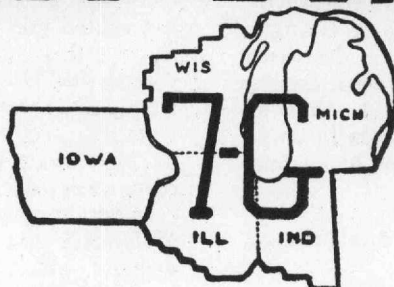


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

Volume 15, No. 3

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

February 29, 1932

General Summary

FOLLOWING a slight acceleration in certain lines of manufacture and seasonal gains in the merchandising of commodities during the closing month of 1931, the usual expansion in production failed to materialize in the early part of 1932, while distribution of goods fell off more than is customary for the period.

The iron and steel industry, which was operating at a low level the end of the year, expanded output only slightly in January, and at the middle of February no further gain in operations had taken place. Shipments of malleable and steel castings, which usually are heavier in January, showed a decline for the month this year. Although automobile production increased slightly, the gain was much smaller than that recorded in recent years. The decline in shipments of furniture by reporting manufacturers was largely seasonal, but orders booked totaled only one-third the usual volume for January. Building construction reached a new low point during the month. Except for the automobile industry, manufacturing employment for reporting groups declined.

Production and sales of meat-packing products were less in January than a month previous; manufacture of butter totaled about the same, though distribution fell off. Output of cheese expanded over December, however, and butter production and sales were heavier than for last January. Marketing of wheat, as well as of feed grains such as corn and oats, was restricted during the month.

Distribution of commodities at wholesale was smaller in January, although in some lines of trade the recessions

were seasonal in nature. The aggregate decline recorded in Seventh district department store trade was greater than usual for the period, and sharp decreases were shown in other lines of retail trade, such as shoes, furniture, and chain stores. Most comparisons with a year ago in both wholesale and retail trade were more unfavorable than in some time. Distribution of automobiles at wholesale, as well as sales to consumers, gained seasonally in January.

Borrowing at the Reserve bank was slightly smaller on February 17 than five weeks previous, principally owing to a decrease in member bank reserve balances and an excess of local Treasury expenditures over receipts, which more than offset a considerable expansion in the demand for currency. Total loans and investments of reporting member banks, and deposits therein, continued their downward course during the period. Money rates remained firm. A moderate increase took place in commercial paper sales during January over the preceding month, while activity in acceptance transactions of banks was limited.

Credit Conditions and Money Rates

A decrease in member bank reserve balances of over 17½ millions and an excess of local Treasury expenditures over receipts of almost 15 million dollars, during the period January 13 to February 17, were the principal factors making for lessened member bank recourse to the Reserve bank. Changes in other factors involved in the decrease in member bank borrowing were a decrease in unexpended capital funds of 2 million dollars and a gain of funds through inter-district settlements for commercial and financial transactions, which likewise amounted to about

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	FEB. 17 1932	CHANGE FROM	
		JAN. 13 1932	FEB. 18 1931
Total Bills and Securities.....	\$206.9	\$-12.3	\$ +91.8
Bills Discounted.....	75.9	-2.4	+56.8
Bills Bought.....	20.2	-9.6	+6.1
U. S. Government Securities.....	107.3	-0.3	+25.5
Total Reserves.....	660.7	+26.5	+239.7
Total Deposits.....	264.6	-20.6	-87.1
Federal Reserve Notes in Circulation.....	570.8	+37.0	+423.8
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	79.0	+1.6*	-5.4*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)

	FEB. 17 1932	CHANGE FROM	
		JAN. 13 1932	FEB. 18 1931
Total Loans and Investments.....	\$2,672	\$-68	\$-636
Loans on Securities.....	886	-33	-251
All Other Loans.....	1,017	-8	-194
Investments.....	769	-27	-191
Net Demand Deposits.....	1,426	-78	-414
Time Deposits.....	999	-17	-300
Borrowings from Federal Reserve Bank.....	43	-4	+38

2 million dollars. Chief among factors offsetting this decrease was an increase in demand for currency totaling 30½ millions. Minor changes tending to make for an increase in borrowings, were decreases in reserve bank float and in holding of acceptances (local transactions) of slightly over 1½ millions each, together with a small amount of gold sold to industry and a slight gain in non-member clearing balances. The sum of these changes, however, totaled less than those making for decreased borrowing, so that loans to member banks were smaller by almost 2½ million dollars on February 17 than on January 13. The accompanying table presents in detail the analysis of factors influencing the volume of member bank recourse to the Reserve bank.

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

Changes between January 13 and February 17, 1932
(In millions of dollars)

Changes making for decrease in member bank borrowing:	
1. Decrease in member bank reserve balances.....	17.67
2. Excess of local Treasury expenditures over receipts.....	14.80
3. Decrease in unexpended capital funds.....	2.18
4. Funds gained through inter-district settlements for commercial and financial transactions.....	1.99
Total.....	36.64
Changes making for increase in member bank borrowing:	
1. Increase in demand for currency.....	30.55
2. Decrease in reserve bank float.....	1.69
3. Decrease in holdings of acceptances (local transactions).....	1.55
4. Sales of gold to industry.....	0.23
5. Increase in non-member clearing balances.....	0.22
Total.....	34.24
Excess of changes making for decrease in member bank borrowing:	2.40
Absorption of this excess: Decrease in member bank borrowings (discounts for member banks).....	2.40

MEMBER BANK CREDIT

Total loans and investments of reporting member banks in this district on February 17 amounted to \$2,672,000,000—a decrease of 68 millions from the January 13 aggregate, representing a decline of 33 millions in loans on securities, 8 millions in “all other” (commercial) loans, and 27 millions in investment holdings. As compared with February 18, 1931, the decline in total loans and investments on February 17 of this year was 636 millions, involving a decrease of approximately 250 million dollars in loans on securities, 194 millions in all other loans, and 191 millions in investments. Net demand deposits on February 17 fell short of the January 13 total by 78 millions and were 414 million dollars less than on February 18 of the preceding year, while time deposits dropped 17 and 300 millions, respectively, in the same comparisons.

The prevailing range of rates on customers' commercial loans as reported by down-town banks in Chicago for the week ended February 15 was 4¼ to 5¼ per cent, as compared with 4¼ to 5 per cent in the corresponding week of January. The average rate earned on loans and discounts by the larger institutions in Chicago during the calendar month of January was 4.83 per cent, as

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT (Amounts in millions of dollars)

	JAN. 1932	PER CENT OF INCREASE OR DECREASE FROM DEC. 1931	JAN. 1931
Chicago.....	\$2,319	-10.4	-33.0
Detroit, Milwaukee, and Indianapolis.....	1,169	+6.9	-11.8
Total four larger cities.....	\$3,488	-5.3	-27.1
32 smaller centers.....	623	-5.9	-29.2
Total 36 centers.....	\$4,111	-5.4	-27.4

compared with 4.72 per cent in December 1931, and 4.49 per cent in January a year ago. In Detroit, the prevailing rate on customers' commercial loans during the week ended February 15 was reported as 5 to 6 per cent, unchanged from the corresponding period in January.

Although commercial paper sales in the Middle West increased 14 per cent in January over December and aggregated greater than for any other month since last August, they were only one-fifth of the 1923-31 average volume for January. Demand was rather light and the supply only fair. Selling rates for the month ranged from 3½ and 4 per cent for low to 4 and 4½ per cent for high; most business was transacted at 3¾ and 4 per cent. Sales during the first half of February aggregated considerably smaller than for the corresponding period of January and reflected a reduction in both supply and demand. Holdings on January 30 were at the lowest level on record (January 1923).

Accepting banks in the Seventh Federal Reserve district reported limited activity in bill transactions during January. New financing, which reflected further reduction in the month, totaled only slightly in excess of the low level of last October. The discounting of these bills by the accepting institutions, however, continued on a basis sufficiently liberal to absorb approximately 90 per cent of the current offerings. On the other hand, the purchases of other banks' acceptances aggregated less than for any other month since April 1929. Sales also declined and were considerably under the usual level for January. A slight increase in holdings was reported over December 31. New financing tended to expand during the first half of February over the corresponding weeks of January.

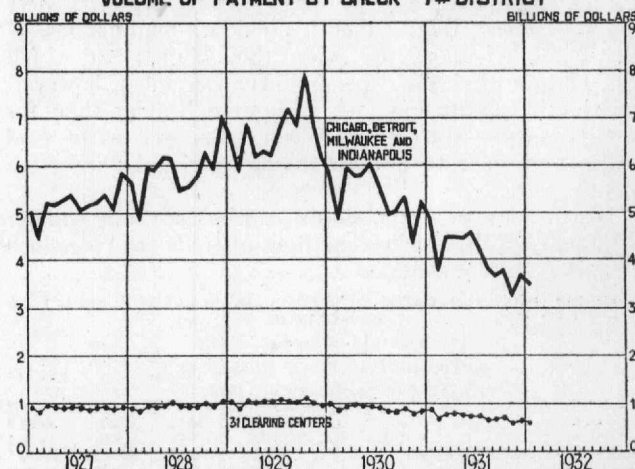
TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN JANUARY 1932 FROM DECEMBER 1931	JANUARY 1931
Total value of bills accepted.....	-24.0	-45.9
Purchases.....	-29.1	-53.5
Sales.....	-47.9	-46.1
Holdings*.....	+3.8	-54.2
Liability for outstandings*.....	+2.8	-32.4

*At end of month.

The Chicago bill market was considerably more active during the four weeks ended February 10 than in the preceding period. Supplies, which averaged about two-

VOLUME OF PAYMENT BY CHECK - 7th DISTRICT



Figures used represent checks drawn on clearing-house banks, and are estimates for calendar months based on weekly reports to this bank. Latest figures, January 1932.

thirds greater than from December 10 to January 13, reflected an increase of more than 130 per cent in purchases from local banks and a reduction of 16 per cent in receipts from Eastern offices. Decreased demand from out-of-town banks and others was practically offset by heavier buying on the part of Chicago banks. In addition, there was a marked gain in shipments to Eastern markets. Both supply and demand, however, remained considerably less than last year. Dealer holdings of bankers' acceptances declined approximately 27 per cent from January 13, but totaled 60 per cent larger than on the corresponding date of 1931. Rates remained practically unchanged from a month earlier, the closing quotations for February 10 being $2\frac{3}{4}$ per cent for 30-day offerings and $3\frac{1}{4}$ per cent for maturities of 180 days.

AVERAGE WEEKLY TRANSACTIONS OF REPORTING DEALERS IN THE CHICAGO BILL MARKET

	January 14, 1932 to February 10, 1932	PER CENT CHANGE IN COMPARISON WITH PERIOD FROM DEC. 10, 1931 TO JAN. 14, 1932	JAN. 15, 1931 TO FEB. 11, 1931
Bills purchased....	+131.6		-13.9
Bills sold.....	-3.7		-82.0
Holdings*.....	-26.9		+59.6

*At end of period.

SECURITY MARKETS

An uncertain tone, marked by considerable fluctuations in both prices and demand, has been the prevailing feature of the Chicago bond market since the first of the year. Demand for investment securities, though relatively low in both seasoned and new issues, seemingly ran in two directions during the past month; a fair amount of inquiries was recorded for extremely high grade public utility, municipal, railroad, and railroad equipment obligations, while considerable new interest of a more speculative character was evidenced in medium and low grade bonds, particularly in the railroad field. The strengthening of prices which began in December continued during the first part of January, but by the middle of the month the upward trend was reversed; however, there has been some tendency to eliminate the wide difference existing between the prices of high grade and medium grade bonds. New offerings during January were limited to certain utilities and rails of the better qualities. The market still lacks any outstanding source of demand, although some individual investors are reported as taking advantage of the present low prices. Prices on the Chicago Stock Exchange fluctuated moderately during January. The first ten days in February witnessed a rather steady downward trend, but by the middle of the month, after a slight

recovery, the average price of twenty leading stocks* amounted to \$34.99, approximately only 3 dollars below the corresponding day in January.

* Chicago Journal of Commerce.

Agricultural Products

The following tabulation shows more live stock on farms at the beginning of 1932 than a year previous. In the Seventh Federal Reserve district, however, a compilation of the December 1 reports sent to this bank by county agents, reflected a reduction in the supply of hogs and beef cattle from the preceding year.

LIVE STOCK ON FARMS—JANUARY 1

Estimates of the United States Bureau of Agricultural Economics
(In thousands)

	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES	
	NUMBER	VALUE	NUMBER	VALUE
1932				
Swine, including Pigs.....	21,509	\$140,525	59,511	\$365,133
Milk Cows and Heifers*....	6,306	261,475	24,379	965,758
Other Cattle and Calves....	6,282	128,190	38,028	696,464
Lambs and Sheep.....	4,854	17,710	53,912	183,255
Horses and Colts.....	3,101	210,571	12,679	676,698
Mules and Mule Colts.....	306	21,505	5,082	308,440
1931				
Swine, including Pigs.....	19,639	249,588	54,374	617,668
Milk Cows and Heifers*....	6,114	374,634	23,558	1,345,479
Other Cattle and Calves....	6,100	193,843	37,357	1,048,932
Lambs and Sheep.....	4,583	25,128	52,745	282,352
Horses and Colts.....	3,205	246,804	13,165	795,541
Mules and Mule Colts.....	314	24,990	5,215	360,736

*Two years old and over.

GRAIN MARKETING

The movement of wheat at primary centers continued small in January as compared with previous years, although receipts exceeded those in December and were considerably larger than shipments, following two months in which withdrawals were the heavier. From last July 1 to the end of January total receipts at these markets were 54 million bushels lower than in the same period a year earlier. During this period exports of wheat and flour totaled about the same as in the corresponding seven months a year ago, and during the period the visible supply has been reduced from an excess over the same dates of the previous season of about 78 million bushels on July 1 to only 13 millions at the end of January. This indicates some increase in domestic consumption in the present season.

Wheat futures averaged about the same during January as in December, but before the middle of February higher prices prevailed in response to reports of larger requirements for foreign wheat on the Continent, and the possibility that credit expansion might have an inflationary effect on domestic price levels.

Marketing of feed grains was also restricted in January, and total receipts of corn since November 1 and of oats since August 1 amounted to somewhat over half the volume in the preceding year. This, however, reflects the depressed condition of markets rather than available supplies, and the Department of Agriculture reports that on January 1 the stocks of corn held on farms were 420 million bushels larger than at the beginning of 1931. Both cash and future prices of feed grains held steady during January with no improvement over December.

MOVEMENT OF LIVE STOCK

As was the case in November and December, hog marketings in the United States again failed in January to

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
January 1932.....	182	1,106	394	93
Federally Inspected Slaughter, United States				
January 1932.....	653	5,027	1,679	347
December 1931.....	686	5,387	1,581	388
January 1931.....	651	5,362	1,426	379

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED	MONTHS OF			
	FEB. 20 1932	JAN. 1932	DEC. 1931	JAN. 1931	
Native Beef Steers (average).....	\$6.35	\$6.80	\$7.25	\$9.60	
Fat Cows and Heifers.....	4.45	4.65	4.30	6.40	
Calves.....	6.85	6.95	5.80	9.30	
Hogs (bulk of sales).....	3.90	4.00	4.25	7.65	
Yearling Sheep.....	4.85	4.25	4.10	6.85	
Lambs.....	6.05	5.95	5.10	8.05	

show a normal rate of increase over the preceding month. Also, receipts of cattle at public stock yards decreased more than the usual amount from December, and the marketing of calves declined to a level lower than for any other month since February 1929. Lamb receipts, on the other hand, gained more than the usual amount over the preceding period. All live stock, with the exception of lambs, was received in much smaller numbers during January than a year ago or than shown in the 1922-31 average for the month. Reshipments to feed lots were at a low level during January.

MEAT PACKING

Production at slaughtering establishments in the United States showed a decline—contrary to seasonal trend—of 4 per cent in January from December. Furthermore, the volume totaled 7 per cent smaller than a year ago and 4 per cent less than the 1922-31 average for the month. Payrolls at the close of the period reflected a reduction from December of 2 per cent in number of employees, but showed an increase of 12½ per cent in hours worked and of 9½ per cent in wage payments. The total value of sales billed to domestic and foreign customers was one-half per cent less in January than a month earlier and declined 31½ per cent from the corresponding month of 1931. These recessions, however, were mainly due to low prices in the current year. Quotations for fresh hams, lamb, veal, and the cheaper cuts of beef advanced over the preceding month, but the prices of most packing-house commodities were lower than in December. Inventories increased seasonally on February 1 over the beginning of January, though remaining below last year and the average.

Shipments for export fell off from December. Foreign demand for lard continued fair to good. Trade in meats, on the other hand, remained on a restricted basis. Inventories of American products in European countries (including the stocks in transit) were slightly reduced on February 1 from the beginning of January. Foreign market quotations for American lard were fully up to the United States parity; meat prices remained at a discount.

DAIRY PRODUCTS

Creamery butter manufacturing in the Seventh Federal Reserve district showed little change in volume during January from December, but aggregated 11½ per cent greater than a year ago, while the sales tonnage decreased 12½ per cent from a month earlier but increased 2½ per cent over the corresponding month of 1931. United States production of the commodity appears to have declined in January from the preceding month, although it remained in excess of last year. Inventories were at a low level on February 1. Prices declined from December.

The production of American cheese in Wisconsin increased 13½ per cent during the four weeks ended January 30 over the preceding period, and was on a level with a year previous. Merchandising of the commodity from primary centers of that state exceeded current manufacture by 40 per cent, but was 9 per cent less than in the same period of 1931. February 1 inventories of cheese in the United States were seasonally reduced from the beginning of January, and continued below last year and the 1927-31 average. Prices eased.

Industrial Employment Conditions

Reduced employment and payrolls were reported by most groups of industry in the Seventh district for January 15 as compared with a month earlier. Declines were partly seasonal and somewhat less than in recent years.

Manufacturing industry cancelled most of the December gain in total wage payments, but added fractionally to the number of employees. The automobile industry again proved an exception to the trend, causing the third successive monthly increase in employment in the vehicles group, accompanied by a slightly larger payroll. One other group, leather products, increased wage payments, owing to longer hours at Illinois and Michigan plants, but fewer men were employed than in December. The remaining eight groups declined in both employment and payrolls. Losses in employment ranged from less than one per cent to nearly 6 per cent, and payroll reductions were somewhat larger. The sharpest losses occurred in wood products, as furniture manufacturing and millwork were curtailed. Most industries of the food, metal, and stone-clay-glass products groups were less active, and declines in the textiles group were effected largely by the clothing industry, and in paper and printing by newspapers and periodicals.

Non-manufacturing activity continued to contract seasonally, as three groups showed smaller employment and payrolls than in December. All types of construction were less active; department stores and wholesale establishments reduced their forces after Christmas; and the utilities lost moderately. Coal mining gained slightly in both number of men and their earnings.

The Department of Agriculture reports a sharp increase in the surplus of farm labor and an accompanying decline in wage rates. For the entire country the index of wages on January 1 was slightly below the 1910-14 average, and the supply of labor, in per cent of demand, was the highest in the records going back to 1918. In the North Central states wage rates have declined more than 15 per cent since October and about 25 per cent from a year earlier, while the ratio of supply to demand rose to 214 on January 1 from 187 last October and 170 at the beginning of 1931.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JANUARY 15, 1932			CHANGES FROM DECEMBER 15	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	748	142,735	2,814	-4.1	-5.0
Vehicles.....	150	183,866	4,497	+7.4	+0.8
Textiles and Products.....	161	28,851	474	-2.5	-4.8
Food and Products.....	350	51,771	1,200	-5.0	-5.1
Stone, Clay, and Glass.....	145	7,850	153	-2.7	-8.9
Wood Products.....	295	24,452	345	-5.7	-15.1
Chemical Products.....	101	13,863	338	-1.3	-4.0
Leather Products.....	75	14,975	217	-1.5	+3.0
Rubber Products ²	8	5,866	142	-1.4	-4.7
Paper and Printing.....	316	42,630	1,121	-0.3	-3.8
Total Mfg., 10 Groups....	2,349	516,859	11,301	+0.2	-2.9
Merchandising ³	109	20,981	539	-6.3	-5.9
Public Utilities.....	68	79,834	2,542	-0.9	-3.0
Coal Mining.....	17	5,207	98	+1.5	+1.5
Construction.....	163	5,766	138	-15.7	-17.0
Total Non-Mfg., 4 Groups.	357	111,788	3,317	-2.7	-4.0
Total, 14 Groups.....	2,706	628,647	14,618	-0.4	-3.1

¹ Other than Vehicles. ² Michigan and Wisconsin. ³ Illinois and Wisconsin.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Automobile production in January, though increasing slightly over the preceding month, failed to show the seasonal expansion of recent years. Passenger car output for the month of 98,706, represented a gain of only 2 per cent over December, which compares with an increase of 76 per cent in the average for the preceding five years. The total was 28 per cent below January a year ago. Trucks produced numbered 20,541 in January, or 13 per cent smaller than a month previous and 39 per cent under January last year.

New cars sold by representative wholesale distributors in the Middle West increased moderately in number during January over December, although the aggregate value declined. Sales by retail dealers likewise expanded, as is usual during the period, but both wholesale and retail distribution were considerably below the level of a year ago. Used car sales totaled about the same as a month previous and were much smaller than in January last year. Stocks of both new and used cars were heavier at the end of January than at the close of 1931, though remaining at a low level. Deferred payment sales constituted 51 per cent of the total retail sales by twenty-seven dealers in January, which compares with 57 per cent in December and with 48 per cent for January 1931.

IRON AND STEEL PRODUCTS

Little acceleration was noted between the middle of January and the fifteenth of February in steel mill operations of the Chicago district, ingot output averaging 25 or 26 per cent of capacity during the period, as against a rate of 50 per cent a year ago. Sales increased somewhat in the first month of the year, but specifications did not expand noticeably. Pig iron output, following two months of slight gain, again declined a little in January. Price levels, which have been to some extent on a nominal basis in recent weeks, have remained fairly stable.

Steel and malleable casting shipments, which usually expand in the first month of the year, failed to do so this January, those of steel castings falling off 19 per cent in tonnage from December, while those of malleable castings totaled 6 per cent below a month previous. Production was reduced in both types of foundries, and orders booked declined considerably. As compared with last January, activity was decidedly less this year. New orders booked during January by reporting stove and furnace manufacturers declined slightly from the preceding month,

MIDWEST DISTRIBUTION OF AUTOMOBILES
Changes in January 1932 from Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	DECEMBER 1931	JANUARY 1932	
New Cars			
Wholesale—			
Number Sold.....	+11.7	-20.6	20
Value.....	-2.9	-25.3	20
Retail—			
Number Sold.....	+22.9	-31.4	47
Value.....	+10.7	-31.8	47
On Hand January 30—			
Number.....	+17.5	-31.0	48
Value.....	+9.0	-35.9	48
Used Cars			
Number Sold.....	+0.4	-31.2	48
Salable on Hand—			
Number.....	+3.5	-7.3	48
Value.....	+1.0	+10.3	48

while shipments were, seasonally, greatly reduced; both items totaled well below a year ago.

FURNITURE

The January volume of orders booked by Seventh district furniture manufacturers reporting to this bank expanded 55 per cent over December, which increase was about two-thirds the average gain for the month in the five-year period, 1927-1931. The current aggregate was a little less than one-third the average January volume during the five-year period. A decline of 26 per cent in shipments from the preceding month was for the most part seasonal, and constituted a factor in the 71 per cent increase in unfilled orders outstanding, which at the close of January equaled 84 per cent of current orders—approximately 8 points higher than the month previous. There was considerable let-down in the rate of operations maintained during the month, the ratio of 35 per cent of capacity comparing with 44 per cent during December and 50 per cent in January 1931. Orders booked and unfilled orders outstanding, as compared with January a year ago, were less by 47 and 45 per cent, respectively, and shipments by 36 per cent.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe manufacturing operations in the Seventh Federal Reserve district decreased 2 per cent in January from December and were one-third less than the 1923-31 average for the month, though totaling 2 per cent greater than a year ago. Tanneries reported leather production and sales as less than in either the preceding month or last January. Prices showed little change from December.

At Chicago, the hide and calf skin markets remained inactive until early in February when trading was resumed in fairly large volume. Prices declined.

Building Material, Construction Work

Though favorable weather prevailed generally during January, the demand for building materials was unsatisfactory, as most dealers reported no improvement in local credit and financial conditions conducive to construction and repair work.

Retail building material sales were 17 per cent under December, as compared with a 19 per cent decline last January and a 9½ per cent average January loss in the past five years. Relative to a year ago, January sales were 21 per cent lower, which compares with an average recession in 1931 of 30 per cent from 1930. Again, lumber sales figured largely in the decline, and the total

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JAN. 1932; PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	DEC. 1931	JAN. 1932	
Wholesale Lumber:			
Sales in Dollars.....	-13.8	-49.2	13
Sales in Board Feet.....	-13.1	-40.1	11
Accounts Outstanding¹.....	-10.3	-25.3	11
Retail Building Materials:			
Total Sales in Dollars.....	-17.4	-20.5	209
Lumber Sales in Dollars.....	-22.9	-33.1	83
Lumber Sales in Board Feet.....	-8.8	-13.6	86
Accounts Outstanding¹.....	-9.6	-11.8	202
Ratio of accounts outstanding¹ to dollar sales during month			
	JAN. 1932	DEC. 1931	JAN. 1931
Wholesale Trade.....	222.4	223.9	145.2
Retail Trade.....	512.0	482.7	488.9

¹End of Month.

was sustained somewhat by sales of coal which are included in some reports. Prices were generally stable, at a somewhat lower level than in December, with declines reported from only a few localities. Collections were unsatisfactory, the ratio of accounts to dollar sales recording the third consecutive monthly increase. Stocks remained practically unchanged from the end of December.

A similar decline occurred in wholesale lumber business, dollar sales falling off 14 per cent from December, which compares with smaller January declines in each of the previous five years except 1930 when a considerable gain was recorded. The decline in board feet was smaller than in dollar sales for identical firms, indicating that further concessions were made in prices. A slight improvement in the accounts-sales ratio follows rises in the two preceding months. Stocks were reduced from the end of December, and totaled no greater than a year ago.

Cement production in the Middle West declined 33 per cent in 1931 from 1930, and shipments, which exceeded production by 8 per cent, were 24 per cent smaller, so that stocks at the end of December were 26 per cent lower than a year previous. Distribution for the year in the five states including this district was 30 per cent under 1930. In January, the usual increase in stocks occurred, as shipments declined more sharply than did production from the volume of December.

BUILDING CONSTRUCTION

The first month of 1932 witnessed further declines in building contracts awarded in the Seventh Federal Reserve district. Total contracts, dropping 2½ million dollars in volume from a month previous, reached a new low point on our records (1919). Residential contracts during January amounted to only 12 per cent of the total volume and likewise dropped to a new low mark.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

TOTAL	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
January 1932.....	\$12,628,295	\$1,466,537
Change from December 1931.....	-17%	-44%
Change from January 1931.....	-60%	-77%

*Data furnished by F. W. Dodge Corporation.

Building permits issued in 104 cities of the Seventh district during January registered declines in estimated cost of proposed work amounting to 70 per cent from December and 86 per cent from January 1931. The number of permits issued in these same cities showed declines in the above comparisons of 11 and 30 per cent, respectively. The downward trend exhibited by the district in the estimated cost of proposed construction, prevailed individually in a large majority of the cities, including all the larger ones with one exception—Des Moines, which recorded a gain of one per cent over a year ago.

WHOLESALE TRADE IN JANUARY 1932

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	-26.6	-26.2	-12.0	-27.9	112.0
Hardware.....	-31.2	-13.4	-8.2	-32.9	455.3
Dry Goods.....	-28.9	-23.9	-25.0	-28.3	393.1
Drugs.....	-23.0	-11.7	+4.6	-19.4	214.3
Shoes.....	-39.8	-23.9	-37.5	-25.0	383.5
Electrical Supplies.....	-41.4	-26.7	-29.6	-36.3	210.8

Merchandising

Following the improvement noted during December in wholesale distribution of commodities, trade again fell off in January—seasonally, to some extent. The declines recorded in all reporting lines of wholesale trade in this district were larger than usual, however, and in some instances compared with an increase in the average for the previous nine years. The wholesale grocery trade declined 11 per cent from the preceding month, drugs 8 per cent, electrical supplies 37 per cent, dry goods 23 per cent, and shoes 32 per cent. Comparisons with a year ago were more unfavorable than for some time in the grocery, drug, and shoe groups and in the other lines were more so than a month previous. Stocks of hardware, dry goods, and drugs expanded slightly between the close of 1931 and the end of January. Ratios of accounts outstanding to net sales during the month rose over those for December and were higher than a year ago in all groups except shoes.

The recession of 56 per cent from December in January department store sales was somewhat greater than seasonal, comparing with 50 per cent in the ten-year average for the period. As against last January, a decline of 23½ per cent was shown in the total for reporting stores, which is larger than has been previously recorded in the year-ago comparison, although the one less trading day in January this year had some effect upon the size of the decrease, daily average sales being 20½ per cent smaller. In the larger cities of the district, such as Chicago, Detroit, Indianapolis, and Milwaukee, declines in both the monthly and yearly comparisons followed rather closely those for the district as a whole. Stocks were reduced 9 per cent between December 31 and the end of January, and totaled 16 per cent less than on January 31 last year.

In other phases of retail trade, also, January sales declined sharply in conformance to seasonal trends. The dollar volume of shoes sold by reporting dealers and department stores was 53 per cent less than a month previous and totaled 20 per cent below that of January 1931. Sales of furniture and house furnishings by dealers and department stores declined 36 per cent in January from December and were 27 per cent below a year ago; installment sales by dealers fell off 33 per cent in the monthly comparison and declined 27 per cent from last January. The decrease in sales of seventeen chains covering such lines as groceries, drugs, five-and-ten-cent stores, shoes, furniture, cigars, musical instruments, and men's clothing, totaled 45 per cent in January as compared with December, with the aggregate 11 per cent smaller than a year ago; practically all lines shared in these declines.

DEPARTMENT STORE TRADE IN JANUARY 1932

LOCALITY	PER CENT CHANGE JANUARY 1932 FROM JANUARY 1931		RATIO OF JANUARY COLLECTIONS TO ACCOUNTS OUTSTANDING DECEMBER 31	
	NET SALES	STOCKS END OF MONTH	1932	1931
Chicago.....	-25.0	-17.1	31.1	38.3
Detroit.....	-22.4	-25.7	35.2	37.5
Indianapolis..	-21.0	-3.1	41.2	43.5
Milwaukee....	-20.6	-9.1	44.4	46.5
Other Cities..	-26.9	-11.5	34.3	38.5
7th District..	-23.5	-15.7	36.1	39.6

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

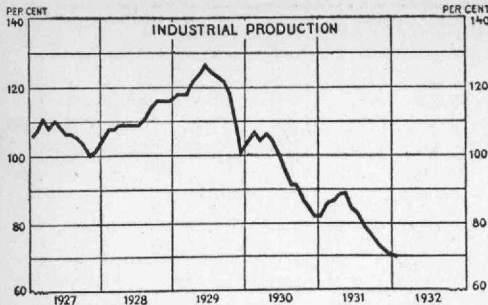
(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Jan. 1932	Dec. 1931	Nov. 1931	Oct. 1931	Sept. 1931	Aug. 1931	Jan. 1931	Dec. 1930	Nov. 1930	Oct. 1930	Sept. 1930	Aug. 1930
Meat Packing—(U. S.)—													
Sales (in dollars).....	63	58	58	65	79	74	74	84	85	89	105	102	98
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	15	17	19	18	20	21	23	34	31	32	42	46	57
In Tons.....	15	16	20	19	20	19	22	34	30	30	42	48	62
Malleable—In Dollars.....	22	16	16	14	16	17	21	31	28	25	32	33	32
In Tons.....	22	27	29	22	25	28	35	46	41	37	46	49	47
Stoves and Furnaces—													
Shipments (in dollars).....	11	32	58	87	143	111	79	50	86	118	200	150	110
Furniture—													
Orders (in dollars).....	22	36	23	33	37	43	42	68	41	47	61	77	61
Shipments (in dollars).....	22	23	30	35	42	45	37	36	43	49	81	79	67
Flour—													
Production (in bbls.).....	25	98	98	105	125	123	130	102	101	105	119	123	118
Output of Butter by Creameries—													
Production.....	67	92	91	88	100	95	114	85	83	78	94	97	115
Sales.....	69	91	104	90	102	104	117	91	94	94	96	95	111
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	31	62	69	69	78	87	85	84	87	86	104	103	99
Hardware.....	14	29	45	47	57	55	50	42	59	63	88	75	66
Dry Goods.....	9	30	39	43	49	53	41	42	51	55	71	71	58
Drugs.....	13	66	72	70	79	78	76	88	83	84	102	95	88
Shoes.....	7	23	39	44	58	60	55	38	53	72	93	84	81
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	26	59	127	74	84	73	61	79	165	99	110	94	77
Detroit.....	5	65	149	92	95	123	78	87	184	121	118	150	97
Indianapolis.....	5	62	134	80	90	89	67	80	154	97	98	114	74
Milwaukee.....	5	68	141	92	102	89	73	85	167	111	116	107	80
Other Cities.....	50	52	119	77	86	72	70	72	146	96	103	86	81
Seventh District.....	91	60	131	80	89	85	67	80	165	104	110	105	81
Automobile Production (U. S.)—													
Passenger Cars.....		34	33	17	20	37	53	47	41	34	39	60	63
Trucks.....		55	63	52	58	83	84	89	89	95	108	117	107
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		5	9	12	17	18	27	22	20	36	42	44	37
Total.....		18	22	31	27	49	64	46	51	58	77	88	86
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		41	41	41	41	43	44	72	72	76	79	82	91
United States.....		32	32	38	39	40	42	56	55	63	71	77	83
Steel Ingot Production—(U. S.)*.....		42	38	48	44	45	50	68	57	66	75	82	88
Unfilled Orders U. S. Steel Corp....		56	57	61	65	66	66	87	83	76	73	72	75

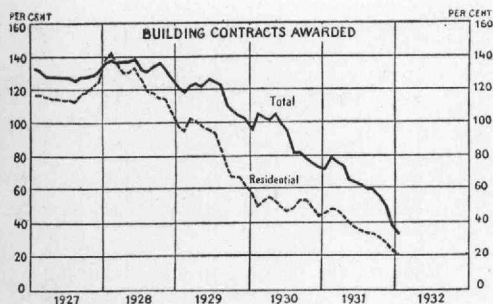
*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

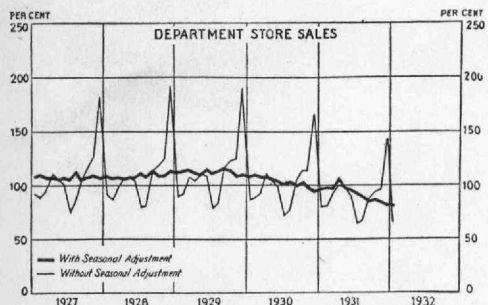
(By the Federal Reserve Board)



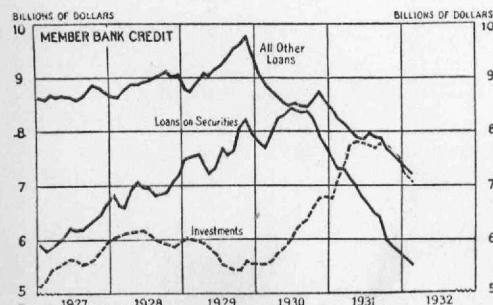
Index number of industrial production, adjusted for seasonal variation (1923-25 average = 100).



Indexes based on 3-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation (1923-25 average = 100).



Indexes of daily average value of sales, with adjustment for seasonal variation and without adjustment for seasonal variation (1923-25 average = 100).



Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures, averages of first three weeks in February 1932.

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IN January, production of manufactures increased by about the usual seasonal amount, while output of minerals and value of building contracts awarded continued to decline. Wholesale prices declined further during January and early February, but more recently prices of certain leading commodities showed an advance.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, which includes both manufactures and minerals, increased from December to January by an amount somewhat smaller than is usual at this time of year, and the Board's seasonally adjusted index declined from 71 per cent of the 1923-1925 average to 70 per cent. In the steel industry, there was a seasonal increase in activity during January, followed by a slight decline during the first three weeks of February. Production of automobiles, which usually increases considerably at this season, showed little change in January, following an increase in December. Activity at textile mills increased by more than the usual seasonal amount, and at shoe factories there was a seasonal increase in production. Output of coal and petroleum was substantially reduced.

Volume of factory employment declined by more than the usual seasonal amount between the middle of December and the middle of January. Number employed at foundries, carbuilding shops, clothing factories, and establishments producing building materials declined substantially, while employment in the tobacco industry decreased less than is usual at this season, and employment in the woolen goods industry increased, contrary to seasonal tendency.

Total value of building contracts awarded in 37 Eastern states, as reported by the F. W. Dodge Corporation, declined sharply in January, and for the three months' period ending in that month was about one-half of the amount awarded in the corresponding period a year ago. Approximately one-fourth of the decrease was in residential building, and three-fourths in other types of construction.

DISTRIBUTION

Total freight carloadings decreased in January, contrary to seasonal tendency, reflecting chiefly smaller shipments of merchandise, miscellaneous freight, and coal. Department store sales declined by about the usual seasonal amount.

WHOLESALE PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined 2 per cent further from December to January, although prices of some important commodities, such as wheat, showed little change and the price of cotton advanced. During early February, prices of certain leading commodities including grains and cotton declined, but later in the month there was some advance in the prices of these commodities.

BANK CREDIT

Volume of reserve bank credit outstanding declined in January and the first half of February. This decrease has reflected a return flow of currency from circulation, which has been smaller than usual this year, together with a continued reduction in member bank reserve balances, offset in part by a demand for reserve bank credit caused by an outward movement of gold amounting to \$100,000,000 since the turn of the year. A decline in money in circulation after the first few days in February reflected some return of hoarded currency accompanying a decrease in bank failures.

At member banks in leading cities volume of credit continued to decline during January and the first half of February. Between January 13 and February 17, total loans and investments decreased by \$550,000,000, representing declines in loans on securities, in other loans, and in investments. Deposits of these banks also declined substantially during this period.

Money rates in the open market showed little change. On February 26, the discount rate of the Federal Reserve Bank of New York was reduced from 3½ to 3 per cent, and buying rates on bankers' acceptances of short maturities were reduced from 2¾ to 2½ per cent.