

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 September, 1920

(Compiled October 15, 1920)

September business was featured by further recessions in prices, wider in scope and more significant than those that occurred in May. The former reductions were made by comparatively few firms, chiefly dealers in women's clothes and furniture, but the present movement has touched practically every line of industry and trade, and has extended to the manufacturer and producer of raw materials, which the May movement failed to do. Farmers are realizing much lower prices for their products than they expected; wholesalers are getting few orders except for foods which people must have; retail trade is hesitating and puzzled; and many automobile manufacturers have cut prices on cars. This month we received approximately sixty letters from merchants, wholesalers, manufacturers, and bankers; forty-one detailed reports from wholesalers, and twenty-three similar reports from retailers, and although most of these various sources of information agree in reporting disturbed conditions, the great majority of them believe that basic conditions are sound, and that in the long run present developments will be beneficial to all.

COLLECTIONS.—Failures in the Fifth District were more numerous in September than during any previous month this year, Dun's Review reporting 54 in comparison with 42 during September, 1919. Liabilities in September this year amounted to \$1,646,417 compared with \$704,352 for the corresponding month last year. Detailed reports from wholesalers in groceries, dry goods, boots and shoes, hardware and furniture indicate that collections are fair on the whole, forty-one firms reporting as follows:

	Good	Fair	Slow	Poor
Groceries.....	4	2	3	0
Dry Goods.....	1	5	2	0
Boots and Shoes.....	2	3	3	1
Hardware.....	3	2	3	2
Furniture.....	1	3	1	0
Total Reports.....	11	15	12	3

BANKING OPERATIONS.—Bank clearings reported by seventeen clearing houses in the Fifth District for the month of September, 1920, total \$871,723,459. Eleven of these cities, for which figures are available for comparison, report a total of \$793,028,072, as compared with \$801,795,768 during September, 1919, showing a decrease this year of 1.1%, the first month in 1920 in which a decrease over the entire District has occurred. Clearings for the same eleven cities during the preceding month, August, 1920, totaled \$810,281,738.

Debits to Individual Accounts at nine clearing house centers totaled \$197,696,000 for the week ending September 1, 1920, and \$242,266,000 for the week ending October 6, 1920, an increase of 22.5%, part of which was probably due to end-of-month and end-of-quarter payments.

Condition reports received weekly from eighty-two member banks show total outstanding loans and investments amounting to \$500,452,000 on September 3, 1920, and \$499,515,000 on October 8, 1920, against \$465,326,000 on October 3, 1919, an increase in loans and investments of \$34,189,000 as of October 8, 1920, over October 3, 1919. Deposits, demand and time combined, increased from \$430,685,000 on October 3, 1919, to \$450,822,000 on October 8, 1920, an increase of \$20,137,000.

The statistics quoted above are in keeping with general business developments during September. Clearings show that less activity was apparent, and condition reports from member banks, while showing some

slight liquidation of indebtedness, indicate that not many obligations falling due are being taken up with funds realized from sales of new crops. Banks report great demand for credit, a large part of which is desired for crop holding purposes, but by careful discrimination in granting loans the legitimate demands of the District are being adequately supplied.

CROPS.—From all over the District come reports of bumper crops. Cotton has apparently turned out well, except in the boll-weevil section of South Carolina, and the tobacco crop is larger than last year's yield. The corn crop is one of the largest on record, and is of good quality. Fruits turned out well, as did all other farm products. In common with many other commodities, prices in farm products have declined sharply, and farmers are dissatisfied with the returns they are getting. Spot cotton brought an average of 22.68c per pound on October 9 on eighteen markets in North and South Carolina, about 7c less than the price secured four weeks previously, but cotton seed brought prices ranging from \$36 to \$45 per ton, averaging about \$40, as compared with \$30 per ton a month ago, all prices being for carload lots.

FOODS.—Prices in foods have not fallen materially during the past month, but there has appeared a tendency toward lower figures, and wholesalers agree in reporting a strong demand for concessions from both retailers and consumers. Retailers are buying with extreme caution, for immediate needs only, and are waiting to see what happens. Sugar has continued its downward course, and flour has moved sluggishly in the same direction. Lard and compounds have fallen, as has coffee and fruits. The declines already noted have encouraged the consumers to look for lower prices, and merchants are feeling the results of the waiting attitude that has developed.

TOBACCO.—The government crop report of October 1, 1920, estimates the tobacco crop of the United States for this year as 1,478,788,000 pounds as compared to 1,389,458,000 pounds in 1919 and 1,187,708,000 pounds average for the five years 1914-1918. In the three tobacco raising states in the Fifth District, this government report predicts a total production of 639,152,000 pounds this year, an increase of 116,812,000 pounds over last year, a gain of 22.36%. Prices this year started lower than opening figures last year, and many farmers have shown a strong tendency to hold their crops off the market, but during September and early October prices advanced steadily, though not sensationally, and buyers believe that the crop will come on the market faster in the future. The best tobacco is being purchased freely, and frequently at prices as high as 65c to 80c per pound, but the low grades are not in demand, and hold down the averages of prices realized by the growers. A prominent tobacco manufacturer writes us a letter in which he deplors the drop in prices this year under those paid last year, because he fears that if the farmers lose money they will curtail production next year too far, but he explains the present situation in the tobacco field thus:

The crop is not quite as good as the 1919 crop, is very much larger in point of pounds, has a very much larger percentage of low grade tobaccos in it, and is being marketed at a time when there is a larger stock of low grade tobacco on hand than has been the case for several years. Our manufacturers do not use a great deal of very common bright tobacco in their brands, hence foreign markets have to be found for the common grades and the conditions of the European markets at present are such that it is practically impossible to sell bright tobacco abroad except in small quantities and at extremely low prices, and even then these countries are rarely ever in position to pay for the tobacco after purchase is made, hence business in that direction has been most difficult all this year. The result is that there is but little demand for the common side of the bright tobacco crop this season.

COAL.—The coal situation has improved somewhat, due to better movements of cars. Laborers in the coal fields have worked fairly well, on the whole, during the past month, with only sporadic strikes in evidence, and coal has been moving steadily from mine to consumer in preparation for the approaching winter, but it is not likely that large surplus stocks can be built up before severe weather sets in, and the supply in mid-winter and early spring will depend largely upon the ability of the railroads to cope successfully with weather conditions.

TEXTILES.—There was no change in the textiles field during September. Mills are rapidly catching up with all back orders, and are finding new ones very hard to secure, even at sharply reduced quotations. In the face of the consumers' determination to buy goods only at lower prices jobbers are afraid to place orders for new goods with the manufacturers, and they in turn are afraid to go into the market for large stocks of raw cotton until they are sure they can find purchasers for their manufactured products. Cotton mill stocks have declined sharply from the high quotations of the past winter and spring, and the wave of speculation in these stocks has largely ceased.

CLOTHING AND SHOES.—Wholesale prices in all lines of clothing are moving downward, following prices in wool, cotton and leather. Buyers are making necessary purchases carefully, seeking value for money spent, which is increasing the demand for medium and lower priced goods in contrast to the wide-spread

tendency last fall to buy the best at any price. Manufacturers and jobbers with large stocks on hand have found difficulty in disposing of them to retailers this fall, and very little shoe business has been placed for next spring. Manufacturers of cloth and finished suits found it necessary to revise their price list in September, in an effort to stimulate trade, but the cuts thus far made have not brought buyers freely into the markets. A number of wholesale and manufacturing concerns complain that retailers are cancelling orders previously placed, and in some cases even refusing to receive goods when delivered at their home depots. In other words, the situation in clothing, shoes, and dress goods might be summed up by saying that the market is a buyers' instead of a seller's, as it was earlier in the year and all of last year.

BUILDING.—Building permit reports received from twenty-three cities show a decrease in valuation during September, 1920, in comparison with September last year amounting to 13.5%. In September, 1920, 1000 permits were issued for new buildings, valued at \$5,036,887, and 1,601 permits for alterations or repairs valued at \$1,374,642, compared with 1,317 permits for new construction during September, 1919, valued at \$6,344,650, and 1,730 permits for alterations and repairs valued at \$1,057,478, the total figures for this year being \$1,000,599 less than the total for the corresponding month last year. The September figures for total valuation, both new and alterations, were 23.4% less than the total valuation for August, the preceding month, a decrease which is largely seasonal due to the coming of winter. Although lumber has declined in price, practically no residence construction is going on, chiefly due to the high cost of labor and the uncertainty of getting steady service from employees after construction is begun. Exceptional investment opportunities in stocks and bonds have drawn largely upon the funds which naturally finance building operations, thus making capital hard to secure except at rates that careful and well informed investors cannot afford to pay. Some figures that are available for Richmond show the type of building that is being done, these showing permits issued during September for 3 one-story brick dwellings, 2 frame dwellings, 12 private garages, 37 frame sheds—many of which will serve as garages—1 warehouse, and 122 permits for repairs. There seems small chance for increase in the supply of residences in the near future.

BUILDING MATERIALS.—In common with all commodities, the general tendency in the building material lines is downward, but lumber is the only line that has yet shown any decided decrease. The demand for material is light, as might be inferred from the statistics given above on the building situation, and one large lumber dealer writes that he closed his mill in August because of no business, and stated that he had been able to sell only six cars of lumber during September. Most of the lumber in demand is for box manufacturing, in which line business has held up reasonably well thus far. Railroad ties and pulp wood for paper making are in demand, with dealers unable to fill all orders. Steel products are in demand, but railroad embargoes and special car allotments to coal mines prevent the manufacturers of structural iron and bridges filling their orders.

WHOLESALE TRADE.—This month we present for the first time some statistics on wholesale trade, made up from reports filed with us by leading firms in five lines—groceries, dry goods, hardware, boots and shoes, and furniture. We secured actual figures showing sales for September, 1920, August, 1920, and September, 1919, from thirty-three firms, and answers to our questions in reference to collections, probable price trends, the buying attitude of wholesalers and retailers, and other more general observations from all of these and eight additional firms, a total of forty-one. Figures on collection data are given elsewhere in this bulletin, and below we show in percentage form the increase or decrease in sales for September, 1920, over sales for August of this year, and September of last year:

Line.	Number Firms Reporting	Percentage Increase or Decrease, September, 1920.	
		to August, 1920.	to September, 1919.
Groceries.....	8	13.3	22.3
Dry Goods.....	6	29.2-	16.9-
Hardware.....	9	1.6	26.6
Boots and Shoes.....	6	37.7-	43.2-
Furniture.....	4	17.0-	11.9-
Total Firms—Average Per Cent.	33	16.4-	6.8-

RETAIL TRADE.—Confidential reports received from twenty-three important retail establishments, many of them large department stores, show an increase in net sales during September, 1920, over net sales during the corresponding month last year amounting to 7.5%. This average probably indicates a somewhat smaller volume of sales than for September, 1919, prices as a whole being higher this year than the figure given as increase. Cumulative sales in the same stores since July 1, 1920, were 14.1% greater than during the same three months of 1919. Stocks on hand at the close of September this year amounted in dollar value to 21.1% more than at the close of September last year, and 10.2% greater than at the close of August, 1920. The percentage of average stocks on hand at the close of each month this year since July 1 to average monthly net sales during the same period was 512.9%, and outstanding orders for merchandise on September 30, 1920, was 8.4% of total purchases made by the reporting stores during the calendar year 1919. The most striking feature of the above statement is the small amount of outstanding orders at a time of the year when many fall and winter goods are ordinarily received, and this condition bears out the statement wholesalers make that retailers are placing orders far more conservatively than they have done in the past.

A table of averages showing retail trade figures by cities and the District as a whole is printed below.

FIGURES ON RETAIL TRADE

As Indicated by Reports from Twenty-three Representative Department Stores in the District for the Month of September, 1920.

(COMPILED BY THE FEDERAL RESERVE BANK OF RICHMOND)

	Baltimore	Richmond	Washington	Other Cities	District
Percentage increase in net sales during September over net sales during same period last year.....	12.4	7.2	.4	7.3	7.5
Percentage increase in net sales from July 1, through September 30, 1920, over net sales during same period last year.....	21.2	13.3	5.7	12.4	14.1
Percentage increase of stocks at close of September, 1920, over stocks at close of same month last year.....	17.6	25.0	23.8	25.4	21.1
Percentage increase of stocks at close of September, 1920, over stocks at close of preceding month, August, 1920.....	11.2	13.4	8.3	8.9	10.2
Percentage of average stocks on hand at end of each month since July 1, 1920, to average net sales during same period.....	520.7	458.8	478.0	593.9	512.9
Percentage of outstanding orders for merchandise on September 30, 1920, to total purchases during calendar year 1919.....	8.4

MONTHLY CLEARINGS

No.	CITIES	FOR MONTH OF SEPTEMBER		Increase or Decrease	Per cent of Increase or Decrease	No.
		1920	1919			
1	Asheville, N. C.....	\$ 6,489,329	\$ 5,742,770	\$ 746,559	13.0	1
2	Baltimore, Md.....	419,609,008	380,726,441	38,882,567	10.2	2
3	Charleston, S. C.....	14,216,834*				3
4	Charlotte, N. C.....	11,575,957*				4
5	Columbia, S. C.....	11,486,343	12,860,982	1,374,639-	10.7-	5
6	Frederick, Md.....	2,924,749	2,892,661	32,088	1.1	6
7	Greensboro, N. C.....	6,028,148	4,470,097	1,558,051	34.9	7
8	†Greenville, S. C.....					8
9	Hagerstown, Md.....	3,322,327	3,149,361	172,966	5.5	9
10	Huntington, W. Va.....	7,980,570*				10
11	Newport News, Va.....	3,462,855	3,514,425	51,570-	1.5-	11
12	Norfolk, Va.....	38,977,264	38,627,259	350,005	.9	12
13	Raleigh, N. C.....	5,487,905	5,222,475	265,430	5.1	13
14	Richmond, Va.....	229,576,858	282,012,395	52,435,537-	18.6-	14
15	Spartanburg, S. C.....	3,682,520*				15
16	Washington, D. C.....	65,663,286	62,576,902	3,086,384	4.9	16
17	Wilmington, N. C.....	4,822,918*				17
18	Roanoke, Va.....	36,416,588*				18
	TOTAL.....	\$ 793,028,072	\$ 801,795,768	\$ 8,767,696-	1.1-	

* Not included in totals.

† Report not received.

- Denotes decrease.

DEBITS TO INDIVIDUAL ACCOUNTS AT CLEARING HOUSE BANKS

(In Thousands of Dollars)

CITIES	FOR THE WEEK ENDING		
	October 6, 1920	September 1, 1920	October 8, 1919
Baltimore, Md.....	\$ 124,101	\$ 98,314	\$ 105,051
Charleston, S. C.....	7,461	5,875	10,118
Charlotte, N. C.....	7,360	6,878	4,300
Columbia, S. C.....	6,928	4,717	9,753
Huntington, W. Va.....	6,196	5,747
Norfolk, Va.....	19,359	17,995	21,315
Raleigh, N. C.....	4,280	3,400	4,800
Richmond, Va.....	27,589	24,996	31,640
Washington, D. C.....	38,992	29,774
TOTAL.....	\$ 242,266	\$ 197,696	\$ 186,977

BUILDING OPERATIONS FOR THE MONTHS OF SEPTEMBER, 1920 AND 1919

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			
MARYLAND												
1	Baltimore.....	339	412	809	934	\$ 290,700	\$2,224,560	\$ 242,700	\$ 514,524	\$2,205,684-	80.5-	1
2	Cumberland.....	12	18	18	18	46,851	224,625	8,875	11,045	179,944-	76.4-	2
3	Frederick.....	1				70				70		3
VIRGINIA												
4	Lynchburg.....	4	13	6	12	1,075	99,625	1,800	3,925	100,675-	97.2-	4
5	Norfolk.....	72	90	6	16	232,240	819,988	6,440	21,150	602,458-	71.6-	5
6	Richmond.....	51	103	122	97	65,004	478,087	102,689	108,056	418,450-	71.4-	6
7	Roanoke.....	64	79			70,145	90,130			19,985-	22.2-	7
8	Staunton.....	4		1		1,950		1,000		2,950		8
WEST VIRGINIA												
9	Charleston.....	36	64	7	17	137,335	250,365	2,900	17,250	127,380-	47.6-	9
10	Huntington.....	82	93			230,147	311,935			81,788-	26.2	10
11	Parkersburg.....					40,000	40,000	20,000	20,000			11
NORTH CAROLINA												
12	Asheville.....	44	30	14	40	33,860	37,925	6,286	4,615	2,394-	5.6-	12
13	Charlotte.....	22	21	5	4	392,650	84,460	1,800	6,100	303,890	335.6	13
14	Durham.....	9	6	9	10	36,500	62,500	5,550	26,000	46,450-	52.5-	14
15	Greensboro.....	27	30	2	2	54,861	215,375	7,400	3,600	156,714-	71.6-	15
16	High Point.....	20	7			30,825	20,225			10,600	52.4	16
17	Wilmington.....	12	11	8	3	338,000	86,600	19,000	6,000	264,400	285.5	17
18	Winston-Salem.....	19	51	58	60	49,700	113,595	13,399	47,680	118,176-	65.2-	18
SOUTH CAROLINA												
19	Charleston.....	22	18	12	10	74,394	43,450	24,780	4,365	51,359	107.4	19
20	Columbia.....	8	14	64	80	56,500	59,300	23,655	25,000	4,145-	4.9-	20
21	Greenville.....	18	22	17	40	102,975	136,500	15,660	14,280	32,145-	21.3-	21
22	Spartanburg.....	16	30	18	15	10,425	25,785	13,270	4,000	6,090-	20.4-	22
DISTRICT OF COLUMBIA												
23	Washington.....	118	205	425	372	2,740,680	899,620	857,438	229,888	2,468,610	218.6	23
TOTALS.....		1,000	1,317	1,601	1,730	\$5,036,887	\$6,344,650	\$1,374,642	\$1,067,478	\$1,000,599-	13.5-	

- Decrease

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

(In Thousands of Dollars)

	October 8, 1920	September 3, 1920	October 3, 1919
Total United States Securities owned.....	\$ 77,440	\$ 81,372	\$ 99,606
Loans secured by U. S. War Obligations.....	26,834	27,622	40,290
Loans secured by stocks and bonds other than U. S. Securities.....	108,213	107,637	102,951
All other loans and investments.....	364,468	365,193	322,085
Reserve balance with Federal Reserve Bank.....	36,213	38,608	35,302
Cash in vaults.....	18,559	16,146	16,406
Net demand deposits on which reserve is computed.....	343,307	347,652	336,677
Time deposits.....	107,515	107,818	94,008

FEDERAL RESERVE BANK OF RICHMOND
Statement of Condition as of September 17, 1920.

RESOURCES	
RESERVES	
Gold Coin and Certificates.....	\$ 2,448,802.50
Gold Settlement Fund—Federal Reserve Board.....	18,076,667.59
Gold with Foreign Agencies.....	5,461,398.38
TOTAL GOLD HELD BY BANK.....	\$ 25,986,868.47
Gold with Federal Reserve Agent.....	47,382,698.00
Gold Redemption Fund—Federal Reserve Notes.....	6,706,300.00
TOTAL GOLD RESERVES.....	\$ 80,075,866.47
Legal Tender Notes, Silver, etc.....	96,022.60
TOTAL RESERVES.....	\$ 80,171,889.07
UNCOLLECTED ITEMS	
Currency of other banks and unassorted Currency.....	\$ 2,089,246.00
Transit Items.....	68,809,337.61
Checks and other Cash Items.....	321,539.14
Exchange for Clearing House.....	4,037,923.82
TOTAL UNCOLLECTED ITEMS.....	\$ 75,258,046.57
EARNING ASSETS	
Bills Discounted—Secured by Government War Obligations.....	\$ 43,056,872.71
Bills Discounted—All others.....	67,898,026.61
Bills Purchased in Open Market.....	7,588,398.54
TOTAL BILLS ON HAND.....	\$118,543,297.86
U. S. Government Bonds.....	1,233,300.00
U. S. Certificates of Indebtedness.....	12,260,000.00
TOTAL EARNING ASSETS.....	\$ 132,036,597.86
MISCELLANEOUS ASSETS	
Interest Accrued on U. S. Securities.....	\$ 57,685.44
Advances to U. S. Government for War Loan Expenses.....	47,290.17
Bank Premises.....	1,191,319.03
5% Fund against Federal Reserve Bank Notes—Our own.....	451,300.00
Overdrafts—Members.....	134,364.07
All other Resources.....	14,069.53
TOTAL MISCELLANEOUS ASSETS.....	\$ 1,896,028.24
TOTAL RESOURCES.....	\$ 289,362,561.74
LIABILITIES	
CAPITAL AND PROFITS	
Capital Paid in.....	\$ 5,211,350.00
Surplus.....	8,067,365.25
Unapportioned Profits.....	1,512,831.95
TOTAL CAPITAL AND PROFITS.....	\$ 14,791,547.20
NOTE CIRCULATION	
Federal Reserve Notes in actual circulation—Our own.....	\$138,859,640.00
Federal Reserve Bank Notes in actual circulation—Our own.....	11,066,903.00
TOTAL NOTES IN ACTUAL CIRCULATION.....	\$ 149,926,543.00
DEPOSITS	
U. S. Treasurer.....	\$ 17,973,320.91
Member Banks Reserve Accounts.....	57,951,964.22
Foreign Government Credits.....	625,810.42
Foreign Banks.....	196,000.00
Cashiers' Checks.....	122,164.94
Deferred Availability—Uncollected Funds.....	47,279,107.96
TOTAL GROSS DEPOSITS.....	\$ 124,148,368.45
MISCELLANEOUS LIABILITIES	
Reserve for Taxes other than Franchise Tax.....	\$ 9,170.11
Reserve for Depreciation on U. S. Securities.....	4,580.00
Unearned Discount.....	478,911.41
All other Liabilities.....	3,441.57
TOTAL MISCELLANEOUS LIABILITIES.....	\$ 496,103.09
TOTAL LIABILITIES.....	\$ 289,362,561.74
MEMO:	
Due United States Treasurer by Depository Banks.....	\$ 6,876,756.00
Contingent Liability on Bills Rediscounted or Sold.....	20,000,000.00
Contingent Liability on Bills Purchased for Foreign Correspondents.....	784,000.00