

## 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 March, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Business and financial developments during the month of March have shown some confusion and lack of uniformity which indicates that the country is now passing through a transition stage. There has been a hesitation, if not an actual recession, of commodity prices, a slight but noticeable improvement in the bank reserve ratio, some relief of the barriers to transportation and distribution which existed during the winter months, and at the same time there has appeared to be some alteration in the point of view of the community with respect to extravagance and reckless purchasing. This alteration in point of view is by no means universal, but Federal Reserve agents report very considerable difference of attitude on the part of the public. The change, whatever it may be in character and scope, is, however, very conservative and moderate and there is no appreciable letting down in the volume of legitimate business. The outlook for the spring season, both industrially and agriculturally, is excellent, the chief modifying factors in the situation being inadequacy of labor supply and shortage of various kinds of materials as well as of borrowing facilities of banks.

The present character of the outlook is summarized by Federal Reserve agents as follows:

In district No. 1 (Boston) "industrial conditions . . . have undergone no marked change since . . . a month ago. Evidences of deflation which were so numerous and pronounced in February . . . are not so conspicuous in the surface

indications of March", but "nothing has occurred to indicate that the influences referred to have ceased to operate." A factor of great importance in this matter is the "backing up on this side of the Atlantic of American goods manufactured for export." It is predicted that the "drop in prices which is admittedly inevitable, will set in before another winter season and that it will become only gradually perceptible."

In district No. 2 (New York) "the activity of the stock market, together with the prospective demand for funds for tax payments was reflected in a rise in call money rates Friday, March 12, to 15 per cent, but following the payment of taxes, rates eased off gradually to 7 and 6 per cent." Time loans, which <sup>have</sup> been practically unobtainable at from 9 to 10 per cent on all-industrial and 8 to 9 per cent on mixed collateral, with lenders in most cases demanding payment of maturing obligations, have lately been renewed more freely at 8 per cent on mixed collateral and  $8\frac{1}{2}$  per cent on all-industrial, but little new money is forthcoming.

In district No. 3 (Philadelphia) "trade has been fairly brisk and somewhat ahead of last year in so far as the volume of business in dollars is concerned." Nevertheless, it is to be doubted whether the "actual bulk of the sales is as large". Moreover, "objection is raised to price increases" and there is further "a partial shifting in demand from luxury goods". Prices do not yet show signs of a decline, however, and little hope is held out by retailers in that regard until the fall season is past. The most noteworthy feature is the increasing indisposition of the public to pay the exorbitant prices for consumable goods.

In district No. 4 (Cleveland) it is found that "conditions are rapidly changing" and that there is "possibility of curtailed production" which calls for "proper remedial measures".

In district No. 5 (Richmond) domestic business is good, but "exporters

report marked depression". Reckless buying by the public continues and there is no general lowering of prices, but "there is an undercurrent of uneasiness and uncertainty in commercial circles". Buying is almost entirely for immediate needs and not for future delivery.

In district No. 6 (Atlanta) there has been no material change in the general economic situation, but sales show a large increase in value, although probably not in amount. While there has been some disposition to place fall orders, this is being discouraged because of a belief that prices will decline, and this fact tends to produce some conservatism.

In district No. 7 (Chicago) extravagance continues unabated and is tending to stimulate inflation by swelling profits to the extent that manufacturers of luxuries are undisturbed by advances in discount rates, while the latter bear heavily upon those who are working on a narrow margin. There are accordingly conflicting reports concerning the general outlook.

In district No. 8 (St. Louis) there is an increasing "spirit of conservatism" and business men "are proceeding with greater caution," while the public at large is "making its purchases with a greater measure of discretion". It is believed that the "peak of high prices has been passed". Nevertheless there is an undertone of confidence in the firmness of the present industrial situation.

In district No. 9 (Minneapolis), while there is great difficulty in getting goods, there is expected to be heavy demand for farm machinery and there is already unprecedented demand in mechanical equipment for farms. The credit situation is satisfactory.

In district No. 10 (Kansas City) spring trading is vigorously under way and there is an effort to increase output in the belief that that is "after all, the real solution of the abnormally high prices". There is a quickening of industrial energy, and business is strong and vigorous; but in the tenth district, as elsewhere, speculative buying has been largely eliminated,

prices are slightly easier and there is an increasing tendency to buy for immediate wants rather than for future delivery.

In district No. 11 (Dallas) there has been a "slight recession from the high wave of commercial and industrial activity" and this has been accompanied by a "moderate reaction in the public and retail buying movement", while in the field of prices there is a "more pronounced tendency towards an equilibrium." Luxury sales are tending to fall off and both merchants and the public are disinclined to increase their commitments pending further developments.

In district No. 12 (San Francisco) the industrial outlook is prosperous but both retail and wholesale trades report decreases during February as compared with January, these being attributed to seasonal slackening of business. Many stocks of goods are depleted on the Pacific Coast and it is believed that great activity will be necessary in order to restore them.

The opening of the spring season has given an impetus to the agricultural side of activity and is rendering the farmers' problem for the coming season considerably more definite than heretofore. In the southern states cold weather has somewhat retarded the preparation for the new crop season and in the Atlanta district has impaired the early fruit and vegetable outlook. An increase in the value of farm lands throughout the district during 1919 is estimated at 20% to 25%, bringing them up to about double the value of five years ago. Prices of agricultural products, especially fruits and cotton, are very high, a fact which partly makes up for shortened output due to unfavorable weather. Pasture is in relatively bad condition, being only about 79% as compared with 85% last year. In the northern part of the district the condition of small grain crops is unsatisfactory. In the 11th district (Dallas) the condition of winter wheat was 75% as compared with the corresponding date last year, and a decrease of 900,000 acres as compared with 1919 is reported. Preparations for the cotton crop are well under way, an early start having been made to avoid insect damage. The <sup>cotton</sup> crop will be 15% larger than in 1919.

The movement of the old cotton crop out of the district is proceeding at a normal rate with the exception of the inferior grades which are moving slowly. In the 12th district (San Francisco) there is a material improvement predicted for agricultural output in 1920; although rainfall is still thirty to sixty per cent below normal. Rice, bean, and sugar beet acreage is being reduced, and shortage of water is likely to cut down the spring acreage in general. The fall wheat crop will average about 70% of normal. In the irrigated sections of Idaho, Nevada and Utah, the yield will be only about 80% of normal. Range conditions, however, are favorable throughout the district. In the middle west soil conditions are very promising for the reason that the winter, although cold, showed less fluctuation in temperature than usual. The wheat crop, however, has suffered deterioration. An important increase in product per acre is reported and is attributed in part to the high prices of land. An increase in the prospective acreage of corn is noted but high wages for farm labor militate strongly against the very great extension of operations. In the 8th district (St. Louis) the agricultural outlook is good with the exception of winter wheat which has been injured or killed in some sections by alternate freezing and thawing. Farm work is behind. A good deal of acreage plowed for wheat last fall will be planted to corn. Preparation for the planting of the cotton crop has been delayed by unfavorable weather. The acreage of oats will be about the same as last year. Low prices for tobacco have caused complaint but a larger acreage is nevertheless being planned. District No. 9 (Minneapolis) reports that the spring agricultural outlook is favorable. The condition of the soil and the water conditions of the district are regarded as particularly encouraging, looking to a good crop. The states of Minnesota, North Dakota, South Dakota and Montana, producing the bulk of northwestern wheat, undoubtedly will show a decrease in the wheat acreage this year due to the high price of farm labor, which as reported from 65 local points has advanced 73.4 per cent since 1914, and due also to the

scarcity of good seed wheat. The natural letting down after the extraordinary crop production efforts during the war is also a factor. A probable decrease of at least ten per cent will reduce the acreage this year to approximately 15,000,000 acres, which on the basis of average production, indicates a loss of from 20,000,000 to 22,000,000 bushels on the 1920 crop. Winter wheat prospects in this district are fair to good. Some wheat in Montana was winter killed, but the amount is not greater than the normal loss. The winter wheat acreage, however, is somewhat less than a year ago. Some shrinkage may be expected in other grain crops, but it is too early to estimate what this will amount to. There is every prospect, however, that the acreage loss will be offset by better crops than have been harvested for the last two years, due to improved soil conditions and better moisture.

In the tenth district (Kansas City) mild weather has afforded an excellent basis for plowing and preparation for spring planting and farm work is well under way. Sporadic reports of a pessimistic and discouraging nature have appeared, but the statements of the secretaries of agriculture throughout the district are more encouraging. Wheat conditions are said to be generally optimistic, especially as to winter wheat. The planting in Colorado and the adjacent district was about 91% for winter wheat and winter rye as compared with 1918. Winter wheat conditions in the same region are about 90% of normal. In Missouri wheat conditions are poor, and are exceptionally low in Oklahoma, the per cent there being tentatively estimated at 55%. Planting for the cotton crop is well under way and the acreage in Oklahoma, Missouri and New Mexico seems to show an increase. Corn acreage also shows an increase throughout the district, especially in Oklahoma. In beet growing a large increase in acreage is anticipated. On the eastern seaboard the season is still too early to permit definite forecasts. In the fifth district (Richmond) cold weather and a long wet season have made truck crops late and poor, and farming operations are two or three weeks late. High prices for products and great shortage of labor are

encouraging intensive cultivation and active demand for fertilizing. Tobacco prices are lower, due to shortened exports, but the great success of the tobacco crop of 1919 leads to the forecast of a greatly increased acreage in 1920.

Farm and range livestock conditions are reported decidedly good. In district No. 10 (Kansas City) it is found that farm and range livestock fared well during January and February. The mild weather of the late winter helped pasturage conditions. A similar report comes from district No. 12 (San Francisco) where the open winter has prevented much loss of livestock and has assured sufficient feed for the summer season. In the 11th district (Dallas) grass-fattened steers have begun arriving at the central markets, but the movement is still slow. Range conditions have been unusually good and the market was better supplied with animals during February than a year ago, except in the case of hogs which showed a decline. Receipts of cattle at fifteen primary markets during February are reported as 1,068,092 head, corresponding to an index number of 114, as compared with 1,400,031 head during the preceding month and 1,096,118 head during the corresponding month in 1919, the respective index numbers being 114, 139, and 116. Receipts of sheep during February were 948,116 head as compared with 774,881 head a year earlier and 1,035,591 head during January, 1920, the respective index numbers being 74, 61, and 76. Receipts of hogs show a change from 3,912,449 head during January 1920, to 2,440,154 head in February, corresponding to index numbers of 178 and 119, respectively. Receipts in February, 1919, amounted to 3,451,894, the index number being 168. From district No. 11 (Dallas) it is reported that at the Fort Worth yards a falling off of about 16% in receipts of cattle occurred in February, 1920, as compared with January, with a somewhat corresponding reduction in the case of calves and hogs, while sheep increased about one-third. In the tenth district (Kansas City) the movement of livestock to the six principal markets for February totalled 25,643 cars, as compared with 37,006 cars in January, and 31,422 cars



in February 1919. Receipts of cattle were 31% less than in January and 13% below February a year ago. Receipts of calves showed a loss of 19% from January. Arrivals of hogs at the markets in February were 38% less than in January and 40% less than in February, 1919. Receipts of sheep were heavy, being about the same as in January and 35% larger than a year ago. In the 7th district (Chicago) for the four weeks ending March 13, receipts of cattle were 208,881, as compared with 222,731 a year ago, while receipts of hogs were 616,104, as compared with 785,409 a year ago. Calves and sheep, however, showed some increase. As against the light receipts it was noted that the month of February showed a decline of prices for all grades of cattle, although there was improvement in the first week in March. Hog prices which at the beginning of February were \$14.85 to \$15.15 on bulk sales, were forced down about a dollar at the end of the month, but during the first week of March bulk sales were back to very nearly the opening figure for February. Sheep and lambs were slightly higher than a year ago.

In flour milling district No. 10 (Kansas City) reports indicate a very satisfactory month for February. At Kansas City, Omaha, and 88 interior mills in Nebraska, Missouri, Oklahoma, and Kansas, the total output for February was 1,535,078 barrels, as against 955,333 barrels in February 1919, but the output was the smallest for three months past. Orders appeared to fall off during the month, and February reports showed declines in the price of all grades of flour, amounting to about one dollar a barrel. Western flour millers are to some extent recovering their foreign trade.

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The iron and steel industry has shown a continuation of its great prosperity, being booked up far ahead. The demand for pig iron is very strong and prices have advanced, but it is reported from District No. 3 (Philadelphia) that there is great difficulty in securing adequate transportation. Producers find it hard to obtain deliveries of limestone, coke, and other materials, as well as to ship the finished product. Producers are beginning to hesitate in taking new orders and are opposing the new advance in prices. The demand for steel castings is increasing and prices are rising. Plants engaged in the production of bars, shapes, structural steel, etc. are slightly below capacity although operations are larger than a year ago. Prices are moving slightly upward. In district No. 6 (Atlanta) it is expected that the works will be operated at full capacity for a long time to come. Business is pronounced excellent and the outlook for continued activity very satisfactory. Labor conditions are good. Pig iron is selling around \$42.00 a ton. Labor costs in all districts have increased enormously. This is reported as being particularly true in hardware lines. In the North Michigan and North Wisconsin iron mining region conditions are at the usual seasonal standstill, awaiting the opening of lake transportation. In district No. 4 (Cleveland) conservatism on the buying side has grown rather more pronounced in iron and steel. The market has assumed a more composed and stabilized appearance and some of the wide fluctuations in prices are tending to be levelled off. Fundamentally, however, the situation is as strong as ever and there is an underlying shortage of tonnage. Car and fuel shortages have been a predominating factor. In the Pittsburgh district some companies have been accumulating

finished products at a rate of about 25% of their output. There is a large shortage of sheet and tin plate. In some places this accumulation really amounts to a congestion. The railroads have been buying heavily of equipment and it is estimated that at one time within the past few weeks orders for 30,000 cars were under negotiation. The steel industry is disposed to develop the railroads. Automobile buyers of iron and steel have not shown the general caution of other buyers but have bought wherever they could and have paid any price that was asked. The structural steel awards in February were the largest since June, 1918, totalling 171,000 tons, or 95% of capacity. The pig iron market has entered a period of quieter<sup>buying</sup>. The situation apparently is a natural development arising both from the sold-up condition of the furnaces and the well covered requirements for months ahead of many consumers. Statistics compiled as of March 1 show that the merchant furnaces of the country had on hand unfilled orders approximating 5,000,000 tons, and that shipments and production during February were slightly in excess of 600,000 tons. The marketable pig iron capacity of the country apparently therefore is booked full at the present rate of output to November 1. While there have been some irregularities in pig iron prices as compared with some of the maximum figures recently prevailing, these have been of a local or special character and there has been nothing in them to suggest a weakening of the market.

Among the non-ferrous metals, zinc and lead have been heavily shipped from district No. 10 (Kansas City), but the price of zinc was about \$4.50 lower than in January, the average price paid being \$51.21. Calamine shipments have also increased, while lead ore has been in demand at higher prices than last month. The problem of moving the ore from the district,

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however, is very difficult on account of the car situation. In the Colorado metal mining region labor conditions have been improving and new operations are being started, especially in the silver mining sections.

Coal output is still seriously hampered in some districts by shortage of cars, but production is gradually recovering. This is especially true in the third district (Philadelphia). Many consumers have suffered from Government diversion of fuel. No decline in bituminous prices is expected as there is at present a considerable shortage. The anthracite situation is complicated by discussion of a new wage agreement with the miners on April 1. The prices are still trending upward. The production of anthracite is not capable of rapid expansion. Shipments over the principal coal carrying roads during February were 4,913,664 tons, as compared with 5,713,319 tons in January and 3,871,932 tons in February a year ago. In the 6th district (Atlanta) coal output is still below normal. The output for February was 1,251,430 tons, as compared with 1,683,331 tons in January. Coal mining operations in Montana are practically on a normal basis. In district No. 4 (Cleveland) the coal situation is very chaotic on account of the lack of transportation. In the Pittsburgh district mines have been able to produce only about <sup>57%</sup> of capacity. Manufacturers are making great efforts to increase their stocks of coal, which were depleted during the strike, but operators are refusing to make contracts beyond April 1 until they have been advised of the terms of the award of the coal commission. They say they cannot make new contracts until they know what total wage increase will be and what portion of that increase they will be permitted to pass on to the consumer. Coke production is increasing with the better movement of cars. Connellsville district output is greater than for some time past.

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Taking the country as a whole, production during February was 40,127,000 tons, corresponding to an index number of 116, as compared with 49,419,000 tons, corresponding to an index number of 133 during January, and 31,566,000 tons, corresponding to an index number of 91 during February, 1919. Anthracite coal shipments during February were 4,913,654 tons, as compared with 5,713,319 tons during January and 3,871,932 tons during February, 1919, the respective index numbers being 94, 102, and 74. Coal prices are everywhere uncertain on account of the doubt as to the adjustment of labor controversies and the possible effects of the findings of the President's coal wage commission.

In petroleum, the 10th district (Kansas City) reports an output for Kansas and Oklahoma at about 9,500,000 barrels for February, as against about 8,500,000 barrels for February, 1919. There was also an increase over January. Development work resulted in a slight increase in completed wells and some increase in daily new production, it being estimated that about 1,000 barrels of new output resulted from February work. There has been a great increase in oil prices due to the growing demand for the product and the knowledge that production is still short of demand. Refiners are eagerly competing for supplies. Crude oil is now bringing in district No. 10 (Kansas City) \$2.50 to \$3.50 a barrel. Kansas crude oil at the end of February was selling at \$1.25 more than in December and an additional 25¢ a barrel was made early in March. The oil leasing bill enacted by Congress is expected to result in great development. Refineries are doing all they can to increase production. It is predicted that some of the larger ones will be able to double their daily output before the end of this year.

Extremely interesting conditions in textile production are reported. In district No. 3 (Philadelphia) the demand for cotton has fallen off and free buying from abroad has been checked by low exchange. Manufacturers of cotton goods are running nearly to capacity. Orders on hand will maintain operations for a few months but there has been a falling off in activity. In district No. 1 (Boston) nominal prices and a market only fairly active in cotton have prevailed. Mills have been well stocked up and recent demands have been due to manufacturers whose supplies have been running short. Manufacturers of goods report a continued slackening in demand, partly due to freight conditions. In the finer fabrics the slackening, if it exists at all, is much less noticeable. Attempts to buy for early fall delivery are proving somewhat embarrassing. It is believed that the cost of materials and supplies has reached its high level, but that any decline from present prices will be gradual.

In the knit goods market high prices and the agitation for reductions have tended to cut down output. Prices, however, have not declined, but the demand for fall underwear is diminishing and hosiery buying has fallen off. Prices for all hosiery, however, are about 20% to 25% above a year ago. In woolens, manufacturers are fairly well stocked with raw material. In the 3rd district (Philadelphia) and high money rates have led to a postponement of purchasing. Prices of fabrics are firm at levels much higher than a year ago. There is a difference of opinion as to the prospects, some predicting an increase, others a decline. In the 3rd district an advance is thought possible. Mills are operating to capacity. Stocks of woolens and worsteds are small and as a result no material change in

business is expected for the next few months. From district No. 1 (Boston) it is reported that wool dealers have very small stocks of high or medium grades, but many have an oversupply of low grades for which there is practically no call. Business in the lower grades is dull and the future is a matter of considerable anxiety. Mills report a slackening of demand. It is predicted, however, that the goods coming on the market to be made up into clothing for the fall and winter of 1920 will be 25% higher than the same class of goods has been recently. Manufacturers, however, state that the peak of prices has been reached, which means that relief for the consumer will be deferred until the goods now being made have been absorbed.

In the clothing trade there is a marked tendency on the part of the public to make old supplies go further and to refuse to pay the excessive prices that are being charged. Demand is accordingly declining. Many manufacturers are, however, running at full capacity, but they have difficulty in securing supplies of cloth and other raw materials. Merchants show little disposition to cancel orders, and insist on complete shipments. Medium and lower grades are in relatively small request.

The wholesale drygoods trade is in large volume and in district No. 8 (St. Louis) some houses report as much as 50% increase in the value of sales over last year. The placing of fall orders has, however, been discouraged by wholesalers, as they believe prices may decline. In district No. 7 (Chicago) wholesale business is holding up very well but, as in other districts, buyers are conservative in making commitments. In the South, increases in prices are reported and deliveries are rather better, but here again there is a more conservative policy in trade buying. The volume of wholesale trade is larger, owing to the existence of higher prices. The percentage of increases in February as compared with January ranges from 4% to 15%, according to different lines affected. In district No. 3 (Philadelphia) business is about stable. There is some falling off in frenzied buying, both in wholesale and retail lines. From district No. 1 (Boston) it is reported that the volume of wholesale drygoods disposed of in February was about the same in amount as a year ago, with prices about 25% higher than in 1919. Prices are about the same as last month, however, and no material drop is expected until autumn. There is a considerable scarcity in men's furnishings. Collections are slightly less satisfactory, but no failures have occurred. Wholesalers are holding off in placing their fall orders in order to see whether present prices will be sustained.

In leather and shoes it is reported from district No. 1 (Boston) that there has been a slackening of demand which has affected hides, leather, and shoes themselves, although in the finished product there is some difference of opinion, a number of houses reporting about stable conditions. Shoe retailers, however, are holding off on their fall orders



because they expect a reduction in prices. Some manufacturers report an oversupply of manufactured goods. In hides "it now looks as if prices were on the bottom and an advance is looked for from time to time". In sole leather production is about the same as six months ago. District No. 3 (Philadelphia) reports that tanneries are operating at capacity but that leather prices will not be affected for a good while to come. New business offered during the past month has been small in volume. Shoe conditions in Philadelphia are conflicting. Demand has been good heretofore but some manufacturers find that consumers are avoiding higher priced goods. Eastern buying has become somewhat slower but western and southern demands are still strong. The supply of labor is not sufficient to enable full time production in many plants.

The employment situation has been on the whole satisfactory during the month of March, at least as compared with recent months. Wages have been very high and tending to rise, but the total volume of employment has been large and mills have been operating nearer to capacity than heretofore. In the middle west it is complained that labor is inefficient and that there is too strong a desire for short hours, accompanied by poor service, with a corresponding reduction of output. The amount of payrolls as compared with a year ago is greater, although the number of men employed is less. In the middle west there is a comparatively small amount of unemployment. In the southwestern agricultural regions the supply of labor is relatively scanty and the same is true in the grain regions of the west and northwest. In fact, the labor shortage in agricultural operations throughout the country appears to be critical and is only partially relieved by the application of machinery on a larger scale than heretofore to farming. On the Pacific

Coast labor is fully employed, except possibly around Seattle, and there is the same shortage of farm labor as elsewhere. The number of strikes, with accompanying unemployment, is small throughout the country. Average earnings continued practically at the peak in the eastern manufacturing districts. Commenting on the drift away from the farm to the cities, the Federal Reserve Bank of New York remarks that "the competition of the industrial centers for labor is depleting the supply of farm workers, and the younger generation is leaving the farms for the supposedly wider opportunities offered by the city. An investigation made recently by Professor G. F. Morgan, of the New York State Agricultural College, and John B. Shepard of the United States Bureau of Crop Estimates, shows that the number of persons on New York farms decreased 3 per cent in the period between February 1, 1919 and the same date in 1920, while the number of hired men decreased 7 per cent. Basing their figures upon data obtained from more than 3,000 farms, and applying these figures to the entire state in the same proportion, the estimates show that during 1919, approximately 35,000 men and boys left agriculture for other industries, while in the same period only 11,000 went from other industries into farming."

The building situation the country over has continued about unchanged, although it has if anything become slightly more critical than heretofore. In the eastern industrial centers the movement of labor from the farm to the city has created a very sharp demand on all possible housing facilities, a situation which has been peculiarly aggravated in New York City and in industrial cities in the middle west. Building permits continue to increase in many parts of the country and there is a substantial volume of building, but capital hesitates to go into this form of enterprise as freely as it otherwise would do on account of the unfavorable conditions of taxation.

The existence of controversies in the building trades not only as between labor and capital but as between different branches of labor, appear to result in preventing progress and full employment even where no actual strikes or labor disputes of the standard type are in progress. Despite the effort to meet the urgent necessities of the case the country as a whole has made comparatively little progress toward providing for catching up with demand in regard to house accommodation. Much the same is true with respect to shortage in industrial building.

While there has been a considerable variation in rates of money for call funds during the month of March, the tendency has been strongly in the direction of greater ease. The release of income tax instalments has undoubtedly tended to relieve the situation to some extent, and while rates on commercial paper and for time funds have continued high, call loan rates have materially fallen off. The demand for commercial accommodation at most of the banks has been strong, but in some cases it has tended relatively to sag off a little as due to slowness in the opening up of the spring season. In some districts it is noted that commercial firms are not quite as liquid as they have been in the past, although this can hardly be said to be a general condition. In the middle west demand for money for commercial purposes has been very heavy, borrowers being willing to pay almost any rate for accommodation. Collections have been good and business failures low, while the movement of credit is extremely active. Clearings have been large, taking the country as a whole. Applications for land contracts have in some parts of the country created temporary and local stringencies. In the southwest, collections are not as good as they have been, partly due to unfavorable weather conditions; but the demand for money is very strong. Loans and investments are on the increase. In the 11th district (Dallas) there has been some fall in cash reserves, but the volume of war paper carried

has declined. Clearings have been very large in that part of the country, while discount rates have tended to increase. On the Pacific Coast there has been a slight decline in the volume of financial activity but there, as elsewhere, interest and discount rates have tended to become firmer, the prevailing rates being 6% to  $6\frac{1}{2}\%$  in the industrial centers, and around 8% in the agricultural regions. In New York an unusual amount of stock market activity has been manifested. Daily sales after the first week in March averaged well over a million shares, and on two occasions the total fell just short of two million shares. Prices of the active speculative stocks advanced 50 to 100 points or more, while a general average of twenty-five industrial stocks rose 22 points from a low level of 101 reached in the second week in February to 124, or only 3 points below the highest price average of the year. Twenty-five railroad stocks on March 20 averaged 10 points above the lowest prices on record for this group, which had been reached during the February liquidation. The passing of the March 15 tax payment period with a minimum of strain and the increased supply of credit made available by certificate redemptions were important factors in enabling the market to maintain its rapid forward pace up to the close of the period. February stock sales aggregated 21,729,000 shares. This is the largest total on record for the month since 1905, and represents an increase of 2,075,000 shares over the January total, but is approximately 2,000,000 below the figures for December.

The general trend of bond prices has been upward during the past thirty days, amounting to an <sup>advance</sup> of approximately 2 points in the average of 40 listed issues from the record low levels reached during the second week in February. The average, however, is still roughly 2 points below the high point of the year established in January and approximately 6 points below

the price level at this time last year. Practically all classes of bonds suffered a temporary setback during the period of money stress in the latter part of February. Liberty issues showed the sharpest reactions at that time, establishing new low records for the  $3\frac{1}{2}$  per cents, the first and second 4 per cents, and both Victory issues. With the passing of the acute stage of the money strain, these issues have made substantial progress in recovery. New corporate financing has been very heavy. The foreign exchanges have shown a much greater power of self support and are more stable than during the month of February. Export trade has fallen off somewhat, due to the fact that bankers have in some measure withdrawn the credit which had previously been made available. Spring requirements are beginning to call into play the resources both of member and of Federal Reserve banks in the agricultural regions, and the pressure upon them for <sup>the</sup> meeting these demands may be expected to increase from this time forward.

Production conditions the country over give every reason for encouragement with reference to actual industrial and agricultural potentialities. The crop outlook, so far as can be judged at this season, is hopeful. There is a substantial degree of harmony between capital and labor, as indicated by the small amount of unemployment and labor controversy now in existence. The difficulties in sight are due to conditions of relative underproduction or decrease of production resulting from lessened activity of capital and labor, problems arising out of heavy taxation, and measures resulting from the one-sided working of present tax laws, while financially speaking, caution and conservatism are called for, and the efforts to restrict the volume of credit which have thus far been made have been only partially successful. As a result, high interest rates and

relative scarcity of funds will continue to prevail during the period in which the country is endeavoring to extend its productive facilities and to overcome the relative loss of progress resulting from war limitations upon investment and production.