

FEDERAL RESERVE BANK OF CHICAGO

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

COMPILED JULY 22, 1918

The record of commercial failures for the five entire states represented in the Seventh Federal Reserve District compares favorably with figures for the whole country. Numerically failures for the first six months in 1918 were less than for a like period in 1917, that is 1,002 against 1,111. The amount of the liabilities involved in these embarrassments shows a reduction, from \$11,943,000 in 1917 to \$11,233,000 in 1918. This is not noteworthy were it not for the fact that the period of comparison was one of the most favorable for a considerable length of time. The enormous expenditures of the Government for war material and the accessories of a huge army both directly and indirectly furnish a strong basis for unhealthy over-expansion and speculation. Though expansion of credit and currency has by no means reached the peak and for that reason the situation is not as complex as it will be, nevertheless it is quite reassuring to have tangible evidence that business men are operating carefully against the dangers of fictitious prosperity.

There are indications that people are beginning to understand the necessary economic elements involved in the successful financing of this war, the principal of which is the necessity of saving for the Government the margin between living requirements and earnings. They realize that to spend this margin on luxuries or on an excess of necessities takes labor, material and credit from the Government or makes it pay a higher price for these commodities. One of the most important services that can now be performed will be to bring this elemental economics to the minds of the workers in munition factories and shipbuilding works who receiving higher wages than ever before are inclined to spend too freely.

Of necessity, business man are making every effort to turn their sales into cash or negotiable paper. Large houses are in position to enforce short credit terms and there is a gratifying increase in the employment of the trade acceptance. In this connection, correspondents generally report that collections have never been better. Several wholesalers in different lines state that their outstandings are the lowest in the history of their business.

The condition of the money market at this time is firm. Contributing factors are the strong demand for money from industrial enterprises and the absorption of available resources by purchases of government obligations. The rate is hard at six percent with an upward tendency. Very little commercial paper is being sold in Chicago, only one large bank having made purchases in any volume. In the country the situation is practically the same and bankers do not expect to be in funds until the Fall and Winter.

One of the most encouraging features is the practical assurance of a bumper crop of wheat. Corn, oats, rye and barley, fruits and vegetables are in good condition quite generally. Weather has been unusually clement with certain exceptions where frost, drought, excess rain, or storms caused local damage. Wheat harvest is progressing. Illinois and Indiana are apparently in the lead with a forecasted crop of better than 100,000,000 bushels between them. The condition on June 1st of Indiana and Illinois wheat was 97 and 95 respectively, a remarkable betterment of the ten year average. Iowa held about even with condition at 85 against a ten year average of 84. Michigan and Wisconsin, both visited by killing frosts, show a falling off from the ten year average, respectively 81 and 88, to a condition estimated at 55 and 74. Wheat forecast for the entire five states in this district is 137,000,000 bushels.

Corn looks good in all states and is said to require only warm weather. Heavy rains and the accompanying winds beat down oats in many localities, but in general yield is promising. Barley, hay and rye are in excellent shape.

Interesting figures have come to hand from the report of the Dairy and Food Commissioner of the State of Wisconsin for 1917. It is shown that the value of dairy products for this state increased about \$80,000,000 between 1915 and 1917 and that during 1917 the value of dairy products reached the total of \$190,235,817.72. It is said Wisconsin manufactures one sixth of the butter and one half of the cheese produced in the United States.

Live stock is extremely high priced and meats are correspondingly high. There is a heavy domestic demand but export requirements are known to be satisfied for some time to come as there are heavy accumulations abroad. Brisk trade is reported in packers' by-products, hides, glue, fertilizer, tallow and grease. Receipts of livestock at Chicago for the four weeks ending July 20th as compared to a like period in 1917:

	Cattle	Calves	Hogs	Sheep
1918.....	240,560	49,675	546,722	298,296
1917.....	188,328	42,016	471,775	226,976

The effect of price fixation on the leather industry and dry goods business as told by correspondents is conducive to a healthy and stable condition and is generally welcome. Thus far the Price Fixing Committee has adjusted only the price of harness leather with the promise of a decision on sole leather in the near future. Uppers will no doubt soon come under consideration with a view to revision. The hesitation observed in commitments for futures in cotton goods has practically vanished with the establishment of prices twenty to thirty percent below current quotations on sheetings, print cloth and cotton duck as bases for proportionate reductions in other cotton textiles.

Control of the distribution of wool, steel and iron and the restriction on the use of sugar and fuel by certain industries and for certain purposes has in the main resulted in the inability of the firms employing these materials to take care of civilian demand. Manufacturers of clothing, sweaters, woolen socks and gloves anticipate a great scarcity in the months to come and clothiers state that an increasing percentage of cotton must be used in wearing apparel. The diversion to Government uses of iron and steel increases the difficulty with which hardware and piano manufacturers, construction companies and automobile manufacturers obtain raw material. Passenger cars makers will be allotted only 25% of normal needs and the war Industries Board estimates this will enable them to build 500,000 cars in the coming year.

Brewers and maltsters can obtain only 50% of their customary fuel supplies which will cut production to about that percentage. Confectioners report a cut in sugar quota from 80% to 50% and in order to maintain volume are turning to products requiring a minimum of sugar.

Withal, trade and manufacturing have never been better. Most manufacturing plants are working full time and could turn out more work if material and labor were available. Transportation facilities are ample and there is considerable evidence of heavy shipments of goods being made now to avoid the congestion of the rails when crops begin to move. Retailers in the cities experience brisk trade and country dealers look for a large business in the Fall on account of crop prospects. Stocks in hands of retailers are said to be very large, dry goods, grocery, hardware, furniture, musical supplies and jewelry stores having bought heavily against a rise. Wholesalers in the above mentioned lines report that sales are ever on the increase and that in general the volume is greater in value as well as in units involved. It is said that certain hardware and dry goods lines are broken and will not be replaced. A noteworthy tendency to eliminate non-essentials from stocks is observed by wholesalers in their dealings with their retail customers. Buying power is probably greater than it has ever been.

Most of the large automobile manufacturers are engaged with trucks, tractor parts, mine anchors, Liberty motors and airplane bodies and will not suffer from limitation of the passenger car output. Some furniture manufacturers have contracted to work on airplane construction. Packers are working to capacity to fill United States and allied government and civilian demands. Tanners are working on large government orders and are compelled to turn away orders daily. Steel companies have only the United States as a customer.

Building and construction have shown no gains which would justify hope for a satisfactory future. Building permits and values involved in fifteen cities for the month of June, show a considerable reduction over June, 1917 and a slight reduction as compared with May, 1918. June, 1918 permits total 2,488 valued at \$9,307,535 against a year ago when these figures stood respectively at 3,230 and \$10,967,423.

Due to the condition of building and construction, recited above, the lumber business is still in unhealthy shape, there being no consistent, dependable demand. There is some call for boxing and crating.

Labor is extremely scarce and migratory, being attracted to localities where wages are highest. Competition for labor has pushed wages to unreasonable heights. The situation is constantly aggravated by the induction of young men into the service.

Authorities differ regarding the prospects for coal supply next winter. It has been said that coal users have in many cases supplied immediately current needs and are laying in reserve stock. In other quarters there are misapprehensions regarding a shortage for the coming winter. We hear that civilians will be put on coal rations limiting its use as fuel to an amount sufficient to heat houses to 68°.

Clearings in Chicago for the first eighteen business days of July were \$1,582,000,000, being \$42,000,000 more than for the corresponding eighteen business days in July 1917. Clearings reported by twenty-one cities in the district outside of Chicago amounted to \$341,000,000 for the first fifteen days of July, 1918, as compared with \$268,000,000 for the first

fifteen days of July, 1917. Deposits in twelve central reserve city member banks in Chicago were \$829,000,000 at the close of business July 20, 1918, and loans were \$634,000,000. Deposits show a decrease of approximately \$41,000,000 over last month and loans an increase of approximately \$27,000,000.

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

	RECEIPTS				SHIPMENTS			
	May		June		May		June	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.	659	872	487	757	376	756	280	666
Wheat, bu.	190	3,939	126	2,344	356	2,879	211	2,168
Corn, bu.	5,894	5,060	7,656	8,380	3,203	3,141	2,370	3,624
Oats, bu.	9,030	8,596	8,208	8,452	7,436	10,209	3,162	8,860
Cured Meats, lbs. . .	27,301	15,968	29,835	13,003	63,612	90,516	80,983	67,627
Fresh Meats, lbs. . .	100,527	84,124	96,826	79,968	139,341	109,148	107,112	98,333
Lard, lbs.	10,057	8,721	9,753	11,427	22,404	37,368	12,660	14,290
Cheese, lbs.	12,028	12,436	17,411	17,342	7,410	9,079	5,598	8,902
Butter, lbs.	20,780	25,049	36,173	43,863	18,992	28,169	20,519	33,813
Eggs, cases.	926	1,200	732	896	194	353	211	282
Potatoes, bu.	1,102	713	935	974	369	257	314	288
Hides, lbs.	14,495	11,680	14,883	12,250	14,984	22,299	14,088	17,226
Lumber, M. ft.	252	316	230	334	121	162	111	155