

STATEMENT FOR THE PRESS

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The following is a review of general business and financial conditions throughout the several Federal Reserve Districts during the month of February, as contained in the forthcoming issue of the Federal Reserve Bulletin.

While Federal Reserve Agents in their reports as to business conditions and the outlook for trade forecast the continuance of an active demand for products, the situation in some districts is such as to raise questions and to lead to predictions of possible reduction in business activity and in prosperity. There is in many sections of the country indication of some alteration in outlook and a disposition on the part of the customer to use more care and judgment in his purchases. No increase in labor unrest is ^{observable}, but in some districts a continuation of underproduction or limitation of production is encountered.

In District No. 1 (Boston) the Federal Reserve Agent reports that "it seems clear not only that commodities are finding their way to the counters of the retail merchant with increasing facility, but that the shelves of the latter are, in general, being stocked to capacity, and merchants are buying more and more cautiously from month to month, willing to take chances which they would not risk a few months ago, on deliveries; and though they may not yet have actually observed any appreciable falling off in the purchasing activities of the public, they are becoming increasingly conscious that the inevitable time of forced retrenchment is approaching nearer and nearer."

From District No. 3 (Philadelphia) it is reported that there is a brisk demand for manufactures of all kinds but that the danger of further price advances is well recognized. "There cannot be any long continuation of price advances

combined with increased purchasing, unless production can at the same time be made larger," says the report. Foreign trade conditions are making themselves felt in a practical way, sundry prices weakening as a result of the decline in sterling. In District No. 4 (Cleveland) the Federal Reserve Agent, while calling attention to the restriction of output as a general evil, and while fearing the continuation of high prices as the result of underproduction, states that there is a beginning on the part of employees to recognize that the volume of production is a vital question. The opinion is expressed that extravagant purchasing will continue for some time, although the reports of dealers indicate an opposite view. No ground for actual pessimism is to be noted. In District No. 5 (Richmond) "the new year has opened prosperously with no indications of any general business curtailment." There is however, a distrust of future prices and retailers are showing a conservative tendency. In District No. 6 (Atlanta) observations similar to those reported from the Cleveland District are presented. The need of increased production is recognized and it is stated that "the betterment of prevailing conditions rests largely with the general public and especially with labor." The outlook for agricultural development is good. In District No. 7 (Chicago) "it is not surprising that the tone of replies to inquiries concerning business conditions in the middle west should reflect more or less apprehension of a period of business depression." This is said to be particularly noticeable in the advices received from producing centers. In District No. 8 (St. Louis) active business in practically every line is reported, although "during the past few weeks several disturbing factors have tended to lessen its volume from the high level of January." Possible price reductions are foreseen and buyers are limiting their purchases, yet there is "a feeling of optimism" among most business men. The buying power of the public shows "little diminution." In District No. 9 (Minneapolis) unfavorable transportation conditions have tended to limit the activity of business, but the agricultural outlook is good and sales of farm implements are active. Collections are

satisfactory. In District No. 10 (Kansas City) "the volume of mercantile trade in the month of January * * * * * was about 40 per cent greater in amount of money than that of January, 1919, and about the same * * * * * in quantity of merchandise." Some lines of business have declined in activity, but building operations have enormously increased and there is an effort to pay off war indebtedness. In District No. 11 (Dallas) January business conditions "reflect a moderate net gain * * * * * as contrasted with the situation a year ago. Agricultural prospects are favorable and the volume of mercantile trade was slightly better than that of January, 1919. In District No. 12 (San Francisco) planting conditions are not as good as they should be. There is much activity in business, unemployment is nominal, strikes are at a minimum, and the prospects are good in spite of somewhat unfavorable agricultural conditions.

Throughout practically all the reports runs a recognition of the existence of an overstrained condition of credit and of some continued tendency toward speculative operations, while high living costs and the upward movement of prices have apparently not been checked, notwithstanding the decrease in prices of some classes of goods and a tendency toward restricted trade in specified lines. Interest rates are high and rising in most places, while banks are exercising a greater degree of discrimination and judgment in complying with the demands of their customers. February has witnessed a beginning of active preparations for the coming agricultural season, particularly in the South and Southwest and on the Pacific Coast. In District No. 6 (Atlanta) preparation for the new crops has been somewhat retarded by weather conditions and cotton acreage cannot as yet be forecast with accuracy, although it will probably be reduced as compared with last year. Small grain has been somewhat damaged by wet weather along the Atlantic coast. The fruit and vegetable crop gathered during the past few months has been very satisfactory, although prices for some classes of fruit have been disappointing. In District No. 11 (Dallas) little winter plowing has been done and preparation for the staple crops is three or four weeks behind. The South Texas rice crop which has just been completed is the most profitable ever grown.

Truck products

are moving to market in large volume and at good prices. In District No. 10 (Kansas City) conditions have been ideal for work out of doors. The ground has been in excellent condition for plowing and the weather was favorable for winter grain crops. The corn acreage will be largely in excess of last year. In District No. 9 (Minneapolis) the season is still too early to forecast conditions. On the Pacific Coast the germination of grains has been slow, although in Oregon and Washington autumn wheat is wintering well. While the information is not yet sufficiently complete or the season sufficiently far advanced to furnish conclusive facts, the prospects are evidently regarded as entirely favorable. Practically throughout the country the problem of agricultural labor, both as to amount and cost, is regarded as one of unprecedented difficulty. The high wages offered in the cities have attracted many farm workers from the land, and as a result decreased production in various sections can scarcely be avoided.

Farm animals in most parts of the country are reported as wintering in exceptionally good condition. In Texas there was an increase of 836,000^{head of} live stock from 1918 to 1919. The sheep industry in West Texas has the best prospects ever known. In District No. 10 (Kansas City) live stock has been reported in thriving condition with less disease among animals than for some time. There is a problem in the northwest section of the district in restocking the ranges, but prospects are good for a large crop during the current year. On farms there has been a decrease in the number of animals available, amounting to about 7.1 per cent since January, 1919. Some falling off in sheep has occurred in Colorado and Wyoming but in the eastern part of the district sheep have increased from 2 to 10 per cent. the increase being especially noticeable in Kansas. Declines are reported in the holdings of hogs. On the Pacific Coast, in spite of hay shortage and high prices for feed, cattle are wintering well and the quantity of live stock on farms in the district is approximately the same as on January 1, 1919. Arrivals at the six markets in District No. 10 (Kansas City) in

January were 37,006 cars as compared with 37,694 cars in December and 44,134 cars

in January 1919. There was a decline of 12.7 per cent in cattle receipts as compared with the December record and of 14.9 per cent as compared with the receipts in January of last year, while 12.7 per cent more hogs arrived in January than in December, but the January total fell 30% short of the receipts in January, 1919. Fewer sheep came to the markets in January than in December but the January total was 14.4 per cent larger than a year ago. In District No. 7 (Chicago) it has been found that receipts of live stock at the principal markets during January show a decrease of 19 per cent as compared with the corresponding month of last year. Prices for cattle, beef and mutton declined compared with a year ago, while sheep and young lamb increased in price. There was a falling off of 15 per cent in hog receipts and a decrease in the price of live hogs. In Kansas City steers were about \$1.50 lower than a year ago, while feeder cattle were \$1.50 to \$2.50 lower. Lambs and calves maintained fairly high prices. Both in District 10 (Kansas City) and District No. 7 (Chicago) it is noted that meat packing operations have been materially slowed down on account of the export situation.

Arrivals of wheat have been smaller both in District No. 10 (Kansas City) and District No. 9 (Minneapolis), as well as in District No. 7 (Chicago). This has been partly due to difficulties of transportation. Inability to ship accumulated stocks from the elevators in the northwest has prevented grain from moving. In District No. 10 (Kansas City), although such difficulties have been smaller, the arrivals of wheat at principal markets were about 15 per cent less than in December, but about three times as great as in January, 1919. Much grain is now being held on the farms for higher prices. Activity at the principal flour milling centers has declined in District No. 10 (Kansas City) on account of the car shortage, while the same is true in District No. 9 (Minneapolis) and elsewhere. Wheat flour production in January, 1920, was however, 13,005,000 barrels as against 10,593,000 barrels a year earlier. This

continues the upward movement in the output of flour already noted in the February issue of the Bulletin.

The demand for iron and steel continues to be vigorous and many mills are sold far ahead. In District No. 4 (Cleveland) it is reported that pig iron buying during the past four or five weeks has been in "tremendous volume", and it is estimated by trade authorities that total sales during that period exceeded 1,000,000 tons. Consumers have bought ahead up to January 1, 1921. The advance in pig iron prices has ranged from \$3 to \$6 a ton. The Lake Superior iron ore market for the season 1920 has opened at an advance of \$1 a ton. Predictions are now being made of a season's movement of 60,000,000 tons. The unfilled orders of the United States Steel Corporation for January were 9,285,441, corresponding to an index number of 176, while for January, 1919, they were 6,684,268, corresponding to an index number of 127. Pig iron production was 3,015,181 tons for January, as against 3,302,260 tons for January, 1919, the corresponding index numbers being 130 and 143 respectively. In District No. 3 (Philadelphia) demand for iron and steel has been exceptionally heavy and manufacturers were recently operating to capacity. Weather difficulties have lately retarded their production and fuel shortage has been troublesome. Eastern Pennsylvania #2x pig iron a year ago was \$36.15 a ton, but is now \$45.35 a ton. All derived products of steel, including sheets, tin plates, bars, pipe, tubes, etc., have advanced very greatly in price. The demand for chain has been especially heavy, but prices have not advanced as rapidly as elsewhere. Sheet steel for use in automobile manufacturing has been in strong demand and the prices show an increase of \$21.00 per ton as compared with a year ago. In District No. 6 (Atlanta) there is great activity in the iron and steel industry and pig iron is selling from \$40.00 to \$43.00 per ton with no accumulation of stocks. The production for January, 1920, was slightly larger than for December, 1919.

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Coal production is reported by District No. 3 (Philadelphia) to have been 86,200,000 tons of anthracite in 1919, as compared with 98,826,084 tons in 1918. In January shipments for the nine anthracite carrying roads were 5,713,319 tons as compared with 5,638,383 tons in January 1919. The latter part of January and the first few weeks in February have been characterized by weather which has restricted production and the movement of cars. Shippers of coal have been embarrassed by having their money tied up in coal that has been confiscated. The bituminous output for January, 1920, is reported as 49,419,000 tons, corresponding to an index number of 133, as compared with 41,485,000 tons, or an index number of 112, in January, 1919. The index number for coke for January was 76, shipments being 1,982,000 tons, while for January, 1919, the index number was 92, with shipments 2,401,967 tons. In District No. 4 (Cleveland) it is reported that coal is going forward from the upper lake ports as fast as the railroads can handle it, and stocks will be low all around at the opening of the shipping season.

Petroleum production in the Kansas and Oklahoma fields for January was somewhat over 10,000,000 barrels, or about the same as for December. This was a gain of 96% over January, 1919. In Wyoming and Colorado current monthly figures are not obtainable, but reports indicate a good January output. The Wyoming production for 1919 averaged 1,147,750 barrels per month. There has been a decrease in stored stocks of petroleum, while a slight increase in the monthly production has taken place. A tendency to substitute oil for coal throughout the country is proceeding and increasingly severe drafts are being made upon the accumulated stocks of the product.

General manufacturing is very active all over the country, but in textiles there has been some decline as compared with December. In district No. 3 (Philadelphia) the demand for raw cotton has fallen off because mills are well supplied. A conservative policy as to purchases of raw material is being pursued. Cotton yarn manufacturers are well sold ahead and are bringing their mill production nearer to capacity, although there has been a slight falling off in the past thirty days. Prices are higher today than they were a year ago^{by} about 100 per cent in some cases. In district No. 1 (Boston) there is a disinclination on the part of mills to lay in raw material. The domestic yarn market is quiet and there is an "abundant tendency to caution". Cotton fabrics including the fine grades have lately been in less demand. There is a conviction that "prices have at last attained their maximum". Cotton goods manufacturers are running at capacity and export demand is fairly strong, while opinion as to prices is divided, some manufacturers believing that the peak has been reached.

Raw wool supplies of the finer grades are insufficient and little is being offered in the market. Woolen yarn manufacturers report an excellent demand and are operating their plants to capacity when they can get the labor.

Finished goods manufacturers in District No. 3 (Philadelphia) find their products so much in demand that they are obliged to allot the output among their customers. Good business is expected. In District No. 1 (Boston) woolen mills are running to their full capacity and claim to have no surplus of manufactured goods. Deliveries are being made promptly and there is some overproduction of overcoatings. The dress goods market is quiet.

Wholesale trade conditions are reported prosperous almost throughout the country. Wholesale dry-goods houses in St. Louis say that their sales in January 1920, were in many instances larger by 100 per cent than in January 1919. Their business was also larger than in December. The retail stocks are reported to be depleted. In Chicago, mercantile stocks are at a low ebb and wholesalers state that the decline in foreign trade has apparently not affected them much. Some jobbers report the largest bookings in the history of their business. They do not anticipate any decline in orders. Similar conditions obtain in many parts of the country. In shoe manufacturing producers have received heavy orders, but there is a dullness in the leather market, while the reduction of exports is believed likely to forecast a cut in prices to consumers. The demand for good grades of shoes, regardless of price, seems to continue. In the leather field sole leather continues dull and weak, while prices are not much changed. Declining quotations for hides have brought no corresponding movement in leather. Shoe price lists for the new season are higher than ever.

In spite of exceedingly high costs of building material, the intense shortage of accommodations is causing a great growth in building operations in many parts of the country. On the Pacific Coast an increase of nearly 30 per cent is noted as compared with December, while as compared with January of last year permits issued are nearly four times as great.

In the Southwest an even larger ratio of increase has been noted. On the basis of incomplete statistics District No. 10 (Kansas City) reports a relative increase of 467 per cent during the past year, while District No. 11 (Dallas) reports 839 per cent. Great building expansion in 1920 in the Southwestern part of the country is accordingly anticipated. In the Middle West permits issued have been far in excess of the corresponding month last year. In the East and Northeast, where the movement toward increased building started perhaps earlier than it did in other parts of the country, the growth is not always so noticeable, relatively speaking, but the activity is still considerably on the increase. Difficulty in obtaining deliveries of building materials have been severe. Scarcity of cars has prevented the movement of lumber and heavy building materials and the effect of this situation will be to restrict the early spring progress in construction.

Labor conditions are quite generally reported throughout the country as being in fairly stable position. The most unfavorable aspect of the labor outlook is the tendency reported from various districts toward restriction of output. Even in those cases, however, where this tendency is noted, the opinion is occasionally expressed that the effect of the restrictive policy in injuring those who practice it is beginning to be better understood. Scarcity of labor is noted in many districts, particularly in the agricultural regions, and as a result reduction in the acreage of farms and the output in some manufacturing lines is foreseen. An especially acute situation in farm labor is reported from the Southwest. In the Eastern manufacturing districts notable increases in the ^{number} ~~production~~ of men employed and in the advance of factories toward capacity production have occurred. In some specialized industries, however, either strikes or shortage of raw material have led to restriction of output, although such interferences

have not been extensive. Many plants which during the war were not able to bring more than a substantial percentage of their machinery into active operation have succeeded in getting much closer to total activity. It is noted, however, that even those plants which are running at full capacity are in some instances unable to turn out as much as in prewar days. From Cleveland it is reported that one large employer of labor finds that while the numerical strength of his staff has increased 11 per cent, the augmented force is producing 14 per cent less than the old force. On the Pacific Coast labor has been fully employed and unemployment during the winter months has been purely nominal. A fairly extensive telephone strike recently occurred, but apparently has not enlisted the support of a very large proportion of those subject to it.

During the month of February there was a continuation of the heavy demand for funds which had been characteristic throughout the country for more than 90 days. Advances in rates of interest, both for call and time money, and for commercial paper, carried the general cost of loan funds up to a figure probably in advance of any that had been recognized in the United States for some years past. Coincident with these advances in the cost of loan funds was a decline in the quotation of the best investment securities, while on the whole a shrinkage or contraction in the volume of trading in all classes of securities throughout the country was observed. In the opinion of some districts there were also indications of a reduction in the volume of speculation in commodities. The effects of the increase in rediscount rates at Federal Reserve Banks made themselves evident in a more conservative attitude on the part of banks in general with respect to industrial expansion and in the cutting of commitments on speculative account. From District No. 2 (New York) it is

reported that during the past thirty days there has been "a gradual reduction in bank loans *** more than two-thirds of which has been in the decline of loans secured by stocks and bonds. Since last October when bank loans at this District were at their highest point, they have declined 10 per cent". This contraction of bank credit was not, however, general throughout the country, but the reduction in New York was partially offset by an increase in other districts. A decline in bank deposits both in the financial centers and throughout the country generally, has occurred, a part of it being due to the withdrawal of Government funds. Very great difficulty in placing both commercial paper in satisfactory quantity and conservative investment securities, is reported by dealers. Some evidences of the transference of demand which would naturally be exhibited through investment institutions to commercial banks is also noted, and member banks have quite generally increased the scope of their demands upon Federal Reserve Banks. In the West and Middle West "money is in strong demand both in the country and in the city", while the movement of credit continues to indicate great activity. In District No. 4 (Cleveland) there has been little activity in the acceptance market, dealers are purchasing as few bills as possible, and credit accommodations are limited, although there is abundant money for "legitimate uses". On the Pacific Coast bank clearings have fallen slightly as compared with December, but are still far ahead of January, 1919. Interest and discount rates are firmer and the demand for funds is strong. In the South and Southwest borrowing is active, although a temporary check has been caused by advances in discount rates. This temporary setback is not expected to continue long, spring requirements necessitating a renewal of sharp demand for accommodation.

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There is evidence that financial and banking authorities all over the country are looking more seriously to the general situation in credit and are beginning to urge the adoption of conservative policies. Foreign exchange has suffered a collapse which carried rates down to the lowest level thus far recorded early in the month, after which recovery took place. Predicted reduction of exports has not been borne out by the Government figures for January which show an advance over December amounting to about \$50,000,000. A material cut in the amount of credit available for the support of exportation is taking place.

The general prospects at the close of February are favorable to an active, prosperous spring season in the principal manufacturing, wholesaling and retailing lines. Wages continue very high and labor in strong demand. Agricultural prospects are good and the curtailment in exports ^{due} to foreign exchange conditions, while undoubtedly beginning to make themselves felt, is believed by many to be beneficial to the consumer rather than injurious. A tendency to resist the advance in prices and some increase in care in purchasing are regarded as favorable symptoms. The credit and money situation continues strained and there is a ^{scarcity} of funds both for long and short term use.