

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS
IN THE SEVENTH FEDERAL RESERVE DISTRICT
JUNE FIRST, NINETEEN EIGHTEEN
COMPILED MAY 21, 1918

The Third Liberty Loan has been successfully placed among individual subscribers to the number of nearly twenty millions. The banks, though prepared to subscribe to a far greater extent, were not called upon to do so, and the resulting reserve position is a most promising augury of their ability to finance business and to assist in the flotation of future loans.

While there has been some reduction in deposits in this district on account of the Loan, this has not resulted in seriously crippling the banks, as many had anticipated withdrawals and had kept their assets in liquid condition. Owing to the intense pace of industry, money will rapidly find its way back to the usual channels, though, of course, the rapidity with which this operation will take place in a given locality is dependent upon the character of its industries.

Though complete figures are not yet available, it is generally understood that the farming communities have figured prominently as subscribers to the last loan. In this connection, several references are made to the strong cash position of farmers on account of the unprecedented prices they have received for their products. We are told that comparatively few new farm loans are being placed and that maturities are being met in an unusual number of cases.

Belief in a growing conservatism among business men finds foundation in the exhibit of total commercial failures reported to R. G. Dun & Co. Throughout the United States for the four weeks ending May 16, failures numbered 810, while for the same period in 1917 the total was 1,154. In the West, covering the district of the Chicago Federal Reserve Bank, 1918 figures were 217 for the four weeks ending May 16 as compared with 259 for a like period in 1917. This reduction in failures for the entire country of practically 30% and for the West of over 16% is a satisfactory showing.

Labor is quite scarce in most lines. Wages and salaries paid are said to be the highest in history. There are only isolated cases of labor unrest. Notwithstanding, however, the general full employment, the situation of building trades employes is said to be serious on account of the marked cessation of building and construction. Authorities stated a few weeks ago that there were in the neighborhood of 50,000 men idle in these trades in Chicago.

Prices continue to advance in practically all lines. Price regulation has been extended to the leather industry. Textiles are being eagerly bought on an ever-advancing market with the scarcity of manufactured articles for civilian consumption becoming more acute. There is considerable buying for future needs against further advances and greater scarcity.

Money rates are hard but banks are accommodating their deserving customers. Distant maturities are not in favor, six months paper being about the limit on which banks are willing to loan even their best customers.

Nothing has occurred to mar the brilliant prospects for a large crop of wheat. Michigan alone reports unfavorably in this connection, hard freezes during the winter causing considerable damage to the wheat. There is a large acreage of spring wheat which is coming along in fine shape. Corn is practically all in the ground and under continued favorable weather conditions should be a fair crop. There is much speculation as to the germination of seed corn of which there was an acute scarcity in the desirable grades and farmers are awaiting with some concern the quality of the stand. Oats acreage is large and like wheat has had a very auspicious start.

The investment market has revived somewhat. Miscellaneous securities are in small supply and big demand. Brokers look for a good resumption of business if certain approaching maturities are refunded in the usual market. We find investment bankers hopeful for a fair business in three to five year industrials at attractive rates. There is some interest on the part of investors in longer term bonds.

Agricultural implement manufacturers are able to dispose of all the products they can turn out under the existing conditions of scarcity of labor, material and transportation. Orders are far in excess of their ability to supply.

Manufacturers of passenger automobiles now working under a voluntary curtailment of output to the extent of 30% are said to be facing a curtailment of 75% based on the steel requirements of the United States and her Allies. Production of 2,000,000 cars during 1918 as proposed by manufacturers is said to represent sufficient steel to build 9,000,000 dead weight tons of shipping. What is to be the decision of the Government is not yet known, but reliable opinion seems to be that nothing will be done that will operate to the permanent serious injury of the industry.

Comparative figures of building permits granted in April, 1918, and their value, with those granted in April, 1917, reveal a marked contrast. In April of this year, Chicago permits numbered 396, valued at \$2,767,900, while in April of last year permits numbered 652, valued at \$9,524,450. This reveals a percentage loss of 70%. Fifteen of the largest cities in the district including Chicago report a falling off of 65% in valuation of buildings for which permits were granted. Total values involved were for April, 1918, \$6,733,149, for April, 1917, \$19,755,583. Only two cities in the entire district report an increase in building operations. This may be attributed to excessive cost of materials, and scarcity of the same, together with unwillingness of individuals to tie up their resources in capital expenditures at this time and a like indisposition on the part of banks to finance such investments.

Mines are employed at capacity due to domestic demands, despite the fact that railroads have not yet made contracts for their yearly supply of coal. Coal miners expect a larger production during May than in April.

Distillers are having a good demand for bonded whiskeys which will continue until exhaustion of stocks on hand. Certain distilleries are availing themselves of the adaptability of their plants to corn drying and milling of cattle feed. Maltsters report grave difficulty in securing the necessary labor to carry on their business. Large orders contracted during the embargo period are being filled with great effort necessitating day and night labor.

There is no recession in the demand for Dry Goods. The market is still soaring. Probably due to the Liberty Loan, retail business was retarded somewhat during April but May

promises much activity. Stocks in jobbers' hands are lower both in money value and actual merchandise, while retailers have been pretty well stocked up. Possible Government action in the way of requisition and regulation is ground for much uncertainty. Collections have been excellent.

Furniture manufacturers report nice increases in volume over past periods, part of which are due to higher prices and part to the anxiety of retailers as to ability to secure stock in the future. Collections are good and transportation facilities more satisfactory.

Excellent credit condition is an outstanding feature of the grocery business. Correspondents say collections are better than pre-war period. Conservation is being practiced and the distribution of goods is carefully made. Volume is good, despite restrictions on flour and sugar, and light movement of canned goods.

Hardware dealers face a scarcity of goods on account of pledge to the Government by Steel mills of 100% of their product. Building hardware reflects the slump in building operations while other departments show a healthy increase in volume. A very satisfactory credit condition exists.

Maximum prices have been established in the leather industry on the price of raw hides, skins and leathers. There has been increased activity in the leather market in the last few weeks on account of civilian, Government and Allied demands. Dealers are naturally not desirous of selling under the Government maximum prices and in view of present volume quotations will hover quite close if not reach the maximum. Collections are good.

Receipts of beef cattle have fallen off and authorities anticipate short runs for some time to come. Other live stock are coming to market in normal volume. Incoming stock is said to be of excellent quality. Poor pasturage is apprehended as forecasting light receipts during the summer. Comparative receipts of livestock at Chicago for the four weeks ending May 18, 1918, and a corresponding period in 1917:

	Cattle	Calves	Hogs	Sheep
1918	228,259	84,783	615,374	214,971
1917	202,812	70,800	545,982	202,403

There is nothing approaching general activity in the lumber business. It is exceptional where volume reaches 50% of normal. Very few dwellings are being built. The bulk of trade comes from rebuilding and repairing requirements. Collections are fair.

Except in foodstuffs and products containing sugar, mail order houses continue to record increased sales over last year. Educational measures along lines of conservation have effected noticeable reduction in the items mentioned. Collections are good.

Pianos, Player Pianos and Talking Machines are reported in unusual demand by retailers owing to the recent publicity given the statement that manufacturers would voluntarily curtail output. The latter are far behind in filling orders and freely exercise their prerogative of choosing whom they shall sell, on the basis of past credit experience. Collections continue very good.

Shipbuilders are, of course, pushed to capacity by the Government needs for ships and are being assisted at every hand to obtain necessary material and labor. Steel business is in the same situation, with government requirements gradually crowding from consideration the demand for domestic consumption.

Though commonplace on account of frequent repetition, the continuance of the urgent demand for watches and chronometers of every description compels capacity operation of watch factories. Retailers attribute large sales gains to purchases of precious stones and watches.

Wool markets are featureless. While consignments find their way to central markets, government prohibition prevents their sale. Committees on valuation will soon be established, when available stocks will be distributed and military needs first met.

Clearings in Chicago for the first seventeen business days of May were \$1,459,000,000 being \$42,000,000 less than for the corresponding seventeen business days in May, 1917. Clearings reported by twenty-two cities in the district outside of Chicago amounted to \$322,000,000 for the first fifteen days of May, 1918, as compared with \$313,000,000 for the first fifteen days of May, 1917. Deposits in the twelve central reserve city member banks in Chicago were \$878,000,000 at the close of business May 20, 1918, and loans were \$584,000,000. Deposits show an increase of approximately \$14,000,000 over last month, and loans an increase of approximately \$5,000,000.

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

	RECEIPTS				SHIPMENTS			
	March		April		March		April	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.....	1,003	1,386	787	1,035	1,086	1,264	648	924
Wheat, bu.....	539	3,460	298	3,859	206	3,049	199	4,245
Corn, bu.....	14,045	7,976	8,493	4,486	4,964	4,844	2,925	5,195
Oats, bu.....	9,699	10,692	13,606	9,724	5,934	7,928	10,736	14,067
Cured Meats, lbs...	30,332	24,657	29,319	16,274	72,535	79,935	62,659	66,318
Fresh Meats, lbs...	117,194	73,429	96,641	69,008	106,374	118,599	110,157	119,378
Lard, lbs.....	17,147	9,967	10,938	7,652	21,842	36,255	21,783	29,047
Cheese, lbs.....	10,830	11,310	11,648	10,266	8,253	9,444	8,297	8,139
Butter, lbs.....	24,051	17,999	21,039	17,994	21,214	23,281	14,550	22,615
Eggs, cases.....	414	376	1,027	926	170	226	202	369
Potatoes, bu.....	1,436	936	1,218	1,000	580	404	469	342
Hides.....	16,025	15,688	13,149	12,425	15,286	20,314	12,974	18,992
Lumber, M. ft.....	261	264	267	330	137	105	126	142