Business Conditions

Report of the Federal Reserve Bank
of Philadelphia

July 31, 1920.

FEATURES

Poor transportation facilities.

Credit situation only slightly improved; reserve ratio of Federal Reserve System being 44.4% (July 23).

Attitude of labor improved.

Collections not so good.

Industrial outlook uncertain.

GENERAL SUMMARY

INDUSTRIAL activity in many lines has slowed up during the past few months due to cessation of purchasing by dealers and transportation troubles. Many firms which were well supplied with materials have continued production on back orders but are receiving little new business. The iron and steel industry is still unable to meet demand. Retail selling holds up well but this may be ascribed in part to special sales to stimulate buying, as the average purchaser is giving more attention to actual needs and goods of the highest grades are in smaller demand.

The textile industry has been seriously affected by the almost complete cessation of demand in many lines and many factories have already curtailed operations or contemplate doing so in the near future. Purchasers thus far have manifested little confidence in the resumption of buying demand except at low prices and many manufacturers are not yet willing to concede

that they can operate profitably at such prices. But it should be recognized that raw material is a large part of the cost of many textile products, and decreases in raw material prices, such as wool and silk, should be transmitted down the line of manufacture through the spinners, weavers, and clothing manufacturers, to the purchasing public.

Iron and steel and the allied automobile and hardware lines are sorely tried by the transportation situation. Apparently congestion at the terminals has largely been relieved, but the shortage of cars stands out as an indisputable factor which will take a long time to overcome. Demand continues strong, but material and fuel supplies in any considerable amount are almost impossible to obtain and delays in shipping finished materials are reported everywhere. Prices generally hold firm.

A solution of the railroad problem would greatly aid the credit situation. Large sums of money have been tied up in stocks of materials and finished goods which cannot be moved. Collections have slowed up in practically every industry during the past few months.

The most encouraging factor in the present unstable condition of the business world is the improving attitude of labor. From many sides come the reports that the men are applying themselves more closely to their work and are not so ready to strike on slight pretext. The slackening in general business is undoubtedly the principal factor in promoting this result, but it is hoped that it is due, in part, to the recognition that continued demands only would bring disaster.

RETAIL TRADE

Volume of trade continues large

During the past month the volume of retail trade was considerably in excess of that of July, 1919. This increase is accounted for in part by the special sales and extensive advertising which were resorted to as stimulants, in numerous instances, and a marked tendency away from luxury goods and towards staple articles is to be noted, consumers buying only actual necessities. The public is more critical and is comparing quality and prices in a manner which was almost wholly forgotten during the early part of the year.

Retailers are finding it possible to secure all the merchandise needed, but the prices quoted for many articles are not in line, they feel, with what conditions in the primary markets would seem to warrant. Quotations for fall delivery are much higher than for last fall, and in many cases above prices of this spring.

The transportation situation continues to furnish a perplexing problem and is, therefore, having a deterrent effect upon the trade. Collections, in contrast to conditions in manufacturing lines, continue exceptionally good, and all charge accounts are being settled promptly. Collection conditions are better than those of July of last year.

The following table reflects retail trade operations for the first six months of this year:

RETAIL TRADE OF DEPARTMENT STORES

	January 1920	February 1920	March 1920	April 1920	May 1920	June 1920
Net sales:						
For month named compared to same month, 1919	+ 22%	+ 18%	+ 36%	+12%	+ 51%	+ 34%
For period Jan. 1 to end of month named, compared to same period last year	+ 22%	+ 21%	+ 26%	+ 21%	+ 31%	+ 31%
Stocks at end of month named:						
Compared to same month, 1919	+ 10%	+ 16%	+ 25%	+ 26%	+ 30%	+ 27%
Compared to previous month	— 3%	+ 7%	+ 12%	+ 5%	— 7%	— 3%
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%	357%
Ratio of outstanding orders at end of month named, to total purchases during year 1919	22%	28%	25%	23%	18%	19%

AGRICULTURE

Latest reports more favorable

There are some very encouraging features in the agricultural outlook according to the July crop reports issued by the

local agents of the United States Department of Agriculture in Delaware, New Jersey and Pennsylvania. These reports should be reassuring to those who feared food shortage. Crops have shown a wonderful improvement during the past month due to the favorable weather conditions. Most crops show an appreciable margin over the ten-year average, as indicated by the table of acreage and production given below:

PENNSYLVANIA

	JULY 1, 1920			LAST YEAR	PAST TEN YEARS
Crop	Estimated condition (per cent)	Estimated yield per acre	Estimated total production	Final production	Average production
Corn.....	84	39.5 bu.	57,601,000 bu.	72,192,000 bu.	61,115,000 bu.
Wheat.....	83	17 "	26,220,000 "	28,665,000 "	23,722,000 "
Oats.....	93	34 "	39,202,000 "	36,859,000 "	37,898,000 "
Rye.....	91	16.9 "	3,617,000 "	3,648,000 "	4,549,000 "
Potatoes.....	92	90.2 "	21,738,000 "	25,400,000 "	23,580,000 "
Sweet potatoes	92	115 "	103,500 "	138,000 "	115,000 "
Apples.....	80	...	17,737,000 "	7,972,000 "	.....
Peaches.....	70	...	1,526,000 "	1,200,000 "	.....
Pears.....	75	...	582,000 "	355,000 "	.....
Hay (tame) .	82	1.35 tons	4,020,000 tons	4,319,000 tons	4,248,000 tons

NEW JERSEY

Corn.....	84	38.2 bu.	9,817,000 bu.	10,800,000 bu.	10,603,000 bu.
Wheat.....	78	16.3 "	1,540,000 "	1,962,000 "	1,602,000 "
Oats.....	91	31.9 "	2,456,000 "	2,461,000 "	2,327,000 "
Rye.....	90	17.6 "	1,253,000 "	1,296,000 "	1,300,000 "
Potatoes.....	92	115 "	12,305,000 "	10,560,000 "	9,903,000 "
Sweet potatoes	88	128.5 "	1,799,000 "	1,750,000 "	2,627,000 "
Apples.....	78	...	2,818,000 "	2,313,000 "	2,241,000 "
Peaches.....	71	...	937,000 "	1,018,000 "	937,000 "
Pears.....	65	...	677,000 "	500,000 "	605,000 "
Hay (tame) .	91	1.55 tons	503,000 tons	487,600 tons	499,000 tons

These figures are very commendable in view of the shortage of labor and the unfavorable weather attending the planting season, and reflect the energy and determination of the farmer of this district to accomplish his part in feeding and clothing the world.

Farm tractors are gaining in favor and are used more extensively this year than ever before, one county reporting 75 in use. The two-horse riding cultivator has proven to be popular, eliminating much physical strain.

Prices farmers are receiving for their goods are said to be trending slightly upward, which is only natural in view of higher production costs. Many farmers are transporting their goods to market via automobile truck because of the freight car shortage, and to evade the middlemen, selling where it is possible directly to the consumer or to the community market.

Tobacco—The area planted this year in Pennsylvania is estimated at 93 per cent of last year's acreage or 37,000 acres. The condition of the crop on July 1 was 90 per cent of normal, indicating a yield of 1,359 pounds per acre and a total production of 55,719,000 pounds as compared with 54,500,000 last year, and 55,704,000 pounds the average production of the past ten years.

COAL

Car supply still inadequate

The general situation in the coal industry is discouraging and industrials and utilities as well as domestic consumers face a serious situation. There has been no important production gain, the car supply is still inadequate, the assigned car practice is said to be aggravating the situation and strikes on eastern railways are reported. The car orders of the Interstate Commerce Commission affecting open-top equipment has not improved the New England situation.

The output in Pennsylvania and West Virginia is 50 per cent of normal, and in Ohio, Indiana and Illinois it is still lower. Retailers are reported to be limiting their buying to supplies shipped on contract with the result that low stocks are general and the possibility of a domestic fuel shortage increases. The tonnage going to the Northwest is in unsatisfactory volume, and it is a question whether enough will be shipped to that region to supply domestic consumers and the industrial needs of the district.

Big exports of coal cannot be attributed as the cause of the present difficulty in the coal situation in this country. Insufficient production is the real cause. The United States Geological

Survey reports show that we are producing only a little over 9,000,000 tons of coal per week. At the present time we ought to be producing around 11,000,000 tons per week. Thus we need from 7,000,000 to 8,000,000 tons of additional production per month.

The matter of distribution of the coal mined will assume a greater importance as the summer months go by, for it is generally conceded now that even with the best efforts in effecting good car supply all serious danger facing next winter has not been averted and a proper allotment of such coal as will be available is of the utmost importance. Producers are not now free to ship their product to places, where, in some cases, it is most needed, as they are bound by contract and must ship pro rata on each contract, irrespective of the public advantage to be gained by supplying certain consumers.

Three of the larger and well known coal companies have advanced their prices for stove and chestnut, mine basis, and are charging $7.65 to $7.90, while some of the independent concerns average about 75 cents higher. The market holds strong for steam sizes of anthracite, influenced by the bituminous scarcity, and is expected to remain so through the Fall. Barley is more in demand up to $2.25, while for rice $3 to $3.50, and for buckwheat $5 to $5.25 is reported.

With reference to labor, there is still an undercurrent of unrest among the coal miners of Pennsylvania. It is reported that ten collieries in this district, having a yearly output of 200,000 tons of coal and employing 8500 men and boys, are idle as the result of a strike inaugurated by the miners because the company refused to abolish the contract system by which contractors, or "pushers," are given all the richest places to work and that the ordinary miners get what is left, many of them being unable to earn fair wages. Although one of the miners' demands now being considered by the Anthracite Mine Commission is the abolition of the contract system, the strikers refuse to lay their case before that body.

If some radical change for the better does not soon take place, the coal situation for next winter looks very grave. It is hoped that the railroads will be able to devise some means whereby the channels of transportation can be cleared in order to be able to move coal more quickly.

IRON AND STEEL

Demand strong but transportation interferes with shipments

The transportation situation has so thoroughly tied-up the iron and steel industry that the views of all manufacturers center on possibilities of improvement. It had been anticipated that some betterment could be looked for after July 21, but these hopes were not realized as a ruling of the Interstate Commerce Commission continued the assignment of open-top cars to coal mines for thirty days from that date. The serious effects of the present shortage of cars may be illustrated by the statement of a large manufacturer of finished steel. At the present time their plants are running at 100 per cent of capacity, but if the lack of cars continues for another six weeks "we will be obliged to reduce to about 30 per cent of capacity and then can only continue at that rate for another 30 to 40 days." Inability to secure transportation of incoming fuel and materials and to ship out the product has been embarrassing to practically every producer.

Pig iron continues in active demand, but very little can be delivered on the spot and it is stated that contracts for delivery after December 31 are few. It is impossible to procure coke in any quantity and the cost of this material has risen to $18 to $20 per ton, which is the highest ever attained. The daily average production of iron in June was 101,451 tons, showing a further gain over the low output in April. How long furnaces can continue to produce and pile iron is problematical. Prices have exhibited a slightly rising tendency but in presenting arguments based on higher costs producers should remember that the great majority of manufacturers are obtaining their fuel and coke at contract prices, and that demands of labor for higher wages are not as plentiful or as insistent as they have been in the past. On the other hand, one of our firms says that pig iron prices are 20 per cent lower than in Europe and a reduction in prices would mean a movement of pig iron abroad and quickly bring up prices again.

Iron and steel prices generally hold steady, though a few lines, such as plates, have weakened. Structural steel is in smaller demand from domestic sources, but requests from the foreign trade are heavy. Demand for pressed steel is very great and is far beyond the capacity of manufacturers.

If demand was to be taken as a criterion of the outlook of the industry for the next six months, manufacturers would have no hesitancy in pronouncing it excellent. But their stocks of mate-

rials and fuel have been very nearly depleted and they cannot ship their output, consequently there is an undercurrent of pessimism. The outlook is good if transportation improves. Many are inclined to doubt the possibility of this for some time to come.

AUTOMOBILES

Slightly diminished demand; back orders large

Large amounts of back orders are still a feature of the automobile industry. Demand for pleasure cars has slackened somewhat lately but in the majority of cases is still in excess of supply. So far as can be ascertained cancellations have been rare, though rumors have been persistent that they were on the increase. The lack of railroad facilities makes it necessary to drive very nearly all cars to their destination under their own power.

Prices show no declining tendency at this time, and it is said that fifteen factories have announced increases in the past eight weeks. In view of the firmness of the steel and tire markets and the practical impossibility of materially lowering labor costs, there appears to be little likelihood of price weakening unless demand should fall off to a marked degree.

Dealers in pleasure cars think that the outlook for the next six months is good as they do not anticipate that supply and demand will be equalized in that time, though there may be further decreases in new business. The truck outlook is rather mixed as it appears that the credit situation is playing some part in holding back orders.

HARDWARE

Shortage because of transportation conditions

The demand for hardware continues heavy, though in some lines there has been a falling off. Some districts which share in the general improvement in crop conditions have been buying more heavily. Dealers find it impossible to accumulate large stocks as manufacturers are handicapped at both the producing and shipping ends by the railroad situation and a shortage of goods is the result. Prices are still increasing though this tendency is slowing down as the demand from the trade for lower prices is growing stronger.

Collections have been retarded somewhat and some firms report that bills are not met when due or requests are made for extensions. The primary cause of this condition is the slowness and irregularity of transportation. The restriction of credit lines

has also played its part as purchasers hesitate to pay any sooner than necessary as they do not wish to exhaust their resources.

Foreign business continues in satisfactory volume despite difficulties due to exchange rates. European business has fallen off but this is counterbalanced by larger orders from other sections of the world.

The outlook for hardware is dominated by the transportation situation, and there is no doubt that if this condition is not relieved there will be a shortage of all kinds of tools. Good crops are regarded as an omen of a favorable nature. The attitude of some dealers is to maintain stocks at a low level and await reduction in prices.

WOOL

Little interest manifested in wool market

The inactivity which characterized the raw wool market during the past six weeks continues, and dealers see no early prospect of a resumption of interest. The market has decidedly turned and is now entirely a buyers' market. Nevertheless, little interest is being manifested, and therefore there is no fixed price for raw wools. In numerous instances, they are being quoted at approximately 30 per cent below the level of January last, but there are no takers, for manufacturers of yarns, piece goods, and other woolen materials have no call for their products. The available supply of raw wool continues to increase in volume, the recent clip being still largely in the hands of the growers. It is reported that the "Government still has 50 to 60 million pounds of wool to dispose of, which is largely low grade stock representing undesirable wools very difficult to sell, especially under present conditions."

This state of affairs in the raw wool market has been brought about, in part, by conditions in the manufacturing lines. Yarn spinners have but few inquiries for their product and these are mainly for hand-to-mouth needs; no orders for future delivery are being placed. Sales, therefore, are showing a radical decrease as compared to this time last year. Curtailment of operations is general throughout the trade, and spinners contemplate completely shutting their plants if orders in some volume are not soon booked.

The price trend is downward and the consumers of yarns feel that the bottom has not yet been reached and are, therefore, holding off, anticipating still lower prices.

In the woolen and worsted goods industry, conditions are equally disconcerting. There is no demand for the product and the closing of plants is general. The outlook in the industry as a whole is problematical. While some manufacturers feel that activity will be resumed in the early fall, others have no hopes for a decided improvement in conditions until after the presidential election. When business is resumed, however, manufacturing conditions should be much more favorable than those prevailing during the first six months of the year. The raw material supply is plentiful and lower in price, and labor conditions show signs of real improvement.

COTTON

Cotton trades are dull

The dullness which is characterizing textile lines in general is very marked in the cotton industry. Little interest is being shown by cotton yarn spinners in the raw cotton market and in turn the cotton goods manufacturers are placing few orders for yarns. Curtailment of production is prevalent, and in many cases, operations are only being continued to keep employees, who would otherwise drift to other industries, for the time when business shall again become active.

The prices for cotton products have been steadily declining and are now on a price level equal to that of last fall. It is the opinion, however, that prices will move to lower levels.

In contrast with conditions in the industry as a whole are the reports of retailers in this district that the volume of cotton goods sales for the month of July will be far in excess of that of July, 1919, which was considered a record year. This means a depletion of stocks on the retailers' shelves and the prospect is that merchants will soon go into the market to replenish them. This should be reflected all along the line and some activity, therefore, may be looked for in a short time.

SILK

Market continues dull

Following upon the partial strengthening of the silk market during the closing days of June came a sharp reaction in the market and further decreases in price were noted. While some interest was being manifested with the apparent stabilization of the market, the recent decreases have stopped all inquiries and

the industry is again in the state which characterized it during the greater portion of the last few months.

Broad silk manufacturers are buying no raw silk, for there is no demand for their product. While some few purchasers for hand-to-mouth needs are noted, in general the industry may be said to be drifting listlessly with no prospects of a definite upward trend for some time to come. Although curtailment of production is general, many manufacturers are continuing to operate and find conditions in the main satisfactory. Labor is less troublesome, raw material supplies are plentiful and lower in price, the exception being coal which is not only trending higher, but is difficult to obtain because of the transportation situation.

KNIT GOODS

Situation in knit goods market is unchanged

Complete apathy continues to rule the knit goods market, and the prospects for an early resumption of activity are remote. During the month jobbers refused to place orders for future delivery, being content to wait for a still further reduction in the price quotations. Manufacturers both of underwear and hosiery contend that a further recession in prices is impossible unless the cost of yarns, other raw materials and wages show a marked decline.

While the past month recorded some decline in yarn prices, it is held they have not been sufficient to warrant the lower quotations for which jobbers are waiting. In numerous instances, prices have been quoted below the cost of manufacture, and still there are no takers. The situation, therefore, is a most serious one and manufacturers are unable to determine upon a policy.

Just how long jobbers can continue to stay out of the market is dependent upon the rapidity with which stocks now on hand are taken by the consuming public. From all indications, supplies are being rapidly depleted and jobbers may soon be forced to come into the market.

Cancellations still continue to harass the industry, and collections are extremely poor, many jobbers asking for additional datings of from 60 to 90 days. Labor is no longer a problem, for with the decided curtailment of operations, unemployment in the industry is prevalent and many applications for work are being received. The bright spot in the present business recession is the fact that labor conditions are showing a decided improvement, and there is the probability that the demands so often made dur-

ing the last six months will not furnish so great a problem when operations on a large scale are resumed.

Below are given the figures for the hosiery industry, showing operations for the month of June, as compared to May, 1920, and June, 1919:

OPERATIONS IN THE HOSIERY INDUSTRY—JUNE, 1920

For firms selling to the wholesale trade	Per cent increase or decrease as compared to May, 1920	June, 1919
1. Product manufactured during month (selling price)	— 5.2	+ 50.4
2. Finished product on hand at end of month (selling price)	+ 17.9	+ 110.8
3. Raw materials on hand at end of month (cost price)	— 11.1	+ 101.6
4. Unfilled orders on hand at end of month (selling price)	— 29.9	— 31.8

For firms selling to the retail trade	Per cent increase or decrease as compared to May, 1920	June, 1919
1. Product manufactured during month (selling price)	+ 5.2	+ 90.3
2. Finished product on hand at end of month (selling price)	+ 4.0	+ 78.0
3. Raw materials on hand at end of month (cost price)	— 19.9	+ 184.7
4. Unfilled orders on hand at end of month (selling price)	— 20.2	— 23.4

CARPETS AND RUGS

Outlook in carpet and rug industry problematical

There are many and diverse opinions upon the outlook in the carpet and rug trade. Some manufacturers anticipate only a fair volume of business; others express the belief that the outlook at present is not bright, but as there is no overproduction in textiles, a renewed demand will arise later. In contradistinction to these rather blue and doubtful opinions is the optimistic view of one large manufacturer, who is looking forward to a continuation of the prosperity of the past six months which have been the most active in the history of his operations.

This industry has not escaped the annoyance and handicaps incident to the adverse transportation conditions. Raw materials have been tied up, shipments of the finished products interfered with, and a diminishing coal supply faces some manufacturers. Cancellations have resulted from delayed deliveries, as has also a slowing up of collections, for some customers insist upon datings from the time goods are received.

Those manufacturers who employ members of conservative labor unions are not experiencing much trouble with their workers, who are receiving the highest wages ever paid. The mills, however, that have many radicals among their ranks are completely shut down owing to strikes. The Art Square Manufac-

turers Association of Philadelphia recently offered an advance of 17 per cent which the conservative union accepted, but which was rejected by the radicals. No compromise has as yet been reached, so that whether a manufacturer bases his opinon of the future on the cloud or on its silver lining depends greatly upon his individual experiences with these various problems.

LEATHER AND SHOES

Outlook for shoe industry uncertain

Curtailment of operations is general throughout the shoe manufacturing industry. The buying demand, which was anticipated during July has failed to materialize, and manufacturers in greater numbers are closing their plants.

There is conflicting opinion throughout the trade as to the outlook. On the one hand, it is felt that retail stocks are being rapidly depleted, and that when orders will be placed for fall delivery, they will be in such volume that the industry will be unable to meet it. This, some manufacturers feel, will cause dealers to bid against each other to obtain the available supplies and will, therefore, force prices to comparatively high levels. On the other hand, there is the opinion that retailers were well stocked before the economy wave swept the public, and are therefore in a position to meet the decreased consumers' demand. It is held, therefore, that retailers will place but small orders which the industry will be fully able to meet and prices will remain at the present low levels, and may possibly go even lower.

It is difficult at this time to say with any degree of accuracy which viewpoint is the correct one. The crux of the situation lies in the demand of dealers when the buying movement resumes. It is safe to say, however, that conservatism to as great a degree as possible will rule the movement and that the skyrocketing of prices is not probable.

Manufacturing conditions in general are very satisfactory. While labor in some sections is still troublesome, it may be said to be perfectly satisfactory in the industry as a whole. The slowing up of business and the possibility of further curtailment of operations is causing the worker to look at the situation from a saner viewpoint, and the demands which were so prevalent during the last year are scarcely heard.

The raw material supply is plentiful and little difficulty is looked for on this score when operations are renewed.

SYNOPSIS OF INDUSTRIAL SITUATION

Compiled as of July 23, 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 strong	Unable	Higher		Improving	Very poor	Good	Demand good Output uncertain
IRON AND STEEL	Strong	Unable	Firm	Poor	Improving	Very poor	Slower	Demand good Output uncertain
AUTOMOBILES	Strong	Unable	Firm	Poor		Very poor	Good	Good
HARDWARE	Strong	Unable	Higher	Poor	Improving	Poor	Slower	Demand good Output uncertain
COTTON YARNS	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
COTTON GOODS	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
WOOLEN YARNS	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
WOOLENS and WORSTEDS	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
SILK	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
HOSIERY	Inactive	Able		Good	Improving	Poor	Poor	Uncertain
UNDERWEAR	Inactive	Able		Good	Improving	Poor	Poor	Uncertain
LEATHER	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
SHOES	Inactive	Able	Lower	Good	Improving	Poor	Poor	Uncertain
JEWELRY	Good	Able	Firm	Good			Good	Good
POTTERY	Strong	Unable	Higher	Fair	Unsatisfactory	Very poor	Fair	Demand good Output uncertain
TOBACCO	Very strong	Unable	Higher	Fair	Improving	Poor	Good	Very good

Market for leather continues stagnant

With the shoe manufacturing industry curtailing operations, the market for leather continues at a standstill and the outlook for the future is dependent solely upon the shoe trade. While shoe manufacturers naturally will place orders when the buying movement on the part of the retailers begins, it is difficult to state how great the volume of these orders will be. The shoe industry has suffered many cancellations, and is therefore well supplied with leather. The volume of sales which tanners may expect will be largely determined by the size of the shoe buying movement.

In spite of the decreasing demand, many tanneries are continuing operations and find manufacturing conditions improving. The supply of hides and many other raw materials is abundant, and with the exception of coal, trending lower in price. The coal situation is adversely affecting the industry and unless soon remedied may prove a decidedly detrimental factor should operations on a large scale begin again.

GROCERIES

Prices remain firm

The demand for commodities continues very heavy and prices remain firm. It has been noted that the major portion of the consuming public is taking a greater interest in the staple articles as a rule, notwithstanding the fact that a large class of people still continues to use the fancy grades.

Prices for canned vegetables and fruits for fall delivery will average from 10 to 25 per cent higher than last fall, due chiefly to the shortage of labor, both for gathering and canning the goods. There is a ready market for all new incoming canned goods. Some firms report that they have booked the largest volume of business in their history, this buying not being speculative in character, but buying to replenish depleted stocks.

The sugar situation is becoming easier as the result of imports from all parts of the world. A considerable quantity has been purchased from Argentine and will be distributed to the canning and preserving industries, under arrangements effected by the government. The expectations are for larger production in all sugar-producing countries this year, and for increasing supplies until prices return to normal.

The transportation situation continues to be a hindrance to many concerns, as they cannot get prompt deliveries of goods.

The general outlook for the next six months is very promising.

JEWELRY

No diminishing of demand noticeable

The jewelry business is unique in its escape from what appeared to be a universal difficulty—the transportation tie-up. Jewelers as a rule send their packages by registered mail, and those who had been expressing their goods soon realized the advantages to be gained by use of the mails for their deliveries.

A reaction from the general indulgence in luxuries has been noticed in many lines, but apparently it has not extended to jewelry. It is reported that no falling off in the demand has taken place, and sales generally show an increase over last year, which had been considered a banner one.

Prices are holding firm except in diamonds, which are continually ascending. One dealer states that within a year the price of diamonds has advanced about 35 per cent, due to the fact that there is a great scarcity, the demand from all sections of the world far exceeding the supply of the Holland cutters. The apparent extravagance in the purchase of diamonds at present is said to be rather the result of a desire to invest their money on the part of some people who regard diamonds in the light of securities.

The semi-precious stones used in novelty jewelry are very scarce, as Germany has been the chief source of supply for lapidary work and very few of these stones are cut in this country. As a result, the prices of the semi-precious stones, particularly garnets, have soared from 200 to 400 per cent during the past four years. There seems to be no scarcity of other raw materials, which are easily procured.

Jewelers are optimistic in their outlook for the remainder of the year, anticipating continued prosperity.

TOBACCO

Demand is still running high

The scarcity and high prices of boxes apparently constitutes a real problem for the cigar manufacturer. Reports from all sides indicate that cedar, from which the boxes are made, is almost impossible to obtain and the price is steadily advancing.

The transportation situation has affected the tobacco industry by slowing up collections and tieing up capital in merchandise, which merchandise is very much delayed in transit.

The demand for tobacco is still far in excess of the supply. Prices have been going higher and higher, but it is thought that

the peak has been reached. Labor has been receiving the highest wages in the history of the industry, and for some time past, raw materials have been very scarce and have brought excessively high prices. In the Government crop report for July, there is indication of a relief from this condition, as a greatly increased tobacco crop is expected. At the close of the war, the countries of Europe purchased such large quantities of tobacco from the United States that the amount exported during 1919 was considerably in excess of that exported in 1918. This depleted the supply of raw material and sent the price up. This year a more normal export condition is expected and this lessening of the export trade together with the larger crop which is looked for will result in a larger raw material supply, with a consequent lowering of prices.

POTTERY

Transportation situation hampering industry

Labor troubles continue to harass the manufacturers of pottery. While skilled labor is more or less satisfactory, unskilled labor is very difficult to obtain and hard also to retain. It is reported that at a recent meeting of one of the labor unions, increases of from 25 to 40 per cent were demanded, together with easier working conditions. Employers say this is an unreasonable request that cannot be granted even though a refusal may mean a clash in the near future.

The transportation situation is also a serious handicap to production in this industry. Outgoing freight has been handled rather satisfactorily, but inbound freight has been so congested that it is almost impossible to secure raw materials in sufficient quantities to fill orders. This has resulted in the shutting down of some plants, and in order to keep supplied, one pottery reports that wherever possible it is trucking raw materials from the mills. This, together with the shortage of coal and the demands of labor for increased wages, is resulting in a trend to higher prices.

Sales in some instances have doubled over the first six months of 1919; the majority of plants are working at full capacity, those working under 100 per cent being forced to do so because of labor and transportation difficulties. A slight diminishing of demand, which however is not yet reflected in operations, has been noted. This is explained by the fact that some plants have not sent any salesmen on the road, as they are unable to take on new business, due to the heavy orders already booked. It is

believed, however, that if they were able to supply the products within a reasonable time, the demand would increase. This tremendous demand for pottery wares seems incomprehensible in view of an almost total absence of the speculative building of small houses, but it is accounted for by the great factory replacements, garage work, and the conversion of many large old houses into apartments or office buildings.

Foreign trade is on the increase and presents great possibilities that could be fostered and developed if pottery makers could take advantage of them. But the uncertainty of labor, the hand-to-mouth condition of their raw material stocks, and the inability to keep pace with the domestic market preclude any attempts to build up a foreign trade.

The slowing up of collections, so general in most lines of trade, is not being felt by the pottery industry. Collections are reported as still good, not showing much change over this time last year.

The outlook continues bright. Most of the potteries report sufficient orders on hand to keep them running to full capacity for the remainder of the year, and in one instance, the additional unsolicited orders which have filtered in from time to time, will carry operations through two or three months of next year. As one manufacturer says: "We have plenty of orders and if we can get enough goods to turn our wheels, we look for a profitable year."

INSURANCE

Large volume of policies being written

For the first six months of 1920, the volume of life insurance written, both as to the number and size of policies, was far in excess of any similar period in the history of the business. For May and June, however, the increase was not proportionate to that of the preceding four months. The volume written for July was in excess of July, 1919. To do this, however, greater effort on the part of solicitors was needed, for with the present retardation of industry, business men are not manifesting the interest in life insurance that was shown during the prosperous wave of early 1920.

The financial stringency and the resultant absence of mortgage money is manifesting itself in the insurance business in that numerous applications for loans are being made on the part of policy holders to obtain funds to finance home purchases. A

number of companies report that these applications are in excess of the funds which are available for the purpose. In numerous cases, however, additional insurance is being taken to cover these loans. Premium payments are being made promptly and the lapse rate as compared to other years is below normal.

"The outlook for the balance of the year, however, is not unanimously regarded as favorable to a continuance of the splendid records that have been made to date," reports one large insurance company. "Some doubt is felt in this direction and is supported by the present lack of activity in industrial lines, some unfavorable crop reports, and the general tightening of money. This last named condition is reflected in a recent increase of borrowing on insurance policies, the figures for June of this year being somewhat in advance of those of June, 1919, and of the earlier months of 1920."

FINANCIAL

Little change in position of reserve banks

The past month has not witnessed any great change in the condition of the Federal reserve banks. Bills discounted secured by Government obligations have increased slightly above the low point of June 18 and commercial paper rediscounts gained $170,000,000 in the same period. Reserve deposits of member banks and Federal reserve note circulation also increased. The following table permits comparison of some of the more important items:

	Total earning assets	Member banks' reserve deposits	Federal reserve note circulation	Total reserves
July 16	$3,167,661,000	$1,867,428,000	$3,135,893,000	$2,119,047,000
July 9	3,242,988,000	1,839,704,000	3,180,948,000	2,108,193,000
July 2	3,271,519,000	1,874,161,000	3,168,814,000	2,109,501,000
June 25	3,183,275,000	1,831,916,000	3,116,718,000	2,108,605,000
June 18	3,068,683,000	1,800,017,000	3,104,810,000	2,100,900,000
Jan. 2	3,181,808,000	1,922,800,000	2,998,992,000	2,121,272,000

The total reserves held increased somewhat in the course of the month and on July 16 the ratio of reserves to total liabilities stood at 43.9 per cent, the highest point reached during the past five months with the exception of June 18, at which time it was 44.5 per cent. The reserve ratio of the Philadelphia Federal Reserve Bank became increasingly favorable during the month and on July 16 was 46.7 per cent.

The incoming shipments of gold have exceeded exports during the past few months, fortunately ending the steady drain of gold from this country, which has been depleting the reserves of the banks. During June the total stock of gold in the United States increased from $2,663,000,000 to $2,687,000,000.

Loans, discounts and investments of members of the Philadelphia Clearing House Association continued the decline which started in April and show a decline of $74,000,000 from the high point. The relation of loans, investments, etc., to deposits is as follows:

Week ending	Loans	Deposits
January 3	$778,882,000	$705,934,000
February 7	800,150,000	668,433,000
March 6	809,074,000	669,920,000
April 3	820,485,000	687,286,000
May 1	798,510,000	673,322,000
June 5	777,906,000	688,374,000
July 3	755,441,000	696,316,000
July 10	748,576,000	682,023,000
July 17	749,059,000	693,539,000

Returns tabulated from 24 savings institutions located throughout the district show a small decrease in deposits during June, which variously has been ascribed to investment in securities offering high returns, purchase of homes, and vacation expenses:

Location	July 1, 1920	June 1, 1920	July 1, 1919
Philadelphia	$241,639,000	$242,015,000	$222,898,000
Outside Philadelphia	49,575,000	49,320,000	45,865,000
Total	$291,214,000	$291,335,000	$268,763,000

Debits to individual account at the clearing houses of the country during June continued to reflect diminished business operations, the average for the weeks ending in that month being $9,072,000,000, as compared to $9,600,000,000 in April. The total for the first week in July was only $8,586,000,000, probably due to the holiday on July 5. The second week shows some recovery—$9,336,000,000.

The rate for commercial paper holds around 8 per cent. The supply of paper is fair and the principal buying comes from country institutions.

STATEMENT

Federal Reserve Bank of Philadelphia

RESOURCES	July 20, 1920	Month ago	Year ago
Gold reserve	$162,867,227	$144,820,436	$144,513,896
Legal tender, silver, etc.	339,804	378,678	241,466
Total reserve	$163,207,031	$145,199,114	$144,755,362
Bills discounted, members:			
Secured by Government war obligations	$140,296,315	$165,486,777	$165,014,933
All other	32,808,142	31,368,682	19,557,616
Bills bought in open market	11,084,776	1,926,157	758,668
United States securities	36,611,800	35,936,800	25,178,000
Total earning assets	$220,801,033	$234,718,416	$210,509,217
Mutilated and fit notes on hand:			
Federal reserve notes	$13,214,635	$13,918,995	$14,944,400
Federal reserve bank notes	542,960	343,974	107,900
Uncollected items	73,011,338	62,606,212	77,301,618
All other resources	2,477,367	3,210,634	44,387,334
Total resources	$473,254,364	$459,997,345	$492,005,831

LIABILITIES	July 20, 1920	Month ago	Year ago
Capital paid in	$8,325,500	$8,316,500	$7,654,200
Surplus	13,068,886	8,805,132	5,311,336
Profit and loss	469,091	34,961	276,979
Government deposits	812,874	616,332	6,345,483
Due to members—reserve account	102,918,009	98,541,216	102,809,257
Collection items	61,446,772	58,154,944	85,102,243
Gross deposits	$165,177,655	$157,312,492	$194,256,983
Federal reserve notes outstanding	$265,129,955	$259,750,820	$216,901,220
Federal reserve bank notes outstanding	19,559,000	19,305,800	23,096,000
All other liabilities	1,524,277	6,471,640	44,509,113
Total liabilities	$473,254,364	$459,997,345	$492,005,831

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

	At the close of business		
	July 16, 1920	June 11, 1920	July 11, 1919
	[In thousands of dollars—i.e., ooo's omitted.]		
United States bonds to secure circulation	$11,347	$11,347	$11,597
Other United States bonds and notes	38,222	38,243	51,602
Certificates of indebtedness	27,613	52,526	47,122
Total United States securities owned	$77,182	$102,116	$110,321
Loans secured by United States securities	40,749	38,313	172,100
All other loans and investments	743,820	742,317	655,108
Total loans and investments	$861,751	$882,746	$937,529
Reserve with Federal Reserve Bank	67,502	65,047	68,818
Cash in vault	15,914	17,481	19,549
Net demand deposits on which reserve is computed	672,455	674,876	662,088
Time deposits	33,332	32,769	21,187
Government deposits	6,551	3,514	30,413
Number of banks reporting	56	56	56

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

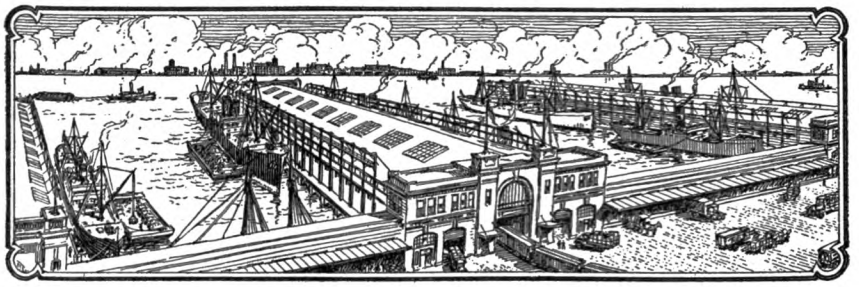
	Weeks ending		
	July 14, 1920	June 16, 1920	July 16, 1919
Altoona	$2,314,000	$3,556,000	$3,697,000
Chester	5,789,000	6,371,000	4,499,000
Harrisburg	3,468,000	4,746,000	4,082,000
Johnstown	4,998,000	4,823,000	5,545,000
Lancaster	6,274,000	6,623,000	4,860,000
Philadelphia	347,789,000	399,673,000	802,700,000
Reading	5,894,000	6,286,000	4,457,000
Scranton	17,074,000	14,552,000	14,967,000
Trenton	11,620,000	13,000,000	11,228,000
Wilkes-Barre	10,013,000	9,434,000	7,459,000
Williamsport	5,480,000	4,662,000	4,861,000
Wilmington	7,732,000	7,340,000	10,654,000
York	4,638,000	4,601,000	5,257,000
Totals	$433,083,000	$485,667,000	$884,266,000

BUSINESS INDICATORS

	July 19, 1920	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	$749,059,000	— 2 %	— 3 %
Deposits	693,539,000	— 1 %	+ 3 %
Ratio of loans to deposits	109 %	112 %*	115 %*
Federal Reserve Bank:			
Discounts and collateral loans	$170,579,000	— 16 %	— 7 %
Reserve ratio	49 %	41 %*	45 %*
90-day discount rate	6 %	6 %*	4¾ %*
Commercial paper rate	8 %	8 %*	5¾ %*

	June, 1920	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	$2,282,807,639	+ 9 %	+ 23 %
Elsewhere in district	154,406,332	+ 16 %	+ 36 %
Total clearings	$2,437,213,971	+ 10 %	+ 25 %
Building permits, Philadelphia	$6,743,015	+ 64 %	— 8 %
Post office receipts, Philadelphia	1,292,311	— 3 %	+ 29 %
Commercial failures in district (per Bradstreet's)	21	30 *	25 *
Latest commodity index figures:			
Annalist (food prices only)	307.680	— 3.4%	0
Dun's	$260.414	— 0.7%	+ 11.4%
Bradstreet's	$19.3528	— 2.6%	+ 2.4%

*Actual figures.



ON THE HORIZON

Money in circulation per capita on July 1 was $56.79, which compares with $56.99 on June 1, 1920. The decrease during June of this year was mainly due to a drop in the amount of gold coin.

Total sales of rubber tires in United States this year will exceed $1,000,000,000, according to the Wall Street Journal. In 1916 they were less than $500,000,000. In the current year approximately 40,000,000 tires will be produced, compared with 18,500,000 in 1916. In addition, millions of dollars' worth of rubber footwear, clothing and mechanical goods will be turned out.

The number of deposit accounts in national banks on May 4 was 20,380,350, an average of one account for every five and one-half of our population. This is an increase of 12,689,882, or 165 per cent, in ten years. Pennsylvania was the leader with 2,589,697, and New York second with 1,681,581 accounts. Individual and demand deposits totaled $13,533,908,000, an increase of $230,541,000 over February 28, 1920.

In commenting on our foreign trade situation, the Bankers' Statistics Service expresses the thought that for the balance of the year Europe can hardly hope to ship goods to us in much greater volume than at present. "A decline in European exports from this country seems more than ever inevitable. * * * A reassuring factor in connection with the probable falling off in our European trade is to be found in our increasing exports to other

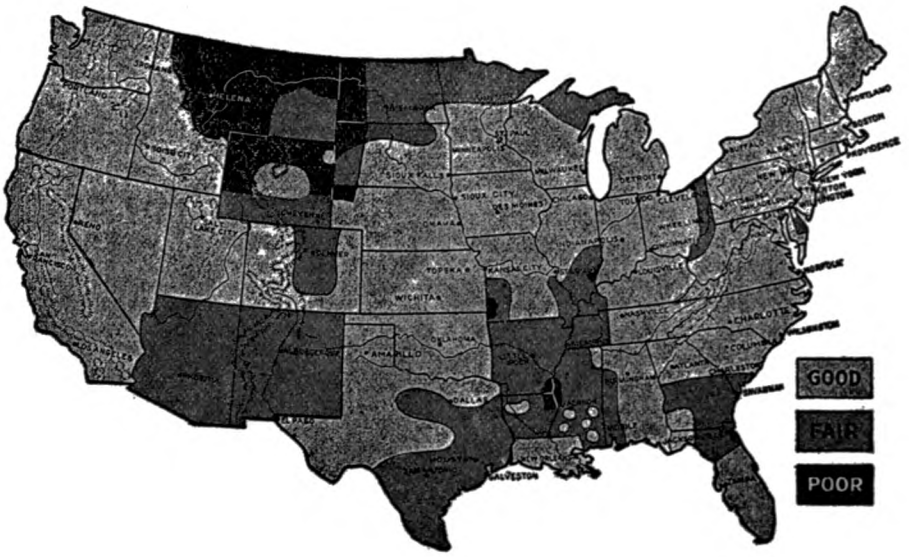
continents." This development is illustrated by the following table:

EXPORTS OF THE UNITED STATES—1920
(In millions of dollars)

Month	Europe	North America	South America	Asia	Oceanica	Africa
January	468.2	134.9	39.6	72.0	13.8	4.2
February	384.7	124.8	40.4	68.6	17.6	9.7
March	465.7	153.3	54.0	109.1	20.5	17.2
April	365.5	152,7	47.1	87.5	19.6	14.3
May	382.9	185.3	58.2	76.1	22.1	21.3

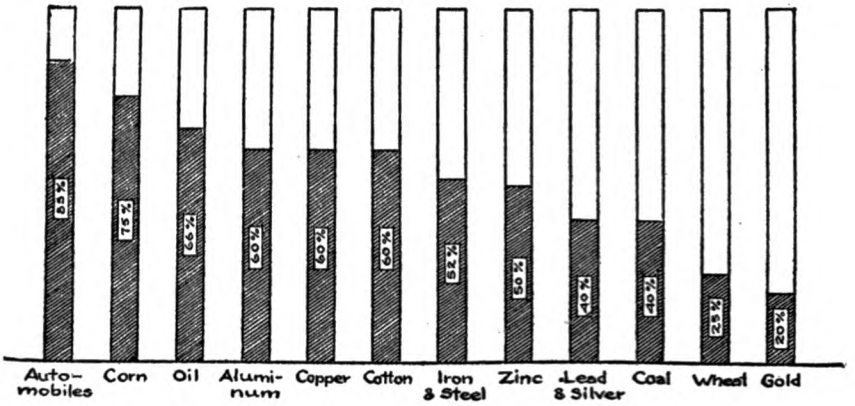
From this table the deduction can be drawn that American business men are showing initiative in foreign trade.

The chart reproduced below is taken from the current issue of "The Nation's Business." It portrays business conditions throughout the country as of July 11, 1920, by means of shaded areas.



The following chart, prepared by the research department of the International Magazine Company, illustrates the important place held by the United States in the production of many of the more essential commodities. The complete block represents the

production of the world as a whole, and the shaded portion indicates the proportion of that production turned out by this country.



SHIP THROUGH THE PORT OF PHILADELPHIA

In a discussion of the volume of business handled by the port of Philadelphia, George F. Sproule, director of the Department of Wharves, Docks and Ferries, says:

"The rapid growth of port trade at Philadelphia carried with it the necessity of expansion, and the plans adopted looked years ahead. The war-time demands upon the available facilities were great, but the requirements of business following the cessation of hostilities, have been greater.

"The port of Philadelphia with its present facilities, is in a position to handle annually fifty million tons of commerce. During the year 1919 a total of 7003 vessels entered and cleared at Philadelphia—a number sufficient to move approximately 32,163,170 deadweight tons. The records of last year show that 800 more vessels from foreign ports visited Philadelphia than in any similar period in the history of the port, and within the last thirty years the import and export values here increased from $92,000,000 annually to $676,265,606, which was the total value last year. The domestic or coastwise trade has been equally as great.

"With this annually increasing trade Philadelphia planned port improvements, the cost of which would be a half hundred

million dollars, and included among other projects, a group of piers designated as the Greenwich Terminal. This is planned as one of the greatest shipping terminals in the United States—ten piers equipped with new appliances, the cars of three trunk railroad lines running directly by means of a city-owned belt line upon each pier to the side of the ship. Two of these piers are now under contract, the work underway consisting of the substructures. The contracts total approximately $2,650,000. These piers are at the foot of Wolf and Porter Streets. Each will be 900 feet long, 300 feet wide, with docking space of 300 feet flanking each side. The construction of a terminal at this location involves a rearrangement of existing railroad tracks at South Philadelphia, so that grade crossings will be eliminated and the tracks changed, relocated, and elevated. The streets will be improved, especially those leading to the piers, and it is planned to extend the belt line facilities, construct car storage and classification yards, and erect warehouses."

Following an inspection tour by a committee representing the Miller's National Federation, the committee states that it was greatly impressed by the facilities offered for flour shipments through this port and that they would use their efforts to increase such trade at this city. They suggested the installation of mechanical loading devices on our piers. The proposals were accepted and the Mayor authorized the installation of machinery adequate to care for flour shipments on a large scale.

COMPILED AS OF JULY 23, 1920

This business report will be sent regularly to any address upon request.