# THE BUSINESS REVIEW

FEDERAL RESERVE BANK
OF PHILADELPHIA

FEBRUARY, 1947

## HOW WELL OFF ARE WE?

***Better off than ever before but not, perhaps, as much as some of the "records" we have made would indicate.***

The novelty of talking about economic problems in terms that seem to border on the astronomical has worn off within the past few years. We have become accustomed to dealing with billions and even hundreds of billions of dollars. Two generations ago a million was a consideration in Government finance. Today it is lost in "rounding off" the totals. Our economy is growing and the figures of account that we use to measure its growth have become larger and larger. The long-term upward trend has not been steady, but in seven years since 1939 we have witnessed a rapid and sustained rise in the economic "accounts." The rate of growth has been unprecedented and many records have been broken month after month. Yet there is a widespread feeling that in terms of the general concept that we call our "standard of living" we are not so well off as the records say.

The accompanying chart shows the general trend of several widely used economic series since 1939. Gross national product, a measure of all goods and services produced, without allowance for depreciation, increased from $89 billion to $194 billion a year. Although the estimated total for 1946 is somewhat below that of the previous year, the rate of gross output has recently been increasing; in the last quarter of 1946 it exceeded $200 billion a year. Inventory accumulation is one of the components of gross national product. By the end of 1946 inventories were being built up at an unprecedented rate of over $12 billion a year.

Income payments to individuals, including wages, dividends, payments to veterans and other types of income, rose from $71 billion in 1939 to $164 billion in 1946. Like gross national product, the annual rate of income payments was rising in the last quarter of 1946. From 1939 to 1945 salaries and wages rose over 140 per cent, and entrepreneurial income, net rents, dividends, and interest combined increased about 90 per cent. During 1946 the latter made a further gain, and total salaries and wages fell slightly.

From December 1939 to June 1946 estimated liquid asset holdings of individuals and busi-



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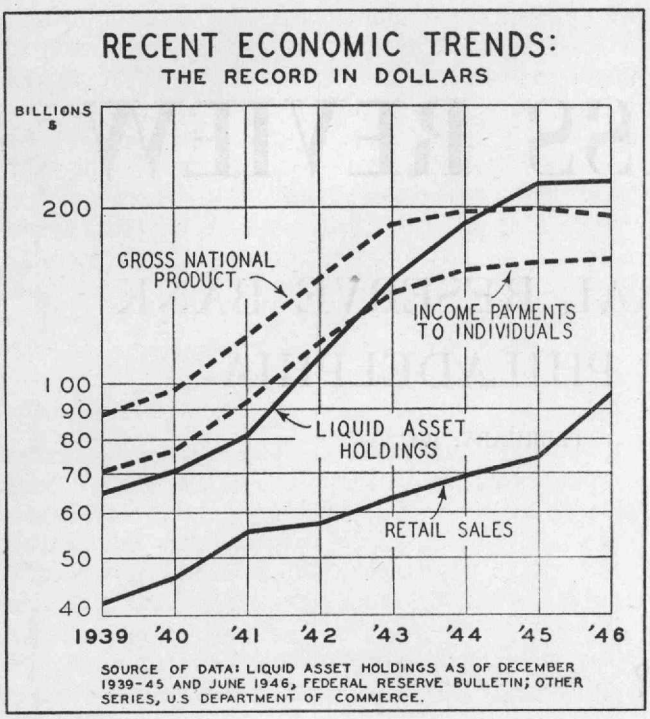


nesses—currency, deposits, and Government securities—increased by almost 250 per cent. Unlike the other series on the chart, the figures for liquid asset holdings represent an accumulated stock rather than a level of performance in a particular year.

Retail sales did not keep pace with the rapid rise in income payments during the war years when the Government bought roughly half of the country's output, but an accelerated advance in 1946 brought total sales in that year to about $96 billion—more than double the 1939 level.

Income, sales, gross product at more than twice their prewar levels! Are we as much better off in comparison to the prewar years as the records we have made would seem to indicate? A clue to the answer is the fact that the war and its financing have reduced the purchasing power of the dollar. A fundamental criterion of economic progress is the level of production of goods and services—real things that can be used and enjoyed. To get a complete picture, money paid out in wages or dividends must be related to the real things that money can buy, and inventories must be considered as shoes on dealers' shelves or automobiles in the making.

**The Importance of Price Changes**

The "records" we have examined thus far are stated in dollar terms. While dollar value is significant for many purposes, it has a great disadvantage as a measure of physical quantities. As everyone familiar with business knows, commercial products are subject to continued price changes. The same chair—exactly the same product—may have sold for $25 one month and $30 the next. A year later it may cost only $20. Obviously, the dollar value of the sales of such chairs will not give an accurate idea of the actual number of chairs sold in any period unless we take account of the changes in price.

In looking at the trend of income payments to individuals since 1939, it is immediately apparent that it is not so much the amount of the pay check that matters for our material well-being as what the pay check will buy. To measure the buying power of our dollars the Department of Labor computes what is now known as the "Consumers' Price Index," formerly called the "Cost of Living Index." This index is an average of the prices which the families of wage earners and lower-salaried clerical workers in large cities pay for a typical list of goods and services. The list, compiled from a survey of consumer expenditures a decade ago, does not vary in successive periods, except that from time to time some changes in specifications are necessary. During the war period temporary substitutions were made for unavailable items. The index attempts to measure the cost of a fixed amount and quality of goods, not changes in living standards. There are doubtless very few families that have exactly the "average" budget which the Department of Labor uses in its computation. The index, however, is representative for the moderate-income, city group as a whole.

When applied to the incomes of farm families, individuals, or higher-income families as a deflator, the consumers' price index can give only a very rough idea of changes in purchasing power, since the expenditure pattern of those groups is not included in the average. We obtain only an approximation, therefore, of the over-all changes in "real" incomes by applying the index to all money income payments. The contrast is nevertheless significant. Income payments rose over 130 per cent from 1939 to 1946. In terms of the real things that money can buy,



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they advanced less than 70 per cent. If income payments after taxes are considered, the gain would be substantially less. By December 1946 the prices of essential goods and services were half again as high as seven years earlier, and the real value of the average consumer's 1939 dollar had become 65 cents. Average hourly earnings of manufacturing workers—$1.14 in December 1946—were worth about 75 cents in 1939 dollars, a real increase of 20 per cent over that year.

The U. S. Department of Commerce has constructed an index of retail prices on a monthly basis beginning in 1939—an average of the prices of commodities sold at retail stores. The prices of many types and grades of goods in all kinds of stores are averaged each month, with due regard for the importance of each item relative to the total, and the monthly result is expressed as a percentage of the average of prices in 1935-1939. Since it is an average, the index of retail prices cannot be applied to any single product or even to any one group. Nor would anyone, least of all the makers of the index, maintain that each monthly value is exactly right. By its very nature, no such index can be so. It is a representation of the facts, as free from distortion as it can be made, in a form which, unlike the mass of thousands of divergent price trends, is a usable analytical concept.

The index of retail prices rose from close to 100 in 1939 to 130 at the end of 1942, and to 167 in October 1946. If we want to get an idea of the physical volume of sales, as distinct from the dollar volume in the chart, this price rise must be taken into account. The $96 billion retail sales level of 1946 shrinks to something like $60 billion in 1939 dollars. The level of physical goods sales in October 1946, far from being about 150 per cent above the 1939 average, as the dollar figures indicate, was only a little over 40 per cent above. In addition, instead of continuing to gain throughout 1946 along with the dollar volume of sales, physical volume appears to have leveled off during the year.

The records that recently have been established for both the level and the rate of inventory accumulation have focused attention upon that segment of our productive system. At $34 billion in October 1946, stocks of retailers, wholesalers, and manufacturers were double their 1939 level and 55 per cent above the total of V-J Day. The dollar figures are of the utmost importance for business analysis, because it is in dollar terms, at prevailing prices, that goods now in process of manufacture or in distributors' warehouses are expected to be sold. Their relation to the dollar value of sales is crucial. Moreover, it is in relation to the current value of production that the rate of inventory accumulation must be appraised as it bears upon jobs and income. But the physical volume of inventories is the significant measure of real wealth and real ability to produce.

It is extremely difficult to construct an index of inventory price values because of the lack of uniformity in the time lag involved in inventory use and because of varying accounting methods. From the data available, however, it is reasonable to conclude that about half the increase in inventories (adjusted for contract termination transfers) since V-J Day is the result of price increases. Over the period 1939 to 1946 the Department of Commerce has attempted to deflate the value of manufacturers' inventories and state them in terms of 1939 dollars. In contrast to a rise from about $10 billion at the beginning of 1939 to $19.6 billion in October 1946, the deflated series shows a rise to only $12 billion. Far from doubling, manufacturers' physical inventories have probably increased only 20 per cent. They are no higher now than they were at the end of 1941. From the standpoint of stocks on hand, American industry is geared to a considerably higher volume of output than before the war; but physical inventories cannot yet support the level of real production that dollar values imply if pre-war relationships hold.

There is another way in which dollars are inadequate as a measure of real wealth. The quality and usability of a particular object changes over a period of years. A $20 automobile tire in 1925, for instance, was worth a lot less than the $20 tire which is produced today. It is almost impossible in any type of measure to make a mathematical adjustment for that sort of long-term change. Even the so-called physical measures discussed below will not show it. The same materials and work may produce a superior product by virtue of improved design. We must simply bear in mind that such changes are taking place.



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**Measures of Physical Production**

The deflation of dollar figures by means of appropriate price indexes is an indirect method of approximating physical volume. It has many disadvantages. A direct method which depends on fewer assumptions would lessen the chances for error. Of course, the most accurate accounting for actual production could be made by counting each item as it is produced; but that would be an impossible task, and even if it could be done the result, expressed in pounds, yards, and other diverse units, would be meaningless. It is necessary, in practice, to select a number of representative production series and combine them into an index. The Federal Reserve Board first published such an index for industrial production in 1927.

The Federal Reserve Board index is designed to measure the monthly level of output of manufactures and minerals in physical terms, undistorted by price changes. Among about one hundred series which make up the index, some measure output of finished goods, some output of semi-finished products, and others measure production through the consumption of important raw materials. Some series are actually composites of many individual products. This cannot and should not result in a precise measurement of output in tons or gallons, but, properly weighted, the combination of the selected series does produce an index whose movements are representative of changes in productive activity.

From a level of 109 in 1939 the index of industrial production climbed steadily until late in 1943. War production reached a peak in the fall of that year and the index rose to 247. From that time until the spring of 1945 it declined slowly, reflecting the tapering off of munitions output. Thereafter, with the surrender of Germany and, later, the victory over Japan, production fell sharply. During the reconversion period, made more difficult by industrial disputes, the index dropped to 152. It has since risen beyond 180. The average level of production in 1946 was well over 50 per cent above 1939.

It should be remembered that the Federal Reserve Board index is not a measure of all production. Public utilities, construction, agriculture, and the service occupations are not included. The index, therefore, should not be used as a measure of over-all economic activity. To some extent, of course, fluctuations in the output of the non-industrial lines will be reflected in the output of manufactures and minerals.

Since we have returned comparatively recently to the production of civilian goods, it is not surprising that the rate of industrial production is not fully reflected in the output of finished goods. Within the past year considerable effort has gone into the building up of "in-process" inventories without which mass production cannot proceed. Replacement parts have also absorbed materials and working hours. In the automobile industry, for instance, the production of parts was at a record level during 1946, although production of passenger cars—a little over 2 million units—was far below pre-war volume.

The Civilian Production Administration, trade associations, and the Bureau of the Census have published unit production figures for consumers' durable goods during the past year. Although production has increased greatly in all lines since the beginning of 1946, a comparison of current and pre-war output shows great differences among the various industries. More than 15 million radio receivers of all types were turned out during the year in comparison with the pre-war record of 13.6 million in 1941. On the other hand, the output of sewing machines lagged. In October, 1946, the latest month for which an estimate is available, only about 45,000 units were shipped, compared with the 1941 average of 67,000 a month. Some 275,000 mechanical refrigerators came off the assembly lines in October. The 1940-1941 average was 309,000 a month. Washing machines, electric ranges, and vacuum cleaners were being shipped at a rate that was more than 60 per cent above the pre-war average but the total for the year was held down by slow production in the earlier months. On balance, it appears that we had attained record levels of output in many lines by the end of 1946 but it is during the coming year that the effects of increased production will be felt. As yet the famine of durable goods has not been broken.

The Bureau of Agricultural Economics maintains an index of the volume of agricultural production similar in nature to the Federal Reserve Board's index of industrial production. While



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cash receipts from farm marketings came close to tripling from 1939 to 1946, the volume of farm production rose only about 25 per cent.

**Production and Consumption**

Even the measures of physical output fail to tell the whole story. Production of goods that we cannot immediately use is a factor which, for the moment, subtracts from the amount of goods available for consumption. The accumulation of inventories, already discussed, is one such factor. As has been pointed out, this is not primarily a matter of speculative hoarding but rather a concomitant of a complex and roundabout system of production. The thousands of unfinished, unusable homes waiting for materials are a manifestation of it.

Net exports are another such offset. In the year following V-J Day, the United States exported about $14 billion of goods and services—some of which were gifts—to foreign countries. We received less than half that amount in return. Just as debts are now being created as a result of export surplusses, so repayment of debts ultimately involves net imports of goods and services. As long as we have an export surplus, however, we will not be able to consume as much as we produce.

From 1939 to 1946 the population of the United States increased, roughly, from 131 to 140 million. We cannot tell how well off we are unless we take account of the number of mouths we have to feed and the families we must house. If gross national product is expressed in terms of 1939 dollars, according to a Department of Commerce computation, 1946 shows about a 50 per cent increase over 1939—not the 120 per cent increase indicated by current dollar figures. If the increase in population is then taken into account, gross national product *per capita* is found to have increased by only slightly over 40 per cent. More people need more goods.

The records of physical production must be viewed in the light of our national stock of wealth. It is extremely difficult to determine whether it has increased or not in real terms since 1939. We have built many new plants, especially in the heavy goods industries. Although some war production equipment is now unusable, much of it can be adapted to peacetime needs. But it is well known that in some industries plant and equipment were not adequately repaired or replaced during the war. Much effort is now going into capital replacements in those industries. The deterioration of community property—roads and schools—and of transportation equipment has been great. Housing replacement has fallen far behind, and the depletion of consumers' stocks of durable goods—automobiles, vacuum cleaners—is quite noticeable. Our stockpiles of certain raw materials have dwindled. It may be desirable to import some of these from abroad.

In addition to these visible signs of decreased wealth is the obsolescence of our cities. The requirements of increased surface traffic and air transportation have apparently outstripped the facilities of many communities. This is a problem of a different nature than the replacement of public vehicles or even the clearance of slums, though it is related to them. It is a problem of planning for new developments which may require drastic changes to keep our cities efficient.

**National Debt and National Wealth**

Although the public debt has receded from the record level of $279 billion reached in early 1946, it is still six and a half times the pre-war level. The reasons for this tremendous expansion of debt during the war years are well known. But it is not always realized that the basic explanation for the discrepancies between our physical well-being and the various dollar measures of our national prosperity lies in methods of war financing. The wartime growth of the money supply which has exerted pressure on prices has been the central factor in the inflation of gross national product and other dollar measures of activity.

Because the Government raised by taxation only about 40 per cent of the funds required to finance the war, it necessarily borrowed the remainder. To the extent that the Treasury borrowed from individuals and businesses—about 60 per cent of the total—the public acquired Government securities. To the extent that the Treasury borrowed from the banking system, banks acquired the Government securities and the public acquired deposits and currency.



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Thus, liquid assets—now more than three times their pre-war level—are really the obverse of the public debt. They do not in themselves necessarily mean an increase in national real wealth or income. During the war unprecedented holdings of bank deposits were of no help in obtaining new automobiles, washing machines, and other scarce items. Similarly, our present problem is one of increasing physical output as rapidly as possible. Liquid assets as a backlog of demand may help to sustain high levels of production if they are properly used. Their existence is not a guarantee that we will be better off.

How does the large volume of public debt affect our national well being? During the war the nation came face to face with the fact that the real costs of war—loss of life, resources, time—could not be postponed. The national debt is neither an addition nor an offset to national wealth; the real costs of war have already been paid. This does not mean, of course, that the debt is not important. It will require sustained high levels of income to prevent interest payments on the debt from becoming even more burdensome than at the present time. Moreover, the distribution of the debt and related fiscal policies will have a profound influence on the future level of real income.

**Conclusion**

The constant reiteration of large dollar volume records of production and income are confusing to the consumer who still sees a vast, albeit a narrowing, gulf between his needs and available supplies. When we get behind the dollar figures we see that while production is larger than ever before in peacetime, it is by no means phenomenal and that, although incomes and savings are huge by former standards, we have made only moderate advances in terms of the real goods that we can buy.

Money values are especially significant in a price economy where the relationships among prices, wages, value of production, and debt are necessarily expressed in dollar terms. This should not obscure the fact that physical quantities are the ultimate measures of how well off we are, and that we should not allow ourselves to be lulled into economic complacence by the sheer immensity of the dollar statistics.

We are standing on the threshold of what can be a sustained period of expanding production. We can fulfill the promise of this era by maintaining a mood of anticipation and adventure, coupled with a determination to do our part in the creation of a steady and increasing flow of goods and services. Only by concerted efforts in producing the things that we want and need can we insure a continued rise in our standard of living.



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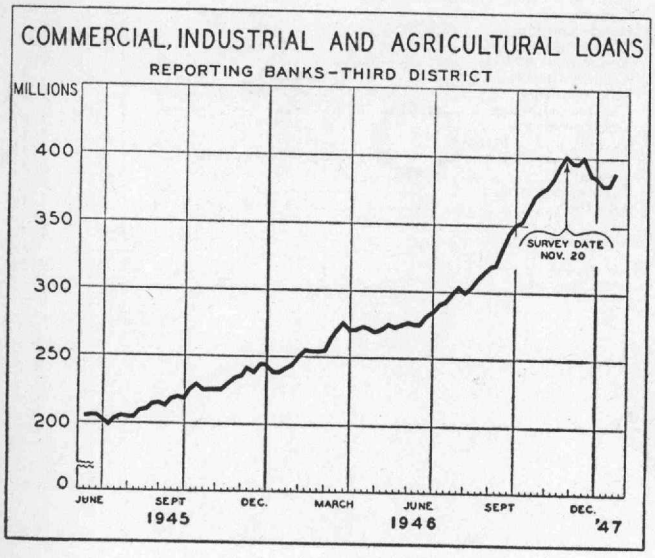
# HOW BUSINESS BORROWS FROM BANKS

***Federal Reserve survey shows how industry, trade, and services — large and small — have been financing through banks.***

The recent expansion of bank loans to business has been much greater than most people had expected. In the Third Federal Reserve District, for example, commercial and industrial loans of member banks have almost doubled since the end of the war and are now well above their 1941 peak. Member banks recently cooperated with the Federal Reserve System in answering some of the questions that had been raised with respect to the character of such loans. Some of the over-all results of this survey are given in the accompanying tables and descriptions. These results are based on replies received from 155 member banks which account for 80 per cent of outstanding commercial and industrial loans of all member banks in this district. A more intensive analysis of the information will appear in a subsequent issue.

Business loans of member banks in this district were at a peak of about $600 million on November 20, 1946, when the survey was made. This total was made up of some 40,000 loans in addition to open market paper and loans to or covered by purchase agreements of the Commodity Credit Corporation.




## Characteristics of Borrowers

Of the total borrowing by businesses from member banks in this district on November 20, 1946, manufacturing and mining enterprises accounted for 45 per cent, which was three times as much as was being borrowed by either wholesale or retail trade concerns. The dollar amounts, though important, are an inadequate measure of the significance of banks in the economic life of their communities. The service rendered by banks to small business is reflected in the facts that they made 70 per cent of their loans to firms with assets less than $50,000 and another 20 per cent to firms with assets

BUSINESS OF BORROWERS

| | Distribution of— | |
|---|---|---|
| | Dollar Amount | Number of Loans |
| **Manufacturing and Mining** | | |
| Food, liquor, tobacco | 9.6% | 2.0% |
| Textiles, apparel, leather | 7.0 | 2.8 |
| Metals, metal products, machinery, transportation equipment | 13.4 | 3.9 |
| Petroleum, coal, chemicals, rubber | 8.4 | 3.3 |
| All other | 7.3 | 5.4 |
| Total | 45.7% | 17.4% |
| **Wholesale Trade** | | |
| Food, liquor, tobacco, drugs | 5.4% | 4.8% |
| Apparel, dry goods, shoes and related raw materials | 2.1 | 1.3 |
| Home furnishings and appliances, machinery and metal products, hardware, lumber and building materials, plumbing and heating equipment | 4.3 | 2.8 |
| Automobiles and parts, petroleum | 0.8 | 1.3 |
| All other | 3.0 | 2.4 |
| Total | 15.6% | 12.6% |
| **Retail Trade** | | |
| Food, liquor, tobacco, restaurants, drug stores | 4.1% | 12.1% |
| Apparel, dry goods, shoes, department stores, mail-order, variety and general stores | 4.1 | 6.1 |
| Home furnishings and appliances, hardware and farm implements, building materials, plumbing and heating | 2.2 | 9.3 |
| Automobiles and accessories, filling stations | 2.2 | 8.0 |
| All other | 1.6 | 6.2 |
| Total | 14.2% | 41.7% |
| **Other** | | |
| Transportation, communication, other public utilities | 8.4% | 6.8% |
| Services (hotels, repair, amusements; personal, domestic, professional services) | 3.0 | 9.9 |
| Building and construction | 2.5 | 5.5 |
| Sales finance companies | 7.3 | 0.7 |
| All other | 3.3 | 5.3 |
| Total | 24.5% | 28.2% |
| Not classified | * | .1% |
| GRAND TOTAL | 100.0% | 100.0% |

* Less than .05 per cent.



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SIZE OF BORROWERS

| | Distribution of— | |
|---|---|---|
| | Dollar Amount | Number Loans |
| TOTAL ASSETS: | | |
| Under $50,000 | | |
| Manufacturing and mining | 2.1% | 8.5% |
| Wholesale trade | 1.2 | 6.4 |
| Retail trade | 5.8 | 34.0 |
| Other | 3.8 | 21.4 |
| Total | 12.9% | 70.3% |
| $50,000 to $250,000 | | |
| Manufacturing and mining | 4.4% | 4.9% |
| Wholesale trade | 3.9 | 4.3 |
| Retail trade | 4.6 | 7.1 |
| Other | 4.3 | 5.3 |
| Total | 17.2% | 21.6% |
| $250,000 to $750,000 | | |
| Manufacturing and mining | 5.2% | 2.0% |
| Wholesale trade | 3.3 | 1.0 |
| Retail trade | .9 | .5 |
| Other | 1.7 | .6 |
| Total | 11.1% | 4.1% |
| $750,000 to $5 million | | |
| Manufacturing and mining | 12.0% | 1.5% |
| Wholesale trade | 3.7 | .7 |
| Retail trade | .6 | .2 |
| Other | 3.4 | .5 |
| Total | 19.7% | 2.9% |
| Over $5 million | | |
| Manufacturing and mining | 22.0% | .5% |
| Wholesale trade | 3.5 | .1 |
| Retail trade | 2.4 | .1 |
| Other | 11.1 | .3 |
| Total | 39.0% | 1.0% |
| Not classified | .1% | .1% |
| GRAND TOTAL | 100.0% | 100.0% |

of from $50,000 to $250,000. To be sure, such small firms borrowed less than one-third of the total, but they accounted for nine borrowing customers out of ten. Banks are lending large amounts to some enterprises, especially manufacturing and mining concerns. For each such loan, however, they are making 70 loans to small concerns—especially the local retail trader: the filling station, the dry goods store, the restaurant, the drug store.

## Characteristics of Loans

Among the important elements which banks adapt to the needs of their customers are maturities and type of security. The overwhelming proportion of bank credit is extended for less

MATURITY OF LOAN

| | Distribution of dollar amount of loans with maturity of— | | Total |
|---|---|---|---|
| | One year or less | Over one year | |
| Manufacturing and mining | 72.0 | 28.0 | 100.0% |
| Wholesale trade | 93.9 | 6.1 | 100.0 |
| Retail trade | 85.7 | 14.3 | 100.0 |
| Other | 81.4 | 18.6 | 100.0 |
| Total | 79.6 | 20.4 | 100.0% |

than one year. Longer loans, whose total is greatly affected by term loans, are most important to manufacturing and mining and least important to wholesale trading enterprises.

More than half of the money that banks lend to business enterprises they lend on the name of the borrower without itemized security. That such loans are not limited to larger borrowers and larger banks is shown by the fact that 38 per cent of all business loans are of this character. When specific security is involved, business borrowers most commonly pledge real estate. Other loans, irrespective of size, are most frequently secured by endorsement or chattel mortgages. Larger loans are made also against warehouse receipts whereas other collateral for smaller loans consists of securities, assignments of title, and life insurance.

SECURITY FOR LOAN

| | Distribution of— | |
|---|---|---|
| | Dollar Amount | Number of Loans |
| Unsecured loans | 56.9% | 38.6% |
| Secured loans: | | |
| Plant and other real estate | 10.5 | 15.1 |
| Endorsement | 7.2 | 11.3 |
| Bonds and stocks | 6.1 | 6.8 |
| Warehouse receipts | 5.9 | 1.0 |
| Assignment of title | 2.5 | 4.8 |
| Accounts receivable | 2.4 | 1.8 |
| Life insurance | 2.3 | 4.3 |
| Chattel mortgage | 2.0 | 7.7 |
| Trust receipt | 1.1 | 1.8 |
| V, V-T, and T loans | 1.0 | 0.1 |
| Assignment of claims against others than Government | 0.8 | 1.1 |
| Co-maker | 0.3 | 2.3 |
| Savings account | 0.1 | 0.9 |
| All other | 0.7 | 1.1 |
| Unclassified | 0.2 | 1.3 |
| Total | 100.0% | 100.0% |



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# BUSINESS STATISTICS

## Production

*Philadelphia Federal Reserve District*

| Indexes: 1923-5 = 100 | Adjusted for seasonal variation | | | | | | Not adjusted | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Per cent change | | | | | |
| | Dec. 1946 | Nov. 1946 | Dec. 1945 | Dec. 1946 from Mo. ago | Dec. 1946 from Year ago | 1946 from 12 mos. 1945 | Dec. 1946 | Nov. 1946 | Dec. 1945 |
| **INDUSTRIAL PRODUCTION** | 115p | 109 | 107 | + 6 | + 8 | − 14 | 112p | 111 | 104 |
| MANUFACTURING | 117p | 110 | 109 | + 6 | + 7 | − 16 | 113p | 112 | 106 |
| **Durable goods** | 123p | 117 | 131 | + 4 | − 6 | − 36 | ..... | ..... | ..... |
| **Consumers' goods** | 109p | 101 | 92 | + 8 | + 19 | + 11 | ..... | ..... | ..... |
| Metal products | 140 | 135 | 133 | + 4 | + 5 | − 24 | 134 | 136r | 127 |
| Textile products | 76p | 71 | 65 | + 6 | + 17 | + 12 | 75p | 74 | 64 |
| Transportation equipment | 159p | 144 | 233 | +10 | − 32 | − 56 | 159p | 138 | 237 |
| Food products | 135p | 134 | 120 | + 1 | + 13 | + 4 | 133p | 136 | 119 |
| Tobacco and products | 167 | 113 | 125 | +48 | + 34 | + 22 | 121 | 135 | 90 |
| Building materials | 54p | 50 | 39 | + 7 | + 39 | + 25 | 48p | 50 | 35r |
| Chemicals and products | 160p | 155 | 149r | + 3 | + 7 | − 9 | 157p | 155 | 147r |
| Leather and products | 95p | 90 | 72 | + 7 | + 32 | + 5 | 89p | 85 | 67 |
| Paper and printing | 118 | 118 | 110 | 0 | + 7 | + 15 | 119 | 119 | 111 |
| **Individual lines** | | | | | | | | | |
| Pig iron | 84 | 95r | 91 | −11 | − 8 | − 9 | 83 | 96r | 90 |
| Steel | 108 | 110r | 110 | − 1 | − 1 | − 22 | 102 | 105 | 103 |
| Iron castings | 82 | 79 | 75 | + 3 | + 8 | + 9 | 76 | 80 | 70 |
| Steel castings | 103 | 112 | 125 | − 8 | − 17 | − 46 | 99 | 104 | 120 |
| Electrical apparatus | 223 | 202r | 196 | +11 | + 14 | − 27 | 217 | 214r | 190 |
| Motor vehicles | 59 | 34 | 55 | +75 | + 8 | − 41 | 47 | 30r | 44 |
| Automobile parts and bodies | 131 | 133 | 109 | − 1 | + 19 | − 7 | 128 | 122 | 107 |
| Locomotives and cars | 67 | 71r | 69 | − 6 | − 2 | − 33 | 67 | 66r | 69 |
| Shipbuilding | ..... | ..... | ..... | +11 | − 50 | − 64 | ..... | ..... | ..... |
| Silk manufactures | 89 | 88 | 79 | + 1 | + 13 | + 6 | 91 | 89 | 80 |
| Woolen and worsteds | 83p | 70 | 69 | +18 | + 20 | + 18 | 77p | 76 | 65 |
| Cotton products | 48 | 50 | 42 | − 4 | + 13 | + 18 | 52 | 53 | 45 |
| Carpets and rugs | 86p | 73 | 62r | +17 | + 39 | + 33 | 84p | 81 | 60r |
| Hosiery | 82 | 68r | 71 | +20 | + 16 | + 15 | 80 | 78 | 69 |
| Underwear | 150 | 146 | 139 | + 3 | + 8 | + 6 | 149 | 148 | 137 |
| Cement | 93p | 81 | 54 | +14 | + 71 | + 83 | 76p | 80 | 44 |
| Brick | 57 | 59r | 50 | − 3 | + 14 | + 11 | 55 | 59r | 49 |
| Lumber and products | 28 | 27r | 23r | + 7 | + 22 | − 7 | 28 | 27 | 23r |
| Bread and bakery products | ..... | ..... | ..... | + 4* | − 1* | − 7* | 124 | 118 | 124 |
| Slaughtering, meat packing | 113 | 122 | 112 | − 8 | + 1 | + 5 | 121 | 135 | 120 |
| Sugar refining | 121 | 161 | 90 | −25 | + 34 | − 5 | 78 | 105 | 59 |
| Canning and preserving | 207p | 200 | 160 | + 4 | + 29 | + 16 | 209p | 217 | 162 |
| Cigars | 169 | 113 | 125 | +49 | + 35 | + 24 | 121 | 136 | 90 |
| Paper and wood pulp | 92 | 92 | 90 | 0 | + 2 | + 6 | 93 | 92 | 91 |
| Printing and publishing | 123 | 124 | 114 | 0 | + 8 | + 17 | 124 | 125 | 115 |
| Shoes | 126p | 110 | 101 | +15 | + 25 | + 7 | 107p | 103 | 86 |
| Leather, goat and kid | 66p | 70 | 45r | − 6 | + 47 | + 1 | 72p | 68 | 49r |
| Explosives | 86 | 82 | 68 | + 5 | + 26 | − 54 | 85 | 82 | 67 |
| Paints and varnishes | 104 | 92r | 97 | +12 | + 7 | + 3 | 101 | 95 | 94 |
| Petroleum products | 225p | 217 | 205r | + 4 | + 10 | + 1 | 222p | 218 | 205r |
| Coke, by-product | 139p | 158 | 159 | −12 | − 12 | − 14 | 135p | 152 | 154 |
| COAL MINING | 76 | 76 | 62 | 0 | + 23 | + 9 | 77 | 77 | 63r |
| Anthracite | 76 | 77 | 59r | − 1 | + 29 | + 12 | 76 | 77 | 59 |
| Bituminous | 78 | 70r | 88r | +12 | − 11 | − 6 | 82 | 77r | 92r |
| CRUDE OIL | 320 | 315 | 309 | + 2 | + 4 | − 5 | 301 | 306 | 290 |
| ELEC. POWER—OUTPUT | 427 | 431 | 394 | − 1 | + 8 | 0 | 457 | 448 | 422 |
| Sales, total | 432 | 437 | 399 | − 1 | + 8 | 0 | 445 | 450 | 411 |
| Sales to industries | 339 | 327 | 326 | + 4 | + 4 | − 7 | 322 | 333 | 310 |
| **BUILDING CONTRACTS** | | | | | | | | | |
| TOTAL AWARDS† | 76 | 103 | 68 | −26 | + 13 | +111 | 85 | 112 | 75 |
| Residential† | 83 | 103 | 32 | −19 | +158 | ** | 80 | 115 | 31 |
| Nonresidential† | 80 | 97 | 112 | −17 | − 28 | + 50 | 87 | 97 | 121 |
| Public works and utilities† | 75 | 117 | 81 | −35 | − 7 | − 23 | 90 | 134 | 98 |

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

## Local Business Conditions*

| Percentage change—December 1946 from month and year ago | Factory employment | | Factory payrolls | | Building permits value | | Retail sales | | Debits | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nov. 1946 | Dec. 1945 | Nov. 1946 | Dec. 1945 | Nov. 1946 | Dec. 1945 | Nov. 1946 | Dec. 1945 | Nov. 1946 | Dec. 1945 |
| Allentown | + 1 | + 9 | + 7 | +25 | − 16 | − 48 | +34 | +23 | + 2 | +26 |
| Altoona | + 1 | + 5 | + 8 | +26 | + 42 | +317 | +26 | +19 | +14 | +29 |
| Harrisburg | 0 | + 8 | + 3 | +25 | − 57 | − 77 | +26 | +19 | +12 | +19 |
| Johnstown | − 3 | + 7 | − 5 | +11 | +590 | +525 | +30 | +33 | + 1 | +23 |
| Lancaster | + 1 | +13 | + 3 | +29 | − 62 | − 17 | +24 | +24 | + 9 | +27 |
| Philadelphia | + 1 | +12 | + 3 | +22 | + 42 | − 8 | +26 | +23 | +23 | + 2 |
| Reading | 0 | +14 | 0 | +33 | 0 | − 51 | +27 | +32 | +10 | +33 |
| Scranton | + 1 | +14 | + 5 | +36 | − 79 | − 57 | +32 | +34 | + 6 | +23 |
| Trenton | ..... | ..... | ..... | ..... | +193 | − 79 | +35 | +19 | +21 | −14 |
| Wilkes-Barre | − 3 | + 7 | − 1 | +29 | − 21 | +186 | +38 | +31 | +13 | +19 |
| Williamsport | 0 | + 7 | 0 | +22 | − 21 | + 32 | ..... | ..... | + 7 | +28 |
| Wilmington | + 1 | + 5 | + 2 | +19 | − 49 | − 85 | +37 | +27 | +62 | +28 |
| York | 0 | +15 | + 1 | +27 | − 12 | +227 | +27 | +20 | +20 | +23 |

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

## Employment and Income

*in Pennsylvania*

### Industry, Trade and Service

| Indexes: 1932 = 100 | Employment | | | Payrolls | | |
|---|---|---|---|---|---|---|
| | Dec. 1946 index | Per cent change from Nov. 1946 | Per cent change from Dec. 1945 | Dec. 1946 index | Per cent change from Nov. 1946 | Per cent change from Dec. 1945 |
| GENERAL INDEX | 140 | + 2 | +12 | 359 | + 4 | +27 |
| Manufacturing | 169 | 0 | +10 | 462 | + 1 | +23 |
| Anthracite mining | ..... | ..... | ..... | ..... | ..... | ..... |
| Bituminous coal mining | 96 | − 3 | +25 | 571 | +12 | +47 |
| Building and construction | 68 | − 1 | +22 | 171 | + 3 | +39 |
| Quar. and nonmet. mining | 97 | − 2 | +21 | 347 | − 9 | +45 |
| Crude petroleum prod. | 144 | − 1 | + 4 | 278 | − 5 | +12 |
| Public utilities | 125 | + 1 | +22 | 211 | + 4 | +27 |
| Retail trade | 163 | + 9 | + 8 | 285 | +15 | +32 |
| Wholesale trade | 121 | 0 | + 8 | 216 | + 2 | +27 |
| Hotels | 150 | +20 | +33 | 319 | +25 | +48 |
| Laundries | 103 | 0 | + 4 | 240 | + 4 | +25 |
| Dyeing and cleaning | 101 | − 1 | + 4 | 251 | + 1 | +25 |

### Manufacturing

| Indexes: 1923-5 = 100 | Employment* | | | Payrolls* | | |
|---|---|---|---|---|---|---|
| | Dec. 1946 index | Per cent change from Nov. 1946 | Per cent change from Dec. 1945 | Dec. 1946 index | Per cent change from Nov. 1946 | Per cent change from Dec. 1945 |
| TOTAL | 109 | 0 | +10 | 189 | + 1 | +23 |
| Iron, steel and products | 112 | − 1 | +12 | 227 | − 2 | +21 |
| Nonferrous metal products | 203 | 0 | +14 | 485 | + 7 | +43 |
| Transportation equipment | 97 | 0 | − 7 | 175 | + 6 | + 3 |
| Textiles and clothing | 86 | + 1 | +14 | 170 | + 2 | +37 |
| Textiles | 81 | + 1 | +13 | 160 | + 2 | +33 |
| Clothing | 108 | + 1 | +17 | 220 | + 3 | +48 |
| Food products | 126 | + 5 | + 5 | 235 | + 9 | +19 |
| Stone, clay and glass | 107 | + 1 | +35 | 189 | + 1 | +58 |
| Lumber products | 58 | 0 | +28 | 110 | + 5 | +54 |
| Chemicals and products | 118 | − 2 | + 7 | 217 | − 1 | +13 |
| Leather and products | 84 | + 4 | + 9 | 157 | + 7 | +22 |
| Paper and printing | 123 | 0 | + 9 | 229 | + 1 | +26 |
| Printing | 119 | + 1 | + 8 | 212 | − 1 | +27 |
| Others: | | | | | | |
| Cigars and tobacco | 59 | + 2 | +27 | 109 | + 4 | +49 |
| Rubber tires, goods | 146 | + 1 | +12 | 360 | + 1 | +24 |
| Musical instruments | 89 | + 2 | −17 | 201 | +13 | +17 |

* Figures from 2737 plants.

### Hours and Wages

| Factory workers Averages Dec. 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 | 39.8 | − 3 | $1.189 | +14 | $47.28 | +11 |
| Iron, steel and prods. | 39.1 | − 4 | 1.260 | +14 | 49.30 | +10 |
| Nonfer. metal prods. | 40.2 | − 1 | 1.178 | +19 | 47.31 | +17 |
| Transportation equip. | 41.3 | 0 | 1.328 | + 9 | 54.78 | + 9 |
| Textiles and clothing | 39.5 | + 1 | 1.008 | +19 | 39.92 | +21 |
| Textiles | 40.4 | 0 | 1.025 | +18 | 41.41 | +18 |
| Clothing | 37.1 | + 3 | .962 | +25 | 36.59 | +31 |
| Food products | 42.3 | − 4 | .982 | +16 | 42.11 | +12 |
| Stone, clay and glass | 38.5 | − 4 | 1.136 | +19 | 43.70 | +14 |
| Lumber products | 42.7 | + 1 | .957 | +22 | 40.56 | +23 |
| Chemicals and prods. | 40.4 | − 3 | 1.244 | + 9 | 50.11 | + 6 |
| Leather and prods. | 39.8 | − 4 | .935 | +17 | 37.09 | +12 |
| Paper and printing | 42.5 | − 3 | 1.184 | +20 | 50.56 | +17 |
| Printing | 41.0 | + 1 | 1.359 | +18 | 55.78 | +19 |
| Others: | | | | | | |
| Cigars and tobacco | 38.0 | − 8 | .888 | +28 | 33.76 | +18 |
| Rubber tires, goods | 42.0 | − 7 | 1.302 | +17 | 54.71 | + 9 |
| Musical instruments | 50.7 | +12 | 1.166 | +27 | 59.08 | +42 |

* Figures from 2592 plants. † Figures from 2737 plants.



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| Wholesale trade Unadjusted for seasonal variation | Per cent change: Dec. 1946 from Month ago | Dec. 1946 from Year ago | 1946 from 1945 |
|---|---|---|---|
| **Sales** | | | |
| Total of all lines | −13 | +32 | +31 |
| Drugs | + 3 | +26 | ..... |
| Dry goods | −23 | +58 | +44 |
| Electrical supplies | +30 | +68 | ..... |
| Groceries | −24 | +23 | +32 |
| Hardware | − 5 | +65 | +48 |
| Jewelry | + 2 | + 6 | +49 |
| Paper | − 6 | +49 | +22 |
| **Inventories** | | | |
| Total of all lines | + 3 | +36 | ..... |
| Dry goods | − 3 | +74 | ..... |
| Electrical supplies | + 4 | +72 | ..... |
| Groceries | +10 | +42 | ..... |
| Hardware | + 2 | +23 | ..... |
| Jewelry | ..... | ..... | ..... |
| Paper | + 4 | 0 | ..... |

Source: U. S. Department of Commerce.

| Prices | Dec. 1946 | Per cent change from: Month ago | Year ago | Aug. 1939 |
|---|---|---|---|---|
| **Basic commodities** (Aug. 1939 =100) | 301 | + 4 | +61 | +201 |
| **Wholesale** (1926 =100) | 141 | + 1 | +32 | + 88 |
| Farm | 168 | − 1 | +28 | +176 |
| Food | 160 | − 3 | +47 | +138 |
| Other | 125 | + 3 | +24 | + 56 |
| **Living costs** (1935-1939 =100) | | | | |
| United States | 153 | + 1 | +18 | + 55 |
| Philadelphia | 153 | + 1 | +19 | + 56 |
| Food | 182 | 0 | +31 | + 95 |
| Clothing | 173 | + 6 | +15 | + 75 |
| Fuels | 121 | 0 | + 7 | + 26 |
| Housefurnishings | 178 | + 6 | +21 | + 78 |
| Other | 133 | + 3 | +11 | + 32 |

Source: U. S. Bureau of Labor Statistics.

| Indexes: 1935-1939 =100.. | Adjusted for seasonal variation: Dec. 1946 | Nov. 1946 | Dec. 1945 | Per cent change: Dec. 1946 from Month ago | Dec. 1946 from Year ago | 1946 from 1945 | Not adjusted: Dec. 1946 | Nov. 1946 | Dec. 1945 |
|---|---|---|---|---|---|---|---|---|---|
| **RETAIL TRADE** | | | | | | | | | |
| **Sales** | | | | | | | | | |
| Department stores—District | 230 | 253 | 185 | − 9 | + 24 | + 27 | 409 | 319 | 328 |
| Philadelphia | 206 | 220 | 167 | − 6 | + 23 | + 25 | 372 | 294 | 303 |
| Women's apparel | 220 | 252 | 181r | −13 | + 21 | + 29 | 362 | 285 | 298r |
| Men's apparel | 220 | 264 | 176 | −17 | + 24 | + 28 | 402 | 302 | 323 |
| Shoe | 227p | 209 | 188 | + 8 | + 20 | + 30 | 270p | 207 | 224 |
| Furniture | ..... | ..... | ..... | +24* | + 34* | ..... | ..... | ..... | ..... |
| **Inventories** | | | | | | | | | |
| Department stores—District | 211 | 220 | 146r | − 4 | + 44 | ..... | 179 | 242 | 124r |
| Philadelphia | 202 | 206 | 145 | − 1 | + 39 | ..... | 172 | 226 | 124 |
| Women's apparel | 231 | 251 | 174r | − 8 | + 32 | ..... | 226 | 297 | 171r |
| Shoe | 106p | 93 | 55 | +13 | + 93 | ..... | 95p | 94 | 49 |
| Furniture | ..... | ..... | ..... | − 7* | + 54* | ..... | ..... | ..... | ..... |
| **FREIGHT-CAR LOADINGS** | | | | | | | | | |
| Total | 131 | 140 | 123 | − 6 | + 6 | − 5 | 125 | 141 | 118 |
| Merchandise and miscellaneous | 128 | 135 | 118 | − 5 | + 9 | − 4 | 122 | 139 | 112 |
| Merchandise—l.c.l. | 97 | 102 | 81 | − 5 | + 20 | + 9 | 96 | 105 | 80 |
| Coal | 133 | 125 | 129 | + 6 | + 4 | − 1 | 144 | 136 | 139 |
| Ore | 105 | 193 | 90 | −46 | + 16 | − 23 | 52 | 193 | 45 |
| Coke | 144 | 147 | 169 | − 2 | − 15 | − 21 | 156 | 165 | 183 |
| Forest products | 113 | 104 | 73 | + 9 | + 55 | + 1 | 96 | 100 | 62 |
| Grain and products | 148 | 130 | 128 | +13 | + 16 | − 12 | 154 | 147 | 133 |
| Livestock | 103 | 125 | 143 | −18 | − 28 | − 3 | 111 | 143 | 154 |
| **MISCELLANEOUS** | | | | | | | | | |
| Life insurance sales | 161 | 183 | 143 | −12 | + 12 | + 55 | 174 | 207 | 155r |
| Business liquidations | | | | | | | | | |
| Number | ..... | ..... | ..... | +16* | +593* | +176* | 10 | 9 | 1 |
| Amount of liabilities | ..... | ..... | ..... | +88* | +718* | +879* | 9 | 5 | 1 |
| Check payments | 213 | 214 | 200 | 0 | + 6 | + 9 | 256 | 229 | 240 |

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

# BANKING STATISTICS

| Reporting member banks (Millions $) | Jan. 22, 1947 | Changes in—: Four weeks | One year |
|---|---|---|---|
| **Assets** | | | |
| Commercial loans | $ 390 | +$ 5 | +$146 |
| Loans to brokers, etc. | 27 | − 4 | − 17 |
| Other loans to carry secur. | 18 | .... | − 67 |
| Loans on real estate | 49 | + 3 | + 16 |
| Loans to banks | 5 | − 2 | + 4 |
| Other loans | 178 | + 8 | + 36 |
| Total loans | $ 667 | +$10 | +$118 |
| U. S. Gov't. securities | $1390 | −$35 | −$692 |
| Other securities | 218 | + 4 | + 13 |
| Total investments | $1608 | −$31 | −$679 |
| Total loans & investments | $2275 | −$21 | −$561 |
| Reserve with F. R. Bank | 439 | − 21 | + 8 |
| Cash in vault | 34 | − 5 | + 5 |
| Balances with other banks | 84 | − 10 | − 7 |
| Other assets—net | 48 | + 4 | + 4 |
| **Liabilities** | | | |
| Demand deposits, adjusted | $1894 | −$66 | +$ 80 |
| Time deposits | 267 | .... | + 41 |
| U. S. Government deposits | 78 | + 7 | − 642 |
| Interbank deposits | 347 | + 1 | − 48 |
| Borrowings | 2 | + 2 | + 1 |
| Other liabilities | 29 | + 2 | + 9 |
| Capital account | 263 | + 1 | + 8 |

## MEMBER BANK RESERVES AND RELATED FACTORS

| Third Federal Reserve District (Millions of dollars) | Changes in weeks ended: Dec. 31 | Jan. 8 | Jan. 15 | Jan. 22 | Changes in four weeks |
|---|---|---|---|---|---|
| **Sources of funds:** | | | | | |
| Reserve Bank credit extended in district | −23 | −13 | − 7 | +20 | − 23 |
| Commercial transfers (chiefly interdistrict) | + 8 | − 7 | −10 | + 2 | − 7 |
| Treasury operations | −30 | −12 | − 5 | −24 | − 71 |
| Total | −45 | −32 | −22 | − 2 | −101 |
| **Uses of funds:** | | | | | |
| Currency demand | −20 | −19 | −13 | −10 | − 62 |
| Member bank reserve deposits | −25 | −13 | − 9 | + 8 | − 39 |
| "Other deposits" at Reserve Bank | − 1 | .... | .... | .... | − 1 |
| Other Federal Reserve accounts | + 1 | .... | .... | .... | + 1 |
| Total | −45 | −32 | −22 | − 2 | −101 |

| Member bank reserves (Daily averages; dollar figures in millions) | Held | Required | Excess | Ratio of excess to required |
|---|---|---|---|---|
| **Phila. banks** | | | | |
| 1946: Jan. 1-15 | $423 | $411 | $12 | 3% |
| Dec. 1-15 | 419 | 410 | 9 | 2 |
| Dec. 16-31 | 437 | 419 | 18 | 4 |
| 1947: Jan. 1-15 | 425 | 415 | 10 | 2 |
| **Country banks** | | | | |
| 1946: Jan. 1-15 | $379 | $297 | $82 | 28% |
| Dec. 1-15 | 387 | 340 | 47 | 14 |
| Dec. 16-31 | 394 | 342 | 52 | 15 |
| 1947: Jan. 1-15 | 389 | 339 | 50 | 15 |

| Federal Reserve Bank of Phila. (Dollar figures in millions) | January 22, 1947 | Changes in: Four weeks | One year |
|---|---|---|---|
| Discounts and advances | $ 18 | −$ 6 | +$13 |
| Industrial loans | 1 | ..... | − 1 |
| U. S. securities | 1638 | −23 | + 36 |
| Total | $1657 | −$28 | +$48 |
| Fed. Res. notes | 1667 | − 45 | + 53 |
| Member bk. deposits | 804 | − 39 | + 14 |
| U. S. general account | 46 | + 15 | + 17 |
| Foreign deposits | 55 | + 14 | − 11 |
| Other deposits | 2 | − 1 | − 1 |
| Gold certificate res. | 912 | − 3 | + 29 |
| Reserve ratio | 35.4% | +0.6% | + 0.1% |



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