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THE BUSINESS REVIEW



FEDERAL RESERVE BANK OF PHILADELPHIA

SEPTEMBER 2, 1946

Time Deposit Policies of Commercial Banks

Although overshadowed for some years by the more spectacular expansion of demand deposits, time deposits of commercial banks not only have increased at an accelerated rate since 1943, but have grown at a faster rate than demand deposits. This recent development raises questions which are of importance to banks in appraising the future. Among these are:

1. The nature of the long-term trends influencing the present situation.
2. The attitude of banks toward time deposits.
3. The relationship between time deposits and loan and investment policies.
4. The place of time deposits in the existing inflationary situation.

These questions are particularly important to banks in the Third Federal Reserve District because time deposits, while still a more important segment of total deposits in this area than nationally, in recent years have exhibited trends quite different here than in other areas.

Long-Term Trends

Importance of commercial banks in the savings field

Over the first thirty years of the century, the proportion of all time deposits in the United States which was held by commercial banks in-

creased rapidly. Reasons for this development are not difficult to find: (1) mutual savings banks were confined to a relatively small number of states and few new ones have been chartered since 1900; (2) although the Postal Savings System was established in 1910, it apparently carried little appeal to the vast majority of individuals until after the stock market collapse in 1929; its greatest growth occurred during the banking troubles of the early thirties; (3) commercial banks were multiplying rapidly throughout the country and the growing familiarity of the public with such institutions led to greater use of their savings deposit facilities; (4) the certificates of deposit offered business concerns a means of earning additional interest on temporarily idle funds—a type of service not available at savings banks; (5) the lack of any maximum limits on individual savings accounts at most commercial banks; (6) the widespread practice on the part of commercial banks of not enforcing their legal right to demand notice before withdrawal.

Between 1930 and 1933 time deposits of commercial banks sharply declined as public confidence in the banking system deteriorated. Throughout the crisis deposits at mutuals remained higher than in 1929 and 1930, while postal savings deposits increased, becoming for the first time a significant part of our deposit system. As a result of the crisis the importance

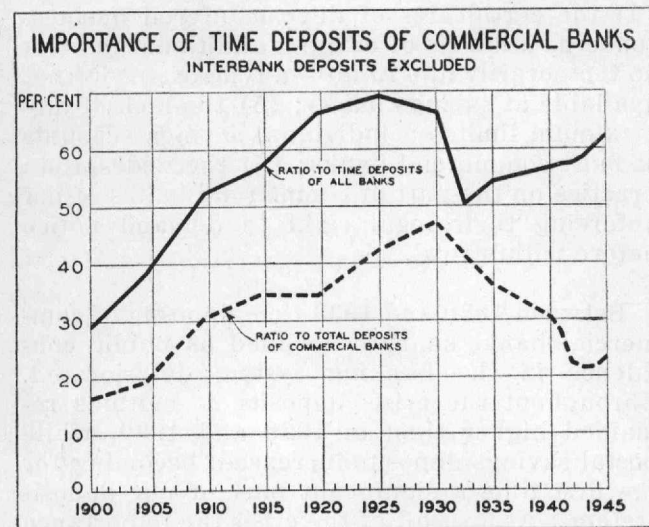
of commercial banks in the savings field decreased sharply, but after the "banking holiday" it again increased and has continued to rise since that date. At the present time commercial banks again hold well over 60 per cent of all time deposits, even though the Postal Savings System and mutual savings banks pay interest rates which are in general higher than those paid by commercial banks.

Importance of time deposits at commercial banks

The period prior to the first World War was one of rising interest rates and increasing demands for bank credit to finance expansion of American business. The high returns available on investments left attractive profits after paying interest to depositors, and stimulated commercial banks to compete actively for savings deposits. Interest paid on savings accounts by commercial banks in eastern cities ranged typically from 3 to 3½ per cent, usually credited monthly. In some parts of the country, particularly in smaller towns, commercial banks paid even higher rates.

In the years from 1915 to 1920 time deposits continued to increase rapidly at commercial banks, but under the stimulus of war financing and postwar inflation, demand deposits expanded at a comparable rate. During the period of credit liquidation from 1920 to 1922, on the other hand, demand deposits contracted sharply whereas time deposits of commercial banks continued to increase moderately.

Although demand deposits again entered a period of expansion from 1922 to 1929, time de-



posits at commercial banks rose much more rapidly. In part, this rapid growth in time deposits was the result of influences similar to those prevailing before 1914, but two new factors were of great importance during this period; (1) the lower reserve requirements for time than for demand deposits; (2) the apparent attractiveness of high-yield assets, such as real-estate mortgages, in which it was considered appropriate to invest time but not demand deposits. Of the two, the desire to invest time deposits in less liquid assets at higher yields was the more important factor. Many banks actively encouraged customers to take advantage of the higher interest rates paid on time deposits by shifting part of their funds from demand to time accounts, pointing out that they did not make a practice of requiring notice if such funds should be needed later. The attractiveness of this policy is suggested by the rates listed in the following table:

AVERAGE YIELDS ON TYPES OF EARNING ASSETS, 1924-1928

More Liquid Assets	Less Liquid Assets
Short-term Governments 3½%	Bonds: Moody's Baa rating 6%
Bankers' acceptances 3½	Real estate mortgages:
Prime commercial paper 4¼	Interest and other charges 6-8
Stock market renewal rate on call loans 4½	
Customers' loans in principal cities 5	

Banks that were impressed by a mere technical change in classification of their deposits, however, also were likely to be more impressed by yield than by quality in selecting individual investments within a given field. In the period of credit liquidation following 1929 many banks with large time deposits faced a serious dilemma. They had relied on the greater stability of time deposits and in large part invested them in nonliquid and perhaps even unsound assets. If a bank suddenly attempted to enforce its right of requiring legal notice before withdrawal, the innovation was apt to be interpreted as a sign of weakness and the bank might face long lines of time depositors clamoring to file withdrawal notices. Widespread loss of confidence in commercial banks played a dominant part in the decline of their time as well as their demand deposits in the later stages of the financial crisis.

In the decade following 1933 the ratio of time to total deposits declined almost constantly be-

cause of the more rapid increase in demand than in time deposits. Important reasons for a decline in the relative importance of time deposits since 1933 are to be found in the low interest rates earned on banks' loans and investments, and in the large excess reserves held by banks throughout most of this period. As interest rates fell to unprecedentedly low levels, some banks felt that any interest paid on time deposits left an insufficient margin of net earnings to make such deposits desirable, and attempted to withdraw completely from the savings field. Other banks reduced interest paid on time deposits by successive stages. Few commercial banks today offer more than 11½ per cent, and most banks pay 1 per cent or less on such accounts. The steadily mounting volume of excess reserves in the later thirties and early forties made commercial banks even less enthusiastic in their competition for time deposits.

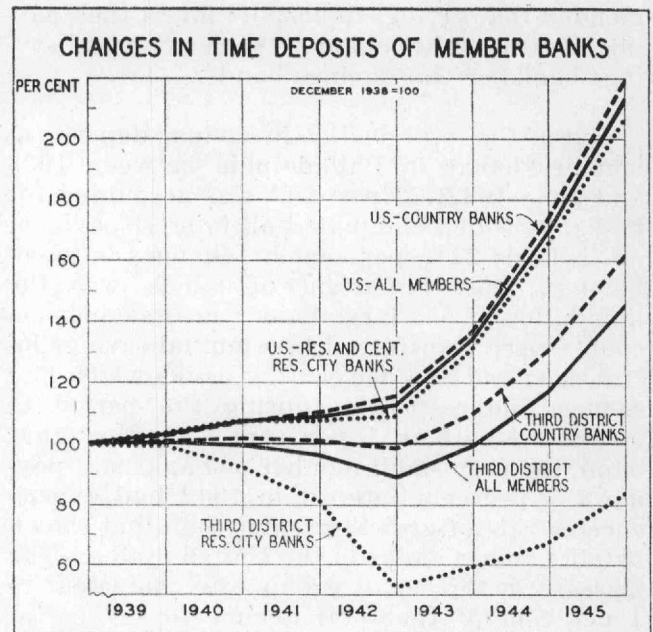
The war brought increased competition for individual savings from another source at the same time that commercial banks were reducing efforts to attract savings deposits. Higher rates could be earned on United States Savings Bonds, and a far larger proportion of personal savings has been invested in Government securities than in time deposits during recent years. Deposits in the Postal Savings System, which paid higher interest rates than commercial banks, also increased more rapidly than time deposits at commercial banks.

Time Deposit Policies of Third District Banks

For many years time deposits have provided a larger proportion of total deposits at member banks in the Third Federal Reserve District than at member banks throughout the country.

The accompanying chart indicates that since 1938 the time deposits of country banks in this district (all banks outside of Philadelphia) increased more slowly than those of member banks throughout the country. The disparity, however, is little greater than might be expected in view of the extent to which the growth of total deposits in the Third District lagged behind that for the rest of the country.

In contrast, Philadelphia member banks experienced a decline of almost 50 per cent in time deposits by the end of 1942, and at the end of 1945 their time deposits were still about 16



per cent below their 1938 level. The war contributed little to this unusual local situation and the explanation must be sought in bank policy or other influences.

In several respects the time deposit situation in Philadelphia before the war differed from that in the rest of the district and that in central reserve and reserve city banks throughout the country. In the first place, savings accounts were a much less important part of total time deposits. Other time deposits of individuals, partnerships, and corporations (composed mostly of business funds) were therefore a much more important part. And in the second place, the deposits of mutual savings banks in Philadelphia were much larger than the total time deposits of Philadelphia member banks.

The largest factor in the decline of time deposits of Philadelphia member banks was the drastic reduction of non-savings deposits of individuals, partnerships, and corporations, composed principally of business accounts. Savings deposits, which increased elsewhere in the country, decreased by one-third at Philadelphia member banks prior to June 1942, accounting for about 40 per cent of the total decline in their time deposits. During this period all member banks in the city cut interest rates on savings substantially. Several of the large banks eliminated all interest payment, put savings deposits on a demand basis, and recom-

mended that savings depositors invest their savings through other channels such as mutual savings banks or war savings bonds.

Out of the total decline in savings deposits at member banks in Philadelphia between 1938 and June 1942, 73 per cent was accounted for by banks which eliminated all interest payment on savings; 22½ per cent by changes in membership, most important of which was the liquidation of one large bank whose savings accounts were transferred to a mutual savings institution; and 8½ per cent by banks which had reduced interest rates during the period to either one-half or 1 per cent. On the other hand, the very small number of banks still paying 1½ per cent interest in 1942 had experienced a rate of growth greater than that shown by all member banks in the United States. The increase in this small group was equivalent to 4 per cent of the total decline in savings at Philadelphia member banks.

Over the entire period, mutuals have paid from one-half to 1 per cent higher interest rates than those paid at member banks in the city. The prevailing rate paid by mutuals was 2½ per cent at the beginning of the period, 2 per cent from July 1939 to the end of 1944, and 1½ per cent since the beginning of 1945. By the end of 1945, deposits at mutuals had increased 60 per cent, although time deposits of member banks in the city were still considerably below 1938 levels.

In 1945, for the first time during the war, the percentage increase of time deposits in the Third District exceeded that of demand deposits and was almost as high as at member banks throughout the United States. Furthermore, the rate of expansion of time deposits at Philadelphia banks approximately equaled that of other member banks in the district.

Significance for Banking Policy

Do commercial banks want savings deposits? Some institutions have reduced interest rates drastically to discourage such business. Others have withdrawn from the field entirely. Very few member banks have advertised or otherwise pushed the development of their time deposit business in recent years.

Schedules of rates have been introduced by most Philadelphia member banks in recent

years. In the majority of schedules, rates are scaled downward as the size of the account increases and many banks make a deduction for required reserves before figuring interest. For example, 1½ per cent may be paid on net balances up to \$1,000; 1 per cent on the next \$4,000; and one-half of 1 per cent on balances over \$5,000. It has been a common practice in recent years for member banks not only to set a minimum of, say, \$100 before interest is allowed but also to set maximum limits on savings accounts, with no interest paid on amounts in excess. Such limits are usually either five or ten thousand dollars.

Other factors remaining constant, the cost of administering deposits should decrease relatively as the size of account increases. For this reason, adoption of schedules which allow higher rates on smaller than on larger accounts may indicate that banks are more concerned with public relations, or in providing convenient facilities for small savers in the community, than with the margin of profit which can be earned on individual accounts. Certainly, use of this type of rate schedule in conjunction with maximum limits indicates that a bank is not anxious to build up total volume of time deposits. At present yields on bank investments it may well be that many banks do not believe there is sufficient profit in savings deposits to justify the direct and indirect costs involved. This might be particularly characteristic of those large city banks whose organization is geared principally to the service of large individual or business accounts.

On the other hand, many banks do find savings accounts profitable. The continued growth of mutual savings banks, which are confined entirely to savings deposits, would indicate that this business can be profitable even under present conditions. The difference may lie in special organization for keeping the costs of administering such deposits at a minimum and perhaps involves the development of loan and investment policies especially adapted to relatively inactive funds such as savings.

As long as yields on loans and investments remain at present low levels and the bulk of banks' earning assets consist of Government securities, commercial banks generally are not likely to become enthusiastic about time deposits, at least not to the extent of offering sub-

stantially higher interest rates than they are now paying. General levels of bank earnings might permit the payment of higher rates on savings accounts but it must first be demonstrated that savings deposits themselves earn more than their costs before individual banks will adopt such a policy.

Certainly, banks cannot be expected to carry time deposits at a loss, and decisions as to the desirability of this type of business must rest with the individual bank. If member banks wish to maintain or to develop their time deposit business, however, interest rates paid will be an important factor as long as alternative channels for saving offer comparable safety and reasonable availability of funds. The rate of interest paid on time deposits may have little effect on the total volume of saving, but whether savings are held in cash or placed elsewhere than with commercial banks may be influenced to a considerable extent by the amount of interest offered.

What is the relationship between time deposit policies and loan and investment policies? In determining loan and investment policies, banks should consider the underlying nature of their time deposits. Do they represent relatively permanent savings of depositors; or is there a serious probability that substantial amounts may be temporarily idle funds awaiting opportunity to buy automobiles or other long-denied consumers' goods, to build or repair homes, to take delayed vacations, or to be spent in other ways not usually associated with long-term savings? Only the individual bank can answer such questions about its particular group of depositors with any degree of dependability; but to the extent that time deposits represent only temporarily unspent funds, they should be invested in much the same manner as demand deposits. Spending will not decrease bank deposits generally but it may produce shifts as between banks or communities and as between time and demand deposits.

Finally, how do time deposits fit into the liquid assets picture, and what part do they play in the existing inflationary situation? During the war,

accumulated savings of individuals reached unprecedented levels. While interest paid on time deposits declined, the same has been true of other savings channels although in some cases to a lesser degree. Familiarity with the use of savings deposits, and the ease with which withdrawals can be made, still caused many people to use this channel of savings regardless of return. Indeed, some banks which discontinued all interest payments and advised savings depositors to invest their savings elsewhere discovered that a substantial amount of such funds were not withdrawn.

The strong desire, characteristic of the war period, to keep savings easily available is further demonstrated by the great expansion of personal holdings of demand deposits and currency. In total, such accumulations of money have increased over \$30 billion since 1940 as compared with an increase of only \$20 billion in time deposits. This apparently indicates that the interest rates paid on time deposits held little appeal to many individuals who saved substantial amounts during the war. The fact that time deposits have expanded at a more rapid rate than personal holdings of either demand deposits or currency since the end of 1944, although lagging far behind in the earlier war period, may indicate that a point exists beyond which even a low interest rate may offset the advantages of further increasing money holdings.

Time deposits are not as volatile as cash holdings when it comes to spending, even though they may represent recent savings partially induced by wartime scarcity of consumers' goods. For that reason the attraction of currency holdings or even demand deposits into savings deposits should be useful in reducing the present inflationary potential of our over-expanded money supply. Furthermore, there should be a definite advantage to banks in encouraging the habit of using banking facilities as a substitute for the old teapot or mattress as a means of saving. Permanent savings habits and valuable bank customers for the future are easier to develop in times when people have accumulated unspent income.



Farmers Need Machinery

The agricultural implement industry is gearing up for one billion dollars worth of business a year and not just for one year but several years. That is quite a jump from annual sales averaging \$300 million just before the war; it would be more than double the peak of 1941 and a substantial increase over the 1945 output. Under constant pressure for greater output throughout the war, farmers ran their machinery ragged and bought all the new equipment they could get. The demand for food is as great as ever but farm machinery is old and in disrepair. Replacement of outworn and outmoded equipment with modern machinery is the best way to maintain output.

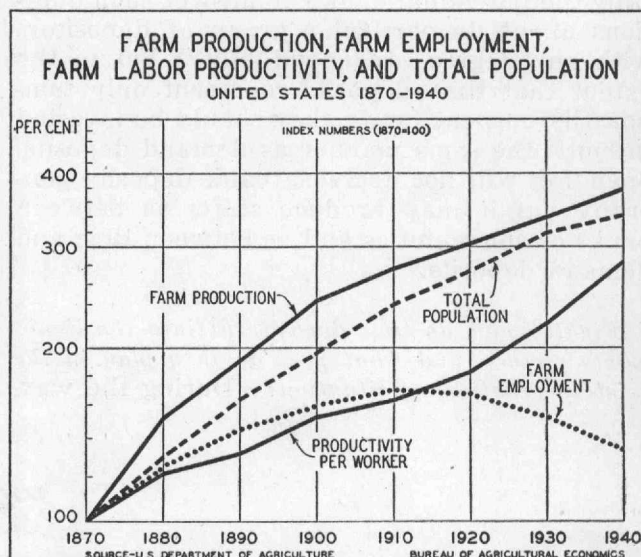
Changing Technology in Agriculture

Greater use of machinery more than anything else distinguishes one generation of farming from another. Improved technology in harvesting is illustrated by the shifts from the grain cradle to the drop reaper to the binder to the combine. But mechanization is not confined to grains. Specialized machinery is now in use on almost every major crop, such as corn, cotton, hay, sugar, potatoes, and other vegetables; and machines do the work of land clearing, plowing, planting, cultivating, and in many cases harvesting. In recent years productivity has been stepped up tremendously by substituting tractors for animal power.

Agricultural machinery pays big dividends to the farmer—less labor, greater output, and more efficient utilization of land. This is illustrated by the vast changes that have taken place in American agriculture between 1870 and 1940, as shown in the accompanying chart. In 1940 the agricultural labor force was only one-third larger than in 1870, but productivity was increased almost twofold and total output rose almost threefold. Since 1910 farm employment has actually declined. The use of the tractor has increased the amount of land available to grow products for human consumption. Since 1920 the shift from animal power to machine power has released over 50 million acres of crop land and large acreages of pasture formerly used for horse and mule feed; this land is now available for growing food, fibre, and oil products.

Production of agricultural machinery had to be given high priority throughout the war years. Notwithstanding wartime scarcities, substantial quotas of steel were allotted for the production of most urgently needed farm equipment such as milking machines, pick-up balers, corn pickers, and combines. Increased reliance upon the use of machinery was about the only way farmers were able to cope with the unusual conditions that confronted them during the war years. The demand for food and fibre was greater than ever before because of the increased requirements of the armed forces and Lend Lease, and also because of the greater purchasing power at home. With high incomes, people ate more food, better food, and higher-priced food. Farmers were also confronted by a serious shrinkage in the labor supply. It is estimated that 5 million people left the farms between 1940 and 1945, and this does not include the 1,650,000 men who went into the armed forces. The loss of the latter group was particularly serious because it included the most efficient part of the agricultural labor force.

Another factor contributing to the unusual wartime demand for agricultural machinery was the effect of the shrinking labor supply upon wage rates. During the war, farm wage rates almost trebled. This was a powerful influence to mechanize the farms.



It has been estimated that in 1944 output per worker was nearly one-half above that of the 1935-1939 average. The record shows that it was accomplished largely by greater use of machinery. The grain combine, which harvested about 15 per cent of the acreage in oats and about half of the wheat crop in 1938, harvested about 40 per cent of the oats and three-quarters of the wheat in 1945. This machine was also used extensively to harvest soy beans. Soy bean acreage devoted to the production of beans rose from 3 million acres in 1938 to 11 million in 1945. Corn pickers now in use are about 30 per cent above the 1942 figure. Tractor mowers which cut 15 per cent of the hay crop in 1939 now cut about half of the hay crop. The use of hay balers almost doubled between 1939 and 1944, and the number of milking machines now in use is about double that of 1942.

Heretofore agricultural mechanization had been most pronounced on the large cash crop farms. Machinery can be used most effectively on large farms such as those found in the corn and wheat growing areas and more recently in the cotton belt. But the use of machinery is by no means limited to large-scale agriculture. Specialized farm equipment is being used more and more on medium-sized and small farms of the type that predominate in the Third District.

Characteristics of Agriculture in the Third District

The three states included in the Third District produced \$833 million of agricultural products in 1945—more than double the value of pre-war output. The farming pattern in Pennsylvania, New Jersey, and Delaware is somewhat mixed. While dairying and poultry raising are the most important types of enterprise, farms in this region also derive a substantial part of their income from field crops and livestock as well as fruits, vegetables, and horticultural specialties such as mushrooms. The diversified character of agriculture in this region is illustrated by the accompanying table, which shows the relative importance of its principal products.

The three states had slightly more than 200,000 farms, according to the 1940 census. In size they ranged from less than 3 acres to over 1,000 acres each. As shown in the following table, over a quarter of the farms in the tri-state area were in the 50 to 99 acre size; almost one-

VALUE OF PRODUCTS SOLD OR TRADED—1939
(000's omitted)

(Excluding produce used on farms)	New Jersey	Pennsylvania	Delaware	Three States	Per Cent
Dairy.....	\$22,976	\$ 68,220	\$ 2,225	\$ 93,421	32.3%
Poultry and products....	16,501	36,432	3,352	61,285	21.2
Other livestock products..	237	3,089	42	3,368	1.2
Livestock.....	3,918	25,724	597	30,239	10.5
Field crops.....	8,436	36,905	1,838	47,179	16.3
Horticultural specialties..	7,322	11,158	583	19,063	6.6
Fruits and nuts.....	3,927	7,939	1,075	12,941	4.5
Vegetables.....	11,047	7,314	1,477	19,838	6.9
Forest products.....	86	1,244	53	1,383	.5
Total.....	\$74,450	\$198,025	\$16,242	\$288,717	100.0%

Source: U. S. Census of Agriculture, 1940.

quarter were in the 100 to 174 acre group; and almost 40 per cent were small farms, that is, under 50 acres each. Compared with all farms in the United States, there are proportionately more farms in the 50 to 99 and 100 to 174 acre classes and relatively fewer farms in all classes from 175 acres and upwards. Agriculture in this area is characterized by smaller farms whose resources are utilized most profitably to supply food products for the large metropolitan markets of this region.

SIZE OF FARMS—1940

Acres per Farm	Pa., N. J., & Del.		United States	
	Number of Farms	Per Cent	Number of Farms	Per Cent
Less than 50 acres.....	78,085	38.3	2,286,662	37.5
50-99 acres.....	57,207	28.1	1,291,048	21.2
100-174 acres.....	48,868	24.0	1,278,617	21.0
175-259 acres.....	13,468	6.6	517,460	8.5
260-499 acres.....	5,298	2.6	458,787	7.5
500 and over acres.....	930	0.4	264,225	4.3
All farms.....	203,856	100.0	6,096,799	100.0

Source: U. S. Census of Agriculture.

Opportunities for Mechanization

At present the market for agricultural equipment is ripe for expansion, largely because of conditions brought on by the war. Farmers are still faced with heavy demands for their products. At home there are 9 million more people to be fed than in 1939, and purchasing power continues at high levels. Abroad, food shortages are acute because of the ravages of war and several years of poor harvests. Our farmers do not have enough labor and wages are high. Much of the present equipment is run down and needs replacement—a 1944 survey revealed that half of the farm machinery was over twelve years old and a quarter of it ready to be junked.

Manufacturers are introducing a variety of new farm equipment. Machines in the experimental stage or little used before the war and

now used more extensively include such equipment as field silage harvesters and land clearing machines. More and more farmers are buying corn pickers, combines, windrow pick-up balers, "baby" tractors, and tractor mowers. The equipment manufacturers are designing one- and two-man machines especially adapted to the needs of smaller farms. According to a recent survey of dairy farming in Pennsylvania, milking machines were used profitably on farms with at least 15 cows when the labor saved could be used in other productive work. Drinking cups, litter carriers, and other labor-saving equipment were also found on many of the well-managed farms.

An annual flow of a billion dollars worth of equipment, as some have estimated, from manufacturers through dealers to farmers calls for a huge job of financing. Heretofore much of the financing was done by the manufacturer who took the farmer's note, which was endorsed by the local dealer. This has not proved satisfactory because it ties up too much of the manufacturer's capital, the dealer loses part or all of his cash discount, and the farmer is delayed while his credit undergoes long-distance investigation. Furthermore, such paper is apt to be accepted more on the strength of the guarantor than that of the maker whose earning power determines the soundness of the loan.

Local banks are in the best position to extend this kind of credit and such loans can be made to the mutual advantage of banker, dealer, farmer, and manufacturer. The manufacturer avoids a type of business which is subsidiary to his major interest and which he is ill-prepared to perform. The local banker is the financial advisor to his local community and he possesses the credit information needed for prompt and intelligent credit judgment.

For the dealer, the local banks discount agricultural machinery paper and this very frequently leads to other services. The banker can give counsel on budgeting financial requirements to enable the dealer to take cash discounts, to meet payrolls, and to finance inventory purchases. Moreover, dealers frequently

need financial assistance in handling open account credits and in carrying through major overhaul jobs. Some banks also supply the credit requirements for the dealer's flooring.

For the farmer, the local bank can "tailor" the credit to the needs of each individual case. Throughout the year, cash farm income varies from low tide of 6 per cent in February to high tide of about 12 per cent in October. But credit requirements vary greatly from one area to another and from one farm to another.

While farm machinery generally increases operating efficiency, it cannot be assumed that every farm can use more equipment profitably. The competent farmer buys a machine only when he sees an opportunity to put the labor saved thereby to profitable use in another farming operation. In dairying, for example, it has been found that the most efficiently operated farms are usually those that combined dairying with another income-producing activity, that is, an auxiliary cash crop such as tobacco, potatoes, or poultry. Two or more sources of revenue not only spread the risks but also afford the means of keeping farm machinery as well as labor employed more productively throughout the day and year.

Agriculture is on the threshold of great technological developments. Substantial improvement in crop yields and productivity per animal may be expected as more and more farms are operated by modernized practices with respect to soil conservation, scientific plant and animal breeding, disease and pest control and increased mechanization. While corn picking, hay making, potato digging, sugar harvesting, cotton picking, and many other farming operations are on the eve of extensive mechanization, each farmer must buy his equipment with discrimination. Most machinery is expensive and represents a long term capital investment. On each farm there are very definite limits within which machinery may be employed economically; efficient utilization of a piece of equipment depends upon such factors as the size of the farm, the nature of the enterprise, and the opportunities for engaging in custom work.



BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Employment and Income in Pennsylvania

Indexes: 1923-25 = 100	Adjusted for seasonal variation						Not adjusted		
	July 1946	June 1946	July 1945	Per cent change			July 1946	June 1946	July 1945
				July 1946 from		1946 from 7 mos. 1945			
				Mo. ago	Year ago				
INDUSTRIAL PRODUCTION	108p	101	128	+ 7	- 15	- 23	104p	100	123
MANUFACTURING	109p	103	131	+ 5	- 17	- 25	104p	101	126
Durable goods	112p	105	187	+ 6	- 41	- 48			
Consumers' goods	105p	101	91	+ 4	+ 15	+ 8			
Metal products	121	114r	161r	+ 6	- 25	- 42	118	115r	156r
Textile products	76p	74	67r	+ 3	+ 14	+ 9	70p	72	62r
Transportation equipment	161p	143	422	+13	- 62	- 60	157p	144	410
Food products	141p	125	118	+13	+ 19	+ 4	123p	111	110
Tobacco and products	99	104	78	- 4	+ 27	+ 26	107	112	84
Building materials	44p	42	36	+ 3	+ 22	+ 18	47p	46	38
Chemicals and products	154p	151	173r	+ 2	- 11	- 15	152p	152	170r
Leather and products	81p	79	74	+ 2	+ 9	- 2	74p	77	68
Paper and printing	121	119	106	+ 1	+ 14	+ 20	117	118	102r
Individual lines									
Pig iron	82	80	102	+ 3	- 19	- 20	76	76	94
Steel	101	87r	136r	+16	- 26	- 37	92	89r	124r
Iron castings	78	81	67	- 4	+ 16	+ 5	75	80	64
Steel castings	101	94	172	+ 8	- 41	- 57	90	97	153
Electrical apparatus	176	180r	232	- 2	- 24	- 49	185	180	244
Motor vehicles	22	17	40	+31	- 46	- 44	22	20	41
Auto. parts and bodies	127	104	127	+22	0	- 23	122	104	122
Locomotives and cars	58	53r	89	+ 9	- 35	- 46	58	55r	89
Shipbuilding				+ 8	- 72	- 66			
Silk manufactures	88	91	83r	- 3	+ 6	+ 3	87	87r	82r
Woolen and worsteds	76p	76	60r	0	+ 26	+ 17	72p	73	57r
Cotton products	56	53	49	+ 5	+ 13	+ 15	48	50	43
Carpets and rugs	79p	76	55r	+ 4	+ 44	+ 28	74p	74	53
Hosiery	90	79r	76	+14	+ 18	+ 18	74	77r	62
Underwear	171	146	152	+18	+ 13	+ 5	142	146	126
Cement	59p	58	35	+ 3	+ 70	+ 94	69p	69	41
Brick	58	51	52	+14	+ 13	+ 1	56	53	50
Lumber and products	26	28	28	- 6	- 5	- 16	29	29	30
Bread and bakery products				+ 1*	+ 11*	+ 6*	112	111	126
Slaughtering, meat packing	135	80	91	+69	+ 49	+ 13	121	76	83
Sugar refining	102	94	54	+ 9	+ 90	- 10	104	100	55
Canning and preserving	245p	222	170	+11	+ 45	+ 13	171p	159	133r
Cigars	99	104	77	- 4	+ 29	+ 28	107	112	83
Paper and wood pulp	92	89	87	+ 4	+ 6	+ 7	88	88	83
Printing and publishing	127	125	109r	+ 1	+ 16	+ 22	123	124	106r
Shoes	119p	116	92	+ 3	+ 29	+ 6	110p	110	86
Leather, goat and kid	45p	45	57r	+ 1	- 21	- 15	40p	46	51
Explosives	79	71	183	+11	- 57	- 66	78	71	179
Paints and varnishes	103	91	101	+12	+ 2	0	96	93	94
Petroleum products	214p	220	216	- 3	- 1	+ 1	214p	220	217
Coke, by-product	146p	135	165	+ 8	- 12	- 28	143p	135	162
COAL MINING	86	62	78	+40	+ 11	+ 6	84	60	76
Anthracite	81	55	74	+47	+ 9	+ 9	81	55	74
Bituminous	126	114r	109	+10	+ 16	- 17	111	100r	96
CRUDE OIL	293	303	332	- 3	- 12	- 7	293	315	332
ELECTRIC POWER	439	426	446	+ 3	- 2	- 5	408	405	415
Sales, total	429	422	440	+ 2	- 2	- 5	404	410	414
Sales to industries	294	307	338	- 4	- 13	- 15	300	310	345
BUILDING CONTRACTS									
TOTAL AWARDS†	218	206	66	+ 6	+232	+153	201	210	60
Residential‡	182	235	7	- 23	*	*	206	249	8
Nonresidential‡	204	164	109	+24	+ 87	+102	188	168	100
Public works and utilities†	243	197	142	+23	+ 71	- 32	209	188	122

* 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— July 1946 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	June 1946	July 1945	June 1946	July 1945	June 1946	July 1945	June 1946	July 1945	June 1946	July 1945
	Allentown	+ 1	-17	+ 2	-18	+ 59	+147	-26	+25	+ 9	+27
Altoona	- 0	- 6	- 3	- 7	+192	+321	-21	+25	+13	+44
Harrisburg	0	- 6	0	- 8	- 95	+ 14	-25	+25	+ 9	+23
Johnstown	+ 1	+12	+ 7	+13	- 10	+ 64	-14	+29	+17	+30
Lancaster	0	- 7	+ 3	- 7	+500	+486	-19	+27	+ 2	+24
Philadelphia	+ 1	-10	+ 2	-16	+ 38	+486	-29	+25	0	+20
Reading	0	+ 5	- 2	+14	+ 53	+ 18	-22	+31	0	+21
Scranton	+ 2	-15	+ 4	-14	- 86	- 49	-14	+40	+ 5	+45
Trenton					- 28	- 39	-27	+34	+ 4	+ 7
Wilkes-Barre	+ 2	-16	+ 4	-22	+ 28	+ 79	-24	+31	+ 1	+21
Williamsport	+ 4	- 2	+ 1	+ 2	+126	+234	-24	+31	-10	+16
Wilmington	+ 2	-23	+ 5	-23	- 2	- 64	-24	+31	+10	- 1
York	+ 4	+ 3	+ 2	- 3	+ 57	+278	-13	+20	0	+10

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

Industry, Trade and Service

Indexes: 1932 = 100	Employment				Payrolls			
	July 1946 index	Per cent change from		July 1946 index	Per cent change from			
		June 1946	July 1945		June 1946	July 1945		
GENERAL INDEX	126	0	+ 2	304	0	0		
Manufacturing	159	+ 1	- 4	401	+ 1	-10		
Bituminous coal mining	75	0	+ 7	391	-15	+29		
Building and construction	66	+ 1	+35	152	+ 5	+29		
Quar. and nonmet. mining	98	+ 2	+28	345	+ 4	+39		
Crude petroleum prod.	148	+ 1	+13	269	- 3	+ 6		
Public utilities	115	+ 1	+17	188	+ 2	+24		
Retail trade	125	- 3	+ 7	207	- 1	+26		
Wholesale trade	119	+ 1	+16	192	+ 3	+24		
Hotels	128	0	+20	252	- 2	+33		
Laundries	110	+ 2	+ 9	237	- 1	+32		
Dyeing and cleaning	104	0	+ 5	237	- 4	+27		

Manufacturing

Indexes: 1923-25 = 100	Employment*				Payrolls*			
	July 1946 index	Per cent change from		July 1946 index	Per cent change from			
		June 1946	July 1945		June 1946	July 1945		
TOTAL	102	+ 1	- 4	163	+ 1	-10		
Iron, steel and products	104	+ 1	- 8	199	+ 1	-18		
Nonferrous metal products	191	- 2	-11	404	- 6	- 8		
Transportation equipment	88	+ 4	-34	147	+ 4	-38		
Textiles and clothing	83	- 1	+11	145	- 2	+24		
Textiles	78	- 1	+12	138	- 2	+25		
Clothing	103	0	+ 6	182	- 4	+18		
Food products	116	- 1	- 1	200	+ 3	+ 6		
Stone, clay and glass	102	+ 2	+26	165	+ 1	+31		
Lumber products	55	+ 4	+11	94	+ 5	+15		
Chemicals and products	111	+ 2	- 2	198	+ 5	- 6		
Leather and products	84	- 1	+18	141	- 3	+16		
Paper and printing	123	0	+19	205	- 1	+28		
Printing	120	0	+21	192	- 1	+30		
Others:								
Cigars and tobacco	54	0	+17	89	+ 2	+26		
Rubber tires, goods	142	0	+ 4	333	0	+10		
Musical instruments	111	- 3	+38	189	- 4	+68		

* Figures from 2757 plants.

Hours and Wages

Factory workers Averages July 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
	TOTAL	38.5	-11	\$1.139	+ 6	\$43.74	- 6
Iron, steel and prods.	37.5	-15	1.234	+ 8	46.23	- 8
Nonfer. metal prods.	38.3	-12	1.127	+11	43.21	- 2
Transportation equip.	39.8	-11	1.284	+ 3	51.14	- 9
Textiles and clothing	38.5	- 1	.914	+12	35.16	+11
Textiles	39.5	- 1	.937	+13	37.04	+12
Clothing	35.8	- 1	.847	+ 9	30.91	+ 8
Food products	42.5	- 4	.942	+13	40.54	+ 9
Stone, clay and glass	37.2	- 8	1.086	+12	40.36	+ 4
Lumber products	42.8	0	.848	+ 7	36.06	+ 7
Chemicals and prods.	40.0	-13	1.226	+14	49.10	- 1
Leather and products	38.3	-11	.873	+11	33.31	- 2
Paper and printing	41.4	- 6	1.086	+15	45.05	+ 7
Printing	40.3	- 5	1.239	+13	50.16	+ 7
Others:						
Cigars and tobacco	38.3	- 9	.782	+18	29.97	+ 7
Rubber tires, goods	41.8	- 9	1.252	+15	52.27	+ 5
Musical instruments	42.8	+ 5	1.035	+16	44.29	+22

* Figures from 2614 plants.

† Figures from 2757 plants.

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	July 1946 from		1946 from 7 mos. 1945
	Month ago	Year ago	
Sales			
Total of all lines.....	- 2	+ 35	+26
Boots and shoes.....	-37	+ 16	.....
Drugs.....	+ 9	+ 23	+16
Dry goods.....	+ 6	+ 69	+36
Electrical supplies.....	-17	+106	.....
Groceries.....	- 4	+ 30	+26
Hardware.....	-25	+ 36	+38
Jewelry.....	-15	+ 47	+76
Paper.....	-17	- 2	+10
Inventories			
Total of all lines.....	0	+ 57	.....
Dry goods.....	+ 3	+ 27	.....
Electrical supplies.....	+ 8	+ 59	.....
Groceries.....	-10	+ 33	.....
Hardware.....	- 3	+ 14	.....
Paper.....	+ 5	+ 22	.....

Source: U. S. Department of Commerce.

Prices	July 1946	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100).....	240	+22	+31	+140
Wholesale (1926 = 100).....	124	+10	+17	+ 66
Farm.....	157	+12	+22	+157
Food.....	140	+24	+31	+109
Other.....	109	+ 3	+ 9	+ 36
Living costs (1935-1939 = 100).....				
United States.....	141	+ 6	+ 9	+ 43
Philadelphia.....	140	+ 6	+ 9	+ 43
Food.....	161	+12	+16	+ 73
Clothing.....	156	0	+ 6	+ 57
Fuels.....	120	+ 4	+ 6	+ 24
Housefurnishings.....	159	0	+11	+ 58
Other.....	126	+ 1	+ 4	+ 25

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
	July 1946	June 1946	July 1945	Per cent change		1946 from 7 mos. 1945	July 1946	June 1946	July 1945
				Month ago	Year ago				
RETAIL TRADE									
Sales									
Department stores—District.....	252p	253	199r	- 1	+ 27	+ 27	174p	228	137
Philadelphia.....	231	238	188	- 3	+ 23	+ 24	148	207	120
Women's apparel.....	312p	271	226r	+ 15	+ 38	+ 32	175p	234	127
Men's apparel.....	223p	201	152	+ 11	+ 47	+ 32	148p	225	101
Shoe.....	205	228	181	- 10	+ 13	+ 38	158	243	139
Furniture.....				- 9*	+ 66*				
Inventories									
Department stores—District.....	197p	189	163	+ 4	+ 21		187p	179	155
Philadelphia.....	196p	188	162	+ 4	+ 21		180p	176	149
Women's apparel.....	290p	279	219	+ 4	+ 32		217p	228	164
Shoe.....	73	65	70	+ 13	+ 4		63	63	61
Furniture.....				+ 6*	+ 30*				
FREIGHT-CAR LOADINGS									
Total.....	143	130	147	+ 10	- 3	- 15	146	134	150
Merchandise and miscellaneous.....	129	120	134	+ 7	- 3	- 15	129	123	134
Merchandise—l.c.l.....	94	100	86	- 6	+ 9	+ 6	94	100	86
Coal.....	171	174	165	- 2	+ 3	- 9	162	156	157
Ore.....	186	132	204	+ 41	- 9	- 43	278	194	305
Coke.....	191	146	221	+ 30	- 14	- 41	176	137	203
Forest products.....	117	91	99	+ 28	+ 18	- 4	131	104	111
Grain and products.....	115	142	146	- 19	- 22	- 10	154	123	196
Livestock.....	196	108	123	+ 82	+ 60	+ 6	169	98	105
MISCELLANEOUS									
Life insurance sales.....	215	222	133	- 3	+ 62	+ 66	205	226	126r
Business liquidations									
Number.....				+397*	+397*	+ 93*	15	3	3
Amount of liabilities.....				**	**	+734*	41	3	1
Check payments.....	227	215	199	+ 6	+ 14	+ 7	216	232	189

* Computed from unadjusted data.

p—Preliminary.

r—Revised.

** Increase of 1000% or more from low level.

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions \$)	Aug. 21, 1946	Changes in—	
		Four weeks	One year
Assets			
Commercial loans.....	\$ 314	+\$11	+\$100
Loans to brokers, etc.....	44	- 6	.....
Other loans to carry secur.....	41	- 2	- 23
Loans on real estate.....	47	.....	+ 14
Loans to banks.....	3	+ 2	+ 2
Other loans.....	166	+ 3	+ 44
Total loans.....	\$ 615	+\$ 8	+\$137
Government securities.....	\$1618	-\$68	-\$389
Obligations fully guar' teed.....	196	.....	+ 12
Other securities.....			
Total investments.....	\$1814	-\$68	-\$377
Total loans & investments.....	\$2429	-\$60	-\$240
Reserve with F.R. Bank.....	423	- 6	- 2
Cash in vault.....	32	+ 1	+ 3
Balances with other banks.....	85	- 4	+ 2
Other assets—net.....	48	+ 4	- 1
Liabilities			
Demand deposits, adjusted.....	\$1803	-\$39	+\$ 22
Time deposits.....	268	+ 1	+ 55
U. S. Government deposits.....	300	- 26	- 311
Interbank deposits.....	358	.....	- 20
Borrowings.....	2	- 3	- 4
Other liabilities.....	25	+ 1	+ 8
Capital account.....	261	+ 1	+ 12

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended—				Changes in four weeks
	July 31	Aug. 7	Aug. 14	Aug. 21	
Sources of funds:					
Reserve Bank credit extended in district.....	-13	+13	+ 6	-27	-21
Commercial transfers (chiefly interdistrict).....	.....	+14	+ 8	+20	+42
Treasury operations.....	+16	-23	-16	.....	-23
Total.....	+ 3	+ 4	- 2	- 7	- 2
Uses of funds:					
Currency demand.....	- 2	+ 3	+ 2	- 3	.....
Member bank reserve deposits.....	+ 5	- 1	- 2	- 3	- 1
"Other deposits" at Reserve Bank.....	.....	+ 2	- 2	- 1	- 1
Other Federal Reserve accounts.....	.....	.....	.....	.....	.....
Total.....	+ 3	+ 4	- 2	- 7	- 2

Member bank reserves (Daily averages; dollar figures in millions)	Held	Re- quired	Ex- cess	Ratio of excess to re- quired
1945: Aug. 1-15..	\$407	\$397	\$10	2%
1946: July 1-15..	424	416	8	2
July 16-31..	421	413	8	2
Aug. 1-15..	416	409	7	2
Country banks				
1945: Aug. 1-15..	\$332	\$273	\$59	22%
1946: July 1-15..	378	325	53	16
July 16-31..	378	326	52	16
Aug. 1-15..	384	328	56	17

Federal Reserve Bank of Phila. (Dollar figures in millions)	Aug. 21, 1946	Changes in—	
		Four weeks	One year
Disc. and advances.....	\$ 17	-\$ 2	+\$ 6
Industrial loans.....	1	.....	- 2
U. S. securities.....	1637	+ 8	+ 53
Total.....	\$1655	+\$ 6	+\$ 57
Fed. Res. notes.....	1644	+ 8	+ 77
Member bk. deposits.....	795	- 1	+ 48
U. S. general account.....	34	- 12	- 15
Foreign deposits.....	55	- 16	- 43
Other deposits.....	2	- 2	- 1
Gold certificate res.....	885	- 26	+ 24
Reserve ratio.....	35.0%	- 0.7%	+ 0.1%