

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 IN APRIL 1919.

During the month of April business prospects have improved, retail trade has increased in volume, prices have apparently assumed a more stable position, and business generally is considered on a stronger and better footing. The floating supply of labor which had threatened a considerable amount of unemployment during the months of February and March has been partially absorbed and the prospect of a large grain crop promises still further opportunity for the use of the entire labor supply. Federal Reserve Agents almost without exception report a growth in confidence and improvement in general trade and industrial conditions. Manufacturing is still retarded in steel and some other basic industries, but there is improvement in the copper and lead situation. Textile manufacturing, both in wool and cotton, particularly the former, is improving. The export trade of the month has been large and financial conditions have been quiet and reassuring.

In the First Federal Reserve District "the turn in the tide of business which was beginning to be felt a month ago, becomes increasingly evident each week, and the impression is becoming general that no lower price level will be established at least for some time. This is having the effect of encouraging buyers to place orders with more confidence, and manufacturers are going ahead in a surprisingly satisfactory manner. It will be a long time before all sections of this district are back again on a strictly peace basis and before labor and materials are again evenly distributed, but the period of unemployment and stagnant business, which many expected, shows no sign of materializing, and the trend is decidedly in the other direction"

From the Second Federal Reserve District it is reported that growth in confidence is manifested "in the more numerous advance orders placed with wholesalers for the fall. Certain lines in the ordinary distributive trade, such as jewelry, automobiles, and musical instruments, are very active. Retail trade, including the mail-order business, has continued to expand, and production in textile mills has increased". District No. 3 reports retail trade "wonderfully good and reports from all parts of the district very encouraging." Reports from District No. 4 state that "the whole industrial field is breathing easier, and gains along practically every line, while in many cases infinitesimal in scope, reflect a condition which gives indication of progress both steady and permanent." From District No. 5 it is stated that there is indication of "increasing confidence and stability"; from District No. 6 that "during the past month there has been an increase in practically all lines of business"; from District No. 7 that "fundamental conditions, aside from a lack of confidence in the stability of the present price level, are considered sound"; from District No. 8 that "business activity continues to improve with the further readjustment of prices, and in some lines it is practically normal"; from District No. 9 that "the general outlook throughout the district is very good"; from District No. 10 that "a more hopeful spirit seems to prevail and in most lines of industrial activity things have assumed a cheerful aspect." The Tenth District further speaks of "unparalleled prospects for bumper crops" and of an increase in buying. In the Eleventh District it is stated that "a sound and normal business is being transacted"; from the Twelfth District it is reported that "manufacturing and industry are fair, but increased activity is expected, due to improved labor conditions," while agriculture and stock-raising enterprises are said to be in excellent condition.

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Possibly the most conspicuous feature of the whole business situation is found in the fact that prices have apparently been somewhat "stabilized". Marked declines are still reported here and there in some special lines, but from nearly all districts it is reported that the uncertainty concerning prices has been mitigated and that business men now expect that existing levels of prices will be substantially maintained for some time to come. The Bureau of Labor's commodity index numbers show that the decline in prices noted during the past three months has now not only been checked, but that prices as a whole have apparently taken a slight turn upward, the general index number increasing from 197 to 200. This general situation, as further analyzed in the Board's compilations, shows that during March the decrease in price of producers' goods continued, the index number for the group standing at 169 as compared with 191 for the month of February. The decrease is paralleled by a decrease in the prices of raw mineral products, the index number for which group stands at 170 as compared with 173 for the month of February. The index numbers in the case of consumers' goods and the other groups of raw materials, however, show an increase. This is particularly marked for farm products and animal products in the latter group, the index numbers increasing respectively from 222 to 235 and from 208 to 216. During the early part of April a further strengthening of prices in many lines has been noted. Efforts at Government price fixing are still under consideration, the difficulty of bringing about a definite adjustment in connection with steel, coal, and other basic articles having as yet proved insuperable. This leaves those industries without a standard price level recognized by the Government, but with the expectation on the part of dealers that prices will not decline materially below present figures.

The most important industrial development during the month of April has undoubtedly been the Government's estimate for acreage and production of the principal agricultural crops. The forecast for grain was made public on April 8 and showed a condition of 92.87 per cent, or the highest condition percentage ever recorded on the largest acreage ever under cultivation, so far as winter wheat was concerned. The estimated yield of winter wheat under these circumstances is 837,000,000 bushels, with other/crops in almost equally promising condition so far as can be forecast at this season. From the wheat district of the Middle West it is stated that spring wheat seeding is well advanced and that conditions are satisfactory, while winter wheat and other cereals have come through the season in excellent condition. On the Pacific coast crop conditions are unusually favorable, wheat sown in the fall has wintered well, the acreage of winter wheat is considerably greater than that of last year, while other products of the soil promise an unusually abundant outturn. Practically all growing crops in the South and Southwest are reported as satisfactory, there being a good outlook for increased acreage and for large yield per acre. The movement of grain to the markets continues in smaller volume, due to heavy marketing in the fall and early winter. Domestic flour demand and the opening of foreign markets to American wheat has tended to raise prices. Receipts of corn at the principal markets are comparatively small and the same is true of oats and other grains. Flour milling has improved during the month and in some sections is as much as 50 per cent above the total for the corresponding date in 1918. Production during the month of March was 10,247,000 barrels, as compared with 7,736,000 during the month of February and 12,994,000 during January. The stocks at the mills show an increase from 3,544,000 at the close of February to 4,578,000 barrels at the close of March. As for live stock, movements to the primary markets of the Southwest show some decrease as compared with a year ago, while a steady rise in hog prices since the removal of the Government guaranteed figure of \$17.50 has been observed. The price of hogs at about the middle of April was \$20.00. The decrease in the receipts of hogs during March has been

especially pronounced, receipts at 60 markets for the month being 3,632,874, as compared with 4,404,751 during February and 4,444,406 during March, 1918. The figures of receipts of cattle and of sheep likewise show a falling off from the figures for March, 1918, though both are slightly above the figures for February of the present year. This condition is reflected in reduced purchases by packers during March. The reports indicate that packers' operations in primary markets were reduced 9 per cent in cattle, 1 per cent in hogs, 5.7 per cent in calves, as compared with purchases for slaughter in March 1918. Stocks of beef in the United States on April 1 are reported to show a heavy decline from the March 1 figure, although for pork products no material change is noted. There appears to have been a continuance of the heavy export movement of meat products which was so well sustained during the winter months. The fact that the industry has been released as of April 1 from industrial control by virtue of a proclamation signed by the President, leaves the price and movement of the product to be regulated by demand and supply. In the cotton-growing regions the prospect for yield is satisfactory, weather conditions having been good, but owing to efforts to bring about a curtailment of acreage it is now estimated in some sections that a reduction in the total area of land under cultivation amounting to as much as 15 per cent to 20 per cent of the acreage of 1918 will be effected.

In the manufacturing industry fundamental interest continues to center around the steel situation. This is still undecided because of the failure to arrive at a definite price policy for the coming months. So far as known, the schedule of prices tentatively agreed upon between the Government and representatives of the industry during March has continued practically in effect. Latest reports indicate that the mills of the United States Steel Corporation have been running at 74 per cent of capacity, while independents are running at 45 to 50 per cent of capacity. Pig-iron production during March was 3,090,243 tons, as compared with 3,141,180 tons during February, the respective index numbers being 133 and 136. Steel-ingot production likewise declined, production in March being 2,262,265 tons, corresponding to an index number of 111, as compared with 2,688,011 tons during February, the index number for the latter month being 121. The unfilled orders of the United States Steel Corporation have continued to decline, standing at the close of March at 5,430,572 tons, as compared with 6,010,787 tons at the close of February, the index numbers, respectively, being 103 and 114. It is reported from Dallas that the present situation in the copper industry "has nothing about it to stimulate enthusiasm," the market being practically at a standstill, while during the past month there have been quotations as low as $14\frac{1}{2}$ cents. The curtailing of output from 30 per cent to 50 per cent has had little effect on reducing the world's surplus, as sales have not equaled the reduced output. These conditions have been in process of slow rectification since the middle of the month. The copper situation has become more encouraging during the month of April, some considerable sales being reported at prevailing prices. Lead ores have declined in value, but the demand for them remains firm, and there is no accumulation of surplus stocks. Zinc has shown a downward tendency, but with comparatively heavy shipments. Production of both metals has been considerably decreased during the past several months. In coal, production continues at about the same rate, but

the present demand is naturally very light. Orders for the coming winter's supply have not yet begun, while some plants which are usually heavy consumers have suspended demand. In the West Virginia district conditions show little improvement, and sales of mining machinery are slow. Bituminous coal production during the month of March was 33,716,000 tons, as compared with 31,497,000 tons during the month of February. The daily production of anthracite coal declined somewhat from ^{the} February figures, total production for the month being 3,938,907 tons, as compared with 3,871,932 tons during February. The respective index numbers were 70 and 74. Figures for production of both bituminous and anthracite coal are very much below those of a year ago, when bituminous coal production was 48,631,115 tons, and that of anthracite 7,276,777 tons, the index numbers being, respectively, 131 and 129. The production of beehive coke has continued to decline, amounting during March to 1,768,449 tons, corresponding to an index number of 68 as compared with 1,822,894 tons during February, the index number for which was 75. In lumber, markets show generally a firm tone, with demand still up toward the output and practically no decline in prices, but on the contrary, advances in various grades.

In general manufacturing, conditions still continue somewhat "spotty". In many sections mills have smaller stocks than usual, but with an improving demand both for goods and for yarns, while many factories are estimating on new orders and showing a larger interest in the situation. The depleted condition of retail stocks has led to purchases of a hand-to-mouth variety, even on the part of dealers who do not wish to commit themselves fully as to the future. Greater activity in preparation for the spring trade is reported by wholesalers and jobbers. It is predicted in some quarters

that demand from now on will be sufficient to enable the South to dispose without further sacrifice of the cotton it is carrying. Labor conditions in the cotton-milling regions are still unsettled. In the woollen trade demand for men's wear has become very much more active. A large volume of orders has been developed during the month of April. From Richmond it is reported that business is still dull with the underwear and blanket mills, but in other lines mills are reported as having realized much benefit from the policy of drastic price reduction initiated two months ago. The industry is now regarded as being once more upon a normal basis so far as volume is concerned, while raw wool has recently sold at auction upon a basis of parity with the Government prices. The automobile industry is apparently fully occupied and is running on the basis of about 90 per cent of existing facilities. In leather and shoes the principal companies have reported phenomenal profits and prices are strongly maintained with abundant orders. The lifting of the English embargo on the cheaper grades of leather has stimulated foreign demand.

General labor conditions are improving. From many of the manufacturing districts they are reported as fairly satisfactory. The question of wage re-adjustment has made comparatively little progress and labor continues to be employed on nearly a war basis of remuneration. The volume of unemployment on the Pacific coast is very much less than a month ago, and the same is true of New England. From many sections a shortage of farm hands is reported. Partial revival in the building trades promises to open a considerable new field of demand for labor heretofore unemployed or obliged to seek occupation in other lines of industry. The labor situation is less satisfactory on the Atlantic seaboard than in the interior, due to the fact that considerable numbers of returned soldiers have failed to redistribute themselves to their points of origin. In the Middle West, especially in the chief agricultural regions, the situation has decidedly improved.

Export trade during the month has continued large, although it consists predominantly of raw materials and articles for further manufacture. Nevertheless, interest in the export trade continues unabated, and several important developments have occurred during the month. Shipping rates have shown a decided downward tendency, while the organization of an investment trust for the purpose of encouraging the absorption of foreign securities has made a beginning in the practical financing of export business. The organization of associations under the Webb law for the purpose of facilitating foreign trade, indicates a continuous interest on the part of manufacturers, both large and small, in the development of markets abroad. Two export organizations have been formed by important members of the banking industry and twenty-five large lumber mills have united for the same purpose. Similar activity is reported in a number of other lines. A cotton export corporation organized to facilitate the distribution of cotton in other countries and its steady movement from the United States is projected. The announced action of the economic council at Paris, made public on April 23, by virtue of which the black list is to be abolished and the system of licensing exports for shipment to foreign countries terminated, is regarded in many lines

of trade as promising a much better opportunity for foreign shipments. Parallel action has been announced by the War Trade Board on April 28.

Financially the month has been quiet. The Board's compilation of interest and discount rates from the principal centers shows relatively few fluctuations and these not of a character to indicate any decisive trend. The greatest variations have been noted in connection with call money, which has fluctuated from $3\frac{1}{4}$ per cent to $6\frac{1}{2}$ per cent, but has been firm during the latter part of the period at around $5\frac{1}{2}$ per cent. The supply of bank acceptances has been small and total volume in the market indicates a falling off. There has been a tendency to shorten maturities of commercial paper considerably, while the demand for the best names has been very satisfactory. The opening of the Liberty loan campaign on April 21 has tended to hold various industrial enterprises in check, pending the completion of the Government's requirements. As a rule, the policy of bankers has been to conserve their lending power until after the loan has been fully disposed of. Some tendency to liquidation was noticed among the banks prior to the offering of the Victory loan, the effort of these institutions being to reduce their outstanding commitments wherever reasonably possible. Federal reserve notes have increased somewhat during the early part of the month, but later showed a slight tendency to fall off. The prospects for moderate accommodation to business and industry appear to be encouraging, most banks having still a substantial margin of lending power.