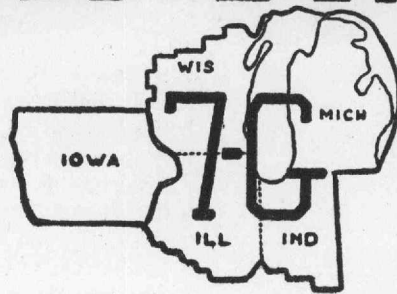


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



RESERVE  
DISTRICT

Volume 14, No. 11

MONTHLY REVIEW PUBLISHED BY THE  
FEDERAL RESERVE BANK OF CHICAGO

October 31, 1931

## General Summary

THE gains recorded during September over August in several phases of the manufacture and merchandising of commodities in the Seventh district were largely seasonal in character, as were the declines shown in other lines, and little evidence of improvement is noted as compared with a year ago when comparisons with 1929 in turn were very unfavorable.

In manufacturing lines, furniture shipments increased seasonally over the preceding month. Automobile output, on the other hand, and shipments of casting foundries declined as is ordinarily the case in September. Activity at steel mills showed no improvement over the quiet conditions prevailing since midsummer, and shoe production was smaller. Building construction, which had shown a gain in the two preceding months, again fell off in September, and the movement of building materials was slow. Employment data in general reflected these trends.

The merchandising of commodities for the most part was seasonally more active in September than a month previous. Reporting groups of wholesale trade, such as groceries, hardware, dry goods, drugs, and shoes, experienced increased sales; electrical supplies were an exception to this upward trend. The gain in district department store trade was somewhat greater than seasonal, and the retail shoe and furniture trades recorded gains during the period. Chain store sales, however, declined slightly from August. Distribution of automobiles again dropped sharply.

Favorable weather conditions have resulted in the harvesting of larger crops than were expected at the beginning of September and fair progress in farm work. Grain marketing, however, was exceptionally light for Septem-

ber. Production of meat increased over the preceding month, but sales declined and butter and cheese output totaled less; as compared with a year ago, declines were shown except in the distribution of butter and in the production of cheese.

Further declines were recorded between the middle of September and the corresponding date of October in loans and investments of reporting member banks in the district, with investments alone remaining above the 1930 level. Net demand and time deposits likewise continued to show recessions in these comparisons. Borrowing at the Federal Reserve Bank expanded further, as a result mainly of the sustained heavy demand for currency. Money rates have displayed some firmness. Sales of commercial paper by dealers were even smaller in September than in August when demand was very limited. Transactions in bankers' acceptances by accepting banks also declined during the period, although sales were the largest on record. Continued weakness prevailed in bond and stock markets throughout September, but some improvement was noted early in October.

## Credit Conditions and Money Rates

An increase of approximately 67 million dollars in demand for currency during the period from September 16 to October 14, was the outstanding element bringing about a somewhat heavier volume of borrowing by member banks at the Reserve bank; a similar influence was exerted by a 7 million dollar excess of local Treasury receipts over expenditures, and a small decrease in reserve bank float. Offsetting in part the changes recorded in these factors, was a large gain in holdings of acceptances (local transactions)—of nearly 35 million dollars—and a decrease in member bank reserve balances amounting to about 27

### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	OCT. 14 1931	CHANGE FROM	
		SEPT. 16 1931	OCT. 15 1930
Total Bills and Securities.....	\$257.5	\$+107.3	\$+142.8
Bills Discounted.....	39.5	+13.9	+25.9
Bills Bought.....	116.3	+89.8	+96.3
U. S. Government Securities.....	99.9	+3.5	+18.7
Total Reserves.....	602.2	-88.7	+162.9
Total Deposits.....	337.0	-21.3	-24.2
Federal Reserve Notes in Circulation.....	486.6	+39.6	+334.0
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	73.1	-12.6*	-12.3*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)

	OCT. 14 1931	CHANGE FROM	
		SEPT. 16 1931	OCT. 15 1930
Total Loans and Investments.....	\$2,944	\$-117	\$-443
Loans on Securities.....	986	-52	-295
All Other Loans.....	1,080	-50	-229
Investments.....	878	-15	+81
Net Demand Deposits.....	1,643	-104	-278
Time Deposits.....	1,124	-55	-218
Borrowings from Federal Reserve Bank.....	19	+9	+16

millions. In the table below, which sets forth in full the changes in the several elements which influence member bank borrowing, it will be noted that loans to member banks on October 14 were nearly 14 million dollars above the corresponding volume on September 16.

#### FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

Changes between September 16 and October 14, 1931  
(In millions of dollars)

Changes making for increase in member bank borrowing:	
1. Increase in demand for currency.....	66.98
2. Excess of local Treasury receipts over expenditures.....	7.40
3. Decrease in reserve bank float.....	2.60
4. Funds lost through inter-district settlements for commercial and financial transactions.....	1.00
5. Sales of gold to industry.....	0.07
Total.....	78.05
Changes making for decrease in member bank borrowing:	
1. Increase in holdings of acceptances (local transactions)....	34.69
2. Decrease in member bank reserve balances.....	27.66
3. Decrease in unexpended capital funds.....	1.42
4. Decrease in non-member clearing balances.....	0.37
Total.....	64.14
Excess of changes making for increase in member bank borrowing: Absorption of this excess: Increase in member bank borrowings (discounts for member banks).....	13.91 13.91

#### MEMBER BANK CREDIT

Total loans and investments of reporting member banks in the Seventh district on October 14 showed a drop of 117 millions from the amount reported September 16, and one of 443 millions from October 15, 1930. The decrease from September 16 was an outgrowth of declines of approximately 50 million dollars in loans on securities and in "all other" (commercial) loans, while investment holdings declined 15 millions. Loans on securities as of October 14 were nearly 300 millions less than a year ago, and "all other" loans about 230 millions smaller; investments aggregated approximately 80 million dollars above the level on October 15, 1930. Net demand and time deposits were in lower volume than a month previous or last year.

Some firming of rates has taken place in Chicago in recent weeks. The prevailing rate on customers' prime commercial loans as reported by Chicago down-town banks during the week ended October 15 was  $2\frac{3}{4}$  to 5 per cent, an increase of one-quarter of one per cent over the lower limit of the reported range for the week ended September 15. The average rate earned on loans and discounts by Chicago down-town banks during the calendar month of September was 4.28 per cent, compared with 4.27 per cent in August and 4.76 per cent in September a year ago. For the city of Detroit this item for September was given as 5.01 per cent, as against 5.07 in August and 5.68 in September 1930.

Dealer sales of commercial paper in the Middle West decreased further in September, totaling about 40 per cent less than the limited volume of August and 75 per cent below the 1923-30 average for the month. Supplies were light, and there was very little demand. Selling rates for the month ranged in general from  $2\frac{1}{2}$  and 3 per cent for

high to  $1\frac{3}{4}$  and 2 per cent for low, with the average 2 to  $2\frac{1}{4}$  per cent. September 30 outstandings of commercial paper in the Middle West totaled 8 per cent smaller than at the end of August and continued to be approximately 60 per cent below the usual level for the date. Sales for the first half of October showed a recession of 40 per cent from the corresponding weeks of September, with only a few borrowers in the market and the demand almost negligible. Rates advanced, October 15 quotations being  $2\frac{1}{2}$  and  $2\frac{3}{4}$  per cent for low and 3 per cent for high; most paper moved at  $2\frac{3}{4}$  and 3 per cent.

Chicago bill market operations were considerably more active during the five weeks ended October 14 than in the preceding period, owing to extensive liquidation of bills by accepting banks in the city. Dealer purchases of acceptances were more than triple those of August 13 to September 9, and a slight gain also took place in receipts from Eastern markets. Sales expanded as a result of heavier supplies and the increased buying on the part of the Federal Reserve and out-of-town banks. A fair volume of acceptances also moved to other markets. Rates advanced sharply during the period, and there was a further increase after the middle of October; quotations on October 17 opened at  $3\frac{1}{4}$  per cent for 30-day offerings to  $4\frac{1}{4}$  per cent for those of 180 days. The Federal Reserve buying rate on bankers' acceptances was raised on October 16 to  $3\frac{1}{8}$  per cent for bills of 1-90 days and to  $3\frac{1}{2}$  per cent for 5- and 6-month maturities.

#### AVERAGE WEEKLY TRANSACTIONS OF REPORTING DEALERS IN THE CHICAGO BILL MARKET

September 10 to October 14, 1931

	PER CENT CHANGE IN COMPARISON WITH PERIOD FROM AUGUST 13 TO SEPTEMBER 9 1931	PERIOD FROM SEPTEMBER 11 TO OCTOBER 15 1930
Bills purchased.....	+222.7	-8.6
Bills sold.....	+184.4	+73.1
Holdings*.....	-16.8	-50.6

\*At end of period.

The value of new bills accepted and total purchases of bankers' bills by Seventh district accepting banks were less in September than in August or a year ago, although they remained considerably in excess of the 1923-28 average for the month. Sales, on the other hand, attained the highest level on record (January 1923), and were mainly a reflection of the rising trend in rates. Most of these acceptances were purchased by the Federal Reserve Bank of Chicago. There was a consequent reduction in bill portfolios of accepting banks to the lowest point in the past year, with the exception of June 30. The liability for outstanding bills continued to decline. During the first half of October, new financing by means of bankers' acceptances aggregated 20 per cent less than in the corresponding weeks of September. This reflected decreased borrowing for iron ore, iron and steel, general merchandise, creosote oil, hides, rubber, tobacco, and a number of other commodities, which more than offset gains recorded for grain, sugar, canned goods, wood pulp, and several miscellaneous items.

#### VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	SEPT. 1931	PER CENT OF INCREASE OR DECREASE FROM	
		AUG. 1931	SEPT. 1930
Chicago.....	\$2,586	-5.4	-29.5
Detroit, Milwaukee, and Indianapolis....	1,084	+1.7	-18.7
Total four larger cities.....	\$3,670	-3.4	-26.6
34 smaller centers.....	701	+1.6	-20.1
Total 38 centers.....	\$4,371	-2.6	-25.6

#### TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN SEPTEMBER 1931 FROM	
	AUGUST 1931	SEPTEMBER 1930
Total value of bills accepted.....	-13.6	-39.0
Purchases.....	-31.9	-22.1
Sales.....	+609.1	+78.2
Holdings*.....	-75.8	+7.8
Liability for outstandings*.....	-8.3	-43.0

\*At end of month.



## SECURITY MARKETS

A slightly improved tone was displayed by the Chicago bond market in the first few days of October, during which time some buying came into the market and partially aided in offsetting the weakness prevalent during the preceding thirty days. Outstanding among developments during September was the marked drop in prices on practically all classes of bonds. Liquidation was not confined entirely to medium or low grade issues, as many of the high grade bonds, including United States government issues, were sold in substantial amounts. Demand over the period was almost negligible from all sources, and in part accounted for the sharp price declines, while the volume of new offerings was the smallest for September in several years. Institutions which in the past have been classed as the important purchasers, sold heavily, and as a result no special class of buyers was outstanding. Stock prices on the Chicago Exchange continued their downward trend throughout September, and on October 5 the average price of twenty leading stocks\* had dropped to a low point of \$41.09. Since that time the average has recovered somewhat, amounting to \$49.16 on October 16, approximately 7 dollars below the corresponding date a month ago.

\* Chicago Journal of Commerce.

## Agricultural Products

Crops in the Seventh Federal Reserve district, owing to favorable weather conditions, have yielded better than September 1 expectations indicated, the most noteworthy gains since that date being 10 million bushels in corn, 6 million bushels in potatoes, and one million bushels in beans. In addition, farm work has made fair progress this autumn. Moderate to heavy rains in early October were beneficial to winter grains and also improved the condition of pastures, meadows, and clover. Excessive moisture in the top soil, however, slightly retarded fall plowing and seeding operations. Despite this condition, winter wheat and rye are now above ground in most localities and are showing a good stand and satisfactory growth.

### CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of October 1 condition  
(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		1925-29 AVERAGE
	FORECAST 1931	FINAL 1930	FORECAST 1931	FINAL 1930	
Corn.....	916,281	731,749	2,702,752	2,093,552	2,760,753
Oats.....	479,627	565,861	1,173,999	1,358,052	1,316,954
Winter Wheat..	74,680	59,447	775,180	612,268	547,427
Spring Wheat..	3,374	4,290	109,106	251,162	274,688
Barley.....	48,703(a)	56,799(a)	215,889	334,971	265,006
Rye.....	8,750(a)	8,248(a)	36,233	48,149	46,129
Buckwheat....	913(a)	663(a)	10,594	7,948	13,409
Flaxseed.....	186(b)	348(b)	11,474	21,369	20,917
Potatoes (white)	48,606	37,118	374,751	343,236	380,502
Potatoes (sweet)	1,458(c)	1,050(c)	77,157	62,230	80,263
Sugar Beets*..	464(d)	513(d)	7,157	9,201	7,355
Apples (total crop) ..	29,062(a)	13,595(a)	222,707	163,543	174,474
Peaches.....	7,438(e)	648(e)	77,931	53,617	55,210
Pears.....	1,828(e)	1,289(e)	24,054	27,577	22,123
Grapes*.....	77(a)	91(a)	1,634	2,460	2,403
Dry Beans.....	6,793(f)	4,662(f)	19,959	21,907	18,432
Cabbage*.....	168(a)	268(a)	1,033	1,009	1,065
Onions.....	3,590(a)	7,508(a)	18,200	26,119	22,210
Tobacco**....	49,343	52,685	1,660,992	1,641,437	1,357,130
All Tame Hay*	14,998	15,881	79,292	77,850	94,364
Canning Crops					
Tomatoes*...	271(e)	462(e)	1,056	1,816	1,255
Cucumber					
Pickles.....	2,549(a)	3,734(a)	5,637	7,596	4,428
Broom Corn*..	8½(g)	7½(g)	46½	50	45

\*In thousands of tons. \*\*In thousands of pounds. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana and Iowa. (f) Michigan and Wisconsin. (g) Illinois.

Most of the 1931 corn crop reached maturity, inasmuch as killing frosts came at a later date than usual this autumn; the crop is of better quality than in 1930, although the ears have been drying rather slowly. Corn cutting, silo filling, husking, potato digging, and other harvesting operations are well under way. An outbreak of hog cholera is reported in some parts of the district.

### GRAIN MARKETING

The September movement of wheat, corn, and oats at primary markets was unusually small, both receipts and shipments being below the corresponding month of the previous ten years, with the exception of the somewhat smaller wheat shipments in September 1923, 1925, and 1926. The decline in wheat receipts from the volume of the preceding month was noteworthy and attributable partly to the small harvest of the spring crop. Exports for the month, which approximated the volume of a month earlier and a year ago, were restricted by the fluctuating exchange value of the pound. The visible supply decreased considerably on October 10 from the high point of September 5, totaling only 26 million bushels larger than a year previous. Future trading was dull, and new lows were made by the September option of the closing day of the month and by December wheat on the twenty-first, after which a slight recovery continued into early October. Cash wheat remained somewhat above the current future price, but followed a similar downward trend.

The smaller receipts of corn in September than in August contrasted with an average increase in the same period of the preceding five years and indicate that the quantity remaining on farms, to be marketed ahead of the new crop, is small. The visible supply of corn declined during September, but remained larger than in 1930. Both cash and future corn sold lower during September, while oats held firm.

### MOVEMENT OF LIVE STOCK

The volume of cattle receipts at public stock yards in the United States decreased 2 per cent in September from August, in contrast to a usual seasonal expansion of 17 per cent. Moreover, the recession of 20½ per cent from the 1926-30 average was greater than evidenced in any previous month of 1931. These decreases were mainly due to heavy marketings of range cattle in August, and in a lesser degree to the withholding of the breeding stock from the market. Lamb receipts recorded a smaller increase over the preceding month than is ordinarily the case in September, and showed a smaller expansion over the five-year average than in any month since last October. Hog marketings, on the other hand, increased more

### LIVE STOCK SLAUGHTER

(In thousands)

Yards in Seventh District, September 1931.....	CATTLE	HOGS	LAMBS AND SHEEP		CALVES
			1931	1930	
Federally Inspected Slaughter, United States					
September 1931.....	687	2,955	1,667		393
August 1931.....	727	2,500	1,598		357
September 1930.....	760	2,773	1,591		374

### AVERAGE PRICES OF LIVE STOCK (Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	OCT. 17 1931	SEPTEMBER 1931	AUGUST 1931	SEPT. 1930
Native Beef Steers (average).....	\$8.40	\$8.05	\$8.50	\$10.90
Fat Cows and Heifers.....	5.65	5.55	6.15	7.80
Calves.....	7.25	8.85	8.75	11.90
Hogs (bulk of sales).....	5.20	5.55	6.05	10.00
Yearling Sheep.....	4.50	4.90	5.30	6.25
Lambs.....	6.30	6.05	6.55	8.00

than is usual over August and for the first time in several months, they totaled only slightly less than in the corresponding period of 1930 and the five-year average.

#### MEAT PACKING

Slaughtering establishments in the United States displayed a slight increase in activity during September. The production of packing-house commodities gained 3 per cent over the preceding month, which is contrary to seasonal trend, and aggregated only one-half per cent less than in September 1930. Payrolls, moreover, at the close of the period reflected an expansion of one per cent over August in the number of workers, with practically no change in hours worked or wage earnings. The total value of September sales billed to domestic and foreign customers, on the other hand, decreased one per cent from a month earlier and 27½ per cent from a year ago. The reduction in prices was the principal factor contributing to these recessions. Quotations for pork, lamb, mutton, veal, smoked meats, and cow beef declined in September from August; lard prices firmed, and those of steer beef and dry salt meats advanced. October 1 inventories of packing-house commodities in the United States were seasonally less than a month earlier, and for the first time since February 1 were below the corresponding date of 1930; holdings remained considerably under the five-year average. Domestic trade averaged fair at the beginning of October.

Shipments for export also increased in September over the preceding period, owing largely to a greater amount of lard being forwarded to Europe on consignment terms and in a lesser degree to some expansion in straight sales. A fair demand for lard was experienced on the Continent, especially in Germany, and in the United Kingdom. Trade in the latter country, however, showed some irregularity during the third week of the month because of fluctuating exchange rates. There was only a moderate trade in meats. Quotations for lard both in England and on the Continent continued near the United States parity. Meat prices in England, on the other hand, failed to advance sufficiently to offset the decline in sterling.

#### DAIRY PRODUCTS

Butter manufacturing in the Seventh Federal Reserve district showed a seasonal recession of 17 per cent in September from the preceding month, continuing somewhat below the usual level for this time of year. The sales tonnage fell off 9½ per cent in the comparison with August, but remained in excess of 1930. Preliminary reports indicate that United States production of this commodity also declined from a month earlier and a year ago. Consumption, on the other hand, remained heavy. Creamery butter inventories, as a consequence, decreased more than the usual amount on October 1 from the beginning of September, and totaled approximately 40 per cent less than in 1930 or the five-year average. Prices advanced. The production of American cheese in Wisconsin was reduced 13 per cent during the five weeks ended October 3 from the preceding period, but exceeded that of a year ago by more than 3 per cent. Distribution fell off to a greater extent in the monthly comparison but kept pace with production, despite a recession of 5½ per cent from the corresponding month of 1930. The total stock of cheese in the United States decreased as is usual on October 1, and remained considerably below last year and the average for the date. Prices firmed.

## Industrial Employment Conditions

A considerably lower level of industrial activity during September than in August was shown by employment reports from both manufacturing and non-manufacturing firms in this district. Further lay-offs reduced the number of men in the totals and in nine of the fourteen groups covered, while wage reductions, shorter hours, and the presence of the Labor Day holiday within the period reported by some firms, contributed to smaller payrolls in all except two groups. The downward trend in factory employment during August and September approximated that in the same period of 1930, so that the level continued to be about 18 per cent below a year ago, but payrolls have fallen more rapidly and the September total was one-third less than in 1930.

The stone, clay, and glass products group, after declining moderately in the three preceding months, recorded the sharpest loss of all groups in September. Marked recessions in paper and printing and in leather products reversed the upward trend of a month earlier. Vehicles and metal products continued the declines recorded during the previous three and five months, respectively, and food products employed fewer men but increased payrolls fractionally. The textiles group made practically no change in number of workers, but, influenced largely by curtailment in Chicago plants, recorded a large loss in wage earnings. Only one group, chemicals, increased the totals of both men and payrolls; and rubber products showed much greater employment because of men taken on at Wisconsin plants, but as operations at Michigan plants were curtailed, payrolls declined moderately. Wood products recorded only fractional changes.

In non-manufacturing lines coal mining alone increased, the large gains more than offsetting losses sustained in August. Construction work failed to maintain the upward trend of August, and the utilities and merchandising groups again reduced both number employed and total wage earnings.

The farm labor ratio of supply to demand for the North Central states, according to the Department of Agriculture, rose to 187 on October 1 from 184 as reported a month earlier. At the same time farm wages continued downward, the current level being only slightly higher

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF SEPTEMBER 15, 1931			CHANGES FROM AUGUST 15	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products <sup>1</sup> .....	766	158,892	3,280	-1.3	-5.7
Vehicles.....	149	175,746	3,694	-2.6	-14.3
Textiles and Products.....	169	31,917	546	+0.2	-11.8
Food and Products.....	364	59,606	1,414	-1.2	+0.4
Stone, Clay and Glass.....	150	10,259	241	-14.0	-13.0
Wood Products.....	295	26,872	459	+0.5	-0.8
Chemical Products.....	105	14,458	392	+2.3	+6.8
Leather Products.....	78	17,314	296	-3.3	-15.4
Rubber Products <sup>2</sup> .....	7	6,143	116	+24.3	-2.5
Paper and Printing.....	320	43,586	1,151	-5.3	-10.2
Total Mfg., 10 Groups....	2,403	544,793	11,589	-1.9	-8.6
Merchandising <sup>3</sup> .....	181	29,689	749	-0.7	-3.4
Public Utilities.....	73	91,086	2,971	-3.8	-2.2
Coal Mining.....	17	4,638	93	+67.8	+93.5
Construction.....	177	9,589	251	-5.5	-5.5
Total Non-Mfg., 4 Groups.	448	135,002	4,064	-1.8	-1.5
Total, 14 Groups.....	2,851	679,795	15,653	-1.9	-6.8

<sup>1</sup>Other than Vehicles. <sup>2</sup>Michigan and Wisconsin. <sup>3</sup>Illinois and Wisconsin.



than during the pre-war period, 1910-1914. This surplus of farm labor and the period of slack demand preceding the corn harvest are reflected in the unemployment ratios for Iowa and Wisconsin, which rose to the highest points since March and February 1931, respectively. Illinois and Indiana, on the other hand, continued the reduction shown in the ratio for August.

**REGISTRATIONS PER 100 POSITIONS AVAILABLE AT FREE EMPLOYMENT OFFICES**

MONTH	ILLINOIS	INDIANA	IOWA	WISCONSIN	FOUR STATES
1931 September..	220	128	480	232	234
August.....	244	139	447	199	247
1930 September..	230	154	312	188	222
August.....	234	161	263	162	290

**Manufacturing**

**AUTOMOBILE PRODUCTION AND DISTRIBUTION**

Production of passenger automobiles in the United States declined seasonally during September. Output of 109,087 cars totaled 30 per cent below August, which compares with an average recession of 8 per cent for the month and with a decline of only 4 per cent a year ago. Truck production of 31,338 units in October, was one per cent less than a month previous, whereas an increase of 9 per cent was shown in the corresponding month of 1930.

Distribution of automobiles in the Middle West recorded the fifth consecutive monthly decline in September. Recessions are usual for the period, however, and increases over a year ago were not uncommon among the individual dealers, despite the continued declines shown in the aggregate. Used car sales fell off to a greater extent than did those of new cars at retail. Stocks of new cars remained at a low level and were reduced from the end of August, while the number of used cars on hand gained at the end of September over a month previous. Deferred payment sales constituted 53 per cent of the total retail sales of twenty-nine dealers in September, which is the same ratio as in the preceding month and compares with 48 per cent a year ago.

**IRON AND STEEL PRODUCTS**

September conditions at steel mills of the Chicago district varied little from those obtaining through the summer months. Demand remained quiet and operations continued at the low rate of about 30 per cent of capacity which has prevailed since July. Pig iron output in Illinois and Indiana declined slightly further in September below the previous low point reached in August. Finished steel prices have been maintained at recent levels, but cer-

**MIDWEST DISTRIBUTION OF AUTOMOBILES**  
Changes in September 1931 from Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	AUGUST 1931	SEPTEMBER 1930	
<b>New cars</b>			
Wholesale—			
Number Sold.....	-36.0	-51.2	23
Value.....	-36.4	-59.2	23
Retail—			
Number Sold.....	-15.5	-24.9	49
Value.....	-9.7	-40.3	49
On Hand September 30—			
Number.....	-8.5	-19.2	51
Value.....	-11.3	-25.7	51
<b>Used cars</b>			
Number Sold.....	-18.3	-28.8	51
Salable on Hand—			
Number.....	+6.6	-16.4	31
Value.....	+5.0	-17.1	51

tain items of scrap iron and steel weakened at the end of September and the price of pig iron was reduced 50 cents per ton after the first of October.

The aggregate of orders booked by reporting steel casting foundries in the district increased moderately in September over August, and production was somewhat greater, but shipments fell off about 15 per cent—a seasonal trend. Data on activity at malleable casting foundries show declines in September from the preceding month in all three items. Comparisons with a year ago continued to be unfavorable for both steel and malleable castings, although activity at that time averaged considerably below the 1929 level. The increase of 55 per cent over August in September shipments of reporting stove and furnace manufacturers was heavier than usual for the month, and orders booked showed a gain of 50 per cent in the comparison, while production expanded 32 per cent and totaled greater than a year ago. New orders were only 8 per cent below last September, but shipments continued to be about one-fifth smaller.

**FURNITURE**

September orders booked by furniture manufacturers in the Seventh district were only slightly in excess of those of a month previous, although a fairly substantial increase during the period is usual, thus reflecting the continued influence of the advancing by one month this year of the semi-annual furniture exposition. Shipments made during September, following the gain in orders a month earlier, aggregated 20 per cent higher than in August, which increase compares with one of 18 per cent shown in the corresponding period a year ago. Owing to a reversal this month in the ratio of shipments to new orders, the volume of unfilled orders fell off somewhat, standing at the close of September at 74 per cent of current orders booked, against a ratio of 91 per cent on August 31. In the comparison with last September, orders booked were less by 38 per cent, shipments by 33, and unfilled orders by 36 per cent. Operations were maintained at a rate of approximately 45 per cent of capacity, which is identical with that of a month previous and compares with a rate of 61 per cent in September last year.

**SHOE MANUFACTURING, TANNING, AND HIDES**

Seventh district shoe production decreased 1½ per cent in September from a month earlier and aggregated 15½ per cent less than the 1923-30 average for this season of the year. Leather tanning, on the other hand, showed little change from August, although it continued under that of 1930; dollar sales declined in both comparisons. Prices eased.

**WHOLESALE AND RETAIL LUMBER TRADE**

CLASS OF TRADE	SEPT. 1931: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	AUGUST 1931	SEPT. 1930	
<b>Wholesale Trade:</b>			
Sales in Dollars.....	-16.6	-48.3	13
Sales in Board Feet.....	-13.9	-35.0	11
Accounts Outstanding <sup>1</sup> .....	-3.5	-31.3	8
<b>Retail Trade:</b>			
Sales in Dollars.....	+1.7	-38.0	232
Sales in Board Feet.....	-11.3	-35.3	89
Accounts Outstanding <sup>1</sup> .....	-0.5	-14.4	228
	Ratio of Accounts outstanding <sup>1</sup> to dollar sales during month		
	SEPT. 1931	AUGUST 1931	SEPT. 1930
Wholesale Trade.....	189.5	167.0	145.4
Retail Trade.....	384.0	390.2	278.5

<sup>1</sup>End of Month.

Trading in packer green hides was exceptionally heavy at Chicago during September, and there was also some activity in the calf skin market. Prices declined.

## Building Material, Construction Work

Unfavorable conditions prevailed in building material lines during September, as reported by Seventh district firms, a less-than-seasonal gain taking place in the value of sales of retail yards, while operations of wholesale lumber dealers and of clay products and cement producers trended downward.

Dollar sales of reporting lumber wholesalers fell off sharply from August, recording the greatest loss from a year previous of any month in 1931—partially because of a gain shown in September 1930 as compared with declines in the three preceding years. Board foot sales declined less than the dollar value, continuing the trend which has been in evidence since the recession in prices began. In spite of small sales, stocks were reported as smaller than at the end of August, though in excess of last year. Sales of materials at retail gained less than 2 per cent over the preceding month, as compared with a five-year average September gain of 7 per cent, while the decline from a year ago was larger than in any month of 1931. The gain in dollar sales over August was contrary to the trend in board foot sales of lumber, as a large loss from August was reported by 89 yards. This indicates in part a smaller demand for lumber than for other items included in the dollar amount, although there have been some efforts made to strengthen prices. The ratio of accounts outstanding to dollar sales was higher for wholesalers than in August, but showed some improvement at retail yards.

Clay products manufacturers reported a very small volume of business in September, influenced particularly by the absence of demand for drain tile, which is usually an important factor in fall operations. Cement distribution from midwestern mills declined seasonally from August, but exceeded production for the fourth consecutive month, so that stocks fell somewhat lower and on September 30 totaled about 10 per cent less than a year previous.

### BUILDING CONSTRUCTION

Total building contracts awarded in the Seventh Federal Reserve district again declined during September, following expansion in the two preceding months. Residential contracts, amounting to only 16 per cent of the total, dropped to the lowest level since January 1921.

Construction in prospect likewise was less in September, following the increase recorded in August over July. According to building permits issued in 103 cities, declines took place in estimated cost of 10 per cent from August and 60 per cent from a year ago. The number of permits

issued in these same cities, however, registered a small gain over the preceding month, although in the comparison with September 1930 the trend was similar to that in estimated cost. Exceptions to the trend of the district were found in a few of the large cities, Indianapolis reporting gains in value of permits over both August and a year ago, Detroit and Milwaukee showing increases over August, and Des Moines registering a gain over September 1930.

### BUILDING CONTRACTS AWARDED \* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
September 1931.....	\$33,361,326	\$5,192,654
Change from August 1931.....	-24%	-34%
Change from September 1930.....	-45%	-60%
First nine months of 1931.....	\$372,656,124	\$73,970,855
Change from same period 1930.....	-37%	-42%

\*Data furnished by F. W. Dodge Corporation.

## Merchandising

The expansion recorded in September over August in reporting phases of merchandising activity of the Seventh district, was seasonal in nature though in some cases greater than the average for other years. In wholesale trade, grocery sales gained 3 per cent over the preceding month, hardware 8 per cent, dry goods 31 per cent, drugs 4 per cent, and shoes 6 per cent, while electrical supplies declined 4 per cent instead of gaining as is customary in September. The increase in dry goods sales was much larger than usual for the period, in hardware, drugs, and shoes the expansion was about average, but that in groceries was slightly smaller than in most other years. With the exception of dry goods and shoes, comparisons with a year ago were even less favorable than those shown in August. In the first three quarters of 1931, grocery sales totaled 13 per cent smaller, hardware 25 per cent, dry goods 25 per cent, drugs 14 per cent, shoes 24 per cent, and electrical supplies 34 per cent less than in the corresponding period of 1930. Stocks, which in all reporting lines remain well below a year ago, were slightly larger than at the end of August for dry goods, drugs, and electrical supplies, but smaller in groceries, hardware, and shoes. Ratios of accounts outstanding to net sales during September averaged higher in half the groups and except for dry goods were above last year.

Department store trade of reporting firms in the district totaled 27 per cent more in September than a month previous, which is a somewhat greater gain than that shown in the nine-year average for the period. An increase of 56 per cent in Detroit was largely responsible in effecting this greater-than-seasonal expansion, as although Indianapolis trade gained 29 per cent over August, that in Chicago increased only 21½ per cent, in Milwaukee 23 per cent, and the total for other cities was only 3 per cent

### WHOLESALE TRADE IN SEPTEMBER 1931

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLECTIONS	
Groceries.....	-16.2	-15.0	-7.2	-11.9	109.6
Hardware.....	-27.7	-13.9	-15.0	-24.2	269.3
Dry Goods.....	-23.4	-22.1	-33.6	-27.1	276.2
Drugs.....	-17.2	-11.2	-3.8	-6.0	177.8
Shoes.....	-31.4	-21.2	-16.4	-35.7	416.9
Electrical Supplies.....	-41.4	-8.9	-31.5	-40.1	190.4

### DEPARTMENT STORE TRADE IN SEPTEMBER 1931

LOCALITY	PER CENT CHANGE SEPTEMBER 1931 FROM SEPTEMBER 1930		PER CENT CHANGE FIRST NINE MONTHS 1931 FROM SAME PERIOD 1930	RATIO OF SEPT. COLLECTIONS TO ACCOUNTS OUTSTANDING AUGUST 31	
	NET SALES	STOCKS END OF MONTH		1931	1930
	Chicago.....	-20.3	-10.9	-14.0	27.5
Detroit.....	-18.1	-22.3	-14.6	29.4	33.8
Indianapolis.....	-20.7	-11.8	-9.0	35.4	36.7
Milwaukee.....	-16.7	-2.8	-7.8	.....	.....
Other Cities.....	-16.2	-11.9	-11.1	29.1	31.6
7th District.....	-18.8	-12.6	-12.8	30.1	33.6



larger, almost half the stores in this last group experiencing declines from the preceding month. As compared with last September, when district department store trade fell 16 per cent below the corresponding period of 1929, sales for the month this year totaled 19 per cent less, and in the first three quarters of 1931 sales were 13 per cent below the same nine months of 1930. Stocks increased 8 per cent between the end of August and September 30, thus following the usual trend for the month.

The retail shoe trade likewise was seasonally heavier in September, sales of dealers and department stores totaling 39 per cent greater than in August, though recording a decline of 17 per cent from a year ago. For the nine-month period, sales were 11½ per cent smaller than in 1930. Stocks increased during the month but remained well below last year. In the retail furniture trade, a similar trend was shown in sales; those of dealers and department stores expanded 29 per cent in September over the

preceding month, but were 22 per cent below a year ago. Installment sales by dealers declined one per cent in the monthly comparison and totaled 30 per cent smaller than last year in the same month. Stocks averaged only slightly larger than a month previous and were almost one-fifth less than at the end of September 1930.

Sales of seventeen reporting chains operating 2,576 stores in September, declined 3 per cent in the aggregate from August and totaled 4 per cent below a year ago. The number of units operated showed little change from the preceding month or from last September, so that average sales per store decreased in the same amount as did total sales. Among the various groups, cigar chains alone reported increased sales over August, while all other lines, which include groceries, five-and-ten-cent stores, shoes, musical instruments, and men's and women's clothing, recorded declines. All groups except drugs had smaller sales than in September 1930.

### 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 1923-1924-1925 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	Sept. 1931	Aug. 1931	July 1931	June 1931	May 1931	April 1931	Sept. 1930	Aug. 1930	July 1930	June 1930	May 1930	April 1930
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	63	74	74	75	75	77	78	102	98	97	103	106	109
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	15	21	23	25	29	38	39	46	57	61	68	81	92
In Tons.....	15	19	22	24	27	38	37	48	62	65	71	85	98
Malleable—In Dollars.....	23	17	21	22	27	33	34	33	32	35	50	63	70
In Tons.....	23	26	33	36	43	54	54	48	46	49	71	90	101
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	11	121	80	63	65	84	94	150	110	96	89	101	111
<b>Furniture—</b>													
Orders (in dollars).....	25	44	43	35	55	39	51	77	61	80	46	64	61
Shipments (in dollars).....	25	48	39	42	33	48	57	79	67	54	56	64	69
<b>Flour—</b>													
Production (in bbls.).....	26	122	128	112	89	88	93	122	116	106	97	103	107
<b>Output of Butter by Creameries—</b>													
Production.....	67	94	114	127	157	148	110	97	115	131	155	157	104
Sales.....	69	105	117	123	149	127	104	95	111	120	135	129	101
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	31	88	85	93	85	82	86	103	99	99	95	99	97
Hardware.....	14	55	50	58	63	62	71	75	66	70	74	89	84
Dry Goods.....	9	53	41	38	46	51	55	71	58	46	61	73	70
Drugs.....	14	78	75	78	81	79	87	95	88	89	92	99	101
Shoes.....	8	54	51	41	53	55	60	78	77	48	61	70	87
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	26	73	61	60	84	83	93	94	77	66	93	102	111
Detroit.....	5	123	78	71	101	109	126	150	97	80	115	139	153
Indianapolis.....	5	89	67	61	87	93	94	114	74	70	87	101	103
Milwaukee.....	5	89	73	75	95	99	112	107	80	75	95	116	117
Other Cities.....	50	72	70	59	82	89	97	86	81	68	87	100	104
Seventh District.....	91	85	67	63	88	91	102	105	81	70	96	110	117
<b>Automobile Production (U. S.)—</b>													
Passenger Cars.....		37	53	63	72	93	98	60	63	76	98	123	127
Trucks.....		83	84	91	107	121	133	117	107	115	129	156	189
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		18	27	20	26	30	36	44	37	42	45	67	77
Total.....		49	64	59	55	61	67	88	86	80	147	116	119
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....		43	44	50	61	76	86	82	91	95	119	134	131
United States.....		40	42	48	56	66	69	77	83	87	100	106	108
Steel Ingot Production—(U. S.)*.....		45	50	54	60	72	79	82	88	84	103	111	119
Unfilled Orders U. S. Steel Corp.....		66	66	71	73	76	82	72	75	84	83	85	91

\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

**I**NDUSTRIAL production and factory employment, which usually increase at this season, showed little change from August to September, and, consequently, the Board's seasonally adjusted indexes declined. The general level of wholesale prices also declined. Gold exports and earmarkings, together with an increase in domestic currency demand between the middle of September and the middle of October, resulted in a large growth of reserve bank credit in use and a rise in money rates.

## PRODUCTION AND EMPLOYMENT

Industrial production, as measured by the Board's seasonally adjusted index, declined from 79 per cent of the 1923-1925 average in August to 76 per cent in September. Activity at steel mills decreased from 31 per cent of capacity to 28 per cent; output of automobiles was reduced substantially; and lumber production continued to decline. At cotton mills, production increased seasonally, while activity at woolen mills and shoe factories declined contrary to the usual seasonal tendency. Output of petroleum was smaller in September than in August, but the rate of output prevailing at the end of September was higher than at the end of August.

The number employed at factories showed little change from the middle of August to the middle of September, a period when employment usually increases. In iron and steel mills, automobile factories, and lumber mills, employment decreased further, contrary to the seasonal tendency; in the clothing and silk industries there were substantial increases in employment, partly of a seasonal character; in mills producing cotton goods, employment increased less than usual, and in woolen mills, it declined from recent relatively high levels.

Data on value of building contracts awarded for the period between the first of August and the middle of October, as reported by the F. W. Dodge Corporation, show a continuation of the downward movement of recent months for residential as well as for other types of construction.

Estimates by the Department of Agriculture, based on October 1 conditions, indicated a cotton crop of 16,284,000 bales, the largest crop reported except that of 1926, a total wheat crop somewhat larger than usual, and a corn crop of 2,700,000,000 bushels, 29 per cent larger than last year and 2 per cent smaller than the five-year average.

## DISTRIBUTION

Freight carloadings of merchandise and sales by department stores increased in September, but by less than the usual seasonal amount.

## WHOLESALE PRICES

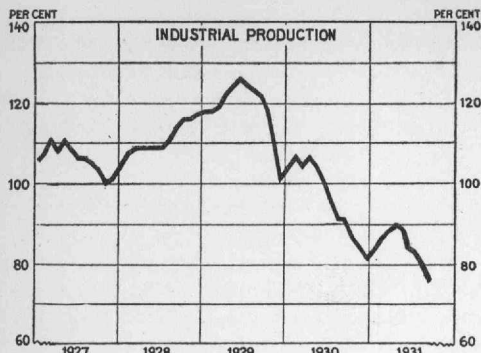
The general level of wholesale prices declined from 70.2 per cent of the 1926 average in August to 69.1 per cent in September, according to the Bureau of Labor Statistics. Decreases in the prices of live stock, meats, hides, woolen goods, cotton, and cotton goods were offset in part by increases in prices of dairy products, petroleum, and petroleum products. Further declines in the price of cotton during the first few days of October were followed by substantial increases in subsequent days.

## BANK CREDIT

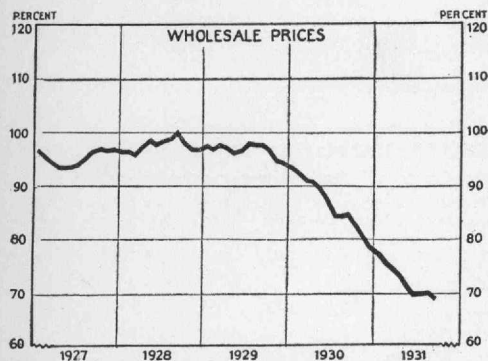
During the four weeks following the suspension of gold payments in England on September 20, \$600,000,000 of gold was withdrawn from this country's monetary stock in the form of exports and earmarkings. Domestic demand for currency continued to increase, the growth for the month ending in the middle of October being about \$400,000,000. The growth in the amount of currency outstanding, however, slowed down after the first few days in October. The demands for credit arising from gold movements and currency growth were met by member banks through the sale of acceptances to the reserve banks and by rediscounts. Volume of reserve bank credit outstanding consequently increased between the week ending September 19 and the week ending October 17 by \$904,000,000, and on October 17 stood at \$2,169,000,000, the highest level for ten years.

Gold and currency withdrawals resulted in a decrease in deposits at member banks in leading cities. Loans and investments of these banks also declined, reflecting reductions in loans to security brokers, as well as sales of acceptances to the reserve banks and sales of United States securities.

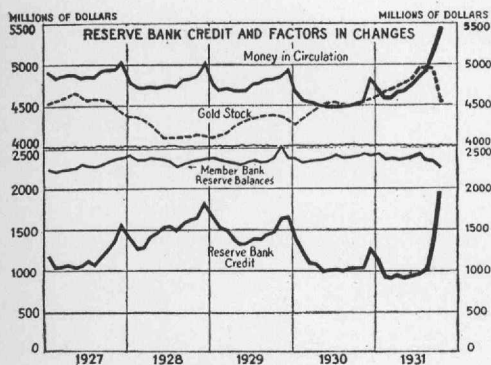
During this period there was a rise in short-time money rates in the open market and in yields of high grade bonds. On October 9, the Federal Reserve Bank of New York advanced its discount rate from 1½ to 2½ per cent, and on October 16 to 3½ per cent. Discount rates were also advanced at the Boston, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Dallas, and San Francisco banks.



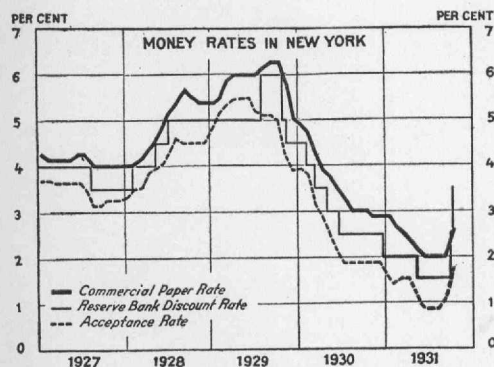
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Index of United States Bureau of Labor Statistics (1926 = 100).



Monthly averages of daily figures. Latest figures, averages of first seventeen days in October, 1931.



Monthly rates in the open market in New York: commercial paper rate on 4- to 6-month paper; acceptance rate on 90-day bankers' acceptances. Latest figures, averages of first seventeen days in October, 1931.