

# business review



FEDERAL RESERVE  
BANK OF  
PHILADELPHIA

## **THE BRANCH AND MERGER MOVEMENT IN THE THIRD FEDERAL RESERVE DISTRICT**

*This article, the first of a series on results of a case study of basic changes currently going on in the banking structure, presents the background for recent developments.*

## **FIXED COSTS OF LIVING**

*Fixed claims on income are rising faster than take-home pay. This helps explain the lower level of retail sales.*

## **NEW INDUSTRIAL STATISTICS**

*. . . now available monthly for the Third Federal Reserve District.*

## **CURRENT TRENDS**

*Vacation spending in resort areas holds up well.*

# THE BRANCH AND MERGER MOVEMENT

## in the Third Federal Reserve District



### **First National Bank and Second Trust Company to Merge**

Directors of the First National Bank and the Second Trust Co. announced here yesterday approval of plans to merge the two banks under the charter of the First National Bank. The combined institution will be known as the First-Second National Bank & Trust Co. The merger is subject to the approval of stockholders and of regulatory authorities.

Stockholders of the Second Trust Co. will receive two shares of par \$20 stock in the consolidated bank for each share, par \$25, now held. Shortly after announcement of the plan the price of Second Trust Co. stock advanced several points.

Charles B. Abbott, President of the First National Bank, will serve as Chairman of the Board of the combined institution; Arthur C. Beals, President of the Second Trust Co. will become Chairman of the Executive Committee; and Benjamin A. Carlson, Executive Vice President of the First National Bank, will be President. All personnel of both banks, it was stated, will be retained, and officers and employees of the Second Trust Co. will come under the retirement plan in effect at the First National Bank. Mr. Beals and Barton C. Alexander, presently directors of the Second Trust Co., will join the board of the combined institution. The remainder of the present board of directors of the Second Trust Co. will serve as a special advisory committee.

The First National Bank had resources of \$53,000,000 on June 30. Total resources of the Second Trust Co. on that date were \$18,000,000. With combined resources of \$71,000,000 the new institution will be second largest in the city.

In the joint announcement, Abbott and Beals stated that, "the merger will make possible increased, and more efficient, services to customers of both institutions. It brings together the complete lending services of the First National Bank and the fiduciary facilities of the Second Trust Co. Moreover, the three branches of the Trust Company will enable the enlarged bank to better meet the growing needs of the suburban area."

This is the first of a series of articles on results of a case study of bank mergers\* and branches in the Third Federal Reserve District. The theme for this study is struck by the imaginary news item to the left. Any resemblance to an actual, or even typical, situation is purely coincidental; but the habitual reader of the financial press may find it somewhat familiar.

Reports like this reflect a basic change currently going on in the structure of the banking system. Those who earn a living from banks, of course, are intimately affected by it. To the banker himself it may mean a change in his job, particularly in how much he has to say about bank policy. And to the stockholder it may mean a change in yield or value of his holdings. In the longer run, however, the person affected more vitally than anyone else may well be the customer, because current changes in the banking structure may greatly influence the quantity, quality, and cost of services he gets from banks. So these news items are worth looking into.

On the other hand, most people over thirty years old can recall that the banking structure has changed before; current developments should be kept in perspective. Our case study of the branch and merger movement, therefore, will

\* Distinctions are sometimes drawn among mergers, consolidations, absorptions, and purchases. Unless otherwise noted, the term "merger" will be used to cover any combination of banks.



begin with a brief consideration of the background against which current changes are taking place. Then, in subsequent issues of this Review, we shall look at (1) the nature of the changes, particularly the characteristics of the banks involved; (2) the “how” of the branch and merger movement, including legal aspects and the terms of mergers; (3) the “why” of mergers and branches; and (4) some general conclusions.

## **PART I: BACKGROUND**

Like everything else, banks, if they are to survive, must adapt themselves to their environment. As our economy has changed over the years, so has the banking structure. The charts\* on pages 8 and 9 give an over-all picture of how the banking structure has evolved thus far in this century.

### **Phase No. 1**

During approximately the first two decades, the picture is one of “extensive” expansion in banking. This was a period of economic growth, and farming was especially prosperous. New banks—mostly small banks chartered by the states—sprang up in small towns all over the South and mid-West. The outlook for banking was profitable and it was easy to get a bank started.

Most of these banks were unit banks. Branch banking had not been uncommon before the Civil War but with the establishment of the national banking system, branches were generally frowned upon. There were times when pressure for branch banking would build up, but not until the twenties did it have much effect on the banking structure.

While banks were heading in one direction, various strong forces in the economy were head-

ing in the other. People were moving to large cities and business concerns were merging or in other ways building huge organizations to produce and distribute goods on a mass basis. The banking structure was due for a change.

### **Phase No. 2**

Beginning in the early twenties and ending with the banking holiday, banks suffered through their next phase—a period of retrenchment. The number of banks was cut in half as a result of three main things: fewer new banks being established, failures, and mergers. Although we usually think of the twenties as a prosperous period, this was not so in many farm areas. Bank earnings were poor and there were too many banks. Consequently, few applications were submitted to start new banks.

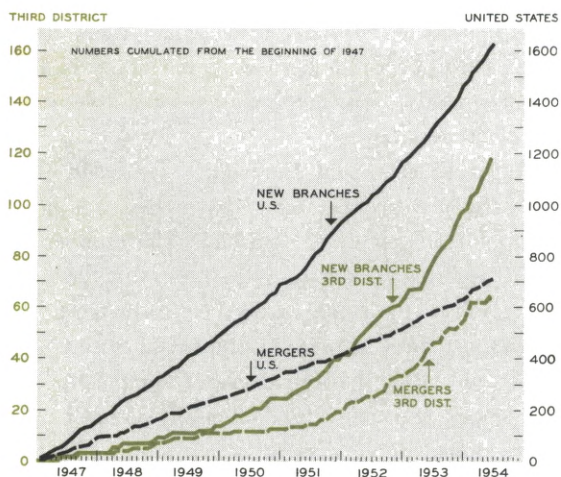
Hard times—and hindsight—revealed that banking practices in many cases had not been good for a long time. Gradually the number of bank failures picked up speed. At first failures were mostly in small banks in rural areas, but eventually they spread to industrial areas. Finally, in 1933, the situation got completely out of control and many fundamentally sound banks were pulled down with the weak ones.

We shall never know how much mergers in the twenties eased or aggravated the problem. Many mergers were outright life-saving operations, strong banks taking over weak ones. Many were made in an effort to meet better the needs of the economy, to increase lending capacity, and to acquire branches in growing areas. But mergers during this period were mostly in larger cities and, on the whole, did not make services of big banks available to small towns. In many cases they were inspired chiefly by profitable prospects of a trust or securities business or simply by a desire to be bigger.

\* Data to 1933 are for all commercial banks; since 1933 for all banks.

While the number of banks was dropping, the number of branches was increasing. Pressures behind branch banking were building up, especially since the law put national banks at a disadvantage compared with state banks. As steps were taken to liberalize the restriction, branches of national banks increased along with branches of state banks. Where state laws remained tight, the pressures tended to break out in the form of chain and group\* banking.

### HOW BRANCHES AND MERGERS IN THE THIRD DISTRICT COMPARE WITH THE UNITED STATES



### Phase No. 3

In the past two decades, banking has been in its third phase—one of maturity. A number of new banks was established in 1933 and 1934 to meet the needs of areas left without banks; and again in the mid-forties new banks were set up in response to the expansion of the economy in World War II. But, generally speaking, the number of new banks has held fairly steady. Failures have been very few, although in the

\* Chain banking is control of two or more banks by one or more individuals; group banking is control through a holding company.

latter part of the thirties the Federal Deposit Insurance Corporation arranged for the merger of a fair number of banks into other banks to prevent imminent collapse. On the whole, however, both failures and mergers have been relatively small — certainly when compared with the twenties.

By far the most significant development in this third period has been the steady growth in number and importance of branches. We shall look into the reasons for this later. It is enough to point out here two important factors: economic developments and legal provisions. Both have fostered the spread of branches. In many ways the centralization movement at work earlier in the century is being reversed; people have been moving to the suburbs and industry is decentralizing. Laws have been further liberalized, facilitating mergers, the creation of new branches, and the conversion of chain and group banking systems to branch banking systems.

### Conclusions

This historical development is the backdrop against which we shall look at recent events. It is significant not only because it throws current developments into perspective but, more important, it sets the environment in which the branch and merger movement is taking place. The banking industry has matured. Drastic, sudden changes are unlikely. Bankers now have a strong sense of public responsibility, and the supervisory authorities are mindful of past mistakes. Whatever it may be like, the current branch and merger movement is different from anything that has happened in banking before.

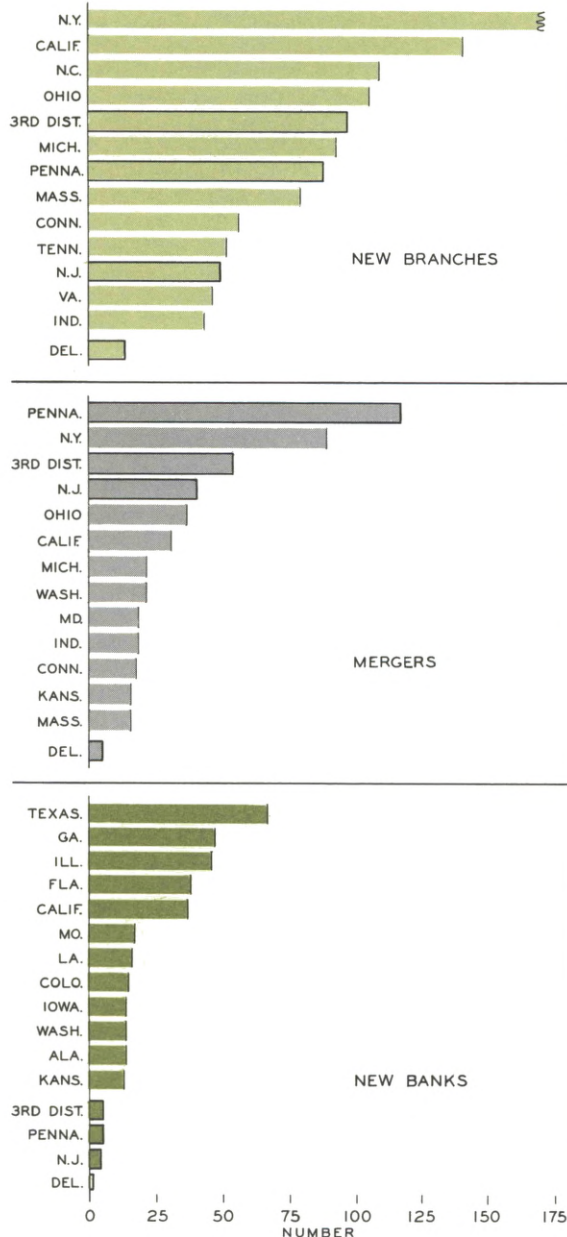
### THE THIRD DISTRICT IN PERSPECTIVE

Although our case study deals with the Third Federal Reserve District, the recent trend to-

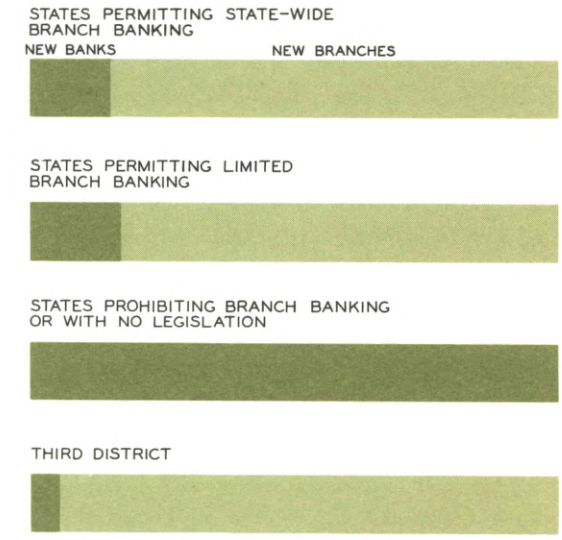


# HOW THE THIRD DISTRICT COMPARES WITH OTHER AREAS — 1947 - 1953

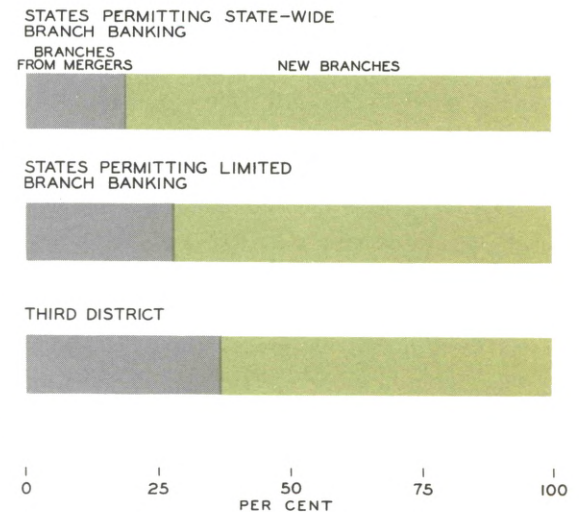
## RANKING OF MOST ACTIVE STATES



## HOW BANK FACILITIES WERE INCREASED



## HOW BRANCHES WERE OBTAINED



ward more mergers and branches has not, of course, been confined to this area. So we shall look briefly at developments here compared with other sections of the country.

The Third Federal Reserve District comprises the eastern two-thirds of Pennsylvania, the southern half of New Jersey, and the State of Delaware. It has a population of more than 8 million (5.6 per cent of the United States) and a land area of 37,000 square miles (1.2 per cent of the United States). It has over 800 banks, with resources of nearly \$12 billion (5.6 per cent of the number and 5.3 per cent of the banking resources of the United States).

From the beginning of 1947 to the middle of this year (the period our study will cover) there were 66 mergers between banks in this district. These resulted in 64 banks being converted to branches. In addition, there were 118 new branches established. As the chart on page 4 indicates, banks in this district were a little slower getting started than banks elsewhere, but in the past couple of years they have been catching up fast, particularly in merger activity. Furthermore, taking the period as a whole, banks in this district have been relatively more active than banks in the rest of the country in the sense that they accounted for 9.2 per cent of all mergers and 7.3 per cent of all new branches, while having only 5.6 per cent of the banks.

The chart makes it clear that recent developments have been only a part of a much broader nation-wide movement. But it does not show how the movement has expressed itself in different ways in different areas. This is illustrated in the charts on page 5. The charts on the left of the page show the number of new branches, mergers, and new banks established in the period 1947-1953 for the top dozen states. Pennsylvania and New Jersey are well up toward

the top of the list for mergers and new branches; they are way down the list for new banks. Delaware is low because it is a small State and these charts are in absolute amounts. If you relate the number of mergers and new branches to the number of banks in existence, Delaware turns out to rank seventh in merger activity and sixth in new-branch activity.

Anyway you look at it, though, this district shows low activity in the number of new banks. One explanation lies in state laws governing branch banking. Eighteen states (counting the District of Columbia as a state) permit state-wide branch banking; 18 permit branch banking within certain limits; 10 prohibit it entirely; and 3 have no legislation on the matter. As the charts in the right-hand column indicate, in those states where laws permit branches, most of the new banking facilities have been branches; only a relatively small proportion has been new banks. In states where branches are prohibited or there is no legislation, new banks have been the only way of meeting the demand for more banking facilities. In the Third District an exceptionally high proportion of new banking facilities has been branches.

A bank can obtain branches in two ways: by establishing new branches, or by merging with other banks and converting those banks to branches. The second method, of course, does not add to the total number of banking offices. Where state-wide branch banking is permitted, branches are somewhat more likely to be obtained by the establishment of new offices than where branch banking is limited. In the Third District, an above-average proportion of branches has been obtained through mergers rather than the establishment of new offices. The reason for this is one of the things we shall want to look into in future articles.



# FIXED COSTS OF LIVING

Since the beginning of the year, merchants have been watching a strange phenomenon. Take-home pay is somewhat higher than a year ago, but retail sales are at a slightly lower level.

Salesmen get the blame when sales lag, especially when incomes are rising. This year, however, before blaming their salesmen, businessmen might take a closer look at consumers' income. Why? Because all money included as disposable income of consumers (personal income after taxes) is not currently available for spending. A good part of it is taken by "consumers' fixed costs."

## What are fixed costs?

No clear line can be drawn to separate consumers' fixed expenditures from other outlays. Spending patterns can be rigid without contracts to make them rigid. For example, the urge to

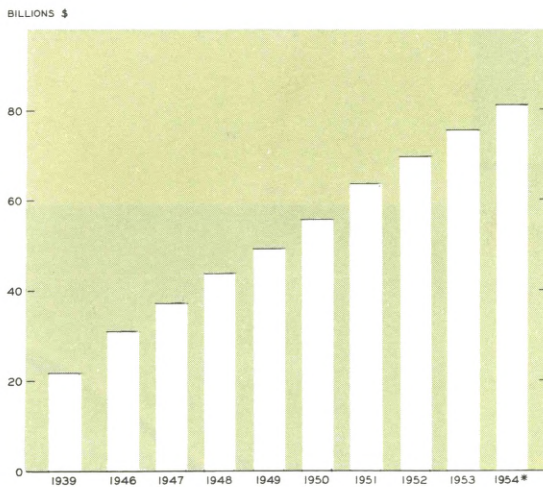
keep up customary living standards makes a lot of expenditures seem fixed. So it is impossible to set up clear-cut boundaries for fixed spending. Some fixed expenditures, however, can be measured because they involve actual commitments or contracts.

The largest item among contractual expenditures is debt service. Scheduled repayment and interest charges on installment and mortgage debt are fixed claims against income. Over the early part of 1954, it is estimated that on a yearly basis these claims on income totaled \$34.5 billion—more than three times the level at the end of World War II. Payments on installment debt, principally for automobiles and major home appliances, have been running at about \$28 billion, and scheduled payments on residential mortgage debt come to around \$6.5 billion. Actually, mortgage repayment has been much larger, but only a fraction of the total represents regular payments. A big portion is prepayment and "roll over"—sell one home, pay off mortgage, then buy another home.

Contractual repayment of debt is not the only fixed claim against consumer incomes. Consumers have commitments for rents,\* insurance, and property taxes. (Property taxes are not included as personal taxes in the calculation of disposable income by the Department of Commerce.) The total of all these claims has increased rapidly in the post-war period. So far in 1954 these costs total about \$46.3 billion at an annual rate. The rise has been held down by the continued existence of rent controls in

*(Continued on page 10)*

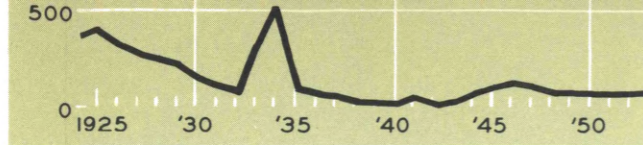
## FIXED COSTS HAVE NEARLY TRIPLED SINCE 1946



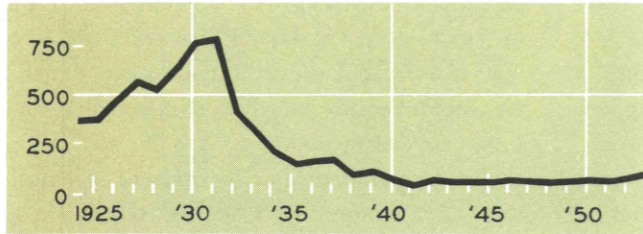
\* 1954 figures are rough estimates derived from first-half data.

\* In addition to contract rent payments, estimated rent of homeowners is included since this is an imputation and does not represent funds available for spending.

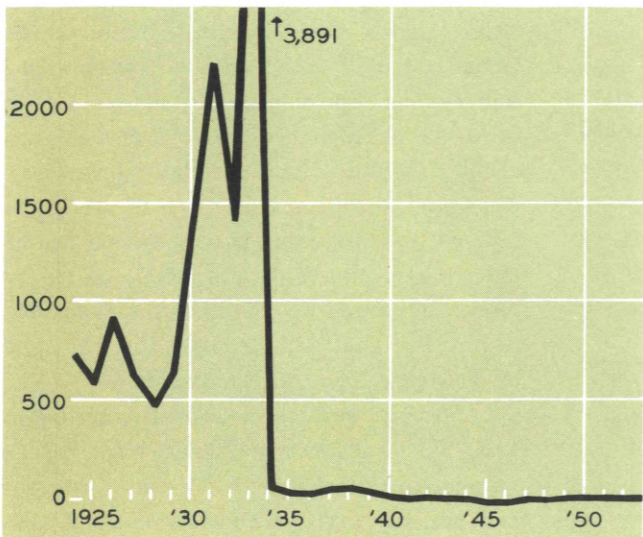




New banks established followed a downward trend in the twenties and thirties and have not increased much in recent years.



Mergers during the twenties make recent activity look rather small.



Suspensions of banks (about one-fifth of these were re-opened) were high in the twenties, and reached a peak in 1933; for the past two decades they have been negligible.

# THE CHANGING BANKING STRUCTURE

These charts may help to put the recent merger and branch movement into perspective.

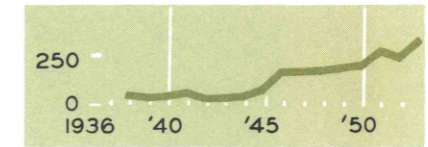
The chart below shows the long-run trend in the number of banks, branches, and banking offices. It suggests two significant conclusions. The first is that the banking industry has matured. It experienced severe growing pains in the first two decades of this century and a painful readjustment in the third, culminating in a disastrous 1933. Since then changes have been gradual and orderly.

The second conclusion is that the banking structure is moving steadily toward a greater proportion of branches. In only three out of the past 53 years has the number of branches declined. Furthermore, the branch movement has picked up speed since World War II. About

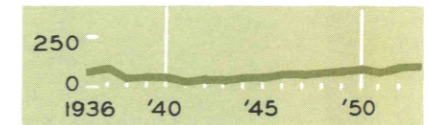
30 per cent of the number of banking offices are now branches.

The charts on the left show some of the factors influencing the number of banks in operation. All show relative stability for about the past two decades. Except for a slight spurt in the number of new banks being established during a few years after World War II, these forces have contributed to a gradual decline in the number of banks.

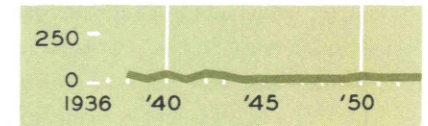
The charts on the right show some of the factors influencing the number of branches. Here it is quite clear that the important force has been the establishment of new branches. The number of branches resulting from mergers has been less important. And, so far at least, the number of branches discontinued has been negligible.



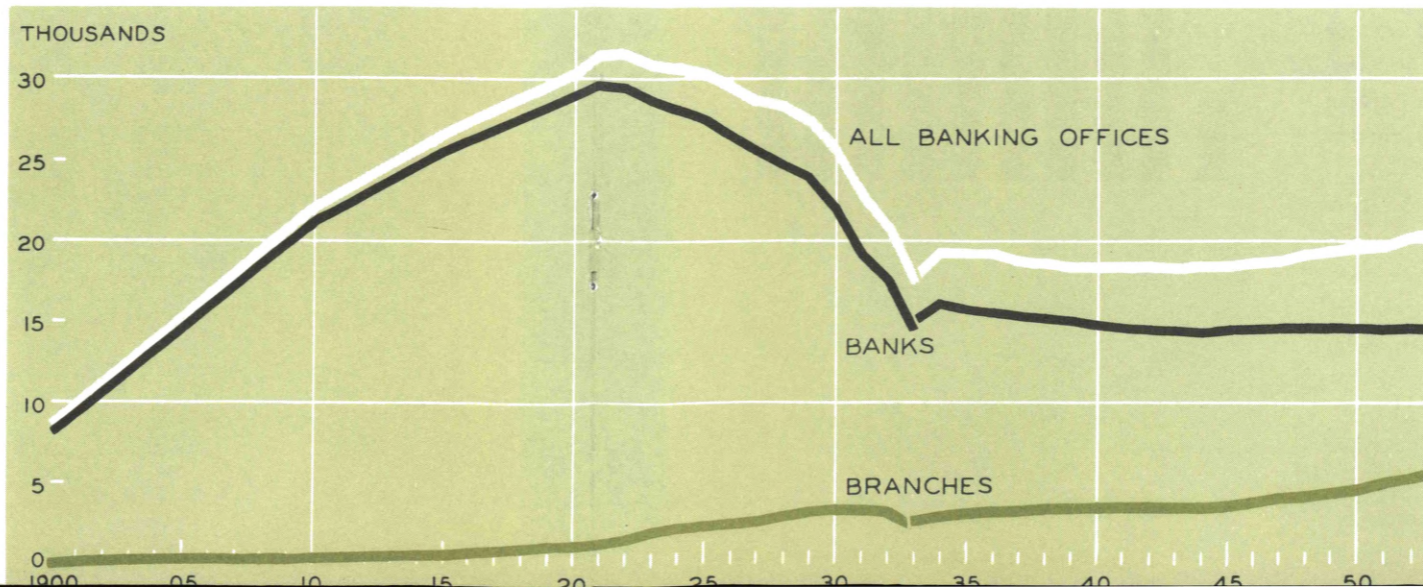
New branches established have spurred rapidly since World War II.



Banks converted into branches (through mergers) have also added somewhat to the number of branches.



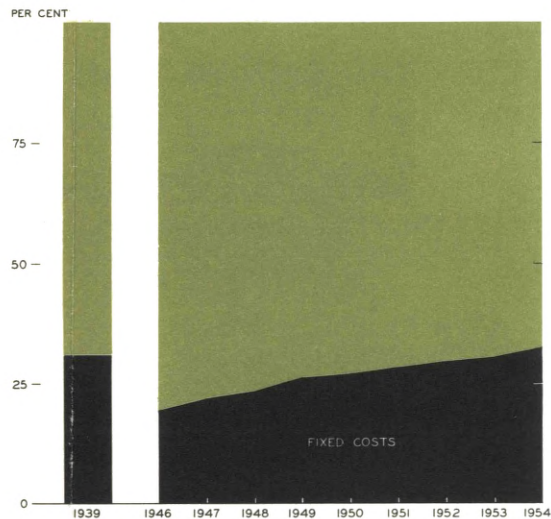
Branches discontinued have been extremely few.





some areas; however, total payments on rent, insurance, and property taxes are at least double what they were in 1946. The chart on page 7 shows the trend in contractual payments in the post-war period.

**FIXED COSTS ARE RISING AS A PROPORTION OF DISPOSABLE INCOME**



**Fixed costs are taking a larger slice of income**

Of course, contractual payments would be expected to increase in the post-war period. Prices and incomes are both higher, so that the dollar total of fixed costs is not too meaningful. What is significant is that the proportion of income taken by contractual payments has also been rising. This means that consumers are giving themselves less leeway in the use of current income.

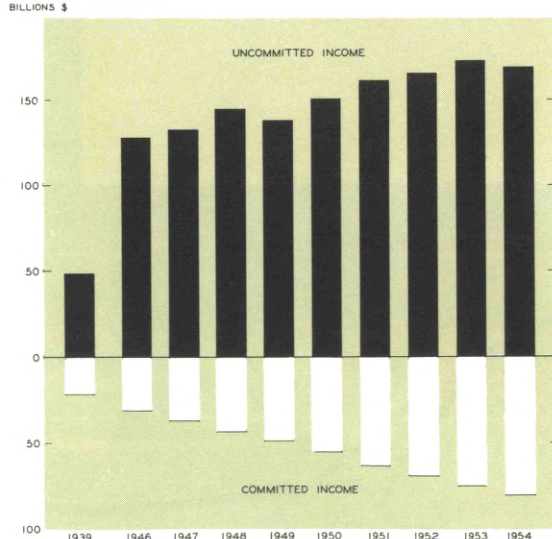
In 1946, only about 20 cents of the consumer's dollar was tied up in contract payments. This year the part that consumers have committed has climbed to 32 cents. Debt service charges alone took 14 cents out of their dollar

for the first half of this year as compared with 6 cents at the end of the war. What this means to the consumer, of course, is that he has a lesser proportion of his disposable income available for the purchase of other goods and services. It is interesting, too, that this year is the first time that fixed costs absorbed as large a proportion of disposable income as in pre-war 1939.

**Uncommitted income is below year-ago levels**

Consumers' fixed costs have increased actually and in relation to income each year since 1946. Generally, however, the yearly increase in income has been larger in dollars than the rise in contractual payments. Therefore uncommitted income has tended to increase each year. This is illustrated in the chart below. The black portion above the line represents uncommitted income. It shows a rise in every year except 1949 and so far in 1954. The white portion below the zero

**UNCOMMITTED INCOME IS BELOW 1953 LEVELS**



line represents contract payments. These have gained each year. The black and white parts together equal disposable income for each year.

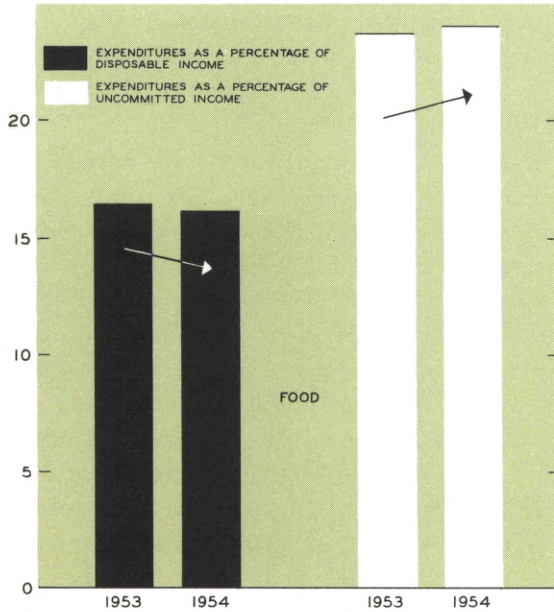
The fact that fixed costs are rising more, dollarwise, than income in 1954 is important.\* It has

special meaning for companies that relate their sales to general business conditions affecting

\* The decrease in uncommitted income this year reflects, in part, a relatively high volume of instalment sales of automobiles and other durable goods last year. Many of these buyers could not be expected to be in the market for the same goods this year.

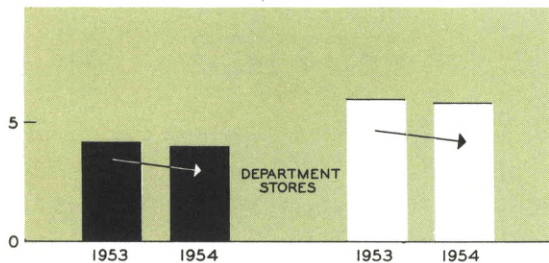
## PERCENTAGE OF DISPOSABLE INCOME AND UNCOMMITTED INCOME

PER CENT

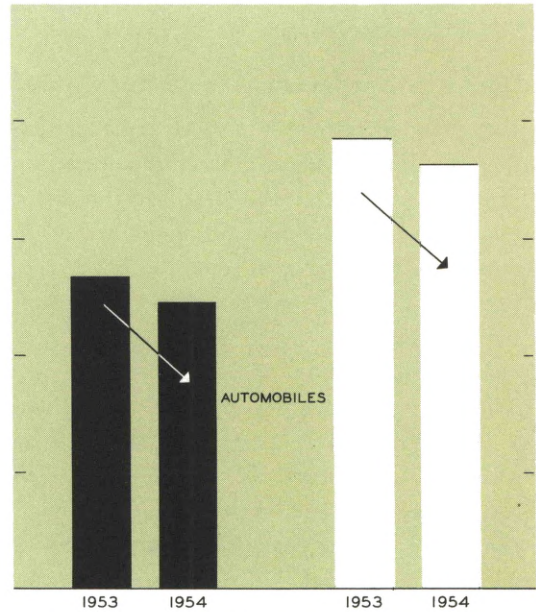


**Food sales** are taking a smaller slice of disposable income, but are a bigger part of uncommitted income than in 1953.

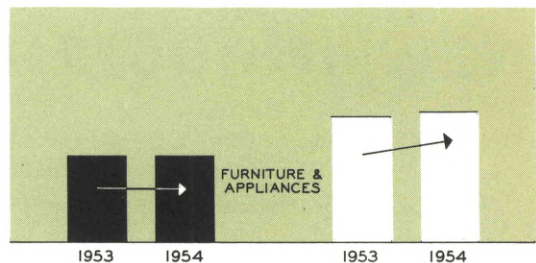
PER CENT



**Department stores** have almost as much of the uncommitted dollar so far in 1954.



Spending on **automobiles** is a smaller part of the consumer's budget by either standard.



**Furniture and major appliances** hold their own with disposable income, are on the rise if uncommitted income is the standard.



them. If a company's product sells directly to consumers, purchasing power—as reflected in total disposable income—is usually the factor most closely associated with sales. This year, particularly, many firms comparing sales and income are faced with a discouraging trend. Sales are down and income is up. But does this indicate they are losing their share of the market?

### **Uncommitted income—a better guide?**

Uncommitted income is possibly a better indication of ability to buy and therefore a more appropriate guide to the success or failure of a company to hold its share of the consumer market. Certainly, the fact that fixed commitments are rising faster than income must influence consumers' spending patterns.

The charts on the previous page show the different results that are obtained by comparing a few of the major parts of total retail sales with (1) income and (2) income minus fixed costs—uncommitted income. Food merchants, especially, find a changed picture when their sales are compared with uncommitted income. So far in 1954, retail sales of food represent a smaller part of income than in 1953; however, when fixed costs are subtracted from

income in each year the sales of food products takes a larger slice of the consumers' uncommitted dollar this year. On the other hand, automobile purchases are not taking so large a part of income this year by either standard. Department stores have nearly as much of the market in 1954 as in 1953, if consumers' uncommitted income is used. Furniture and major appliances are running ahead of last year's relationship with uncommitted income.

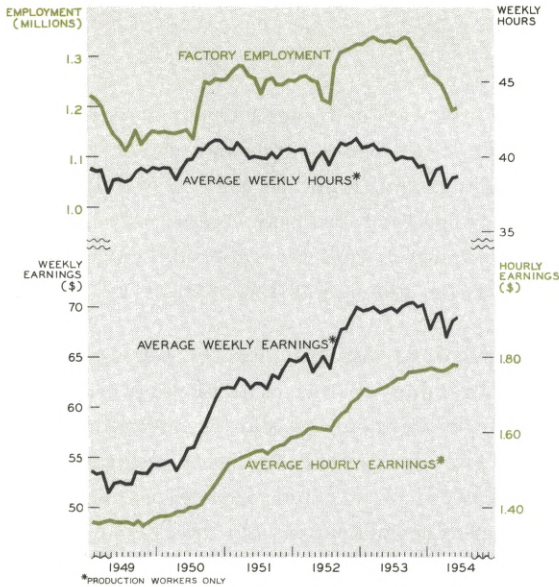
### **Summary**

Since the end of World War II, consumers have shown an increasing willingness to commit their incomes. Total contractual payments on mortgages and instalment debt, life insurance policies, property taxes, and rent have absorbed an increasing share of income in each successive year. Usually, however, income increased more than contractual payments; so that uncommitted income tended to rise. This year uncommitted income has declined, even though total income is slightly higher than a year ago. In other words, the rise in contractual payments is larger than the gain in income. Here at least is a partial explanation of the paradox that has been worrying businessmen—why sales have declined in the face of increased disposable income.

## **NEW INDUSTRIAL STATISTICS**

Last month's issue of the Review featured an article on "Manufacturing in the Federal Reserve District of Philadelphia" which was based to a large extent upon newly developed statistics on industrial activity in the District. These new data are now available for regular monthly release and can be obtained upon request. They include esti-

mates of employment, average weekly and hourly earnings of production workers, and average weekly hours worked in all manufacturing industries combined and in twenty major industry divisions. The new report for the Third District is similar to those also available separately for Pennsylvania, Delaware, and eleven labor market



areas. On the statistical page of the Review—"For the record . . ."—the Federal Reserve District figures now replace those formerly shown for Pennsylvania.

To provide some historical comparison, the new series have been compiled from January 1949 to date. The accompanying chart shows the trend of the four series on total manufacturing activity over this five and a half year period.

Factory employment declined during the first seven months of 1949, then began an upward trend that continued for four years. The stimulus of the Korean War in mid-1950 and the interruption from the steel strike two years later are the most obvious interim developments. Employment reached a peak last August then declined steadily for nine consecutive months, turning upward again in June. The recent reductions in employment involved 142,000 workers compared with 227,000 additions in the preceding four years. Latest figures show 1,200,000 still employed.

The employment trend is only half of the story

on manpower requirements to meet the demand for products of Third District factories. The rest of the tale is in the average hours worked per week, indicated by the second line on the chart. In general, expansions and contractions in the work-week accompanied expansions and contractions in the working force but the timing often differed. For example, working time preceded employment on the upturn in 1949 by three months and last year on the downturn by seven months.

The average factory worker's weekly income increased from \$53.59 in January 1949 to a high of \$70.38 in October last year and currently is \$68.92 (the third line on the chart). Weekly earnings reflect changes in both hourly earnings and working time. The recent decline in weekly pay reflects a reduced work-week rather than changes in hourly earnings.

Hourly pay, shown on the fourth line of the chart, is derived by dividing the total pay of all production workers by the total hours they work. It represents the average hourly pay including premium pay for overtime hours, etc., and not hourly wage rates. Hourly earnings rose from \$1.37 to \$1.78 from January 1949 to date, an increase of 30 per cent. Both weekly and hourly pay showed greatest gains following Korea and the steel strike.

These trends of aggregates in manufacturing activity are a composite of widely varying developments in the many industries and areas that comprise the industrial strength of the district. More of the details are contained in monthly reports compiled and published by this Bank in cooperation with the United States Bureau of Labor Statistics and the Pennsylvania Department of Labor and Industry, and made possible by the generous cooperation of more than 3,000 manufacturing firms who report each month.



# CURRENT TRENDS

Most observers of the business scene apparently feel that the recession has “bottomed out.” Production has been around the same level for several months; unemployment has stopped rising; consumer buying is holding rather steady; and inventory liquidation is slowing down. Except for construction and the stock market, things seem pretty quiet.

This is business as usual for the vacation season. People are not watching the economy so closely; they have the weather, fishing and other things to think about. As they relax before having another go at earning a living, one senses that the economy, too, is coasting along, re-building its forces for a fall pick-up.

Of course, in some areas this is the peak season. The Third Federal Reserve District has many and varied vacation spots—in the mountain and lake regions of Pennsylvania and along the shores of New Jersey and Delaware. Here, spending by families on their annual vacations and over week ends is big business in the hotels, restaurants, retail shops, and amusement facilities that operate “full blast” only a few months each year. To get some idea of how this business is going we have made a spot check.

## **The season started late**

Businessmen and bankers tell us that the 1954 resort season started a little later than usual. There was too much cool, wet weather during the early weeks. And many schools closed somewhat later this year. Consequently, the volume of early-season reservations was not up to expectations. But after the middle of June, business picked up. Hotels experienced a sharp increase in bookings. Cottages were in much greater de-

mand. As week-end guests began arriving, restaurant, retail store, and amusement receipts started a steady climb. By the end of July, comparisons of total business volume with a year ago were increasingly favorable, and much of the early-season gloom was forgotten.

## **Reservations run for shorter periods**

An outstanding characteristic of the present season is the prevalence of shorter reservation periods. This was mentioned in every resort area we contacted; it was emphasized in a significant number of popular places. In the Pocono region generally, both juvenile and adult camps were said to have fewer reservations for the entire season than in 1953. Some attributed shorter visits to smaller incomes. Others spoke of it as the continuance of a long-time trend away from spending a substantial part of vacation time in any one place. Seashore areas were more keenly aware of this development than some of the mountain and lake resorts. And it was more apparent in the length of hotel than cottage bookings.

## **Restaurant business is expanding**

Hotel dining rooms, particularly in the shore resorts, are not so crowded this season as room registers might suggest. But they are still well patronized. Along the Atlantic Coast from Rehoboth Beach in Delaware to Toms River in New Jersey many new restaurants, snack bars, and roadside stands have opened this year. The restaurant business also has grown in the Poconos and in mountain resort areas of south-central Pennsylvania. But these eating places do not appear to have attracted too many guests from the

large hotels in these resorts, their volume being more dependent on transient trade. Restaurant owners complain that their patrons are eating less expensive meals this year; however, in almost the same breath they remark that there are many more people—especially over week ends.

### **Amusement receipts are heavy**

Some resorts, both seashore and mountain, still rely principally on the natural surroundings for the entertainment of guests. But where amusements are an additional feature, they are well patronized. Early-season experience was similar to that of hotel owners and restaurant proprietors—business was disappointing. Then warm, sunny weather brought an influx of week-end guests, and each succeeding period appeared better than the last. “Weekenders carried the ball,” we were told, until the arrival of more permanent visitors in substantially larger numbers.

### **Week ends are more important**

Almost every type of business enterprise in the principal resort areas of this District appears to be counting on the weekenders more heavily this season than in any other post-war year. Better automobiles in the hands of more people, new bridges and improved roads, may be changing the whole character of the summer resort business. It could be only a temporary development reflecting the smaller family budgets implicit in reduced employment and shorter hours of work. But there are some who attach greater long-run significance to this season’s exceptionally heavy influx of week-end visitors. The thought is that more people may be spending their vacations on extended trips, reserving their remaining free time and week ends for quick visits to nearby shore and mountain resorts.

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*Additional copies of this issue are available*

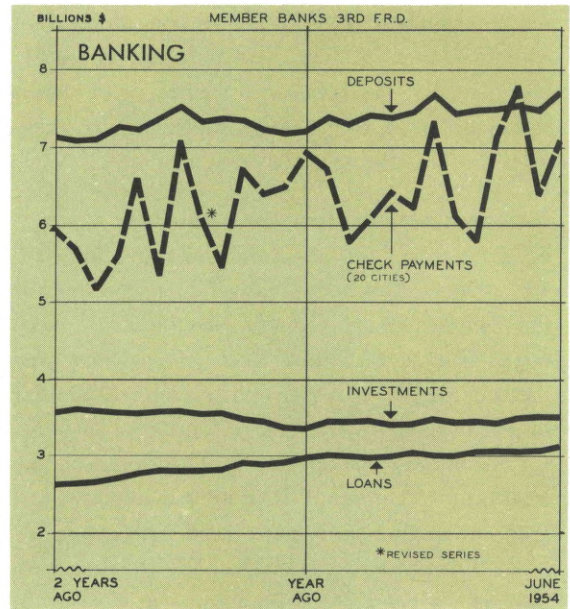
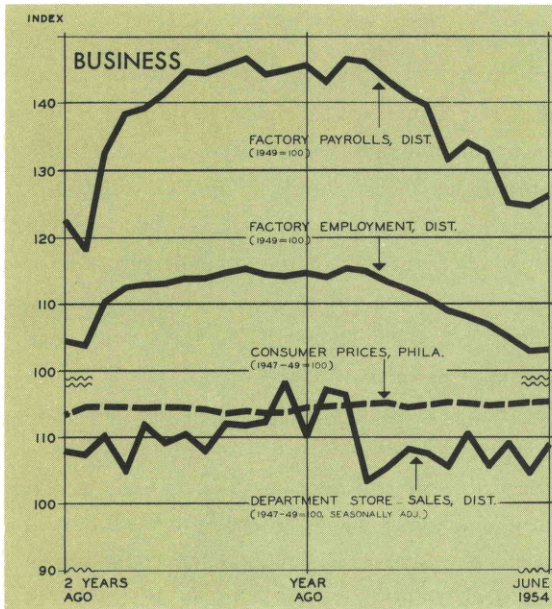
*upon request to the Department of Research,*

*Federal Reserve Bank of Philadelphia,*

*Philadelphia 1, Pa.*



# FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	June 1954 from		6 mos. 1954 from year ago	June 1954 from		6 mos. 1954 from year ago
	mo. ago	year ago		mo. ago	year ago	
<b>OUTPUT</b>						
Manufacturing production...	+ 1	-16	-14	+ 1	- 9	- 9
Construction contracts*	+ 2	+17	+16	+ 1	+20	+13
Coal mining	+ 3	-27	-21	+ 2	-22	-18
<b>EMPLOYMENT AND INCOME</b>						
Factory employment	0	-10	- 8	0	- 9	- 7
Factory wage income	+ 1	-13	-11			
<b>TRADE**</b>						
Department store sales	+ 4	- 1	- 4	+ 4	- 3	- 4
Department store stocks	+ 1	- 4		+ 1	- 5	
<b>BANKING</b> (All member banks)						
Deposits	+ 3	+ 6	+ 3	+ 3	+ 7	+ 4
Loans	+ 1	+ 5	+ 6	0	+ 2	+ 3
Investments	0	+ 4	0	+ 1	+10	+ 5
U.S. Govt. securities	- 1	+ 3	0	+ 1	+10	+ 5
Other	+ 3	+10	+ 3	+ 2	+ 9	+ 6
Check payments	+11†	+ 2†	+ 6†	+ 9	+ 6	+ 8
<b>PRICES</b>						
Wholesale				- 1	0	+ 1
Consumer	+ 1†	+ 1†	+ 1†	0	+ 1	+ 1

\*Based on 3-month moving averages. †20 Cities  
 \*\*Adjusted for seasonal variation. ‡Philadelphia

LOCAL CHANGES	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks		Payments	
	Per cent change June 1954 from		Per cent change June 1954 from		Per cent change June 1954 from		Per cent change June 1954 from		Per cent change June 1954 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown...	-3	-13	-2	-18					+14	- 1
Harrisburg...	+3	-13	+7	-19					+14	+ 1
Lancaster...	0	- 6	+1	- 5	-13	- 4	- 8	+ 4	+ 9	+ 4
Philadelphia..	+1	-11	+1	-11	+ 3	+ 4	-10	- 4	+10	+ 4
Reading.....	-1	- 9	0	-14	- 5	- 5	- 9	- 5	+14	+ 3
Scranton.....	-1	- 5	-3	- 8	-12	- 1	- 8	+14	+19	- 3
Trenton.....	+1	-15	+2	- 6	+12	- 9	- 8	- 7	+15	+23
Wilkes-Barre.	-1	-11	-2	-13	- 4	- 7	- 8	-17	+22	+ 6
Wilmington..	0	- 8	+1	- 8	+ 8	+11	-11	- 2	+ 1	-18
York.....	0	- 6	+3	- 9	- 6	- 5	-12	- 6	+19	+ 6

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