

The Monthly Business Review

Covering business and industrial conditions in the Fourth Federal Reserve District

FEDERAL RESERVE BANK OF CLEVELAND

D. C. Wills, Chairman of the Board

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The Fourth Federal Reserve District finds itself already entered into the field of industrial transition and economic readjustment. Satisfactory progress and a well-defined atmosphere of confidence and optimism are generally in evidence. The month of January has been noteworthy for an extended cancellation of Government contracts, with a resultant release of considerable labor and a substantial amount of raw materials. There is a general interest manifested throughout the district with regard to the question of the development of export trade, and activities along this line may be expected to increase as the readjustment period progresses. Industry throughout the district may be truthfully said to be "marking time," but with little tendency to shade prices for the purpose of stimulating demand. It is thought that the next sixty days will be indicative of what the coming spring will bring forth along business lines. In spite of continued unseasonable weather, the influenza has ceased, at least temporarily, to have a bearing on production.

Manufacturing. — Activity in steel continues to decline, due chiefly to further cancellation of Government contracts and a disposition on the part of buyers to await a possible lowering of price levels. The steel industry is confidently expecting a systematic liquidation on work done for the Government, and it is thought this will have a tendency to stabilize conditions as regards new orders. It is reported from the Pittsburgh District that while the trade authorities estimate that the steel industry is operating at only between 65% and 70% of capacity, yet, nevertheless, these operations represent 90% of available capacity four years ago. Hence, tested by normal and not war standards, the situation may be said to be satisfactory. A specific feature of the market today is that large producers are booking orders which ordinarily would be passed along to small producers as in the nature of "retail" business, and sales agents are instructed to accept anything that comes along, provided price and terms of delivery are satisfactory. A marked decrease in the pressure for deliveries is noted. There is, however, a general confidence in the ultimate outcome, coupled with a belief that with the return of the steel industry from a war to a peace basis a competition will be created which will have a decided tendency to lower prices regardless of the continued high cost of production. Automobile dealers are buying moderately in strip steel and there is much confidence as to the immediate future among the manufacturers of trucks and pleasure cars. Several of the blast furnaces in the vicinity of Pittsburgh contemplate closing for repairs in the immediate future.

Plate mills report good business for the Emergency Fleet Corporation, as well as a fair demand for freight car plates and some general line trade. Wire manufacturers are receiving fair-sized export inquiries, but a lack of shipping facilities is said to hinder the consideration of orders. From a domestic standpoint the market is quiet.

There is a growing activity, especially in preparation for future anticipated orders, on the part of industries which, during the war, were listed in the "non-essential" class.

Clay Products.—There is a continued dullness in the building brick and tile market, the lull being due, according to the manufacturers, to a tendency on the part of buyers to await a lowering of prices in all building materials. The demand for window glass continues moderate but firm, while little change is noted over December and January in the ceramic industry.

Fuel.—In marked contrast to conditions during the war, there is a decided drop in fuel production. Many mines in southeastern Ohio and western Pennsylvania have closed down entirely, while several of the larger ones have reduced mining operations to a part time basis. Two factors are largely responsible for this situation, first — an unusually open winter, and, second, a larger tonnage on hand belonging to the larger manufacturers, who were induced to stock up considerably in excess of immediate needs because of fear of a repetition of last winter's fuel shortage. It is thought that should cold weather set in conditions will improve, as fuel will be much in demand by those industries whose operations were curtailed during the war and which are slowly returning to their pre-war production basis.

Agriculture.—Reports seem to indicate that a large amount of corn will be used during the current winter for feed on the farms. Farmers have been slow in marketing corn on account of mild weather resulting in bad road conditions, and the prevailing tendency of farmers to hold corn when the price is strong with an inclination toward an additional rise. There is considerable anxiety evidenced concerning the winter wheat crop. While the acreage is large, the mild weather and recurring frosts have worked damage which is thought to be serious, particularly in the northern portion of the district. Elsewhere conditions are not so unfavorable. The burley tobacco section in Kentucky is especially prosperous, prices averaging as high as \$0.35 to \$0.40 per pound on the brakes, with a pre-war figure of \$0.10 to \$0.12. In addition to commanding high prices the crop has been of excellent quality and unusual abundance.

In the southwestern portion of Ohio, some complaint is heard that the hogs are suffering from a form of influenza which shows a tendency to develop into pneumonia. Fatalities from this cause, however, have been few, but, as a rule, the pigs are not fattening. This condition does not appear to be general, but the disease has developed in quite a number of places. In all other sections of the district no disease in epidemic form is reported.

Labor.—The labor situation is, in general, quite satisfactory, although unemployment, while not common, is not unknown. The slowing down of coal production has thrown some labor out of employment, and there is a tendency noted in this industry to discuss a revision of wages, made advisable since the cessation of hostilities. In general, however, the revision of wages has not been under discussion and a number of the Pittsburgh District plants have stated that a revision downward in wages should not be attempted for at least six months hence. There are efforts being made throughout the district to reinstate persons, returning from active military service, to positions held by them before the entry of the nation into the world war. Little anxiety is felt for the future in regard to the labor situation, for with the readjustment of business to a peace basis it is felt that unemployment, where any

exists, will soon be wholly eradicated. Capital and labor are both coming to realize that each is dependent upon the other for success, and that sudden, radical changes are, in general, to be avoided.

Collections.—Throughout the entire district collections are satisfactory from every standpoint and no pressure is being employed. The steel and mining industries, whose work has slowed down considerably since the signing of the armistice, report similar satisfactory conditions, but with some anxiety as to when payments on Government contracts may be expected. Very little paper is being offered in settlement of accounts, and settlements for retail Christmas buying were largely on a cash basis.

Transportation.—Practically no difficulty is being experienced in procuring cars for expeditious movement of freight and there is no apprehension that the delays and hardships of the winter of 1917-18 will be repeated. In some instances railroads report the volume of freight handled as somewhat sub-normal, but believe this condition, where it exists, will be short-lived.

Mercantile Lines.—A well-defined "nervousness" is noted in the mercantile branches, caused largely by the prevailing high prices, both at wholesale and to the ultimate consumer. The latter seems to be holding off hoping for a shading down of price levels, while on the part of the jobber there is a reluctance to fill current needs for fear of being caught with a large inventory on a falling market. Some of the larger houses are stocking up on the theory that a cut in profits is preferable to being unable to supply customers' demands.

Already there is noted a slight downward tendency in prices and the general opinion seems to be that this tendency must be continued before complete confidence along mercantile lines is restored.

Money and Investments.—Demand money for several weeks has been more plentiful as shown by prevailing rates, while a similar tendency is shown on short time loans for commercial purposes. There still exists, however, much conservatism in financing, which probably will continue to be in evidence until all Government requirements, including the Victory Liberty Loan, are successfully met.

There is a lively demand for the securities of concerns of established financial repute. Other concerns, since the suspension of the activities of the Capital Issues Committee, are offering their stocks and bonds in large quantities but with somewhat indifferent success.

Building. — Building operations are not going forward rapidly, although in some instances, as shown herewith, a slight increase in building permits and values is shown. It is thought that until prices are materially lowered all but the most urgently necessary of building projects will be temporarily postponed. An increase in the number of dwelling houses to be erected shows a noticeable increase particularly in the rural sections.

BUILDING

	Permits Issued		Valuation		Increase	Decrease	Percent of	
	Dec. 1918	Dec. 1917	Dec. 1918	Dec. 1917			Increase	Decrease
Akron.....	114	120	\$222,885	\$1,179,150	.....	\$956,265	.....	81.1
Cincinnati.....	614	616	362,115	188,835	\$173,280	.....	91.8	.....
Cleveland.....	329	373	529,905	1,370,280	.....	840,375	.....	61.3
Columbus.....	79	55	442,685	145,780	296,905	.....	.....	203.7
Dayton.....	53	25	161,506	32,625	128,881	.....	395.0	.....
Erie.....	56	57	72,320	180,094	.....	107,774	.....	59.9
Pittsburgh.....	127	142	506,622	513,238	.....	6,616	.....	1.3
Toledo.....	96	83	119,672	126,113	.....	6,441	.....	5.1
Youngstown.....	45	65	58,635	139,685	.....	81,050	.....	58.0
TOTALS	1,513	1,536	2,476,345	3,875,800	.....	1,399,455	.....	36.1

POST OFFICE RECEIPTS

	Dec. 1918	Dec. 1917	Increase	Decrease	Percent of	
					Increase	Decrease
Akron.....	\$ 88,420	\$ 82,908	\$ 5,512	.....	6.6	.....
Cincinnati.....	374,660	357,626	17,034	.....	4.7	.....
Cleveland.....	463,393	467,269	.....	\$3,876	.....	.8
Columbus.....	159,425	161,636	.....	2,211	.....	1.4
Dayton.....	89,350	76,573	12,777	.....	16.7	.....
Erie.....	47,597	40,764	6,833	.....	16.8	.....
Pittsburgh.....	504,167	505,693	.....	1,526	.....	.3
Toledo.....	146,734	130,070	16,664	.....	12.8	.....
Youngstown.....	48,959	47,146	1,813	.....	3.8	.....
TOTALS	1,922,705	1,869,685	53,020	.....	2.8	.....

CLEARINGS

	December 16 to January 15		Increase	Decrease	Percent of	
	1918-19	1917-18			Increase	Decrease
Akron.....	\$ 24,875,000	\$ 22,566,000	\$ 2,309,000	.....	10.2	.....
Cincinnati.....	262,666,551	156,469,841	106,196,710	.....	67.9	.....
Cleveland.....	422,303,245	329,412,917	92,890,328	.....	28.2	.....
Columbus.....	48,119,200	41,778,400	6,340,800	.....	15.2	.....
Dayton.....	20,084,197	16,267,544	3,816,653	.....	23.5	.....
Erie.....	9,770,177	8,192,575	1,577,602	.....	19.3	.....
Pittsburgh.....	579,998,802	326,197,093	253,801,709	.....	77.8	.....
Toledo.....	47,305,513	39,650,623	7,654,890	.....	19.3	.....
Youngstown.....	20,856,511	15,634,829	5,221,682	.....	33.4	.....
TOTALS	1,435,979,196	956,169,822	479,809,374	.....	50.2	.....