AUGUST 1951

THE

BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA

CONSTRUCTION AND MORTGAGE FINANCE UNDER PARTIAL MOBILIZATION

Korea has created many uncertainties for builders and mortgage lenders, but one thing is still clear: when resources are being fully utilized excessive demand raises prices. The problem in construction is to divert resources from civilian to defense needs and to restrict nonessential demands. The problem has been approached through reduction of demand for construction, mostly by regulating credit, and through curtailment of supply by materials controls and limitation orders. Activity is still high, however, even though the biggest segment of the industry—housing—has declined more than one-third. It is likely that the near future will be much like the recent past. In most respects the atmosphere appears favorable to a continued high over-all level of construction and mortgage lending activity.

THE MONTH'S STATISTICS

Business trends in the Third District were relatively stable in June. Production and employment were unchanged, department store sales advanced slightly and contract awards for construction declined.

CONSTRUCTION AND MORTGAGE FINANCE UNDER PARTIAL MOBILIZATION

Ever since the outbreak of fighting in Korea over a year ago the construction and mortgage financing industries have been functioning in an environment of partial mobilization. They have been operating under several kinds of restraints, some encouragements, and many uncertainties. Peace in Korea, although it might affect the defense program, would not remove the condition of partial mobilization which has produced these restraints and uncertainties.

In a sense, however, the Korean situation has made clear once again, that so long as resources are being fully utilized excessive demand, supported by credit, will cause an inflationary spiral. This principle failed to receive the attention it deserved during the post-war period. In each successive year following World War II, construction activity rose; but so did building costs—except, in some cases, for a slight dip in 1949. Into the short period between the end of World War II and the beginning of the Korean conflict were packed huge accumulated demands of business, Government, and individuals for a limited supply of labor and materials. Business spent over $23 billion for new construction; Government paid out about $21 billion for new roads, hospitals, schools, and all sorts of public facilities; and individuals bought $33 billion worth of new dwellings.

Many factors were responsible for the huge post-war demands. Much of the demand by industry and Government represented plans which had to be postponed during the war. In the housing field, building had been low all through the 1930's and the war years; this, compared with an accelerated rate of family formation and high incomes, produced a severe housing shortage. National housing policies to alleviate the shortage were a large contributing factor in the rising volume of construction activity and prices. Estimating a need for the construction of more than one million new houses annually for many years, Congress took steps through public housing projects to assure better living conditions for low-income families. Liberal credit was encouraged through loan guarantee and insurance to increase the supply of rental housing and to make it easy for veterans and others to buy homes. When the flow of mortgage money slowed, a substantial volume of funds was put into the secondary market by the Federal Government through the Federal National Mortgage Association. With these encouragements, the volume of outstanding home mortgage debt rose from $19 billion at the end of 1945 to $42.6 billion in mid-1950.

The Korean crisis meant that large expenditures would be needed for defense and that civilian expenditures would have to be curtailed. Resources would have to be diverted from civilian construction to defense activities. The problem of restricting construction has been approached in a wide variety of ways, both through reduction of the demand for construction by cutting the demand for and the supply of credit, and through curtailment of the supply of construction through materials controls and limitation orders.

RESTRICTING DEMAND

By its very nature the construction process requires large amounts of credit. As a result, the demand for construction is especially sensitive to the quantity of credit available and the terms on which it can be obtained.

Regulation X

Regulation X and its companion restrictions in the Government-insured and guaranteed field, work on the *demand* for credit in the sense that they set up certain requirements which borrowers must meet to get loans. Basically, they provide that borrowers must raise a certain proportion of the cost of property out of their own resources and must pay off the borrowed portion in installments over a given period. The higher the down payment requirement and the shorter the maturity requirement (the latter increasing the necessary monthly payment), the greater the restriction on demand.

These requirements tend to reduce demand in a number of ways. Some people are forced to buy smaller homes than they might have been able to buy under easier credit terms. Others, not satisfied with the type of home they could obtain, or preferring to spend on other things, cancel their plans completely and leave the housing market. In either case the pressure on scarce materials is lessened. At the same time the amount of credit extended is less than would have been the case under more liberal financing terms, and repayment of debt is faster. It is unfortunate but true that the credit regulations—if they are effective at all—must prevent some people from having a new home who otherwise, under easier terms, might have been able to buy. The important point is that they are designed to achieve this end through equitable means rather than, in the case of inflation, hitting hardest those least able to stand it. It is also true that no credit restrictions can affect those financially able to pay, if necessary, 100 per cent cash. This is one of the areas in which credit regulations need an assist from other types of control, such as a limitation order on luxury housing.

Real estate credit restrictions have been in effect for more than a year. In July 1950, steps were taken to increase down payment requirements by five percentage points on FHA and VA guaranteed loans. For purposes of computing loan amounts, July 1 costs were required, necessitating an additional cash payment by the borrower to the extent of cost increases after July 1. These restrictions remained in effect until October 1950, when Regulation X was issued by the Board of Governors under authority of the Defense Production Act of 1950, applying to non-Government-aided financing — the so-called "conventional" loans—on new one- and two-family houses and major additions or improvements to existing structures. At the same time, restrictions were applied to FHA insured loans and, with an allowance for veterans preference, to VA guaranteed loans. In January 1951, the restrictions were extended to financing of structures of three-or-more family units, and in February to financing of certain kinds of nonresidential structures.

The terms required by the regulations vary with the type and value of the structure involved, but the restriction which has proved to be of greatest concern to most people is the down payment requirement for single-family homes. This rises gradually from 10 per cent for houses valued at $5,000 to 50 per cent for houses valued at $25,000 or more. A survey by the Bureau of Labor Statistics of the Philadelphia-Camden metropolitan area indicated that down payments for new single-family houses completed in the latter part of 1949—that is, under pre-Regulation X terms—averaged about 20 per cent. A large proportion of the lower-priced houses, however, were bought with no down payment at all or with less than 10 per cent.

Per cent of houses bought with initial down payment of:

Price	*Total*	*0*	*1-5%*	*6-10%*	*11-25%*	*Over 25%*
All houses	100	33	13	7	21	26
Under $8,500	100	57	15	13	6	8
$8,500-$10,499	100	46	18	5	18	13
$10,500-$12,499	100	7	6	6	42	40
$12,500-and over	100	—	—	8	22	69

There is no way of knowing how many of those making small down payments could have met the stricter terms required by Regulation X, but it is reasonable to assume the restrictions would have cut out of the market some families which were able to buy only on very easy terms. A survey recently completed for the Federal Reserve indicates that about one-fourth of those who bought homes last winter on pre-Regulation X terms had remaining liquid assets averaging about $1,000 each; and about one-tenth had liquid assets totaling $2,000 or more left over.

One advantage of selective credit regulations of this type is their flexibility in adjusting to different needs. For example, the percentage down payment required can be made larger as the value of the home increases so that the regulation will have a relatively equal impact upon all income groups. There are indications that some shifts toward larger and higher-priced construction and toward the purchase of relatively more homes by those in the higher income brackets have occurred recently. Proposals have recently been made in Congress to limit the down payments required on loans guaranteed by the Veterans Administration to 6 per cent in the case of homes costing up to $12,000; on other loans down payment requirements would be limited to 10 per cent on homes costing under $10,000. These proposals were not adopted in the extension of the Defense Production Act, but apparently will be considered again in connection with the defense housing bill. If any undesirable shifts in the composition of construction occur, the regulations can readily be changed to correct them. It is clear, though, that to be effective the regulations must restrict, and that they are apt to be felt most in the area where terms had been easiest. The aim of the regulations is to make the requirements effective enough to achieve their over-all objectives, and at the same time keep the impact as equitable as possible.

Another illustration of the adaptability of the regulations to different circumstances is the relaxation of credit restrictions in defense areas. After intensive analysis has been made of the nature of defense work, the available housing supply, and the need for additional housing, an area may be designated a critical defense area for housing purposes. The Board of Governors and the Housing and Home Finance Administrator may then relax the credit restrictions to the extent necessary to facilitate the needed new construction. To date the restrictions have been relaxed for more than 23,000 dwelling units. This careful procedure, while slower and less liberal than some would like, has nevertheless been orderly and has been successful in minimizing the inflationary impact of defense housing.

Open Market Policy

In contrast to Regulation X, the Federal Reserve's general credit policies affect construction demand principally through the *supply* of credit rather than demand for credit. A basic problem confronting the Federal Reserve System during the post-war period was its inability to take sufficiently effective steps through its general credit policies to tighten the availability of credit, so long as the Federal Reserve supported Government securities at fixed prices. In effect this policy meant the System stood ready to provide cash on demand and at fixed prices to holders of marketable Government securities. Lenders availed themselves of this opportunity to sell Governments and make mortgage and other kinds of loans. The volume of funds going into the home mortgage market thus was considerably in excess of the flow of savings into lending institutions. During 1950, three of the largest institutional lenders combined — life insurance companies, mutual savings banks, and savings and loan associations—put roughly 70 per cent of their funds into mortgages. Almost one-fourth of their funds available for investment in all types of assets was derived from the liquidation of Government securities.

The effect was doubly inflationary. In the first place, the excessive flow of credit made it possible for many families to enter the housing market, converting a large potential demand to effective demand at a time when the supply of resources for housing was limited. In the second place, the sale of Government securities to the Federal Reserve created additional bank reserves on the basis of which more loans could be made and deposits—which continued to be spent and respent—expanded.

Following an accord in March between the Federal Reserve and Treasury authorities, prices of Government securities no longer have been maintained at fixed levels and in some instances have gone below par. Lending institutions now are more reluctant to sell Government securities to make mortgage loans, partly because the rate spread between Governments and mortgages is no longer so attractive, but mostly because they are not willing to sell at a capital loss.

This change in policy has been a major factor contributing to a tightened supply, some would say "shortage", of mortgage funds. The concept of shortages is a relative thing, however; the supply is "short" only when compared with the huge demand. In reality, the Federal Reserve's action has tended to restore a more natural situation in which the demand for mortgage money is met from funds which lending institutions obtain from their inflow of savings and repayments of loans, and this is still a large volume judged by anything but boom standards. It is true, however, that the new open market policy came at a time when lenders were heavily committed to make mortgage loans. This combination of circumstances has reduced the supply of mortgage funds and the selling prices of FHA insured and VA guaranteed mortgages. Yet, the supply of funds has not "dried up," as is sometimes stated, and should be in better balance with demand as lending institutions absorb their back commitments, as the volume of savings increases, and as the demand for construction is curtailed.

In the meantime, it is possible that some shifts in the nature of the mortgage market may take place. In view of the fixed low interest rates on FHA and VA mortgages, a greater proportion of financing may be done on a conventional basis in the months ahead. There may also be a tendency toward a greater share of lending to be carried on by the savings and loan associations which ordinarily make a larger proportion of conventional loans than other lenders and which are little affected by changes in the Government bond market. Neither of these tendencies yet has been reflected in available data.

Voluntary Credit Restraint

Another method of restricting credit for construction and real-estate purposes has been through the recommendations of the Voluntary Credit Restraint Committee and the numerous regional subcommittees established pursuant to the Defense Production Act of 1950. In April, the Committee issued a bulletin calling for restraint in financing certain kinds of business capital expenditures. "Among the non-essential uses of long-term financing that in the judgment of the Committee might be postponed to a more propitious time are those for such purposes as (1) construction of facilities to improve the competitive position of an individual producer of non-essential goods, (2) expansion and modernization expenditures of concerns in distributive or service lines where the distribution or service is not defense supporting, (3) expansion and modernization programs for the manufacture of consumer goods not related to the defense effort."

In May, the Committee recommended careful screening of loans, including those for construction purposes, to state and local governments. At the same time Defense Mobilization Director Wilson requested public bodies to submit financing of $1 million or more to the regional committee for a ruling as to conformance with the VCR program before negotiation for private sale or advertising for public sale.

Inasmuch as Regulation X applies only to the conventional financing of new construction, the Committee has requested that lenders pursue conservative policies in the financing of existing properties. Loan values on existing one- to four-family homes are to be no more liberal than those allowed under Regulation X for new homes. Since most loans on existing properties were usually made for about two-thirds of appraised value, this would mean a tightening in the case of higher-priced homes. On multi-family, commercial and agricultural properties (unless the latter involves a residence), the Committee recommends that loans be limited to two-thirds of the fair value of the property and should be amortized.

"Fanny May"

Still another potential source of funds—the Federal National Mortgage Association—is under close observation. When the supply of mortgage money tightened a few years ago and generated pressure to increase the rate on VA mortgages, the restrictive consequences were overcome by means of "Fanny May" advance commitments. By obtaining advance commitments from "Fanny May", builders and construction lenders were assured that permanent financing would be forthcoming; in effect, they obtained funds directly from the Government. FNMA purchases of VA mortgages rose sharply and in March 1950 monthly purchases reached $95 million. The Housing Act of 1950, approved shortly thereafter, prohibited advance commitments and after the outbreak of fighting in Korea the President directed that "Fanny May" limit purchases and increase sales as much as possible. Sales have begun to reflect the tighter situation in the mortgage market, dropping from $16 million in May to $3 million in June. Sales may be facilitated, however, by the recent announcement that FNMA will sell at par; and purchases will be held down by the requirement that mortgages be held by the originator for at least 60 days before they are eligible for sale to "Fanny May" and by the fact that mortgages insured or guaranteed before March 1, 1951 are no longer eligible for "Fanny May" purchase. FNMA still has over $1 billion available for purchases but $350 million of this amount has been set aside to facilitate construction in defense areas from which the 60-day waiting period has been removed.

Accelerated Amortization

The relaxation of credit restrictions for defense purposes is one way of encouraging construction for a specific purpose while pursuing a policy of general restraint. Allowing accelerated amortization for tax purposes is another approach. Upon the approval of the Defense Production Administration, businessmen may write off in five years a certain percentage of the cost of plants and facilities. Thus in the case of facilities which may be of little value in peacetime, construction costs can be recovered much more rapidly and there is a possibility of tax savings if the tax rates are reduced in the future. By mid-July about $8 billion worth of certificates had been issued involving about 2,700 projects. More than three-fourths of the total value represented plants producing and processing basic materials.

RESTRICTING SUPPLY

While credit has been the principal instrument for restricting the demand for construction, the supply has been curtailed through direct controls over materials and by limitation orders.

NPA Order M-4

The most direct method of cutting unnecessary construction, of course, is simply to prohibit it. In October 1950, the National Production Authority issued its order M-4 which prohibited the construction of specified amusement and recreation facilities. It later also required approval for the construction of various types of commercial structures. To be approved, a project must be necessary to the defense effort; essential to public health, welfare or safety; or necessary to alleviate or prevent a hardship in a particular community. In May, the limitation order was amended to require authorization for the construction of "luxury" houses costing over $35,000 (later amended to 2,500 square feet), apartment buildings with more than three floors and basement, and projects using over 25 tons of steel. Early this month, Order M-4 was replaced by Order M-4A which, in effect, put the limitation order on a materials-use basis. Generally speaking the new order requires authorization for commencement of any types of construction involving the use of more than specified amounts of steel, copper and aluminum.

Materials Controls

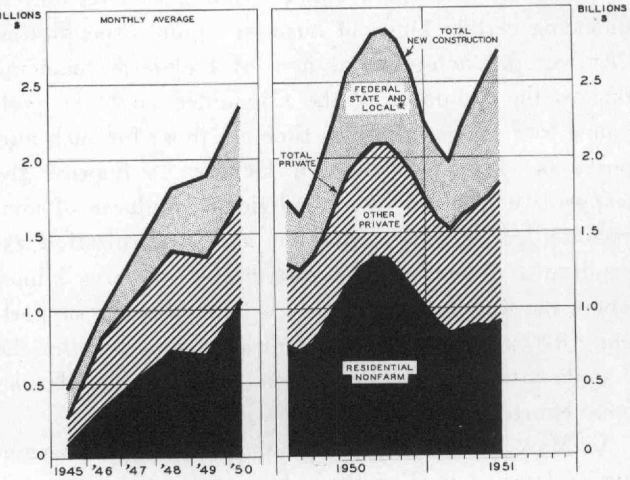
When there are not enough materials to satisfy both large civilian demands and defense needs, one way of bringing about an adjustment is to reduce by various means already described, non-essential demands to meet available supply. Another is to allocate the supply of scarce materials directly to essential purposes.

Until recently, scarce materials were channeled by a priority system. Manufacturers engaging in essential production were given priority, or "DO" ratings which gave them preference in securing needed materials. Industry was limited in the amount of essential materials such as steel, copper and aluminum which might be used in the manufacture of non-essential products. The Controlled Materials Plan which supplanted the priority system on July 1 is now applicable, on a voluntary basis, to construction, but NPA has recently announced that CMP will be mandatory in the last quarter of the year. With some exceptions, builders using more than the specified amount of critical materials must apply for allocations, while builders using less than these amounts may self-authorize their orders for materials. The materials controls and the limitation order have thus, in many respects, been merged, authorization and allotments going hand in hand.

CONSTRUCTION AND MORTGAGE TRENDS

The trends of construction and mortgage activity since Korea are influenced by all of the above policy actions and it is impossible to untangle the effects of specific

VALUE OF CONSTRUCTION PUT IN PLACE



* INCLUDES PUBLIC RESIDENTIAL CONSTRUCTION
SOURCE: DEPARTMENT OF LABOR

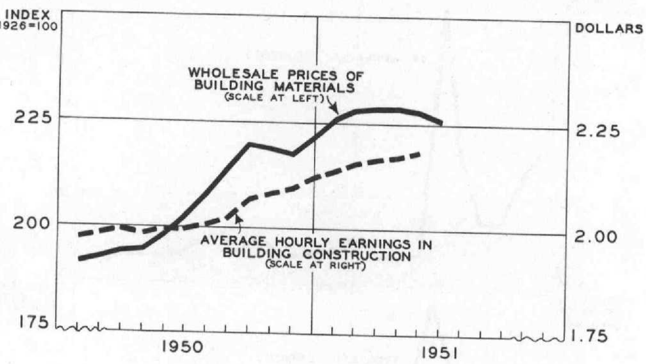
policies. During the first six months of this year, the volume of building activity in the Third Federal Reserve District, as indicated by contract awards, was one-fourth above that of a year ago. That this was close to the national expansion is revealed by the fact that awards in 37 Eastern states showed a gain of 29 per cent. Experience has been far from uniform throughout the District, however. In the first six months of this year compared with the same period last year, changes ranged from an increase of 159 per cent in Northampton County to a decline of 22 per cent in Cumberland County.

CONSTRUCTION CONTRACTS AWARDED

Area	*Percentage Change First half 1951 from year ago*
Northampton County	+159
Trenton	+103
Wilmington	+ 56
Allentown	+ 50
Reading	+ 41
Philadelphia (metropolitan area)	+ 30
Scranton	+ 9
Lancaster	+ 8
York County	+ 5
Philadelphia (city)	− 3
Harrisburg	− 15
Wilkes-Barre	− 17
Cumberland County	− 22

These data reflect inflation in costs and prices as well as changes in the number of units. Nationally, construction cost increases were most rapid in the eight months following Korea, but since February they have been generally stable at high levels. The two main items in building costs are materials and labor. As the chart shows, wholesale prices of building materials rose rapidly last summer but leveled off subsequently and have been quite stable so far this year. The various types of materials have behaved

PRICES AND WAGES IN CONSTRUCTION



quite differently. Lumber, which rose very substantially after the war, has not yet regained the peak reached last September. Since Korea the biggest increases have been recorded by paints (+ 20 per cent) and by plumbing and heating supplies (+ 18 per cent). Cement, brick and tile have risen less and are now hovering near the high points attained early this year. Labor costs have not risen as much as materials prices, but have increased without interruption. In May the average hourly earnings of building construction workers stood at $2.18 or 9 per cent higher than the wage prevailing in mid-1950.

While the total dollar volume of construction put in place is now about one-seventh greater than last year, the over-all figure fails to reflect shifts in the type of building—principally a more rapid growth in industrial and public non-residential construction and a decline in private residential. For the first half of 1951, industrial and public non-residential building registered gains of 109 and 50 per cent respectively over the corresponding period last year, while residential activity declined 1 per cent. This reverses the trend prevailing during the post-war period when residential building was the most rapidly growing segment of the industry. In other words, the construction industry is concentrating more of its efforts on building for defense at the expense of satisfying the public's demand for houses.

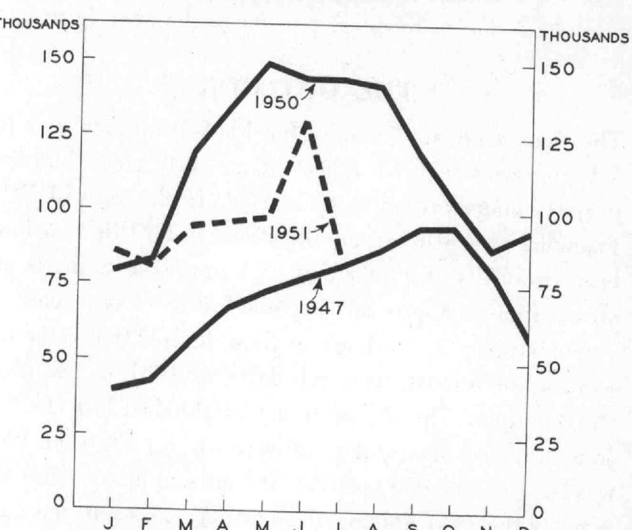
Home building, the back-bone of the post-war construction boom, not only has become a less important segment of the industry, but has also declined in absolute physical terms. Through July of this year, 670,000 new dwelling units were started, compared with 849,000 during the comparable period of 1950. As can be seen in the following table, the decline in total starts has been increasingly severe except for June, and privately financed starts show a progressive decline through July.

NEW PERMANENT NON-FARM DWELLING UNITS STARTED

	Total		*Privately Financed*	
	Thous. of units	*% Change from 1950*	*Thous. of units*	*% Change from 1950*
1951				
Jan.	86	+ 9	82	+ 5
Feb.	81	— 2	77	— 6
Mar.	94	—20	90	—22
Apr.	96	—28	92	—30
May	97	—35	94	—36
June	130	—10	88	—39
July	86	—40	83	—41
	670	—21	606	—28

In the early part of the year activity remained high as the large backlog of pre-Regulation X commitments, estimated to involve some 400,000 housing units, was being worked off. The credit restrictions gradually became ap-

HOUSING STARTS



SOURCE: DEPARTMENT OF LABOR.

plicable to a larger proportion of construction activity and some builders report that the restrictions are now having their full effect.

In the Philadelphia area the decline in housing starts has been more severe than in the country as a whole. During the first five months of the year starts locally were one-third below a year ago, compared with one-fifth nationally. One reason for the difference may be that relatively less pre-Regulation X commitments were obtained at the last minute by builders in this area with the result that the impact of the regulations was felt sooner. At any rate, this is a reversal of the post-war trend in which Philadelphia had experienced an exceptional rate of home building compared with the United States as a whole. A spot check of representative local real estate men indicates that sales of existing properties are also below the level of a year ago.

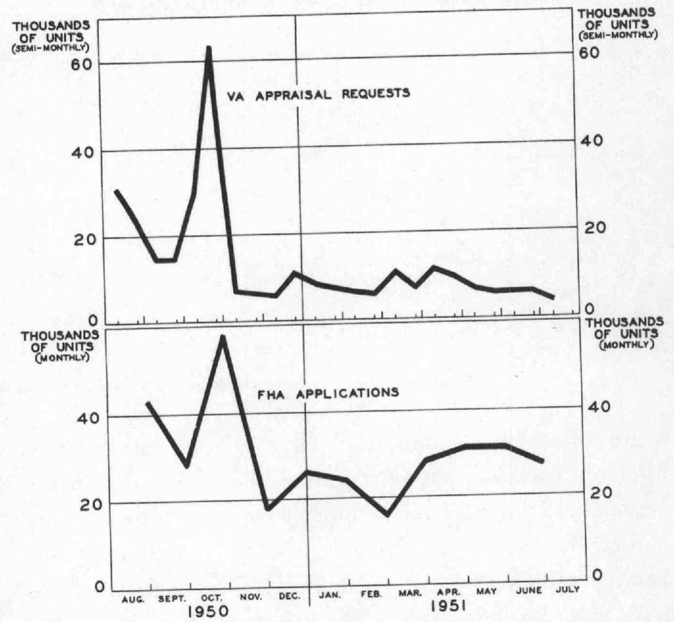
Despite the various efforts to restrict the expansion of real estate credit, the volume of lending is still increasing, although not as rapidly as last year. Non-farm mortgage recordings during the first five months of the year were 15 per cent greater than in 1950. In the Third District the volume of residential mortgage loans of member banks rose 5 per cent in the first half of this year compared with 7 per cent during the first half of last year. Contrary to expectations, there has not yet been a major shift away from financing with FHA insurance or VA guarantee toward conventional lending; the proportions of housing starts accounted for by the three methods of financing have changed very little. Recent data on FHA and VA activities at the processing stage, however, may provide a clue as to developments in the near future.

THE OUTLOOK

The figures on applications for FHA insurance and fo VA appraisal requests reflect at an early stage building projects underway or to be started. In the case of FHA financing of new houses, applications so far this year have been two-fifths of a year ago. VA appraisal requests are off even more, approximating one-fourth of last year.

It is largely on the basis of these figures that some observers are forecasting total starts in 1951 of less than 850,000 units. The official figure established last October as a suitable volume of housing starts for the year 1951 was between 800,000 and 850,000 units, approximately the same as the 1947 volume. This target was set in the light of the best information available at that time of the probable availability of materials and the inflationary outlook. Such a volume of activity would constitute a decline of about 40 per cent from the peak year 1950. Because of the high level of activity earlier in the year, it would be necessary for starts in the last five months to decline 67 per cent below 1950 in order to achieve the goal for the entire year. While this might be possible, it would be impossible for starts in the last five months to be enough

VA AND FHA NEW HOME ACTIVITY



below a year ago to reduce the total volume of starts to 700,000—a level which some have predicted. At any rate, there is nothing sacred about a figure of 850,000. If changing circumstances warrant, the target could be revised, perhaps to a current rate rather than a calendar year basis.

The Director of Defense Mobilization has indicated that the volume of housing activity in 1952 should be about the same as in 1951. "After allowing for the increase in military and defense construction, and for the volume of essential civilian construction, the total volume in all categories in 1952 may approximate in physical terms about 80 per cent of the volume of construction performed in 1950. In some categories of course, as utilities, the volume may not be far from what it was in 1950. In others, such as public, industrial and military, it will be far above what it was in 1950, and in still others, such as housing, it should be below 1950 but not below

1951 levels." Thus, barring any major international developments, it is likely that the near future will be much like the recent past. A spot check of local builders, lenders and real estate men seemed to suggest that their thinking also is along these lines. Prices and costs, according to those interviewed, are generally expected to remain fairly constant, materials (with the exception of certain metals) will not be so tight as to hamper activities, and the "shortage" of mortgage funds—which many observers indicate has been a stronger force than Regulation X—should begin to ease somewhat by the end of the year. In most respects the atmosphere will be favorable to a continued high over-all level of construction and mortgage lending activity.

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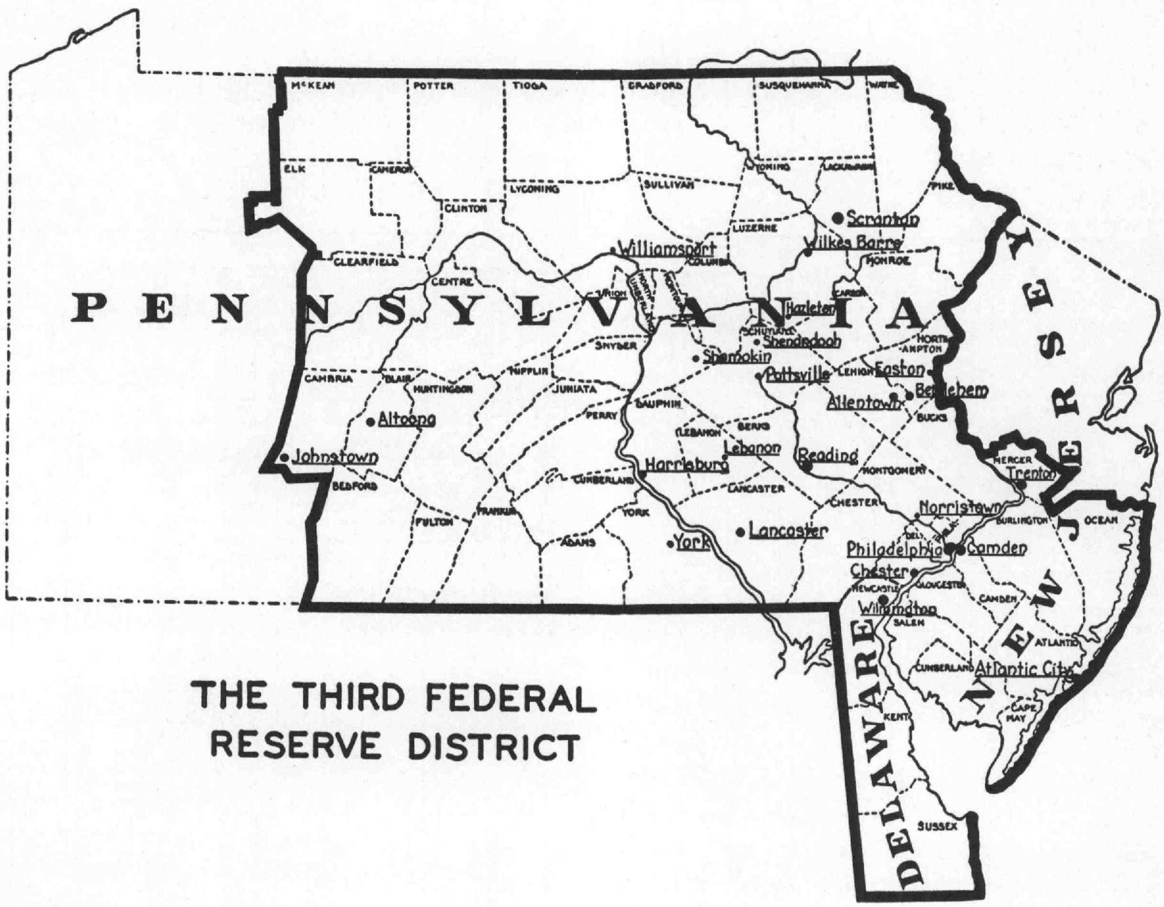

THE THIRD FEDERAL RESERVE DISTRICT

CURRENT TRENDS

Trends in commercial and financial activity in the Third Federal Reserve District during June were comparatively stable, with most business indexes showing little or no change.

Physical output of Pennsylvania manufacturing plants remained at the previous month's level, although firms making nondurable goods continued to curtail operations. With the June reduction, activity in factories producing soft goods fell below that of a year ago for the first time since April 1950. Factory employment was also unchanged during the month despite the adverse effects of the nondurable cutback. A number of firms reported that they were compelled to lay off workers because of material shortages or conversion to defense production.

Department store sales rose somewhat during the month but failed to show an increase over a year earlier for the first time in thirteen months. The various soft goods lines, such as apparel, made a better showing than hard lines in year-ago comparisons of sales. Preliminary figures indicate that July's volume will be considerably beneath that of last year when fighting in Korea precipitated a wave of consumer buying.

Building activity, as reflected by construction contract awards, declined in June but still showed considerable vitality. Residential and public works and utilities construction continued below 1950 levels, but nonresidential activity, sustained by the boom in the industrial field, recorded a gain of 144 per cent.

The cost-of-living index in Philadelphia was virtually unchanged for the fourth consecutive month. A slight increase in fuel prices was offset by declines in housefurnishings and miscellaneous items.

Loans at Third District reporting member banks rose fractionally in the 5 weeks ending July 25. During the 4 months from the end of 1950 to April 25, 1951 total loans increased by 8 per cent, whereas in the 3 months through July 25 loans have risen by only about one-half of one per cent.

For the country as a whole, loans at reporting member banks were down somewhat in the June 20 to July 25 period. Total loans rose by almost 3 per cent in the first four months of the year, but the increase for the three months ending July 25 was less than one-half of one per cent.

SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	June 1951 from		6 mos. 1951 from year ago	June 1951 from		6 mos. 1951 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production..	0*	+10*	+15*	0	+11	+18
Construction contracts.....	−3	+15	+27	+1	+32	+28
Coal mining..............	+5	− 9	− 6	+4	− 4	+11
EMPLOYMENT AND INCOME						
Factory employment.......	0*	+ 8*	+11*	0	+ 8	+12
Factory wage income.......	0*	+23*	+28*	.....	.....	.....
TRADE**						
Department store sales.....	+2	0	+ 9	0	+ 1	+ 9
Department store stocks....	−1	+29	.....	−3	+28	.....
BANKING (All member banks)						
Deposits..................	+1	+ 3	+ 4	+1	+ 6	+ 6
Loans.....................	+2	+24	+26	+1	+24	+26
Investments...............	0	−10	− 9	+1	− 8	− 8
U. S. Govt. securities.....	0	−13	−12	+1	−12	−12
Other....................	+1	+ 4	+ 6	+1	+14	+17
PRICES						
Wholesale................	.....	.....	.....	−1	+15	+19
Consumers................	0†	+ 9†	+11†	0	+ 9	+10
OTHER						
Check payments...........	−1	+ 6	+16	+3	+13	+21
Output of electricity.......	+1	+ 6	+10	.....	.....	.....

*Pennsylvania
**Adjusted for seasonal variation. †Philadelphia.

LOCAL CONDITIONS	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change June 1951 from		Per cent change June 1951 from		Per cent change June 1951 from		Per cent change June 1951 from		Per cent change June 1951 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown............	+ 1	+20	+ 2	+40	.....	.....	.....	.....	+ 1	+ 9
Altoona............	−16	− 1	−17	+14	.....	.....	.....	.....	− 2	+13
Harrisburg............	+ 1	+10	+ 1	+25	.....	.....	.....	.....	+ 2	+34
Johnstown............	0	+10	+11	+34	.....	.....	.....	.....	− 2	+10
Lancaster............	+ 1	+ 8	+ 3	+21	−8	+2	− 7	+21	− 4	+ 9
Philadelphia............	− 1	+10	+ 1	+23	−5	−1	− 9	+30	− 3	+ 3
Reading............	− 4	+ 1	− 5	+10	−5	+1	−10	+28	− 2	+10
Scranton............	0	− 1	+ 3	+ 6	.....	.....	.....	.....	+10	+13
Trenton............	.....	.....	.....	.....	−5	−2	−10	+26	− 4	+ 2
Wilkes-Barre............	− 3	0	− 3	+10	−7	−8	− 7	+26	+ 1	+10
Williamsport............	− 1	+12	− 1	+25	.....	.....	.....	.....	+ 4	+19
Wilmington............	0	+ 8	− 1	+19	.....	.....	.....	.....	+20	+20
York............	+ 2	0	+ 1	+12	−6	+1	−13	+20	−15	− 2

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

MEASURES OF OUTPUT

	Per cent change		
	June 1951 from		6 mos. 1951 from year ago
	month ago	year ago	
MANUFACTURING (Pa.)	0	+ 10	+15
Durable goods industries	0	+ 19	+24
Nondurable goods industries	− 1	− 1	+ 4
Foods	+ 4	0	+ 2
Tobacco	+ 5	+ 3	+ 4
Textiles	− 6	− 12	− 1
Apparel	− 1	− 3	+ 3
Lumber	− 2	− 6	+ 2
Furniture	−13	− 22	− 6
Paper	− 2	+ 6	+12
Printing and publishing	− 2	+ 1	+ 1
Chemicals	− 2	+ 12	+14
Petroleum and coal products	+ 4	+ 2	+ 4
Rubber	0	+ 18	+27
Leather	+ 7	− 1	+ 2
Stone, clay and glass	− 1	+ 12	+16
Primary metal industries	+ 2	+ 18	+23
Fabricated metal products	0	+ 24	+33
Machinery (except electrical)	0	+ 22	+29
Electrical machinery	0	+ 22	+23
Transportation equipment	− 2	+ 23	+27
Instruments and related products	+ 1	+ 34	+36
Misc. manufacturing industries	0	+ 21	+24
COAL MINING (3rd F. R. Dist.)*	+ 5	− 9	− 6
Anthracite	+ 4	− 10	−10
Bituminous	+12	− 1	+21
CRUDE OIL (3rd F. R. Dist.)**	− 5	− 4	+ 2
CONSTRUCTION — CONTRACT AWARDS (3rd F. R. Dist.)†	− 3	+ 15	+27
Residential	− 3	− 17	+17
Nonresidential	− 2	+144	+95
Public works and utilities	− 6	− 57	−33

*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	
Indexes (1939 avg. = 100)	June 1951 (Index)	Per cent change from: mo. ago	Per cent change from: year ago	June 1951 (Index)	Per cent change from: mo. ago	Per cent change from: year ago	June 1951	% chg. from year ago	June 1951	% chg. from year ago
All manufacturing	140	0	+ 8	397	0	+23	$63.87	+13	$1.59	+12
Durable goods industries	170	0	+16	465	+ 1	+32	70.37	+14	1.71	+12
Nondurable goods industries	109	− 2	− 1	308	0	+ 8	53.99	+ 9	1.40	+ 9
Foods	119	+ 2	0	300	+ 4	+12	56.40	+12	1.36	+10
Tobacco	90	+ 3	+ 6	231	+ 4	+11	33.61	+ 5	.92	+ 8
Textiles	75	− 6	− 8	213	− 6	− 3	50.97	+ 6	1.37	+10
Apparel	129	− 2	− 3	364	− 1	+ 4	39.76	+ 7	1.14	+ 8
Lumber	161	+ 1	− 5	415	0	+ 2	44.82	+ 8	1.11	+10
Furniture	111	−11	−20	318	−12	−18	52.93	+ 3	1.24	+ 5
Paper	148	− 1	+ 5	431	− 1	+15	62.93	+ 9	1.47	+ 9
Printing and publishing	117	− 1	0	304	− 1	+ 6	73.31	+ 7	1.87	+ 6
Chemicals	152	0	+12	430	0	+23	67.33	+10	1.59	+10
Petroleum and coal products	159	+ 2	+ 1	438	+ 3	+10	83.04	+ 9	1.99	+ 8
Rubber	244	+ 1	+19	749	+ 5	+36	76.28	+14	1.81	+14
Leather	86	+ 3	− 1	231	+ 7	+ 7	46.01	+ 8	1.22	+ 9
Stone, clay and glass	147	0	+11	414	− 1	+25	64.39	+13	1.62	+12
Primary metal industries	144	+ 1	+15	401	+ 3	+32	77.63	+15	1.92	+12
Fabricated metal products	185	0	+19	512	0	+38	65.85	+16	1.58	+12
Machinery (except electrical)	246	+ 1	+19	688	0	+34	71.00	+13	1.65	+11
Electrical machinery	264	− 2	+21	626	+ 1	+38	66.44	+14	1.61	+12
Transportation equipment	166	0	+24	440	− 1	+35	75.16	+ 9	1.88	+ 9
Instruments and related products	189	+ 1	+27	567	+ 1	+49	68.30	+17	1.62	+12
Misc. manufacturing industries	150	+ 1	+20	390	0	+32	53.26	+10	1.28	+10

*Production workers only.

TRADE

Third F. R. District Indexes: 1935-39 Avg. = 100 Adjusted for seasonal variation	June 1951 (Index)	Per cent change		
		June 1951 from: month ago	June 1951 from: year ago	6 mos. 1951 from year ago
SALES				
Department stores	285	+2	0	+9
Women's apparel stores	230	+7	− 2	+3
Furniture stores	....	−9*	− 5*	+8*
STOCKS				
Department stores	314p	−1	+29	....
Women's apparel stores	255	+5	+20	....
Furniture stores	....	−7*	+32*	....

Recent Changes in Department Store Sales in Central Philadelphia	Per cent change from year ago
Week ended July 7	+21
Week ended July 14	− 2
Week ended July 21	−15
Week ended July 28	−21
Week ended Aug. 4	−18

Departmental Sales and Stocks of Independent Department Stores Third F. R. District	Sales		Stocks (end of month)		
	% chg. June 1951 from year ago	% chg. 6 mos. 1951 from year ago	% chg. June 1951 from year ago	Ratio to sales (months' supply) June 1951	Ratio to sales (months' supply) June 1950
Total — All departments	− 3	+ 5	+29	3.5	2.6
Main store total	− 2	+ 6	+29	3.8	2.9
Piece goods and household textiles	0	+12	+37	5.0	3.6
Small wares	+ 2	+ 1	+12	4.0	3.7
Women's and misses' accessories	0	+ 5	+15	3.3	2.9
Women's and misses' apparel	0	+ 7	+13	2.0	1.8
Men's and boys' wear	− 1	+ 6	+33	3.4	2.6
Housefurnishings	− 9	+ 7	+40	5.5	3.6
Other main store	+ 6	+ 4	+53	3.5	2.5
Basement store total	− 6	+ 2	+30	2.1	1.5
Domestics and blankets	− 7	+10	+99	4.4	2.1
Small wares	−12	−10	+ 7	1.9	1.6
Women's and misses' wear	− 4	+ 2	+ 8	1.3	1.2
Men's and boys' wear	− 5	+ 4	+29	2.0	1.4
Housefurnishings	−16	− 4	+53	3.7	2.0
Shoes	− 5	+ 7	+18	2.6	2.1
Nonmerchandise total	− 1	+ 4	......	......	......

* Not adjusted for seasonal variation. p—preliminary.

CONSUMER CREDIT

Sale Credit Third F. R. District	Sales: % chg. June 1951 from year ago	Sales: % chg. 6 mos. 1951 from year ago	Receivables (end of month): % chg. June 1951 from year ago
Department stores			
Cash	+ 1	+ 4	....
Charge account	− 1	+11	+14
Instalment account	−12	− 5	− 2
Furniture stores			
Cash	+11	+10	....
Charge account	+ 5	+31	....
Instalment account	+ 6	+14	+ 1

Loan Credit Third F. R. District	Loans made: % chg. June 1951 from year ago	Loans made: % chg. 6 mos. 1951 from year ago	Loan balances outstanding (end of month): % chg. June 1951 from year ago
Consumer instalment loans			
Commercial banks	−13	− 7	− 5
Industrial banks and loan companies	−23	+ 2	+ 6
Small loan companies	+ 8	+13	+11
Credit unions	−16	+ 4	+15

PRICES

Index: 1935-39 average = 100	June 1951 (Index)	Per cent change from month ago	Per cent change from year ago
Wholesale prices—United States	225	−1	+15
Farm products	261	0	+20
Foods	236	−1	+15
Other	210	−1	+15
Consumer prices			
United States	186	0	+ 9
Philadelphia	186	0	+ 9
Food	221	0	+ 9
Clothing	205	0	+13
Rent	.....	.....	.....
Fuel	151	+1	+ 7
Housefurnishings	224	−1	+17
Other	170	−1	+11

Weekly Wholesale Prices—U.S. (Index: 1935-39 average = 100)	All commodities	Farm products	Foods	Other
Week ended July 10	223	258	235	207
Week ended July 17	222	252	236	207
Week ended July 24	221	249	234	207
Week ended July 31	221	250	235	206

Source: U.S. Bureau of Labor Statistics.

BANKING

MONEY SUPPLY AND RELATED ITEMS United States (Billions $)	June 27 1951	Changes in— four weeks	Changes in— year
Money supply, privately owned	174.2	+ .5	+ 4.3
Demand deposits, adjusted	89.5	0	+ 4.4
Time deposits	59.8	+ .5	+ .1
Currency outside banks	25.0	+ .1	− .2
Turnover of demand deposits	22.0*	0*	+10.0*
Commercial bank earning assets	126.2	+1.2	+ 4.5
Loans	55.0	+ .6	+10.3
U.S. Government securities	58.6	+ .5	− 7.2
Other securities	12.6	+ .1	+ 1.4
Member bank reserves held	19.1	+ .6	+ 3.1
Required reserves (estimated)	18.6	+ .4	+ 3.1
Excess reserves (estimated)	.5	+ .2	0

Changes in reserves during 4 weeks ended June 27 reflected the following:

(Billions $)	Effect on reserves
Increase in Reserve Bank holdings of Governments	+.5
Decrease in Reserve Bank loans	−.3
Increase in other Reserve Bank credit	+.3
Net payments by the Treasury	+.2
Increase of money in circulation	−.1
Change in reserves	+.6

* Annual rate for the month and per cent changes from month and year ago at leading cities outside N. Y. City.

OTHER BANKING DATA	July 25 1951	Changes in— five weeks	Changes in— year
Weekly reporting banks—leading cities			
United States (*billions* $):			
Loans—			
Commercial, industrial and agricultural	18.9	− .3	+ 5.0
Security	2.2	+ .2	− .5
Real estate	5.6	0	+ .8
To banks	.4	− .1	+ .1
All other	5.9	0	+ .8
Total loans—gross	33.0	− .2	+ 6.2
Investments	37.6	− .2	− 4.1
Deposits	80.1	− .8	+ 3.9
Third Federal Reserve District (*millions* $):			
Loans—			
Commercial, industrial and agricultural	758	− 2	+236
Security	42	− 2	− 1
Real estate	147	+ 1	+ 25
To banks	11	+ 5	− 4
All other	390	+ 3	+ 52
Total loans—gross	1,348	+ 5	+308
Investments	1,498	− 12	−284
Deposits	3,132	− 82	+ 28
Member bank reserves and related items			
United States (*billions* $):			
Member bank reserves held	19.1	− .4	+ 2.7
Reserve Bank holdings of Governments	23.1	+ .3	+ 5.1
Gold stock	21.8	0	− 2.4
Money in circulation	27.7	+ .2	+ .8
Treasury deposits at Reserve Banks	.4	0	− .1
Federal Reserve Bank of Phila. (*millions* $):			
Loans and securities	1,462	+ 11	+261
Federal Reserve notes	1,671	+ 22	+ 69
Member bank reserve deposits	873	− 10	+111
Gold certificate reserves	1,188	− 10	−134
Reserve ratio (%)	44.8%	−1.2%	− 7.9%