THE BUSINESS REVIEW

FEDERAL RESERVE BANK
OF PHILADELPHIA

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Capital Expenditures in 1949

Prospective outlays for plant and equipment in Philadelphia

Survey Summary:

1. **Manufacturing concerns in Philadelphia are planning to spend $109 million for new plant and equipment by September 1949. That is about 16 per cent less than the $130 million they spent this year.**
2. **In the aggregate, producers of durables are planning to increase their outlays for next year and producers of nondurables are planning smaller capital expenditures. However, there are notable exceptions as will be indicated.**
3. **Ninety per cent of the money for next year's expenditures will come out of current and past earnings. Banks are to be called on for only 2 per cent—the remainder from other sources.**
4. **Manufacturing employment is expected to increase in the half year from September to next March, to be followed by further increases by September 1949.**
5. **Public utilities of Philadelphia are planning continued expenditures for extensions and improvements at a rate almost equal to this year's outlay.**

Capital Expenditures in 1949

What's in store for 1949? Will business activity continue at or near current high levels, or are we slated for some kind of a recession? Opinions differ widely, but all are agreed that business expenditures for new machinery and plant additions are one of the strategic factors. Heavy capital expenditures by business enterprises have been a powerful stimulant to employment, business activity, and inflation ever since the end of the war. If business spending continues in substantial volume through another year, we shall have a strong force contributing toward maintenance of high levels of employment and income. So far as Philadelphia is concerned, a preview of capital outlays for the next year has been obtained through a generous response of local businessmen to a survey just completed by this Bank.

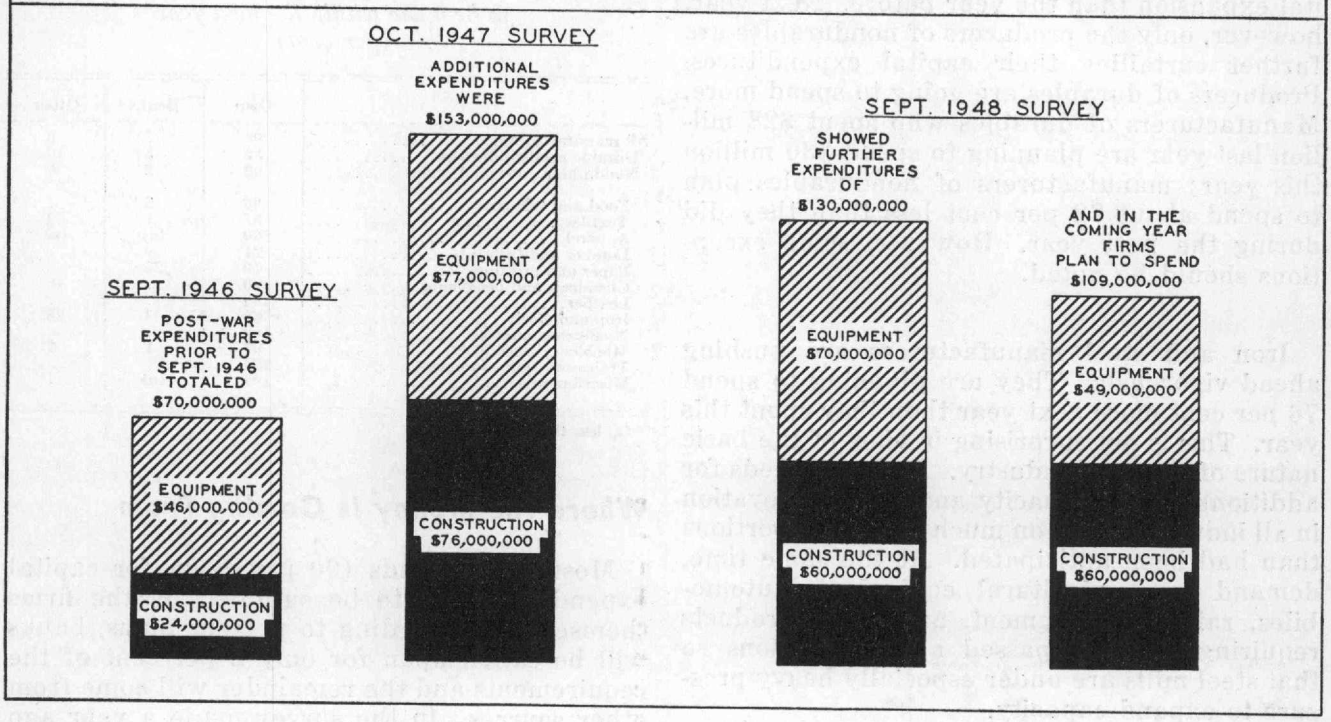
The outstanding fact revealed by the survey is that business spending for new plant and equipment in Philadelphia is over the hump. In the next year, ending in the fall of 1949, manufacturing concerns in this city plan to spend $109 million for plant additions and modernization of equipment. During the past year, that is, from the fall of 1947 to the fall of 1948, they spent $130 million on plant expansion and installation of new equipment. The $21 million reduction represents a decline of about 16 per cent in proposed expenditures for next year. Expenditures made during the past year were similarly about 15 per cent below those of the preceding year. The peak in capital expenditures in this area occurred between the fall of 1946 and the fall of 1947, when local manufacturing concerns made outlays of $153 million.

Due to the fact that the surveys were taken at different dates in the fall of each year, some variation in reporting periods has probably occurred. This would mean that in relation to each other, expenditures in the 1947 survey are somewhat overstated, and those of the 1948 survey somewhat understated. Thus the decline from 1947 to 1948 might not be as great as shown in the chart, and the relative decline for the coming year might be greater than indicated.

Another significant revelation of this and the preceding surveys is the enduring nature of the capital expansion boom. It is frequently alleged that the boom has about run its course—that it is about to collapse or that it cannot continue long past the turn of this year. The Philadelphia experience shows that the running-down process is slow. If current expectations materialize, business spending on capital account is going to contribute considerable pressure for at least another year—over $100 million of pressure from Philadelphia industries alone.

Capital expansion, by its very nature, is a time-consuming process at best, and the post-war years have not been the best of times for rapid expansion of new facilities. Plant construction was delayed by shortages of building materials—flooring, structural steel, plaster board, soil pipe, and common ordinary nails. The flow of materials was frequently interrupted by labor-management disputes in the early post-war days, but even after the attainment of harmonious industrial relations and the elimination of the most serious bottlenecks in materials, construction programs were delayed still more by inadequate supplies of labor, particularly skilled labor. Meanwhile, rapidly rising construction costs precipitated some cancellation of plans which were reinstated later when it became apparent that nothing was to be gained by waiting for lower costs. While the most serious difficulties have been overcome, they were solved in part by delaying construction.

CAPITAL EXPENDITURES BY PHILADELPHIA MANUFACTURERS



More Money Going into Construction than Equipment

Over half (55 per cent) of next year's capital expenditures are to go for construction of new plant and the balance into machinery and equipment. This is in contrast with the year just past, when over half (about 55 per cent) of expenditures were for new machinery and equipment—the remainder being for new plant construction. Machinery purchases during the year ahead are expected to decline about 30 per cent, but expenditures for plant construction are to be maintained at this year's level. The shift in emphasis from machinery purchases to plant construction is very likely an indication that construction programs are further behind schedule than plant modernization. Manufacturers of industrial equipment, organized for mass production, turned out the orders as fast as materials' bottlenecks were broken. But the construction of a plant is a slower process. While excavation is no longer a pick-and-shovel affair, bricks are still laid one at a time and there just are not enough skilled craftsmen to go around. Furthermore, training recruits is a much slower process in the building trades than in the mass-production industries.

Estimated Post-War Capital Expenditures
Manufacturing Industries in Philadelphia
(in thousands of dollars)

	Spent prior to Sept. 1946	Oct. 1946 to Oct. 1947	Nov. 1947 to Sept. 1948	To be spent within next year
All manufacturing	70,483	152,805	129,784	109,133
Durable goods industries	34,621	39,498	28,431	29,927
Nondurable goods industries	35,862	113,307	101,353	79,206
Food and tobacco	4,112	14,132	19,589	20,394
Textiles	9,358	10,856	24,784	17,412
Apparel	1,156	2,829	1,028	7,411
Lumber and furniture	625	855	1,141	1,100
Paper and printing	8,645	36,151	26,052	4,003
Chemicals and petroleum	7,279	40,784	25,114	24,121
Leather	537	626	449	631
Iron and steel	4,093	5,550	6,684	11,755
Nonferrous metals	778	2,101	833	700
Machinery (incl. elec.)	18,040	19,365	11,031	9,793
Transportation equipment	10,772	10,491	7,648	5,692
Miscellaneous	5,088	9,065	5,431	6,121

Which Industries Are Expanding and Curtailing Expenditures

In the year just ended, producers of both durable and nondurable goods spent less on capital expansion than the year before. Next year, however, only the producers of nondurables are further curtailing their capital expenditures. Producers of durables are going to spend more. Manufacturers of durables who spent $28 million last year are planning to spend $30 million this year; manufacturers of nondurables plan to spend about 22 per cent less than they did during the past year. However, some exceptions should be noted.

Iron and steel manufacturers are pushing ahead vigorously. They are planning to spend 76 per cent more next year than they spent this year. This is not surprising in view of the basic nature of the steel industry. Post-war needs for additional plant capacity and plant renovation in all industries took on much larger proportions than had been anticipated. At the same time, demand for agricultural equipment, automobiles, railroad equipment, and other products requiring steel, surpassed all expectations so that steel mills are under especially heavy pressure to expand capacity.

Concerns in paper manufacturing and printing are sharply curtailing their capital expenditures. Expenditures in this classification are to be reduced 85 per cent, which suggests that their expansion programs are nearing completion. The situation in this industry is influenced primarily by the expansion schedules of publishers, printers, and paper converters, since Philadelphia is not a basic paper manufacturing area.

Not all producers of nondurable goods, however, are over the peak in their expansion programs. Leather manufacturers and food and tobacco processors are planning to increase their capital outlays over last year. In food and tobacco, the greater part of the money is going into new plant rather than new equipment. The apparel industry has scheduled the largest expansion among the producers of nondurables, but this is due primarily to construction that originally had been planned for this year and postponed to next year. Contemplated expenditures in the chemical and petroleum industries are very large and only fractionally below this year's expansion.

Sources of Funds for Capital Expenditures to be made within the next year (per cent)

	Own	Banks	Other
All manufacturing	90	2	8
Durable goods industries	85	3	12
Nondurable goods industries	92	2	6
Food and tobacco	98	2	..
Textiles	87	1	12
Apparel	100	(a)	(a)
Lumber and furniture	71	29	..
Paper and printing	70	25	5
Chemicals and petroleum	90	..	10
Leather	100	..	..
Iron and steel	69	3	28
Nonferrous metals	100	..	..
Machinery (incl. elec.)	97	1	2
Transportation equipment	100	..	..
Miscellaneous	100	(a)	..

(a) less than .5 per cent.

Where the Money Is Coming From

Most of the funds (90 per cent) for capital expenditures are to be supplied by the firms themselves. According to present plans, banks will be called upon for only 2 per cent of the requirements and the remainder will come from other sources. In the survey made a year ago it had been anticipated that 81 per cent would come out of the companies' own resources and 13 per cent from the banks.

Business usually supplies substantial portions of its own capital needs by utilizing current profits, past earnings placed in liquid assets, and depreciation allowances. Greater reliance upon their own resources reflects generally higher profits and conservative dividend policies. Whether business will, in fact, obtain only a negligible amount of financing from the banks is dependent upon such contingencies as pay rolls, inventories, and related costs that sometimes eat up working capital very quickly. Too generous diversion of working capital into fixed capital purposes may later require bank loans for working capital.

Industrial Employment Prospects

Philadelphia manufacturers generally anticipate the employment of more workers than were on the pay rolls in September 1948. From

345,000 workers employed last September, employment is expected to increase to 351,000 by March 1949 and 354,000 by September 1949. The contemplated gain of 9,000 employed workers by September 1949 is about equally divided between the industries making durables and nondurables. As shown in the accompanying table, employment in the fall of 1949 is expected to be at current levels or higher in every major industrial group than it was in September of this year, though in some instances the gain is small. The largest increases—about 10 per cent—are anticipated by the apparel industries and the manufacturers of transportation equipment.

Estimated Employment
Philadelphia Manufacturing Firms
(in thousands of persons)

	Current (Sept. 1948)	6 months from now (March 1949)	1 year from now (Sept. 1949)
All manufacturing	345	351	354
Durable goods industries	141	144	146
Nondurable goods industries	204	207	208
Food and tobacco	40	40	41
Textiles	43	42	43
Apparel	31	34	34
Lumber and furniture	5	6	5
Paper and printing	45	46	45
Chemicals and petroleum	19	19	19
Leather	8	9	9
Iron and steel	38	38	38
Nonferrous metals	8	8	8
Machinery (incl. elec.)	58	58	59
Transportation equipment	29	30	32
Miscellaneous	21	21	21

Capital Expenditures by the Utilities

In view of the fact that further contraction in capital expenditures by local manufacturing concerns is expected, our survey was extended to include the local utilities. Public utilities require huge capital investments in plant and distribution facilities to serve their customers, which include all kinds of business enterprises and thousands of ultimate consumers. Replies from the local public utilities indicate a large backlog of unfinished capital expansion.

Public utilities in Philadelphia—gas, electric, telephone, and traction—are planning to spend almost as much for improvements and extensions in 1949 as they will have spent in this calendar year. Next year's outlays are expected to be about 90 per cent of this year's additions and improvements. This does not include expenditures by the three trunk-line railroads serving this area. Railroads, like the other utilities, were hard pressed for service during the war and since that period they have had insufficient opportunity to complete their modernization programs. There are indications that railroads are planning to increase expenditures in 1949 in the Philadelphia area.

The utilities are facing especially heavy demands for increased services because of the boom in residential construction, the wartime increase in numbers of families, the high level of consumer spending, and rapidly growing industrial requirements. Utilities customarily have long-range plans for expansion and those that had programs under way when the war began had to put them "on ice" for the duration. Resumption of expansion programs presented greater difficulties than in the case of manufacturers because of the unusually heavy requirements on the part of the utilities for such materials as lead and copper, which are still scarce. Utilities are also handicapped by rapidly rising costs and inflexible rate schedules.

A Preview of Nation-wide Capital Expenditures

Would a survey of industry throughout the country have given results substantially similar to the Philadelphia survey? In the absence of a nation-wide survey of prospective expenditures for 1949, we can only compare past trends and appraise the over-all prospects in the light of such limited knowledge as is available.

Comparing past capital expenditures at once raises a problem because Philadelphia has departed from the national trend. As already observed, capital expenditures by manufacturing concerns in Philadelphia reached their peak in 1947, that is, between the fall of 1946 and the fall of 1947. Reports by the Securities and Exchange Commission and the Department of Commerce showing United States capital expenditures for calendar years, reveal continuously expanding expenditures for new plant and equipment since the end of the war. According to these reports, all manufacturing enterprises increased their capital expenditures from about $7½ billion last year to $8 billion this year—an increase of 8 per cent in contrast with a decline of 16 per cent in Philadelphia.

Philadelphia's departure from the national trend may be explained in part by differences in the period of time covered. The local surveys were conducted in September 1946, October 1947, and September 1948; the national surveys cover calendar years. In addition, the earlier attainment of a peak in capital expenditures in the Philadelphia area may be a reflection of Atlantic Seaboard conservatism; or it might represent a simpler post-war readjustment problem in Philadelphia which has, relative to the country at large, a somewhat higher proportion of concerns engaged in the production of nondurables; or it may represent a relatively smaller real need for expanding capital facilities in the Philadelphia area, where wartime plant expansion and population growth were not as vigorous as in some other parts of the country. Furthermore, as a long-established and highly industrialized center, Philadelphia may be a victim of the policy of decentralization being practiced by numerous large multi-plant concerns.

Perhaps the only conclusion that can be drawn with reasonable assurance is that capital expansion throughout the country is not likely to recede rapidly from present high levels. The Philadelphia experience shows that plant expansion and modernization programs have a long way to go before completion. In view of our local experience, whatever the reason for the earlier downturn, it is difficult to believe that national expenditures for industrial plant modernization by manufacturers, running at the rate of $8 billion in 1948, will decline very much below that level in 1949. A decline of 10 to 20 per cent would still leave a volume of two to three times the pre-war rate of expenditures and would have a salutary effect in reducing inflationary pressures. Consumer demands for housing and durable goods generally are not being supplied in adequate quantities, due in part to the large volume of business spending which utilizes scarce resources.

There is, of course, no assurance that all capital expansion will decline. Any recession in business expenditures by manufacturers may be counter-balanced by increased capital outlays in other lines. Expenditures by the railroads and the electric and gas utilities of the country have been increasing consistently since the end of the war and show no signs of decline through the fourth quarter of this year, according to estimates of the Securities and Exchange Commission and the Department of Commerce. Railroads are spending $1⅓ billion and the electric and gas utilities $2½ billion for extensions and improvements in 1948. According to recent press reports, the gas utilities are planning to spend $3.3 billion for plant expansion and improvements over the period ending with 1952. About half of these outlays are for natural gas transmission lines.

Any possible declines in capital expenditures by business might easily be offset by rising public expenditures. Government expenditures on both the national and local levels are increasing. States and municipalities are stepping up their expenditures sharply for roads, schools, hospitals, and other public construction. Federal expenditures are rising again and in view of the political tension in Europe, expenditures for national defense seem destined to increase still more.

Our national economy might be better off both today and tomorrow if capital expansion did not take place in such violent spurts. Vigorous capital expansion is, of course, a result of the inflationary times we are in, but it is also a cause. Since total spending power has risen faster than the flow of goods and services, postwar capital expansion is high-cost expansion. Expenditures expressed in dollars of constantly shrinking value overstate the amount of real increases in capacity. Moreover, the time may come when business will find increasing difficulty in realizing adequate earnings on high-cost plant and equipment now being installed.

BUSINESS STATISTICS

Production

Philadelphia Federal Reserve District

Indexes: 1923-25 = 100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Sept. 1948	Aug. 1948	Sept. 1947	Sept. 1948 from Mo. ago	Sept. 1948 from Year ago	1948 from 9 mos. 1947	Sept. 1948	Aug. 1948	Sept. 1947
INDUSTRIAL PRODUCTION	110p	110	109	0	+ 1	+ 2	113p	111	112r
MANUFACTURING	112p	111	110	0	+ 1	+ 2	115p	112	114
Durable goods	121p	115	118r	+ 5	+ 3	+ 4	.....	.....	.....
Consumers' goods	102p	105	99r	− 2	+ 3	+ 3	.....	.....	.....
Metal products	142	135	135	+ 5	+ 5	+ 2	144	142r	141
Textile products	70p	76	69	− 8	+ 2	+ 7	71p	72	70
Transportation equipment	127p	125	150r	+ 1	−15	− 3	120p	120	141r
Food products	124p	124	121r	0	+ 3	− 3	139p	129	136r
Tobacco and products	129	121	106r	+ 6	+21	+ 4	149	129	123
Building materials	48p	47	48r	+ 1	− 1	+ 8	52p	54	52r
Chemicals and products	187p	182	172r	+ 3	+ 9	+ 7	186p	183	171r
Leather and products	81p	83	92	− 1	−12	+ 2	88p	84	100
Paper and printing	118	121	125	− 2	− 6	− 1	117	118	124
Individual Lines									
Pig iron	113	121r	109	− 7	+ 3	+ 1	106	107r	103
Steel	126	117	115	+ 8	+ 9	+ 4	120	119	110
Iron castings	92	95	86	− 3	+ 6	− 2	93	92	87
Steel castings	115	106	118	+ 9	− 3	− 4	104	101	107
Electrical apparatus	189	184r	187	+ 2	+ 1	− 1	208	205r	206
Motor vehicles	34	37r	54	− 9	−38	−32	29	31r	47
Automobile parts and bodies	111	112r	146	− 1	−24	−12	105	105	139
Locomotives and cars	72	69r	59	+ 6	+23	+ 9	70	69r	57
Shipbuilding	.....	.....	.....	+ 5	− 7	+13	.....	.....	.....
Silk and rayon	89	93	83	− 4	+ 7	+ 7	89	90	83
Woolens and worsteds	60p	66	66r	− 8	− 9	+ 7	66p	67	73r
Cotton products	36p	37	40	− 2	− 9	−14	35p	34	38
Carpets and rugs	91p	104	92r	−12	− 1	+19	96p	96	97r
Hosiery	81	93	73	−13	+12	+15	81	81	73
Underwear	116	131	136	−12	−15	+ 2	116	122	136
Cement	73p	71	74r	+ 3	− 2	+14	85p	88	87r
Brick	58	57r	58	+ 2	0	+ 1	59	59r	59
Lumber and products	27	27r	27	− 2	0	+ 5	28	30	28
Bread and bakery products	.....	.....	.....	+ 2*	+ 4*	− 1*	116	113	111
Slaughtering, meat packing	101	100	103	+ 1	− 2	+ 4	104	88	107
Sugar refining	171	87	106	+97	+62	− 8	148	75	91
Canning and preserving	179p	204	181r	−12	− 1	− 4	243p	229	241r
Cigars	130	122	106	+ 7	+23	+ 6	151	131	123
Paper and wood pulp	93	98	96	− 5	− 3	+ 5	93	98	96
Printing and publishing	123	125r	131	− 2	− 6	− 2	121	121r	130
Shoes	81p	91	90	−11	−11	+ 2	92p	97	103
Leather, goat and kid	82p	75	94	+ 9	−13	+ 3	85p	72	98
Explosives	121	113	110	+ 7	+11	+16	121	113	110
Paints and varnishes	124	121	113	+ 2	+ 9	+ 8	117	123	107
Petroleum products	248p	245	230r	+ 1	+ 8	+ 7	251p	247	233r
Coke, by-product	189p	178	173	+ 7	+ 9	+ 2	182p	174	166
COAL MINING	77	78	80	0	− 3	0	78	77	80
Anthracite	75	74	77	+ 1	− 3	+ 2	75	74	77
Bituminous	97p	107	101	− 9	− 4	− 9	99p	100	103
CRUDE OIL	282	282	286	0	− 1	0	282	282	286
ELECTRIC POWER—Output	503	501	483	0	+ 4	+ 8	493	476	474
Sales, total	518	519	475	0	+ 9	+10	513	493	470
Sales, to industries	353	353	329	0	+ 7	+ 8	374	364	349
BUILDING CONTRACTS									
TOTAL AWARDS*	209	218	140	− 4	+49	+58	203	211	136
Residential†	161	131	91	+23	+77	+44	191	147	108
Nonresidential†	206	221	139	− 7	+49	+73	194	204	130
Public works and utilities†	278	474	250	−41	+11	+44	253	412	227

* Unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.
** Increase of 1000% or more.

p—Preliminary.
r—Revised.

Local Business Conditions*

Percentage change—September 1948 from month and year ago	Factory employment		Factory payrolls		Building permits value		Retail sales		Debits	
	Aug. 1948	Sept. 1947	Aug. 1948	Sept. 1947	Aug. 1948	Sept. 1947	Aug. 1948	Sept. 1947	Aug. 1948	Sept. 1947
Allentown	− 1	− 3	+ 2	+ 7	−50	+ 7	+18	+47	+ 4	+26
Altoona	+ 3	+ 3	+ 2	+16	−80	−50	0	− 8	− 2	+14
Harrisburg	0	− 3	+ 4	+12	−85	−30	+24	+ 6	− 2	+ 6
Johnstown	− 2	− 3	+ 3	+15	− 2	+15	+13	+10	− 1	+13
Lancaster	− 1	+ 8	0	+13	−72	−47	+32	+ 3	+ 1	+ 4
Philadelphia	+ 1	0	+ 2	+ 8	−35	−19	+49	+10	−14	+17
Reading	− 1	+ 4	+ 1	+23	+13	−10	+20	+ 7	+ 4	+ 5
Scranton	+ 2	0	+ 2	+14	+49	−20	+29	+13	0	+10
Trenton	.....	.....	.....	.....	+ 5	−52	+28	+28	− 5	+22
Wilkes-Barre	+ 4	+ 5	+ 2	+16	+45	+19	+24	+10	− 3	+ 8
Williamsport	− 2	+ 3	+ 2	+11	+11	−33	.....	.....	+ 3	+13
Wilmington	+ 2	+ 5	0	+13	−17	−33	+ 9	+ 3	+49	+46
York	+ 2	− 1	− 1	+ 7	−46	−59	+18	+ 8	− 7	+13

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

Production Workers in Pennsylvania Factories

Summary Estimates—September 1948

	Employment	Weekly Payrolls	Weekly Man-Hours Worked
All manufacturing	1,109,200	$58,638,000	43,925,000
Durable goods industries	629,600	36,816,000	25,239,000
Nondurable goods industries	479,600	21,822,000	18,686,000

Changes in Major Industry Groups

Indexes (1939 average = 100)	Employment			Payrolls		
	Sept. 1948 Index	Per cent change from Aug. 1948	Per cent change from Sept. 1947	Sept. 1948 Index	Per cent change from Aug. 1948	Per cent change from Sept. 1947
All manufacturing	129	+1	0	305	+ 2	+11
Durable goods industries	156	0	0	350	+ 2	+13
Nondurable goods industries	106	+1	0	250	+ 2	+ 9
Food	134	+7	0	277	+10	+ 9
Tobacco	100	+1	− 1	225	+ 3	+ 3
Textiles	85	0	+ 4	217	− 1	+13
Apparel	91	0	− 3	233	+ 1	+ 6
Lumber	95	−1	+ 4	206	− 4	+12
Furniture and lumber prods.	96	+1	+ 1	226	+ 1	+ 6
Paper	119	0	− 1	270	0	+ 8
Printing and publishing	135	−1	− 3	288	+ 5	+ 4
Chemicals	124	+1	+ 3	271	+ 1	+14
Petroleum and coal prods.	157	+1	+ 6	326	0	+24
Rubber	146	+1	− 9	289	− 1	−16
Leather	87	+1	− 9	187	+ 5	− 4
Stone, clay and glass	137	+1	+ 1	306	+ 1	+14
Iron and steel	141	0	+ 1	319	+ 2	+16
Nonferrous metals	142	+1	− 7	306	+ 1	+ 8
Machinery (excl. electrical)	210	0	+ 3	467	+ 3	+15
Electrical machinery	233	+2	+ 2	506	+ 2	+ 9
Transportation equip. (excl. auto)	238	+1	+13	472	0	+26
Automobiles and equipment	138	−6	−28	302	− 3	−24
Other manufacturing	138	+5	+ 2	280	+ 3	+ 9

Average Earnings and Working Time

September 1948 Per cent change from year ago	Weekly Earnings		Hourly Earnings		Weekly Hours	
	Average	Ch'ge	Average	Ch'ge	Average	Ch'ge
All manufacturing	$52.87	+11	$1.335	+10	39.6	+ 1
Durable goods indus.	58.48	+13	1.459	+10	40.1	+ 3
Nondurable goods industries	45.50	+ 9	1.168	+10	39.0	− 1
Food	46.09	+ 9	1.096	+ 7	42.1	+ 2
Tobacco	29.52	+ 4	.764	+ 3	38.6	+ 1
Textiles	45.78	+ 9	1.194	+11	38.3	− 3
Apparel	36.02	+ 9	.975	+10	36.9	− 1
Lumber	40.60	+ 8	1.050	+12	38.7	− 4
Furniture and lumber products	43.69	+ 5	1.035	+ 7	42.4	− 2
Paper	49.04	+ 9	1.127	+ 9	43.5	0
Printing & Publishing	60.18	+ 7	1.571	+11	38.3	− 3
Chemicals	51.91	+10	1.286	+12	40.4	− 1
Petroleum and coal products	63.31	+17	1.612	+14	39.3	+ 3
Rubber	49.13	− 7	1.385	+ 3	35.5	−10
Leather	36.61	+ 5	1.029	+ 9	35.6	− 3
Stone, clay and glass	51.30	+12	1.252	+ 9	41.0	+ 3
Iron and steel	61.00	+15	1.535	+10	39.7	+ 4
Nonferrous metals	56.04	+16	1.435	+13	39.0	+ 3
Machinery (excl. elec.)	56.49	+12	1.389	+ 9	40.7	+ 3
Electrical machinery	60.56	+ 7	1.541	+ 8	39.3	− 1
Transportation equip. (excl. auto)	60.47	+12	1.538	+10	39.3	+ 2
Automobiles & equip.	60.39	+ 6	1.456	+ 9	41.5	− 3
Other manufacturing	42.50	+ 7	1.131	+ 7	37.6	+ 1

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change		
	Sept. 1948 from		1948 from 9 mos. 1947
	Month ago	Year ago	
Sales			
Total of all lines	+14	+ 4	+4
Drugs	+ 6	−10	......
Dry goods	+17	− 5	−7
Electrical supplies	+ 6	−11	+3
Groceries	+14	+ 2	+8
Hardware	+26	+ 1	0
Jewelry	+63	+ 3	+7
Paper	+26	+ 2	0
Inventories			
Total of all lines	+ 2	+14	......
Dry goods	− 4	+14	......
Electrical supplies	0	+ 5	......
Groceries	+ 3	+ 5	......
Hardware	0	+19	......
Jewelry	+ 6	+ 8	......
Paper	− 5	+20	......

Source: U. S. Department of Commerce.

Prices	Sept. 1948	Per cent change from		
		Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)	312	− 1	− 3	+212
Wholesale (1926 = 100)	169	− 1	+ 7	+125
Farm	189	− 1	+ 1	+210
Food	186	− 2	+ 4	+177
Other	153	0	+11	+ 91
Living costs (1935-1939 = 100)				
United States	175	0	+ 7	+ 77
Philadelphia	175	0	+ 7	+ 78
Food	212	0	+ 6	+128
Clothing	195	0	+ 6	+ 97
Fuels	143	0	+10	+ 48
Housefurnishings	205	+ 1	+10	+104
Other	150	0	+ 8	+ 49

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Sept. 1948	Aug. 1948	Sept. 1947	Sept. 1948 from Month ago	Sept. 1948 from Year ago	1948 from 9 mos. 1947	Sept. 1948	Aug. 1948	Sept. 1947
RETAIL TRADE									
Sales									
Department stores—District	295	289	266	+ 2	+ 11	+10	295	217r	266
Philadelphia	269	263	244	+ 3	+ 11	+ 9	269	179	244
Women's apparel —District	276	224	251	+23	+ 10	+ 4	293	188	266
Philadelphia	274	231	257	+18	+ 7	+ 3	293	187	275
Furniture	......	......	......	+11*	+ 3*	......	......	......	......
Inventories									
Department stores—District	242	236	210	+ 3	+ 15	......	266	245	231
Philadelphia	211	204	197	+ 3	+ 7	......	236	214	221
Women's apparel —District	216	214	195	+ 1	+ 11	......	246	237	222
Philadelphia	240	229	222	+ 5	+ 8	......	278	266	257
Furniture	......	......	......	+ 6*	+ 6*	......	......	......	......
FREIGHT-CAR LOADINGS									
Total	130	139	132	− 7	− 2	− 5	145	140	148
Merchandise and miscellaneous	122	122	126	0	− 3	− 5	133	126	138
Merchandise—l.c.l.	75	74	91	+ 1	− 18	−16	78	74	94
Coal	141	172	145	−18	− 3	− 5	155	156	160
Ore	171	187	163	− 8	+ 5	+ 2	275	278	262
Coke	183	208	161	−12	+ 13	+ 2	193	194	171
Forest products	82	79	89	+ 4	− 8	− 8	102	96	112
Grain and products	118	125	119	− 6	− 1	−15	117	121	118
Livestock	64	63	84	+ 1	− 24	−23	76	61	101
MISCELLANEOUS									
Life insurance sales	205	203	188r	+ 1	+ 9	+ 2	170	171	158
Business liquidations									
Number	......	......	......	−30*	+ 23*	+43*	24	34	19
Amount of liabilities	......	......	......	+ 6*	+410*	+55*	34	32	7
Check payments	272	308	233r	−12	+ 17	+15	253	265	216

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

BANKING STATISTICS

Reporting member banks (Millions $)	Oct. 27, 1948	Changes in—	
		Five weeks	One year
Assets			
Commercial loans	539	− 5	+ 72
Loans to brokers, etc.	18	+ 2	− 24
Other loans to carry secur.	12	......	− 8
Loans on real estate	90	+ 2	+ 12
Loans to banks	5	− 1	
Other loans	271	− 1	+ 46
Total gross	935	− 3	+ 98
Total net	928	− 3	+ 94
Government securities	1365	−13	−100
Other securities	277	− 5	+ 11
Total investments	1642	−18	− 89
Total loans & investments	2570	−21	+ 5
Reserve with F. R. Bank	554	+35	+ 63
Cash in vault	46	+ 2	+ 1
Balances with other banks	108	+ 8	+ 10
Other assets—net	50	......	− 3
Liabilities			
Demand deposits, adjusted	2093	+14	− 10
Time deposits	451	− 8	+ 30
U. S. Government deposits	90	+24	+ 61
Interbank deposits	352	......	− 2
Borrowings	11	− 5	− 5
Other liabilities	27	− 2	+ 1
Capital account	304	+ 1	+ 1

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended					Changes in five weeks
	Sept. 29	Oct. 6	Oct. 13	Oct. 20	Oct. 27	
Sources of funds:						
Reserve Bank credit extended in district	+ 7	−18	− 1	+10	+ 3	+ 1
Commercial transfers (chiefly interdistrict)	+62	+23	+17	−25	+52	+129
Treasury operations	−34	+ 8	−40	− 3	−27	− 96
Total	+35	+13	−24	−18	+28	+34
Uses of funds						
Currency demand	− 2	....	+13	−15	− 1	− 5
Member bank reserve deposits	+37	+11	−35	− 2	+30	+ 41
"Other deposits" at Reserve Bank	....	+ 2	− 2	....	− 1	− 1
Other Federal Reserve accounts	....	....	....	− 1	....	− 1
Total	+35	+13	−24	−18	+28	+ 34

Federal Reserve Bank of Phila. (Dollar figures in millions)	Oct. 27, 1948	Changes in—	
		Five weeks	One year
Discounts and advances	$ 25.1	$+ .5	$+ 5.3
Industrial loans	.9	+ .2	− .9
U. S. securities	1660.2	+98.7	+113.2
Total	$1686.2	$+99.4	$+117.6
Fed. Res. notes	$1636.8	$− 3.9	$− 10.2
Member bank deposits	953.0	+41.4	+124.8
U. S. general account	144.7	+59.8	+ 68.4
Foreign deposits	29.3	− .6	− 2.4
Other deposits	1.1	− .9	− .9
Gold certificate reserves	1081.5	+ 1.1	+ 60.4
Reserve ratio	39.1%	−1.4%	−0.4%

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1947 Oct. 1-15	$437	$428	$ 9	2%
1948 Sept. 1-15	407	399	8	2
Sept. 16-30	426	419	7	2
Oct. 1-15	448	438	10	2
Country banks				
1947 Oct. 1-15	$400	$349	$51	15%
1948 Sept. 1-15	428	372	56	15
Sept. 16-30	486	445	41	9
Oct. 1-15	491	446	45	10