

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 AND FINANCIAL CONDITIONS DURING MARCH, 1919.

Improvement in general business conditions and the continuance of an undertone of confidence in the essential strength and soundness of the country's economic position are indicated by the reports of Federal Reserve agents as representative of the business situation toward the close of March. The actual situation itself has not changed very fundamentally, but there are symptoms pointing to improvement in future prospects and to a more complete readjustment of business to normal conditions.

According to the report from the First District, "satisfactory progress is being made * * * in adjusting business to prevailing conditions," retail trade being generally good, savings deposits increasing, and stagnant businesses beginning to recover. In the Second District there is "a general belief that fundamental conditions are sound," although there is still a waiting attitude and uncertainty as to prices. In the Third District declines in prices during the past few weeks have "improved the business situation and indicate that progress is being made in the process of readjustment." In the Fourth District "industry may be said to be 'looking up,' that is, it is glancing upward toward greater activity, rather than downward, as formerly, to a further period of stagnation, depression, and decline. The optimism which has been constantly in evidence, during the whole period of transition, is being slowly but surely substantiated by facts."

The Fifth District states that "while reports still show cross-currents from very dullness and uncertainty, there are few that do not indicate some improvement,

present or prospective, and the spirit generally is confident of overcoming difficulties." In District No. 6 "no great progress has been made during the past few weeks toward a return to normal conditions," but the general status of business is fairly satisfactory and it is felt that "as soon as cotton begins to move at a satisfactory price, trade in all lines will revive." In District No. 7, business men "while proceeding along conservative lines, reflect less apprehension regarding the immediate future than a month ago." It is also stated that "there is every reason to expect increased activity all through the Middle West." In District No. 8 "business is rapidly resuming a normal basis in many lines." District No. 9 reports that "trade in all the principal wholesale lines is satisfactory and retail trade is likewise good. Collections are good." In District No. 10 "reports from all sections * * * point to a year of activity and prosperity, while business is far less inclined than heretofore to wait for the development of new conditions." In District No. 11 no changes of importance have occurred in the general trade situation during the past 30 days, but "further progress is evident in the readjustment period, and less is heard of the uncertainties following the turn of the new year." In District No. 12 "manufacturing and industry have been, on the whole, fair," while prospects are good, exports the largest ever reported, and the principal source of anxiety is due to the labor situation.

From all Federal Reserve districts it is reported that the price situation is still the controlling factor in business conditions and outlook. Several developments of importance are evident in this connection. There has been a continuous though moderate decline of prices. Practically all of the standard index numbers show a falling off. Bradstreet's number for March 1 was \$17.2244, a decrease of 2-3/10 per cent from February 1; Dun's index number was \$217.037 on March 1, as compared with \$220.050 on February 1, a decline of 1-4/10 per cent. Sauerbeck's British index number indicates a parallel falling off of about 2 per cent.

The general index number of the Bureau of Labor Statistics for the month ending February 28th has decreased 5 points, from 202 to 197. The Board's compilation of index numbers showing the situation up to March 1, indicates that during February the prices of consumers' goods decreased 10 points, the number for the month of February standing at 202. Smaller decreases were shown in producers' goods, from 194 to 191, and for raw materials, from 195 to 192, the decline in the latter being due largely to the decline in the index number for farm products from 232 to 222. Reports since received indicate that the decline in prices has been moderately continued in some lines.

Almost equally important with the decline in prices is the fact that the public at large has apparently given up expectations of immediate and decisive declines. From some districts it is reported that, in the opinion of the local business community, "Whatever change in prices is yet to come will come slowly," and that in consequence the business community has decided that further postponement of activity, in the belief that drastic declines will occur, is not warranted. During the latter part of March there were further downward revisions of prices in important lines. The steel industry sent a representative committee to Washington which, in consultation with a board representing the Government, agreed upon standard quotations for the principal steel products, representing a reduction of about \$5 per ton. Some further revision in copper and other metal prices has likewise occurred. The problem of working off the Government's surplus copper stocks is still unsettled or only partially settled.

The War Department announced that under a tentative agreement reached with 90 per cent of the copper producers, the latter will sell the Government surplus at the market price, charging the Government actual cost for so doing. Producers will distribute it in connection with their own product, a minimum monthly amount being fixed and the actual amount disposed of being a certain percentage of their total sales, if it exceeds the minimum amount. The copper is to be distributed in 15 months. Prices for lead are expected not to be advanced from their current low figure until existing overstock has been largely disposed of. Lead ores averaged \$51.95 in February, as compared with \$60. in January, while a year ago average prices ranged around \$85.

Cotton prices have continued to decline somewhat during the early part of the month, but the prospects of a resumption of free export trade have materially strengthened them. According to the prevailing opinion in most districts, rapid and general decline of the prices of local products are not to be expected. Very great diversity of conditions exists in the manufacturing field. From Philadelphia it is reported that in a number of lines conditions are still unsettled at mills. This is distinctly true of cotton manufacturing and of iron and steel. The iron and steel output is still relatively small and probably does not exceed more than 60 to 66 per cent of capacity in the case of the independent mills, although the United States Steel Corporation reports about 95 per cent of full operation for February, as compared with 97 per cent for January. During March conditions have improved somewhat, as shown by reports received by the Board from some of the principal producing districts. Pig iron production during February amounted to 2,940,168 tons, as compared with 3,302,260 tons during January, and 2,319,399 tons a year ago, the respective index numbers being 136,¹⁴³ and 107. Steel ingot production likewise shows a decline from 3,082,421 tons in January to 2,688,011 tons in February, as compared, however, with 2,273,741 tons a year ago, the respective index numbers being 129, 120, and 102. The unfilled orders of the United States Steel Corporation have continued their decline, the figure at the close of February being 6,010,787 tons, as compared with 6,684,268 tons at the close of January, the respective index numbers being 114 and 127, while the figure at the close of February, 1918, was 9,288,453 tons, corresponding to an index number of 176.

In general manufacturing the situation is reported as "somewhat mixed." Manufacturers of boots and shoes report from various districts that their business is almost normal and in some cases up to capacity. In groceries retailers are buying slowly, while large stocks on hand have caused sharp declines in price. In some parts of the country, however, wholesalers find business im-

proving. In the Middle West activity in many lines is all that could be asked,

while elsewhere production is still far from normal. Woolen mill production has reached its lowest point and is beginning to improve. The American Woolen Co., in consequence of the cut in prices inaugurated some time ago, has, it is believed, succeeded in booking a considerable volume of orders and has adopted a policy of aggressive bidding for new business. In miscellaneous lines there is a very variable situation. The demand for jewelry, automobiles, and other luxuries appears to be brisk in many districts. Purchases of gold at the assay office in New York for the purpose of manufacturing jewelry were greater in January and February than during any preceding month since October, 1916. In the case of materials and in some cases clothing, which has been affected by the unusual weather conditions, demand is unsatisfactory and manufacturing low. Production of anthracite coal has reached a low level, due to the falling off of demand consequent upon extraordinarily mild weather in most parts of the country, while the production of bituminous coal and of coke has likewise decreased, although recent reports show a tendency to an upward movement.

In connection with the manufacturing situation there is to be noted a distinct improvement in the labor and employment outlook. From District No. 1 it is reported that except in certain centers where strikes have been in progress conditions are not alarming, while many of those who have been released from war work are finding it comparatively easy to shift into other occupations. In Chicago the employment situation is noticeably improving. Returning soldiers are being generally reemployed, although there is difficulty in placing those who desire higher wages and better appointment than they had before entering the Army.

In the agricultural districts a large demand for labor is now opening, due to the prospects of excellent crops. On the Pacific coast the problem of unemployment is still serious, but in various parts of the district the surplus of unemployed is beginning to decline and in some sections it is believed that by May 1 the entire labor surplus will have been absorbed.

In New York City, although the supply is only about equal to demand, considerable labor trouble still exists, with a number of strikes in progress.

Reports from the producing districts continue to be very satisfactory. In the West and Middle West it is stated that the condition of winter wheat is excellent and in some quarters the best that has ever been recorded for the month of March. In the Tenth District it is reported that crop prospects "are brighter at this time than at the winter break-up of any of the last 10 years." From the Chicago district it is reported that crop conditions are excellent and that an unprecedentedly small amount of complaint of crop damage is heard from planting districts. In the South there has been a reduction of cotton acreage, but prospects for production are good, while the other crops of the South and Southwest are selling at high prices and have at least produced a fair yield.

Grain movements have considerably declined during the past month. This has been noticeable for each of the five principal grains. Stocks on hand at the close of the month also show a relatively slight decline in each case. Flour production likewise shows a decrease, amounting to 7,736,000 barrels during February, as compared with 12,994,000 barrels in the previous month.

While the stocks have increased from 3,341,000 at the close of January to 3,544,000 at the close of February, conditions as a whole are dull, and there is a disposition to await further developments.

In the live-stock market the situation is reported as bright. The average price of cattle has advanced very considerably over a year ago, while sheep and lambs for February averaged about the same. The price of meats has advanced; while there has been a slight decrease in the stocks of meats, there has been a 50 per cent increase in the stock of lard. The trend of prices for live hogs for Chicago during February and early March has been higher than a year ago. Receipts of cattle and calves at 15 principal markets have decreased considerably from last month, respective figures being 1,656,046 and 1,096,118 head, corresponding to index numbers of 164 and 116. The February figure, however, is almost as large as that for a year ago. A decrease has likewise occurred in the receipts of hogs, the figures for the two months being 4,603,335 and 3,451,894, corresponding to index numbers of 209 and 168. The receipts during February, 1919, are approximately the same as receipts for a year ago, while receipts of sheep have also decreased considerably from the January figures. They are, however, somewhat larger than the February, 1918, figures. The figure for February 1919, is 744,891 head, as compared with 1,079,377 during January, the index number having decreased from 79 to 61, while figures for February, 1918, are 733,895 head, corresponding to an index number of 58.

Receipts, meltings, and stocks of sugar at the close of February show a considerable increase, both over the figures for the previous month, and over the same month in 1918, the increase in receipts, and especially in stocks, having been considerably greater, however, than the increase in meltings.

Interest and discount rates have not varied materially in any of the markets during the month of March. The Board's reports show minor variations at different points. In the New York market occasional increases in both call and time funds have been followed by fully offsetting declines. No definite trend is to be noticed in any of the principal financial markets of the month. The Board's figures, showing debits to deposit accounts, both of individuals and banks, register a moderate decline during the first half of March, the high point (based on daily averages) having been reached during the last week in February. Rates at Federal Reserve Banks have been stable. Banking conditions as a whole have been satisfactory, with some operations of considerable size successfully completed. Prominent among these was the Belgian industrial credit for \$50,000,000, while other operations have been undertaken and are in progress. There has again been an increase in Federal reserve note circulation, the total advance for the period between February 28th and March 28th amounting to \$49,469,000.