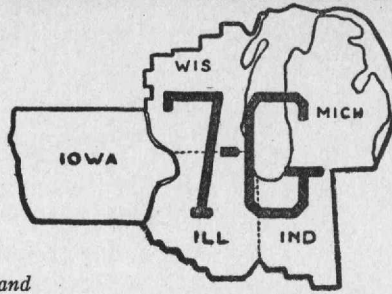


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



RESERVE  
DISTRICT

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## General Summary

A CONTINUED declining trend characterized the major phases of Seventh district manufacturing activity during August. Most merchandising groups, on the other hand, experienced somewhat greater than the usual seasonal expansion in sales over the preceding month, although in many instances the margin of gain over last year's volume was small.

Output of automobiles was further curtailed during August, with that of passenger cars totaling under the year-ago volume. Steel ingot production was very moderate in the period and in the first week of September dropped noticeably. Shipments of steel and malleable castings, however, increased in August over July, and those of stoves and furnaces were seasonally greater. Furniture manufacturers likewise expanded shipments, in accordance with normal August trend. Building construction fell off further during the month, but the movement of some building materials showed better than usual improvement for the period. Although industrial employment and payrolls remained above the year-ago level, the former recorded a contrary-to-seasonal recession from July, while for the latter a seasonal increase was shown.

Owing to activities of the Federal Surplus Relief Corporation, aggregate production of packing-house commodities increased in August over a month previous and a year ago, but commercial production declined in these comparisons; both the tonnage volume and the dollar value of sales gained over July, while the former was lower than for last August and dollar sales increased because of the higher prices prevailing this year. Butter production and sales expanded, contrary to trend for August, and the former item was in excess of a year ago.

The manufacture and distribution of Wisconsin cheese declined in the monthly comparison, although they gained over August 1933. The movement of wheat and oats during August totaled much below average for the month, but that of corn was heavy. Crop conditions showed little aggregate change on September 1 from a month earlier.

The wholesale distribution of commodities during August improved more than seasonally for most reporting groups, the grocery, drug, dry goods, and hardware trades sharing in the increased volume of business, although electrical supply sales declined, contrary to trend. In retail phases, the department store and retail shoe trades had larger than average sales gains for August, while the expansion in the retail furniture trade was about seasonal. The increase over July in total sales of reporting chains was small.

Credit extended by the Federal Reserve Bank of Chicago to the Seventh district again showed a small gain between the middle of August and September 12. Reporting member banks in the district increased their investments during the period, but loans on securities continued to decline and commercial loans gained very slightly; both time and demand deposits in these banks expanded in the four weeks. Dealer sales of commercial paper and new financing by means of bankers' acceptances decreased between July and August, although the former were considerably in excess of last year.

## Credit Conditions and Money Rates

Total credit extended by the Federal Reserve Bank of Chicago increased from \$427,334,000 to \$429,293,000 during the four-week period ended September 12. The increase, which was entirely in credit extended to the Seventh district, resulted from an advance in reserve bank "float"—that is, the Reserve bank increased the amount of its credit extended to banks by paying for collection items before receiving payment therefor.

A continued net inflow of funds through commercial and financial transactions with other districts added almost 10 million dollars to local banking reserves, and an additional 6 millions was available in Treasury and National bank currency. United States Treasury collections through taxes and other means were 15½ million dollars in excess of local Treasury disbursements and together

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

(Amounts in millions of dollars)

	SEPT. 12 1934	CHANGE FROM	
		AUG. 15 1934	SEPT. 13 1933
Total Bills and Securities.....	\$429.5	\$ +0.2	\$ +33.4
Bills Discounted.....	0.5	+0.2	-6.6
Bills Bought.....	0.7	0	-0.2
U. S. Government Securities.....	428.3	0	+40.1
Total Reserves.....	1,132.8	+30.6	+196.0
Total Deposits.....	762.2	+30.1	+246.9
Federal Reserve Notes in Circulation.....	772.4	+2.8	+25.3
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	73.8%	+0.4*	-0.4*

\*Number of Points.

with an increase in demand for currency and member bank reserve balances offset the gains in the supply of credit. Special and "all other" deposits declined 2½ million dollars during the four weeks.

Changes in the supply and demand of Seventh district banking reserves are presented in detail in the accompanying tabulation.

**Changes between August 15 and September 12 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District**

(Amounts in thousands of dollars)

Reserve bank credit extended.....	+1,960
Commercial operations through inter-district settlements.....	+9,874
Treasury and National bank currency.....	+5,953
<b>Total supply.....</b>	<b>+17,787</b>
Demand for currency.....	+1,787
Member bank reserve balances.....	+2,484
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	+15,551
Special and "all other" deposits.....	-2,533
Other Federal Reserve accounts.....	+498
<b>Total demand.....</b>	<b>+17,787</b>

**MEMBER BANK CREDIT**

A gain of 12 million dollars was recorded in aggregate loans and investments of reporting member banks in the Seventh Federal Reserve district on September 12 over the total shown on August 15, reflecting, as shown by the accompanying table, an increase of 40 millions in investments, a decline of 29 millions in loans on securities, and a rise of one million in "all other" (commercial) loans. Net demand and time deposits showed gains on September 12 over the corresponding reporting date in August, the former increasing 32 million and the latter 15 million dollars. As compared with September 13, 1933, total loans and investments on September 12 of this year were 343 million dollars greater, representing a gain of more than 500 millions in investments and declines of 103 and 56 millions, respectively, in loans on securities and "all other" (commercial) loans. Net demand deposits on September 12 increased by more than 500 million dollars over the corresponding reporting date in 1933, and time deposits by 35 millions.

Down-town Chicago banks reported a range of 1½ to 6 per cent as the prevailing rate on customers' commercial loans during the week ended September 15, as compared with a range of 1½ to 5 per cent for the corresponding week in August. The average rate earned on loans and discounts by down-town banks in Chicago during the calendar month of August was 2.94 per cent, as against 3.19 per cent in July and 3.88 per cent in August 1933. In the city of Detroit, a range of 3½ to 6 per cent was reported on customers' commercial loans—unchanged from the preceding month.

Despite investor resistance in the last half of the month to a continuance of prevailing low rates, dealer sales of commercial paper in the Middle West declined only 5½ per cent in August from July and were 122 per cent in excess of a year ago. Demand remained steady from city

banks but decreased from country banks. Borrowing by means of commercial paper expanded over July, though continuing considerably less than seasonal. Total sales, therefore, were 45 per cent below the 1924-33 August average. Selling rates in August ranged from ½ and ¾ per cent for prime short-term paper to 1 and 1¼ per cent for obligations less well known or of longer maturity; most transactions took place at ¾ to 1 per cent. Commercial paper outstandings in the Middle West attained a level on August 31 higher than for any previous reporting date since the autumn of 1931. In the first half of September, borrowing declined to such an extent that sales aggregated 37½ per cent less than for the corresponding weeks of August. Rates were within a range of ¾ to 1¼ per cent.

Market operations of Chicago bill dealers from August 16 to September 12 were extremely limited. The only activity comprised a small volume of sales to local and out-of-town banks, the supply for which came from Eastern cities. Local purchases were nil during the period. Selling rates ranged from ⅛ to ¼ per cent.

New financing by means of bankers' acceptances in the Seventh Federal Reserve district declined 12½ per cent in August from a month earlier to a level 41½ per cent under the 1924-33 average for the month. Furthermore, the direct discounting of these bills at the originating banks likewise decreased from July—contrary to trend—and the buying of other banks' acceptances fell off instead of showing a seasonal gain. Total purchases, therefore, aggregated 61½ per cent smaller than a year ago and 60½ per cent less than the 1924-33 August average. Sales remained negligible, but maturities exceeded current purchases by more than 3⅓ million dollars. In consequence of these trends, August 31 holdings were smaller than those of any reporting date since March 31, 1933. The liability for outstanding acceptances, on the other hand, increased slightly over July 31. A decline of 30½ per cent took place in new financing by means of acceptance credits in the first half of September as compared with the corresponding weeks of August.

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

	PER CENT CHANGE IN AUGUST 1934 FROM	
	JULY 1934	AUGUST 1933
Total value of bills accepted.....	-12.4	-31.6
Purchases (including own bills discounted).....	-38.6	-61.6
Sales.....	-90.3	-91.9
Holdings*.....	-10.1	-47.3
Liability for outstandings*.....	+2.0	-34.9

\*At end of month.

**SECURITY MARKETS**

August, normally a month of reduced activity in the bond market, was noticeably dull this year. Since the decline in July, the market has remained somewhat unsettled; prices recovered slightly in the early part of August, but subsequently declined, the drop being followed, however, by another up-turn which brought the general price level back to approximately that prevailing during the first part of the month. High grade municipals and corporation bonds were in greatest demand and, of

**CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT**

(Amounts in millions of dollars)

	CHANGE FROM		
	SEPT. 12 1934	AUG. 15 1934	SEPT. 13 1933
Total Loans and Investments.....	\$1,861	\$ +12	\$ +343
Loans on Securities.....	293	-29	-103
All Other Loans.....	415	+1	-56
Investments.....	1,153	+40	+502
Net Demand Deposits.....	1,692	+32	+510
Time Deposits.....	502	+15	+35
Borrowings from Federal Reserve Bank.....	0	0	0

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

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	AUG. 1934	JULY 1934	AUG. 1933
Chicago.....	\$2,170	-2.7	+1.1
Detroit, Milwaukee, and Indianapolis.....	868	-8.5	+31.7
Total four larger cities.....	\$3,038	-4.4	+8.3
34 smaller centers.....	505	+1.4	+25.6
Total 38 centers.....	\$3,543	-3.7	+10.5

these classes, maturities up to ten years were most favored. The limited demand shown during August came largely from institutional buyers, principally insurance companies. The average price of twenty leading stocks\* on the Chicago Stock Exchange, after strengthening somewhat during the latter part of August, declined steadily in the first half of September and on September 17 amounted to \$25.53 as compared with \$27.27 on the corresponding date a month previous.

\*Chicago Journal of Commerce.

## Agricultural Products

Crop prospects for the Seventh district on September 1 were not changed materially from a month earlier, with the exception of reductions of 71 million and 7 million bushels, respectively, in the corn and oats estimates. Most other crops showed slight to moderate improvement, including a gain of 3 million bushels in the indicated production of white potatoes and of nearly a million tons for hay. Weather conditions during the month, though not as destructive as in mid-summer, failed to improve conditions noticeably. Only a few areas had sufficient rainfall to break the drouth, and the district average was less than normal. Intensely hot weather in the first half of the month was followed by unseasonable coolness, with early frosts in many localities. The final production of feedstuffs will be influenced considerably by the emergency measures made necessary by the drouth. Fields seeded for hay have been grazed, due to the failure of pastures, while quantities of weeds are being cut for hay. Much more than the usual amount of corn has been cut for silos or shredded and baled. Chinch bugs, ear worms, and mold are damaging areas that survived the dry weather.

Notwithstanding the small production of farm commodities this season for the entire country, it is estimated by the Department of Agriculture that cash income from the sale of farm products during the calendar year 1934, plus rental and benefit payments, will aggregate about 6 billion dollars, an increase of 19 per cent over 1933 and

of 39 per cent over 1932 which was the low point of the decline in effect since 1929.

## GRAIN MARKETING

August trading in both wheat and feed grains reflected the short crops and sharply reduced supplies available for the 1934-35 season. Future prices at Chicago were strong and quotations for September delivery averaged higher than in July by 8 cents for wheat, 13 cents for corn, and 5 cents for oats. Wheat was above the dollar level throughout August, for the first entire month since May 1930 when prices were declining under pressure of burdensome world supplies. Cash and future prices of all grains were firm during the first half of September.

Wheat receipts at primary markets were the smallest for August in our records for fourteen years—declining more than seasonally from the preceding month. Reshipments also diminished, counter to trend for August, and the total movement was less than 40 per cent of the five-year average for the month. Very heavy receipts of corn were recorded, the volume being exceeded in only seven other months of the past fourteen years, and reshipments also were at a high level. This unusual movement represents further withdrawals of corn stored on farms under Government loans, to feed live stock in the drouth-stricken areas. The movement of oats, of which less than half a normal crop has been produced, was sharply below average, as in the case of wheat. Visible supplies of all grains remained fairly large, those of corn even exceeding a year ago, but it is evident that the surplus quantities of both wheat and feed grains have been largely eliminated during recent months.

## MOVEMENT OF LIVE STOCK

Owing to increased activity of the Federal Surplus Relief Corporation, the marketing of cattle and calves in the United States aggregated considerably greater during August than in any other month on record (from January 1921), and that of cattle was not only 162 per cent above a year ago but 135 per cent in excess of the 1924-33 August average. On the other hand, the Government pig reduction program of last autumn was reflected in August receipts of hogs, which were under any previous month on this bank's records, 47½ per cent less than a year ago, and 27½ per cent below the 1924-33 August average. Lamb marketings failed to increase in the usual amount over July and were 6½ per cent smaller than in the corresponding period of 1933, but totaled 4½ per cent above the average for this season of the year. The movement of animals to inspected slaughter (inclusive of those that did not pass through public stock yards) followed the

## CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of September 1 condition.

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		AVERAGE 1927-31
	FORECAST 1934	FINAL 1933	FORECAST 1934	FINAL 1933	
Corn.....	541,982	835,127	1,484,602	2,343,883	2,516,307
Oats.....	202,862	314,089	545,870	731,524	1,186,956
Winter Wheat...	46,973	44,426	400,522	351,608	632,061
Spring Wheat...	1,708	2,316	92,763	176,370	254,298
Barley.....	28,435 (a)	35,401 (a)	122,963	156,988	270,444
Rye.....	5,842 (a)	5,629 (a)	17,261	21,236	40,950
Buckwheat.....	805 (a)	803 (a)	7,061	7,832	9,496
Flaxseed.....	206 (b)	236 (b)	5,253	6,806	18,664
Potatoes (White)	46,712	39,752	337,141	320,353	365,556
Potatoes (Sweet)	1,151 (c)	1,090 (c)	64,176	65,073	62,386
Sugar Beets <sup>1</sup> ...	1,125 (d)	1,203 (d)	7,468	11,030	7,854
Apples.....	9,709 (a)	15,033 (a)	111,703	142,981	156,303
Peaches.....	972 (e)	1,965 (e)	45,687	44,692	56,282
Pears.....	1,233 (e)	1,010 (e)	23,134	21,192	22,334
Cranberries <sup>2</sup> ...	58 (f)	47 (f)	507	705	563
Grapes <sup>3</sup> .....	69 (a)	74 (a)	1,690	1,910	2,277
Dry Beans <sup>4</sup> ...	2,440 (d)	3,539 (d)	9,094	12,280	11,594
Tobacco <sup>4</sup> ...	15,159	17,814	1,078,117	1,385,107	1,470,556
All Tame Hay <sup>1</sup> ...	9,215	13,289	50,727	65,983	72,250
Wild Hay <sup>1</sup> ...	445 (a)	575 (a)	5,287	8,633	11,368
Broom Corn <sup>1</sup> ...	13 (g)	6 (g)	29	32	47
Onions.....	4,846 (a)	4,860 (a)	22,403	21,553	*23,789
Cabbage <sup>1</sup> ...	237 (h)	112 (h)	1,188	724	*1,010
Tomatoes for Table Use.....	1,445 (e)	1,354 (e)	19,085	15,838	*16,677
CANNING CROPS:					
Snap Beans <sup>1</sup> ...	17 (h)	15 (h)	65	60	*73
Sweet Corn <sup>1</sup> ...	222 (a)	166 (a)	461	396	*626
Tomatoes <sup>1</sup> ...	417 (e)	268 (e)	1,500	1,078	*1,293

<sup>1</sup>In thousands of tons. <sup>2</sup>In thousands of barrels. <sup>3</sup>In thousands of 100-lb bags. <sup>4</sup>In thousands of pounds. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan and Wisconsin. (e) Illinois, Indiana, Iowa, and Michigan. (f) Wisconsin. (g) Illinois. (h) Indiana, Michigan, and Wisconsin. \*1928-32 average.

## LIVE STOCK SLAUGHTER

(In thousands)

Yards in Seventh District, August 1934..... Federally Inspected Slaughter, United States August 1934..... July 1934..... August 1933.....	CATTLE	HOGS	LAMBS AND SHEEP CALVES	
378	502	291	190	
1,576	2,641	1,523	970	
1,192	3,323	1,294	770	
840	3,477*	1,532	416	

\*Exclusive of 1,029,000 slaughtered for the A. A. A.

## AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	SEPT. 15	AUG.	JULY	SEPT.
	1934	1934	1934	1933
Native Beef Steers (average).....	\$8.15	\$7.20	\$7.25	\$6.00
Fat Cows and Heifers.....	5.25	4.95	4.50	4.40
Calves.....	6.85	6.10	5.15	6.35
Hogs (bulk of sales).....	6.70	5.85	4.50	4.05
Yearling Sheep.....	5.50	5.75	5.75	5.35
Lambs.....	6.15	6.50	7.05	7.25

general trend of market receipts, except that there have been several other months in which the supply of hogs was lower than in August this year.

An exceptionally large volume of cattle moved to feed lots during August. Purchases of feeder calves were in excess of any month since November 1933. Reshipments of lambs to feed lots also increased sharply over July, but were considerably below the 1929-33 average for the month.

#### MEAT PACKING

The commercial production of packing-house commodities at slaughtering establishments in the United States declined  $7\frac{1}{2}$  per cent in August from July, was 14 per cent smaller than a year ago, and 2 per cent under the 1924-33 average for the month. If, however, the beef and veal processed for the Federal Surplus Relief Corporation is added to the regular market tonnage, production during the month totals  $3\frac{1}{2}$  per cent heavier than in July, 7 per cent above last August, and  $22\frac{1}{2}$  per cent greater than the ten-year average. The sales tonnage expanded  $9\frac{1}{2}$  per cent in August over the preceding period, but was  $\frac{1}{2}$  per cent below the usual volume for the month and  $8\frac{1}{2}$  per cent under August 1933. Prices continued to advance sharply; quotations, therefore, remained considerably firmer than those of last year, although they were decidedly lower than the 1924-33 August average. As a result of these trends, the total value of sales billed to domestic and foreign customers rose 10 per cent over July to a level higher than for any month since October 1931,  $28\frac{1}{2}$  per cent above a year ago, and within 24 per cent of the seasonal average. Inventories of packing-house commodities in the United States decreased as usual on September 1 from the beginning of August and were 13,138,000 pounds lighter than the 1929-33 average for the date. If, however, the Government stocks of beef and veal were added to these commercial stocks, total inventories probably would somewhat exceed those of a year ago and total considerably above this five-year average for September 1. Payrolls at the close of August continued to reflect a marked improvement over 1933; the number of employes and hours worked increased more than 3 per cent over July, though wage payments decreased  $\frac{1}{2}$  per cent.

August shipments for export expanded slightly over July, but the major portion of the tonnage still consisted of lard forwarded to the United Kingdom. Germany had not yet permitted a resumption of importations from the United States. The demand for American lard continued fair in British markets and remained negligible on the Continent. Moreover, European trade in United States meats consisted largely of purchases of hams by the United Kingdom. As many exporters began to insist upon values equal to present production costs, owing to declining stocks of pork products in the United States, the price of American lard in the United Kingdom tended to move closer to Chicago parity. Quotations for hams, on the other hand, weakened somewhat but were still above the United States parity. September 1 inventories of United States packing-house commodities in foreign markets (inclusive of stocks in transit) were reported as smaller than those of August 1.

#### DAIRY PRODUCTS

Seventh district production of creamery butter expanded  $\frac{1}{2}$  per cent in August over July—contrary to the usual trend—and was  $3\frac{1}{2}$  per cent larger than a year ago as well as  $2\frac{1}{2}$  per cent above the 1924-33 average for the month. The sales tonnage increased  $5\frac{1}{2}$  per cent over

the preceding period and exceeded the 1924-33 August average by  $2\frac{1}{2}$  per cent, though aggregating  $\frac{1}{2}$  per cent less than for last August. On the other hand, manufacture of the commodity in the United States showed a seasonal decline of 10 per cent in August from a month earlier and was 13 per cent smaller than a year ago. Inventories of creamery butter in the United States gained more than a seasonal amount on September 1 over the beginning of August, but were 19,456,000 pounds below the 1929-33 average and 55,041,000 pounds under the corresponding date of last year. Prices advanced.

American cheese manufacture in Wisconsin fell off  $8\frac{1}{2}$  per cent in the four weeks ended September 1 from the preceding period, but totaled  $6\frac{1}{2}$  per cent in excess of a year ago and  $10\frac{1}{2}$  per cent greater than the 1929-33 average for the period. Furthermore, production showed a larger excess over current consumption than is usual for early autumn. Owing to the sharp rise in prices over July, distribution of the commodity from Wisconsin primary markets decreased more than ordinarily is the case at this time of the year, being 12 per cent less than in the preceding four weeks and  $1\frac{1}{2}$  per cent below the five-year average, though aggregating  $31\frac{1}{2}$  per cent larger than a year ago. Total inventories of cheese in the United States showed a slightly greater accumulation on September 1 over the beginning of August than usually takes place, and were 21,911,000 pounds heavier than the 1929-33 average for that date. The Agricultural Adjustment Administration has announced that it will divert some of these trading stocks of cheese and of butter to relief of the unemployed.

### Industrial Employment Conditions

Reports by Seventh district industries for August indicate a seasonal increase of 2 per cent in payrolls but a decrease of  $1\frac{1}{2}$  per cent in employment, the latter contrary to the slightly upward trend generally shown at this season. Gains in August are partially a reaction to curtailments during July, in which month inventory lay-offs and vacation periods result in sharp declines for payrolls as well as in some loss of employment. Such increases were apparent in the current August figures for the vehicles group in which wage payments increased 6 per cent after a curtailment of 17 per cent in July; for the wood products and chemical industries in which wage payments rose  $8\frac{1}{2}$  and  $4\frac{1}{2}$  per cent, respectively, following earlier losses of

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF AUG. 15, 1934			CHANGE FROM JULY 15, 1934	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products <sup>1</sup> .....	1,287	213,437	4,310	-3.4	-3.4
Vehicles.....	224	259,652	5,991	-5.3	+6.3
Textiles and Products.....	301	42,940	719	+4.2	+14.4
Food and Products.....	614	104,753	2,217	+3.2	+0.6
Stone, Clay, and Glass.....	171	10,885	200	+0.0	-5.9
Wood Products.....	404	29,355	433	+1.3	+8.7
Chemical Products.....	162	19,562	435	+0.2	+4.5
Leather Products.....	109	21,030	375	+0.7	-0.6
Rubber Products <sup>2</sup> .....	8	6,372	133	-12.5	+3.2
Paper and Printing.....	561	63,676	1,477	+0.9	+3.7
Total Mfg., 10 Groups....	3,841	771,662	16,290	-2.2	+2.5
Merchandising <sup>3</sup> .....	1,677	77,086	1,558	-1.0	-3.1
Public Utilities.....	80	83,694	2,470	+0.7	+1.9
Coal Mining.....	15	3,340	58	+25.0	+25.8
Construction.....	315	11,892	244	-2.1	-1.9
Total Non-Mfg., 4 Groups.	2,087	176,012	4,330	+0.1	+0.1
Total, 14 Groups.....	5,928	947,674	20,620	-1.7	+2.0

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

12 and 6½ per cent; and for the textiles industries in which a 14½ per cent gain more than counteracted the 12 per cent decrease of the preceding month. Several industry groups—food products, rubber products, public utilities, and coal mining—which showed larger payrolls for July, continued this expansion in August. The coal mining industry which has shown the heaviest percentage increases in payrolls during the past two months—21 per cent in July and 26 per cent in August—is still operating at far below normal activity.

The metal industries registered decreases in both employment and payrolls during August, for the third consecutive month. The declines, amounting to 3½ per cent in each item, were considerably smaller, however, than those reported for the preceding month. Merchandising and the construction industries also registered losses in both number of workers and in wage payments, while leather products and stone, clay, and glass products showed decreases in the latter item but slight gains in employment. The present level of industrial employment in the district as a whole is 11 per cent higher than at the same time a year ago and 32 per cent over the August 1932 level. Payrolls have increased 18 per cent during the past year and more than 50 per cent since August 1932.

## Manufacturing

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

A decline of 18 per cent from July in August production of passenger automobiles by United States manufacturers reduced output to 4 per cent below the corresponding month of 1933 when August schedules were maintained at the same rate as a month previous. Truck production, on the other hand, showed a 20 per cent expansion during the month this year and exceeded output for last August by 24 per cent. The 183,500 passenger vehicles and the 51,309 trucks manufactured this August brought aggregate output for the year to date to 15 and 18 per cent, respectively, in excess of the totals for the entire year 1933.

Substantial recessions took place during August in mid-west distribution of automobiles to dealers and to users. The decline of 9 per cent in sales at wholesale followed an even sharper drop in July from June, while the 15 per cent decrease in retail sales was only a little less than that shown in the preceding month. Wholesale distribution lacked 18 per cent of equaling that of August a year ago, and sales by dealers were 20 per cent smaller in number—the latter representing the first decline since January in the yearly comparison. Stocks of new cars again were reduced during August, but continued to total substantially larger than last year. Used car sales, though somewhat less in number in August than a month previous,

**MIDWEST DISTRIBUTION OF AUTOMOBILES**  
Changes in August 1934 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JULY 1934		
	JULY 1934	AUG. 1933	
<b>New Cars</b>			
Wholesale—			
Number Sold	-9.1	-18.1	23
Value	-9.1	-7.3	23
Retail—			
Number Sold	-14.7	-20.0	56
Value	-14.8	-23.6	56
On Hand August 31—			
Number	-14.6	+30.5	56
Value	-10.9	+49.6	56
<b>Used Cars</b>			
Number Sold	-2.5	-20.2	56
Salable on Hand—			
Number	+1.3	+13.9	56
Value	+2.4	+14.4	56

did not record the heavy drop shown in new car sales; stocks, on the other hand, increased slightly at the end of August over July, in contrast to the recession in new car stocks. The ratio of deferred payment sales to total retail sales of dealers reporting the item amounted to 51 per cent in the current period, comparing with 53½ per cent for July and with 46 per cent for last August.

### IRON AND STEEL PRODUCTS

Conditions in the steel industry of the Chicago district showed little improvement in August over July, and activity was considerably under that prevailing in the earlier months of this year. Steel ingot production at no time during August exceeded 30 per cent of capacity and by the middle of September averaged only 22 per cent of capacity. A further moderate recession was recorded for August in daily average pig iron production of the Illinois and Indiana district. Price quotations for finished steel products have not been changed, nor have those for pig iron, but scrap iron and steel prices have been declining steadily since the last part of August.

The volume of orders booked for steel castings in the Seventh district showed a 21 per cent decrease in August, marking the fifth consecutive monthly decline in this item, while shipments increased 10 per cent and production remained at practically the same level as in the preceding month. The current volume of business continued to compare favorably with that of a year ago, increases totaling 25 per cent in orders, 59 per cent in production, and 115 per cent in shipments. Malleable casting foundries registered gains in all items during August, orders rising 40 per cent, shipments 9 per cent, and production 19 per cent over the corresponding July volume. Reversing the position held during the preceding two months, orders were heavier in the year-ago comparison and shipments somewhat lighter. Production continued at a level about 17 per cent lower than last year.

Seasonal trends were apparent during August in the manufacture of stoves and furnaces, molding-room operations increasing 84 per cent over the volume of the preceding month; orders accepted totaled 59 per cent and shipments 30 per cent larger than in July. The prevailing level of activity, however, was below that of last year in August, and inventories showed a heavy accumulation, amounting to more than twice those of a year ago.

### FURNITURE

Although a moderate recession in orders booked is seasonal for August, furniture manufacturers in the Seventh district reported new orders this August little changed

### LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	AUGUST 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JULY 1934		
	JULY 1934	AUG. 1933	
<b>Wholesale Lumber:</b>			
Sales in Dollars	+3.6	+9.4	10
Sales in Board Feet	+16.4	+3.9	10
Accounts Outstanding <sup>1</sup>	-7.7	+1.9	10
<b>Retail Building Materials:</b>			
Total Sales in Dollars	+29.4	+8.5	169
Lumber Sales in Dollars	+26.7	+13.1	51
Lumber Sales in Board Feet	+46.5	+8.7	62
Accounts Outstanding <sup>1</sup>	+2.9	-3.2	165
	Ratio of Accounts Outstanding <sup>1</sup> to dollar sales during month		
	AUG. 1934	JULY 1934	AUG. 1933
Wholesale Trade	187.9	210.9	201.8
Retail Trade	305.8	387.2	345.0

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

from the July peak, though 11 per cent under the year-ago volume. Shipments were expanded 46 per cent over those of the preceding month, and totaled 5 per cent lower than in August 1933. The volume of unfilled orders outstanding at the close of August was 2 per cent greater than a month previous and 2 points higher in the ratio to current orders booked. The rate of operations was increased to 55 per cent of capacity, 6 points higher than in July, though 9 points under that obtaining a year ago.

#### SHOE MANUFACTURING, TANNING, AND HIDES

Preliminary reports on shoe production in the Seventh district indicate an expansion in operations from July to August in line with the marked increase normal at this season. Latest available figures on shoe production during July show it was 6½ per cent lighter than in June, 14½ per cent smaller than in July a year ago, and 6½ per cent below the ten-year average for the month. In the tanning industry purchases of green hides and the conversion of these into leather increased during August, while sales continued to lag, the monthly volume falling not only below that of June but also below the corresponding month a year ago. Trading in packer green hides and skins was heavy in the Chicago market, stimulated by the announcement that the Government would keep hides of drought cattle slaughtered after September 5 out of regular commercial channels. Price quotations had advanced from ½ to 1½ cents by the close of August over the low point reached the second week of the month.

### Building Materials, Construction Work

Reporting wholesale lumber yards and retail dealers in this district experienced seasonal or greater expansion in August, following the dullness prevailing in the preceding two months. The volume of lumber sold by wholesale yards showed an increase of 16 per cent over July, but the gain in dollar value for the same firms amounted to only 4 per cent. The average gain for the month in the preceding five years amounted to less than 3 per cent in both items. Favorable comparisons with a year ago were recorded for the first time since May in dollar sales and since April in board feet. Despite the increased sales, accounts outstanding were lowered by 8 per cent.

At retail yards, the volume of lumber sold recorded a gain of 47 per cent over July, which was accompanied by a 27 per cent increase in dollar value. Total dollar sales of all materials gained 29 per cent, as compared with an average August expansion of only 9 per cent in the 1928-32 period. A further reduction took place in stocks during the month, which, however, were larger than a year ago at most yards. Prices averaged steady to slightly lower. Collections were good and consequently the accounts-to-sales ratio declined sharply to the lowest level since 1931. Demand for both clay products and cement in August continued at approximately the level of the preceding month and registered no improvement over a year ago.

### BUILDING CONSTRUCTION

Building contracts awarded in the Seventh district continued to decline during August, the aggregate volume totaling 17 per cent less than in July and only 6 per cent more than in August last year. Residential contracts were 5 per cent smaller than a month previous and 7 per cent below last year's volume. Total contracts for the year through August, however, were twice as heavy as those of the corresponding period in 1933.

#### BUILDING CONTRACTS AWARDED SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
August 1934.....	\$ 15,749,387	\$ 1,944,437
Change from July 1934.....	-17%	-5%
Change from August 1933.....	+6%	-7%
First eight months of 1934.....	\$171,028,855	\$18,750,952
Change from same period 1933.....	+105%	+34%

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

The Seventh district trend in estimated cost of proposed construction, according to building permit figures in 101 cities, declined somewhat during August. The decrease from July amounted to 14 per cent, although in the comparison with August 1933 a gain of 29 per cent was recorded. The number of permits issued during the month increased 13 and 8 per cent, respectively, over a month and a year previous. As compared with the preceding month, Indianapolis and Des Moines recorded gains of 425 and 168 per cent, respectively, in estimated cost of permits issued, and were the only two of the five larger cities, which include Chicago, Detroit, and Milwaukee, to differ from the district trend. In a similar comparison with a year ago, Chicago showed a decline of 29 per cent, and was the only exception to trend.

### Merchandising

Following two months of diminishing activity, most reporting groups of wholesale trade in the Seventh district experienced greater than seasonal improvement in sales during August. The grocery trade expanded 16 per cent over the preceding month, dry goods 49 per cent, and drugs 20 per cent, as against gains in the 1924-33 average for the period of but one, 18, and 4 per cent. Furthermore, these current increases were larger than in August of any of the ten years. A gain of 6 per cent in the wholesale hardware trade compared with an average decline for August of 2 per cent from the preceding month. The electrical supply trade furnished an exception to the general trend of sales by declining 9 per cent from July, whereas the seasonal average shows an increase of one per cent for the month. In the comparison with August

#### DEPARTMENT STORE TRADE IN AUGUST 1934

LOCALITY	PER CENT CHANGE AUG. 1934 FROM AUG. 1933		PER CENT CHANGE FIRST EIGHT MONTHS 1934 FROM SAME PERIOD 1933	RATIO OF AUG. COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JULY	
	NET SALES	STOCKS END OF MONTH		1934	1933
Chicago.....	+1.8	-5.0	+13.0	28.8	25.2
Detroit.....	+22.2	+3.9	+37.7	38.3	30.6
Indianapolis.....	+1.7	+8.5	+15.6	36.4	35.7
Milwaukee.....	-2.3	+7.1	+13.7	34.8	31.8
Other Cities.....	+8.3	+2.1	+29.3	29.0	26.6
7th District.....	+6.0	+0.1	+20.4	32.9	28.8

#### WHOLESALE TRADE IN AUGUST 1934

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	+14.7	-0.8	-5.6	+15.1	90.4
Hardware.....	+19.4	+22.9	+1.9	+18.8	204.9
Dry Goods.....	+35.2	+38.6	-8.3	+9.5	199.5
Drugs.....	+8.3	+2.1	-9.6	+1.4	188.2
Electrical Supplies.....	+5.9	+10.5	-0.2	+11.1	195.5

a year ago, the gain shown in the table for the grocery trade compared with practically no change in volume in the yearly comparison for July, that in dry goods followed two successive months of declines from last year, the gain in hardware was greater and that in drugs about the same as a month previous, while the small increase in the electrical supply trade followed fifteen months of substantial gains in the comparison. For the first eight months of 1934, grocery sales totaled 16 per cent larger than in the same period of 1933, drug sales were 19 per cent greater, the dry goods trade was heavier by 29 per cent and the hardware trade by 37 per cent, while electrical supplies aggregated 51 per cent more in sales volume. In all groups except electrical supplies, ratios of accounts outstanding to net sales during the month were lower than in July or a year ago.

The 31½ per cent expansion for August over July in Seventh district department store trade was considerably larger than average for the period; nevertheless, sales exceeded by only 6 per cent those of the corresponding month of 1933 when a similar heavy gain in sales was recorded. It will be noted in the table that sales by Milwaukee stores totaled slightly less than in the month last year, and that the increases for Chicago and Indianapolis were small. In the comparison with the preceding month, Detroit among the larger cities had the greatest expansion—41 per cent—with sales by Indianapolis, Chicago, and Milwaukee firms gaining 37, 28, and 21 per

cent, respectively; stores in smaller cities had an aggregate sales volume 38 per cent in excess of that for July. Stocks on hand August 31 showed little change over the end of July or the corresponding date a year previous.

The retail shoe trade in August recorded a considerably greater than seasonal gain over the preceding month, an increase of 32 per cent in the aggregate sales of reporting dealers and department stores comparing with one of only 2 per cent in the 1926-33 average for the month. The 30 per cent expansion over July in the retail furniture trade was about seasonal for August. The former line showed a sales increase of 16 per cent over last August—comparing with 7 per cent in the yearly comparison for July—while sales of furniture and house furnishings exceeded those of last year by only 2 per cent, as against a gain of 8 per cent in July sales over a year ago.

Eleven reporting chains, operating 1,504 stores in August, had total sales 3 per cent larger than in the preceding month and 2 per cent above August 1933. However, with a smaller total number of units operated than a month previous or a year ago, average sales per store increased 6 and 3 per cent, respectively, in the monthly and yearly comparisons. All reporting groups except shoes had heavier sales than in July, while five-and-ten-cent store, shoe, and musical instrument chains recorded declines from last August, drug, cigar, and men's clothing chains effecting the gain shown in the total over a year ago.

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

(Index numbers express a comparison of unit or dollar volume for the months 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	Aug. 1934	July 1934	June 1934	May 1934	Apr. 1934	Mar. 1934	Aug. 1933	July 1933	June 1933	May 1933	Apr. 1933	Mar. 1933
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	62	75	68	69	68	62	63	58	60	56	56	48	45
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	42	40	41	44	31	28	21	21	18	12	10	11
In Tons.....	12	46	44	44	47	31	28	23	25	19	13	10	12
Malleable—In Dollars.....	21	27	25	32	41	38	36	24	21	21	16	12	10
In Tons.....	21	40	36	48	62	58	58	41	36	37	29	22	16
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	10	83	64	84	102	78	82	91	63	58	54	44	38
<b>Furniture—</b>													
Orders (in dollars).....	14	42	41	20	29	25	31	47	62	30	32	24	19
Shipments (in dollars).....	14	39	27	25	33	23	24	43	30	28	27	23	20
<b>Flour—</b>													
Production (in bbls.).....	21	109	86	98	101	92	106	93	98	120	108	114	110
<b>Output of Butter by Creameries—</b>													
Production.....	67	126	125	128	120	85	80	122	123	139	135	94	93
Sales.....	69	116	110	113	114	90	92	116	106	132	113	87	96
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	78	67	83	76	64	68	68	67	70	63	55	58
Hardware.....	11	57	53	60	70	60	52	49	47	61	54	39	28
Dry Goods.....	9	47	31	38	44	40	42	34	44	39	34	26	23
Drugs.....	13	67	56	61	66	64	71	61	52	58	54	49	49
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	25	65	51	71	72	64	68	64	48	66	64	58	57
Detroit.....	5	69	50	85	93	91	92	57	41	66	74	65	45
Indianapolis.....	4	70	51	71	81	78	84	69	49	65	73	70	52
Milwaukee.....	5	63	52	68	74	82	71	65	52	63	68	70	51
Other Cities.....	43	62	45	64	75	65	73	57	40	58	60	57	44
Seventh District—Unadjusted.....	82	65	50	72	77	72	74	62	46	64	66	61	51
—Adjusted.....	82	82	69	73	76	72	76	78	64	66	65	58	57
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		63	77	90	94	99	94	65	65	71	62	51	33
Trucks.....		136	113	123	154	174	150	110	101	112	90	71	47
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		7	7	9	13	10	8	7	9	8	10	5	5
Total.....		23	28	30	32	36	37	22	27	19	15	10	12
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....		42	45	66	68	54	49	52	59	45	31	18	18
United States.....		35	40	66	67	59	53	60	59	43	29	21	18
Steel Ingot Production—(U. S.)*.....		38	44	87	93	87	77	80	95	74	55	40	25

\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

**T**OTAL output of industry, which usually increases at this season, showed little change in August. Factory employment and payrolls increased between the middle of July and the middle of August by about the usual seasonal amount. Distribution of commodities at department stores showed a more than seasonal growth.

## PRODUCTION AND EMPLOYMENT

Output of basic industrial products, as measured by the Board's index which makes allowance for usual seasonal changes, declined from 75 per cent of the 1923-1925 average in July to 73 per cent in August. At steel mills production continued to decline during August and the early part of September, contrary to seasonal tendency; in the middle of September a slight increase in activity was reported. Output of automobiles, which had been maintained at a relatively high rate during the spring and early summer, declined in August. Lumber production showed an increase. In the cotton textile industry, production was in larger volume in August than in July, but was retarded by the strike in the first three weeks of September. At meat-packing establishments, output in August was larger than in any other recent month, accompanying heavy marketings of cattle from drought areas.

Factory employment showed a seasonal increase between the middle of July and the middle of August, reflecting considerable growth in employment in the wearing apparel, canning, and meat-packing industries, while employment in the iron and steel industries and at railroad repair shops declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in August as in each of the four preceding months.

Department of Agriculture estimates as of September 1 indicate a corn crop 40 per cent smaller than the average for the five years 1927-1931, and other feed crops also are expected to be unusually small. The condition of pastures on September 1 was poorer than in any other recent year, but some improvement has been reported in the early part of September. The spring wheat crop, estimated at 93,000,000 bushels, is about one-third of the five-year average, and the winter wheat crop is also small. The cotton crop is estimated at 9,300,000 bales, a sharp reduction from other recent years.

## DISTRIBUTION

Volume of freight carloadings, which usually increases at this season, showed little change in August. Shipments of miscellaneous freight showed no seasonal expansion, while shipments of live stock increased considerably. Department store sales increased by an amount substantially larger than is usual in August and were 2 per cent higher than a year ago.

## COMMODITY PRICES

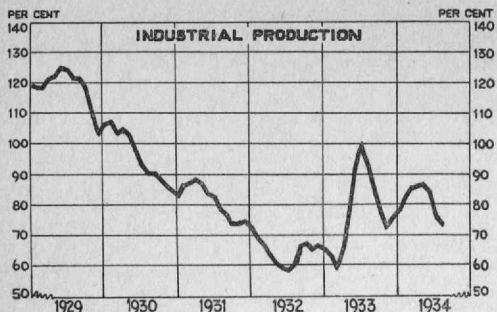
Wholesale prices of commodities increased in August and the first week of September, reflecting sharp advance in the prices of farm products and foods. Hog prices advanced rapidly during the month of August, and in the latter part of the month cattle prices also showed a marked increase. Since the beginning of September, prices for both hogs and cattle have declined somewhat, and in the middle of the month there have also been decreases in the prices of wheat and cotton. In August, as in other recent months, there was little change in prices of commodities other than farm products and foods.

## BANK CREDIT

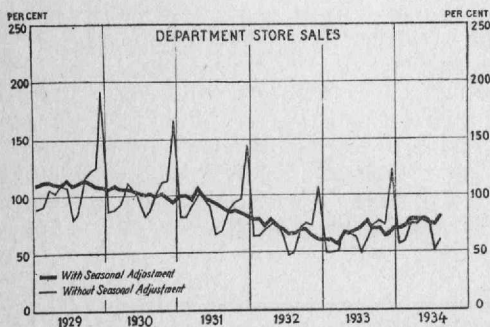
A seasonal increase in demand for currency by the public and an increase in Government deposits at the Reserve banks were reflected in a decline in member bank reserve balances between the middle of August and the middle of September. On September 19, reserve balances were about \$1,700,000,000 in excess of legal requirements. There was little change in the volume of reserve bank credit during August and September.

Total loans and investments of reporting member banks showed little change between August 15 and September 19; loans, other than security loans, increased by \$170,000,000 and holdings of securities by \$50,000,000, while security loans declined by \$200,000,000. The increase in loans other than on securities occurred largely at banks in New York City and in the western districts and reflected chiefly a growth in direct loans to customers for ordinary commercial purposes and for financing the harvesting of crops. The banks' holdings of acceptances and commercial paper, which also reflect current business financing, increased during the period.

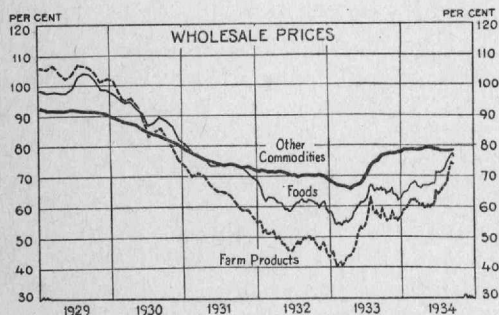
Short-term money rates continued at low levels. Yields on both United States Governments and corporate bonds increased during August and the first half of September.



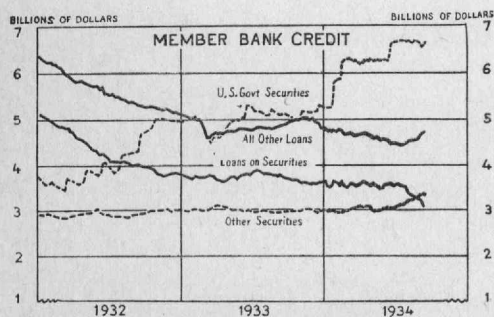
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Indexes of daily average value of sales. (1923-1925 = 100.)



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 91 leading cities. Latest figures are for September 19, 1934.