

FEDERAL RESERVE BANK OF ST. LOUIS.

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

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Business in practically every line continues active in this district, although during the past few weeks several disturbing factors have tended to lessen its volume from the high level of January. The influenza epidemic restricted retail sales, particularly in the larger cities, and the break in foreign exchange, coupled with the severe storms which seriously affected the large eastern markets, has made wholesale buyers generally more conservative. In view of possible price reductions, they consider it advisable to limit their present purchases.

A feeling of optimism is manifested by most business men and they agree in the belief that business will continue good for the next six months. This belief is based largely on the fact that the demand for goods is still strong and that the buying power of the public shows little diminution.

There are frequent complaints of slow deliveries of goods, due in great measure to underproduction by the factories and also to inadequate transportation facilities. There is also a marked shortage of skilled labor in many branches of industry.

There is very little demand for spot cotton, due in great measure to the export situation. Very few inquiries are coming from domestic mills. Long staple cotton, of which there is little on the market, is commanding high prices, but there is very little demand for the lower grades.

Collections generally are still good, but in some quarters the difficulty experienced by merchants in financing their business at the extraordinarily high prices has resulted in slower payments.

Bankers report that there is a strong demand for money, but that they are now choosing their loans with a view to placing their funds where they will serve the best industrial and commercial purposes. Loans and investments in 35 reporting banks in this district show an aggregate decrease from January 9th to February 6th of \$3,625,000, and the time and demand deposits show an aggregate decrease of \$10,407,000.

MANUFACTURING—As was the case in January, manufacturers are unusually busy for this time of the year. Many concerns are still so far behind in filling their orders that they are forced to limit the amount of the orders they take. Some firms have even taken their salesmen off the road. Business in January showed increases in amount of sales as high as 75% beyond the corresponding month last year.

Manufacturers of boots and shoes hold exceptionally heavy orders for future delivery. The present dullness in the leather market together with the reduction in exports consequent on the unfavorable exchange situation seems to indicate that prices to domestic consumers may be somewhat lower.

Chemical manufacturers say business is improving slightly. The influenza epidemic created a large demand for a number of special chemicals. January shows a slight increase in amount of business as compared with the corresponding month last year, and is considerably in excess of the same period in pre-war years.

While some flour mills report that business with them has resumed its normal footing, others say it is still below normal. The exchange situation has restricted exports and prices have recently dropped considerably with the prospect of further declines.

Manufacturers of clay products say the resumption of activity in the iron and steel trade and the increased amount of construction work have stimulated their business. With the exception of fire brick, which has advanced about 25%, there have been no changes in basic prices. In some instances the value of the January business was nearly 50% beyond the corresponding month last year.

A particularly good business is enjoyed by manufacturers of iron and steel. One concern states that it had very little business in January, 1919, but that now it is limited only by its capacity to produce. Orders on hand for future delivery are abnormally large, in some cases as much as 100% beyond January, 1919. Prices are somewhat higher than they were a year ago.

Clothing manufacturers say their business is improving. The demand is said to be far beyond normal and greatly in excess of January, last year.

Manufacturers of millinery report increases as high as 75% in the value of their January business as compared with the corresponding month a year ago. This increase is due in great part to the buying season having started two or three weeks earlier this year and also to the fact that the prices on many items are from 25% to 50% higher than they were at this time last year. There is evidence that the peak of prices has been reached and buyers are now showing greater conservatism.

WHOLESALE AND JOBBING—While the month of January showed greatly increased sales in many lines as compared to the corresponding month a year ago, many concerns say their business exhibited a steady tone during the month, with considerable slowing down during the first weeks of February. Wholesalers show a tendency to be conservative in their purchases, but in many instances they are practically forced to make large commitments because of the insistent and large demands from their customers.

Notwithstanding high prices, wholesale shoe houses report increases as high as 53% in the value of their sales as compared with January, 1919. Production in this line is sold months ahead in many cases. In view of the weak leather market and of the curtailment of exports, many retail merchants are awaiting price developments before completing their stocks.

Wholesale dry goods houses say their sales in some instances were 100% larger in January, 1920, than they were during January, 1919. Their business was also much larger than in December, but this increase is seasonal. They say retail stocks are depleted and they see no immediate prospect of price reductions. On lines that have opened for fall delivery the basic prices are higher than for spring.

Wholesale clothing houses say business is very active, though in some lines, particularly women's ready-to-wear, high prices are materially restricting sales. In this connection it is notable that many women are now making their own clothes in an attempt to lessen the burden of high costs. A reaction to this has been the constantly increasing prices of piece goods.

The unfavorable exchange situation has seriously affected the cotton trade. Cotton factors say their business is far below normal, in one case 75% below January, 1919. Raw cotton is down about \$20 a bale and this, together with the prospect of still further declines, makes the situation rather a precarious one for dealers.

The influenza epidemic and other forms of sickness since the first of the year have stimulated the business of wholesale drug houses. They report increases of from 10% to 20% over the sales in January, last year. Orders on hand for future delivery are somewhat larger than last year and prices are steady.

Dealers in electrical supplies are still enjoying the good business that has prevailed for the past several months. The increased building activity has stimulated demand and prices are advancing.

The demand for glass exceeds the supply, owing to the building activity, and firms say their January sales were as high as 50% beyond those for January, 1919, although there have been very material decreases from December. There is a shortage of production, and some concerns are taking no orders for futures.

January was a good month for wholesale grocery houses, but orders for future delivery are still very small. Some concerns say buyers are hesitating in the belief that the peak of high prices has been reached. Sales were from 7½% to 25% larger than during January, last year.

Wholesale hardware concerns report increases of from 50% to 60% in their January sales as compared with the corresponding month last year. Some have more orders than usual for future delivery, while others say that their orders are nearly all filled. There is a scarcity of merchandise and prices are firm.

Pelts aggregating \$27,152,882 in value were sold during the first two weeks of February at the winter auction of the International Fur Exchange in St. Louis. This is nearly \$12,000,000 more than the September sale of a similar nature, which was up to that time the largest on record. Prices ranged from the same to 150% higher than those realized in September. Some few classes, such as Russian ponies, guanacos and American and Russian ermine, were 10% to 20% lower. The attendance at this sale is believed to be the largest ever known in the history of the trade, and its outstanding feature was that the buying was more distributed among buyers from all parts of the world than at any previous sale.

RETAIL—Retail trade reached new high levels for January during the month just passed. Stores report increases in value of sales of from one-fifth to one-third over January, last year. Stocks generally are larger than they were at the end of January, 1919, though in certain lines they are greatly depleted. During the first part of February the influenza epidemic and the prevalence of other varieties of sickness considerably curtailed retail purchases. Mild weather, however, in parts of the district has stimulated spring buying, and sales of millinery have been especially active. Retail grocers in some instances report record sales for January. Concerns dealing in house furnishing goods are experiencing exceptionally good business, in some cases as much as 200% increase over January, last year. They anticipate a continued strong demand because of the number of new houses which must be built.

AGRICULTURE—The winter wheat crop is reported to be in fair condition throughout the district, with the exception of some localities where there has been damage from successive freezing and thawing. Winter oats, grass and rye have also suffered some from the same cause.

Fair weather has permitted the picking of considerable cotton which was left in the fields on account of the excessive rains last fall. Preparations are being made for planting the new crop, and it is likely that the high prices realized last fall will result in a considerable increase in acreage over last year. The following table, compiled from commercial sources for the Government market reporter, shows the cotton movement from August 1 to February 6:

	1919-20	1918-19
	Bales	Bales
Port receipts.....	\$4,824,870	\$3,453,021
Port stocks	1,404,240	1,378,868
Interior receipts	5,093,588	4,428,086
Interior stocks	1,264,216	1,499,537
Into sight.....	8,055,167	7,314,419
Northern spinners' takings.....	1,711,298	1,287,906
Southern consumption.....	1,886,000	2,035,000
World's visible supply of American cotton.....	4,781,514	3,791,938

Heavy and continued rains in parts of the district have made farm work very backward. In other parts of the district it is progressing very satisfactorily. There is a scarcity of seeds, particularly of cotton, grass and clover seeds, and seed prices are from 30% to 100% higher than they were a year ago.

LABOR—The labor situation in this district has not materially changed since the last report. In some lines the supply is ample, while in others there is a marked shortage. There is a scarcity of female labor for certain kinds of work in clothing factories. One large concern states that it could use from 30% to 40% more women operators. There is also a scarcity of the better class of office help. Complaints are still heard of the tendency of many workers to give a minimum of effort for what they receive. One concern summarizes the situation thus: "Production is retarded to a considerable extent because piece-work operators generally ease up after they have earned a certain amount during any week." Wages in most lines are considerably higher than they were a year ago, and many recent advances are reported.

LIVE STOCK—The report of the St. Louis National Stock Yards for January, 1920, shows increases in all receipts and shipments, except the receipts of cattle and calves, as compared with the corresponding month last year. The comparative figures are as follows:

	Cattle and Calves		Hogs		Sheep		Horses and Mules	
	1920	1919	1920	1919	1920	1919	1920	1919
Receipts	101,776	144,115	446,852	395,148	39,223	26,489	32,712	25,471
Shipments	34,378	28,623	220,955	93,111	8,633	1,142	35,918	26,100
Local Slaughter	81,200	94,166	278,271	298,486	33,563	25,347	.....	.....

The scarcity and the high price of many kinds of feed have moved many farmers to dispose of their live stock. Severe declines in values marked the recent trading in practically all divisions of the market.

RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT ST. LOUIS during January, 1920 and 1919, as reported by the Merchants' Exchange, were as follows:

	Receipts		Shipments	
	1920	1919	1920	1919
Flour, barrels	526,970	194,250	585,390	265,080
Wheat, bushels	1,619,400	1,820,515	1,276,800	1,085,310
Corn, bushels	3,350,750	3,346,200	1,740,860	1,846,770
Oats, bushels	3,826,000	3,250,000	2,826,330	1,926,880
Lead, pigs	340,760	176,560	179,480	221,920
Zinc and Spelter, slabs	322,620	599,700	581,370	944,680
Lumber, cars	11,846	8,313	9,003	5,360
Meats, pounds	5,472,300	4,718,700	19,511,800	34,441,100
Fresh Beef, pounds	1,583,000	945,500	25,401,600	32,301,300
Lard, pounds	2,735,100	428,000	6,669,800	5,289,200
Hides, pounds	4,015,000	3,735,200	7,783,800	5,029,800

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

	1920		January		1919	
	Permits	Cost	Permits	Cost	Permits	Cost
St. Louis	354	\$1,236,320	319	\$507,015		
Louisville	236	515,660	66	95,801		
Memphis	120	477,975	46	122,760		
Little Rock	105	161,948	41	129,459		
Evansville	32	45,245	26	14,480		

Transactions in residence property are numerous in this district. Many owners are taking advantage of the scarcity of houses to dispose of their holdings at favorable prices. Many individuals are practically obliged to buy because of the high price of building materials and because of the great scarcity of unoccupied rental property.

COMMERCIAL FAILURES—Figures compiled by the R. G. Dun & Co. commercial agency show that failures in this district decreased from 60 in January, 1919, to 34 in January, 1920. The decrease in the total liabilities of the companies failing was even more marked, being from \$654,396, in January, 1919, to \$168,764 in January, 1920.

FINANCIAL—The demand for money in this district is stronger than it was a month ago, but banks are selecting their loans with a view to placing their funds where they will serve the best industrial and commercial purposes. Many small dealers are having difficulty in financing their business which has developed beyond normal in volume and at prices which are extremely high.

Rates are somewhat higher than in January. The high, low and customary interest rates prevailing in St. Louis, Louisville, Memphis and Little Rock, from January 16th to February 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	6½	5½	6	6	6	6	6	6	6	7	6	6½
4 to 6 months	6½	5½	6	6	6	6	6	6	6	8	6	6½
Prime commercial paper purchased in open market:												
30 to 90 days	..	..	..	6	6	6	none	..	..	6½	6	6½
4 to 6 months	..	..	..	6¼	6	6	none	..	..	6½	6	6½
Loans to other banks	6	5½	6	6	5	6	6	6	6	6	6	6
Bankers' acceptances of 60 to 90 days:												
Endorsed	5¼	5	5	5½	5¾	5½	none	..	..	..	..	..
Unendorsed	5½	5¼	5¼	none	..	..	none	..	..	..	..	..
Loans secured by prime stock exchange collateral or other current collateral:												
Demand	7	6	6½	6	6	6	6	6	6	8	6	7
3 months	7	6	6½	6	6	6	6	6	6	8	6	7
3 to 6 months	7	6	6½	6	6	6	..	..	..	8	6	7
Cattle loans	6	6	6	6	5	6	none	..	..	..	..	..
Commodity paper secured by warehouse receipts, etc.	6	6	6	6	6	6	6	6	6	8	6	6½
Loans secured by Liberty Bonds and Certificates	6	4¾	6	6	5	6	6	6	6	8	6	6½

Rates for commercial paper are from ½% to ¾% higher than they were in January. The rate prevailing now is 6½%. Transactions in January were considerably beyond the corresponding month last year. Offerings are plentiful, but the demand is not as strong as it has been.

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, Memphis, Louisville, Little Rock and Evansville:

	Feb. 6, 1920	Jan. 9, 1920
Number of banks reporting	35	35
United States Bonds to secure circulation	\$ 17,177,000	\$17,178,000
Other United States Bonds, including Liberty Bonds	14,497,000	19,662,000
United States Victory Notes	4,287,000	4,752,000
United States Certificates of Indebtedness	21,407,000	25,776,000
Total United States securities owned	\$ 57,368,000	67,368,000
Loans secured by United States Bonds and Certificates	30,023,000	30,571,000
Loans secured by stock and bonds, other than United States Securities	160,024,000	157,659,000
All other loans and investments	329,370,000	324,812,000
Total loans and investments	576,785,000	580,410,000
Reserve with the Federal Reserve Bank	44,400,000	49,897,000
Cash in vault	10,242,000	11,365,000
Net demand deposits on which reserve is computed	365,597,000	380,368,000
Time Deposits	118,458,000	114,094,000
Government deposits	5,456,000	23,249,000

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

Debits to individual accounts:	Weeks ended	—Jan. 21	Jan. 28	Feb. 4	Feb. 11
St. Louis		\$169,946,000	\$146,440,000	\$163,296,000	\$148,099,000
Memphis		50,258,000	45,969,000	43,598,000	43,747,000
Louisville		41,756,000	35,750,000	39,432,000	32,083,000
Little Rock		10,462,000	9,865,000	9,896,000	10,009,000
Evansville		5,825,000	5,325,000	5,772,000	5,582,000

In January the Federal Reserve Bank of St. Louis discounted a total of \$195,389,924.64 of paper for 204 different member banks, which is an increase of \$16,010,310.28 over the amount of paper discounted during December and a decrease of one in the number of banks accommodated.

On January 27, 1920, the Federal Reserve Bank of St. Louis established the following discount rates:

MEMBER BANKS' COLLATERAL NOTES:	15 days and less	16 to 90 days	61 to 90 days	90 days to 6 months
Secured by Certificates of Indebtedness.....	4¾%	....	....	....
Secured by Liberty Loan Bonds or Victory Notes.....	5½%	....	....	....
Secured by War Finance Corporation Bonds.....	7%	....	....	....
Secured by Bills Receivable.....	6%	....	....	....

REDISCOUNTS:

Secured by Certificates of Indebtedness.....	4¾%	4¾%	4¾%	....
Secured by Liberty Loan Bonds or Victory Notes.....	5½%	5½%	5½%	....
Secured by War Finance Corporation Bonds.....	7%	7%	7%	....
Commercial Paper	6%	6%	6%	....
Agricultural or Livestock Paper.....	6%	6%	6%	6%
Trade Acceptances	6%	6%	6%	....
Bankers' Acceptances	5%	5%	5%	....
Bankers' Acceptances purchased at the market price, subject to agreement.				

The resources and liabilities of the Federal Reserve Bank of St. Louis on February 13, 1920, as compared to a month ago, and a year ago, are shown in the following statement:

RESOURCES:

	Jan. 9, 1920	Feb. 13, 1920	Feb. 14, 1919
Gold coin and certificates.....	\$ 2,808,000	\$ 2,895,000	\$ 4,245,000
Gold Settlement Fund—F. R. Board.....	15,879,000	21,076,000	29,082,000
Total gold held by Bank.....	18,687,000	23,971,000	33,327,000
Gold with foreign agencies.....	5,796,000	5,303,000	233,000
Gold with Federal Reserve Agent.....	71,525,000	59,184,000	70,475,000
Gold Redemption Fund.....	6,003,000	5,170,000	3,523,000
Total Gold Reserve.....	102,011,000	93,628,000	107,558,000
Legal tender notes, silver, etc.....	2,671,000	3,343,000	2,310,000
Total Reserves	104,682,000	96,971,000	109,868,000
Bills discounted—Secured by Government War obligations.....	45,640,000	50,405,000	43,025,000
Bills discounted—All other.....	28,574,000	45,667,000	7,279,000
Bills bought in open market.....	21,154,000	9,798,000	15,268,000
Total bills on hand.....	95,368,000	105,870,000	65,572,000
U. S. Government Bonds.....	1,153,000	1,153,000	1,154,000
U. S. Certificates of Indebtedness.....	17,243,000	17,291,000	7,068,000
Total earning assets.....	113,764,000	124,314,000	73,794,000
Bank Premises	356,000	866,000	540,000
Uncollected items and other deductions from gross deposits.....	79,111,000	81,341,000	43,327,000
5% Redemption Fund against F. R. Bank notes.....	682,000	317,000	313,000
All other resources.....	255,000	241,000	562,000
TOTAL RESOURCES	298,850,000	304,050,000	228,404,000

LIABILITIES:

Capital paid in.....	4,065,000	4,094,000	3,801,000
Surplus	3,724,000	3,724,000	801,000
Government deposits	2,865,000	1,733,000	11,100,000
Due to members—Reserve Account.....	74,947,000	72,270,000	59,501,000
Deferred availability items.....	54,164,000	65,621,000	35,574,000
Other credits	3,914,000	4,009,000	217,000
Total gross deposits.....	135,890,000	151,451,000	110,994,000
F. R. Notes in actual circulation.....	138,726,000	136,668,000	109,283,000
F. R. Bank Notes in actual circulation—net liability.....	15,851,000	14,778,000	6,607,000
All other liabilities.....	594,000	1,153,000	1,520,000
TOTAL LIABILITIES	\$298,850,000	\$304,050,000	\$228,404,000