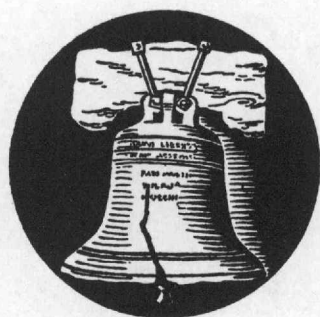


THE

BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA



V-LOANS — 1950 MODEL

Industrial mobilization creates many financial problems for business. An important one is obtaining sufficient working capital to handle Government contracts. During World War II this problem was met by guaranteed loans administered under Regulation V. Business is in a stronger financial position than it was in 1940, but many of the old problems still exist. V-loans have been recalled to service to provide adequate financing and to facilitate the flow of defense supplies and materials.

CURRENT TRENDS

All phases of business activity continued at a high pitch during September as industry made vigorous efforts to meet demand. Business loans at banks rose rapidly during the month but more slowly in October. Investments declined.

V-LOANS — 1950 MODEL

The outbreak of hostilities in June of this year has made painfully clear the fact that we have not attained either the "One World" envisioned by Wendell Willkie, or even two worlds living together at peace as hoped for by less optimistic observers. Developments since June indicate that at least partial mobilization will be necessary to maintain our military establishment at a level which, in the light of present conditions, appears adequate. It is, of course, impossible to predict how long these conditions will prevail.

Certainly, however, mobilization of manpower alone is not enough. It has already been necessary to institute regulations in the fields of consumer and real-estate credit, and preparations have been made for industrial mobilization to meet the needs of the armed services. This will involve both expansion of plant and equipment and financing of production itself.

One of the chief tools in the latter field is Government guarantee of loans to facilitate the production of war materials. This procedure, familiar to businessmen and bankers during World War II as the V-loan program, received prominent mention by the President in his message to Congress on July 19, 1950 and was incorporated in the Defense Production Act of 1950. Pursuant to this Act and Executive Order 10161, the Board of Governors of the Federal Reserve System reissued Regulation V in a revised form, effective September 27, 1950. It seems timely, therefore, to review our experience with V-loans and to consider their application to present conditions.

Background of Regulation V

Industrial mobilization of the type we experienced from 1940 to 1945 raises acute financing problems not only for the Government but also for the recipients of the war contracts. Plant and equipment must be expanded quickly, and re-tooling to meet war contracts must be accomplished in the shortest possible time. A corollary problem is that of financing inventory and payrolls until payments on the Government contracts become due. The difficulties are intensified by the production demands made of small pro-

ducers, often amounting to several times the peacetime capacity of their plants. Governmental attempts to assist small business in obtaining working capital go back to the early 1930's—the RFC, the addition of Section 13b to the Federal Reserve Act, etc. But by the end of 1939, corporation cash balances and liquid assets, although of substantial size and growing, were still not sufficient to enable businesses to finance, by themselves, expansion of the magnitude required.

Large and financially strong concerns were able to resort to their banks or to security markets for assistance but, in many cases, these avenues were not open to the small manufacturer who frequently was a sub-contractor. Bankers were reluctant to make loans of the size required to financially weak businesses for use in production which was often completely foreign to the borrower's past experience. In other cases, bankers were prevented from making loans of the amount requested, by the legal limitation which restricts loans to a single borrower to 10 per cent of the bank's capital and surplus. The RFC and the Federal Reserve Banks were not satisfactory alternatives for some of the same reasons, with the added drawback that these agencies had limited staffs which might have slowed down the machinery had they been called upon to carry the brunt of the burden.

"Defense Era" Financing

Congress and the procurement agencies themselves took steps in 1940 to make funds available to war producers. Fixed capital needs were provided for through Emergency Plant Facilities Contracts and the Defense Plant Corporation, while the various armed forces procuring agencies utilized advance and progress payments to supply working capital. Progress payments, which were used extensively by the Navy in shipbuilding contracts, entailed periodic payment in full for the work accomplished to date, and while effective for financing large items such as ships and aircraft, involved a considerable amount of "red tape". Where advance payments were used, the procurement agency—Army, Navy, or Maritime Commission—ad-

vanced up to 100 per cent of the amount of the contract to the producer on the security of controlled bank accounts at the time work was started. In addition to the fact that substantial amounts of money were tied up under this system, advances were permitted only to prime contractors, thus leaving unchanged the plight of the various tiers of subcontractors whose need was usually greatest. They were forced to rely, in turn, on advances from the prime contractors that, in many cases, were not forthcoming.

The problem was sufficiently acute by late 1941 to require more effective measures. Several bills were presented to Congress designed to give additional lending authority to the Federal Reserve Banks under Section 13b but none of these bills was enacted. Finally, under the authority of Executive Order 9112, Regulation V was issued by the Board of Governors of the Federal Reserve System, effective April 6, 1942, to provide adequate financing and to speed up the flow of war equipment, materials, and supplies.

The V-Loan Program

As first stated, the Regulation V program provided for the guarantee of war production loans by the War Department, Navy Department, and the Maritime Commission through the Federal Reserve Banks as their agents. The mechanism itself was comparatively simple. A prospective borrower, either prime or subcontractor, made application to his bank or other lending agency for a loan. The lender then applied to the Federal Reserve Bank of its district for a guarantee of the credit. From this point, procedure varied depending upon whether the borrower had Army or Navy contracts. Approval for all Navy guarantees was given in Washington; the Army authorized the Federal Reserve Banks to give approval on most commitments up to \$100,000, later increased to \$250,000. If the application was approved, the Federal Reserve Bank executed a guarantee agreement with the bank or other financial institution making the loan.

The guarantee agreement was in essence a commitment by the guarantor to purchase on ten days' notice the guaranteed portion of the particular loan concerned. This document, together with the directives of the Board of Governors concerning interest rates and guarantee fees, formed the framework within which the program operated. The interest rate for V-loans was determined by the lending bank and the borrower, the only restriction being that it should not exceed 5 per cent, which was the limit fixed by the Board. Guarantee fees were also set by the Board

and varied from 10 to 50 per cent of the interest payments, depending on the percentage of guarantee. Although permitted by the Regulation, very few 100 per cent guarantees were approved by the services. The majority were for 90 per cent, with lower figures being used occasionally. The usual term was about one year.

Among the chief beneficiaries of the program were the commercial banks which made the loans, since they could extend credit under a guarantee to the most marginal concerns provided only that the loan was "necessary or convenient" to the prosecution of the war. It was apparently intended that V-loans should be made available only to those firms which otherwise were unable to secure credit, but this condition was not rigidly enforced. The major function of the V-loan, namely to get working capital to war contractors, remained practically unchanged through the various modifications of the program to be described.

Termination Provisions

The original V-loan guarantee agreement included two provisions called "stepladder" clauses, designed to take effect in case the contract was canceled for the convenience of the Government. The first of these was designed to protect the lending bank by decreasing the dollar amount of the unguaranteed portion of the loan in direct proportion to the amount of the borrower's contracts canceled, if such cancellations exceeded 25 per cent of all the borrower's contracts. The second clause, which was to take effect under the same conditions, protected the borrower by suspending the maturity of V-loans in proportion to the percentage of his war contracts canceled until his claim was settled by the Government. He was also relieved of any obligation for interest payments on the part of the loan so suspended. During this period, interest was paid to the banks by the guarantors themselves.

As mentioned previously, V-loans were intended to accommodate only those borrowers who could not obtain credit elsewhere. The War Department interpreted the regulation leniently, as indicated by their approval of a large guaranteed loan to General Motors in October 1942. The Navy Department, however, was stricter and as a result many strong firms holding Navy contracts could not avail themselves of the "stepladder" clauses when cancellations began to roll in during mid-1943. In order to bring the termination provisions within the reach of all contractors, VT-loans were inaugurated in August 1943. They were to be available to producers regardless of financial condition

and, in addition to the provisions of straight V-loans, permitted use of the funds to free working capital when contracts were terminated.

In order for a business to get termination benefits under a V- or VT-loan, the loan must have been negotiated prior to cancellation of its contracts. Many firms, therefore, which had not utilized these devices were at a competitive disadvantage in returning to peacetime production. To assist these concerns, the Contract Settlement Act of 1944 provided for a T-loan, which could be negotiated after termination and was designed to free working capital. It was not intended to supply funds for production. T-loans utilized machinery existing under Regulation V and ran until the claim was finally settled by the Government.

The last refinement of the program occurred in September 1944 with the institution of 1944 V-loans, which superseded the V and VT types. Since T-loans were then available, the "stepladder" clauses were no longer necessary and the 1944 V-loan, although similar in intent and operation to its predecessors, eliminated these provisions.

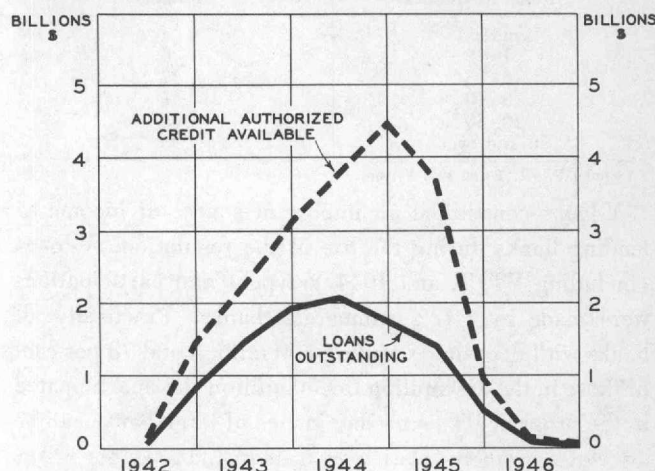
The actual loan agreements for the various types of guarantees were left to the individual bank's discretion, except in the case of T-loans for which a standard two-page form was authorized. For the other types, the banks often drew on their term lending experience, and documents up to 129 pages in length resulted—a needless addition to the complexity of the arrangements.

Appraisal of Accomplishments

It may well be asked whether Regulation V was successful in solving the problem it was created to meet, namely, that of getting working capital to small prime contractors and subcontractors. A later and incidental purpose was that of easing reconversion to peacetime production. The question can best be answered by an appraisal of the regulation's effect on those involved.

The magnitude of the V-loan program is indicated by the \$10.5 billion of credit advanced to the 4,900 borrowing businesses during the life of the program. The peak was reached in the first half of 1944 when the dollar amount of guaranteed loans outstanding under Regulation V was nearly twice as great as the amount of all non-guaranteed loans by commercial banks for war purposes. Figures on the characteristics of the borrowers are also indicative of the service performed by the program. Although small firms—that is, firms with assets of less than \$500,000—

REGULATION V-LOANS OUTSTANDING AND ADDITIONAL CREDIT AVAILABLE



received less than 10 per cent of the amount of loans guaranteed, they received almost two-thirds of the number of such loans, the average size of authorization being about \$170,000. There are no figures available to show how many of these small firms were subcontractors, but it seems reasonable to believe that the number was substantial.

RELATIVE IMPORTANCE, BY SIZE, OF V-LOAN* BORROWERS

Size of borrower (Assets in thousands of dollars)	Percentage of all borrowers	Percentage of amount authorized	Percentage of number of authorizations
Under 50	17.7	.9	16.8
50 - 500	45.1	8.0	46.3
500 - 5,000	29.8	24.3	30.7
5,000 and over	7.4	66.8	6.2
Total	100.0	100.0	100.0

* Includes V, VT, T and 1944 V-loans.

Although the provision of working capital to small business was the primary aim of the regulation, the value of the termination provisions should not be minimized. Again, dollar figures would not be impressive but the services, from the standpoint of the individual businessman, were great. Businesses, both large and small, were enabled to return to peacetime production with a minimum of financial strain and without waiting for payment of claims on canceled Government contracts. V-loans were of almost equal importance to larger firms, although in many cases it appears that they were enabled to retain their own funds for civilian production while utilizing V-loans to provide themselves with the working capital needed for war work.

BANKS MAKING V-LOANS*—BY SIZE GROUPS

Total deposits (Millions of dollars)	Percentage making V-loans
Under 1	1
1 - 2	6
2 - 5	17
5 - 10	41
10 - 50	78
50 and over	98

* Includes V, VT, T and 1944 V-loans.

V-loans constituted an important source of income to lending banks during the life of the regulation. V-loans (including VT, T, and 1944 V types) and participations were made by 1,422 commercial banks. Practically all banks with deposits exceeding \$50 million and 78 per cent of those in the \$10 million to \$50 million class participated in the program. This predominance of large banks can be attributed to their location in metropolitan centers where much of the war work was done. During the period June 1942 to June 1944, outstanding non-guaranteed war loans by commercial banks fell from \$2.2 billion to \$1.1 billion, and during the same period V-loans rose from almost zero to over \$2 billion, indicating the relative importance of this type of credit. Of the \$10.5 billion of Regulation V credit extended during the life of the program, over one-third was loaned at rates exceeding 3 per cent.

There were non-financial benefits to the lending banks which are difficult to measure in concrete terms. Procedures under Regulation V kept this type of war production financing in the commercial banking system rather than centralizing it in a Government agency, as might have been done. The way in which the banks handled the program was a credit to our banking system and in keeping with our free enterprise economy. Of equal importance to bankers was the opportunity to meet the credit needs of their old customers and to make lasting contacts with many small firms which before the war had been "unbankable" in their eyes. Many such concerns have grown in size and financial strength because of their wartime contracts and have become valued customers of the banks with which they dealt under Regulation V.

From the standpoint of the armed services, the program was undoubtedly effective. Officials of the various procuring agencies in letters to the Board of Governors in 1946 stated that Regulation V had made an important contribution to the achievement of maximum production by American industry, and thus to the successful prosecution of the war. This is true even though at the peak of the V-loan program, loans outstanding were only

half the amount of the advances made by the procuring agencies—a fact which can be attributed to the special problems of shipbuilding, where advance payments gave greater control over individual contracts than V-loans.

The financial results of the program are surprising considering the volume of loans handled and the financial condition of many of the borrowers. Income to the Treasury from guarantee fees, which varied from 10 to 50 per cent of interest payments depending on the percentage of guarantee, exceeded losses and all expenses of the program by about \$24 million by June 1950. Without the program the production of war materials would have required more Government financing through direct lending and other means at a greater expense, and trained personnel in numbers difficult to find under the existing conditions.

The V-loan program was not without its faults and shortcomings, although for the most part they resulted from the urgency of the conditions under which the regulation was instituted. Speed was essential at the outset and as a result the kinks had to be ironed out gradually as they became evident. As already shown, under the original V-loan guarantees, the "stepladder" clauses deferred maturity of the customers' loans in the event of contract termination. They did not, however, free the working capital tied up in such contracts. Revised termination provisions were not added until borrowers demanded them as a prerequisite to accepting further contracts.

A more basic problem and one for which no ready solution appears is the position of trade creditors. In the event that a war contractor is forced into receivership, the particular Government agency which guaranteed the loans becomes a preferred creditor. The trade creditor is frozen out until and unless the guarantor has received one hundred cents on the dollar. Fortunately, this situation did not arise frequently, and in any event the trade creditor is little worse off than the creditor of a firm which has pledged inventory or accounts receivable for a non-guaranteed bank loan.

The charge that the program was unnecessarily complicated in operation appears open to question. The guarantee agreement was simple and although the loan agreements were often lengthy, the lending bank could make these as short and concise as it wished.

If it can be said that there were relatively few imperfections in the regulation itself, several arose in its administration:

1. Most important of these was the difference between the policy of the Army and that of the Navy which

has been mentioned. The Navy consistently required statements from both the borrower and the procuring bureau, certifying that each individual loan was necessary in the amount requested to supplement (but not to replace) the borrower's working capital, and also a certification that such funds were not available elsewhere. The Army, on the other hand, was more lenient and permitted loans to free the borrower's own funds. This situation caused confusion in cases where a producer holding Navy contracts was refused a V-loan while his competitor making similar parts for the Army, and in similar financial condition, had no trouble obtaining credit. This was indeed a mystifying situation and the effect was, at first, to deprive the Navy contractor of termination benefits.

2. There was an apparent disinclination on the part of the guarantors to make 100 per cent guarantees or to approve V-loans to weak firms. In these cases, they preferred to make direct advances and obtain the added security of a controlled bank account. It appears also that 90 per cent came to be looked upon as a "standard" percentage of guarantee, rather than attempting to fit this factor to the credit standing of the borrower.
3. A ruling of the Comptroller of the Currency in 1943 made it necessary for each bank participating in a V-loan to be named separately on guarantee agreements in order to be released from the 10 per cent of capital and surplus limitation on unsecured loans. This added measurably to the paper work of the Federal Reserve Banks.
4. Although about two-thirds of the dollar amount of all war loans made by commercial banks were guaranteed, figures are cited showing that a minor proportion of the number of such loans was guaranteed at the peak of the V-loan program. Some have interpreted this low percentage as indicating that lending banks avoided the program due to ignorance or fear of "red tape." Another and probably more accurate interpretation, however, is that banks were willing to make the majority of war loans without resorting to guarantees.

Why Is Regulation V Needed in 1950?

Title III of the Defense Production Act authorized the President to reinstitute defense production loan guarantees

if the need should arise. The need did, in fact, arise as soon as small businessmen received defense orders too big for them to finance with their own funds, and big enough so that their banks did not wish to assume the risk. However, in addition to supplying working capital, which is again the primary purpose of the program, Regulation V performs another valuable service. In the absence of some provision for avoiding financial strain when contracts are terminated, many businessmen might well be hesitant about accepting Government orders in view of the uncertain duration of the mobilization. Termination provisions are important in assuring prompt placement of defense orders under these conditions.

As a whole, American business is in a much stronger financial position today than it was in 1940. Working capital figures for all United States corporations show cash balances in June 1950 of \$26 billion—up 98 per cent from 1940; total current assets of \$134 billion—up 123 per cent; and a new record level for net working capital of \$74 billion—up 168 per cent. In addition, cash and Government securities now amount to about 73 per cent of current liabilities of these corporations, compared to 46 per cent before the war. These figures are impressive and result, in large part, from earnings retained during the profitable war and postwar years.

Total figures, however, do not necessarily indicate that individual concerns have fared as well as the group; nor do they indicate that a small producer who needs working capital, perhaps in excess of his total assets, for war production will be able to obtain it without a guarantee. The financing problems of contractors engaged in war work are unique and although today they may be smaller in their magnitude than they were in 1941, they are similar in nature.

Operation of the Program

As might be expected, the provisions of the V-loan program as revised in September of this year closely approximate those in effect at the close of World War II. There are, however, changes in both the regulation and in announced administrative policy which are worthy of mention.

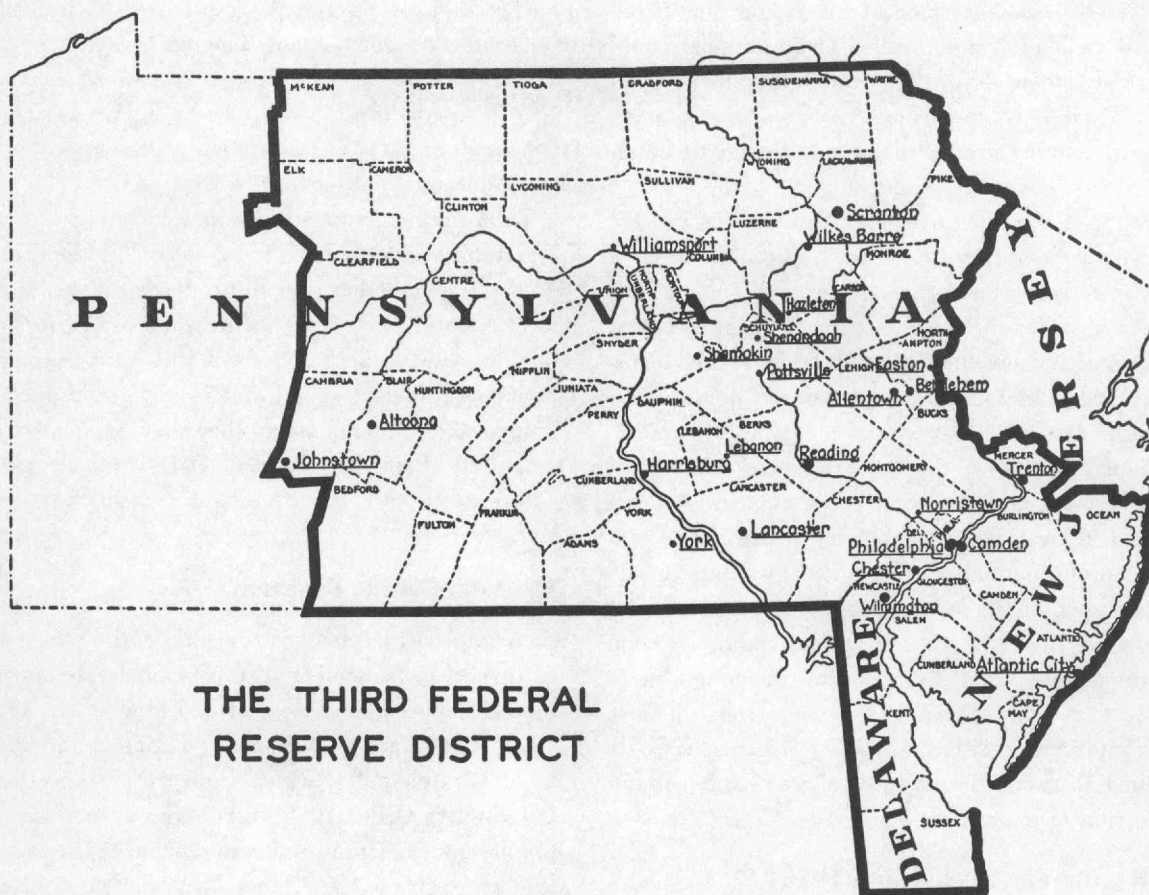
Executive Order 10161 lists seven agencies authorized to guarantee defense production loans: the departments of the Army, Navy, Air Force, Interior, Agriculture, and Commerce, and the General Services Administration. It is significant, therefore, that in the Board of Governors'

statement issued with the revised regulation there appears the following: "In the formulation of policies and procedures there will be frequent consultations between the guaranteeing agencies and the Board of Governors for the purpose of achieving uniformity and coordination to the greatest extent practicable." This seems to indicate that an effort will be made to insure uniform interpretation of the regulation although this document contains no specific statement concerning the eligibility of a borrower other than requiring that his contract be "necessary to expedite production. . . ."

The regulation itself differs little from the version in effect at the close of World War II. While specific mention is not made in the regulation of termination loans, the Defense Production Act and the Executive Order do provide for the guaranteeing of such loans. A loan agreement

between the financing institution and the borrower which provides for the financing of defense production contracts and contracts canceled or terminated not by reason of fault of the borrower would come within the scope of the regulation.

The form of the guarantee agreement which has been prescribed is identical, with a few minor exceptions, with that of the 1944 V-loan guarantee agreement which was in use at the end of World War II. The Board has fixed a maximum interest rate of 5 per cent and guarantee fees differing only slightly from those formerly in effect. As was the case previously, the Board of Governors and the individual Federal Reserve Banks will funnel all business between the lending banks and the guaranteeing agencies and will have general responsibility for administering the program.



CURRENT TRENDS

The rise of most business indicators during September in the Philadelphia Federal Reserve District evidenced a continuation of the upward trend in general business activity which characterized the preceding five months. Factory employment, payrolls and production increased over August and so did bank loans and deposits in the financial field. Construction rose slightly, but the boom showed signs of easing off. Consumer prices in Philadelphia resumed their climb, and department store sales, although large, declined from the unusually high level of the preceding month, after adjustment for seasonal change.

There were no signs in September that manufacturers were glutting their markets. Strong demand gave firms the confidence to increase production. Producers of durables made especially vigorous efforts to relieve the pressure of growing backlogs of orders. To increase output, concerns enlarged their labor forces and extended working hours. The number of manufacturing workers employed in Pennsylvania rose 3 per cent and reached a level 9 per cent above that of a year ago. Most industries shared in the employment advance with the major gains being registered by the electrical machinery and food groups. The combination of active hiring and longer hours was a prime factor in raising total payrolls. Wage payments to workers in Pennsylvania factories in September were the largest on record and 22 per cent above those of 1949.

Consumers continued to spend at a rapid pace. Although department store sales dipped slightly below those of August, they remained well above those of last year. The upsurge in sales in July and August encouraged stores to step up orders for merchandise. By September, accumulated stocks were 19 per cent above a year ago.

During the period from June 30 to October 4 the loans of all member banks in the district increased by \$172 million to \$2,138 million. Nearly half of the increase was accounted for by credit advances to business concerns, but there were also substantial gains in real estate and consumer loans. Reports of banks in leading cities indicate that the sharp upward trend in business loans slowed materially in October. Investments declined for the fourth successive month.

The Nation's privately-owned money supply increased further in September to nearly \$172 billion and toward the close of the month was approximately \$5 billion larger than a year earlier. Expansion over the twelve months, based chiefly on the substantial growth in bank loans, has been accompanied by more active use of the funds, as indicated by a higher rate of turnover of demand deposits in large cities of the country.

SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	Sept. 1950 from		9 mos. 1950 from year ago	Sept. 1950 from		9 mos. 1950 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production..	+3*	+15*	+1*	+1	+19	+11
Construction contracts.....	+1	+30	+40	-4	+35	+49
Coal mining.....	-4	+96	+8	0	+129	+7
EMPLOYMENT AND INCOME						
Factory employment.....	+3*	+9*	-1*	+1	+10	+3
Factory wage income.....	+5*	+22*	+4*	.....	.....	.....
TRADE**						
Department store sales.....	-3	+12	+6	-4	+11	+6
Department store stocks....	+6	+19	.....	+9	+17	.....
BANKING (All member banks)						
Deposits.....	+2	+7	+5	+1	+5	+4
Loans.....	+4	+21	+11	+4	+18	+8
Investments.....	-1	-1	+6	-2	-3	+6
U. S. Govt. securities.....	-1	-4	+4	-3	-6	+4
Other.....	0	+13	+14	+3	+22	+20
PRICES						
Wholesale.....	.....	.....	.....	+2	+10	+1
Consumers.....	+1†	+2†	0†	0	+2	0
OTHER						
Check payments.....	-3	+22	+17	-4	+22	+11
Output of electricity.....	+1	+14	+7	.....	.....	.....

LOCAL CONDITIONS	Factory*		Department Store		Check Payments	
	Employment		Payrolls		Sales	
	Per cent change Sept. 1950 from		Per cent change Sept. 1950 from		Per cent change Sept. 1950 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown.....	+4	+15	+9	+29	.....	+3
Altoona.....	+4	+58	+1	+56	.....	-5
Harrisburg.....	+1	+8	+7	+26	.....	-6
Johnstown.....	0	+12	+9	+31	.....	0
Lancaster.....	+2	+4	+1	+18	+19	+11
Philadelphia.....	+5	+6	+7	+16	+39	+11
Reading.....	+1	+7	0	+19	+28	+17
Scranton.....	+3	+10	+5	+21	.....	-1
Trenton.....	.....	.....	.....	+22	+13	+15
Wilkes-Barre.....	+1	+1	+2	+10	+22	+6
Williamsport.....	+5	+18	+8	+33	.....	+6
Wilmington.....	+1	+13	+6	+24	.....	+12
York.....	+3	+8	+1	+23	+8	+11

*Pennsylvania

**Adjusted for seasonal variation. †Philadelphia.

*Not restricted to corporate limits of cities but covers areas of one or more counties.

MEASURES OF OUTPUT

	Per cent change		
	Sept. 1950 from		9 mos. 1950 from year ago
	month ago	year ago	
MANUFACTURING (Pa.).....	+ 3	+ 15	+ 1
Durable goods industries.....	+ 5	+ 24	0
Nondurable goods industries.....	+ 1	+ 5	+ 2
Foods.....	+ 3	+ 2	- 1
Tobacco.....	0	- 11	-10
Textiles.....	+ 2	+ 12	+ 6
Apparel.....	+ 4	+ 1	+ 3
Lumber.....	- 1	+ 14	+ 2
Furniture.....	+ 7	+ 28	+31
Paper.....	+ 5	+ 11	+ 9
Printing and publishing.....	+ 4	- 1	- 2
Chemicals.....	+ 3	+ 12	+ 2
Petroleum and coal products.....	- 1	+ 4	- 2
Rubber.....	+12	+ 97	+20
Leather.....	- 1	+ 1	- 1
Stone, clay and glass.....	- 2	+ 10	0
Primary metal industries.....	+ 4	+ 38	+ 4
Fabricated metal products.....	+ 5	+ 28	+ 1
Machinery (except electrical).....	+ 4	+ 22	- 4
Electrical machinery.....	+12	+ 21	+ 2
Transportation equipment.....	+ 2	0	-21
Instruments and related products.....	+ 7	+ 18	- 1
Misc. manufacturing industries.....	+ 5	+ 11	+ 9
COAL MINING (3rd F. R. Dist.)*..	- 4	+ 96	+ 8
Anthracite.....	- 5	+ 84	+ 9
Bituminous.....	+ 3	+164	- 2
CRUDE OIL (3rd F. R. Dist.)*..	- 3	+ 6	0
CONSTRUCTION — CONTRACT AWARDS (3rd F. R. Dist.)†.....	+ 1	+ 30	+40
Residential.....	+ 2	+ 64	+84
Nonresidential.....	+ 3	+ 57	+31
Public works and utilities.....	- 4	- 22	+ 5

*U.S. Bureau of Mines.

**American Petroleum Inst. Bradford field.

†Source: F. W. Dodge Corporation. Changes computed from 3-month moving averages, centered on 3rd month.

EMPLOYMENT AND INCOME

Pennsylvania Manufacturing Industries*	Employment			Payrolls			Average Weekly Earnings		Average Hourly Earnings	
	Sept. 1950 (Index)	Per cent change from		Sept. 1950 (Index)	Per cent change from		Sept. 1950	% chg. from year ago	Sept. 1950	% chg. from year ago
		mo. ago	year ago		mo. ago	year ago				
All manufacturing.....	138	+3	+ 9	359	+ 5	+ 22	\$58.52	+11	1.450	+ 5
Durable goods industries.....	158	+3	+14	393	+ 6	+ 29	64.11	+13	1.562	+ 4
Nondurable goods industries.....	118	+2	+ 4	314	+ 2	+ 11	51.19	+ 7	1.297	+ 5
Foods.....	137	+7	+ 4	316	+ 5	+ 7	51.53	+ 3	1.245	+ 5
Tobacco.....	87	+1	-10	221	+ 3	- 4	33.41	+ 6	.882	+ 8
Textiles.....	87	+2	+ 7	249	+ 2	+ 14	51.15	+ 7	1.266	+ 3
Apparel.....	139	0	+ 1	370	- 4	+ 6	37.58	+ 5	1.062	+ 6
Lumber.....	171	0	+ 8	431	0	+ 20	43.87	+12	1.040	+ 5
Furniture.....	151	+6	+29	425	+ 8	+ 38	52.03	+ 7	1.202	+ 7
Paper.....	142	+3	+ 6	393	+ 6	+ 16	59.81	+ 9	1.360	+ 5
Printing and publishing.....	121	+2	0	308	+ 5	+ 4	71.65	+ 4	1.814	+ 4
Chemicals.....	145	+3	+ 8	388	+ 3	+ 22	63.80	+13	1.517	+ 7
Petroleum and coal products.....	158	0	+ 2	395	0	+ 6	75.28	+ 4	1.847	+ 1
Rubber.....	222	+4	+51	649	+13	+102	72.53	+34	1.633	+10
Leather.....	93	0	0	236	0	+ 8	43.54	+ 9	1.129	+ 8
Stone, clay and glass.....	133	-3	+ 3	345	+ 1	+ 16	59.60	+13	1.496	+ 6
Primary metal industries.....	133	+2	+21	336	+ 7	+ 42	70.53	+18	1.744	+ 3
Fabricated metal products.....	174	+5	+20	437	+ 6	+ 34	59.77	+12	1.452	+ 4
Machinery (except electrical).....	217	+4	+14	540	+ 5	+ 28	62.98	+11	1.505	+ 4
Electrical machinery.....	252	+8	+19	545	+15	+ 22	60.66	+ 3	1.467	0
Transportation equipment.....	146	+4	-12	370	+ 3	- 1	71.97	+12	1.778	+ 6
Instruments and related products.....	167	+8	+13	431	+ 6	+ 26	58.73	+11	1.456	+ 6
Misc. Manufacturing Industries.....	135	+2	+ 2	346	+ 3	+ 17	52.68	+14	1.195	+ 5

*Production workers only.

TRADE

Third F. R. District Indexes: 1935-39 Avg. = 100 Adjusted for seasonal variation	Sept. 1950 (Index)	Per cent change		
		Sept. 1950 from		9 mos. 1950 from year ago
		month ago	year ago	
SALES				
Department stores.....	310	-3	+12	+6
Women's apparel stores.....	228	-5	+ 2	-7
Furniture stores.....		+4*	+21*	+9*
STOCKS				
Department stores.....	275	+6	+19	.....
Women's apparel stores.....	239	+5	+14	.....
Furniture stores.....		+8*	+19*	.....
Recent Changes in Department Store Sales in Central Philadelphia				Per cent change from year ago
Week ended October 7.....				+ 3
Week ended October 14.....				+17
Week ended October 21.....				+ 6
Week ended October 28.....				+ 7

*Not adjusted for seasonal variation.

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales		Stocks (end of month)	
	% chg. Sept. 1950 from year ago	% chg. 9 mos. 1950 from year ago	% chg. Sept. 1950 from year ago	Ratio to sales (months' supply) September
				1950 1949
Total — All departments.....	+ 9	+ 3	+23	2.9 2.6
Main store total.....	+11	+ 5	+24	3.1 3.1
Piece goods and household textiles.....	+14	+ 1	+16	3.1 3.1
Small wares.....	+ 6	+ 2	+30	4.0 3.3
Women's and misses' accessories.....	+ 7	+ 2	+28	3.1 2.6
Women's and misses' apparel.....	+ 4	- 6	+13	2.0 1.8
Men's and boys' wear.....	+12	+ 4	+16	4.3 4.2
Housefurnishings.....	+21	+18	+29	2.9 2.8
Other main store.....	+ 3	- 1	+32	4.8 3.8
Basement store total.....	+ 2	- 3	+18	2.2 1.9
Domestics and blankets.....	+18	+ 9	+28	2.2 2.0
Small wares.....	+ 3	+ 9	+ 6	2.1 2.1
Women's and misses' wear.....	- 1	+ 8	+11	1.7 1.5
Men's and boys' wear.....	+10	+ 1	+15	2.6 2.5
Housefurnishings.....	- 1	+ 1	+40	2.8 2.0
Shoes.....	+ 3	- 1	+13	2.5 2.3
Nonmerchandise total.....	+ 6	+ 3	.....	.....

CONSUMER CREDIT

Sale Credit Third F. R. District	Sales		Receiv- ables (end of month)
	% chg. Sept. 1950 from year ago	% chg. 9 mos. 1950 from year ago	% chg. Sept. 1950 from year ago
Department stores			
Cash.....	+ 7	- 2	.....
Charge account.....	+15	+ 6	+15
Instalment account.....	+22	+23	+38
Furniture stores			
Cash.....	+ 3	- 2	.....
Charge account.....	+32	+16	.....
Instalment account.....	+25	+14	+25
Loan Credit Third F. R. District	Loans made		Loan bal- ances out- standing (end of month)
	% chg. Sept. 1950 from year ago	% chg. 9 mos. 1950 from year ago	% chg. Sept. 1950 from year ago
Consumer instalment loans			
Commercial banks.....	+56	+61	+11
Industrial banks and loan companies.....	+ 2	+ 7	+12
Small loan companies.....	-35	-36	+13
Credit unions.....	+13	+29	+37

PRICES

Index: 1935-39 average = 100	Sept. 1950 (Index)	Per cent change from		
		month ago	year ago	
Wholesale prices—United States	210	+ 2	+ 10	
Farm products	237	+ 2	+ 11	
Foods	224	+ 1	+ 9	
Other	196	+ 2	+ 10	
Consumer prices				
United States	174	0	+ 2	
Philadelphia	174	+ 1	+ 2	
Food	207	0	+ 3	
Clothing	187	+ 3	+ 1	
Fuel	146	+ 1	+ 2	
Housefurnishings	204	+ 4	+ 6	
Other	154	0	+ 1	
Weekly Wholesale Prices—U.S. (Index: 1935-39 average = 100)	All com- modi- ties	Farm prod- ucts	Foods	Other
Week ended October 3	209	236	222	197
Week ended October 10	209	234	218	198
Week ended October 17	209	234	220	198
Week ended October 24	210	235	220	198
Week ended October 31	210	236	220	199

Source: U.S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (Billions \$)	Sept. 27 1950	Changes in—	
		four weeks	year
Money supply, privately owned.....	171.7	+ .7	+ 5.3
Demand deposits, adjusted.....	88.1	+ .7	+ 5.0
Time deposits.....	59.1	0	+ .7
Currency outside banks.....	24.5	0	- .4
Turnover of demand deposits.....	21.9*	0*	+15.3*
Commercial bank earning assets.....	123.7	+ .4	+ 5.1
Loans.....	49.0	+1.8	+ 7.4
U.S. Government securities.....	62.6	-1.7	- 4.2
Other securities.....	12.1	+ .3	+ 1.9
Member bank reserves held.....	16.7	+ .4	+ .7
Required reserves (estimated).....	15.8	+ .1	+ .7
Excess reserves (estimated).....	.9	+ .3	0
Changes in reserves during 4 weeks ended September 27 reflected the following:			
		Effect on reserves	
Increase in Reserve Bank holdings of Governments.....		+.8	
Other Federal Reserve Bank credit.....		+.3	
Net payments to the Treasury.....		-.5	
Gold and foreign transactions.....		-.2	
Change in reserves.....		+.4	
*Annual rate for the month and per cent changes from month and year ago at leading cities outside N. Y. City.			
OTHER BANKING DATA			
	Oct. 25 1950	Changes in—	
		four weeks	year
Weekly reporting banks—leading cities United States (billions \$):			
Loans—			
Commercial, industrial and agricultural.....	16.3	+ .6	+ 2.6
Security.....	2.1	- .1	+ .2
Real estate.....	5.1	+ .1	+ .9
To banks.....	.3	- .1	+ .1
All other.....	5.7	+ .1	+ 1.5
Total loans—gross.....	29.5	+ .6	+ 5.3
Investments.....	40.1	- .2	- 2.8
Deposits.....	77.9	+ .7	+ 2.3
Third Federal Reserve District (millions \$):			
Loans—			
Commercial, industrial and agricultural.....	595	+ 5	+112
Security.....	43	- 7	+ 10
Real estate.....	135	+ 3	+ 35
To banks.....	.....	- 12	- 6
All other.....	376	+ 4	+ 79
Total loans—gross.....	1,149	- 7	+230
Investments.....	1,707	- 15	-164
Deposits.....	3,172	+ 9	+107
Member bank reserves and related items United States (billions \$):			
Member bank reserves held.....	16.6	0	+ .6
Reserve Bank holdings of Governments.....	19.2	- .1	+ 1.8
Gold stock.....	23.3	- .2	- 1.3
Money in circulation.....	27.1	+ .1	- .2
Treasury deposits at Reserve Banks.....	.4	- .7	0
Federal Reserve Bank of Phila. (millions \$)			
Loans and securities.....	1,283	- 7	+ 89
Federal Reserve notes.....	1,614	+ 8	+ 22
Member bank reserve deposits.....	791	+ 18	+ 49
Gold certificate reserves.....	1,256	+ 21	+ 27
Reserve ratio (%).....	49.6%	+ .5%	- 1.4%