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F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS.

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Business conditions throughout the United States are reported by the Federal Reserve Board in its February Bulletin as follows:

Business Conditions in January, 1919.

"Practically throughout the country the month of January has been characterized by the uncertainty incident to a period of transition in business. In some cases more readjustment than had been expected has proved to be necessary. Favorable developments which some had thought would present themselves immediately after the conclusion of the armistice with Germany have been delayed. There has, therefore, been "hesitation" in business but not essential loss of confidence in the future of the general situation. Vast changes are now occurring in industry and extensive readjustments in labor. Slackening in productive effort is reported from manufacturing districts, but retail trade has as yet shown only moderate decline and in some cases little or none. Such dullness as exists is attributed to the usual after-holiday reaction, and it is the general opinion that the influence of changes in manufacturing and wholesaling lines have not yet reached the retailer and consumer.

"In the manufacturing field the changes that are taking place are affected primarily by alterations in the prices of raw materials and changes in the direction of demand. The extensive cancellation of Government war contracts has resulted in modifying the plans of many producers, while the withdrawal of Government restrictions upon the movement of raw materials has led others to the adoption of a conservative policy, pending the "settling down" of prices upon a stable basis. The changes that have taken place are, however, described as being productive of less disturbance than might reasonably have been expected, while the tone of the business community and its expectation of prosperous conditions to develop in the near future is strong. There has been some disappointment over the failure of export trade in manufactures to develop promptly, but confidence in the capacity of export demand to develop vigorously is still felt.

"In a variety of lines in which the Government has controlled the bulk or a large part of the stock of a commodity, the process of bringing about readjustment is not proving easy. The wool auctions, for example, which were first held seemed to be on too high a price basis, but subsequent revisions of prices have brought about better buying and stronger demand. The large supply of wool now available has limited buying in South America. Producers of dry goods, however, find trade slack, while in the cotton trades reductions of prices which have already occurred are the largest at any time since the Civil War, and the profits at the mills have been correspondingly curtailed. Nevertheless, buyers are still reluctant to take the product off the hands of the manufacturers at existing levels. In the consuming parts of the country purchases of retailers are nevertheless reported about normal, although in many places buyers are cautiously operating upon a cash basis, so far as practicable. In leather and shoes prices continue high and retailers' stocks are reported low. The steel business has been unsatisfactorily small, and as a rule the industry has not much more than a month's orders ahead. Although a reduction of prices ranging from $4 to $6 per ton on finished materials had been recommended before the close of 1918, demand has not been enlarged, while the purchases of the shipbuilding companies and the railroads have fallen off materially. Purchases for building purposes have been small and would-be consumers who had made contracts at high prices have demanded a revision of the rates charged them.

"Price movements show, on the whole, a general tendency to decline, which has become more marked since the opening of the new year. While the general index number of the Bureau of Labor Statistics remains unchanged at 206, the number for producers' goods as computed by the Federal Reserve Board shows a falling off from 205 in November to 199 in December. In raw materials there is a slight increase from 197 to 198 due to an increase in the prices of farm products from 234 in November to 237 in December. Animal products remained unchanged at 208, as did forest products at 105, while mineral products declined from 183 to 182.

"On the other hand, consumers' goods showed a continued increase, rising from 214 in November to 216 in December. During the early part of January there was a sharp downward tendency in many classes of prices, particularly in staple woolens, cottons, iron and steel, and finally in some classes of farm products. The movement toward price reductions is now fully under way. From the second district it is reported that producers of raw materials and manufacturers generally express the belief that prices will hold about as they are now, at least for a considerable time to come, and that those which are holding off from purchasing in the hope that prices will be lower soon are likely to be disappointed. Retailers and jobbers, however, take the view that prices must come down, and that while there has been a seller's market for the past four years, the situation is now entirely changed and we are having a buyer's market. An interesting evidence of this is given by an important firm dealing largely in dry goods, which states that those who speculated too freely in piece goods have been obliged to cut prices sharply, so that woolens and worsteds are offered to-day on a lower basis than mills can manufacture them.

"The volume of business during the month, as already indicated, has shown a decided slackening in most productive lines. Information received by the Board's business index reporting section, covering returns up to the end of December, indicates an upward movement in total receipts of grain at primary and secondary markets, while shipments from these same points show a further slight decrease. Stocks on hand in these markets at the close of the month are not materially changed, the aggregate reported at the end of December being 427,000,000 bushels of total grains. The movement of grains, both to and away from the markets, was practically parallel, figures showing substantially the same increases and declines expressed in terms of percentages as to wheat, oats, corn, barley, and rye. Flour production has increased about 20 per cent during the month, the stocks on hand at the close of the month, however, remaining practically unchanged. In the coal trade, bitumunous production shows recovery, but has not yet reached the high normal level established during the month of October. Anthracite production still shows a decline as compared with October and even with November, when the influenza epidemic was at its worst. The production of beehive coke for the month of December was 2,255,000 tons, which is lowest since February 1918. The by-product, however, shows an increase over November, the figure being practically the same as for October, which was the high month of the present year. Conditions during the early part of January indicate continued increase in the production of anthracite and bitumunous coal, as compared with the low point reached during the holidays, and are practically back to the standard of the first half of December. In iron and steel, production during December shows an increase in pig iron and a slight falling off of about three points in steel ingot production, the index number (1911-1913 average being taken as a basis) being 128 for November and 125 for December. The corresponding index numbers for pig iron were 145 for November and 148 for December. Unfilled orders of the U.S. Steel Corporation at the close of December were 7,380,000 tons, as against 8,125,000 tons a month earlier, the index number being 154 for November, as against 140 for December.

"Information for the first two weeks of January, which was transmitted by one of the principal producing centers, indicates that the production of steel mills in the district is about 65 per cent of capacity, such production, however, being equal to about 90 per cent of the prewar production of the plants. In the non-ferrous metals, reports from various producing districts are unfavorable. In Colorado the value of gold, silver, copper, lead, and zinc was only $33,000,000 for 1918, a falling off of $10,000,000 from the previous year. In the Joplin district the end of the war brought an end of the price agreement on high-grade zinc ores, and the price of all grades of zinc blende was $44.60 in December against $56.20 in November. Sales were about stable, or 26,000 tons per month. In spelter the decline in prices brought an increased production in December the output being 47,000 tons, the largest figure since April, 1918. The stocks on hand at the close of the year increased slightly over the figures for the close of October and the close of November. Lead showed the sharpest reduction in prices yet recorded, going down from $100 per ton early in December, and $65 at the close of the month. Wages were cut correspondingly.

"Cattle receipts at the six markets of the Kansas City district have been about 43 per cent larger than in January a year ago and have shown a higher level of prices than prevailed at the beginning of last year. The supply and movement of meat animals is more extensive than at the opening of 1918 and receipts of hogs as well as of sheep are particularly heavy. Packers report a continued run of the heaviest business they have ever handled. Cotton consumed during the month of December was slightly larger than during November, the relative index numbers being 101 and 105, respectively. During the early part of January there has, however, been a tendency of cotton consumption to decline. The number of active spindles during December was slightly more than during November, but since the opening of January has also shown a tendency to fall off. Both cotton and woolen mills are rigidly curtailing their production for the first time in three or four years.

"Labor is passing through a period of redistribution. Demobilization is proceeding rapidly and is already liberating a considerable quantity of men available for employment, while it is also bringing about a redistribution of men, many deciding not to return to their original places of residence. On the other hand, many employees are being set free in the so-called "war industries". The process of absorbing the labor made available in these two ways into other lines is still relatively slow. In spite of the existence of unemployment at some points, this condition has not become sufficiently general to cause serious difficulties thus far, and the early restoration of full activity in business, if accomplished, may result in absorbing the surplus supply of labor from the market comparatively soon.

"The labor situation varies very greatly from place to place, and in some of the eastern sections of the country where returned soldiers have been demobilized in large numbers unemployment presents a problem of difficulty.

"The following table prepared by the United States Employment Service gives a general estimate of the situation beginning with the week ending November 30, 1918:

Week ending.	Number cities reporting	Number cities showing shortage	Estimated shortage	Number cities showing surplus	Estimated surplus	Number cities showing industrial relations as: Good	Unsettled	Active
1918								
Nov. 30...	115	29	33,878	12	11,114	90	12	5
Dec. 7...	122	29	48,226	16	22,200	91	8	5
Dec. 14...	122	30	47,130	26	30,000	95	7	4
Dec. 21...	120	25	41,002	37	66,350	88	7	7
Dec. 28....	122	26	35,542	41	91,889	91	6	7
1919								
Jan. 4...	121	27	33,397	48	120,682	87	9	6
Jan. 11...	122	22	20,033	47	176,145	81	8	8
Jan. 18...	122	18	18,644	55	211,700	83	12	12
Jan. 25...	122	18	14,350	61	258,332	83	14	8

"At Cleveland the unemployed, as reported by the United States Employment Service, for the week ending January 25, 1919, amount to 65,000, as compared with 55,000 for the preceding week; Detroit,33,000, as compared with 30,000; Buffalo,17,000 as compared with 15,000; Milwaukee, 10,000, as compared with none; and Seattle, 10,000, as compared with 8,000. Other cities showing a considerable surplus are the following: Toledo, 9,000; Dayton, 8,000; Pittsburgh, 8,000; Butte, 7,500; Bridgeport, 7,000; Portland, Ore., 6,500; New Haven, 6,000; Worcester, 6,000; Minneapolis, 5,000; and Syracuse, 5,000.

"There has been some measure of industrial unrest evidenced by strikes, but several of these have already been settled, among them that of the New York City workers in men's and boys' clothing,who, to the number of over 50,000, have been out for three months. They returned to work on January 23, the employers having granted their demand for a 44-hour working week. A strike of 23,000 employees of the General Electric Co. at Schenectady began December 19 and ended January 11.

About 15,000 members of the Marine Workers Union quit work January 9, tying up practically all shipping in New York harbor, but returned to work January 12, and the Federal War Labor Board is conducting hearings on the matters in dispute, which include wages and hours. The only large strike pending in the New York district is that called on January 21 and involving about 35,000 garment workers in the New York City waist and dress trade. In Connecticut the labor situation is bad and there is an over-supply due to the discharge of employees from munitions factories. Somewhat the same situation exists throughout the manufacturing district of New England, with some few exceptions, the most favorable position being found where progress has been made toward the readjustment of industry to peace conditions, and where consequently demobilized labor has been readily reabsorbed. In the agricultural regions labor is still scarce and expensive. On the Pacific coast there is some unemployment, but the bulk of the labor available has been rapidly reabsorbed. It is still too soon to state with any degree of certainty how the labor situation will develop after industry has been reconverted to its normal basis.

"It had been expected that building would almost immediately expand with the removal of restrictions which had been imposed upon the movement of materials, but in most districts it would seem that recovery has been thus far very small. There is still considerable confidence that building must promptly be resumed on account of the shortage of accommodations for business and for dwellings, but the high prices which still prevail have prevented would-be builders from embarking on any large operations thus far. In lumber and other articles classed as materials, prices have in some sections advanced even above war levels since the removal of Government restrictions, while men employed in the building trades are in some cases asking higher wages than they received during the war period. These factors tend to prevent recovery in construction.

"Financially it is reported that banking conditions are encouraging. Money is flowing back to the financial centers, and there has been a shrinkage in the outstanding volume of Federal Reserve notes at a number of banks. United States Treasury certificates have generally been satisfactorily disposed of, although some banks have had trouble in absorbing their quota. This has led to some increase in rediscounting at a number of banks. During the past 10 days, however, there has been an easier tendency in money and rates have been lower. In some sections banks have not taken up their entire quota of Treasury certificates. Commercial paper is markedly easier, especially for the prime varieties, but rates for collateral loans are but slightly changed. The rate tends to become firm as the period of the paper increases. Financing in the form of short-term notes and bonds has been successful, but rates have been firm to strong.

Foreign loans sold in the New York market during the month of December were offered on terms very favorable to the investor, the conditions indicating clearly appreciation on the part of borrowers that the supply of available capital is not overabundant. In New York call loans have fallen from 6 per cent to 5 per cent, and occasionally a renewal rate of 4 per cent was made. Time money is not only somewhat lower in the New York market, ruling toward the end of January at 5 per cent to $5\frac{1}{2}$ per cent, but is distinctly more abundant.