

# FEDERAL RESERVE BANK OF CHICAGO

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## REPORT ON BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE BANK DISTRICT NOVEMBER 1, 1917

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The business situation throughout this district appears to be satisfactory at this time, with the principal interest centering in the Liberty loan and the new Government war taxes. Many corporations are not altogether clear as to what effect the new taxation will have upon their profits, and this is causing some uneasiness although there is little complaint with regard to the operating schedules in force. Money rates are still strong, but deposits are accumulating in some of the centers, resulting in a somewhat easier banking condition. Country banks are well loaned out, and there is some evidence that the farmers are carrying their grain in the hope of realizing higher prices. Bond houses are concentrating every effort upon the Liberty loan and report but little interest is shown in other issues.

The crops in this district have come through the season in good shape and the recent frosts have done but small damage. The state of Iowa expects to produce the largest crop of oats on record, and its corn crop should total approximately 300,000,000 bushels of sound corn. The planting of winter wheat continues but it is too early to accurately estimate the acreage, although the indications are for an increase over last year.

There is no change in the agricultural implement situation, manufacturers reporting a good demand for their output and difficulty in securing the necessary labor and raw materials. The lack of farm help has considerably stimulated the purchase of tractors and labor-saving farm machinery, particularly as the present prices encourage the planting of a large acreage.

Automobile concerns find a falling off in the demand for pleasure cars and, wherever possible, are turning their attention to the manufacture of trucks. Automobile accessory concerns report a satisfactory volume, with increased demand for truck parts and decreased demand for pleasure car equipment.

Building and its allied lines have shown no change for the better, and the official reduction in steel prices, together with the small reduction and the price of Portland cement, has had no appreciable effect.

The high prices of merchandise are beginning to cut down dry goods sales, although the volume measured in dollars still remains satisfactory. Retail merchandise stocks are still heavy, but there seems an inclination to reduce the merchandise on the shelves and to pay off indebtedness.

Distillers have not been operating since September 8, and the revenue bill increasing the tax has resulted in a falling off in sales.

Grain is moving in from the country gradually, but country elevators are reported as carrying a large quantity of oats and corn which the farmers are holding for stronger market conditions. It is the opinion of some authorities that the release of these stocks will cause an oversupply next spring, resulting in lower prices.

In the grocery line the demand for canned goods is better than the supply and the general volume of trade, measured in money values, is large. Sales, however, vary with local conditions, and wholesalers dealing with country communities are experiencing a good trade.

The hardware business finds a little slackening in demand, due presumably to the desire of purchasers to determine the effect on prices resulting from Government action. The leather market has improved considerably during the past month, owing to Government orders for shoes and the foreign requirements in this line. Raw material prices have advanced, and collections are fair.

There has been no change in the livestock market during the past month. Some heavy-weight cattle are being taken into the country for short-time feeding. Receipts of hogs in the Chicago market continue light, and there has been a fairly good demand for sheep from the farming communities which will increase the supply.

Piano concerns report that orders are coming in freely and that collections are good. A good fall trade is in prospect, but manufacturers may experience some difficulty in supplying the requirements of the purchasers.

Shipbuilding concerns are still working to capacity, as are the steel companies, which have not felt the effects of the Government regulation of prices. Most of the steel companies are so fully booked for at least six months that they are preferring to fill their old contracts rather than take on new contracts at the Government prices.

Watch companies report an active business, with particular demand for military and bracelet watches, and jewelers are finding sales satisfactory although the latter part of September and the first week in October showed a slight decrease over the figures a year ago. A large fall business is anticipated.

The wool market remains firm and mills are fully employed. There is a scarcity of labor but this condition pervades all industries at this time.

Clearings in Chicago for the first twenty days of October were \$1,348,000,000, being \$67,000,000 more than for the corresponding twenty days in October, 1916. Clearings reported by twenty-two cities in the district outside of Chicago amounted to \$296,000,000 for the first fifteen days of October, 1917, as compared with \$208,000,000 for the first fifteen days of October, 1916. Deposits in the twelve Central Reserve City member banks in Chicago were \$838,000,000 at the close of business October 19, 1917, and loans were \$570,000,000. Deposits show an increase of approximately \$36,000,000 over last month and loans an increase of approximately \$5,000,000.