

# The Monthly Business Review

*Covering business and industrial conditions in the Fourth Federal Reserve District*

FEDERAL RESERVE BANK OF CLEVELAND

D. C. Wills, Chairman of the Board

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VOL. I

CLEVELAND, OHIO, MARCH 1, 1919

NO. 2

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Few changes in industrial conditions have been noted in the Fourth Federal Reserve District during the past month. The problems of readjustment have become more real, and delay and uncertainty, where they have existed, in regard to the necessary transition, have effected a stagnation of business in the industries involved. It is generally conceded that an effect, deterrent to the active resumption of business and industrial activity, has been produced by a feeling of uncertainty with regard to Federal tax legislation. The general belief seems to prevail that with the settlement of this important factor in the commercial world, a stabilizing influence will be created which will naturally cause a stimulus in all lines of trade. A widespread but unorganized demand for the lowering of price levels appears as yet to have accomplished no substantial results. In the background optimism continues to prevail, but it is based, apparently, on the ultimate outcome rather than immediate prospects. Spanish Influenza has ceased to be prevalent in epidemic form, and continued moderate weather, although somewhat more seasonable than earlier in the year, is likewise conducive to quick transportation and a resumption of activities generally.

**Manufacturing.**—All lines of manufacturing reflect, to a greater or less extent, conditions at present prevailing in the steel industry. The steel market continues inactive, except along somewhat specialized lines. The Pittsburgh as well as the Youngstown district reports a decrease in business and the temporary closing of a number of mills. The Youngstown district is said to be operating at about 60% of capacity, but expects to reach 100% production within a short time, when anticipated orders, which have not yet materialized, are booked. Several mills which expected to avail themselves of the present lull to make much needed repairs are reported to have since abandoned that intention due to prohibitive costs in building and kindred lines. The present relatively high output of ingots in the Pittsburgh district reflects the belief on the part of producers that later on there will be a decided improvement in new business. That division of the steel industry affiliated with the railroads, which under normal conditions are the biggest consumers, shows a practically complete suspension of operations. This condition is no doubt due to the uncertainty at present prevailing with regard to the future of the railroads as well as to the fact that extensive additions and replacements, in track and rolling stock, were made during the war. In contrast to the desultory market conditions described above, the steel sheet department is quite active, automobile manufacturers creating a lively and persistent demand. Authorities on motor cars predict an unusually heavy output and manufacturers' needs as regards sheet steel will be an important factor during the year. There is also a lively activity in tin plate for which a large demand is looked for from canners. With the exception of a slight reduction

in quotations on steel bars, the tentative prices announced for all iron and steel products at the opening of the year are still quoted, but are more or less nominal. In this respect, the steel market is radically different from the copper market where drastic cuts have very recently been made.

The policy of the steel trade seems to be to leave the initiative as regards price concessions to the consumer. If the latter should make a firm bid for desirable business, it seems probable it would be met by producers or a counter-proposition would be made which ultimately would result in the placing of bona fide contracts. No well-defined steps toward wage reductions in the steel industry have as yet been attempted, and where men are employed at all, the terms of such employment are largely on a war-time basis. Sentiment is apparently divided both as regards the wisdom of a revision downward in wages and also as to whether an immediate reduction in steel prices would have the effect of at once stimulating demand.

**Clay Products.**—Reports as to the ceramic industry would seem to indicate a moderate revival of business with excellent prospects, according to manufacturers, for the coming six months. A heavy demand for crockery is likewise indicated. Potteries are reported to be running full time with an abundant supply of labor. The building brick and tile market continues dull with few encouraging prospects for the immediate future.

**Agriculture.**—The condition of winter wheat is said to have materially improved during the past few weeks. Farmers, who until recently were apprehensive as to the crop's condition, are now hopeful that continued mild, dry weather will produce excellent results, although it is admitted that rains followed by heavy freezing might prove disastrous. Hog influenza, reported prevalent last month in the southwestern portion of Ohio, has apparently subsided—at least the epidemic is not spreading.

The tobacco crop continues to make for great prosperity in the region of Kentucky near Lexington. During the current season fancy tobacco is said to have yielded as high as \$0.90 and \$1.00 per pound. Marketing conditions, due to good roads and favorable weather, have also been ideal. High prices realized on this year's tobacco crop have caused the growers to invest heavily in Government Treasury Certificates, and bank deposits have shown substantial increases.

The price of butter, eggs and poultry have experienced material drops but other farm products continue to command high levels.

**Labor.**—The labor situation continues to cause widespread anxiety throughout the District. There is apparently a large surplus of unskilled labor, while in some quarters an over-supply of skilled labor is likewise in evidence. Aside from those constantly returning from military service, those temporarily laid off by the steel and coal industries add to the number of unemployed.

Youngstown, however, reports that the steel mills in that city are retaining all of their men on their payrolls, whether running at full capacity or not. There is a continued discussion as to the advisability of revising wage scales, but it is quite generally conceded that such a move would hardly be in order

until a more pronounced fall in living costs is in evidence. It is quite certain that labor has reached a higher state of efficiency than at any time within the past year or two. Strikes have been practically negligible in number, and this is considered encouraging, as it tends to show that both capital and labor seem to realize that the prosperity of one is the prosperity of the other, and that drastic moves seldom result in anything but disaster. In short, the labor situation, except for anxiety caused by those unemployed, may be said to be satisfactory, especially from the standpoint of serious industrial disturbances.

Farm labor is more abundant, although there is a tendency on the part of those returning from military service to seek employment in the cities.

**Fuel.**—Fuel production continues at low ebb and it is quite generally reported from the mining districts of Ohio, Pennsylvania, and that portion of West Virginia in the vicinity of Wheeling, that the larger mines are operating from one to three days per week. The smaller mines have practically suspended operations, except those capable of producing the highest grades of coal. Mining conditions, although not wholly satisfactory, are the natural result of an exceedingly mild winter. It is thought that a continuation of the weather experienced during the past week or ten days would do much to improve conditions. Coal production, small as it is, continues to be in excess of demand.

Timber products are said to be holding well and moving satisfactorily. Sharp declines, except to the ultimate consumer, have occurred in the price of fuel oil because the supply of gas and coal has been equal to all industrial needs. Otherwise the oil market holds firm. Marshall County, West Virginia, and Licking County, Ohio, have been the scene of several successful oil tests by operating companies.

**Collections.**—In spite of rather unsettled business conditions in all lines, collections are reported as being very satisfactory from every standpoint. Settlements are largely on a cash discount basis, and when any paper is offered in settlement, requests for renewals are a rarity. Trade acceptances continue to increase in volume as well as in favor and it is thought their use will have a permanent as well as a beneficial effect on collections generally.

**Transportation.**—Railroad traffic is being expeditiously handled, shippers reporting no trouble in securing quick movement of goods. The amount of less than carload freight, which has been small in volume for the past several weeks, shows an encouraging gain. Traction as well as steam railroad officials report a slight diminution on the part of both during the day and peak traffic. This is said to be due to the slowing down of war industries.

**Mercantile Lines.**—The general unrest apparent for the last month or so continues to dominate mercantile activities. Buying from jobbers is niggardly and only for immediate needs. Anticipating a slow readjustment of prices, retailers have taken broken items in their stock and marked them for quick selling. From some quarters there is complaint that this step was necessary, but all in all the percentage of net profit is reported as gratifying. Price reductions ranging from 5% to 25% are noted. The price of shoes still holds high and many dealers predict further advances due to the scarcity of

leather. The demand for mercantile products generally is light, and policy seems unsettled as to whether to make gradual price concessions or to cut prices to bedrock at one stroke. The latter idea seems to be gaining the more favor.

**Textiles.**—Conditions in the large Cleveland textile markets are still very unsettled, due primarily to uncertainty as to prices. While retailers report satisfactory January sales, the warm winter has left rather large stocks on hand. The future would seem to indicate that the spring business, while not necessarily curtailed in volume, will be at very much reduced margins, due to the desire of the retailers to unload.

**Money and Investments.**—There is a fair demand for money on short time loans, but the demand for commercial loans seems, to some extent, to have decreased. Although money is said to be fairly easy there is little appreciable shading of rates,  $5\frac{1}{2}$  and 6% being the usual figure. Considerable conservation exists, however, in money channels, due to the coming Victory Liberty Loan, and much interest is evinced as to the character of the last large government offering. That the security will have a short maturity is accepted generally as a foregone conclusion.

The stock and bond market shows signs of being erratic, although choice offerings are disposed of without difficulty.

**Building.**—The building industry is still suffering from the effects of a maintenance of war prices and there is considerable discussion as to how these conditions can be best remedied. In the larger cities civic bodies are going into the matter with a view to benefiting the unemployment situation, but thus far without much success. Municipal projects are being vigorously encouraged for the sake of providing employment, but it is thought that actual construction work on a large scale can hardly be commenced before early spring. While the building permits and valuations appended hereto show a gain, it is the general opinion that actual construction work will be deferred until there is a substantial reduction in building costs.

## BUILDING

	No. of Permits		Valuations		Increase or Decrease	% of Increase or Decrease
	Jan. 1919	Jan. 1918	Jan. 1919	Jan. 1918		
Akron.....	139	53	\$322,298	\$174,545	\$148,753	85.2
Cincinnati.....	586	516	150,260	781,895	631,635*	80.7*
Cleveland.....	431	262	927,900	363,460	564,440	155.2
Columbus.....	95	39	123,360	78,515	44,845	57.1
Dayton.....	91	34	137,372	101,685	35,687	35
Erie.....	63	25	117,034	42,310	74,724	176.6
Pittsburgh.....	129	85	281,571	314,415	32,844*	10.4*
Toledo.....	100	25	139,086	62,635	76,451	122
Youngstown.....	62	65	122,750	139,685	16,935*	12.1*
<b>TOTAL.....</b>	<b>1,696</b>	<b>1,104</b>	<b>2,321,631</b>	<b>2,059,145</b>	<b>261,486</b>	<b>12.6</b>

\*Decrease.

## POST OFFICE.

	Jan. 1919	Jan. 1918	Increase or Decrease	Percent of Increase or Decrease
Akron.....	\$ 77,546	\$ 81,216	\$ 3,670*	4.5*
Cincinnati.....	335,310	295,937	39,373	13.3
Cleveland.....	462,602	426,363	36,239	8.5
Columbus.....	149,740	143,658	6,082	4.2
Dayton.....	80,417	61,094	19,323	31.6
Erie.....	39,049	34,409	4,640	13.5
Pittsburgh.....	437,772	415,072	22,800	5.5
Toledo.....	122,058	111,809	10,249	9.2
Youngstown.....	38,872	39,725	853*	2.2*
<b>TOTAL.....</b>	<b>1,743,466</b>	<b>1,609,283</b>	<b>134,183</b>	<b>8.3</b>

\*Decrease.

## CLEARINGS

	1919	1918	Increase or Decrease	Percent of Increase or Decrease
Akron.....	\$ 28,452,000	\$ 24,468,000	\$ 3,984,000	16.3
Cincinnati.....	269,495,619	193,252,698	76,242,921	39.5
Cleveland.....	403,266,065	311,602,301	91,663,764	29.7
Columbus.....	50,272,700	41,062,400	9,210,300	22.4
Dayton.....	17,197,440	3,681,151	13,516,289	367.2
Erie.....	8,757,818	7,549,721	1,208,097	16
Pittsburgh.....	576,992,423	294,021,767	282,970,656	96.9
Toledo.....	47,183,883	38,535,000	9,648,883	25.0
Youngstown.....	15,983,683	15,958,748	24,935	.2
<b>TOTAL.....</b>	<b>1,417,601,631</b>	<b>930,131,786</b>	<b>487,469,845</b>	<b>52.4</b>



**STATEMENT OF  
FEDERAL RESERVE BANK OF CLEVELAND.  
FEBRUARY 14, 1919.**

**RESOURCES**

(In thousands of dollars.)

Gold coin and certificates.....	21,172	
Gold settlement fund with F. R. Board.....	58,013	
Gold with foreign agencies.....	525	
Gold with Federal Reserve Agent.....	130,996	
Gold redemption fund.....	2,570	
<b>TOTAL GOLD RESERVE.....</b>	<b>213,276</b>	
Legal tender notes, silver, etc.....	1,351	
<b>TOTAL CASH RESERVE.....</b>	<b>214,627</b>	
Bills discounted—Secured by Government War Obligations.....	97,060	
Bills discounted—All other.....	6,745	
Bills bought in open market.....	61,750	
Total bills on hand.....	165,555	
U. S. Government long term securities.....	1,084	
U. S. Government short term securities.....	11,066	
<b>TOTAL EARNING ASSETS.....</b>	<b>177,705</b>	
Uncollected transit items.....	49,018	
5% Redemption fund against F. R. bank notes.....	534	
All other resources.....	963	
<b>TOTAL RESOURCES.....</b>	<b>442,847</b>	

**LIABILITIES.**

Capital paid in.....	9,204	
Surplus fund.....	1,776	10,980
Government deposits.....	19,155	
Due to members—Reserve accounts.....	130,188	
Deferred availability items.....	35,852	
Other deposits.....	251	
<b>TOTAL GROSS DEPOSITS.....</b>	<b>185,446</b>	
Federal Reserve notes in circulation.....	233,874	
Federal Reserve bank notes in circulation.....	10,102	
All other liabilities.....	2,445	
<b>TOTAL LIABILITIES.....</b>	<b>442,847</b>	