

FEDERAL RESERVE BANK OF CHICAGO

REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

APRIL 25, 1919

(Compiled April 22, 1919.)

Fundamental conditions in the Seventh Federal Reserve District, aside from a lack of confidence in the stability of the present price level, are considered sound, generally speaking. Agricultural prospects are excellent, and the buying power, so greatly increased in consequence of the tremendous crop production of the last few years, and the war industrial activity, together with the high prices and wages received, is manifesting itself in all lines of trade where confidence in the existing price level has been established.

It is apparently difficult for business men to divorce from their minds precedents established in former readjustment periods, and to realize that the World's War and the enormous expenditures and activities which it entailed has brought about a changed economic condition which, to a considerable extent, may prove permanent. Hence the continuance of uncertainty and hesitancy to make commitments for the future because of an inability to measure such changed economic conditions satisfactorily.

Manifestations of Strong Buying Power.

That underlying conditions are sufficiently strong to support a considerable period of prosperity is indicated in channels of trade usually classed as luxuries or semi-luxuries, as for instance, jewelry and musical instruments. Both felt the restraint placed upon production by the war and upon the individual by the need of conservation of capital and credit. With the removal of this restraint people began to buy liberally both jewelry and pianos, with the result that while manufacturing in these lines has not reached the pre-war volume, advices from representatives in the retail trade of pianos and jewelry are that the demand is large and the trade excellent, while the stocks are conservative.

One big jewelry concern reports March sales as 27 per cent. in excess of the previous March, while the first two months of the fiscal year shows business 51 per cent. in excess of the corresponding period of last year. In 1918 some allowance should be made for the fuelless days and the severe winter. Stocks of watches in retailers' and jobbers' hands are light. Watch makers have not increased their output to any extent in the last five years. Present conservatism in increasing their working force is explained by the holding open of places for former employees returning from military service.

Labor Conditions Fairly Satisfactory.

Labor conditions also are fairly satisfactory in the Seventh Federal Reserve District, although the idea still prevails that sooner or later labor will have to adjust on a lower wage level to correspond with other prices. Employers, however, are beginning to realize that the cost readjustment, owing to the inflation, which is particularly reflected in the enormous increase in paper money circulation in the European countries, is likely to be slow for a considerable period at least, and that so long as living expenses are high, not much if any decline in wages may be expected.

The Middle West, outside of the coal mining districts and in the quarries, is not experiencing the amount of unemployment found in the eastern section of the country. Necessarily there is some unemployment growing out of the release of soldiers for civil pursuits, but the situation is far better than had been expected. Indianapolis seems to have the largest labor surplus, not only in Indiana but in the district, yet the unemployment in that city is comparatively small, while industrial relations are excellent. There is a strong demand for farm labor, not only in Indiana but all through the district.

Spring Construction Work Slow in Opening Up.

Necessarily there is a considerable number of unemployed in Chicago, but this is very largely transitory. The railroad contracting work and the building industry have not opened up as rapidly as desired, but prospects in that direction are growing brighter.

In consequence of the slowing down in production of iron and steel, reflecting hesitancy in other metal manufacturing, there is a decline in the earning power, due, of course, to only partial employment and the

disappearance of overtime earnings, which has contributed to some retrenchment in the costs of living by families dependent upon the metal industries. This does not indicate increasing thrift but rather decreasing incomes.

Automobile Industry Is Now Approaching Normal Production.

The automobile manufacturers in Detroit and in other centers are experiencing a good business, with satisfactory prospects ahead, and this activity extends into the accessory plants. Detroit apparently occupies the position of having as large a volume of this class of business as can be handled there with the present man-power. It is estimated that the automobile industry now has readjusted to a peace basis at about 90 per cent. of the existing facilities.

Efforts to stabilize steel prices had a beneficial effect in stimulating inquiry, but this was offset somewhat by the attitude taken by the Railroad Administration in the matter of the buying of steel for railway needs. The adoption of highway construction programs in several States is beginning to find its reflection in a healthier business sentiment.

Demand for Housing Exceeds Available Supply.

Building operations are gradually increasing, but the most reassuring feature in the Middle West is the activity in the preparatory steps for building rather than any actual construction. Owing to weather conditions, as well as hesitancy in regard to price, construction has not been up to expectations. Engineers and architects, however, report plans in the making in excess of any period in the last five years. It is very difficult to find a vacant house in Chicago or in the immediate vicinity. The demand for apartments is keen, and people seeking houses frequently find it necessary to buy because it is almost impossible to rent one. The demand for summer homes is close to if not in excess of the supply, and people today are occupying summer homes and installing stove heat because of inability to supply their needs temporarily in the city.

Similar conditions, although possibly not so intensified, are reported from other cities. This situation, of course, is the outgrowth of the restricted building in the last two years. Manufacturers of lumber and of building materials, as well as those engaged in actual construction work, are convinced a building boom is near at hand. The present activities in building, so far as Chicago and the immediate vicinity is concerned, have been confined chiefly to repair or alteration work of more or less an emergent character, and to factory and other commercial buildings, where owners are obliged to protect individual interests.

Price Readjustment in Building Lines Slow and Orderly.

Building material prices are on the down grade, with the exception of lumber. During the last month there has been a decline of at least 15 per cent. in cast iron radiation, 10 per cent. in cast iron boilers, 10 per cent. in pipes, and about 20 per cent. in fittings, but with these reductions plumbing and heating contracts are still 90 per cent. above the normal market period from 1914 to 1915. Brick manufacturers have a very large supply on hand, and are not operating at the present time.

A similar condition is found among lumber manufacturers and dealers. The lumber mills at this season are obliged to cut their winter accumulated supply of logs, hence are producing lumber faster than it can be absorbed by the market. The prospective demand for lumber, however, is very good.

Large Stocks of Structural Material Available.

Large stocks of cement are available and also of miscellaneous building materials, while manufacturers of structural steel are willing to take large and small contracts for immediate delivery. Cement prices are about 70 per cent. higher than the pre-war level, but costs of manufacturing are higher by about the same per cent. One conspicuous feature in the cement industry is that there are practically no purchases except for immediate use, which means that the stocks of cement in the hands of dealers and users are at the minimum, and presages a quick improvement in production when the construction work gets well under way. Not only in the building line but in practically all lines of industrial activity the price situation seems to be the greatest stumbling block, buyers apparently feeling that the price level has not reached normal.

Raw materials stocks are quite large. In the iron and steel industries advices indicate that stocks of raw materials are quite large, and, in fact, many of the plants are overstocked as the result of being compelled to purchase heavily and far in advance during the last year. The sudden cessation of hostilities found these manufacturers with high priced raw materials on hand in large quantities, which they are working off in a slow market. Necessarily these manufacturers will buy extremely conservatively during

the next six months, and to some extent this course is likely to be pursued in other lines of industry where similar conditions exist.

Dry Goods Trade Is Quite Active.

With the exception of cotton goods, which are slightly lower, prices for textiles have been fairly steady. Wholesalers are carrying quite heavy stocks, but the retailers are purchasing only for their immediate needs, on account of uncertainty of future prices. The large city retailers, however, are doing an unusually big business, while the impression is gaining ground that there will be no sudden reduction of prices, but that the readjustment will be gradual. The labor trouble in the mill districts in the East and the shortage of raw materials is making it difficult to replenish depleted stocks of merchandise.

Trend in Amount of Live Stock.

Cattle, hogs and lambs are all sold around the twenty dollar mark, this being stimulated by the strong foreign demand and the decreasing ratio of live animals to the population of this country. It is pointed out that twenty years ago there were approximately 660 cattle for every thousand people, whereas at the present time the number is 350 head per thousand people. A decade ago there were approximately 800 hogs and 880 sheep for every thousand people. These figures have been reduced to about 600 head of hogs and 450 head of sheep per thousand people. As the rangers go under the fence the market is compelled to lag, and the small farms must be depended upon for beef, which must increase the cost of production.

Receipts of live stock at Chicago for the four weeks ended April 12, 1919, compared with the corresponding period of 1918, are as follows:

	Cattle.	Calves.	Hogs.	Sheep.
1919	197,820	77,870	610,930	237,194
1918	278,156	80,426	842,362	112,621
Increase	*80,336	*2,556	*231,432	124,573
*Decrease				

Banks Set for Big Victory Loan Drive.

The announcement of terms of the Victory Loan has called forth favorable comment, and indications point to a satisfactory subscription in this district to this Fifth Liberty Bond offering. Money is firm at around 5½ per cent., but opinion differs as to the effect of government financing on interest rates in the next few weeks. It is quite evident from statistics and advices that the banks in all parts of the district are fairly well prepared to meet any demands made upon them.

An indication of the trend of the banking situation in Chicago is found in a comparison of the gross deposits and aggregate loans. The gross deposits of twelve leading Chicago banks aggregate \$916,600,000, a decrease of \$43,600,000 compared with the month previous. Aggregate loans and discounts, exclusive of bonds, amounted to \$577,500,000, a decrease of \$42,300,000.

Chicago bank clearings for the first nineteen days of April aggregated \$1,486,349,697, an increase of \$674,914 compared with last year, while exchanges at nineteen of the leading clearing houses in the district, outside of Chicago, for the first fifteen days of April aggregated \$350,876,900, an increase of \$38,400,000, compared with a year ago.

SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT. (000's Omitted)

	Chicago			Detroit			Other		
	—44 Member Banks—			—12 Member Banks—			—45 Member Banks—		
	Jan. 3.	March 7.	April 11.	Jan. 3.	March 7.	April 11.	Jan. 3.	March 7.	April 11.
Loans—									
Secured by U. S. Securities...	\$61,160	\$64,977	\$67,605	\$8,720	\$9,799	\$11,195	\$13,420	\$14,115	\$14,272
All other loans and investments	846,008	861,297	849,253	244,085	246,019	256,349	280,939	280,882	281,276
Reserve balance with Federal Reserve Bank	108,825	115,322	104,811	21,886	21,836	23,442	25,241	28,033	26,034
Cash in Vault	44,555	35,939	37,455	13,821	10,544	12,540	15,811	12,898	14,251
Deposits—									
Net demand	794,398	830,644	794,988	162,048	151,322	167,508	201,707	232,538	229,291
Time	149,859	160,154	163,057	155,896	164,079	166,677	89,211	93,660	95,706
Government	13,962	38,856	36,445	13,964	13,907	13,746	6,189	11,104	13,497
Bills Payable and Rediscounts—									
Collateral Notes	37,735	33,110	64,130	12,154	14,716	15,140	18,380	19,090	23,038
Bills Rediscounted	10,186	2,844	4,874	412	162	16,181	5,446	4,816

COMPARATIVE BUSINESS MORTALITY FIGURES.

Business failures Seventh Federal Reserve District for three months of 1919 and 1918 with assets and liabilities as compiled by Bradstreets.

	—No. of Failures—		—Assets—		—Liabilities—	
	1919	1918	1919.	1918.	1919.	1918.
Illinois	124	222	\$1,155,176	\$1,838,778	\$7,284,394	\$3,979,741
Indiana	34	86	1,090,014	542,723	3,274,388	938,916
Iowa	29	52	1,070,700	120,001	1,795,230	236,247
Michigan	51	110	560,651	1,962,703	867,140	2,729,494
Wisconsin	33	59	294,679	305,198	479,521	471,604
Total	271	529	\$4,171,220	\$4,769,403	\$13,700,673	\$8,356,002

POST OFFICE RECEIPTS.

	—March Receipts—		—Increase—	
	1919.	1918.	Amount.	Per Cent.
Chicago	\$3,276,512	\$2,948,044	\$328,468	11.14
Detroit	439,481	413,091	26,390	6.39
Indianapolis	213,021	208,569	4,452	2.13
Milwaukee	255,482	248,073	7,409	2.98
Peoria	62,106	65,397	*3,291	5.03
*Decrease				

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO.

(000's Omitted)

	—Receipts—				—Shipments—			
	—February—		—March—		—February—		—March—	
	1919.	1918.	1919.	1918.	1919.	1918.	1919.	1918.
Flour, barrels	390	851	648	1,003	199	744	440	1,086
Wheat, bushels	2,812	363	1,231	539	627	111	1,760	206
Corn, bushels	3,714	10,555	3,824	14,045	1,964	2,612	1,572	4,964
Oats, bushels	4,346	8,773	3,719	9,699	3,493	4,073	5,403	5,934
Cured Meats, pounds	18,840	23,621	21,533	30,332	129,757	69,218	159,756	72,535
Fresh Meats, pounds	79,322	87,010	90,027	117,194	225,589	125,541	158,551	106,374
Lard, pounds	15,282	9,662	17,311	17,147	46,576	16,504	60,206	21,842
Cheese, pounds	11,250	10,225	15,394	10,830	5,733	8,823	8,775	8,253
Butter, pounds	15,488	22,169	15,946	24,051	14,671	20,807	20,090	21,214
Eggs, cases	131	29	377	414	162	54	223	170
Hides, pounds	16,761	13,149	19,510	16,025	22,279	15,312	20,927	15,236
Lumber, thousand feet	98	133	124	261	45	60	46	137
Potatoes, bushels	1,364	1,082	1,663	1,436	482	362	692	580

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 April 1:

1919	\$253,806,000	1916	\$223,645,000	1913	\$196,788,000
1918	415,069,000	1915	167,637,000	1912	154,413,500
1917	318,785,000	1914	149,032,000	1911	173,904,313

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

1919	\$105,281,000	1916	\$ 81,380,000	1913	\$ 34,591,000
1918	63,232,000	1915	43,834,800	1912	22,674,000
1917	120,308,000	1914	38,796,000	1911	42,764,313

BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES.

City.	—March, 1919—		—March, 1918—		Per Cent Gains.	Per Cent Loss.
	No. of Buildings.	Estimated Cost.	No. of Buildings.	Estimated Cost.		
Cedar Rapids, Iowa	35	\$ 64,000	...	\$ 81,000	20	...
Chicago, Ill.	197	1,758,150	93	2,376,000	...	26
Decatur, Ill.	53	123,125	45	47,000	161	...
Des Moines, Iowa	104	301,950	78	174,170	73	...
Detroit, Mich.	1,042	3,230,700	517	1,101,155	193	...
Dubuque, Iowa	23	126,359	12	13,300	85	...
Fort Wayne, Ind.	52	151,127	38	68,246	121	...
Grand Rapids, Mich.	130	164,343	73	76,530	114	...
Indianapolis, Ind	606	529,314	462	334,719	58	...
Jackson, Mich.	67	48,833	40	9,530	412	...
Joliet, Ill.	7	22,500	8	71,500	68	...
Lansing, Mich.	61	116,490	12	5,273	13	...
Milwaukee, Wis.	362	1,138,108	188	445,911	155	...
Peoria, Ill.	43	110,010	13	12,600	773	...
Saginaw, Mich.	64	50,680	12	28,965	74	...
Sioux City, Iowa	62	225,900	39	149,650	50	...
South Bend, Ind.	94	97,140	54	29,467	229	...
Terre Haute, Ind.	98	53,187	81	105,125	...	49

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