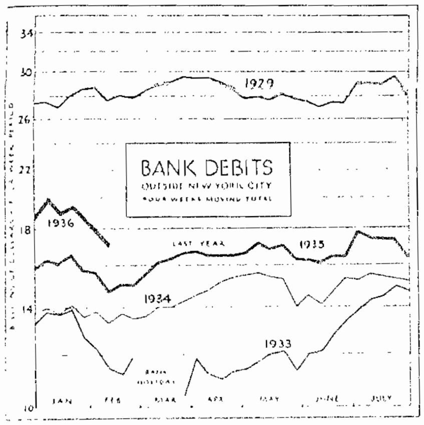
How Far Will Spring Business Rise Go?



The Record of Past Springs

HOW far will the Spring rise go? There are two possible answers to this important question, because there are two ways of looking at the question.

One is: how far will the rise go in point of time? That is, how long will it last?

The other is: how far will the rise go in volume? That is, what amount of business gain can be expected from it?

I have no doubt that some readers will raise the question: "How do you know there is going to be a Spring rise?" To this the answer is almost as simple as the one the reader himself would make to a possible question as to how he knows there is going to be any Spring.

In the year 1932, which brought the low point of the depression, the Spring rise was exceedingly feeble, and in some industries and localities can scarcely be said to have showed at all. But elsewhere there was some amount of rise, and by and large a seasonal rise in business at this time is almost as inevitable as the season.

To the question how long will the Spring rise last, the answer depends somewhat upon the reader's industry and locality. Our records show, for instance, that there is a very definite tendency for the rise to come to an end in Dallas, Texas, several weeks sooner than in Chicago, Philadelphia, New York, or Boston, and for it to terminate sooner in those cities than in Minneapolis or St. Louis. Similarly, the Spring peak in automobile production in the past two years came in the last week of April, while the rises in iron ore mining and petroleum production have carried through to mid-Summer. For business as a whole, as the chart on this page shows, the recent tendency has been for volume to rise from its low point in February until about May 1. In 1933, the peak came somewhat later, and in 1929 somewhat earlier. Our calculations indicate that in this year 1936 the Spring rise may last a little longer than usual.

Readers may wonder why. The answer is that (as shown by our bunch-of-grapes chart last issue) a more than seasonal rise in the business trend is just getting under way. When the time comes at which the seasonal rise would ordinarily end, this more basic rise is likely to be just attaining its full strength. So, what happened in 1933 (as shown by the chart on this page) will happen again—although that year's violent subsequent rise into July will scarcely repeat itself.

More important to most readers is the question of how far this Spring rise will go in point of strength.

Here the answer emphatically depends on the individual case. Some industries swing up and down so violently that it is no unusual matter for them to operate at double their activity of a year earlier, when business in general is picking up. In some other industries, even a ten per cent. increase over the previous year would be phenomenal. And a similar difference exists in the business activity habits of different cities.

Gains, 7 to 107 Per Cent.

In general, however, it seems extremely probable that before the Spring rise ends most industries and localities will be substantially ahead of the same time a year earlier. I would not expect them to be as far ahead as they were in the peak which came last Autumn, but it is quite reasonable to expect that each industry will show at least as much gain as it did in the peak which was registered in the early Winter of 1934-1935.

If this is the outcome, late Spring ratios of business to the same time a year earlier will be somewhat as follows: steel 147 per cent.; automobile production 207; miscellaneous car loadings 107; electric power 109; petroleum production 113; bank debits 118; debits outside New York 117.

—C. H.