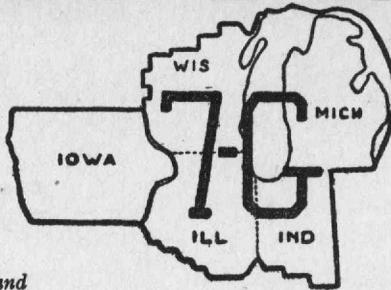


BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

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General Summary

SEVENTH district industry continued during September to follow, for the most part, the declining trend of recent months. Furthermore, the majority of reporting merchandising groups showed less than seasonal gains in trade for the month, and certain of them experienced counter-to-seasonal declines in business. Despite the recessions recorded, data covering the first three quarters of 1934 indicate a volume of manufacture and trade aggregating well above that for the nine months of 1933.

In manufacturing phases, the iron and steel and automobile industries, of the major groups, further reduced activity in September, and operations at steel and malleable casting foundries were lower than a month previous. Building construction, on the other hand, showed some improvement over the August volume, the increase being the first since March. The movement of building materials was slower, in accordance with seasonal trend. New business and shipments of furniture manufacturers increased, as is usual for September. Further recessions were recorded during the month in industrial employment and payrolls, the decline in number of men employed being greater than average for the period.

Commercial as well as total production of packing-house commodities gained in September over August as did the aggregate value of sales. The manufacture and distribution of butter and of Wisconsin cheese, however, were smaller than a month previous. In general, the output of all these commodities exceeded that of the corresponding month last year. As in August, the September movement of wheat and oats totaled less than average; while that of corn was normal, though less than in the preceding month. On October 1, little change was evident in the crop situation, ample rains in September being of doubtful benefit to this year's crops.

Less than seasonal expansion was shown during September by reporting groups of wholesale trade, and three lines—groceries, drugs, and electrical supplies—experienced counter-to-seasonal recessions in business. Department store sales likewise recorded a smaller than average gain over the preceding month, as did the retail furniture trade. The increase over August in the retail shoe trade, however, was greater than usual for the month. Chain store sales gained only slightly over a month previous. In all phases mentioned, except chain store trade,

the dollar volume of sales remained moderately heavier than in the corresponding month of 1933.

Investment holdings and commercial loans of reporting member banks in the Seventh district increased between September 12 and October 17, while loans on securities declined. Demand deposits in these banks rose and time deposits fell off in this period. Credit extended by the Federal Reserve Bank to the district decreased somewhat in the five weeks. A further recession was recorded during September in new financing by means of bankers' acceptances and in dealer sales of commercial paper.

Credit Conditions and Money Rates

A net outflow of more than 24½ million dollars to other areas because of commercial and financial payments reduced Seventh Federal Reserve district banking reserves during the five-week period ended October 17. Reserve bank credit extended within the Seventh district also decreased 2½ million dollars. United States Treasury collections again exceeded local disbursements; the excess, amounting to 17 millions, offset part of the decrease in funds available to banks. Member bank reserve balances showed a heavy decline—over 49 million dollars—between September 12 and October 17, and demand for currency increased 5¼ millions. Total credit extended by this bank (total bills and securities and "float") amounted to \$426,792,000 on October 17, as compared with \$429,293,000 on September 12. Changes in the sources and uses of Seventh district banking reserves are given in detail in the accompanying tabulation.

Changes between September 12 and October 17 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended.....	-2,667
Commercial operations through inter-district settlements.....	-24,656
Treasury and National bank currency.....	+718
Total supply.....	-26,605
Demand for currency.....	+5,257
Member bank reserve balances.....	-49,610
Treasury cash and deposits at Federal Reserve Bank of Chicago....	+17,029
Special and "all other" deposits.....	-167
Other Federal Reserve accounts.....	+886
Total demand.....	-26,605

MEMBER BANK CREDIT

Total loans and investments of reporting member banks in the Seventh Federal Reserve district increased 68 million dollars on October 17 as compared with the ag-

gregate reported on September 12. The accompanying tabulation shows that this increase represented a rise of 67 millions in investment holdings, 7 millions in "all other" (commercial) loans, and a decline of 6 millions in loans on securities. Net demand deposits of reporting member banks rose by 41 million dollars, as against an increase of 32 millions in the August 15-September 12 period, whereas the decline of 12 millions shown in time deposits as of October 17 compared with September 12, to a considerable extent offset the gain of 15 million dollars recorded on September 12 over August 15. Investments as well as net demand deposits on October 17 this year showed large increases over the corresponding aggregates a year ago; time deposits were also in somewhat greater volume. Loans on securities, however, on October 17 were 117 millions less than on October 18, 1933, and "all other" (commercial) loans fell short of the total on the latter date by 46 millions.

The prevailing rate on customers' commercial loans reported by down-town Chicago banks for the week ended October 15 was $1\frac{1}{2}$ to 5 per cent, compared with a range of $1\frac{1}{2}$ to 6 per cent for the corresponding week in September. The average rate earned on loans and discounts during the calendar month of September by down-town Chicago banks was 2.99 per cent—a slight rise from the 2.94 per cent in August; for September 1933, this item was 3.30 per cent. Customers' commercial loans in Detroit carried a prevailing rate of $3\frac{1}{2}$ to 6 per cent in the week ended October 15, unchanged from the corresponding week in September.

Sales of commercial paper by dealers in the Middle West fell off more than seasonally in September from the preceding period and were below those of any other month this year since February, being $19\frac{1}{2}$ per cent smaller than in August and $51\frac{1}{2}$ per cent under the 1924-33 September average, though totaling $87\frac{1}{2}$ per cent greater than a year ago. Borrowing by means of commercial paper remained at the August level, but demand for this class of investment decreased from both city and country banks. September selling rates ranged from $\frac{3}{4}$ per cent for prime short-term obligations to 1 and $1\frac{1}{4}$ per cent for paper less well known or of longer maturity; the bulk of transactions continued to take place at $\frac{3}{4}$ to 1 per cent. Commercial paper outstandings in the Middle West increased further during the month. In spite of the unattractive yields still prevailing, sales in the first half of October expanded $48\frac{1}{2}$ per cent over the corresponding weeks of September and rates remained within a range of $\frac{3}{4}$ to $1\frac{1}{4}$ per cent.

Dealer purchases of local acceptances in the Chicago bill market, though increasing very slightly over the preceding period, were extremely limited in quantity from September 13 to October 17, but receipts from Eastern cities increased substantially, and in total volume were the largest since the first of this year—January 10 to

February 14—resulting in a large gain in total bill supplies during the five-week period. Open-market sales to local banks expanded considerably in the five weeks and were in the heaviest volume during the past year, while those to out-of-town banks were the largest since the four-week period of March 15 to April 11. Despite the fact that shipments to Eastern markets were almost nil, total distribution registered a heavy gain over that of a month earlier. Holdings on October 17 were practically negligible. Selling rates ranged from $\frac{1}{8}$ to $\frac{3}{16}$ per cent during the period.

The utilization of bankers' acceptance credits for new financing decreased further during September in the Seventh Federal Reserve district, and was not only smaller than for any preceding period since June 1927 but $58\frac{1}{2}$ per cent under the 1924-33 September average. The direct discounting of these bills at the originating banks also declined sharply from August. However, the expansion in buying of other banks' bills over the extremely limited volume of the preceding month was so marked that total purchases rose to a level within 8 per cent of the ten-year average for September. Sales were nil. Moreover, purchases aggregated 60 per cent in excess of current maturities. Acceptance holdings of these banks, therefore, showed a counter-to-seasonal accumulation on September 30 over the end of August and were $118\frac{1}{2}$ per cent larger than the 1924-33 average for that date. On the other hand, the liability of Seventh district banks for outstanding acceptances was reduced to a point lower than for any other corresponding date since July 30, 1927. In the first half of October, new financing by means of bankers' acceptances declined $31\frac{1}{2}$ per cent from the corresponding weeks of September.

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

	PER CENT CHANGE IN SEPTEMBER 1934 FROM	
	AUGUST 1934	SEPTEMBER 1933
Total value of bills accepted.....	-41.6	-63.2
Purchases (including own bills discounted).....	+93.2	-34.7
Sales.....	-100.0	-100.0
Holdings*.....	+24.1	-42.5
Liability for outstandings*.....	-14.4	-42.0

*At end of month.

SECURITY MARKETS

Activity remained at reduced levels during September in the Chicago bond market, with demand continuing to favor the higher grade issues. Prices declined in the early part of the month and in some instances touched a low point since February; toward the latter part of September, however, prices in both the municipal and corporation fields recovered substantially. The trend in United States Government obligations was similar to that shown by domestic bonds: after remaining soft during most of the month, prices firmed considerably and registered slight increases in the early part of October. Institutions continued to be the heavy purchasers of bonds during September, although individual inquiries were reported as increasing. Prices on the Chicago Stock Exchange have shown a gradual upward trend since the middle of Sep-

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	CHANGE FROM		
	Oct. 17	SEPT. 12	Oct. 18
	1934	1934	1933
Total Bills and Securities.....	\$429.5	\$ -0.0	\$ -8.7
Bills Discounted.....	0	-0.5	-5.8
Bills Bought.....	0.7	+0.1	-0.1
U. S. Government Securities.....	428.3	0	-3.3
Total Reserves.....	1,062.9	-69.9	+101.8
Total Deposits.....	686.0	-76.2	+111.8
Federal Reserve Notes in Circulation.....	775.0	+2.7	+22.2
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined....	72.7%	-1.1*	+0.3*

*Number of Points.

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	Oct. 17	SEPT. 12	Oct. 18
	1934	1934	1933
Total Loans and Investments.....	\$1,929	\$ +68	\$ +419
Loans on Securities.....	287	-6	-117
All Other Loans.....	422	+7	-46
Investments.....	1,220	+67	+582
Net Demand Deposits.....	1,733	+41	+518
Time Deposits.....	490	-12	+26
Borrowings from Federal Reserve Bank...	0	0	0

tember. The average price of twenty leading stocks* amounted to \$27.44 on October 15, as compared with \$25.68 on September 15.

*Chicago Journal of Commerce.

Agricultural Products

The general situation as regards crop production in this district, as well as for the country as a whole, continued in September to be similar to that reported in the preceding two months. Expectations regarding serious drouth damage were confirmed and even intensified in some cases, as revealed in the Government's October 1 crop report. The estimate for corn recorded the third successive monthly reduction, and represented a decline of more than 30 per cent since the July 1 estimate, both for the district and for the United States. In addition, the portion of the total corn crop which will be husked for grain is extremely low, being estimated at barely half the quantity husked last year, as distinguished from the total production which includes the grain equivalent of corn used as silage and forage. The low grain return is due to the poor condition of the crop and to insect pests and ear-mold. White potatoes again improved, and the district estimate is 16 million bushels larger than last year and even slightly above the five-year average. White and sweet potatoes are the only major crops which promise normal production in this district.

September rainfall averaged above normal in all states of the Seventh district—for the second month in Illinois and Indiana—and while important for pastures and soil preparation for next season, was of doubtful benefit to this year's production. Grass and growing crops were remarkably improved, but maturing crops suffered. Cut hay was damaged and much hay could not be cut at the proper time. Considerable areas are still awaiting relief from the drouth, such as southwest Iowa where pastures are still dormant or dead and the soil is too dry for cultivation. Elsewhere field work progressed well in September and considerable fall wheat and rye was up by the end of the month.

Despite the low condition of pastures and shortage of feed, shipments of stocker and feeder cattle into corn belt states during the summer (July through September) were estimated by the Government to be 18 per cent greater than the five-year average movement for the period. As the shipments were concentrated in areas least affected by the drouth, considerable congestion has resulted and pastures are reported overtaxed, despite marked improvement from the September rains.

GRAIN MARKETING

The September movement of grains at primary markets was normal in the case of corn, but below average for wheat and oats. Receipts of all grains declined from the preceding month and were lower than a year earlier, while reshipments of wheat and oats made counter-to-seasonal gains over the low quantities of August. Corn shipments, however, receded from the previous high level.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	SEPT. 1934	PER CENT OF INCREASE OR DECREASE FROM	
		AUG. 1934	SEPT. 1933
Chicago.....	\$2,078	-4.3	+2.5
Detroit, Milwaukee, and Indianapolis.....	779	-10.2	+13.8
Total four larger cities.....	\$2,857	-5.9	+5.3
34 smaller centers.....	476	-5.7	+15.2
Total 38 centers.....	\$3,333	-5.9	+6.6

Visible supplies changed only moderately in September and early October: wheat and oats declined somewhat, while barley recorded an increase and corn and rye remained practically unchanged. On October 13, declines from a year previous ranged between 2 per cent for corn and 53 per cent in the case of oats. Farm stocks of grains on October 1, as estimated by the Department of Agriculture, were also lower than a year ago—by 24 per cent for wheat, 16 per cent for corn, and 23 per cent for oats.

Wheat future quotations continued above one dollar a bushel during September, and after sagging in early October recorded some strength around the middle of the month; cash prices maintained a considerable premium over futures throughout the period. Corn and oats prices were somewhat stronger than those of wheat and averaged higher than in August.

MOVEMENT OF LIVE STOCK

Though declining somewhat from the peak attained in the preceding month, September marketings of cattle and calves in the United States aggregated approximately 80 per cent heavier than the 1924-33 September average and were more than double those of a year ago. Activities of the Federal Surplus Relief Corporation were extended during the month to the lamb industry. However, receipts of lambs at public stock yards in the United States showed no more than a seasonal expansion over August and had been exceeded in a number of months since January 1931. Hog marketings rose 1½ per cent in September over the record low level which obtained a month earlier. The movement of animals to inspected slaughter (inclusive of those that did not pass through public stock yards) diverged from the trend of market receipts in several instances: the supply of cattle and calves was more than 115 per cent in excess of the 1924-33 September average, that of cattle was the largest in this bank's records (January 1921), and the number of hogs decreased 1½ per cent from August but remained in excess of the supply shown in several other low months during the past twelve years.

Reshipments of both cattle and calves to feed lots

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		FORECAST	UNITED STATES		AVERAGE
	FORECAST	FINAL		1934	FINAL	
	1934	1933	1934	1933	1927-31	
Corn.....	505,200	835,127	1,416,772	2,343,883	2,516,307	
Oats.....	198,213	314,089	545,938	731,524	1,186,956	
Winter Wheat..	46,973	44,426	400,522	351,608	632,061	
Spring Wheat..	1,734	2,316	96,460	176,370	254,298	
Barley.....	29,850(a)	35,401(a)	122,240	156,988	270,444	
Rye.....	5,842(a)	5,629(a)	17,261	21,236	40,950	
Buckwheat.....	810(a)	803(a)	7,452	7,832	9,496	
Flaxseed.....	219(b)	236(b)	5,228	6,806	18,664	
Potatoes (White)	56,135	39,752	362,391	320,353	365,556	
Potatoes (Sweet)	1,215(c)	1,070(c)	65,632	65,073	62,386	
Sugar Beets....	1,225(d)	1,203(d)	7,551	11,030	7,854	
Apples.....	11,518(a)	15,033(a)	115,260	142,981	156,303	
Peaches.....	1,196(e)	1,965(e)	45,404	44,692	56,282	
Pears.....	1,582(e)	1,010(e)	23,321	21,192	22,334	
Cranberries*....	58(f)	47(f)	467	705	563	
Grapes.....	74(a)	74(a)	1,699	1,910	2,277	
Dry Beans*....	2,602(d)	3,539(d)	9,449	12,280	11,594	
Tobacco*....	14,592	17,814	1,091,764	1,385,107	1,470,556	
All Tame Hay ¹	9,627	13,289	52,441	65,983	72,250	
Wild Hay ¹	445(a)	575(a)	5,287	8,633	11,368	
Broom Corn ¹ ..	12(g)	6(g)	30	32	47	
Onions.....	4,818(a)	4,860(a)	22,763	21,553	*23,789	
Celery ⁴	1,491(h)	1,726(h)	8,210	8,624	*9,345	
Cucumbers.....	92(i)	65(i)	3,252	2,894	*4,607	
Cabbage ¹	270(a)	131(a)	1,196	724	*1,010	
CANNING CROPS:						
Sweet Corn ¹ ..	226(a)	166(a)	482	396	*625	
Tomatoes ¹ ...	400(e)	268(e)	1,403	1,078	*1,293	

¹In thousands of tons. ²In thousands of barrels. ³In thousands of 100-lb. bags. ⁴In thousands of pounds. ⁵In thousands of crates. (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 and Michigan. (i) Illinois and Michigan. *1928-32 average.

slowed down from August but were at least 40 per cent above the 1929-33 average for September.

MEAT PACKING

The commercial production of packing-house commodities at slaughtering establishments in the United States increased 3 per cent in September over August to a level $4\frac{1}{2}$ per cent above the 1924-33 average for the month and within $2\frac{1}{2}$ per cent of a year ago. Furthermore, total production—which includes the beef, veal, and lamb processed by the Government, in addition to the regular market tonnage—exceeded this ten-year average by $31\frac{1}{2}$ per cent, having expanded $4\frac{1}{2}$ per cent over August and $14\frac{1}{2}$ per cent over last September. Despite a downward trend since early September, prices averaged higher than a month earlier and continued above last year, though considerably below the seasonal level. The total value of sales billed to domestic and foreign customers rose 2 per cent in September over August, and was 23 per cent greater than in September 1933 but 24 per cent smaller than the 1924-33 average for the period. The tonnage sold, however, declined $4\frac{1}{2}$ per cent from the preceding month, 19 per cent from last September, 9 per cent from the 1924-33 September average, and also failed to show as large an excess over current production as is customary at this season. Commercial inventories, therefore, fell off less than the usual amount from September 1 and were 101,000,000 pounds heavier than the 1929-33 October 1 average. It is estimated that the Federal Surplus Relief holdings were very large and that total inventories of packing-house commodities in the United States considerably exceeded both the 1929-33 average for September and a year ago. Payrolls for the close of September continued to reflect a marked improvement over last year and showed a gain over August of approximately $6\frac{1}{2}$ per cent each in employes, hours worked, and wage payments.

Shipments for export decreased moderately in September from August and consisted largely of lard forwarded to the United Kingdom. No resumption of importations from the United States had been permitted by Germany. Furthermore, the demand for American lard remained negligible on the Continent and showed some decline in the United Kingdom. The bulk of the meat trade was still confined to moderate purchases of hams by British importers. Quotations for United States lard were held near to Chicago parity in the United Kingdom and continued at a premium on the Continent. Prices of American hams eased in English markets. Inventories abroad (inclusive of the stocks in transit) were somewhat heavier on October 1 than at the beginning of September.

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, September 1934.....	359	531	407	148
Federally Inspected Slaughter, United States				
September 1934.....	1,786	2,601	1,734	831
August 1934.....	1,576	2,641	1,523	970
September 1933.....	821	3,038*	1,609	405

*Exclusive of 5,321,475 slaughtered for the A. A. A.

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	OCT. 20 1934	SEPT. 1934	AUG. 1934	SEPT. 1933
Native Beef Steers (average).....	\$7.65	\$8.00	\$7.20	\$5.70
Fat Cows and Heifers.....	5.10	5.35	4.95	4.30
Calves.....	6.00	7.10	6.10	6.65
Hogs (bulk of sales).....	5.55	6.85	5.85	4.25
Yearling Sheep.....	5.25	5.50	5.75	5.35
Lambs.....	6.00	6.15	6.50	6.65

DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district decreased 12 per cent in September from a month earlier but aggregated 13 per cent heavier than a year ago and $12\frac{1}{2}$ per cent in excess of the 1924-33 early autumn average. The sales tonnage declined $14\frac{1}{2}$ per cent from August, although it remained $2\frac{1}{2}$ per cent above the seasonal level and was 4 per cent larger than last September. Manufacture of the commodity in the United States also fell off less than seasonally from the preceding month but was 7 per cent under a year ago. Moreover, demand failed to prevent a non-seasonal accumulation in holdings, though prices were lowered $5\frac{1}{2}$ per cent from August. Total inventories of creamery butter in the United States, therefore, rose to a point on October 1 only 2,063,000 pounds below the 1929-33 average for that date.

The manufacture of American cheese in Wisconsin was reduced 10 per cent in the four weeks ended September 29 from the preceding period, although it remained $10\frac{1}{2}$ per cent above the 1924-33 seasonal level and exceeded that of a year ago by 12 per cent. Distribution of the commodity from primary markets of that state not only decreased more than the usual amount from August and was 9 per cent below the ten-year average, but aggregated $19\frac{1}{2}$ per cent less than current production. Despite some easing in prices, total inventories of cheese in the United States showed a further rise of 4,981,000 pounds on October 1 to a level 27,536,000 pounds above the 1929-33 October 1 average.

Industrial Employment Conditions

Decreases of $1\frac{1}{2}$ per cent in employment and $3\frac{1}{2}$ per cent in payrolls were reported by Seventh district industries for the period August 15 to September 15. Industries included in the reports were represented by 5,799 establishments with an employment of nearly one million workers and 20 million dollars in weekly wage payments. The recessions were larger than seasonal in employment but only slightly in excess of the 1925-33 average decline in payrolls for the period. This average, however, was affected by the August to September losses in 1931 and 1932, which greatly exceeded the corresponding decline in any other year on record.

The current trend was the effect mainly of reductions in the metals and vehicles groups, which amounted, respectively, to $3\frac{1}{2}$ and $8\frac{1}{2}$ per cent in employment and

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF SEPT. 15, 1934			CHANGE FROM AUG. 15, 1934	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	1,267	206,218	3,993	-3.6	-7.3
Vehicles.....	222	237,779	5,474	-8.6	-9.3
Textiles and Products.....	288	43,412	735	+3.0	+3.8
Food and Products.....	615	115,460	2,370	+8.7	+5.7
Stone, Clay, and Glass.....	163	10,473	198	-0.7	-3.7
Wood Products.....	394	29,944	448	+2.0	+2.6
Chemical Products.....	153	20,938	471	+1.3	+0.5
Leather Products.....	104	20,469	346	-4.5	-9.0
Rubber Products ²	8	6,319	97	-0.8	-27.0
Paper and Printing.....	561	63,319	1,479	-0.8	-0.5
Total Mfg., 10 Groups.....	3,775	754,331	15,611	-2.6	-4.8
Merchandising ³	1,627	82,403	1,634	+6.5	+4.5
Public Utilities.....	77	83,175	2,400	-0.3	-2.6
Coal Mining.....	15	3,807	78	+6.0	+27.6
Construction.....	305	11,699	234	-0.6	-3.8
Total Non-Mfg., 4 Groups.....	2,024	181,084	4,346	+2.8	+0.4
Total, 14 Groups.....	5,799	935,415	19,957	-1.6	-3.7

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

7 and 9 per cent in payrolls. Other industrial groups, however, contributed a considerable share of the decline, especially in payrolls. Rubber products, represented by a small number of firms, showed a decrease in this item of 27 per cent, leather products 9 per cent, stone, clay and glass 3½ per cent, and paper and printing one-half per cent. A substantial amount of these losses in manufacturing industries was offset by continued increases in the textiles and food products groups, employment in the latter showing the effects of the Federal Surplus Relief operations. Wood products and chemical industries also recorded further gains over the preceding month both in employment and payrolls.

Non-manufacturing groups, combined, showed gains of 3 per cent in employment and one-half per cent in payrolls, to some extent counteracting the losses in the manufacturing groups. Merchandising concerns increased employment 6½ and payrolls 4½ per cent, which gains were considerably in excess of seasonal expectations. Coal mining recorded a further expansion, usual at this season. The construction and public utility industry groups had only minor losses in employment but reduced payrolls 4 and 2½ per cent, respectively.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

September output of passenger automobiles by American manufacturers numbered 123,909, representing a drop of 32½ per cent from August and comparing with 157,367 in September a year ago. Truck production amounted to 44,963 vehicles in September, or 12 per cent less than a month previous but 31 per cent above the volume of last September. Despite a steadily declining rate of output since April, passenger car production in the first three quarters of 1934 exceeded the annual total for either of the years 1932 or 1933 and almost equaled that for 1931. Truck manufacture in the nine months this year was greater than annual production in any of these years.

Distribution of automobiles in this district continued to diminish in September, sales to dealers and to users falling considerably below those of August. Although sales at retail were moderately under those of a year ago, the decline was not so great as shown in the yearly comparison for August, while the number of cars sold by distributors this September was only fractionally smaller than in the same month of 1933 and the aggregate value of these sales increased. For the fourth successive month dealers' stocks of new cars were reduced; consequently, they exceeded those of a year ago by only 18 per cent in number, whereas at the beginning of the decline in June, they were almost double those of last year. Used car

sales decreased from the preceding month to a somewhat lesser extent than did new car sales at retail, while the decline from September 1933 was the same; stocks again expanded over a month previous. Deferred payment sales in September amounted to 47 per cent of the total retail sales of dealers reporting the item, as compared with a ratio of 51 per cent in August and of 47½ per cent for last September.

IRON AND STEEL PRODUCTS

Activity in the Chicago district steel industry was even less in September than in August, but the early part of October showed some improvement in new business. Steel ingot output which averaged only 22 per cent of capacity in the middle of September, rose thereafter and for the following three weeks was maintained at around 26 per cent of capacity, though dropping to 24 per cent in the second week of October. Despite a lower rate of operations in recent months than last year at the same time, total business for the year to date is well above that for the corresponding period of 1933. Pig iron production for September in the Illinois and Indiana district was smaller in the daily average than for any other month this year. Following a steady decline in iron and steel scrap prices beginning the last of August, quotations rose in the first part of October. No other price changes of note have occurred.

Steel casting foundries of the Seventh district continued to experience diminishing business in September, orders falling 8 per cent, production 29 per cent, and shipments 35 per cent below the volumes reported for August. Orders booked were under the level of a year ago for the first time since February 1933, while production and shipments continued larger in this comparison by 31 and 58 per cent, respectively. Activity at malleable casting foundries, after marked expansion during August, again showed a contraction in September, decreases amounting to 17 per cent in orders, 12 per cent in shipments, and 11 per cent in production. All of these items were slightly below the corresponding volumes of a year ago.

The manufacture of stoves and furnaces continued seasonally active in September, molding-room operations showing a further expansion of 52 per cent, while the value of orders accepted and shipments increased 55 and 41 per cent, respectively, over August. Operations were still slightly below those of last year, orders were practically the same, and shipments larger. Inventories increased 13 per cent during the month and totaled 44 per cent heavier than at the same time in 1933.

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in September 1934 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	AUG. 1934	SEPT. 1933	
New Cars			
Wholesale—			
Number Sold		-0.1	22
Value	-21.7	+13.8	22
Retail—			
Number Sold	-19.5	-15.3	58
Value	-10.7	-7.7	58
On Hand September 29—			
Number	-14.6	+18.0	58
Value	-18.4	+27.8	58
Used Cars			
Number Sold	-14.8	-15.3	58
Salable on Hand—			
Number	+6.7	+6.8	58
Value	+5.7	+24.3	58

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	SEPT. 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	AUG. 1934	SEPT. 1933	
Wholesale Lumber:			
Sales in Dollars	-2.8	+16.3	12
Sales in Board Feet	-11.4	+7.0	10
Accounts Outstanding ¹	+3.6	+8.3	12
Retail Building Materials:			
Total Sales in Dollars	-0.2	+20.5	171
Lumber Sales in Dollars	-4.2	+25.2	56
Lumber Sales in Board Feet	-13.6	-0.9	68
Accounts Outstanding ¹	-0.3	-3.7	168
Ratio of Accounts Outstanding ¹ to total dollar sales during month			
	SEPT. 1934	AUG. 1934	SEPT. 1933
Wholesale Trade	192.1	180.2	206.2
Retail Trade	304.0	303.4	381.5

¹End of Month.

FURNITURE

In line with seasonal trend, orders booked by furniture manufacturers reporting to this bank gained 5 per cent in September over August, and shipments were 14 per cent heavier in the comparison. Owing to the greater increase in shipments than in orders, the slight advantage of August orders over shipments was reversed in the current month, shipments exceeding new orders for the first time since June. A large increase in cancellations—40 per cent—further contributed to a decline in unfilled orders, the volume outstanding at the close of September showing a drop of 10 per cent from a month previous and falling 12 points in the ratio to current orders. As compared with a year ago, orders booked and shipments registered declines for the fifth and the fourth successive months, respectively, that in orders amounting to 8 per cent in the current month and in shipments to 2 per cent. The rate of operations approximated 63 per cent of capacity in September, a gain over August of 8 points, though 4 points under the ratio maintained in September 1933.

SHOE MANUFACTURING, TANNING, AND HIDES

Preliminary reports for September on shoe manufacturing in the Seventh district indicate a counter-seasonal loss in activity, operations decreasing 16 per cent from the preceding month. Production in August, according to the latest available figures, exceeded that of July by 25 per cent and came within 4 per cent of the August 1933 volume which was the highest on record since 1929. Despite a lag in production for several months past in the year-ago comparison, output from January 1 to September 1 this year shows an increase of 8 per cent over the same months of 1933. In the tanning industry, production and sales of leather fell below those of August, as did tanners' purchases of green hides. Trading in packer green hides in the Chicago market was less extensive than a month earlier, while price quotations increased one-half cent on a majority of items and as much as 1½ cents on certain selections.

Building Materials, Construction Work

The September trend of operations was moderately downward in all lines of building materials covered by this survey, although in most of them the recession was seasonal. However, reporting retailers experienced a fractional loss from August in dollar sales of all materials, which compares favorably with the 9 per cent decline recorded in September 1933 but contrasts with a 10 per cent gain for the period in the average of the preceding five years. The increase from a year earlier, on the other hand, was the highest recorded since May. Lumber sales at these yards declined more sharply than the aggregate of all items sold. Accounts outstanding were lowered only fractionally and the accounts-to-dollar sales ratio remained constant at practically the end of August level.

Wholesale lumber dealers also reported lower sales than in August, the decline, however, being less than the five-year average loss for the month. Gains over a year ago

WHOLESALE TRADE IN SEPTEMBER 1934

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLECTIONS	
Groceries.....	+8.3	+5.9	-5.1	+13.2	97.5
Hardware.....	+18.8	+15.4	+0.7	+20.5	209.7
Dry Goods.....	+23.3	+31.3	-6.8	+11.9	212.3
Drugs.....	+7.7	+5.7	-12.4	+2.7	181.8
Electrical Supplies.....	+9.0	+6.8	-0.8	+15.4	195.2

compared favorably with those recorded in August. Shipments of cement from midwest mills during the third quarter of 1934 fell below the corresponding period of last year, after having recorded a gain in this comparison in each of the first six months of this year.

BUILDING CONSTRUCTION

Building activity during September in the Seventh Federal Reserve district showed the first monthly increase since March. Total contracts awarded in the month amounted to over 20 million dollars as compared with only 15¼ millions for August. The highest dollar volume for any month this year was 27½ million dollars recorded in January. Residential awards increased moderately in September over the preceding period, though amounting to only 12 per cent of the total volume.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
September 1934.....	\$ 20,098,176	\$ 2,333,589
Change from August 1934.....	+28%	+20%
Change from September 1933.....	+3%	-35%
First nine months of 1934.....	\$191,127,031	\$21,084,541
Change from same period 1933.....	+85%	+20%

*Data furnished by F. W. Dodge Corporation.

Building permits issued during September in 102 cities of the Seventh district registered declines of 11 and 8 per cent, respectively, from the preceding month and September 1933. The decrease in the comparison with a year ago in the estimated cost of proposed construction is the first to be recorded since November last year. The number of permits issued in these cities increased 2 per cent over the preceding month and 21 per cent over a year ago. The estimated cost of proposed work in Chicago gained 24 per cent over August, while the other four large cities—Detroit, Milwaukee, Indianapolis, and Des Moines—followed the district trend. As compared with a year ago, Detroit recorded an increase of 5 per cent in dollar volume of permits and Milwaukee one of 42 per cent, the other three cities registering declines.

Merchandising

Reporting groups of wholesale trade in the Seventh district experienced less than seasonal expansion in business during September or contrary-to-seasonal declines. Hardware sales increased only 3 per cent over the preceding month and dry goods 4 per cent, as against gains shown in the 1924-33 September average of 10 and 21 per cent, respectively. Grocery sales totaled 3 per cent less than in August, drug sales 2 per cent, and electrical supply sales 4 per cent smaller, whereas in the September average, increases of 5, 4, and 3 per cent were recorded. All lines had heavier sales this September than a year ago when trends for the month likewise were unfavorable, although for the majority the gains were smaller than in

DEPARTMENT STORE TRADE IN SEPTEMBER 1934

LOCALITY	PER CENT CHANGE SEPT. 1934 FROM SEPT. 1933		PER CENT CHANGE FIRST NINE MONTHS 1934 FROM SAME PERIOD 1933	RATIO OF SEPT. COLLECTIONS TO ACCOUNTS OUTSTANDING END OF AUG.	
	NET SALES	STOCKS END OF MONTH		1934	1933
Chicago.....	+8.2	-9.8	+12.2	32.7	29.1
Detroit.....	+8.7	-2.2	+32.7	41.2	33.3
Indianapolis.....	+14.6	-5.8	+15.4	36.7	34.0
Milwaukee.....	+4.7	-3.8	+12.4	34.5	30.0
Other Cities.....	+11.8	-3.3	+26.8	29.3	26.7
7th District.....	+8.9	-6.5	+18.5	34.5	30.1

a similar comparison for August. Data covering the first three quarters of 1934 show sales gains over the same nine months of 1933 of 15 per cent in groceries, 20 per cent in drugs, 27 per cent in dry goods, 33 per cent in hardware, and 46 per cent in electrical supplies. Ratios of accounts outstanding to net sales for September were higher than for August in groceries, hardware, and dry goods, lower for drugs, and about the same for electrical supplies; in all groups except the last-named they remained below those of a year ago.

Although Seventh district department store trade gained somewhat less than seasonally in September over a month previous, the increase equaled that for the month last year, and the gain of 9 per cent shown over last September compared with one of but 6 per cent in the yearly comparison for August. Furthermore, daily average sales, based on the number of trading days in the period, increased 35 per cent in the monthly and 13 per cent in the year-ago comparison. Among the larger cities, Detroit, Indianapolis, and Milwaukee stores, with respective gains of 42, 36, and 21 per cent, showed better expansion in sales over the preceding month than did Chicago firms with an increase of 14½ per cent; aggregate sales of reporting stores in smaller centers were 9 per cent above those in August. With the exception of Detroit, the larger cities as well as smaller centers recorded a wider margin of gain in trade over a year ago than was shown in August. Although stocks expanded during September, in accordance with seasonal trend, they totaled 6½ per cent smaller at the end of September than on the same date

in 1933, the decline being the first shown from a year ago since July 1933.

For the second successive month, the expansion in the retail shoe trade was much greater than usual for the period. September sales of reporting dealers and department stores exceeded those of the preceding month by 60½ per cent, whereas the 1925-33 average for September shows a gain of 49 per cent. However, sales totaled only 5 per cent larger than for last September when an even heavier increase was recorded in sales. In the nine months of this year, the dollar volume sold was 17 per cent in excess of the first three quarters of 1933.

The retail furniture trade in September increased by less than the average percentage over August, sales of dealers and department stores being 35 per cent larger than a month previous as against an average expansion of 39 per cent. A gain of 15½ per cent was shown over last September, as compared with an increase of less than one per cent in the yearly comparison for August. Installment sales by dealers declined one per cent from the preceding month and were but 6 per cent greater than a year ago.

Aggregate September sales of thirteen reporting chains exceeded those of August by 1½ per cent, though declining 2 per cent from the corresponding month of 1933. Five-and-ten-cent store, grocery, cigar, shoe, and musical instrument chains were responsible for the gain over the preceding month, sales of drug and men's clothing chains being less than a month previous, while in the yearly comparison, five-and-ten-cent stores, grocery, men's clothing, and musical instrument chains effected the decline recorded, drug, cigar, and shoe chains reporting increases.

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	Sept. 1934	Aug. 1934	July 1934	June 1934	May 1934	Apr. 1934	Sept. 1933	Aug. 1933	July 1933	June 1933	May 1933	Apr. 1933
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	77	75	68	69	68	62	63	58	60	56	56	48
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	29	42	40	41	44	31	19	21	21	18	12	10
In Tons.....	12	31	46	44	44	47	31	19	23	25	19	13	10
Malleable—In Dollars.....	21	24	27	25	32	41	38	24	24	21	21	16	12
In Tons.....	21	35	40	36	48	62	58	38	41	36	37	29	22
Stoves and Furnaces—													
Shipments (in dollars).....	10	120	85	64	84	102	78	108	91	63	58	54	44
Furniture—													
Orders (in dollars).....	14	39	37	41	20	29	25	42	47	62	30	32	24
Shipments (in dollars).....	14	45	37	27	25	33	23	47	43	30	28	27	23
Flour—													
Production (in bbls.).....	21	113	109	86	98	101	92	93	93	98	120	108	114
Output of Butter by Creameries—													
Production.....	67	112	127	126	128	120	85	99	122	123	139	135	94
Sales.....	69	100	116	110	113	114	90	96	116	106	132	113	87
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	76	78	67	83	76	64	70	68	67	70	63	55
Hardware.....	11	58	57	53	60	70	60	50	49	47	61	54	39
Dry Goods.....	9	50	48	31	38	44	40	41	34	44	39	34	26
Drugs.....	13	65	66	56	61	66	64	61	61	52	58	54	49
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	25	74	65	51	71	72	64	68	64	48	66	64	58
Detroit.....	5	98	69	50	85	93	91	87	57	41	66	74	65
Indianapolis.....	4	96	70	51	71	81	78	83	69	49	65	73	70
Milwaukee.....	5	76	63	52	68	74	82	73	65	52	63	68	70
Other Cities.....	43	67	62	45	64	73	65	60	57	40	58	60	57
Seventh District—Unadjusted.....	82	79	65	50	72	77	72	72	62	46	64	66	61
Adjusted.....	82	76	82	69	73	76	72	70	78	64	66	65	58
Automobile Production—(U. S.)—													
Passenger Cars.....		42	63	77	90	94	99	54	65	65	71	62	51
Trucks.....		119	136	113	123	154	174	91	110	101	112	90	71
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		8	7	7	9	13	10	12	7	9	8	10	5
Total.....		29	23	28	30	32	36	29	22	27	19	15	10
Iron and Steel—													
Fig Iron Production:*													
Illinois and Indiana.....		34	42	45	66	68	54	42	52	59	45	31	18
United States.....		31	35	40	66	67	59	52	60	59	43	29	21
Steel Ingot Production—(U. S.)*.....		38	38	44	87	93	87	66	80	95	74	55	40

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

VOLUME of industrial production remained unchanged in September when there is usually a seasonal increase, and factory employment and payrolls declined. An important factor in the decrease was the strike in the textile industry. Retail trade in rural districts showed a large increase, and sales at department stores in cities also increased, though somewhat less than seasonally. Deposits at banks and commercial loans continued to increase.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 73 per cent of the 1923-1925 average in August to 71 per cent in September. There were substantial declines in activity at cotton and woolen mills, reflecting the influence of the textile strike, and in the output of shoes, automobiles, and lumber. After the termination of the strike, textile production increased. Steel mill operations, which had declined sharply during the summer, have been at a higher level in recent weeks than in the early part of September. Production of beef and lamb increased further in September, reflecting in part the disposal of animals bought in the drouth areas by the Federal Government. Wheat flour production and sugar meltings also were larger in September. Output of anthracite and bituminous coal showed a larger than seasonal increase.

Factory employment and payrolls declined considerably in September, largely as a result of the textile strike. The number of workers employed was substantially reduced in the automobile, iron and steel, and shoe industries, as well as in the basic textile industries. There was a larger than seasonal increase in employment in clothing industries, while in the nonferrous metals, building materials, food products, and paper and printing industries employment was sustained. Among non-manufacturing lines, employment increased seasonally from August to September at coal mines and in retail trade. There was also a substantial increase in number of persons provided with work by the emergency work program of the Federal Relief Administration, while employment on public works decreased somewhat.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, continued in about the same volume during September as in other recent months.

Department of Agriculture crop reports for October 1 indicated a cotton crop of 9,443,000 bales as compared with a yield of 13,047,000 bales last year. The corn crop, which averaged 2,516,000,000 bushels from 1927 to 1931, is estimated at 1,417,000,000 bushels this year. Hay and pasture conditions improved in September, and weather in the first half of October was generally favorable for forage crops. The yield of white potatoes is estimated at 362,000,000 bushels, about equal to the average for 1927-1931.

DISTRIBUTION

Daily average railroad freight carloadings increased from August to September by about the usual seasonal amount, but declined slightly in the first half of October. Sales at department stores increased from August to September by somewhat less than the estimated seasonal amount, while retail sales of general merchandise in rural districts, as shown by reports of mail order houses and chain stores to the Department of Commerce, increased considerably.

COMMODITY PRICES

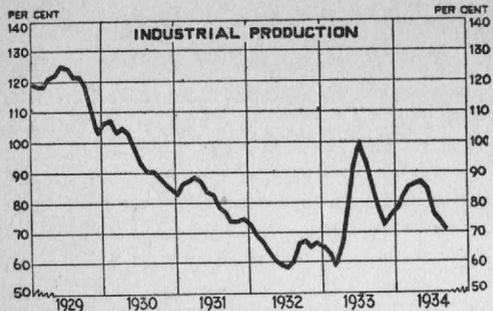
Wholesale prices of farm products and foods, which had advanced sharply in August and the first week of September, subsequently declined somewhat. The weekly index of wholesale prices of the Bureau of Labor Statistics, which had advanced from 74 per cent of the 1926 average at the beginning of June to 78 per cent early in September, stood at 76 per cent in the second week of October. Recent declines occurred principally in those products which had increased most rapidly in preceding weeks, such as wheat, cotton, live stock, and meats. Prices of commodities other than farm products and foods have in general shown little change since last January, but within recent weeks prices of textile products and scrap steel declined slightly and gasoline prices showed a considerable decrease. The open market price of silver advanced sharply in the first half of October.

BANK CREDIT

Excess reserves of member banks have shown no material change during the past month and on October 17 amounted to about \$1,750,000,000. A reduction in Treasury cash and deposits with the Federal Reserve banks somewhat more than offset a seasonal growth of \$57,000,000 in the volume of money in circulation and a continued growth in required reserves arising from a growth in deposits. Volume of reserve bank credit outstanding showed little change.

At reporting member banks in leading cities there was a further growth in deposits and in loans and investments. Between September 19 and October 17 total deposits of the banks increased by about \$500,000,000. Commercial loans to customers and member banks' holdings of United States Government securities increased further, while security loans declined.

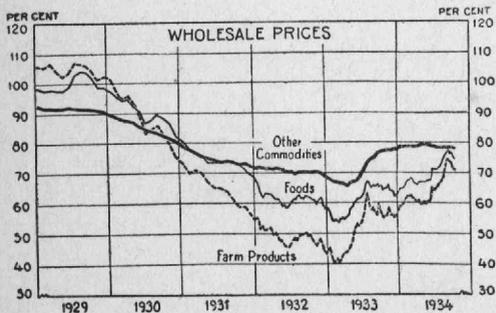
Short-term money rates continued at low levels during September and the first three weeks of October. Yields on Government securities declined in October, following an increase in August and September.



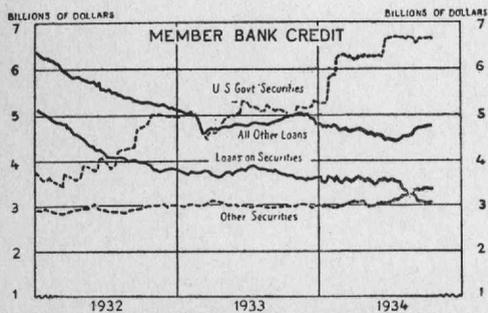
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Indexes of United States Bureau of Labor Statistics; without adjustment for seasonal variation (1923-1925 average = 100).



Indexes of 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 leading cities. Latest figures are for October 17, 1934.