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Current Business Situation

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The volume of business activity this autumn may be said to exceed all previous records and offers a contrast to the situation a year ago when business recession was in process. Inadequate data is yet available for October, but the volume of production continued to be large during the month, and the final records will probably show about the usual seasonal increase. Freight-car loadings increased by more than the usual seasonal amount in October, with especially heavy shipments of miscellaneous commodities. Department store sales, after adjustments for seasonal variations, declined considerably from the unusually high level in September and were in practically the same volume as a year ago. The weather during October, in contrast to that in September, was not generally favorable for department store trade. The general level of prices, according to our weekly index, has been declining since the middle of September owing chiefly to decreases in agricultural commodities. Prices of industrial products have been stronger than at any time in the last year or two, reflecting the influence of large demand and relatively small stocks.

Production—The output of manufactured products, which was larger in September than in any previous month, continued large in October and was accompanied by increased factory employment and payrolls. Production of iron and steel was unusually active for the season in September and October. The demand for steel products was maintained chiefly by automobile, structural, and general buying up until October, and recent activity has been based largely upon specifications for these accounts. Toward the end of October, there were reports of some recession in steel buying and in mill activity, owing chiefly to seasonal cessation in ordering by automobile producers. More recently, however,

railroads have begun to order rails in rather large quantities and the immediate outlook for the industry has improved somewhat. Daily average output of automobiles, on the basis of preliminary figures, declined from nearly 20 million in September to approximately 15 million in October. This decline is somewhat larger than customarily occurs at that time, but the October output remained unusually large for this season of the year. It is reported that Ford production, which was at the rate of 5500 cars per day at the end of September, has by now been increased to about 6000 cars per day. It is likely that this producer will continue to increase his output even during the usually slack winter season, but other manufacturers are undoubtedly curtailing production at present. It seems to be generally expected, however, that they have large schedules for 1929 and active operations by practically all producers will begin early in that year. If this is true, an oversupply of automobiles may be expected before next summer and some recession in the industry will probably take place in the last half of 1929.

The output of bituminous coal and copper continued to increase by more than the usual seasonal amount in September and October, while the production of petroleum and anthracite coal remained about the same. The copper situation is particularly strong, with stocks at the lowest level in several years and prices, both for domestic and foreign sales, continuing to advance. The excess bituminous coal stocks that existed a year ago have been worked off and production in the next few months will be relatively normal in volume.

There were also increases in September in the textile, meat-packing, and tire industries. Lumber production, which continues at a lower level of activity than in 1927, decreased somewhat from August to September, but did not show

the usual seasonal decline in October.

Building contracts awarded, after declining in volume for three months, increased considerably in September and again in October, and exceeded all previous records for those months. The increase, which in September was due chiefly to certain large contracts for industrial plants and subway construction, was most marked in the New York district. In October, residential building and construction of public works increased, while the volume of industrial building declined more than 40 per cent.

Trade--Department store sales, which have been remarkably steady in volume throughout most of the year, showed a countrywide increase to an unusually high level in September. The Board's index of department store sales adjusted for seasonal variations which has fluctuated around 105 per cent of the 1923-25 average for most of the year, rose to 120 in September, reflecting in part the cool weather during the month, and also increased payrolls with the growing activity in manufactures. From this very high level, sales in October increased by much less than the usual seasonal amount, according to preliminary reports. The indications are that the volume of sales, when allowance is made for seasonal variation, will be at about the same level as in August. This is attributable in part to unseasonably warm October weather in some parts of the country, but chiefly to the fact that an unusually large proportion of autumn buying was done in September. Coincident with large September sales, stocks of department stores were lower than in August, and continue to be smaller inventories than in corresponding months in 1927.

Sales by mail order houses, whose selling field is being enlarged month after month by the addition of over-the-counter stores, declined slightly for

the season in September but increased in October. Volume of trade done by chain stores reflected greater activity in the fall months. In particular, sales by grocery, apparel, drug and shoe chains, continued their steady expansion, and five-and-ten-cent and cigar and candy chains, whose sales had receded somewhat in July and August from a high level in June, increased again in September, as indicated by the Board's adjusted indexes of chain store sales. Preliminary reports for the month of October indicate a large increase in sales by all lines of chain stores reporting to the Federal reserve system.

The volume of wholesale distribution, which has been lower during 1928 than in the corresponding period in 1927, failed to show the usual seasonal increase in September over August.

The volume of commodity distribution, as indicated by freight-car loadings, increased in August and September from a low level in June and July, and preliminary reports indicate that the October volume will also show an increase over September and will be larger than in October 1927. The principal factors in large freight shipments are loadings of miscellaneous freight, which continue to be large, while shipments of coal and coke and livestock increased more than is usual in October.

Prices—Wholesale commodity prices, after increasing to a peak for the year in September, declined in October, and our weekly index at the end of the month was at the lowest level since June. This was largely attributable to the fact that prices of almost all important farm and food products declined from their high levels reached about the middle of September. Prices of iron and steel, and copper, however, continued to increase in October, while the price of raw cotton, after increasing in the second and third weeks of October, declined

slightly in the last week. About the first of November, however, prices of most farm and food products, including wheat, oats, cattle, hogs, and flour, recovered somewhat and the prices of metals continued to increase.

## Agriculture

The increase in the production of leading agricultural crops, indicated in early reports of the Department of Agriculture, has been confirmed by the in reports on yields of crops that have been harvested and by the reports of those crops which are now being harvested. According to official reports, the total crop acreage harvested this year will exceed that of 1927 by 8,000,000 acres or approximately 2 per cent. As the yields, considering all crops and all states, are running above those of last year, it appears that the total production of all crops combined will exceed the 1927 production by about 5 per cent.

Reflecting the increase in supplies available for marketing, the general level of farm prices, as shown by the Department of Agriculture's index, has declined from a peak of 148 in May to 137 in October, a level slightly lower than a year ago. This decline in the prices of agricultural commodities is largely responsible for the decline in the general wholesale price level as non-agricultural commodities, in the aggregate, have fluctuated within a narrow range. Although most of the field crops are being marketed at lower prices than a year ago, those agricultural sections which supplement their operations with livestock growing and feeding are in more fortunate situation as livestock returns are on a generally favorable basis. During recent months cattle prices have been at the highest level since 1919, and hog and lamb prices compare favorably with a year ago. Producers of dairy products, throughout most of the year, have received prices slightly above those prevailing in 1927. A large production of feed crops during the current year assures livestock sections with ample supplies of feed, the corn crop being estimated as 2,903,000,000 bushels or 5 per cent larger than a

year ago and the oats crop at 1,452,966,000 which is 268,820,000 bushels larger than the 1927 production.

The current cotton crop will be about a million bales larger than last year on the basis of the present forecast of production which indicates a yield of 13,993,000 bales. Cotton prices, however, are slightly below those prevailing at this time last year. A larger tobacco crop is also in prospect but net returns will be materially affected by a considerable reduction in prices.

While there are some unfavorable aspects of the farm situation, centering largely around the price decline of particular commodities, the outlook in general is fairly satisfactory. Some indication of the farm situation is reflected in the volume of demand deposits in agricultural areas reported to the Federal Reserve Board each month. The latest available figure is that of October which shows that deposits in agricultural communities reached the highest level for October in any recent year with the exception of the big crop year of 1924. The increase from September to October, about 5 per cent, was likewise the largest monthly increase, excepting 1924, reported since we started to collect these data in 1923.