

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

VOL. I

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A FIRMER feeling of confidence prevails in the general business situation than has been evidenced in any of our previous reviews. Several reasons contribute to that substantiality: The increased demand for steel, the prospects of a record harvest, the large number of applications being made for new banks and building and loan associations, and the increased capitalization of established banks. These factors are all indicators to immediate healthy conditions, with a stronger faith for the future. A wider distribution of orders and commodities gives a healthier color to continued business. Every indication gives a promise and everyone seems to feel that we are to have our full share in the coming era of prosperity.

While at present we are passing through the stage of free expenditure and speculation, these conditions will gradually be adjusted and we will soon get a grip on ourselves. During the war period, speculative and industrial expansion was curbed by Government restraint. Since that restraint has been removed from private credit, the tendency has been running to rampant speculation, until we find the transactions on the stock market during June reaching the highest point since 1916. That this is causing an unstable money market is evidenced by call money fluctuating between 5 per cent. and 12 per cent.

The reported action of the Federal Reserve Board, as given out in press notices, in asking the Federal Reserve Banks to closely scrutinize their loans will tend to reduce this fever of speculation. At least it has given the loaning banks a leverage of inquiring into the purpose of the loans, which will act as a brake on the over-enthusiastic borrowers for speculative purposes. Rather than take the course of running to inflation, we should be working toward cautious deflation. If there is any slackening in the credit situation it should be used for constructive needs of the country and not wastefully put in passing speculation.

One of the most hopeful signs on the horizon of this month's *Business Review* in this District is the millions of dollars which are being spent in repairs, enlargement and building by the steel companies. This can have no other interpretation than that the steel men can see big business in the future. At the present time the most significant fact is that the turn has set in, rather than an actual gain. Causes have been set into motion that appear to have started results of a definite nature.

The past thirty days have witnessed developments of a much more far-reaching character than could have been anticipated a few weeks ago. There is the apparent feeling that prices are moving to the point of stabilizing themselves, and at the same time very little is heard of wage reduction. Business men apparently insist that an accumulated demand will necessitate purchasing, and that confidence in prices will develop under the natural law by which prices should be regulated.

Another evidence of a better business situation, showing the confidence of business men in the future, is the large increase in business corporations since the first of the year. There have been a large number of new banks organized; in the City of Cleveland alone twelve charters have been granted new building and loan associations. This fact, together with the statement made by one of the largest fireproofing companies in the District that the demand for materials for building purposes

is so rapidly increasing that they have been forced to call in additional plants to take care of the business, speaks well for improved building operations.

Manufacturing Taking on a Firmer Trend. Industrial operations are still sporadic in certain lines, but it is the evidence of confidence in the immediate future that is stabilizing and stimulating business. While the majority of the manufacturing industries are not back to their pre-war basis in volume of output and employment of men, yet there is an optimistic feeling which is stronger than a month ago.

There is an improvement seen in nearly all lines except the machine tool industry, and even the makers of these are hopeful, but are inclined to expand their business with caution. There is still a brisk demand for pipe lines and other oil country goods. Some plants are reporting that they could do more work if raw materials and labor were available. A rapid improvement in manufacturing conditions is also being retarded by the shortage of suitable housing facilities.

Manufacturers of electrical goods report a satisfactory volume of business for May. Inquiries for new business continue in increasing numbers, although in some cases extended terms of credit are asked.

Manufacturers of glass and tableware are having an increasing business. Glass factories have had a successful firing of their products, and the outlook for the season is excellent.

Iron and Steel Industry has a Stronger Tone. The iron and steel industry has taken a decided turn for the better. New business is coming in in good volume, with mill operations consequently increased.

During the period since our last report, the stronger tone and confidence among buyers have been so developed that a substantial buying movement has resulted. Many contracts covering iron and steel requirements to October 1st, and in numerous cases to January 1st, have been made, with few exceptions, upon the basis of current prices. The situation generally evidences a willingness on the part of buyers to accept the present level of prices, with less expectancy of reductions. In some cases the buyers have been willing to close tonnages at present prices to a more forward date than the producers have been willing to entertain. Most prominent among this class of buyers are the automobile manufacturers and the makers of automobile accessories.

For four years the war demands have dominated the market and ordinary requirements to a great extent have been forced to a standstill, but steel is now experiencing its first open market since the beginning of the war. The trade apparently feels that the worst is over in the matter of readjustment from war-time to peace conditions. There is some question as to whether there will be any decline in prices until after a period of full capacity operations.

A hopeful condition is noted in the fact that orders are reported as being well distributed over the country, which is evidence that the market is developing on a much broader basis and that buying is no longer confined to the automobile industry and the oil piping demands. Another healthy condition is shown in the increasing call for structural and fabricated steel. This leads us to a more or less permanent demand, for it shows that building operations are brightening up, which gives rise to a basis for a steady growth.

Wire plants in the Cleveland district are now operating at about 85 per cent. Makers of light or sheet plate, selling principally to the automobile trade, have booked themselves fully for several weeks ahead. Plants which sell semi-finished steel for rolling into finished products have put several furnaces into operation for the purpose of increasing their output.

Pig iron sales in the Pittsburgh Area have been heavy, the demands during the past two weeks exceeding 100,000 tons. This is the best selling that the market has experienced at any time this year. Gray iron and malleable furnaces especially have been active buyers. The period of delivery is running as far as January 1st. More inquiries are coming in from manufacturers of stationary engines and steam boilers. Plants which had been working only three and four days a week since the first of January are again working on a 60 to 75 per cent. basis.

Collections are satisfactory, with the exception of the railroads, but in view of the appropriation of 750 million dollars just passed by Congress, it is thought that doubtless there will soon be relief from this quarter.

Bumper Crops Predicted. There are two outstanding features in the agricultural line: First, the farmers are organizing exchanges on the co-operative plan to handle farm products, machinery and feed, buying in large quantities and thereby reducing cost. Second, it is complimentary to the farmers that, instead of foolishly spending their increased revenue, they are found to be increasing their operations and improving their land by tiling and the use of more fertilizer.

The corn, the planting of which was delayed due to cold, rainy weather, has germinated nicely by reason of the hot weather which followed. Because of this fact, it is thought that most of it will be ready to cut before the early frost. Most of the extremely late planting is for ensilage. Grass lands are looking fine, and timothy hay promises to be a bumper crop.

Some of the farmers have enlarged their barley acreage, which they expect to use for fattening the early fall pigs.

There is no need of curbing an optimistic spirit when speaking of the agricultural output, for at the present time every indication points to one of the largest harvests the country has known. Wheat has suffered a slight loss from lodging caused by heavy wind and rain, but the loss is insignificant when the total production is taken into consideration. The grain in the early sown wheat is well formed and gives promise of a well developed, plump grain. The farmers' only worry is that the stocks are so thick and the heads so heavy that it may go down and prove difficult to harvest. Harvesting is now in progress, and because of the scarcity of harvest hands, together with the Government's guarantee price, it is thought that the farmers will rush the wheat to market as soon as it is threshed.

Farm labor is very scarce, notwithstanding the return of the farmer-soldier, as it is found that many of the farmer boys after returning from the Service are gravitating to the larger places and entering the factories or other lines of industry.

Reports from the Kentucky district give no movement in old tobacco. Practically none of it seems to be on the market, and few quotations are published. About one-half of the growing crop was planted under conditions none too favorable for planting. Many of the plants have grown large and woody, and as a result of these unfavorable conditions there may be a curtailment of plants from 10 to 15 per cent. Present indications show that the total crop will be about 10 per cent. above that of last year.

Tendency for More and Better Grades of Live Stock. Of all live stock, hogs have undoubtedly made the greatest increase—an increase of 35 or 40 per cent. over normal pre-war times. There is a growing tendency to increase the number of cows, and the high price of food is tending to eliminate the poorer grades, so that increased production may equalize the increased price of feed. Another factor for greater efficiency in production is the organization of cow testing associations, the idea being to sort out the poorer grade of cows.

Cattle feeders are somewhat discouraged, as there has been a drop of approximately \$4.00 per hundred during the past few weeks, and, as this means a loss to the feeder, the farmer will be inclined to rush his cattle to market before they are ready, thus making a bad matter worse.

While there is no material increase in the number of heads of horses, there does seem to be a tendency to increase the size and eliminate the smaller horses on the theory of gaining more power and feeding a less number of horses.

The high price of wool has brought the sheep into prominence. Flocks have increased nearly 50 per cent.

Shortage of Coal Supply Predicted. Probably the slowest industry to catch the quickened gait is the coal industry. However, during the past two weeks many of the larger coal consumers

in the district have started to accumulate coal, fearing a shortage this fall. Officials of miners' organizations say that as soon as peace is finally declared they will be automatically released from the agreement entered into between the miners, the operators and the Government that there was to be no advance in the wage scale while the war was in progress. Miners have kept the faith, although some of the operators installed a bonus system in order to speed up production after the armistice was signed.

There are hints from the mining regions of a possible call for a scale conference of the miners of the district. While it is not hinted what increase may be decided upon at this conference, yet it is known that the miners will insist upon enough more money to take care of the increased cost of living. This condition of affairs, coupled with a possible shortage of labor and a car shortage, is causing many of the larger consumers to book orders. This shows noticeable improvement in activity of the coal mines. Some of the larger concerns are running on full time, and the payroll requirements are larger than they were even during the war.

The disquieting feature of the coal industry is the disappearance of surplus mine labor. This condition is partly due to emigration and to the fact that the laborers are able to obtain higher wages in other lines of industry.

The coke situation has improved since the last report. Large quantities of coke were stored last fall in anticipation of a continued war. This supply is now running low and the outgoing tonnage shows an increase with accumulated inquiries. The producers, however, are cautious in anticipation of a midsummer dull period. Normal conditions are expected for the fall trade.

Mercantile Lines Continue in Unprecedented Volume. Mercantile lines reflect no hesitation. Prices on cotton, silk and woolen goods are advancing very rapidly due to the scarcity of desirable merchandise for immediate delivery. The public is buying more goods and paying higher prices, with very little complaint. Merchants report that they are selling a better line of goods and that the people have the money to pay for them. We question if the present high prices are wise, or even justifiable, as most of the merchandise is as high priced today as at any time during the war. Reactions which often follow advances in price are disconcerting and always have had a bad effect on business.

The merchants seem very optimistic and are placing large orders for fall delivery. As long as the public continues to be willing to spend its money freely, the retailer will have no cause for worry.

Jewelry stores are doing a record business, notwithstanding the greatly increased prices of jewelry and silver.

Shoe sales have made a new high level mark this spring, and there are reports that the price of shoes is to be increased due to the shortage of leather, as it is reported that Europe is exhausting our supply.

Shortage of Labor, Especially Skilled. Since the middle of May there has been a shortage of labor, especially in trades requiring skilled workers. General labor conditions are good, and with a few exceptions there is very little unrest. In instances where unreasonable wages were paid during the war, it is going to be difficult to reduce the wage scale without causing a great deal of dissatisfaction, resulting in inefficiency and irresponsibility for results. There is a marked shortage of labor in agriculture, the coal mining districts, and in a great many of the larger industrial centers. This shortage is not necessarily due to lack of man-power, as there are many thousands of men belonging to the "floating" class who are not anxious for work.

The housing situation is still retarding production, as in Akron alone 15,000 men could be used immediately if it were possible to obtain houses, and this is only one instance out of many.

The clerks and other office employees, as well as teachers and those having a more or less fixed salary, have not yet enjoyed the advance in wages enjoyed by the laborers. It is becoming more and more apparent that they are the greatest sufferers under the high cost of living, and that

advances should necessarily be made for their benefit. The teachers have been able to better their conditions somewhat, and there are instances where clerks and office employees are combining with the idea of obtaining better wages.

Building Has Found Its Pace. Reports of building inspectors from several points in the District show a phenomenal growth of from 400, 500 and even 800 per cent. increase over that of the corresponding period of last year. This is due to the stabilizing of building materials and the settling of the differences among the allied trade groups, which were striking during the month of May. The statement of a large fireproofing plant in the District shows that they are unable to handle the increasing orders and are turning them over to the additional plants for filling, is a good criterion of the building outlook. In Columbus the "Own-your-own-home" campaign resulted in the erection of 1,000 new homes, but as many more are needed. There are more prospective erection of buildings being talked of than for many previous months. Some building operations are still being held up due to shortage of carpenters and skilled workmen.

Collections Satisfactory. Collections continue quite satisfactory, although some students of conditions are looking for a recession following the payment of the second tax installment falling due in the month of June. If business revives, as indications now point, we are inclined to believe that the present tax payment will be the most difficult to meet of any of the four payments during the year.

An Increased Volume of Transportation. The transportation situation is reported very satisfactory, with an increasing volume of tonnage and a minimum time of delivery. The tourist and excursion traffic promises to be a record breaker. The majority of summer resorts have bookings for more conventions with larger attendance than ever before. Three hundred thousand are expected to attend the Methodist Centenary at Columbus, while many conventions are being held at other points in the District.

Railroad transportation shows renewed activities by the putting on of several extra trains which had been taken off during the war. The freight tonnage shipped from the Cleveland district in May increased over the tonnage of that shipped in April. In May 22,250 cars carrying 655,929 tons were forwarded, compared to 18,624 cars carrying 491,405 tons in April. The number of cars used and the tonnage received in May were also greater than during the month of April. However, figures for both months were about 25 per cent. less than figures for the same months in 1918. The prospects for June are even better than those reported for May.

Money Plentiful, with Speculative Tendencies. Banks are busy in all departments, and, in spite of the high cost of living, savings deposits are on the increase.

Regardless of the speculative trend of the month, money has been available for commerce and industry, due to our present monetary plan under the operation of the Federal Reserve System. Demand for money is active with commercial loans running between 5 and 6 per cent, many banks rediscounting or borrowing to carry their customers.

While there will be a heavy drain on the reserve of the banks due to contemplated building operations, it is thought that the banks will be able to care for all legitimate borrowers as the unusual crop yield will bring large amounts in deposits.

There is no question but that through the energy, industry and initiative of the American people, this District will do its share in paying off the war debt in record breaking time.

Foreigners continue to leave the country in large numbers, and take with them the proceeds of all their holdings which they are able to convert into money. There is a feeling among them that they must get back to their native country at once. Perhaps this condition will change when they are able to better understand the actual conditions, including prices, and wages in their own countries as compared with their present earnings.

New National Bank Organized. The First National Bank of Pandora, Ohio, has been granted a charter with capitalization of \$25,000.

BUILDING OPERATIONS FOR MONTH OF MAY

	Permits Issued				Valuations				Increase or Decrease of total valuations 1919 over 1918	Per Cent of Increase or Decrease
	New Construction 1919—1918		Alterations 1919—1918		New Construction 1919	New Construction 1918	Alterations 1919	Alterations 1918		
Akron.....	655	223	143	89	2,542,705	471,045	383,385	59,190	2,395,855	451.8
Cincinnati.....	189	120	494	483	1,381,355	547,030	158,500	253,155	739,670	92.3
Cleveland.....	376	184	910	931	2,956,700	1,161,600	421,675	295,160	1,921,615	131.9
Columbus.....	243	137	122	102	414,010	165,030	95,365	75,245	269,100	112.0
Dayton.....	272	158*	82	...	751,820	329,961*	34,550	.....	456,409	138.3
Erie.....	230*	166*	...	...	270,455*	192,048*	.....	.....	78,407	40.9
Lexington.....	8	4	69	46	126,500	12,000	19,750	11,535	122,715	530.4
Pittsburgh.....	362	195	212	149	1,052,998	401,169	373,216	181,781	843,264	144.8
Springfield.....	44	22	30	8	104,775	10,385	14,750	2,110	107,030	891.6
Toledo.....	277	111	176	103	629,273	403,112	100,602	51,405	275,358	60.5
Wheeling.....	21	14	62	49	70,823	27,775	20,875	15,178	48,745	114.2
Youngstown.....	156	212	41	40	317,915	457,050	50,783	312,530	400,882	52.0
TOTAL.....	2833	1546	2341	2000	10,619,329	4,178,205	1,673,451	1,257,289	6,857,286	126.1

*Figures include new construction and alterations.

CLEARINGS

	May 16 to June 15		Increase or Decrease	Percent of Increase or Decrease
	1919	1918		
Akron.....	40,823,000	22,641,000	18,182,000	80.3
Cincinnati.....	247,042,592	234,039,561	13,003,031	5.5
Cleveland.....	401,009,769	333,157,514	67,852,255	20.3
Columbus.....	53,969,400	45,705,500	8,263,900	18.0
Dayton.....	18,440,885	16,892,375	1,548,510	9.1
Erie.....	8,887,271	9,200,149	312,878	3.3
Lexington.....	5,709,984	4,100,000	1,609,984	39.2
Pittsburgh.....	565,758,443	501,355,543	64,402,900	12.8
Springfield.....	5,603,844	4,454,106	1,149,738	25.7
Toledo.....	51,379,004	42,726,299	8,652,705	20.2
Wheeling.....	18,645,003	17,454,380	1,190,623	6.8
Youngstown.....	17,382,680	15,565,835	1,816,845	11.6
TOTAL.....	1,434,651,875	1,247,292,262	187,359,613	15.0

**STATEMENT OF
FEDERAL RESERVE BANK OF CLEVELAND.**

June 20, 1919.

RESOURCES

Gold coin and certificates.....	\$ 37,159,000	
Gold settlement fund with F. R. Board.....	38,579,000	
Gold with Federal Reserve Agent.....	119,789,000	
Gold redemption fund.....	1,834,000	
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TOTAL GOLD RESERVE.....	197,361,000	
Legal tender notes, silver, etc.....	868,000	
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TOTAL CASH RESERVE.....		198,229,000
Bills discounted—Secured by Government War Obligations.....	121,593,000	
Bills discounted—All other.....	6,623,000	
Bills bought in open market.....	31,969,000	
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Total bills on hand.....	160,185,000	
U. S. Government Bonds.....	1,083,000	
U. S. Government Victory Notes.....	-0-	
U. S. Government certificates of indebtedness.....	17,512,000	
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TOTAL EARNING ASSETS.....		178,780,000
Uncollected items and other deductions from gross deposits.....		79,025,000
5% Redemption fund against F. R. bank notes.....		834,000
All other resources.....		1,519,000
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TOTAL RESOURCES.....		458,387,000

LIABILITIES.

Capital paid in.....	\$9,236,000	
Surplus fund.....	3,552,000	12,788,000
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Government deposits.....	27,795,000	
Due to members—Reserve accounts.....	120,338,000	
Deferred availability items.....	65,098,000	
Other deposits.....	666,000	
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TOTAL GROSS DEPOSITS.....		213,897,000
Federal Reserve notes in actual circulation.....	213,454,000	
Federal Reserve bank notes in circulation—net liability.....	15,588,000	
All other liabilities.....	2,660,000	
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TOTAL LIABILITIES.....		458,387,000

PICKUPS ON BUSINESS TOPICS

ACCORDING to a cable received from Herbert Hoover the last ship loaded with food stuffs by the American Relief Association will leave New York on June 30th and with the distribution of this cargo America's job of distributing food to the people of Europe will end. This is earlier than expected, as it had been thought that they would have to be supplied until fall. Mr. Hoover's cable also says that Belgium is the first country to become self-sustaining and that the last relief cargo for Belgium was shipped April 30. While this year's crop in most European countries will be below normal, it is believed that it will be sufficient to supply the people until they are financially able to secure food through the regular channels.

R. G. Dun and Company report that the number of failures for April, 1919, was the smallest ever recorded since monthly statistics were first compiled a quarter of a century ago. In the Fourth Federal Reserve District the number of failures for April, 1918, were 87 as compared with 41 for April, 1919, a decrease of 53 per cent. The contraction in amount of indebtedness is given as \$653,738 for April, 1919, as against \$1,460,787 for April, 1918.

It has been announced from Tokio that a company has been incorporated with a capital of \$25,000,000 to lay a submarine cable between Japan and the U. S. The plan provides for joint financing by Americans and Japanese. Although the route of the new cable has not been announced it probably will be by way of the Aleutian Islands.

The gold reserves of the Federal Reserve System at the end of 1918 were in excess of \$2,000,000,000 as against reserves of \$592,000,000 under the old National banking system early in 1914.

The city of Stockholm has invited American exporters to store goods in their port which opened June 1st, in expectation of the great demand for commodities which is expected as soon as conditions in Russia become more settled.

It is interesting to note from official figures compiled by the Department of Commerce that our exports to South America more than doubled during the month of April over the same period of time during 1918; while our imports from South America decreased \$10,000,000 during the corresponding period.

No less authority than Julius Rosenwald of Chicago, head of the Sears-Roebuck Company, in expressing his views in a communication to Secretary of Labor Wilson stated that it was his opinion there will be little change in the price levels for the necessities of life. The information and education service of the department of labor has obtained a number of expressions from prominent men on this subject, which are of a similar nature.

In response to a desire expressed by a number of soldiers to the War Department arrangements have been made through the Secretary of War by which it will be possible for men upon being discharged from the army to deposit part of their funds at the camp and have them transferred to banks in their home towns. Local bank clearing houses in the vicinity of the 23 demobilizing camps will appoint agents to handle these funds and transfer them free of charge to whatever bank the soldier may designate.

It is stated that the Bank of England will turn over to the British Government the entire amount of its excess profits earned during the war period. In effect the bank will then have done its work in connection with the war financing at cost and so will nullify the charges of profiteering which have been made against it.

The earnings of the Federal Reserve Banks in this country have likewise been very much greater during the war period. However, member banks may share in these earnings only to the extent of the 6% cumulated dividends with the exception of amounts posted to surplus to guarantee the payment of dividends. The remainder of the earnings go to the Government as a franchise tax. Consequently Federal Reserve Banks equally with the Bank of England are performing their service in connection with war financing at cost:

The nation-wide movement to facilitate the entry of state banking institutions into the Federal Reserve System continues. New York, North Carolina, West Virginia, Tennessee and Oregon have recently amended their banking laws to permit state banks and trust companies which become members of the Federal Reserve System to comply with the reserve requirements of the Federal Reserve Act in lieu of those of the respective state laws.

Secretary of War Baker has asked Congress for legislative authority and an appropriation of ten millions of dollars for the immediate purchase of the Cape Cod Canal.

There is a good market in Brazil for small plows, disc-harrows, cultivators and garden hoes for the cultivation of cotton. There is also a strong demand for sugar machinery. Most of the present machinery is of English make, but the Consulate believes that a good business can be done in the way of repair parts as well as installation of American made machinery.

The Department of Labor announced under date of May 31 that a building boom has started which promises to play an important part in helping to solve the unemployment problem. Work has been held back because of unsatisfactory conditions in the building markets, but indications are that there will be a steady increase from now on in the territory east of the Missouri and north of the Ohio River. The building contracts let for the week ending May 16 amounted to a total of \$59,748,953. This amount greatly exceeds the total of May for any previous year. The total for April \$191,823,000 was the best April total on record.

In the interest of safe train operation, the Interstate Commerce Commission has issued an order, effective June 1, changing the boundaries between the Eastern and Central time zones within or adjacent to Michigan and Ohio, placing the Hocking Valley, Toledo & Ohio Central, Kanawha & Michigan, and Kanawha and West Virginia Railroads in the Central Time Zone. This order also places all Ohio cities located on the zone boundary in the Central Zone.

The petition of Toledo and those of several municipalities east of the boundary to be put in the Central Zone were denied by the Commission.

Secretary of War Baker has announced that with the aid of the Navy practically every soldier should be out of France by August first of this year.

The average total number of civilians leaving this country since the signing of the Armistice has been 25,000 a month. Of these, an average of about 16,000 consisted of laborers.