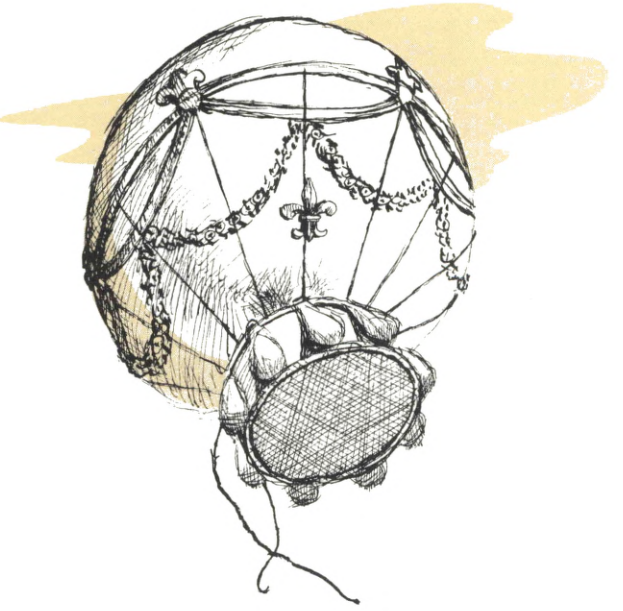
FEDERAL RESERVE BANK OF PHILADELPHIA

BUSINESS REVIEW

NOVEMBER 1959

Capital Spending—Still High

Dimes, Dollars, and Drive-in Windows



CAPITAL SPENDING—STILL HIGH

Last spring manufacturers in the Philadelphia area said they would spend at a high rate for plant and equipment in 1959. They are doing just that, and plan to keep it up in 1960 and 1961.

A few weeks ago most observers felt the economic climate was good. They had some apprehension that the boom might be building up too fast, but beyond that almost the only cloud they could see on the horizon was lack of progress toward ending the steel strike. Writers were predicting a great wave of prosperity in the nineteen sixties.

Today, optimism concerning the long run still prevails. But the near future is obscure. Steel pipelines are empty, and it will take time to restore the flow. Stock prices have sagged a little. Does the economy have enough momentum to continue the upturn which began last year?

One important condition for answering yes is sustained capital spending. Drops in plant and equipment expenditures would mean reduced incomes or unemployment for workers in the great industries which supply capital goods. Furthermore, decreases in capital expenditures might signify a weakening of businessmen's confidence in the strength of the economy. A high rate of capital spending is an essential condition for economic growth.

CAPITAL SPENDING BY UTILITIES AND RAILROADS

Railroads and utilities serving Philadelphia and its suburbs plan to spend $185 million on plant and equipment in 1960. This is practically what they are spending in 1959. Last fall the utilities and railroads estimated 1959 spending would reach $191 million; now they put it at $184 million.

The largest capital expenditures total reported by these utilities and railroads was $189 million in 1957 and also in 1958.

Only one of the firms involved plans to decrease capital spending in 1960 relative to 1959. All the others anticipate increases.

Manufacturers in the Philadelphia area expect to sustain capital spending in 1960

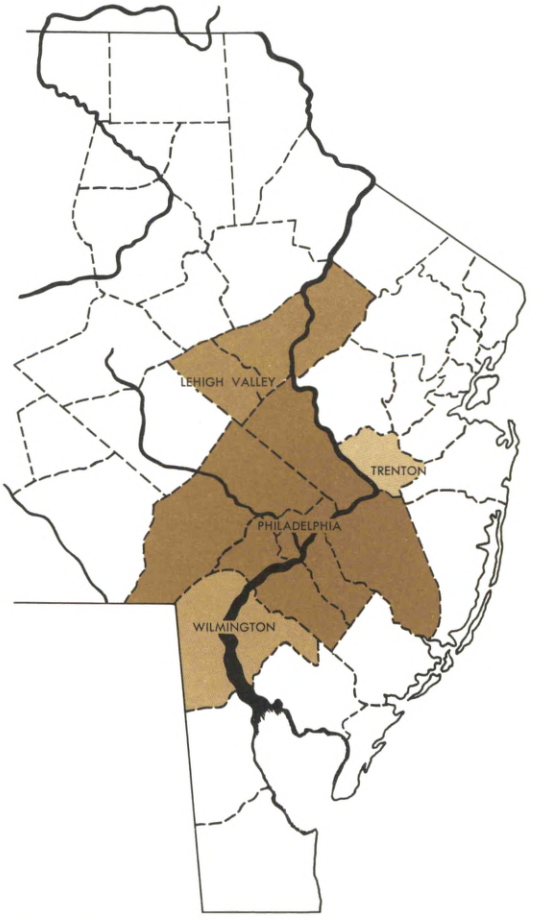
This year the message from Philadelphia plants participating in our annual fall survey of manufacturers' plans for capital expenditures will disappoint many who looked for another long step up. It could be much worse, however. Philadelphia manufacturers expect to buy new plant and equipment in 1960 at least at the 1959 rate. The survey each fall reports the situation as of the end of September. At that time manufacturers in the eight counties surrounding Philadelphia estimated that their total capital spending in 1959 will reach $357 million. This is about what they planned in the spring of the year and is up sharply from the $271 million which a year ago they thought they would spend in 1959. It is about the same as the $360 million manufacturers now say they will spend in 1960.

When asked to estimate how their capital spending in 1961 will compare with the projections for 1960, most manufacturers said, "No change." Of the 34 per cent who foresaw changes, a majority indicated that spending in 1961 will exceed the 1960 estimates.

Trenton plans to increase spending; Wilmington doesn't

The conclusions concerning Philadelphia hold in the aggregate for the entire sweep of industries along the Delaware.[1] Firms in the Trenton area

AREAS IN THE SURVEY



1 "Philadelphia," "Trenton," and "Wilmington" in our survey designate standard metropolitan areas. They include five New Jersey counties, from Mercer south to Salem, the five Pennsylvania counties surrounding Philadelphia, and New Castle County in Delaware.

report they will spend more on plant and equipment in 1960 than in 1959; Wilmington firms expect a slight drop. When the Trenton and Wilmington figures are added to those for Philadelphia, the totals for these three areas together show capital expenditures in 1960 and 1961 projected at about the same level as 1959.

Lehigh Valley plants are reducing capital expenditures

Reports from manufacturers in the Lehigh Valley are not encouraging.[1] Plants there expect to decrease capital spending almost 30 per cent next year. Cement producers account for a considerable part of this decline. This industry in 1959 spent about three times as much on plant and equipment as in either 1957 or 1958. Some highway programs were stretched out recently, and total construction has leveled off. Cement manufacturers apparently feel they now have adequate capacity.

Fall survey results are not conclusive

We hasten to point out that plans for capital expenditures are always under review, continually affected by the ever-changing cross currents of a particular industry or of the economy in general. Last fall's survey is a case in point. Almost every industry and area projected decreased capital spending in 1959 as compared with 1958. A recheck in the spring of 1959 revealed a complete about-face; practically all firms said they would spend more in 1959. They did, too. Final estimates for 1959 indicate manufacturers will spend about as much as they planned in the spring.

Our experience with this survey has been that in business upturns the survey tends to underestimate the actual event. Admittedly we haven't enough evidence to state this confidently and conclusively. The eight-county Philadelphia survey is only seven years old, and the other surveys started in 1957. Still, if the past pattern of underestimation were to continue, capital spending would increase substantially in 1960.

The steel strike

One factor making for more uncertainty than usual is the steel strike. How many companies would have cut back plans if they had known the strike would last as long as it did? On the other hand, how many hastened projects to get them in in 1959 because of the strike threat? And how many, consciously or not, trimmed their 1960 estimates to take strike effects into account? We couldn't answer these questions, so we put them to a number of the large firms in the survey. When asked how the steel strike had affected their original estimates, they said it hadn't. When asked how they would change their estimates if making them as of the end of October, almost all said they would not change.

We conclude from this that the steel strike probably did not affect the *estimates* very much. It still could affect actual capital expenditures. For example, if steel shortages were to become pressing and remain unrelieved until well into 1960 for any of several possible reasons, capital spending in 1960 would suffer. There just would not be enough steel to enable everyone to finish his projects.

Increases and decreases are evenly distributed

Plans for capital spending vary. No one company or industry dominates our data. If we divide firms and industries into two groups—those who plan to expand and those who plan

[1] "Lehigh Valley" refers to Northampton and Lehigh Counties in Pennsylvania and Warren County in New Jersey. Allentown, Bethlehem, Easton, and Phillipsburg make up its manufacturing heartland.

ESTIMATED CAPITAL EXPENDITURES OF MANUFACTURERS IN THE DELAWARE AND LEHIGH VALLEYS 1959—1961

	Expenditures (Millions $)		Per cent change	1961 Expectations Relative to 1960 (Per cent of Firms)		
	1959	1960	1959-60	Higher	No Change	Lower
Philadelphia Metropolitan Area						
All manufacturing	357.2	359.7	+ 0.7	18.9	66.0	15.1
Apparel	6.0	1.8	—69.9	15.9	81.8	2.3
Chemicals	64.0	50.6	—21.0	23.8	47.6	28.6
Electrical machinery	37.5	36.4	— 3.1	30.4	56.6	13.0
Fabricated metals	19.5	24.2	+24.0	15.0	65.0	20.0
Food & tobacco	27.8	33.7	+21.2	17.6	58.8	23.6
Instruments & misc.	9.7	6.6	—31.3	16.7	75.0	8.3
Lumber & furniture	1.3	1.4	+ 7.7	26.6	66.7	6.7
Machinery (excl. elec.)	21.3	35.2	+64.9	30.9	52.7	16.4
Paper	25.4	32.1	+26.5	23.3	50.0	26.7
Petroleum	47.7	60.3	+26.6	54.5	36.4	9.1
Primary metals	41.2	29.9	—27.3	9.1	77.3	13.6
Printing	14.2	4.4	—69.0	16.0	60.0	24.0
Rubber & leather	10.7	16.1	+50.5	18.8	75.0	6.2
Stone, clay & glass	16.4	8.2	—49.8	4.8	61.9	33.3
Textiles	3.6	3.1	—14.4	9.7	83.9	6.4
Transportation equipment	10.8	15.7	+45.6	9.1	72.7	18.2
Trenton						
All manufacturing	13.8	16.8	+22.2	15.8	69.7	14.5
Rubber	1.3	1.6	+16.1	——	85.7	14.3
Stone, clay & glass	1.8	1.1	—39.2	30.8	53.8	15.4
All other	10.7	14.1	+31.8	14.3	71.4	14.3
Wilmington						
All manufacturing	39.5	37.4	— 5.4	16.1	62.9	21.0
Lehigh Valley						
All manufacturing	45.8	33.2	—27.6	16.2	63.1	20.7
Apparel	.8	.6	—22.7	14.7	70.6	14.7
Food	1.7	1.4	—18.1	33.3	66.7	——
Metals, elec. mach., & transportation equipment	15.6	11.5	—26.3	17.6	70.6	11.8
Stone, clay & glass	19.5	11.3	—41.8	20.0	20.0	60.0
Textiles	1.9	1.1	—45.3	15.8	63.2	21.0
All other	6.3	7.3	+15.9	15.4	57.7	26.9

to curtail capital spending—there are about as many large as small spenders in each group. We don't have one large organization greatly increasing its expenditures, and everyone else cutting down.

The largest increases are planned by the petroleum, nonelectrical machinery, paper, and food industries. The greatest decreases are planned by chemicals, primary metals, and printing and publishing.

PHILADELPHIA MANUFACTURERS' EXPE PRODUCTION, AND INVENTORIES

	Employment Projections by Quarters (Index: Third quarter = 100)			
	1959		1960	
	Third	Fourth	First	Second
All manufacturing	100.0	99.7	99.7	99.4
Apparel	100.0	98.8	98.8	96.5
Chemicals	100.0	100.0	100.0	101.6
Electrical machinery	100.0	100.7	101.3	102.3
Fabricated metals	100.0	96.4	96.4	99.1
Food & tobacco	100.0	100.0	98.9	98.1
Instruments & miscellaneous	100.0	100.0	101.2	101.2
Lumber & furniture	100.0	100.0	100.0	112.5
Machinery (excl. electrical)	100.0	101.2	101.6	100.4
Paper	100.0	100.0	100.0	105.0
Petroleum	100.0	99.4	98.8	98.8
Primary metals	100.0	102.2	102.9	103.6
Printing	100.0	100.6	99.4	100.6
Rubber & leather	100.0	101.2	100.0	100.0
Stone, clay & glass	100.0	101.9	101.9	101.9
Textiles	100.0	100.0	102.6	106.1
Transportation equipment	100.0	93.4	91.3	85.5

Last spring the situation was different. Almost everyone planned to increase spending on plant and equipment. These plans were carried out. Now some groups are retrenching while others continue to increase capital outlays.

National surveys

The most recent national surveys of capital spending predict increases by United States manufacturers. Manufacturers in the Delaware Valley say they do not plan to increase capital expenditures as much as do those in the country as a whole.

There has been no consistent relationship between the predictions of our survey and national ones. Our data suggest, however, that when manufacturers make wrong estimates here the direction and extent of their errors may be related to the errors of national survey predictions. Again, we need more than seven years of experience before drawing conclusions concerning these relationships.

Employment, production, inventories

We asked manufacturers to estimate employment, production, and inventory changes by quarters, starting with the third quarter of 1959 and going through the second quarter of 1960. The general feeling is that all three will either hold at about present levels, or increase slightly. A question was included concerning operations

CTATIONS CONCERNING EMPLOYMENT, THROUGH SECOND QUARTER, 1960

Production as Per Cent of Capacity by Quarters				Inventory Expectations Per Cent of Total Firms Expecting		
1959		1960				
Third	Fourth	First	Second	Increase	No Change	Decrease
78.2	78.8	79.1	79.4	18.5	69.2	12.3
95.2	91.3	91.7	89.6	11.9	73.8	14.3
81.0	83.0	82.8	82.5	28.6	66.7	4.7
82.8	83.2	83.4	85.3	40.9	54.5	4.6
76.2	73.9	74.2	78.6	27.5	55.0	17.5
87.2	89.1	86.9	88.8	12.5	81.3	6.2
69.5	71.6	73.3	73.1	31.5	63.6	4.9
93.7	92.6	92.1	93.9	14.3	71.4	14.3
80.4	80.7	80.5	78.3	23.1	63.5	13.4
90.0	89.4	90.3	87.2	13.8	75.9	10.3
78.5	79.4	83.5	77.1	12.5	87.5	——
71.3	76.6	77.4	78.2	20.8	70.8	8.4
85.9	87.4	88.2	89.3	21.7	61.0	17.3
88.1	86.8	86.8	88.2	20.7	73.4	5.9
83.2	88.6	87.2	91.7	14.3	66.7	19.0
71.4	73.3	74.7	76.5	7.6	75.8	16.6
49.9	49.0	47.4	44.9	8.3	66.7	25.0

relative to capacity, where "capacity" was left up to each firm to define in its own terms. Answers to this question checked well with estimates of production changes by quarters.

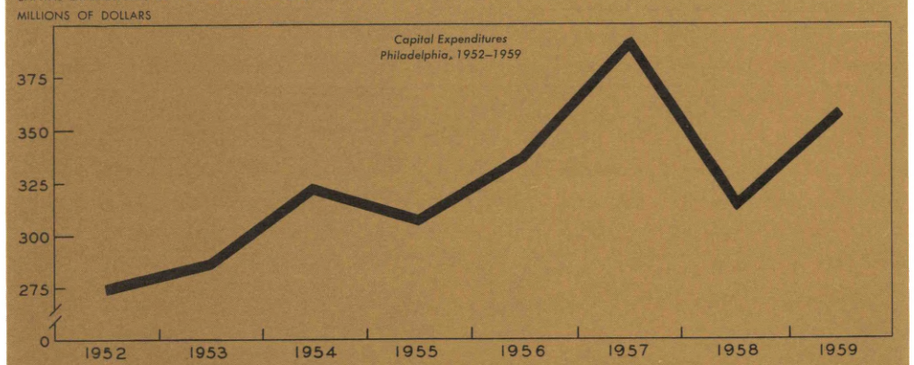
CONCLUSIONS

Last spring we found Philadelphia manufacturers planning to spend liberally for plant and equipment in 1959. Unless the steel strike depresses November and December outlays markedly, 1959 will mark the second highest level of capital spending disclosed by our survey since 1952. The final estimate in 1957 was $391 million for the Philadelphia area; this year it is $357 million. Companies expect also that in 1960 employment, production, and capital expenditures will hold present levels, or even increase somewhat. These are encouraging results. In interpreting them, two major qualifications must be made. Projections now depend on reasonably prompt recovery of steel production. If that doesn't happen, forecasts may turn out too high. On the other hand, these surveys have tended to understate the situation in years of business upturn. On balance, we look for overall manufacturing activity and capital spending in 1960 at least to match the high levels reached in 1959, both in the Philadelphia area and the entire Delaware Valley. We cannot be so optimistic concerning the Lehigh Valley.

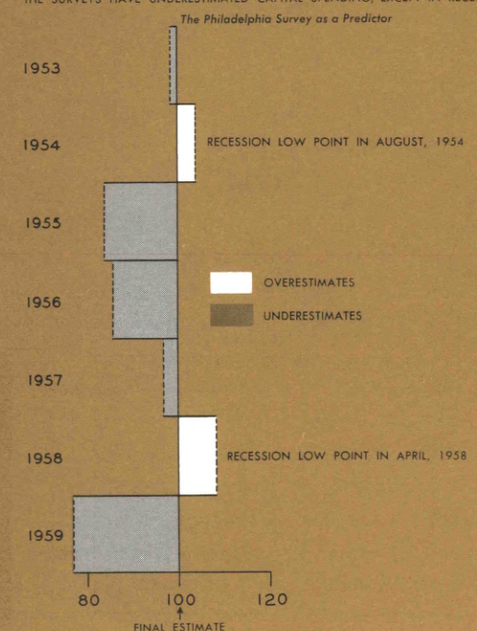
MANUFACTURERS' OPERATIONS AND CAPITAL EXPENDITURES, 1959-1960

THE RECORD

CAPITAL EXPENDITURES IN 1959 IN THE PHILADELPHIA AREA WILL BE THE SECOND HIGHEST SINCE OUR EIGHT-COUNTY SURVEY BEGAN IN 1952.



THE SURVEYS HAVE UNDERESTIMATED CAPITAL SPENDING, EXCEPT IN RECESSION YEARS.

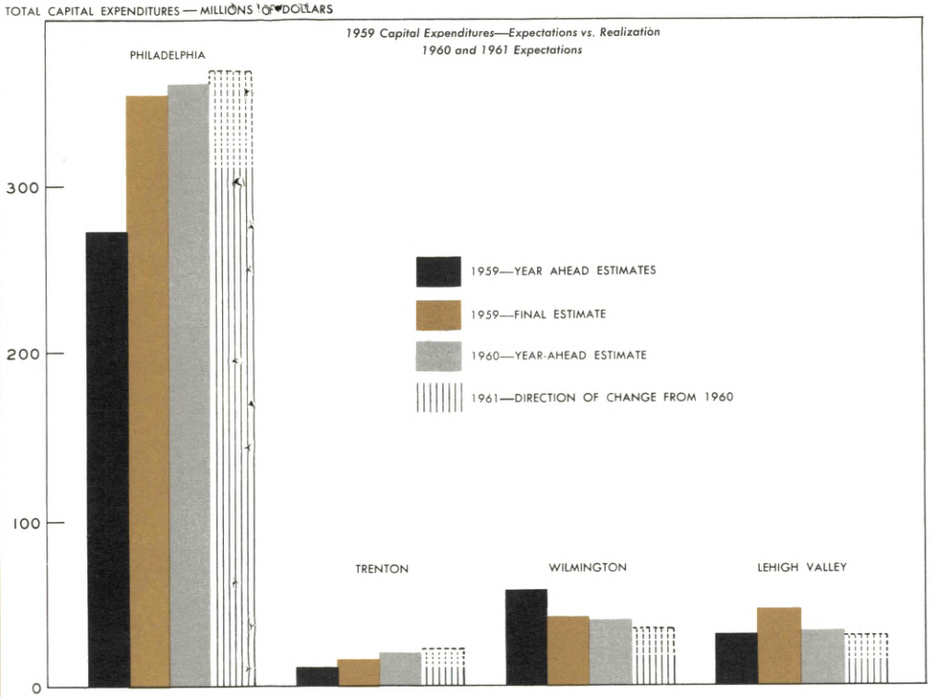


FIRST CAPITAL EXPENDITURE ESTIMATE AS PER CENT OF FINAL ESTIMATE.

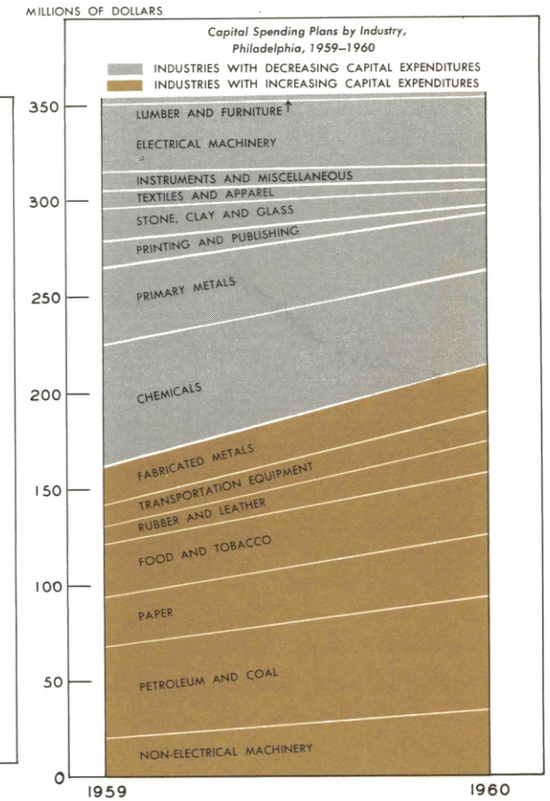
1959 AND AFTER

THE GENERAL IMPRESSION IN THE DELAWARE VALLEY IS ONE OF OPTIMISM, ALTHOUGH WILMINGTON EXPECTS A SMALL DECLINE. NOT SO IN THE LEHIGH VALLEY.

TOTAL CAPITAL EXPENDITURES — MILLIONS OF DOLLARS

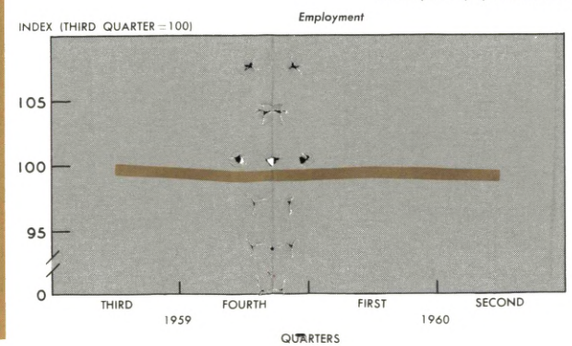


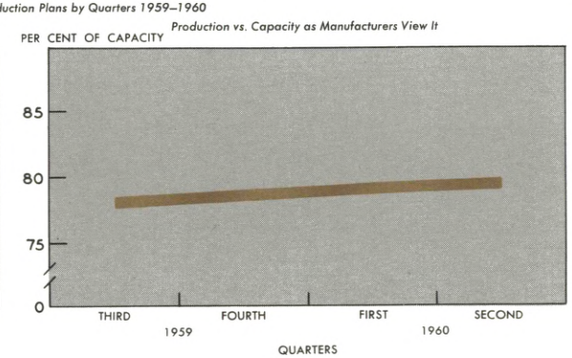
NO ONE LARGE INDUSTRY DOMINATES THE DATA.



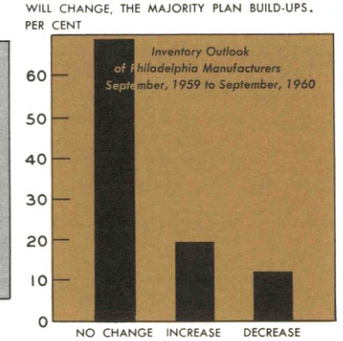
MANUFACTURING EMPLOYMENT AND PRODUCTION ARE EXPECTED TO HOLD ABOUT THEIR PRESENT LEVELS.

Philadelphia Employment and Production Plans by Quarters 1959–1960





MOST MANUFACTURERS EXPECT TO MAINTAIN INVENTORIES LEVEL. OF THOSE WHO WILL CHANGE, THE MAJORITY PLAN BUILD-UPS.



DIMES, DOLLARS, AND DRIVE-IN WINDOWS

. . . Now to save, observe these few directions:

1. When you incline to have new clothes, look first well over the old ones, and see if you cannot shift with them another year, either by scouring, mending, or even patching if necessary. . . .
2. If you are now a drinker of punch, wine, or tea twice a day, for the ensuing year drink them but once a day. . . . And if you do not exceed in quantity as you lessen the times, half your expenses in these articles will be saved.
3. When you incline to drink rum, fill the glass half with water.

Poor Richard's Almanack, 1756

In the above manner did one of Philadelphia's most distinguished citizens exhort his fellow townsmen to frugality, to the virtues of thrift and saving. And evidently they were quite impressed by his reasoning, for in the eighteenth and early nineteenth centuries, Philadelphia was the financial center of the nation.

Here the entrepreneur could borrow funds to embark on any number of business ventures—from a whaling expedition into the icy waters of the Antarctic to a tobacco plantation in the fertile interior of Virginia or the Carolinas. Here construction could be financed—housing to meet the needs of a tidal wave of immigrants, and to provide for our native population increase. And here we could finance the needs of our Government—muskets to quash the British square.

The financial preeminence of Philadelphia was also evidenced by an impressive list of "institutional firsts." In the Quaker City were established the first mutual life insurance company, 1769; the first chartered commercial bank, 1781; the First and Second Banks of the United States, 1791 and 1816; the first mutual savings bank, 1816; and the first savings and loan association, 1831.

But well before the middle of the nineteenth century, Philadelphia's financial ascendancy had begun to wane. It was not that we ceased to grow. Philadelphia continued to accumulate financial institutions and financial assets. It was just that we lost our *relative* position. Our good neighbor to the northeast had begun to poach on our pecuniary domain. New York replaced us as the nation's financial center.

Yet we are still no cobblestone in the Street of Wall. Philadelphia today is an important regional financial center. And the highly industrialized, densely populated Third Federal Reserve District is an integral and significant part of the industrial and financial fabric of the nation.

In this article we present a broad-brush description of an important segment of the district's financial structure. The viewpoint is overall, as if we sat atop a mountain gazing down at the interesting institutions men have constructed to do their financial bidding. As time passes we shall continue to collect information. We shall climb down from the mountain to fill in the missing details.

This is the second of two articles describing the development of financial institutions. Last month we discussed the evolution of financial institutions through time. This month we examine the nature and geographic distribution of financial institutions within the Third Federal Reserve District.

THE THIRD DISTRICT VS. THE NATION*

What determines a region's financial structure? What factors influence the number of financial institutions that serve it and the volume of financial assets these institutions can amass?

In a few words, financial institutions and assets depend primarily upon an area's population and income. Population and income in turn, are strongly influenced by the natural resources of the area and the type of economic activity which predominates.

The Third District is one of the nation's richest, naturally endowed areas. It has abundant forests, fertile soil, and rich deposits of high-grade coal. Its rivers, rails, and ports link it strategically to the nation and the world.

With economical transportation, abundant energy resources, and easily available raw materials, the Third District is a natural location for industry. Indeed, over the years it has become an integral part of the East Coast manufacturing complex. Here steel is produced. Trucks and cars are assembled. Oil is refined. Electrical equipment is manufactured. Textiles are woven and fabricated into clothing.

And where there is manufacturing, there are people and money. Indeed, while the industrial Third District has only 1½ per cent of the nation's land area, it houses almost 5½ per cent of its people who earn nearly 6 per cent of the nation's disposable income. These people support 6 per cent of the offices and 5 per cent of the assets of the financial institutions shown in the table below.

Looking for a moment at the individual institutions in Table 1 we immediately see an important variation. Within the Third District are located 14.3 per cent of the nation's savings and loan associations. Yet these institutions hold only about 4½ per cent of the assets of the nation's savings and loan associations. Why are there so many offices and so few assets?

OFFICES AND ASSETS OF SELECTED FINANCIAL INSTITUTIONS—THE THIRD FEDERAL RESERVE DISTRICT* VS. THE NATION

	Number of Offices			Value of Assets		
	Nation	Third District		Nation	Third District	
		Number	Per Cent of Nation		$ Millions	Per Cent of Nation
Commercial banks	21,001	1,160	5.5	217,460	11,322	5.2
Savings and loan assns.	6,100	868	14.2	43,098	1,914	4.4
Mutual savings banks	893	45	5.0	33,311	1,781	5.3
Consumer finance companies†	18,440‡	1,211	6.6	15,941	603	3.8
Credit unions	17,113	615	3.6	3,271	88	2.7
Total	63,547	3,399	6.1	313,081	15,708	5.0

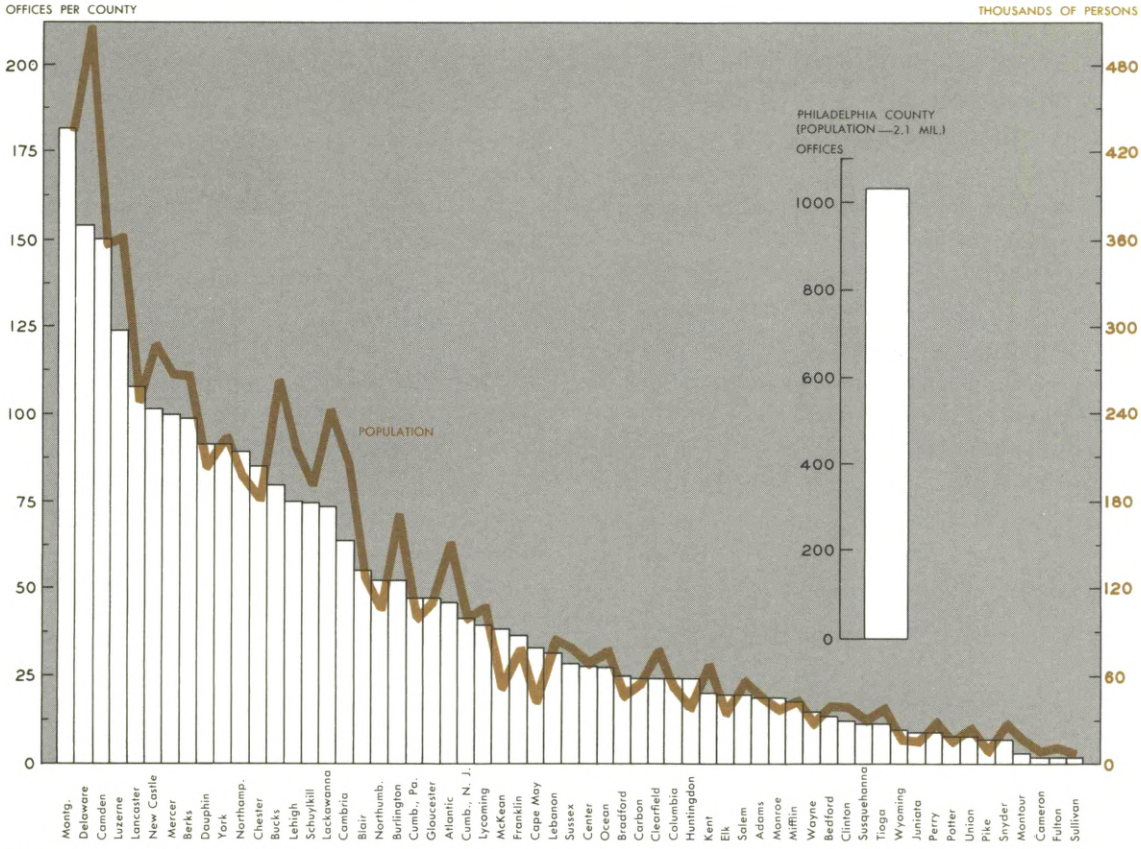
* As of December 31, 1956.
† Includes sales, consumer and other personal finance companies. Dollar figures represent receivables rather than total assets.
‡ Mid-1955.
Source: Federal Reserve Board, United States Savings and Loan League, Credit Union National Association, Department of Health, Education, and Welfare.

The savings and loan anomaly results from a confluence of historical factors. The associations were first established in the district in 1831 and were considered such a good idea that they multiplied rapidly. Not only were they organized by individuals as businesses, but also by such diverse groups as churches, ethnic societies, and fraternal orders. Many of the associations organized over the years still exist though they remain quite small. This is one reason for the heavy district concentration of savings and loan associations and for their relatively small portion of total savings and loan assets.

But so much for the district as a whole. How are institutions and assets distributed within?

* Data on financial institutions in the Third Federal Reserve District were compiled by Albert Fishlow, formerly at the University of Pennsylvania, now at Harvard University.

COUNTY FINANCIAL OFFICES* VARY WITH POPULATION. . . .



* Third Federal Reserve District, end of 1956

Inside the corpus oeconomicus

As might be expected, industry is not distributed evenly throughout the Third District. Neither is population and income. Since financial institutions and financial assets vary with population and income, we might expect wide intradistrict variations in financial development.

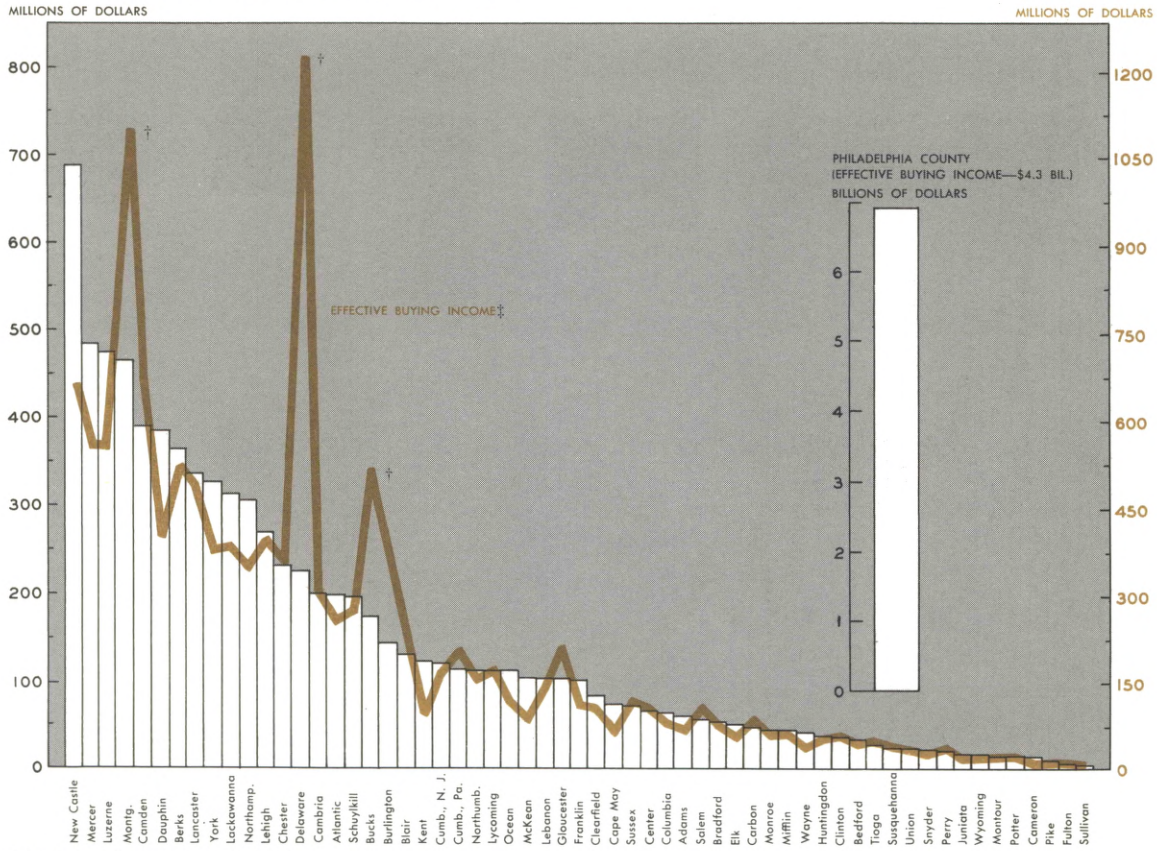
A glance at Charts I and II confirms these expectations. Financial offices are most numerous in the heavily populated counties and their assets go hand-in-glove with income.

Leading the list in both population and income is Philadelphia County. Here live over two million people earning an annual disposable income in excess of $4 billion. In short, here are a lot of people with a lot of money. To serve this multitude a little over 1,000 offices of the selected institutions have been established. These 1,000 hold almost $7 billion in assets.

At the other end of the list is Sullivan County in northeastern Pennsylvania. With over three times the land area of Philadelphia, Sullivan County's citizens number about 6,000. These 6,000 earn an annual disposable income of about $6 million. They support two financial institutions, both of which are commercial banks.

Why should Philadelphia and Sullivan Counties differ so strikingly in population, income,

. . . AND COUNTY FINANCIAL ASSETS* VARY WITH INCOME



* Third Federal Reserve District, end of 1956

† Income peaks soar high above asset bars in these three counties due to the reporting of Montgomery, Delaware and Bucks branches of Philadelphia banks as part of Philadelphia County asset totals.

‡ Sales Management

and financial facilities? Differences in economic structure are the key. As Chart III shows, our large concentrations of people and financial institutions are in manufacturing areas. Where farming predominates (a more extensive type of industry), there are fewer people and fewer financial offices. Moreover, in the manufacturing areas there are a little over 2,400 people per financial office; in all other areas, over 2,600.

This is the county story. But what about the individual community—the real grass roots of our economy? How many Third District communities are served by what kinds of financial institutions?

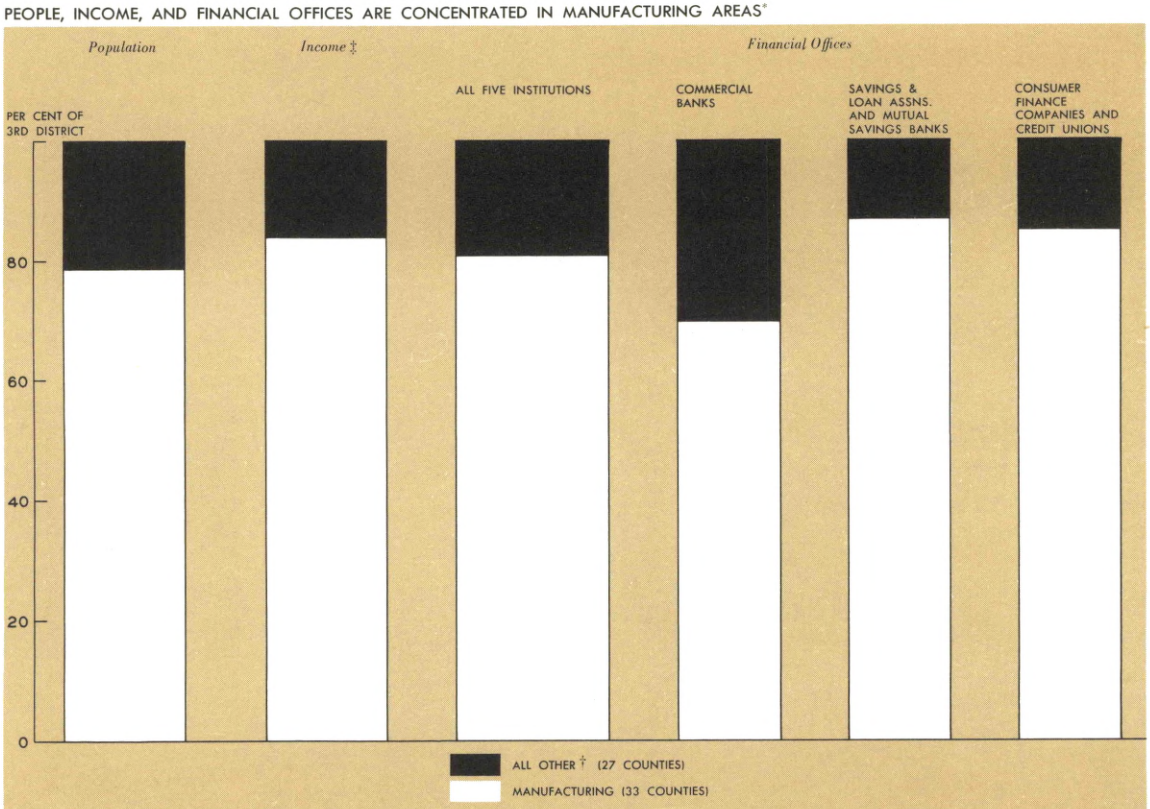
Cross-country credit

Drive down any highway in the Third Federal Reserve District. You'll see communities of all sizes: great cosmopolitan cities with clanking streetcars, scurrying shoppers, and towering skyscrapers; small towns and villages with well-kept cottages, green lawns, and quiet, tree-lined streets.

Turn down the main street of one of these communities, look carefully as you drive and you'll probably see one of the financial institutions that serve it.

If you're in a small town there may be only a commercial bank conveniently located where

PEOPLE, INCOME, AND FINANCIAL OFFICES ARE CONCENTRATED IN MANUFACTURING AREAS*



* Third Federal Reserve District, end of 1956
† Includes agricultural (11 counties), mining (3 counties), combination manufacturing & agricultural (9 counties), and combination manufacturing and mining (4 counties).
‡ Sales Management effective buying income.

Broad Street runs into Main. If you've picked an even smaller community, there may be no financial institution at all. The populace depends on the larger town a few miles up the road.

At the other extreme are the larger cities. In the cities one can secure every conceivable type of financial service from every conceivable type of institution.

But exactly how many Third District communities are served by what types of financial institutions? If you were to match the five selected types of financial institutions against the district's cities, towns, boroughs, villages, and many unincorporated communities, here's what you would find.

Some form of institution

Of the 1,500-odd communities in the Third District, 47 per cent have some form of financial institution within their city limits—either a commercial bank, savings and loan association, mutual savings bank, consumer finance company, credit union, or some combination thereof. These communities include a combined population of 6.3 million, or 75 per cent of the total population of the Third Federal Reserve District. Thus, on the average, three out of four people in the Third District live in a community served by some form of financial institution. What is the typical community like?

The most typical community is a perfect exam-

ple of the American small town. It has from four to five thousand population and derives its income from a combination of agriculture and light industry. Walking down Main Street one might see four barber shops, two movie houses, and assorted dry goods and drug stores.

In fact, the typical community probably has more drug stores than financial institutions. It is served *not* by some combination of our five institutions but *only* by commercial banks. Forty-six per cent of the communities having some form of financial institutions are served only by commercial banks. But since the "bank only" towns are small on the average, their combined population is less striking than their number. They include only a little over 11 per cent of the population of all communities with financial institutions.

All five institutions

So much for the Third District communities served by *some* financial institution. How many and what type communities have all five of the institutions?

First of all, the typical community served by all five institutions is much larger on the average. Where the bank-only town had thousands of people, the "all five" city has hundreds of thousands. Heavy industry predominates. Smoke stacks soar, belching thick clouds of carbon into the heavens.

How many Third District cities fit this description? Only eight communities in the entire district can boast a complete slate of financial institutions. But since giant Philadelphia is included in the "served by all five group," these communities have a sizable population. In all, over 2.5 million people live in the eight communities. And these 2.5 million make up 30 per cent of the population of the Third District.

In summary, then, almost eight out of ten Third District citizens live in communities served by some financial institution. Three out of ten live in communities served by all five.

Three principal demands for credit

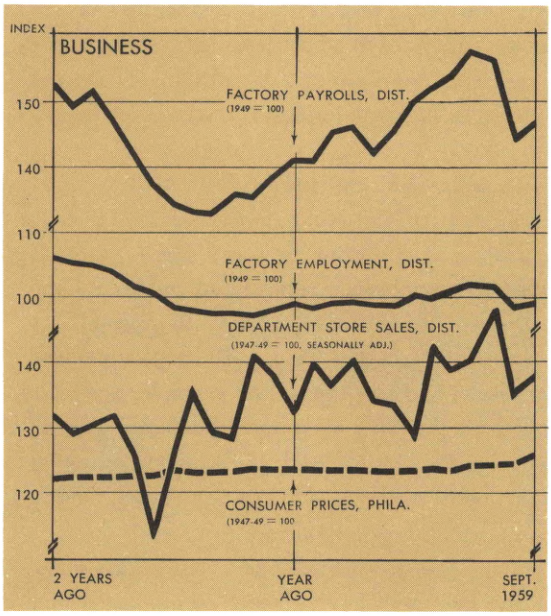
In addition to the communities served directly by all five institutions, another large group is served by fewer than all five but by some combination of institutions traditionally specializing in the three principal types of credit—business, real estate, and consumer. For example, one community might have a commercial bank, savings and loan association, and credit union; another might be served by a bank, a mutual, and a consumer finance company.

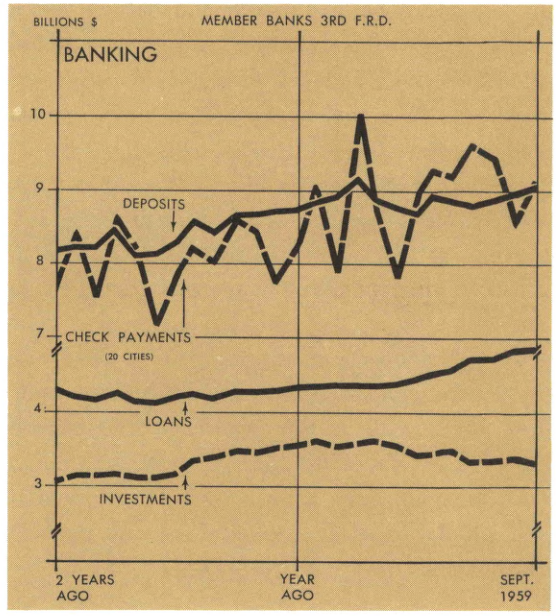
In this group we find 9 per cent of all Third District communities. In these communities live almost 2.2 million people, or one-fourth of the population of the Third District.

If we add the communities and population served directly by (1) all five institutions, and (2) some combination of the five traditionally specializing in the three principal types of credit, we get a total of 10 per cent of all Third District communities. Though the communities are relatively few in number, their population looms much larger. They contain almost 4.7 million inhabitants—55 per cent of the population of the district.

To summarize, almost eight out of every ten residents of the Third District live in a community served by some form of financial institution. Three out of ten live in communities with all five of the selected institutions and more than five out of every ten live in communities with institutions specializing in all three of the principal types of credit—business, real estate, and consumer.

FOR THE RECORD...





SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	Sept. 1959 from		9 mos. 1959 from year ago	Sept. 1959 from		9 mos. 1959 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production	+1	+1	+5	+2	+9	+14
Construction contracts	−3	−11	+4	−1	−5	+6
Coal mining	+12	−29	−1	+3	−11	+2
EMPLOYMENT AND INCOME						
Factory employment (Total)	+1	0	+1	+1	+4	+5
Factory wage income	+1	+4	+10	....	....	....
TRADE*						
Department store sales	+1	+3	+6	−4	+6	+7
Department store stocks	0	+6	....	+1	+7	....
BANKING (All member banks)						
Deposits	+1	+4	+4	+2	+4	+4
Loans	+1	+12	+8	0	+14	+10
Investments	−1	−7	+2	−1	−9	+1
U.S. Govt. securities	−2	−8	+2	−2	−11	−1
Other	0	−4	+2	+1	+1	+6
Check payments	+5†	+10†	+12†	+4	+11	+9
PRICES						
Wholesale	....	....	....	0	0	0
Consumer	+1‡	+2‡	+1‡	0	+1	+1

*Adjusted for seasonal variation. †20 Cities ‡Philadelphia

LOCAL CHANGES	Factory*				Department Store†				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change Sept. 1959 from		Per cent change Sept. 1959 from		Per cent change Sept. 1959 from		Per cent change Sept. 1959 from		Per cent change Sept. 1959 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley	−3	−11	−4	−10	....	....	....	....	+9	+8
Harrisburg	0	−1	−1	−2	....	....	....	....	+5	+3
Lancaster	+1	+5	+1	+9	+16	+19	+2	+10	+8	+5
Philadelphia	+1	+1	+1	+7	+2	+3	0	+7	+1	+10
Reading	+1	+6	+1	+13	+1	+4	−2	+5	+1	+7
Scranton	+2	0	0	+2	0	+5	−5	+5	+3	+1
Trenton	+2	+3	+2	+11	−5	+4	−1	+11	−3	+3
Wilkes-Barre	0	+5	+4	+13	−5	−1	−1	+8	+5	+3
Wilmington	+4	0	+5	+8	−1	+9	−4	+10	+52	+25
York	0	+1	−3	+7	+8	+2	0	+8	+9	+15

*Not restricted to corporate limits of cities but covers areas of one or more counties.
†Adjusted for seasonal variation.