

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE BANK DISTRICT FOR THE MARCH 1, 1918. FEDERAL RESERVE BULLETIN

The past few weeks have witnessed a decided change for the better in conditions throughout the district and sentiment seems to be comparatively cheerful. Prospects for an early return to normal conditions, as far as the word normal can be applied to the situation of a nation at war, seem good, as the moderation in the weather has relieved the traffic blockade to such an extent that credits depending on transportation are beginning to be liquidated. Particularly in the country, the increased movement of livestock has eased a tight money situation. It is said banks in these sections have been buyers of commercial paper. Coal has also been moving to some extent and present situation promises the satisfaction of current requirements. Steel mills and all industries in so far as fuel needs are concerned, are favorably affected. In the money centers deposits have declined somewhat and there is no prospect in the immediate future of any idle money. While there is a tendency in all sections to watch the government needs and therefore to discriminate somewhat in loaning, there are no reports of the denial of credit to worthy borrowers.

Winter wheat is in good condition so far. The month of March is the telling one with this crop and much depends on the weather during the next thirty days. There is a great amount of corn in the fields still to be husked, and owing to the condition of the corn the farmer will be put to great difficulty in securing seed corn of desirable quality. The heavy snows will leave the soil in excellent condition, and, barring any unforeseen inclemency in the weather, the outlook is bright.

There has been, and still is, a congestion of business in merchandising, manufacturing and agricultural lines, though, as before stated, this appears to be breaking up. If the weather continues clement, there should be still more marked improvement. There is no lessening of demand for most products, nor any inability to meet prices as labor is generally well employed at high wages. Such a condition augurs well for the quickening and maintaining of practically all business at capacity. Construction alone seems to be at a standstill, though business in luxuries seems to suffer some restraint due as much to government restrictions as to a growing disposition to conserve.

There has been considerable activity in the short term obligations of high class public service corporations and industrials at very attractive yields, and a much more favorable attitude is observed towards railroad bonds due probably to government control. There seems to be much investment money seeking the high rates obtainable, and this will no doubt continue until the expected Liberty Loan.

Agricultural implement concerns fear they will be unable to make delivery of machinery by the time it is required for spring planting on account of their inability in the past months to secure the necessary raw material to go into manufacture and the present limited and uncertain transportation facilities. Volume of orders is normal and collections are reported good.

Automobile manufacturing conditions remain about as previously reported, with a large part of the energies of this industry directed toward government needs. The blockade of the past few weeks has reduced to the minimum shipments by railroad for private use and the so-called roading of cars has been made impossible due to heavy snows. Both difficulties are now righting themselves, promising more satisfactory deliveries for the future.

During the past month the production of mines in Illinois and Indiana has been greatly curtailed. The burden of supplying this district has been placed entirely upon these mines, no coal being received from outside sources. Production is expected again to approach normal with a continuance of the mild weather.

Building and construction are far below normal, with no prospects of any improvement. There seems to be a thoroughly general indisposition to any activities in this direction.

Liquidation of accumulated beverage liquor in the distilling line continues to the satisfaction of the distiller. Their facilities in some instances have been turned to commercial alcohol manufacture. Maltsters have been unable to market their product satisfactorily and are said to have large stocks on hand. Past weeks have been trying ones on account of the railroad situation. Collections are fair to good.

Money value of sales for future delivery in dry goods is breaking all records. There is undoubtedly a speculative tendency here. It is difficult to supply the goods required. At present retailers experience a falling off in sales, which is attributed to bad weather and heatless days and, by some, to economy among consumers. Long, severe winter has reduced heavy stocks. Collections are satisfactory.

Government efforts toward relieving the farmers of excessive stocks of soft corn seem to begin to bear fruit. It is estimated that approximately eight thousand empty cars have been turned over by Eastern to Western roads during the month of January, and that in the neighborhood of several hundred cars have been so diverted daily thus far this month. Heaviest receipts of corn for months, about two thousand cars, were recorded in two days recently at Chicago, and if this movement continues there will result not only a great saving of soft corn but terminals will accumulate stocks against the time when the farmer will be busily engaged in Spring planting. The capacity of Chicago and vicinity is sufficient to take care of well beyond six hundred thousand bushels of soft corn daily. Movement of wheat has likewise had government attention, with salutary effect. Farmers are thought to hold oats in large quantities, but due to the effort to move wheat and corn receipts are light, and to this is attributed partly the recent considerable advance in prices. On the other hand, farmers are said to be inclined to hold oats for higher prices on account of proposals introduced in the Senate to raise materially the guaranteed minimum price of the 1918 wheat crop.

Demands on wholesalers in the grocery business continue strong. Restrictions on the use of various staples are inclined to advance prices for substitutes. Volume of sales is in excess of last year; tonnage also shows some increase. Collections are reported good, considering condition of farmers.

The hardware line is beginning to recover from the apathy effected by the severe winter. The breaking of the snow blockade is expected to quicken activities among farming communities, which will be evidenced by a return to normal volume of sales. Collections are not complained of.

Civilian shoe business among leather concerns is light. Government orders promise to occupy the principal attention of many houses for some time to come. Capacity of all manufacturers has exceeded transportation facilities. Collections are satisfactory.

Though present weather conditions permit an increasingly large movement of livestock, it is said that it will take some time to completely relieve the congestion brought about by freight blockade. The situation of the feeder is anomalous in that stock well finished by expensive feed does not seem to bring commensurate returns, while cattle of fair to medium weight are in fair demand. The experience of lamb feeder is practically the same. Hogs in large number are still waiting to be marketed.

It is somewhat difficult to make any accurate forecast of prospects in the lumber business. Practical stagnation describes the situation for the past month. Building is expected to be spotty and limited to necessary operations. Receivables seem to be in good shape.

Mail order business continues to show its usual increasing volume.

Piano manufacturers are keeping abreast of new orders, but are working on January business, of which they were able to ship only a fraction. Belated supplies are now coming to hand. Collections vary according to localities.

Shipbuilding and steel industry was very much handicapped during the past month. In the latter line a recovery from subnormal operations, occasioned by fuel and transportation shortage, brings operations to nearly normal. The government absorbs most of the steel products to the neglect of domestic consumers. Unfilled tonnage promises continued activity into mid-year, and there will be no slackening as long as the war lasts. Collections are excellent.

Demand for watches continues far in excess of supply. This is the feature of the jewelry business.

Transportation difficulties interfere with the sale of wool. Woolen garments will not be much in evidence for civilian use, substitutes predominating to a considerable extent. Government demands will absorb a large proportion of available stocks.

Clearings in Chicago for the first fifteen business days of February were \$1,170,000,000, being \$35,000,000 less than for the corresponding 15 business days in February, 1917. Clearings reported by 22 cities in the district outside of Chicago amounted to \$241,631,000 for the first 15 days of February, 1918, as compared with \$241,479,000 for the first 15 days of February, 1917. Deposits in the twelve Central Reserve City member banks in Chicago were \$834,000,000 at the close of business February 18, 1918, and loans were \$580,000,000. Deposits show an increase of approximately \$27,000,000 over last month and loans a decrease of approximately \$34,000,000.