

BUSINESS CONDITIONS

AS REPORTED BY THE
FEDERAL RESERVE BANK
OF PHILADELPHIA



June 2, 1919.

THE business situation continues to show improvement in many lines. Conservatism in buying is still apparent, but reductions in prices are not looked for for the present.

Retail merchants uniformly continue to report a large volume of business and they expect further increases as the year progresses.

Agricultural outlook good The condition of wheat for the State of Pennsylvania, compared with normal, is 104%, and indicates an approximate yield of 33,404,000 bushels, compared with 26,024,000 last year. The condition of rye is 103 per cent and forecasts a production of 5,434,000 bushels, as against 4,676,500 bushels last year. In the prominent fruit regions of southeastern Pennsylvania, the loss, caused by the recent cold weather, has been slight, while in the central and northern counties, injury has been very serious in many instances. With thorough spraying, it is believed that the apple crop will be at least satisfactory. As a rule, farm work is well advanced and the farm labor question is approaching normal.

The wheat acreage to be harvested in New Jersey is 8 per cent more than last year, and indicates a production of 2,107,000 bushels, compared with 1,638,000 in 1918. The condition of rye on May 1st indicated a total yield of 1,502,000 bushels, compared with 1,369,000 in 1918. The outlook for the fruit crops is fair.

The present condition of agricultural crops in Delaware is very favorable. Conditions are good for corn planting, and it is evident that land will be prepared better than usual. There will be about the same acreage of white potatoes, sweet potatoes, cantaloupes and watermelons as usual. The tomato acreage will probably only

be 60 per cent of last year. Apples, pears and peaches promise good crops; strawberries will also probably yield well with about one-half the acreage of last year.

Carpet sales ahead of last year Sales for this year up to May 1st are reported to be about 30 per cent in excess of sales for the same period last year. The bulk of the purchases are being made by new customers, who have evidently acquired means during the war period. Good conditions are expected for the balance of the year, although it is felt that in order to have a continuance of prosperous conditions in the carpet industry, building is necessary. Great difficulty is expected in replenishing the stocks of oriental rugs on account of lack of production and inadequate shipping facilities. Collections are reported as being better than last year.

Coal men optimistic for future The bituminous industry is at present in a depressed and unsatisfactory condition, the aggregate output being less than 70 per cent of the corresponding period of 1918. Last year, owing to insistence emanating largely from governmental sources, consumers were urged to acquire a supply in excess of their actual necessities, either immediate or in the near future, resulting in a very large accumulation of fuel, and the coal operators and miners were urged to increase the output with greatly enhanced cost, as would naturally happen under such exceptional conditions. The weather during the past winter was abnormally mild, and by reason of that, the consumption of fuel was restricted. In addition, the recession of business, beginning after the armistice, tended still further to reduce consumption. The result has been that consumers decided to use their surplus stock and restrict the taking of additional supply. The current use of fuel is in excess of present production, and stocks are being consumed. As the year advances and business revives, the consumption of coal is expected to increase with greatly diminished stocks, and it may then be discovered that present facilities for production will be much strained to meet requirements. Anthracite coal of domestic sizes is in good demand. Steam sizes are dull and the smallest sizes cannot be moved in quantities at any price.

Hat business exceptionally good The largest manufacturers of hats report orders beyond expectations. The continued demand for merchandise of the higher qualities is indicated by the fact that 75 per cent

of the orders are for hats of the finer grades. One concern reports that it would have absolutely no difficulty in booking orders far beyond its capacity, had it not taken measures to prevent this condition by placing certain restrictions on the trade, which limited it in the volume of its purchases. Collections were never better.

Iron and steel industry will share in business improvement The open market which now prevails has not yet induced any general purchasing, but an improvement in tone is noticeable and producers are expecting the resumption of buying on a large scale, and at increasing prices. Raw material markets are now distinctly lower and the continued high cost of living has prevented reductions in wages, so that manufacturing costs will not permit the reductions in the prices of iron and steel products which had been hoped.

Bare markets and large demand indicate prosperity for leather business Business is improving daily, and the outlook has never been better. More leather is wanted all the time and with the markets bare overseas, prices are expected to advance further. Imports of hides from South America have been greatly curtailed by the strikes in the Argentine for some months past. Former large imports of light hides from Russia have been practically shut off. The domestic slaughtering of cattle has decreased since the armistice was signed, and exports of leather are increasing. Unlike other commodities which can be quickly speeded up in production, leather is dependent on the slower process of raising cattle, and it requires several years to supply the cattle hide to the tanner.

Demand for musical instruments greater than the supply Present conditions, both in sales and collections, are very good. Dealers are able to obtain a better supply of goods than this time last year. A desire has been created for music among the boys returning from France and the various camps in this country, which is expected to result in increased sales for some time.

Paper business improving While for the last three or four months the paper business has been quiet, recently there has been a better feeling. The heavy advertising work that is being done by American manufacturers in connection with getting their operations back to a peace time basis will make itself felt.

Gratifying increase in exports of grain through port of Philadelphia During the period from January 1 to May 10, 1919, there has been shipped from Philadelphia, 20,951,663 bushels of grain, nearly 300 per cent more than during the same period of last year. The exports and imports for the first three months of 1919 amounted to \$121,224,187, which is about equal to the shipments for the same period of last year. As the cargoes during 1918 were composed to a considerable extent of ammunition and war supplies, it is encouraging to note that the large quantities of goods now exported and imported are for commercial purposes.

Printers and publishers very busy Business has been taking on a very steady and substantial growth and there are indications that this condition will continue for some time. Printers are finding it difficult to secure experienced workmen, and wages and costs of raw materials remain at very high levels.

Textile market stronger and orders are increasing In silks, in mercerized and the better grades of cotton goods and the hosiery trade, the demand has been brisk since early in May, when jobbers and the larger retailers came into the market with the same spirit that prevailed prior to the signing of the armistice. There is an acute shortage in the more expensive lines of silks, particularly for women's wear. Mills making fine goods, which a few weeks ago were operating on short time, are now short of help and in some instances are running overtime. Prices are showing slight advances, in cadence with the higher quotations for yarns and silk thread, the latter having made a new high record price in May. There is a good demand for light-weight underwear, and some mills are so well sold up that they are declining business. This, however, is by no means general. For winter underwear, advance orders appear to be about 50 per cent of normal.

Wool business improving The wool market is strong with prices in sellers' favor. Large orders have been placed with the mills both for yarns and finished goods during the past month. Due to the stimulus of large sales of their product, spinners and weavers alike have operated freely at the recent Government auction sales. Prices have steadily hardened on all half-blood and fine wools. Lower qualities showed

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some recession in values, but this slump was in a measure recovered. Woolen and worsted mills are getting back to full time with a good volume of orders on hand.

Financial situation sound The flotation of the Victory Liberty Loan has been accomplished without causing a ripple on the local money market, as the loan had been anticipated by the sale of Treasury certificates. The commercial paper rate has remained unchanged at 5 1-2 per cent. There is very little choice paper on the market, as concerns have generally bettered their financial condition and many of them have sufficient funds to make it unnecessary for them to resort to borrowing.

Loans made to member banks by the Federal Reserve Bank during the month of April amounted to \$916,038,257; the average daily amount of earning assets was \$208,440,030. Federal reserve notes in circulation decreased \$2,000,000 during the month. The check collection department handled 2,662,126 checks, amounting to \$1,012,584,896. Currency shipments to banks amounted to \$27,421,050, and from banks, \$39,959,215.



STATEMENT SHOWING THE PRINCIPAL RESOURCE
AND LIABILITY ITEMS OF MEMBER BANKS
IN PHILADELPHIA, SCRANTON,
CAMDEN AND WILMINGTON

	At the close of business	
	<u>May 16, 1919</u>	<u>Apr. 18, 1919</u>
	(In thousands of dollars; <i>i. e.</i> 000's omitted)	
Number of banks reporting.....	56	56
United States bonds to secure circulation....	\$11,597	\$11,597
Other United States bonds, including Liberty bonds	34,595	33,288
United States certificates of indebtedness....	<u>142,781</u>	<u>132,908</u>
Total United States securities owned...	188,973	177,793
Loans secured by United States bonds and certificates	141,913	140,402
All other loans and investments.....	<u>624,097</u>	<u>611,895</u>
Total loans and investments.....	954,993	930,090
Reserve with Federal Reserve Bank.....	62,341	58,870
Cash in vault.....	19,300	19,009
Net demand deposits on which reserve is computed	661,559	645,700
Time deposits	21,214	22,728
Government deposits	27,166	36,193

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STATEMENT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA

RESOURCES	May 15, 1919	Previous month	Year ago
Gold reserve	126,540,234	129,550,663	150,333,695
Legal tender, silver, etc. . .	172,301	388,303	1,067,297
Total reserve	126,712,535	129,938,966	151,400,992
Bills discounted—members. Secured by Govern- ment war obligations	180,075,414	182,401,123	_____
All other	12,261,190	15,120,539	*23,894,177
Bills bought in open market	921,672	963,692	20,726,060
United States securities. . .	20,075,400	18,665,400	10,608,500
Total earning assets	213,333,676	217,150,754	55,228,737
Mutilated and fit notes on hand:			
Federal reserve notes:	9,015,527	10,800,935	11,410,280
Federal reserve bank notes	406,013	281,103	_____
Due from depository banks —war loan deposit ac- counts	48,780,338	61,636,700	_____
Uncollected items	71,443,396	68,253,513	51,605,922
All other resources	2,693,720	2,802,645	1,379,198
Total resources	472,385,205	490,864,616	271,025,129
LIABILITIES			
Capital paid in.	7,596,950	7,584,650	6,884,700
Surplus	2,608,344	2,608,344	_____
Profit and loss.	_____	_____	220,230
Government deposits	12,400,683	4,194,451	6,574,490
Due to members—reserve account	108,820,304	111,006,470	90,307,223
Collection items	53,378,905	62,702,824	36,475,991
Total gross deposits	174,599,892	177,903,745	133,357,704
Government deposits—spe- cial account	50,615,413	66,469,357	_____
Federal reserve notes out- standing	215,382,300	217,800,220	129,668,995
Federal reserve bank notes outstanding	18,288,000	15,908,000	_____
All other liabilities	3,294,306	2,590,300	893,500
Total liabilities	472,385,205	490,864,616	271,025,129

*Total amount of bills discounted—members.

BUSINESS INDICATORS

	May 20, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	\$785,008,000	+1.5	+26
Deposits	665,229,000	+2	+4
Ratio of loans to deposits.....	118%	118 *	98 *
Federal Reserve Bank:			
Discounts and collateral loans	\$195,641,000	+0.5	+419
Cash reserve	40.2%	42 *	72 *
Ninety-day discount rate	4¾%	4¾*	4¾*
Commercial paper rate	5¾%	5¾*	6 *
	April, 1919	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	\$1,636,320,000	-5	+3
Elsewhere in district	118,455,000	+30	-2
Total	\$1,754,775,000	-4	+3
Building permits, Philadelphia	\$4,180,565	+57	+75
Postoffice receipts, Philadelphia	\$1,026,741	-13	-13
Commercial failures in district (per Bradstreets)	26	19	39
Commodity prices:			
Annalist (food prices), May 17....	316.856	+2	+10
Dun's, May 1	\$222.193	+1	-2
Bradstreet's, May 1	\$17.2376	-0.2	-8

*Actual figures.



ON THE HORIZON

Otto Kahn, in referring to the solution of the labor problem, recently remarked that: "First of all, labor is entitled to a living wage. After that capital is entitled to a living wage. What is left over belongs to both labor and capital in such proportions as fairness, equity and reason shall determine."



It is reported that the Navy Department has decided to exercise its authority under war emergency legislation to requisition steel for battleship construction. The price to be paid will be fixed later, on a basis of market conditions and quotations, rather than on an examination of the steel makers' books.



"High prices continue without 'the slightest reason under the sun,'" according to A. W. Douglas, chief statistician of the Chamber of Commerce of the United States. In his address before the convention recently held at St. Louis he also pointed out that some decline has already occurred and expressed it as his opinion that they would continue decreasing until a normal level was established if the laws of supply and demand were given full sway.



The information and education service of the Department of Labor commends heartily the present use of advertising as a most patriotic public service. During the war the department and other governmental agencies were compelled to ask people not to buy anything not actually essential, because the war had to go on; but now,

when it is of the greatest importance that the wheels of industry start running smoothly, advertising and buying are the processes most necessary to start them.



Roger Babson in a recent statement indicated that expectations of radical declines in commodity prices are based more on hope than on a careful study of the law of supply and demand. He points out that labor constitutes about 75 per cent of the total cost of most commodities and labor cannot lower its wages as long as the present potential scarcity of workers holds and we have a great latent demand for goods, high taxation and high food prices.



Eugene Meyer, jr., managing director of the War Finance Corporation, speaking at the sixth National Foreign Trade Convention, said in part: "If you gentlemen representing American production should make satisfactory credit arrangements with foreign purchasers which cannot be cared for by your bankers, the War Finance Corporation is ready to stand behind you in the same spirit, to help you, if you wish it, in creating and carrying out a system of long-term credits and obligations for the promotion of international trade."



The assertion is made in a recent article in the New York Sun that: "World business is a necessity just as increased volume of business is a necessity for a manufacturer engaged solely in domestic business. World business is a necessity from a standpoint of insurance against dull times. With world business we can maintain our prosperity, keep the wheels of our factories turning constantly day and night, and give our labor an ample opportunity to increase its earnings to a point consistent with present economic conditions. World business for the manufacturer in Connecticut is as much a necessity for him in this day and age as his business in California and Missouri. That is why he is going after it and mastering the A B C's of the trade."



The Wall Street Journal imputes the following ideas to some of the ablest international bankers: "Until 1922, the world belongs to the producer and the manufacturer, the workers who will restock the world's vacant shelves, and the merchant and the

banker that will forward the goods. After that the effect of taxation will be shown; the world will be poor and the goods and the labor will fall. It is now most necessary that we have international co-operation and mutual help in restocking the world. This is more important than rebuilding. * * * * The wisest among the international bankers say there should be no international scramble for trade, but rather co-operation. As one banker expressed it: 'Trade must be wisely regulated between the Allies with regard to exchanges, money, etc.' "



The New York Sun, in a recent article dealing with the inflation of British currency, stated: "The experience of recent years has demonstrated the absurdity of all monetary theories based upon the metallic conception of money. Commercial intercourse is the recognized origin of money, and the State under certain conditions may force its subjects to accept its notes, although such notes never would enjoy the same credit outside the country as a note solidly backed and convertible into gold. With the whole system of the British industry clamoring for facilities to get into the world's markets the British Government is realizing today that attempts to substitute paper money having only the guarantee of the State sooner or later will result in disaster."

Compared to such a state of affairs this country is indeed fortunate. We have our issue of Federal Reserve notes based on the needs of business demand which contract as that demand subsides.



C. W. Barron, in an article on "Peace Finance" published in the Wall Street Journal, makes the following comments: "So far as people are looking to finance as the main solution of peace problems, they are destined to disappointment. Finance solves nothing. It is only a bridge from seed time to harvest, from one country to another, or from security to security. The solution of problems of war is in men and in labor and not in money. The loss to the world is from loss of labor. In a single crop year the difficulties of the present situation would be adjusted if there could be security in peace and Germany and every man in the world put at work with the world's machinery to produce and distribute with efficiency. Everybody has wants and desires are limitless. The only solution of Bolshevism, war debts, peace and prosperity is to set the world at work, each man supplying his wants,

and producing a surplus and thereby helping to supply some of his neighbor's wants. One year's full turnover of work and the world would be set on the right track."



The business of the port of Philadelphia is showing a very considerable increase and twenty-one regular steamship lines are now in operation out of Philadelphia. Five of these lines have only recently started sailing from here and give facilities for shipping to Bristol, Copenhagen, Finland, Antwerp and Rotterdam. Three new companies which will ship to South America, South Africa, Mediterranean ports, Antwerp and Rotterdam, are expected to start operations shortly.

The City has entered into contracts for three piers along its waterfront and has over \$6,000,000 available for purchasing property and building other new piers, according to the Department of Wharves, Docks and Ferries. Eight modern municipal piers are now in use, especially fitted to handle ocean business and with the most direct railroad connections with three great trunk line roads which will enable the quickest dispatch of goods. An agreement between the city and the railroads provides for the extension of the Belt Line System to the southern section of the city and the construction of large freight yards where cargoes for shipment abroad may be accumulated and classified.



Secretary Redfield, in speaking before the twenty-first annual convention of the National Metal Trades Association, said: "The scientific side of American industry has always been weak, and the scientific side of German industry has always been strong. When are you going to learn about the scientific side of industry, something that the German began to learn thirty years ago? We are ready to take up your problems if you will only come to us and tell us what you want done. We are prepared to do everything that is humanly possible to advance the interests of American manufacturers and have the facilities to do it. * * * * We have ninety men abroad who are studying foreign trade conditions and who are sending data of the most vital importance to manufacturers, exporters and importers. We are in hourly touch with the markets of the world and there is a fund of knowledge about the foreign trade situation that may be had for the asking, if business men will only take advantage of it and in that way save money

and at the same time further the interests of the particular industry which they are seeking to improve. * * * * When I came to the Department about \$60,000 was being spent, but now we are spending between \$600,000 and \$700,000 to help our business men expand their foreign business.”

In discussing the recent report on crop conditions issued by the Department of Agriculture, The Wall Street Journal says: “The average condition of winter wheat was 100.5 and of rye 95.3%. Another crisp sentence says the wheat area abandoned is 1.1 per cent of the total seeded last autumn. Spartan-like in its brevity, this report is the most extraordinary ever emanating from that department; and it discloses conditions that practically decide the fate of the world. Almost 900,000,000 bushels of winter wheat and 123,000,000 bushels of rye are forecast in this report. This is 40 per cent more than the largest crop ever before produced of these two bread grains. No country on earth has ever produced such a crop of winter wheat as the United States now bids fair to harvest. Famine showed itself in Europe; the farmers of the United States rallied against it, and increased their acreage almost 20 per cent. Nature reduced the loss of wheat by winter killing to a historical minimum, and topped it all by a growth condition on May 1 which has never before been equalled.

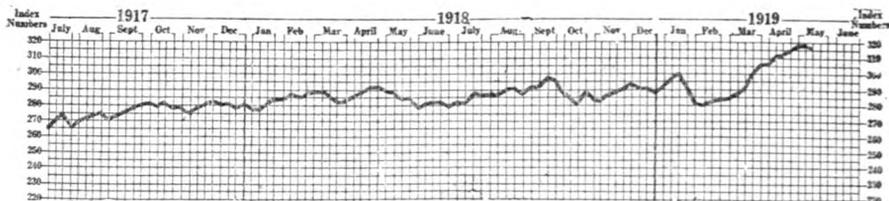
* * * * With a realization of our crop prospects and average production in the spring wheat sections, North America can, with economy, fairly meet Europe’s need. Optimism must be tempered by the reflection that the spring wheat is not all seeded yet, and that its critical period does not come until mid-summer. But the forecast is that America will save the world from starvation.”

The Guaranty Trust Company of New York, in a recent publication stated that February’s foreign trade shows that the United States is now selling goods to the rest of the world at the rate of nearly six and one-half billions annually. “The record set in the fiscal year ending June 30, 1917, is in a fair way to be surpassed by that of the year now in progress. American goods are being carried in American ships to the four corners of the globe, and sold in markets which would have seemed too distant for attainment a few years ago.

* * * * In spite of all the uncertainties of the reconstruction period, in spite of the embargoes and restrictions, in spite of the falling price of commodities, and the lack of ships, the exports for February reached a total of \$587,990,000. This indicates a total for the fiscal year ending June 30 of no less than \$6,500,000,000 which surpasses by more than two hundred millions the total for 1917, the record year heretofore. * * * * While it may be unwise to base any conclusion on mere statistics, it is interesting to note that in the face of the so-called British embargo, February exports to the United Kingdom were \$71,862,289, as compared to \$69,815,100 in 1918. Exports to France were more than \$16,000,000 higher than last year's figures. In the face of such sums it is almost impossible not to conclude that those who prophesied that the products of the United States would be heavily drawn upon to aid in the process of re-adjustment are being supported by events."



The Annalist in a late number prints the following chart showing the trend of food commodity prices:



Twenty-five food commodities were selected and arranged to represent a theoretical family's food budget. On May 17, 1919, the index stood at 316.856; a year previous, 288.030; two years previous, 288.164.

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