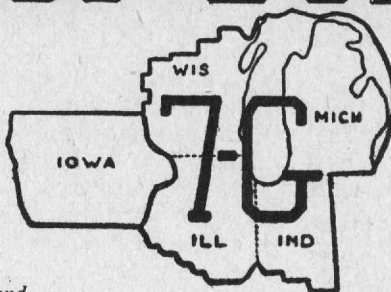


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



1935 APR 1  
RESERVE  
DISTRICT  
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## General Summary

**A** MARKED rise in industrial employment and payrolls during February to a level higher than in several recent years, reflected a further expansion in Seventh district manufacturing activity, while the majority of reporting merchandising groups likewise showed favorable trends during the period. Industries producing foodstuffs, however, experienced declines.

The production of automobiles in February again recorded a substantial gain. The steel industry, influenced largely by automotive requirements, had a heavier volume of business than in the first month of the year, although steel ingot output dropped some after the middle of February. Shipments of furniture manufacturers gained somewhat more than seasonally in February, while orders booked fell off less than usual. Shoe production increased seasonally. Building construction decreased further and was considerably below that of last February, and the movement of materials consequently remained restricted.

The heavy reduction in live-stock supplies caused the production and distribution of meat-packing commodities to drop sharply in February, although a continued advance in prices prevented the aggregate value of sales from showing other than a very slight decline. The production and distribution of creamery butter in the Seventh district were less in February than a month previous, the latter item falling off more than seasonally for the period. Although sales of Wisconsin cheese exceeded the manufacture of the commodity to a greater than usual extent, they were considerably below those of January. Grain marketing was exceptionally light in February. Re-

liable unofficial estimates show winter wheat in the Seventh district to have been in much better condition on March 1 this year than on the corresponding date of 1934.

With a few exceptions in wholesale trade, merchandising conditions in the Seventh district were favorable during February. Department store trade showed a moderate increase over the preceding month, as compared with practically no change in the seasonal average for February. The retail shoe trade expanded counter-seasonally in the period and the furniture trade more than usual. Chain store sales also increased during the month. In wholesale trade, electrical supply sales rose, contrary to trend for February, while wholesale hardware sales recorded a greater than seasonal gain; the decline in drug sales from January was about average for the month, but that in the grocery trade was larger than usual and in dry goods was counter-seasonal.

Demand for currency in the Seventh district increased between February 13 and the same date in March. In this period holdings of U. S. Government direct obligations by reporting member banks rose, as did their unsecured loans; net demand deposits in these banks were higher and time deposits slightly lower. Commercial paper sales by dealers in the Middle West declined seasonally in February, but activity in new financing by means of bankers' acceptances expanded somewhat. Money rates continued at low levels.

## Credit Conditions and Money Rates

Net transfers of funds into the Seventh district for the accounts of banks and their customers (inter-district commercial and financial transactions) amounted to almost 10 million dollars during the four-week period ended March 13. This amount, together with an increase of more than 6 millions in the amount of reserve bank credit extended locally, resulted in a gain of over 16 millions in the supply of banking reserves in this district. The increase in the amount of reserve bank credit extended locally represents entirely a gain in "float," i.e., items in process of collection, which contrasted with a decline in that item in the preceding period (January 16 to February 13). Demand for currency in the period increased 13 million

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

(Amounts in millions of dollars)

	MAR. 13 1935	FEB. 13 1935	MAR. 14 1934
Total Bills and Securities	\$ 410.4	\$ -12.5	\$ -31.8
Bills Discounted	0.0	-0.1	-1.6
Bills Bought	0.7	0	-2.7
U. S. Government Securities	408.3	-12.5	-29.0
Total Reserves	1,109.9	+37.3	+133.8
Total Deposits	700.4	+20.4	+106.5
Federal Reserve Notes in Circulation	783.4	+10.1	+13.6
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	74.7	+0.9*	+3.2*

\*Number of Points.

dollars and a gain of 16½ millions was registered in member bank reserve balances. Treasury cash and deposits at the Federal Reserve Bank of Chicago fell off 6 millions. Changes in the sources and uses of Seventh district banking reserves are shown in detail in the accompanying tabulation.

#### Changes between February 13 and March 13 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts).....	+6,124
Commercial operations through inter-district settlements.....	+9,777
Treasury and National bank currency.....	+720
<b>Total supply.....</b>	<b>+16,621</b>
Demand for currency.....	+12,998
Member bank reserve balances.....	+16,612
Treasury cash and deposits at Federal Reserve Bank of Chicago..	-6,062
Special and "all other" deposits.....	-7,599
Other Federal Reserve accounts.....	+672
<b>Total demand.....</b>	<b>+16,621</b>

#### MEMBER BANK CREDIT

Reporting member banks in the Seventh district, as shown on the accompanying table, reported an increase of 33 million dollars in total loans and investments on March 13 as compared with February 13. This gain reflected, for the most part, a somewhat larger volume of "other loans," a rise of 22 millions in holdings of U. S. Government direct obligations, and a small increase in loans on securities; holdings of "other securities," on the other hand, decreased 10 million dollars, and other items comprising total loans and investments recorded small declines. Net demand deposits increased 39 million dollars, as against a rise of 10 millions in the period January 16 to February 13, and time deposits which in the last named period increased 5 millions, between February 13 and March 13 declined 3 million dollars. On March 13 of this year, total loans and investments were 324 million dollars in excess of the aggregate shown on March 14, 1934, net demand deposits were higher by 387 millions, and time deposits by 42 millions.

A prevailing rate of 1½ to 5 per cent on customers' commercial loans was reported by down-town Chicago banks for the week ended March 15, unchanged from the range given for the corresponding week in February. Detroit banks reported 3½ to 6 per cent for this item, also unchanged from the preceding month. The average rate earned by Chicago banks located in the down-town area during the calendar month of February was 2.92 per cent,

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

(Amounts in millions of dollars)

	MAR. 13 1935	CHANGE FROM	
		FEB. 13 1935	MAR. 14 1934
Total loans and investments.....	\$2,040	\$+33	\$+324
Total loans on securities.....	278	+6	-58
To brokers and dealers			
In New York.....	28	0	+14
Outside New York.....	34	+8	-6
To others.....	216	-2	-66
Acceptances and commercial paper bought.....	60	-1	.....
Loans on real estate.....	32	-1	.....
Other loans.....	303	+16	-102*
U. S. Government direct obligations.....	1,021	+22	+374
Obligations fully guaranteed by U. S.			
Government.....	90	+1	.....
Other securities.....	256	-10	-72**
Net demand deposits.....	1,799	+39	+387
Time deposits.....	522	-3	+42
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.

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Federal Reserve Bank of St. Louis

as against 2.95 per cent in January and 3.38 per cent in February 1934.

Commercial paper sales in the Middle West showed a seasonal recession of 14½ per cent in February from January, although in the comparison with the corresponding month of last year they totaled 40½ per cent larger. A slight increase in outstandings took place during the period, but the volume remained considerably below the 1925-34 average for February. Selling rates continued at a low level, ranging from ½ to ¾ per cent for prime short-term obligations to 1 and 1½ per cent for longer maturities or less well-known paper; the bulk of sales was at ¾ per cent. Demand was in excess of supply during the first two weeks of March; sales in the period, however, about equaled those in the first half of February. Rates in the early part of March remained unchanged.

Dealer transactions in the Chicago bill market totaled considerably smaller from February 14 to March 13 than either in the preceding period or a year ago. Supplies fell off 54 per cent from those of January 17 to February 13 and were in the smallest volume since August 16 to September 12 of last year. A heavy decline in receipts from Eastern cities more than offset a slight gain in purchases from local acceptors. Sales to Chicago and out-of-town banks declined as did shipments to other markets, and as a result total distribution equaled supply. Rates were unchanged during the period, ranging from ⅛ to 3/16 per cent.

The value of new bills accepted and total purchases of bankers' bills by Seventh district accepting banks expanded somewhat during February over the first month of 1935, although they remained considerably below a year ago and the 1925-34 average for the month. Sales also increased during February and were the heaviest since last November. Maturities were greatly in excess of current purchases and, as a result, holdings in bank portfolios were reduced to the lowest point since March 1933, though remaining 51½ per cent above the 1925-34 average. The liability for outstanding bills at the end of February approximated that of January 31.

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

	PER CENT CHANGE IN FEBRUARY 1935 FROM	
	JANUARY 1935	FEBRUARY 1934
Total value of bills accepted.....	+17.0	-35.8
Purchases (including own bills discounted).....	+10.4	-46.5
Sales.....	**	+240.3
Holdings*.....	-28.0	-38.2
Liability for outstandings*.....	-0.0	-43.6

\*At end of month. \*\*Sales almost nil in January but amounted to 5 million dollars in February.

#### SECURITY MARKETS

Activity in the Chicago bond market during February showed no appreciable change as compared with recent months. High grade bonds continued outstanding in the demand with interest principally in municipal issues. Price trends in the high grade group were generally some-

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

(Amounts in millions of dollars)

	FEB. 1935	PER CENT OF INCREASE OR DECREASE FROM	
		JAN. 1935	FEB. 1934
Chicago.....	\$2,002	-17.8	+11.9
Detroit, Milwaukee, and Indianapolis.....	981	-6.2	+26.1
Total four larger cities.....	\$2,983	-14.3	+16.2
35 smaller centers.....	489	-10.1	+22.7
Total 39 centers.....	\$3,472	-13.8	+17.1



what higher; rail issues, however, were an exception and losses were recorded among bonds in this classification. New financing remained light in volume during February, over half of which volume represented municipal and State issues. Demand continued to come largely from institutional buyers, although sales to individual customers were reported to be increasing. Prices on the Chicago Stock Exchange trended slightly downward during February and the first half of March. The average price of twenty leading stocks\* amounted to \$28.25 on March 16 which compares with \$30.00 on February 16.

\*Chicago Journal of Commerce.

## Agricultural Products

### GRAIN MARKETING

Receipts of wheat at terminal markets in the United States decreased 25½ per cent in February from the exceptionally limited volume of January, and were only one-fifth normal for the month and less than half as great as a year ago. Reshipments declined more than seasonally from January to a level 12½ per cent under last February and 42½ per cent below the 1925-34 February average, but were 7½ per cent above the low recorded in April 1934. Exports remained negligible during the entire month. The total supply of wheat in all United States positions was one-third smaller on March 1, 1935, than on the corresponding date of 1934. Furthermore, visible supplies of this grain in the United States continued to decline and on March 16 were 50 per cent below the 1925-34 average for that date. Prices averaged lower in February than in January. After evidencing considerable strength early in the month, quotations showed considerable weakness at the middle of March.

Terminal receipts of corn aggregated less in February than for any month since June 1932, and were about one-fourth the usual volume for this time of year. Reshipments of the grain were 16 per cent greater than last February but 14½ per cent below January and 28 per cent under the 1925-34 seasonal average. Visible supplies of corn in the United States were one-third smaller on March 16 than in the ten-year average for the date. Moreover, farm stocks were much lower than a year ago. Prices of this grain showed marked weakness during the middle part of March.

Receipts and reshipments of oats at terminal markets gained somewhat over January but remained considerably less than a year ago and were much below the 1925-34 February average. Visible supplies of this grain likewise were much smaller on March 16 than either a year ago or in the ten-year average.

### MOVEMENT OF LIVE STOCK

Live-stock marketings in the United States aggregated less in February 1935 than for any other month in this bank's records (January 1921). Hog receipts at public stock yards in the United States declined to a level 50½ per cent below the 1925-34 seasonal average, and those of cattle were not only the smallest since December 1933 and one per cent under a year ago but only ½ per cent in excess of the average volume for February. Though totaling 4½ per cent greater than last February, lamb marketings were less than for any month subsequent thereto and 8½ per cent below the 1925-34 February

average. Furthermore, receipts of calves were under those of any month since March 1933.

The movement to inspected slaughter—inclusive of animals that did not pass through public stock yards—showed some deviation from the trend of market receipts; the supply of cattle declined 10 per cent from last February to a level below any previous month since April 1933 but was 4½ per cent greater than the 1925-34 seasonal average; that of lambs decreased 2 per cent from a year ago and was under any month since December 1929, but totaled 2½ per cent above the ten-year February average; the supply of calves, on the other hand, though showing the same downward trend from January as did receipts, was 8 per cent greater than usual for the month.

Reshipments to feed lots fell off less than a seasonal amount in February from January, and were not only much larger than a year ago but considerably in excess of the 1930-34 average for the month.

### MEAT PACKING

Owing to a marked reduction in live-stock supplies, the production and distribution of packing-house commodities by slaughtering establishments in the United States aggregated smaller in February 1935 than for any previous month in this bank's records (January 1921). Commercial production declined 19½ per cent from January to a level 30½ per cent under the 1925-34 seasonal average and was 26 per cent under a year ago. Furthermore, total production—inclusive of Government tonnage—decreased 23½, 29, and 24 per cent in these respective comparisons. The sales tonnage likewise was exceptionally light in February, being 20½ per cent less than in January, 23 per cent under last year, and 20 per cent below the 1925-34 February average. Prices advanced further during the month and were considerably above those of 1934. The total value of sales billed to domestic and foreign customers, therefore, decreased only ½ per cent from January, was 26½ per cent in excess of a year ago, and within 9 per cent of the 1925-34 average for the month. Inventories of these commodities in the United States showed a non-seasonal decline of 35,005,000 pounds on March 1 from the beginning of February to a level 57,238,000 pounds below the corresponding date of 1934 and 15,245,000 pounds under the 1930-34 average for March 1. Payrolls for the closing week of February remained under a year ago and showed a recession from January of 9 per cent in number of employees, 7½ per cent in hours worked, and of 8 per cent in wage payments.

### LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
February 1935.....	186	420	286	82
Federally Inspected Slaughter,				
United States				
February 1935.....	659	2,409	1,137	390
January 1935.....	977	3,047	1,345	512
February 1934.....	733	3,433	1,159	437

### AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED MARCH 16 1935	FEB. 1935	MONTHS OF JAN. 1935	FEB. 1934
Native Beef Steers (average).....	\$11.00	\$10.45	\$9.15	\$5.55
Fat Cows and Heifers.....	7.75	7.00	6.35	4.40
Calves.....	8.00	7.20	7.15	6.00
Hogs (bulk of sales).....	9.35	8.55	7.70	4.35
Lambs.....	7.90	8.40	8.65	9.20

Shipments for export fell off in February from January and consisted principally of lard forwarded to the United Kingdom. Demand for American lard was only fair in that country and continued negligible on the Continent. British trade in hams was moderate and Cuban demand for packing-house commodities from the United States approximated that in January. English quotations for American lard moved a little closer to Chicago parity during the month, but those of hams eased somewhat, although they continued above the United States basis. Prices of bacon were weak in the United Kingdom. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—were reduced slightly on March 1 from the beginning of February.

#### DAIRY PRODUCTS

The production of creamery butter in the Seventh Federal Reserve district declined 5 per cent in February from January to a level 4 per cent under a year ago and  $6\frac{1}{2}$  per cent below the 1925-34 average for the month. On the other hand, the sales tonnage fell off considerably more than seasonally from a month earlier, being  $25\frac{1}{2}$  per cent less than in January,  $28\frac{1}{2}$  per cent smaller than last February, and  $24\frac{1}{2}$  per cent below this ten-year average. Production of the commodity in the United States decreased  $10\frac{1}{2}$  per cent from January and likewise was less than that of February 1934. Though showing a smaller than seasonal recession from February 1, inventories of creamery butter in the United States aggregated only 7,981,000 pounds on March 1 and were not only lower than for any other reporting date since May 1, 1929, but 20,195,000 pounds below the 1930-34 average for the date. Prices averaged approximately  $7\frac{1}{2}$  per cent higher in February than in January. However, the trend of quotations has been steadily downward since the middle of February.

American cheese manufacture in Wisconsin expanded 9 per cent in the four weeks ended March 2 over the preceding period, but was 15 per cent smaller than a year ago and  $19\frac{1}{2}$  per cent less than average at this season. Sales of the commodity from primary markets of that state exceeded current production by more than a normal amount during February but were  $31\frac{1}{2}$  per cent below the corresponding weeks of January,  $16\frac{1}{2}$  per cent under a year ago, and 13 per cent smaller than the 1930-34 average for the period. Total inventories of cheese in the United States were reduced more than usual on March 1 from the beginning of February to a level only 2,325,000 pounds above a year ago and 6,550,000 pounds in excess of the 1930-34 average for that date. Prices rose approximately 8 per cent in February over January. Quotations eased in March.

#### Industrial Employment Conditions

February reports on employment conditions in the Seventh district again indicate a marked expansion in industrial activity, the number of men employed rising  $4\frac{1}{2}$  per cent and payrolls  $8\frac{1}{2}$  per cent above the corresponding figures of a month earlier. While employment and payrolls generally show gains between January and February, the increases in the past ten years have averaged only 1 and 3 per cent in these respective items, or considerably less than those of the current period. The substantial gains of the past three months have brought em-

ployment to the highest volume since October 1930, and payrolls to a level above any since May 1931. Despite this advance, current volumes are only slightly larger than last May which month constituted the high point for the year 1934.

All major manufacturing groups with the exception of the food industries contributed to the rise in payrolls from January to February, while all groups except food and rubber products showed a gain in employment. Metal products recorded the heaviest expansion for this group in the month-to-month comparison since the summer of 1933, while the vehicles group continued to show substantial increases but of lesser proportions than in the two preceding months. Textiles, wood, stone-clay-and-glass, and the leather industries experienced a greater-than-seasonal gain; the paper and printing industries expanded contrary to the normal seasonal trend; while gains reported for the chemicals group were somewhat smaller than is usual at this season. In food products, which group furnished the main exception to the general manufacturing trend, decreases have been continuous since last September, the aggregate decline from the high point of that month amounting to 24 per cent in employment and 22 per cent in payrolls. Employment and payrolls in the non-manufacturing industry groups as a whole registered decreases in February for the second consecutive month, losses in the merchandising and public utility groups somewhat more than offsetting the gains reported for the coal mining and construction industries.

#### Manufacturing

##### AUTOMOBILE PRODUCTION AND DISTRIBUTION

The increase over January in February production of passenger automobiles amounted to 21 per cent, as computed from Department of Commerce data, which approximates the gain in the 1925-34 average for February. Output numbering 278,150 vehicles in the month this year recorded an increase of 48 per cent over the volume produced last February, exceeding that of the same month in any of the four preceding years and almost equaling that of February 1930. Trucks produced in February numbered 62,394, or 2 per cent less than in the preceding month but 42 per cent in excess of a year ago.

##### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF FEB. 15, 1935			CHANGE FROM JAN. 15, 1935	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS ('000 \$)	WAGE EARNERS %	EARNINGS %
Metals and Products <sup>1</sup> .....	1,173	239,279	5,610	+7.5	+14.1
Vehicles.....	214	291,674	8,104	+9.0	+15.6
Textiles and Products.....	286	45,974	827	+6.0	+14.3
Food and Products.....	560	80,993	1,717	-1.7	-2.4
Stone, Clay, and Glass.....	150	8,621	163	+10.2	+10.5
Wood Products.....	337	27,492	442	+6.1	+10.7
Chemical Products.....	152	20,321	480	+0.8	+1.7
Leather Products.....	99	21,362	401	+4.0	+7.0
Rubber Products <sup>2</sup> .....	8	7,806	196	-3.5	+10.6
Paper and Printing.....	487	60,591	1,480	+1.3	+1.1
Total Mfg., 10 Groups....	3,466	804,113	19,420	+6.0	+11.3
Merchandising <sup>3</sup> .....	1,763	85,306	1,766	-3.3	-3.6
Public Utilities.....	78	81,024	2,439	-0.4	-1.8
Coal Mining.....	14	4,223	95	+3.8	+7.9
Construction.....	314	7,865	159	+5.1	+15.7
Total Non-Mfg., 4 Groups.	2,169	178,418	4,459	-1.5	-1.8
Total, 14 Groups.....	5,635	982,531	23,879	+4.6	+8.6

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



In accordance with seasonal trend, sales of new automobiles to users in the Middle West rose sharply in February over a month previous, while distribution at wholesale showed a more moderate though likewise substantial gain in the period. Although February last year recorded exceptionally large expansion following delays in production of new models, the volume sold in the month this year greatly exceeded sales at that time. Used car sales likewise gained considerably in February over the preceding month, but the percentage increase was little more than half that in new car sales at retail, and the number sold was only 8 per cent greater than a year ago. Stocks of both new and used cars increased substantially in the monthly and yearly comparisons. The ratio of sales made on the deferred payment plan to total retail sales of dealers reporting the item, amounted to 43 per cent in February, or practically the same as a month previous or a year ago.

#### IRON AND STEEL PRODUCTS

Requirements of the automobile industry have been largely responsible for fluctuations in the rate of steel production during recent weeks in the Chicago district. In addition to this tonnage, however, gradually increasing needs of agricultural implement manufacturers and a slightly greater use of structural steel have contributed to the maintenance of production schedules, while railroad buying has remained quiet. Steel ingot output which had been around 67 per cent of capacity in the early part of February, dropped sharply to 54 per cent in the middle of the month and continued at about that rate until the second week of March when there was a further decline to 51 per cent, followed by a drop to 47½ per cent in the third week. Aggregate business of steel producers in February, nevertheless, exceeded that of January and was well above that of a year ago. Despite the shorter month, production of pig iron in the Illinois and Indiana district rose above that of January and was considerably heavier than in the same month of the past three years.

The sharp acceleration in activity reported by Seventh district steel casting foundries for January was partially lost during the succeeding month, orders booked in February showing a decline of 29 per cent in tonnage units and 20 per cent in dollar value, while shipments fell off 2 per cent in each unit of measurement and the tonnage produced remained unchanged. All items were heavier than in February last year, the added tonnage amounting to 22 per cent for production, 43 per cent for shipments, and 7 per cent for orders. Malleable casting foundries reported a decline in orders for February, the volume booked

**MIDWEST DISTRIBUTION OF AUTOMOBILES**  
Changes in February 1935 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JAN. 1935	FEB. 1934	
<b>New Cars</b>			
Wholesale—			
Number Sold .....	+17.7	+29.4	22
Value .....	+21.1	+31.4	22
Retail—			
Number Sold .....	+51.9	+38.0	50
Value .....	+39.8	+33.1	50
On Hand Feb. 28—			
Number .....	+23.9	+29.2	50
Value .....	+26.9	+38.1	50
<b>Used Cars</b>			
Number Sold .....	+27.1	+8.0	50
Salable on Hand—			
Number .....	+13.5	+45.7	50
Value .....	+19.3	+64.7	50

falling 12 per cent under that of the preceding month and also being 4 per cent below the corresponding volume of a year ago. Shipments, also, declined 4 per cent from January but were 29 per cent heavier than last February, while production showed gains of one and 35 per cent, respectively, in these comparisons.

In the manufacture of stoves and furnaces, shipments increased 44 per cent from January to February, thus offsetting an equivalent decline in the month preceding. Orders accepted gained 20 per cent, molding-room operations 37 per cent, and inventories accumulated by 10 per cent. In the comparison with a year ago, all items were on a higher level: shipments increased 35 per cent, orders 28 per cent, production 17 per cent, and inventories 28 per cent.

#### FURNITURE

For the fifth successive month, operations of Seventh district furniture manufacturers reporting to this bank were maintained at levels well above those of a year earlier, gains in February amounting to 52 per cent in orders booked and 28 per cent in shipments. Moreover, in the comparison with January—in which month new orders attained the highest level since July 1933—current orders were only 11 per cent smaller, whereas the seasonal average decline for the period approximates 29 per cent. The expansion in shipments in February was greater than seasonal, amounting to 45 per cent in comparison with a 33 per cent increase in the 8-year average for the month; despite the acceleration in shipments, a sharp rise took place in the ratio of unfilled orders to current orders, which stood at the close of February at 108 per cent, 25 points higher than that obtaining a month earlier. The rate of operations averaged 59 per cent of capacity, three points above the preceding month and 16 points higher than in February 1934.

#### SHOE MANUFACTURING, TANNING, AND HIDES

The manufacture of boots and shoes in the Seventh district showed a continued increase in volume during February, preliminary figures rising 7½ per cent above those of a month earlier, as against an average seasonal gain of 8½ per cent for the ten preceding years. Final data on shoe production in January recorded an expansion of 21 per cent over the closing month of 1934, a gain of 20

#### LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	FEB. 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JAN. 1935	FEB. 1934	
<b>Wholesale Lumber:</b>			
Sales in Dollars .....	+12.5	+3.8	11
Sales in Board Feet .....	+5.4	-3.5	9
Accounts Outstanding <sup>1</sup> .....	+4.8	-4.7	11
<b>Retail Building Materials:</b>			
Total Sales in Dollars .....	-17.7	+2.1	173
Lumber Sales in Dollars .....	-2.9	-9.4	59
Lumber Sales in Board Feet .....	-10.0	-26.0	69
Accounts Outstanding <sup>1</sup> .....	-3.7	-12.9	165
Ratio of Accounts Outstanding <sup>1</sup> to Dollar Sales during Month			
	FEB. 1935	JAN. 1935	FEB. 1934
Wholesale Trade .....	159.8	171.5	174.1
Retail Trade .....	363.7	309.7	429.6

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

per cent over the corresponding period a year ago, and an increase of 23 per cent over the January seasonal average. In the tanning industry, production showed a decline from January to February, but remained considerably larger than in the corresponding period last year. Sales, while maintaining the volume of a month earlier, totaled below those of a year ago, registering the first decline in this comparison since last October. Prices of leather were less firm than a month earlier. In the Chicago market the movement of packer green hides was in slightly smaller volume during February than in January, while trading in calf and kip skins was somewhat more active. Price quotations which eased slightly in the first week of February, held fairly steady until the middle of March when a further decline, ranging from one-half to one cent, was established for practically all items.

## Building Materials, Construction Work

Owing to the fact that most construction projects in this district remained closed down, distribution of building materials continued restricted in February. Shipments of cement in five midwest states were 22 per cent heavier than a month previous, however, and 7 per cent greater than a year ago. Shipments of brick and tile showed but small variation as compared with the preceding month and with February 1934, but some firms report orders booked for spring tonnage greatly increased over the volume of the corresponding period a year earlier.

Sales of lumber at wholesale continued to gain in February, though less markedly as compared with the January expansion: increases amounted to 13 per cent in dollar sales and 5 per cent in board feet, and exceeded seasonal expectations. At retail yards, sales contracted sharply: total dollar sales of all materials declined 18 per cent from January, in comparison with a decline in the seasonal average of only one per cent; lumber sales as measured in board feet and in dollars declined in less than seasonal proportions, however, losses amounting to 10 per cent and 3 per cent, respectively. Little change was recorded from January in accounts outstanding, the sharp rise in the accounts-to-sales ratio shown in the table for the retail trade being accounted for by a drop of similar proportions in total sales during the month; actually, accounts outstanding in the retail business declined slightly from the close of January.

### BUILDING CONSTRUCTION

Contract awards in the Seventh district continued to decline in February, the value thereof falling off 19 per cent from that of the preceding month and continuing for the fourth successive month substantially lower than in the corresponding period a year earlier. Residential contracts declined considerably more sharply than did total

awards in the comparison with January, but in reaction to a substantial increase in that month over December.

### BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
February 1935.....	\$11,350,231	\$1,236,656
Change from January 1935.....	-18.8%	-29.7%
Change from February 1934.....	-29.4%	-27.4%
First two months of 1935.....	\$25,333,061	\$2,996,707
Change from same period 1934.....	-42.1%	-0.4%

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

The valuation of permits issued in 100 cities of the district, however, was 6 per cent greater than in January, and 67 per cent higher than in February 1934. The number of permits also increased, by 17 per cent and 27 per cent, respectively. Among the larger cities of the district Chicago and Indianapolis as well as Des Moines showed recessions from January in estimated cost of permits. In the year-ago comparison, Des Moines and Indianapolis recorded declines in both number and value.

## Merchandising

Trends varied during February in wholesale trade conditions of the Seventh district. A decline of 6 per cent for the month in the wholesale drug trade was normal for the season. Grocery sales, however, falling off 10 per cent in the period, recorded a greater than usual decline for February, and a decrease of 8 per cent in dry goods sales compared with a 3 per cent increase in the 1925-34 average for the month. On the other hand, the wholesale hardware trade showed a 5 per cent expansion in February over the preceding month, whereas the average gain for the period amounts to but 3½ per cent; and sales of wholesale electrical supplies rose 13 per cent, as against a usual decline for February averaging 4 per cent. In all these reporting groups the dollar volume of sales continued to exceed that of the corresponding month a year earlier—in dry goods to about the same extent as a month previous, in hardware, drugs, and electrical supplies to a greater degree, and in groceries to a lesser one. Ratios of accounts outstanding at the end of February to net sales during the month were higher in the majority of groups than a month earlier, but for all lines were below those of a year ago.

A gain of 4 per cent for February over January in Seventh district department store trade compared with practically no change in the 1925-34 average for the

### WHOLESALE TRADE IN FEBRUARY 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUT- STANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUT- STANDING	COL- LECTIONS	
Groceries.....	+4.3	+16.0	-7.8	+15.8	95.6
Hardware.....	+8.9	+6.1	-8.9	+8.2	232.0
Dry Goods.....	+11.9	+1.4	+3.3	+10.5	222.6
Drugs.....	+3.2	+0.8	-6.3	-1.2	179.5
Electrical Supplies.....	+28.5	+2.4	+5.4	+23.9	153.2

### DEPARTMENT STORE TRADE IN FEBRUARY 1935

LOCALITY	PER CENT CHANGE FEBRUARY 1935 FROM FEBRUARY 1934		PER CENT CHANGE TWO MONTHS 1935 FROM SAME PERIOD 1934	RATIO OF FEBRUARY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JANUARY	
	NET SALES	STOCKS END OF MONTH	NET SALES	1935	1934
Chicago.....	+7.2	-3.2	+6.7	33.8	27.7
Detroit.....	+15.6	+5.2	+17.6	45.1	39.8
Indianapolis.....	+14.8	-16.6	+13.5	41.6	39.1
Milwaukee.....	+4.6	-5.3	+2.6	37.9	33.2
Other Cities.....	+8.5	+1.7	+6.7	32.1	29.8
7th District.....	+9.5	-2.9	+9.2	37.9	33.5



month—in only four of these ten preceding years had an expansion been shown in the period. Sales by Detroit stores, increasing 10 per cent over January, recorded the heaviest gain among the larger cities of the district; Chicago trade expanded 2 per cent and that in Milwaukee 4 per cent; while the dollar volume sold by Indianapolis firms recorded a loss of 5 per cent. Stores in smaller centers had sales aggregating 6 per cent more than a month previous. The increase of 9½ per cent for the district over a year ago was slightly larger than in a similar comparison for January. Stocks expanded seasonally 6 per cent in February over a month earlier and were 3 per cent smaller than at the close of the month in 1934.

The retail shoe trade increased 3½ per cent in February over the preceding month, whereas the 1926-34 average for the month shows a loss of 7 per cent. An increase of 12 per cent was recorded in sales over February last year, which was somewhat larger than the January gain in the yearly comparison. Stocks rose 13 per cent at the close of February over a month previous and aggregated 5 per cent larger than a year ago.

Sales of furniture and house furnishings by dealers and

department stores expanded considerably more than seasonally in February over January, the gain totaling 40 per cent as against an increase of but 18 per cent in the 1927-34 average for February. As a consequence, the dollar volume sold in the current period exceeded that of February 1934 by 19 per cent, whereas the gain in the yearly comparison for January was only 12 per cent. Installment sales by dealers increased more substantially in the monthly comparison than did total sales, rising 52 per cent over January. A gain of 5 per cent took place in stocks over the end of January, but they totaled 3 per cent smaller than at the end of February a year ago.

Reporting grocery, five-and-ten-cent store, and men's clothing chains had heavier sales in February than in the first month of the year, while sales by drug, shoe, cigar, and musical instrument chains were less in the comparison, aggregate sales of all groups increasing 4 per cent over January. As compared with last February, cigar, men's clothing, and musical instrument chains recorded smaller sales this year, but the other and heavier groups showed increases, so that total sales amounted to 6 per cent more than a year earlier.

## 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	Feb. 1935	Jan. 1935	Dec. 1934	Nov. 1934	Oct. 1934	Sept. 1934	Feb. 1934	Jan. 1934	Dec. 1933	Nov. 1933	Oct. 1933	Sept. 1933
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	80	81	73	71	79	77	63	60	54	56	67	63
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	31	31	20	24	27	29	22	21	18	21	23	19
In Tons.....	12	29	30	19	25	26	31	21	21	20	22	25	19
Malleable—In Dollars.....	21	37	37	28	29	26	24	28	23	23	23	25	24
In Tons.....	21	57	59	42	43	38	34	44	38	36	36	39	38
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	10	85	59	101	144	192	140	63	45	78	109	128	108
<b>Furniture—</b>													
Orders (in dollars).....	14	43	49	25	34	40	40	28	35	18	21	24	42
Shipments (in dollars).....	14	36	25	30	36	42	39	29	21	23	28	38	47
<b>Flour—</b>													
Production (in bbls.).....	19	90	103	93	101	117	106	104	117	100	106	104	90
<b>Output of Butter by Creameries—</b>													
Production.....	59	81	86	88	98	125	133	85	92	94	93	109	115
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	64	72	70	73	77	76	62	64	63	64	66	70
Hardware.....	11	43	41	52	57	65	58	39	38	46	46	51	50
Dry Goods.....	9	38	42	35	42	43	50	34	37	28	33	38	41
Drugs.....	13	66	68	64	66	73	65	64	70	67	57	61	61
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	60	59	124	77	78	76	56	56	108	67	74	70
Detroit.....	5	76	69	139	81	76	98	67	58	114	67	67	87
Indianapolis.....	4	65	70	140	83	85	96	56	62	119	70	83	83
Milwaukee.....	5	60	58	125	83	89	76	58	58	111	77	83	73
Other Cities.....	40	58	54	116	74	75	68	54	52	104	65	65	61
Seventh District—Unadjusted.....	81	62	61	126	78	79	80	58	56	109	68	73	73
Adjusted.....	81	79	76	75	71	72	78	73	70	65	61	66	71
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		95	78	44	16	29	42	64	39	17	15	36	54
Trucks.....		166	169	146	87	127	119	117	115	79	49	79	91
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		4	6	5	6	8	8	6	4	3	5	5	12
Total.....		17	20	26	22	34	29	24	40	48	34	31	29
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....		63	51	38	34	33	34	39	34	31	34	45	42
United States.....		59	49	34	33	31	31	46	40	39	37	45	52
Steel Ingot Production—(U. S.)*.....		86	79	58	50	41	38	68	55	54	44	60	66

\*Average daily production.

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

**I**N February industrial production increased by less than the usual seasonal amount, following sharp advances in December and January. Wholesale prices of many leading commodities showed little change in February and declined in the early part of March; prices of live stock and meats, however, advanced further in February and continued at relatively high levels during the first three weeks of March.

### PRODUCTION AND EMPLOYMENT

Daily average output of basic industrial commodities increased in February by an amount smaller than is usual at this season, and the Federal Reserve Board's index, which makes allowance for seasonal variations, declined from 91 per cent of the 1923-25 average in January to 89 per cent in February. At steel mills, activity increased further during the early part of February; later in the month and in the first three weeks of March, however, activity declined, contrary to seasonal tendency. In the automobile industry, production continued to increase and the output indicated for the first quarter is larger than in the corresponding period of any other year since 1929. Lumber production remained at a low level. At textile mills, activity in February declined somewhat from the relatively high rate of the preceding month. In the meat-packing industry output continued to decline.

Factory employment increased between the middle of January and the middle of February by more than the usual seasonal amount, reflecting substantial increases in working forces in the automobile, machinery, iron and steel, and wearing apparel industries, and smaller increases in many other lines. At meat-packing establishments, employment continued to decline, and at tobacco factories it showed less than the usual seasonal growth. Payrolls at manufacturing establishments also increased considerably in February. In non-manufacturing industries employment and payrolls showed little change.

Total value of construction contracts awarded in the period from January 1 to March 15, as reported by the F. W. Dodge Corporation, was smaller than in the corresponding period last year, reflecting a reduction in the volume of public projects. The value of contracts awarded for residential building during this period showed a slight increase over the low level of a year ago.

### DISTRIBUTION

Daily average volume of revenue freight-car loadings showed a seasonal increase in February and little change in the first half of March. Department store sales increased in February, a month when there is usually little change, and the combined total for the first two months of the year was larger than a year ago by 5 per cent.

### WHOLESALE COMMODITY PRICES

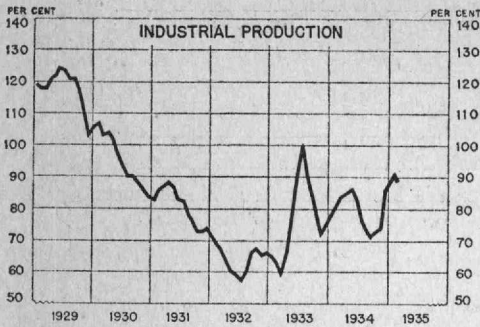
During the period from the beginning of February to the middle of March, there were wide movements in prices of many individual commodities, while the general level of wholesale prices, as measured by the Bureau of Labor Statistics index, showed little change. In the third week of March prices of cotton and other textiles, grains other than wheat, coffee, rubber and tires, scrap steel, and tin were considerably lower than at the beginning of February, while prices of live stock, meats, and sugar were higher.

### BANK CREDIT

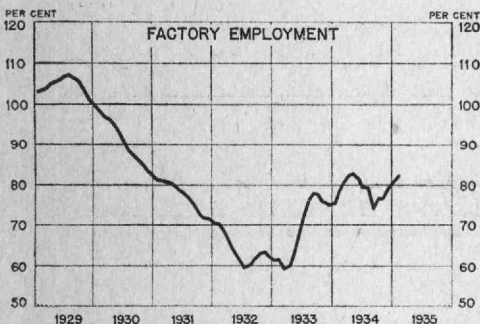
During the four weeks ended March 20, member bank reserve balances declined by \$280,000,000, principally in consequence of an increase in Treasury deposits with Federal Reserve banks built up in connection with March 15 fiscal operations. Excess reserves of member banks declined to about \$1,950,000,000.

Demand deposits (net) of weekly reporting member banks in leading cities increased further by \$380,000,000 during the four weeks ended March 13. The balances of other banks with reporting banks increased by \$100,000,000, while Government deposits declined, reflecting the withdrawal of funds from depository banks. Loans and investments of reporting banks increased by \$275,000,000. There was a further growth of \$85,000,000 in holdings of direct obligations of the United States Government and a smaller increase in obligations guaranteed by the Government. Loans to brokers and dealers in securities increased by \$130,000,000, while other loans showed little change.

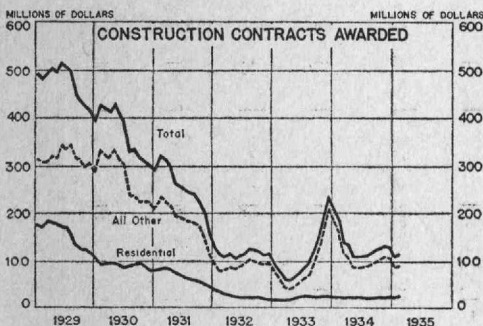
Yields on United States Government obligations declined slightly further, and open-market money rates continued at a low level.



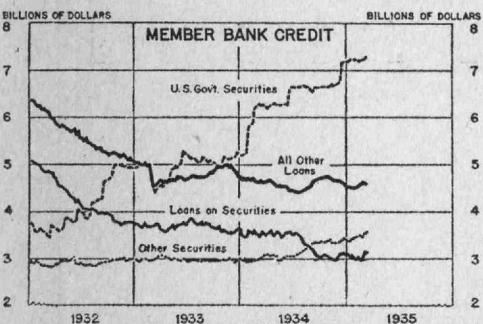
Index number of industrial production, adjusted for seasonal variation (1923-1925 average = 100).



Index of factory employment, adjusted for seasonal variation (1923-1925 average = 100).



Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for January and February, and estimate for March 1935.



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for March 13, 1935.