

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

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During the month of July confidence in the continuation of business activity has been maintained and a further expansion in many lines of industry has been noted. The volume of trade, both wholesale and retail, has continued to grow, and there has been increased activity in some of the basic industries. Complaints are heard, however, in different fields in which activity is most pronounced of a shortage of raw materials, and labor troubles have been much in evidence in several districts, although the majority of the districts report labor conditions as entirely normal. Instead of the fear of unemployment which had been expressed during the early part of the year, the reports received manifest the reverse feeling, namely, the fear of an impending shortage of labor. The agricultural outlook on the whole is favorable, although indications point to a much shorter cotton crop than forecast earlier in the summer. The large volume of speculation which occurred during the month of June, after a slight recession toward the close of that month, has again resumed its upward course and both industrial and railroad shares attained higher price levels. On the whole, the general industrial situation is favorable, and prospects are bright for continued business activity in leading lines.

It is stated in District No. 1 that "there is apparently no abatement in the general industrial activity in the New England District. The raw material market and the labor unrest have made the problem which our manufacturers face increasingly difficult". In District No. 2 "commercial activity which commonly reaches its climax in May has been continued into the early summer," and a generally favorable outlook is noted. In District No. 3

"the general business situation continues to show an increasing demand for merchandise at advancing prices, and fundamental industries operating on a larger scale," but the abnormally high prices prevailing are viewed with disquietude. In District No. 4 the continued optimistic view is based upon favorable conditions prevailing in the steel industry and in agriculture, although the present high price level remains a disturbing element. From District No. 5 it is reported that "the rising tide of activity continues in all lines and confidence in the general stability of business may be regarded as re-established." Reports from all parts of District No. 6 indicate "practically all lines of business increasingly active," although it is stated that the agricultural outlook, especially ^{as regards} cotton, is not as encouraging as a month ago. In District No. 7, while merchandising and manufacturing are active, there has developed "a rather decided feeling of labor unrest, especially in Chicago." In District No. 8 the business situation continues excellent; "wholesalers and retailers in most lines are doing an active, in some cases a record, business. There are complaints of difficulty in obtaining raw materials and skilled labor." The whole situation in District No. 9 is summed up as "good, although there are some discouraging spots in the district." In District No. 10 "the business and industrial activity" which prevailed in the month of June is extending through July and there is no indication of a slowing down of this activity for many weeks or months to come. In District No. 11 there has been "practically no summer dullness in trade and financial circles this year; this unusual condition being attributable largely to the petroleum industry, which has exerted a very favorable influence on trade." In District No. 12 July estimates of agricultural production are slightly below June figures, while "industrial activity is increasing!"

No recession in commodity prices from the high price levels which had been reached the previous month is noted, but instead further increases in many lines have occurred. In many districts the high prices now prevailing have not served to check demand, but the possibility of obtaining goods seems to be of greater moment to the buyer than the price fixed. On the other hand, the very great price increases which have taken place in certain lines have made buyers more cautious, care being taken not to unduly increase stocks acquired at the present price level for fear that a decline in prices should occur. In general, however, there is a disposition to accept present price levels and to expect a continuation of the prevailing level for some time to come. The general index of the Bureau of Labor Statistics stands at 206 for the month of June, as compared with 207 for the month of May. The index number for the group of producers' goods has increased from 189 to 197, while decreases are shown in both the index numbers for the groups of consumers' goods and of raw materials, from 215 to 212 and from 203 to 201. Among the subgroups included under the head of raw materials, the index number for farm products has decreased from 254 to 251, and for animal products from 223 to 213, while the index number for forest products shows an increase from 146 to 154 and for mineral products from 169 to 170.

The agricultural outlook, on the whole, continues promising. There has been further decrease in the earlier estimates of the wheat crop, but the condition of corn has improved. While the prospects for wheat in Montana and western North and South Dakota are "discouraging", east of the Missouri River conditions are reported to be "just the reverse". In District No. 10 "the condition of corn is still above normal" and great improvement has been made since the earlier estimates, although the acreage has been decreased from last year. Wheat prices are slightly above the guaranteed minimum. In District No. 7 corn is reported in good condition, but a decreased yield of wheat is indicated, due both to rust and adverse weather conditions. Corn in district No. 6 has suffered from an excess

of rain, but in Texas "the yield of small grains promises to be the largest in the history of the district." On the Pacific coast unfavorable weather has adversely affected the previous estimated for wheat and barley, although oats are in good condition throughout the section. From certain districts it is reported that wheat which has been harvested shows an unusually low yield per acre, due to the lack of matured grain.

An increased acreage of tobacco is reported both in Kentucky and elsewhere, and the outlook is promising. Fruit crops on the Pacific coast are reported in good condition. Cotton acreage is smaller than last year and the yield which had promised to be extremely favorable now appears to be below normal. Throughout the cotton belt the crop has been damaged by rains, and the boll weevil is reported active. A lack of labor is also remarked and considerable acreage has been abandoned. This decreased output is, however, offset from the point of view of the grower by the material advance in the price of cotton which has occurred, due to the fact that both domestic and foreign consumers to a large extent "have subordinated the cost of the raw material to the question of getting it". It is reported from the Kansas City District that interest is being manifested in flour made from the new crop, and good business is expected, although purchasing is somewhat delayed. Flour production during June, as reported by the United States Grain Corporation, was 7,130,000 barrels, as compared with 10,738,000 barrels during May.

Receipts of cattle during June have decreased from the May figures, being 1,122,782 head, as compared with 1,262,065 during May and 1,292,505 during June, 1918, the respective index numbers being 111.125, and 128. Receipts of hogs continue about stable, being 3,061,838 during June, as compared with 3,049,223 during May, and 2,369,501 during June, 1918, the respective index numbers being 139.139, and 108. Receipts of sheep show a considerable increase, being 1,116,003 during June, corresponding to an index number of 82, as compared with 934,613, corresponding to an index number of 68, during May, and 889,040, corresponding

to an index number of 65, during June 1918. While the price of cattle has continued to decline, the price of hogs has moved steadily upward. It is reported from the Kansas City District that the price of hogs has increased each month this year at the six principal markets in the district, the price on July 14 being \$22.45, or \$5.20 per hundred-weight higher than a year ago.

In iron and steel it is felt that the tide has now definitely turned. The well-known indices in the industry all point to better conditions. Pig-iron production has increased from 2,108,056 tons during May to 2,114,863 tons during June, the index number for each month being 91. Steel ingot production has increased from 1,929,024 tons during May, corresponding to an index number of 80, to 2,219,219 tons during June, corresponding to an index number of 92, while the unfilled orders of the United States Steel Corporation at the close of June were 4,892,855 tons, as compared with 4,282,310 tons at the close of May, the respective index numbers being 93 and 81. The steel industry is now reported to be operating at from 70 to 75 per cent of capacity. Reports from the Pittsburgh District show that conditions are improving steadily and "it is an assured fact that a distinct gain has been made." In the Birmingham District it is reported that "inquiries are brisk in the pig-iron market."

Prices appear to have been stabilized, some inconspicuous concessions being reported only in plates and sheets, although it is stated that the independent producers favor increased prices. The chief activity is in lapweld tubes, due to the increased oil and gas field operations, sheets, wire, bars, and tin plates. On the other hand, some of the heavier lines are still lagging, plates, rails, and shapes in particular, due to small railroad purchases and absence of demand from shipyards. Demands from automobile and agricultural implement manufacturers are stated to be heavy, while increased bookings of structural steel are reported with the expansion in the building trade. Pig-iron sales in June in the Pittsburgh District were the heaviest since the armistice. An increase in the export demand is noted, Japan being in the market for considerable quantities of rails and ship plates. Attention is being given

in the Pittsburgh District to a possible shortage of labor, due to continued heavy emigration of foreign-born workers.

Some improvement in the fuel situation is noted. Production of bituminous coal during June was 36,806,000 tons, as compared with 37,547,000 tons in May, the respective index numbers being 99 and 101. While figures for both months show an increase over the April figures, they are still substantially below the output a year ago, the figure for June, 1918, having been 57,757,224 tons, corresponding to an index number of 140. Warnings have been issued of an impending coal shortage for quite some time, and consumers are being urged to "buy now!" Several reasons have been assigned for the shortage. It is believed that the emigration of foreign-born workers will continue, and added thereto is the possibility of a car shortage. On the other hand, an increased export demand is looked for, due to the expected shortage of coal production in England and some of the other European countries. It is reported from District No. 3 that "bituminous and anthracite coal have both been in much larger demand during the past month than for some time heretofore" and that "high grade bituminous coal is very difficult to secure." Prices of both bituminous and anthracite coal have risen to levels beyond the older prices of the United States Fuel Administration. Anthracite coal production during June was slightly less than during May, being 5,619,519 tons, as compared with 5,711,915 tons, the respective index numbers being 100 and 101. The output of beehive coke increased slightly from 1,135,840 tons during May to 1,170,752 tons during June. Greater activity is anticipated for the second half year, and increases in the prices of certain grades are noted.

The copper market has continued to improve, prices moving steadily upward, although it is stated that sales of copper by American producers during June were not quite so large as during May. The greater part of the Government surplus which had threatened to be a drag on the market for many months has, however,

been disposed of. Several large deals have been reported in the Tenth Federal

Reserve District, involving extensive silver-producing properties, which should result in an increased production of that metal in a few months; also that from now on greater productive activity is anticipated on the basis of present prices.

Zinc ores in the Joplin market rose appreciably in price during the month of June, due, it is reported, in part to diminished output and increasing demand, also to the fact that the surplus stock in the districts is held in strong hands. Lead ores have likewise shown a decided improvement in price. A shortage of production in the Joplin district is reported, due to the large number of miners working in the harvest at high wages which farmers offer.

Manufacturing continues active. From New England it is reported that the demand for cotton goods is extremely heavy, especially for the fancy lines, and marked advances in price have occurred. Many mills are oversold and are declining future business, owing to uncertainty regarding sufficient supply of long staple cotton, also because of the shortage of skilled labor. Export orders are reported to be large. Many foreign customers have been unable to obtain merchandise because manufacturers have been obliged to allocate their shipments in an effort to meet present requirements. From Philadelphia it is reported that activity in the cotton-yarn market is increasing and that prices are constantly rising.

Raw wool continues in very strong demand, especially fine wools. Relief from present high prices is not expected until the transportation situation is such as to render foreign stocks available. The western clip has been selling much earlier than usual, and prices have been very high. A strong demand exists for fine worsted yarns, and price increases are noted. Woolen mills in District No. 1 are operating to capacity. Manufacturers of men's wear goods are largely oversold for the heavy-weight season, and the light weight season is correspondingly shortened, some mills showing no goods for that season. Heavy sales of underwear at increased prices are reported, and manufacturers of high-grade hosiery are largely sold up, although the interest in low-end hosiery is still relatively small. Prices of raw silk continue to rise and large sales of finished goods are noted.

The demand for leather continues to increase and prices likewise move upward. With the removal of foreign import restrictions an increased export is anticipated. Prices of hides have continued to rise, the prices for some classes at Chicago on July 11 being almost double those prevailing in the beginning of April. Shoe manufacturers in New England are producing at capacity, and sales exceed those of the same period last year. Factories in District No. 3 are being offered more business than can be handled. In certain sections it is reported that there is not the usual summer lull in production. Opinion prevails in certain quarters that shoes for next season will be sold at a considerable advance over present prices.

Automobile production continues in many plants at high levels, although it is stated in District No. 4 that "comparatively few firms have reached their prewar basis" of production. The hardware and furniture industries are reported to be active. Meltings of refined sugar are considerably in excess of receipts of raw sugar, and exports of refined sugar has been discontinued in order to remedy local shortages which have developed at several places.

Retail trade has continued active in spite of present high prices, and one of the principal complaints of merchants is their inability to obtain goods from jobbers and manufacturers. Demand for the better grades of merchandise continues. In District No. 11, however, "it is fully expected in some quarters that the individual consumer will not buy freely this fall until the prospect of price reduction is settled one way or another. It has firmly become a conviction that prices must come down." In District No. 7 the labor unrest prevailing is declared "to be an outcropping of the effect of the continued high cost of living."

The revival in building has continued. Expectation of lower costs, both for materials and for labor, has disappeared and builders are looking to higher rents

to make up for the increased costs. In several districts a shortage of labor is faced. Considerable advances have occurred in the prices of various classes of lumber as the heavy demand has continued. Shipments exceed production in many sections, and stocks are consequently decreasing. An increase in the demand for paint and varnish is also noted. In several districts permits issued in June are less in number and value than for May, but this is a customary seasonal phenomenon and actual construction is increasing. In New England, while building has increased considerably for the first six months of the year, the increase in construction apparently has not equaled that reported for other sections. In New York the supply of buildings is far short of requirements. In Chicago the building industry has been hampered during the present month by labor troubles. In the Kansas City District efforts to meet the housing demands have barely started, although great activity is reported in the construction of commercial, school and public buildings. In the Southwest there is "still plenty of room for improvement." Considerable sales of city real estate and of farm lands are reported in various districts and prices have advanced, in some sections reaching the highest point ever recorded.

The unemployment specter which threatened several months ago has disappeared. Instead there are now indications of demand outrunning supply in certain sections and for certain classes of labor. Farm hands are reported to be scarce in several districts, although a surplus is indicated in Minneapolis. A scarcity of unskilled labor threatens in the building trades and in the steel and coal industries, due in considerable measure to the exodus of foreign-born workers. It is expected that 35,000 will have departed from Cleveland alone before the close of the year. A shortage of skilled labor is also noted in some districts. Wages in certain lines continue to advance and a considerable number of labor disputes are reported centering upon this issue. In Chicago "a rather pronounced feeling of labor unrest" has developed, involving both skilled and unskilled labor. Strikes have occurred in some of the largest plants in the city, and the traction employees have demanded an increase in wages. The demands of the carpenters' union resulted in a lock-out operative July 18, which affected directly and indirectly upward of 100,000 men, and demands for increased pay have also been presented by miners in the Indiana coal fields. "Eastern Massachusetts has probably been more affected by unsettled labor conditions than at any previous time". In New York the chief difficulty was the recently settled seamen's strike, which threatened a complete tie-up of all coastwise shipping, also to extend to the trans-Atlantic trade. In other sections the labor situation is reported as fairly satisfactory.

Official figures for the month of June show an export balance of \$625,000,000, as compared with \$277,000,000 for the month of May. Export trade in many lines is reported to be increasing and keen interest is displayed by small as well as by large houses. The recently demonstrated ability of American steel manufacturers to compete successfully for several foreign contracts has afforded much encouragement. The removal of restrictions by the

War Trade Board, as well as by several of the principal European countries, will pave the way for a return to normal conditions. In certain lines, such as machinery and tools, foreign orders have served to tide over a period in which there has been lack of domestic demand, while in others, notably cotton goods, inability to supply current domestic needs has resulted in some cases in a refusal of foreign orders. Improvement in the shipping situation continues, although it appeared at one time that the seamen's strike at New York might seriously hamper foreign trade expansion. The shipping factor is of importance also in connection with the shortage of raw materials in certain lines, notably hides and wool, and efforts are being made through the allocation of shipping to remedy the situation as far as possible.

relaxation

After a temporary relaxation late in June, speculation has again continued at an unprecedentedly high level, both in New York and elsewhere. An investment demand, however, has revealed itself and an unusual amount of stocks is reported to have been taken from the market, the consequent decrease in supply resulting in further increase in prices in the face of continued demand. Call money has continued to fluctuate greatly and has been quoted as high as 20% on mixed collateral, the highest rates for such loans since November, 1912. The Board's figures of the volume of check transactions continue at the high level noted for the month of June. Interest rates are reported firm in practically all centers. Acceptances continue in light demand, the portfolios of dealers in New York increasing. Several instances of plans for the use of acceptances in moving certain crops are, however, reported. In Cleveland it is noted that "smaller country banks are beginning to buy bank acceptances as an investment for temporary funds. In the middle of July rates for sterling, francs, and lire broke sharply, sterling being quoted on July 17 at 4.2575. Bankers are watching the situation with interest. The banking situation continues to be regarded as sound, credit and collection conditions are very good, and failures continue to be unprecedentedly small and few.