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Current Business Situation

Statements have recently appeared in the press to the effect that the volume of business is now at the lowest level since 1925. There is much to support this view - it is a view, for few statements which cover the total volume of business can be considered as facts, when as at present the various phases of business show different trends.

Volume of trade

Freight car loadings have been smaller in recent weeks than in either 1925 or 1926 and not far different from those of 1923. Much of the decline is due to reduced movement of coal and to the later marketing of wheat, but daily average loadings of all classes of commodities were somewhat smaller in July than in the same month last year. Furthermore, adjusted indexes declined between June and July for all groups except merchandise l.c.l. and that remained unchanged. Wholesale trade figures are not yet available, but the value of sales has been smaller than a year ago in every month of the year, owing partly to lower prices, and it is probable that the July figures will tell the same story. Department store sales for July, unadjusted, were smaller than in any month since July, 1924. Five Sundays had something to do with this and lower prices may have been a factor here also, although to a much smaller extent than in the case of wholesale. After these allowances, however, it is significant that the usual year-to-year growth in department store sales has been absent this year.

Employment

Reasons for this indicated decline in retail trade may lie in the reduced volume of factory employment and pay rolls. The employment index declined from 92.4 in June to 90.7 in July and the pay rolls index from 105.8 to 101.1. These

are at the lowest levels since 1924, and this would continue to be true if a couple of points were added to each figure as an allowance for the downward bias apparently inherent in the index. There are evidences of reduced employment in other lines. The strike in the unionized coal fields serves only to select which workers shall be without jobs, for were there no strike, bituminous coal production would probably not be much larger than it is. Anthracite is considerably depressed with production at practically the lowest level on record, except during strikes, and a large number of workers in the anthracite mines are employed for only a few hours a week. Active building still furnishes employment for a considerable number of workers, but probably fewer than formerly, owing to the decline in the construction of buildings. Construction of engineering projects, such as roads, dams and bridges, in which there has been an offsetting increase, requires more machines but fewer workmen. Skilled building mechanics, such as carpenters, masons, and plumbers, are not needed to any appreciable extent on such jobs. It is also probable that requirements for agricultural labor have been less than usual this year, owing in part to lateness of the crops and in part to increased use of combines (harvester-threshers) in handling the wheat crop. Utilization of these machines has expanded rapidly in the past two years throughout the wheat belt. Information regarding employment outside of manufacturing, however, is inexact, and statements must be based entirely upon not always trustworthy impressionistic reports.

Production

Daily average output of industrial products during July was in smaller volume than in any month, except last December, since the summer of 1925, according to our unadjusted index. The adjusted index for July was apparently about the same

as that for last January. Most of the recent decline has been in minerals, the index for which is now at the lowest level since early in 1926, when the anthracite strike was in progress. The output of manufactures showed a little more than a seasonal decline in July, the adjusted index dropping from 108 in June to 107, which is the same as that for July, 1926. In thirteen out of the past twenty-four months this index has been between 107 and 109, in six^{months} higher and in five lower.

The decrease from June was due largely to reduced output of metals, automobiles, and food products. Iron and steel production has been considerably curtailed recently and was smaller in July than in any month since 1925. Zinc output was also the smallest in two years, while copper production fell below all records since 1924. Animals slaughtered and flour and sugar output, according to preliminary data, also decreased in July, after allowances for seasonal variations, and, except for sugar, were in smaller volume than a year ago. Cotton consumption showed a slightly greater than seasonal decline in July but continued larger than ever before for this season of the year. Silk deliveries remained practically unchanged. According to employment figures and press reports, the leather and shoe industries continue active. Production of lumber, cement, and glass increased in July, but only that of cement was larger than last year.

July figures for automobiles show another decrease in output, production of new models by several companies being offset by a further reduction in output of Fords which, I understand, was practically negligible. Weekly Detroit employment figures up to August 16 do not indicate any resumption of operations.

Summer slump which has been absent this year. As I discuss in iron and steel section during the latter part of July, 1926, and was pronounced in August.

Agricultural outlook

Farm income, as estimated by Mr. Wall, will apparently be about three-quarters of a billion dollars larger than last year, which will make it the largest for any year since 1920. The cotton, wheat, and cattle areas are responsible for the increase, while in the corn and hog belt there will probably be a reduction in income as compared with last year. This factor should be a counteracting influence to the recession in industrial wage payments. It may be partly instrumental in bringing about some improvement in industry during the autumn months.

Prices

Prices have been summarized in another memorandum. In general, it seems that agricultural prices are rising, and a moderate continuation of this advance, according to Mr. Wall, may be anticipated, although no material increase is likely. With the upward movement in prices of cotton, wool, and leather products, which are affected by their agricultural raw materials, and with the turn more recently in nonferrous metals, not so affected, the decline in industrial prices has apparently ceased. Iron and steel, coal, and petroleum, however, continue weak, and there have been further reductions in prices of building materials. An upward trend in the general level of wholesale commodity prices is not yet clearly defined.

The situation in August

Figures for August will make an unfavorable showing as compared with the same month of 1926. Last year in August there was a marked recovery from the mid-summer slump which has been absent this year. An increase in iron and steel activity began during the latter part of July, 1926, and was pronounced in August.

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At present steel mills are no more active than at the end of July nor are orders showing any improvement. Resumption of operations in the Ford plants will remedy this situation eventually, but that hasn't yet begun. This makes a different situation in automobiles this year as compared with last when production increased sharply in August and was largely responsible, indirectly through steel as well as directly, for the upward spurt of our production index. Freight-car loadings for August will likewise be much smaller than a year ago. Building contracts for the first two weeks of August were as large as in the corresponding period of 1926, although slightly smaller than in 1925. Last year during the latter part of August awards were unusually large, making the total for the month exceed previous records. It would be only fortuitous if that should be repeated this year.

over the year for all things except automobiles and that remained unchanged. Wholesale trade figures are not yet available, but the index of prices for non-durable goods a year ago in every month of the year, except in July, is lower than it is now. It is probable that the only figures will tell the story of a general store strike for July, manufactured, were smaller than in any month since July, 1926. This strike had something to do with the low index which may have been a factor here also. Although in a much smaller way than in the case of wholesale, after these allowances, however, it is significant that the year-over-year growth in Department store sales has been about 10 per cent.

Employment

Reports for this indicate declines in retail stores may be in the way of a return of factory employment and, finally, the employment index declined from 101.8 in June to 101.7 in July and the pay rolls index rose 105.8 to 101.1. These