



# THE BUSINESS REVIEW

JUL 12 1946



## FEDERAL RESERVE BANK OF PHILADELPHIA

JULY 1, 1946

### Expansion of Consumer Spending

The end of the war with Japan was not followed by declines in activity of the magnitudes predicted in many quarters. Retooling of industry for peacetime production required much less time than was originally anticipated. In spite of the delays in industrial production caused by strikes in key industries such as automobiles, steel, electrical machinery, coal, and others the slack has been taken up by expansion in other lines of activity. Consumer income has been sustained at a high level since V-J Day and probably the most unexpected trend has been the continued upsurge of consumer spending.

Consumer expenditures during the first quarter of this year were at an annual rate of \$120 billion compared with only \$105 billion in the same period a year ago which at that time represented the wartime peak. This expansion occurred despite the fact that durable goods, which were counted upon to bolster the market, had not yet been produced in sufficient quantity to be an important factor.

The so-called spending spree is really nothing unusual in the light of past relationships between the flow of income and consumer habits of spending. It is commonly agreed that consumer spending is largely determined by consumer incomes. During the past year, total income has remained at a high level because the anticipated net decline in manufacturing

employment failed to occur and employment increased in nonmanufacturing industries. Increase in wage rates was also an important factor. Income payments to individuals in the first quarter of this year were at an annual rate of \$156 billion, only 5 per cent lower than a year ago. The current financial position of consumers was improved by the decline in personal taxes and nontax payments from a rate of \$22 billion to \$17 billion. As a result, disposable income of individuals was only 1 per cent below last year.

During the war, shortages of goods and patriotism were incentives for tremendous increases in savings of individuals in the form of Government securities, bank deposits, and currency. These savings during the war were extremely high even in relation to expanded incomes. With cessation of hostilities, payroll deductions for purchases of Government securities dropped off and the annual rate of savings declined to \$19 billion in the first quarter of this year compared with \$37 billion in the same period a year ago. According to the U. S. Department of Commerce, the current rate of saving is the rate normally expected at the present level of income.

Supplementary sources of consumer spending are accumulated savings and availability of credit. The end of the war found both sources in excellent condition. Personal holdings of liquid assets had tripled during the war to about

\$150 billion and consumer debt declined 50 per cent from a peak of \$10 billion to \$5 billion. The credit rating of the consumer was high and increased purchases out of future income have already been evident with a rise in consumer debt to \$7.4 billion by the end of April. There is little question that use of credit will increase further as durable items which are normally sold on the instalment plan reach the market in greater quantity. Sales promotion campaigns by aggressive credit managers will also expand use of credit. Many consumers appear to be reluctant to part with their savings and are contemplating the use of credit facilities which are being made available from a variety of competitive sources.

Although there are whispered fears of a possible buyers' strike, there is little indication from current activity that this is likely to occur on a mass scale in the near future. Consumer demand continues strong for all types of goods. Of the \$15 billion increase in the annual rate of consumer spending over a year ago, almost \$11 billion represented increased spending for nondurable goods. Spending on durable goods and services is still lagging far behind the volume expected at the present high levels of income. Spending on durables, of course, has been limited by the supply of goods. Future demand for these items should greatly exceed the volume ordinarily to be expected at current levels of income because of the demand that accumulated during the war. Even though spending on nondurable goods may not hold at the present high levels, any reduction will probably be taken up by spending on durables and services. The greatest change that is likely to occur if incomes are maintained is a shift in the buying pattern—a shift from nondurable goods to durable goods and service.

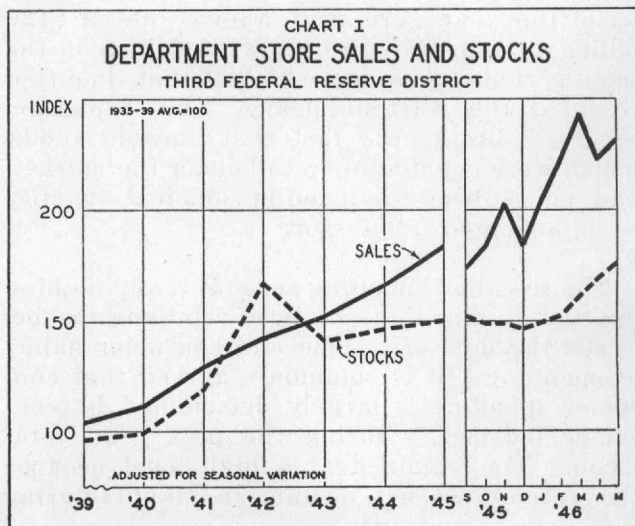
Current spending on nondurable goods in volume greater than is normally to be expected at the present level of income, seems to reflect in large part the temporary influence of three factors on the market. First, the return of members of the armed forces expanded the group of civilian consumers. Their effect on the market is clearly shown in the gain in sales of men's apparel. Once their accumulated needs for clothing and other items are satisfied there will probably be some leveling off in sales of this type. Second, the failure of durable goods to appear on the market because of strikes may have resulted in accelerated spending for non-

durables by impatient consumers. Third, fear of inflation may have stimulated sales. Anticipated relaxation of OPA regulations which were expected to be followed by higher prices has probably resulted in advance buying of nondurables and, of course, would also have expanded sales of durables had they been available to the public.

While some of the expansion in current activity can be attributed to conditions which give only a temporary boost to sales, the outlook is for continued high levels of retail business. Wear and tear on consumer household and personal goods and the addition of many new family units have created a demand for merchandise that cannot be satisfied for some time. Men in the retail field expect the present large volume of spending to continue. Demand for soft goods is expected to sustain the market until the continuous flow of hard goods can take up the slack. A real buyers' strike is not expected if prices continue at reasonable levels. Maintenance of such levels depends upon the continued flow of goods, increased supplies in some instances, reasonable restraint in the buying practices of consumers, and other factors including costs and efficiency of production and distribution.

### Department Store Sales in the Third Federal Reserve District

Department store activity in this district more than matched the national expansion in total consumer expenditures in the early months of this year. Sales during the first five months





were 25 per cent above a year ago and have continued especially strong through May and the first two weeks of June with increases of approximately 35 per cent. (See Chart I.) These gains are greater than in any comparable period during the wartime boom.

Increased spending is general for all types of goods. Only four of the 34 principal departments showed declines in activity, and the only large decline was in women's and children's hosiery where shortages of merchandise restricted buying.

The influence of the returning veteran is reflected in sales of men's clothing. As veterans were transferred to the army of civilian buyers, supplies of many apparel items were quickly exhausted, and purchases have continued to be determined by availability of goods. While the supply problem has shown some improvement since the beginning of the year, critical shortages persist in many items and the outlook for sales is good for some time. In the case of men's coats and suits for example, inventories at the end of January were only one-third the volume of a year earlier, and the available goods in large part were not the seasonal items then in demand. In each succeeding month, however, stocks have gradually improved and at the end of April had increased to two-thirds of the supply in the previous year. As supply improved, sales also showed continuously increasing gains after the turn of the year and in April were 119 per cent over the same month a year ago compared with only a 4 per cent gain in January.

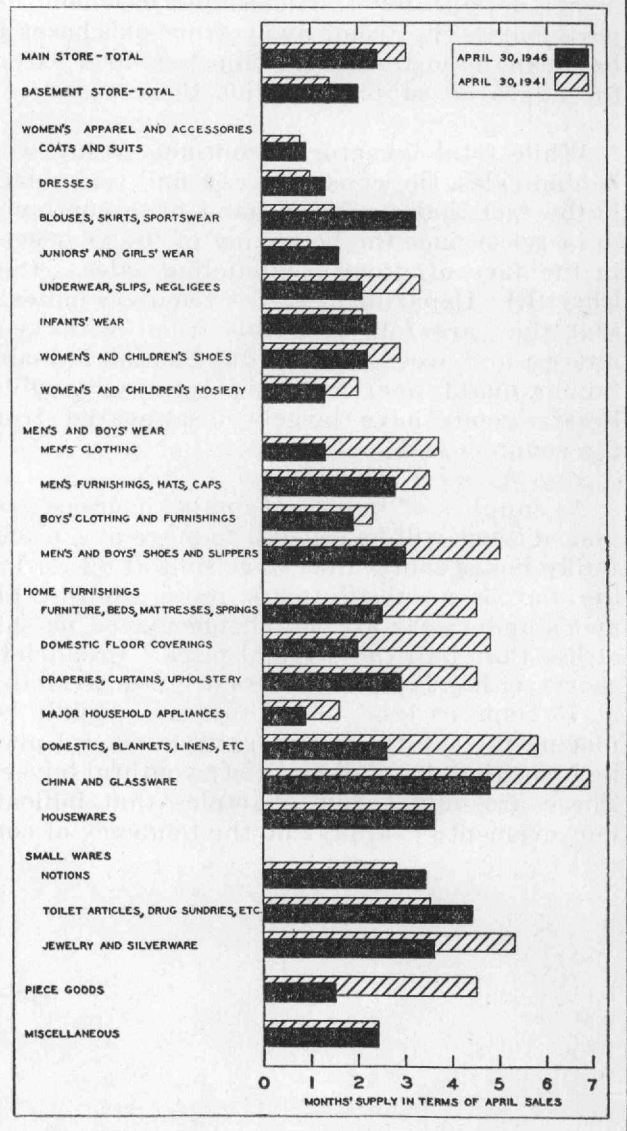
Sales of home furnishings, which include the bulk of durable goods sold at department stores, gave added impetus to over-all gains. They accounted for 48 per cent of the total increase in department store sales during the first four months of this year compared with a year ago. The gains from last year ranged between 30 and 50 per cent for all principal departments in this group with the exception of major household appliances, which increased 553 per cent. This large gain in appliance sales, however, is very misleading because it reflects a gain over a very negligible amount of business that prevailed throughout the late war years. Actually, sales of appliances thus far this year account for well under one-half of their normal proportion of total activity. Despite increases in the combined sales of all home furnishing departments, the

current volume of business accounted for only about the same proportion of total sales that prevailed in 1941. The home furnishings departments suffered most from supply shortages and there is little likelihood that demand will be satisfied for many months to come.

### Inventories

Availability of merchandise continues to determine the volume of sales for many types of goods. While retailers feel that there has been some improvement in supply, recovery has been

CHART II  
DEPARTMENT STORE INVENTORIES  
NUMBER OF MONTHS' SUPPLY ON HAND  
THIRD FEDERAL RESERVE DISTRICT



slow. Eight of the 34 large departments showed actual declines in inventories at the end of April compared with a year ago. These departments were restricted to the clothing groups, with men's clothing and furnishings leading the list. Gains in other groups are misleading when we consider that the data in many cases reflect changes from very low levels and that actually supplies are extremely low today.

The areas of shortest supply are suggested in Chart II which shows the number of months' supply of goods on hand at the end of April this year compared with April 1941. Housefurnishings, men's and boys' wear, and piece goods departments are most affected. Inventories compared best in some women's apparel departments, notions, toilet articles, and basement departments. The trend away from purchases in basement departments explains to a large extent the improved supply situation there.

While total inventories continue to lag well behind sales, the consumer can find real solace in the fact that stocks on hand have continued to increase since the beginning of the year even in the face of greatly expanding sales. (See Chart I.) Department store executives indicate that they are following this trend with keen interest and are exercising due caution in maintaining quality merchandise insofar as possible. Ersatz goods have largely disappeared from the counters and shelves.

As supplies of improved quality increase, replaced items will be difficult to move at a profit. Bulky boxer shorts that were sold at \$2 during the war as a substitute for more comfortable men's underwear are now being placed on sale at less than half the original price. Broadcloth shorts with gripper fasteners are now available at 75 cents or less. Metal toys are rapidly replacing the substitute paper, wooden, and plastic items that now fail to satisfy youthful buyers. These are only a few examples that indicate improvement in supply and the tendency of con-

sumers to be more cautious in their buying as merchandise of real quality appears on the market. Some of the first durable consumer goods to appear on the market now prove to be inferior in quality and costly in comparison with pre-war items.

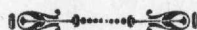
### Increased Use of Credit

The war boom was accompanied by a substantial reduction in the use of credit for consumer purchases. As pay envelopes grew fatter, purchasers did more buying on a cash basis. At department stores in this district, cash sales increased from approximately 40 per cent of total business in 1941 to 55 per cent in late war years. During the same period, charge account volume dropped from 50 per cent to 40 per cent and instalment transactions were cut from 10 to 5 per cent. (See Table I.)

Table I  
SHIFTS IN THE PATTERN OF CREDIT BUYING AT  
DEPARTMENT STORES

	Distribution of total sales by type of transaction			
	Total sales	Cash sales	Charge acct. sales	Instalment sales
1941 (pre-war pattern).....	100	41	49	10
1945 (war pattern).....	100	55	40	5
1946:				
January.....	100	56	39	5
February.....	100	54	41	5
March.....	100	54	42	4
April.....	100	50	44	6
May.....	100	51	45	4

This new pattern in type of transaction remained almost constant through the last three war years, but since the beginning of this year there appears to be a shift back toward the pre-war pattern. Although there has been little change in the use of instalment credit at department stores, the trend has been quite marked in the case of charge account credit. Charge account sales have increased steadily from 39 per cent of total sales in January to 45 per cent in May. Instalment sales are also expected to increase proportionately as durable goods, which are normally sold on time, become available in larger quantities.





## Jobs in Pennsylvania Industries

Manufacturing employment during the first nine months of peace reflects both the progress and the pitfalls of industrial demobilization. Physical reconversion was accomplished so fast that it had relatively few ill effects upon employment. Wage-rate reconversion proved a bigger stumbling block than plant reconditioning.

Pennsylvania affords a good cross-section of industrial employment. Before the war, manufacturing plants of the state employed almost one million people or about one-third of the working population of the Commonwealth. Almost every one of the 450 industries classified by the census is represented here. Manufacturing plants are widely dispersed throughout the state, which has more industrial cities of 10,000 inhabitants and over than any other state in the country. In 1939, manufacturing plants in this area converted almost \$3 billion worth of raw materials into more than \$5 billion worth of finished products of all kinds. New York is the only state that employed more people and produced more manufactured products than Pennsylvania.

### Background for Peace

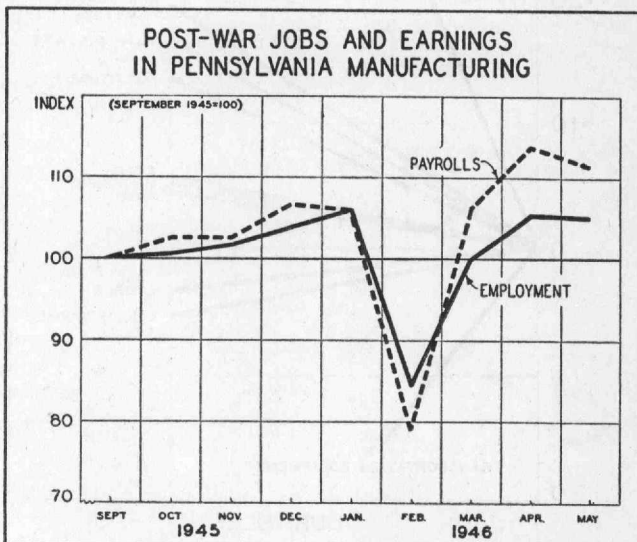
In producing for national defense, manufacturing employment in Pennsylvania increased from almost a million workers to a peak in November 1943 of more than a million and a half. Expansion occurred in every major line of industry except textiles and leather. The war by-passed these two industries very largely because they produce consumer goods for the most part inapplicable to military needs. The principal textiles of this area are silk and rayon and women's hosiery. Likewise in the leather industry, a large number of plants in this area are shoe manufacturing concerns specializing in women's and children's shoes which were rationed during the emergency.

The job of expanding production in the early months of the national defense effort was done so well that many plants reduced their working force 20 months before the end of the war. In the period from November 1943 to the capitulation of Japan, manufacturing employment declined 14 per cent to a level of 1 $\frac{1}{3}$  million workers.

### Employment During the First Nine Months of Peace

Although many changes occurred in plant personnel immediately after the end of hostilities, the transition to peace was accomplished with very little recession in total manufacturing employment. From August to September 1945 many jobs vanished in such industries as metals, machinery, and transportation equipment. However, such losses were offset in part by increased employment in foods, tobacco, paper, printing, and petroleum. The net decrease in employment in the first post-war month was only 12 per cent. The decline was smaller and of shorter duration than many had anticipated. Immediately thereafter employment rose under the stimulus of an almost insatiable demand for goods of every kind.

Interruptions to expanding employment arising out of labor-management disputes occurred earlier in the automobile industry, but such difficulties did not strike heavily in Pennsylvania until January when workers and management in the steel industry came to an impasse. In that month the electrical industries were also confronted by demands for higher wages. Strikes in these two large industries were primarily responsible for the over-all 20 per cent decline in employment in February as indicated in the accompanying chart. The entire peace-time gain of about 75,000 workers immediately after



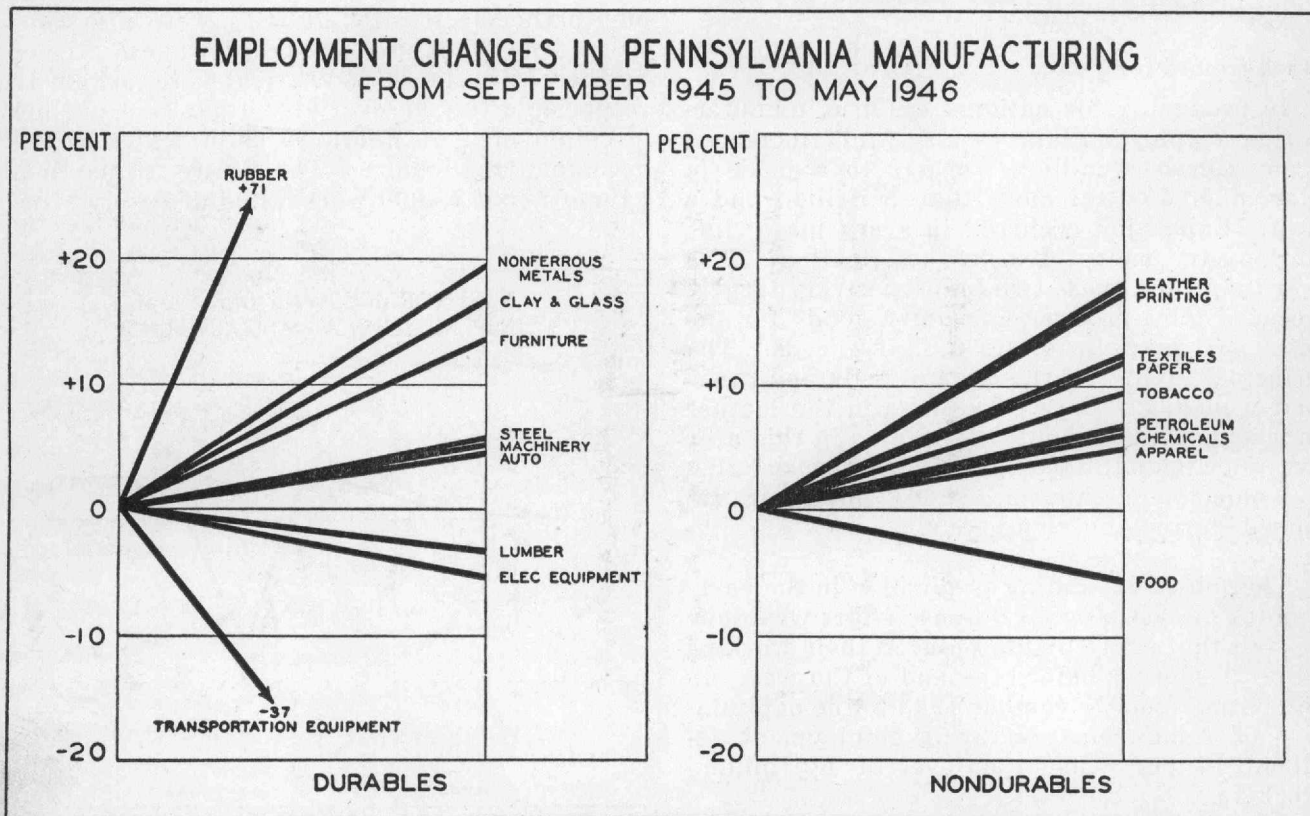
the war was temporarily wiped out by inability to work out mutually satisfactory wage contracts. But manufacturing employment recovered rapidly after settlement of the steel strike and by April was close to the January level. In May, however, the fuel shortage brought about by the prolonged dispute in the soft coal industry caused a slight decline. Thus strikes have delayed employment reconversion by several months. Production has been held back even more than the employment figures indicate.

Since the industries involved in strikes were comparatively high-wage industries, wage payments to all manufacturing workers declined more than employment during the period of wage disputes and made a more substantial recovery after the settlement of the difficulties. Total earnings of wage earners in manufacturing plants, which had advanced from an estimated \$38 million in September to \$41 million in January, dropped to \$30 million when the steel and electrical workers were idle. By April, payrolls were up to a new post-war peak estimated at \$44 million, and in May \$43 million was paid out. These higher levels are indicative of the basically strong recuperative powers of industry.

### Employment Changes in Major Industries

After nine months of peace, manufacturing employment in most industries was above the immediate post-war levels notwithstanding frequent labor-management disputes. Some of the greatest post-war gains in employment occurred in the durable goods industries, as shown in the accompanying chart. Rubber, clay, glass and stone, furniture, and nonferrous metal plants made the greatest percentage gains in employment. Employment in durable goods manufacturing in Pennsylvania, however, is influenced largely by what happens in steel. The iron and steel industry sets the pace because of the strategic position its products occupy in our machine economy. Steel plants, in fact, employ over one-fourth of all factory workers in Pennsylvania. While employment in the steel industry rose only 6 per cent between September and May, expansion in this industry alone accounted for 18,000 new jobs—almost 30 per cent of the total increase in manufacturing employment.

By May, employment in the machinery industries had advanced to a level which was 5 per cent above that prevailing at the end of the war. The relatively low level of employment





during the preceding months had not been due to a lack of demand for the industry's products, but to shortages of materials caused by strike-bound suppliers as well as labor difficulties in the electrical division. Manufacturers of engines, turbines, industrial and household equipment had been handicapped by a deficiency of steel bars, castings, and sheets, but, temporarily at least, some of these difficulties had been overcome. Electrical equipment manufacturers were not so well off. In some of the plants, workers were out on strike and in other plants copper was scarce because refinery workers were on strike.

Employment increased substantially in the clay, glass and stone industries. Expansion in this group was accounted for largely by heavy demands for building materials such as cement, glass, and structural clay products.

The only major line in which employment has fallen off sharply since the end of the war is in the manufacture of transportation equipment. Most of this shrinkage represents declining activity in aircraft plants and in shipyards, which was to be expected. Some of the decline is also due to curtailed operations in railroad equipment shops which were involved directly or indirectly in the steel strike.

In the nondurable goods industries, employment rose steadily in almost every major division. The textile and apparel industries are the largest employers among the nondurable goods producers. Each of these industrial groups, like steel and machinery in durable goods, employs workers in excess of a hundred thousand. Employment in textile mills of Pennsylvania expanded each successive month since the end of the war. Between September and May the textile industries increased their employment about 15,000, and in most lines output was still considerably short of demand. Somewhat lower-than-average wage levels in some of the plants in this group have been an obstacle in attracting the required number of workers.

Manufacturers of apparel, the second largest employers of labor in nondurable goods industries, have augmented their employment moderately—about 5,000 workers. Employment in apparel is, of course, largely dependent upon activity in the textile mills, and to meet immediate post-war demands apparel manufacturers

have tried to take on workers as fast as the textile mills could supply fabrics.

Among the nondurables, the greatest expansion in employment, percentage-wise, occurred in the leather industries—tanning and shoe manufacturing. However, in terms of new job openings, these industries were overshadowed by the printing trades, where actual employment increased by over 8,000 between September and May. The greater part of this expansion occurred in the newspaper and periodical division. Attractive wage rates facilitated the substantial gains in employment in all branches of the printing industries.

Employment in the food industries has declined since the end of the war. To a large extent this decline is due to seasonally curtailed activity in canning. Limitations of raw materials in other food lines were also a factor.

### **The Philadelphia Area**

Manufacturing employment in the Philadelphia area, as reported by the United States Employment Service, was less in May than in March. Reductions in shipbuilding and automobile employment, which are concentrated in the area, were largely responsible for the decline.

At the end of May the number of workers involved in industrial disputes in Philadelphia was very small. Labor bottlenecks, however, threatened in several industries, especially textiles, tobacco, and apparel. These industries use relatively low-wage and predominantly female labor; and although anticipated declines in shipbuilding and certain other "heavy" industries will release sufficient male workers to meet requirements during the summer, labor supply will probably be a continuing problem in those three fields. There is also a shortage of certain skilled workers.

By May over two-thirds of the 290,000 veterans who returned to this area were employed. It is estimated that 60,000 veterans are looking for jobs. Because of their youth and physical fitness they constitute a valuable addition to the labor force.

### **Basic Considerations**

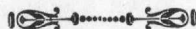
Within a month or two after the war ended, manufacturing plants throughout the country had been retooled for civilian production, and

employment was expanding as rapidly as plants could obtain workers and material. Intensive activity and expanding employment seemed assured by the combined forces of the virtually unlimited need for goods and the enormous spending power. Almost as soon as the rising indexes of production and employment gave promise that long-awaited civilian goods were at last on the way, industrial activity was interrupted by an epidemic of strikes. First, they appeared in the automobile industry, later in steel, electrical machinery, meat packing, coal, and the railroads. By February, another all-American record had been established — the greatest number of man-days of working time lost as the result of strikes—a peak of over 20 million.

Labor trouble is a symptom of maladjustments arising out of war. Workers are striving to sustain their wartime standards of living which are being undermined by reduced hours of work and rising cost of living. Unfortunately, settlement of a strike in one industry usually generates unsettlement in others. Higher wages almost invariably spell higher prices because labor is one

of the largest costs in most enterprises. Developments during the first half of this year clearly demonstrate how wage increases push up prices. Workers received increases of 18½ cents an hour in the automobile, steel, and bituminous coal industries. Price increases followed almost immediately in every instance. The average price of anthracite has just been advanced 91 cents a ton as a result of a wage increase in the hard coal industry.

In one industry after another wage-rate re-conversion temporarily improves the position of workers but unless accompanied by increased productivity the advantage of higher wages is apt to be wiped out by higher prices. Moreover, raising selling prices to safeguard profits may in turn be offset by renewed demands for higher wages. The difficulties are most acute in the durable goods industries where the greatest readjustments had to be made. In these lines it is particularly urgent to avoid a futile race between cost and prices. Later, when output and demand are in closer balance, the forces of competition may be counted upon to help preserve a proper relationship between these factors.





# 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			
	May 1946	Apr. 1946	May 1945	Per cent change			May 1946	Apr. 1946	May 1945
				Mo. ago	Year ago	1946 from 5 mos. 1945			
<b>INDUSTRIAL PRODUCTION</b>	98p	103	126r	-5	-22	-25	97p	102	125
<b>MANUFACTURING</b>	98p	105	133	-6	-26	-27	97p	103	132
Durable goods	94p	111	195	-15	-52	-49			
Consumers' goods	99p	99	91	0	+9	+6			
Textile products	96	104	170	+7	+47	+7	97	103	168
Metal products	74p	73	64	+1	+16	+8	72p	71	62
Transportation equipment	143p	198	428	-28	-67	-59	150p	208	445
Food products	121p	120	120	+1	0	+1	115p	113	112
Tobacco and products	121	128	93	+5	+31	+28	118	116	90
Building materials	40p	43	37	+7	+9	+21	42	43	37
Chemicals and products	133p	136	164r	+2	-18	-18	135	137	166r
Leather and products	90p	84	88	+7	+3	-3	82p	83	80
Paper and printing	114	115	96	+1	+18	+21	115	119	97
<b>Individual lines</b>									
Pig iron	78	79r	90	-2	-13	-18	81	89	93
Steel	90	100	127r	-10	-30	-39	94	105	134
Iron castings	73	81	76	+9	+4	+3	76	84	79
Steel castings	110	110	221	-1	-50	-60	114	113	229
Electrical apparatus	115	120r	276	-4	-58	-57	106	104r	254
Motor vehicles	35	35	46	0	-22	-33	45	44	58
Automobile parts and bodies	88	96	120	+8	-26	-30	93	104	126
Locomotives and cars	63	57	95	+12	-33	-49	62	61	93
Shipbuilding				38	75	64			
Silk manufactures	91	87	84	+5	+9	+2	88	86	81
Woolen and worsteds	79p	81	64	+2	+23	+17	74p	74	60
Cotton products	51	48	42	+5	+21	+15	50	50	41
Carpets and rugs	74p	76	55	+2	+36	+26	72p	72	54
Hosiery	76	75	61	+2	+26	+12	76	75	61
Underwear	142	143	130	+1	+9	+2	143	140	131
Cement	54p	60	29	+9	+85	+124	61p	59	33
Brick	45	52	48	+13	+7	+2	47	54	51
Lumber and products	29	29	35	+2	-17	-19	27	27	33
Bread and bakery products				3*	4*	4*	117	120	121
Slaughtering, meat packing	108	114	104	-5	+4	+15	108	110	105
Sugar refining	105	34	95	+213	+10	-29	129	44	117
Canning and preserving	176p	172	172	+2	+2	+2	143p	145	131
Cigars	122	129	92	+5	+33	+30	118	117	89
Paper and wood pulp	89	82	82	+9	+8	+8	89	93	82
Printing and publishing	119	122	99	+2	+20	+23	120	124r	100
Shoes	122p	112	108	+9	+13	+1	111p	112	98
Leather, goat and kid	60p	58	69	+4	+13	-11	55p	56	63
Explosives	66	69	211	+4	-69	-68	67	70	214
Paints and varnishes	86	88	86	-2	0	0	91	92r	91
Petroleum products	194p	194r	198	0	+2	+1	193p	194r	198
Coke, by-product	105p	114	158	-8	+34	-30	110p	119	165
<b>COAL MINING</b>	73	68r	38	+7	+91	+14	73	68r	37
Anthracite	79	76r	30	+4	+163	+22	79	76r	30
Bituminous	23	2r	103r	+1010	-77	-27	21	2r	92r
<b>CRUDE OIL</b>	295	296	323	0	-8	-6	307	305	335
<b>ELECTRIC POWER</b>	429	423	446	+1	-4	-5	399	415	415
Sales, total	419	412	435	+2	-4	-6	402	424	417
Sales to industries	283	290	326	-3	-13	-16	288	293	332
<b>BUILDING CONTRACTS</b>									
TOTAL AWARDS†	208	138	74	+50	+179	+129	199	133	71
Residential†	223	162	4	+37	**	**	236	151	4
Nonresidential†	160	128	56	+25	+187	+101	168	131	59
Public works and utilities†	223	85	425	+163	-48	-46	156	78	298

Indexes: 1932 = 100	Employment			Payrolls		
	May 1946 index	Per cent change from		May 1946 index	Per cent change from	
		Apr. 1946	May 1945		Apr. 1946	May 1945
<b>GENERAL INDEX</b>	122	0	-2	281	0	-9
Manufacturing	155	0	-9	391	-2	-17
Bituminous coal mining	31	+150	-57	82	+168	-75
Building and construction	64	+5	+41	140	+4	+27
Quar. and nonmet. mining	92	+2	+21	300	-5	+21
Crude petroleum prod.	145	-1	+13	266	-2	+4
Public utilities	111	+1	+16	181	+4	+24
Retail trade	129	-6	+7	205	-2	+29
Wholesale trade	117	-1	+14	186	+1	+21
Hotels	127	+4	+23	253	+4	+39
Laundries	105	0	+6	231	+2	+28
Dyeing and cleaning	102	-1	+5	241	+3	+32

Indexes: 1923-5 = 100	Employment*			Payrolls*		
	May 1946 index	Per cent change from		May 1946 index	Per cent change from	
		Apr. 1946	May 1945		Apr. 1946	May 1945
<b>TOTAL</b>	100	0	-9	160	-2	-17
Iron, steel and products	99	+1	-17	189	-4	-28
Nonferrous metal prods.	189	+1	-14	418	+1	-10
Transportation equip.	91	-6	-37	148	-6	-42
Textiles and clothing	82	+1	+9	148	+3	+26
Textiles	77	+1	+11	140	+3	+28
Clothing	101	+1	+4	187	+3	+19
Food products	119	0	-1	196	0	+5
Stone, clay and glass	96	-2	+20	156	-4	+22
Lumber products	51	+1	+1	84	-2	-1
Chemicals and products	112	+1	-2	202	0	-4
Leather and products	85	-1	+21	148	+1	+26
Paper and printing	121	+0	+22	205	-1	+32
Printing	119	+1	+26	192	-1	+36
<b>Others:</b>						
Cigars and tobacco	53	0	+11	85	+3	+16
Rubber tires, goods	141	+2	-2	331	-2	+18
Musical instruments	113	-2	+32	200	+1	+77

\* Figures from 2763 plants.

## Hours and Wages

Factory workers Averages May 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>	38.8	-12	\$1.115	+2	\$43.22	-10
Iron, steel and prods.	37.2	-19	1.205	+5	44.90	-15
Nonfer. metal prods.	40.2	-11	1.101	+8	44.27	-4
Transportation equip.	40.1	-9	1.269	-3	50.83	-12
Textiles and clothing	39.7	+2	.913	+12	36.21	+14
Textiles	40.6	+1	.930	+13	37.81	+14
Clothing	37.2	+2	.861	+10	32.51	+14
Food products	41.5	-4	.915	+10	38.35	+5
Stone, clay and glass	38.7	-7	1.044	+9	40.23	+1
Lumber products	41.1	-5	.844	+6	34.69	+1
Chemicals and prods.	40.4	-13	1.207	+13	48.66	-2
Leather and prods.	40.5	-5	.857	+9	34.88	+4
Paper and printing	41.9	-6	1.084	+15	45.72	+8
Printing	40.2	-5	1.266	+14	40.80	-13
<b>Others:</b>						
Cigars and tobacco	38.4	-9	.760	+14	29.20	+5
Rubber tires, goods	43.0	-1	1.216	+16	52.24	+15
Musical instruments	45.4	+17	1.015	+15	46.06	+34

\* Figures from 2620 plants.

† Figures from 2763 plants.

## Local Business Conditions\*

Percentage change— May 1946 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Apr. 1946	May 1945	Apr. 1946	May 1945	Apr. 1946	May 1945	Apr. 1946	May 1945	Apr. 1946	May 1945
	Allentown	+1	-18	-8	-30	+32	**	-4	+35	+6
Altoona	-6	-10	+2	-5	+9	-35	-1	+44	-1	+22
Harrisburg	0	-8	-7	-18	+20	+837	-7	+32	+4	+16
Johnstown	0	+11	-32	-29	+131	+439	-5	+30	0	+12
Lancaster	-2	-10	0	-7	+175	+354	+1	+41	-5	+6
Philadelphia	-2	-17	-3	-25	-66	+415	+4	+34	-6	+5
Reading	+5	+2	+6	+3	-21	+56	-4	+36	+3	+14
Scranton	+1	-17	-2	-12	-65	-14	-9	+51	+10	+22
Trenton					-9	+257	+1	+52	+5	+12
Wilkes-Barre	+1	-24	+4	-27	+35	+3	-8	+38	+6	+13
Williamsport	+1	-9	+1	-3	-39	+104			-2	+3
Wilmington	-6	-34	-7	-37	-23	+298	-1	+55	-2	-7
York	-1	-3	-3	-14	-13	**	0	+32	-2	0

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

\*\* Increase of 1000% or more from the low level of a year ago.

## Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	May 1946 from		1946 from 5 mos. 1945
	Month ago	Year ago	
<b>Sales</b>			
Total of all lines.....	+ 1	+33	+23
Boots and shoes.....	+ 6	+68	.....
Drugs.....	- 4	+15	+14
Dry goods.....	+ 2	+56	+32
Electrical supplies.....	+ 8	+90	.....
Groceries.....	+ 6	+24	+23
Hardware.....	0	+69	+36
Jewelry.....	+10	+97	+82
Paper.....	+ 6	+12	+ 9
<b>Inventories</b>			
Total of all lines.....	0	+30	.....
Dry goods.....	+ 6	+67	.....
Electrical supplies.....	+ 6	+50	.....
Groceries.....	-10	+13	.....
Hardware.....	- 2	+13	.....
Jewelry.....	+42	+271	.....
Paper.....	0	+33	.....

Source: U. S. Department of Commerce.

Prices	May 1946	Per cent change from		
		Month ago	Year ago	Aug. 1939
<b>Basic commodities</b> (Aug. 1939 = 100).....	192	+ 1	+ 4	+ 92
<b>Wholesale</b> (1926 = 100).....	111	+ 1	+ 5	+ 48
Farm.....	138	+ 2	+ 6	-125
Food.....	112	+ 1	+ 4	+ 66
Other.....	104	+ 1	+ 5	+ 30
<b>Living costs</b> (1935-1939 = 100)				
United States.....	132	0	+ 3	+ 33
Philadelphia.....	131	+ 1	+ 3	+ 33
Food.....	141	+ 1	+ 2	+ 52
Clothing.....	153	+ 1	+ 5	+ 54
Fuels.....	115	0	+ 5	+ 19
Housefurnishings.....	153	0	+ 6	+ 52
Other.....	122	0	+ 1	+ 21

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation					Not adjusted			
	May 1946	Apr. 1946	May 1945	Per cent change			May 1946	Apr. 1946	May 1945
				Month ago	Year ago	1946 from 5 mos. 1945			
<b>RETAIL TRADE</b>									
<b>Sales</b>									
Department stores—District.....	232	224r	171r	+ 4	+ 36	+ 25	223	228	164r
Philadelphia.....	220	207	165r	+ 6	+ 33	+ 23	204	211	154
Women's apparel.....	250	226	188	+ 10	+ 32	+ 31	238	262	180
Men's apparel.....	222	263	148	- 16	+ 49	+ 32	206	252	138
Shoe.....	182	203	119	- 10	+ 54	+ 41	226	248	147
Furniture.....				+ 7*	+ 67*				
<b>Inventories</b>									
Department stores—District.....	177	170	155	+ 4	+ 14	.....	179	173	157
Philadelphia.....	179	170	153r	+ 5	+ 17	.....	177	172	152
Women's apparel.....	244	210	205	+ 16	+ 20	.....	235	209	197
Shoe.....	55	53	63	+ 5	- 12	.....	61	59	69
Furniture.....				+ 3*	+ 20*				
<b>FREIGHT-CAR LOADINGS</b>									
Total.....	96	104	144	- 8	- 34	- 19	97	98	146
Merchandise and miscellaneous.....	102	126	135	- 19	- 24	- 18	105	125	139
Merchandise—l.c.l.....	92	101	92	- 9	0	+ 4	92	101	92
Coal.....	87	43	150	+103	- 42	- 12	77	34	133
Ore.....	77	117	227	- 35	- 66	- 62	97	61	288
Coke.....	42	85	246	- 51	- 83	- 49	36	69	209
Forest products.....	95	113	113	- 16	- 16	- 8	91	95	109
Grain and products.....	119	145	145	+ 11	- 18	- 5	110	100	135
Livestock.....	133	142	117	- 6	+ 13	0	121	130	107
<b>MISCELLANEOUS</b>									
Life insurance sales.....	220	255	135r	- 14	+ 62	+ 66	217	255	134
Business liquidations				+150*	+ 67*	+ 70*	7	3	4
Number.....					+735*	+780*	17	1	2
Amount of liabilities.....					- 6	+ 9	201	221	191
Check payments.....	201	226	191	- 11	- 6				

\* Computed from unadjusted data.

p—Preliminary.

r—Revised.

# BANKING STATISTICS

## MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	June, 19, 1946	Changes in—	
		Four weeks	One year
<b>Assets</b>			
Commercial loans.....	\$ 282	+\$ 7	+\$ 76
Loans to brokers, etc.....	43	+ 1	+ 10
Other loans to carry secur.....	61	- 1	+ 3
Loans on real estate.....	44	+ 3	+ 11
Loans to banks.....	1		
Other loans.....	159	+ 5	+ 33
<b>Total loans.....</b>	<b>\$ 590</b>	<b>+\$ 15</b>	<b>+\$113</b>
Government securities.....	\$1765	-\$ 75	-\$335
Obligations fully guar'eed.....			
Other securities.....	190	- 2	+ 17
<b>Total investments.....</b>	<b>\$1955</b>	<b>-\$ 77</b>	<b>-\$318</b>
<b>Total loans &amp; investments.</b>	<b>\$2545</b>	<b>-\$ 62</b>	<b>-\$205</b>
Reserve with F.R. Bank.....	435	+ 18	+ 13
Cash in vault.....	32	- 1	+ 2
Balances with other banks.....	89	+ 4	+ 4
Other assets—net.....	43	- 6	.....
<b>Liabilities</b>			
Demand deposits, adjusted.....	\$1852	+\$ 77	+\$ 56
Time deposits.....	241	.....	+ 33
U. S. Government deposits.....	386	- 139	- 301
Interbank deposits.....	377	+ 16	- 27
Borrowings.....	1	- 4	+ 1
Other liabilities.....	26	+ 2	+ 10
Capital accounts.....	261	+ 1	+ 16

Third Federal Reserve District (Millions of dollars)					Changes in weeks ended—				Changes in four weeks
					May 29	June 5	June 12	June 19	
<b>Sources of funds:</b>									
Reserve Bank credit extended in district.....					- 7	- 2	+35	-46	- 20
Commercial transfers (chiefly interdistrict).....					+25	+52	.....	+61	+138
Treasury operations.....					- 1	-42	-20	- 9	- 72
<b>Total.....</b>					<b>+17</b>	<b>+ 8</b>	<b>+15</b>	<b>+ 6</b>	<b>+ 46</b>
<b>Uses of funds:</b>									
Currency demand.....					+12	- 3	+ 5	- 6	+ 8
Member bank reserve deposits.....					+ 5	+ 9	+11	+12	+ 37
"Other deposits" at Reserve Bank.....					.....	+ 2	- 2	.....	.....
Other Federal Reserve accounts.....					.....	.....	+ 1	.....	+ 1
<b>Total.....</b>					<b>+17</b>	<b>+ 8</b>	<b>+15</b>	<b>+ 6</b>	<b>+ 46</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)				
					June 19, 1946	Four weeks	One year	Changes in—	
Phila. banks									
1945: June 1-15.....	\$465	\$450	\$15	3%					
1946: May 1-15.....	412	400	12	3					
May 16-31.....	409	399	10	2					
June 1-15.....	421	409	12	3					
<b>Country banks</b>									
1945: June 1-15.....	\$347	\$269	\$78	29%					
1946: May 1-15.....	372	313	59	19					
May 16-31.....	369	315	54	17					
June 1-15.....	376	319	57	18					
Disc. and advances.....	\$ 12								
Industrial loans.....	1								
U. S. securities.....	1569								
<b>Total.....</b>	<b>\$1582</b>								
Fed. Res. notes.....	1619								
Member bk. deposits	804								
U. S. general account	19								
Foreign deposits.....	43								
Other deposits.....	3								
Gold certificate res.....	906								
Reserve ratio.....	36.4%								