

THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

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Current Business and Banking

Industrial reconversion since V-E Day has been retarded basically by two obstacles—uncertainty of military requirements for the war against Japan, and the shortage of steel. Clarification of the former is expected soon but steel mills and the metal fabricators are heavily booked with high priority orders so that the makers of consumer goods must continue to stand in line.

During the past month the War Production Board has continued to prepare the way for large scale reconversion. Production quotas have been set for the manufacture of passenger automobiles and major household appliances; substantial quantities of aluminum and brass have been released for civilian use, and consumers of copper are permitted to purchase up to a thirty-day supply. The Spot Authorization Plan, having largely served its purpose of initiating reconversion in small plants with munition-free facilities, was revised at the end of June. Procedure under the plan as amended enables manufacturers to produce more items on a "catch as catch can" basis.

At this stage of the reconversion program particular attention is being paid to the needs of the nation's railroads. The redeployment of troops and the mounting volume of military freight moving westward is causing new and complicated traffic problems for the carriers. Recognizing the need for more rolling stock, the War Production Board has placed the entire freight-car building industry and many suppliers of

parts on the National Production Urgency list. The action assures priorities on materials for a large number of producers, including quite a few located in this district. It also assures car builders and their suppliers preference in manpower referrals through the United States Employment Service.

Cut-backs in munitions schedules are increasingly reflected in an easier manpower situation throughout the country. The number of tight labor areas continues to decline, and in many sections, notably Detroit, controls have been relaxed. In Philadelphia and nearby counties, controls have been relaxed in the past month to the extent of exempting women from employment ceilings. As estimates of the labor requirements of war industry continue to diminish, other manpower regulations in this industrial area may be eased in the third quarter.

Industry. Productive activity in the Philadelphia Federal Reserve District slackened considerably in May and was substantially below the level of a year earlier. Manufacturing operations decreased largely as a result of reduced war orders. In the coal mining industry, activity was drastically curtailed by the strike at anthracite collieries.

Output of factory products on an adjusted basis decreased 5 per cent in the month and showed a drop of 13 per cent from May 1944. Pronounced decreases from April to May oc-

(Continued on page 7)

The Economy of the Third Federal Reserve District

Part II—Prospects

The economic development of this area from its colonial origin to the present has been a process of continuous change in adaptation of local resources to changing needs and requirements. In the light of a rich heritage the effects of the war on the livelihood of the people of this district and the post-war prospects may be appraised more effectively.

The Third Federal Reserve District is a small but highly industrialized community. In 1940 over 7¾ million, almost 6 per cent of the country's population, made their living in this area which contains only 1.2 per cent of the total land area of the United States. The 60 counties composing the district had an average population density of 210 per square mile, in contrast with 44 for the entire country. Although it is highly industrialized, this does not mean that most workers were employed in factories. On the contrary, it is surprising how few people were engaged in manufacturing. Of every 100 persons employed in 1940, only 34 worked in factories, 7 on farms, 5 in mines, and 4 in the building trades. Thus, half of the workers were engaged in extracting raw materials from the earth and converting them into physical goods for immediate or ultimate consumption. (See Table 1.)

These goods-producing industries are primary, not in the sense that they are more important than others but because they were the first to be developed and still produce most of the basic necessities of life—food, clothing, and

shelter. Of course, the economy is now so highly specialized that the primary industries are interdependent, not only upon each other but also upon the service-producing industries which employ the other half of the gainfully occupied.

The service-producing industries are secondary in the sense that they facilitate the operations of the primary industries and also afford innumerable ways for increasing the comforts of living. They provide health, travel, education, entertainment, police protection, light, water, heat, repairs, storage, finance, and so forth.

Business and personal services, such as insurance, domestic and professional services, accounted for 19 per cent of the total employed. Trade accounted for 17 per cent; utilities and transportation, 7 per cent; and Government services, 7 per cent. The importance of these industries as a means of livelihood is often overlooked, perhaps because they are strictly local industries and ultimately dependent upon manufacturing, mining, and agriculture of the area for their prosperity.

But this is not the full picture of the pre-war economy of this district, for it includes only the 2,645 thousand persons who were successful in finding employment. Actually 3,225 thousand persons would have had jobs had there been enough to go around; but there were 580 thousand persons, or 18 per cent of the labor force unemployed.

The District's Economy—War Peak

The unlimited demands of war have eliminated this problem for the moment. Young men were drawn into the armed services and total civilian employment rose from 2,645 thousand to 3,136 thousand in the district between 1940 and 1943, an increase of almost 20 per cent. The necessary emphasis upon fabricated goods further concentrated the working people of this area into manufacturing pursuits. Employment in manufacturing grew 44 per cent from the pre-war level of 897 thousand to 1,293 thousand at the war peak, when it constituted 41 per cent of the total employed, in contrast to 34 per cent in 1940.

TABLE I: Estimated Employment in Third District

	1940		1943		194X*	
	(Thous.)	%	(Thous.)	%	(Thous.)	%
Total.....	2,645	100	3,136	100	3,034	100
Goods-producing industries ..	1,324	50	1,666	53	1,548	51
Manufacturing.....	897	34	1,293	41	1,092	36
Agriculture.....	174	7	168	5	174	6
Mining.....	137	5	116	4	137	4
Building.....	116	4	90	3	145	5
Service-producing industries ..	1,321	50	1,470	47	1,485	49
Service-business and personal	494	19	465	15	532	18
Trade.....	443	17	453	14	507	17
Utilities.....	197	7	238	8	228	7
Government (excluding mfg.).	188	7	314	10	219	7

Note: Figures are rounded and do not necessarily add to totals.
*194X designates first year after reconversion.

To facilitate expansion in this field, further increases in the industries essential to the processes of manufacturing—transportation, communication, light, heat, and power—were necessary. This group increased 20 per cent in this district over the war period, from 197 thousand to 238 thousand. The war also stimulated a substantial increase of employment in Government service; it rose from 188 thousand to 314 thousand as a result of vastly increased needs for manpower in administrative offices and training centers and the migration of some Government departments from Washington to this area.

A slight increase of employment in wholesale and retail trade raised the employment level from 443 thousand to 453 thousand. More people were required to handle the larger wartime volume of sales but most or all of the increase may represent part-time workers.

The additional persons working in manufacturing and utilities have been drawn not only from the ranks of the pre-war unemployed but also from other fields, such as agriculture, mining, construction, and service. It is priority of demand rather than lack of demand which explains the decreases in employment. Agriculture and mining have expanded production above pre-war levels by substantially increasing the productivity of their workers. Construction, on the other hand, was operating below its pre-war volume in 1943, since much of the war construction had been finished and shortages of both men and materials prevented the undertaking of nonessential contracts. In the service industries the basic problem was almost entirely manpower, and as a result their level of activity was necessarily far below that warranted by consumer purchasing power.

The over-all effect of the war has been a substantial change in the distribution of workers from industries producing services to those producing goods, particularly war goods, raising the proportion of total employed in the primary industries from 50 to 53 per cent and lowering the share of the secondary industries correspondingly. The realignment of the economy to peacetime demands at a high level of employment will be the basic problem of the immediate post-war period.

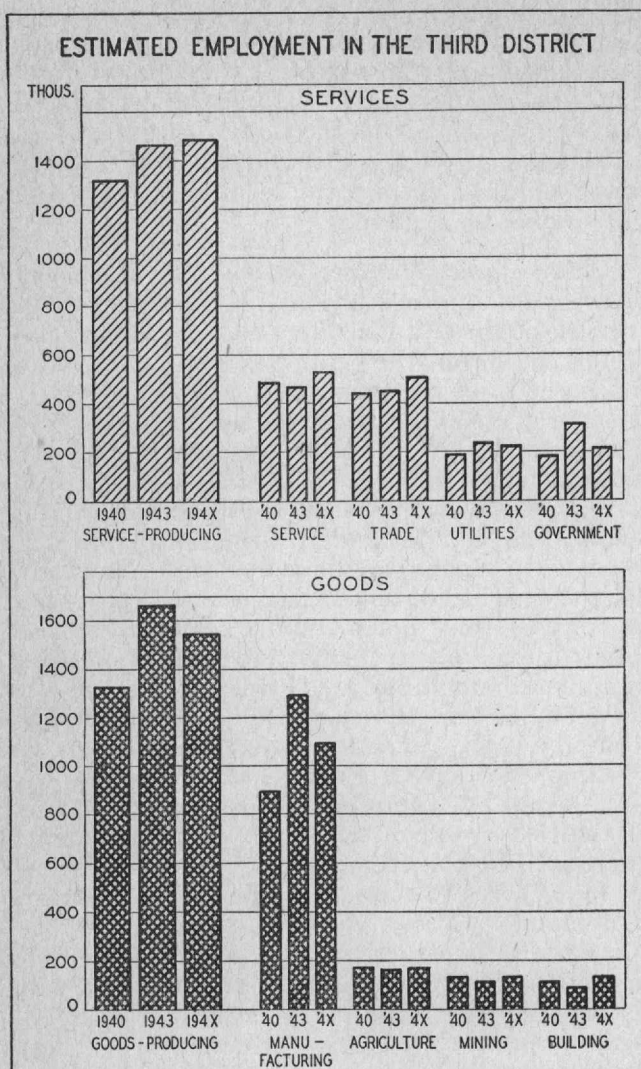
Short-Run Prospects of the Third District

On the basis of private surveys, employment prospects of the Third District have been estimated roughly for the first year after reconver-

sion has taken place—called 194X. Since reconversion will begin at different times for different producers and will be of varying duration, it is obvious that 194X cannot be associated with any specific calendar year. However, these estimates suggest the direction of the changes which will take place in the local economy as the war comes to a close.

Certain qualifications about 194X should be borne in mind in studying the results of these estimates. First, a considerable lag may be expected between the manufacture of civilian goods and their appearance on retailers' shelves. In some cases there will be even longer delays where stockpiles of basic raw materials for manufacturing have been drawn down below normal levels over the war period, as in the case of lumber. Secondly, although plants will be ready to resume civilian production, in many cases they will not be operating at full post-war capacity because not all manufacturers will be able to expand capacity and obtain needed equipment immediately. Third, civilian demand for goods in this first post-war year will be abnormally high, reflecting the accumulation of wartime shortages. Finally, and most important, despite the completion of reconversion, this will still be a year of transition and adjustment. There will be the tremendous job of retraining the labor force to the normal peacetime pattern of demands. Many workers losing their jobs through the contraction of war industries will be shifting from one job to another. It will also be a period when many firms will be offering new products and new services to the test of the market.

Total employment in 194X in the district is estimated at 3,034 thousand—a decline of 102 thousand, or 3 per cent below the war peak. The 194X labor force is expected to be approximately 4 per cent greater than the pre-war labor force, or about 3,354 thousand; hence, unemployment might be in the neighborhood of 320 thousand, or 10 per cent of the labor force—a substantial reduction over the 18 per cent unemployed in 1940. Allowing for customary unemployment due to such causes as illness, seasonability, and workers shifting from one job to another, the problem of full employment will be to absorb an additional 200 thousand into productive occupations. To accomplish this means raising the employment level above the war peak, but with the difference that these human resources will be used less intensively and in different occupations than during the war.



With the exception of trade, the broad occupational groups which increased over the war period—manufacturing, utilities, and Government—will not maintain their wartime levels through 194X. Those experiencing declines over the war period—agriculture, mining, construction, and service—will be recruiting additional employees in this period. Consumers' unsatisfied demands for radios, automobiles, good quality apparel, shoes, and the like, will be enormous but they will not entirely replace the needs for tanks, guns, battleships, and other instruments of war.

The availability of manpower in 194X will make possible the expansion of trade and services to levels more in keeping with the demands of consumer purchasing power than was possible at the war peak. The availability of manpower and materials also explains the rela-

tively large increase in employment expected in the construction industry. Although the demands for building and repair resemble the pent-up demand for many durable manufactured goods, like trade, this industry may be delayed in getting its operations under way until its raw materials are produced by manufacturing and extractive establishments. The number employed in construction may be expected to expand as rapidly as materials become available.

The expected decrease in "utility" employment primarily reflects a result of the lower level of operations in manufacturing. However, it should be noted that the decline is only 4 per cent in this field, compared with a decline of 16 per cent in manufacturing. Agriculture and mining are both expected to increase employment to pre-war levels, which in each instance will mean greater output than in 1940 as a result of wartime increases in productivity. It is not likely that employment in these two industries will increase much beyond these levels in the immediate post-war period, since neither the demand for food nor for domestic heating fuel is very elastic. Moreover, the long-run pre-war trend of employment in both these industries was downward, reflecting in both cases substantial increases in productivity and inelasticity of demand. In the case of mining, the rise of competitive fuels produced outside the district is another unfavorable factor.

Finally, a decrease of one-third is anticipated in Government employment as the need for controls gradually declines. Military and naval establishments will be curtailed, and certain government agencies may be expected to return to Washington.

The result of these shifts among the various industries will be a distribution of employment between the pre-war level and the war peak. The economy will have a greater concentration of workers in manufacturing than in 1940, but less than in 1943. Agriculture and mining will rank slightly higher than during the war but not as high as pre-war.

The primary industries as a whole will employ about 51 per cent of the workers and the service-producing industries as a whole will employ 49 per cent of the total. Only construction will surpass both its pre-war and war-peak proportions by employing 5 per cent of total employment in 194X.

TABLE II: Estimated Manufacturing Employment in Third District

	Employment (in thousands*)			Per cent change		
	1940	1943	194X	1940- 1943	1940- 194X	1943- 194X
Manufacturing.....	897	1,293	1,092	+ 44	+ 22	- 16
Textile mill products.....	156	141	173	- 10	+ 10	+ 22
Iron and steel products.....	125	218	152	+ 75	+ 21	- 31
Apparel and other fabricated textile products.....	104	127	116	+ 22	+ 11	- 9
Food and kindred products.....	73	80	87	+ 9	+ 20	+ 10
Machinery.....	73	137	106	+ 88	+ 46	- 22
Chemicals and petroleum and coal products.....	62	83	75	+ 34	+ 22	- 9
Transportation equipment.....	59	241	99	+307	+ 67	- 59
Printing and publishing.....	42	40	49	- 5	+ 15	+ 21
Miscellaneous.....	36	50	39	+ 41	+ 10	- 22
Stone, clay & glass products.....	36	40	41	+ 12	+ 15	+ 2
Leather & leather products.....	33	30	40	- 8	+ 20	+ 30
Lumber, furniture, and lumber products.....	30	29	34	- 2	+ 13	+ 15
Paper and allied products.....	27	27	32	+ 3	+ 20	+ 16
Tobacco manufactures.....	21	20	24	- 4	+ 15	+ 20
Nonferrous metals & products.....	13	17	14	+ 36	+ 13	- 17
Rubber products.....	8	11	12	+ 25	+ 47	+ 18

* Figures are rounded and do not necessarily add to totals. Per cent changes are based on full figures.

This analysis greatly over-simplifies the vast shifting process in the distribution of the labor force which will occur during the transition, as only broad occupational groups are dealt with. An examination of the changing employment needs of the component industries making up each of these groups, or better still of the individual firms in each of these industries, would reveal the complexity of readjustment. Although it is impossible to break down each item in the foregoing table into smaller segments, it has been possible to construct estimates for 16 major industries making up the manufacturing group. These are shown in Table 2. Nine of these groups, headed by the textile industry, anticipate increases in their employment over 1943, amounting to 74 thousand in all; but total employment in manufacturing will decline because this is not enough to offset decreases of 142 thousand in transportation equipment; 66 thousand in iron and steel; 31 thousand in machinery; and declines in other "war" industries.

Long-Run Prospects

A great deal of thought has been given to planning for tomorrow, that is, for the year or so immediately after the war. It is just as important, if not more so, to lay plans for the day after tomorrow, that is, several years after the war—say 1950. In 194X, the year after reconversion, it may be assumed that most of the major readjustments from war to peace will have been made. But it cannot be assumed that a condition of normalcy will prevail. While perhaps the majority of business enterprises will have done their retooling and made their plants

ready to cater to peacetime markets, the flow of goods may be insufficient to satisfy the demands. Residential housing will be inadequate. Highway construction will be unfinished. Railroads and other utilities will not have completed their programs of catching up on long-deferred maintenance and renovations. For lack of machinery and equipment, numerous manufacturing enterprises will not be geared up to a capacity sufficient to meet the needs of products which civilians have had to forego for a number of years. For lack of raw materials such as lumber and leather, some producers will be unable to supply their market. Just as in the early part of the war a great many munitions items were "on order," so in 194X numerous civilian goods will have to remain "on order" until the readjustment process is completed. It will be a sellers' market as long as these conditions prevail.

By 1950, all or most of these conditions probably will have changed. Productive capacity will be adequate—perhaps more than adequate—and the delayed demands for durable goods of both producers and consumers will be satisfied. It may be assumed that every industry and every area will have fully developed potentialities for peacetime production. Competition may be expected to attain a high pitch. It will be a buyers' market, and only those producers who can turn out goods at low cost will survive.

How will the Third District fare in 1950 and beyond? Here, as elsewhere, the common goal is to provide jobs for all who seek employment; but the attainment of substantially full employment presents some problems peculiar to this district. Although it is impossible to ascertain how many people will be employed in 1950, it is possible to obtain a broad perspective of how the people in this region will be making their living.

On the basis of past trends extending over a great many years, further contraction may be expected in the proportion of workers in the goods-producing industries and an increase in the proportion in the service-producing industries. It is estimated that by 1950 about 48 per cent of the workers will be employed in producing goods and 52 per cent in production of services.

In the goods-producing industries the long-run prospects for expanding job opportunities are most favorable in manufacturing and con-

struction and least favorable in mining and agriculture.

Agriculture in this area affords very little, if any, opportunity for increased employment. For several decades agricultural employment here has been almost stationary, though physical output has been steadily increased. Expanding output with a substantially constant labor force has been achieved through mechanization, soil enrichment, and scientific practices in plant and animal husbandry. During the war, our farmers increased their output materially with a smaller labor force than they had in the period immediately preceding the war. After the war some of the workers in war industries and some veterans will return to the farms, but most of them will take the place of older workers who carried on patriotically during the war.

Mining, likewise, offers little opportunity for expanding employment. Any appreciable increase would have to come from anthracite, which accounts for almost two-thirds of the mineral output of the district. This is unlikely. The market for anthracite has been contracting ever since the First World War, and furthermore, the moderately increased production stimulated by the present war was obtained with a smaller labor force due, in part, to mechanization of the process. Prospects for greater employment in this field are not very favorable unless chemists develop some new uses for anthracite, such as converting the mineral into carbon black or liquid fuel. There is also little likelihood of greater employment in the district bituminous area. It is on the marginal fringe of the vast Appalachian beds whose richest deposits lie outside of the district in Kentucky, Ohio, western Pennsylvania, and West Virginia.

The building trades afford growing job opportunities. In addition to expanding needs based on normal growth of population, the long-delayed construction program will hardly have been completed by 1950. Operating processes and traditional practices are not likely to undergo change so radically as to cause technological displacement of workers. In the event that construction costs are reduced substantially by prefabrication or other means, lower cost housing might stimulate still greater employment.

Manufacturing has been the basic economic activity of the district for many years. The same factors that made this region one of the

country's most important areas in production for war can be utilized to make it an equally important area in production for peace. It has a highly skilled and well trained supply of labor. It has a great variety of established industries which make for the stability which goes with diversification. It has a vast accumulation of capital and abundant credit facilities. It has a highly developed and integrated system of transportation, both land and water, which affords easy access to world-wide markets and raw materials.

Whether local industries can create expanding employment opportunities depends very largely upon the breadth of vision used in the plans for reconversion. Planning on the basis of pre-war products is not enough because many will be obsolete. One of the few useful by-products of war is a pronounced acceleration of technological developments which will give rise to a great variety of improved and new products. For example, the development of radar will have a pronounced effect upon the communications industries. Similarly, other industries will be affected by wartime developments in the production and use of plastics, plywood, light metals, synthetic rubber, high octane gasoline, and new textile fabrics.

Every job created in manufacturing leads to the creation of still more jobs in the service industries. The manufacture of goods requires the use of power produced by utilities; transportation furnished by railroads and motor trucks; money and credit supplied by banks; protection from certain risks provided by insurance companies; distribution effected by wholesalers and retailers, as well as storage, repair, and allied services contributed by a host of related specialists. In addition to these services facilitating the production and distribution of goods are numerous independent services, such as education, travel, and entertainment—all of which make for higher standards of living and well-being. Trade and services, as a whole, are occupying an increasingly important position and may be expected to employ more and more people in the future. While some of these services are dispensable in times of adversity, improved standards of living are reflected in employment of a larger proportion of workers in these fields.

The Third District, which is part of the oldest industrial region of the United States, has all the characteristics of a seasoned economy. It

has passed through the stage of most rapid growth, it has greater stability than more recently developed areas, and it has a large accumulation of wealth which makes for a high standard of living. Numerous yardsticks may be used as evidence of a higher standard of well being. Compared with the country at large, the people of this district file more income tax returns per 100 of population; they have more telephones and radios per capita; they have better housing, as shown by the smaller percentage of homes in need of major repairs or the larger percentage of homes equipped with such conveniences as running water and

electric lighting equipment; and relatively more people are home owners.

Perhaps the greatest danger is the possibility that these higher standards may foster an attitude of complacency. Other areas which are not as highly industrialized will, of course, grow faster but that is no reflection upon the older and more industrialized regions. In an area such as this, the major problem is to maintain or raise existing standards by continuous effort to improve and adapt productive facilities to the constantly changing conditions of the economic environment.

Current Business and Banking

(Continued from page 1)

curred in heavy industry lines, particularly at plants turning out transportation equipment. Production of nondurable goods in the aggregate was only slightly smaller than in April, but decreases were widespread, occurring in all lines except leather and paper and printing. Compared with a year ago, the production of durable goods was down 18 per cent, in contrast with a decrease of only 5 per cent in nondurables. Through the first five months of 1945 declines from the preceding year have continued more pronounced in heavy industry than at plants making lighter products.

Wholesale prices rose slightly during the second half of May and in the early part of June, reflecting advances in certain foods and an increase of one dollar a ton in the price of anthracite fuel at the mines. Retail prices also moved upward a little in the month ended May 15, when the cost of food purchased by wage earners and lower-salaried workers showed an average rise of nearly 2 per cent in large cities throughout the country. In Philadelphia, the advance in food costs was close to 3 per cent in this period. Minor increases were reported nationally and locally in retail prices of clothing.

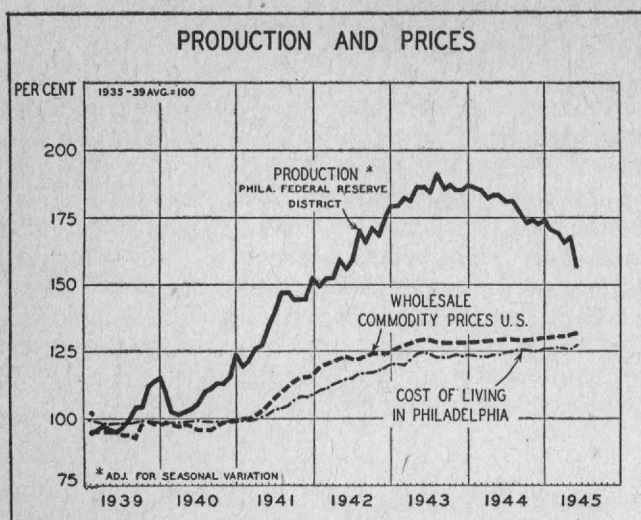
Employment and wage payments in major lines of industry, trade, and service in Pennsylvania decreased somewhat further from April to May and in the aggregate were down 6 and 8 per cent respectively from levels prevailing a year earlier. Payrolls at bituminous mines rose steeply in May with the resumption of normal operations under a new working agreement, but at anthracite mines the strike reduced wage

disbursements to a fraction of their April volume. Changes in most trade and service lines were rather narrow.

Factory employment, payrolls, and total working time in Pennsylvania continued to decrease in May reflecting in part declining production schedules in several munitions lines. The number of production workers, which has shown a gradual but uninterrupted decline since early last summer, was reduced 1 per cent from April to a level 7 per cent below a year ago. Wage payments and employee-hours worked decreased 3 per cent in the month and were respectively 7 and 9 per cent less than in May 1944.

Previously the volume of payrolls had fluctuated rather narrowly a little below the wartime peak reached early in 1944. The decline in May was quite general; it was especially pronounced in the transportation equipment industry, where wage payments to workers in shipyards and automotive plants were reduced nearly 15 per cent, as some contracts were completed and others were cancelled. All other major industry groups except stone, clay and glass, and paper and printing reported smaller payrolls in May than in April. In the case of the textile, clothing, and leather groups, however, the decreases were of much smaller than seasonal proportions.

The weekly income of wage earners at reporting plants in Pennsylvania decreased to an average of \$47.96 in May from \$48.96 in the preceding month, and \$48.14 a year ago. Average hourly earnings remained at the record high

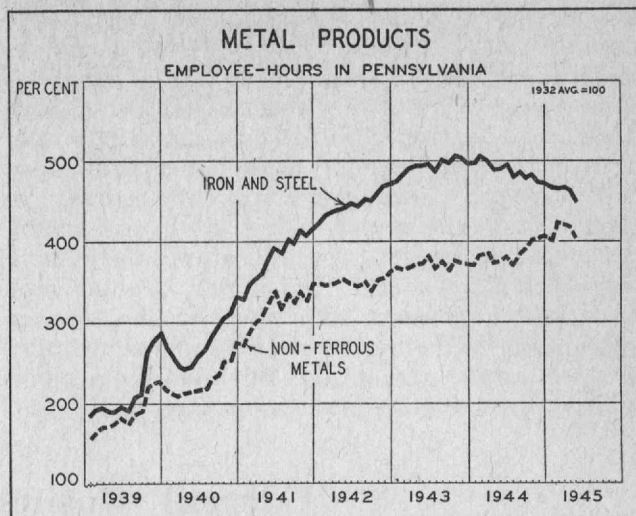


of \$1.09 reached in March. Average working time, which had approximated or exceeded 45 hours a week for nearly two years, was reduced to about 44 in May.

Production of bituminous coal in Pennsylvania increased considerably in May from the small volume of the preceding month, when operations were curtailed by work stoppages. Output continued at a high rate through the first half of June. The tonnage mined in the five months ended May showed a decrease from a year ago of 12 per cent in this state, and 8 per cent in the country as a whole. At Pennsylvania anthracite mines, production in May declined drastically to the lowest level in two decades, as operations at most collieries were virtually suspended until a new wage contract was signed. Output of hard coal was 23 per cent smaller in the first five months this year than last and below that of any similar period since 1940.

Although restrictions on new construction have been eased somewhat, increases in activity in this field may be limited for some months by the tight supply situation in key building materials, including lumber, most forms of steel, and plumbing and heating equipment. Portland cement, face brick, and certain types of wall board are available in sufficient quantities to permit a substantially higher rate of construction activity than now prevails. Manpower previously lost to war industry may be recovered to a considerable extent by munitions cut-backs scheduled in coming months.

Total expenditures for construction in the United States increased about 6 per cent in May

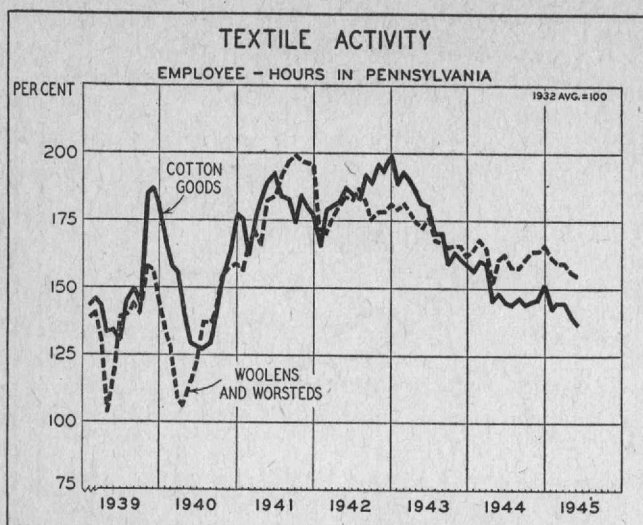


to an estimated \$444 million, and were nearly 15 per cent greater than a year earlier. The gains in both the month and year reflected continued expansion in the dollar volume of privately financed undertakings. With most of the military installations and facilities for expanding productive capacity for war material completed or nearing completion, publicly financed construction is declining rapidly.

In this district the dollar volume of new contracts awarded declined sharply from the exceptionally high level reached in April. Awards for all types of construction except factory building and unclassified projects, which include municipal and other public buildings, showed large percentage decreases from May 1944. Activity in residential building is expected to increase soon owing to a recent authorization for the construction of some 2,000 dwellings needed to relieve the tight housing situation in the Philadelphia area.

Unseasonably cool weather in May continued to retard the growth of crops, and frequent heavy rains further delayed field work in most parts of this district. Late frosts again damaged some orchard fruits and garden vegetables. Higher temperatures in June resulted in a decided improvement in the condition of most field and truck crops. Pastures have continued to furnish abundant feed for livestock, and production of milk has risen to a high level.

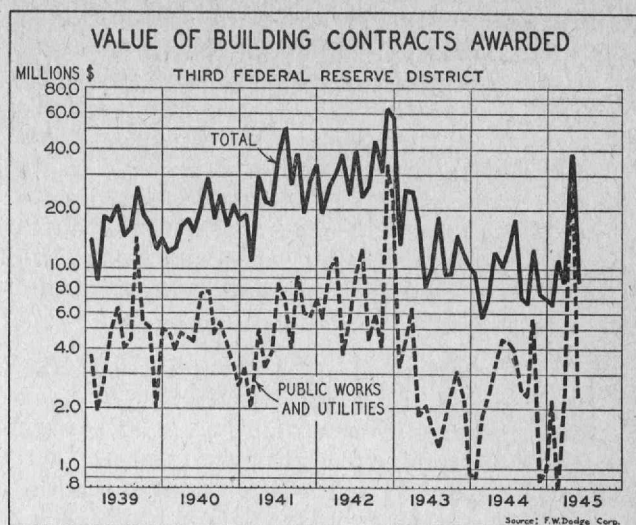
In spite of the repeated interruptions to seasonal farming operations, the demand for workers in most sections still exceeds the supply by



a wide margin. Employment on farms increased less than seasonally from May to June in the country as a whole and was nearly 3 per cent less than a year earlier. The difficulty farmers are experiencing in meeting their labor requirements is reflected in a continuing advance in wage rates, which have almost doubled in the past three years. By June 1, monthly wage rates, with and without board, had reached the highest levels in records covering over two decades.

Farm cash income in Pennsylvania, New Jersey and Delaware declined somewhat in April and was a little less than in the same month last year. Receipts from the sale of both crops and livestock products showed decreases from March, and income from livestock products marketed was below the level of April 1944. Income in the four months ended April was \$236 million—about 5 per cent greater than a year earlier.

The movement of rail freight in this section increased less than seasonally during May, following the reversal of traffic originally scheduled for trans-Atlantic shipment. Freight-car loadings, on an adjusted basis, declined 5 per cent from April and were 4 per cent less than a year ago. Decreases in the month occurred in all commodity classifications, except coke, which showed a larger than seasonal rise. Shipments of merchandise and miscellaneous freight were somewhat larger than in May 1944, while in other categories declines ranged to nearly 20 per cent. Total loadings in the first five months were down 3 per cent from a year ago.



Trade. Wholesale trade sales decreased somewhat in May following a sharp rise in the preceding month. Smaller sales of drugs, dry goods, hardware, and paper more than offset increases in other lines ranging from 4 per cent in shoes to 13 per cent in groceries. Total dollar volume was 3 per cent less than a year ago, although sales in the five months ended May showed an increase of like amount over the corresponding period of 1944. Wholesalers' inventories in the aggregate did not change significantly from April to May, but they were about one-tenth smaller than a year earlier.

Retail sales generally increased in May from unusually low levels reached in April, when stores were closed for one day, following the death of President Roosevelt. On an adjusted basis, the dollar volume at department stores in this district increased 4 per cent in the month to about the level of May 1944. Sales by women's apparel stores were about one-fourth larger than in April, and they exceeded those of a year ago by 12 per cent. At shoe stores, the gain was 6 per cent in May, but sales were down by that percentage from a year earlier. Business at establishments specializing in men's apparel remained near the April level, and was 7 per cent less than in May of last year.

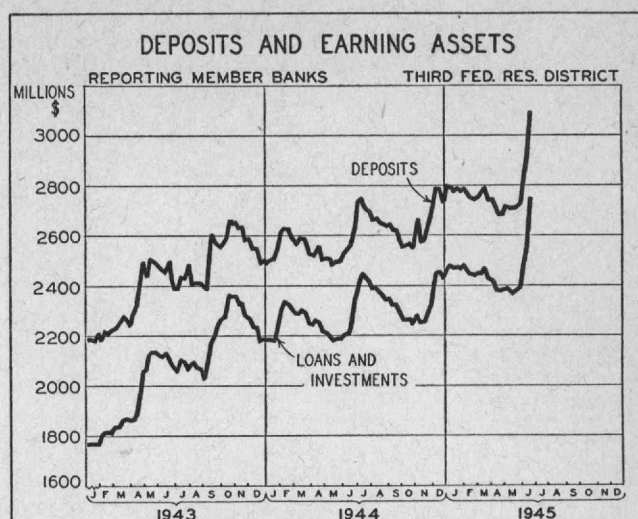
Inventories at retail stores in this district increased contra-seasonally in May, with gains over the twelve months indicated in all reporting lines but shoes. The value of orders outstanding placed by department stores has been declining for three successive months. At the close of May, nevertheless, commitments were nearly one-fifth greater than a year ago.

Banking conditions. By the latter part of June, sales of E bonds, so important in the over-all objective of holding down inflationary pressures, were still materially short of the quota set for this security in the Seventh War Loan. Total sales to individuals, however, had reached quota and sales to corporate investors were double the goal. Loan drive results in the three states of the Third Federal Reserve District were similar to those shown for the country as a whole.

No small part of the huge volume of sales was made possible by active extension of bank credit. This credit was made available both through loans and through purchases of outstanding securities. Reporting banks in leading cities of this district increased their holdings of Government securities by \$310 million or 17 per cent over the four-week period ended June 20. Allowing for exchanges of maturing certificates and guaranteed bonds for Treasury notes on June 1, it appears that the largest purchases were of certificates and bonds.

Loan expansion was less of a factor here than in the national totals. Nevertheless, loans on Governments to brokers and dealers by reporting institutions moved up from an average of \$6 million in May to \$19 million on June 13, and dropped back to \$11 million on the 20th. Similar advances to other customers increased slowly early in June from a level of approximately \$5 million and then jumped to \$35 million on June 20. Even at these expanded levels, loans to purchase or carry Governments accounted for less than 2 per cent of earning assets, as against 6 per cent for all reporting banks in the United States.

The increase of \$367 million in total loans and investments over a four-week period was the largest in any loan drive, and it was paralleled by corresponding growth in deposits. Material changes were shown in the deposit structure. Customers' balances, as reflected in adjusted demand and time deposits, increased \$100 million over the first three weeks to a record high point of \$2,244 million. But in the following week they dropped \$240 million as quarterly income taxes were paid and marketable securities in the loan drive were opened up to corporate and institutional investors. United States Government deposits at reporting banks increased over \$450 million in this week. Wide-spread use of credits to war loan accounts in



making payment for Government securities was reflected for the district as a whole in an increase in balances with depository banks from \$398 million on May 23 to \$1,074 million on June 20.

The record shows that payments out of bank reserves also were in substantial volume over the four-week period. Treasury receipts in the Third District were \$100 million larger than the continuing heavy disbursements characteristic of the war period. Currency in circulation increased, but the amount involved was less than usual, suggesting that hand-to-hand money had been used in part for security purchases and tax payments. These transactions, tending to reduce member bank reserves, were much more than offset by heavy gains in interdistrict commercial and financial operations, probably resulting in part from sales of Government securities by investors who were adjusting their portfolios in anticipation of purchases during the Seventh War Loan.

Surplus funds were absorbed in part by a reduction in Federal Reserve credit extended directly in the district, with the result that bank reserves increased only \$23 million to \$795 million. Reserve Bank advances to member banks reached a 1945 high of nearly \$40 million in the middle of June, but by the 20th of the month had declined to \$3 million, showing a net decrease of \$8 million over the past four weeks. The principal change in credit supplied locally, however, was a decrease in Treasury bills held under repurchase option from \$200 million to approximately \$162 million.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 =100	Adjusted for seasonal variation						Not adjusted		
	May 1945	Apr. 1945	May 1944	Per cent change			May 1945	Apr. 1945	May 1944
				May 1945 from		1945 from 5 mos. 1944			
				Mo. ago	Year ago				
INDUSTRIAL PRODUCTION	126p	136	149	- 7	- 15	- 10	125p	134	147
MANUFACTURING	133p	140	153	- 5	- 13	- 9	131p	137	151
Durable goods	195p	210	237	- 7	- 18	- 13			
Consumers' goods	90p	92	95	- 2	- 5	- 3			
Metal products	171	179r	185	- 4	- 7	- 6	169	172r	182
Textile products	63p	65	70	- 2	- 9	- 6	61p	63	67
Transportation equipment	428	481	604	-11	- 33	- 21	445	498	625
Food products	117p	120	123r	- 3	- 5	0	112p	115	115r
Tobacco and products	93	99	96	- 6	- 3	- 3	90	90	93
Building materials	35	36	35	- 1	0	- 1	36	35	36
Chemicals and products	165p	174r	159r	- 5	+ 4	+ 5	167p	176r	162r
Leather and products	87p	82	113r	+ 5	- 23	- 16	79p	81	103r
Paper and printing	96	94	94	+ 2	+ 3	+ 1	97	96	95
Individual lines									
Pig iron	89	86r	97	+ 3	- 8	- 6	92	97r	101
Steel	127	130r	131	- 2	- 4	- 3	133	136r	138
Silk manufactures	84	83	86	+ 2	- 2	- 3	81	81	83
Woolen and worsteds	62p	64	64	- 3	- 4	+ 1	58p	59	65
Cotton products	42	40	46	+ 4	- 8	- 8	41	42	45
Carpets and rugs	53p	54	54	- 3	- 2	+ 4	52p	53	53
Hosiery	61	65	70	- 6	- 13	- 9	61	65	70
Underwear	130	138	142	- 6	- 8	- 6	131	135	143
Cement	23	27	29	-13	- 19	- 8	26	26	32
Brick	48	50	47	- 3	+ 2	- 3	51	52	50
Lumber and products	35	33	33	+ 5	+ 8	+ 3	33	32	30
Bread and bakery products				- 4*	- 1*	+ 4*	121	127	123
Slaughtering, meat packing	104	101	126	+ 3	- 18	- 23	105	99	126
Sugar refining	95	105	107	- 9	- 11	+ 10	117	136	132
Canning and preserving	165p	166	163r	- 1	+ 1	+ 8	134p	140	125r
Cigars	92	98	95	- 7	- 4	- 4	89	89	92
Paper and wood pulp	82	83	84	- 1	- 2	- 1	82	84	84
Printing and publishing	99	96	96	+ 3	+ 3	+ 2	100	98	97
Shoes	108	99	131	+ 8	- 18	- 10	98	99	119
Leather, goat and kid	66p	66	96r	+ 1	- 31	- 23	60p	64r	87
Paints and varnishes	86	86	94	0	- 8	- 4	91	91r	100
Coke, by-product	150p	155	164	- 3	- 8	- 4	156p	161	170
COAL MINING	39	83r	88	-53	- 55	- 21	38	82r	86
Anthracite	31	82	84	-62	- 63	- 23	31	82	84
Bituminous	103	95r	116	+ 9	- 11	- 12	93	87r	104
CRUDE OIL	323	322	366	0	- 12	- 15	335	332	381
ELECTRIC POWER	446	431	439	+ 4	+ 2	+ 2	415	422	409
Sales, total	435	424	441	+ 3	- 1	0	417	436	423
Sales to industries	326	350	341r	- 7	- 5	- 1	332	353	348
BUILDING CONTRACTS									
TOTAL AWARDS†	74	81	39	- 9	+ 90	+ 41	71	78	38
Residential†	4	4	14	+11	- 70	- 82	4	3	15
Nonresidential†	56	75	44	-26	+ 25	+ 41	59	77	47
Public works and utilities†	425	327	117	+30	+262	+200	298	301	82

* Unadjusted for seasonal variation.

† 3-month moving daily average centered at 3rd month.

p—Preliminary.
r—Revised.

Local Business Conditions*

Percentage change—May 1945 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	April 1945	May 1944	April 1945	May 1944	April 1945	May 1944	April 1945	May 1944	April 1945	May 1944
Allentown	0	0	-8	+2	-57	-95	+10	-2	+7	+22
Altoona	0	+3	-2	+8	+132	+169	+6	+5	+6	+33
Harrisburg	-1	-3	-3	+1	+117	+336	+6	+1	+4	+10
Johnstown	-1	-2	-7	0	-26	+47	+11	+9	+6	+12
Lancaster	+1	-13	0	-12	-22	-49	+5	-2	-1	-10
Philadelphia	-1	-10	-4	-10			+7	0	+8	+18
Reading	-1	-2	-1	+2	-3	+183	+9	-2	-4	+14
Scranton	0	+2	-4	+2	-16	-2	+2	-1	+9	+13
Trenton					-14	-32	+13	+6	+28	+17
Wilkes-Barre	0	+4	-2	+12	+209	+87	+8	+7	+9	+18
Williamsport	-2	-9	-5	-8	+34	+38			+4	+18
Wilmington	-5	-18	-9	-23	+229	+42	+3	-6	0	+18
York	-3	-1	-3	+4	-59	-49	+15	+9	+8	+32

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

Employment and Income

in Pennsylvania

Industry, Trade and Service

Indexes: 1932 = 100	Employment			Payrolls		
	May 1945 index	Per cent change from		May 1945 index	Per cent change from	
		Apr. 1945	May 1944		Apr. 1945	May 1944
GENERAL INDEX.....	124	- 3	- 6	310	- 2	- 8
Manufacturing.....	171	- 1	- 7	468	- 3	- 7
Anthracite mining.....	5	-88	-89	9	-90	-91
Bituminous coal mining.....	69	+ 7	-12	330	+62	-10
Building and construction..	45	+ 1	- 3	110	- 4	-17
Quar. and nonmet. mining.....	76	+ 2	-10	252	+ 4	-10
Crude petroleum prod.....	130	- 1	- 4	258	+ 3	+ 8
Public utilities.....	97	+ 1	0	152	0	+ 6
Retail trade.....	121	0	+ 9	159	- 1	+ 5
Wholesale trade.....	102	- 1	- 1	150	- 2	+ 2
Hotels.....	103	+ 2	+ 2	183	+ 4	+ 8
Laundries.....	99	+ 1	- 3	182	+ 1	- 1
Dyeing and cleaning.....	97	- 1	- 9	182	- 2	- 5

Manufacturing

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	May 1945 index	Per cent change from		May 1945 index	Per cent change from	
		Apr. 1945	May 1944		Apr. 1945	May 1944
TOTAL	110	- 1	- 7	191	- 3	- 7
Iron, steel and products	120	- 1	- 6	263	- 2	- 6
Nonferrous metal products	220	0	+ 11	462	- 2	+ 9
Transportation equipment	141	- 4	- 18	253	- 8	- 20
Textiles and clothing	75	- 1	- 6	118	- 2	- 2
Textiles	69	- 1	- 5	110	- 2	- 1
Clothing	97	- 1	- 9	157	- 4	- 6
Food products	120	- 2	0	186	- 4	0
Stone, clay and glass	80	0	- 7	128	0	- 3
Lumber products	50	0	- 1	85	- 1	+ 5
Chemicals and products	115	0	- 1	212	- 1	+ 2
Leather and products	70	- 1	- 4	117	- 2	+ 3
Paper and printing	99	0	- 1	155	+ 2	+ 5
Printing	94	+ 1	+ 1	141	+ 3	+ 8
Others:						
Cigars and tobacco	48	- 1	- 10	74	- 1	- 1
Rubber tires, goods	144	- 1	3	305	- 3	+ 1
Musical instruments	86	- 14	+ 1	113	- 18	- 25

* Figures from 2800 plants.

Hours and Wages

Factory workers Averages May 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	44.2	-3	\$1.092	+3	\$47.96	0
Iron, steel and prods.	45.7	-3	1.151	+3	52.58	0
Nonfer. metal prods.	45.2	-2	1.022	+3	46.19	+1
Transportation equip.	44.0	-8	1.307	+4	57.47	-4
Textiles and clothing	39.1	-2	.814	+7	31.66	+4
Textiles	40.1	-1	.814	+4	33.16	+5
Clothing	36.5	-2	.783	+8	28.45	+4
Food products	43.1	-3	.831	+2	36.38	0
Stone, clay and glass	41.7	0	.955	+4	39.68	+5
Lumber products	43.1	-2	.799	+5	34.21	+3
Chemicals and prods.	46.5	+2	1.074	+2	49.84	+3
Leather and products	42.4	+1	.788	+5	33.46	+7
Paper and printing	44.6	+2	.946	+5	42.42	+7
Printing	42.2	+4	1.106	+6	46.85	+9
Others:						
Cigars and tobacco	42.3	+1	.662	+10	28.01	+11
Rubber tires, goods	44.2	0	1.060	+3	46.87	+3
Musical instruments	38.7	-20	.885	-8	34.26	-26

* Figures from 2656 plants.

† Figures from 2800 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	May 1945 from		1945 from 5 mos. 1944
	Month ago	Year ago	
Sales			
Total of all lines.....	- 2	- 3	+ 3
Boots and shoes.....	+ 4	-15	.....
Drugs.....	- 5	0	+ 6
Dry goods.....	- 6	-19	-14
Electrical supplies.....	+ 5	+18	+12
Groceries.....	+13	+ 7	+11
Hardware.....	-16	+ 4	+10
Jewelry.....	+ 5	-15	-14
Paper.....	- 3	-17	- 7
Inventories			
Total of all lines.....	+ 1	-10	.....
Dry goods.....	+14	-43	.....
Electrical supplies.....	+ 8	+23	.....
Groceries.....	- 2	-11	.....
Hardware.....	- 4	- 2	.....
Jewelry.....	0	-19	.....
Paper.....	0	-22	.....

Source: U. S. Department of Commerce.

Prices	May 1945	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939=100)....	184	0	+ 1	+ 84
Wholesale (1926=100).....	106	0	+ 2	+ 41
Farm.....	130	+ 1	+ 6	+113
Food.....	107	+ 1	+ 2	+ 59
Other.....	99	0	+ 1	+ 24
Living costs (1935-1939=100)....				
United States.....	128	+ 1	+ 2	+ 30
Philadelphia.....	127	+ 1	+ 3	+ 30
Food.....	138	+ 3	+ 4	+ 48
Clothing.....	146	0	+ 6	+ 47
Fuels.....	109	0	0	+ 13
Housefurnishings.....	144	0	+ 8	+ 43
Other.....	121	0	+ 1	+ 20

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	May 1945	April 1945	May 1944	Per cent change			May 1945	April 1945	May 1944
				May 1945 from		1945 from 5 mos. 1944			
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	168p	162	168	+ 4	+ 1	+10	162p	152	161
Philadelphia.....	163	152	165r	+ 7	- 2	+ 8	151	143	154r
Women's apparel.....	189	150r	169	+26	+12	+17	180	158	161
Men's apparel.....	148	150	160	- 1	- 7	+13	138	129	148
Shoe.....	119	112	127	+ 6	- 6	+ 6	147	125	157
Furniture.....				+ 8*	- 7*				
Inventories									
Department stores—District.....	158	149	150	+ 7	+ 6	.....	159	153	150
Philadelphia.....	156	149	149	+ 4	+ 5	.....	156	152	149
Women's apparel.....	205	181	183	+13	+12	.....	197	181	177
Shoe.....	63	58	69	+ 9	- 9	.....	69	64	76
Furniture.....				- 2*	+ 5*				
FREIGHT-CAR LOADINGS									
Total	144	151	151	- 5	- 4	- 3	146	144	152
Merchandise and miscellaneous.....	135	141	133	- 4	+ 2	+ 1	139	140	137
Merchandise—L.c.l.....	92	96	89	- 4	+ 3	+ 1	92	96	89
Coal.....	150	177	185	-15	-19	-13	133	141	165
Ore.....	227	401	237	-43	- 4	+ 9	288	208	301
Coke.....	246	220	255	+12	- 3	- 7	209	178	216
Forest products.....	113	123	136	- 8	-17	-18	109	103	131
Grain and products.....	145	158	147	- 8	- 2	0	135	147	137
Livestock.....	117	121	140	- 3	-16	-11	107	111	127
MISCELLANEOUS									
Life insurance sales.....	136	140	114	- 3	+19	+11	134	140	113
Business liquidations									
Number.....				+50*	-73*	-66*	4	3	16
Amount of liabilities.....				+67*	-81*	-63*	2	1	10
Check payments.....	191	188	163r	+ 2	+17	+ 7	191	184	163r

* Computed from unadjusted data.

p—Preliminary.

r—Revised.

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	June 20, 1945	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 202	.....	-\$ 38
Loans to brokers, etc.....	52	+ 7	+ 18
Other loans to carry secur..	48	+ 33	+ 35
Loans on real estate.....	33	.....	- 3
Loans to banks.....	1	.....	- 5
Other loans.....	141	+ 19	+ 39
Total loans.....	\$ 477	+\$ 59	+\$ 46
Government securities....	\$2100	+\$364	+\$529
Obligations fully guar'teed.	.....	- 54	- 54
Other securities.....	173	- 2	.....
Total investments.....	\$2273	+\$308	+\$475
Total loans & investments.	\$2750	+\$367	+\$521
Reserve with F. R. Bank...	448	+ 2	+ 27
Cash in vault.....	30	.....	.....
Balances with other banks..	85	+ 6	+ 5
Other assets—net.....	43	- 5	- 10
Liabilities			
Demand deposits, adjusted.	\$1796	-\$138	+\$ 16
Time deposits.....	208	+ 1	+ 29
U. S. Government deposits.	687	+ 455	+ 437
Interbank deposits.....	404	+ 60	+ 47
Borrowings.....	.....	- 8	- 1
Other liabilities.....	16	.....	- 1
Capital account.....	245	.....	+ 16

Third Federal Reserve District (Millions of dollars)					Changes in weeks ended —				Changes in four weeks
Sources of funds:	May 30	June 6	June 13	June 20	May 30	June 6	June 13	June 20	
Reserve Bank credit extended in district.....	+12.2	- 9.0	-17.7	-28.8					- 43.3
Commercial transfers (chiefly interdistrict).....	+27.0	+25.3	+45.5	+85.2					+183.0
Treasury operations.....	-31.9	+16.9	- 1.7	-85.5					-102.2
Total.....	+ 7.3	+33.2	+26.1	-29.1					+ 37.5
Uses of funds:									
Currency demand.....	+ 5.3	- 1.6	+ 8.7	- 5.0					+ 7.4
Member bank reserve deposits.....	+ 1.6	+35.4	+15.7	-29.6					+23.1
"Other deposits" at Reserve Bank.....	+ 0.5	- 0.6	+ 1.8	+ 5.2					+ 6.9
Other Federal Reserve accounts.....	- 0.1	+ 0.0	- 0.1	+ 0.3					+ 0.1
Total.....	+ 7.3	+33.2	+26.1	-29.1					+ 37.5
Member bank reserves (Daily averages; dollar figures in millions)					Federal Reserve Bank of Phila. (Dollar figures in millions)				Changes in
Held	Re- quired	Ex- cess	Ratio of excess to re- quired		June 20, 1945	Four weeks	One year		
Phila. banks									
1944: June 1-15..	\$403	\$394	9	2%					
1945: May 1-15..	430	421	9	2					
May 16-31..	438	428	10	2					
June 1-15..	465	450	15	3					
Country banks									
1944: June 1-15..	283	228	55	24					
1945: May 1-15..	335	271	64	24					
May 16-31..	336	271	65	24					
June 1-15..	346	269	77	29					
Discounts and advances.....	\$ 3.1	-\$ 8.3	+\$ 1.1						
Industrial loans.....	2.6	- 1.0	- 2.2						
U. S. securities.....	1377.3	+ 18.9	+ 358.8						
Total.....	\$1383.0	+\$ 9.6	+\$357.7						
Note circulation.....	1508.1	+ 10.4	+ 255.1						
Member bk. deposits.....	794.6	+ 23.1	+ 100.0						
U. S. general account.....	34.8	+ 6.4	+ 33.6						
Foreign deposits.....	106.7	+ 6.0	+ 34.2						
Other deposits.....	11.2	+ 6.9	+ 2.6						
Gold certif. reserves.....	1057.9	+ 38.3	+ 4.0						
Reserve ratio.....	43.1%	+ 0.7%	- 7.1%						