

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS
IN THE SEVENTH FEDERAL RESERVE DISTRICT
SEPTEMBER FIRST, NINETEEN EIGHTEEN
COMPILED AUGUST 17, 1918

Despite drought and heat waves of exceptional severity, with resulting impairment of crop prospects, a decidedly hopeful feeling prevails throughout the Seventh Federal Reserve District. Grain estimates, while necessarily falling below previous calculations, still give promise of large harvests, and the patriotic spirit of employees who, in spite of high temperatures, have continued at work, has tended to discount any check to manufacturing of an essential character. With more than enough essential business to absorb the available supply of raw materials and to keep labor well employed, prosperity seems to prevail in an unusual degree. Especially is this condition reflected in communities where considerable war work is available, while localities not so favored, owing to the crops harvested or approaching harvest, give assurance of continued good business.

Throughout the District, and especially in the industrial sections, a very strong demand for loans prevails at firm rates, money ruling strong at six per cent, with the feeling expressed that there will be but slight deviation from this rate for the period of the war. The patriotic and co-operative spirit manifested by the banks enabled this District to very materially over-subscribe its allotment of United States Certificates of Indebtedness in the latest issue. Allotments were absorbed with comparative ease, at the same time keeping essential business operative and permitting the financing of large volumes of government business without any crippling of resources.

Early marketing of grain has appreciably eased the financial situation, especially in the smaller money centers, and an increased tendency in this direction is indicated as the market of other farm products proceeds. The Federal Reserve Bank is co-operating in the financing of a very heavy crop movement. Some acceptances are being used in connection with these operations.

Wheat, oats and other small grain have practically all been harvested, with splendid yields. The large, if not bumper crop of corn, as indicated by early reports of correspondents, has been materially reduced by the intense heat conditions suffered during the month of August. The damage is confined to the southern part of the district, principally in the State of Iowa, where recent reports from the affected area predict a 25,000,000 bushel loss. Outside the stricken district, corn appears to be in better than the average condition and with recent showers, accompanied by cooler weather, harvest of this crop promises to be large. The potato crop in Michigan, Wisconsin and Iowa, other than in localities affected by the drought, holds good promise. A general decrease in the flow of milk is reported, owing to the short and dry pastures.

With increased restrictions of civilian wants, there is a growing disinclination among dealers and manufacturers alike to incur obligations extending into the future. While Government price fixing has effected a healthy and stable condition in various lines of industries and business, some anxiety is expressed by retailers as to the effect of future progress along this line, especially in staples that have not yet come under government supervision.

War needs still continue to dominate the dry goods markets and, with steadily tightening restrictions on regular trading, purchases for future delivery have been lessened considerably. Jobbers are adjusting prices to the new levels fixed at the mill centers by the Government, and it is hoped there will soon be an abatement of the hesitation that has appeared for some time in retail channels.

Though Government restrictions have greatly reduced the volume of business derived from the sale of sugar, wholesale grocers report an exceptionally good trade, with an increased demand for canned goods. Canning factories are beginning to operate with good prospects for an excellent pack.

High prices continue to prevail in the live stock markets. Drought conditions have brought about heavy shipments. Receipts of live stock at Chicago for the four weeks' period ending August 17, 1918, as compared with a like period in 1917:

	Cattle	Calves	Hogs	Sheep
1918.....	252,783	36,504	456,466	296,823
1917.....	180,463	29,649	364,626	216,876

Deferred classification and enlistment refusal to mine employees who cannot readily be replaced, has helped to remove a condition that until recently threatened to materially decrease the production of coal. More available cars have created decided improvement in the coal transportation problem. Though showing an increase, the output of the Illinois mines is still far short of the demand.

Labor is well employed at high wages, showing somewhat of an independent spirit in view of the large demand for men. The United States Employment Service Committee is expected, through its operations, to curtail the migratory tendency of labor, brought about by increased wages and competition among employers for men, especially in the trained field.

Orders for steel continue to call for a tonnage considerably in excess of the output. Automobile manufacturers working to full capacity on war orders are not suffering from the curtailment of their pleasure car output.

Clothing manufacturing is well engaged. Owing to the shortage of woolens, spring offerings in the clothing line will be largely restricted both in quantity and quality. However, large stocks on hand will enable retail merchants to take care of the demand for some time to come.

Manufacturers of agricultural implements are experiencing a normal amount of business for this season of the year. Tanneries are busy supplying insistent demands for leather. Boots and shoes continue in active demand, with large Government orders being given preference over civilian business. Dealers in hardware are now operating under a pledge to the War Industries Board to sell finished steel and iron products only for essential purposes and are further handicapped by increasing difficulties in securing materials. Piano manufacturers, with reduced outputs, report a demand for their product in excess of the supply, with a corresponding increase in selling price. Jewelers report business in excess of corresponding periods in 1917, the bulk of the business being in fine jewels and watches.

Brewers report a further decrease in production, with wholesale prices showing an increase of 100 per cent over last year. Confectioners, still operating under the 50 per cent sugar restriction, are utilizing their sugar supply to the utmost and are necessarily experiencing a period of readjustment.

A slight increase in activity is reported in the investment securities market, limited, however, to the trading of individuals, trustees and financial institutions other than banks. The clause in the new tax bill providing an income tax on municipal bonds, heretofore exempt, has discouraged trading in this class of securities.

Trading in building materials other than those involved in operations directly connected with the prosecution of the war, has practically come to a standstill. Building permits and values involved in fifteen cities for the month of July show a reduction over the corresponding month in 1917. July, 1918, permits totaled 2,553, valued at \$10,226,595, as against 2,700 permits valued at \$11,660,288 a year ago.

Collections, as reported by all correspondents, have never been better, and outstandings have touched the lowest records in history. Merchants generally report that while sales in amount of merchandise handled are not as large as in previous years, the amount in dollars and cents and profits compares favorably and in most instances shows an increase over corresponding previous periods. All lines of business and industry are experiencing a shortage of labor and are confronted by the problem of securing sufficient goods and material to supply the demand.

Clearings in Chicago for the first fifteen business days of August were \$1,261,000,000, being \$137,000,000 more than for the corresponding fifteen business days in August, 1917. Clearings reported by twenty-one cities in the District outside of Chicago amounted to \$202,000,000 for the first fifteen days of August, 1918, as compared with \$142,000,000 for the first fifteen days of August, 1917. Deposits in twelve central reserve city member banks in Chicago were \$877,000,000 at the close of business August 17, 1918, and loans were \$653,000,000. Deposits show an increase of approximately \$58,000,000 over last month and loans an increase of approximately \$19,000,000.

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

	RECEIPTS				SHIPMENTS			
	June		July		June		July	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.	487	757	397	424	280	666	259	400
Wheat, bu.	126	2,344	6,596	999	211	2,168	1,405	915
Corn, bu.	7,656	8,380	10,007	5,310	2,370	3,624	3,051	3,846
Oats, bu.	8,208	8,452	13,521	7,928	3,162	8,860	8,099	6,734
Cured Meats, lbs.	29,835	13,003	30,256	11,485	80,983	67,627	94,646	70,869
Fresh Meats, lbs.	96,826	79,968	116,330	67,777	107,112	98,333	142,084	102,465
Lard, lbs.	9,753	11,427	12,776	13,789	12,660	14,290	22,883	12,264
Cheese, lbs.	17,411	17,342	19,997	21,210	5,598	8,902	6,295	9,059
Butter, lbs.	36,173	43,863	34,554	53,034	20,519	33,813	21,311	34,600
Eggs, cases.	732	896	563	626	211	282	295	245
Hides.	14,883	12,250	12,683	11,554	14,088	17,226	16,279	19,805
Lumber, M. ft.	230	334	243	330	111	155	98	175
Potatoes, bu.	935	974	454	913	314	288	258	207