

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

VOL. I

CLEVELAND, OHIO, MAY 1, 1919

NO. 4

The past month has not, indeed, been noteworthy for changes of a radical nature, either for good or bad. Industry is, of course, not as yet upon a normal plane, but the whole industrial field is breathing easier, and gains along practically every line, while in many cases infinitesimal in scope, reflect a condition which gives indication of progress both steady and permanent. In other words, it would seem that there is further substantiation of the statement made in the April number of the Review to the effect that the bottom of the toboggan has been reached. During the past month the War Department has circularized the nation, through the medium of the Federal Reserve Banks and their more prominent members, asking that claims on war contracts, both formal and informal, be presented without delay. This request was made in order that a large number of industrial experts in Washington, at present in the service of the War Department, might be released as soon as possible from duties which are said to be entailing considerable personal sacrifice to the incumbents. Industrial as well as economic improvement on a more substantial scale than has, as yet, been noted is confidently expected as the logical result of the signing of the Peace Treaty, which event is now regarded as a near certainty.

The terms of the Victory Loan have been announced and have been the cause of much favorable comment. The size of the loan was somewhat of a surprise and interests which for some time past have been rather pessimistic as to the outlook, have now become enthusiastic. Conservative financiers, throughout the District, have expressed the opinion that the Victory Liberty Loan is the most attractive offering ever made available to the people of the United States.

Manufacturing.—Conditions in the steel trade present a situation which is far from satisfactory. Indeed, steel and allied lines are in such a muddled condition as to make a wholly accurate resume of the situation all but impossible. Opinion seems to be quite in accord in believing that the net results of attempts on the part of various agencies, both private and governmental, to fix “reasonable” prices have had an effect which tends to discourage rather than stimulate activity. This is particularly true in view of certain reactionary forces which were brought to bear soon after the price-fixing policy had been definitely advocated, and partially put into operation. There is, however, a wide as well as somewhat bitter divergence of views as to whether, in the abstract, price-fixing is the panacea for conditions at present prevailing in the steel field. Some magnates are of the opinion that price-fixing is the only practical solution, while other authorities are placing their hopes on a policy of absolutely no regulation with a complete reliance upon what they term the “inevitable” laws of “Supply and Demand.” Although during the past month, some plants and furnaces have

reopened on conservative working schedules, the gain in most instances has been offset, if not slightly exceeded, by further retrenchment and reduction of output by other concerns. The sluggish market is not characteristic of the Pittsburgh district alone, but is noticeable in other centers, particularly at Youngstown. Much impatience, considerable criticism, and widely differing views as to the proper remedy for the whole situation represent, in a word, the conditions of the hour.

With reference to specific lines in the steel industry, it is interesting to note that the branch furnishing materials to automobile manufacturers is enjoying, perhaps, the greatest activity. While this branch is not running at full capacity, it is running on a scale which is not only encouraging but which holds bright prospects for the future. There is, for instance, rather abundant evidence of still greater expansion in the plans of truck builders. The demand for sheet steel for these purposes is regarded everywhere as gratifying, and is apparently the real cause for the undertone of optimism which seems to prevail generally, even in places where present conditions are anything but encouraging.

That division of the steel industry in which the lowest percentage of operating activity is noted, is that depending on the railroads for its source of demand. Inasmuch as the nation's steam carriers are said to absorb normally about 20% of the steel output of the country, it will be seen that this situation has a dampening effect on conditions generally. Moreover, it is the belief of those in a position to know, that conditions in this line cannot materially improve until Congress, which will probably be called in special session at an early date, provides some practical modus operandi for financial relief.

The pig iron market shows a sympathetic lull with but slight hope for better things for the immediate future. While no well-defined decline in price has occurred, a slightly competitive market is putting in its appearance. Although some inquiries are reported for cranes and other heavy equipment, bookings are few in number, the bulk of the inquiries apparently being made for estimating purposes only.

The steel industry, to summarize, is at present the victim of conflicting views and prices which the consumer believes are not justified by present conditions. The trade is hoping that some influence which will restore its equilibrium will soon manifest itself, and when this occurs opinion is unanimous in believing that business which is at present dammed up completely will flow forth in such volume as to make for a healthy, permanent prosperity. The decks, so to speak, are well cleared for action.

Clay Products.—The entire ceramic industry is quite unanimously reported to be enjoying one of the greatest periods of prosperity in its history. The encouraging reports of the previous month have, if anything, become more favorable during the past thirty days. Inquiries as well as actual bookings are refreshingly numerous, labor seems to be well paid and plentiful, in fact, there are few, if any, discouraging indications on the horizon. The demand for art pottery, previously reported brisk, shows no sign of abatement and in some localities is said to be showing moderate gains. It is rumored that many grades of fine pottery are being manufactured in the United States for the first time. Thus far these products are said to have given excellent satisfaction, this fact auguring well for the American pottery trade.

Agriculture.—Predictions as to the crop of winter wheat are no longer in order, for weather and crop conditions are now such as to merit comment as a matter of actual fact rather than mere prophesy. It is no exaggeration to state that the winter wheat crop, throughout the entire Fourth District, bids fair to be one of the largest as well as one of the best in quality, in all its history. Former rumors to the effect that the peculiar mildness of the winter just passed had had a damaging effect on wheat, seem to have been wholly erroneous. With the Government guarantee of \$2.26 per bushel for this bumper crop, indications are that the farmers will be basking in the sunlight of an unprecedented prosperity. It is confidently predicted that this prosperity will create a reflex demand for building improvements in the rural districts, for tractors, and for the more expensive agricultural implements of all kinds. It is also asserted that a more persistent demand for paved roads and kindred betterments will be in evidence.

Hogs are likewise reported to be in excellent condition and with the substantial advances in price, which have occurred since the Government barriers were lifted, it is evident that the farmer will have another source of large income. Other crops are reported in good condition, while the preliminary outlook for fruit is equally encouraging. Beef and hides are high and firm, with the farmers again the gainers thereby.

The one cloud in the agricultural sky is the labor problem. Although many farm hands have not as yet returned from military service, it is, unfortunately, true that these workers are demonstrating a preference for work in the larger cities, rather than a desire to return to their former rural pursuits. Should this condition grow worse, it is feared that the summer corn acreage will be below general estimates.

Labor.—The condition of the labor market, while not all that could be desired, is by no means discouraging. Indeed, there is reason to believe that, since the previous report, there has been a slight, but nevertheless, sure improvement in conditions generally. There is, of course, an abundance of both skilled and unskilled workmen, but the unemployment situation, taken as a whole, is not as acute as formerly.

While in several centers in the District strikes are said to be "smoldering" actual walkouts are not numerous although not unknown. There have been few cuts in wages, the disposition of employers being to pay all they can afford.

In many factories, particularly those making articles whose prices have not as yet been adjusted to peace levels, employees are on a part time basis, the average percentage of full time being about 75. Inasmuch as part time operations have a tendency to reduce the earning power of employees, there is much sentiment in favor of reducing wages and operating on a full time basis.

This plan has, however, met with some opposition and only a few sporadic attempts to put it into operation have been effected.

Public undertakings of various kinds have already absorbed a considerable number of those heretofore unemployed and as the weather becomes warmer it is expected that still greater improvement will be shown. Labor continues to be almost abnormally efficient and there is little tendency toward changes from one line of work to another.

Fuel.—Since no pronounced changes for the better, owing to weather of an abnormally mild nature, have been expected, it is not surprising to note that the fuel industry is practically in the *statu quo* which has characterized it almost from the day the armistice was formally signed.

Thus, in the coke regions, almost without exception, a waiting attitude is in evidence, operations apparently marking time until the expected turning of the tide occurs. It is also stated that while this season of the year is usually a period of inactivity, the price disputes in certain industries have contributed materially toward present low-ebb conditions.

A ray of hope, however, is seen in the opening of the lake trade, which opening always creates a lively demand. Some of the larger mines are already feeling this stimulus. A few mines of this class have resumed operations on a full time basis. There is very naturally a considerable surplus of labor as far as mining operations are concerned.

In spite of rumors of a slight cut in the price of gasoline, prices are holding firm with stocks moving quickly, due to steady automobile demand. Development operations in the Ohio and Kentucky fields continue to show gratifying results, not only in quality but in daily production from the new wells.

Collections.—It is reassuring as well as interesting to note that collections continue to be quite generally satisfactory. An undercurrent of dissatisfaction, however, is noticeable because of the fact that utilities and, particularly, the railroad are continuing to offer paper in settlement of account. The view seems to be prevalent that the expressed inability of the Railroad Administration to finance its purchases on a cash basis will tend toward slow collections in the future. The hope is also expressed that manufacturers will watch their accounts carefully in order to see that excess obligations are not created.

Transportation.—Railroad as well as traction traffic continues to be subnormal for this period of the year. Freight movements are likewise light, although a few spasmodic gains are noted. Suburban traffic in the Pittsburgh District has fallen off somewhat compared with the previous month, but it is said that this unusual situation is due to conditions prevailing in the steel industry and allied lines.

Mercantile Lines.—Mercantile activity seems to be increasing and for the first time in several months there are indications that the confidence of the buying public is being restored, although very slowly. Prices in many commodities are being adjusted downward although the same hesitancy toward large commitments, while somewhat less pronounced than for some time past, makes for slow and somewhat unsatisfactory progress.

The jobbing houses are less satisfied with conditions. Reports from a number of such concerns would seem to indicate that while the volume of trade is large, profits are abnormally small. Retail merchants are reported to be gradually disposing of their high-priced merchandise and this fact, it is thought, will have a tendency to stabilize values, thereby assuring larger sales with less risk in carrying more substantial inventories.

The Easter trade was brisk and the outlook for the future is good. Merchants report that it is apparent that the public has ample funds, and the demand, from present indications at least, is strongly in favor of the better and high-class merchandise.

Money and Investments.—Victory Liberty Loan notes are, of course, the prime investment of the month, and interest, throughout the District, is centered about the last great popular loan drive. Stock and bond offerings of a private nature have, almost without exception, been withdrawn from the market in deference to the loan. It is also gratifying to note that investment houses, banks, industrial establishments, and all similar institutions are lending freely the services of their employees to assist the Victory Loan.

Banks report a fairly well-defined decrease in demand for commercial loans. Rates on commercial borrowings are $5\frac{1}{2}\%$ and 6% , most loans being made at the latter rate. The volume of money required by many borrowers as a result of prevailing high prices is still above normal in many instances.

Textiles. — Conditions in the textile markets are satisfactory and the larger concerns are optimistic over the outlook. The woolen and worsted offerings for fall, although made somewhat later this year than is usual, have, generally speaking, been well absorbed. Prices compared with the fall of 1918 are a trifle lower in spite of better qualities shown.

Building.—During the past month there has been very little of encouragement in the building situation. The public is apparently determined that it will not build at the present high prices, and builders and builders' supply men are equally as certain that reductions, at least for the present, are not justified. General stagnation, except along the line of municipal improvements, is, therefore, the inevitable result. While in some cities, particularly in Cleveland, some drastic cuts in the price of a few building materials have been made, the reductions have not been general in character, and elsewhere in the District do not appear to have occurred even in the price of a few special builders' commodities.

Several cities, particularly Cleveland, Pittsburgh, Akron and Youngstown, report an acute shortage of houses and office space. While Akron is proceeding with the erection of a large number of moderate-priced dwellings in spite of high construction costs, the other centers are apparently holding back until reductions occur. Meanwhile rents are abnormally high.

There is no question that when the tide does turn there will be remarkable activity along building lines. Real estate has been quite active, many properties changing hands.

BUILDING OPERATIONS FOR MONTH OF MARCH

	Permits Issued				Valuations				Increase or Decrease of total valuations 1919 over 1918	% of Increase or Decrease
	New Construction 1919—1918		Alterations 1919—1918		New Construction 1919	New Construction 1918	Alterations 1919	Alterations 1918		
Akron.....	609	258	89	67	1,480,515	332,160	52,245	28,160	1,172,440	324.5
Cincinnati.....	584	521	426	441	168,440	166,230	186,365	192,375	3,800*	1. *
Cleveland.....	249	171	835	845	2,158,500	2,296,000	297,950	413,055	252,605*	9.3*
Columbus.....	186	148	109	88	213,230	325,240	68,440	53,570	97,140*	25.6*
Dayton.....	164	166†	88		263,267	221,003†	57,472		99,736	45.1
Erie.....	180†	114†			247,571†	155,444†			92,127	59.3
Lexington.....	88†	37†			139,005†	37,028†			101,977	275.4
Pittsburgh.....	243	291	163	149	705,910	1,024,021	276,805	190,575	231,881*	19.1*
Springfield.....	26	11	15	16	37,620	15,315	7,400	19,730	9,975	28.4
Toledo.....	152	60	113	86	307,642	89,585	101,079	65,954	253,182	162.7
Wheeling.....	7	15	37	53	8,250	50,750	7,648	20,965	55,817*	77.7*
Youngstown.....	154	155	33	24	295,135	346,785	76,100	16,600	7,850	2.1
TOTAL.....	2642	1947	1908	1769	6,025,085	5,059,561	1,131,504	1,000,984	1,096,044	16.4

†Figures include alterations and additions.

*Decrease.

POST OFFICE RECEIPTS

	March 1919	March 1918	Increase or Decrease	Percent of Increase or Decrease
Akron.....	92,227	80,205	12,022	14.9
Cincinnati.....	371,212	359,819	11,393	3.1
Cleveland.....	487,817	478,837	8,980	1.8
Columbus.....	136,297	146,555	10,258*	6.9*
Dayton.....	79,858	71,026	8,832	12.4
Erie.....	38,515	38,537	22*	
Lexington.....	18,817	16,737	2,080	12.4
Pittsburgh.....	436,328	465,361	29,033*	6.2*
Toledo.....	133,110	124,523	8,587*	6.8*
Wheeling.....	28,799	29,058	259*	
Youngstown.....	35,861	39,769	3,908*	9.8*
TOTAL.....	1,858,841	1,850,427	8,414	.5

*Decrease.

CLEARINGS

	March 16 to April 15		Increase or Decrease	Percent of Increase or Decrease
	1919	1918		
Akron.....	34,284,000	23,738,000	10,546,000	44.4
Cincinnati.....	254,970,186	245,307,232	9,662,954	3.9
Cleveland.....	442,423,511	329,795,178	112,628,333	34.2
Columbus.....	53,322,000	47,180,000	6,142,000	13.0
Dayton.....	16,117,015	21,494,480	5,377,465*	25.0*
Erie.....	8,516,697	8,837,707	321,010*	3.6*
Lexington.....	8,048,454	5,938,861	2,109,593	35.5
Pittsburgh.....	581,531,098	332,419,988	249,111,110	74.9
Springfield.....	5,541,264	5,279,833	261,431	4.9
Toledo.....	51,274,000	45,126,268	6,147,732	13.6
Wheeling.....	16,661,916	16,828,414	166,498*	1.0*
Youngstown.....	16,028,300	15,471,553	556,747	3.6
TOTAL.....	1,488,718,441	1,097,417,514	391,300,927	36.5

*Decrease.

**STATEMENT OF
FEDERAL RESERVE BANK OF CLEVELAND.
APRIL 18, 1919.**

RESOURCES

(In thousands of dollars.)

Gold coin and certificates.....	22,980	
Gold settlement fund with F. R. Board.....	50,415	
Gold with foreign agencies.....	0	
Gold with Federal Reserve Agent.....	130,845	
Gold redemption fund.....	623	
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TOTAL GOLD RESERVE.....	204,863	
Legal tender notes, silver, etc.....	1,181	
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TOTAL CASH RESERVE.....		206,044
Bills discounted—Secured by Government War Obligations.....	126,582	
Bills discounted—All other.....	8,469	
Bills bought in open market.....	24,017	
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Total bills on hand.....	159,068	
U. S. Government long term securities.....	1,083	
U. S. Government short term securities.....	16,031	
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TOTAL EARNING ASSETS.....		176,182
Uncollected transit items.....	54,546	
5% Redemption fund against F. R. bank notes.....	875	
All other resources.....	1,041	
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TOTAL RESOURCES.....		56,462
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		438,688

LIABILITIES.

Capital paid in.....	9,209	
Surplus fund.....	3,552	12,761
Government deposits.....	12,928	
Due to members—Reserve accounts.....	126,462	
Deferred availability items.....	42,358	
Other deposits.....	442	
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TOTAL GROSS DEPOSITS.....		182,190
Federal Reserve notes in circulation.....	227,698	
Federal Reserve bank notes in circulation.....	14,383	
All other liabilities.....	1,656	
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TOTAL LIABILITIES.....		243,737
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		438,688