

FEDERAL RESERVE BOARD

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during the month of September labor unrest has become the most prominent factor in the business situation. prevailing unrest found expression in various forms, including demands for improved working conditions, increased wages, and local strikes, and found its culmination in the strike in the steel industry. In spite of the resulting uncertainty injected into the business situation, the customary autumnal swell in the volume of business is noted. The high retail prices prevailing do not appear as yet to have a noticeable effect in checking consumption, and the demand for higher grade products continues. While the official wholesale price index number shows a further rise from 219 in July to 222 in August, some readjustments in wholesale prices have taken place during the present month, involving price reductions in several leading foodstuffs and in various cotton textiles, hides, and other lines in which advances had hitherto been most marked. A spirit of conservatism, however, manifests itself in various trades and greater attention is paid to the probable/future trend of prices.

In agriculture the exceptional promise of the spring has not been fulfilled. In particular the winter wheat crop has been considerably below expectations. This, however, is partly made up by the larger yield and harvest of corn. The official forecast for cotton is less favorable than last month, indicating an unusually late crop. The credit demand for crop-moving purposes has been less heavy than was anticipated in many quarters and was easily met by the local banks with the assistance of the Federal Reserve Banks, the latter reporting substantial increases during the month of discounts secured by commercial paper and corresponding increases in their note circulation. Conditions in the

of speculation is noted. For the present the labor difficulty overshadows in importance all other factors in the business situation, but a feeling of confidence generally prevails that a satisfactory solution of the present troubles will be found.

Reports received from the several Federal Reserve Agents as of September 20 indicated little change in the business situation from the favorable conditions prevailing during the previous months. Although the labor situation was generally remarked as the principal factor in rendering conditions somewhat unsettled, the feeling was expressed in a number of districts that there was "a growing realization on the part of the workmen that their interests are bound up with the interests of the community as a whole and that increased efficiency resulting in greater productivity" is imperative. In district No. 1 it was stated that "business on the whole continues very active, although manufacturers are cautious in buying raw material ahead of immediate demands, while retail purchasing activity continues apparently unabated". In district No. 2 financial conditions are good, the readjustment of prices is progressing, declines in "certain products at the core of the cost of living" being noted, and the outlook is generally favorable. In district No. 3 "general business continues to show a high degree of activity and all the outward marks of prosperity." In district No. 4 general business, both wholesale and retail, continues active. Reports from all sections of district No. 5 contain "optimistic notes of general business conditions, the few unfavorable comments heard being confined to high living costs, extravagant expenditures for luxuries and nonessentials, and the shortage of farm labor." In district No. 6 it is stated that "activity in all lines of business has continued to exceed in volume activity for the same period of any previous year." In district No. 7 there continues, alike among all classes, a rather marked disposition to "capitalize" present price conditions, in particular to attempt to make the price situation the basis of additional profit, although "business is generally reported as very good."

from district No. 8 it is reported that "a tendency to await developments before making larger commitments for the future has been in evidence and the expansive impetus of the early summer months has been checked in a measure by a growing conservatism." while the effect has been to retard somewhat the growth of commerce and industry in the district, business continues active. In district No. 9 a fair crop of small grains is compensated by the very satisfactory situation with respect to corn and hay, and general business is very good. conditions in district No. 10 have become somewhat more settled, "the volume of trade is at its highest peak of the year," and the farmer "has found 1919 a far better year than the average", both as to size of crops and prices received. In district No. 11 it is stated that "renewed activity is noted in many lines as the fall season opens," and crops other than cotton are in good condition, although "an atmosphere of conservatism is rather noticeable in business on account of the uncertainties of the future." district No. 12 states that "business conditions have been characterized by activity in manufacturing and increasing activity in nearly every line of wholesale and retail trade."

The labor problem has become the paramount issue during the present month, the question of the cost of living receding from its former position of prime importance. Reports indicate a desire of the workers to secure a larger share in the returns of industry, demands for increased wages being accompanied by demands for shorter hours. At the same time, however, public opinion appears to be awakening to the reaction which increased wages and decreased output may have upon commodity prices, and the vicious circle which may result, production has been hindered in various lines in which the demand is greatest, both by a shortening of hours, by decreased efficiency, and by dislocation in certain cases to work more than part time. The labor unrest, exhibited frequently

heretofore by new demands as to wages, hours, and conditions of employment and by strikes, actual or threatened, in various industries, as well as by the agitation against high prices, has now found expression on a widespread scale in the present strike in the steel industry, and has forced itself sharply upon the public attention. It had been generally hoped in the industry that intervention by the president would result in a postponement of the call for the strike pending the conference of labor and capital called by the president to meet in Washington on October 6, at which the question could be thoroughly discussed.

New wage demands and strikes are frequent in certain districts, prominent among those noted during the present month having also been the "strike" of the Boston police and the formulation of new wage demands by the bituminous coal miners. Although the railroad shopmen have returned to work, the transportation situation continues to occupy a prominent position in public discussion, both in consequence of the consideration of plans for the future operation of the railways and because of the car shortage which is hampering business activity in various lines.

Commodity prices reached new high levels during the month of August, though since the middle of the month a downward movement appears to have set in affecting the prices of some leading staples. The general index number of the Bureau of Labor Statistics for that month stands at 222, as compared with 219 for the month of July. The increase in prices, while again general, was greater for the groups of consumers' and producers' goods than for the group of raw materials, the index number for consumers' goods increasing from 230 to 241, for producers' goods from 205 to 215, and for raw materials from 214 to 217, the corresponding percentages of increase being 4.8, 4.7, and 1.5. Among the subgroups included in the group of raw materials, the index number for forest products shows a considerable increase, from 166 to 193, the numbers for animal products and for

mineral products lesser increases, from 233 to 236 and from 177 to 178, respectively, while the index number for the subgroup of farm products alone shows a decrease, from 261 to 251. The prices of a considerable number of commodities on September 1 were lower than on August 1. Since the opening of the present month, price declines in certain foodstuffs, as well as in raw cotton and various cotton textiles and in hides, have continued. The more conservative feeling noted last month still prevails and moderation in naming prices is urged in certain lines, rather than the policy of exacting all that "the traffic will bear." Retailers' sales during the present fall season have been closely watched in some lines in view of the possibility of a curtailment of consumption in consequence of the high prices demanded.

In agriculture, the relatively unsatisfactory situation prevailing with respect to wheat as compared with earlier prospects is compensated by the favorable situation with respect to corn, the bulk of which will soon be past danger of damage, and to hay, the yield of which is much above the average. Corn is of good quality, but in the case of spring wheat the grain is light. In consequence of deficiency of rainfall in district No. 9, all small grains are showing a poor return, with many sections in North Dakota, South Dakota, and Montana reporting "a complete failure." Although good returns have been received by farmers in district No. 10, it is stated that indications point to a decrease in the wheat acreage sown this fall, due partly to unfavorable soil conditions for fall plowing and seeding and partly to "a desire to return to the pre-war plan of diversified farming." District No. 11 "made the heaviest and best corn crop ever raised," and "the grain crop was also large beyond precedent." The harvesting of grain, except corn and rice, is now practically completed in district No. 12

deficiency of rainfall has damaged tobacco in Kentucky and Ohio, and "the outlook is rather discouraging," while in the Carolinas the crop ranges "from

extra good in the interior to very poor in extreme eastern counties." The condition of cotton showed a further decline to 61.4 on August 25, and the lateness of the crop is reflected in the small amount ginned to date. Additional injury has been done in Georgia and Alabama by constant rains and by the boll weevil and heavy damage by insects is reported in Texas, although improvement is noted in the Carolinas. Prices have been irregular, with a downward tendency.

It is reported from Kansas City and Minneapolis that flour mills are operating at almost full capacity. There is good demand for flour, although trade reports indicate that eastern buying has lagged somewhat, and the demand for first class has been especially light. Flour production during August, as reported by the United States Grain Corporation, was 12,042,000 barrels, as compared with 8,339,000 barrels during July. Prices of grain and flour have shown a downward tendency.

With the increase in receipts of raw sugar, meltings have again increased, although the scarcity previously remarked continues and the situation in this industry is reported to reflect the uncertainty as to the conditions under which the new crop will be marketed.

Receipts of cattle at 15 primary markets increased slightly, from 1,527,881 head during July to 1,541,133 head during August, as compared with 1,588,553 head during August, 1918, the respective index numbers being 152, 153, and 158. Receipts of hogs show a continued falling off, from 2,411,539 head during July to 1,595,759 head during August, as compared with 1,970,086 head during August 1918, the respective index numbers being 110, 73, and 90. Receipts of sheep again show a considerable increase, being 2,220,229 head during August, corresponding to an index number of 162, as compared with 1,538,767 head during July, corresponding to an index number of 114, and 1,424,677 head during August, 1918, corresponding to an index number of 104. Prices of live stock, in particular hogs, showed a downward tendency. Hogs at Kansas City on September 13 reached

a low figure of \$16.23 per hundredweight, as compared with \$19.50 at the close of August.

The outstanding feature in the iron and steel industry has, of course, been the labor situation. Up to the actual day of the strike a feeling prevailed that it would be avoided, and the industry as a whole, as well as consumers, viewed the situation calmly. While there was a decrease in new buying during the first half of the month as conditions became unsettled, the further increase in production which had been noted for the month of August continued. Pig-iron output increased from 2,428,541 tons during July to 2,743,388 tons during August, the respective index numbers being 105 and 118. Steel-ingot production increased from 2,508,176 tons during July, corresponding to an index number of 104, to 2,746,081 tons during August, corresponding to an index number of 114, while the unfilled orders of the United States Steel Corporation at the close of August were 6,109,103 tons, as compared with 5,578,661 tons at the close of July, the respective index numbers being 116 and 106, although it is reported that new orders booked are running below those of a month ago.

It is reported that the demand for pig iron during the month has not been active, with the chief interest in foundry iron, but stocks are stated to have decreased during August for the third month in succession, and merchant furnaces are well sold over the remainder of the year. A lessened demand, but with little output available for delivery before the first of the year, is reported in the lines which have hitherto been most active, such as steel bars, sheets, wire, tin plate, and lap-weld pipe. Regular consumers in many cases are stated to be well covered in their requirements for the remainder of the year, while there has been relatively little inquiry as yet for the next year's delivery, and manufacturers were not disposed to quote thereon. Certain of the heavier lines, such as rails and shapes and plates, continue to lag, the

latter showing weakness in price. Price declines have been noted in the old-material markets since the middle of August. Although the volume of domestic business booked has diminished somewhat the interest in the export field, it is reported that the export agency of the independent producers shortly after the middle of the month requested from their principals an increase in the tonnage allotted to foreign business from the present figure of 10 per cent. of output. The machine-tool industry continues active.

The strike called for September 22nd had varying effects in the several districts. Reports indicate that the strike was most widespread in the Colorado, Cleveland and Chicago districts, a practical failure in the Birmingham district, while considerable interruption to production was noted in the Pittsburgh district. The fact that for many of the independent producers agreements negotiated annually were in effect, aided materially in maintaining the output of lines for which the demand had been greatest, such as sheets, and tin plate. The production of tubular goods was considerably curtailed, while the manufacture of wire products was stated to have been well maintained at all points except Cleveland. The greatest effect of the strike is reported to be on the heavier products, such as bars, structural shapes, plates and rails, for which demand has hitherto been lightest. The claim is made that the strikers are largely foreign workers, performing the lower classes of work, and that in certain cases the strike on their part has forced out other employees who desired to continue work. The employers have been optimistic and, where a sufficient number of the regular working force has not reported, have suspended operations. Efforts have been made by the workers to enlist the aid of unions covering related trades, such as ore carrying on the Great Lakes. Reports indicate that a strike called for Monday, September 29th, against the leading independents had relatively slight success,

likewise efforts at the same time to force a shut down of the leading independent producer at pittsburgh. At the close of the month, the situation is reported to have been relatively little changed, as far as production was concerned, from conditions prevailing during the early days of the strike.

production of bituminous coal during August amounted to 42,883,000 tons, as compared with 42,946,000 tons during July, the index numbers for both months being 116. A strong demand for anthracite coal is reported, resulting in increased shipments during August of 6,144,144 tons, corresponding to an index number of 109 as compared with 6,052,334 tons during July, corresponding to an index number of 108. production is being impeded in certain sections by car shortage and by labor difficulties. Notice has been given by the bituminous miners of the abrogation of the existing wage scale in the central competitive field on November 1, and a conference of operators and miners has been proposed by the latter to meet at buffalo on september 25, to consider their demands. The output of beehive coke showed a continued increase up to the month of september, 1,808,595 tons being produced during August, as compared with 1,512,178 tons during July. Due to the situation in the steel industry, decreased production has been reported. Furnace coke has declined in price, but foundry coke has been in good demand and price increases have been noted.

continued quiet is reported in the nonferrous metal industries, with little buying by consumers. In view of the steel strike, a waiting attitude at present prevails. transactions have consisted in large part of resales by speculators at prices below those asked by producers. The greatest strength has been shown by lead, the price of which increased about the middle of the month. continued weakness in zinc is reported, demand from the steel industry for both that metal and tin being curtailed in view of the present situation.

It is reported from the Kansas City District that the reduced shipments are due largely to "the difficulty of obtaining cars for shipping out the ore purchased," but that production grew noticeably during the month of August.

The activity in general manufacturing continues, although markets in certain cases present a quiet appearance due to the fact that some manufacturers are well sold ahead, while in certain quarters a more cautious purchasing policy is noted. The cotton-yarn market during the month has been relatively quiet and prices of medium and coarse count carded yarns have shown a tendency to decline. The demand for cotton goods on the whole has been quiet, and price declines in gray goods are reported. This condition is reflected in the prices obtained at the second government auction held at New York on September 4, at which most of the fabrics did not bring more than 90 per cent of the current prices, although market prices were well below those prevailing at the close of July, the time of the first auction, when market prices then prevailing were exceeded in some instances. The allotment of finished goods for spring delivery continues, at prices which are regarded as moderate by the trade in view of existing conditions, and the goods are readily taken.

The raw-wool market continues quiet, with prices firm, greatest strength being shown by the finer grades. Worsted yarns are quiet but strong, spinners being sold up to the end of the year and displaying as yet but little disposition to discuss offerings for next season. The market for men's wear woolens is again quiet, such spring offerings as mills have made being largely sold up. Advances in the prices of men's clothing for next spring are announced. The women's clothing industry has been protesting against the high prices of fabrics, and anxiety is expressed lest the next spring season see a restriction of purchasing by the consumer. During the month price reductions by jobbers have been reported in some lines of dress goods. Underwear shows quietness characteristic of

the between-season period, mills having a relatively large amount of orders booked, though few openings for the spring season have as yet occurred. A spirit of greater caution on the part of buyers was also noticeable about the middle of the month. The demand for silk and high grade cotton hosiery continues. While silk manufacturers state that they are sold ahead for some time to come, trade reports indicate a noticeable slackening in demand, and staple fall silks are stated to have been offered by jobbers at concessions in price. The industry has been handicapped by labor difficulties, in particular by the Paterson dyers' strike and the recent Pennsylvania strike.

During the past month the feature of the hide and leather markets has been the decrease in the prices of hides which commenced in country hides toward the close of August, although about the middle of the present month prices for both country and packer hides have again become firmer. In leather the influence on prices has been chiefly felt by the less desirable grades, though concessions on both upper and sole leather are reported. The leather market has been quiet for some time, but tanners are well sold up. Manufacturers of shoes continue to operate at capacity, and favorable reports are received from salesmen now on the road. Demand for the better grades of footwear continues.

The customary seasonal swell in the volume of business is noted in many sections. Both wholesalers and retailers report a large volume of business, and the fears which had been expressed that high prices might serve to check demand continue to represent a future possibility rather than a present actuality. From practically all districts it is reported that extravagant purchasing, both in respect to the character and quality of goods, continues unabated. There is a continued heavy demand for automobiles, jewelry, and high-grade wearing apparel. Retailers' stocks are being depleted, and in many cases difficulty continues to be experienced in obtaining merchandise, although in Philadelphia and St. Louis improvement in deliveries is noted. Merchants are, however, operating cautiously in view of present conditions.

further increase in building activity is reported. permits issued during August exceeded the figures for July, the previous record month of the present year. The increase has been especially great for New York City where it is stated that "for the first time in several years the amount of building now under way is fully up to normal." In several other districts, however, it is stated to be still below normal, and a further increase is anticipated. Great activity in the industry prevails in spite of high wages and the shortage of both lumber and labor, and higher costs thus far apparently have had little influence in checking construction. Orders and shipments of lumber in general have continued to exceed production, which has been hampered in certain sections by car and labor shortage and weather conditions, and stocks have been further depleted. Recently, however, a decrease in demand has been noted.

Official figures for the month of August show a recovery to \$338,000,000 in the export balance from the low figure of \$225,000,000 for the month of July, though this amount is still far below the June figure of \$624,000,000. As compared with July figures some gains are shown in the exports of breadstuffs, largely wheat, and of mineral oils, while the August exports of meat and dairy products, also of raw cotton, show a further decline both in quantities and values. While June exports to Europe were approximately equal to the entire August exports, a growth of South American business is noted. Iron and steel exports, after a sharp decrease in July, recovered somewhat during August, liberal purchasing by the Orient and South America being recorded. August figures of raw cotton exports show a considerable decrease from those for July. The foreign trade conference to be held at Atlantic City, which has been postponed from September 30 until October 20 in order to permit the attendance of the foreign delegates, will be watched with interest.

A short period of fair activity in the stock market at the opening of the month was succeeded by a period of relative quiet, and public participation has

again become a small factor in the general situation. The market has become adjusted to the easier conditions in the money market, and no sharp decreases in the prices of stocks such as characterized the previous month have been noted, while strength has been displayed since the opening of the steel strike, in the bond market the bulk of transactions was in the United States securities, and prices show a rise, while one-year United States certificates of the September 15 issue are selling above par, recent sales being on a $4\frac{1}{4}$ per cent basis. Railroad bonds have been dull, but relatively unchanged in price, and industrial bonds have declined. The absorption of new securities has continued to be much larger than usual for this season of the year. Fluctuations in the call-money rate have again been confined within narrower limits than during previous months, the extreme rates being 4 per cent and 8 per cent. Decline in rates in the New York money market is noted, following heavy redemption of United States certificates of indebtedness, and accompanying a smaller demand than anticipated for crop-moving funds. Interest rates in general, however, remain firm, a strong demand for funds being noted in certain districts ^{both} for crop-moving purposes and to meet the seasonal requirements of manufacturers, although an easier situation is noted in some of the agricultural districts. The board's figures of the volume of check transactions continue at a high level. Foreign exchange rates have shown a downward tendency since the opening of the month, sterling, francs, and lire among the more important exchanges again reaching new low levels, being quoted on September 6 at 4.135, 9.21, and 10.14, respectively. Recovery has since been noted. The banking situation continues to be regarded as sound, credit and collection conditions are good, and failures continue unprecedentedly small and few.