



# THE BUSINESS REVIEW

FEDERAL RESERVE BANK  
OF PHILADELPHIA

MAY 14 1946



MAY 1, 1946

## First Quarter Review of Business

The headlines tell the story. January 2: "Boom in Industrial Production Forecast Despite Labor, Price Troubles"—optimism with a note of restraint. January 19: "Household Wonders Are Only for Display, Would-Be Buyers Find"—production goes civilian but in many cases only as far as the show windows. January 21: "Steel Strike Begins"—Pittsburgh joins Detroit in living on wartime savings. February 15: "New Stabilization Policy Allows Higher Wages and Prices"—the dikes spring another leak. March 11: "Dejected Builders Can't Even Guess New Home's Price or When It Will Be Ready"—the Nation's Number One Problem. March 20: "Public Has Itchy Feet, Plenty of Cash; Vacation Resorts Flooded With Requests"—Christmas shopping which began early never stopped.

In short, the first three months of this year were characterized by a spasmodic flow of end products, a wave of strikes, and a flood of spending. The first quarter of this year was in many ways a more difficult period than the preceding quarter. In the last three months of 1945 we were busily engaged in closing out the war and in tooling up for peace. Salvaging materials intended for war and overhauling assembly lines for civilian production were primarily engineering jobs. By the end of the year the technicians had virtually completed that phase.

The next phase of readjustment was more turbulent. The machinery of production was in

place and ready to go, but there was frequent clashing instead of meshing of gears. In some instances progress was retarded by shortages of skilled labor and materials. In other cases the flow of output was interrupted while labor and management went into a huddle over the issue of wage rates. A clash between costs and pricing occurred in one industry after another and production was delayed. Meanwhile, the consumer grew more impatient because civilian goods were not available in anything like the quantities and types people were eager and able to buy.

### The Difficulties Imagined

When the war ended many officials, both public and private, feared a palsy of depression. Unemployment was expected to attain high levels as a result of demobilization. Consumer purchasing was expected to collapse in the wake of sharply curtailed Government expenditures. Fortunately, those forecasts proved to be erroneous.

Unemployment was only 3 million instead of 8 million as had been predicted. Teen-age and elderly workers and women who constituted the emergency working crews during the war, retired from the labor force in greater numbers than expected. Veterans, though discharged by the millions, did not enter the labor force as rapidly as expected. Some took time out to re-establish homes or to attend to personal affairs,

and others elected to complete their education before looking for jobs.

The contraction of Government expenditures was scarcely noticed. Although war payrolls and Federal purchases were down more than a third from the already sharply contracted fourth quarter of last year, consumers kept on spending freely. Civilian production now stands at the highest level ever reached but output still falls short of demand.

### **The Difficulties Encountered**

The difficulties encountered during the first quarter centered on wages, prices, and industrial relations. Workers sought higher wage rates to compensate for reduced "take-home" pay. Producers were naturally reluctant to incur higher costs while the Government kept the lid on prices. Disagreement over this issue caused work stoppages in numerous industries and as a consequence the flow of goods was retarded.

There is no easy remedy because wages and prices are complementary; they cannot part company indefinitely. If prices rise faster than wages, consumers cannot buy all that is produced, and the economic machine bogs down. If labor and other costs rise faster than prices, vanishing profits kill off enterprise and again the economic machine bogs down. If wages and prices chase each other without restraint, we court inflation and disaster.

### **Toward Solution of the Difficulties**

When idleness through industrial unrest threatened the orderly processes of reconversion a policy had to be devised to facilitate the settlement of labor-management disputes without complete sacrifice of price control. Collective bargaining is being retained as the basic procedure for establishing wages but limitations were imposed upon the extent to which wage increases may be passed on in the form of higher prices. Provision has been made for granting price relief where firms or industries are experiencing hardships and price control is being relinquished where such action has little or no significant effect upon the cost of living. Within the framework thus established most of the labor-management disputes that arose during the first three months of this year have been settled.

The progress of reconversion is apparent in the records of the national output of goods and services. Despite all of the obstacles encountered, production for the civilian market was at the rate of \$150 billion at the end of the first quarter. Compared with the preceding quarter, there was a small gain in output of consumers' goods and services and a substantial gain in producers' goods. Productive capacity is enormous but greater output hinges upon reconciliation of the clash between costs and prices in basic industries like steel and coal as well as numerous producers of small but essential items.

### **Business Activity in the Third District**

In the Third Federal Reserve District, business activity in the first quarter of 1946 was very much like that in other parts of the country. The lines sketched in the group of charts summarize the major changes—industrial production and employment recovered from their February wage rate troubles, trade zoomed merrily upward without interruption, and construction rose sharply in March by reason of new contracts for family dwellings.

It may be recalled that industrial production had a setback in the months immediately after the war ended, but production pushed ahead vigorously in the closing months of 1945. The subsequent relapse was occasioned largely by work stoppages here and elsewhere in the steel, automobile, and electrical equipment industries.

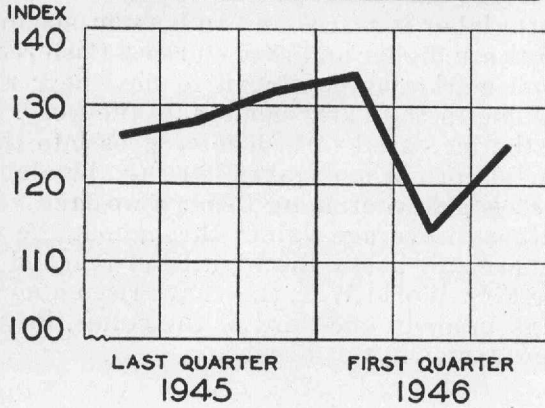
The February dip was most severe in durable goods; in fact, there was no recession whatsoever in consumers' goods, according to the composite index for the district. Interruptions caused by industrial disputes were confined largely to plants making durable goods like steel and transportation equipment. In the textile, apparel, and leather industries, so prominent in this district, wage readjustments were effected with practically no interruptions in operation.

Although strikes were less serious than in some other parts of the country, numerous plants in this district were affected in that they were unable to get parts and components. The adverse effect upon employment in Pennsylvania factories is apparent in the chart. However, the resumption of employment in March is gratifying. In that month the volume of employment increased in 51 individual lines of industry,

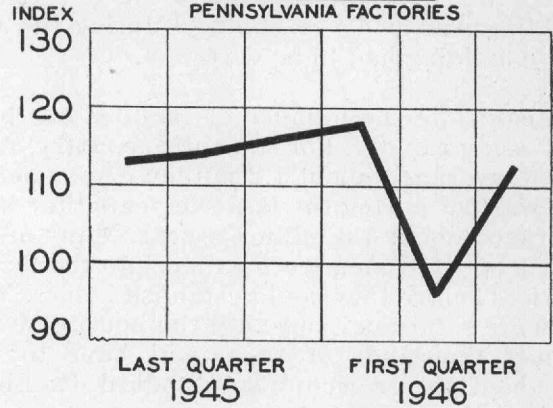
# BUSINESS TRENDS IN THIRD DISTRICT

(1935-39=100)

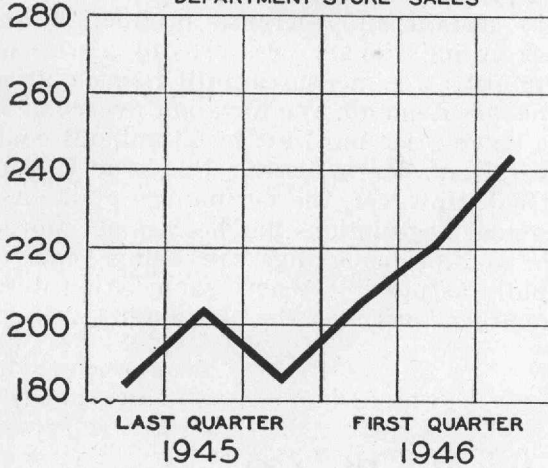
**INDUSTRIAL PRODUCTION\***



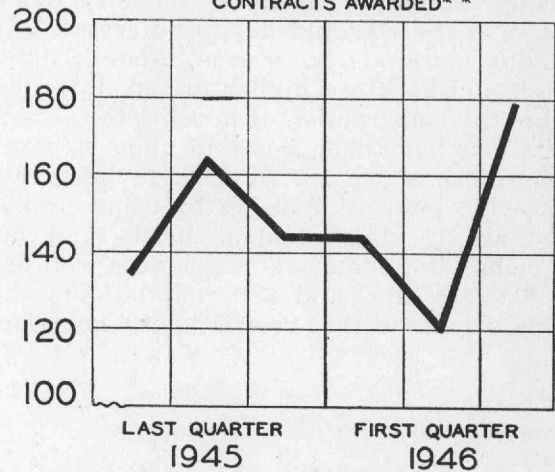
**EMPLOYMENT  
PENNSYLVANIA FACTORIES**



**TRADE  
DEPARTMENT STORE SALES\***



**CONSTRUCTION  
CONTRACTS AWARDED\*\***



\* ADJUSTED FOR SEASONAL CHANGES.

\*\* 3-MONTH MOVING AVERAGE.

compared with decreases in only 7 lines. The greatest gains, percentagewise, occurred in steel works, blast furnaces, foundries, iron and steel fabricating mills, automobiles and locomotives—plants that had been involved directly or indirectly in national wage negotiations.

In the Philadelphia area, employment in March in both manufacturing and non-manufacturing concerns was above January levels. Textile mills are still handicapped by shortages of raw materials but a greater difficulty is the shortage of experienced workers. A similar situation exists in apparel establishments which

are confronted by a high labor turnover. Production of men's clothing in Philadelphia is held up for want of hand workers needed to perform the finishing operations on garments.

Retail trade continued to expand with unabated vigor. The temporary decline in department store sales of the district last December after adjustments reflected shortages in numerous lines and advanced holiday buying in the preceding month. Current dollar sales are more than twice the pre-war volume, but it must be recognized that much of the bulge represents advancing prices.

In order to meet minimum housing requirements about 175,000 new homes must be built in this district before the end of 1947. Not only here, but throughout the country, there is an urgent need for housing at prices that buyers or renters can afford to pay. The housing shortage did not develop over night and it cannot be eliminated over night. During the depression, building was at a low ebb and during the war home building had to be curtailed.

Meanwhile the number of families has been increasing rapidly. For the entire country, marriages averaged about 1.2 million a year before the war but during the last five years they have averaged about 1.6 million a year. Many of the newly married men were called into the armed services before they could establish homes. Now they are returning, and until the housing deficit is met thousands of them will have to live "doubled up" or occupy substandard dwellings.

It will take considerable time before adequate housing can be provided. The industry was disrupted by the war and has to be reestablished. Building materials are scarce, labor is difficult to get, and both are higher priced. In order to hasten the construction of housing for veterans, limitations have been imposed upon most other forms of construction. Efforts are being made to provide low-cost housing by using priorities assistance to steer lumber, brick, and other scarce building materials into homes well under the \$10,000 sales and \$80 rental limits. Some builders contend that restriction of nonresiden-

tial construction has caused delays by tying up materials unsuitable for home construction. Many builders contend that price ceilings are the major bottleneck to expanding construction.

Growing realization of the world-wide food shortage affects all phases of local agriculture. Farm labor is scarce and so is farm machinery. Costs are higher and so are prices. Cash receipts from marketing continued to flow near record volume in the early months of the year. Some of the increased farm income goes into the reduction of old mortgages but the abundance of cash is also continuing to push up land values. Although average values throughout the country are still below the high level reached after the First World War, they have risen above this peak in about one-third of the states, including New Jersey in this district.

For the immediate future, as in the months just past, we must press toward the same goals—to sustain and increase production and to restrain inflationary pressures by a wise use of administrative measures until rising output approaches demand. We have not overcome all of the wage-price hurdles; in bituminous coal and several smaller industries the issue is still unsettled. However, the mechanism of labor-management negotiations has been made more flexible and price ceilings are being removed as rapidly as possible where such action does not jeopardize prices at the consumer level.

## Banking Developments During the First Quarter

Although banking conditions during the first quarter of 1946 were influenced in some degree by developments in the business situation, Government fiscal operations continued to dominate the picture. The period followed directly on the heels of the Victory Loan Drive, and experience with other war loans would lead us to expect some decline in bank deposits at such a time. Deposit totals, however, appear to have been influenced to a greater degree during recent months by the use of part of the Treasury's huge cash holdings to reduce the public debt.

Normally, bank credit extended to business

tends to decline early in the year as inventories have been liquidated by the holiday trade and by continued reduction of receivables during January and February. Contrary to the usual seasonal decline, commercial, industrial, and agricultural loans of reporting member banks increased rather steadily through January, February, and March of this year, and reports from country banks indicate a similar trend. This expansion was particularly marked in the Third Federal Reserve District, where such loans by reporting member banks increased about 14 per cent as compared with a 3½ per cent rise for the country as a whole.

Loans to business and agriculture, it is true, now represent only about one-tenth of total earning assets of reporting banks in leading cities, but the contraseasonal growth is still significant. It may be explained by the progress of reconversion and expansion to meet the enormous demand for consumers' goods and by efforts to build up inventories in the face of rising costs and in anticipation of further increase in prices.

Although relatively small in total, private financing by banks following June 1945, increased more rapidly percentagewise than Government financing for the first time since 1937, and during the first three months of 1946 private financing continued to expand while Government financing declined. Between January 2 and April 3, holdings of Government securities by reporting member banks throughout the country declined over \$2 billion, and loans to purchase or carry Government securities by almost \$1 billion, representing a total decline of almost 6 per cent in their financing of Government debt.

The principal reason for this decline was the cash redemption by the Treasury of more than \$5 billion of outstanding public issues during the same period, a substantial part of which were held by banks. Another factor which may have accounted for some reduction in bank holdings of Government securities is to be found in selling by individual banks to meet a loss in deposits, although such sales have been largely to other commercial banks or to Federal Reserve Banks.

The Government security holdings of reporting member banks in the Third District changed considerably between January 2 and April 3 of this year, both in total amount and in the relative importance of different issues. While their Government portfolios declined almost \$200 million, proportionately more than at banks throughout the country, holdings of Treasury certificates actually increased. This is in contrast to the rest of the country, where certificate holdings by reporting banks decreased over three-quarters of a billion dollars. Banks in the district, on the other hand, decreased their holdings of Treasury bills by over 60 per cent and Treasury notes by more than one-fourth. Government bonds remained unchanged at reporting banks in this area.

Loans against securities by reporting banks declined, but these are relatively unimportant at banks in this district. All other loans increased during the quarter. In addition to the sharp upturn in commercial, industrial, and agricultural loans, real estate loans were up slightly, and unclassified loans—including consumer financing—increased a little over 10 per cent.

Current figures on earning assets are available only for reporting member banks in the larger cities. Judging by the rate of increase in country bank deposits and by their more substantial excess reserves at the end of 1945, however, it is probable that non-reporting banks also have increased their loans substantially. Random reports from country banks in this area substantiate this opinion.

The net effect of all these influences as shown by semi-monthly averages was a decline of more than \$2 billion in deposits of all member banks between the latter part of December and of March. Deposits of member banks in this district, however, were approximately the same at the beginning and end of the period, which indicates some relative gain locally.

Funds continued to flow toward country banks on net balance in this district as well as in the country as a whole. Whereas reserve city banks of the district experienced a decline in deposits of over 2 per cent between the last half of December and of March, country banks in the district gained an offsetting amount. It is likely that the direction of this flow will be reversed later; not, however, as long as the world's food supply is under heavy pressure and farm production remains at high levels in this country, while at the same time farmers are unable to obtain farm machinery and consumers' durables in large volume.

What is the significance of recent developments for the present situation or for the immediate future of banking in the Third Federal Reserve District? In the first place, the district has maintained deposits in the face of a small decline throughout the country. Neither total reserves nor excess reserves have declined by any substantial amount in the district, although excess reserves of all member banks in the United States decreased over \$400 million in three months. These facts are consistent with earlier estimates that the district would experience relative gains in deposits during the transition period

as compared with the country as a whole, in contrast to the relative lag experienced during the war period.

In spite of large holdings of liquid assets by business generally, the transition period has developed some needs for additional bank financing as indicated by increased commercial and industrial loans. While such loans still are not very important in total volume, either in the district or in the United States, the rate of increase is significant as indicating a source of bank credit expansion which may grow in importance. Although commercial and industrial loans of reporting member banks expanded more slowly in the district for some time after the war, by the end of March their total post-war expansion was proportionately greater than for the country.

The decline in Government security holdings of banks, both locally and throughout the country, during the first three months of 1946 may continue as long as the Treasury uses its large cash balance to retire substantial amounts of maturing Government debt. By its very nature, however, this influence will come to an end.

Even if the Federal budget is brought into balance before present excess cash funds are exhausted, making further deficit financing unnecessary, individuals and businesses may reduce their holdings of Government securities. If such is the case, the Treasury will have to depend on the banking system to increase its holdings of Governments.

Should regional shifts of deposit funds occur in large amount, banks in districts gaining reserves and deposits will need to absorb Government securities sold to meet deposit drains by banks in areas losing funds, if further monetary inflation is to be avoided. The alternative would be the purchase of such securities by the Federal Reserve Banks and an over-all expansion in bank reserves, with particular concentration in those districts gaining funds. Rapid increase of private financing wherever excess reserves appear would tend to increase inflationary pressures and the danger of funds being siphoned into inventory accumulation, the real estate market, or other speculative uses. If funds continue to flow toward this area, such problems will present themselves to banking in the Third District.

## Changes in Growth, Location, and Ownership of Deposits

The process of readjustment to peacetime conditions has had a noticeable, but as yet minor, effect on bank deposits. Recent developments in the growth and ownership of deposits, however, may mark the beginning of changes which will become more pronounced during the coming year.

### Nation-wide Deposit Growth

Two broad deposit trends which prevailed during the war period continued during the second half of 1945. The first was the rate of deposit growth which, although obscured by the effects of war loan drives, apparently was maintained. More recently, however, cash retirement of Government securities has contributed to a fairly substantial drop in deposits. The second wartime trend which was continued in the last half of 1945, and extended through March of this year as well, was the rising proportion of the

nation's deposits held by the smaller outlying banks as compared with larger city banks.

A new development during the last half of 1945 was the occurrence of a definite shift in the importance of the various factors which influence deposit growth. At any time, deposits of the banking system as a whole expand or contract primarily as banks increase or decrease their loans and investments, as currency flows into or out of banks, and as gold flows into or out of the country. For several years the last two factors were offset largely by Federal Reserve credit, so that earning assets were the dominant factor influencing deposit growth.

The importance of various types of earning assets in relation to deposit expansion occurring during the second half of 1945 differed from that which prevailed during the war, as can be seen from Table 1. In this table "public" credit

consists of banks' holdings of Federal Government securities and extension of loans to finance purchases of such securities by others; "private" credit consists of other loans and investments.

Table 1  
CHANGES IN "PUBLIC" AND "PRIVATE" CREDIT  
EXTENDED BY BANKS

All Member Banks	Dollar amounts (Billions)			Percentage distribution of changes		
	Dec. 1939 to Dec. 1941	Dec. 1941 to June 1945	June 1945 to Dec. 1945	Dec. 1939 to Dec. 1941	Dec. 1941 to June 1945	June 1945 to Dec. 1945
	Gov't. security holdings.....	+5.2	+53.7	+5.1	54%	96%
Loans on Gov't. securities*.....	+ .2	+ 4.4	+ .4	2	8	6
Total "public" credit.....	+5.4	+58.1	+5.5	56	104	72
Other loans*.....	+3.9	- 1.9	+1.7	41	- 3	22
Other securities.....	+ .3	- .3	+ .5	3	- 1	6
Total "private" credit.....	+4.2	- 2.2	+2.2	44	- 4	28
Total earning assets.....	+9.6	+55.9	+7.7	100%	100%	100%

\* Estimated.

In the preparedness stage of World War II, prior to Pearl Harbor, there was an expansion of "private" as well as "public" credit extended by banks, reflecting the growth in both the "guns" and "butter" sectors of our economy. Private credit was used to facilitate production of war materials and civilian goods. The extension of both private and public bank credit at that time contributed to the expansion of bank deposits. Later, the entry of the United States into the war necessitated the curtailment of unessential activities and the greatest possible diversion of resources to war production, much of it financed by the Government. Bank deposits grew as banks increased their holdings of Government securities. Curtailment of nonessential private credit was encouraged, in part as a means of retarding deposit expansion as much as possible.

The change from a war to a peace economy during the second half of 1945 brought about an embryonic revival of private credit and caused some shift in rates of expansion among the types of earning assets of banks. The expansion of public credit was still dominant, but private credit was growing in importance. Commercial and industrial loans at all member banks rose 26 per cent and consumer loans 13 per cent. Banks with increasingly large wartime incomes continued to buy tax-exempt state and municipal obligations, and some banks searching for higher yields increased their holdings of corporate bonds. For the first time since the early war

period, the expansion of private credit represented a significant factor influencing the growth of deposits.

### Third Federal Reserve District

#### Deposit Growth

During the war deposits in the Third District and the New York and Boston Districts grew less rapidly than in other sections of the country. The Third District's share of all deposits consequently declined. Previous analyses of deposit trends have suggested that, for various reasons, when wartime forces become less important, deposits may flow from the areas which enjoyed the greatest relative wartime deposit expansion to those which experienced the least.

There are some indications that this new trend has begun, although the evidence is still inconclusive. During 1945, for the first year since 1932, deposits in the Third District expanded more rapidly than deposits in the country as a whole, and the district increased its share of the nation's deposits. Since the gain took place during the first half of 1945 and was partly cancelled by a relative lag in the deposits of Third District banks during the second half, it is questionable whether the end of the war was much of a contributing factor. Since the end of 1945, however, the district has maintained its proportion of the nation's deposits, and in the last half of March increased its share. The fact that the wartime trend was halted during 1945 and early 1946 suggests that a new trend may be beginning, and at least makes it important that relative deposit shifts be examined closely during the coming months.

#### Ownership of Demand Deposits\*

The latest survey on January 31, 1946 indicates the beginnings of new developments as well as the continuation of some wartime trends in the ownership of deposits.

From the end of July 1945 to the end of January 1946, deposits of individuals continued to expand more rapidly than business accounts, representing an increasingly important segment of total demand deposits. Part of the expansion of personal deposits during the six-month period reflects the seasonal growth in farmers' balances; but the fact that the deposits of other

\*In the discussion of deposit ownership, the term "demand deposits" refers to demand deposits of individuals, partnerships, and corporations.

individuals continued to mount during the recon-  
 version period suggests that individuals as a  
 class have not used accumulated balances to sup-  
 plement current income, that they have not yet  
 been able to satisfy their demands for new con-

sumers' goods, and that they still are using part  
 of current income to accumulate deposits rather  
 than to invest in Government bonds or other  
 assets.

Deposits of retail and wholesale trade estab-  
 lishments stepped up the rapid rate of growth  
 which they had exhibited during the war period.  
 This reflects the building up of cash balances  
 and depletion of inventories resulting from  
 steadily mounting retail sales, particularly with  
 the unprecedented spending during the Christ-  
 mas season of 1945.

The most striking new development revealed  
 by the survey of deposit ownership was the  
 sharp decline between July and January in ac-  
 counts of manufacturing and mining businesses.  
 Although past surveys indicate that this type of  
 deposit grew less rapidly than the average from  
 July 1943 to July 1945 and was consequently  
 becoming a less important part of total deposits,  
 the reports at no time indicated an actual de-  
 cline. The recent reversal of direction stems  
 from the change-over to peacetime production.  
 The explanation may lie in the decline of output,  
 which reduced current incomes at the same time  
 that new outlays were being made for plant and  
 inventory and tax payments. The drop in manu-  
 facturing and mining accounts might have been  
 even greater had business not expanded its bank  
 borrowings during the period.

The only other deposits which declined from  
 July 1945 to January 1946 were those owned by  
 public utilities. Some of the same factors which  
 influenced manufacturing and mining business  
 accounts may have affected public utility bal-  
 ances, although these balances have shown even  
 more substantial declines at times during the  
 war.

Changes in the ownership of deposits in this  
 district paralleled fairly closely those in the  
 United States as a whole. The expansion of  
 personal deposits and those of trade concerns  
 was practically the same in both areas. The  
 most significant disparity was in manufacturing  
 and mining accounts, which experienced a more  
 drastic decline in the country as a whole than  
 in the district. The reason may well be that indus-  
 tries in this area, because they produced much

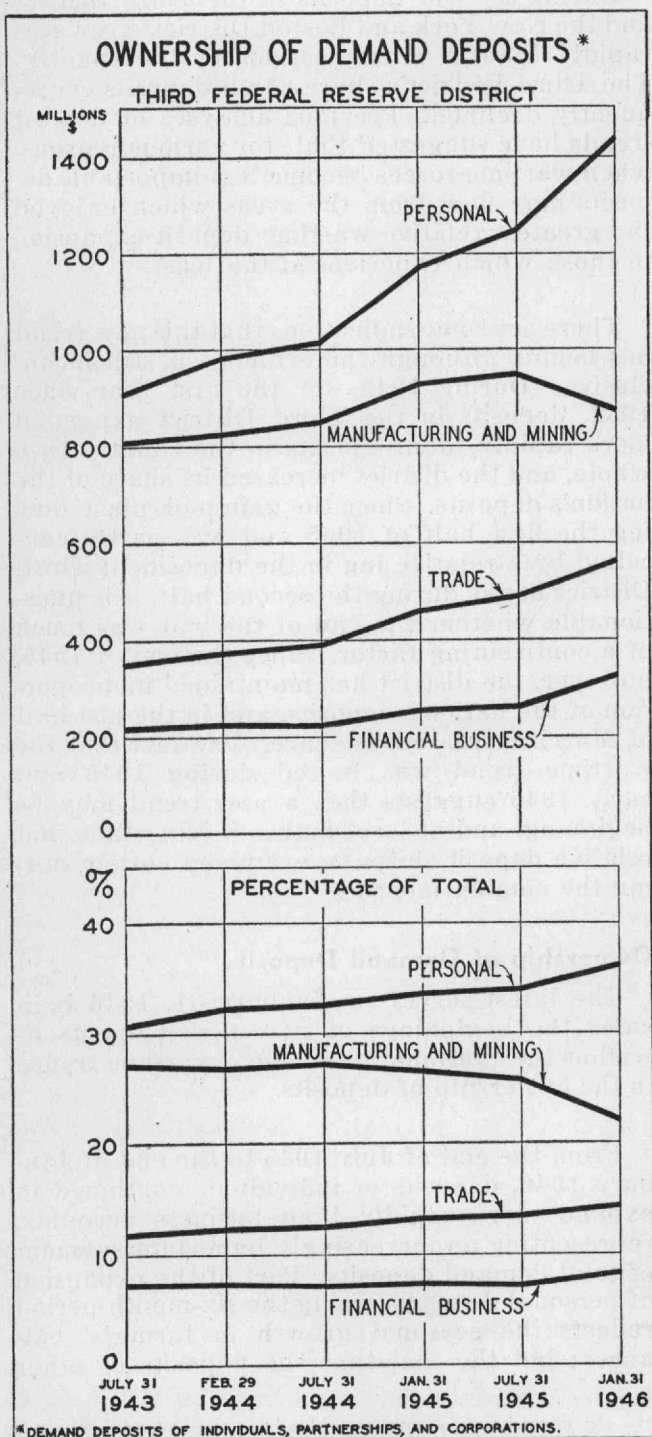




Table 2

OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS  
THIRD FEDERAL RESERVE DISTRICT

	Dollar Amounts (millions)			Percentage Distribution			Percentage Change	
	July 31, 1943	July 31, 1945	Jan. 31, 1946	July 31, 1943	July 31, 1945	Jan. 31, 1946	July 1943 to July 1945	July 1945 to Jan. 1946
Domestic business:								
Nonfinancial:								
Manufacturing and mining.....	\$ 808	\$ 949	\$ 875	27.1%	25.7%	22.0%	+17.5%	- 7.8%
Public utilities.....	249	241	230	8.4	6.5	5.8	- 3.2	- 4.6
Trade.....	351	492	561	11.8	13.3	14.1	+40.2	+14.0
Other nonfinancial business.....	145	169	187	4.9	4.6	4.7	+16.6	+10.7
Total nonfinancial business.....	\$1,553	\$1,851	\$1,853	52.2%	50.1%	46.6%	+19.2%	+ 0.1%
Financial business:								
Insurance companies.....	81	81	93	2.7	2.2	2.3	.....	+14.8
Other financial.....	137	182	235	4.6	4.9	5.9	+32.8	+29.1
Total domestic business.....	\$1,771	\$2,114	\$2,181	59.5%	57.2%	54.8%	+19.4%	+ 3.2%
Trust funds.....	207	221	226	7.0	6.0	5.7	+ 6.8	+ 2.3
Nonprofit associations.....	82	110	137	2.8	3.0	3.4	+34.1	+24.5
Personal, incl. farmers.....	912	1,250	1,430	30.7	33.8	36.0	+37.1	+14.4
Foreign.....	2	2	3	*	*	.1	†	†
Grand total.....	\$2,974	\$3,697	\$3,977	100.0%	100.0%	100.0%	+24.3%	+ 7.6%

\* Less than 0.1 per cent.

† Because of rounding small totals, percentage changes are meaningless.

the same types of goods in war as they had in peacetime, were less affected by sudden cancellation of war contracts and found reconversion easier than did industries in other sections of the country. Other differences included more rapid increases in accounts of financial and miscellaneous nonfinancial business in this district than nationally.

### Prospects

It is still too early to state with certainty whether new trends in deposits have set in since the end of the war or how extensively peacetime conditions will affect deposits. Monetary readjustment requires more time than physical readjustment. Nevertheless, on the basis of the foregoing analysis of a few months of peace, it is possible to draw three tentative conclusions:

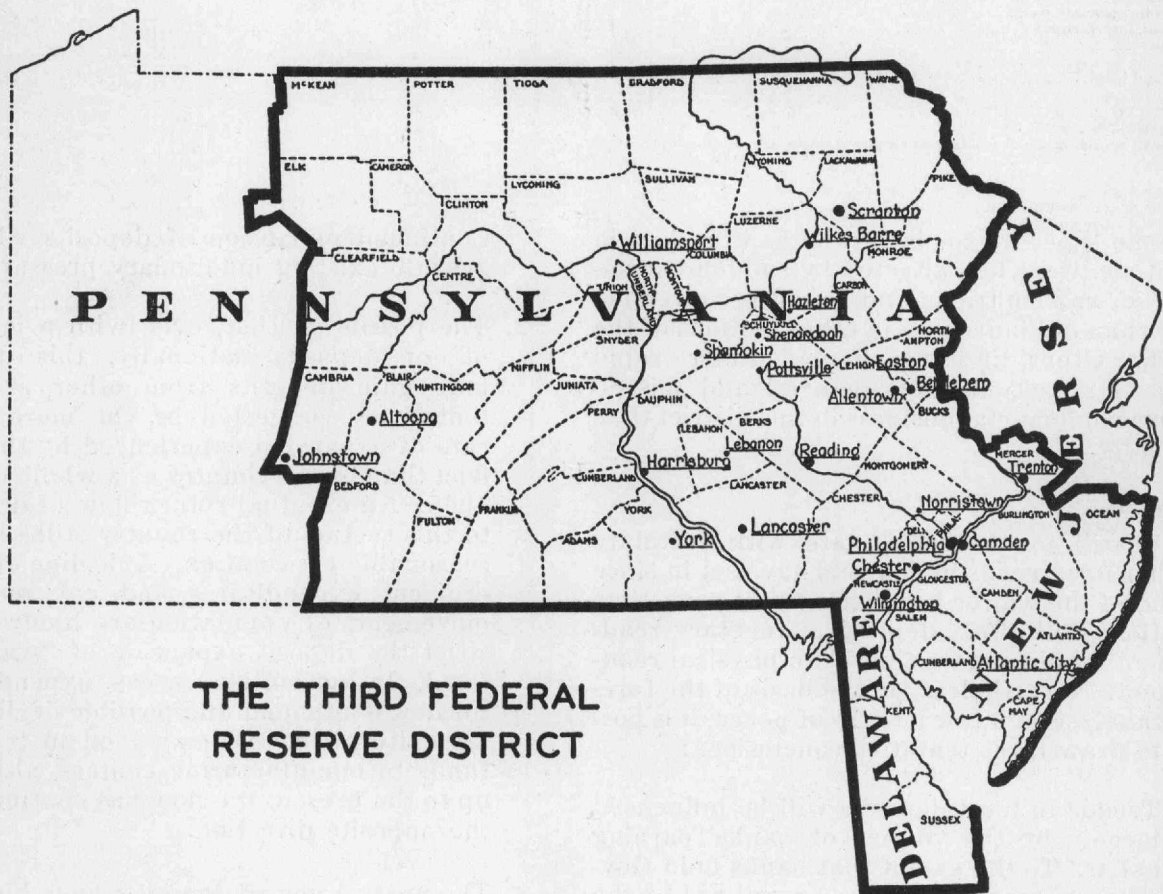
1. Trends in total deposits will be influenced largely by the volume of banks' earning assets. To the extent that banks hold Government securities which are retired by the Treasury, the volume of public credit extended by banks will tend to decline, thus tending to decrease deposits. On the other hand, any shifting of Government securities from nonbank to bank ownership and any further expansion of private credit extended by banks will tend to raise deposits.

Continued expansion of deposits will aggravate existing inflationary pressures.

2. The possibility that, even with a leveling off of deposits nationally, this district may gain deposits from other areas is tentatively suggested by the more rapid rate of expansion experienced by this district than by the country as a whole during 1945. An eventual return flow of deposits to this section of the country still seems a reasonable expectation. A decline of Government expenditures and any outward movements of population are likely to restrict the deposit expansion of "war centers." In agricultural areas, expenditures for new equipment and possible declines in agricultural income may tend to transfer funds to manufacturing centers, although up to the present the flow has continued in the opposite direction.
3. The next survey of deposit ownership may reveal further shifts among the various types of deposits, reflecting a more complete return to peacetime conditions. What apparently occurred between July 1945 and January 1946 was that industrial concerns drew upon their bank balances to meet expenses incurred in returning to

peacetime production. Part of these funds were passed on to individuals who, not yet being able to purchase many of the consumers' durable goods for which they have been waiting, continued to add to their bank accounts. If more goods are produced in the coming months, consumers may draw more heavily upon their bank balances to pay for purchases. These deposits, of course, will be passed on to other

owners—businesses as well as individuals—and it is possible that business balances may increase their importance in the pattern of ownership distribution at the expense of personal deposits. To the extent that individuals use currency holdings in making purchases, business deposits also will be increased, but in this case without any decrease in personal deposits.



THE THIRD FEDERAL  
RESERVE DISTRICT

# BUSINESS STATISTICS

## Production

### Philadelphia Federal Reserve District

## Employment and Income

### in Pennsylvania

### Industry, Trade and Service

Indexes: 1923-5 = 100	Adjusted for seasonal variation					Not adjusted			
	Mar. 1946	Feb. 1946	Mar. 1945	Per cent change from		Mar. 1946	Feb. 1946	Mar. 1945	
				Mo. ago	Year ago				
									Mar. 1946 from 3 mos. 1945
<b>INDUSTRIAL PRODUCTION</b>	102p	92	135	+ 10	- 25	- 26	102p	92	136
<b>MANUFACTURING</b>	101p	91	139	+ 11	- 27	- 29	102p	91	140
Durable goods	109p	83	210	+ 30	- 48	- 50			
Consumers' goods	96p	95	90r	+ 1	+ 6	+ 4			
Metal products	90	46r	174	+ 95	- 48	- 50	93	46r	174
Textile products	68p	65	64r	+ 4	+ 7	+ 3	70p	69	66r
Transportation equipment	214p	214	493	0	- 57	- 57	225p	212r	516
Food products	121p	119	120	+ 2	+ 1	+ 1	117p	115	116
Tobacco and products	123p	133	95	- 7	+ 30	+ 27	114	112	88
Building materials	44p	44r	36	0	+ 21	+ 22	39p	37r	34
Chemicals and products	146p	142	168	+ 3	- 13	- 17	147p	141r	169
Leather and products	84p	82	81	+ 3	+ 4	- 7	87p	87	83
Paper and printing	115	118	95	- 3	+ 21	+ 20	117	118	97
<b>Individual lines</b>									
Pig iron	75	46	84r	+ 66	- 10	- 25	87	47	97r
Steel	93	23r	128	+300	- 28	- 46	99	24r	137
Iron castings	78	75	75	+ 4	+ 1	1	82	76	79
Steel castings	73	36	195	+101	- 63	- 68	81	40	219
Electrical apparatus	90	87r	290	+ 3	- 69	- 56	84	84r	270
Motor vehicles	33	35	59	- 8	- 44	- 37	35	36	63
Automobile parts and bodies	76	67r	120	+ 14	- 36	- 34	83	73	131
Locomotives and cars	36	24r	93	+ 2	- 59	- 60	39	24r	100
Shipbuilding				+ 2	- 59	- 60			
Silk manufactures	83	81	83	+ 3	0	0	86	86	86
Woolen and worsted	74p	68	65r	+ 10	+ 15	+ 11	72p	70r	63r
Cotton products	47	46	41	+ 4	+ 16	+ 12	50	49	43
Carpets and rugs	69p	67	54r	+ 2	+ 26	+ 17	69p	69r	55r
Hosiery	72	70	65	+ 3	+ 11	+ 7	75	73	67
Underwear	130	131	128	0	+ 2	0	142	143	140
Cement	63p	70	26	- 10	-138	+130	49p	49r	20
Brick	53	49r	52	+ 9	+ 2	+ 3	52	47r	51
Lumber and products	28	26r	33	+ 9	+ 17	+ 20	26	24	32
Bread and bakery products				+ 2*	- 4*	- 4*	124	122	129
Slaughtering, meat packing	118	117	102	+ 0	+ 16	+ 21	111	116	96r
Sugar refining	61	61	68	0	- 10	- 28	93	79	104
Canning and preserving	166p	163r	167	+ 2	- 1	0	151p	150	149
Cigars	124	134	94	- 7	+ 32	+ 27	115	112	87
Paper and wood pulp	91	94	83	+ 3	+ 11	+ 11	93	94	84
Printing and publishing	120	123	97	- 3	+ 23	+ 22	122	123	99
Shoes	106p	104	92	+ 2	+ 14	+ 6	112p	109r	98
Leather, goat and kid	64p	60	70r	+ 6	- 8	- 11	63p	65r	69
Explosives	73	71	227	+ 2	- 68	- 67	73	71	227
Paints and varnishes	91	91r	92r	0	- 1	- 1	93	89r	93
Petroleum products	201	216	198	- 7	+ 1	- 1	199	213	197
Coke, by-product	165p	83	162	+100	+ 2	- 25	172p	87r	168
<b>COAL MINING</b>	82	78	74	+ 6	+ 11	+ 12	82	79	74r
Anthracite	79	76	72	+ 4	+ 10	+ 11	79	76	72
Bituminous	108	92	92r	+ 17	+ 17	+ 12	110	100	94r
<b>CRUDE OIL</b>	298	301	325	- 1	- 8	- 5	304	301	332
<b>ELECTRIC POWER</b>	403	394	426	+ 2	- 6	- 6	411	417	435
Sales, total	413	410	443	- 1	- 7	- 7	409	443	438
Sales to industries	305	295	357	+ 3	- 15	- 17	290	292	339
<b>BUILDING CONTRACTS</b>									
TOTAL AWARDS†	107	63	40	+ 70	+169	+141	93	63	35
Residential†	93	44	4	+112	**	**	71	31	3
Nonresidential†	132	111	70	+ 19	+ 88	+ 88	132	112	70
Public works and utilities†	73	33	40	+125	+ 49	+ 50	67	39	45

\* Unadjusted for seasonal variation. p—Preliminary.  
 † 3-month moving daily average centered at 3rd month. r—Revised.  
 \*\* Increase of 1000% or more from the low level of a year ago.

## Local Business Conditions\*

Percentage change—March 1946 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Feb. 1946	Mar. 1945	Feb. 1946	Mar. 1945	Feb. 1946	Mar. 1945	Feb. 1946	Mar. 1945	Feb. 1946	Mar. 1945
	Allentown	+ 5	- 21	+ 35	- 34	+312	**	+28	+ 2	0
Altoona	0	- 4	+ 2	- 13	+399	+244	+59	+ 6	+ 1	+29
Harrisburg	+ 2	- 16	+ 30	- 22	- 26	+291	+31	+ 9	+25	+17
Johnstown	+18	+ 4	+106	- 6	+428	**	+20	+ 8	+21	+10
Lancaster	+ 3	- 11	+ 5	- 11	+888	**	+30	+ 11	+ 6	- 2
Philadelphia	+ 6	- 26	+ 9	- 33	+306	+460	+25	+ 9	+19	+ 9
Reading	+ 3	- 7	+ 8	- 7	+368	**	+31	+ 14	+21	+ 8
Scranton	+ 1	- 18	+ 2	- 20	+256	+137	+35	+ 13	+37	+ 3
Trenton					+334	**	+17	+ 15	+14	+22
Wilkes-Barre	- 2	- 30	0	- 38	+ 19	+249	+28	+12	+21	+14
Williamsport	+ 2	- 19	+ 12	- 22	**	**			+ 5	- 7
Wilmington	+10	- 37	+ 8	- 45	+120	**	+23	+18	+30	+ 4
York	- 1	- 20	+ 3	- 31	+ 21	+215	+26	+ 9	+17	+ 4

\* Area not restricted to the corporate limits of cities given here.  
 \*\* Increase of 1000% or more from the low level of a year ago.

Indexes: 1932 = 100	Employment				Payrolls		
	Mar. 1946 index	Per cent change from		Mar. 1946 index	Per cent change from		
		Feb. 1946	Mar. 1945		Feb. 1946	Mar. 1945	
<b>GENERAL INDEX</b>	120	+11	- 8	281	+24	- 14	
Manufacturing	147	+17	- 16	371	+35	- 24	
Bituminous coal mining	80	+ 3	+11	409	+ 6	- 21	
Building and construction	58	+ 7	+37	131	+ 8	+ 26	
Quar. and nonmet. mining	82	+10	+11	286	+27	+ 20	
Crude petroleum prod.	142	+ 3	+11	268	+ 1	+ 9	
Public utilities	107	+ 2	+11	173	+ 4	+14	
Retail trade	131	+ 2	+ 4	200	+ 3	+ 21	
Wholesale trade	119	+ 2	+14	186	+ 3	+ 22	
Hotels	109	- 4	+ 9	211	- 5	+19	
Laundries	104	+ 1	+ 5	222	+11	+25	
Dyeing and cleaning	101	+ 2	+ 2	220	+11	+19	

## Manufacturing

Indexes: 1923-5 = 100	Employment*				Payrolls*		
	Mar. 1946 index	Per cent change from		Mar. 1946 index	Per cent change from		
		Feb. 1946	Mar. 1945		Feb. 1946	Mar. 1945	
<b>TOTAL</b>	95	+ 17	- 16	151	+ 35	- 24	
Iron, steel and products	86	+ 66	- 30	171	+119	- 37	
Nonferrous metal products	179	+ 6	- 19	388	+ 7	- 20	
Transportation equipment	92	+ 1	- 38	146	+ 7	- 49	
Textiles and clothing	81	+ 1	+ 5	143	+ 4	+ 14	
Textiles	76	+ 1	+ 7	135	+ 4	+ 18	
Clothing	99	+ 1	- 2	178	+ 4	+ 3	
Food products	121	+ 1	- 3	197	+ 2	+ 2	
Stone, clay and glass	95	+ 4	+ 17	153	+ 7	+ 18	
Lumber products	50	+ 1	- 2	82	+ 7	- 7	
Chemicals and products	113	+ 9	- 2	202	+ 16	- 5	
Leather and products	84	+ 2	+ 17	147	+ 4	+ 21	
Paper and printing	120	+ 2	+ 20	206	+ 4	+ 33	
Printing	117	+ 2	+ 25	193	+ 4	+ 40	
<b>Others:</b>							
Cigars and tobacco	49	+ 3	0	77	+ 7	+ 3	
Rubber tires, goods	134	0	- 8	317	0	+ 1	
Musical instruments	111	+ 2	+ 16	185	+ 11	+ 33	

\* Figures from 2771 plants.

## Hours and Wages

Factory workers Averages March 1946 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
	<b>TOTAL</b>	39.9	- 12	\$1 079	- 1	\$42.93
Iron, steel and prods.	38.9	- 17	1.183	+ 3	46.03	- 14
Nonfer. metal prods.	40.2	- 14	1.073	+ 5	43.10	- 10
Transportation equip.	40.2	- 13	1.172	- 11	47.09	- 23
Textiles and clothing	39.6	- 3	.896	+ 11	35.51	+ 8
Textiles	40.6	- 2	.914	+ 12	37.14	+ 10
Clothing	37.0	- 5	.844	+ 8	31.71	+ 4
Food products	42.5	- 4	.886	+ 9	37.97	+ 5
Stone, clay and glass	39.5	- 6	1.000	+ 6	39.42	0
Lumber products	41.9	- 6	.819	+ 1	34.19	- 4
Chemicals and prods.	40.9	- 12	1.178	- 10	48.05	- 3
Leather and products	41.3	- 4	.833	+ 6	34.44	+ 2
Paper and printing	43.3	- 3	1.071	+ 14	46.39	+ 10
Printing	40.8	- 3	1.277	+ 16	52.08	+ 13
<b>Others:</b>						
Cigars and tobacco	38.5	- 10	.749	+ 15	28.80	+ 3
Rubber tires, goods	45.5	+ 1	1.154	+ 9	52.47	+ 10
Musical instruments	45.7	+ 10	.954	+ 5	43.63	+ 15

\* Figures from 2627 plants.

† Figures from 2771 plants.

## Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Mar. 1946 from		1946 from
	Month ago	Year ago	mos. 1945
<b>Sales</b>			
Total of all lines.....	- 1	+20	+17
Boots and shoes.....	- 9	+45	.....
Drugs.....	- 1	+13	+13
Dry goods.....	+ 2	+33	+20
Electrical supplies.....	+30	+123	.....
Groceries.....	- 5	+18	+19
Hardware.....	- 5	+10	+16
Jewelry.....	+ 1	+89	+65
Paper.....	+ 5	+ 1	+ 5
<b>Inventories</b>			
Total of all lines.....	+ 2	+24	.....
Dry goods.....	+ 3	+74	.....
Electrical supplies.....	+ 1	+42	.....
Groceries.....	0	+16	.....
Hardware.....	0	+ 2	.....
Jewelry.....	- 1	+18	.....
Paper.....	- 1	+18	.....

Source: U. S. Department of Commerce.

Prices	Mar. 1946	Per cent change from		
		Month ago	Year ago	Aug. 1939
<b>Basic commodities</b> (Aug. 1939 = 100).....	190	+ 1	+ 3	+ 90
<b>Wholesale</b> (1926 = 100).....	109	+ 1	+ 3	+ 45
Farm.....	133	+ 2	+ 5	+119
Food.....	109	+ 1	+ 5	+ 63
Other.....	102	+ 1	+ 3	+ 28
<b>Living costs</b> (1935-1939 = 100)				
United States.....	130	0	+ 3	+ 32
Philadelphia.....	129	+ 1	+ 3	+ 32
Food.....	139	+ 1	+ 3	+ 49
Clothing.....	152	+ 1	+ 5	+ 53
Rent.....	107	0	0	+ 4
Fuels.....	115	0	+ 4	+ 19
Housefurnishings.....	151	+ 1	+ 5	+ 50
Other.....	122	+ 1	+ 1	+ 21

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	Mar. 1946	Feb. 1946	Mar. 1945	Per cent change			Mar. 1946	Feb. 1946	Mar. 1945
				Mar. 1946 from		1946 from 3 mos. 1945			
				Month ago	Year ago				
<b>RETAIL TRADE</b>									
<b>Sales</b>									
Department stores—District.....	244	221	203r	+11	+20	+12	220	174	199r
Philadelphia.....	223	198	190r	+13	+17	+10	199	161	185r
Women's apparel.....	287	298	220	- 3	+31	+19	285	215	241
Men's apparel.....	278	188	229	+48	+22	+ 8	224	147	208
Shoe.....	240	240	202	0	+19	+19	228	175	212
Furniture.....	.....	.....	.....	+20*	+44*	.....	.....	.....	.....
<b>Inventories</b>									
Department stores—District.....	158p	153r	138	+ 3	+14	.....	158p	148r	138
Philadelphia.....	156p	151r	132	+ 4	+19	.....	158p	146r	133
Women's apparel.....	192	203	168	- 5	+14	.....	211	198	185
Shoe.....	53	59	54	-16	- 3	.....	59	61	61
Furniture.....	.....	.....	.....	+ 9*	+12*	.....	.....	.....	.....
<b>FREIGHT-CAR LOADINGS</b>									
Total.....	142	113	146	+26	- 3	-11	133	104	138
Merchandise and miscellaneous.....	129	96	141	+34	- 9	-20	124	88	136
Merchandise—l.c.l.....	95	90	90	+ 5	+ 5	+ 4	95	85	90
Coal.....	166	153	138	+ 8	+20	+19	171	159	142
Ore.....	138	50	260	+177	-47	-51	171	19	114
Coke.....	185	97	223	+91	-17	-33	174	104	210
Forest products.....	107	101	110	+ 6	- 2	- 6	93	82	95
Grain and products.....	123	160	137	-23	-10	+ 9	117	141	130
Livestock.....	125	126	109	- 1	+15	-10	116	115	101
<b>MISCELLANEOUS</b>									
Life insurance sales.....	219	207	132	+ 6	+66	+62	228	224	137
Business liquidations	.....	.....	.....	.....	.....	.....	.....	.....	.....
Number.....	.....	.....	.....	0*	0*	+100*	3	3	3
Amount of liabilities.....	.....	.....	.....	.....	.....	.....	49	2	1
Check payments.....	206	211	189	- 2	+ 9	+ 7	204	205	187

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

# BANKING STATISTICS

### MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	Apr. 24, 1946	Changes in	
		Five weeks	One year
<b>Assets</b>			
Commercial loans.....	\$ 269	-\$ 7	+\$ 63
Loans to brokers, etc.....	44	+ 4	+ 2
Other loans to carry secur.....	70	+ 1	+ 55
Loans on real estate.....	38	+ 2	+ 4
Loans to banks.....	1	.....	+ 1
Other loans.....	154	+ 8	+ 40
<b>Total loans.....</b>	<b>\$ 576</b>	<b>+\$ 8</b>	<b>+\$165</b>
Government securities.....	\$1896	-\$ 95	+\$159
Obligations fully guar' teed.....	.....	.....	- 54
Other securities.....	193	- 11	+ 15
<b>Total investments.....</b>	<b>\$2089</b>	<b>-\$106</b>	<b>+\$120</b>
<b>Total loans &amp; investments.....</b>	<b>\$2665</b>	<b>-\$ 98</b>	<b>+\$285</b>
Reserve with F. R. Bank.....	420	- 6	+ 11
Cash in vault.....	33	+ 1	+ 2
Balances with other banks.....	81	- 2	+ 5
Other assets—net.....	48	+ 5	.....
<b>Liabilities</b>			
Demand deposits, adjusted.....	\$1733	-\$ 71	-\$119
Time deposits.....	240	+ 11	+ 35
U. S. Government deposits.....	604	- 45	+ 323
Interbank deposits.....	374	- 7	+ 22
Borrowings.....	13	+ 6	- 3
Other liabilities.....	25	+ 4	+ 8
Capital accounts.....	258	+ 2	+ 15

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—					Change in five weeks
	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	
<b>Sources of funds:</b>						
Reserve Bank credit extended in district.....	+15	+ 5	.....	+ 5	-21	+ 4
Commercial transfers (chiefly interdistrict).....	- 7	+13	- 9	- 6	+19	+10
Treasury operations.....	-14	-17	- 1	+ 5	+ 9	-18
<b>Total.....</b>	<b>- 6</b>	<b>+ 1</b>	<b>-10</b>	<b>+ 4</b>	<b>+ 7</b>	<b>- 4</b>
<b>Uses of funds:</b>						
Currency demand.....	- 1	+ 1	+ 7	+ 3	- 5	+ 5
Member bank reserve deposits.....	- 4	- 1	-15	.....	+11	- 9
"Other deposits" at Reserve Bank.....	- 1	+ 1	- 2	+ 1	+ 1	.....
Other Federal Reserve accounts.....	.....	.....	.....	.....	.....	.....
<b>Total.....</b>	<b>- 6</b>	<b>+ 1</b>	<b>-10</b>	<b>+ 4</b>	<b>+ 7</b>	<b>- 4</b>

Member bank reserves (Daily averages; dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired	Federal Reserve Bank of Phila. (Dollar figures in millions)	Changes in		
						April 24, 1946	Five weeks	One year
<b>Phila banks</b>								
1945: Apr. 1-15.....	\$410	\$402	\$8	2%	Disc. and advances..	\$ 21	+\$ 9	+\$ 3
1946: Mar. 1-15.....	408	400	8	2	Industrial loans.....	1	.....	- 2
Mar. 16-31.....	410	403	7	2	U. S. securities.....	1601	- 10	+ 265
Apr. 1-15.....	406	398	8	2	<b>Total.....</b>	<b>\$1623</b>	<b>-\$ 1</b>	<b>+\$267</b>
<b>Country banks</b>					Fed. Res. notes.....	1603	- 2	+ 116
1945: Apr. 1-15.....	\$321	\$263	\$58	22%	Member bk. deposits	776	- 9	+ 41
1946: Mar. 1-15.....	370	301	69	23	U. S. general account	20	- 33	- 21
Mar. 16-31.....	374	304	70	23	Foreign deposits....	57	- 2	- 42
Apr. 1-15.....	369	306	63	21	Other deposits.....	4	.....	- 2
					Gold ctf. reserves....	839	- 37	- 159
					Reserve ratio.....	34.1%	-0.9%	- 8.0%