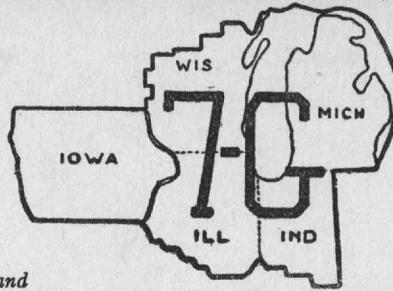


BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

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General Summary

MORE favorable factors may be noted in data covering October business conditions in the Seventh district, although in several phases there was a continuance of the downward trend in evidence during recent months.

Activity at steel mills showed improvement in October, especially after the first half of the month, and production gains continued into November. Operations at malleable casting foundries expanded over a month previous, while those at steel casting foundries were lower, although orders booked for steel castings gained substantially and those for malleable castings declined. The stove and furnace industry was seasonally active in October. A small gain over September in orders booked by furniture manufacturers was contrary to trend for October, and the increase in shipments was slightly better than seasonal, while a heavy gain in orders over a year ago and a more moderate one in shipments were the first to be noted in this comparison since the spring months. Building construction increased in October for the second successive month, and the movement of building materials at retail likewise was larger. Automobiles were one major industry, however, to show further reduction in output, and were mainly responsible for a continued decline in aggregate industrial employment and payrolls for the district.

Food-producing industries for the most part recorded exceptionally favorable trends in October. Both the commercial and total production of packing-house commodities were at unusually high levels, and the sales tonnage was above average; the value of sales likewise increased, but was below the average for October. Sales of butter and Wisconsin cheese expanded, contrary to trend, and

the decline in butter production was smaller than usual for the month, although there was a sharp recession in the manufacture of cheese. In general, the production and distribution of these commodities showed gains over the same month of 1933. Grain receipts continued to diminish in October; reshipments of wheat and oats held at the September volume, while those of corn increased considerably. The November 1 report of the Department of Agriculture shows exceptionally small production this year of most major crops in the district.

In reporting groups of wholesale trade, hardware and electrical supply sales recorded greater than seasonal expansion in October over a month earlier, and gains in the grocery and drug trades were contrary to trend for the period. Dry goods sales, on the other hand, showed a heavier than usual decline for October. Although department store trade for the district experienced a non-seasonal recession, the loss was due to declines in sales of Detroit and Indianapolis stores, Chicago trade, that in Milwaukee, and the total for stores in smaller cities being heavier than in September. The retail shoe trade had a decrease in sales that was greater than usual for October, while the decline in the furniture trade was somewhat less than seasonal. Chain store trade gained moderately over the preceding month.

Credit Conditions and Money Rates

Seventh district banking reserves were increased during the period October 17 to November 14, mainly as a result of the movement into the district of 14½ million dollars from inter-district commercial and financial transactions. In addition, the amount of reserve bank credit extended locally gained slightly over one million dollars and Treasury and national bank currency registered a net increase of almost 4 millions. Partially owing to the fact that the United States Treasury disbursed more funds in the Seventh district than it collected locally and that demand for currency declined, banks used these additional reserves to build up their reserve balances by approximately 34 millions. Total credit extended by the Chicago Reserve bank amounted to \$430,089,000 on November 14, an increase of 3½ million dollars during the preceding four weeks, reflecting mainly increased float and participation in System foreign loans on gold.

Changes in the uses and sources of Seventh district banking reserves are shown in the accompanying tabulation.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	Nov. 14 1934	CHANGE FROM	
		OCT. 17 1934	NOV. 15 1933
Total Bills and Securities.....	\$ 431.8	\$ +2.2	\$ -13.1
Bills Discounted.....	0.1	+0.1	-5.8
Bills Bought.....	0.7	-0.0	-0.9
U. S. Government Securities.....	428.3	0	-9.0
Total Reserves.....	1,087.2	+24.3	+138.0
Total Deposits.....	717.8	+31.9	+141.3
Federal Reserve Notes in Circulation.....	769.8	-5.2	+26.1
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined....	73.0%	+0.3*	+1.2*

*Number of Points.

Changes between October 17 and November 14 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended.....	+1,144
Commercial operations through inter-district settlements.....	+14,601
Treasury and National bank currency.....	+3,820
Total supply.....	+19,565
Demand for currency.....	-5,504
Member bank reserve balances.....	+33,912
Treasury cash and deposits at Federal Reserve Bank of Chicago..	-9,701
Special and "all other" deposits.....	-455
Other Federal Reserve accounts.....	+1,313
Total demand.....	+19,565

MEMBER BANK CREDIT

As shown in the accompanying table, total loans and investments of licensed reporting member banks in the Seventh district showed a decline of 6 million dollars on November 14 from the corresponding aggregate on October 17. It will be noted that the decrease is a reflection principally of a decline of 25 millions in "other loans," offset partially by gains in brokers' loans in New York, in holdings of acceptances and commercial paper, and in U. S. Government obligations. Net demand and time deposits on November 14 recorded gains of 21 and 22 millions, respectively, over the totals shown October 17. As compared with November 15, 1933, commercial and security loans on November 14 of this year were considerably lower, whereas investment holdings of U. S. Government securities as well as of "other securities"—including obligations guaranteed by the U. S. Government—were much heavier. Net demand deposits increased by more than 500 million dollars in the year-to-year comparison, and time deposits by 55 millions.

Down-town banks in Chicago reported a range of 1½ to 5 per cent in rates on customers' commercial loans for the week ended November 15, which range was unchanged from the week ended October 15. The average rate earned on loans and discounts by down-town Chicago banks during the calendar month of October was 3.03 per cent, as compared with 2.99 in September and with 3.30 in October 1933. A range of 3½ to 6 per cent was reported by Detroit banks as prevailing on customers' commercial loans during the week ended November 15; the same range was reported for the corresponding week in October.

Dealer sales of commercial paper in the Middle West increased 9½ per cent in October over a month earlier and were 79 per cent heavier than a year ago, though aggregating 47 per cent smaller than the 1924-33 sea-

sonal average. The gain over September reflected re-financing of maturing obligations and a reduction in dealer portfolios rather than an expansion in borrowing. Demand for this class of investment remained practically unchanged from city banks but showed a marked improvement from country banks. As a consequence of this trend, the supply of prime paper was quickly absorbed and obligations less well known moved more freely than at any previous time during the past several months. Selling rates for October continued within a range of ¾ per cent for prime short-term paper to 1 and 1¼ per cent for obligations less well known or of longer maturity; the bulk of sales took place at ¾ per cent. Commercial paper outstandings in the Middle West declined 5 per cent on October 31 from September 29 and were 47½ per cent below the 1924-33 average for that date, but exceeded those of a year ago by 79 per cent. Owing to a reduction in the supply, sales of commercial paper in the Middle West declined 12 per cent in the first half of November from the corresponding weeks of October. Demand remained relatively strong and quotations continued within a range of ¾ to 1¼ per cent; a few of the best names even moved at ½ per cent.

Considerable activity in the first two weeks of November resulted in a further gain during the four weeks ended November 14 in market operations of Chicago bill dealers, their volume attaining the highest level since the first of the year. Local purchases registered a heavy expansion over recent months and, together with a further increase in receipts from Eastern cities, effected a gain of 43 per cent in total supply over the preceding period. The demand from local banks was the heaviest since the period of July 16 to August 12, 1931, while that from out-of-town banks remained at approximately the level of the preceding five weeks. In the aggregate, total distribution equaled supply, and dealers were unable to accumulate any holdings in their portfolios. Selling rates rose slightly during the first half of November and at the close of the period ranged from ⅜ to ¼ per cent.

Practically all phases of bill operations at accepting banks in the Seventh Federal Reserve district were at a relatively low level during October. The amount of new financing by means of bankers' acceptances increased 45½ per cent over the limited volume of September but was 33 per cent under last year and 45 per cent under the 1924-33 average for the month. Though totaling 56½ per cent heavier than in the preceding period, the direct discounting of these bills at the originating banks fell off sharply from last October and the seasonal average. Furthermore, the buying of other banks' acceptances decreased in all three comparisons. Total purchases, therefore, not only totaled 33 per cent lighter than in September but were 29 per cent less than a year ago and 49 per cent below the 1924-33 October average. Sales remained nil. Also, maturities in portfolios were slightly below the level of current purchases. The acceptance holdings of these banks, in consequence of these trends, attained a level on October 31 higher

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	Nov. 14 1934	CHANGE FROM	
		Oct. 17 1934	Nov. 15 1933
Total Loans and Investments.....	\$1,923	\$ -6	\$ +407
Total Loans on Securities.....	282	-4	-117
To Brokers and Dealers			
In New York.....	29	+3	+14
Outside New York.....	21	-3	-29
To Others.....	232	-4	-102
Acceptances and Commercial Paper.....	70	+7
Loans on Real Estate.....	36	-1
Other Loans.....	298	-25	-52*
U. S. Government Direct Obligations.....	878	+12	+471
Obligations Fully Guaranteed by U. S. Government.....	96	+6
Other Securities.....	263	-1	+105**
Net Demand Deposits.....	1,754	+21	+522
Time Deposits.....	513	+22	+55
Borrowings from Federal Reserve Bank.....	0	0	0

*Represents total acceptances, commercial paper, loans on real estate and other loans. Segregated figures not available.

**Represents obligations fully guaranteed by U. S. Government and other securities. Segregated figures not available.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	OCT. 1934	PER CENT OF INCREASE OR DECREASE FROM	
		SEPT. 1934	OCT. 1933
Chicago.....	\$2,271	+9.3	+7.4
Detroit, Milwaukee, and Indianapolis..	840	+7.8	+22.8
Total four larger cities.....	\$3,111	+8.9	+11.2
34 smaller centers.....	525	+10.2	+23.3
Total 38 centers.....	\$3,636	+9.1	+12.8

than for any other reporting date since April 30 this year and were 108 per cent above the 1924-33 average for the end of October. On the other hand, the liability for outstanding acceptances was reduced below that of any reporting date since July 30, 1927. In the first half of November, the utilization of bankers' acceptance credits for new financing expanded more than 125 per cent over the corresponding weeks of October.

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

	PER CENT CHANGE IN OCTOBER 1934 FROM SEPTEMBER 1934	OCTOBER 1933
Total value of bills accepted.....	+45.6	-33.2
Purchases (including own bills dis-counted).....	-32.9	-28.8
Sales.....	Nil	-100.0
Holdings*.....	+2.2	-32.4
Liability for outstandings*.....	-2.2	-42.5

*At end of month.

SECURITY MARKETS

Although the price level of bonds during October in the Chicago market remained firm and the higher grade issues showed a slight upward trend, the inactivity which has characterized the market for a considerable period continued. Demand for bonds was still confined largely to high grade short-term issues, and the major interest centered in the municipal market where prices were well maintained and bidding on the part of the underwriters was very active. New financing in October increased over the September volume, mainly as a result of new offerings in the municipal field and the offering of Home Owners' Loan Corporation bonds through a distributing group of banks. Institutions other than banks were reported as heavy purchasers of bonds during October, with only a very limited interest shown on the part of individual buyers. The average price of twenty leading stocks* on the Chicago Stock Exchange was \$27.65 on November 16, recording practically no change from the corresponding day in the preceding month.

*Chicago Journal of Commerce.

Agricultural Products

An exceptionally small production of major crops in this district, and for the entire country, was recorded by the Department of Agriculture's November 1 report.

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		AVERAGE 1927-31
	PRELIMINARY 1934	FINAL 1933	PRELIMINARY 1934	FINAL 1933	
Corn.....	471,280	835,127	1,371,527	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)	35,410(a)	122,240	156,988	270,444
Rye.....	5,842(a)	5,629(a)	17,261	21,236	40,950
Buckwheat.....	942(a)	803(a)	8,231	7,832	9,496
Flaxseed.....	211(b)	236(b)	5,198	6,806	18,664
Soy Beans (har-vested).....	11,930(a)	7,487(a)	15,774	11,568	10,553
Cowpeas (har-vested).....	581(c)	456(c)	5,310	5,854	4,706
Potatoes (white).....	64,659	39,752	383,105	320,353	365,556
Potatoes (sweet).....	1,180(d)	1,090(d)	66,973	65,073	62,386
Sugar Beets ¹	1,312(e)	1,203(e)	7,526	11,030	7,854
Apples.....	11,812(a)	15,033(a)	120,247	142,981	156,303
Peaches.....	1,196(f)	1,965(f)	45,404	44,692	56,282
Pears.....	1,638(f)	1,010(f)	23,512	21,192	22,334
Grapes ¹	75(a)	74(a)	1,740	1,910	2,277
Cranberries ²	58(g)	47(g)	442	705	563
Dry Beans ³	2,926(e)	3,539(e)	9,548	12,280	11,594
Tobacco ⁴	14,633	17,814	1,115,811	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	11(h)	6(h)	29	32	47

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

Preliminary figures for the Seventh district show declines as follows from the 1927-31 average production, with the 1933 recession from the same period given in parentheses: corn, 45 per cent (3 per cent); oats, 62 per cent (40 per cent); wheat, 21 per cent (24 per cent); barley, 48 per cent (40 per cent); rye, 17 per cent (20 per cent); tame hay, 41 per cent (24 per cent); tobacco, 68 per cent (62 per cent). White potatoes increased 25 per cent against a decline of 23 per cent in 1933, and the soy bean harvest was 86 per cent heavier than average as compared with a 17 per cent expansion last year.

The greatest losses have occurred in feed crops, and, although the number of live stock has been very sharply reduced this year, supplies for the 1934-35 season are still below normal requirements.

GRAIN MARKETING

Grain receipts at primary markets during October continued the downward trend recorded in September. In the case of wheat the recession was seasonal, while for oats it was less than average, and the lower volume of corn was in contrast to a 12 per cent increase in the five-year average for the month. Reshipments exhibited a better than seasonal trend, with wheat and oats holding at the September volume in contrast to declines in the five-year average, while corn shipments increased considerably over the preceding month and exceeded the five-year average for the third consecutive month. Visible supplies of wheat, corn, oats, and rye declined during October, and the first two continued downward in the first half of November. A slight increase was recorded in barley supplies. All were lower in volume than a year earlier.

Grain prices fluctuated moderately in October, and future quotations averaged lower than in September, by 6 cents for wheat, 2 cents for corn, and 3 cents for oats. A firm trend prevailed to the middle of November. Cash prices continued at a premium over futures.

MOVEMENT OF LIVE STOCK

Live-stock marketings in the United States were considerably larger during October this year than in the corresponding period of 1933. Though showing a non-seasonal recession of 27½ per cent from August—the highest point on record—and of 21 per cent from September, October receipts of cattle at public stock yards aggregated 23 per cent greater than the 1924-33 average for the month and were 40 per cent in excess of a year ago. Furthermore, hog receipts rose 34 per cent over September to a level 11½ per cent above last October and within 15½ per cent of the 1924-33 seasonal average. Owing to purchases by the Federal Surplus Relief Corporation, lamb marketings attained a peak in October higher than for any month since October 1929. The movement of live stock to inspected slaughter—

LIVE STOCK SLAUGHTER

(In thousands)

Yards in Seventh District, October 1934..... Federally Inspected Slaughter, United States	CATTLE		HOGS		LAMBS AND SHEEP CALVES	
	1934	1933	1934	1933	1934	1933
October 1934.....	313	720	481	124		
October 1934.....	1,408	3,546	2,609	658		
September 1934.....	1,786	2,601	1,734	831		
October 1933.....	861	3,058	1,668	455		

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	Nov. 17 1934	Oct. 1934	SEPT. 1934	OCT. 1933
Native Beef Steers (average).....	\$7.40	\$7.60	\$8.00	\$5.55
Fat Cows and Heifers.....	4.80	5.10	5.35	4.25
Calves.....	5.15	6.25	7.10	6.00
Hogs (bulk of sales).....	5.80	5.70	6.85	4.50
Yearling Sheep.....	5.80	5.25	5.50	5.35
Lambs.....	6.10	6.10	6.15	6.70

inclusive of animals that did not pass through public stock yards—followed the general trend of market receipts, except that the supply of cattle and calves exceeded the 1924-33 October average by more than 50 per cent, that of hogs was greater by 3½ per cent in this comparison, and the number of lambs was the largest on record.

MEAT PACKING

Activities of slaughtering establishments in the United States were at one of the highest levels on record during October. The commercial production of packing-house commodities not only rose 20 per cent over September but was 15½ per cent greater than a year ago and 12½ per cent in excess of the 1924-33 October average. Total production—which includes beef, veal, and lamb processed by the Government, in addition to the regular market tonnage—exceeded the ten-year average by 25 per cent, was 28½ per cent heavier than last October, and 4½ per cent greater than in September. Daily average production, however, was slightly lower than a month earlier. Sales slightly exceeded production for market. Disposal of this tonnage—a volume 19 per cent heavier than in September, nearly equal to a year ago, 2 per cent above the 1924-33 October average, and one of the largest on record—was made during October at sharply reduced prices from a month earlier. Quotations remained considerably above last year but continued decidedly under the average. The total value of sales billed to domestic and foreign customers rose 1½ per cent in October over September to a level above any previous month since October 1931 and exceeded that of a year ago by 17 per cent, but was 25 per cent smaller than seasonal. Meats held for emergency relief approximated 186,000,000 pounds on November 1, and consisted principally of canned beef. Commercial inventories of packing-house commodities in the United States decreased less than the usual amount on November 1 from the beginning of October; holdings for regular market were reported as 85,262,000 pounds above last year and 213,378,000 pounds greater than the 1929-33 average for the date. That activities declined toward the close of the period is evidenced by the fact that payrolls for the last week in October, though remaining considerably above 1933, showed a reduction from September of 8 per cent in employees, 10½ per cent in hours worked, and of 2 per cent in wage payments. The recent advance in rates accounted for the smaller relative decline in wage payments.

Shipments for export showed little change in October from a month earlier, and continued to be comprised largely of lard forwarded to the United Kingdom. Demand for American lard was moderate in the United Kingdom and remained negligible on the Continent. Moreover, demand for meats was further reduced by a falling-off in British inquiry for hams. Despite a lowering in duty, German trade remained on a limited basis because of exchange difficulties and a rise in the equalization tax. Following the adoption of reciprocal trade agreements, exports to Cuba tended to increase. Lard prices remained below United States parity in the United Kingdom and were still at a slight premium on the Continent. Though displaying considerable weakness, British quotations for United States hams remained above Chicago parity. American inventories abroad, including stocks in transit, increased further on November 1.

DAIRY PRODUCTS

The manufacture of creamery butter in the Seventh Federal Reserve district continued to decline less than

seasonally during October, and was not only 13 per cent heavier than a year ago but 14 per cent in excess of the 1924-33 average for the month, although it was reduced 6 per cent from September to a level below any other month this year since April. The sales tonnage increased—contrary to trend—being 5½ per cent in excess of that for September, 12½ per cent greater than the five-year average, and 14 per cent larger than for last October. On the other hand, United States production showed slightly more than the usual recession in October from a month earlier but equaled that of a year ago. Moreover, consumption failed to record as large an excess over current manufacture as is customary for the month. Total inventories of creamery butter in the United States, therefore, decreased only 14,014,000 pounds on November 1 from the beginning of October and were 4,719,000 pounds above the 1929-33 average for that date, but totaled 49,430,000 pounds less than on November 1, 1933. Prices advanced in October.

American cheese production in Wisconsin fell off 21 per cent in the five weeks ended November 3 from the preceding period to a level 8½ per cent above the 1929-33 average for the period, but was 26½ per cent heavier than in the corresponding weeks of 1933. Sales of the commodity showed a counter-to-seasonal expansion of 3½ per cent over a month earlier, were 18 per cent larger than a year ago, and 4½ per cent above the five-year average. As a reflection of the foregoing trends and also because manufacture of certain other varieties of cheese had been reduced to exceptionally low levels during the month, total inventories of cheese in the United States declined by more than a seasonal amount on November 1 to a level which was 8,388,000 pounds above last year and 22,639,000 pounds in excess of the 1929-33 average for November 1. October price quotations averaged slightly lower than those of September.

Industrial Employment Conditions

Employment and payrolls in Seventh district industries decreased approximately one per cent each from September 15 to October 15, the manufacturing industries experiencing a recession that was only partially offset by gains in the non-manufacturing groups. Normally the September to October movement shows a loss in employment and a rise in payrolls, the average for the years 1924-33 recording a change of 1½ per cent in each of these items. The current declines were effected mainly by a continued curtailment in the automobile

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF OCT. 15, 1934			CHANGE FROM SEPT. 15, 1934	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	1,264	204,904	4,256	-0.1	+5.5
Vehicles.....	207	151,347	3,194	-5.8	-17.7
Textiles and Products.....	316	45,648	768	-0.7	+0.7
Food and Products.....	622	112,693	2,309	-2.9	-2.9
Stone, Clay, and Glass.....	162	10,899	218	+3.6	+9.6
Wood Products.....	384	31,011	488	+3.8	+9.5
Chemical Products.....	161	21,784	495	+0.8	+2.7
Leather Products.....	103	20,787	370	+4.0	+8.9
Rubber Products ²	8	6,525	152	+4.3	+59.4
Paper and Printing.....	559	63,606	1,493	+0.2	+1.2
Total Mfg., 10 Groups....	3,786	669,204	13,743	-1.5	-2.5
Merchandising ³	2,094	86,701	1,763	+1.7	+4.1
Public Utilities.....	80	83,704	2,512	-0.5	+3.7
Coal Mining.....	16	3,961	81	+27.5	+3.8
Construction.....	312	12,957	266	+9.4	+12.4
Total Non-Mfg., 4 Groups.	2,502	187,323	4,622	+1.7	+4.3
Total 14 Groups.....	6,288	856,527	18,365	-0.9	-0.9

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

industry, employment and payrolls in the vehicles group as a whole falling 6 and 18 per cent, respectively, below the levels of a month earlier. Food products also contributed to the aggregate decline, recessions of 3 per cent in each item being the first recorded in the monthly comparison for this group since last April. Other minor declines recorded were one-half per cent in employment in the textile industries and a similar decline for public utilities. All other industrial groups registered gains from September to October. In the iron and steel industries, the volume of employment remained practically stationary, but payrolls increased 5½ per cent. In each of the four groups—stone-clay-and-glass, wood products, leather, and rubber products—an increase of approximately 4 per cent was recorded in employment, while the gains in payrolls were even more substantial. The coal-mining industry increased employment 28 per cent but payrolls only 4 per cent. Merchandising concerns showed an expansion of 2 per cent in the former item and of 4 per cent in the latter. Public utilities, in which employment declined one-half per cent, recorded a 4 per cent rise in wage payments. The combined non-manufacturing groups had an increase in volume of employment amounting to nearly 2 per cent and in wage payments to over 4 per cent, thereby offsetting to some extent the corresponding aggregate decreases of 1½ and 2½ per cent in the manufacturing groups.

Despite the September-October decline, industrial employment in the district remained at a level 8 per cent higher than in the same month last year, and payrolls showed a much greater increase—18 per cent—in the comparison.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Production of automobiles continued to decline in October, in accordance with seasonal trend. The 84,503 passenger cars produced during the month represented a recession from September output of 32 per cent and a decrease of 19 per cent from last October's production. Truck manufacture, on the other hand, numbering 47,985 vehicles in October, increased 7 per cent over the September volume and compared with only 29,813 produced in the month last year.

Although distribution of automobiles at wholesale in the Middle West showed a further sharp drop in October from a month previous, retail sales increased somewhat in the comparison—contrary to seasonal trend. Furthermore, sales of used cars considerably exceeded those of September and were heavier than a year ago. A considerable decline in wholesale distribution of new cars and a smaller one in retail sales were recorded from a year ago. Stocks of new cars on hand were substantially

lower at the end of October than a month previous, which has been the usual trend for the period in recent years, while used car stocks increased slightly, as is likewise usual. There was some lowering in October of the ratio of deferred payment sales to total retail sales of dealers reporting the item, 53 per cent in the current period comparing with a September ratio of 59 per cent for the same dealers, but with only 48 per cent for October 1933.

IRON AND STEEL PRODUCTS

Demand for finished steel in October improved over the preceding month in the Chicago district. Evidence of this betterment was shown in steel ingot output which rose from only 24 per cent of capacity in the second week of October until it had reached 31 per cent in the corresponding week of November. Although October business did not equal that of the month last year, the ingot rate compared favorably with the level at that time when gradual recession was taking place in production as against the upward trend of the current period. Pig iron production in the Illinois and Indiana district diminished slightly further in October from the preceding month. Scrap iron and steel prices continued to show an improved tone into the early part of November.

Orders for steel castings increased 39 per cent in tonnage units and 46 per cent in dollar value from September to October, thereby reversing a trend that had been downward since last March. Shipments and production continued to decline, the former falling 16 per cent and the latter 14 per cent below the corresponding volumes of the preceding month. Production practically equaled that of a year ago, while shipments were 9 per cent and orders 41 per cent heavier in this comparison. At malleable casting foundries orders were slightly lower in October than in September, but shipments showed an increase of 10 per cent and production a rise of 17 per cent. Orders and shipments were a little below those of a year ago in tonnage units but larger when measured in dollar volume. The tonnage produced increased in this comparison.

Seasonal activity continued during October in the manufacture of stoves and furnaces, molding-room operations increasing 26 per cent over the preceding month and coming within 3 per cent of the year-ago level. Orders accepted and shipments showed increases of 36 and 38 per cent, respectively, in the monthly comparison and of more than 50 per cent each in that with last October. Inventories were reduced by 22 per cent during the month, but continued heavier than a year ago by 27 per cent.

MIDWEST DISTRIBUTION OF AUTOMOBILES
Changes in October 1934 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	SEPT. 1934	OCT. 1933	
New Cars:			
Wholesale—			
Number Sold.....	-34.4	-18.2	22
Value.....	-37.3	-22.6	22
Retail—			
Number Sold.....	+4.4	-7.9	57
Value.....	+5.6	-2.6	57
On Hand October 31—			
Number.....	-23.5	+28.1	57
Value.....	-21.3	+43.3	57
Used Cars:			
Number Sold.....	+16.4	+3.5	57
Salable on Hand—			
Number.....	+0.5	+1.3	57
Value.....	+3.1	+23.6	57

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	OCT. 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	SEPT. 1934	OCT. 1933	
Wholesale Lumber:			
Sales in Dollars.....	+3.0	+18.7	13
Sales in Board Feet.....	-7.9	-7.3	11
Accounts Outstanding ¹	-3.8	+0.7	13
Retail Building Materials:			
Total Sales in Dollars.....	+14.2	+17.7	179
Lumber Sales in Dollars.....	+9.3	+14.5	68
Lumber Sales in Board Feet.....	+13.3	-4.5	78
Accounts Outstanding ¹	+2.0	-4.7	176
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
	OCT. 1934	SEPT. 1934	OCT. 1933
Wholesale Trade.....	179.8	192.6	211.8
Retail Trade.....	273.2	306.6	326.9

¹End of Month.

FURNITURE

Orders booked by furniture manufacturers reporting to this bank continued to gain in October over the preceding month, though only slightly—one per cent—and contrary to seasonal trend. Moreover, the increase of 7 per cent in current shipments was a little higher than average for the period, despite the fact that it represented the fourth consecutive monthly gain. For the first time since June the volume of shipments exceeded that of new orders (a revision in the September data nullifying a similar statement for that month), so that, notwithstanding a decline in cancellations, unfilled orders outstanding dropped moderately, amounting on October 31 to 63 per cent of current orders, or 10 points under the ratio obtaining a month previous. Increases over a year ago of 64 per cent in orders and 10 per cent in shipments were the first to be recorded in the comparison since April and May, respectively. The rate of operations was advanced during the month to 65 per cent of capacity, 8 points above that of September but slightly under a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

A slight increase in the manufacture of boots and shoes was reflected by the preliminary reports for October, output in Seventh district factories totaling 4 per cent more than a month previous. September production, according to the latest available figures, fell 13 per cent below the August volume, was 6 per cent smaller than in September a year ago, but continued slightly above the ten-year average for the month. In the tanning industry, production of leather and the purchase of green hides increased substantially in October over September, sales showed a moderate gain, and prices remained steady. Trading in packer green hides in the Chicago market was in good volume during October, price quotations for the most part remaining steady at the higher level attained during September.

Building Materials, Construction Work

Retail distribution of building materials in October resumed its upward trend, following the September lull, and as reflected in dollar sales at Seventh district reporting yards, totaled more than 50 per cent of the 1925-27 monthly average, for the first time since October 1931, and compared with 45 per cent for the month last year and 40 per cent in October 1932. The 14½ per cent gain over a year ago in dollar sales of lumber was largely due to higher prices, as board-foot volume was somewhat below the level at that time. Accounts outstanding again reflected an improvement in collections over recent years, and a continuation of the recent gradual reduction in the accounts-to-sales ratio was recorded. Lumber sales at wholesale yards increased slightly in value over September and, as a result of the higher price level, exceeded October 1933 by 19 per cent, the largest increase over a year ago since last May. Board-foot sales declined moderately from September, and as no significant price changes have been reported recently, a shift in demand to higher priced items is

WHOLESALE TRADE IN OCTOBER 1934

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTAND.	COLLECTIONS	
Groceries.....	+16.7	+13.1	-2.0	+10.6	98.2
Hardware.....	+29.2	+12.8	+2.6	+27.1	188.8
Dry Goods.....	+14.1	+20.2	-4.1	+17.2	246.3
Drugs.....	+23.7	+4.6	-12.0	+14.6	162.3
Electrical Supplies.....	+18.2	+4.9	+1.4	+14.0	171.1

suggested as an explanation of the accompanying expansion in dollar sales. As at retail, a favorable trend in collections caused a reduction in the ratio of accounts to sales. Stocks on hand were reported lower than a month earlier by both wholesalers and retailers.

Cement and clay products plants report no significant change in the prevailing low rate of operations. These lines as well as lumber dealers indicate that while some demand has arisen from the home modernization campaigns, no material stimulus is anticipated from this source until next spring.

BUILDING CONSTRUCTION

The dollar volume of building contracts awarded during October in the Seventh Federal Reserve district gained almost 3 millions over September and marked the second consecutive monthly increase following five months of decline beginning in April. Residential contracts amounted to only 9½ per cent of the total during October and declined slightly from the preceding month.

The estimated cost of proposed work, according to permits issued during October in the Seventh district, increased 40 per cent over September and 59 per cent over October 1933. Of the five large cities in the district—Chicago, Detroit, Des Moines, Indianapolis, and Milwaukee—only the last differed from the district trend in the above comparisons, declines of 7 and 2 per cent, respectively, being shown. The number of permits issued during October gained 21 per cent over a month previous and was 50 per cent above last year.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
October 1934.....	\$ 22,960,292	\$ 2,189,847
Change from September 1934.....	+14%	-6%
Change from October 1933.....	+8%	+47%
First ten months of 1934.....	\$214,087,323	\$23,274,388
Change from same period 1933.....	+72%	+22%

*Data furnished by F. W. Dodge Corporation.

Merchandising

Following rather unfavorable trends during September in wholesale trade conditions of the Seventh district, October sales in most reporting groups showed greater than usual or contrary to seasonal expansion. Wholesale hardware sales and the electrical supply trade recorded increases over September of 11 and 18 per cent, respectively, as compared with gains in the average for the month of but 7 and 14 per cent. Grocery sales exceeded those of the preceding month by one per cent and drug sales were greater by 13 per cent, as against declines in the seasonal average of one and 2 per cent, respectively. The dry goods trade, on the other hand, experienced a decline of 14 per cent from the September volume, whereas the 1924-33 average for October shows a recession of only 6½ per cent from the preceding month. In

DEPARTMENT STORE TRADE IN OCTOBER 1934

LOCALITY	PER CENT CHANGE OCT. 1934 FROM OCT. 1933		PER CENT CHANGE FIRST TEN MONTHS 1934 FROM SAME PERIOD 1933	RATIO OF OCT. COLLECTIONS TO ACCOUNTS OUTSTANDING END OF SEPT.	
	NET SALES	STOCKS END OF MONTH		1934	1933
Chicago.....	+5.8	-9.3	+11.1	35.6	27.4
Detroit.....	+14.6	-6.3	+32.5	45.3	37.6
Indianapolis.....	+2.7	-1.6	+13.7	41.4	37.3
Milwaukee.....	+8.1	-5.3	+13.6	39.3	32.7
Other Cities.....	+14.2	-4.5	+26.0	33.2	29.6
7th District.....	+8.5	-7.0	+18.4	38.8	32.5

all but this last-named line, gains in the year-ago comparison were noticeably larger than in September, October last year having been a relatively unfavorable month. Data for the ten months of 1934 show sales increases over the corresponding period of 1933 of 15 per cent in groceries, 18 per cent in drugs, 26 per cent in dry goods, 33 per cent in hardware, and 42 per cent in electrical supplies. In groceries and dry goods, ratios of accounts outstanding at the end of October to sales during the month were higher than a month previous, but other groups had lower ratios; in all lines they were under those of a year ago.

Seventh district department store trade recorded a non-seasonal decline of 3 per cent in the aggregate for October from the preceding month. Recessions of 21 and 12 per cent, respectively, in sales of Detroit and Indianapolis stores were responsible for this loss, as sales by Milwaukee firms expanded 13 per cent over the September volume, Chicago trade gained 2 per cent, and total sales for stores in smaller centers were 7 per cent larger. In the first two named cities, however, exceptionally heavy increases had been shown in September over August. The gain for the district over a year ago—8½ per cent—was practically the same as that shown in a similar comparison for September. Daily average sales totaled only 4½ per cent larger than those of last October, and were 12 per cent smaller than a month previous. An expansion in stocks of 7 per cent on October 31 over the end of September was in accordance with seasonal trend, and for the second successive month they were approximately 7 per cent smaller than on the corresponding date of 1933. Stock turnover for the ten

months of 1934 was somewhat greater than for the same period last year.

After two months of much greater than usual expansion, the retail shoe trade dropped sharply in October, aggregate sales of reporting dealers and department stores being 27 per cent less than those of September, whereas the 1925-33 average for the month shows a decline of but 10½ per cent. As compared with last October, however, sales were 8 per cent heavier, and for the ten months of this year the sales volume totaled 17 per cent above that of the same period a year ago. Stocks increased 2 per cent over September and were 5 per cent heavier than at the end of October 1933.

Sales of furniture and house furnishings by dealers and department stores declined 13 per cent in the aggregate for October from the preceding month, although department stores were responsible for this recession, sales by dealers increasing moderately in the comparison. The 1927-33 average for October shows a decrease of 16 per cent from the September average. Sales totaled 18 per cent larger than for October last year. An expansion of 6 per cent was recorded in stocks over the close of September, but they were 7½ per cent lighter than on October 31 a year ago.

Thirteen chains operating 2,544 stores in October had aggregate sales 9 per cent in excess of those a month previous and 7 per cent heavier than for last October. Sharing in the expansion over the preceding month were five-and-ten-cent store, drug, shoe, cigar, men's clothing, and musical instrument chains, groceries alone showing a loss for the period. As compared with a year ago, the sale of musical instruments was smaller, but other groups showed gains.

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	Oct. 1934	Sept. 1934	Aug. 1934	July 1934	June 1934	May 1934	Oct. 1933	Sept. 1933	Aug. 1933	July 1933	June 1933	May 1933
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	78	77	75	68	69	68	67	63	58	60	56	56
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	27	29	42	40	41	44	23	19	21	21	18	12
In Tons.....	12	26	31	46	44	44	47	25	19	23	25	19	13
Malleable—In Dollars.....	21	26	24	27	25	32	41	25	24	24	21	21	16
In Tons.....	21	38	34	40	36	48	62	39	38	41	36	37	29
Stoves and Furnaces—													
Shipments (in dollars).....	10	193	140	85	64	84	102	128	108	91	63	58	54
Furniture—													
Orders (in dollars).....	14	40	39	38	41	20	29	24	42	47	62	30	32
Shipments (in dollars).....	14	42	39	37	27	25	33	38	47	43	30	28	27
Flour—													
Production (in bbls.).....	21	122	111	108	86	98	101	107	93	93	98	120	108
Output of Butter by Creameries—													
Production.....	67	105	117	127	126	128	120	93	99	122	123	139	135
Sales.....	69	105	100	116	110	113	114	92	96	116	106	132	113
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	77	76	78	67	83	76	66	70	68	67	70	63
Hardware.....	11	65	58	57	53	60	70	51	50	49	47	61	54
Dry Goods.....	9	43	50	48	31	38	44	38	41	34	44	39	34
Drugs.....	13	74	65	66	56	61	66	61	61	61	52	58	54
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	25	77	74	65	51	71	72	73	68	64	48	66	64
Detroit.....	5	76	98	69	50	85	93	67	87	57	41	66	74
Indianapolis.....	4	85	96	70	51	71	81	83	83	69	49	65	73
Milwaukee.....	5	89	76	63	52	68	74	83	73	65	52	63	68
Other Cities.....	43	74	67	62	45	64	75	64	60	57	40	58	60
Seventh District—Unadjusted.....	82	78	79	65	50	72	77	72	72	62	46	64	66
Adjusted.....	82	71	76	82	69	73	76	66	70	78	64	66	65
Automobile Production—(U. S.)—													
Passenger Cars.....		29	42	63	77	90	94	36	54	65	65	71	62
Trucks.....		127	119	136	113	123	154	79	91	110	101	112	90
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		8	8	7	7	9	13	5	12	7	9	8	10
Total.....		34	29	23	28	30	32	31	29	22	27	19	15
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		33	34	42	45	66	68	45	42	52	59	45	31
United States.....		31	31	35	40	66	67	45	52	60	59	43	29
Steel Ingot Production—(U. S.)*.....		41	38	38	44	87	93	60	66	80	95	74	55

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

VOLUME of industrial production and factory employment, which usually shows little change at this season, increased in October, reflecting chiefly the resumption of activity at textile mills. Wholesale commodity prices, after declining in September and October, advanced in the first half of November.

INDUSTRIAL PRODUCTION AND EMPLOYMENT

Activity at industrial establishments, as measured by the Board's seasonally adjusted index, showed an increase from 71 per cent of the 1923-1925 average in September to 73 per cent in October. Among the industries producing durable manufactures, output at steel mills increased from 23 per cent of capacity for the month of September to 25 per cent for October, while output of automobiles and lumber declined. In November, activity at steel mills continued to increase and in the week ending November 24 was at about 28 per cent of capacity. Automobile production has declined further in connection with the preparation of new models. The production of non-durable manufactures in the aggregate showed a considerable growth in October, reflecting sharp increases at cotton, woolen, and silk mills, offset in part by a decline in activity at meat-packing establishments. The increase in output at textile mills after the strike in September brought output to a higher level than in August. Among the minerals, daily output of crude petroleum declined in October and that of anthracite increased by an amount smaller than is usual at this season.

Factory employment and payrolls in the country as a whole increased considerably between the middle of September and the middle of October. Sharp increases were reported at mills producing textile fabrics, while in the automobile, shoe, and canning industries there were declines of a seasonal nature.

The value of construction contracts awarded was somewhat larger in October than in any other recent month. There was an increase in residential work as well as in publicly-financed projects.

AGRICULTURE

Department of Agriculture estimates, based on November 1 conditions, indicate a cotton crop of 9,634,000 bales, 26 per cent smaller than the 1933 crop, and a corn crop of 1,372,000,000 bushels, 41 per cent smaller than last season and 45 per cent smaller than the 1927-1931 average. The tobacco crop is also considerably smaller than usual, while the white potato crop is slightly above the five-year average.

DISTRIBUTION

The number of freight cars loaded per working day decreased from September to October. Department store sales showed a seasonal increase and were at about the same level, on a seasonally adjusted basis, as in most other months since March. Rural sales of general merchandise, as reported by the Department of Commerce, increased by less than the usual seasonal amount following an unusually large increase in September.

COMMODITY PRICES

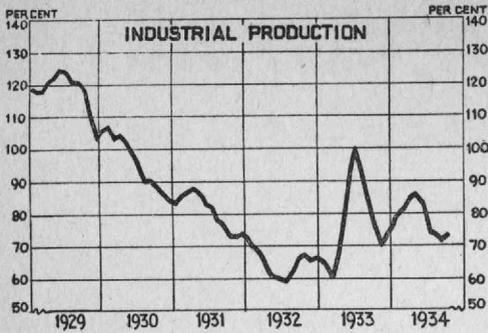
Wholesale commodity prices, as measured by the Bureau of Labor Statistics' weekly index, declined from 77.8 per cent of the 1926 average in the week ending September 8 to 76.0 per cent in the week ending November 3, and then rose in the following two weeks to 76.7 per cent. The decline was largely in prices of farm products and foods, but there were also some decreases in the prices of textiles and building materials. Increases in the first half of November were largely in the prices of farm products. The price of scrap steel also advanced, while lead and zinc declined.

BANK CREDIT

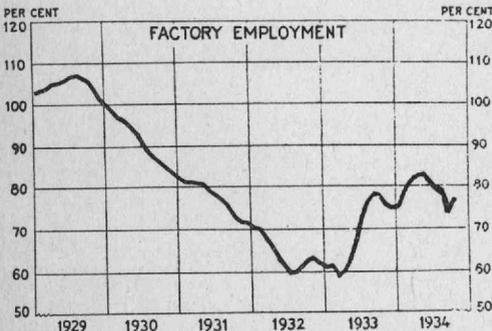
Excess reserves of member banks were about \$1,910,000,000 on November 21, showing an increase of \$150,000,000 in the preceding five weeks. The increase in reserves held was \$200,000,000, of which \$50,000,000 covered a growth in required reserves. Additions to reserves resulted mainly from gold imports and further issues of silver certificates.

Loans and investments of reporting member banks in leading cities declined somewhat in the four weeks ending November 14, following an increase in the previous month. Substantial declines were shown in loans on securities and in holdings of securities other than those of the United States Government. Other loans, which had increased considerably in previous months, also showed some decline, while holdings of direct obligations of the United States Government and of securities fully guaranteed by the Government increased considerably. Customers' deposits continued to increase, while Government deposits declined.

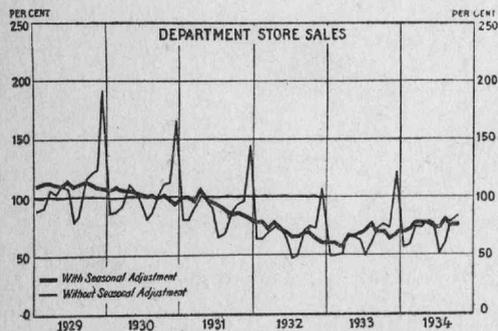
There was a further decline in open-market rates on bankers' acceptances at the end of October to an offering rate of $\frac{1}{8}$ per cent. Yields on short-term Government securities and other short-term open-market money rates showed little change.



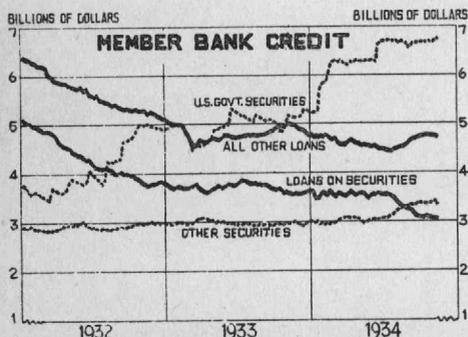
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Federal Reserve Board's index of factory employment with adjustment for seasonal variation (1923-1925 average = 100).



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



Wednesday figures for reporting number banks in 91 leading cities. Latest figures are for November 14, 1934.