

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

OCTOBER FIRST, NINETEEN EIGHTEEN

COMPILED SEPTEMBER 17, 1918

As Government wants expand beyond all previous calculations, the necessity for intensive productive efforts becomes daily more apparent. With the concentration of industrial industries on demands of the most essential character, manufacturers and dealers alike hesitate to accept civilian orders, awaiting calls for supplies from official sources. In values commercial business remains at a high level, yet transactions are diminishing in number as greater caution and more rigid economy is being practiced by dealers as well as consumers.

Caution and conservation seem to be the watchwords in all lines not catering to Government needs. A most concrete evidence of this effect is evidenced by the remarkable exhibit of commercial failures reported by R. G. Dun & Company. This report for August for the whole country is the smallest on record with the single exception of the same month in 1899 in number, while the indebtedness involved has been smaller in August of only four other years, namely, 1905, 1900, 1899, 1898. While these figures are for the whole country, the showing for the Seventh Federal Reserve District is practically reflected in proportion.

From manufacturer down to the retailer a strong effort is being made to get closer to a cash basis as evidenced by the very general reports of satisfactory collections. There is a great deal of money in circulation and the common people have more money in their pockets than ever before. This situation, contrary to expectations, has not resulted in extravagances except in a few instances, the conservation campaign seeming to have had the desired effect.

There is a continued heavy demand for money with interest rates firm at six per cent. While deposits are reported off, and loans have increased, making for a tight money market, banks are caring for necessary loans comfortably, discriminating more and more against borrowers for non-essential purposes as much as such discrimination can be practiced without entailing hardships or embarrassment to the borrowers.

Crop conditions in this district are good. Wheat has all been harvested with a satisfactory yield and very good quality. Reports indicate an increased acreage for the coming year. That the price has been satisfactory, is evidenced by the extremely heavy shipments of wheat recorded during the last thirty days. While the extremely hot weather in August caused some damage to the corn crop, reports seem to point to a reasonably satisfactory though disappointing yield. The condition of this crop is good and no soft corn is anticipated. Late

corn needs more growing weather and the arrival of the first killing frost remains an all important factor in its development. Other small grains have been harvested with good yields Meadows and pastures are in better condition and the general farm outlook is very optimistic.

The transportation supply has been adequate. Only two of the important factors in industry have been troublesome. These are material and labor, and the scarcity of each is, of course, attributable to our concentration on war activities. While it is expected the labor problem will be intensified by the process of the new draft, it is certain that strong efforts will be made to safeguard essential industries and business. Available labor, though well employed at good wages, still manifests an impatient, independent and migratory attitude.

The Government is dominating the dry goods market, in some lines taking the entire output. As a result of this, civilian needs are being steadily set aside. Jobbers are relying on stocks on hand, awaiting further allotments of production for civilian wants. New stocks of woolsens have practically disappeared from the market and cotton goods trading is held back awaiting a new price-fixing period. Other lines are affected by influences that tend to make all trading conservative. The situation seems to be a question of supply and demand, and the problem, aside from price fixing, lies in the quantity of future production that can be allotted for civilian requirements. Retail merchants seem well prepared to supply the demand for Fall and Winter merchandise, having anticipated their requirements well in advance.

If the good transportation facilities of the present continue throughout the winter months, no serious shortage of bituminous coal in the district is anticipated. Illinois and Indiana mines are now supplying large quantities of coal to consumers in other localities in addition to filling the requirements of the territory allotted to them.

The induction of millions of men into Military Service, who in normal times would have married and established homes, has had a telling effect upon the retail furniture trade. Relief from this situation has been accorded the manufacturer by the placing of Government contracts for certain wood products, while the retailer expects a stimulus to his business as a result of the enormous amount of money being paid out for labor to those workers who remain at home.

High prices prevail in the live stock market, the price of hogs reaching the highest level ever recorded in the Chicago market. In spite of price advances, there is a continued demand for fresh meats. Strong trade is reported in packers' by-products, hides, glue, tallow, fertilizer and grease. Receipts of live stock at Chicago for the four weeks ending September 14th, 1918, as compared with a like period in 1917:

	Cattle	Calves	Hogs	Sheep
1918.....	300,194	35,735	349,354	514,957
1917.....	269,926	35,827	226,988	279,531

The volume of business in the wholesale grocery line continues to be good. The removal of the restrictions on flour effective September 1st, will result in a large increase in flour sales for the balance of the year. In spite of higher prices, the demand for all kinds of food stuffs,

especially canned goods, is very large. Confectioners already handicapped by the sugar shortage, fear a further curtailment of their allotment. Retail candy trade is good but feeling the effects of their inability to obtain the desired stocks.

Wholesalers of hardware furnish favorable reports though suffering the hardship entailed by increased difficulties in securing supplies especially in the heavy hardware line. Volume of trade compares satisfactorily with last year. Retailers are quite generally permitting their stocks to diminish in anticipation of coming price changes. Dullness prevails in all agricultural implement lines, though normal sales for this season of the year are reported. Only modest future demands are expected.

Lumber business is much reduced in ordinary lines but some concerns keep employed through Government work. All other lines of building material report continued dullness with the outlook for improvement very problematical. Paper mills are very busy and are weeks behind their orders. Prices are advancing daily.

The demand for men's shoes is surprisingly strong. Retailers in their anxiety to obtain footwear, are paying the advanced prices asked by the manufacturers. Labor difficulties in the east have flooded the western manufacturers with orders. Business continues very active in the textile and wearing apparel trades, many of the manufacturers being months behind their usual time for opening up their lines. With the demand for raw material exceeding the supply with a consequent shortage in yardage, manufacturers and the cutting up trade, are experiencing the most difficult season in their history.

The refusal of the Capital Issues Committee to permit the sale of any new bond issues until after the next Liberty Loan, while slowing down trading, has created a satisfactory situation in allowing bond houses to concentrate on issues they are now carrying, thereby reducing their loans prior to the demands on banks and individuals resulting from the new Liberty Loan subscriptions.

Brewers and distillers report a continued decline in sales, while many retailers contemplate going out of business as soon as they are able to dispose of their stocks. Business of the mail order houses continues to run well ahead of last year. Jewelers anticipate no ill effects from Government administration of gold and silver bullion as stores are, in the main, well stocked with gold and silver merchandise. With many piano factories turning their attention to Government needs, some operating 100% on war work, the output of instruments will fall far short of meeting the demand.

The steel business has only one customer, the United States, but authorities state that after the war, prospects are excellent for a satisfactory continuance of volume due to the present need for many constructional operations held up for the duration of the war. Shipbuilders busily engaged on contracts with the United States Shipping Board Emergency Fleet Corporation, are meeting with very good success in keeping up with their schedules.

The demand for provisions has been seasonable. Government requirements, both domestic and foreign, are in most cases about equal to the supply of the kinds of product required by them.

Clearings in Chicago for the first thirteen business days of September were \$1,207,000,000, being \$264,000,000 more than for the corresponding thirteen business days in September, 1917. Clearings reported by twenty-one cities in the District outside of Chicago amounted to \$293,000,000 for the first fifteen days of September, 1918, as compared with \$268,000,000 for the first fifteen days of September, 1917. Deposits in twelve central reserve city member banks in Chicago were \$882,000,000 at the close of business September 17, 1918, and loans were \$630,000,000. Deposits show an increase of approximately \$5,000,000 over last month, and loans a decrease of approximately \$23,000,000.

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

	RECEIPTS				SHIPMENTS			
	July		August		July		August	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.	397	424	686	460	259	400	384	447
Wheat, bu.	6,596	999	27,250	3,091	1,405	915	17,429	1,894
Corn, bu.	10,007	5,310	5,254	4,050	3,051	3,846	2,728	1,791
Oats, bu.	13,521	7,928	22,765	14,924	8,099	6,734	9,360	8,167
Cured Meats, lbs. . .	30,256	11,485	20,270	11,452	94,646	70,869	73,214	78,280
Fresh Meats, lbs. . .	116,330	67,777	105,686	76,768	142,084	102,465	121,638	114,979
Lard, lbs.	12,776	13,789	8,909	7,229	22,883	12,264	15,708	20,825
Cheese, lbs.	19,997	21,210	14,365	19,649	6,295	9,059	6,026	9,555
Butter, lbs.	34,554	53,034	27,037	39,337	21,311	34,600	18,834	32,854
Eggs, cases.	563	626	459	449	295	245	213	239
Hides.	12,683	11,554	9,951	8,360	16,279	19,805	12,399	18,053
Lumber, M. ft.	243	330	208	315	98	175	78	173
Potatoes, bu.	454	913	702	909	258	207	169	106