

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE BANK DISTRICT FOR THE MAY 1, 1918, FEDERAL RESERVE BULLETIN COMPILED APRIL 22, 1918

Secondary to the all absorbing interest in the tremendous struggle on the Western front, the chief interest is the maintenance of the Allied and the U. S. Armies and the feeding of the world which they defend. The two factors which are inseparably connected with success in this war, therefore, are the facility with which Government loans may be placed and the size and quality of the crops.

The Third Liberty Loan is now being placed with excellent prospects for a big over-subscription. Reports are that considerably more people are subscribing to this loan than to either of the other two. The wheat outlook is very bright. To quote the statement of one of the foremost grain men in the United States: "There is no scarcity of wheat the world over, but there is a scarcity of transportation which has prevented those countries having a large exportable surplus from getting it to those countries which needed it most. If the prospects of the American crop are maintained at anywhere near present promise, an eight or nine hundred million bushel crop of wheat is not at all unlikely, with the possibility of it reaching one billion or more. If the latter figure should be realized and Canada have above an average crop, there will be ample supplies for our Allies and ourselves for the next twelve months with a liberal surplus to be carried over."

General business conditions throughout the district show a material improvement in many respects over those of a month ago. There is a decidedly better movement of cars which has had the effect of easing up country banks who were compelled to carry their customers on account of the inability of the latter to market their products, and has effected a freer movement of raw material, manufactured products, grain and livestock. Collections have likewise improved. Weather had been excellent, the recent rains having supplied much needed moisture. Farmers throughout the district are engaged in spring work. Corn will probably go into the ground early in May if not sooner. Planting of spring wheat and oats is about completed. Acreage is probably the largest ever known.

Money rates remain quite firm with a disposition on the part of banks to discriminate. Banking opinion is that the shock of the large tax payments and installments on Liberty Loan subscriptions will have been anticipated and absorbed by the certificates of indebtedness and that no severe strain will be imposed upon the banks through these payments.

Dealing in bonds and other investments is practically at a standstill for the period of the Liberty Loan Campaign. There is some investment money seeking short term investments but new borrowers and long term investments are not much in demand.

The increase in agricultural operations and acreage under cultivation has produced a very strong inquiry for implements, which it is expected will tax manufacturers to the limit.

The difficulties confronted in the agricultural implement line are those that confront all manufacturers to a degree, namely scarcity of labor, material and transportation. Collections are good.

Auto concerns quite generally have been able to adapt part of their plants to war work. They are experiencing a sharp demand for automobiles, which on account of restrictions, they are unable adequately to supply. Second hand cars never enjoyed a readier sale. Credit conditions are said to be excellent.

Building and construction work save where of direct aid to the Government in the prosecution of the war are being discouraged. It is necessary in the Government scheme that all available money, labor, fuel and material be used to one end, and that operations of less pressing need be put aside. Direct efforts along these lines are seen in the recent order of the fuel administration curtailing the manufacture of ten principal clay products, among them brick and tile.

High grade coal is being mined at a rate which is limited only by transportation facilities. Railroad coal which Central Illinois and Indiana furnish is not being produced at the normal rate, due to the reluctance of the roads to meet price increases recently granted by the Fuel Administrator. A zone system has been established by the Administrator which confines movement of Illinois coal to a prescribed territory which will do away with long hauling and should affect coal distribution favorably.

Excessive demand maintains candy manufacture at the 80% sugar allowance. These concerns are in the enviable position, as are not a few in other lines, of being able to discriminate against slow paying customers. Collections, therefore, are in excellent shape.

In the whisky business liquidation continues at very high prices. Stocks are diminishing rapidly and it is reported to us that in a short time, all distillers' stocks will be in the hands of the retailer or consumer. Maltsters have large volume of malt on hand for which contracts were made during the embargo period. They are now proceeding to make deliveries by means of a limited daily allowance of cars.

Dry goods is scarce and prices continue to advance with no abatement in buying. Cotton goods particularly has advanced to prices ranging from three to four times the average established in past years. Wholesalers look for some Government action towards stabilization of prices. Credit is having very close scrutiny.

Furniture manufacturers report difficulty and uncertainty about the railroad situation and that the Government has in some cases relieved factories of lumber necessary in war work. The draft has operated to lower retail volume. Married men of draft age hesitate to replace worn out furniture, and those marrying at this time as a rule do not go housekeeping.

There is good export demand for oats but little or none for corn, although it is expected that our Allies will want large supplies of our corn in the future. Domestic demand for corn and oats is exceedingly poor, distributors having bought freely during winter months in excess of their requirements. Owing to congestion, their purchases were greatly delayed and in consequence they are now, at the lightest feeding season of the year, receiving great quantities of grain which they are unable to dispose of. In consequence, a demoralized situation prevails in many localities and particularly throughout New England.

Despite limitations on wheat and sugar distribution, wholesale grocers report a volume of business in excess of last year. This is not so much due to increased tonnage as to increase in price. Wheat substitutes are in great demand. There is no particular tendency to speculate in foodstuffs as regulation of profits by the Government precludes the necessity of anticipating advances. Collections vary from fair to good.

Hardware houses dependent on building and constructional lines for their business are suffering from the present stagnation, and concerns doing a diversified business report decreased volume in their building trade department. In other branches, volume has increased to high proportions. Country collections lag somewhat but city collections are reported excellent.

There is greater activity looked for in the leather market. Prices will probably not go lower and when this fact is realized, civilian shoe manufacturers will no doubt put forth inquiries. Government shoe orders are being turned out as rapidly as possible. Some difficulty is found in the scarcity of labor. Export trade finds ocean bottoms scarce. As collections are having careful attention, they are in fair condition.

Exporting of packing house products continues to form the basis of an excellent business in the live stock industry. Domestic demand is subnormal. Beef cattle has advanced in price. We are told the greater portion of hogs has been marketed and that the coming pig crop will be large. The receipts of live stock at Chicago for the four weeks ending April 20th, were:

	Cattle	Calves	Hogs	Sheep
1918.....	274,025	82,387	794,386	216,068
1917.....	190,430	74,837	496,512	309,860

Degree of volume in lumber business continues to be sectional and based on local conditions. Some lumber is being used for repair and rebuilding, but requirements on account of new building are negligible. In general, volume is subnormal.

Mail order houses report a volume which is about holding its own with past years. Taking into consideration the increase in price of all products, it is evident that there has been some reduction in tonnage.

Though piano and musical instruments are not in normal demand, the orders received are sufficient to overwhelm the factories with their restricted output. There is a shortage of veneer owing to the Government's action in requisitioning this material. Labor is in short supply.

Government pressure on steel companies is constantly on the increase. The German drive has stimulated demand for tonnage from this source. Though domestic needs are great, demand is not strong, no doubt, because such customers realize the futility of placing orders. Collections are good and frequent wage adjustments keep labor satisfied.

Military wrist watches and ladies bracelet watches continue to absorb the attention of watch manufacturers. It is impossible to meet the demand. Jewelry houses report large sales of precious stones, a significant fact in these times of heavy taxation. The same condition is reported in the other warring countries, precious stones being constant in value and easily concealed.

Government requests that looms and wool stocks not at present used for military purposes be placed at service of the Government until urgent needs are provided for have effected a further shortage in civilian clothing as well as price increases all along the line. Pending extent of Government requisition of wool, sales and quotations are not being made in the principal markets. Climbing prices have not checked demand and orders for future delivery promise a tight situation in the woolen industry into the indefinite future.

Clearings in Chicago for the first seventeen business days of April were \$1,563,000,000 being \$51,000,000 more than for the corresponding seventeen business days in April, 1917. Clearings reported by twenty-one cities in the district outside of Chicago amounted to \$323,000,000 for the first fifteen days of April, 1918, as compared with \$265,000,000 for the first

fifteen days of April, 1917. Deposits in the twelve central reserve city member banks in Chicago were \$864,000,000 at the close of business April 19, 1918, and loans were \$579,000,000. Deposits show a decrease of approximately \$33,000,000 over last month, and loans a decrease of approximately \$3,000,000.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO
(000's Omitted)

	RECEIPTS				SHIPMENTS			
	February		March		February		March	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.	851	670	1,003	1,386	744	431	1,086	1,264
Wheat, bu.	363	2,785	539	3,460	111	2,502	206	3,049
Corn, bu.	10,555	7,345	14,045	7,976	2,612	3,222	4,964	4,844
Oats, bu.	8,773	6,964	9,699	10,692	4,073	4,968	5,934	7,928
Cured Meats, lbs. . . .	23,621	20,576	30,332	24,657	69,218	68,330	72,535	79,935
Fresh Meats, lbs. . . .	87,010	77,534	117,194	73,429	125,541	127,868	106,374	118,599
Lard, lbs.	9,662	9,381	17,147	9,967	16,504	32,058	21,842	36,255
Cheese, lbs.	10,226	8,571	10,830	11,310	8,823	8,380	8,253	9,444
Butter, lbs.	22,169	16,593	24,051	17,999	20,807	23,769	21,214	23,281
Eggs, cases.	29	85	414	376	54	120	170	226
Potatoes, bu.	1,082	991	1,436	936	362	316	580	404
Hides.	13,149	15,345	16,025	15,688	15,312	16,719	15,286	20,314
Lumber, M. ft.	133	210	261	264	60	73	137	105