

FEDERAL RESERVE BANK OF ST. LOUIS.

MONTHLY REPORT ON GENERAL BUSINESS AND AGRICULTURAL CONDITIONS IN FEDERAL RESERVE DISTRICT No. 8

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Some factories took advantage of the end of the year to overhaul their production facilities so as to be in position to begin the new year by filling part of their exceptionally heavy orders. The first week in January found renewed activity in many lines with production considerably increased and shipments larger than usual.

In many cases stores report that Christmas buying was the largest in their experience. Retailers say, in nearly every instance, that the holiday trade was characterized by a demand for the better class of merchandise. There was a tendency to purchase useful articles as gifts, though jewelers say that they sold an exceptionally large number of costly pieces.

The usual post-holiday "economy" sales are in progress and many individuals are taking advantage of these January reductions to supply their needs, although purchases are undoubtedly restricted by the inordinately high prices. In some lines, for instance certain brands of men's shirts, no reductions have been made because retail stocks are already very scant.

There has been much talk of various organizations to fight the cost of living, but little has been accomplished and it seems likely that little will be accomplished until individuals stop indulging in extravagance. Banks are besieged by small borrowers who have discovered the collateral value of Liberty bonds. Many of these loans are renewed at maturity, which indicates that the borrowers are spending their incomes. While the banks frequently offer to buy the bonds outright, the borrowers prefer to retain title to the bonds, evidently feeling that they have found a way to "eat their cake and have it too."

Collections, which have been very good for the last several months, continue so. This has resulted in a considerable shortening of credits, which should be of material benefit to business.

Banks say the demand for money was never better. They are limited only by their capacity and desire to lend. Loans and investments in 35 reporting banks in this district show an aggregate increase from December 5th to January 9th of \$43,802,000, and the deposits show an increase of \$45,264,000.

MANUFACTURING—Business is unusually active for this time of the year when there is inventory taking, overhauling of machinery, etc. Manufacturers are making strenuous efforts to catch up on their orders, which in some cases are as much as 600% beyond normal. Deliveries of raw material are generally better and the condition of labor is much more settled than formerly. There is, however, a shortage of skilled labor which, coupled with shorter working hours, is reported to be curtailing production. However, production appears to be improving and shipments are increasing.

Manufacturers of boots and shoes say their business is steady. December shipments were unusually large and orders on hand are sufficient to last for some time to come. The slow leather market seems to justify the belief that footwear prices will be lower.

Some clothing manufacturers say they are sold up to manufacturing capacity. Their orders on hand for future delivery are very heavy. One concern says its December business was 260% larger than for the corresponding month in 1918. There is still a scarcity of labor and material.

Manufacturers of woodenware report increases in business as high as 50% in comparison with December, 1918. They say their business is improving and that their orders for future delivery are large. One concern states that its business is favorably affected by an increasing confidence in values.

The demand for lumber is strong, raw material is scarce, stocks are low and the scarcity of labor is keenly felt in logging camps.

Manufacturers of candy say their business is steady, but that they are handicapped by the shortage and the high price of sugar. Future orders are small. Prices are tending upward on account of the high cost of materials and labor.

Chemical manufacturers say their business is steady. Their business is favorably affected by an increase in the number of plants using their products. The supply of skilled and unskilled labor is becoming scarcer.

Manufacturers of harvesting machinery say the outlook is problematical because of the uncertainty of the wheat crop. Farmers do not buy until they are fairly well assured of a satisfactory harvest.

Stove manufacturers say their business is beyond normal, in some cases, as much as 55% beyond December, 1918. Orders on hand are large, but it is difficult to secure enough raw material to run factories on full time. Some concerns take orders for future delivery at the prices prevailing when shipment is made.

Manufacturers of electrical specialties say their business is from 80% to 115% beyond December, 1918. Their business is limited only by their capacity to produce. New building and the general buying fever are given as favorable factors affecting business.

WHOLESALE AND JOBBING—Wholesalers in practically all lines appear to be very prosperous. Many report that their business was never better. The buying power of the merchants is very strong and collections are good. Increases in business as high as 350% over December, 1918, are reported. The dry goods trade is especially active.

Wholesale dry goods dealers report increases ranging from 47% to 100% and even over 300% in December as compared to the corresponding month in 1918. The demand is far above normal and there is still difficulty in securing goods promptly from factories. As has been the case for several months, orders on hand for future delivery are exceptionally large.

Wholesale shoe dealers say business is improving, showing increases as high as 35% over November and 50% over December, 1918. Orders for future delivery are larger than usual.

In the wholesale drug line conditions have not materially changed since the last report. Prices are generally stationary and collections are good. One concern states that it has about 10% less owing to it on account than it had a year ago, although its annual business increased 20% over that for the year 1918.

While some wholesale grocers report decreases in business as compared to December, 1918, most concerns report increases ranging from 18% to 25% for the same period. Orders on hand for future delivery are small, in some cases only 50% of those held last year.

The wholesale hardware business is steady. December shows slight increases over the corresponding month in 1918. Some concerns have large orders for future delivery, while others, those dealing in mining tools for instance, have none.

Wholesale hat houses report increases as high as 82% over December, 1918. Their orders for future delivery are exceptionally large. There is a scarcity of skilled labor and a difficulty in obtaining goods from the manufacturers.

RETAIL—A record holiday trade was experienced by retailers in most sections of the district. Stores report increases in volume of business as high as 75% over December, 1918. They say there is a demand for the better class of merchandise. January sales are attracting buyers who delayed their purchases in anticipation of them. Commenting on this fact one dealer says: "With further higher prices for spring on seasonable goods there will be still more waiting this spring. With this in mind our buyers will buy light." Stores are still short of certain classes of merchandise, but with the improvement in the shipments of raw materials to manufacturers their requirements should soon be more satisfactorily met.

AGRICULTURE—While the winter wheat acreage in this district is materially reduced from that sown last year, it must be remembered that the latter was unusually large. Much of the acreage infected with Hessian fly has been turned into pasture in an attempt to save it. In parts of the district the crop has been damaged by excessive rains and sleet. Throughout a large portion of the district the wheat is now covered by an ample blanket of snow, which should prove highly beneficial.

The acreage sown in tobacco in this district was unusually large, but it is estimated that there will be only about an average yield in both the dark tobacco and light tobacco sections. The present average price of the dark tobacco is about 18c a pound and it is probable that 30% to 40% of the crop has been marketed. The average price of the light tobacco is about 36c a pound and about 40% of the crop has been marketed. High prices are moving some of the 1918 crop which has been in storage. It is believed that exporting will begin later than usual this year on account of the high exchange rates.

About one-fifth of the cotton crop is still unpicked, and, with satisfactory weather conditions, this will be marketed. Practically all of the better grades and staple cottons have been sold, but there is not yet a demand for low grades. As before stated in this bulletin, the high prices paid for cotton have made up to producers for the low yield. The following table shows the comparative prices paid December 1, 1918 and 1919, according to Government figures, in the four cotton states in the district:

	Price per pound December 1	
	1919	1918
Arkansas	36.4	27.8
Mississippi	37.5	27.8
Missouri	34.0	24.0
Tennessee	33.5	26.7

Since the compilation of the above price figures, cotton has sold above 40c a pound, which is higher than at any time since the Civil War.

LABOR—There are still a few complaints that labor is not working full time and is thus abusing high wages to purchase leisure at the expense of curtailing much-needed production. However, the situation in this district is better than it has been for many months. No strikes or other serious troubles are apparent. There is a considerable shortage of skilled labor in certain lines. This is particularly true of female labor, such as trimmers of millinery and workers in clothing factories. Moreover, the scarcity of domestic servants is almost proverbial.

LIVE STOCK—The report of the St. Louis National Stock Yards for December, 1919, shows increases in all receipts and shipments as compared with the corresponding month last year. The comparative figures are as follows:

	Cattle		Hogs		Sheep		Horses and Mules	
	1919	1918	1919	1918	1919	1918	1919	1918
December: Receipts	142,158	135,359	442,229	392,167	66,154	32,327	18,961	15,584
Shipments	39,340	24,884	184,319	83,116	10,776	1,767	19,979	15,537
Local Slaughter	102,818	110,475	257,910	308,951	55,378	30,560	.....	.....

Live stock is in good condition throughout the district, but in some sections there appears to be a considerable reduction in the number of feeders on the farms as compared to this time last year.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT ST. LOUIS during December, 1919 and 1918, as reported by the Merchants' Exchange, were as follows:

	Receipts		Shipments	
	1919	1918	1919	1918
Flour, barrels	532,030	251,115	602,560	338,080
Wheat, bushels	1,770,395	2,230,117	1,877,170	2,094,350
Corn, bushels	2,441,400	1,707,516	1,454,470	946,530
Oats, bushels	2,624,000	1,846,000	1,744,820	1,143,780
Lead, pigs	335,940	187,390	236,880	266,970
Zinc and Spelter, slabs	363,190	447,590	729,510	762,920
Lumber, cars	13,249	7,757	10,056	6,037
Meats, pounds	4,304,400	4,515,300	23,449,700	30,119,600
Fresh Beef, pounds	1,058,600	1,627,900	28,771,300	31,389,400
Lard, pounds	2,916,900	176,900	7,523,300	3,846,200
Hides, pounds	1,810,900	3,773,300	5,312,800	6,298,700

POSTAL RECEIPTS—Postal receipts for the quarters ended December 31, 1919 and 1918, for all reporting cities in the District are shown in the following comparative figures:

	December	
	1919	1918
St. Louis	\$2,275,251.44	\$1,970,359.85
Louisville	462,426.53	524,520.02
Memphis	367,871.55	342,332.07
Little Rock	177,757.40	242,420.52
Evansville	103,181.31	105,062.82

BUILDING—During December, permits issued for new buildings were far in excess of the corresponding month in 1918. Some cities in the district show increases over November, others decreases. Comparative figures for December are as follows:

	1919		December		1918	
	Permits	Cost	Permits	Cost	Permits	Cost
St. Louis	434	\$ 692,725	253	\$347,481		
Louisville	112	302,050	46	113,305		
Memphis	117	1,003,750	25	28,035		
Little Rock	95	243,420	32	11,700		

FINANCIAL—There is an exceptionally good demand for money. The small borrower is an important factor in creating this demand, although demands for industrial purposes are heavy. Considerable funds are required to finance the large volume of business being transacted at record prices.

Rates are slightly higher than in November. The high, low and customary interest rates prevailing in St. Louis, Louisville, Memphis and Little Rock, from December 16th to January 15th, as reported by banks in those cities, were as follows:

	St. Louis			Louisville			Memphis			Little Rock		
	H	L	C	H	L	C	H	L	C	H	L	C
Customers' prime commercial paper:												
30 to 90 days	6	5½	6	6	5½	6	6	5½	6	7	6	6-7
4 to 6 months	6	5½	6	6	5½	6	6	5½	6	7-8	6	6-7
Prime commercial paper purchased in open market:												
30 to 90 days	6	6	6	6	6	6	6	5½	6	6	5½	6
4 to 6 months	6	6	6	6	6	6	6	5½	6	6	6	6
Loans to other banks	6	5½	6	5	5	5	6	5½	6	6	6	6
Bankers' acceptances of 60 to 90 days:												
Endorsed	5	4½	4¾	5¾	5¼	5¾	...	...	...	...	...	...
Unendorsed	5¼	4¾	5	...	...	...	...	...	...	...	...	...
Loans secured by prime stock exchange collateral or other current collateral:												
Demand	6	5½	6	6	5½	6	6	5½	6	8	6	7
3 months	6	5½	6	6	5½	6	6	5½	6	7-8	6	7
3 to 6 months	6	5½	6	6	5½	6	6	5½	6	7-8	6	7
Cattle loans	6	5¾	6	6	5½	6	6	6	6	8	6	8
Commodity paper secured by warehouse receipts, etc.	6	6	6	6	5½	6	6	6	6	8	6	7
Loans secured by Liberty Bonds and Certificates	6	4¾	6	6	5	6	6	5	6	7	6	6-7

Dealers in commercial paper are enjoying exceptional prosperity, which they attribute largely to the prevailing rate of 6% which makes their offerings attractive to country banks. One dealer says his business during the first eighteen days of January this year was equal or above that for the entire month last year.

In December the Federal Reserve Bank of St. Louis discounted a total of \$179,379,614.36 of paper for 205 different member banks, which is a decrease of \$731,149.42 from the amount of paper discounted during October and a decrease of six in the number of banks accommodated.

There has been no change in the discount rates of the Federal Reserve Bank since the last report. The rates in effect on January 20, 1920, were as follows:

MEMBER BANKS' COLLATERAL NOTES:	15 days and less	16 to 60 days	61 to 90 days	91 days to 6 months
Secured by Certificates of Indebtedness	4½%	....	....	....
Secured by Liberty Loan Bonds or Victory Notes	4¾%	....	....	....
Secured by War Finance Corporation Bonds	5¾%	....	....	....
Secured by Bills Receivable	4¾%	....	....	....

REDISCOUNTS:

Secured by Certificates of Indebtedness.....	4½%	4½%	4½%	.....
Secured by Liberty Loan Bonds or Victory Notes.....	4¾%	4¾%	4¾%	.....
Secured by War Finance Corporation Bonds.....	5¾%	5¾%	5¾%	.....
Commercial Paper.....	4¾%	4¾%	4¾%	.....
Agricultural or Livestock Paper.....	4¾%	4¾%	4¾%	5½%
Trade Acceptances.....	4½%	4½%	4½%	.....
Bankers' Acceptances purchased at the market rate, subject to agreement.				

The condition of the banks in this District at the present time, and the changes during the past month, are reflected in the following comparative statement, showing the principal resources and liabilities of member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville:

	Jan. 9, 1920	Dec. 5, 1919
Number of Banks reporting.....	35	35
United States Bonds to secure circulation.....	\$ 17,178,000	\$17,154,000
Other United States Bonds, including Liberty Bonds.....	19,662,000	14,068,000
United States Victory Notes.....	4,752,000	5,550,000
United States Certificates of Indebtedness.....	25,776,000	13,779,000
Total United States securities owned.....	67,368,000	50,551,000
Loans secured by United States Bonds and Certificates.....	30,571,000	30,644,000
Loans secured by stock and bonds, other than United States Securities.....	157,659,000	151,800,000
All other loans and investments.....	324,812,000	303,613,000
Total loans and investments.....	580,410,000	536,608,000
Reserve with the Federal Reserve Bank.....	49,897,000	44,420,000
Cash in vault.....	11,365,000	12,502,000
Net demand deposits on which reserve is computed.....	380,368,000	337,534,000
Time Deposits.....	114,094,000	111,664,000
Government deposits.....	23,249,000	13,037,000

The volume of individual check transactions in this District during the past month is indicated by the following comparative table, compiled from information received from the clearing houses in the cities shown:

	Weeks ended—Dec. 17	Dec. 24	Dec. 31	Jan. 7
St. Louis.....	\$172,315,000	\$158,837,000	\$142,134,000	\$178,999,000
Louisville.....	41,348,000	30,971,000	34,460,000	47,604,000
Memphis.....	43,699,000	47,694,000	39,180,000	55,294,000
Little Rock.....	11,663,000	9,802,000	8,121,000	10,039,000
Evansville.....	5,104,000	6,231,000	5,387,000	6,704,000

The resources and liabilities of the Federal Reserve Bank of St. Louis on January 9, 1920, as compared to a month ago, and a year ago, are shown in the following statement:

RESOURCES:	Dec. 12, 1919	Jan. 9, 1920	Jan. 10, 1919
Gold coin and certificates.....	\$ 2,970,000	\$ 2,808,000	\$ 4,362,000
Gold Settlement Fund—F. R. Board.....	16,340,000	15,879,000	21,046,000
Total gold held by Bank.....	19,310,000	18,687,000	25,408,000
Gold with foreign agencies.....	6,623,000	5,796,000	233,000
Gold with Federal Reserve Agent.....	74,195,000	71,525,000	61,569,000
Gold Redemption Fund.....	5,971,000	6,003,000	3,352,000
Total gold reserve.....	106,099,000	102,011,000	90,562,000
Legal tender notes, silver, etc.....	3,367,000	2,671,000	2,325,000
Total Reserves.....	109,466,000	104,682,000	92,887,000
Bills discounted—Secured by Government War obligations.....	36,126,000	45,640,000	56,196,000
Bills discounted—All other.....	31,270,000	28,574,000	14,492,000
Bills bought in open market.....	31,971,000	21,154,000	8,334,000
Total bills on hand.....	99,367,000	95,368,000	79,022,000
U. S. Government Bonds.....	1,153,000	1,153,000	1,153,000
U. S. Certificates of Indebtedness.....	17,138,000	17,243,000	7,068,000
Total earning assets.....	117,658,000	113,764,000	87,243,000
Bank Premises.....	691,000	356,000	.....
Uncollected items and other deductions from gross deposits.....	68,236,000	79,111,000	45,905,000
5% Redemption Fund against F. R. Bank notes.....	576,000	682,000	318,000
All other resources.....	290,000	255,000	473,000
TOTAL RESOURCES.....	\$296,917,000	\$298,850,000	\$226,826,000
LIABILITIES:			
Capital paid in.....	\$ 4,060,000	\$ 4,065,000	\$ 3,800,000
Surplus.....	2,589,000	3,724,000	802,000
Government deposits.....	5,676,000	2,865,000	4,083,000
Due to members—Reserve Account.....	67,280,000	74,947,000	57,469,000
Deferred availability items.....	53,137,000	54,164,000	32,463,000
Other credits.....	3,855,000	3,914,000	4,685,000
Total gross deposits.....	129,948,000	135,890,000	98,700,000
F. R. Notes in actual circulation.....	142,710,000	138,726,000	116,141,000
F. R. Bank Notes in actual circulation—net liability.....	15,692,000	15,851,000	6,176,000
All other liabilities.....	1,918,000	594,000	1,207,000
TOTAL LIABILITIES.....	\$296,917,000	\$298,850,000	\$226,826,000