

FEDERAL RESERVE BANK OF RICHMOND

CALDWELL HARDY, FEDERAL RESERVE AGENT

General Business and Agricultural Conditions in the Fifth Federal Reserve District for the Month of April, 1920.

[COMPILED MAY 15, 1920]

The unrest and uncertainty in commercial fields, mentioned last month, continued during April and spread to the consumers, partly as a result of the agitation against high clothing costs. The overall movement in itself did not prove very popular, but it undoubtedly set many people to thinking and to analyzing their expenditures with a consequent wide-spread effect on business. Large numbers of people were led to curtail their purchases and encouraged to compare prices and values more carefully than they had been doing for months. Merchants sensed this caution on the part of many customers, and, as we write, there seems a general movement to unload high priced stocks quickly through general price reductions. In many of the cities of the District leading stores have announced substantial reductions in all lines, 20% cuts predominating, and this movement has spread to nearly every type of store, except those handling food. It is too early to forecast the results that will come from this action by the merchants, but conditions are clearly uncertain, and this fact (together with merchants' reductions) will, it is thought, tend to further a general downward readjustment of prices.

At this writing, the most serious cloud on the horizon is the traffic tangle. The out-law strike in April greatly added to the already distressing shortage of equipment by tying up thousands of cars at junction points, thus as effectively removing them from useful work, for the time being, as though they had been destroyed. Manufacturers cannot market their products, coal mines cannot operate full time, and farmers cannot secure fertilizers and machinery until some solution of the railroad congestion is reached and applied. Credit deflation cannot proceed very far because of the inability of merchants, manufacturers, farmers, and all others, to take up their obligations until they can realize funds from the delivery of their products. This railroad congestion has brought about a freezing of credit which is felt by every one.

COLLECTIONS.—On the whole, collections have held up well in the Fifth District, where the extent of the freeze referred to above is less severe than in the Western District. Some indications point to a decided slump in payments during the latter half of April, when the switchmen's strike had tied up deliveries, but the situation improved somewhat during the first few days of May. Manufacturers and wholesalers are experiencing more difficulty in meeting their obligations than retailers, because the difficulty of making prompt deliveries on orders affects the former immediately more than it does the retailers. Failures are low, Dun's Review reporting fourteen for April, 1920, in the Fifth District, as against twenty-seven for April, 1919, with liabilities of \$88,450 this year as opposed to \$660,750 during the corresponding month in 1919. The April record is not only lower than for last year, but compares favorably with thirty-six failures, with liabilities of \$464,017, reported for March, 1920.

BANKING OPERATIONS.—Bank clearings in fifteen reporting cities amounted to \$900,511,259 in April, a gain of 26% over the corresponding month last year. Eighty-two selected banks in thirteen cities report increased loans amounting to four million dollars, in round numbers, during the past four weeks, with net demand deposits showing a decrease of four million dollars and time deposits an increase of almost exactly the same amount during the same period of time. Bankers report sufficient funds available for the real needs of the District, but careful scrutiny of applications for loans is necessary to prevent tying up of funds in speculative undertakings, and for capital purposes. Traffic conditions are hindering efforts made by the banks to call in some of their loans, producers being unable to liquidate their obligations until collections for goods sold can be made after delivery.

LABOR.—The outstanding event in labor circles during April was the switchmen's strike in the great eastern commercial and railroad centers, but while effects of the strike were felt keenly in the Fifth District, it did not spread into our territory. Locally, labor appears fairly well satisfied, and no serious trouble has been reported. The southern textile operations were unaffected by the recent strike in the New England mills, and, as reported last month, the mill owners are spending large sums in welfare work for their employees. Complaint is still wide-spread as to the inefficiency of labor and the general tendency is to shirk and "beat time" while on the job, but conditions are slowly improving. Farm labor continues scarce, and will probably remain so until wages paid in the cities for unskilled labor fall materially. Tobacco manufacturers report a slight excess of labor, but not enough surplus to bring down wages. Carpenters and mechanics are busy, and house servants, employed at good wages, are very independent. Negro women workers are hard to get, probably due to the fact that the Negro men make sufficient wages to maintain their families without assistance from the women.

CROP.—Prospects are not bright for average crops this year. The late spring, with cold weather up into May, has delayed soil preparation, planting, and germination of seed. Shortage of labor and the difficulty of securing sufficient fertilizer for proper crop production has discouraged increased acreage, except in one or two lines. Truck crops were seriously damaged by severe weather in February and early March. Indications are that on May 1st planting of cotton and corn was about 15% to 20% behind the usual average for that date. There will probably be approximately the same acreage planted in the Fifth District as last year, except that put into tobacco and some truck crops, which may be increased. Farm products continue to bring good prices, and signs point to increases in most lines in or before fall. Considerable cotton is still held by producers, but the mills are fairly well supplied, and the demand is therefore quiet. The farmers do not appear worried at the slack demand, and show no disposition to drive prices down by throwing their holdings upon a dull market.

TOBACCO.—Manufacturers report that foreign trade is quiet, due to unfavorable exchange rates, but home consumption demands are brisk and furnish the factories with sufficient business to keep them running profitably. Traffic difficulties, together with a shortage in essentials necessary in the manufacture of tobacco products, have made general conditions in the industry more or less unsatisfactory. Indications point to an increased acreage put into tobacco this year, and manufacturers evidently expect demands to keep up well, since several of the large manufacturers are now building additions to their plants.

FERTILIZER.—The demand for fertilizer has been greater than usual, and some sections have found difficulty in securing shipments in sufficient quantity to meet needs, but on the whole the manufacturers have met the farmers' demands well. The difficulties met by the manufacturers in securing raw material and in delivering the finished product to the farmers, are chargeable mainly to car shortage.

COAL.—A large coal producer writes us as follows: "We are experiencing now the worst car shortage in the history of the industry, considering the time of year." That sentence tells the story of conditions in the coal fields. The producers cannot finance operations unless they can market the product from the mines, and since the railroads can move only a part of normal production, mine owners are forced to operate on part time. This, of course, necessitates higher prices to cover over-head expenses, and, still worse, prevents the miners from working full time and drawing full pay. There seems little likelihood that unaided the railroads will be able to better traffic conditions materially in the near future, and therefore little chance that coal prices will be any lower for the coming months.

TEXTILES.—Textile mills continue prosperous and numerous large dividends are declared, either in cash or additional stock. Mill engineers are busy installing new machinery and planning new construction. Speculation in cotton mill stocks has been active and shares have sold readily at several times par value. Some uneasiness has been reported on the part of the retailers, caused by a combination of unseasonable weather and some tendency toward more careful buying on the part of the long suffering ultimate consumer. All textile lines have been made nervous by recent tendencies in the silk market, and some authorities see in this the beginning of readjustment in price levels. A prominent authority in dry goods was recently quoted in the newspapers as saying, "It is worthy of note that the first decline in prices has been on luxuries. It is a clear indication that people are coming to their senses and are going to buy materials that will give service and long

wear. Staple goods do not show any weakness in the primary or secondary markets. It will be some time before there will be a weakness or a reduction of prices. I believe the process of stabilization has begun. I don't believe the jobbers, retailers or customers are going to stand for artificial prices and factory values any longer."

CLOTHING AND SHOES.—Advices received up to this writing show that neither clothing nor shoe manufacturers expect any recession in prices for high grade goods in the immediate future, but rather expect further advances. Both claim, however, that slightly and durable goods could be produced and put on the retail market at reasonable prices if the public would buy them. They claim that there is little market for the lower and medium grades of wool and leather, from which these medium priced products would be made, but that goods made from these lower grades would give long wear and satisfactory service if a market for such goods should develop. To what extent the above expressed views will be allowed by the recent reductions in prices by retail stores throughout the country, can be determined only by subsequent reports.

HOUSING.—There has been no noticeable improvement in the housing situation, in spite of increased building activity. The greater part of the new construction now under way is for business purposes instead of for homes, and therefore the demand for the latter is steadily becoming greater and the shortage more acute. The high prices asked for building materials, the high wages paid labor and the general inability to secure binding agreements with labor to finish a piece of work when it is once undertaken, are active factors in keeping investors from erecting houses for rent or sale. The scarcity of rental property has naturally increased rents, which fact in turn encourages speculation in houses for rent, each purchaser raising the rent again in order to show a sufficient return to lead some other speculator to purchase the property from him at a higher figure.

Elsewhere in this report we publish a comparative table, showing building activities in twenty-three cities in the District. These figures show an increase in total valuation of 84.9% for April, 1920, over the corresponding month last year.

BUILDING MATERIALS.—Lumber dealers say that demands are quiet, and there are some indications that accumulating stocks may bring slightly lower prices during the next three or four months. Dealers write that most of the present building activity is concerned with business buildings, which use little lumber. On the other hand, bricks, stone, cement, and steel for construction purposes are all in heavy demand, and manufacturers cannot fill orders. Glass manufacturers report much trouble with embargoes, car shortage for both shipment of raw materials and finished product, and labor's pay, but say that they are keeping up with orders fairly well. The demand for their products is brisk. Several large lumber dealers write that prices are too high to the consumer, and the general opinion seems to be that if lower prices could be brought about gradually, the lumber dealers would benefit about as much as the consumers, because of the increased building which would be stimulated.

RETAIL TRADE.—The figures on retail trade, as reflected in reports received from representative department stores in Baltimore, Richmond, and Washington, clearly show the hesitating attitude taken by the buying public. Net sales increased during March 1920, 23.1% over sales during the corresponding month last year, but sales for April, 1920, were only 2.1% greater than for April, 1919. Combined sales for the first three months of 1920 increased 14.6% over sales during the same period last year, but totals for the first four months of 1920 are only 9.3% greater than for the corresponding four months last year. Stocks on hand at the close of April, 1920, were 62.9% greater in value than on the same date last year, but there was a decrease of 1% in stocks on hand April 30th over those on hand March 31st. Average value of stocks on hand at the close of each month since January 1, 1920, was 403.6% over net sales during the same period. At the close of March this average was 408.2%.

Elsewhere in this report we publish a table giving these averages for Baltimore, Washington, and the District as a whole. Data was not available for making all averages for Richmond without danger of making the identification of individual stores possible, and therefore no separate figures for Richmond are given, but the reporting stores are included in the District averages.

FIGURES ON RETAIL TRADE

As Indicated by Reports from Several Representative Department Stores in Each City for the month of April, 1920.

(COMPILED BY THE FEDERAL RESERVE BANK OF RICHMOND)

1. A. Percentage of increase or decrease in net sales during April, 1920, over same month last year:

Baltimore.....	..11.4% increase.
Richmond.....	..10.6% increase.
Washington.....	9.2% decrease.
Average for District.....	2.1% increase.

B. Percentage of increase or decrease in net sales from January 1st through April 30, 1920, over net sales during same period last year:

Baltimore.....	..20.1% increase.
Richmond.....	..15.2% increase.
Washington.....	3% decrease.
Average for District.....	9.3% increase.

2. A. Percentage of increase or decrease in stocks at close of April, 1920, over stocks at same date last year:

Baltimore.....	..95.0% increase.
Richmond.....	.....
Washington.....	..51.1% increase.
Average for District.....	..62.9% increase.

B. Percentage of increase or decrease in stocks at close of April, 1920, over stocks at close of March, 1920.

Baltimore.....	3.5% increase.
Richmond.....
Washington.....	5.8% decrease.
Average for District.....	1.0% decrease.

3. Percentage of average stocks at close of each month since January 1st, to average monthly net sales during same period:

Baltimore.....	..408.2%
Richmond.....	.....
Washington.....	..392.0%
Average for District.....	..403.6%

CLEARINGS

No.	CITIES	FOR MONTH OF APRIL		Increase or Decrease	Percent of Increase or Decrease	No.
		1920	1919			
1	Asheville, N. C.....	\$ 6,087,079	\$ 4,120,393	\$ 1,966,686	47.7	1
2	Baltimore, Md.....	393,131,859	315,957,751	77,174,108	24.4	2
3	Charleston, S. C.....	21,784,634	15,410,616	6,374,018	41.5	3
4	Charlotte, N. C.....	38,366,156	22,600,000	15,766,156	69.8	4
5	Columbia, S. C.....	18,036,245	9,060,076	8,976,169	99.	5
6	Frederick, Md.....	3,750,529	3,040,600	709,929	23.3	6
7	Greensboro, N. C.....	6,713,460	4,502,436	2,211,024	49.1	7
8	Greenville, S. C.....	16,716,050	6,069,481	10,646,569	175.4	8
9	Hagerstown, Md.....	4,335,290	3,433,150	902,140	26.3	9
10	Huntington, W. Va.....	*7,930,292				10
11	Newport News, Va.....	4,434,572	4,431,761	2,811	.06	11
12	Norfolk, Va.....	44,403,040	40,342,260	4,060,780	10.1	12
13	Raleigh, N. C.....	8,333,696	4,504,455	3,829,241	85.	13
14	Richmond, Va.....	254,400,585	210,136,678	44,263,907	21.1	14
15	Washington, D. C.....	74,765,860	66,758,331	8,007,529	12.	15
16	Wilmington, N. C.....	5,252,204	3,718,895	1,533,309	41.2	16
	TOTAL.....	\$ 900,511,259	\$ 714,086,883	\$ 186,424,376	26.1	

* Not counted in totals.

BUILDING OPERATIONS FOR THE MONTHS OF APRIL, 1919 AND 1920.

No.	CITIES	PERMITS ISSUED				NEW CONSTRUCTION		ALTERATIONS		Increase or Decrease Total Valuation	Per Cent of Increase or Decrease	No.
		New		Repairs		1920	1919	1920	1919			
		1920	1919	1920	1919							
1	Asheville, N. C.....	41	33	78	75	\$ 239,000	\$ 76,045	\$ 32,510	\$ 13,013	\$ 182,452	204.9	1
2	Baltimore, Md.....	646	351	1,355	872	4,315,560	1,195,037	806,160	313,920	3,612,763	239.4	2
3	Charleston, S. C.....	19	23	9	13	37,960	20,600	12,150	18,340	11,170	28.7	3
4	Charleston, W. Va.....	61	56	12	.....	356,754	96,500	8,275	19,827	248,702	213.8	4
5	Charlotte, N. C.....	16	26	17	8	91,355	86,080	37,625	7,590	35,310	37.7	5
6	Columbia, S. C.....	23	15	81	107	94,000	58,950	49,000	16,399	67,651	89.8	6
7	Cumberland, Md.....	23	17	29	21	78,700	34,353	18,655	7,290	55,712	133.8	7
8	Durham, N. C.....	8	7	3	9	506,490	23,300	4,685	7,300	480,575	1,570.5	8
9	Frederick, Md.....	10	.....	2	.....	12,980	.....	4,400	.....	17,380	.....	9
10	Greenville, S. C.....	23	24	22	39	126,650	89,550	29,975	25,380	41,695	36.3	10
11	Greensboro, N. C.....	5	6	6	5	39,500	67,400	11,025	16,475	33,350	66.0	11
12	High Point, N. C.....	39	15	.....	3	86,195	12,855	.....	3,100	70,240	440.2	12
13	Huntington, W. Va.....	123	.....	.....	110	323,090	.....	.....	214,667	108,423	50.5	13
14	Lynchburg, Va.....	6	1	14	8	13,300	300	4,350	6,325	11,025	166.4	14
15	Norfolk, Va.....	141	165	18	18	542,543	728,275	71,570	28,979	143,141	18.9	15
16	Parkersburg, W. Va.....	.....	.....	.....	.....	20,000	.....	8,000	30,000	2,000	6.7	16
17	Richmond, Va.....	72	64	119	86	776,816	625,936	189,048	54,662	285,266	41.9	17
18	Roanoke, Va.....	85	.....	.....	117	168,492	.....	.....	38,380	130,112	339.0	18
19	Spartanburg, S. C.....	27	16	7	27	67,775	36,595	10,505	5,465	36,220	86.1	19
20	Staunton, Va.....	7	2	.....	1	14,200	1,200	.....	1,000	12,000	545.5	20
21	Washington, D. C.....	197	241	490	427	1,608,065	1,857,376	428,119	254,855	76,047	3.6	21
22	Wilmington, N. C.....	11	8	2	3	111,000	22,500	1,150	11,000	78,650	234.8	22
23	Winston-Salem, N. C..	53	34	151	35	269,225	169,215	58,190	24,145	134,055	69.3	23
	TOTAL.....	1,636	1,104	2,415	1,984	\$9,899,650	\$5,202,067	\$1,785,392	\$1,118,112	\$ 5,364,863	84.9	

- Decrease.

CONDITION OF EIGHTY-TWO SELECTED MEMBER BANKS FIFTH FEDERAL RESERVE DISTRICT

(In Thousands of Dollars)

	May 7, 1920	April 9, 1920	May 9, 1919
Total United States Securities owned.....	\$ 88,443	\$ 88,141	\$ 158,271
Loans secured by U. S. War Obligations.....	28,620	30,707	36,752
Loans secured by stocks and bonds other than U. S. Securities.....	109,992	108,852	
All other loans and investments.....	358,327	353,190	379,839
Reserve balance with Federal Reserve Bank.....	35,934	36,425	34,747
Net demand deposits on which reserve is computed.....	350,727	354,795	326,047
Time deposits.....	105,055	100,850	79,311
Eighty-three banks.			

STATEMENT OF CONDITION FEDERAL RESERVE BANK OF RICHMOND
As of April 16, 1920

RESOURCES	
RESERVES:	
Gold Coin and Certificates.....	\$ 2,385,025.00
Gold Settlement Fund—Federal Reserve Board.....	15,641,599.81
Gold with foreign agencies.....	5,526,225.38
Total gold held by bank.....	\$ 23,552,859.19
Gold with Federal Reserve Agent.....	42,732,105.00
Gold Redemption Fund—Federal Reserve Notes.....	5,339,992.49
Total gold reserves.....	\$ 71,624,947.68
Legal tender notes, silver, etc.....	541,849.75
TOTAL RESERVES.....	\$ 72,166,797.43
UNCOLLECTED ITEMS:	
Currency of other banks and unassorted currency.....	\$ 2,726,533.00
Transit items.....	59,833,700.54
Checks and other cash items.....	47,344.24
Exchanges for Clearing House.....	5,098,401.24
TOTAL UNCOLLECTED ITEMS.....	\$ 67,705,979.02
EARNING ASSETS:	
Bills discounted—Secured by Government War Obligations.....	\$ 61,747,167.16
Bills discounted—All others.....	33,609,447.37
Bills purchased in open market.....	10,827,138.40
Total bills on hand.....	\$ 106,183,752.93
U. S. Government Bonds and Victory Notes.....	1,234,600.00
U. S. Certificates of Indebtedness.....	12,260,000.00
TOTAL EARNING ASSETS.....	\$ 119,678,352.93
MISCELLANEOUS ASSETS:	
Interest accrued on U. S. Certificates.....	\$ 74,030.64
Advance to U. S. Government for War Loan expenses.....	139,314.14
Bank premises.....	640,981.13
Five Per Cent. Fund against Federal Reserve Bank Notes—Our own.....	451,300.00
Overdrafts—Members.....	218,404.08
All other resources.....	22,226.54
TOTAL MISCELLANEOUS ASSETS.....	\$ 1,546,256.53
TOTAL RESOURCES.....	\$ 261,097,385.91
LIABILITIES	
CAPITAL AND PROFITS:	
Capital paid in.....	\$ 4,723,250.00
Surplus.....	5,820,462.63
Unapportioned profits.....	1,572,952.78
TOTAL CAPITAL AND PROFITS.....	\$ 12,116,665.41
NOTE CIRCULATION:	
Federal Reserve Notes in actual circulation—Our own.....	\$ 125,630,720.00
Federal Reserve Bank Notes in actual circulation—Our own.....	8,431,662.00
TOTAL NOTES IN ACTUAL CIRCULATION.....	\$ 134,062,382.00
DEPOSITS:	
U. S. Treasurer.....	\$ 2,466,746.15
Member Banks' Reserve Accounts.....	58,614,679.67
Foreign governments.....	3,542,408.75
Cashiers' Checks.....	74,491.86
Deferred availability—Uncollected funds.....	49,887,561.46
TOTAL GROSS DEPOSITS.....	\$ 114,585,887.89
MISCELLANEOUS LIABILITIES:	
Reserve for taxes other than Franchise tax.....	\$ 12,100.30
Reserve for depreciation on U. S. Securities.....	4,580.00
Unearned discount.....	314,397.29
All other liabilities.....	1,373.02
TOTAL MISCELLANEOUS LIABILITIES.....	\$ 332,450.61
TOTAL LIABILITIES.....	\$ 261,097,385.91
MEMO:	
Due U. S. Treasurer by Depository banks.....	\$ 4,847,240.00
Contingent liability on bills rediscounted or sold.....	19,270,000.00