

# FEDERAL RESERVE BANK OF CHICAGO

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## REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT JULY FIRST, NINETEEN EIGHTEEN

COMPILED JUNE 21, 1918

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The most favorable single condition is that of the very promising state of the crops throughout the country and in this district, except Michigan.

There is a strong continuous demand for money generally, and rates are therefore hard at six per cent or better. Banks lose deposits when the Government borrows only to regain them temporarily, through redeposit, or in the ordinary course of business. Tax payments are reported to have been made without inconvenience.

Transportation facilities record a marked improvement resulting in better distribution of raw and finished material.

There is an unusually strong purchasing power observed in manufacturing centers where labor is fully employed at high wages. Retailers report an insistent demand in the cities and find difficulty in financing their business which under present conditions requires, or is thought to require, heavy stocks. Country retail trade is at this time somewhat backward on account of the intensive field work of farmers. Wholesalers in textiles are denied the usual variety of lines due to Government requirements, but still record increasing money volume. In the trade there is a movement toward cash and shorter terms.

Short term notes and municipals have an active market. Long term Bonds are reported not in great demand. Prospective investors in public utilities are uncertain on account of the present attitude of the War Finance Board against rendering direct assistance to public utility corporations.

In the agricultural implement line there is no change from the conditions frequently reported in the past, namely, large demand with insufficient material and transportation to enable producers to meet it. It is mentioned that farmers are repairing old machines wherever possible. Crop promise would appear to justify confidence in continuance of excellent collections.

Passenger automobile manufacture is reported curtailed from 50 per cent to 75 per cent due to the Government precedence in steel supply, as well as to the diversion of these factories into manufacture of trucks, aeroplane engines and ordnance. Demand for passenger vehicles is, of course, excellent but beyond the ability of manufacturers to satisfy. There is no complaint that automobile manufacturers are being financially injured but simply that the advent of the Government as a customer operates to exclude the civilian public.

No new activity or improvement is observed in the building line. Banks quite generally are discriminating against loans, the proceeds of which go into fixed investments. Inability to secure funds, together with high costs of labor and material offer a ready explanation of the marked recession over past years. May 1918 building permits granted in fifteen cities of the district including Chicago, aggregate 3,080 for a value estimated at \$9,700,000, against 4,947 permits in May 1917 estimated at \$18,800,000. The number of permits granted in May, 1918 in Chicago were 379 against 619 for the same month last year. Values were

respectively \$3,700,000 for 1918 as against \$6,500,000 for 1917. May of this year shows approximately a 50 per cent improvement over valuation of buildings for which permits were granted in April, in the 15 cities reporting.

Improvement in car supply would permit a fair distribution of coal for next winter's requirements. Agitation of the need for providing against a repetition of last winter's shortage has brought out an excellent demand. Supply is now restricted to some extent by labor scarcity.

Confectioners experience seasonal dullness. However, the restriction against the use of sugar prevents their filling even the reduced volume of orders. Transportation is somewhat improved. Labor is scarce and independent. Collections good.

There is nothing new to report in the whiskey business. Liquidation of stocks continues at mounting prices. Maltsters and brewers are seriously hampered by labor shortage. Domestic distribution is improved with good transportation facilities but export permits are not obtainable.

There is a tentative agreement between cotton goods merchants and manufacturers and the War Industries Board, that all sales made for delivery after January 1, 1919, be made at prices to be agreed upon later, and that all bona fide sales made after June 8, 1918, for delivery after September 30, 1918, are to be subject to price revision. This is taken to mean a reduction and has caused hesitation in buying. Demand is strong and goods are scarce. Public purchasing power is great on account of large wages and salaries.

Business in the furniture line enjoys increased volume due to high prices and not to tonnage. Some orders are being placed against further advances. Cost of doing business is continually on the increase.

As the season advances with nothing having happened to mar crop prospects, the belief is becoming strong that we shall raise the largest crop of wheat, corn, oats, barley and rye that has ever been known to the United States. Wheat harvest has begun in southern sections and a large movement is confidently expected around the first of the coming month (July). The corn is reported to be in excellent condition and other crops as well.

Wholesale grocers are enjoying a large money volume of business, with collections much improved due to efforts to reduce sales terms and to encourage and demand cash settlement when possible. Demands for sugar for home preserving of fruit is strong. Retailers in farming communities have observed a falling off in sales to farmers due to their close attention to the crops at this time.

There is reported a strong demand for hardware, probably on account of the scarcity thereof. Volume is excellent and collections satisfactory.

Price fixation now imposed on hides and skins is expected to be extended to cover all classes of leather. Tanners and factories are reported employed to capacity on Government and civilian work. Labor scarcity hampers production. Price fixation is generally welcome as a stabilizing element.

Live stock receipts at Chicago show an increase for the four weeks ending June 15th over the same period last year, but a noticeable decrease for the same period last month. Stock has been of good quality. There is a healthy demand for beef. Domestic and foreign shipments have been heavy. Prices are well maintained. Comparative receipts of lives tock at Chicago for the four weeks ending June 15th, 1918, and a corresponding peroid in 1917:

	Cattle	Calves	Hogs	Sheep
1918.....	213,112	64,538	493,042	200,149
1917.....	203,848	51,974	485,141	154,759

Lumber business is still spotty. No general or consistent demand is experienced as normal building operations are at a standstill. There is some anticipatory buying against freight advances.

Mail order houses are maintaining average volume, with a reported scarcity of many articles, though the situation is not as unfavorable as it has been on account of better transportation. Collections are excellent.

Piano orders are in large volume. Labor shortage prevents full delivery. Transportation and materials seem readily available. Collections are good.

Nothing more can be said of the steel industry than that the question is only one of production, as there is only one customer, the Government, who either takes their product or directs who shall have the privilege of buying it.

Jewelry houses report steady increase in volume, with improvement in all departments but silverware, which shows a considerable reduction. This condition is laid to the absence of the formal wedding. Demand for watches of all descriptions continues to absorb and exceed the production of manufacturers. Collections very good.

Government control of raw wool will operate to make civilian woolens increasingly scarce. Uniform cloths practically absorb the mills and wool is not being allotted for civilian use.

Clearings in Chicago for the first seventeen business days of June were \$1,375,000,000 being \$114,000,000 less than for the corresponding seventeen business days in June 1917. Clearings reported by twenty-two cities in the district outside of Chicago amounted to \$311,000,000 for the first fifteen days of June, 1918, as compared with \$284,000,000 for the first fifteen days of June, 1917. Deposits in twelve central reserve city member banks in Chicago were \$870,000,000 at the close of business June 20, 1918, and loans were \$607,000,000. Deposits show a decrease of approximately \$8,000,000 over last month and loans an increase of approximately \$23,000,000.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO  
(000'S OMITTED)

	RECEIPTS				SHIPMENTS			
	April		1918	May		April		May
	1918	1917		1917	1918	1918	1917	1918
Flour, barrels.....	787	1,035	659	872	648	924	376	756
Wheat, bushels.....	298	3,859	190	3,939	199	4,245	356	2,879
Corn, bushels.....	8,493	4,486	5,894	5,060	2,925	5,195	3,203	3,141
Oats, bushels.....	13,606	9,724	9,030	8,596	10,736	14,067	7,436	10,209
Cured Meats, pounds.....	29,319	16,274	27,301	15,968	62,659	66,318	63,612	90,516
Fresh Meats, pounds.....	96,641	69,008	100,527	84,124	110,157	119,378	139,341	109,148
Lard, pounds.....	10,938	7,652	10,057	8,721	21,783	29,047	22,404	27,368
Cheese, pounds.....	11,648	10,266	12,028	12,436	8,297	8,139	7,410	9,079
Butter, pounds.....	21,039	17,994	20,780	25,049	14,550	22,615	18,992	28,169
Eggs, cases.....	1,027	926	926	1,200	202	369	194	353
Potatoes, bushels.....	1,218	1,000	1,102	713	469	342	369	257
Hides, pounds.....	13,149	12,425	14,495	11,680	12,974	18,992	14,984	22,299
Lumber, M feet.....	267	330	252	316	126	142	121	162