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FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT DECEMBER 1, 1918 COMPILED NOVEMBER 19, 1918

Business continues active and crop conditions are unusually favorable, two developments which ordinarily would be regarded as a sufficient incentive for the making of plans on a broad scale for the coming year. There is, however, discernible in the business world, a distinct tendency to relax from the high tension of war time production. So far this has not manifested itself in the volume of business but rather in the industrial morale. The climax of the war so far as the productive forces at home are concerned, apparently passed with the signing of the armistice with the last of the Teutonic countries. The reaction which followed when every one forgot business and other cares for a day and gave vent to expression of joy that hostilities were at an end, seems to have resulted, in the West at least, in a let-down in the speed.

The relaxation of tension in our business and industrial forces is still manifesting itself in business sentiment, although it is too early to note the effect on output. It is to be expected that as the treaty making progresses, the pressure on the war industries will relax, but the concensus of opinion among bankers and the captains of industry is, the more gradual this shifting to peace pursuits can be accomplished, the more orderly will be the general readjustment. There is a disposition on the part of all to co-operate with a view of bringing this about.

Government Control as a Safe-Guard.

Bankers especially—and they are supported by many practical business men in this—are urging the continuation of governmental control over the raw material supplies and the exercise of priority shipment regulations during the period of readjustment as a means of averting any sudden reaction in the business world. It is the endeavor of all to avoid a scramble or undue haste on the part of manufacturers who have been engaged on war contracts, to return to their pre-war business as this might result in a far-reaching unsettlement which might be exceedingly injurious to general business at this time, and seriously affect the future business situation.

All through the advices from business men in the Seventh Federal Reserve District, there are indications of a well grounded belief that the same indomitable courage in the attitude of business in meeting and solving the war problems must continue to manifest itself in the post-war period, at least until the country has readjusted to a peace basis. This attitude is stimulating business confidence.

Planning Cautiously for the Future.

Business men are looking ahead. An indication of this is found in plans being developed for a resumption of public improvement work, to tide over the readjustment period and avert unemployment. The activity of a Chicago commission studying labor conditions illustrates this as that body has asked the approval of Washington of a plan calling for the expenditure, as soon as the treasury war financing has been cared for, of upwards of \$500,000,000.

These improvements include the resumption of the work on Chicago railway terminals; the Michigan Avenue and Chicago plan program involving a governmental expenditure for harbor improvement; a \$100,000,000 traction extension improvement in addition to the construction of a \$40,000,000 transportation subway, and the building of a new gas plant and other municipal betterments. In addition to these expenditures is one contemplated by the Illinois Highway Commission aggregating \$60,000,000 for hard surfacing of roads in the state. The bond issue was recently approved by the voters and now awaits a favorable investment market.

These expenditures of upwards of \$500,000,000 are expected to cover a period of five years and necessarily will depend upon the attitude of the Treasury Department as they involve bond issues. The proceeds from these expenditures, if approved, will, to a very large extent, be distributed as wages. These improvements were planned prior to the war but were halted by the pressure of government financing and other war requirements.

Cancellations Relieving Abnormal Pressure.

At this moment there are few, if any, signs of an actual let-down in war production. Such cancellations of war contracts as have taken place, have operated simply to relieve the pressure elsewhere in essential productions and have served as an equalizing factor rather than a disturbing one. The banking situation is sound and the reserve position affords assurance of the ability of the financial machinery to care for essential business needs.

Necessarily banking conditions continue to reflect government financing. Money rates are firm at six per cent but the credit situation appears to be in an unusually liquid condition and collections are reported good throughout the district with a general expectation on the part of business concerns that they will continue so the remainder of the year. The requirements of the treasury, however, are still pressing and the absorption of certificates of indebtedness by the banks continues.

Crop Production Fortifies the West.

One feature that strengthens the position of the Middle West is the bountiful crops together with the high prices for farm products. Industry, in the West, generally has not been fully employed in the manufacture of war material to the exclusion of other production, owing to the fact that the East was filled up on war orders earlier. Some industries were able to continue their ordinary lines to some degree while working on government contracts until the war requirements exceeded the Eastern capacity, hence the reversion to normal production will involve a less radical change here than to

the Eastward. Furthermore, there has been only a very restricted amount of new plant construction for war purposes in this section, which further strengthens the situation. It is generally believed by bankers and others, that after a short period, which will enable business men to get their bearing under the new conditions, there will develop a very large volume of general business from sources which have been unable to buy during the war period.

Effect of Government Relaxation is Discernible.

The building industry, which has been exceedingly dull for months, excepting in instances of war construction, is beginning to reflect the effect of the removal of restrictions on buildings costing \$10,000 or less. Modification of the food regulations is stimulating business among the distributors of produce. Elimination of flour substitutes is finding its reflection in an increased flour business. The increased allowance of sugar to consumers, it is estimated by wholesale grocers, will result in at least a fifty per cent increase in the sugar business. The coffee situation, however, is unsatisfactory and there is a serious shortage in the available supply.

The sudden termination of hostilities in Europe, together with the reversal of the position of the War Industries Board in the matter of releasing wool for civilian use, has led to some uncertainty as to probable average prices for the next year's business and this has contributed to considerable hesitation in making commitments, so that practically nothing has been done for the 1919 supply. Unseasonably warm weather also has resulted in the curtailment of business in woolsens.

Agricultural Prospects Are Excellent.

Speaking generally, however, the advices over the Seventh Federal Reserve District indicate a promising outlook from an agricultural point of view. Seed has gone into the ground under the most favorable circumstances; pasture is excellent and there is a good crop of clover and an increased acreage of wheat and rye in most sections due to a favorable weather for fall farm work.

Livestock continues to move freely. The October receipts at Chicago were the largest of any month during the last nine or ten years. Prices are good although those for hogs and sheep have reacted some from the highest level. Receipts of livestock at Chicago for the four weeks ended November 19, 1918, compared with the corresponding period of 1917 as follows:

	Cattle	Calves	Hogs	Sheep
1918.....	395,132	40,584	802,228	554,538
1917.....	353,293	47,510	546,101	365,916
Increase.....	41,839	*6,926	256,127	188,622

*Decrease.

Uncertainty Contributes to Conservatism.

There is in evidence throughout the district, a manifestation of caution on the part of business men in making commitments until it can be determined just what the future holds in store. This is regarded as a favorable development because this conservatism is operating to keep stocks of merchandise down and credits liquid, and is a check on unnecessary borrowings at banks.

Clearings in Chicago for the first eighteen days of November were \$1,236,332,213, being \$21,128,960 or 1.73 per cent greater than for the corresponding seventeen days in October, 1917. Clearings reported by twenty-three cities in the district outside of Chicago amounted to \$341,784,200 for the first fifteen days of November, 1918, as compared with \$314,371,700 for the first fifteen days of November, 1917. Deposits in twelve central reserve city member banks in Chicago were \$917,600,000 at the close of business November 18, 1918, and loans were \$632,100,000. Deposits show an increase of approximately \$20,600,000 over those of October 17 last, and loans approximately \$10,100,000. Chicago postoffice current receipts are running 11 per cent below those of a year ago.

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

	RECEIPTS				SHIPMENTS			
	September		October		September		October	
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.....	919	622	995	879	597	566	553	671
Wheat, bu.....	14,872	2,010	6,279	2,505	10,228	1,277	3,484	1,375
Corn, bu.....	9,530	2,931	11,550	3,183	2,857	1,376	5,084	1,427
Oats, bu.....	11,417	14,767	10,942	13,726	8,730	11,101	6,904	9,208
Cured Meats, lbs.....	22,439	11,997	16,895	28,480	66,371	67,540	94,557	77,384
Fresh Meats, lbs.....	101,389	76,710	128,424	102,043	113,058	109,797	171,870	118,902
Lard, lbs.....	7,260	4,411	8,320	5,419	22,137	12,644	50,636	22,412
Cheese, lbs.....	17,156	21,022	18,399	18,719	5,368	9,181	6,361	8,637
Butter, lbs.....	21,134	29,232	21,916	26,889	16,981	27,965	20,486	24,671
Eggs, cases.....	337	361	240	295	284	237	369	297
Hides.....	11,115	8,654	10,874	10,868	8,906	15,398	16,502	17,976
Lumber, M. ft.....	171	283	130	268	68	143	70	114
Potatoes, bu.....	1,877	966	3,600	3,226	446	182	1,854	1,130