

This monthly report on conditions is not to be released to the public until on and after February 2, 1919, so PLEASE HOLD IT CONFIDENTIAL UNTIL THE RELEASE DATE.

William McC. Martin,  
Chairman of the Board and Federal Reserve Agent,  
Federal Reserve Bank of St. Louis.

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REPORT ON CONDITIONS

IN FEDERAL RESERVE DISTRICT NUMBER EIGHT

There has been little change in general conditions in this district during the past month. Business is absorbed in adjusting itself to a peace basis. Owing to the high prices, normal demands are being delayed, which with the expiration of war orders, is resulting in many concerns operating at reduced capacity. However, it is believed that increased activity along normal and stable lines will shortly ensue, and many are preparing for a large volume of business. Efforts are being made in this district to develop foreign trade, and this is expected to help the situation materially.

The retail dry goods trade has been stimulated by post-holiday clearance sales, and department stores and merchants generally report a good business. Hardware dealers also report increased activity, stating that the demand for farm implements is especially strong. Merchants themselves are said to be buying only for their immediate needs, on account of the uncertainty of future prices. Collections as a rule are reported to be satisfactory.

A downward tendency in the price of certain dry goods and other staples is apparent. A slight reduction in food prices is also being effected. In this connection, the following statement made by a large grocery house in this district is interesting:

"While the laboring people were drawing abnormally high wages, they undoubtedly kept stocking up on canned goods. This fact added to the unusual amount of home canning, will serve to reduce the sale of certain standard canned goods by fully 10%. This may be counted upon to slow up the demand within the next sixty days to such an extent as to reduce some food prices materially."

Cotton is moving to market rather slowly and the general opinion seems to be that its marketing will continue at this rate. There seems to be a disposition on the part of some to hold the cotton in the hope of getting increased prices, while there is also a feeling of caution on the part of the mills, which is preventing over buying.

During the past month the demand for money in this district has become easier. This is reflected in the accommodations extended member banks by the Federal Reserve Bank. On December 20, 1918, the Federal Reserve Bank held member banks' paper amounting to \$71,835,000., whereas on January 20, 1919, it held only \$57,575,634., showing that \$13,759,366 had been liquidated. The bank rate to customers is now about 5½% in the large centers and in the outlying districts somewhat higher.

The demand for commercial paper in this district has also been easier during the past month. Brokers attribute this largely to the slow movement of cotton in the South. The commercial paper rate ranges now from 5% to 5½%.

Agricultural conditions in this district continue favorable. The winter wheat is reported to be in unusually good condition. It is well rooted, and there is an abundance of moisture in the soil. As yet, it has had little covering, but the weather has not been such as to damage it.

The report of the St. Louis National Stock Yards for December shows increases in the receipts and shipments of cattle and hogs, but decreases in the receipts and shipments of sheep, horses, and mules, in comparison with the corresponding month last year.

Postal receipts during December in St. Louis, Louisville, Memphis and Little Rock all show increases in comparison with the same month last year. The comparative figures are as follows:

	December	
	1917	1918
St. Louis.....	\$675,309.77.....	\$700,444.12
Louisville.....	167,105.89.....	170,529.64
Memphis.....	111,484.45.....	130,350.80
Little Rock.....	71,749.98.....	73,262.57

Due to the high cost of materials and labor, and the presence of winter, the building industry is still considerably below normal. However, roofing manufacturers and building contractors are looking forward to a revival with the opening of spring. Reports from St. Louis and Memphis, for December, show decreases in both the number of building permits issued and the estimated cost of construction, in comparison with the corresponding month last year. The report from Louisville shows an increase. The comparative figures for these cities are as follows:

	Permits	December		Permits	Cost
		1917	1918		
St. Louis .....	277	\$424,678	253	\$347,481	
Louisville .....	28	42,130	46	113,305	
Memphis .....	49	65,625	25	28,035	
Little Rock .....			32	11,700	

The labor supply is becoming more plentiful, with the release of soldiers. Many are returning to their old positions, while others are entering new fields. Federal and State agencies are rendering great assistance in placing them in positions for which they are best suited. Munition workers, who have been released, are being gradually absorbed by other industries. There are practically no labor disturbances in this district at the present time.

February 26, 1919.

Mr. J. A. Broderick, Secretary,  
Federal Reserve Board,  
Washington.

Dear Sir:

Herewith I send you monthly report on conditions in  
this district.

I also enclose a separate report giving the informa-  
tion in regard to the readjustment of business which was request-  
ed in your telegram of the 17th instant.

Yours very truly,



Federal Reserve Agent.

~~February 25, 1919.~~

REPORT ON CONDITIONS  
IN FEDERAL RESERVE DISTRICT NUMBER EIGHT

There has been some improvement in general business conditions in this district during the past month. Declines in the prices of certain commodities have stimulated buying and many concerns report increased activity. However, the deflation of prices has not yet gone far enough to induce vigorous operations generally. In many lines merchants are still buying only for their immediate needs. Nevertheless, reports indicate that business is gradually resuming a normal basis and with further readjustments of prices, a marked revival is anticipated. Business men, as a rule, continue optimistic regarding the future.

Iron and steel manufacturers report that normal demands are gradually filling the gap created by the cancellation of war contracts. Slight declines in the basic prices of metals have taken place. Manufacturers of boots and shoes report an active business but state that it is not quite up to this time last year. The price of leather has remained firm. There has been a marked revision downward in the price of cotton goods and wholesalers and jobbers of dry goods state that this is having a deterrent effect on their business, as merchants are buying cautiously, anticipating further reductions. Reports indicate that the flour milling industry is improving, but that it is still considerably below normal. Business in the electrical line is becoming more normal, with some lowering in the prices of raw materials. Considerable improvement in the wholesale grocery trade is noted, many concerns reporting substantial increases in the volume of business over this time last year. The drug line also shows increased activity. Wholesale millinery houses report that customers are buying freely and that a good

business is being transacted. During the past month many buyers have been in the centers obtaining goods for the spring trade.

Some of the large department stores and other retail houses have begun to revise their prices to a peace basis so as to attract consumers. The mild weather has retarded the sale of seasonable merchandise and many sales are being held to dispose of winter goods. Retail merchants generally report a better business than at this time last year. The demand for spring merchandise is already apparent, and merchants are looking forward to a good spring business.

Cotton continues to move slowly in the southern portions of ~~the~~ district and this is having a deterrent effect on business. Reports indicate that it is being held by the producer in the hope of getting increased prices, and that cotton mills are not buying as they have large finished stocks on hand. During the past month a movement has developed in the southern States to induce planters to reduce their cotton acreage. This will not only result in the South raising more food, but will also doubtless help in maintaining the price of cotton.

*Insert X*  
The demand for money in this district has improved somewhat during the past month. This is reflected in the accommodations extended member banks by the Federal Reserve Bank. On January 20, 1919, the Federal Reserve Bank of St. Louis held member banks' paper amounting to \$57,575,634. and on February 20, 1919, it held \$53,602,336., showing that only \$3,973,298. was liquidated. During the previous thirty day period, \$13,759,366. was liquidated. The bank rate to customers has become a little firmer, it now being from 5-1/2% to 6% in the large centers and somewhat higher in the outlying districts.

There has also been a slight revival in the commercial paper market during the past month. Brokers report an increased demand from some of the country districts, though very few of the large city banks are buying. The commercial paper rate now ranges from 5-1/4% to 5-1/2%.

The winter wheat in this district continues to develop satisfactorily,

though in some sections it has suffered from the freezing and thawing due to the lack of snow covering. Live stock is reported to be in good condition.

The report of the St. Louis National Stock Yards for January shows increases in the receipts of cattle and hogs but decreases in the receipts of sheep, horses and mules, in comparison with the same month last year. It also shows increases in the shipments of cattle, hogs and sheep, but a decrease in the shipments of horses and mules, in comparison with the corresponding month last year. The comparative figures showing the number of head received and shipped, are as follows:

## RECEIPTS DURING JANUARY

Cattle		Hogs		Sheep		Horses and mules	
1919	1918	1919	1918	1919	1918	1919	1918
144,115	107,127	395,148	291,606	26,489	35,825 <sup>474</sup>	25,471	33,746

## SHIPMENTS DURING JANUARY

Cattle		Hogs		Sheep		Horses and Mules	
1919	1918	1919	1918	1919	1918	1919	1918
28,623	12,760	93,111	75,822	1,142	785	26,100	32,002

Postal receipts during January in St. Louis, Louisville and Memphis all show increases in comparison with the same month last year. In Little Rock a slight decrease is shown. The comparative figures are as follows:

## January

	1919	1918
St. Louis .....	\$630,008.56	\$590,974.07
Louisville .....	162,244.53	145,249.72
Memphis .....	111,410.63	83,454.50
Little Rock .....	69,247.90	72,179.91

Reports from St. Louis, Louisville, Memphis, ~~and~~ Little Rock and Evansville

for the month of January indicate some improvement in building operations in comparison with the same month last year. However, due to the high cost of materials and labor, the building industry is still considerably below normal. The comparative figures for these cities are as follows:

	1919		January	
	Permits	Cost	Permits	Cost
St. Louis .....	319	\$507,015.00	186	\$167,319.00
Louisville .....	66	95,801.00	31	35,800.00
Memphis .....	46	122,760.00	43	79,450.00
Little Rock .....	41	129,459.00	19	37,545.00
Evansville .....	26	14,480.00	7	11,600.00

Much progress has been made in this district in furnishing suitable employment to soldiers and sailors who have been released. A campaign has been started with the slogan "Make a Job for Every Fighter" and this is resulting in many employers ~~giving~~ giving preference to them. Munitions workers, who have been released, are also being gradually absorbed by other industries. However, there is *still* a surplus of labor in St. Louis and some of the other large cities in this district. There are practically no labor disturbances in this district at the present time.

An interesting development during the past month was the offering to banks in this district, by a New York Syndicate, <sup>of</sup> participations in a \$50,000,000 Commercial Export Credit, the proceeds of which are to be used in providing funds in America to purchase American supplies for reestablishing industrial operations in Belgium. Many of the banks subscribed to this fund, which, it is believed, will ~~assist~~ assist in the development of foreign trade.

February 27, 1919.

#### HOW FAR LABOR HAS BEEN REEMPLOYED IN PEACE ACTIVITIES

Reports from various lines of industries indicate that a large percentage of employers are co-operating in furnishing employment to soldiers and sailors who have been released. Many employers are taking them back, as well as retaining their present force. A campaign has been started in St. Louis with the slogan "Make a Job for Every Fighter," and this is resulting in employers giving preference to the soldiers and sailors. Munition workers, who have been released, are gradually being absorbed by other industries. However, general business has not as yet resumed such proportions as fully to absorb the present supply of labor. It is estimated that there are approximately 15,000 unemployed workers in St. Louis. In the other centers in this district, the number seems to be very small. Those out of employment seem to be mostly unskilled workmen, as there is a good demand for skilled workers in many lines. For several weeks past the St. Louis office of the United States Employment Service has been placing an average of about 800 men in jobs each week. The labor situation seems to be improving in the district, and with the revival of business activity, it is believed that the surplus supply of labor will be largely absorbed.

#### HOW FAR THE INDUSTRIES OF THE DISTRICT HAVE READJUSTED THEMSELVES

Reports from the different industries in this district indicate that business is gradually resuming a normal basis, but that it has not as yet been fully accomplished. Prices in many lines have not yet declined far enough to induce vigorous operations. However, declines in the prices of certain commodities have taken place, which has stimulated buying. In other lines, merchants are still buying only for their immediate needs. With further readjustments of prices, a marked revival in business is anticipated. Iron and steel manufacturers report that normal demands are gradually filling the gap created by the cancellation of war contracts. Some report that they are now doing practically a normal business. The demand for automobiles, garages, etc., is helping the iron and steel industry. Shoe manufacturers are doing an active business, though it is not quite up to this time last year. Wholesalers and jobbers of dry goods state that their business is declining, as merchants are buying cautiously, anticipating further reductions in the prices of cotton goods. A large clothing manufacturer states that he is drawing in his lines a little. The flour milling industry is still considerably below normal. Business in the electrical line is becoming more normal. Considerable improvement in the wholesale grocery trade is ~~also~~ apparent, as is also ~~in~~ the case ~~in~~ the drug and millinery lines. Readjustment of the candy industry is taking place slowly. This is also true of the lumber industry. One of our large manufacturers ventures the statement that the industries in this district have readjusted themselves to the extent of about 75%.

## WHAT CHANGES IN BASIC PRICES HAVE OCCURRED

Manufacturers of iron and steel products report that slight reductions in the basic prices of metals have taken place, averaging about 10%. The price of leather remains firm. Dealers in dry goods report that there have been reductions in their line of from 10% to 30%. Electrical supply houses report some lowering in the prices of copper wire and other raw materials. Wholesale grocery houses state there has been a slight reduction in some of their articles. Drug manufacturers report that declines have occurred in articles used in the manufacture of munitions, such as Glycerine, Carboic Acid, and their derivatives. Candy manufacturers say that material in their line is practically as high now as last year. Some slight reduction in the price of paper is reported. Little change in the price of lumber.

## HOW FAR THE DEMAND HAS RESUMED ITS NORMAL FOOTING

In the Iron and Steel line, leading manufacturers estimate that the demand has resumed from 60% to 85% of its normal footing. However, one large boiler manufacturer states: "The demand is far from its normal footing - there are many excellent inquiries for prices, but after prices are furnished there is a tendency to hold back placing orders, making it difficult to obtain business." A large shoe manufacturer ~~states~~ estimates that the demand is only about 70% of normal, and another states that he expects it to be normal within sixty days. Hardware dealers report that their business is practically normal. A large department store also states that the demand is ~~near~~ normal. A large wholesaler of dry goods states that the demand for his goods has resumed its normal footing to the extent of from 60% to 70%. Another dry goods house states that the volume of business in its community is above normal or pre-war average, although somewhat less than for the corresponding period of 1918. A large electrical manufacturing company states that the demand is normal. The millinery demand has been favorably affected by the termination of the war. A large wholesale drug concern states that its sales during January were the largest in its history. The demand for lumber is reported to be much below normal, and the demand for paper is said to be about 80% of normal.

## WHAT SPECIAL DIFFICULTIES ARE BEING ENCOUNTERED

Reports from the various lines of industries in this district indicate that the following are the main difficulties being encountered: (1) Tendency on the part of buyers to wait for reduced prices; (2) High cost of labor and the more or less unsettled labor conditions; (3) Marked decline in price of cotton; (4) lack of building and construction work, and (5) slow transportation. A large ~~flour~~ flour mill states that preference is given for the export of wheat instead of flour, and this control of the export flour trade is its special difficulty.

## WHAT IS THE OUTLOOK FOR BUSINESS BOTH DOMESTIC AND EXPORT

Reports from practically all lines of industries in this district express the belief that domestic business will show a healthy increase in the near future, but that its full development will be gradual. A large iron and steel manufacturer states that domestic business will be good after prices have declines to normal. A large paper company states: "We anticipate good demand for both domestic and export trade, because in both cases orders have been held up for several months, thus accumulating a demand." Efforts

are being made in this district to develop foreign trade, and reports indicate that the outlook is favorable.

#### WHAT IS THE PREVAILING TONE OF BUSINESS SENTIMENT

The present prevailing tone of business sentiment in this district is one of conservative optimism. Business men, as a rule, are looking to the future in confidence. An iron and steel manufacturer states that "After a general readjustment in price of raw materials and labor, business will be good." A boiler manufacturer states: "The prevailing tone of business sentiment is an element of doubt as to what the future holds. All manufacturers are afraid of the high cost of labor and are therefore reluctant to place an order for material, being unable to determine whether there is going to be an improvement or not, and are therefore operating conservatively." A dry goods company reports: "Business sentiment in our district shows utmost confidence. Overcoming prevailing timidity only obstacle to assumption of a good volume of business." ~~organizational~~ The Vice-President of a large hardware company, who is familiar with trade conditions in this district states: "Some conditions will continue for 30 to 60 days".