

STATEMENT FOR THE PRESS.

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BUSINESS CONDITIONS IN FEBRUARY, 1919.

While progress in the readjustment of business to peace conditions is reported by the Board's representatives in the several districts to have been made during the month of February, and while the advance in different parts of the country is reported generally gratifying, some uneasiness is expressed by the public at large because the progress is not more rapid. Although the readjustment process is still far from having reached completion there is much evidence that the factors which must be reckoned with in bringing about the desired reorganization of business and financial relationships are cooperating in a fairly satisfactory way. "Although business is by no means on a settled basis," reports the First Federal Reserve District, "confidence is apparently returning". In the Third District the process of readjustment "~~has~~ made some progress", while elsewhere in spite of some difficult conditions approach to a settled status has been distinctly marked. In the Seventh District it is observed that "both labor and capital are cooperating to continue the orderly readjustment now under way." This general situation establishes a favorable basis upon which to build the processes of modification and alteration that are now at work in various fields of effort.

Labor and employment conditions ever since the signing of the armistice with Germany have been regarded as constituting the fundamental problem of business readjustment and coupled with them the reintroduction of a normal footing for prices. Reports as to labor unemployment have been

numerous in the press, but the reports of Federal Reserve Agents show that

there has probably thus far been over-anxiety and exaggeration with respect to this matter. From several of the manufacturing districts of the Federal Reserve system it is reported that labor conditions are far from satisfactory, and that there is considerable unemployment; but it is also noted that the condition does not seem to have grown worse during February. The process of absorbing unemployed labor is certainly proceeding with some degree of success. While the existence of unemployment is admitted by most of the Federal Reserve agents, it appears that the surplus of labor is smallest in the South and Southwest, while in only a very few districts is it reported that serious labor controversies are in progress. As to wages and their readjustment to the new conditions, the trend is by no means uniform or decisive. In the South and Southwest there are no indications of any reduction in the wage scale, while in the North and East employees are demanding higher wages, notwithstanding the existence of considerable unemployment. Some revisions of wage scales are reported from the Middle West, but there is as yet no general revision of wages downward, although there are indications of a tendency to let wages settle to a definite level which shall without question be higher than that existing before the war. There has been a tendency to provide labor for a greater number of persons by eliminating overtime or establishing short time. The connection between wages, prices and costs is well recognized, and it is the view of manufacturers in general that wages should not go down faster than prices. Such revisions as are occurring, therefore, are frequently parallel, wages and prices receding in like measure. The opposition of labor to any reduction in wages is very general and extremely positive, but in some cases it is accompanied by the modifying statement that cuts in wages must not go further than changes in costs of living.

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The price question is inevitably of commanding importance, not only to the employee but also to the community as a whole. The Secretary of the Treasury has called attention in his letter to the chairman of the Ways and Means Committee to the necessity of reducing costs of living. Alterations have, however, proceeded only very slowly. Sauerbeck's index number for British prices shows up to February 15 a recession of 5-3/10 points from the peak of 197, reached toward the close of the war. The general index number of the Bureau of Labor Statistics for the period ending January 31, has declined four points from the peak of 206, reached during November and December, 1918. The Board's analysis of the prices furnished by the Bureau of Labor shows that a recession of about three points has occurred in the group of raw materials, where the index number for the period ending January 31, declined from 196 to 195. The index numbers for all of the subgroups included under the head of raw materials have likewise declined. In the subgroup of mineral products the reduction has been from 182 to 177, largely due to the decided cut in the price of copper. During the month the market for metals generally has shown a sharp decline with decided weakness at the end of the month. Lead, zinc, and copper have shown marked recessions, while grains, except wheat, have likewise fallen off sharply. Prices in iron and steel are largely nominal, although tentatively quoted the same as at the opening of the year, and the policy of the trade is to leave the initiative as to price concessions to the consumer. Firm bids for desirable business will probably be met by most producers.

In manufacturing, the problems of the readjustment situation are naturally more obvious than elsewhere. One of the most difficult problems is presented by the textile industry. In District No.1 curtailment of woollen-mill production is still in progress, while in District No.3 readjustment is still proceeding and values are unsettled. The cotton industry is even more directly affected. In New England the cotton market is at a complete standstill, so far as the raw material is concerned, while the mills that are operating are running only a few days each week, and profits have been reduced to a minimum or have disappeared. In the Third District demand for yarns has reached a minimum figure and prices have declined sharply. Spot cotton business is in a complete state of stagnation, while it is estimated that the mills in both North and South have about a three months' supply of raw cotton still on hand. Cancellations have occurred in various lines, while in a number of specialties, such as underwear, manufacturers continue to suffer from slack business.

In leather and shoes, raw material is today higher than when the armistice was signed, and by some it is predicted that the price of shoes will advance rather than decline. This has led some manufacturers to continue production, even though they have no orders. Leather dealers in the Third District are reported to be optimistic.

Iron and steel production has shown no increase in activity and the demand for steel is insufficient to take the output of the mills, while equipment establishments are working mostly on old orders. In the Pittsburgh district there has been a decrease of business, while in Youngstown operations are about 60 per cent of normal. The division of the steel industry which is affiliated with the railroads is practically suspended. Unfilled orders of

the United States Steel Corporation show a continuous decline from 7,379,152 tons at the close of December to 6,684,268 tons at the close of January, the index numbers being 140 and 127, respectively, while pig iron production shows a decline from 3,433,617 tons in December to 3,303,260 tons in January, the index numbers, respectively, being 148 and 143. Steel ingot production has increased from 2,992,291 tons to 3,082,427 tons, an increase of four points from 125 to 129. In view of this situation it is notable that some iron and steel men predict a period of unusual prosperity after a somewhat further readjustment has occurred. In coal, demand has been relatively light, due to the mild winter, and consuming plants are well equipped. This has enabled miners in some districts to moderate their activity, and from Ohio and Pennsylvania it is reported that some of the larger mines are operating only from one to three days per week.

In metals some drastic revisions of conditions have occurred. Prices of lead, zinc, copper and other nonferrous metals have fallen in a notable way, and the market has shown weakness. Gold mining has improved in the Colorado district. Petroleum, while threatened with a decline in crude, shows steady progress in the development of new wells and in the output. The production of copper during January shows curtailment, while mining earnings were poor and prices shrank in some cases to 16 cents per pound. The large accumulation of copper which occurred during the latter months of the war has provided the larger mines with the means of meeting the demand for many months to come.

Agriculturally the outlook throughout the country is bright. From the Southern States comes the report that the prospects indicate a large cotton acreage, so much so that a determined effort has been organized for the purpose of holding off the market as much of last year's crop as possible and for the curtailment of the planted area by one-third. With reference to wheat, the Ninth district reports that the mid-winter output has been helped by weather conditions,

Pacific Coast reports that stored stocks of grain are beginning to move slowly, and that the general outlook is excellent, the soil being in good condition, while combined acreage of winter and spring wheat may attain record proportions. Flour milling in the Ninth district, however, is suffering from lack of orders, due in part to the falling off in exports resulting from the shifting of foreign demand to the Argentine and Australian product. In the Tenth district there has been a spurt in activity during the first six weeks of 1919. The January production of wheat flour for the country at large as reported to the United States Food Administration was 12,994,000 barrels, as compared with 11,759,000 barrels in December. Cereals other than wheat have fallen in prices, and in consequence some reduction in acreage may occur. Citrus fruit crops have been damaged by unfavorable weather in December and January, but the entire yield is likely to develop favorably. Complete returns for 1918 are now available as to prunes, raisins, and the like, the raisin crop of 1918 being the largest ever recorded, with a total value close to \$19,000,000. From the Southeast it is reported that fruit and truck crops have been unusually remunerative, the movement of oranges and grapefruit being very large. In live stock excellent crop prospects and improved conditions are leading to large expansion of business by stockmen. The Tenth district reports unusually heavy receipts of cattle, fat steers, ranging up to \$18.40 per hundred pounds, as compared with \$13.50 a year ago. Receipts of hogs during January at Kansas City were 535,000 head, or 50 per cent more than in January 1918, with prices at a maximum. Receipts at 15 principal markets were considerably heavier than a year ago with respect to all food animals. The receipts of hogs were especially large, the figures standing at 4,603,335, as compared with 3,333,591 a year ago. On the other hand, figures for January for cattle and sheep show a slight falling off from the December level.

In retail trade favorable reports are general, notwithstanding disturbed conditions and reduced production in some districts. Even from some of the manufacturing districts it is reported that the retail business situation is very encouraging, with an increase in some lines of 25 per cent over 1918.

In the First district the public is purchasing freely, while in the South and West at least fairly good trade is reported. In the Middle West reductions of prices are noted in some quarters and buying has not been satisfactory. Everywhere retailers themselves are purchasing from hand to mouth on account of uncertainty of prices. This has unsettled the jobbing and wholesaling business which in any case would show a normal reduction in activity at this season of the year. There is a strong demand in many quarters for jewelry and luxuries, including pianos, which indicates that consumers still have resources for current use.

Financially, conditions during the month have been quiet and reassuring. Interest and discount rates ^{have} /on the whole been stable, with a tendency toward moderate decline in rates for time paper, especially paper with prime commercial names. Call money has been firm, with an upward tendency reaching 7 per cent on February 24. The suspension of operations by the money pool has had but little if any perceptible effect upon conditions. Rates at Federal Reserve Banks have remained practically unchanged, with the exception of a slight alteration at Boston. Bank operations, as shown by the Board's report of bank deposits (published in place of clearings) show a marked increase in volume, which has been especially pronounced in the larger centers. From the Seventh district it is reported that bank clearings are still very large, gross bank deposits showing decided increase. Banking conditions in general show a condition of greater ease, with some accumulation of funds at centers and a strong tendency on the part of hoarded money to return to the banks. According to some bankers' estimates, the amount of hoarded money that has been returned to banks since the armistice would aggregate \$300,000,000.