

# BUSINESS CONDITIONS



## SEVENTH FEDERAL RESERVE DISTRICT

CHICAGO, NOVEMBER 3, 1920

**S**PECIAL ATTENTION HAS BEEN GIVEN TO THE AUTOMOBILE INDUSTRY IN the preparation of this report. Advices indicate that transportation facilities as they relate to this industry are better, but that fuel is considerably below the normal supply. Prices are reported from 8 per cent lower to 7 per cent higher than a year ago, and from 15 to 36 per cent higher than pre-war period. Declines are reported in some of the raw materials but advances in others tend to offset the savings elsewhere. Wages continue firm but production is beginning to decline as evidence of overproduction and the strained credit situation begin to press prices downward.

The automobile industry, confronted by the public demand for just as good cars at "lower cost," has had to think fast and correctly or take the drastic penalty of temporary (or permanent) loss of trade prestige and "goodwill," as well as loss of current orders. The difficulty of meeting the situation was the more serious for the reason that manufacturers possessed of abundant inventories of raw materials, had paid for them the top prices and they had either to stand heavy loss on such materials or else face the peril of losing sales now and hereafter.

In order to meet the situation, some of the manufacturers have adopted one or more of four expedients, namely, making a flat reduction in price, or announcing their intention of adhering to an announced price for a definite time, thus stabilizing the selling quotation, or guaranteeing the price for a fixed time, with a pledge that any reduction meantime shall be retroactive to current buyers, or making a temporary reduction in current prices until January 1. Naturally, the last named carries with it the intimation of a restoration of prices after the first of the year.

### AWAITING RESUMPTION OF GENERAL PUBLIC BUYING

What everyone in the Middle West seems to be most interested in, judging from their expressions by letter, is, when the public will again enter the market and absorb goods for consumption. There is a wide diversity of opinion expressed by bankers and business men as to how far the readjustment of prices and industrial conditions is likely to go at this time, and this seems to be indicative of the extent to which counter currents are manifesting themselves in the Middle West. Those who have taken the step of cutting prices of their products, as for instance, one of the large

motor companies, expresses conviction that this procedure is quite as much for their own ultimate good as for the general welfare; that in the end the concern will earn a greater profit under this policy than by attempting to hold out against the inevitable.

This class of manufacturers, as expressed by one of them, is proceeding on the idea "that prices are coming down because they must—not because costs have been lower, but because business in this country cannot resume in its normal volume and confidence until the adequate buying power of the dollar has been restored."

Compiled October 30, 1920

## STEEL PRICES RECEDING VERY SLOWLY

Prices of steel plates, structural material and merchants bars are lower by 45 per cent than at the peak of 1919 and somewhat lower than a year ago, but they are 150 per cent over pre-war, due to the high cost of coke and other raw materials. Wages remain high, but bookings are slow and there is a slacking down of new business. Some concerns in the Middle West are

operating at full capacity on old orders; others report that help is being released. Transportation showing a great improvement, the industry, generally speaking, is reported to be in a position to meet a revival of the buying demand. Pending some radical change in the underlying factors the trade is making the best of existing conditions.

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## PRODUCTION OF COAL REPORTED AS INCREASING

Production of coal is increasing as the car supply now permits 70 per cent operation. Prices have materially declined and seem likely to go lower. Large consumers have larger stocks than at any time previous to this year, but storage is not normal. The closing of lake navigation soon will clear the way for rail shipments to the rail territory.

Wisconsin storage stocks are low and there is a prospect of a winter shortage. The effort has been to supply these territories relying on lake transportation first.

Prices are regarded as on a fair cost of production basis in 85 per cent of the market according to correspondents who declare the investigations and litigation apply to only 15 per cent of the total in Illinois and Indiana.

Production costs are about 30 per cent over last year due to wages and mining rates. A new agreement with the men has improved the relations of mine workers and operators.

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## SUGAR PRICE BREAK UPSETS CALCULATIONS

In the grocery trade and among purveying of food-stuffs, the break in granulated sugar, from 30½ to 12½ cents is the big feature. On September 23 refiners were buying duty-paid raws at 10.76 cents and a week later the same duty-paid stock was being bought at 9 cents. This break of 176 points was reflected in Chicago by a fall of spot sugar from 14.25 to 13 cents in a week. England bought October-December Peruvian sugar at 7 cents F. O. B.

Wholesalers in the Middle West had believed in the sugar situation, and were very heavy buyers at the top, paying spot cash.

Canning products naturally reacted in sympathy with the slump in sugar prices. As indicated by last month's questionnaire to the canning trade a great quantity of tinned goods were in first hands, jobbers refusing to finance the job of carrying stock at a time when lower prices seemed imminent. With the break in

sugar there was wholesale "dumping" of canned stuff containing sugar as an important ingredient. This included condensed milk, canned fruits, etc. The last month, therefore, shows heavy declines in sugar, milk, canned goods, including particularly corn and tomatoes, also in coffee, beans, potatoes, soap and flour.

As sugar sold from 16¾ cents to 30½ cents in 1864; declined to 15 cents in 1869 with a "bulge" to 20 cents, then went steadily down to a "low" of 3 cents flat in 1891, the recent flurry in sugar appears to be the most violent ever known to the American trade.

The consensus of the trade opinion is that the volume of business for September (including sugar resales at wholesale) was about 16.8 per cent over the sales of September, 1919. Sugar prices dropped 59 per cent from the "top"; flour is reported 5.4 per cent down and tomatoes and corn 25 per cent and 29.5 per cent off.

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## AGRICULTURAL IMPLEMENTS CONTINUE TO SHOW RESISTANCE

Implement prices are holding so far at a level 10 per cent over 1919 and 80 to 100 per cent above 1914. Raw materials for this industry are up from 25 to 33 per cent; wages are up 10 per cent and production is

reported as being maintained by a good demand. Sales are said to be slowing down a little but the farmers are counted on by implement men to spend some of their crop money from now on.

## FALL WHEAT SELLING BELOW NORMAL

Reverting to the crop situation, present indications based on the estimated conditions are for a production greater than the forecast a month ago, in corn, oats, buckwheat, potatoes, rice, clover seed, apples, beans, syrup and sugar beets. This refers to the country as a whole, but production has also been stimulated in the Seventh Federal Reserve District by the seasonable weather that has prevailed everywhere, excepting in southern Michigan where a dry, hot wave lasted some weeks and hurt or delayed some crops.

In northern Illinois the corn crop has matured and the harvest is at least two weeks earlier than usual. The pasturage has been scorched somewhat by the recent dry spell, which has delayed seeding. The wheat crop is estimated at 60 per cent of normal. Iowa, with its exceptional corn crop, is still struggling with the problem of marketing. Very little of the small grain has been moved and there is still some car shortage reported, while the banks are closely loaned up.

In that part of Indiana in the Seventh Federal Reserve District an excellent corn crop is assured, but the winter wheat is below normal. A comparatively large acreage is going into rye this year, while restricted transportation facilities and declining of markets are

retarding the movement of crops. This condition, coupled with the high interest rate at the banks and the limited funds available for the customers' loan, has slowed up collections somewhat. The labor supply is reported as ample to meet the demands but wages continue high.

Wisconsin reports the corn and potato crops above the average, both in yield and quality. Fall planting is below normal owing to unfavorable soil conditions and shortage of labor. The slow moving of the crops in that state has added to the tightened condition of the money market and has resulted in slower collections, with farmers seeking to increase credit rather than liquidating old obligations.

In southern Michigan the corn, apple and potato crops are excellent, with other main crops above the average. Merchants are reported to be purchasing rather freely for 1921 delivery, but the car shortage, filled-up condition of the elevators and the price tendency have slowed down the marketing of crops and have had a similar effect on the loaning position of the banks and the collections reflected elsewhere in the District.

## LEATHER INDUSTRY REFLECTS EFFECT OF CURTAILED BUYING

The western hide market continues at a standstill with very little merchandise moving. Prices on all grades and kinds of hides are the lowest in several years. Stocks are reported large with tanners loaded up.

Shoe manufacturers are producing about 50 per cent of normal capacity and seem confident that the situation will improve in the near future, basing this on the limited supplies carried by retailers, which stocks they figure will be replenished soon. In some of the cheaper grades of shoes, manufacturers are experiencing some revival, and seasonal conditions are stimulating buying from the retailers.

One of the large leather manufacturers calls attention to the fact that leather production is off about 56

per cent while wages in that industry are constant. He attributes the decline in prices partly to excessive imports. He also furnishes the following interesting comparisons:

### LEATHER

Declines since August 1919	Declines since September 1919
Sides 51 per cent	Sides 41 per cent
Horse hide 45@55	Horse hide 35@45
Calf 58	Kid 47
Kid 57	Calf 48
Sole 38	Sole 28

Rise since August 1914
Sides 69 per cent
Horse hide 87@100
Calf 107
Sole 28
Kid 147

Tanning cost 110@120 per cent higher than 1914

### RAW MATERIAL

Declines since August 1919
Cow hide 67 per cent
Horse hide 67
Calf 80
Kips 73
Kid 71
Sole 64

## BUILDING ACTIVITIES STILL LAGGING

Building remains in a lethargic state. Lumber has had a drop of 25 to 30 per cent from last year but is higher than pre-war level. Cement is off 12½ to 35 per cent. Common brick remains high—about the same as last year. Fuel, labor and transportation costs prevent declines in brick prices.

When these handicaps are removed a big volume of

building is expected to appear. It is estimated the United States is short about \$3,000,000,000 of the normal building increase and this must be made up in some way. Those engaged in this line say some competition, however, is now apparent in structural work whereas earlier in the year "no bids" was the usual result of efforts to start something.

## CREDIT MOVEMENT SHOWS DECREASE

Credit movement, as indicated in the aggregate debits to individual accounts, shows a decrease of about 15 per cent compared with the previous month; but an increase of 4½ per cent over a year ago.

The total debits as of October 13, 1920, reported

by 191 banks in 23 leading clearing house centers, including Chicago, were \$1,056,357,000, a decrease of \$189,569,000 over the corresponding week of September, and \$46,239,000 greater than in the same period of last year.

### SELECTED MEMBER BANK STATISTICS—SEVENTH DISTRICT (000's omitted)

	CHICAGO			DETROIT			OTHER		
	Oct. 8, 1920	Sept. 10, 1920	Oct. 10, 1919	Oct. 8, 1920	Sept. 10, 1920	Oct. 10, 1919	Oct. 8, 1920	Sept. 10, 1920	Oct. 10, 1919
Number of Banks Reporting.....	51	49	44	12	12	12	45	45	44
Total U. S. Securities.....	\$45,156	\$49,768	\$99,315	\$65,150	\$71,869	\$67,377	\$53,693	\$56,386	\$61,618
Loans—(exclusive of rediscounts)									
Secured by U. S. war obligations.....	54,350	54,631	75,786	10,747	11,480	10,529	13,149	13,659	14,683
Loans secured by stocks and bonds other than U. S. securities.....	333,045	354,770	248,423	58,957	59,955	41,407	55,516	57,596	38,334
All other loans and investments..... (exclusive of rediscounts)	889,704	873,694	698,206	334,419	336,167	273,522	316,106	319,450	293,022
Reserve Balance with Federal Reserve									
Banks.....	135,959	130,999	119,616	26,930	28,712	27,919	26,511	27,502	27,893
Cash in vault.....	38,147	39,940	39,619	12,640	13,559	14,723	16,016	16,045	13,927
Deposits—									
Net Demand.....	955,006	971,483	862,499	183,090	207,516	211,892	235,788	244,837	234,449
Time.....	291,167	287,523	172,051	226,243	224,754	183,525	118,079	118,002	103,084
Government.....	7,473	1,504	29,353	4,804	1,260	6,141	3,281	551	7,519

### RESULTS OF QUESTIONNAIRES ON MERCANTILE AND LABOR CONDITIONS

The regular monthly questionnaires, covering mercantile and labor conditions for September 1920, as shown by representative concerns in the Seventh

District, yield the following averages of increase or decrease for comparative dates as noted:

#### RETAIL TRADE—CHICAGO—DISTRICT SEVEN

September 1920

Net Sales September 1920 over September 1919.....	28.4%
Net Sales January-September 1920 over same period of 1919.....	35.5%
Retail Stocks over September 1919.....	57.2%
Retail Stocks over August 1920.....	3.9%
Ratio of average stocks to net sales January 1-September 30, 1920.....	409.1%
Ratio of outstanding orders September 30, 1920 to total purchases during 1919.....	15.7%

#### WHOLESALE TRADE—CHICAGO—DISTRICT SEVEN

September 1920, Compared with September 1919

	Replies	Per Cent Increase Net Sales Sept. 1919-1920	Per Cent Cancellation September 1919-1920	Difficult Delivery	Trade Caution	Price Trend
Dry Goods.....	13	0.72	12.0	No	Yes	Down
Shoes.....	8	†20.90	150.0	No	Yes	Down
Clothing.....	4	150.4	640.0	No	Yes	Down
Tailoring.....	3	33.0	No Data	No	Yes	Down
Groceries.....	24	19.1	5.0	No	Yes	Down

†Decrease.

#### LABOR CONDITIONS—CHICAGO, DISTRICT SEVEN

	September 1920	August 1920	September 1919
Labor Supply.....	Normal	Shortage	Shortage
Number employed.....	(Dec.) 1.3%	.....	(Dec.) 8.4%
Plant capacity operating.....	84.1%	85%	89.8%
Actual Pay Rolls.....	(Dec.) 4.4%	.....	(Inc.) 15.0%

## WATCHES AND JEWELRY PRICES HOLDING STEADY

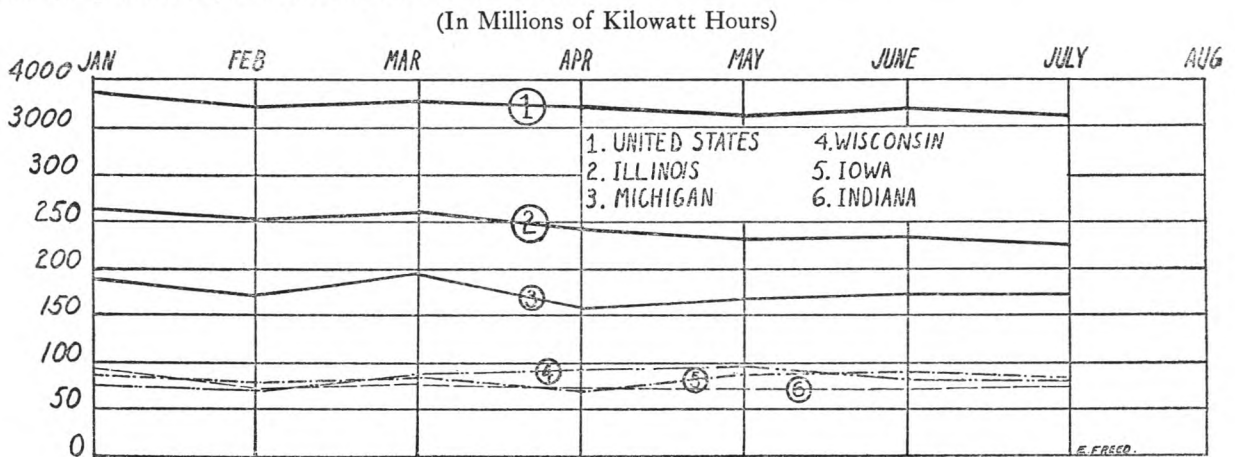
In high grade goods prices are steady. Pearls and diamonds are high. Wages in these industries remain unchanged at the high level. Cheap machine made jewelry is lower. Watches remain about at last year's prices, 20 to 44 per cent above pre-war. There is a

scarcity of fine materials and suitable skilled labor is hard to obtain. Public taste now appreciate fine time-pieces and any prospect of reduced prices has not been a serious factor.

## POWER PRODUCTION IN SEVENTH FEDERAL RESERVE DISTRICT AND IN COUNTRY

The total production of electricity in millions of kilowatt hours per month, is shown in the following chart, as produced by both fuel and water in the United

States, and comparative curves showing the production within the Seventh Federal District.

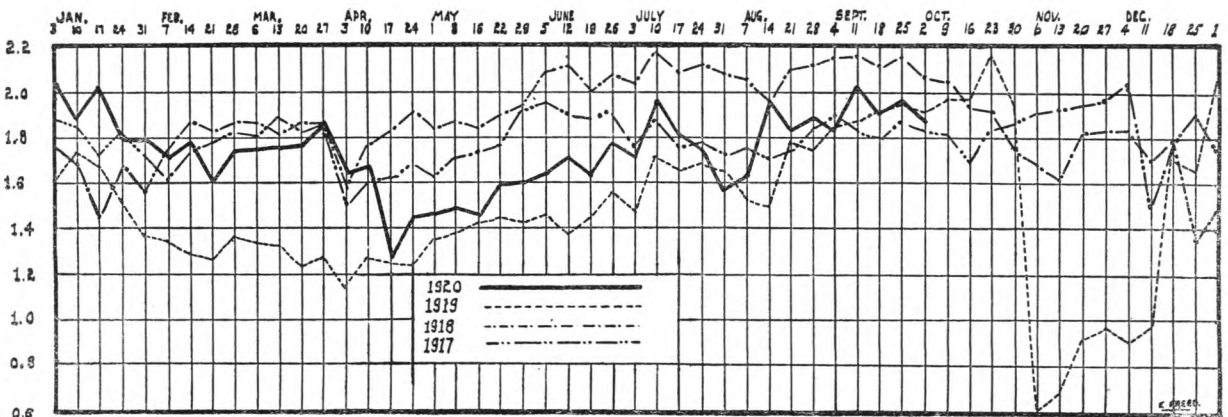


## PRODUCTION OF BITUMINUS COAL

Average daily production of bituminous coal, including coal coked, is shown in the chart below,

which is based on figures compiled by the United States Geological Survey.

(Millions of Net Tons)



PRODUCTION OF CORN, WHEAT, COTTON, AND OATS, BY FEDERAL RESERVE DISTRICTS

Forecast of the Bureau of Crop Estimates as of October 1, 1920.

(In thousands of units of measurement.)

Federal Reserve District	CORN (Bushels)			TOTAL WHEAT (Bushels)			SPRING WHEAT (Bushels)		
	Oct. 1	Sept. 1	Estimate for 1920	Oct. 1	Sept. 1	Estimate for 1919	Oct. 1	Sept. 1	Estimate for 1919
	Forecast for 1920	Forecast for 1920		Forecast for 1920	Forecast for 1920		Forecast for 1920	Forecast for 1920	
Boston.....	8,166	7,692	10,276	440	468	480	440	468	480
New York.....	39,171	37,866	41,039	11,834	11,816	12,493	740	722	750
Philadelphia.....	62,563	61,769	66,444	23,808	23,808	25,922	298	298	316
Cleveland.....	211,282	212,077	212,297	34,487	34,597	63,748	460	570	1,034
Richmond.....	199,349	202,334	188,994	37,613	37,613	37,094	...	...	...
Atlanta.....	259,043	259,295	240,315	6,614	6,614	10,326	...	...	...
Chicago.....	939,972	896,181	927,852	63,037	63,990	112,202	13,566	14,519	19,140
St. Louis.....	468,004	464,938	380,722	54,684	54,722	108,022	799	837	1,001
Minneapolis.....	260,030	234,226	242,363	147,994	161,631	135,094	140,809	154,446	129,337
Kansas City.....	561,543	548,679	372,870	259,108	260,723	300,994	17,644	19,259	16,463
Dallas.....	197,680	196,997	225,743	15,113	15,166	33,605	707	760	898
San Francisco.....	9,389	9,295	8,485	95,916	98,867	101,008	42,544	45,495	39,933
Total.....	3,216,192	3,131,349	2,917,450	750,648	770,015	940,988	218,007	237,374	209,352

Federal Reserve District	COTTON (Bales)			OATS (Bushels)		
	Oct. 1	Sept. 1	Estimate for 1919	Oct. 1	Sept. 1	Estimate for 1919
	Forecast for 1920	Forecast for 1920		Forecast for 1920	Forecast for 1920	
Boston.....	...	...	...	13,599	13,752	12,123
New York.....	...	...	...	46,118	46,283	31,856
Philadelphia.....	...	...	...	28,291	26,287	23,214
Cleveland.....	...	...	...	85,291	84,140	70,279
Richmond.....	2,086	2,230	2,372	28,005	27,522	26,397
Atlanta.....	2,665	2,833	2,816	27,177	28,566	29,008
Chicago.....	...	...	...	559,327	557,071	461,082
St. Louis.....	2,023	2,112	1,789	70,585	72,701	63,595
Minneapolis.....	...	...	...	287,150	291,933	208,857
Kansas City.....	1,018	1,126	832	204,218	202,799	182,677
Dallas.....	4,126	4,284	3,097	48,155	44,946	99,004
San Francisco.....	189 (a)	184 (a)	117 (a)	44,281	46,004	40,219
Total.....	12,123 (b)	12,783 (b)	11,030 (b)	1,444,362	1,441,839	1,248,311

- (a) In addition the following amounts were estimated grown in Lower California (Mexico): October 1 and September 1, 1920 forecast—89,000 bales; estimate for 1919—52,000 bales.
- (b) Cotton grown outside of cotton belt included as follows: October 1, 1920 forecast—16,000 bales; September 1, 1920 forecast—14,000 bales; estimate for 1919—7,000 bales.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO

(000's omitted)

	RECEIPTS				SHIPMENTS			
	September		August		September		August	
	1920	1919	1920	1919	1920	1919	1920	1919
Flour, barrels.....	613	1,074	562	873	484	652	476	663
Wheat, bushels.....	3,920	20,218	8,585	21,413	5,249	15,440	6,464	14,827
Corn, bushels.....	12,061	7,554	3,721	3,296	2,683	2,603	2,946	1,910
Oats, bushels.....	9,697	8,940	10,687	12,318	3,886	6,506	4,702	8,321
Rye, bushels.....	554	327	501	783	402	99	613	45
Barley, bushels.....	1,076	1,356	519	1,324	332	672	356	972
Cured Meats, pounds.....	6,311	11,413	6,094	17,790	62,425	100,097	51,009	82,987
Fresh Meats, pounds.....	50,575	67,095	47,286	93,466	197,048	175,611	135,789	152,057
Lard, pounds.....	5,480	6,230	12,733	11,339	29,996	55,980	23,308	49,199
Cheese, pounds.....	17,208	20,523	16,828	18,680	8,225	41,025	7,390	31,079
Butter, pounds.....	27,951	22,731	30,589	34,424	20,326	40,540	19,870	33,884
Eggs, cases.....	381	320	421	412	328	219	254	162
Potatoes, bushels.....	1,986	1,611	710	732	207	680	94	214
Hides, pounds.....	11,164	14,309	8,626	17,604	20,907	33,839	10,298	22,183
Wool, pounds.....	2,376	2,252	7,253	8,343	8,088	5,965	4,149	12,844
Lumber, thousand feet.....	193	205	202	170	87	93	81	87

## OPEN MARKET DISCOUNT AND INTEREST RATES IN CHICAGO

The open market range of discount and interest rates prevailing in Chicago during the thirty-day period ending October 15, 1920, together with a comparison of rates during the thirty-day periods ending September 15, 1920, and October 15, 1919, follows:

	OCTOBER, 1920			SEPTEMBER 1920			OCTOBER, 1919		
	High	Low	Customary	High	Low	Customary	High	Low	Customary
1. Rates of discount charged by banks to customers for prime commercial paper such as is now eligible under the Federal Reserve Act:									
a. Running 30, 60 and 90 days.....	7	6½@7	7	7	6	7	6	5¼	5½ @6
b. Running 4 to 6 months.....	7	6½@7	7	7	6½	7	6	5¼	5½ @6
2. Rates for prime commercial paper purchased in the open market:									
a. Running 30 to 90 days*.....	7@8	7@8	7@8	7@8	7@8	7@8	5½	5¼	5¼ @5½
b. Running 4 to 6 months*.....	7@8	7@8	7@8	7@8	7@8	7@8	5½	5¼	5¼ @5½
3. Rates charged on loans to other banks—secured by bills payable.....	7	7	7	7	7	7	5½	5¼	5½
4. Rates for bankers' acceptances of 60 to 90 days maturities:									
a. Endorsed.....	7	7	7	..	..	..	4⅞	4¾	4¾@5⅞
b. Unendorsed.....	7	7	7	7	7	7	4⅞	4¾	4¾@4⅞
5. Rates for demand paper secured by prime stock exchange collateral or other current collateral.....	7	6½@7	7	7	6½	7	6	5½	5½ @6
6. Rates for time paper secured by collateral mentioned in No. 5:									
a. Running 3 months.....	7	6½@7	7	7	6½	7	6	5½	5½ @6
b. Running 3 to 6 months.....	7	7	7	7	6½	7	6	5½	5½ @6
7. Rates (when paper is current in city) for:									
a. Cattle loans.....	7	7	7	7	7	7	6	5½	5½
b. Commodity paper secured by warehouse receipts, etc.....	7	7	7	7	7	7	6	5½	5½
8. Rates for ordinary commercial loans running 30, 60 and 90 days, (not including loans to enable purchase of bonds) secured by:									
a. Liberty bonds.....	6@7	6@7	6@7	7	7	7	6	5	5¼ @6
b. Certificates of indebtedness.....	6@7	6@7	6@7	6	6	6	6	5	5¼ @6

\*Bankers report seven per cent and brokers' offerings show eight per cent.

## BUILDING STATISTICS FOR THE MONTH OF SEPTEMBER, 1920

### CHICAGO DISTRICT

(Illinois, Indiana, Iowa, Wisconsin, Michigan, Missouri and Portions of Eastern Kansas and Nebraska.)

Class	CONTEMPLATED PROJECTS		CONTRACTS AWARDED		
	No. of Projects	Valuation	No. of Projects	New Floor Space Sq. ft.	Valuation
Business Buildings.....	268	\$12,213,700	194	1,614,500	\$7,918,900
Educational Buildings.....	69	4,704,700	50	556,600	2,796,000
Hospitals and Institutions.....	19	2,871,000	15	125,200	843,300
Industrial Buildings.....	194	22,757,700	148	4,373,800	17,231,000
Military and Naval Buildings.....	2	25,000	..	..	..
Public Buildings.....	34	463,000	14	251,300	1,281,100
Public Works and Public Utilities.....	352	48,266,600	228	..	12,771,100
Religious and Memorial Buildings.....	40	1,450,000	30	133,500	1,012,500
Residential Buildings.....	(a) 743	16,001,100	(b) 630	2,084,100	8,690,900
Social and Recreational Buildings.....	56	4,452,700	28	140,300	1,195,900
<b>Total.....</b>	<b>1,777</b>	<b>\$113,206,100</b>	<b>1,337</b>	<b>.....</b>	<b>\$53,740,700</b>

### CONTRACTS AWARDED (January 1 to October 1)

1920.....	\$670,549,000	1916.....	\$331,671,897	1912.....	\$99,087,000
1919.....	638,986,000	1915.....	216,208,600	1911.....	108,845,313
1918.....	324,006,000	1914.....	164,472,100	1910.....	155,482,805
1917.....	509,466,000	1913.....	144,267,000		

(a) 1,362 Buildings. (b) 1,189 Buildings.

Compiled by F. W. Dodge Company

