

# FEDERAL RESERVE BANK OF CHICAGO

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

SEPTEMBER 25, 1919

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There continues to be in evidence in the Middle West a rather marked disposition to "capitalize" present prices and conditions, notwithstanding the fact that they are due primarily to the war. This is indicated by the land movement where present owners of land, seeking to capitalize present prices of farm products, are exacting higher rentals and are holding for higher acreage prices. Another development along this line is the appeal of the Illinois Agricultural Association to the Indiana Federation of Farmers to hold their live stock and grain on the farm until "a sane market has re-established itself," which is generally understood to mean a higher price level. Such a movement, if it becomes widespread, would in a measure at least defeat efforts to readjust living prices to a lower level.

### Labor's Attitude Tends to Curtail Production

This tendency to profit from war conditions is also reflected in other directions, especially in labor circles, where the cost of living is being utilized as a leverage to exact high wages and shorter hours, thus curtailing production and tending to perpetuate the existing high living costs. This makes for continued unrest.

Adjustment of wage scales on a temporary basis to meet the existing living problem apparently would be comparatively easy, but when attempt is made to make binding long-time agreements in face of declining exports and the popular and widespread demand for lower prices for essentials, the employer shows hesitancy and in some instances resistance. Manufacturers complaining of the labor situation say that their controversies are not entirely a matter of wages but due to the tendency of labor not to work full time. They report an attitude among wage earners not to work full time when they have plenty of money in their pockets, a development which curtails output.

### Business Generally is Active

Business in the Seventh District, however, generally is reported as very good. Retailers are selling all the goods they can get, at high prices, making money enough to cover the increased cost of doing business, collecting their bills promptly and banking satisfactory profits. The demand for the best qualities of merchandise is insistent and, regardless of newspaper headlines, the people appear to have money in pocket to pay for whatever they fancy. Nothing but the shortage of stocks in first hands, reduced production and delays in transportation prevents a much greater volume of merchandising.

Business mortality is next to nil, credits are well in hand everywhere and the physical conditions which restrict buying ahead tend to make the outlook more secure than it would be ordinarily on so high a price level. Keeping in mind the possibility of a "break"—if any unforeseen event should disturb the chain of supply, demand and prices—merchants of all grades are proceeding with more than usual caution. Timid merchants, who cannot bring themselves into harmony with the state of things, are liquidating at a profit rather than place orders at ruling prices for future deliveries. Others, taking the middle course, are placing orders ahead, but protecting themselves against a possible "slump" by restricting quantities to come and limiting their money liability to the ordinary total.

### Retail Demand is Very Large

Speaking generally, the volume of retail trade measured in dollars is very large, about 40 per cent over 1918, and because of the "holding off" policy of many people, the indications are that it will increase this fall and winter. Returning soldiers are a large factor in the buying of staples and as they settle down to normal civil life they will afford a good prop for producers and distributors alike.

### Luxuries are Demanded Everywhere

Textiles and shoes rule at high and higher prices, with gingham 20 per cent advanced for 1920 delivery and shoes "pegged" at the present level at least until January. Raw leather, however, is "steadying," indicating a gradual readjustment. The demand for silks is characterized as "extravagant" and the high prices merely signify scarcity. Diminished output is attributed in part to labor and in part to short supplies of raw materials. Luxuries are gobbled up faster than they can be produced. The people will have jewelry and they want the costliest. The watch factories cannot keep up with orders, partly because it is impossible to obtain materials and efficient labor. Prices would go higher but for the policy of one dominant factor, stated thus: "We do not want to see this vicious circle of advanced prices and costs go on any longer."

In the wool and woolens department matters are in an uncertain state. Merinos and the high grade apparel wools are higher. Off grades trend downward. Radical advances in prices for 1920 clothing are announced on the basis of higher costs due to shorter hours of mill labor and much reduced production. Stocks in retail hands are very low and deliveries are being made in some cases at contract prices representing actual loss to manufacturer and jobber. Present costs are figured about 30 per cent up, and this increased cost put against prices made to dealers a few months ago, means doing business for nothing. Hand to mouth deliveries are the rule, cutting against orders being the necessary rule. Overcoats are scarce and likely to command a good price.

#### **Problem of Housing and Furnishing Perplexing**

In furniture there is an interesting situation. Suitable woods are scarce and competent labor even scarcer. Poor housing facilities, due to high building costs, account for some of the trouble. Sales are reported from 50 to 60 per cent over 1918, and some manufacturers have advanced prices about 10 per cent. Factories are booked to 75 per cent of the year's capacity if no new orders are received. Buyers are already in the market for 1920 shipments, local stocks are low and sold out as soon as uncrated.

The enormous mobility of the American people and the increase of migratory club and hotel existence have made necessary a great increase in transient housing capacity at all trade and industrial centers. How these new hotels are to be outfitted is the problem. Furniture makers are unable to furnish the needed equipment, and in some cases are refusing to book orders.

The grocery trade is worrying along with small stocks and some irritation over executive attempts to interfere with the usual routine of warehousing future requirements when the supply is abundant. Sugar is scarce and fruit also, indicating a small winter ration of sweets and preserves. Stocks are hardly normal. Shipments are very slow and the shelves show gaps in important items. Volume of trade is far ahead of last year. Few "no pay" customers are left. Credits are at the peak, collections good, with few failures in the trade.

#### **Lumber and Building**

Lumber shipments are much below 1918 but the money volume of August business was large. Production is greatly restricted and the car shortage is a perplexing factor. Government payments are reported slow. Railway buying is unsatisfactory but the state of the rolling stock points to a not long deferred demand.

Matters have taken a turn for the better in Chicago by the settlement, on September 20 of the building trades strike and lockout in this city. The builders facing the absolute necessity of pushing through housing work granted the \$1.00 an hour demand of the carpenters and operations were immediately resumed. It is estimated that from \$110,000,000 to \$125,000,000 of contracts have been affected by the controversy. The settlement is counted on to give a good impetus to building. Shortage of renting space and soaring rental prices have caused much discomfort and discontent. Stable building conditions should encourage a good volume of new contracts, but the building season is well advanced in Chicago.

#### **Labor Situation Source of Great Concern**

The labor situation is a source of great discomfort. On one side of the survey it would appear that things are a little better—workers a little less restless and perhaps a bit less disposed to fly in the face of public sentiment to gain extravagant concessions of time and pay. On the other side there stands the steel workers strike vote, attempting to tie up the Steel Corporation plants, and this in full defiance of the President's conciliatory endeavors. Likewise in the Illinois coal fields the mine workers threaten to violate their agreement as to scale pending the official end of the war. If this is done there may be a cessation of coal production in this region on November 1. This would intensify a situation already bad because of small output and the car famine during recent months. Shrewd observers profess to see signs of "backing down" on the part of labor agitators. In any case public opinion appears to be disposed to set against arbitrary measures to enforce wage increases at the present high level.

Automobile prices are at the top and the demand is unabated. There are signs of accumulation, however, and next spring and summer may show surplus stocks and lower prices. But labor in this industry is restless, although wages are 100 per cent higher than in 1914 and working hours 20 per cent shorter. The great need of the hour, manufacturers say, is for more loyalty and efficiency among workers. In no other way can the situation be met and overcome, as they view conditions.

#### **Foreign Exchange Situation a Big Factor**

Steel makers and other manufacturers are complaining of the foreign exchange situation which curtails export. Wire mills are working below capacity on account of labor shortage and lack of cars for shipments. The demand is good and road sales forces have been called in. Stocks are fairly abundant in the structural department but resumption of building would soon use up the surplus. Peace in the labor field and normal exchange rates seem to hold the key to the situation.

The grain business, according to the reply of an important house, is rather unsatisfactory. The car shortage has produced congestion at country elevators and the Federal Wheat Corporation is blockading seaboard terminals, preventing free movement of other grains. Add to these difficulties the slump in foreign exchange, causing a decline in foreign demand, and the story is complete to date.

### Investment Demand Reflects Hesitancy

Investment houses report somewhat unsatisfactory conditions. New financing is prevented by the uncertainties of the labor situation and the prolonged haggling over the Peace Treaty. Foreign securities recently issued here have declined and investors are in a waiting attitude. An important possibility is the conversion of corporation short-term notes into preferred stocks on favorable terms. Capital is abundant, needing only stable conditions to bring it into active employment.

### Movement of Live Stock

Live stock prices have experienced a sharp decline. Cattle, calves and sheep receipts at all Western markets for August showed an increase of 5, 15 and 65 per cent compared with the corresponding period a year ago. The receipts of hogs at the various points in the Middle West during August were considerably less than for the corresponding period of last year. The sharp decline in prices has resulted in the feeders frequently taking losses on shipments, while the drouth in the northwest has forced ranchers to ship out most of their cattle. The high prices of cottonseed cake and hay discourages the wintering of cattle.

Receipts of live stock at Chicago for the four weeks ended September 13, compared with the corresponding period of 1918, are as follows:

	Cattle	Calves	Hogs	Sheep
1919.....	225,585	43,587	347,854	511,714
1918.....	300,264	35,734	349,354	514,957
Increase	*74,679	7,853	*1,500	*3,243
*Decrease				

There is a feature affecting the cattle loan companies that should be noted. Cattle loans which showed a good margin when made, in many instances now are practically without margin, due to the drop in prices. The high prices for feed are not likely to make the autumn cattle loans attractive, excepting from the most responsible cattle men. The campaign against the high cost of living together with the delay in stabilizing the foreign exchange situation is regarded as a big factor in the sharp decline in hogs and sheep.

### Crop Situation Not Materially Changed

There has not been a great deal of change in the crop situation, the government figures showing a further depreciation in spring wheat, of which there is very little in this district. The export demand for both flour and wheat is light. The agitation against high prices and Mr. Hoover's statement that Europe has large food stocks on hand have been factors in depressing the price level.

Government estimates on the principal crops in the States of Illinois, Indiana, Iowa, Michigan and Wisconsin, excluding those counties which are not in the Seventh Federal Reserve District, compare as follows:

Crop	Acreage	Forecast	Acreage	Production
	1919	of Production Based on Condition September 1, 1919	1918	1918
	Acres	Bushels	Acres	Bushels
Corn.....	24,178,000	897,618,000	35,346,000	895,138,000
Oats.....	14,118,000	438,683,000	14,923,000	640,005,000
Beans.....	353,000	3,530,000	548,000	4,887,000
Hay (all).....	12,618,000	18,010,000	12,735,000	16,344,000

### Trend in the Western Money Market

Indications point toward an easier money situation in the agricultural section, with a fair demand in manufacturing districts. With the marketing of the crop there is in prospect the release of a considerable amount of funds which it is believed will enable the reduction of loans generally. In manufacturing centers the accumulation of stocks of manufactured products for the coming season, together with strikes and other factors at work, is likely to increase the use of credit, so that the demand from these sources in the shape of loans is showing a tendency to increase.

Partial payment subscribers to Liberty Loan Bonds are meeting their obligations in a very satisfactory way. At the same time savings deposits continue to increase. There is, however, a considerable letting down in the practice of thrift and economy compared with war times, despite the efforts of the banks to stimulate thrift.

Chicago bank clearings for the first eighteen days of September, comprising fourteen business days, aggregate \$1,606,920,294, an increase of \$399,525,626 compared with the corresponding period of 1918, in which period there were only thirteen business days.

Bank exchanges at twenty leading clearing house centers in the Seventh Reserve District aggregated \$234,533,400 for the first fifteen days of September, an increase of \$50,933,800 compared with the first fifteen days of September, 1918.

### SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT

(000's omitted)

	Chicago —44 Member Banks—			Detroit —12 Member Banks—			Other —44 Member Banks—		
	Jan. 3	Aug. 8	Sept. 12	Jan. 3	Aug. 8	Sept. 12	Jan. 3	Aug. 8	Sept. 12
<b>Loans—</b>									
Secured by U. S. war obligations.....	\$61,160	\$72,822	\$73,353	\$ 8,720	\$12,795	\$11,661	\$13,420	\$14,564	\$16,377
All other loans and investments.....	846,008	916,422	634,447	244,085	297,514	264,455	280,939	307,119	278,682
<b>Reserve Balance with Federal</b>									
Reserve Banks.....	108,825	120,433	122,690	21,886	27,621	28,494	25,241	29,375	29,158
Cash in Vault.....	44,555	37,201	38,739	13,821	12,528	15,379	15,811	13,478	14,331
<b>Deposits—</b>									
Net demand.....	794,398	880,209	902,202	162,048	196,861	223,573	209,707	249,163	248,426
Time.....	149,859	167,851	169,309	155,896	175,887	181,280	89,211	99,567	101,027
Government.....	13,962	49,173	33,404	13,964	17,726	10,764	6,189	11,351	10,098
<b>Bills Payable and Rediscounts—</b>									
Collateral Notes.....	37,735	50,761	40,067	12,154	48,590	23,783	18,380	9,102	16,787
Bills Rediscounted.....	10,186	6,494	12,155	412	1,074	3,486	16,191	3,335	4,111

### RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO

(000's omitted)

	Receipts				Shipments			
	—July—		—August—		—July—		—August—	
	1919	1918	1919	1918	1919	1918	1919	1918
Flour, barrels.....	606	397	873	686	340	259	663	384
Wheat, bushels.....	9,375	6,596	21,413	27,250	1,292	1,405	14,827	17,429
Corn, bushels.....	4,887	10,007	3,296	5,254	2,316	3,051	1,910	2,728
Oats, bushels.....	11,012	13,521	12,318	22,765	6,443	8,099	8,321	9,360
Cured Meats, pounds.....	19,463	30,256	17,790	20,270	96,487	94,646	82,987	73,214
Fresh Meats, pounds.....	101,634	116,330	93,466	105,686	177,395	142,084	152,057	121,638
Lard, pounds.....	24,505	12,776	11,339	8,909	55,215	22,883	49,199	15,708
Cheese, pounds.....	22,328	19,997	18,680	14,365	29,875	6,295	31,079	6,026
Butter, pounds.....	41,523	34,554	34,424	27,037	41,919	21,311	33,884	18,834
Eggs, cases.....	622	563	412	459	286	295	162	213
Potatoes, bushels.....	563	454	732	702	399	258	214	169
Hides, pounds.....	18,263	12,683	17,604	9,951	13,897	16,279	22,183	12,399
Lumber, thousand feet.....	200	243	170	208	90	98	87	78

### BUILDING PERMITS OF SEVENTH FEDERAL RESERVE DISTRICT CITIES

City	—August, 1919—		—August, 1918—		Per Cent Gain	Per Cent Loss
	No. of Buildings	Estimated Cost	No. of Buildings	Estimated Cost		
Cedar Rapids, Iowa.....	50	\$ 158,000	22	\$ 72,000	119	.....
Chicago, Illinois.....	288	4,960,400	247	4,635,900	5	.....
Decatur, Illinois.....	87	204,175	20	42,725	377	.....
Des Moines, Iowa.....	145	863,210	31	874,529	.....	1
Detroit, Michigan.....	1,923	8,767,135	667	743,515	1079	.....
Debuque, Iowa.....	18	134,615	2	1,220	10934	.....
Fort Wayne, Indiana.....	60	302,165	24	23,725	1173	.....
Grand Rapids, Michigan.....	176	458,805	98	192,535	137	.....
Indianapolis, Indiana.....	709	2,601,497	431	931,394	179	.....
Jackson, Michigan.....	79	152,685	45	51,687	195	.....
Lansing, Michigan.....	166	236,595	40	18,235	1471	.....
Milwaukee, Wisconsin.....	397	1,144,598	232	348,300	228	.....
Peoria, Illinois.....	58	192,775	23	90,785	112	.....
Saginaw, Michigan.....	233	283,312	63	108,553	161	.....
Sioux City, Iowa.....	109	2,013,415	48	119,250	1588	.....
South Bend, Indiana.....	174	155,783	100	45,055	245	.....
Springfield, Illinois.....	61	120,300	33	28,350	324	.....
Terre Haute, Indiana.....	75	56,205	63	41,995	33	.....

### 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 September 1, 1919.

1919.....	\$1,565,489,000	1916.....	\$838,024,922	1913.....	\$616,067,000
1918.....	1,211,065,000	1915.....	598,619,600	1912.....	558,820,000
1917.....	1,156,176,155	1914.....	531,915,200	1911.....	539,266,313

Contracts awarded in Seventh Federal Reserve District States—Illinois, Indiana, Iowa, Michigan and Wisconsin—also Northern Missouri and Eastern Kansas.

1919.....	\$582,627,000	1916.....	\$286,887,422	1913.....	\$134,722,000
1918.....	273,794,000	1915.....	188,796,600	1912.....	83,723,000
1917.....	479,812,000	1914.....	151,865,200	1911.....	99,600,313

NOTE—Building and Construction statistics compiled by the F. W. Dodge Company.