

# FEDERAL RESERVE BANK OF CHICAGO

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## REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

MARCH 25, 1919

(Compiled March 22, 1919.)

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Business men generally, while proceeding along conservative lines, reflect at the present time less apprehension regarding the immediate future than a month ago. Uncertainty regarding the effect of the readjustments in prices of materials, which was so apparent in the earlier part of the year, still exists in the business mind of the Middle West, but there seems to be a more prevalent feeling that whatever readjustment is in store, for a considerable time at least, will take place in an orderly manner. With stocks of merchandise generally low and business in many lines fairly well liquidated, the consensus of opinion seems to be that with the opening up of spring there is every reason to expect increased activity all through the Middle West. Farmers are prosperous and the enormously increased buying power of this section is counted upon by merchants to stimulate trade.

### **Crop Conditions Auspicious for Big Production.**

Crop conditions throughout the Seventh Federal Reserve District, and in fact all through the Middle West, are excellent. The chief growing crop, of course, is winter wheat, and this has come through the winter with little, if any, damage, and while the plant seems backward, the prospects are for a rapid growth with the advent of warm weather. Absence of any considerable amount of snow during the winter caused some apprehension of "winter killing" of wheat, but the remarkably even temperature in the Middle West during the winter months apparently eliminated the disastrous effects upon the growing plants, of alternate freezing and thawing. It is remarkable how little complaint of damage is heard in the correspondence with business men in the various channels of trade throughout the district.

With the arrival of spring, soil conditions are regarded as splendid. So great has been the precipitation in the last few weeks that the roads have been practically impassable in most parts of the district. While this has kept the agricultural element at home and has been a factor in the curtailment of sales at the retail stores, which has been reflected to some extent in wholesale lines, yet the abundance of moisture in the ground generally is a pre-requisite of a bountiful crop production. Plowing may be delayed somewhat owing to the wet soil, but the month of March usually is given over to spring work and repairs about the farm. Farmers are well supplied with funds, and the large demand for wire fencing and farm equipment indicates that at least a normal amount of this class of work is under way, notwithstanding the effect of the uncertainty as to the future prices of iron and steel on other lines of industry.

### **Prices of Meat Products Reflect Strong Demand**

Development in the live stock industry and the course of the market price of corn has done much to reassure the farmer and stimulate maximum production. This concern regarding future prices of farm products

was reflected in the receipt of hogs at the primary markets last three months compared with a year ago. The average price of cattle for the month of February advanced very considerably compared with a year ago, while the sheep and lambs taken together averaged about the same. There was an advance in the price of meats, notwithstanding the receipts of two classes of live stock showed a considerable increase in the first two months of 1919, compared with January and February of 1918.

Receipts of live stock at Chicago for the four weeks ended March 15, 1919, compared with the corresponding 1918, are as follows:

	Cattle.	Calves.	Hogs.	Sheep.
1919 .....	222,731	51,384	785,409	230,411
1918 .....	276,546	49,197	925,079	246,338
	*53,815	2,187	*139,670	*15,927

\*Decrease

#### **Fifty Per Cent Increase in Stock of Lard.**

While there has been a slight decrease reported in the stocks of meats, there has been a 50 per cent increase in the stock of lard compared with a year ago, but the demand has been good, both for export and domestic trade. The trend of prices for live hogs at Chicago during the last month has been higher than a year ago. Attention is called to an unusual development in the case of cut meats. The stock declined at some of the central points during February, 1,713,312 pounds, compared with an increase of 88,000,000 pounds during the corresponding period in 1918. The trade in by-products, such as fertilizer, greases, and oleo oil, has been slow, but there has been a tendency in the price of wool and also sheepskins to advance, while the hide and leather market is rather unsettled, waiting and hesitating. Prices for leather goods are steady.

#### **Manufacturing Situation Is Somewhat Mixed.**

The manufacturing situation is somewhat mixed. Activity in many lines is all that could be asked, while in others the production has fallen off sharply. The labor situation, however, so far as it relates to the Middle West, is improving, and it is estimated that in such large manufacturing centers as Detroit and Chicago, the employment is on the up-grade, and that the peak of the unemployment has passed. The weak spots in the employment situation lie in the coal mining districts and in those industries producing construction material.

Weather conditions have not been propitious to increased activity in building, but inquiry and plans for building indicate a disposition to go ahead the moment prices for material give evidence of having been stabilized, temporarily at least. So far, such changes as have taken place show a slight lowering in the cost of materials and more zeal on the part of contractors to obtain work. Prices, however, tend to curtail the amount of work ordered to go ahead immediately.

#### **Progress Is Noted in Readjustment.**

The cement industry is operating at a very small volume. Confidence is gradually returning. Cement prices are not unduly high, they not being inflated as a consequence of war, and for the purpose of stimulating maximum production. Such advance as has taken place in cement price is attributed chiefly to the increased costs and freight rates.

To what extent industry in the Middle West has adjusted itself to a peace footing it is difficult to determine. Advices from Detroit estimate that industry at that center has readjusted itself to 70 per cent normal. In Milwaukee the metal industries are running at about 60 per cent of capacity, the orders coming in slowly,

and the same may be said of Chicago. It is estimated Milwaukee has about 14,000 unemployed, made up chiefly of common laborers and semi-skilled machine hands, men in building trades and clerks. Building construction, however, has already started in that city, as it has in Chicago.

#### **Employment Situation Reflects Improvement.**

The only noticeable feature in the reports from the various industrial centers is, there seems to be no surplus of skilled labor, although the supply is about equal to the demand. Returning soldiers are being re-employed pretty generally, although there seems to be some disposition on the part of those released from military duty to look around for something better than they had before entering military service. It is estimated by one authority that 99 per cent of those who have left the military service has been re-employed.

Many of the soldiers who came from the farms and small cities, having become accustomed to living in crowds, are disinclined to return to small towns. These are being dumped from the cantonments into the larger cities, creating an undesirable situation, but with the opening of farm work it is believed that this situation will clear up.

#### **Coal Production Is 50 Per Cent of Capacity.**

Coal mines in Illinois and Indiana are operating less than half time, which is regarded as ample to meet the demand for coal during the next four or five months. There has been no reduction in the productive capacity of the coal mines, however, which was increased to meet the abnormal war time requirements. There are still large quantities of coal in storage. The wage agreement with the United Mine Workers of America expires with the proclamation of peace, and while no date has been set for the convention to arrange a new agreement, mine workers officials are advocating radical changes in conditions, such as reducing working time to six hours a day and five days a week.

Taking the district as a whole, so far as it relates to manufacturing industry, it is estimated the demand is about 60 per cent of normal, but the orders are small as a rule and indicate a hand-to-mouth buying policy. Obviously this kind of purchasing tends to keep up prices, because the manufacturer purchases materials conservatively and in small quantities, as a result of inability to lay out a schedule of production which would enable him to buy in larger quantities and more economically. Necessarily, the expectation of a big price drop resulted in the withholding of orders, but the failure of this sharp decline to materialize within the first five months after the cessation of hostilities, is gradually overcoming the extreme caution.

#### **Interest Rates Show Firmer Tendency.**

There is a noticeable tendency in interest rates to firm up in the Seventh Federal Reserve District, which is probably a reaction from the developments in February, when the tension in money relaxed. Counter rates at the Chicago banks are firmer, while commercial paper is up from 5 to 5½ per cent.

Chicago bank clearings for the first 17 days of March totaled \$1,246,560,950, a decrease of \$55,150,629, while exchanges at twenty of the leading clearing houses in the district outside of Chicago for the first 15 days of March aggregate \$397,643,700, an increase of \$58,585,000 compared with a year ago.

An indication of the trend in the banking situation in Chicago is found in the comparison of the gross deposits and aggregate loans. Gross deposits of 12 leading Chicago banks aggregated \$960,200,000 on March 17, an increase of \$35,600,000 compared with the aggregate gross deposits on February 20, whereas the loans and discounts exclusive of bonds totaled \$619,800,000 on March 17, an increase of \$19,300,000 compared with a month previous.

## REPRESENTATIVE MEMBER BANK STATISTICS.

(000's Omitted)

	Chicago —44 Member Banks—			Detroit —12 Member Banks—			Other —45 Member Banks—		
	Jan. 3.	Feb. 7.	March 7.	Jan. 3.	Feb. 7.	March 7.	Jan. 3	Feb. 7.	March 7.
Loans—									
Secured by U. S. Securities....	\$61,160	\$63,764	\$64,977	\$8,720	\$9,670	\$9,799	\$13,420	\$13,349	\$14,115
All other loans and invest- ments .....	846,008	812,181	861,297	244,085	247,676	246,019	280,939	274,547	280,882
Reserve balance with Federal Re- serve Bank .....	108,825	109,336	115,322	21,886	21,389	21,836	25,241	26,599	28,033
Cash in Vault.....	44,555	37,939	35,939	13,821	10,861	10,544	15,811	13,268	12,898
Deposits—									
Net demand .....	794,398	776,641	830,644	162,048	151,815	151,322	201,707	218,333	232,538
Time .....	149,859	156,239	160,154	155,896	160,799	164,079	89,211	91,865	93,660
Government .....	13,962	53,840	38,856	13,964	7,844	13,907	6,189	10,578	11,104
Bills Payable and Rediscounts—									
Collateral Notes .....	37,735	26,319	33,110	12,154	11,004	14,716	18,380	18,366	19,090
Bills Rediscounted .....	10,186	6,392	2,844	412	162	162	16,181	6,877	5,446

### POST OFFICE RECEIPTS.

	February Receipts—		Amount.	Increase—	
	1919.	1918.		Per Cent.	Per Cent.
Chicago .....	\$2,944,970	\$2,601,625	\$343,345	5	
Detroit .....	392,644	383,784	8,860	1	
Indianapolis .....	210,526	172,982	37,544	21.7	
Milwaukee .....	211,992	201,750	10,242	.29	
Peoria .....	57,805	50,554	7,251	14.34	

### RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO.

(000's Omitted)

	Receipts—				Shipments—			
	1919.	1918.	1919.	1918.	1919.	1918.	1919.	1918.
Flour, barrels .....	622	457	390	851	412	457	199	744
Wheat, bushels .....	3,552	331	2,812	363	2,535	121	627	111
Corn, bushels .....	7,958	10,555	3,714	10,555	3,133	1,541	1,964	2,612
Oats, bushels .....	6,606	5,682	4,346	8,773	5,975	3,423	3,493	4,073
Cured Meats, pounds.....	13,793	16,161	18,840	23,621	127,331	67,371	129,757	69,218
Fresh Meats, pounds.....	118,143	73,011	79,322	87,010	243,880	113,581	225,589	125,541
Lard, pounds .....	17,835	7,210	15,282	9,662	51,249	17,744	46,576	16,504
Cheese, pounds .....	11,493	8,009	11,250	10,226	4,123	5,784	5,733	8,323
Butter, pounds .....	17,513	18,143	15,488	22,169	20,593	21,720	14,671	20,807
Eggs, cases .....	48	107	131	29	148	105	162	54
Hides .....	18,872	9,561	16,761	13,149	24,736	11,278	22,279	15,312
Lumber, thousand feet.....	134	122	98	133	47	58	45	60
Potatoes, bushels .....	1,490	765	1,364	1,082	595	216	432	362

### COMPARATIVE STATISTICS OF BUILDING AND ENGINEERING OPERATIONS.

Contracts awarded in states north of the Ohio and east of the Missouri rivers, from January 1 to March 1:

1919 .....	\$145,834,000	1916 .....	\$129,065,000	1913 .....	\$132,675,000
1918 .....	298,770,000	1915 .....	92,084,400	1912 .....	81,004,500
1917 .....	186,041,000	1914 .....	90,164,000	1911 .....	104,756,000

Contracts awarded in Seventh Federal Reserve District States—Illinois, Indiana, Iowa, Michigan and Wisconsin—also northern Missouri and eastern Kansas:

1919 .....	\$64,465,000	1916 .....	\$48,668,000	1913 .....	\$22,330,000
1918 .....	33,438,000	1915 .....	25,281,900	1912 .....	13,724,000
1917 .....	60,188,000	1914 .....	27,419,000	1911 .....	31,384,000

### BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES.

City.	—February, 1919—		—February, 1918—		Per Cent Gains.	Per Cent Loss.
	No. of Buildings.	Estimated Cost.	No. of Buildings.	Estimated Cost.		
Bay City, Mich.....	12	\$ 8,500	...	...	...	...
Cedar Rapids, Iowa.....	15	32,000	...	\$ 66,000	...	51
Chicago, Ill. ....	197	1,758,150	93	2,376,000	...	26
Davenport, Iowa .....	47	56,315	25	25,645	119	...
Decatur, Ill. ....	23	34,975	10	67,650	...	48
Des Moines, Iowa .....	23	51,650	30	54,850	...	5
Detroit, Mich. ....	500	1,279,065	180	857,580	49	...
Dubuque, Iowa .....	19	45,800	3	35,030	30	...
Grand Rapids, Mich. ....	57	83,373	32	98,428	...	15
Indianapolis, Ind. ....	390	436,645	186	317,626	37	...
Jackson, Mich. ....	35	40,930	17	36,848	11	...
Joliet, Ill. ....	4	16,500	2	7,000	135	...
Lansing, Mich. ....	16	27,930	1	4,400	534	...
Milwaukee, Wis. ....	178	465,137	69	335,619	38	...
Peoria, Ill. ....	13	12,600	14	82,100	...	84
Saginaw, Mich. ....	24	26,348	5	9,042	191	...
Sioux City, Iowa.....	30	80,700	21	432,875	...	81
South Bend, Ind. ....	42	39,913	19	12,265	225	...
Springfield, Ill. ....	40	37,485	31	35,325	6	...
Terre, Haute, Ind. ....	41	21,436	22	8,360	156	...

Building and construction statistics compiled by the F. W. Dodge Company