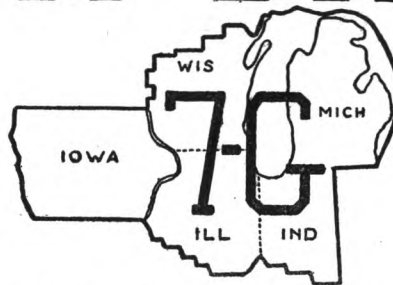


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



RESERVE  
DISTRICT

Volume 10, No. 2

MONTHLY REVIEW PUBLISHED BY THE  
FEDERAL RESERVE BANK OF CHICAGO

February 1, 1927

## BUSINESS CONDITIONS IN THE UNITED STATES

**V**OLUME of output of industry decreased further in December to the lowest level in more than a year, and wholesale prices continued to decline. Easier conditions in the money market in January reflected the usual seasonal liquidation after the turn of the year.

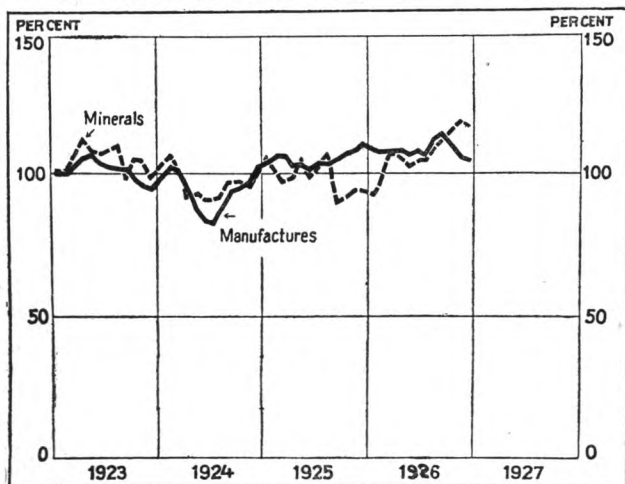
**PRODUCTION**—In December, for the third consecutive month, there was a decrease in industrial production, and the Board's new index, with adjustment for seasonal variations, was 105 on the basis of the average for 1923-1924-1925 as 100. This compares with 113 in September, the high point of the year, and with 108 a year ago. The decline since the recent high point has been entirely in the manufacturing industries, as the output of minerals was at a record high level in November and showed only a slight decline in December. By far the greatest recession of recent months has been in the automobile industry, output of passenger cars and trucks in the United States decreasing from 425,000 in August to 165,000 in December. Reduction in the manufacture of automobiles is usual at the end of the year, when plants close for inventory-taking and repairs, but in December, 1926, the decline was considerably larger than usual. Production of iron and steel has also been sharply reduced since the middle of August, and activity in the woolen and worsted and silk industries has been somewhat curtailed. Production of lumber, cement, and

other building material has reflected the usual winter decrease in demand. Cotton consumption, on the other hand, was larger than in any previous December. Factory employment and payrolls declined further in December, reflecting decreases in nearly all industries except cotton goods, clothing, foundries and machine shops, and printing and publishing.

The value of building contracts awarded in December, as in November, was larger than in the corresponding period a year earlier, but for the first three weeks of January contracts were in smaller volume than during the same weeks of 1926.

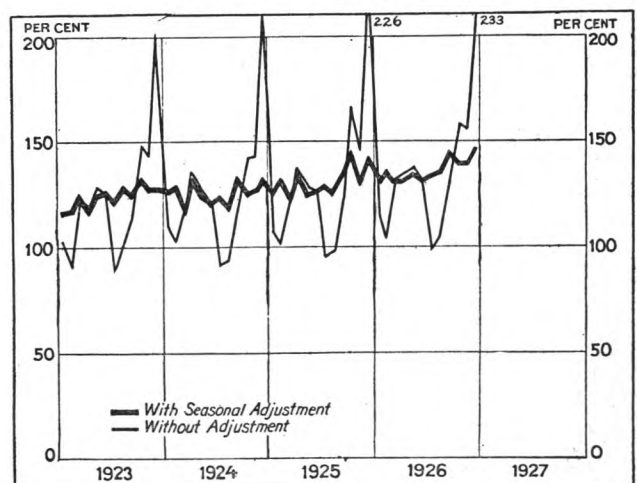
**TRADE**—Retail sales during the holiday trade in December exceeded all previous records. Sales of department stores were approximately 4 per cent larger than in December of last year and sales of mail order houses, while slightly smaller than in 1925, were larger than in the corresponding month of any other year. Sales at wholesale, on the other hand, declined in December and were smaller than a year ago in practically all leading lines, except shoes. Merchandise stocks carried by department stores were reduced slightly more than is usual in December and were somewhat smaller at the end of the month than in 1925, and wholesale stocks were also slightly smaller than a year ago.

PRODUCTION OF MANUFACTURES AND MINERALS



Index numbers of production of manufactures and minerals, adjusted for seasonal variations (1923-25 average=100). Latest figures, December, 1926: Manufactures, 104; Minerals, 117.

DEPARTMENT STORE SALES



Index of sales of 359 stores (1919=100). Latest figures, December, 1926: Adjusted Index, 146; Unadjusted Index, 233.

Compiled January 27, 1927

**PRICES**—Wholesale prices declined further in December and the Bureau of Labor Statistics index at 147 for that month was at the lowest level since the middle of 1924. Prices of agricultural products, which declined considerably in October and November, increased slightly in December, owing to advances in prices of grains and cattle. In January, iron and steel prices were slightly reduced and there were further declines in bituminous coal and nonferrous metals, while prices of cotton goods and coke advanced.

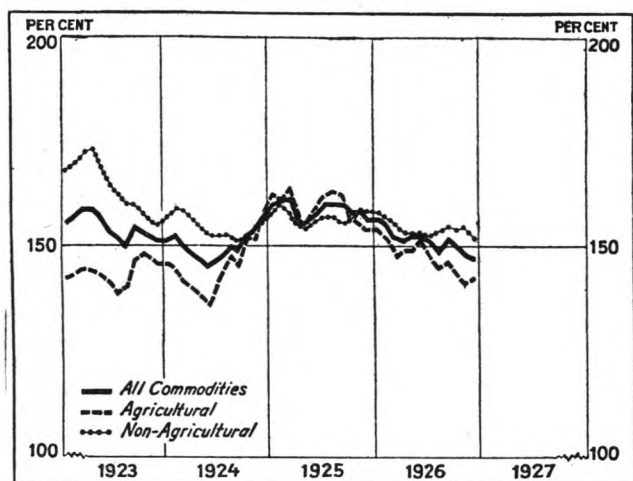
**BANK CREDIT**—At the reserve banks during the four weeks following the peak of the seasonal currency demand, there was a return flow of Federal Reserve notes and other cash from circulation amounting in the aggregate to about \$400,000,000. This return flow of currency was in about the same volume as a year ago and together with substantial gold imports, was reflected in a reduction of the volume

of reserve bank credit in use to a level on January 19 lower than at any time since the summer of 1925.

Loans and investments of member banks in leading cities, after increasing to a record level at the end of the year, declined sharply in January. Commercial loans which had reached their seasonal peak in November, were in the middle of January about \$200,000,000 below the maximum figure but still more than \$300,000,000 above the level of a year ago. Loans on securities of the reporting banks also declined after the turn of the year, following a large increase in December, and were slightly smaller than in January of last year.

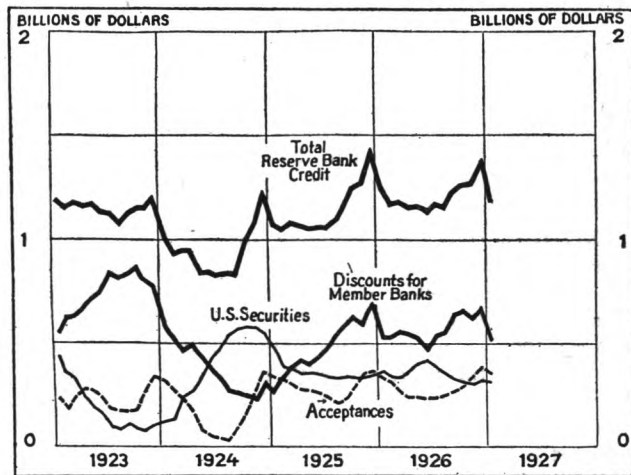
Easier money conditions prevailed in the money market in January, and rates on prime commercial paper declined from  $4\frac{1}{2}$  to  $4\frac{1}{4}$  per cent and those on bankers' acceptances from  $3\frac{7}{8}$  to a range of  $3\frac{3}{4}$  to  $3\frac{1}{4}$  per cent.

WHOLESALE PRICES



Indexes of U. S. Bureau of Labor Statistics (1913=100). Latest figures, December, 1926: All Commodities, 147.2; Agricultural Commodities, 142.2; Non-agricultural Commodities, 151.5.

RESERVE BANK CREDIT



Monthly averages of daily figures for twelve Federal Reserve banks. Latest figures, averages of first 23 days in January, 1927: Total Reserve Bank Credit, 1,181 million; Discounts for Member Banks, 510 million; Acceptances, 354 million; U. S. Securities, 313 million.

## BUSINESS CONDITIONS IN THE SEVENTH RESERVE DISTRICT

The new year began with business in the Middle West evidencing no particular changes, other than seasonal, from conditions prevailing the latter part of 1926. Holiday retail trade had been very satisfactory, completing a twelve months' volume somewhat heavier than in previous years. Wholesale merchandising in December, on the other hand, declined from November, and with the exception of groceries, the volume for the year was below that of 1925.

Distribution of automobiles continued to show monthly and yearly decreases; lumber sales likewise averaged declines in both comparisons. Grain shipments were under the preceding month and a year ago. The aggregate movement of live stock increased toward the end of the year, reflected in heavier operations at meat packing plants. Agricultural machinery sales increased over November though under December, 1925, while furniture orders declined seasonally, but were ahead of last year. The iron and steel industry of the district closed a favorable year with continued good demand in December. Building contracts awarded during that month were well in advance of a year ago. Coal market conditions were quieter than in November, although production was maintained at even a higher level. Employment in general at industrial plants was curtailed for inventory and year-end adjustments.

The financial situation evidenced no special demand for

credit; December 31 savings deposits exceeded totals at the end of November and at the close of 1925; check payments during the month reached a high for the year; and large January 1 reinvestment funds advanced the bond market.

## CREDIT CONDITIONS AND MONEY RATES

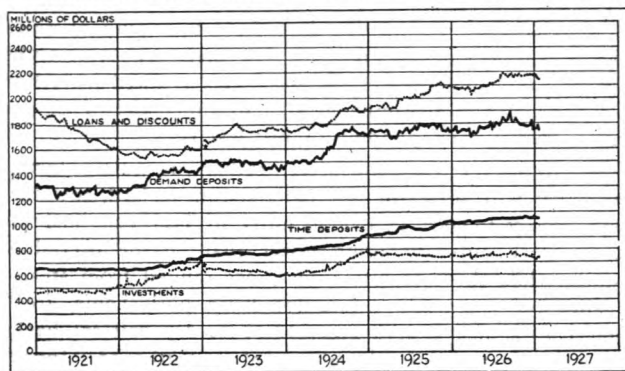
The month of December showed the customary tightening tendency in credit conditions in Chicago and a few of the other larger cities in the district. In smaller centers, however, little change in volume of demand was noted. Since January 1 an easing trend throughout the district has been evident, in which low inventories and general conservatism on the part of borrowers are factors. Such changes as have occurred in Chicago rates have appeared in the relative volume of transactions at the higher and lower points of the range as conditions of credit demand and supply determined, actual quotations remaining unchanged from a month ago:  $4\frac{1}{4}$  and  $4\frac{1}{2}$  per cent on commercial paper, 5 to  $5\frac{3}{4}$  per cent on collateral loans, customers' over-the-counter accommodation carrying 5 to  $5\frac{3}{4}$  per cent. The average rate earned by ten Chicago banks during the calendar month of December was 5.06 per cent, compared with 5 per cent in November and 4.98 per cent in December, 1925. Prevailing rates on customers' prime loans in Detroit during the week ended January 15 ranged from  $4\frac{1}{2}$  to 6 per cent, as was the case at the same time in December. Six

of the large banks in that city reported an average rate earned on loans and discounts of 5.44 per cent in December as against 5.39 in November.

Total bills and securities of the Federal Reserve Bank of Chicago have shown since the middle of December the seasonal movements usual at this time of year—rising from \$209,731,000 on December 15 to the high point of the year, \$234,868,000 on December 29, after which date the volume has moved downward, \$176,498,000 being reported on January 12, rising, however, to \$178,529,000 the subsequent week. A similar trend was shown by loans to member banks, which item aggregated \$136,630,000 December 29, as compared with \$99,937,000 December 15 and \$90,169,000 January 19. Federal Reserve notes in actual circulation on January 19 totaled \$225,295,000, having dropped to that figure from \$250,556,000 on December 22, as a result of the lessening currency needs of the public with the passing of the holiday season.

Loans and discounts of reporting member banks have decreased in volume since the middle of December, with the exception of a small rise December 29 from the preceding week; on January 19 they stood at \$2,149,116,000 as against \$2,187,141,000 December 15, reflecting a lessened volume of loans on all classes of securities in Chicago and Detroit reporting member banks; in other selected cities commercial loans exhibited an increasing trend of minor proportions on the first two reporting dates in January, followed by a small downward movement January 19. Investments of reporting members in the district have fluctuated considerably from week to week with a rising trend since the first of the year, \$727,510,000 on January 19 comparing with \$711,099,000 January 5. Net demand deposits, which reached a peak of \$1,816,274,000 on December 15, subsequent to that date have been at the lowest levels since May and June, \$1,746,133,000 being reported January 19. Time deposits have shown little week-to-week change since December 15, though after the turn of the year a moderate trend downward has been noticeable; \$1,052,603,000 was reported January 19, \$1,058,849,000 December 29, and \$1,060,681,000 December 15.

#### POSITION REPORTING MEMBER BANKS—7th DISTRICT



\*Break in curve indicates data not comparable with preceding. Based on weekly reports to this bank by approximately 49 member banks in Chicago, 13 in Detroit, and 44 in other selected cities. Latest figures, January 19, 1927, in thousands of dollars: Loans and Discounts, 2,149,116; Demand Deposits, 1,746,133; Time Deposits, 1,052,603; Investments, 727,510.

With five commercial paper houses reporting heavier sales in December than in the preceding month and six smaller sales, the aggregate for the group amounted to 0.1 per cent less than the November volume; the gain of 1.4 per cent over December, 1925, likewise reflects six declines and five gains. After January 1, demand for paper increased and sales advanced. Rates continued during December to rule generally at  $4\frac{3}{4}$  for high and  $4\frac{1}{4}$  for low, but with an

easing tendency in evidence. The volume of paper outstanding at the close of 1926 for five firms dropped 1.1 per cent below the November 30 total and 13.1 per cent under a year ago. Outstandings of \$526,000,000 for twenty-six dealers throughout the country were the lowest of the year.

Purchases in the Chicago open bill market by six reporting dealers from December 16, 1926, to January 12, 1927, were 9.0 per cent smaller than during the preceding four-week period; by groups, those bought from acceptors, others, and other offices all showed declines. Sales to the Federal Reserve Bank of Chicago and to other offices fell off, while those to local and out-of-town banks and to others increased; the total volume averaged 9.1 per cent less. Transactions covered principally grain, rubber, sugar, cotton, coffee, naphtha, and meat products. Offered rates on ninety-day paper ruled at  $3\frac{5}{8}$  at the close of the period, as compared with  $3\frac{7}{8}$  the middle of December; other classes dropped one-eighth per cent. Holdings on January 12 were 14.4 per cent above the December 15 level, and comprised chiefly 60- and 90-day maturities.

Bills accepted during December by sixteen reporting banks in this district totaled within 3.3 per cent of the November volume, and 3.9 per cent ahead of a year ago; individually, however, in both comparisons two-thirds of the banks registered declines. For the twelve months of 1926, acceptances averaged 19.8 per cent under the 1925 aggregate. December purchases increased 9.3 per cent over the preceding month, and sales 38.3 per cent. The liability of the banks for acceptances outstanding advanced 8.0 per cent during the month to 26.9 per cent above December 31 a year ago. Holdings, both of the banks' own bills and others, were below November 30, but in excess of the close of 1925. Holdings by the Federal Reserve Bank of Chicago reached \$46,380,368 on December 31, the peak for the year; purchases during the month amounted to \$31,984,920.

**Agricultural Financing**—Loans outstanding of nineteen Joint Stock Land banks in the five states including the Seventh district amounted to \$215,179,324 on December 31, the highest aggregate since collection of the data was begun in 1921. At the end of 1925 the corresponding total had been \$191,134,223. Outstanding loans in the same territory of four Federal Land banks likewise reached a high point on December 31, 1926, when \$182,280,485 was shown, compared with \$160,977,355 December 31, 1925. Loans and discounts (including rediscounts) as shown by four Federal Intermediate Credit banks on December 31 were at the low point of the year, \$952,026, and the smallest since May 31, 1925, when \$922,752 was reported.

**Volume of Payment by Check**—Volume of payment by check as reported for December by thirty-seven clearing house centers in the district showed the highest aggregate of the year, \$6,370,295,000, 16 per cent above the November total, and about 35 million above the preceding high point of 1926 represented by the March volume of check payment, \$6,335,796,000. The four larger cities in the district, Chicago, Detroit, Milwaukee, and Indianapolis, registered an increase of 16.9 per cent over November, and the city of Chicago 19.5 per cent. Thirty-three smaller clearing house centers showed a gain of 11.5 per cent over the preceding month. In comparison with December, 1925, the four larger cities increased in the aggregate of check payment 4.2 per cent, the thirty-three smaller cities 1.3 per

cent, and the total of all reporting centers 3.7 per cent. The city of Chicago gained 7.2 per cent in this comparison.

**Savings**—The total number of regular savings accounts reported by 215 banks in this district for December 31, 1926, was approximately the same as at the close of November; deposits averaged 0.9 per cent heavier; in both items Illinois and Indiana increased, while Iowa, Michigan, and Wisconsin declined. Comparisons with a year ago for 184 banks show an increase of 3.2 per cent in number and 0.9 per cent in amount, the former reflecting gains in the five states, and the latter in Indiana, Michigan, and Wisconsin; individually 113 banks registered increases in

number and 103 in amount.

**Bonds**—The volume of funds available for reinvestment after the first of the year was large, exceeding the supply of new securities and resulting in an advancing market. Offerings after January 1, which usually absorb the year-end accumulation of investment funds, this year did not reach the expected proportions. Issues offered sold promptly, so that dealers' inventories remained low. Demand included all types of securities, with public utilities strong, industrials readily salable, and trade in first mortgage real estate bonds satisfactory. Foreign investments continued attractive.

## AGRICULTURAL PRODUCTION AND FOODSTUFFS

**Grain Marketing**—Interior primary markets in the United States handled a smaller quantity of grain during December than in the preceding month, although reshipments of oats were greater and receipts of corn practically unchanged in volume from November. Both receipts and reshipments of wheat, oats, and corn declined from a year ago and were under the 1921-25 December average. United States visible supplies of wheat and barley were smaller, and those of corn, oats, and rye were greater on January 15 than a month previous. Holdings of wheat and corn increased over the corresponding date last year, while other grain stocks showed a reduction. Chicago grain quotations averaged higher for December than for November; prices ranged from barely steady to slightly firmer during the early part of January. The quantity of future delivery grain placed under contract during December by members of the Chicago Board of Trade aggregated about 51 per cent less than for the corresponding period of 1925 and totaled under a month ago, although commitments for oats and corn were in excess of those in November.

**Flour**—Total receipts of flour at Chicago in 1926 aggregated 12,907,000 barrels, a decline of about 100,000 barrels from the 1925 figure, while shipments for the year totaled 8,671,000 barrels, a gain of 179,000 barrels over 1925. December receipts increased over the preceding month and December a year ago, and shipments were smaller in the comparison with November but above December last year. Production by reporting mills in the Seventh district totaled less for 1926 than for 1925.

### CHANGES IN DECEMBER, 1926, FROM PREVIOUS MONTHS

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	NOVEMBER 1926	DECEMBER 1925	
Production (bbls.)	-2.1	- 3.8	34
Stocks of flour at end of month (bbls.)	-7.3	- 9.9	30
Stocks of wheat at end of month (bu.)	-7.7	+35.1	30
Sales (volume)	+0.5	+ 3.3	15
Sales (value)	+1.3	-12.6	15

Production includes wheat and other flours. Balance of items refer to wheat flour only.

**Movement of Live Stock**—Live stock marketings remained fairly liberal in volume during three weeks of December and then declined during the holidays, so that total receipts that month at public stock yards in the United States showed the usual recession for cattle, calves, and lambs, and the customary gain for hogs over November. Cattle, calves, and hogs arrived in smaller numbers during December than a year ago, but receipts of lambs increased. Corn-fed animals comprised a large percentage of the month's offerings.

### LIVE STOCK SLAUGHTER

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, December, 1926	258,215	838,941	370,999	118,930
Federally Inspected Slaughter U. S.				
December, 1926	886,805	4,393,602	1,171,829	410,046
November, 1926	946,759	3,609,860	1,038,859	435,152
December, 1925	926,892	4,533,019	981,118	445,471

Reshipments to feed lots showed a seasonal recession in December from the preceding month, with the feeder movement of lambs and calves larger than a year ago and that for cattle smaller.

### AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	JAN. 17 1927	DEC. 1926	NOV. 1926	DEC. 1925
Native Beef Steers (average)	\$10.25	\$10.25	\$9.85	\$9.75
Fat Cows and Heifers	7.00	6.40	6.15	6.00
Hogs (bulk of sales)	11.90	11.65	11.90	10.95
Yearling Sheep	10.15	9.20	10.00	12.70
Lambs (average)	12.55	12.40	13.00	16.10

Index numbers based on the 1921-25 average, corrected for seasonal fluctuations and compiled by the International Live Stock Exhibition, indicate the volume of inspected slaughter in the United States as 101, the price of all live stock as 127, and the total value of the slaughter as 128 for December, compared with similar indices of 97, of 128, and 124, respectively, for November.

**Meat Packing**—Production of meat and fat at slaughtering establishments in the United States totaled greater for December than in the preceding month, owing to a seasonal gain in the pork department which more than offset a recession in the beef section usual at this time. Employment for the last payroll in December declined 1.9 per cent in number, 3.7 per cent in hours worked, and 4.8 per cent in total value from the corresponding figures for the preceding period. Domestic demand was affected by holiday consumption of poultry, so that the total value of sales billed to domestic and foreign customers by forty-eight packing companies in the United States showed a decline of 6.5 per cent in December from November and of 1.2 per cent from the corresponding month last year.

Quotations at Chicago were rather irregular during December with prices of lamb, smoked meat, lard, cow carcasses, choice-to-good veal, a majority of beef cuts, and the lighter pork cuts averaging lower than in the preceding month, while those for steer carcasses ranged from steady to slightly firmer and prices for fresh pork hams, fresh clear bellies, heavy pork cuts, 10-16-lb. dry salt fat backs and common to medium quality veal strengthened. Inventories at packing plants and cold-storage warehouses in the United States were heavier on January 1 than at the beginning of December; dry salt pork stocks showed the only decline from a year ago. All items, with the exception of lamb, frozen pork, and pickled beef holdings, fell below the 1922-26 average for January 1. Foreign demand remained rather dull during the entire period and centered largely upon stocks already landed, so that American packers forwarded a smaller quantity of edible product in December for export than in November. A majority of the companies reported reductions in their European consignment inventories from December 1; a few showed increases. Prices, to some degree on the continent but

more generally in the United Kingdom, continued somewhat under Chicago parity.

**Dairy Products**—December butter production in the Seventh district showed a seasonal gain in volume of 9.3 per cent over the previous month and totaled 3.1 per cent greater than for the corresponding period a year ago, according to a compilation made from the reports of sixty creameries. Statistics issued by the American Association of Creamery Butter Manufacturers indicate recessions for the country as a whole in both comparisons. The tonnage of creamery butter billed to customers by sixty-two companies in the district increased 0.6 per cent over November and 1.3 per cent over last year. During the five weeks ended December 31, Wisconsin factories supplied the primary

markets in that state with a 12.6 per cent smaller quantity of American cheese than during the preceding five weeks and with 17.8 per cent less volume than a year ago; redistribution from these centers declined 5.8 per cent and 6.8 per cent, respectively, in the two comparisons. January 1 inventories of dairy products in the United States were lower than at the beginning of December or the corresponding date in 1926. Holdings of butter and eggs showed a recession from the 1922-26 January average; cheese stocks increased. Chicago quotations for December averaged higher for butter and cheese, and lower for eggs than in November. Butter and egg prices receded to somewhat easier levels during the early part of January, while quotations for cheese firmed slightly.

## COAL

The situation in the bituminous coal industry of the district was not so favorable in December as in the preceding two months; production was higher than in November, but mild weather through most of the month and a large increase in the amount of eastern coal shipped into this territory at prices considerably below the preceding month, imparted a more quiet tone to the market. December output of bituminous coal in Illinois totaled 8,454,777 tons, compared with 7,900,478 tons in November and 7,483,093 in December a year ago; during the entire year 1926, 68,790,215 tons were mined, a substantial increase over 1925.

Through December there were 227 mines in operation in Illinois, employing 71,805 men for an average of twenty days.

December production of bituminous coal in the United States fell below that of the preceding month but was unusually high for December, aggregating 57,671,000 tons; output in all of 1926 was greater than in any year since 1918. Statistics show that distribution of bituminous coal from Lake Erie ports to American lake ports was heavier this year than in either 1925 or 1924.

## INDUSTRIAL EMPLOYMENT CONDITIONS

Further curtailments in employment at industrial plants of the district were reported for the period November 15 to December 15. The decreases for firms employing about 375,000 workers aggregated 1.6 per cent, bringing the volume to 4 per cent below the high point of the year reached in September. Approach of the holiday season with inventory-taking at many plants accelerated the downward trend in evidence since that time. Vehicles and the stone, clay, and glass products industries contributed the largest share of the reductions, while metals for the second consecutive month registered a decline in both men and payrolls. Increases for the month were generally confined to the leather and rubber products industries and the manufacture of clothing, the latter in preparation for the spring demand.

Employment throughout the year 1926 fluctuated within a range of not more than 6 per cent, and with the exception of the closing month of the year, was on a definitely

higher level than in 1925. At the close of the year, however, food products and the paper industries were the only groups to register increases in both men and payrolls over a year ago. Metals showed a slight increase in men but a somewhat smaller payroll; textiles, stone, clay and glass, and rubber products reduced the number of workers but increased payrolls; while vehicles, lumber, chemicals, and leather reported definite declines in both items. Reports by the Employers' Association of Detroit covering employment at that city indicate a decline of approximately 20 per cent from December, 1925, although the level is slightly higher than two years ago.

The supply of labor for outdoor work greatly exceeded the demand; the number of applicants at employment offices increased steadily whereas available positions decreased, resulting in a high unemployment ratio.

### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUPS	NUMBER OF WAGE EARNERS			TOTAL EARNINGS		
	WEEK ENDED		PER CENT CHANGE	WEEK ENDED		CHANGE
	DECEMBER 15 1926	NOVEMBER 15 1926		DECEMBER 15 1926	NOVEMBER 15 1926	
All groups (10) .....	375,465	381,624	-1.6	\$9,780,492	\$9,920,067	- 1.4
Metals and metal products (other than vehicles).....	154,753	156,293	-1.0	3,785,534	3,837,188	- 1.3
Vehicles .....	38,017	40,360	-5.8	1,080,955	1,189,099	- 9.1
Textiles and textile products.....	27,584	26,870	+2.7	656,105	573,130	+14.5
Food and related products .....	48,919	49,457	-1.1	1,321,766	1,334,906	- 1.0
Stone, clay and glass products.....	13,981	15,084	-7.3	406,655	445,402	- 8.7
Lumber and its products.....	31,771	32,862	-3.3	805,912	836,367	- 3.6
Chemical products .....	9,918	10,224	-3.0	275,403	281,845	- 2.3
Leather products .....	16,532	16,424	+0.7	362,370	355,685	+ 1.9
Rubber products .....	3,026	2,988	+1.3	79,491	71,851	+10.6
Paper and printing.....	30,964	31,062	-0.3	1,006,301	994,594	+ 1.2

## MANUFACTURING ACTIVITIES AND OUTPUT

**Automobile Production and Distribution**—The number of passenger automobiles manufactured during December in the United States aggregated 137,361, as compared with 219,504 in November and 278,643 in December, 1925; truck production totaled 28,302, a decrease of 22.2 and of 13.6 per cent in the respective comparisons. For the year 1926, a

record was established of 3,765,048 passenger cars, as against 3,696,490 in 1925, and of 494,377 trucks with 478,396 a year ago.

Continued declines were reported for December in automobile distribution in the Middle West, dealers indicating recessions in both wholesale and retail sales as compared

with the preceding month and December a year ago. Aggregate sales for 1926 were below the 1925 totals for wholesale distributors, while retail dealers reported a greater number of cars sold during the year with a smaller total value. The number of new cars on hand December 31 declined from the end of November but remained larger than on the same date of 1925; for the twelve months of 1926, stocks averaged decidedly heavier. Used car sales in December were smaller than in the preceding month but above a year ago, and stocks were larger in number; sales for the year increased over 1925, as did average stocks.

Deferred payment sales of thirty-one dealers reporting the item, were 41.1 per cent of their total retail sales in December, as compared with 36.1 in November and 38.6 per cent a year ago. For nineteen firms, sales made on the deferred payment plan averaged 40.1 per cent of their total 1926 retail sales, as against 39.1 per cent in 1925.

#### MIDWEST DISTRIBUTION OF AUTOMOBILES

	DECEMBER, 1926		YEAR, 1926			
	CHANGES FROM		CHANGES COMPANIES INCLUDED			
	NOV. 1926	DEC. 1925	FROM YEAR, 1925	NOV. 1926	DEC. 1925	YEAR 1925
<b>New cars</b>						
<b>Wholesale—</b>						
Number sold .....	- 3.1	-30.2	- 6.3	36	33	33
Value .....	- 4.5	-29.6	- 7.4	36	33	33
<b>Retail—</b>						
Number sold .....	- 0.5	-13.4	+ 2.1	80	46	46
Value .....	- 2.0	- 6.2	- 0.6	80	46	46
<b>On hand Dec. 31—</b>						
Number .....	-20.1	+ 4.9	+40.2*	51	48	48
Value .....	-15.4	+16.6	+34.2*	51	48	48
<b>Used cars</b>						
Number sold .....	- 5.3	+11.1	+ 7.8	80	47	46
<b>Salable on hand—</b>						
Number .....	+ 1.6	+ 0.6	+21.9*	50	47	46
Value .....	- 5.7	+ 2.0	+10.8*	50	47	46

\*Average monthly

**Agricultural Machinery and Equipment**—The aggregate value of agricultural machinery and equipment sales billed during December to domestic and foreign customers by ninety-four manufacturers in the United States increased over November 6.6 per cent for the thresher-tractor-combined harvester group, 3.7 per cent for all other (exclusive of pumps and barn supplies), and showed recessions of 7.1 per cent for agricultural pumps and 21.3 per cent for barn equipment. In comparison with a year ago, the gains were 9.7 per cent in the heavy group and 36.1 per cent for barn equipment, while the declines were 28.6 per cent for light machinery and 3.9 per cent for agricultural pumps.

#### PRODUCTION AND SALES OF FARM EQUIPMENT IN THE UNITED STATES

	Changes in December, 1926, from previous months		COMPANIES INCLUDED
	NOVEMBER 1926	PER CENT CHANGE FROM DECEMBER 1925	
Domestic sales billed.....	+11.3	-15.4	94
Sales billed for export .....	-19.4	-21.5	49
Total sales billed .....	+ 3.4	-16.7	94
Production .....	+ 1.2	- 5.0	90

Sales based on value. Production computed from average employment during the month.

**Iron and Steel Products**—General business in the finished steel industry of the Chicago district was much better in 1926 than in 1925, sales, specifications, shipments, and operations exceeding the previous year by a substantial margin. Railroad buying was mainly responsible for continued activity the closing month of the year. The fourth monthly increase took place in the unfilled orders of the United States Steel Corporation, the amount on hand December 31 totaling 3,960,969 tons, compared with 3,807,447 tons on November 30 and 5,033,364 tons at the end of December, 1925. Output of steel ingots in the United States for December was lower than in the preceding month or a year ago, but total production for 1926 of 47,133,517 tons established a record. December pig iron production for the country, as well as in the Illinois and

Indiana district, declined in both the month-to-month and yearly comparison.

Iron and steel prices, according to *Iron Trade Review*, declined gradually beginning the first of December, but on January 12 the composite average took a more decided drop, declining from \$38.07 the preceding week to \$37.78 and on January 19 fell to \$37.47, the lowest point since October 14, 1925. The recession has been partly due to weakness in prices of sheets, although softening in other finished steel prices contributed to the last weekly decline. Scrap iron prices at Chicago did not vary appreciably through December, but after January 10 a firming tendency was noted.

For the year 1926, shipments of iron and steel casting foundries in the Seventh district were slightly under the 1925 total. December shipments of twenty-five firms averaged an increase of 1.5 per cent over the preceding month and a recession of 11.0 per cent from the corresponding month a year ago. Declines from November and from December, 1925, were recorded in the shipments of stove and furnace manufacturers reporting to this bank; orders booked increased in both comparisons, although the gain over the preceding month represented increases by only a very small number of firms.

**Shoe Manufacturing, Tanning, and Hides**—Shoe factories in the Seventh Federal Reserve district reported a further seasonal recession in operations in December, with shipments totaling 5.9 per cent under current production but with both items near the level of a year ago. Twenty manufacturers had sufficient unfilled orders in the aggregate to provide about seven weeks' future shipments at the current rate of distribution. Stock shoes reported on hand January 1 by twenty-four companies were equivalent to 73.1 per cent of the volume of their December shipments.

#### CHANGES IN THE SHOE MANUFACTURING INDUSTRY IN DECEMBER, 1926, FROM PREVIOUS MONTHS

	PER CENT CHANGE FROM		COMPANIES INCLUDED	
	NOV. 1926	DEC. 1925	NOV. 1926	DEC. 1925
Production .....	- 9.2	+ 2.2	28	28
Shipments .....	-12.4	- 0.6	28	28
Stock shoes on hand.....	+ 5.4	-12.2	25	24
Unfilled orders .....	- 5.0	-17.4	21	20

A majority of the reporting tanners showed a gain both in production and in the total value of leather billed in December over a month ago. Demand for belting tended to slacken. Prices ranged from steady to firmer.

A slightly greater number of packer green hides and calf skins were sold at Chicago during the month than in November. Quotations strengthened.

**Furniture**—The usual seasonal slackening was evident during December in the furniture industry of this district. Twenty-three manufacturers reporting to this bank booked an aggregate of new orders 32.0 per cent less in amount than in the preceding month, while shipments fell off 10.9 per cent. In the comparisons with December, 1925 and 1924, however, orders booked by nineteen firms gained 26.9 and 13.4 per cent, respectively, while shipments were 3.8 and 24.6 per cent heavier. Because the value of shipments totaled more than new business received, unfilled orders on hand December 31 contracted, the decline averaging 26.2 per cent; an increase over a year ago of 3.0 per cent was reported. At the December rate of distribution, there remained a little more than 3½ weeks' business on the books at the end of month. Operations were reduced from November, and fell below the corresponding month of last year.

**Raw Wool and Finished Woolens**—Considering that December is generally a quiet month incident to the holidays and inventory-taking, sales of raw wool in the district during the month were maintained in good volume and some dealers report them larger than a year ago, though declining slightly from November. Prices continued firm, but

displayed no signs of advancing. Conditions in the finished goods industry remain little changed from the preceding three months, reporting mills in the district, with a few exceptions, being in a better position than a year ago and showing considerably greater activity than in the first half of the year.

## BUILDING MATERIAL AND CONSTRUCTION ACTIVITIES

Wholesale lumber dealers in the district reported a decline in sales of 7.5 per cent from November and of 15.6 per cent from a year ago, and retailers, represented by 189 reporting yards, showed decreases of 29.8 per cent and 2.5 per cent, respectively. The holiday and inventory periods added to the lull, most purchasers preferring not to place orders until after stocks had been taken; by the end of the month, however, stocks had again reached a figure approximating November and a year ago. The ratio of outstanding accounts to sales for December was 120 per cent for wholesalers and 435 per cent for retail dealers, as against 129 and 351 per cent, respectively, in November, and 120 and 408 per cent for the corresponding month of 1925.

The cement business, which is highly seasonal, was likewise dull in December, but in some sections mild weather permitted somewhat more than the usual winter use of this commodity. Stocks on hand continued to be excessive in spite of a considerable curtailment of production.

The holiday slump brought business in brick below that of November and a year ago for most firms, but some, contrary to expectations at this season, reported favorable

comparisons with November. Production was ahead of demand, as is usual in December.

**Building Construction**—Contracts awarded in December in the Seventh district totaled \$92,113,118, an increase of 17.3 per cent over December, 1925, but a decline of 19.5 per cent from November. Of this total \$37,900,910 represented residential construction. Awards for the entire year amounted to \$1,141,912,784, compared with \$1,026,694,055 in 1925 and \$725,160,434 in 1924. For fifty reporting cities of the district, the number of permits issued declined 41 per cent from November and 19.1 per cent from a year ago, while estimated costs increased by 1.3 and 22.1 per cent, respectively, owing to a number of large individual enterprises. For five of the larger cities, the number of permits fell 38.7 per cent below the previous month and 25.5 per cent from December, 1925, with costs 8.1 per cent less in the former and 13 per cent greater in the latter comparison. The Chicago building permit total for the year set a new high record which was almost 7 million dollars ahead of the figures for 1925, the previous record year.

## MERCHANDISING CONDITIONS

**Wholesale Trade**—With the exception of grocery and shoe firms, each with a gain of slightly more than one per cent over December, 1925, sales for all five reporting lines of wholesale trade declined during December from both November and a year ago. All but shoe dealers showed reduced stocks, and all lines indicated smaller accounts outstanding in the comparison with November; both these items varied as compared with a year ago. Only shoe firms had smaller collections than in November, and all but dry goods showed this item ahead of December last year.

**Groceries**—December sales totaled 9.1 per cent below November and of thirty-two reporting firms, twenty-seven reported decreases in the monthly and sixteen in the yearly comparison. Inventories were 8.0 per cent less than in November and 10.0 per cent lower than in December, 1925. All but one firm reported smaller outstanding accounts, the total decline being 11.6 per cent from the preceding month, but there was an increase of 0.8 per cent over a year ago. Collections increased approximately 7 per cent in both comparisons.

**Hardware**—Sales declined 12.8 per cent in the comparison with a month previous and 8.6 per cent in the yearly comparison; inventories were reduced by 1.5 per cent from November and increased 1.3 per cent over December, 1925; receivables fell 12.2 per cent below November and were 1.7 per cent above a year ago; and collections were larger by 14.1 per cent and 13.6 per cent in the same comparisons. Some dealers report outstandings at the end of December as smaller than for several years past. Present reduced business is attributed partly to the inclement weather conditions.

**Dry Goods**—All reporting wholesale dry goods firms had a smaller volume of sales in December than in November,

and about two-thirds showed decreases from a year ago. Percentage declines were 27.0 per cent and 2.8 per cent, respectively. Inventories also decreased in both comparisons, declining 8.5 per cent from the preceding month and 13.1 per cent from December, 1925. Collections improved over November by 10.3 per cent but were 4.5 per cent smaller than a year ago. Receivables dropped 17.9 per cent from the previous month, with all reporting firms showing smaller outstandings, and 3.4 per cent from December, 1925, with about two-thirds reporting a contraction in the item.

**Drugs**—Sales of wholesale drug firms decreased in December as compared with November and a year ago, declining 12.3 and 11.5 per cent, respectively. Stocks were reduced by 8.1 per cent from the preceding month, but were about equal to December last year. Collections were better in both comparisons, increasing 16.0 per cent over November and 2.0 per cent over December, 1925. Outstanding accounts decreased 9.9 per cent and 6.8 per cent in the respective comparisons.

**Shoes**—Individually, wholesale shoe dealers were almost unanimous in reporting smaller sales for December than for the previous month; the decline averaged 35.8 per cent, but the item was 1.1 per cent larger than a year ago. Stocks increased 8.8 per cent in the monthly and 8.0 per cent in the yearly comparison. Outstanding accounts and collections were smaller than in November but somewhat larger than a year ago.

**Department Store Trade**—Eighty-four firms reported an aggregate December sales increase of 2.6 per cent over December, 1925, which month previously held the record, and brought the gain in total sales for 1926 to 6.6 per cent above the figures for 1925. An increase of 48.3 per

cent over November sales reflects gains at all but three stores and is somewhat ahead of the average November-December expansion. Stocks were reduced 17.4 per cent from the November 30 figure but were approximately the same as a year ago. Sales represented 51.8 per cent of average stocks for the month as compared with 50.5 per cent for December, 1925; for the twelve-month period, sales amounted to 395.3 per cent of average stocks as against 380.3 per cent for 1925. Collections were not quite so good as in November. Outstanding accounts reached a seasonal peak which was larger than the same figure for December a year ago.

**Retail Furniture Trade**—Total sales of twenty-one department stores and sixteen retail furniture dealers were 10.8 per cent greater than in November and approximated those of a year ago. Inventories at the end of December declined 9.5 per cent from the month previous, and were 5.9 per cent larger than on December 31, 1925. Furniture dealers reported total outstanding accounts as somewhat larger than for either a month or a year ago, and collections were better in both comparisons. Installment pay-

ments fell below November, but were ahead of December, 1925.

**Retail Shoe Trade**—December business among reporting retail shoe dealers increased 25.3 per cent over the previous month and 10.7 per cent over a year ago. Stocks at the end of the month were 6.9 per cent smaller than a month earlier and 8.8 per cent larger than at the end of December, 1925. The ratio of outstanding accounts to sales stood at 82.1 per cent, as compared with 89.5 per cent for November and 84.6 per cent a year ago.

**Chain Stores**—December sales volume, as compared with November, increased for all reporting chains, and only one, a musical instrument house, showed a decline from December, 1925. For the period beginning January 1, 1919, all except two of the reporting systems showed record monthly sales, and one of these exceeded its December volume but once during that period—in July, 1926. Four of the seven chains reported increased numbers of stores over November, making the total number in operation the largest for the period since 1919.

### MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1919 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve District unless otherwise noted.)

	No. of Firms	Dec. 1926	Nov. 1926	Dec. 1925	Nov. 1925
<b>Meat Packing—(U. S.)—</b>					
Sales (in dollars) <sup>1</sup> .....	62	103.1	110.3	104.7	105.9
<b>Casting Foundries—</b>					
Shipments (in dollars).....	27	61.5	60.6	69.7	64.6
<b>Stoves and Furnaces</b>					
Shipments (in dollars).....	14	56.4	138.2	77.6	105.0
<b>Agricultural Machinery &amp; Equipment—(U. S.)—<sup>1</sup></b>					
Domestic Sales (in dollars).....	113	75.7	69.8	85.9	77.7
Exports (in dollars).....	72	114.6	122.3	166.4	109.8
Total Sales (in dollars).....	113	82.5	77.8	101.5	83.9
Production.....	109	127.6	127.5	125.7	121.1
<b>Agricultural Pumps—(U. S.)—<sup>1</sup></b>					
Shipments (in dollars).....	19	91.9	94.0	100.4	101.0
<b>Furniture—<sup>2</sup></b>					
Orders (in dollars).....	20	105.5	149.3	88.0	156.8
Shipments (in dollars).....	20	146.4	160.3	139.7	151.3
<b>Shoes—<sup>3</sup></b>					
Production (in pairs).....	34	104.3	114.9	102.6	105.5
Shipments (in pairs).....	34	96.8	110.5	97.4	99.3
<b>Electric Energy—</b>					
Output of Plants (KWH).....	8	224.9	211.8	204.7	192.3
Industrial Sales (KWH).....	8	225.3	230.8	209.2	214.5
<b>Flour—</b>					
Production (in bbls.).....	35	104.3	108.2	108.4	103.5
<b>Output of Butter by Creameries—<sup>1</sup></b>					
Production.....	77	83.9	76.8	81.0	74.3
Sales.....	77	96.6	90.6	100.3	80.0
<b>Automobiles—</b>					
<b>Distribution in Middle West:<sup>1</sup></b>					
New cars—Wholesale—Number sold.....	34	60.9	62.9	95.9	86.7
Value.....	34	49.3	52.2	77.8	73.5
New cars—Retail—Number sold.....	52	57.4	52.3	71.1	82.2
Value.....	52	63.0	60.5	71.2	80.4
New cars—On hand—Number.....	45	92.2	121.9	89.5	86.1
Value.....	45	92.2	115.4	82.7	80.7
Used Cars—Number sold.....	43	91.8	92.9	84.1	98.4
Used cars—On hand—Number.....	43	129.7	128.1	149.3	124.8
Value.....	43	113.4	119.9	114.3	108.4
Production (U. S.): Passenger cars.....		101.7	162.6	206.3	243.4
Trucks.....		109.5	140.6	126.7	146.3
<b>Freight Carloadings—(U. S.)—</b>					
Grain and Grain Products.....	120.1	120.8	131.8	131.7	
Live Stock.....	93.4	108.8	103.1	110.7	
Coal.....	139.9	150.9	111.8	118.1	
Coke.....	137.4	145.8	187.4	174.9	
Forest Products.....	101.4	119.8	112.5	121.4	
Ore.....	27.6	84.5	31.0	87.2	
Merchandise and Miscellaneous.....	123.4	143.2	125.7	142.9	
Total.....	119.5	137.9	117.6	132.2	
<b>Iron and Steel—</b>					
<b>Pig Iron Production:<sup>4</sup></b>					
Illinois and Indiana.....	135.3	142.6	141.0	143.2	
United States.....	119.0	128.8	125.1	120.3	
Steel Ingot Production—(U. S.) <sup>4</sup> .....	118.4	127.0	135.6	138.6	
Unfilled Orders U. S. Steel Corp.....	66.1	63.5	84.0	76.4	

	No. of Firms	Dec. 1926	Nov. 1926	Dec. 1925	Nov. 1925
<b>Wholesale Trade—</b>					
<b>Net Sales (in dollars):</b>					
Groceries.....	41	66.6	75.3	70.4	73.0
Hardware.....	19	88.3	103.2	95.9	98.6
Dry Goods.....	13	63.1	85.5	64.7	81.8
Drugs.....	13	95.7	102.8	99.4	98.0
Shoes.....	10	31.3	48.0	30.9	40.6
<b>Retail Trade (Dept. Stores)—</b>					
<b>Net Sales (in dollars):</b>					
Chicago.....	7	250.2	151.7	242.0	134.4
Detroit.....	4	317.2	200.9	302.3	181.5
Des Moines.....	4	190.0	135.3	189.6	127.4
Indianapolis.....	5	238.2	178.5	231.6	159.4
Milwaukee.....	5	257.6	190.6	252.6	166.8
Outside.....	39	178.2	118.9	179.9	117.2
Seventh District.....	64	249.5	168.0	242.9	153.0
<b>Retail Trade—(U. S.)—</b>					
Department Stores.....	359	234	156	226	145
Mail Order Houses.....	4	165	153	168	144
<b>Chain Stores:</b>					
Grocery.....	27	372	347	332	272
Drug.....	9	261	198	225	167
Shoe.....	6	215	150	188	136
Five and Ten Cent.....	5	466	247	427	220
Candy.....	5	303	232	280	195
Music.....	4	223	146	214	139
Cigar.....	3	222	150	212	136
<b>Stamp Tax Collections—<sup>5</sup></b>					
Sales or Transfers of Capital Stock <sup>1</sup> .....		64.2	38.8	158.8	119.7
Sales of Produce on Exchange—Futures <sup>1</sup> .....		80.8	74.0	94.4	94.3
<b>U. S. Primary Markets—<sup>6</sup></b>					
<b>Grain Receipts:</b>					
Oats.....		49.6	54.3	78.2	68.9
Corn.....		104.9	104.8	152.6	89.5
Wheat.....		61.9	86.2	100.4	101.8
<b>Grain Shipments:</b>					
Oats.....		49.2	39.3	65.5	64.1
Corn.....		40.3	57.8	57.7	37.2
Wheat.....		47.6	66.9	61.2	68.2
<b>Building Construction—</b>					
<b>Contracts awarded (in dollars):</b>					
Residential.....		235.7	313.4	259.5	222.2
Total.....		167.6	208.3	142.9	140.1
<b>Permits:</b>					
Chicago.....	Number	140.4	210.2	182.9	243.2
Cost.....		299.1	314.0	222.2	381.7
Indianapolis.....	Number	105.8	163.3	124.6	144.9
Cost.....		51.9	129.7	152.6	253.4
Des Moines.....	Number	39.2	80.4	66.7	114.7
Cost.....		166.2	43.7	66.9	58.9
Detroit.....	Number	75.7	145.8	120.3	136.7
Cost.....		183.5	207.9	205.2	198.4
Milwaukee.....	Number	115.3	173.0	142.1	178.5
Cost.....		122.3	131.5	93.6	172.6
Others (45).....	Number	84.4	154.7	88.1	153.1
Cost.....		202.9	148.0	132.3	143.8
Fifty Cities.....	Number	94.3	160.3	116.2	160.1
Cost.....		215.5	212.9	176.6	239.0

1. Monthly average 1923-24-25=100; 2. Monthly average 1919-20-21=100; 3. Monthly average of mean of production and shipments in 1923-24-25=100; 4. Average daily production; 5. First Illinois internal revenue district; 6. Monthly average receipts 1923-24-25=100.