

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE BANK DISTRICT FOR THE JANUARY FIRST FEDERAL RESERVE BULLETIN

1918

Business in practically all lines is moving at a rapid pace and the principal comment in this connection is the scarcity of the essential factors, namely, labor, transportation, fuel and materials. A few industries, however, through the lack of fuel and material, have been compelled to cut down their working force. There is little effort being expended in search of new business, as concerns are working at capacity to turn out that which comes to them unsought. The usual holiday trade is not anticipated. The investment market has been narrowed to such an extent that adjustments looking to reduction of forces are taking place. Investment activities are practically confined to short term corporate notes and municipals. It is reported that the large November and December maturities in investors' hands have been satisfactorily met. The corn crop is in itself a great disappointment though there is some solace in the fact that this condition has augmented, to a considerable degree, the feeding of live stock. Heavy snow has been decidedly favorable to winter wheat and rye. Cold weather has, if anything, operated to the improvement of the corn situation. Large acreage of winter wheat is reported. The bean and potato crop is not being freely marketed owing to transportation difficulties. Money rates are expected to remain hard indefinitely, due to Government financing, immense business activity and soft corn situation, which brings the farmers to the banks as borrowers at a time when they are usually in funds.

Scarcity of labor and materials is a matter of serious consideration to agricultural implement manufacturers; otherwise, a good spring business is anticipated and collections are good.

Automobile concerns are seeking to divert their facilities into other channels, such as the manufacture of aeroplane engines and bodies, trucks and ordnance parts, which will secure for them Government contracts. Pleasure automobile business will be greatly restricted. Collections have tightened somewhat.

Building is practically at a standstill, due to the season and to scarcity of materials and the car shortage. Collections are good generally though some complaint is heard with regard to country collections.

Coal miners are unable to satisfy demand, the extremely cold weather depreciating the efforts made to fill the already pressing requirements of manufacturers. Car shortage is also an unfavorable element.

Export demand would afford a broad market for distillers' products were it not for the difficulty with shipping restrictions and scarcity of ocean bottoms. Domestic business is quiet and no activity is anticipated for the duration of the war.

It is suggested that hoarding of stock is responsible for some of the advanced prices at which dry goods are being sold. Wholesalers report a considerable volume of speculative buying. A satisfactory volume of retail business has resulted from the seasonable weather of the past few weeks. Collections are better than normal.

Furniture houses are reasonably well occupied with new business; factories are retaining most of their employes, though orders are rather light. Collections are good.

Considering the large crops of wheat, corn and oats, prices have ruled high. Corn of good quality brings a high price though there has naturally been some decline in the lower grade, which was forced to the markets on account of its poor quality. Speculation is blamed for small receipts of oats, though transportation deficiency likewise operates to maintain this grain at high levels. A fairly good export business prevails.

Wholesale grocers find a ready sale for their products with the scarcity of material a factor. Canners face high prices for sweet corn, tomatoes, beans and the like. Volume is about normal and collections very satisfactory.

Hardware concerns report a satisfactory volume of business for this time of year. Purchase of necessities and Christmas goods form the bulk of trade in this line. Conditions are normal. Collections are unusually good.

The month of November saw a falling off in the jewelry business though the period from the first of 1917 showed a fair increase over the corresponding period in 1916. Business continues to decline for the first two weeks of December, 1917. A dull holiday season is anticipated. Collections are good.

The leather industry reports extreme quiet in civilian business. Government orders are keeping some houses at capacity, while those without Government contracts are slowing down with little promise for the future. Heavy hides for Government work are in strong demand. Collections vary from good to excellent. Labor is not particularly commented upon.

The live stock situation continues to be affected by soft corn. As reported last month this has resulted in an unprecedented demand for feeding cattle and banks serving agricultural communities are experiencing a brisk demand for funds. Receipts of animals at yards are somewhat lighter, the quality apparently good. It is said that meatless days are affecting domestic demand, though of course, foreign demand is very active. One authority questions the food value of soft corn and suggests that this may tend to bring inferior products to market. An agreement recently reached between the Food Administration and the railroads as to hauling of live stock from prescribed zones will regulate the volume of receipts. Prices trend downward. Collections are good.

In the lumber business the car shortage is acute but it will work no particular hardship at this time, which is usually slow. Building operations are practically at a standstill. Collections are fair.

Mail order houses report business at about the same volume as last year.

Piano manufacturers are experiencing the customary holiday demand with little hope of filling all orders due to subordination of their transportation requirements to those of the Government. Collections are very good with a scarcity of skilled labor. There is a disposition to be non-committal as to prices and deliveries for 1918.

Shipbuilders are still employed to capacity and labor is scarce.

The steel industry is working at capacity to fill war orders. Constructional steel is not in great demand. Production of pig iron is not keeping pace with orders and there is some concern among consumers. Lack of transportation is seriously affecting production. It is noteworthy that the month of November saw the smallest decrease in United States steel unfilled tonnage (8,897,106) since the decrease began in May, 1917, from the high point (12,183,083) in April, 1917. It is believed that steel buyers have given up hope of lower prices or greater ability to fill orders.

Wool purchases are being made for immediate requirements. Still, prices remain firm as imports are curtailed owing to the unwillingness of the importers to comply with requirements of the Trade Council in securing import licenses. This will cause encroachment on present stocks.

Clearings in Chicago for the first 19 days of December were \$1,338,000,000, being \$1,000,000 less than for the corresponding 19 days in December, 1916. Clearings reported by 23 cities in the district outside of Chicago amounted to \$303,000,000 for the first 15 days of December, 1917, as compared with \$304,000,000 for the first 15 days of December, 1916. Deposits in the twelve Central Reserve City member banks in Chicago were \$845,000,000 at the close of business December 19, 1917, and loans were \$606,000,000. Deposits show an increase of approximately \$8,000,000 over last month and loans an increase of approximately \$12,000,000.