THE BUSINESS REVIEW

FEDERAL RESERVE BANK
OF PHILADELPHIA

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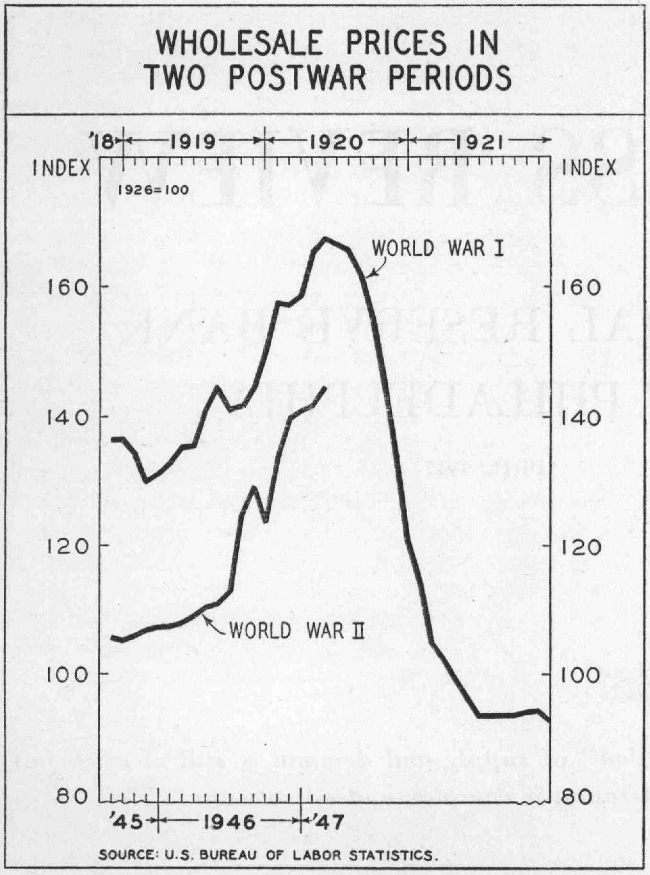
WHAT'S HAPPENING TO PRICES?

The "law" of supply and demand is still at work but its operation is complex and adjustment is slow.

Everybody is price-conscious. This is not a new phenomenon, for prices are at the very core of our economic system and they have always had crucial significance. Events of the past year, however—release of wartime controls and transition to peacetime living—have brought price problems into sharp focus. The rapid rise in prices during the past eight months has been felt keenly. To industry it has meant higher operating costs and larger capital outlays. To consumers it has meant a higher cost of living. To holders of liquid savings it has meant a loss of purchasing power. In retail trade there are increasing evidences of what is called "buyer resistance". On the other hand, rising prices have also been a stimulus, as well as a symptom, of an inflationary "boom" psychology of the type that may breed speculation and over-expansion through the pyramiding of "paper" profits.

The record of wholesale prices during the last year shows that effective price control ended on June 30 last. A succession of plans and regulations between that time and official decontrol in November did not succeed in overcoming the upward momentum generated by wage-price increases made under the wage stabilization formula that was established early in the year, and by the temporary lapse of OPA during July. In eight months—up to the week ending March 22—the level of wholesale prices has risen 33 per cent. A comparison of this period with the "boom" of equal length after the first world war shows a greater rate of increase for the current period. It is true, as the chart shows, that the price level on V-J Day was considerably lower than that which prevailed on the earlier Armistice Day. Price control had kept it so throughout the war. But by March the difference in level between the two post-war periods had been narrowed considerably, and the rapidity of the current advance had made for great unevenness among prices.

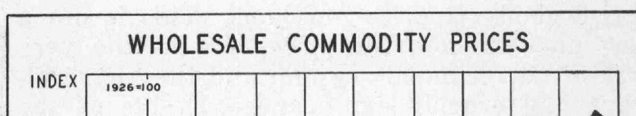
During July and August, as shown in the price chart based on data compiled by the Bureau of Labor Statistics, wide swings in farm commodities dominated the scene, although nonagricultural prices also moved up slowly. The re-imposition of meat controls in August caused a drop in the wholesale price level at that time, but



throughout September, October, and November farm and food prices set the pace for a marked rise in the all-commodity index. Commodities other than farm and food rose a little faster than before, during the latter months, and made a large gain at the end of November when virtually all controls were finally removed. In December and January, wholesale prices seemed to be leveling off. Industrial commodities and building materials continued their steady climb—the latter quite sharply—but farm and food prices declined. During this breathing space, which was also a period of industrial peace, some observers saw the possibility of a gradual adjustment of the distorted price relationships that had developed during and after the price control program. Farm prices, at 121 per cent of parity in January, were generally conceded to be too high in relation to other prices. A Department of Commerce study found that sharp advances in the second half of 1946 had brought prices of several groups of commodities, including paints, lumber, fats and oils, shoes, and others, significantly above their long-term relationship to the general price level.

But in February, instead of leveling off, farm and food prices again began a sharp upward movement. Nonferrous metals and other primary products joined the upswing, and by March 22 the wholesale commodity price index was 149 per cent of the 1926 average—nearly 70 per cent above the 1941 level. Grains had been selling at 30-year highs and steel scrap, at over $40 a gross ton, was at the highest price ever paid in peacetime. A long period of control and extraordinary foreign commitments help explain the rapidity of the price advance, but these facts do not mitigate the seriousness of its implications.

The recent surge in the commodity markets is regarded by most observers as the result of "temporary" conditions. For instance, a shortage of transportation facilities, withholding by farmers, and Government buying for foreign shipments are cited as causes for extreme pressure on March positions for wheat and oats. It was also alleged that there had been an unusual amount of speculative activity. By the middle of March, short sellers were scurrying for cover in markets that had only enough grain available to meet a fraction of their commitments.



Before March wheat was taken off the boards, its price had fallen far below the $3 peak that had been reached on one day of particularly active trading. This might be viewed as a fulfillment of market expectations for lower prices in the coming months. Wheat for delivery six months in the future had been selling 18 per cent below cash wheat—an unusual differential—which indicated that the market anticipated a drop in price. However, virtually the same differential existed last November. At that time wheat for delivery in July 1947 was selling for $1.75. By early April it was about $2.25. The spread between spot and futures prices, though of great significance, is obviously not a foolproof indicator of the direction or timing of price changes. Actually there may be other than "temporary" factors at work; and, although there are few outward signs of its likelihood at present, there are no guarantees against a repeat performance of the March commodities spurt in the near future.

While the spectacular rise in the primary commodities—of which wheat is only one example—might be thought of as the result of peculiar or "temporary" disturbances, this cannot be said about the broad mass of industrial prices. Despite isolated downward adjustments, the index of commodities other than farm and food products has moved upward without interruption since last September. As an incidental factor, the rise of nonfarm commodities gives indirect support to the agricultural price boom. The index of prices paid by farmers reached an all-time record high during the month ending February 15. Thus, farm support prices have been boosted and a seller's market encouraged. This is a "built-in" spiral effect which has been placed in the price system by the wartime farm legislation program. More important, however, is the fact that the steady advance of nonagricultural prices leaves no room for doubt that the general trend of prices is still ***up***.

What Happened to Supply and Demand?

The persistence of this trend some months after price decontrol has been disquieting to many observers. Production has been increasing; inventories are filling up; and ever-increasing quantities of finished goods are coming into the markets. This is the process that had been spoken of as "supply catching up with demand". Why don't prices fall? What has happened to the law of supply and demand? What has happened to competition? The answers are that competition is just about what it was before, and that the law of supply and demand is still operative. But in the heat of partisan debate on the price control issue last year many people overemphasized what they called supply and underestimated demand.

As has been suggested in the description of current price developments, the prices of some commodities change faster than others. This always happens when prices stampede uphill or down. It is not peculiar to the present situation. Prices of sensitive commodities, such as fats and oils or steel scrap, respond much more quickly to changes in market conditions than prices of nickel or newsprint. It should not be surprising, therefore, that price distortions existing today are as frequent, if not as great, as those which existed under the regime of latter-day price control. The distortions of the market—"natural" distortions, if they may be so called—have been substituted for legislative, "man-made" distortions. Their correction is no less necessary.

The prices which have risen fastest in recent months are those which are usually thought of as being in the area of keenest competition. Prices of goods which are produced by relatively few firms—sometimes called "administered" prices—have risen least. This may at first appear to be the contrary of what competition should do. Actually it is not. It only goes to prove that competition operates on the side of demand as well as on the side of supply. The road to economic balance is not a one-way street.

Before prices were decontrolled, most goods were selling at prices that were lower than buyers were willing to pay. In these lines all goods available were bought and "shortages" were widespread—more people were willing to buy at the fixed price than could be supplied. In many instances rationing or allocation was resorted to in order to distribute limited supplies. In a free economy, of course, price distributes and rations goods, and when Government control was ended prices resumed their customary function. In some cases the effect was immediate. Prices shot up rapidly, some buyers left the market or bought smaller quantities. If prices did not overshoot the mark, as sometimes happened, all the goods available were sold, leaving no unsatisfied buyers. In other cases, perhaps the majority, buyers and sellers cautiously felt out the market and prices changed slowly. Supplies were increasing but they were still smaller than the amount that could be sold, even at a slightly higher price, and price advances continued steadily.

Anticipating volume production in the future, the sellers of some commodities have held their prices down despite strong pressure from buyers. Automobiles are a case in point. It is likely that the entire current production could be sold at substantially higher prices than are being asked. Producers appear to be exercising voluntary price control, and dealers are administering a rationing plan. Aside from its applicability to this type of policy, however, it is not very helpful to speak of present market conditions simply as the process of supply "catching up" with demand. For, as we have seen, an immediate adjustment, whether or not it is compatible with true economic balance, could equate supply and demand at some price. A more accurate description, therefore, would be one that emphasized prices and their adjustment to supply and demand conditions, rather than the adjustment of supply to a fixed demand at a fixed price.

What Are the Elements?

The time required for proper adjustment (it will never be perfect adjustment) cannot be determined precisely. The main reason for so many wrong guesses about the date on which prices would settle down is that the "supply" and "demand" we speak of do not stand still while price adjustments are being made. They are themselves influenced by many factors, and these are changing rapidly at the present time.

Supply, in the sense in which we are using it, is not merely a problem of productive capacity, as it was so often regarded during the war. If tools and materials with which to work are available supply should be considered the rate at which a commodity can be produced profitably at a given price. Obviously, if production costs are increased, a firm or industry will require higher prices for the same amount of goods. Within the past year, rising material and wage costs have tended to make for higher prices on the supply side. In recent months, however, offsetting developments have occurred. Industrial peace, breaking of production bottlenecks, and the accumulation of inventories have allowed smoother, more efficient production. In many cases the opportunity to enlarge the volume of output has made for greater economy. Most important, it now appears that labor efficiency is gaining after a period of retraining and high labor turnover in many fields. Our ability to produce is growing.

It is on the side of demand that the most significant developments have occurred. The word "demand" is often the source of considerable confusion and misunderstanding. Frequently it is used in such a way as to be synonymous with need. Requirements and desires of individuals and businesses are basic elements in the demand pattern; but behind the need of individuals for consumers' goods and of producers for equipment and materials must be the ability to pay. Very little of the need for housing in 1933 was demand in the economic sense. With today's high incomes, however, demand is large and insistent even though housing facilities may be little scarcer than fifteen years ago. Many people are willing and able to pay a higher price for a home than formerly. This is, in fact, the correct idea of what an increase in demand is—the willingness to buy something at a higher price than before or to buy more units of the same thing at the same price.

The return of businesses and individuals to markets that had been controlled and dominated by Government as the main purchaser had a profound effect on the structure of demand. In part this is due to the resumption of competition for scarce goods among many buyers, in part to the fact that the money resources of private buyers are not inexhaustible. Moreover, private needs are in part postponable—not immediate and indispensable as in the case of munitions for war. Requirements for goods and services from business and individuals during the past year have been urgent, however. A high level of employment has made for excellent current earnings and income prospects on the part of both business and individuals. Up to several months ago, at least, there was a general expectation in many fields that prices would rise, thus stimulating the desire to buy immediately, perhaps for speculation as well as use. There was a desire on the part of some producers to expand rapidly in order to "cash in" on temporary shortages.

From consumers came demands for the largest bill of goods ever purchased—soft goods as well as durables that had been off the market for years. Retail sales increased from $77 billion in 1945 to $97 billion in 1946. The rate of saving declined. People spent more, borrowed more, and saved less, so that by the end of 1946 the relationship of individual income to consumer expenditure was back to the pre-war ratio. In addition to materials for current output and sale, business needed goods to build up inventories. The current rate of inventory accumulation is close to $10 billion a year. Expenditures for producers' equipment during 1946 totaled $13 billion—an all-time high. New construction rose to over $10 billion, nearly matching its 1941 total. Where did the money come from? Most of it came from wages and dividends paid for current production—from income. But the rate of capital formation—inventory accumulation, construction, and new equipment—was greater than people's current savings. Demand was fed not only by money paid for production but by money from other sources.

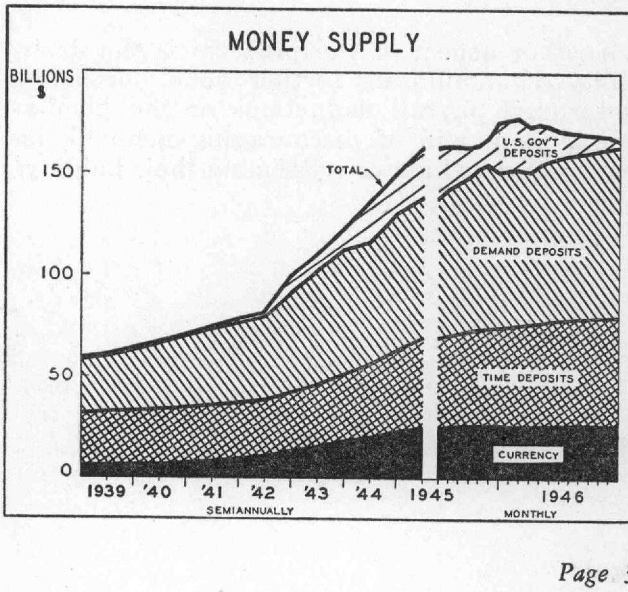
Demand and the Money Supply

There is a close and direct connection between production and demand. Wages, dividends, interest, and rent paid in the process of production are expected to create sufficient income to enable individuals and business to buy all that is produced. Individuals have the choice of using their incomes for spending or saving. That part which is spent immediately becomes the income of other individuals. Funds that are saved may be invested, turned over to others for use in acquiring capital goods, and so re-enter the income stream. Over a given period, the existing supply of money changes hands several times in the spending process, and the speed of the turnover is commonly referred to as the velocity of money. If individuals elect to hold a portion of their savings idle instead of investing them, money velocity tends to slow down; money is, for the time being, withheld from the income stream, prices tend to fall.

In this description, money performs the purely passive function of lubricating the supply and demand mechanism. But, in fact, monetary changes can and do exert strong influence on demand. The size of the money supply can change as a result of creation of means of payment by commercial banks. An expansion of bank credit increases bank deposits, places additional funds in the hands of buyers and contributes to an increase in demand and in prices. If individuals to whom the new funds are paid, choose to hold part of them idle, the velocity of money turnover will tend to decline and the stimulative effect on demand will be offset somewhat. But although these funds are not used immediately, there exists the possibility that they may be used sometime in the future, potential demand then becoming active demand. The relationship between money supply and demand is at the root of present price problems.

The process of war production generated incomes corresponding to the total amount of goods and services turned out—incomes that were swollen by new money injected into the income stream when Government borrowed from the banks. A great proportion of the goods, however, went to war, were expended, and never became available for civilian consumption. This gave individuals and business a large supply of funds, but only a limited amount of goods to spend them on. Ordinarily, as we have seen, prices would have risen to a point where demand was brought into equilibrium with supply. But because prices were held down by controls and consumption of many goods was restricted, the holders of funds were forced to save a large portion of them. The end result was a piling up of money and other liquid assets in the hands of individuals and businesses. Because outlets for expenditure were restricted, the velocity of money declined.

Since the war, the resumption of production for civilian needs has increased the supply of goods available for consumption. At the same



time, however, it has generated an equivalent volume of income to remove these goods from the market. In addition, new money has been coming into the income stream as banks have expanded their volume of loans. The spending power in the tremendous volume of bank deposits and currency outstanding has continued to pile up. Total bank deposits have declined somewhat as the Treasury has used its large working balance to retire some of its maturing obligations, but, as the chart shows, the supply of money held by the public has continued to rise. Moreover, the turnover of the money supply has ceased its wartime decline and shows evidence of turning upward once again as individuals reduce their savings. Part of the latent backlog of money savings, in other words, has become active money demand. The amount of money in the market for goods and wages to labor has been increasing.

These post-war monetary developments show some of the strong influences on demand tending to push prices up still further. One aspect of the price problem, therefore, is that of preventing further increases or even making a reduction in the money supply. It is a problem made more difficult by the fact that banks can obtain the necessary reserves to support a large expansion of earning assets and deposits by selling their short-term Government securities to the Federal Reserve Banks. Continued retirement of Government securities held by banks would tend to reduce deposits, but would have no important anti-inflationary effect as long as it is accomplished through reduction of Treasury balances rather than through a budgetary surplus.

Another aspect of the problem is the desirability of stimulating further bond purchases, as through payroll deductions or the bond-a-month plan, and of discouraging nonbank investors from selling or redeeming their holdings of Government securities. It is important that individuals exercise restraint in the use of their accumulated funds, thus preventing a rise in the velocity of money turnover. An increase in velocity can be as inflationary as an expansion of the money supply itself and can be particularly disturbing if it arises from speculative operations in anticipation of further price increases.

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The problem of money supply is only one aspect, albeit a basic one, in the price situation. It will be influenced by monetary and fiscal policies and, above all, by the decisions of bankers, businessmen and consumers. Structural problems, those dealing with relationships among prices and the distribution of savings and earnings, are also of prime importance. It is mainly out of these that "buyer resistance" is growing.

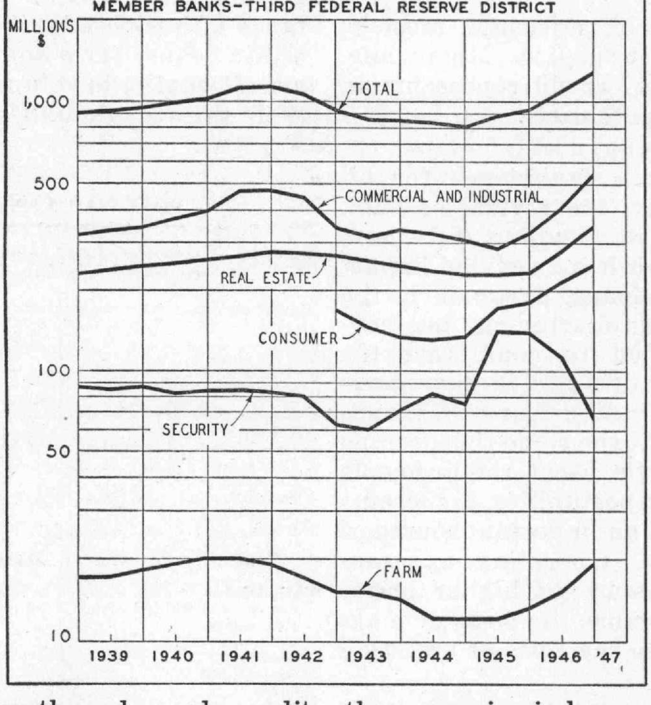
Another strategic consideration is the volume of capital outlays. A decline in inventory accumulation, for instance, which is expected in the near future, would tend to slacken demand and contract income payments, making for lower prices. Increased expenditure for construction, if it comes, or greater exports could take up the slack. Both monetary and nonmonetary developments, then, will play important roles in future price movements. They are, in fact, interdependent in large degree.

Any attempt at forecasting the general price level amid this complex of factors is extremely difficult and involves assumptions which may not be fulfilled. There is some evidence of a growing realization that rising prices and higher wages to compensate for them aggravate undesirable distortions. But as long as demand is increased by additions to the money supply and activation of liquid assets, a powerful stimulus toward rising prices continues.

A YEAR AND A HALF OF LOAN GROWTH

Toward the end of the war, as victory and problems of post-war readjustment were gradually coming into view, there was considerable speculation in banking circles as to the prospects for a revival of bank lending. Banks were still engaged primarily in financing the war, extending "public" credit through Government security purchases and loans to facilitate the purchase of such securities by others. The volume of "private" credit represented by other loans and investments was still low.

Banks had acquired a tremendous volume of Governments and it seemed likely that cash retirement of these securities or their shift to nonbank investors would be slow. As far as loans were concerned, there was considerable question whether there would be much expansion. The strongest argument against a substantial growth in loans was the existence of unprecedented liquid asset holdings and the generally good financial position of individuals and business. And while it was recognized that many concerns might need temporary financing during reconversion, the possibilities of a serious business slump during the changeover suggested that normal credit demands would be few. Nevertheless, bankers continued to plan ahead so as to be able to take care of whatever credit demands might arise. New types of financing were publicized, correspondent relationships were strengthened, and credit pools were formed.



LOAN TRENDS: WAR AND POST-WAR
MEMBER BANKS—THIRD FEDERAL RESERVE DISTRICT

Post-war developments have demonstrated how erroneous many of the predictions were. While liquid asset holdings were large, they apparently were unevenly distributed, so that many individuals and business concerns have been forced to raise funds from outside sources. On the other hand, some who hold liquid assets apparently have preferred to borrow, maintaining their wartime savings intact as a cushion for the future.

The readjustment to peacetime conditions has proved to be much easier and more rapid than was generally thought possible. The physical problems of reconversion were solved rapidly, and our economy—even though slowed down temporarily by labor-management disputes—has moved forward to produce a volume of goods and services larger than in any other peacetime year. Abnormal reconversion needs for credit thus have been replaced by the more normal demands typical of a period of expansion. Business is building up its inventory and expanding its plant in order to meet a huge pent-up demand for consumer goods. Consumers are resuming instalment buying as goods become more plentiful. The revival of private construction is increasing the volume of mortgage debt.

While the progress of post-war readjustment and expansion has proved to be much more favorable than many expected, the price situation has turned out to be more unfavorable than might have been desired. Soon after the end of the war it became obvious that our major problem was not recession but inflation. A substantial part of the expansion in loans undoubtedly has reflected increases in prices, and the expansion of loans in turn, by adding to spending power, has contributed to inflationary pressures.

Not only has the growth in "private" credit extended by banks been unexpectedly large, but a substantial reduction in bank holdings of

Government securities has been accomplished. Beginning March 1946 the Treasury has used its large working balance to redeem many of its securities as they mature. The aim of Treasury policy has been to retire bank-held debt so as to reduce the money supply and counteract inflationary pressures. Total earning assets and deposits of banks have declined since the inauguration of this policy. But the reduction of deposits has been principally in unused War Loan balances, and part of these funds has gone to nonbank investors, tending to raise the spendable money supply of individuals and business.

BANK CREDIT AND THE MONEY SUPPLY

(Billions $)	Dec. 1939 to June 1945	June 1945 to Dec. 1946
Bank credit (all member banks)		
Public (estimated)	+$63.6	−$13.3
Private (estimated)	+ 1.9	+ 10.3
Money supply (currency and deposit)		
U. S. Government deposits	+ 23.5	− 21.7
All other	+ 75.1	+ 25.3

To be really effective, debt retirement must be effected through a budget surplus. Meanwhile, the expansion of "private" credit represents an addition to inflationary potentials.

Aside from its over-all significance for all segments of our economy, the revival of bank lending has important implications for bank policy. In the first place, it has a decided impact on earnings. Growth in loans, particularly the higher rate loans such as mortgages and consumer credit, has tended to counteract the dampening influence of declines in short-term Governments and low-yielding loans to finance purchases of securities. At the same time, reductions in the Government's fiscal requirements have made for fewer opportunities for profits from security operations, an important source of income in recent years. Operating expenses have risen, not only because of higher prices and salaries, but also because the costs of making loans are greater than the costs of investing in Governments.

Instead of having substantial recoveries and profits on sales of securities, banks will tend to have more losses and charge-offs on loans. This is to be expected when banks expand risks. The prospects for eventual losses are greater when loans are made in a period of high and rising prices such as the present. In order to be able to withstand possible losses and yet continue their function of risk lending, banks should maintain adequate capital cushions.

With this broad survey as a background, member banks in the Third Federal Reserve District can measure their own performance. Their total loans expanded $370 million, or 40 per cent, in the year and a half between June 1945 and December 1946. This occurred despite a 50 per cent drop in security loans as debts incurred in the purchase of Government securities were paid off. Other loans rose $444 million, or 60 per cent, the rate of expansion increasing in each half-year period. Beginning with a mild rise of $45 million in the second half of 1945, they increased by $178 million in the first half of 1946 and $221 million in the second half.

Of the various types of loans, the most significant growth has been in business credit. The 90 per cent expansion in commercial and industrial loans was considerably greater than that in other types of loans and increased the importance of business loans in bank portfolios. Real estate loans, farm loans, and consumer credit are all smaller in volume than business loans and their growth, though substantial, has not been so great.

POST-WAR LENDING EXPERIENCE

Business loans have expanded the most; country banks have led Philadelphia banks.

	Loans outstanding December 1946		Change from June 1945 to Dec. 1946	
	Millions $	Per cent distrib.	Millions $	Per cent change
All member banks				
Commercial and industrial	$ 542	42.9%	+$254	+ 89%
Real estate	344	27.3	+ 115	+ 50
Consumer	250	19.8	+ 78	+ 45
Security	67	5.3	− 72	− 52
Agricultural	19	1.5	+ 7	+ 62
Other	40	3.2	− 11	− 21
Total	$1,263	100.0%	+$372	+ 42%
Philadelphia				
Commercial and industrial	$ 363	59.6%	+$163	+ 81%
Real estate	33	5.5	+ 13	+ 66
Consumer	152	24.9	+ 30	+ 24
Security	46	7.6	− 56	− 55
Agricultural	*	*	*	*
Other	15	2.4	+ 7	+ 95
Total	$ 609	100.0%	+$156	+ 35%
Country banks				
Commercial and industrial	$ 179	27.4%	+$ 92	+105%
Real estate	311	47.6	+ 102	+ 49
Consumer	99	15.1	+ 48	+ 96
Security	21	3.2	− 15	− 42
Agricultural	19	2.9	+ 7	+ 63
Other	25	3.8	− 18	− 41
Total	$ 654	100.0%	+$216	+ 49%

* Negligible amounts.

With the exception of real estate loans, the country banks have experienced a considerably more rapid growth in lending than have the Philadelphia banks. Country banks do a smaller volume of lending to industrial concerns than do Philadephia banks, but they deal more with small retail and service concerns which have been expanding rapidly since the removal of wartime restrictions on nonessential buinesses.

The more rapid expansion of consumer lending by country banks has been largely attributable to a substantial rise in single-payment loans to consumers as compared with only a small increase in this category in Philadelphia banks. Instalment loans to purchase automobiles and other goods exhibited a rapid spurt in percentage terms, but volume was abnormally low at the end of the war.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-5 = 100	Adjusted for seasonal variation						Not adjusted		
	Feb. 1947	Jan. 1947	Feb. 1946	Per cent change: Feb. 1947 from Mo. ago	Feb. 1947 from Year ago	1947 from 2 mos. 1946	Feb. 1947	Jan. 1947	Feb. 1946
INDUSTRIAL PRODUCTION	108p	112	92	− 4	+ 18	+ 10	108p	110	91r
MANUFACTURING	110p	114	91	− 3	+ 21	+ 12	109	110	90
Durable goods	117p	122	83	− 4	+ 40	+ 11	.....	.....	.....
Consumers' goods	102p	104	95	− 2	+ 8	+ 11	.....	.....	.....
Metal products	137	145r	45r	− 6	+203	+ 64	138	140r	45r
Textile products	69p	71	65	− 3	+ 5	+ 9	73p	73	69
Transportation equipment	121p	133	214	− 9	− 43	− 44	124p	131	212
Food products	127p	130	119	− 2	+ 7	+ 7	123	127	115
Tobacco and products	145	155	133	− 7	+ 9	+ 11	122p	128	112
Building materials	61p	58	44	+ 4	+ 38	+ 32	50p	48	37
Chemicals and products	164	160	133r	+ 2	+ 23	+ 18	162	156	132r
Leather and products	79p	81	81r	− 3	− 3	0	84p	84	86r
Paper and printing	118	121r	118	− 2	+ 1	+ 3	118	120	118
Individual lines									
Pig iron	106	99	42r	+ 7	+154	+ 49	109	96	43r
Steel	102	113r	22r	−10	+365	+ 83	107	111r	23r
Iron castings	94	101	75	− 8	+ 25	+ 22	96	92	76
Steel castings	93	110	36	−15	+156	+ 58	104	116	40
Electrical apparatus	221	225r	87	− 2	+153	+ 53	213	212	84
Motor vehicles	48	55r	35	−11	+ 37	+ 14	49	48	36
Automobile parts and bodies	124	132	67	− 7	+ 84	+ 49	134	131	73
Locomotives and cars	67	69	24	− 3	+180	+ 46	68	67	24
Shipbuilding	.....	.....	.....	−11	− 72	− 70	.....	.....	.....
Silk manufactures	84	85r	81	− 2	+ 3	+ 7	89	87	86
Woolen and worsteds	70p	74	68	− 5	+ 3	+ 8	72p	74	70
Cotton products	46p	50	46	− 9	0	+ 4	49p	51	49
Carpets and rugs	83p	84	67	− 1	+ 23	+ 28	84p	81	69
Hosiery	75	74	70	+ 1	+ 6	+ 9	78	77r	73
Underwear	131	144	131	− 9	0	+ 4	142	141	143
Cement	116p	103	70	+13	+ 66	+ 54	82p	72	49
Brick	60	63r	49	− 4	+ 22	+ 16	58	58r	47
Lumber and products	28	30	26	− 5	+ 11	+ 12	27	27	24
Bread and bakery products	.....	.....	.....	− 2*	− 8*	− 8*	112	115	122
Slaughtering, meat packing	103	113	117	− 8	− 12	− 5	102	122	116
Sugar refining	66	78	61	−15	+ 9	+ 3	86	54	79
Canning and preserving	212p	210	163	+ 1	+ 30	+ 30	196p	203	150
Cigars	146	157	134	− 7	+ 9	+ 11	123	128	112
Paper and wood pulp	92	94	94	− 1	− 2	− 1	92	93	94
Printing and publishing	124	126	123	− 2	+ 1	+ 4	124	126	123
Shoes	89	97	104	− 9	− 15	− 11	93	99	109
Leather, goat and kid	70p	66	60	+ 5	+ 16	+ 21	75p	70	65r
Explosives	85	99	71	−14	+ 19	+ 28	85	99	71
Paints and varnishes	107	114	91	− 6	+ 18	+ 12	105	102	89
Petroleum products	226p	208	196r	+ 9	+ 16	+ 11	222p	205	193r
Coke, by-product	161	167	83	− 4	+ 95	+ 67	169	167	87
COAL MINING	70	76	78	− 8	− 10	− 3	71	78	79
Anthracite	67	74	76	− 9	− 12	− 4	67	74	76
Bituminous	94	97r	93r	− 3	+ 1	+ 5	103	111r	102r
CRUDE OIL	281	316	300r	−11	− 7	− 2	281	304	300r
ELECTRIC POWER	445	440	397r	+ 1	+ 12	+ 11	472	467	421r
Sales, total	464	453	410	+ 2	+ 13	+ 11	501	467	443
Sales to industries	344	328	295	+ 5	+ 16	+ 13	341	318	292
BUILDING CONTRACTS									
TOTAL AWARDS†	84	75	63	+13	+ 33	+ 21	83	83	63
Residential†	111	100	44	+11	+154	+131	79	81	31
Nonresidential†	96	78	111	+23	− 13	− 23	97	85	112
Public works and utilities†	52	64	33	−18	+ 59	+ 40	62	81	39

* Unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.
p—Preliminary.
r—Revised.

Local Business Conditions*

Percentage change—February 1947 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Jan. 1947	Feb. 1946	Jan. 1947	Feb. 1946	Jan. 1947	Feb. 1946	Jan. 1947	Feb. 1946	Jan. 1947	Feb. 1946
Allentown	0	+18	+ 3	+ 70	+ 34	− 39	+ 7	+10	−14	+ 8
Altoona	− 2	+ 1	− 5	+ 19	+ 82	+ 2	+ 6	+15	−15	+ 7
Harrisburg	0	+12	+ 2	+ 54	+ 49	− 23	− 2	+ 9	−10	+ 8
Johnstown	0	+30	+ 4	+139	− 71	− 71	+ 8	+14	− 8	+35
Lancaster	0	+10	+ 2	+ 29	+ 70	+572	+ 5	+11	+ 7	+33
Philadelphia	0	+24	0	+ 42	− 34	− 1	0	+ 8	−20	+ 8
Reading	+ 1	+17	+ 4	+ 40	+117	+ 22	+ 7	+19	−15	+23
Scranton	+ 2	+13	− 1	+ 29	− 58	− 40	+13	+15	−20	+15
Trenton	.....	.....	.....	.....	− 32	− 38	+12	− 2	− 6	− 1
Wilkes-Barre	− 1	+15	+ 5	+ 40	− 27	− 50	+10	+12	−19	+16
Williamsport	0	+23	+ 1	+ 54	+135	+189	.....	.....	−25	+14
Wilmington	+ 2	+16	+ 6	+ 31	+ 68	− 59	+23	+20	−32	+13
York	− 1	+24	− 2	+ 43	− 71	− 75	+ 1	+ 1	−15	+13

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

Production Workers in Pennsylvania Factories

Summary Estimates--February 1947

	Employment	Weekly Payrolls	Weekly Man-Hours Worked
All manufacturing	1,103,400	$48,313,000	43,648,000
Durable goods industries	623,200	29,399,000	24,582,000
Nondurable goods industries	480,200	18,913,000	19,066,000

Changes in Major Industry Groups

Indexes (1939 average = 100)	Employment			Payrolls		
	Feb. 1947 Index	Per cent change from Jan. 1947	Per cent change from Feb. 1946	Feb. 1947 Index	Per cent change from Jan. 1947	Per cent change from Feb. 1946
All manufacturing	129	0	+37	251	−1	+ 70
Durable goods industries	154	−1	+74	280	−2	+124
Nondurable goods industries	106	0	+ 8	217	+1	+ 23
Food	125	−2	+ 2	213	−2	+ 13
Tobacco	104	+2	+29	223	+1	+ 55
Textiles	86	0	+ 6	189	+2	+ 23
Apparel	94	+2	+10	219	+3	+ 29
Lumber	92	0	+ 6	165	−2	+ 22
Furniture and lumber prods.	105	0	+25	221	0	+ 54
Paper	119	−1	+ 5	228	0	+ 20
Printing and publishing	134	+1	+ 4	244	0	+ 19
Chemicals	123	0	+ 5	234	+3	+ 22
Petroleum and coal prods.	139	−1	+ 40	231	+2	+ 41
Rubber	180	−2	+ 8	374	−3	+ 16
Leather	97	+1	+ 2	192	+4	+ 13
Stone, clay and glass	132	−6	+ 13	237	−7	+ 26
Iron and steel	134	0	+131	237	−3	+254
Nonferrous metals	169	0	+ 22	312	0	+ 43
Machinery (excl. electrical)	193	−2	+ 60	351	−3	+ 78
Electrical machinery	238	+1	+ 99	426	0	+166
Transportation equip. (excl. auto)	249	0	+ 33	432	+1	+ 56
Automobiles and equipment	190	+2	+ 48	357	+2	+ 89
Other manufacturing	143	−1	+ 13	263	0	+ 35

Average Earnings and Working Time

February 1947 Per cent change from year ago	Weekly Earnings		Hourly Earnings		Weekly Hours	
	Average	Ch'ge	Average	Ch'ge	Average	Ch'ge
All manufacturing	$43.79	+24	$1.107	+20	39.6	+ 3
Durable goods indus.	47.18	+29	1.196	+17	39.4	+10
Nondurable goods industries	39.38	+14	.992	+16	39.7	− 2
Food	38.12	+11	.925	+14	41.2	− 3
Tobacco	28.27	+21	.744	+21	38.0	0
Textiles	39.38	+16	.998	+18	39.5	− 2
Apparel	33.11	+17	.855	+18	38.7	− 1
Lumber	33.65	+15	.876	+17	38.4	− 2
Furniture and lumber products	38.98	+23	.901	+19	43.3	+ 4
Paper	41.31	+15	.946	+18	43.7	− 3
Printing & publishing	51.48	+14	1.303	+19	39.5	− 4
Chemicals	44.99	+17	1.098	+16	41.0	+ 1
Petrol. & coal prods.	50.49	0	1.302	+ 5	38.8	− 4
Rubber	51.66	+ 7	1.270	+16	40.7	− 7
Leather	33.88	+12	.912	+15	37.2	− 3
Stone, clay & glass	41.07	+11	1.047	+13	39.2	− 2
Iron & steel	47.64	+53	1.217	+ 7	39.1	+43
Nonferrous metals	48.13	+17	1.187	+ 9	40.6	+ 7
Machinery (excl. elec.)	46.14	+11	1.192	+19	38.7	− 7
Electrical machinery	50.04	+34	1.272	+33	39.4	+ 1
Transportation equip. (excl. auto)	52.83	+17	1.355	+21	39.0	− 2
Automobiles & equip.	51.82	+28	1.212	+19	42.7	+ 7
Other manufacturing	38.38	+19	.991	+20	38.7	− 1

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change: Feb. 1947 from Month ago	Feb. 1947 from Year ago	1947 from 2 mos. 1946
Sales			
Total of all lines	− 3	+ 10	+ 11
Drugs	− 5	+ 8	+ 2
Dry goods	−18	+ 14	+ 19
Electrical supplies	− 7	+ 96	+116
Groceries	− 5	− 3	− 4
Hardware	+ 6	+ 7	+ 12
Jewelry	+38	− 8	− 11
Paper	−10	+ 28	+ 42
Inventories			
Total of all lines	+ 2	+ 48	.....
Dry goods	+ 9	+ 48	.....
Electrical supplies	+14	+109	.....
Groceries	+ 1	+ 45	.....
Hardware	+ 6	+ 35	.....
Paper	+ 5	+ 6	.....

Source: U. S. Department of Commerce.

Prices	Feb. 1947	Per cent change from Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)	313	+ 3	+66	+213
Wholesale (1926 = 100)	145	+ 2	+34	+ 93
Farm	170	+ 3	+30	+179
Food	162	+ 4	+50	+141
Other	129	+ 1	+27	+ 61
Living costs (1935–1939 = 100)				
United States	153	0	+18	+ 55
Philadelphia	152	0	+18	+ 55
Food	177	− 1	+29	+ 91
Clothing	176	0	+18	+ 78
Rent	108	.....	.....	+ 5
Fuels	125	+ 2	+ 9	+ 30
Housefurnishings	180	0	+21	+ 79
Other	133	0	+10	+ 32

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation: Feb. 1947	Jan. 1947	Feb. 1946	Per cent change: Feb. 1947 from Month ago	Feb. 1947 from Year ago	1947 from 2 mos. 1946	Not adjusted: Feb. 1947	Jan. 1947	Feb. 1946
RETAIL TRADE									
Sales									
Department stores—District	242	244	221	− 1	+ 10	+ 14	191	188	174
Philadelphia	218	224	198	− 2	+ 10	+ 14	177	177	161
Women's apparel	273	223	298	+23	− 8	− 2	197	193	215
Men's apparel	239	170	188	+41	+ 27	+ 18	187	174	147
Shoe	217	211	240	+ 3	− 9	0	158	165	175
Furniture	.....	.....	.....	− 8*	+ 2*	.....	.....	.....	.....
Inventories									
Department stores—District	217	216	152r	+ 1	+ 43	.....	211	188	148r
Philadelphia	202	196r	151r	+ 3	+ 34	.....	196	174r	146r
Women's apparel	251	246r	203	+ 2	+ 24	.....	245	215r	198
Shoe	82	116	59	−29	+ 39	.....	85	101	61
Furniture	.....	.....	.....	+12*	+ 43*	.....	.....	.....	.....
FREIGHT-CAR LOADINGS									
Total	140	142	113	− 1	+ 24	+ 21	129	135	104
Merchandise and miscellaneous	136	138	96	− 1	+ 41	+ 31	124	128	88
Merchandise—l.c.l.	93	95	90	− 1	+ 3	+ 4	88	89	85
Coal	148	144	153	+ 3	− 4	+ 1	154	161	159
Ore	140	168	50	−16	+182	+123	53	64	19
Coke	175	163	97	+ 7	+ 80	+ 62	187	188	104
Forest products	101	107	101	− 5	0	+ 1	82	86	82
Grain and products	150	157	160	− 5	− 7	− 3	132	152	141
Livestock	111	122	126	− 9	− 12	− 10	101	123	115
MISCELLANEOUS									
Life insurance sales	202	203	207	− 1	− 2	+ 8	219	193	224
Business liquidations									
Number	.....	.....	.....	−45*	+200*	+113*	9	16	3
Amount of liabilities	.....	.....	.....	−81*	+305*	+280*	8	40	2
Check payments	231	236	211	− 2	+ 9	+ 12	224	233	205

* Computed from unadjusted data. r—Revised.

BANKING STATISTICS

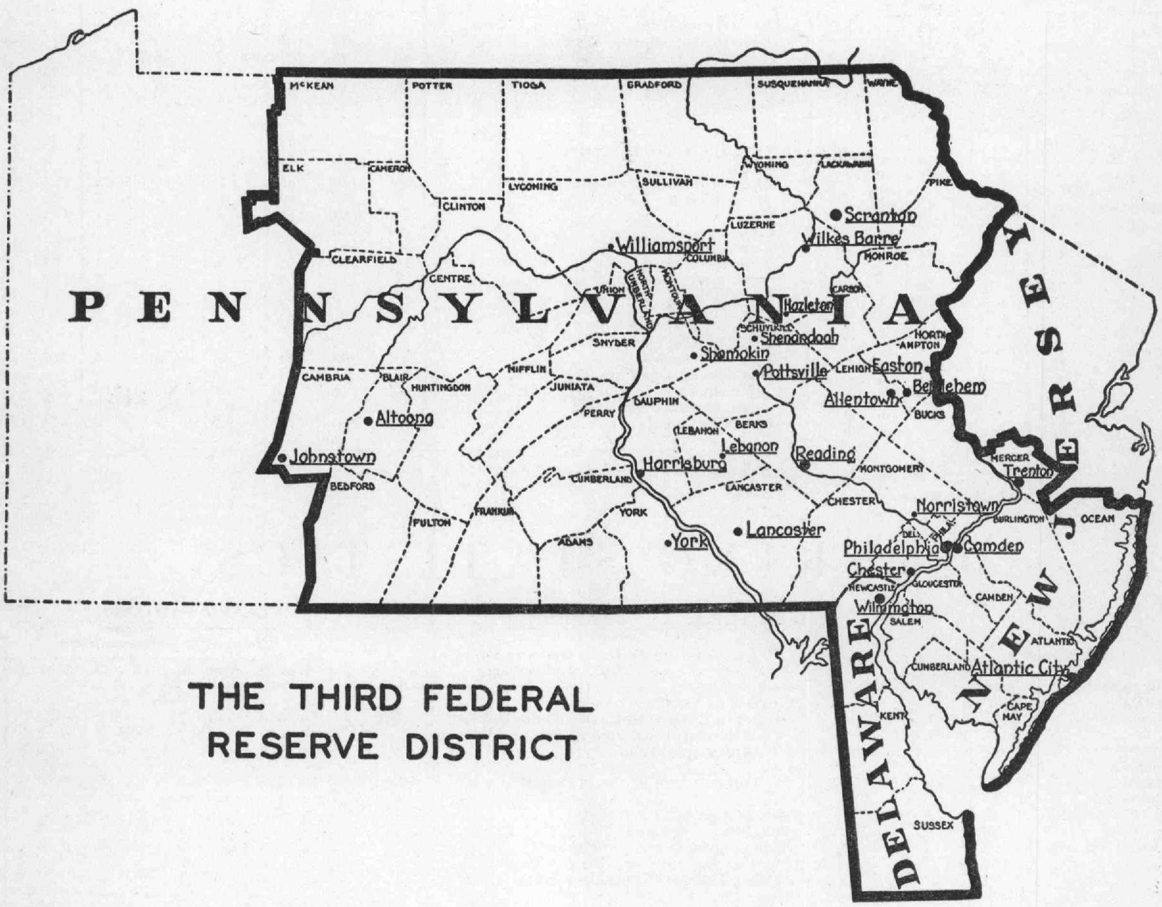
Reporting member banks (Millions $)	Mar. 26, 1947	Changes in— Four weeks	One year
Assets			
Commercial loans	$ 425	+$24	+$155
Loans to brokers, etc.	20	− 1	− 23
Other loans to carry secur.	17	− 1	− 52
Loans on real estate	50	+ 1	+ 15
Loans to banks	2	− 1	+ 1
Other loans	180	− 1	+ 32
Total loans	$ 694	+$21	+$128
Government securities	$1322	+$21	−$639
Obligations fully guar'teed	......	......	......
Other securities	216	− 6	+ 10
Total investments	$1538	+$15	−$629
Total loans & investments	$2232	+$36	−$501
Reserve with F. R. Bank	417	− 7	− 4
Cash in vault	35	......	+ 2
Balances with other banks	81	− 3	− 8
Other assets—net	44	− 2	− 4
Liabilities			
Demand deposits, adjusted	$1791	+$11	+$ 15
Time deposits	297	+ 1	+ 68
U. S. Government deposits	87	− 4	− 568
Interbank deposits	342	+ 24	− 28
Borrowings	3	− 8	− 9
Other liabilities	27	+ 2	+ 1
Capital account	262	− 2	+ 6

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended— Mar. 5	Mar. 12	Mar. 19	Mar. 26	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	−28.0	−10.7	+ .1	+22.7	−15.9
Commercial transfers (chiefly interdistrict)	+ 6.7	+16.7	+21.9	+ 8.7	+54.0
Treasury operations	+31.9	−12.2	− 8.5	−60.8	−49.6
Total	+10.6	− 6.2	+13.5	−29.4	−11.5
Uses of funds:					
Currency demand	+ 4.1	+ .4	− 8.9	− 3.7	− 8.1
Member bank reserve deposits	+ 6.0	− 6.5	+20.5	−24.4	− 4.4
"Other deposits" at Reserve Bank	+ .6	− .2	+ 1.6	− 1.4	+ .6
Other Federal Reserve accounts	− .1	+ .1	+ .3	+ .1	+ .4
Total	+10.6	− 6.2	+13.5	−29.4	−11.5

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1946: Mar. 1–15	$408	$400	$ 8	2%
1947: Feb. 1–15	412	407	5	1
Feb. 16–31	407	397	10	2
Mar. 1–15	406	398	8	2
Country banks				
1946: Mar. 1–15	370	301	69	23
1947: Feb. 1–15	375	330	45	13
Feb. 16–31	374	330	44	13
Mar. 1–15	383	330	53	16

Federal Reserve Bank of Phila. (Dollar figures in millions)	March 26, 1947	Changes in Four weeks	One year
Discounts and advances	$ 15.5	−$ 4.0	−$ 1.0
Industrial loans	1.0	....	− .3
U. S. securities	1653.1	− 78.8	+ 34.8
Total	$1669.6	−$82.8	+$33.5
Fed. Reserve notes	1649.9	− 12.6	+ 46.9
Member bk. deposits	780.2	− 4.4	− .7
U. S. general account	101.5	− 80.2	+ 34.5
Foreign deposits	35.9	− 2.6	− 25.1
Other deposits	2.8	+ .6	− .5
Gold certificate res.	907.5	− 14.8	+ 28.9
Reserve ratio	35.3%	+ .7%	+ .4%



THE THIRD FEDERAL
RESERVE DISTRICT