemicals and petroleum products, iron and steel, nonferrous metals, machinery, and transportation equipment. As a group these war industries plan to spend less on new construction and equipment than do the other industries—$27,109 thousand as against $70,890 thousand. More significant is

TABLE III: Percentages of Planned Expenditures to 1939 Volume of Output

Food and tobacco..........	5.3%	Leather..................	2.4%
Textiles..................	9.7	Iron and steel.............	3.0
Apparel..................	0.4	Nonferrous metals..........	2.4
Lumber and furniture.......	2.6	Machinery (incl. elec.)......	1.8
Paper and printing.........	18.8	Transportation equipment...	13.1
Chemicals & petroleum prod..	6.2	Miscellaneous..............	6.2

Total Philadelphia manufacturing..........6.9%

the fact that these expenditures represent only 5.4 per cent of the 1939 output of the war industry group as against 7.7 per cent for all others.

Two generalizations seem to be evident in the results of this survey. First, it indicates that a rather small total expenditure on construction and equipment is planned by Philadelphia manufacturing industry in the immediate post-war period; and, second, it would seem that a relatively small proportion of bank credit will be required to finance such expenditures as are to be made.

It is important, however, to keep in mind certain limiting factors inherent in the nature of this survey. To begin with, the survey includes only manufacturing concerns within the limits of Philadelphia, excluding all trade and service enterprises as well as manufacturing industry in the important metropolitan areas surrounding the city. Furthermore, estimates refer to only two specific types of expenditure; namely, new construction and purchases of equipment. Many other costs, such as re-arrangement of plant lay out, inventory, and other working capital needs, may swell total reconversion expenditures and the need for bank credit. Finally, amounts are based on present plans of reporting firms. It is probable that only those firms with more or less definite plans in mind have been willing to estimate dollar expenditures, while others either have not thought out their post-war needs or feel that any policy must depend on conditions which develop following the war.

Liquid Assets Held by Philadelphia Manufacturing Industry

American business, generally, will face reconversion in a condition of greater liquidity than at any previous time in its history. Much stress has been placed upon huge business holdings of Government securities and demand deposits accumulated during the war, and the tendency has been strong in some quarters to arrive at the conclusion that, since such liquid resources in the aggregate exceed probable reconversion costs, there will be little need by business enterprise for credit from outside sources. The post-war reconversion problem of Philadelphia manufacturing industries will undoubtedly be influenced by the extent of their holdings of such liquid assets.

The deposit ownership study made by the Philadelphia Federal Reserve Bank for the Third District indicated that, as of July 31, 1944, commercial banks in the city of Philadelphia held demand deposits of $547 million credited to manufacturing and mining businesses. Judging by the trend in deposits of all individuals, partnerships, and corporations this figure will have increased since July and will increase more before the end of the war.

This classification of deposits in the ownership survey, however, does not give us the proper deposit figure for Philadelphia manufacturers without some adjustment because: (1) it includes deposits of mining concerns whose operations are not part of Philadelphia manufacturing; (2) outside manufacturing concerns located in the important industrial areas around Philadelphia carry deposits with Philadelphia banks; and (3) some Philadelphia industries, particularly those with home offices in other cities, carry substantial deposits elsewhere. Although no data exist for measuring the net effect of these factors, it is quite probable that the actual demand deposit holdings of Philadelphia manufacturers are lower than the total deposits of manufacturing industry held by Philadelphia banks.

Making adjustments for these discrepancies, and allowing for the continued growth in deposits until the end of the war, it may be conservatively estimated that demand deposits of Philadelphia manufacturers will be not less than $500 million when the war ends, and may be as high as $550 million. At the end of 1944 they were probably between $450 million and $500 million.

Holdings of Government securities by Philadelphia manufacturers cannot be ascertained directly, but their general magnitude can be estimated roughly. The Federal Reserve Board has estimated holdings of American business, excluding banks and insurance companies, at about $32 billion, as of December 31, 1944. Purchases by similar business corporations credited to Philadelphia in the Third, Fourth, Fifth, and Sixth War Loan Drives averaged 2 per cent of similar allotments in the country as a whole. If we assume that unincorporated business received a similar proportion, and that this percentage is also representative of accumulated holdings of Government securities, Philadelphia business would own about $640 million of Government securities. If we further assume that Government security holdings of Philadelphia manufacturers are in the same ratio to the total for all Philadelphia business as are their demand deposits, such holdings would probably amount to something over $300 million.

It would seem reasonable to assume, therefore, that Philadelphia manufacturing industries at the end of 1944 held about three-quarters of a billion dollars worth of liquid assets in the form of bank deposits and Government securities, and that the amount will increase substantially before the end of the war. Another factor in post-war liquidity of business enterprise generally, is the probability of tax refunds on a substantial scale. Such refunds would include the 10 per cent return of excess profits taxes after the war, the possibility of refunds granted on appeals for adjustment in the tax base used to determine excess profits, and the indirect effect of "carry-over" and "carry-back" features in the tax laws. No data exist for estimating the magnitude of these refunds for Philadelphia manufacturing enterprises.

It should not be concluded that this figure for liquid assets of Philadelphia manufacturers, even though it may be greater than reconversion costs of all types, indicates that no credit will be needed from banks or other sources. The most obvious weakness of such reasoning is that it attempts to apply aggregate figures, derived from thousands of balance sheets, to the problems of the individual enterprise. Neither holdings of liquid assets nor costs of reconversion will be proportionately distributed among individual concerns. The fact that one concern may have liquid assets five times greater than its costs of reconversion will not obviate the need for borrowing on the part of another concern which must spend an amount larger than its available cash and Government security holdings.

Another fallacy is a tendency to assume that all of the Government securities held by business enterprise represent funds freely available for general expenditure. Actually these securities are largely offset by accrued tax liabilities; and, indeed, a sizable proportion of them is in the form of tax savings notes. For example, the Securities and Exchange Commission estimates that all corporations, exclusive of banks and insurance companies held $18.9 billion of Government securities on September 30, 1944, but had $16.1 billion in accrued Federal income tax liabilities on the same date. On December 31, 1943, with end-of-the-year tax accruals on their books, Government security holdings of these corporations exceeded income tax liabilities by only $.1 billion, or 6/10 of one per cent. In a recent study of over 1,600 small and medium-sized businesses with assets under $10 million, the Federal Reserve System, in collaboration with the Robert Morris Associates, found that holdings of securities (mostly government) on December 31, 1943, were $444 million and Federal income tax liabilities were $509 million.

If tax accruals were to remain permanently at their present levels, there would be no necessity for offsetting them entirely with equivalent holding of liquid assets. Although charges against current earnings, they might, like other accruals, be paid out of earnings of a subsequent period and in the interim the funds represented might be used for other purposes. After the war, however, if corporate earnings decrease, tax accruals will decline also and at least part of businesses' Government securities will be absorbed in liquidating taxes accrued in an earlier period. Furthermore, most businesses would hesitate to use tax reserves as a source of funds for new construction, equipment purchases, or other reconversion costs, and for that reason will probably continue to offset a large proportion of such accruals with Government securities at least as long as tax obligations are looked upon as unusually or temporarily high.

The error in comparing gross liquid assets with reconversion costs is further illustrated in the case of demand deposits. Deposits are necessary for carrying on day-to-day business operations. Just how much of the deposit total is in excess of such needs would be difficult to say, although the amount is undoubtedly large. At the outbreak of war, demand deposits of individuals, partnerships, and corporations in Philadelphia member banks were 72 per cent of the amount held December 30, 1944. Allowing for the increased price level and for an anticipated level of national income above that of 1941, it is quite possible that $350 million of the estimated post-war deposits of Philadelphia manufacturers will be required as normal operating balances.

A final point that is sometimes overlooked in evaluating post-war credit needs of business, is the fact that with termination of war contracts some concerns will find large amounts of their working capital tied up in inventories which are not well adapted to their peacetime needs, or in receivables due from the United States Government, the final liquidation of which will be delayed until termination settlements are reached. It is true that T-loans are designed to meet this situation, but T-loans, although guaranteed, are financed by bank credit. Also, concerns at present engaged in war production are not the only ones whose inventories may be affected by the ending of war. Large amounts of substitute products and items of inferior grade may prove unsalable when the war is over, and will either have to be written off or sold at less than cost. In either case working capital will shrink and stocking of new inventory may require bank credit.

In summary, certain aspects of reconversion by Philadelphia manufacturing industries may be stressed:

1. Effective reconversion and relatively full employment will require large expenditures for new construction and equipment—a mere return to pre-war civilian production will not be sufficient. The necessary volume of such expenditures may well be greater than envisioned in present plans of individual enterprises.

2. Business at present holds an enormous volume of liquid assets, but there is danger of over-stressing the adequacy of such resources for financing complete reconversion needs. The Philadelphia survey indicates at least twenty-seven per cent of construction and equipment needs will require bank credit; and, as full realization of the magnitude of the industrial renovation problem develops, not only gross expenditures but the proportion to be financed by bank credit may increase.

3. The relative magnitude of the demand for credit will depend very largely upon business conditions and prospects at the time, including such imponderables as the national employment level, price trends, consumers' demand, Treasury and banking policy, and international political and economic developments. If, however, we are to preserve a level of national income sufficient to provide substantially full employment, business prosperity, and a rising standard of living, commercial banks must stand ready to finance sound productive enterprise as the needs appear, even though this may involve risks somewhat higher than the Government direct or guaranteed credit to which they have become accustomed during the war.

The Baking Industry

The baking industry occupies a strategic position in our economy. In general terms, baking has occupied a significant place in human activity since antiquity; bread, the "staff of life," is still the staple of our diet. In quantitative terms it is important because it has more establishments and employs more people than any other major food industry. Value of output in baking is surpassed only by that in meat packing. In 1939, bakeries provided employment for 230,000 wage earners in the United States and turned out products worth $1,412 million.

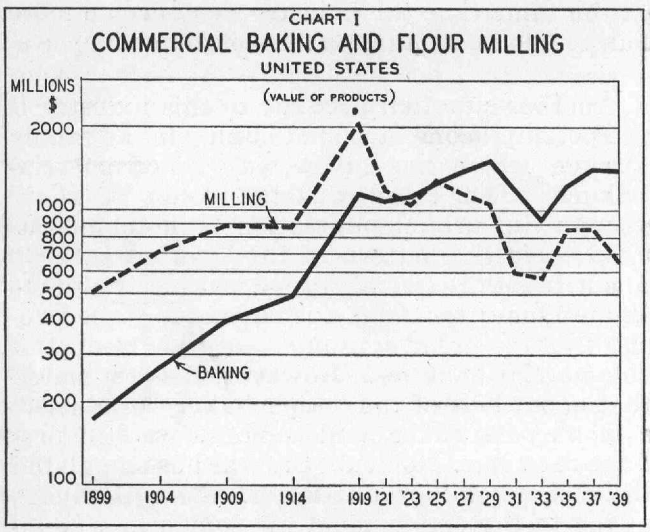
Growth of the Industry

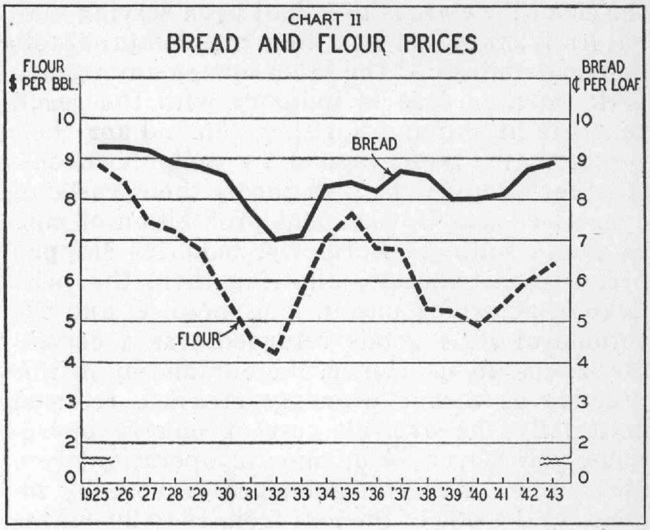
Commercial baking has grown rapidly in the present century despite declining trends in the consumption of grain products. Per capita consumption of flour decreased from 230 pounds in 1900 to 154 pounds in 1939. This is reflected in the milling industry (see Chart I) but not in baking. Until 1919, the growth of the two were somewhat parallel but since that time milling has declined and baking has continued to expand.

The continued growth of baking reflects a shift from home to commercial baking. Both economic and social reasons account for this transition. The growing urbanization of the population afforded an expanding market for bakery products as well as other processed foods. Together with the shift in population came smaller-sized family units, apartment living, and greater participation of women in industrial, civic, and social activities.

Characteristics of the Industry

There are two divisions of the baking industry: the producers of soft dough products, principally bread; and the producers of the harder, less perishable goods such as biscuits and crackers. The former is overwhelmingly the more important of the two branches, although biscuit bakeries were the first to develop.





Bread baking is predominantly small scale. It has been estimated that there were some 30,000 baking establishments in the United States in 1939. The Census of Manufactures reported 18,000 establishments producing at least $5,000 of products. Over one-half of these establishments produced between $5,000 and $20,000 of products, and more than one-fourth of the bakeries produced between $20,000 and $50,000 worth of products. Only 11 per cent of the bakeries had a sales volume of $100,000 or more.

The extreme perishability of the product necessitates rapid delivery and limits the area which a bakery can serve. Technological limitations, such as size of ovens and fermentation units, also restrict large-scale operations. Beyond a certain point, larger size of plant offers little or no saving in production costs. Growth in size brings increased costs of distribution as the marketing area is enlarged. By consolidation, many bakeries have been united into large companies but they have not eliminated the small shops. Many neighborhood bakeries owe their existence to a specialized line of products that appeal to the local trade.

The biscuit and cracker branch of the industry produces less perishable products and therefore finds it profitable to operate on a larger-scale basis. Almost 50 per cent of the establishments produce in excess of $100,000 of products and 25 per cent of them have annual sales running over a half million dollars. There are also multi-plant concerns in this division of the baking industry—three companies account for 80 per cent of the total output.

There is very little competition between the two divisions, but competition is keen within each branch. This applies particularly to bread bakeries, which require very little capital to set up in business, and working capital requirements are small also because there is a daily cash turnover. Moreover, bakeries must compete with housewives who still do considerable cake and pie baking at home.

Problems of Operation

Raw materials are the major cost of production, and flour is the largest single item. The baking industry is greatly affected by the year-to-year changes in the volume of wheat production and the resulting fluctuations in the price of flour. Flour prices vary considerably from one crop year to another and they also rise and fall within short periods of time, while retail prices of bakery products are sluggish. This is especially true of bread prices, dictated largely by custom. Thus, periodically, profit margins in baking expand or contract as raw material prices fall or rise faster than retail bread prices. (See Chart II.)

Rising raw material prices jeopardized earnings at the outset of the war. Government policies were established to check rising retail prices to consumers, but prices of raw materials continued to advance, with the result that bakers found themselves in a price squeeze. The flour miller, caught in a similar price squeeze, got relief in the form of a Government subsidy, but the bakers had to find other solutions. The difficulty which confronted the bakers was solved by a number of wartime developments. Gasoline and rubber rationing forced bakeries to reduce the size of the areas they had been serving and, naturally, they cut out their most unprofitable delivery routes. At the same time, many women took wartime jobs in industry with the result that bakeries found a rising demand for their products in their immediate neighborhoods. Another factor which reduced their costs of operations was Government prohibition of consignment selling. Formerly, bakeries shipped bread to distributors, allowing them the privilege of returning unsold merchandise, and the volume of stale goods returned was a considerable cost item. Hence, the elimination of this practice as a war economy measure reduced materially the over-all cost of bakery operations. Moreover, economies in operation were secured by baking larger sized loaves—by increasing the size of the loaf from 16 to 20 ounces—and securing Government approval to raise prices correspondingly.

Since the turn of the century the baking process has become increasingly mechanized and standardized. Improvements, such as mechanical mixers, traveling ovens, automatic temperature and humidity control assure greater uniformity of quality. Naturally, the larger bakeries have made more extensive installations of these devices; in the smaller bakeries, the process remains more of an art than a science.

Problems in Marketing

One of the problems which has confronted the industry for many years is the decline of cereals in the American diet. There has been a tendency during the past half century toward an increasing consumption of the so-called protective foods—those high in mineral salts, vitamins, and proteins—and a declining consumption of the energy foods, such as meat and cereals. The baking industry is aware of these trends and the reasons for it—changing habits of American life require less energy foods, and rising standards of living promote the consumption of higher-priced low-calorie foods.

The industry has endeavored to impress the public with the idea that "bread is basic". The nutritional value of bread, particularly since the Government enrichment program has been in effect, has been emphasized by advertising. Moreover, bakeries have been placing more emphasis upon variety of output, such as cakes, cookies, sweet rolls, and related products. By offering such products to consumers with higher incomes they have expanded their markets, but at the same time the industry has become more vulnerable to fluctuations in consumer incomes.

Another situation peculiar to this industry is the potential competition of baking in the family kitchen which has given way to commercial baking. This trend was the result of rapid growth in urban population and numerous changes in the pattern of family life. In 1900 about two-thirds of all bread baking was done in the home; by 1939, it is estimated, over two-thirds of the bread consumed was the product of commercial bakeries. However, it is estimated that about half of the "other bakery products," such as pies, cakes, and cookies, are still produced at home. No doubt the war has stimulated the commercial production of these products, owing to the employment of women in war industries and the desire to conserve household supplies of sugar and shortening. The industry recognizes the fact that improvement in quality and variety of these and other specialty products must take place after the war in order to retain the markets gained during the war.

Wartime Developments

Baking has been confronted by many of the same problems which the war has imposed on other industries. The shortage of manpower was one of its greatest difficulties. To meet this situation the industry expanded its training programs and employed more women than formerly. Material shortages of various kinds have also handicapped the industry. Sugar and shortening have been major problems, but adequate substitutes have been devised with little sacrifice of quality. Fortunately, there has been no shortage of wheat flour as there was during the First World War. Most raw material shortages are expected to end as soon as supplies flow through normal channels of distribution.

The baking industry has also had its quota of equipment difficulties. Expanded production, together with a lack of materials and available manpower for proper maintenance, has overtaxed machinery and given rise to acute needs for replacement. To prevent further impairment of productivity, machinery allotments have recently been made to this industry. In the postwar period the equipment situation will depend largely upon progress in reconversion. No extensive changes in type of machinery are in immediate prospect because methods of baking have remained substantially unchanged since the outbreak of the war.

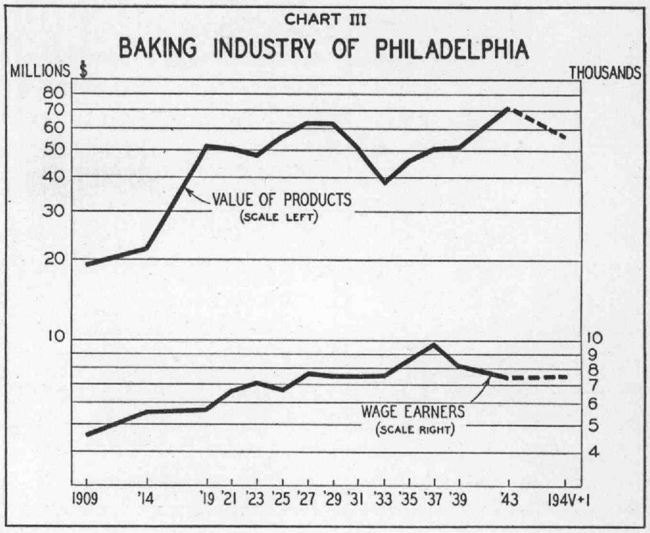
The cost-price-profit structure which was in jeopardy in the early stages of the war has improved as a result of the elimination of consignment selling, reduction in ceiling prices of pastry flour, and enforced economies in distribution. The industry generally reacted favorably to most of the Food Distribution and ODT orders, and hopes to retain the desirable features of these regulations. It is feared, however, that if these mandatory regulations were suddenly abolished, the beneficial effects would not long remain. Consignment selling, for example, was abolished by voluntary cooperation during World War I but subsequently crept back under the stress of competition.

Baking Industry of Philadelphia

The baking industry of Philadelphia has not grown as rapidly as that of the United States. Both employment and value of output declined from 6 per cent of the national totals in 1899 to about 4 per cent in 1939. This is to be expected in view of the westward shift of the country's population and the local character of baking arising from the perishability of its products.

Output of the baking industry in Philadelphia rose from $52 million in 1939 to $72 million in 1943, an increase of almost 40 per cent. (See Chart 3.) Employment decreased from 8,000 workers to 7,400 during the same period. Higher dollar volume reflects, in part, greater wartime purchases of the more expensive bakery specialties. Nevertheless the physical output increased despite a shrinking labor force. This was accomplished by restricted wartime deliveries of bakery products and longer hours of work.

According to estimates submitted by Philadelphia bakers, volume of output in the immediate post-war period is expected to be about 20 per cent below the wartime peak but 10 per cent



above the 1939 level. Employment is expected to be slightly above the 1943 peak.

Conclusion

The baking industry is in an enviable position so far as the immediate post-war period is concerned. It has no problems of reconversion; it has not over-expanded; and there has been no serious wartime inflation of prices. There is less prospect of a repetition of inventory losses suffered after the last war because the industry is required to keep inventories at moderate levels.

The major problems are expected in the field of marketing. Wartime restrictions have had salutary effects but it will be difficult to retain current practices after the controls are removed.

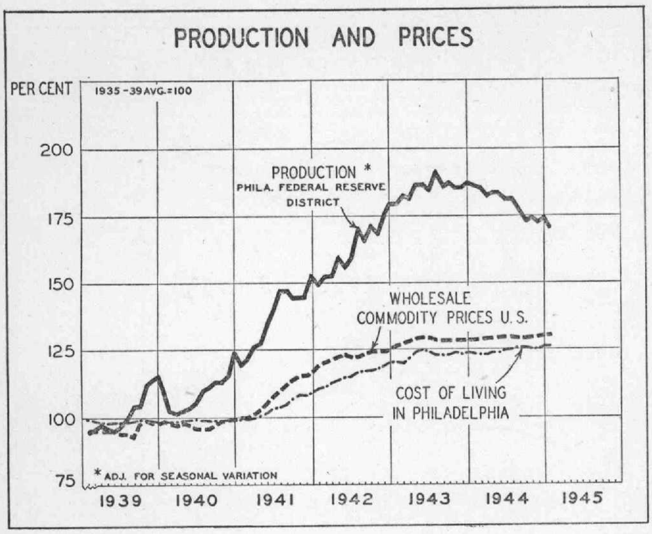
The demand for bread is relatively stable, regardless of changes in consumer purchasing power. However, should output of cakes, pastries, and other semi-luxury items continue to increase in importance, production in the baking industry will become increasingly susceptible to fluctuations in consumer incomes.

Business and Banking

(Continued from Page 1)

was sharply curtailed, as widespread storms and exceptionally severe winter weather prevented the prompt return of coal cars to the collieries for reloading. Output of crude petroleum decreased in January for the third successive month and was 15 per cent less than a year ago.

Factory employment in Pennsylvania was virtually unchanged from December to January, although some decline ordinarily occurs over the year-end inventory period. The number of workers, estimated at some 1,200,000, was about 6 per cent less than in January 1944. Decreases from the preceding year, which had grown pro-



gressively larger from March through last November, have tended to level off. Payrolls also reflect a somewhat greater degree of stability in manufacturing lines over the past several months. Approximating $54 million a week in January, they were about the same as in December and only 2 per cent smaller than a year ago. Total working time decreased slightly in the month and was down 6 per cent in the year.

The weekly income of wage earners at reporting plants in Pennsylvania averaged $48.58 in January, slightly more than in December, and 5 per cent above last year. The increase in both the month and year reflected advances in average hourly earnings. Averaging $1.09 in January, they were the highest in records covering nearly two decades. Earnings on this basis have shown an almost uninterrupted rise over the entire period of defense and war activity, with the increase since mid-1940 amounting to almost 50 per cent. Average working time decreased slightly from December to January to just under 45 hours a week.

Continued heavy consumption of coal for industrial and heating purposes while production failed to reach anticipated levels has created the most serious supply problem experienced in many years. In spite of the broad conservation measures taken in recent weeks, reserves of both anthracite and bituminous fuel have been reduced to unusually low levels, with the result that estimates of the deficit in the coal year ending March 31 have been revised upward substantially in the past several weeks. Another element of uncertainty in the supply outlook stems from the fact that the current working agreements between miners and mine operators expire within the next two months.

Output of anthracite declined from an average of nearly 183,000 tons a day in December to about 163,000 tons in January. Production on this basis was down almost one-fifth from a year earlier, and the smallest of any like month since the early nineteen thirties. At bituminous mines in Pennsylvania output showed a smaller than seasonal increase from December, and was 13 per cent less than in January 1944. Although the tonnage of soft coal mined in the country as a whole has increased considerably since the turn of the year, output in January was 3 per cent, or more than 1½ million tons below the high level reached twelve months earlier.

Building activity decreased nationally and locally from December to January. Expenditures for new construction in the country totaling $340 million showed only a small decline in the month, but were down nearly one-tenth from January 1944. The decline in the year was entirely in the publicly financed field, where expenditures were reduced approximately 30 per cent. Construction undertaken with private funds was 14 per cent larger in January this year than last.

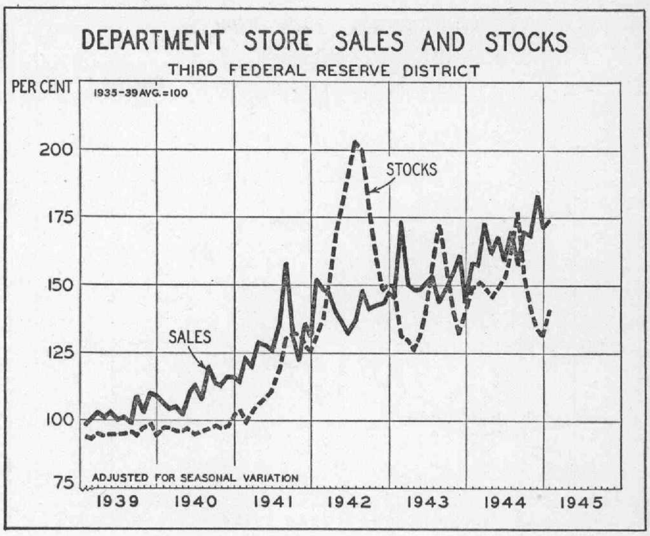
In this district, the value of contracts awarded decreased 8 per cent in January and was nearly one-third less than a year earlier. Sharp declines from December were reported in awards for all types of construction except educational buildings and public works and utilities. The dollar volume of January placements was the smallest reported for that month since 1935. The acute shortage of lumber and certain other building materials and the continued manpower stringency suggest that the present low level of construction activity may persist through the spring and summer months at least.

Freight-car loadings in January were maintained a little above the level of the preceding month but were somewhat smaller than a year earlier. On an adjusted basis, loadings of agricultural commodities and ore showed increases of 10 per cent or more in the month; the movement of merchandise and miscellaneous freight increased slightly, while declines occurred in the case of less than car-lot merchandise and solid fuels. The only increases over January 1944 were reported in shipments of live stock and miscellaneous freight. In other categories declines ranged from about 5 per cent to more than one-third, reflecting principally traffic delays occasioned by the unusually severe winter weather prevailing throughout the entire month.

Trade. Business at wholesale showed virtually no change from December to January, but was somewhat larger than a year earlier. The dollar volume of drug, dry goods, and grocery sales increased in the month, while decreases, in most cases substantial, occurred in other reporting lines. Changes over the twelve months also were mixed, with increased sales of drugs, electrical supplies, groceries, and hardware partly offset by declines in dollar volume at establishments handling dry goods, jewelry, and paper. Inventories decreased in the month and year in a majority of wholesale lines; in the aggregate, the value of stocks was down 4 per cent in January and about one-tenth less than a year earlier.

Retail dollar sales by department, apparel and shoe stores in this district were considerably larger in January this year than last. Comparisons with December, however, showed no such uniform pattern; on an adjusted basis department and women's apparel stores sales increased about one per cent, while declines of 25 and 13 per cent respectively occurred at men's apparel and shoe stores. Sales of furniture, unadjusted for seasonal change, dropped sharply from December to January, but were moderately larger than a year earlier. Inventories at department stores showed a small contra-seasonal increase in the month, and they were unusually well maintained at women's apparel stores. Stocks at shoe stores declined rather sharply from the December level, but no significant change was reported by furniture stores. Declines from January 1944 were shown in all lines.

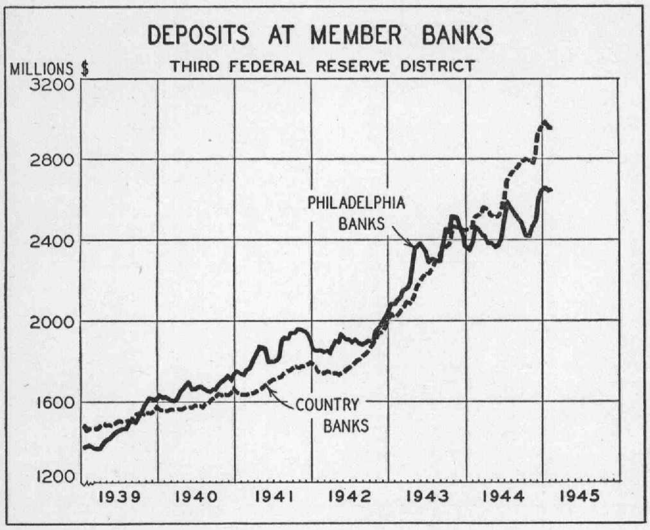
Department store sales, which last year reached a record volume estimated at some $388 million for the district as a whole, showed increases over 1943 ranging from 3 per cent in the main store home furnishings department to 25 per cent in the piece goods department. Within these extremes were gains of 11 per cent in women's apparel, 7 per cent in men's and boys' wear, and 12 per cent in small wares. Gains by main store and basement departments were very nearly proportionate from 1943 to 1944, while in the preceding year sales increased 9 per cent in the main store but declined 3 per cent elsewhere.



Sales in the great majority of individual lines increased last year, the only declines being in furs, floor coverings, major household appliances, and housewares. The luxury tax imposed on furs last spring doubtless restricted consumer demand in this category, while war induced shortages were chiefly responsible for smaller sales of the durable items.

Over the war period to the end of 1944 these stores experienced an average annual increase in sales of approximately $30 million. The sharpest rise in any single year was $42 million, or about 16 per cent, reported in 1941. Subsequent gains aggregating $88 million or 29 per cent were reported over the three years ended in 1944. Although further expansion in dollar volume is entirely possible during 1945, the increasing difficulty of replenishing stocks is expected to impose greater limitations on consumer purchasing than in any of the other war years.

Banking conditions. Developments at reporting banks in this district over the past month were in line with expectations between loan drives. Customers' deposits continued to expand, despite currency outflow and repayments on loans, and by February 21 had recovered nearly one-half of the loss sustained during the drive and the subsequent period of heavy tax payments In part this reflected Treasury pay-



ments to individuals and business concerns from accumulated funds. Withdrawals from United States Government and interbank balances were sufficiently heavy to reduce total deposits in the month by some $40 million to $2,748 million. Over the longer term, as shown in the chart covering all member banks in the district, the trend of deposits has been upward, with gains at country banks over the past year much greater than at city banks in this district.

Investments of banks in leading cities reached a new high early in February, but by the 21st had dropped to $2,035 million, showing a net decline of $20 million over a four-week period. Steps taken to maintain reserves in the face of declining deposits were reflected in a decrease of $31 million in Treasury bills; holdings of United States bonds, which had been rising steadily, also were reduced somewhat, but there was a corresponding increase in certificates. The reporting banks have been adding slowly but steadily to their holdings of miscellaneous securities since the turn of the year.

Loans have dropped further this year, declining from $447 million late in 1944 to $417 million on February 21. This reflected contraction in commercial loans to the lowest point in nearly five years, repayments on advances made during the loan drive to carry Governments, and smaller borrowings by other banks. Many expect loans to expand with the coming of peace, as banks assist financially in the reconversion and renovation of plant and equipment, in the restoration of civilian inventories, and in the extension of consumer credit. Whatever the volume of this new demand, it can hardly be expected to restore loans to their pre-war importance. Fifteen years ago loans made up two-thirds of the earning assets of all member banks in this district; a decade later the proportion was two-fifths; and by December 31, 1944, it was only one-sixth.

Reserves of Third District banks have declined somewhat in the past four weeks, while continuing above a year ago. Seasonal return of currency in the weeks immediately after the holidays was followed by a substantial outflow, and a still larger volume of funds was taken from the local market by Treasury operations. These losses were largely offset by gains in commercial transactions with other districts and funds provided by the Federal Reserve Bank. Direct loans of this Bank increased more than $11 million, and its holdings of Treasury bills under repurchase option increased $56 million to $244 million.

Records for the last half of January show that in this district and in the nation the bulk of the excess reserves of member banks are held by country banks. For banks in Philadelphia the proportion of excess to required reserves averaged 3½ per cent, as against 5 per cent for all reserve city banks; at country banks the district proportion was 24 per cent, compared with 24½ per cent for all member banks in this reserve classification.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation					Not adjusted		
	Jan. 1945	Dec. 1944	Jan. 1944	% change Jan. 1945 from		Jan. 1945	Dec. 1944	Jan. 1944
				Mo. ago	Year ago			
INDUSTRIAL PRODUCTION	138p	141	151r	− 2	− 8	137p	139	149r
MANUFACTURING	144p	146	156r	− 2	− 8	142p	144	154r
Durable goods	219p	219	244r	0	− 10	.....	.....	.....
Consumers' goods	91p	96	93	− 5	− 2	.....	.....	.....
Metal products	181	182r	190	− 1	− 5	174	174	183
Textile products	65p	70	68r	− 7	− 4	67p	70	70r
Transportation equipment	525p	525	637r	0	− 18	529p	540r	643r
Food products	119p	124	119r	− 4	+ 1	117p	122	116r
Tobacco and products	104	127	117	−18	− 12	86	92	97
Building materials	38	36r	41	+ 7	− 6	33	33r	35
Chemicals and products	170p	175r	171	− 3	0	167p	171r	167
Leather and products	94p	97	100r	− 3	− 6	97p	90	103
Paper and printing	94	94r	95	− 1	− 2	94	95r	95
Individual lines								
Pig iron	99	95	107	+ 5	− 7	96	94	103
Steel	137	145r	144	− 5	− 5	135	136r	141
Silk manufactures	81	86	83	− 6	− 3	83	88r	85
Woolen and worsteds	64p	70	59r	− 8	+ 8	64p	65	60r
Cotton products	43	42	47	+ 2	− 8	43	45	47
Carpets and rugs	62p	63	54r	0	+ 14	62p	63	54r
Hosiery	65	71	72	− 9	− 10	67	69	75
Underwear	139	145	150	− 4	− 7	137	144r	147
Cement	35	32r	40	+10	− 12	25	26r	28
Brick	50	49r	56	+ 3	− 11	47	47	52
Lumber and products	34	31r	33	+ 9	+ 3	31	30r	30
Bread and bakery products	.....	.....	.....	− 3*	+ 7*	129	133r	120
Slaughtering, meat packing	97	107	127	−10	− 24	105	115	139
Sugar refining	143	160r	141	−10	+ 1	99	104r	97
Canning and preserving	157p	155	144r	+ 1	+ 9	156p	157	139r
Cigars	103	126	117	−18	− 12	85	91	96
Paper and wood pulp	85	84	86	+ 2	− 1	84	85	85
Printing and Publishing	95	97	97	− 1	− 2	95	98	97
Shoes	125	128	120	− 2	+ 4	127	108	123
Leather, goat and kid	65p	67	80	− 3	− 19	69p	73	85r
Paints and varnishes	103	97	107	+ 6	− 3	93	94	96
Coke, by-product	169p	172	168	− 2	0	169p	167	168
COAL MINING	63	70	77	−11	− 18	64	71	78
Anthracite	61	69	75	−12	− 19	61	69	75
Bituminous	76	82	89	− 5	− 13	88	86	102
CRUDE OIL	327	340	383	− 4	− 15	314	320	368
ELECTRIC POWER	431	413	405	+ 5	+ 7	457	442	429
Sales, total	444	426	430	+ 4	+ 3	458	439	443r
Sales to industries	358	377	368	− 5	− 3	347	358	357
BUILDING CONTRACTS								
TOTAL AWARDS†	25	33	38	−23	− 32	28	37	42
Residential†	6	6	38	+ 2	− 85	5	6	31
Nonresidential†	51	60	54	−14	− 6	55	64	59
Public works and utilities†	26	53	26	−51	0	34	64	33

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

p—Preliminary.
r—Revised.

Local Business Conditions *

Percentage change—January 1945 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Dec. 1944	Jan. 1944	Dec. 1944	Jan. 1944	Dec. 1944	Jan. 1944	Dec. 1944	Jan. 1944	Dec. 1944	Jan. 1944
Allentown	− 1	− 6	+ 2	+ 4	− 52	− 77	−59	+ 3	− 5	+ 9
Altoona	+ 1	+ 1	− 3	+14	+ 22	+329	−57	+15	− 7	+15
Harrisburg	− 1	0	+ 3	+ 4	− 82	− 76	−57	+ 5	− 8	−13
Johnstown	− 1	− 2	+ 6	+ 2	+468	+124	−57	+17	− 9	+12
Lancaster	− 2	−12	− 3	−11	+ 57	+ 69	−58	+ 4	−13	+ 3
Philadelphia	− 1	−10	− 2	− 5	......	......	−52	+12	− 6	+12
Reading	0	− 5	− 1	− 2	− 42	− 31	−59	+ 2	−12	+ 2
Scranton	+ 1	+10	− 3	+29	− 17	+ 15	−62	+ 8	−38	+ 8
Trenton	......	......	......	......	+ 17	− 26	−66	0	−34	− 6
Wilkes-Barre	+ 1	+ 2	− 2	+22	+ 19	+179	−57	+19	−10	+ 4
Williamsport	+ 1	−10	+ 5	− 7	+ 12	− 60	......	......	− 2	− 3
Wilmington	− 2	−10	− 5	− 8	− 53	− 80	−59	+14	−26	+ 7
York	− 1	− 2	− 3	+ 4	+475	+ 18	−60	+ 6	−16	+ 6

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

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932 = 100	Employment			Payrolls		
	Jan. 1945 index	Per cent change from		Jan. 1945 index	Per cent change from	
		Dec. 1944	Jan. 1944		Dec. 1944	Jan. 1944
GENERAL INDEX	129	− 4	− 5	325	− 2	− 2
Manufacturing	178	0	− 6	487	0	− 2
Anthracite mining	43	− 7	−12	86	− 8	− 6
Bituminous coal mining	72	0	−10	343	+ 4	− 9
Building and construction	42	− 9	+ 1	102	−13	− 4
Quar. and nonmet. mining	74	− 5	−12	232	− 4	−14
Crude petroleum prod.	133	+ 2	− 1	244	0	+ 6
Public utilities	97	0	− 1	150	+ 2	+ 9
Retail trade	116	−18	+ 4	162	−16	+ 5
Wholesale trade	102	− 2	− 2	149	− 2	+ 4
Hotels	101	− 1	0	175	− 2	+ 9
Laundries	97	− 2	− 2	172	− 2	0
Dyeing and cleaning	93	− 1	− 2	151	+ 2	0

Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	Jan. 1945 index	Per cent change from		Jan. 1945 index	Per cent change from	
		Dec. 1944	Jan. 1944		Dec. 1944	Jan. 1944
TOTAL	115	0	− 6	199	0	− 2
Iron, steel and products	124	0	− 6	273	0	− 2
Nonferrous metal products	213	+ 1	+10	461	− 1	+ 9
Transportation equipment	153	− 1	−15	281	0	−10
Textiles and clothing	78	− 2	− 5	121	− 3	0
Textiles	72	− 2	− 4	113	− 4	0
Clothing	101	− 2	− 8	161	− 1	0
Food products	125	− 1	+ 3	192	− 3	+ 6
Stone, clay and glass	82	0	− 7	122	− 3	− 4
Lumber products	50	− 2	+ 3	83	− 1	+ 8
Chemicals and products	116	0	− 5	212	− 1	+ 1
Leather and products	71	0	− 7	116	− 1	− 1
Paper and printing	100	− 2	− 2	149	− 2	+ 2
Printing	94	− 2	0	130	− 3	+ 2
Others:						
Cigars and tobacco	50	− 1	−13	74	− 4	− 9
Rubber tires, goods	153	+ 3	+ 1	336	+12	+12
Musical instruments	91	− 2	− 6	137	+11	−24

* Figures from 2808 plants.

Hours and Wages

Factory workers Averages January 1945 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	44.8	0	$1.089	+ 5	$48.58	+ 5
Iron, steel and prods.	46.1	− 1	1.149	+ 5	53.01	+ 4
Nonfer. metal prods.	45.9	0	1.022	+ 2	46.96	+ 2
Transportation equip.	46.9	0	1.294	+ 9	60.69	+ 9
Textiles and clothing	39.7	0	.798	+ 7	31.58	+ 7
Textiles	40.8	0	.809	+ 5	33.02	+ 6
Clothing	36.8	0	.768	+12	28.48	+11
Food products	43.4	+ 1	.812	+ 1	35.57	+ 3
Stone, clay and glass	40.1	+ 2	.927	+ 2	36.95	+ 3
Lumber products	42.7	− 3	.794	+ 7	33.77	+ 3
Chemicals and prods.	45.6	+ 1	1.087	+ 5	49.49	+ 6
Leather and prods.	41.8	+ 1	.774	+ 6	32.46	+ 7
Paper and printing	43.5	+ 1	.924	+ 4	40.48	+ 5
Printing	39.9	− 1	1.078	+ 4	43.11	+ 3
Others:						
Cigars and tobacco	42.1	− 2	.644	+ 7	27.10	+ 5
Rubber tires, goods	44.8	0	1.088	+ 8	48.68	+ 8
Musical instruments	42.8	−13	.922	− 7	39.46	−19

* Figures from 2664 plants. † Figures from 2808 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change Jan. 1945 from Month ago	Year ago
Sales		
Total of all lines	0	+ 3
Drugs	+16	+ 2
Dry goods	+62	−10
Electrical supplies	−28	+ 6
Groceries	+ 4	+ 9
Hardware	−11	+14
Jewelry	−40	−24
Paper	− 6	− 5
Inventories		
Total of all lines	− 4	−10
Dry goods	−15	−34
Electrical supplies	− 5	+17
Groceries	− 7	−16
Hardware	+ 2	− 6
Jewelry	+ 7	−27
Paper	− 5	+ 5

Source: U. S. Department of Commerce.

Prices	Jan. 1945	Per cent change from Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)	183	0	+ 2	+ 83
Wholesale (1926 = 100)	105	0	+ 2	+ 40
Farm	126	+ 1	+ 4	+107
Food	105	− 1	0	+ 56
Other	99	0	+ 1	+ 24
Living costs (1935-1939 = 100)				
United States	127	0	+ 2	+ 29
Philadelphia	126	0	+ 2	+ 28
Food	135	0	0	+ 45
Clothing	144	0	+ 8	+ 45
Fuels	109	0	+ 1	+ 13
Housefurnishings	141	0	+13	+ 41
Other	121	0	+ 3	+ 20

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation: Jan. 1945	Dec. 1944	Jan. 1944	Per cent change Jan. 1945 from Month ago	Year ago	Not adjusted: Jan. 1945	Dec. 1944	Jan. 1944
RETAIL TRADE								
Sales								
Department stores—District	174p	171	159r	+ 1	+ 9	134p	305	122
Department stores—Philadelphia	170	158	152	+ 7	+11	134	287r	120
Women's apparel	174p	173	154r	+ 1	+13	151p	285	133r
Men's apparel	130	174	111	−25	+17	133	317	112
Shoe	153p	177	141	−13	+ 9	120p	211	110
Furniture	.....	.....	.....	−53*	+ 6*	.....	.....	.....
Inventories								
Department stores—District	141p	132	149	+ 7	− 5	124p	120	131
Department stores—Philadelphia	133	125	147	+ 6	− 9	119	118	131
Women's apparel	183p	168	195	+ 9	− 6	159	164	170
Shoe	72p	80	98	−10	−27	62p	72	85
Furniture	.....	.....	.....	0*	− 8*	.....	.....	.....
FREIGHT-CAR LOADINGS								
Total	132	131	140	+ 1	− 5	126	125	133
Merchandise and miscellaneous	136	134	136	+ 2	+ 1	127	127	126
Merchandise—l.c.l.	85	86	89	− 2	− 5	80	85	83
Coal	116	119	136	− 2	−15	130	128	152
Ore	130	113	200	+15	−35	50	57	76
Coke	164	173	189	− 5	−13	188	187	218
Forest products	118	106	129	+11	− 9	95	91	105
Grain and products	121	111	139	+10	−13	118	115	135
Livestock	164	128	153	+28	+ 7	166	139	154
MISCELLANEOUS								
Life insurance sales	118	106	113	+11	+ 5	112	114	107
Business liquidations								
Number	.....	.....	.....	−71*	−71*	3	10	10
Amount of liabilities	.....	.....	.....	−45*	−41*	5	9	81
Check payments	198	189	188	+ 5	+ 5	196	226	186

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

BANKING STATISTICS

Reporting member banks (Millions $)	Feb. 21, 1945	Changes in— Four weeks	One year
Assets			
Commercial loans	223	− 6	− 39
Loans to brokers, etc.	34	− 2	− 14
Other loans to carry secur.	15	......	+ 1
Loans on real estate	34	− 1	− 4
Loans to banks	......	− 3	......
Other loans	111	+ 5	+ 4
Total loans	417	− 7	− 52
Government securities	1810	− 30	+ 212
Obligations fully guar'teed	54	− 2	− 15
Other securities	171	+ 12	− 6
Total investments	2035	− 20	+ 191
Total loans & investments	2452	− 27	+ 139
Reserve with F. R. Bank	406	+ 2	+ 50
Cash in vault	28	− 2	− 2
Balances with other banks	76	− 4	− 1
Other assets—net	51	+ 1	− 11
Liabilities			
Demand deposits, adjusted	1748	+ 38	+ 222
Time deposits	194	+ 3	+ 24
U. S. Government deposits	473	− 63	− 111
Interbank deposits	333	− 19	+ 18
Borrowings	8	+ 8	+ 7
Other liabilities	17	− 1	+ 4
Capital account	240	+ 4	+ 11

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended— Jan. 31	Feb. 7	Feb. 14	Feb. 21	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	+37.5	−31.7	+31.8	+31.9	+69.5
Commercial transfers (chiefly interdistrict)	+ 3.8	+23.8	+14.8	+ 3.6	+46.0
Treasury operations	−37.8	+12.3	−35.6	−25.4	−86.5
Total	+ 3.5	+ 4.4	+11.0	+10.1	+29.0
Uses of funds:					
Currency demand	+ 4.0	+10.2	+11.5	+12.9	+38.6
Member bank reserve deposits	+ 1.1	− 6.0	− 1.2	− 2.8	− 8.9
"Other deposits" at Reserve Bank	− 1.5	+ 0.1	+ 0.6	+ 0.0	− 0.8
Other Federal Reserve accounts	− 0.1	+ 0.1	+ 0.1	− 0.0	+ 0.1
Total	+ 3.5	+ 4.4	+11.0	+10.1	+29.0

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1944: Feb. 1-15	$354	$336	18	6%
1945: Jan. 1-15	388	373	15	4
Jan. 16-31	389	376	13	3
Feb. 1-15	392	380	12	3
Country banks				
1944: Feb. 1-15	271	208	63	30
1945: Jan. 1-15	316	247	69	28
Jan. 16-31	308	249	59	24
Feb. 1-15	301	251	50	20

Federal Reserve Bank of Phila. (Dollar figures in millions)	Feb. 21, 1945	Changes in Four weeks	One year
Discounts and advances	$ 11.8	+$11.3	+$ 8.4
Industrial loans	2.8	+ .1	− 1.3
U. S. securities	1260.2	+ 22.7	+ 437.0
Total	$1274.8	+$34.1	+$444.1
Note circulation	1459.1	+ 31.6	+ 289.2
Member bk. deposits	684.0	− 8.9	+ 84.8
U. S. general account	42.1	+ 29.1	− 6.7
Foreign deposits	109.6	+ 13.1	− 32.4
Other deposits	4.8	− .8	− 2.7
Total reserves	1032.1	+ 29.1	− 120.3
Reserve ratio	44.9%	....	− 13.7%