Business Conditions

Report of the Federal Reserve Bank

of Philadelphia

July 1, 1920.

FEATURES

Transportation situation a most serious factor.
Price reductions in wool, cotton, lumber, leather.
Labor surpluses in some lines.
Cancellations in textile lines.
Credit stringency still pressing; collections slower.

GENERAL SUMMARY

THE industrial situation is marked by the same diverse tendencies which were factors last month. Textile and leather manufacturers have in many cases reduced their operations owing to the slackened demand for their products, and iron and steel lines have been held back by the lack of transportation facilities. Decreases in the amount of orders received for iron and steel are held to be due to the greater concentration of attention on orders which have already been placed. A very slight improvement in transportation conditions had been reported during the first few weeks in June, but this improvement was not great enough to be of any real assistance to manufacturers. Within the past week a resumption of the railroad strike has been reported on two of the principal roads of the district, but the extent of its effects have not yet been ascertained.

Prices of textiles, leather, shoes, and lumber have been weak and reflect the unsettled condition of the markets. Iron and steel prices are holding firm, and the same may be said of agricultural products.

The general attitude of labor would seem to be better than heretofore, and it is to be hoped that there will soon come a widespread recognition of the need for greater production and less stress on increased wages. Decreased operations of many of the textile plants are helping to improve the attitude of the worker. In the coal regions many foreigners are said to be departing for their home countries, though in a large number of cases they are expected to return. Farmers are particularly unfortunate in the matter of labor and decreased crop production and abandoned farms are reported from many sections of the district. The attraction of labor by high wages offered in cities has been the principal factor, but the large amount of road building now going forward has further tended to draw labor from the farms.

The last few months have been marked by slowing up in collections in many of the more important lines of business, and for the first time in some years general complaint is made that "collections are slow." The very general curtailment of credit upon the part of the banks and the failure to move goods is responsible for this.

RETAIL TRADE

Weather conditions, coupled with the continuation of reduction sales, caused a large volume of retail trade. It is reported that the volume of June's sales was in excess of the same month last year. While stocks were being depleted, merchants were reluctant to place orders to replenish them, as in many instances manufacturers asked prices above those of former invoices. Realizing that the rebellion of the public against high prices is no "flash in the pan," retailers decided to wait until the prices quoted would be more in line with what consumers are willing to pay.

The following figures reflect conditions in the retail trade for the first five months of the year:

RETAIL TRADE OF DEPARTMENT STORES

Net sales:	January 1920	February 1920	March 1920	April 1920	May 1920
For month named compared to same month, 1919..........	+22%	+18%	+36%	+12%	+51%
For period Jan. 1 to end of month named, compared to same period last year............	+22%	+21%	+26%	+21%	+31%
Stocks at end of month named:					
Compared to same month, 1919..	+10%	+16%	+25%	+26%	+30%
Compared to previous month....	— 3%	+ 7%	+12%	+ 5%	— 7%
Ratio of average stocks at end of each month for period from Jan. 1 to date, to average monthly sales for same period....................	—	—	381%	355%	383%
Ratio of outstanding orders at end of month named, to total purchases during year 1919................	22%	28%	25%	23%	18%

AGRICULTURE

Agricultural conditions improve

Agriculture in this section has been retarded from two to three weeks because of the unfavorable weather conditions prevailing at the beginning of the season and also from a shortage of farm help.

The following tables, prepared by field agents of the U. S. Department of Agriculture, give figures showing the condition of certain crops in the states of Pennsylvania and New Jersey:

PENNSYLVANIA

	JUNE 1, 1920			LAST YEAR	PAST TEN YEARS
Crop	Estimated per cent	Estimated yield per acre	Estimated total production	Final production	Average production
Winter wheat	83	17.1 bu.	26,351,000 bu.	28,655,000 bu.	23,722,000 bu.
Oats.........	88	32.2 "	37,127,000 "	36,859,000 "	37,898,000 "
Rye.........	89	15.6 "	3,552,000 "	3,648,000 "	4,549,000 "
Apples......	86	...	16,419,000 "	7,972,000 "	72%
Hay (all)....	85	1.24 tons	3,991,000 tons	4,319,000 tons	4,248,000 tons

NEW JERSEY

Winter wheat	74	15.9 bu.	1,503,000 bu.	1,962,000 bu.	1,602,000 bu.
Oats.........	89	30 "	2,310,000 "	2,461,000 "	2,327,000 "
Rye.........	88	17.2 "	1,225,000 "	1,296,000 "	1,300,000 "
Apples......	90	...	2,872,000 "	2,313,000 "	2,241,000 "
Hay (all)....	87	1.46 tons	474,000 tons	487,000 tons	499,000 tons

Forecasts of the production of wheat, oats, and hay by Federal reserve districts as of June 8, issued by the same agency, are as follows:

	Philadelphia district		Totals for country	
	Forecast for 1920	Estimate for 1919	Forecast for 1920	Estimate for 1919
Spring wheat (bushels) ...	305,000	316,000	276,378,000	209,352,000
Winter wheat (bushels)...	23,860,000	25,606,000	503,996,000	731,636,000
Total wheat (bushels)	24,165,000	25,922,000	780,374,000	940,988,000
Oats (bushels)...........	23,422,000	23,214,000	1,315,476,000	1,248,311,000
Hay, wild and tame (tons)	2,949,000	3,155,000	111,790,000	108,666,000

Truck crops such as cabbage, lettuce and onions in some sections of New Jersey have been seriously damaged by maggots, entire fields being destroyed. The farmers have not as yet found a remedy to successfully exterminate these parasites.

The acreage put out in potatoes this year is much larger than last year and the promise of a bountiful crop is assured, if the weather continues favorable.

The condition of the peach crop on June 1, in Pennsylvania, was 75 per cent of normal as compared with 50 per cent last year, and 59 per cent the average condition for the past ten years. Total production is estimated at 1,550,000 bushels as compared with 1,200,000 bushels last year.

The New Jersey peach crop is reported at 80 per cent of normal, indicating a total production of 996,000 bushels as compared with 1,018,000 bushels last year and 937,000 bushels the average production for the past ten years. The commercial crop is estimated at 70 per cent and the total production at 696,000 bushels, as compared with 683,000 bushels last year's commercial estimate, and 678,000 bushels the average commercial crop for the past three years.

COAL

Inadequate car supply still hampers industry

Work in the coal industry is reported slack owing to the poor car supply. Conditions on the Pennsylvania have been deplorable, the car supply being as low as 10 per cent in one week, and at present it is averaging not more than 30 per cent. The Baltimore & Ohio supply is also very bad, but the New York Central and the Buffalo, Rochester & Pittsburgh have been working rather well. The Great Lakes district is in dire peril through the imminent shortage of bituminous coal.

It has been suggested on many sides that an embargo be placed on the exporting of coal, but it is the opinion of operators that an embargo would not help matters appreciably from the supply standpoint, considering that the amount exported in a year is only 18,000,000 tons as compared to 525,000,000 tons mined. The export business, however, has driven the price of bituminous coal to excessive heights, quotations on the spot market being around $8 as a minimum and $9 as a maximum. An embargo would scarcely relieve the general situation much, as most of the coal would be diverted to the Northwest and to New England, whence are coming insistent calls for aid. As a step toward relieving conditions in New England, the shipping board will allocate sufficient vessels to carry from 400,000 to 600,000 tons of coal a month from Hampton Roads to New England ports. The unusually small amount of coal outside of that contracted for also tends to sustain the exorbitant spot prices, but in reality there is very little coal going at these high figures. It is thought that prices would be quickly adjusted to a normal level with the advent of a fair car supply, but the resumption of the outlaw railroad strike makes the outlook for this remote.

The labor situation is not very satisfactory. The majority of the coal miners are foreigners and many of them are leaving for their native lands. If their place is not quickly filled by immigration, it will be a difficult matter to produce sufficient coal to meet the demand when transportation perplexities have been solved. Although the miners are discontented on account of the failure of the coal companies to meet their demands, they are said to be not quite so anxious to strike as formerly, because they realize that their own lack of work today is due in large part to the recent outlaw railroad strike, resulting in the inability of the railroads to handle cars.

The demand for coal is far in excess of the supply, and if the shortage of production should continue as the year proceeds, manufacturing, especially in iron and steel industries, may be seriously interfered. This would be a regrettable state of affairs, as what the country needs most today is production, and still more production. It is necessary to solve the transportation problem and have the cars speeded to the points where the shortage is most acute and the coal most necessary.

Domestic coal prices on the increase

In the retail trade, the labor is in fair supply, and although wages are still high, they are not advancing as rapidly as heretofore.

Prices on domestic coal are rising slightly, owing to the fact that large mining companies have adopted a policy of advancing it ten cents per ton each month, which policy is likely to be pursued until the dispute between the operators and the miners is settled by the committee appointed by the President. Anthracite steam coal, with the exception of stove, is equal to the demand.

Collections in the coal business are good, but dealers in this, as in all other lines, are suffering the necessity of larger capital investments to carry their stocks and accounts receivable.

IRON AND STEEL

Transportation situation biggest drawback in the trade

Pending the restoration of better transportation conditions, the demand for iron and steel remains quiet. Present market conditions are not due to any appreciable falling off in the needs of consumers, but rather to recognition that old business must be cleared up and delivered before taking further orders. From the producer's viewpoint there is some hesitancy in accepting orders for delivery far in the future, as costs at the time of production may be entirely out of line with the sales price.

Prices generally are holding firm though the market has displayed little real activity. The congestion of finished material in the storage yards and warehouses of manufacturers is lessening somewhat due to a slight improvement in transportation. Complaints are still heard from every side, however, that raw materials cannot be secured. Labor scarcity is another element which is seriously inconveniencing many producers.

Production of pig iron showed a small improvement during May, the average daily production for the country as a whole being 96,415 tons, as compared to 91,327 tons in April, and 68,002 tons in May, 1919. Pig iron prices have not changed within the past thirty days; No. 2X Pennsylvania is quoted at $47.35 to $49.35 per ton at Philadelphia. The shortage and high prices of coal and coke have caused producers much concern. Inquiries have been received from foreign sources, but little attention can be paid to such business until domestic orders have received adequate attention.

Bar iron, angles, etc., command a ready sale whenever delivery can be made with a fair degree of facility, but new business for late delivery is a bit slow. Founders report that the demand for castings is not excessive and they are well able to care for it, though they are often embarrassed by difficulty in obtaining raw materials and supplies. One large manufacturer of electric furnace steel castings for automobiles states that there is a lessened demand for castings for passenger cars, but it is as heavy as ever for truck castings. Production of malleable iron fittings is far behind orders and new orders continue to arrive from both foreign and domestic sources. Steel plates have a steady market.

Railroad track supplies are in smaller demand than had been anticipated, but increased business is expected as soon as railroad finances have been adjusted satisfactorily. Agricultural implement orders have been rather light due to the late season, decreased acreage cultivated owing to labor scarcity, and uncertainty of delivery. Specialized machinery, such as steam hammers, riveters, cranes, etc., are in active request.

Very few manufacturers of iron and steel and their products express pessimism over conditions up to the end of the year. Consumers have not accumulated any considerable surplus, and continued business activity and anticipated demands from the railroads will necessitate continuation of operations. Until transportation improves very materially, little can be done to overhaul demand. Costs are so high that little hope for lower prices can be held out for some time, though manufacturers are apparently resisting any further increases.

COTTON

Market for yarns wavering

When, in the early part of June, the Government announced the prospects for the coming cotton crop as poorer than any heretofore known, it was to have been expected that raw cotton would show a rise in price, and with it all cotton products. This, however, has not been the case, and in the last two weeks, cotton yarns and cotton goods prices have shown a tendency, in sympathy with most other commodities, to decline.

The market for cotton yarns is most unsettled. Some manufacturers in the district who have suffered vast cancellations are disposing of their surplus stocks at whatever they will bring. The manufacturers, however, are quoting no prices for future delivery, feeling inclined to wait until conditions shall become more settled. There are no purchasers in the field, and as a result, there is practically no market.

The outlook, when trading will be resumed on a large scale, is problematical. It depends, in part, upon the coming cotton crop. Should the yield be as small as the Government reports would seem to indicate, the raw cotton price will be rather high and yarns will probably hold to higher levels. This will assuredly restrict the business in the finer counts, as the public is showing a tendency to buy medium grade goods rather than pay the exorbitantly high prices for the better grades. The manufacturers may therefore be forced to work on smaller margins of profit in the fine counts. If, on the other hand, the crop yield is fairly good, yarn spinners look for a large volume of business on a price basis 20 to 30 per cent lower than that of this spring.

The transportation situation is perhaps the most serious of the factors affecting the industry from a manufacturing standpoint at the present time. The embargoes have held up shipments, and even when accepted, they have been months in transit. One of the largest cotton yarn manufacturers in the district cites as an extreme example a shipment which left one of their southern mills on February 12. It was sent by water, the steamer arriving in New York City on March 6, and it was not until early in June that the cargo could be discharged because of the harbor strike in New York. This, of course, meant the tieing up of funds for several months. It occurred just at a time when the money market was in a stringent state and worked a great hardship.

Aside from this, however, manufacturing conditions are fairly satisfactory. Labor, recognizing the possibility of curtailment of operations shows a tendency toward greater application to the work and is less insistent in its demands for increased pay and reduced working hours.

The financial situation is reflected in the industry in that bills are not being discounted as heretofore and are being allowed to run to maturity dates.

Cotton goods prices declining

The public stand against high prices has had, and is still having, a decided effect upon the prices and the demand for cotton goods. During the latter part of the month, jobbers and those holding goods for speculation slashed prices in an attempt to liquidate their large supplies, taking this course rather than hold goods until next season with the possibility of changed styles. The manufacturers of cotton goods, therefore, have no demand for their product and in numerous instances are closing their plants. Many concerns, however, are continuing to operate on old orders which should keep them running until late in the fall. The cancellation problem is becoming a serious one and manufacturers are at a loss as to how to meet it.

Renewed activity in the market is looked for in the next few months. It is realized, however, that the price level will be materially lower than that of this spring.

WOOL

No market for raw wool

A readjustment of the wool market is now in progress. Throughout the past month complete cessation of buying characterized the market, and it was therefore at a standstill. This caused a most serious situation among the western wool growers who were unable to market their product. Philadelphia wool houses sent but few buyers into the western markets, there having been no demand from woolen manufacturers.

There is no established price for raw wool at the present time. It is expected, however, that in a short time, manufacturers will come into the market and that prices will be established which will enable the industry to continue on a firm basis. Dealers hold to the belief that the prices which will be established will tend to show that complete deflation in raw wool has been accomplished.

Woolen yarn manufacturers face serious situation

The situation in the woolen and worsted yarns industry is such as to cause grave apprehension among manufacturers. The general loss of confidence throughout the textile industry, with the resultant absence of buyers from the market, has created a situation where the manufacturer must choose between closing his plant entirely or manufacturing for stock. No orders whatsoever are being placed, and in many instances orders placed months ago are being cancelled. In this regard, the transportation situation is most detrimental to the industry, purchasers of yarns using the delayed shipping dates as excuses for abrogating their contracts. Yarn spinners are, therefore, caught with raw materials which they bought in good faith. These are either still in the raw state or in process of manufacture, and there is no outlet for the finished product.

Collections are extremely poor. The purchasers of woolen yarns who formerly discounted their bills in ten days are allowing them to run to maturity dates, and in some cases have even overstepped that limit, due to the fact that they either have no funds or have decided to hold on to those they have, since there is no demand for their product and consequently no prospects of realizing on it.

The general outlook, however, is not so pessimistic as the foregoing would seem to indicate, as manufacturers realize that the supplies of all finished textiles are being rapidly depleted, and that in a comparatively short time buyers will be forced into the market. When this occurs it is expected that the prices to be established will enable the industry to function again on a firm foundation.

SILK

Raw silk market firmer

Further decreases characterized the raw silk market during the first two weeks of June, and new low levels were established. Decreases in price from 5 to 40 cents a pound for Japanese grades and 20 to 25 cents a pound for Canton were noted. These followed upon the much larger cuts registered in May. The latter part of the past month, however, witnessed a strengthening of the market with prices holding firmer and in some cases trending higher. It is reported that substantial purchases of raw silk are being made in the Japanese markets. Interest is also being manifested in the domestic market.

Broad silk marking time

Little interest is being shown in the broad silk market. The uncertainty in prices and the lack of confidence tends to keep purchasers out of the market. The cutting-up trade has placed but few orders and in many cases cancelled those booked months ago. The cancellation problem is most serious in the silk trade, and broad silk manufacturers contemplate strenuous measures to curtail the practice.

The prospects for the silk industry as a whole, however, are better than a month ago. With the further stabilization of the raw silk market it is expected that confidence will be regained and active trading resumed.

KNIT GOODS

Absence of demand causing curtailed operations

The knit goods market continues to be stagnated, hosiery and underwear manufacturers reporting the total absence of buying. The jobbers and retailers are holding off in anticipation of lower prices, which manufacturers say are not in sight. Increasingly great, therefore, is the number of plants which are either curtailing operations or shutting down completely. It is reported that in one week the reduction in the production of hosiery was 25,000 dozen.

At the present season, duplicate orders for fall delivery are usually received, but instead of this, cancellations of orders placed last October and November are being made. The cancellation problem is most serious in the knit goods industry, and while some few are being accepted by the manufacturers, the greater proportion are being rejected. Following are some of the reasons advanced by jobbers for the cancellations: "weather conditions";

the "depression of business in general"; the fact that "huge orders were placed in the belief that the business boom would continue"; "the drop in the price of raw wool"; and similar other arbitrary excuses. The transportation situation, having delayed deliveries for weeks at a time, has caused many cancellations and in some cases, these are being accepted. The others, however, are being refused.

In spite of curtailed operations and the poor prospects for the industry, labor, in numerous instances, continues insistent upon increased wages. That these demands are not and cannot be met is obvious. The outlook, as a whole, is such as to cause much concern in the industry, for while jobbers are insistent upon lower prices, manufacturers, in the face of labor conditions and the raw material situation, are equally insistent that prices shall not be lowered. The more optimistic among the manufacturers hold to the belief that in a very short time, the stocks now in the hands of jobbers and retailers will be completely depleted, and that an active buying movement on a fair price level is in sight.

The figures given below reflect operating conditions in the hosiery industry for the month of May as compared to the previous month, and May, 1919.

In the August report, figures for the underwear industry similar to these will be presented.

OPERATIONS IN THE HOSIERY INDUSTRY—MAY, 1920

For firms selling to the wholesale trade	Per cent increase or decrease as compared to April, 1920	Per cent increase or decrease as compared to May, 1919
1. Product manufactured during May, 1920 (selling price)....	— 6.0	+ 117.3
2. Finished product on hand at end of May, 1920 (selling price)	+ 14.6	+ 85.8
3. Raw materials on hand at end of May, 1920 (cost price)...	— 2.4	+ 139.3
4. Unfilled orders on hand at end of May, 1920 (selling price)	— 18.7	+ 4.5

For firms selling to the retail trade	Per cent increase or decrease as compared to April, 1920	Per cent increase or decrease as compared to May, 1919
1. Product manufactured during May, 1920 (selling price)....	+ 12.5	+ 147.3
2. Finished product on hand at end of May, 1920 (selling price)	+ 29.4	+ 67.5
3. Raw materials on hand at end of May, 1920 (cost price)...	+ 28.9	+ 315.4
4. Unfilled orders on hand at end of May, 1920 (selling price)	+ 17.8	+ 80.5

MEN'S CLOTHING

Manufacturing conditions satisfactory; demand shows decrease

The uncertainty characteristic of most industries was not especially marked in the men's clothing trade during the early part of June. The demand continued fairly good, most manufacturers reporting that the volume of sales for the season up to that time equalled 1919, and in some cases, exceeded it. The latter part of the month, however, witnessed a falling off in sales, the cancellation of many orders previously placed, and the curtailment of operations.

While the retail reductions have had their effect upon the clothing industry, producers say that they can see no prospects of prices remaining at their present levels, as a radical decline in wages and raw materials is not in sight. Production costs, they say, do not yet warrant lower prices. Prices for fall delivery are therefore quoted in excess of those of last year. If the demand, however, as is now the prospect, shows a decided decline, prices may have to be reduced in spite of production costs. The demand element is one which manufacturers are prone to overlook.

Operating conditions in the industry are fairly satisfactory and show improvement. The demand of labor for shorter hours and higher wages has abated. Woolen and worsted goods, and other raw materials are in ample supply, although the transportation situation is having its effect upon deliveries. It has not caused any scarcity up to the present time, however, and sufficient supplies are on hand to meet the buying demand. This may not be the case if the transportation problem is not soon adjusted.

The stringent money conditions have affected clothing manufacturers only in that there is a slight retardation in collections. Collection conditions have not, however, become such as to cause any concern.

The outlook in the clothing industry as a whole, in view of the recent decline in demand, is uncertain.

MEN'S SHIRTS

Good volume of orders for fall delivery

Manufacturers of men's shirts continue to experience the labor difficulties which have been so prevalent during the past year. Increased wages and shorter hours are still in demand and in some plants strikes are in progress. Aside from this, however, the industry is in a fairly prosperous state. Raw materials are abundant and trending much lower in price.

While the transportation situation is naturally affecting manufacturers, it is not doing so to such an extent as to cause considerable inconvenience. While some few cancellations of orders are noted, they are by no means prevalent. Orders are now being booked for fall delivery, and in volume they compare very favorably with last year.

Collections on the whole are good, although as in other lines, a slackening tendency is being evidenced.

The general outlook for the year is good, due to the fact that there now is, or shortly will be, a scarcity of men's shirts on the shelves of retailers. This will cause a decided buying movement, and manufacturers are therefore optimistic for the future.

LEATHER, SHOES AND HIDES

Shoe manufacturers curtailing operations

While shoe retailers during the past month continued their sales, they have not gone into the market to make purchases. Jobbers, therefore, have not placed orders, and as a result many plants are now shut down or have curtailed operations. To reduce their own surplus stocks, numerous manufacturers conducted public sales during the month. It is expected, however, that July will see increased buying activity, at which time producers say they will be unable to cope with the demand, for many of the orders will then be for spot shipments. In spite of this but few concerns are continuing operations and somewhat of a scarcity is possible. Operations in many cases will not be resumed until orders in some volume are received.

The prices for fall shoes, manufacturers hold, will be at relatively high levels, for the materials which were used in their manufacture were purchased at prices far in excess of the present market. One of the largest producers of women's shoes in the district announced a general reduction in prices to apply on orders for fall delivery placed prior to July first. This was not a general movement, however, and resulted in no real buying activity.

Should the price of raw hides continue as low as today, the price for next spring's shoes will show a material decrease, there being approximately ten months' difference between the raw hide market and the shoes on the retailers' shelves.

Those manufacturers of shoes who are still operating are meeting with few production difficulties. Labor has shown a decided improvement and raw material supplies are adequate for present needs, although if the transportation muddle is not soon clarified, it may be extremely difficult to obtain sufficient supplies when the buying movement starts.

Inactivity marks tanning industry

Reflecting the conditions in the shoe industry, the hide and leather markets continued in a depressed state during the past month. The market for tanned leathers remains at a standstill, but manufacturers see early prospects of improved conditions. In view of this, many concerns are continuing to operate at fairly large percentages of their total capacity and find operating conditions very satisfactory.

A decided improvement in the attitude of employees is noted as compared to the last few months. This is attributed primarily to the fact that concerns have contemplated ceasing operations, and the men, becoming wary of losing their positions, are showing a tendency toward increased effort and efficiency. There are few demands for higher wages and shorter hours.

Due to the curtailed demand and the relatively small production, the raw materials now being received are sufficient to meet present needs. This would not be the case, however, were 100 per cent operating capacity the rule, as the transportation tie-up is adversely affecting the industry. There is an apparent scarcity in the primary markets of lime, fish oils and bark.

While inactivity marks the industry as a whole at the present time, a decided improvement is looked for by early fall.

Hide market weak

The hide market manifested extreme weakness throughout the entire month, and many types of skins reached new low levels for the year. The feeling is that the peak in high prices has been passed and that the next six months will evidence a continuation of present low levels, although there is no immediate prospect of reaching pre-war prices. Many concerns are facing difficulties due to the fact that they have in their warehouses huge supplies of hides and no means of disposing of them, as tanners are making purchases only for immediate needs. An outlet may be offered in the buying activity which is looked for in a short time.

BUILDING PERMITS

Building permits issued in the more important cities of the Third Federal Reserve District during the month of May show a very considerable falling off from previous months, though they are still slightly in excess of the permits issued in May, 1919.

The table which follows shows a distribution of permits by cities and gives comparative totals for previous months:

	1920		1919	
	Number	Est. cost	Number	Est. cost
Allentown	66	163,850	69	174,650
Altoona	127	105,283	111	156,018
Atlantic City	114	472,777	107	63,118
Camden	91	116,365	114	426,624
Harrisburg	57	277,850	52	173,275
Lancaster	43	67,545	29	117,700
Philadelphia	1,236	4,119,810	1,891	5,960,140
Reading	347	390,950	230	132,050
Scranton	66	564,464	40	66,575
Trenton	146	878,294	110	279,934
Wilkes-Barre	66	194,443	53	81,199
Williamsport	34	288,525	15	64,726
Wilmington	143	482,901	121	143,806
York	88	62,241	57	42,722
Total for May	2,624	8,185,298	2,999	7,882,537
Total for April	3,496	14,967,863	2,477	6,656,112
" " March	2,549	11,399,062	2,135	3,986,241
" " February	950	8,641,280	984	1,881,589
" " January	1,101	5,933,342	741	1,433,605

LUMBER

Demand for lumber quiet

The inactivity which has characterized building and construction during the past few months is having a pronounced effect upon the industries allied thereto. This marked decline in the number of new operations being started has been brought about by a number of causes, among which are tight money, the transportation tie-up, the lack of efficient help and excessive demands of labor, and the high prices of raw materials. A decrease in the demand for raw materials used in construction has therefore followed and the lumber industry has perhaps been affected the most.

Beginning in April of last year, the lumber market started on a steady rise, reaching its peak in February, 1920. Since that time a gradual decline has set in, and while many lumber manufacturers feel that the bottom has been reached, it is the opinion of the majority of observers of the market that prices will continue their downward trend.

The chief structural woods, yellow pine and fir, are selling about $10 per thousand under prices of April, 1920, although as

SYNOPSIS OF INDUSTRIAL SITUATION

Compiled as of June 22, 1920

Philadelphia Federal Reserve District

Business	*Demand*	*Ability to supply demand*	*Price trends*	*Raw material or merchandise situation*	*Attitude of labor*	*Transportation*	*Collections*	*Outlook for balance of 1920*
COAL	Very active	Unable	Higher		Improving	Very poor	Good	Uncertain
IRON AND STEEL	Good	Unable	Firm	Poor	Fair	Poor	Slower	Good
COTTON YARNS	Inactive	Able	Lower	Fair	Satisfactory	Poor	Fair	Uncertain
COTTON GOODS	Inactive	Able	Lower	Fair	Satisfactory	Poor	Fair	Uncertain
WOOL	Practically none	Able	Lower	Good	Satisfactory	Poor	Poor	Uncertain
WOOLEN YARNS	Practically none	Able	Lower	Good	Satisfactory	Poor	Poor	Uncertain
SILK	Quiet	Able	Slightly stronger	Good		Poor		Uncertain
KNIT GOODS	None	Able	Firm	Good		Poor		Very uncertain
MEN'S CLOTHING	Fair	Able	Firm	Good	Improving	Poor	Fair	Fair
SHIRTS	Active	Able	Firm	Good	Unsatisfactory	Poor	Fairly good	Fairly good
HIDES	Practically none	Able	Lower		Satisfactory	Poor		Uncertain
LEATHER	Practically none	Able	Lower	Good	Satisfactory	Poor	Fairly good	Uncertain
SHOES	Quiet	Able	Firm	Good	Satisfactory	Poor	Fairly good	Fair
LUMBER	Very quiet	Able	Lower	Fair		Poor		Uncertain
PAINTS	Very strong	Unable	Firm	Fair	Satisfactory	Poor	Good	Very good
TOBACCO	Very strong	Unable	Higher	Fair	Fair	Poor	Good	Good

one lumber company writes, "They are still approximately double their level during the extremely low price period of 1914. The prices of hard woods have shaded some although not to such a great extent as the soft woods, notwithstanding the fact that hard woods reached a relatively higher level than soft woods. This is due to the fact that the supply of hard woods is very much more limited than that of soft woods."

Practically the only demand for lumber at the present time is for repair work or the finishing of operations now in process of construction. There is practically no demand for future delivery for new work.

Lumber men can see no prospect of an increased demand until the money, transportation and labor situations are relieved.

PAINT AND VARNISH

Prosperity characterizes industry

The year 1920, from the present outlook, will be a banner one for the paint and varnish industry. The demand for the product is so great that manufacturers operating at 100% capacity, with night shifts in addition, are barely able to meet it.

The transportation situation is the only element which hampers the industry at the present time, making it extremely difficult to obtain raw materials and to ship the finished product. The prices for raw materials are in numerous instances trending higher, although many manufacturers feel that they are operating either at the peak or at a very near approach to it.

The embargoes against shipments to New England points from Philadelphia were a serious factor in the delivery of the finished product to those points, and for this reason, manufacturers were unable to meet the demand from those sections.

The labor situation is a most encouraging one in the industry, for employees as a whole recognize the "vicious circle" brought about by increased wages and shorter hours, and now appear satisfied with the present wage level and with working conditions in general.

Manufacturers are booked for the remainder of the year and see only prosperity before them.

Lead manufacturers unable to meet demand

Lead manufacturers are finding it extremely difficult to meet the demand for their product. They are unable to secure sufficient labor in their industry to maintain their plants at total capacity, although conditions among the employees are very satisfactory.

The transportation situation is a more serious factor, making it barely possible to obtain sufficient supplies to run at the reduced operating rate. Sufficient materials are not being received to run at 100 per cent, were there sufficient labor to do so. More serious than the obtaining of raw materials is the delay in delivering the product to the consumers.

The outlook for the remainder of the year is very promising, as orders remain on the books which guarantee operations for months to come, with prices at a fairly high level.

TOBACCO

Demand for tobacco is insatiable

Smoking, from present indications, is likely to continue an expensive pastime. The high price of the present tobacco crop has been augmented by the exorbitant wages of labor, scarcity and high price of lumber for boxes, and the expenses of delivery.

Manufacturing plants located in Philadelphia report that the attitude of labor is improving. Some suggest that this is partly due to the feeling that the time is not auspicious for further demands, owing to the agitation for lower prices; and also that the installation of modern machinery for cigar making has had its effect. Some manufacturers in the outlying districts, however, continue to have trouble with employees, who are still demanding increased wages and shorter hours, with a marked decrease in production per man.

The demand appears to be insatiable. Sales are steadily advancing, each month showing an increase over the previous one. One firm reports that although only 75 per cent of its plant capacity is in use, improved methods have resulted in the greatest production in the history of the plant. With all this, they are unable to meet the buying demand.

Collections are as good as last year, and in the few instances where they have been reported slower, they are said to be invariably sure.

Cigar manufacturers have been very much handicapped by the transportation situation. The difficulty in obtaining supplies has kept them on a hand-to-mouth basis. Those who could take advantage of the motor truck delivery service speak of it as the "salvation of the trade," express shipments having been attended by such excessive charges. The distribution of the finished product has also been greatly hampered, particularly shipments to middle and far western points. As an example of the dilemma in which manufacturers find themselves, one cites the following instance : In one day during the early part of June, word was received from five firms that they had not yet received goods which had been shipped to them in the beginning of April—a two-month delay!

The purchase of advance needs in raw materials is being restricted by the financial situation involving the curtailment of credits. The stringent money conditions also render it impossible to make the capital extensions which are required to meet the ever growing demand.

The outlook for the remainder of the year seems to be good, although there appears to be some apprehension that the liquidation which is taking place in most of the other industries may be extended to the tobacco trade, particularly if the advancing prices continue.

FINANCIAL

Reserve position slightly higher; money rates high

During the period from June 11 to June 18 there was a substantial reduction in the volume of bills held by the Federal reserve system, the total on June 18 being $2,694,728,000, as compared to $2,926,846,000 on June 11. The largest decrease occurred in the item of bills discounted secured by United States war obligations. Reserve deposits of member banks were lower on June 18 than at any time this year—$1,800,017,000; the high point for the year thus far was $1,943,561,000 on January 16. Federal reserve note circulation was slightly higher than a month ago, but the total reserve also increased. The reserve ratio on June 18 was 44.5 per cent, which compares with the same percentage on January 30, and a low point of 42.4 per cent in the interval. The reserve ratio of the Federal Reserve Bank of Philadelphia on June 18 was 41.6 per cent.

Reports of clearing houses throughout the country, giving debits to individual account, would indicate the smaller volume of business which has been moving during the past few months. Averages for the weeks ending in the months specified are as follows: January — $10,030,000,000; February — $8,910,000,000; March—$9,704,000,000; April—$9,600,000,000; May—$9,338,000,000. Figures for the first two weeks in June were comparatively small: June 2—$8,418,000,000; June 9—$8,924,000,000; but debits for the week ending June 16 totaled $9,702,000,000, the large increase probably being due in large measure to tax payments.

Operations of the transit department of this Federal Reserve Bank during the month of May declined; the average daily amount of checks handled in May was $53,468,000; in April the average was $54,705,000.

The supply of commercial paper seems to be quite large. The Philadelphia banks are out of the market but a few of the out-of-town banks are buyers. The ruling rate is 8 per cent, with occasionally a prime name being offered at 7¾ per cent. The member banks are watching credit closely and are using every effort to reduce loans.

The following table gives a comparison of the discount rates charged by Philadelphia banks for the month preceding June 15, 1920, and the same period a year ago:

	June 15 1920	June 15 1919
Customers' prime commercial paper:		
30 to 90 days	6%	5½%
4 to 6 months	6%	5½%
Prime commercial paper purchased in open market:		
30 to 90 days	8%	5¼%
4 to 6 months	8%	5¼%
Loans to other banks—secured by bills payable	6%	5 %
Bankers' acceptances of 60 to 90 days:		
Endorsed	6%	4¼%
Unendorsed	6%	4¼%
Loans secured by prime stock exchange or other current collateral:		
Demand	6%	5¾%
3 months	6%	6 %
3 to 6 months	6%	5¾%
Cattle loans	6%	5½%
Commodity paper secured by warehouse receipts, etc.	6%	6 %
Loans secured by Liberty bonds, Victory notes or certificates of indebtedness	6%	5 %

STATEMENT

Federal Reserve Bank of Philadelphia

RESOURCES	June 18, 1920	Month ago	Year ago
Gold reserve............	$139,427,985	$135,837,316	$125,139,961
Legal tender, silver, etc..	254,826	289,613	281,455
Total reserve.......	**$139,682,811**	**$136,126,929**	**$125,421,416**
Bills discounted, members:			
Secured by Government war obligations..............	$170,470,777	$189,303,180	$171,687,159
All other....................	29,672,691	24,728,206	15,818,595
Bills bought in open market	1,926,157	2,496,986	894,410
United States securities..	33,293,300	32,162,300	22,065,400
Total earning assets	**$235,362,925**	**$248,690,672**	**$210,465,564**
Mutilated and fit notes on hand:			
Federal reserve notes.......	$12,106,470	$9,469,825	$13,258,660
Federal reserve bank notes.	391,372	489,196	267,424
Due from depositary banks—war loan deposit account...............	——	——	——
Uncollected items	78,965,143	69,614,326	101,687,579
All other resources	2,492,405	2,899,796	4,271,635
Total resources.....	**$469,001,126**	**$467,290,744**	**$455,372,278**

LIABILITIES	June 18, 1920	Month ago	Year ago
Capital paid in	$8,316,500	$8,274,200	$7,636,150
Surplus.................	8,805,132	8,805,132	2,608,344
Profit and loss	34,961	27,989	——
Government deposits	694,075	1,449,760	20,943,199
Due to members—reserve account..............	101,236,397	101,582,386	90,198,846
Collection items	65,417,353	66,811,119	94,281,411
Gross deposits......	**$167,347,825**	**$169,843,265**	**$205,423,456**
Government deposits—special account........	——	——	——
Federal reserve notes outstanding..............	$259,393,770	$255,451,230	$215,937,115
Federal reserve bank notes outstanding...........	19,381,800	19,407,200	20,240,000
All other liabilities.......	5,721,138	5,481,728	3,527,213
Total liabilities.....	**$469,001,126**	**$467,290,744**	**$455,372,278**

RESOURCE AND LIABILITY ITEMS
of member banks
in Philadelphia, Scranton, Camden and Wilmington

	At the close of business June 11, 1920	May 14, 1920	June 20, 1919
	[In thousands of dollars— i.e., 000's omitted.]		
United States bonds to secure circulation......	$11,347	$11,347	$11,597
Other United States bonds and notes..........	38,243	39,483	35,487
Certificates of indebtedness..................	52,526	53,198	90,455
Total United States securities owned	$102,116	$104,028	$137,539
Loans secured by United States securities.....	38,313	45,178	180,502
All other loans and investments	742,317	753,885	647,716
Total loans and investments	$882,746	$903,091	$965,757
Reserve with Federal Reserve Bank..........	65,047	64,781	61,890
Cash in vault	17,481	16,895	18,327
Net demand deposits on which reserve is computed............................	674,876	683,395	635,002
Time deposits	32,769	32,693	20,603
Government deposits.........................	3,514	2,911	53,817
Number of banks reporting	56	56	56

CHARGES TO DEPOSITORS' ACCOUNTS
other than banks' or bankers', as reported by Clearing Houses

	June 16, 1920	*Weeks ending* May 12, 1920	June 18, 1919
Altoona..........................	$3,556,000	$3,692,000	$3,155,000
Chester	6,371,000	5,705,000	4,481,000
Harrisburg	4,746,000	3,800,000	4,489,000
Johnstown	4,823,000	4,384,000	3,349,000
Lancaster	6,623,000	5,488,000	4,684,000
Philadelphia	399,673,000	377,033,000	378,823,000
Reading	6,286,000	5,540,000	4,454,000
Scranton	14,552,000	16,362,000	11,213,000
Trenton	13,000,000	12,269,000	11,156,000
Wilkes-Barre	9,434,000	8,311,000	7,800,000
Williamsport.....................	4,662,000	4,352,000	3,491,000
Wilmington.......................	7,340,000	8,489,000	13,271,000
York	4,601,000	4,746,000	3,511,000
Totals	$485,667,000	$460,171,000	$453,877,000

BUSINESS INDICATORS

	June 21, 1920	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	$767,584,000	— 2 %	— 8
Deposits	687,697,000	+ 2 %	+ 3 %
Ratio of loans to deposits	112 %	113 %*	126 %*
Federal Reserve Bank:			
Discounts and collateral loans	$196,855,000	— 7 %	— 1 %
Cash reserve	43 %	40 %*	40 %*
90-day discount rate	6 %	6 %*	4¾ %*
Commercial paper rate	8 %	7½ %*	5¾ %*

	May, 1920	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	$2,088,688,757	— 1 %	+ 21 %
Elsewhere in district	133,080,794	— 11 %	+ 18 %
Total clearings	$2,221,769,551	— 2 %	+ 21 %
Building permits, Philadelphia	$4,119,810	— 58 %	— 31 %
Post office receipts, Philadelphia	1,331,914	— 4 %	+ 17 %
Commercial failures in district (per Bradstreet's)	30	27 *	28 *
Latest commodity index figures:			
Annalist (food prices only)	318.274	— 1.4%	+ 5.6%
Dun's	$262.149	— 0.4%	+ 14.9%
Bradstreet's	$19.8752	— 4.2%	+ 9.8%

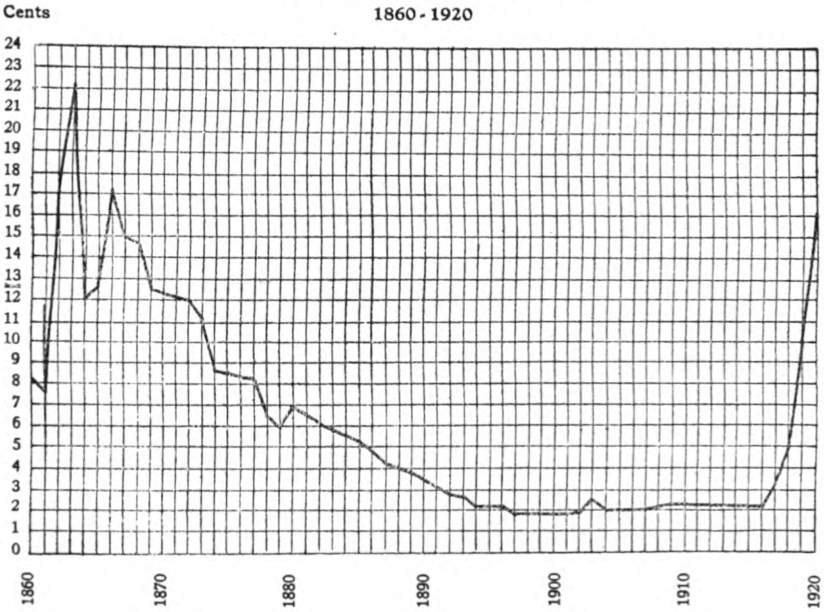
*Actual figures.

ON THE HORIZON

The following chart, prepared by the Research Department of the International Magazine Company, gives an interesting portrayal of the course of newsprint paper prices from 1860 to 1920. As can be seen, prices held comparatively stable around 2 cents per pound from 1896 to 1916, but after 1916 prices have risen by leaps and bounds.

PRICE OF PAPER PER POUND

1860 - 1920



The favorable trade balance which the United States has piled up since the beginning of the war in 1914 is $17,000,000,000, according to the figures the Department of Commerce recently issued. By far the greatest portion of this has been against the allied and neutral countries of Europe.

As opposed to this favorable balance, many of the countries of South America and the oriental nations hold a trade balance against this country. In part settlement of such balances, the United States made huge shipments of gold early in the year. To this depletion of gold reserves in this country can be accredited in no small measure the money stringency at the present time.

The members of the International Foreign Trade Convention, recently held in San Francisco, had the benefit of hearing an illuminating address on "The Relation of Our Industrial Capacity to Our Foreign Trade," by James A. Farrell, president of the United States Steel Corporation and chairman of the National Foreign Trade Council.

Mr. Farrell pointed out that in the fifty years preceding 1914, the United States developed a manufacturing capacity capable of producing an annual surplus of about $1,000,000,000 and that in the succeeding five years, manufacturing capacity was so increased that, in spite of decreased labor efficiency and increased domestic demands, the surplus for export is more than five times as great in value.

The time is at hand, he said, for earnest consideration of the best methods for directing the oversurplus of production into the proper channels.

Mr. Farrell further states that the countries of Europe, particularly Belguim and England, are fast recovering from the ravages of war and that their productivity is rapidly becoming normal, so that in the near future Europe will begin to make payments of interest and probably of principal, on the loans we have made her. These payments will be made largely in merchandise. While there is always room for a certain amount of imports, a great influx of them to a country equipped to produce a surplus, would result in a cessation of production. This would result in unemployment and business reverses.

The solution of this grave problem, he holds, is to devote the same sustained and intelligent efforts to international commerce that has produced such wonderful results in our domestic trade; to bring to bear upon the situation an international cooperation unrestricted by jealous and discordant political policies.

Thus will America be ready to take her place in the economic rebirth of the civilized world.

PORT OF PHILADELPHIA

No Lighterage, No Cartage, No Transfer Charges
No reason why you should not use it regularly

The past few years have witnessed a tremendous development in the use of the port of Philadelphia. With the increase of our foreign trade to stupendous proportions the facilities of New York were found to be entirely inadequate, and attention was focused upon the advantages to be derived by shipments through this port. According to George F. Sproule, director of the Department of Wharves, Docks and Ferries, present facilities are sufficient to handle 50,000,000 tons of commerce annually, and during the past calendar year a sufficient amount of ship tonnage arrived and departed to move approximately 32,163,000 deadweight tons.

Basing their contentions on the value of imports and exports for the year ending December 31, 1919, the New Orleans Association of Commerce claimed that the port of New Orleans ranked second in the United States. Mr. Sproule very reasonably points out that value in dollars of imports and exports cannot determine the position of a port, but that the only way of deciding such a question is by the number and tonnage of vessels arriving and departing. On this basis Philadelphia considerably surpasses New Orleans.

The port of Philadelphia possesses certain very definite advantages, among which the following are of interest: (1) lower railroad rates to Philadelphia as compared to New York; (2) splendid pier facilities with spur railroad tracks permitting delivery of cars immediately alongside steamers, thereby facilitating quicker loading and unloading, reduction of costs, and assuring better condition of goods.

In developing the business of this port it has been necessary to secure the services of a much larger fleet of vessels. Naturally it has happened that sailings have frequently been delayed and irregular, but this condition can be entirely eradicated by the cooperation of shippers and steamship companies. To obtain this result it has been proposed that a committee should be formed composed of the Director of Wharves, Docks and Ferries, and representatives from the commercial bodies of the city, freight forwarders, railroad companies and steamship interests.

With its miles of water-front down the river, a very adequate system of piers can be built to care for any expansion. It would also be well to provide large warehouses in which goods could be held for trans-shipment or accumulated for manufacture.

At the convention of the National Association of Credit Men, held early in June in Atlantic City, the question of the use of the trade acceptance was given much consideration. The views of the convention on the matter are well stated in the following extract from a resolution adopted:

"So far as your committee could discover, the trade acceptance has been used during the past year by an increasingly large number of credit departments. This increase is by no means phenomenal or more than a healthy increase for a very desirable method. Unfortunately, the trade acceptance has been roundly abused in some directions, and your committee emphasizes its disapproval and strong condemnation of such tendencies. The trade acceptance must run concurrently with the terms of the shipment and only as it represents a commercial transaction and is received within the period for which the invoice is to run according to sales terms, is the instrument strictly a trade acceptance and entitled to the rediscount privileges accorded it by the Federal Reserve Board. A credit instrument in the form of a trade acceptance tendered and accepted after the maturity of an invoice is not an acceptance contemplated by the Act, and it is a misnomer and a serious mistake to designate such an instrument by this name. Credit grantors should be extremely particular as to this and never accept a credit instrument in the form of a trade acceptance for a past due account.

"In some directions the claim is made that trade acceptances inflate credits, but we challenge this statement and reaffirm the conclusions of former committees—that the trade acceptance will make credits liquid and never or by any means encourage the inflation which is so possible and which so frequently occurs with our accommodation and single-name paper. The trade acceptance should be used more widely in credit granting. Its abilities to liquify credits and to stabilize them are beyond dispute in the judgment of your committee. There is plenty of testimony from users of the trade acceptance as to its powers in these directions and particularly as to its value in the conversion of indifferent and slow debtors to prompt payers and frequently discounters.

"As a collection instrument nothing better was ever devised than the trade acceptance, and it is the sincere belief of your committee that the Association can continue to loan its best efforts to a wider appreciation of the virtue and powers of this instrument and indicate how valuable it would prove were we conducting a larger share of our credit transactions with a written acknowledgment of the obligation rather than a merely informal record of the account.

"RESOLVED, by the National Association of Credit Men in convention assembled, that its position of approval of the trade acceptance is hereby reaffirmed, and that the best efforts of the Association should continue to be devoted to a wider understanding of the practical benefits that may be derived from the use of the trade acceptance as a written acknowledgment of commercial credit obligations.

"RESOLVED, by the National Association of Credit Men in convention assembled, that the abuses of the trade acceptance are heartily condemned and the credit grantors of the nation are earnestly requested to rebuke such abuses and urged neither to ask nor to receive the trade acceptance except as it is tendered in the proper form, as provided for in the regulation of the Federal Reserve Board, and particularly urged never to use nor accept this form of instrument for the settlement of an over due invoice or account."

The Federal Reserve Board has drawn the attention of the banks to the serious situation which the western wool growers are facing in view of the almost total lack of demand for their new clip. After a conference with the Board on June 21, a committee of wool growers issued the following statement:

> "By advance arrangement with the Federal Reserve Board, wool growers, bankers in the wool producing sections and eastern wool markets, wool dealers, warehouse men, manufacturers, and others interested in the wool

trade, held an all day session with the Federal Reserve Board yesterday. The condition of the wool market caused by the recent cessation of purchases of raw wool was laid before the Board, and a full discussion was had of various plans for financing the industry until normal buying operations are resumed. Unlike most other crops, wool is marketed in the spring and early summer, and the marketing conditions prevailing during the past month have threatened great losses to wool growers which might be disastrous. Such a condition, if it developed, might cause serious sacrifice of sheep on farm and range, and result in reduced supplies of wool and mutton in future years. It was clearly shown that there was no disposition on the part of anyone to maintain artificial prices, but simply to make arrangements by which the temporary interruption of the wool market would be removed and normal marketing conditions restored.

"The plan of action finally arrived at was adopted as a more simple and satisfactory way of dealing with the situation than the 'Cotton Loan Plan of 1914' which had been suggested. At the termination of a conference between the Board and a sub-committee consisting of bankers thoroughly familiar with the entire situation, the Board authorized the following statement:

"'A wool grower may ship his wool to one of the usual points of distribution, obtaining from the railroad a bill of lading for the shipment; the grower may then draw a draft against his bank, for such an amount as may be agreed upon by the grower and the bank, secured by the bill of lading. The Federal Reserve Act authorizes any member bank to accept a draft secured in this manner at the time of acceptance, provided that the draft matures in not more than six months from the time of acceptance. After acceptance such a draft bearing the endorsement of a member bank is eligible for rediscount or purchase by a Federal reserve bank, provided, that it has a maturity of not more than three months from the date of rediscount, or purchase.'

"It was suggested that the Federal Reserve Board communicate with the Federal reserve banks, pointing out that shipments of wool to points of distribution may properly be financed by acceptances in the above manner.

"While the statement refers only to acceptances based on bills of lading, Governor Harding referred those present to the provisions of section 13 of the Federal Reserve Act, as to eligibility for discount of paper secured by warehouse receipts.

"At a further meeting held last night of all interests concerned, it was the unanimous opinion that the plan suggested above was practical and feasible, and that no extraordinary difficulty would be encountered in the necessary financing to carry along the present season's wool clip until a normal buying market should reassert itself, which it was the firm belief of all would be within a very reasonable length of time."

COMPILED AS OF JUNE 22, 1920