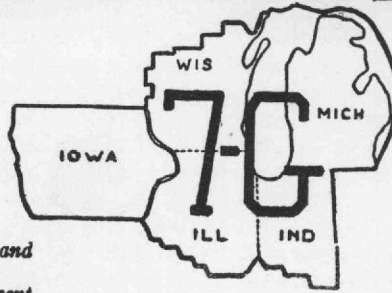


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

EUGENE M. STEVENS, *Chairman of the Board and
Federal Reserve Agent*
CLIFFORD S. YOUNG, *Asst. Federal Reserve Agent*

GEORGE A. PRUGH, *Asst. Federal Reserve Agent*
HARRIS G. PETT, *Manager*
Division of Research and Statistics

Volume 17, No. 3

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

February 28, 1934

General Summary

RELATIVE to the low level of activity prevailing at the beginning of the years 1932 and 1933, the January volume of manufacture and trade in the Seventh district was considerably improved this year. In many phases of industrial production, expansion took place during the month, and although seasonal contraction was recorded in merchandising groups following the holiday trade, some of the declines were smaller than usual in extent and a few contrary to seasonal gains occurred, with the volume sold in the various lines totaling much heavier than a year ago in the same month.

Among the major manufacturing phases to increase output during the month were the automobile and iron and steel industries. Activity at steel and malleable casting foundries likewise expanded. January shipments by furniture manufacturers declined as is usual for the period, as did those of stove and furnace manufacturers, but orders booked in both groups rose sharply. Although building construction dropped from the December level, it was more than three times the volume of last January. The movement of building materials increased during the month. Production of shoes totaled greater than a month previous—a seasonal trend—but continued to be smaller than in the corresponding period a year ago. Employment and payrolls in manufacturing industries increased in the aggregate over the preceding month, contrary to trend, and were much higher than for last January.

The volume of packing-house commodities produced and sold in January this year totaled larger than for any month in the past nine years, and the dollar value of sales was heavier than for any previous month since last Octo-

ber. Butter production, on the other hand, declined during the period, contrary to trend, and distribution of the commodity was less, although a small increase over a year ago was recorded in the latter item. The manufacture and sale of Wisconsin cheese expanded over the preceding month, and sales were larger than for last January. The marketing of grains during January was light. Data on the number of animals on farms January 1 show a smaller supply than on the same date of 1933, but the aggregate farm value of these animals was slightly greater.

The distribution of commodities at wholesale and retail dropped sharply in January from December, as is usual following the holiday trade. In the wholesale grocery, drug, and dry goods trades, contrary to seasonal gains were noted, but the declines in hardware and electrical supplies were greater than average for the month. Recessions in department store trade and the retail furniture trade were less than seasonal in extent, while the decrease in the shoe trade totaled somewhat greater than average, although the gain in the year-ago comparison for this last group was the heaviest recorded since April 1930. Chain store sales followed other merchandising phases in their declines from a month previous. Distribution of automobiles increased over December, but failed to equal that of last January, owing to delays in the marketing of new models this year.

Investments of reporting member banks in the district continued to gain between January 17 and the middle of February, while loans declined. Demand deposits in these banks increased during the period, and time deposits decreased. A considerable gain was recorded for January over December in dealer sales of commercial paper, but new financing by means of bankers' acceptances declined for the second successive month. Activity in the Chicago bond market improved sharply during January.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	FEB. 14 1934	CHANGE FROM	
		JAN. 17 1934	FEB. 15 1933
Total Bills and Securities.....	\$450.0	\$-4.8	\$+173.0
Bills Discounted.....	2.1	-0.9	-16.7
Bills Bought.....	10.5	-3.9	+6.8
U. S. Government Securities.....	437.3	0	+182.9
Total Reserves.....	918.4	+28.2	-13.9
Total Deposits.....	542.3	+21.6	+124.0
Federal Reserve Notes in Circulation.....	761.7	+1.6	+13.9
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	70.4	+0.9*	-9.6*

*Number of Points

Credit Conditions and Money Rates

There was a further decline amounting to approximately 6 million dollars in total credit extended by the Federal Reserve Bank of Chicago during the four weeks ended February 14, on which date the aggregate was \$447,059,000. For the most part this decrease was the result of a lessened volume of bills bought in the open market. The supply of funds available in the district was increased by a net gain of over 14 millions through inter-district

commercial and financial transactions. Demand for currency decreased over 2½ million dollars during the four weeks, while member bank reserve balances increased 32 millions. In the tabulation below which gives in detail the sources and uses of Seventh district banking reserves during the four-week period, two new items will be noted. These items, "Treasury and National bank currency" and "Treasury cash and deposits with the Federal Reserve Bank of Chicago," previously were shown under the caption "Treasury operations," which was derived by deducting the second of the items from the first. The item "Treasury and National bank currency" represents the net change in United States notes, National bank notes, silver certificates, Treasury notes of 1890, and silver and minor coin outstanding, and in Federal Reserve bank notes for the retirement of which lawful money has been deposited in the United States Treasury. The item "Treasury cash and deposits with the Federal Reserve Bank of Chicago" represents changes in Government funds on deposit with the Chicago Reserve bank and changes in cash held in the Seventh district.

Changes Between January 17 and February 14 in Factors Affecting Use of Federal Reserve Bank Funds Seventh District
(Amounts in thousands of dollars)

Reserve bank credit extended.....	-2,124
Commercial operations through inter-district settlements.....	+14,327
Treasury and National bank currency.....	-6,860
Total Supply.....	+5,343
Demand for currency.....	-2,693
Member bank reserve balances.....	+32,162
Treasury cash and deposits at Federal Reserve Bank of Chicago..	-11,478
Special and "all other" deposits.....	-13,491
Unexpended capital funds.....	+843
Total Demand.....	+5,343

MEMBER BANK CREDIT

Licensed reporting member banks in the Seventh district on February 14 showed an increase of nearly 70 millions over January 17 in total loans and investments, reflecting a gain of investment holdings as loans on securities as well as "all other" (commercial) loans recorded moderate declines. Net demand deposits moved upward about 70 million dollars, and time deposits declined 8 millions. The table at the bottom of the page, in addition to these comparisons, shows that total loans and investments on February 14 were more than 350 million dollars in excess of the volume a year ago, and net demand deposits were greater by more than 300 millions. Time deposits were at about the same level as on February 15, 1933.

The prevailing rate on customers' commercial loans as reported by down-town Chicago banks for the week ended February 15 was 3 to 5 per cent, as compared with 3 to 4½ per cent for the corresponding week in January. The average rate earned on loans and discounts by Chicago banks located in the down-town area was 3.42 per cent

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	FEB. 14 1934	JAN. 17 1934	FEB. 15 1933
Total Loans and Investments.....	\$1,686	\$ +69	\$ +353
Loans on Securities.....	335	-7	-75
All Other Loans.....	403	-6	-5
Investments.....	948	+82	+433
Net Demand Deposits.....	1,381	+71	+312
Time Deposits.....	446	-8	-1
Borrowings from Federal Reserve Bank.....	0	0	-1

during the calendar month of January, as against 3.15 per cent in December and 3.99 per cent in January 1933. In Detroit, the prevailing rate on customers' commercial loans during the week ended February 15 was 5 to 6 per cent.

Sales of commercial paper by dealers in the Middle West expanded 43 per cent in January, and were 60 per cent above a year ago but 79 per cent below the 1924-33 average for the month. Though heavier than in the closing month of 1933, borrowing continued on a rather limited basis. The demand for commercial paper from country banks increased sharply, but remained relatively light from city banks. Selling rates eased slightly, quotations for January ranging from 1 and 1¼ per cent for prime short-term paper to 1½ and 1¾ per cent for commercial paper less well known or of longer maturity; the bulk of sales took place at 1¼ to 1½ per cent. Outstandings remained 75 per cent under the 1924-33 average for the month, but aggregated slightly greater on January 31 than a month earlier. In the first half of February, sales increased 38 per cent over the corresponding weeks of January, and selling rates continued within a range of 1 to 1½ per cent.

Operations in the Chicago bill market attained a higher level during the five weeks ended February 14 than for any corresponding period since June 15 to July 12, 1933. Local purchases and receipts from Eastern cities registered considerable expansion over recent months, and these together with increased purchases from banks other than original acceptors resulted in a gain of over 90 per cent in the total supply over the preceding period. The demand from out-of-town banks was the heaviest since July 16 to August 12, 1931, while shipments to Eastern markets were the largest in almost two years. In the aggregate, total distribution nearly equaled the supply during the period, so that only a negligible amount was accumulated in dealer portfolios. Selling rates remained unchanged during the period and were quoted within a range of ½ per cent to ¾ per cent.

New financing by means of bankers' acceptances fell off, as is usual, in January from December in the Seventh Federal Reserve district, and remained 7 per cent below the 1924-33 average for the month. With a larger volume of these bills being discounted at the originating banks than in the corresponding period of 1933, and with buying of other banks' bills decreasing less than a seasonal amount from December, total purchases, though lower than for any month since October, were not only 12½ per cent above a year ago but 6½ per cent in excess of the 1924-33 average for January. Sales remained light. Maturities, however, were in excess of purchases, and so bill holdings of accepting banks were reduced 6½ per cent on January 31 from the end of December but were 272 per cent above the average level for the date. On the other hand, the liability for outstanding acceptances was greater at the close of January than for any previous reporting date since

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	JAN. 1934	DEC. 1933	JAN. 1933
Chicago.....	\$1,928	-3.5	+10.5
Detroit, Milwaukee, and Indianapolis.....	828	+14.9	+4.6
Total four larger cities.....	\$2,756	+1.4	+8.6
32 smaller centers.....	436	-1.6	-2.5
Total 36 centers.....	\$3,192	+1.0	+7.0

July 31, 1933, though totaling 10 per cent less than the 1924-33 average for January 31. New financing showed a very moderate increase in 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 1934 FROM	
	DECEMBER 1933	JANUARY 1933
Total value of bills accepted.....	-12.4	+36.2
Purchases (including own bills discounted).....	-16.9	+12.3
Sales.....	-31.9	+128.7
Holdings*.....	-6.3	+2.1
Liability for outstandings*.....	+2.1	+10.5

*At end of month.

SECURITY MARKETS

Activity was greatly accelerated during the first month of 1934 in the Chicago bond market, and prices approached their highest level since 1931. The advance in prices was quite general among all classes of bonds, though greatest among second-grade issues. New offerings during January consisted almost entirely of municipal obligations; the volume, however, continued restricted. The chief source of demand in January came from dealers to replenish their inventories and from individuals, although insurance company buying was moderate and some interest was shown on the part of banks. United States Government issues were irregular to slightly higher during the period. A gradual upward trend in prices has been evident on the Chicago Stock Exchange since the first of the year. The average price of twenty leading stocks* amounted to \$32.19 on February 15, or almost five dollars above the average for January 2.

*Chicago Journal of Commerce.

Agricultural Products

As shown in the following table, there was a moderate decrease in the number of animals on farms in the five states including this district, at the beginning of 1934 as compared with a year earlier. Reductions took place in the number of each type of animals except milk cows and heifers; but the farm value was estimated as considerably higher for sheep, horses, and mules, resulting in a slight increase in the total value of all animals.

Number	LIVE STOCK ON FARMS—JANUARY 1			
	Estimates of the United States Bureau of Agricultural Economics (In thousands)			
	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES	
	1934	1933	1934	1933
Swine, including Pigs.....	21,641	22,307	55,976	61,320
Milk Cows and Heifers*.....	6,682	6,441	26,062	25,277
Other Cattle and Calves.....	6,449	6,469	41,290	40,275
Lambs and Sheep.....	4,239	4,423	51,374	51,736
Horses and Colts.....	2,927	2,978	11,942	12,197
Mules and Mule Colts.....	290	297	4,931	5,034
Total Farm Value				
Swine, including Pigs.....	\$ 95,884	\$100,503	\$232,946	\$258,280
Milk Cows and Heifers*.....	186,042	195,798	706,074	739,430
Other Cattle and Calves.....	93,674	100,869	525,206	568,211
Lambs and Sheep.....	17,098	13,373	194,636	150,017
Horses and Colts.....	236,195	202,587	793,184	655,653
Mules and Mule Colts.....	23,962	20,707	402,171	302,918

*Two years old and over.

GRAIN MARKETING

Light marketings of all grains and relatively heavy requirements for consumption, except in the case of oats, took place in January. The primary movement of wheat

was seasonally downward from December, as receipts dropped to less than half the five-year January average, while shipments held at the December ratio of nearly three-fourths the average volume and were in excess of receipts. Strong milling demand and exports from the Pacific coast in much larger volume than a year earlier, though somewhat under the preceding month, resulted in a 12-million bushel decline during January in the U. S. visible supply and a further reduction of 5 millions by February 10, to the lowest point since July 1929. Cash prices consequently advanced, and futures were strengthened, as well, by the unfavorable weather conditions in the winter wheat belt.

Corn receipts declined seasonally from December, but despite the availability of Government loans for the grain when cribbed on farms, exceeded considerably the small January volume in each of the two preceding years. Shipments, on the other hand, increased moderately over the preceding month and more than doubled the year-ago volume. For oats, receipts were 18 per cent greater and shipments 7 per cent less than in December—these changes being counter to the usual trend—and the movement was less than two-thirds of the 1929-33 January average. Visible supplies of both corn and oats changed but little and remained about double the volume of last January. Feed grain prices were stable in January and early February at somewhat above the December level.

MOVEMENT OF LIVE STOCK

With the marketing of cattle and calves sharply increased over December—contrary to the usual tendency—and with a larger than seasonal gain in hog marketings, January receipts of animals at public stock yards in the United States were considerably in excess of a year ago. Lamb marketings, however, showed a smaller than customary expansion over the preceding month and totaled less than those of last January. The number of calves was greater than the 1924-33 average for the month but that of other live stock decreased. January movement to inspected slaughter (inclusive of animals that did not pass through the public stock yards) differed from the trends in market receipts in three instances: the number of hogs, cattle, and lambs increased in comparison with the 1924-33 January average, that of lambs gained over a year ago, and the movement of hogs was in excess of any month since January 1929.

Reshipments of cattle and lambs to feed lots remained relatively light, though decreasing less than a customary amount from December.

	LIVE STOCK SLAUGHTER (In thousands)			
	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, January 1934.....	252	1,283	330	114
Federally Inspected Slaughter, United States				
January 1934.....	831	5,391	1,407	471
December 1933.....	721	4,530	1,390	402
January 1933.....	612	4,700	1,332	345

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

	WEEK ENDED		MONTHS OF	
	FEB. 17 1934	JAN. 1934	DEC. 1933	JAN. 1933
Native Beef Steers (average) ...	\$5.60	\$5.40	\$5.20	\$5.00
Fat Cows and Heifers.....	4.40	4.30	4.10	3.85
Calves.....	6.00	5.65	4.95	5.20
Hogs (bulk of sales).....	4.50	3.45	3.30	3.15
Yearling Sheep.....	8.50	6.85	5.75	4.75
Lambs.....	9.45	8.20	7.10	5.90

MEAT PACKING

At slaughtering establishments in the United States, a larger quantity of packing-house commodities was produced and sold during January 1934 than in any month during the past nine years. The volume of production rose 18 per cent over December to a level 17 per cent above a year ago and 6½ per cent in excess of the 1924-33 January average. Payrolls at the close of the period, therefore, continued to reflect a marked improvement over a year earlier, and showed a gain over December of 10 per cent in hours worked, and of 4½ per cent in wage payments, although the number of employes declined ½ per cent in the latter comparison. Furthermore, the total value of sales billed to domestic and foreign customers was greater than for any previous month since October 1933, being 9½ per cent larger than in December and 31 per cent in excess of last January. Demand was sufficiently strong to permit a slight firming in the general price level of packing-house commodities, despite the fact that the sales tonnage offered exceeded that of any corresponding period since October 1924 and was not only 15 per cent above a year ago but 8 per cent in excess of the 1924-33 January average. Moreover, inventories were augmented by less than the usual amount on February 1 over the beginning of January and showed some reduction in the excess over the 1929-33 average for the date although they exceeded those of a year ago by 329,995,000 pounds.

In contrast to the expansion in domestic business, the volume of shipments for export fell off in January from December. Demand for American lard continued fair in the United Kingdom but was light on the Continent. Export trade in meats remained on a restricted basis. Prices of United States lard continued above a Chicago parity on the Continent but were still at a discount in the United Kingdom. Meats commanded good prices in British markets because of the restriction in quotas. United States holdings of packing-house commodities in foreign countries (inclusive of stocks in transit) declined on February 1 from the beginning of January.

DAIRY PRODUCTS

Seventh district production of creamery butter declined 3 per cent in January from December—contrary to the usual tendency—to a level 16 per cent under a year ago and 9½ per cent below the 1924-33 January average. Though totaling 8 per cent less than in December, the sales tonnage aggregated 4½ per cent greater than for last January and the 1924-33 average for the month. United States production of the commodity showed little change in January from December, but was considerably less than a year ago. Owing to recent Government takings for relief agencies and to the current level of manufacturing operations, demand proved sufficiently strong to result in a more than seasonal reduction on February 1 from the beginning of January in inventories of creamery butter in the United States. As a consequence, the excess of these holdings over the 1929-33 average was reduced to 41,629,000 pounds during the month. Prices advanced in January over December.

The manufacture of American cheese in Wisconsin increased less than seasonally in the five weeks ended February 3 over the preceding period, and was 25 per cent below a year ago as well as 19½ per cent under the 1929-33 average level for this time of the year. Distribution, however, expanded more than a seasonal amount, being 39½

per cent greater than in the preceding period, 21½ per cent larger than a year ago, and 9 per cent above the 1929-33 average. Furthermore, it exceeded current production by 74½ per cent (9,356,000 pounds), as compared with an average excess in January of only 29 per cent. This tendency of sales to exceed current manufacture likewise was reflected in total inventories of cheese in the United States, which were 13,140,000 pounds less on February 1 than at the beginning of the year and showed a gain of only 7,023,000 pounds over the average for the preceding five years. Prices moved steadily upward from the low level which obtained during the early part of January.

Industrial Employment Conditions

Increases of 4 per cent in employment and 8 per cent in payrolls reported by Seventh district industries for January were not only contrary to seasonal trend but the largest for any one month since last August. As in the preceding month, the January gains were largely the result of the continued expansion in the automobile industry. Vehicles, covering the manufacture and repair of cars and locomotives as well as automobiles, showed increases of 23 per cent in working forces and 31 per cent in wage payments. Metals and products, other than vehicles, also showed expansion—2 per cent in men and 4 per cent in wages. In the textile industries which showed a sharp contraction during the preceding two months, employment increased one per cent and payrolls 5 per cent. Rubber products followed the trend in the automobile industry but showed a more moderate rise. Both leather products and the paper and printing industries increased payroll amounts by a small percentage; the gains, however, were accompanied by a contraction in employment volumes. In other reporting manufacturing groups, losses ranged from one to 8 per cent in employment and from one to 12 per cent in payrolls, stone, clay and glass products experiencing the smallest and wood products the largest declines.

The seasonal contraction in the merchandising group, amounting to 17 per cent in employment and 11 per cent in payrolls, was more than sufficient to offset the gains made by the other non-manufacturing groups, so that data for this classification as a whole dropped below the December figures by 5 per cent in employment and 1½ per

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JAN. 15, 1934			CHANGE FROM DEC. 15, 1933	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	863	173,160	3,300	+2.0	+3.8
Vehicles.....	182	229,353	4,993	+23.1	+31.2
Textiles and Products.....	158	31,967	475	+1.3	+5.0
Food and Products.....	418	70,225	1,449	-7.3	-6.7
Stone, Clay, and Glass.....	150	7,312	132	-0.8	-0.9
Wood Products.....	289	23,522	302	-8.0	-12.1
Chemical Products.....	121	18,000	379	-3.1	-1.7
Leather Products.....	82	18,786	313	-1.5	+0.6
Rubber Products ²	8	7,271	146	+2.4	+10.0
Paper and Printing.....	368	51,276	1,146	-3.3	+1.6
Total Mfg., 10 Groups.....	2,639	630,872	12,635	+6.2	+10.6
Merchandising ³	307	37,711	723	-16.5	-11.3
Public Utilities.....	79	79,502	2,242	-0.1	+1.6
Coal Mining.....	22	4,537	86	+9.1	+7.4
Construction.....	316	10,157	199	+1.7	+0.7
Total Non-Mfg., 4 Groups.....	724	131,907	3,250	-5.0	-1.5
Total, 14 Groups.....	3,363	762,779	15,885	+4.1	+7.9

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

cent in payrolls. For all reporting industries—manufacturing and non-manufacturing—the general employment level this January was 27 per cent higher than in January 1933, and payrolls totaled 35 per cent larger.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

A further and considerably more rapid rise than in the preceding month took place during January in United States production of automobiles. Output of passenger cars, which numbered 115,956, rose 120 per cent over December to a volume greater than for any month since last September and 7 per cent in excess of January 1933 and 17½ per cent above the corresponding month of 1932, though somewhat under the January 1931 volume. Truck production numbered 44,729 in January this year, which is 48 per cent greater than that of December and heavier than for any month since May 1931.

Although distribution of automobiles in the Middle West expanded somewhat over the low December volume and dealers' stocks were replenished during the period, delays in receiving new models continued to prevent any notable gain in sales which totaled less both at wholesale and retail than in the corresponding month last year when sharp increases were recorded. Sales of used automobiles, however, totaled heavier than in January last year. Stocks of new cars, it will be noted in the table, despite their heavy gain over the preceding month, aggregated considerably less than on the same date a year ago, while used cars held numbered more than at that time. Dealers reporting on deferred payment sales had such sales amounting to 47½ per cent of the total value of cars sold by them, which ratio compares with 48 per cent a month previous and 54 per cent a year ago.

IRON AND STEEL PRODUCTS

From 29 per cent of capacity in the middle of January, steel ingot output in the Chicago district expanded gradually in the following weeks until it had attained a rate of 38 per cent by the middle of February—a year ago ingot production in the first half of February did not exceed 18 per cent of capacity. Automotive and farm implement tonnages have supported current production, and further increases in activity are anticipated by Chicago district manufacturers. Production of pig iron in the Illinois and Indiana district rose moderately in the daily average for January over the two preceding months, and was substantially larger than for January 1933. Price structures have remained firm for 1934 to date.

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in January 1934 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED	
	DECEMBER 1933	JANUARY 1933	DECEMBER 1933	JANUARY 1933
New Cars				
Wholesale—				
Number Sold.....	+28.8	-34.1	18	15
Value.....	+23.9	-33.1	18	15
Retail—				
Number Sold.....	+10.7	-20.4	54	47
Value.....	+2.3	-16.2	54	47
On Hand January 31—				
Number.....	+87.6	-28.3	54	47
Value.....	+106.2	-30.4	54	47
Used Cars				
Number Sold.....	+11.0	+24.4	54	47
Salable on Hand—				
Number.....	-5.8	+8.2	54	47
Value.....	-11.3	-2.1	54	47

An increase of 58 per cent in the volume of orders booked during January by steel casting foundries of the Seventh district counteracted largely the sharp decline of the preceding month. Shipments gained 4 per cent and production 15 per cent in the same comparison. Increases over a year ago in this type of foundry were about as large as in December—34 per cent in orders booked, 71 per cent in shipments, and 92 per cent in production. At malleable casting foundries, also, orders expanded considerably, by 36 per cent, from December to January, while shipments and production registered gains of 3 and 28 per cent, respectively. The volume of orders booked was more than three times as large as in January 1933, and shipments and production were approximately twice as large.

In the manufacture of stoves and furnaces, operations and shipments continued to decline, the January volumes amounting to little more than one-half those reported for December. Orders accepted, however, showed an increase of 50 per cent, representing the first gain in this item since last September. While both accepted orders and shipments totaled more than double those of a year ago, the volume of operations was only about 7 per cent larger.

FURNITURE

January orders booked by furniture manufacturers reporting to this bank expanded 88 per cent over those of December, which gain in the monthly comparison compared with one of 56 per cent in January 1933 and of 107 per cent in the 1927-33 average for January. Shipments declined 3 per cent from December, in comparison with a gain of 5 per cent in January 1933 over the preceding month and a recession of 16 per cent in the January average. In consequence of the rise in orders booked, which reversed the lead of shipments over orders obtaining since last August, the volume of unfilled orders also increased for the first time in several months, so that on January 31 it stood in a ratio of 75 per cent to current orders, a rise of 11 points during the month. Orders and shipments were both considerably in excess of the low volumes of January a year ago, current orders being 37 per cent greater than those of January 1933 and shipments 9 per cent higher. The rate of operations to capacity averaged 47 per cent, unchanged from December and 16 points higher than last January.

SHOE MANUFACTURING, TANNING, AND HIDES

While no production figures have as yet been issued, shoe manufacturing in the Seventh district, according to

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JANUARY 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	DEC. 1933	JAN. 1933	
Wholesale Lumber:			
Sales in Dollars.....	+0.2	+56.3	11
Sales in Board Feet.....	+4.6	+18.0	9
Accounts Outstanding ¹	-1.1	+51.5	11
Retail Building Materials:			
Total Sales in Dollars.....	+1.1	+40.2	174
Lumber Sales in Dollars.....	+8.1	+86.7	57
Lumber Sales in Board Feet.....	+17.3	+60.7	68
Accounts Outstanding ¹	-18.1	-14.0	166
	Ratio of Accounts Outstanding ¹ to Dollar Sales During Month		
	JAN. 1934	DEC. 1933	JAN. 1933
Wholesale Trade.....	226.7	229.7	234.0
Retail Trade.....	361.8	451.5	593.2

¹ End of Month.

available data, showed the expansion customary in January. As in recent months, operations in this industry were on a smaller scale than a year ago, as well as considerably below the ten-year, 1924-33, January average. In the tanning industry, production and sales of leather also registered an improvement over the preceding month, and prices in general were firmer. The movement of packer-green hides in the Chicago market was in somewhat larger volume than in December and prices, after an advance of one-half cent in the early part of the month, showed a like increase toward the close of the period. Resistance on the part of buyers to these price advances was evident during the early part of February.

Building Materials, Construction Work

The January trend of distribution was generally better than seasonal for Seventh district building materials. Operations expanded most in the retail trade, with lumber particularly in demand. The main stimulant continued to come from civil works and other federal projects, with private construction generally quiet. The clay products industry again reported very little farmer demand for drain tile and brick.

Wholesale lumber business increased moderately over December, as shown by board-foot sales, while a fractional gain in dollar value contrasted with a five-year average decline for the month of 5 per cent. Lumber sales of reporting retail yards also recorded a sizable gain, which was counter to the usual trend, but total dollar sales were only slightly higher than in December, limited, no doubt, by restricted demand for fuel at yards that include such sales in their totals. In comparison with the record low level of January 1933, both wholesale and retail operations recorded notable improvement, the gain in the latter exceeding that of any 1933 month in the yearly comparison. Contributing factors were expanded volume of distribution and a substantially higher price level. Collections have apparently been better at retail than at wholesale, retail accounts being considerably lower than a year ago. While stocks were still relatively low at the end of January, there was some tendency toward expansion, as a number of firms reported a larger volume than either a month or a year earlier.

BUILDING CONSTRUCTION

Building activity during January, according to contracts awarded in the Seventh Federal Reserve district, though declining somewhat from the high point for 1933 registered in December, remained above any previous month for the past two years. Residential building, which amounted to less than 5 per cent of all construction, increased slightly over the month-ago volume.

Reports on building permits issued in 102 cities of this district reflected a continued increase in the estimated cost

of proposed construction, gains of 23 per cent and 129 per cent being shown in the respective monthly and year-ago comparisons. Expansion was also registered in the number of permits issued. Among the larger cities, Des Moines and Milwaukee differed from the trend of the district, the former registering a decline in estimated cost of 82 per cent from a month previous and of 71 per cent from last year, and the latter showing declines of 60 and 52 per cent, respectively.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
January 1934.....	\$27,682,323	\$1,306,349
Change from December 1933.....	-16%	+44%
Change from January 1933.....	+237%	+71%

*Data furnished by F. W. Dodge Corporation.

Merchandising

Notable gains over the corresponding month of 1933 were recorded in January sales of reporting wholesale groups, with practically all firms sharing in the increases. Comparisons with a month previous showed a contrary-to-seasonal expansion of one per cent in the grocery trade, of 5 per cent in drugs, and of 34 per cent in dry goods, while recessions of 23½ per cent in hardware and 28 per cent in electrical supplies were slightly greater than usual for January. Collection conditions in the early part of this year were considerably improved over those prevailing a year ago, a reflection of the betterment being shown in the ratios of accounts outstanding at the end of January to sales during the month, which ratios in all lines were much lower than at the same time last year. Prices in general continued firm to higher.

Department store trade in the Seventh district declined less than seasonally in January, the recession of 49 per cent in total sales comparing with one of 52 per cent in the 1924-33 average for the month. The gain of 23 per cent over January 1933 was the largest in the yearly comparison since last August when a 28 per cent increase was recorded. The fact that there was one more trading day in January this year partly accounted for the size of the gain shown over the month last year, as daily average sales increased only 18½ per cent. It will be noted in the table that Milwaukee registered the heaviest gain over a year ago among the larger cities, and that the total for stores in smaller centers exceeded that of last January by a higher percentage than in any of the four large cities. Stocks, which declined as is usual in January from the preceding month, totaled 10 per cent heavier than on January 31 a year ago, which increase is the smallest recorded

DEPARTMENT STORE TRADE IN JANUARY 1934

LOCALITY	PER CENT CHANGE JANUARY 1934 FROM JANUARY 1933		RATIO OF JANUARY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF PRECEDING MONTH	
	NET SALES	STOCKS END OF MONTH	1934	1933
Chicago.....	+23.4	+13.0	28.1	21.2
Detroit.....	+21.9	-10.3	40.7	32.1
Indianapolis.....	+15.4	+15.9	45.2	43.4
Milwaukee.....	+24.6	+39.3	36.4	33.6
Other Cities.....	+28.3	-0.6	34.9	35.4
7th District.....	+23.2	+10.2	36.5	31.7

WHOLESALE TRADE IN JANUARY 1934

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	+22.3	+16.8	-0.8	+9.9	102.4
Hardware.....	+78.4	+13.1	+5.9	+51.7	338.4
Dry Goods.....	+49.1	+27.0	-0.4	+26.5	213.4
Drugs.....	+24.8	-2.6	-4.9	+19.5	185.4
Electrical Supplies.....	+60.4	+2.3	+20.5	+36.7	209.7

in this comparison since the first gain of 9 per cent was shown in August; the rate of turnover this January was a little greater than for the month last year.

Although the decrease of 52 per cent from the preceding month in January sales of shoes by reporting dealers and department stores represented a slightly greater than seasonal decline, the dollar volume sold exceeded that of January last year by 19 per cent. This gain was the heaviest recorded in the year-ago comparison since April 1930, and most firms shared therein. A recession of 4 per cent took place in stocks between the end of December and January 31, but they totaled 5 per cent above those held on the same date of 1933.

As in other merchandising phases, the gain over last January in the retail furniture trade was large, amounting to 25 per cent for reporting dealers and department stores.

The recession of 27 per cent in the comparison with the preceding month was less than the 34 per cent decline shown in the 1928-33 average for January. Although stocks on hand diminished 5 per cent during the month, they totaled 23 per cent in excess of those held at the end of January 1933, whereas a month previous they were but 12 per cent heavier in the yearly comparison.

Total January sales of fourteen reporting chains, operating 2,545 stores in the month, dropped seasonally 42 per cent from December, but aggregated 11 per cent greater than in January last year. Grocery sales declined in this latter comparison, but those of other chains which include drugs, five-and-ten-cent stores, shoes, cigars, men's clothing, and musical instruments, shared in the aggregate gain. As compared with the preceding month, shoe sales alone recorded expansion.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

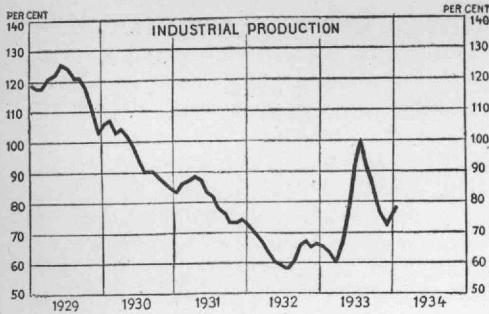
(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following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

	No. of Firms	Jan. 1934	Dec. 1933	Nov. 1933	Oct. 1933	Sept. 1933	Aug. 1933	Jan. 1933	Dec. 1932	Nov. 1932	Oct. 1932	Sept. 1932	Aug. 1932
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	60	54	56	67	62	58	46	46	49	58	57	53
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	13	21	18	21	23	19	21	12	10	11	11	12	11
In Tons.....	13	21	20	22	25	19	23	12	10	11	10	12	10
Malleable—In Dollars.....	21	23	23	23	25	24	24	11	11	10	9	8	8
In Tons.....	21	38	36	36	39	38	41	20	18	16	16	14	13
Stoves and Furnaces—													
Shipments (in dollars).....	10	43	78	111	128	108	91	22	45	70	100	80	46
Furniture—													
Orders (in dollars).....	14	33	18	21	24	42	47	25	16	20	30	32	26
Shipments (in dollars).....	14	20	23	28	38	47	43	19	18	25	33	31	23
Flour—													
Production (in bbls.).....	21	121	104	109	107	93	93	103	108	112	119	118	130
Output of Butter by Creameries—													
Production.....	67	78	80	80	93	99	122	93	86	77	92	92	111
Sales.....	69	93	101	95	92	96	116	89	89	97	87	89	102
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	63	62	63	65	70	68	52	65	64	65	70	65
Hardware.....	11	38	46	46	51	50	49	22	30	36	44	43	37
Dry Goods.....	9	38	28	33	38	41	34	25	25	32	35	38	28
Drugs.....	13	74	67	57	61	61	61	58	60	56	58	61	59
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	25	55	105	65	73	71	64	45	92	62	66	61	46
Detroit.....	5	58	114	67	67	87	57	48	108	70	73	87	54
Indianapolis.....	4	62	119	70	83	83	69	54	106	68	79	78	51
Milwaukee.....	5	58	111	77	83	73	65	47	101	74	78	66	53
Other Cities.....	43	51	102	64	64	60	57	40	84	57	60	56	47
Seventh District.....	82	56	108	66	72	73	62	46	95	64	68	66	48
Automobile Production—(U. S.)—													
Passenger Cars.....		40	18	15	37	55	67	37	29	16	12	22	26
Trucks.....		119	80	52	81	93	110	58	56	32	36	52	38
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		4	3	5	5	12	7	3	3	5	7	7	7
Total.....		40	48	34	31	29	22	12	14	20	17	32	32
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		34	31	34	45	42	52	19	19	19	20	20	22
United States.....		40	39	37	45	52	60	19	18	21	21	20	17
Steel Ingot Production—(U. S.)*...:		56	55	45	61	67	81	30	25	30	31	29	24

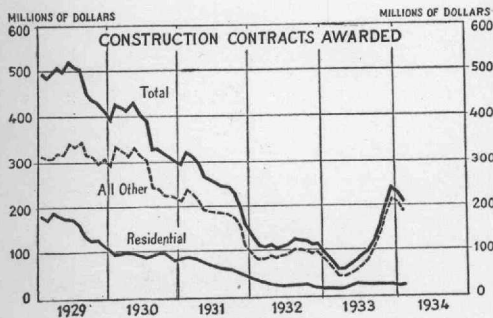
*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

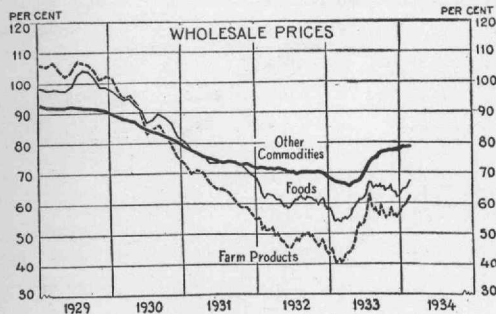
(By the Federal Reserve Board)



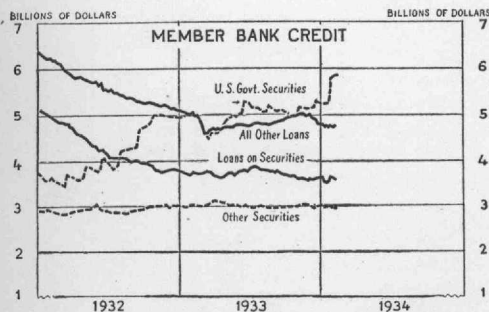
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Three-month moving averages of F. W. Dodge data for 37 Eastern states, adjusted for seasonal variation. Latest figure based on data for December, January, and estimate for February.



Indexes of the United States Bureau of Labor Statistics. By months 1929 to 1931; by weeks 1932 to date. (1926 = 100)



Wednesday figures for reporting member banks in 90 leading cities. Latest figures are for February 14, 1934.

VOLUME of industrial production increased by more than the usual seasonal amount in January and the early part of February. The general level of wholesale commodity prices, after showing relatively little change during the last five months of 1933, advanced considerably after the turn of the year.

PRODUCTION AND EMPLOYMENT

Output of factories and mines, as measured by the Federal Reserve Board's seasonally adjusted index of industrial production, advanced from 75 per cent of the 1923-1925 average in December to 78 per cent in January. This compares with a recent low level of 72 per cent in November and a level of 65 per cent in January 1933. The January advance reflected chiefly increases of more than the usual seasonal amount in the textile, meat-packing, automobile, and anthracite coal industries. Activity at cotton mills, which had reached an unusually high level in the summer of 1933 and had declined sharply in the latter part of the year, showed a substantial increase in January, output of automobiles also increased by more than the usual seasonal amount, while activity in the steel industry showed little change, following a non-seasonal increase in December. In the first half of February, there was a further growth in output at automobile factories, and activity at steel mills showed a substantial increase.

Factory payrolls, which usually decline considerably at this season, showed little change between the middle of December and the middle of January, while factory employment declined by about the usual seasonal amount. There were substantial increases in employment and payrolls in the automobile, hardware, shoe, and women's clothing industries, while decreases, partly of a seasonal character, were reported for the hosiery, tobacco, furniture, and lumber industries.

Value of construction contracts, as reported by the F. W. Dodge Corporation, showed a decline in January and the first half of February, following a substantial increase in the latter part of 1933. As in other recent months, public works made up a large part of the total.

DISTRIBUTION

Freight traffic increased in January by more than the usual seasonal amount, reflecting larger shipments of coal and merchandise. Sales by department stores showed the usual seasonal decline after the holiday trade.

DOLLAR EXCHANGE

The foreign exchange value of the dollar in relation to gold currencies, which in January had fluctuated around 63 per cent of par, declined after January 31 to slightly above its new parity of 59.06 per cent.

PRICES

Wholesale commodity prices showed a general increase between the third week of December and the third week of February, and the weekly index of the Bureau of Labor Statistics advanced from 70.4 per cent of the 1926 average to 73.7 per cent. There were substantial increases in live-stock prices; wool continued to advance; and cotton reached a level higher than at any other time since 1930. Scrap steel advanced to about the level prevailing in the summer of 1933.

BANK CREDIT

As a consequence of the reduction on January 31 of the weight of the gold dollar, together with subsequent imports of gold from abroad, the dollar amount of the country's stock of monetary gold increased from \$4,035,000,000 on January 17 to \$7,089,000,000 on February 14. About \$3,000,000,000 of this increase was reflected in a growth of the cash held by the Treasury, which includes gold bullion.

Notwithstanding a further reduction in discounts for member banks and in acceptance holdings of the Reserve banks, member banks' reserve balances increased moderately during this period, reflecting gold imports, a return of currency from circulation, and a reduction in United States Government deposits with the Reserve banks. In the middle of February, these balances were more than \$900,000,000 above legal reserve requirements.

At reporting member banks, there was a growth between January 17 and February 14 of more than \$600,000,000 in holdings of United States Government securities and of more than \$500,000,000 in United States Government deposits, reflecting Treasury financing. Loans on securities and all other loans increased slightly and bankers' balances showed a substantial growth.

Short-term money rates in the open market remained at low levels. On February 2, the Federal Reserve Bank of New York reduced its discount rate from 2 per cent to 1½ per cent, and during the succeeding two weeks reductions of ½ per cent were made at the Federal Reserve Banks of Cleveland, Boston, St. Louis, Dallas, Richmond, Kansas City, Atlanta, and San Francisco.