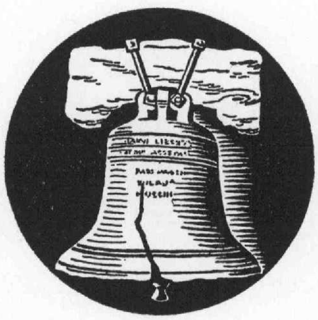
MARCH 1949

THE BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA



BANK OPERATIONS, 1948

. . . were maintained in terms of both earnings and volume. Current earnings of member banks in the Third District increased more than enough to absorb higher operating costs. Earning assets declined slightly. The composition of these assets continued to shift, but loan expansion and the decrease in holdings of Government securities were less than in either 1946 or 1947. Deposits declined in the first quarter as customers paid taxes, but most of the loss was made up later in the year.

G. I. LENDING

. . . has been declining for two years. Lenders are more cautious and the number of borrowers in difficulty has increased. Prospects are for a continued decline in G. I. lending activity.

BANK OPERATIONS, 1948

I. EARNINGS AND EXPENSES

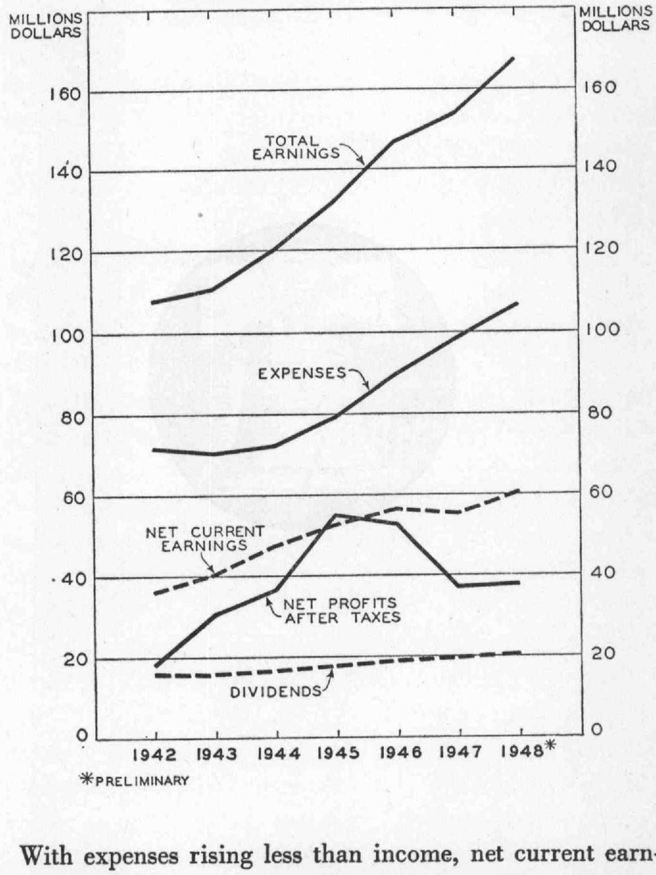
Total earnings of the member banks in the Third Federal Reserve District increased over 8 per cent from 1947 to 1948, according to preliminary tabulations. Net current earnings—the amount remaining after expenses—increased at both reserve city and country banks. In total, they advanced to a new peak following the slight decline in 1947. Substantial transfers were made to valuation reserves against loans, but net profits were maintained, falling somewhat at the country banks and rising at the reserve city banks.

These changes in earnings of all member banks in this district were in general accord with those for banks throughout the country. The experience of individual member banks, of course, frequently diverges somewhat from the over-all summaries. A study will be issued shortly giving the averages of individual bank operating ratios by size groups. These studies are prepared annually as a service of this Bank to its member banks.

Total income of member banks in this district last year was equaled only in 1929. In that year, earning assets were much smaller but money rates were substantially higher, and loans comprised more than two-thirds of total earning assets as against only one-third at the close of 1948. Year by year through the post-war period, bank loans have been increasing and recently the rates on some types of paper have been advanced. Earnings on loans last year were $68 million as against $54 million in 1947, and for the first time since 1941 were about as large as for the entire securities portfolio. Increased income over 1947 also was reported from service charges on deposits, from trust departments, and from other sources, much more than compensating for the reduction in income derived from United States Government securities, from $58 million to $54 million. Total earnings of the member banks in this district in 1948 came to approximately $167 million, as against $154 million in 1947 and $106 million in 1940, the low point of the past decade.

Current expenses also have been tending steadily upward in recent years. In 1948 they were $107 million as compared with $99 million in 1947 and $70 million in 1940. The largest single component continued to be salaries and wages, which rose about 10 per cent from 1947 to 1948. In the late 1920's, interest on deposits, payable then on demand as well as on time balances, was the outstanding cost of bank operation. Although salary and wage rates are now considerably higher than they were two decades ago, such costs per dollar of assets have decreased substantially owing, no doubt, to increased mechanization, the large proportion of earning assets invested in Government securities, expansion in resources and an increase in the average size of individual transactions.

EARNINGS AND PROFITS
THIRD DISTRICT MEMBER BANKS



*PRELIMINARY

With expenses rising less than income, net current earnings before income taxes increased from $55 million in 1947 to over $60 million in 1948, a new peak. In relation to total capital accounts at the close of the year, the proportion was 9.7 per cent in 1948 and 9.1 per cent in 1947. In 1929 it was 8.2 per cent.

Taxes paid on income in 1948 were less than in 1947. The decrease was due, in part at least, to the greater use made by banks of the privilege of building up reserves for bad debt losses on loans. This was reflected in heavier charge-offs, in which transfers to these reserves were included. At the close of 1947, the member banks in this district had $2¼ million in these "bad debt reserves"; by the end of 1948 they had risen to about $12¼ million.

The increase in net current earnings and the decrease in income tax payments were offset, for the most part, by a larger excess of deductions over additions to current earnings. The result was a small increase in net profits after taxes—from $37 million to about $38 million, taking the member banks in this district as a whole. The moderate decline reported by those in the country bank classification was apparently due almost entirely to transfers to bad debt reserves.

Net profits after taxes for Third District member banks were less in 1948 than in either 1945 or 1946, due mainly to a decline in profits on securities and recoveries which were unusually large in those years. Ordinarily, bankers can expect losses to run somewhat ahead of such profits and recoveries. Reasonable risks are part of the cost of serving the community. It is against these risks that banks build up valuation reserves and capital accounts to safeguard their customers. Cash dividends increased somewhat in 1948, but still were little more than one-half of net profits, the balance being available for addition to capital accounts. In the last three years of the 1920's the proportion paid out was over three-fifths.

II. SHIFTS IN EARNING ASSETS

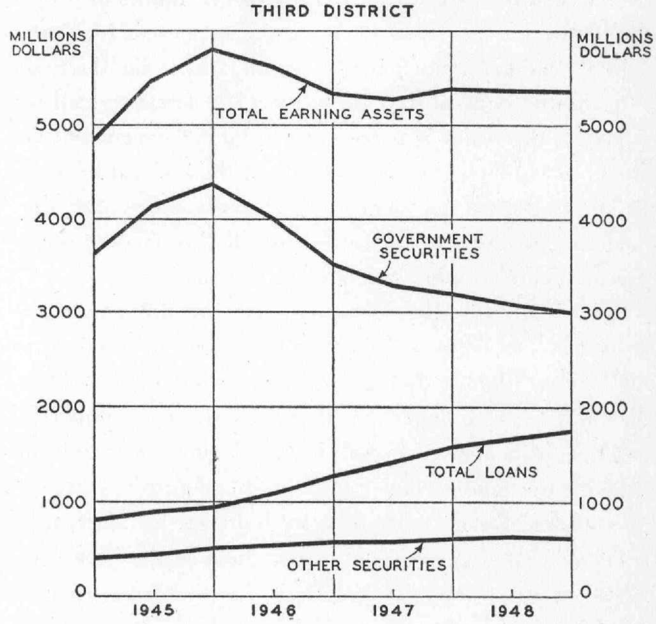
The trends in earnings, of course, reflect the shifts in assets from which they are derived. Total earnings increased despite a small decrease in assets because the larger income from an expanding loan porfolio more than offset the lower income from investments.

Total earning assets of member banks decreased nationally as well as in the Third District in 1948. However, the small decrease in the total obscures the effects of forces of considerable magnitude, some tending to increase and others to decrease the volume of earning assets. The principal factors tending to increase earning assets were a continuing demand for bank credit, gold imports, and Federal Reserve purchases of Government securities from nonbank holders. The first resulted in a direct increase and the latter two provided the basis for further expansion. These expansive forces, however, were more than offset by others tending to bring about contraction—the Treasury's cash redemption program, the sale of short-term Government securities by the Federal Reserve Banks, and the increase in member bank reserve requirements. The relatively stable level of commercial bank earning assets is a significant indication that the anti-inflation efforts of the banks themselves and the monetary and fiscal authorities met with some measure of success.

The private business sector of our economy operated at a substantial cash deficit in 1948. Businessmen, home buyers, and consumers resorted to bank credit to help finance a record volume of business and consumer spending. An increase of $4.6 billion in commercial bank loans was perhaps the major factor tending to increase earning assets and deposits. Gold imports added $1.5 billion to

EARNING ASSETS OF MEMBER BANKS

THIRD DISTRICT



the cash assets and deposits of commercial banks, which in turn made possible an increase in loans and investments. Federal Reserve support operations, which resulted in the purchase of a substantial amount of bonds, had a similar effect. Purchases from commercial banks had the direct effect of increasing reserves, which made possible a multiple increase in loans and investments. If the purchases were from nonbank holders, the checks received by the sellers drawn on the Federal Reserve were deposited in commercial banks, thus increasing their deposits. The collection of these checks increased the reserves of commercial banks, thus making possible a larger expansion of earning assets through additional loans and investments than might otherwise have occurred.

The expansive effect of the cash deficit in the private sector of our economy was more than offset by the cash surplus in the public sector. The Federal Government had a cash surplus of over $8 billion in 1948—the largest in its history. This excess of Treasury receipts over expenditures was used primarily to retire marketable Government securities, and was the most important factor tending to reduce earning assets. A description of the steps involved in this process will make clear the effects on the commercial banks. The first step, which is the collection of checks drawn on commercial banks in the payment of taxes, transfers deposits from private to Government account, leaving total assets and total deposits unchanged. The second step involves the transfer of Government deposits from the commercial banks to the Federal Reserve Banks in preparation for the payment of Treasury expenses, including debt retirement. Since banks usually draw on their account in the Federal Reserve to meet the Treasury call for payment, the result is a decrease in their Government deposits and in their reserve accounts at the Federal Reserve. It is in this stage that banks lose reserves and, unless they have excess reserves, are forced to sell Government securities or draw on other assets to replenish them.

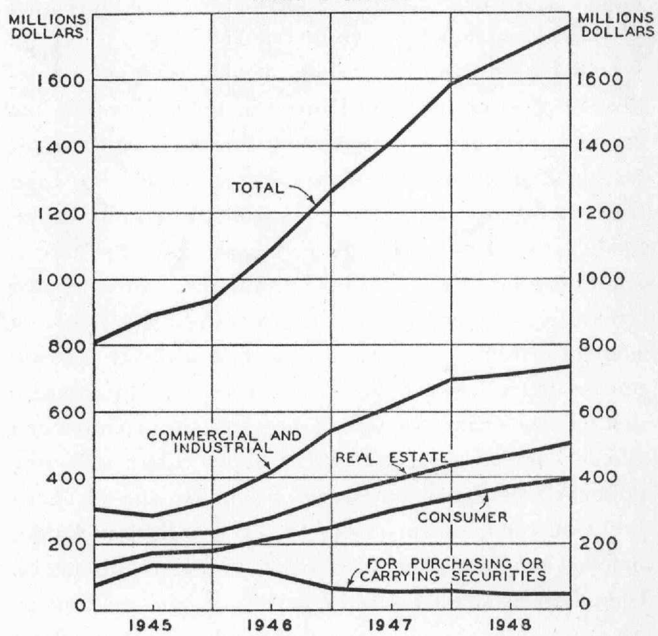
As a final step, the Treasury pays the holders of the redeemed securities with checks drawn on its account in the Reserve Banks. If the checks go to nonbank holders, they will soon be deposited, thus building up commercial bank deposits and reserves. If the redeemed securities are held by the commercial banks, cash or reserves are increased and Government security holdings are decreased. In either case, commercial banks have excess reserves. These reserves serve as the basis for restoring earning assets to their former level. If, however, the maturing securities are held by the Federal Reserve Banks, the funds originally collected in the form of tax receipts are not returned to the public and the commercial banks. Commercial bank deposits and reserves are decreased equally and unless they have sufficient excess reserves the result is a reserve deficiency.

Similarly, sales of short-term Government securities and increases in reserve requirements by the System tend to create deficiencies in reserves and thus exercise a restraining influence. To the extent that reserve deficiencies are not met by the forces described above which tend to add to reserves, they are met by the sale of Governments or by drawing on other assets and, as a result, earning assets are decreased.

LOANS EXPAND LESS

The demand for credit by businessmen and consumers subsided somewhat in 1948. Total loans of Third District member banks were up $160 million—an increase of 10 per cent, as compared to a 25 per cent increase in 1947. The slower rate of expansion in 1948 was largely accounted for by the smaller increase in commercial and industrial loans. Business loans gained about 5 per cent as

LOANS OF MEMBER BANKS
THIRD DISTRICT



compared to 28 per cent in the previous year. The rate of expansion in the other major segments of member bank loan portfolios—real-estate and consumer loans—was considerably slower also. The continued high level of private construction resulted in a substantial expansion in real-estate loans, especially on residential property, but real-estate loans increased only 16 per cent as compared to 26 per cent in 1947. The record level of consumer expenditures was also reflected in consumer loans, although this type of credit rose less in 1948 than in 1947. Instalment loans on automobiles and other retail goods and repair and modernization loans were up over 50 per cent, but instalment cash loans gained only 8 per cent in contrast to 52 per cent in 1947, and single payment loans decreased slightly. Farm real-estate loans and farm production loans, a relatively small segment of the total in this district, also increased more slowly than in the previous year.

Changes in the loan portfolios of member banks in the Third District were similar to the national trend. Total loans of district member banks expanded 10 per cent, as compared to 11 per cent, for all member banks. Business loans increased more in the district than nationally, but consumer loans were up slightly less. Instalment cash loans and single payment loans to individuals, which make up over one-half of the consumer loan portfolio of member banks, both in the district and nationally, rose less than the national average. Automobile and other retail instalment paper of district member banks, however, registered a larger gain than for the country as a whole.

The different trends in the major segments of the member bank loan portfolio are reflected in the rate of expansion for different size groups of banks. Preliminary data for member banks in the United States indicate that country banks experienced an above-average increase in loans —16 per cent as compared to 11 per cent for all member banks. The more rapid rate of increase for country banks is due largely to the composition of their loan portfolios. Real-estate, consumer, and agricultural loans, in the order of their importance, make up over two-thirds of their loan portfolios and these types of loans registered above-average gains in 1948. On the other hand, business loans, which rose only 3 per cent as compared to 11 per cent for all loans, account for about seven-tenths of the loan portfolios of central reserve city banks and about one-half of that of reserve city member banks. A sharp rise in loans to brokers and dealers for purchasing or carrying securities, important for central reserve city members but unimportant for the other groups, tended to offset the slow rise in business loans for the larger institutions. Reflecting the different rates of increase in these loan categories, loans of central reserve city members gained 10 per cent, and those of reserve city banks, 8 per cent. Preliminary data indicate a similar trend in the Third District, with country member banks continuing to show a larger percentage increase in loans than reserve city banks.

INVESTMENTS DECLINE

Total investments of commercial banks in the United States, member and nonmember, dropped about $6.6 billion in 1948 due to the decrease in Government securities. Government security holdings of district member banks were down about $200 million, and the decrease for all member banks was about $6 billion. Holdings of other securities showed little change either locally or nationally.

CASH REDEMPTION AND EXCHANGES OF MARKETABLE GOVERNMENT SECURITIES—1948
(In billions of dollars)

Type of Security	Matured or Called	Exchanged for			Cash Redemptions	
		Bills	Cert. of Indebt.	Notes	Total	Fed. Res. Banks
Bills	2.9*	....	....	....	2.9	2.9**
Certificates	21.2	....	17.5	....	3.7	2.4
Notes	7.8	....	3.9	3.6	0.3	....
Bonds	6.4	....	5.1	....	1.4	0.2
Total	38.3		26.5	3.6	8.3	5.5

* Net reduction in bills outstanding.
** Assumed that all bills redeemed were from Federal Reserve holdings.

The Treasury cash surplus was the major factor tending to reduce member and nonmember bank holdings of Government securities in 1948. Of the $8.3 billion of cash redemptions, it has been estimated that commercial banks held in the neighborhood of $1 billion. The direct effect, therefore, was to decrease commercial bank holdings by a similar amount. Even more important in its influence on earning assets, however, was the indirect effect of the cash redemption of an estimated $5.5 billion of securities held by the Federal Reserve Banks. Thus the direct and indirect effects of the Treasury's cash redemption program were substantial forces tending to decrease commercial bank investments and earning assets.

Data reported in the Treasury Ownership Survey, which included a sample with about 94 per cent of district member bank holdings, indicate some shifts in the maturity distribution of Government security portfolios. Member bank holdings of Treasury bills and certificates, both in the district and nationally, increased during the year, reflecting in part the rise in short-term interest rates. Treasury bill holdings of reporting district members were up about $100 million, constituting nearly 7 per cent of total Government security holdings at the end of 1948 as compared to about 3 per cent a year earlier. Treasury certificate holdings were up over $50 million, probably due largely to the exchange of bonds for certificates and the rise in the certificate rate. Reflecting primarily the effects of the cash redemption of Government securities and substantial exchanges of bonds for certificates, bond holdings of district member banks decreased about $300 million. As a result, Treasury bonds accounted for only 78 per cent of Government security portfolios as against nearly 83 per cent at the end of 1947.

GOVERNMENT SECURITY HOLDINGS—THIRD DISTRICT MEMBER BANKS

(End-of-year data)	Millions $		% Distribution	
	1948	1947	1948	1947
Bills	186	84	6.9	2.9
Certificates	278	221	10.3	7.6
Notes	126	197	4.7	6.8
Bonds	2,116	2,417	78.2	82.8
Total*	2,706	2,919	100.0	100.0
Maturing or callable:				
Less than 1 year	676	586	25.0	20.1
1 to 5 years	1,269	1,505	46.9	51.6
5 to 10 years	422	385	15.6	13.2
Over 10 years	339	442	12.5	15.1
Total*	2,706	2,919	100.0	100.0

* Excludes postal savings, Panama Canal, and guaranteed bonds.
Source: Based on Treasury Ownership Survey, which includes banks holding about 94 per cent of district member bank total.

The maturity distribution of the Government security portfolios of district member banks at the end of 1948 was little different from a year ago. Issues maturing or callable within one year increased from 20 per cent to 25 per cent of the total, but there was a decrease in the proportion maturing or callable within one to five years. In other words, the increase in bill and certificate holdings was largely offset by a decrease in short-term bonds. There was also a slight increase in the percentage of the portfolio maturing or callable within five to ten years, but a decrease in the over ten-year group.

G. I. LENDING

Recent trends in G. I. lending are in accord with the general feeling of uncertainty currently dominating the business and financial scene. Activity has slackened, lenders are more cautious, and the number of borrowers in financial trouble, while still small, has increased somewhat. These are all signs of an adjustment period in which returning competition and growing risks are typical.

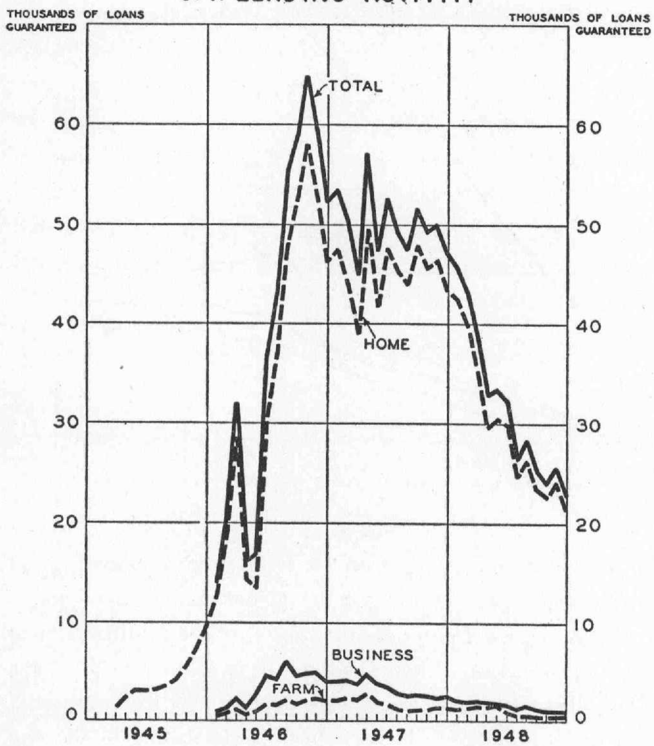
Yet, the trend of veterans' loans reflects more than this; unlike other types of loans, activity in G. I. lending has been declining for as long as two years. The importance of this decline cannot be judged merely by the number of dollars involved. For, while it is true that veterans represent only a small portion of today's borrowers, they will be big customers in the future and they constitute a group whose influence will be widely felt.

TREND OF ACTIVITY

The sharp decline in the number of veterans' loans guaranteed monthly can be seen in the first chart. From a peak of almost 65,000 in late 1946, loans have dropped to about 23,000. The trend in the total is influenced most strongly by home loans, which account for more than nine out of every ten loans being guaranteed. On these mortgages the Veterans Administration guarantees up to 50 per cent of any individual loan but not more than $4,000, or insures 15 per cent of the aggregate volume of loans made by a given lender. The mortgages bear a 4 per cent rate, may be amortized over twenty-five years, and must be based on a "reasonable value" of property. While these G. I. mortgages were declining, other mortgage lending remained high. The market premiums on veterans' mortgages disappeared and there was a growing tendency for VA guarantees to be used for second mortgages in combination with FHA insured first mortgages.

There are several reasons for this decline in G. I. home loans. Perhaps the most important has been the housing situation itself. The most urgent demands for homes have been met; yet, prices, particularly on small homes, are still sky high. Another reason often given is tight mortgage money. Lenders have been particularly cautious for some time, requiring stricter terms on G. I. mortgages. In view of rising rates on alternative investments, some lenders apparently find a 4 per cent rate on G. I. mortgages unattractive. The Veterans Administration last August was given the power, with the approval of the Secretary of the Treasury, to raise the rate to 4½ per cent, but as yet has taken no action under this authority. The status of the secondary market for G. I. mortgages has changed considerably. At present the Federal National Mortgage Association may buy up to 50 per cent of a lender's mortgages insured after April 30, 1948, but many lenders and other observers feel this is still inadequate.

G. I. LENDING ACTIVITY



G. I. business loans are much less important, dollarwise, than home loans. The legal provisions are similar, the main differences being that the guarantee limit on nonreal estate loans is $2,000, the maximum maturity for nonreal-estate loans is 10 years, and insured loans may have rates as high as 5.7 per cent. The veteran must have had some experience and a reasonable degree of success must be in prospect. Lenders have been much more hesitant to make this type of loan, and activity has been declining for a longer period and relatively more rapidly than home loans. This reflects, in part, the leveling off of the business population as a result of declining business births since early 1946, and rising business discontinuances through failures and other reasons. It also reflects the fact that the experience of lenders with business loans has been less satisfactory than with home loans. Examining the risks involved, banks found in many cases that veterans had neither the financial standing nor business experience necessary. Moreover, the costs of interviewing, screening, making and servicing the loans tend to be high and are multiplied many times as a veteran goes shopping from bank to bank for a loan.

Foreseeing these difficulties, the banks in Philadelphia formed, soon after V-E Day, a unique organization to handle this type of loan. The Philadelphia Agency for Business Loans to Servicemen, Inc., interviewed almost 20,000 veterans before it ceased lending operations at the end of 1948. Nine out of ten of these interviews were solely to give information and advice. This in itself was an essential service which the individual banks acting alone could not have performed nearly so efficiently or effectively. During the three and two-thirds years of its existence, the Philadelphia Agency disbursed 641 loans amounting to more than $1 million. Seven out of every ten loans made by the Agency were to finance the purchase of equipment and automobiles, the equipment being mostly for repair and service industries; one-eighth was for inventory and working capital; and only one-sixth was for the purchase of established businesses.

In addition to loans guaranteed by the Veterans Administration, banks in New Jersey may make loans guaranteed by that state's Veterans Loan Authority. In almost four and one-half years of operation, the Loan Authority has received over 17,000 applications for business loans and 6,500 applications for "household" loans. The provisions for business loans are similar to those of the Veterans Administration except that some are more liberal—the maximum amount is $3,000 instead of $2,000, the guarantee is 90 instead of 50 per cent of a loan, and insurance is 20 per cent of total outstandings instead of 15 per cent. Partly for this reason the Loan Authority has guaranteed thirteen times as many New Jersey loans as has the Veterans Administration. Like Veterans Administration guarantees most of these loans went to retail trade and service enterprises and relatively few to manufacturing, construction, or farming. And while activity has been much greater, it has been declining since 1946.

Since 1946 the Loan Authority also has been guaranteeing veterans' loans up to $1,000 for the purchase of household furnishings and appliances. About 6,000 of such loans have been made to date, involving over $3½ million. Most of these have been for the purchase of furniture and kitchen equipment. As in business loans, the number of new loans made has been declining.

LENDING PROSPECTS

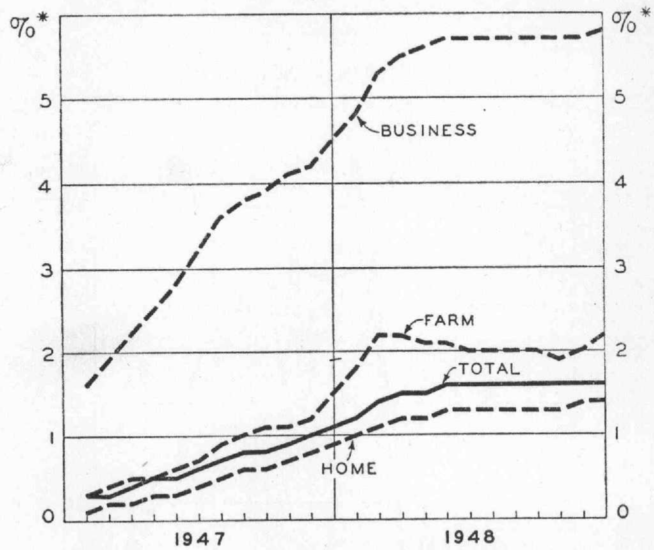
The prospects are for a continued decline in G. I. lending activity. Just how rapidly this will take place will depend, for one thing, on the environment in which the lending is carried on. Only about one out of ten eligible veterans has obtained a home under the guarantee program. Undoubtedly, many of those who have not yet used their guarantee privilege have been restrained by high housing costs, and a decline in construction costs should bring an increased demand for G. I. mortgages. As far as business loans are concerned, the demand for credit will depend largely on the rate at which new firms are established and on the general level of business activity. After more than three years of post-war readjustment, the number of businesses now in operation is about "normal" in relation to business activity, and it is unlikely that there will be a substantial increase in the business population in the near future. Some of the boom forces which contributed to a heavy loan demand are now absent. A continued decline in G. I. business loan guarantees is, therefore, to be expected.

A second important factor determining the trend of G. I. lending will be the attitude of lenders. This has been one of caution for some time and unless the business outlook becomes definitely more optimistic, it is unlikely to change. Finally, any action of the Government with respect to rates on G. I. loans and the secondary market for G. I. mortgages will be an important consideration.

INFLATION AND RISKS

G. I. loans have involved a mixture of economic, social, and political problems. Congress decided for several reasons, some of them non-economic, that credit should be available to veterans. And because many veterans did not have the required amount of the generally accepted types of security, it was necessary to provide lenders some guarantee against loss. The attainment of these economic and non-economic objectives, however, was partly at the cost of aggravating inflation by extending increasing amounts of credit at a time when the supply of goods was limited. G. I. loans, of course, were only one of the many inflationary forces at work. As prices rose it was necessary to relax the requirement of "reasonable normal value" as a basis for property appraisal to "reasonable value." The average size of home loans being guaranteed rose rapidly during 1946 and stayed high in 1947. Eventually, however, more and more lenders apparently felt the risks too great and the return too small. They became stricter, turning down a greater proportion of applications, insisting on lower appraisals, and requiring larger down payments.

DEFAULT RATE ON G. I. LOANS



*NUMBER OF LOANS IN DEFAULT AS PER CENT OF LOANS OUTSTANDING.

Lenders also found justification for their attitude in a rising proportion of loans in default, as shown in the chart. Defaults on business loans were particularly high, amounting to 58 loans out of every 1,000 outstanding at the end of 1948. One of the purposes of the Philadelphia Agency was to screen applications for business loans more effectively, and the Agency has experienced a lower default rate than prevailed either in the local eight-county VA area or the United States as a whole.

The rising proportion of loans in difficulty is in line with the current trend toward slightly rising mortgage foreclosures and more business failures. Even if economic activity remains generally high as the economy returns to normal, it is possible that more people will face unemployment and declining incomes. This would mean more mortgages in default. Credit men are finding that some veterans in business are now feeling the effects of their under-capitalization and have too much tied up in fixed assets and inventories. And since a large proportion of business failures typically consists of young concerns, more and more veterans are likely to have difficulty.

BUSINESS STATISTICS

Production
Philadelphia Federal Reserve District

Indexes: 1923-25 = 100	Adjusted for seasonal variation: Jan. 1949	Dec. 1948	Jan. 1948	Per cent change Jan. 1949 from: Month ago	Year ago	Not adjusted: Jan. 1949	Dec. 1948	Jan. 1948
INDUSTRIAL PRODUCTION	112p	115	112	− 3	0	109p	112	109
MANUFACTURING	115p	118	114	− 2	+ 1	112p	115	111
Durable goods	135p	133	125	+ 1	+ 8	....	....	....
Consumers goods	100p	106	102	− 6	− 2	....	....	....
Metal products	150	153r	148	− 2	+ 1	144	146r	142
Textile products	68p	74	72	− 9	− 6	69p	73	74r
Transportation equipment	142p	141	126r	0	+ 13	142p	142	124r
Food products	118p	126	121	− 7	− 2	115p	124	119
Tobacco and products	143	149	147	− 4	− 3	117	107	121
Building materials	64p	58	60r	+10	+ 6	52p	52	49r
Chemicals and products	189p	181	167r	+ 4	+ 13	184p	179	163r
Leather and products	85p	92	96	− 8	− 12	88p	88	100
Paper and printing	112	112	120	0	− 7	112	113	120
Individual lines								
Pig iron	100	98r	100	+ 2	0	97	97r	97
Steel	126	129r	119	− 3	+ 5	123	121r	117
Iron castings	92	95	92	− 3	0	84	88	84
Steel castings	94	108	83	−13	+ 14	100	104	88
Electrical apparatus	219	222r	227	− 1	− 3	206	215r	213
Motor vehicles	25	34r	44	−26	− 44	22	27r	39
Automobile parts and bodies	98	99	135	− 1	− 27	98	98	134
Locomotives and cars	68	69	67r	− 1	+ 2	66	69	65r
Shipbuilding	....	....	....	+ 5	+ 71	....	....	....
Silk and rayon	82	86	81	− 5	+ 1	83	88	83
Woolens and worsteds	76p	89	78r	−15	− 3	77p	82	78
Cotton products	30p	32	40	− 4	− 25	31p	34	41
Carpets and rugs	113p	116	113r	− 2	0	108p	111	109r
Hosiery	70	83r	78	−16	− 11	72	81	81
Underwear	111	120r	151	− 7	− 26	109	119r	148
Cement	121p	104	104	+17	+ 16	85p	85	73r
Brick	63	61	64	+ 2	− 2	58	59	59
Lumber and products	31	29	32	+ 6	− 4	28	28	29
Bread and bakery products	....	....	....	− 5	− 2	104	109	106
Slaughtering, meat packing	104	104	104	0	0	111	111	111
Sugar refining	130	175	15	−26	+756	90	114	11
Canning and preserving	184p	201	209	− 8	− 12	179p	204	203
Cigars	145	151	148	− 4	− 2	119	109	121
Paper and wood pulp	93	89	102	+ 5	− 8	92	89	101
Printing and publishing	116	116r	124	− 1	− 7	116	118	124
Shoes	89p	109	102	−18	− 13	91p	92	104
Leather, goat and kid	81p	77	91	+ 6	− 11	86p	84	97r
Explosives	104	115	99r	− 9	+ 6	104	114	99r
Paints and varnishes	120	112	116	+ 7	+ 3	108	109	105
Petroleum products	261p	246	219r	+ 6	+ 19	258p	245	217r
Coke, by-product	185p	186	175	0	+ 6	185p	181	175
COAL MINING	57p	67	72	−15	− 20	59p	68	73
Anthracite	55	65	70	−15	− 21	55	65	70
Bituminous	76p	87	87	−12	− 12	87p	91	99
CRUDE OIL	281	288	294	− 2	− 4	270	271	282
ELECTRIC POWER—Output	489	492	475	− 1	+ 3	519	527	503
Sales, total	520	510	490	+ 2	+ 6	536	526	505
Sales to industries	387	368	348	+ 5	+ 11	375	350	338
BUILDING CONTRACTS								
TOTAL AWARDS†	155	175	130	−11	+ 20	172	194	144
Residential†	203	193	146	+ 5	+ 39	164	187	118
Nonresidential†	139	150	125	− 8	+ 11	150	162	135
Public works and utilities†	189	234	185	−19	+ 2	242	281	237

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

Local Business Conditions*

Percentage change—January 1949 from month and year ago	Factory employment: Dec. 1948	Jan. 1948	Factory payrolls: Dec. 1948	Jan. 1948	Building permits value: Dec. 1948	Jan. 1948	Retail sales: Dec. 1948	Jan. 1948	Debits: Dec. 1948	Jan. 1948
Allentown	− 1	− 3	0	+ 1	− 36	+156	−56	+35	−24	−13
Altoona	0	+ 2	− 3	+ 5	− 13	− 51	−61	− 4	−12	− 2
Harrisburg	− 1	− 3	+ 1	+ 8	− 18	− 3	−51	+12	−11	+ 2
Johnstown	− 2	− 4	+ 6	+11	+468	+181	−58	−10	−14	+ 2
Lancaster	− 1	+ 2	− 5	+ 6	+ 14	+ 83	−54	+ 3	−13	− 2
Philadelphia	− 2	− 3	− 3	+ 1	− 84	− 47	−56	− 4	−16	− 5
Reading	− 4	− 2	− 7	− 1	+ 25	− 48	−57	− 6	−17	− 8
Scranton	−12	−13	−14	−15	+496	+868	−62	− 1	−11	0
Trenton	....	....	....	....	+ 54	+ 57	−61	+ 5	−22	0
Wilkes-Barre	− 3	+ 1	− 5	+ 2	− 82	− 36	−59	− 3	+ 5	+ 6
Williamsport	− 2	− 2	− 3	+ 4	+149	− 2	−56	0	−15	− 5
Wilmington	+ 1	− 1	+ 1	+11	− 76	− 43	....	....	−24	+ 2
York	− 9	−13	−10	− 5	+316	+131	−60	+ 4	−18	+ 1

* Area not restricted to the corporate limits of cities given here.
** Increase of 1000% or more.

Production Workers in Pennsylvania Factories

Summary Estimates—January 1949

	Employment	Weekly Payrolls	Weekly Man-Hours Worked
All manufacturing	1,074,500	$56,965,000	42,216,000
Durable goods industries	620,200	36,639,000	24,918,000
Nondurable goods industries	454,300	20,326,000	17,298,000

Changes in Major Industry Groups

Indexes (1939 average = 100)	Employment: Jan. 1949 Index	Per cent change from Dec. 1948	Jan. 1948	Payrolls: Jan. 1949 Index	Per cent change from Dec. 1948	Jan. 1948
All manufacturing	125	−3	− 4	296	−3	+ 3
Durable goods industries	153	−2	− 2	349	−2	+ 6
Nondurable goods industries	100	−4	− 6	233	−5	− 2
Food	122	−6	− 3	247	−7	+ 8
Tobacco	98	−7	− 7	221	−6	− 5
Textiles	81	−3	− 5	204	−7	− 5
Apparel	83	−4	−13	203	−5	−17
Lumber	92	−1	− 1	214	0	+ 8
Furniture and lumber prods.	92	−5	−10	225	−7	− 8
Paper	118	−2	− 3	263	−3	+ 1
Printing and publishing	132	−1	− 5	271	−2	0
Chemicals	125	−3	+ 2	267	−3	+ 8
Petroleum and coal prods.	150	−2	+ 1	321	0	+16
Rubber	130	−6	−20	250	−5	−21
Leather	87	−1	−11	183	−4	−12
Stone, clay and glass	128	−5	− 4	293	−5	+ 4
Iron and steel	141	−1	+ 1	324	0	+11
Nonferrous metals	139	−2	− 6	304	−9	− 1
Machinery (excl. electrical)	206	−2	− 2	446	−3	+ 1
Electrical machinery	229	−2	− 1	502	−4	+ 3
Transportation equip. (excl. auto)	240	−3	+ 8	501	−3	+20
Automobiles and equipment	125	−2	−31	263	−3	−30
Other manufacturing	130	−5	− 4	268	−6	+ 2

Average Earnings and Working Time

January 1949 Per cent change from year ago	Weekly Earnings: Average	Ch'ge	Hourly Earnings: Average	Ch'ge	Weekly Hours: Average	Ch'ge
All manufacturing	$53.02	+ 7	$1.349	+ 9	39.3	− 2
Durable goods indus.	59.08	+ 8	1.470	+ 9	40.2	− 1
Nondurable goods industries	44.74	+ 4	1.175	+ 8	38.1	− 3
Food	45.09	+12	1.117	+10	40.4	+ 1
Tobacco	29.76	+ 2	.778	+ 4	38.2	− 2
Textiles	44.84	+ 1	1.199	+ 7	37.4	− 6
Apparel	34.57	− 5	.952	+ 1	36.3	− 5
Lumber	43.70	+ 9	1.095	+13	39.9	− 3
Furniture and lumber products	44.92	+2	1.051	+ 6	42.7	− 4
Paper	48.30	+ 3	1.147	+ 9	42.1	− 5
Printing & publishing	58.15	+ 5	1.557	+ 7	37.4	− 2
Chemicals	50.88	+ 6	1.282	+ 8	39.7	− 2
Petrol. & coal prods.	64.95	+14	1.639	+12	39.6	+ 2
Rubber	47.77	− 2	1.423	+ 8	33.6	− 9
Leather	36.15	− 1	1.027	+ 5	35.2	− 6
Stone, clay and glass	52.22	+ 9	1.265	+ 7	41.3	+ 2
Iron and steel	62.01	+10	1.540	+ 9	40.3	+ 1
Nonferrous metals	57.02	+ 5	1.440	+ 8	39.6	− 2
Machinery (excl. elec.)	54.97	+ 3	1.392	+ 7	39.5	− 4
Electrical machinery	61.44	+ 4	1.542	+ 6	39.8	− 2
Transportation equip. (excl. auto)	63.66	+11	1.600	+10	39.8	+ 1
Automobiles & equip.	57.84	+ 2	1.476	+ 8	39.2	− 5
Other manufacturing	42.97	+ 6	1.152	+ 8	37.3	− 2

Distribution and Prices

Wholesale trade Unadjusted for seasonal variation	Per cent change January 1949 from Month ago	Year ago
Sales		
Total of all lines	−17	− 3
Dry goods	0	−25
Electrical supplies	−17	+12
Groceries	− 7	+ 3
Hardware	−56	−15
Jewelry	−67	+ 9
Paper	+32	+16
Inventories		
Total of all lines	− 4	− 2
Dry goods	− 4	− 7
Electrical supplies	− 1	+ 6
Groceries	−31	−27
Hardware	+13	+ 7

Source: U. S. Department of Commerce.

Prices	Jan. 1949	Per cent change from Month ago	Year ago	Aug. 1939
Basic commodities				
(Aug. 1939 = 100)	289	− 3	−17	+189
Wholesale				
(1926 = 100)	161	− 1	− 3	+114
Farm	173	− 3	−13	+183
Food	166	− 3	− 8	+147
Other	153	0	+ 3	+ 91
Living costs				
(1935-1939 = 100)				
United States	171	0	+ 1	+ 73
Philadelphia	170	0	+ 1	+ 74
Food	200	+ 1	− 3	+115
Clothing	191	− 2	+ 1	+ 92
Fuels	144	+ 1	+ 7	+ 49
Housefurnishings	197	− 2	+ 3	+ 96
Other	152	0	+ 7	+ 51

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation: Jan. 1949	Dec. 1948	Jan. 1948	Per cent change Jan. 1949 from Month ago	Year ago	Not adjusted: Jan. 1949	Dec. 1948	Jan. 1948
RETAIL TRADE								
Sales								
Department stores—District	279	287r	272	− 3	+ 3	209	480r	204
Philadelphia	244	260	246	− 6	0	191	434	192
Women's apparel —District	259	272	249	− 5	+ 4	213	389	204
Philadelphia	260	266	248	− 2	+ 5	221	380	211
Furniture	....	....	....	−44*	+ 2*	....	....	....
Inventories								
Department stores—District	235p	256	243	− 8	− 3	205p	218	212r
Philadelphia	208p	231	214	−10	− 3	185p	197	191
Women's apparel —District	235	228r	248	+ 3	− 5	197	201r	208
Philadelphia	265	254	283	+ 4	− 6	228	237	243
Furniture	....	....	....	− 4*	−12*	....	....	....
FREIGHT-CAR LOADINGS								
Total	124	126	132	− 2	− 6	118	121	125
Merchandise and miscellaneous	122	122	129	0	− 5	113	116	120
Merchandise—l.c.l.	67	63	77	+ 7	−13	63	62	73
Coal	114	120	132	− 5	−14	128	130	148
Ore	189	178	153	+ 6	+23	72	89	58
Coke	189	200	173	− 6	+ 9	217	216	199
Forest products	68	68	87	0	−22	55	58	70
Grain and products	146	155	129	− 6	+13	142	161	125
Livestock	77	76	85	+ 1	−10	78	82	86
MISCELLANEOUS								
Life insurance sales	198	205	216r	− 3	− 8	192	190	210
Business liquidations								
Number	....	....	....	+ 7*	+ 7*	43	40	40
Amount of liabilities	....	....	....	−44*	−47*	34	60	64
Check payments	235	239	234r	− 2	+ 1	242	277	241

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

BANKING STATISTICS

Reporting member banks (Millions $)	Feb. 23, 1949	Changes in— Four weeks	One year
Assets			
Commercial loans	533	+21	+12
Loans to brokers, etc.	16	− 2	− 2
Other loans to carry secur.	11	+ 1	− 2
Loans on real estate	94	− 2	+21
Loans to banks	7	− 6	.....
Other loans	275	− 2	+29
Total gross	936	+10	+58
Total net	926	+ 9	+53
Government securities	1326	− 9	−65
Other securities	290	+ 9	+29
Total investments	1616	.....	−36
Total loans & investments	2542	+ 9	+17
Reserve with F. R. Bank	522	−22	+27
Cash in vault	46	+ 2	+ 3
Balances with other banks	99	+ 1	− 6
Other assets—net	55	+ 3	− 1
Liabilities			
Demand deposits, adjusted	2058	−40	−53
Time deposits	434	− 4	+35
U. S. Government deposits	89	+33	+47
Interbank deposits	323	−21	−14
Borrowings	28	+24	+19
Other liabilities	25	.....	− 1
Capital account	307	+ 1	+ 7

MEMBER BANK RESERVES AND RELATED FACTORS

Third Federal Reserve District (Millions of dollars)	Changes in weeks ended— Feb. 2	Feb. 9	Feb. 16	Feb. 23	Changes in four weeks
Sources of funds:					
Reserve Bank credit extended in district	− 2	− 2	+14	−20	−10
Commercial transfers (chiefly interdistrict)	−23	+20	+ 7	+44	+48
Treasury operations	− 5	−10	−41	− 9	−65
Total	−30	+ 8	−20	+15	−27
Uses of funds:					
Currency demand	+ 4	+ 1	....	+11	+16
Member bank reserve deposits	−34	+ 7	−20	+ 2	−45
"Other deposits" at Reserve Bank	....	....	....	+ 1	+ 1
Other Federal Reserve accounts	....	....	....	+ 1	+ 1
Total	−30	+ 8	−20	+15	−27

Federal Reserve Bank of Phila. (Dollar figures in millions)	Feb. 23, 1949	Changes in— Four weeks	One year
Discounts and advances	$ 28.2	$+10.7	$+ 9.9
Industrial loans	.7	....	− .2
U. S. securities	1523.0	+21.7	+20.6
Total	$1551.9	$+32.4	$+30.3
Fed. Res. notes	$1636.4	$+ 8.8	$− 9.4
Member bank deposits	896.2	−45.0	+85.2
U. S. general account	138.6	+64.8	− 9.1
Foreign deposits	59.5	+ 5.2	+29.0
Other deposits	2.6	+ .9	+ 1.2
Gold certificate reserves	1198.9	+26.2	+79.3
Reserve ratio	43.9%	+.4%	+1.4%

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1948: Dec. 16-31	$459	$451	$ 8	2%
1949: Jan. 1-15	456	446	10	2
Jan. 16-31	450	446	4	1
Feb. 1-15	449	447	2	.....
Country banks				
1948: Dec. 16-31	$487	$441	$46	11%
1949: Jan. 1-15	484	437	47	11
Jan. 16-31	473	431	42	10
Feb. 1-15	469	429	40	9