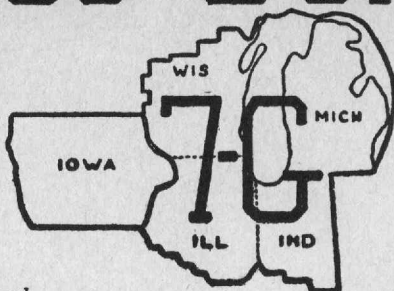


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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GENERAL SUMMARY

INDUSTRIAL production in the Seventh district, with few exceptions, was maintained in good volume during September, and in most phases activity was at a level well above that of last September when a declining trend prevailed.

Demand for steel was well sustained in the Chicago district, and the rate of ingot output held steady at around 60 per cent of capacity throughout September, although by the middle of October it had dropped several points. Daily average pig iron production in the district was the heaviest in September of any month since May 1931. Output of steel and malleable castings approximated that of a month previous, and furniture shipments showed a greater-than-seasonal gain. Building construction continued to expand in September. In all these phases, activity recorded marked increases over the month last year. The automotive industry furnished a major exception to these trends, dropping sharply from August and totaling under a year ago. This industry again effected a decline in aggregate industrial employment in the district, though failing to prevent a rise in total payrolls over a month previous.

Production of packing-house commodities declined in September as did the tonnage sold; however, daily average production increased slightly, and the aggregate dollar value of sales gained in both the monthly and yearly comparisons. Butter production and sales fell off from the preceding month and totaled under a year ago, but inventories remained above average. The manufacture and distribution of Wisconsin cheese increased in September over August and over September

last year and were much above normal for the period. September wheat receipts at interior primary markets were not far below average, although reshipments remained relatively light; total supply of the grain on October 1 was about one-third under normal. The movement of corn in September continued unusually small, while oats receipts were above the average and reshipments under it. The harvesting of autumn crops has made excellent progress in recent weeks.

The September trend in the merchandising of commodities was seasonally upward in the majority of reporting groups: the wholesale grocery and hardware trades sold a larger dollar volume than a month previous; and the department store, retail shoe, and retail furniture trades reported sales increases that were seasonal in nature. The wholesale drug and electrical supply trades recorded declines from August that were contrary to trend for September, but both groups showed substantial increases in sales over the month last year.

A 70-million dollar increase took place between September 18 and October 16 in member bank reserve balances, due to a heavy inflow of funds to the district through commercial and financial transactions. Both loans and investments of reporting member banks declined in this period, while deposits in these banks increased. Dealer sales of commercial paper fell off seasonally in September and were under a year ago, while new financing by means of bankers' acceptances decreased more than usual and was much below average for the month.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	OCTOBER 16, 1935	CHANGE FROM	
		SEPTEMBER 18, 1935	OCTOBER 17, 1934
Total Bills and Securities.....	\$ 358.1	\$ -0.1	\$ -71.4
Bills Discounted.....	0	-0.0	0
Bills Bought.....	0.6	+0.0	-0.2
U. S. Government Securities.....	355.7	0	-72.7
Total Reserves.....	1,310.7	+48.5	+247.8
Total Deposits.....	825.4	+51.3	+139.5
Federal Reserve Notes in Circulation.....	812.9	+4.3	+37.8
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	80.0	+0.3*	+7.3*

*Number of points.

Credit Conditions and Money Rates

Commercial and financial transactions with other districts resulted in a net inflow of more than 83½ million dollars to the Seventh Federal Reserve district during the period from September 18 to October 16, and together with an increase in the volume of reserve bank credit extended within the district amounting to 7 millions (representing almost entirely an increase in "float"), considerably more than offset net payments made to the Treasury totaling 17 million dollars. Reflecting this addition to banking reserves, member bank reserve balances

showed a substantial gain amounting to almost 70 millions. Demand for currency increased somewhat during the four-week period. Detailed changes in items affecting the sources and uses of Chicago Reserve bank credit are given in the accompanying tabulation.

Changes between September 18 and October 16 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).....	+7,104
Commercial operations through inter-district settlements.....	+83,749
Treasury and National bank currency.....	-30,475
Total supply.....	+60,378
Demand for currency.....	+3,372
Member bank reserve balances.....	+69,705
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	-13,518
Special and "all other" deposits.....	+683
Other Federal Reserve accounts.....	+136
Total demand.....	+60,378

A range of $1\frac{1}{2}$ to 5 per cent was reported as the prevailing rate charged by down-town Chicago banks on customers' commercial loans during the week ended October 15, unchanged from the corresponding week in September. The average rate earned by down-town banks in Chicago during the calendar month of September was 2.93 per cent, as compared with 3.06 per cent in August and with 2.99 in September 1934. In Detroit, the prevailing rate on customers' commercial loans for the week ended October 15 was reported as $3\frac{1}{2}$ to 6 per cent, as against $3\frac{1}{2}$ to 5 per cent in the corresponding week of September.

Sales of commercial paper by dealers in the Middle West showed a seasonal decline of 12 per cent in September from the preceding month and were 14 per cent below the corresponding month a year ago. Borrowing remained in about the same volume as a month earlier, and there was little change in the investment demand from either city or country banks. Selling rates during the period were unchanged from August, ranging from $\frac{1}{2}$ to $\frac{3}{4}$ per cent for prime short-term paper to $\frac{3}{4}$ and 1 per cent for paper less well-known or of longer maturity, with the bulk of transactions moving at $\frac{3}{4}$ per cent. September 30 outstandings of commercial paper were only slightly below August 31, and remained above any previous month since October 31 last year. In consequence of continued limited supply, commercial paper sales during the first fifteen days of October declined $34\frac{1}{2}$ per cent from the first half of September.

Receipts of acceptances in the Chicago bill market from Eastern cities increased 73 per cent during the five weeks ended October 16 over the preceding period, the

gain more than offsetting a decline in local purchases which remained in small volume; as a consequence, the supply of acceptances between September 12 and October 16 was 49 per cent greater than a month earlier. Sales to out-of-town banks were the heaviest since October 18-November 14, 1934, and together with an increase in sales to local banks equaled total supply, shipments to Eastern markets being nil during the period. Rates were unchanged from the preceding period, ranging from $\frac{1}{8}$ to $\frac{3}{16}$ per cent.

New financing by means of bankers' acceptances declined more than seasonally in the Seventh Federal Reserve district in September from August, and was 73 per cent below the 1925-34 September average. Decreases from the preceding month, a year ago, and the 1925-34 average for the month, in the direct discounting of these bills at the originating banks were only partially offset by a marked gain over August in the buying of other banks' acceptances. Total purchases, therefore, aggregated 12 per cent under the preceding month and were $79\frac{1}{2}$ per cent below the ten-year average. Sales were nil during September. Maturities, however, for the second consecutive month totaled somewhat greater than current purchases, so that bill holdings of accepting banks were reduced $2\frac{1}{2}$ per cent on September 30 from the end of August. The liability for outstandings showed a slight decline in September from the two preceding months. In the first half of October, new financing by means of acceptance credits increased 43 per cent over the corresponding weeks of September.

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

	PER CENT CHANGE IN SEPTEMBER 1935 FROM	
	AUGUST 1935	SEPT. 1934
Total value of bills accepted.....	-35.2	-35.3
Purchases (including own bills discounted).....	-12.2	-77.1
Sales.....	0	0
Holdings*.....	-2.7	-59.3
Liability for outstandings*.....	-1.1	-28.6

*At end of month.

SECURITY MARKETS

The Chicago bond market was somewhat lacking in distinctive features during September, although demand for investment securities in the period showed a slight improvement over August. The general price level was irregular, prices firming at the beginning of the month, declining somewhat toward the middle of the period, and regaining much of the loss in the latter part of the month. High-grade issues continued to be shown preference in demand which still comes primarily from banks and institutions. The volume of new financing was well maintained during September, and offerings for the most part were well received. The market for municipal bonds was somewhat unsettled; however, there appeared to be a firming in price and a better demand for this type of security during the early part of October. Prices on the Chicago Stock Exchange moved slightly higher in the second week of October. The average price of twenty leading stocks* amounted to \$42.23 on October 17, as compared with \$40.10 on September 17.

*Chicago Journal of Commerce.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

	PER CENT OF INCREASE OR DECREASE FROM	
	AUG. 1935	SEPT. 1934
Chicago.....	\$2,500	+20.3
Detroit, Milwaukee, and Indianapolis.....	964	+23.7
Total four larger cities.....	\$3,464	-5.0
36 smaller centers.....	586	+20.9
Total 40 centers.....	\$4,050	-4.8

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	OCTOBER 16, 1935	CHANGE FROM SEPTEMBER 18, 1935		OCTOBER 17, 1934
		\$-34	\$+252	
Total loans and investments.....	\$2,181			
Total loans on securities.....	219	-7	-67	
To brokers and dealers.....				
In New York.....	1	0	-25	
Outside New York.....	26	-5	+2	
To others.....	192	-2	-44	
Acceptances and commercial paper bought.....	28	-2	-35	
Loans on real estate.....	30	0	-7	
Other loans.....	307	0	-16	
U. S. Government direct obligations.....	1,165	-20	+299	
Obligations fully guaranteed by U. S. Government.....	110	+1	+20	
Other securities.....	322	-6	+58	
Net demand deposits*.....	2,089	+52	+356	
Time deposits.....	557	+2	+67	
Borrowings from Federal Reserve Bank.....	0	0	0	

*Demand deposits subject to reserve. Method of computation changed on August 24, 1935.

Agricultural Products

The excellent weather conditions which obtained during the last half of September brought corn in most sections of the Seventh Federal Reserve district close to the normal rate of maturity before growth was stopped by early autumn frosts. Furthermore, October weather has been unusually favorable for drying out the crop. Frost damage thus far in 1935 has been largely confined to sections in the extreme southern portion of the district where corn had an exceptionally late start last spring and where early autumn frosts were more severe than in other sections of the district.

The harvesting of autumn crops has made excellent progress in recent weeks. Moreover, a fair proportion of winter grain had been sown by mid-October, and early seedings of winter wheat were reported as being up to a good stand.

GRAIN MARKETING

Receipts of wheat at interior primary markets in the United States decreased less than seasonally in September from August, and were not only 12½ per cent greater than a year earlier but within 12½ per cent of the 1925-34 average for the month. Reshipments remained relatively light, being 46½ per cent under the ten-year normal, though rising counter-seasonally by 7 per cent over August to a level 6 per cent above last September. Exports remained negligible and imports were no greater than in the corresponding month of 1934. Visible supplies of the grain in the United States accumulated by more than a normal amount in early October over the beginning of September but were 30 per cent smaller than a year ago. On the other hand, farm holdings exceeded those of last year. The total supply of wheat in these two positions was about the same as on October 1, 1934, and one-third less than the 1926-34 seasonal average. Prices advanced sharply in September and early October over those of August, coinci-

dent with political disturbances in Europe and with confirmation of previous reports that extensive drought damage in the Southern hemisphere had reduced world estimates for the 1935-36 crop season to a level slightly under a year earlier. Quotations had eased somewhat by October 21. Despite a narrowing in the disparity in recent weeks, December options on October 21 ranged from 14 to 21 cents under quotations covering No. 2 hard winter wheat for immediate delivery.

The movement of corn continued unusually light in September, being only one-third that of a year ago and the 1925-34 average for the month. Receipts of the grain expanded 12½ per cent over August but reshipments declined in this comparison. Exports were practically nil. October 1, 1935 carry-over of 1934 corn in the United States was only one-third the average of the preceding nine years, but the deficiency was largely counteracted by increased holdings of oats and by a much larger prospective supply of new corn than in 1934. Prices of cash corn advanced in September and early October. Quotations had eased by October 21 but were considerably above those of December futures.

Receipts of oats at these centers of concentration in the United States fell off less than is usual in September from August and were not only 348 per cent heavier than last September but 61½ per cent greater than the 1925-34 average for the month. On the other hand, reshipments of the grain increased counter-seasonally by 52½ per cent over August but were 7 per cent under this ten-year average and only 59 per cent in excess of the corresponding period of 1934. Exports were negligible, though slightly heavier than a year ago. After strengthening in September and early October, prices had eased somewhat by October 21. December futures on that date, however, were only slightly under quotations covering immediate delivery.

MOVEMENT OF LIVESTOCK

Receipts of cattle and calves at public stockyards in the United States were at a higher level in September than for any previous month since last October and slightly exceeded the 1925-34 average for September but were 40 per cent under a year ago, with more than a normal gain in cattle marketings over August and a counter-to-seasonal expansion in those of calves. Lamb receipts increased less than normally over a month earlier, were 13 per cent under the ten-year average, and 15 per cent below last September. Hog marketings decreased further from the exceptionally small volume of August. Movement to inspected slaughter (inclusive of animals that did not pass through public stockyards) deviated from the trend of market receipts in several instances:

LIVESTOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, September 1935.....	227	241	317	70
Federally Inspected Slaughter, United States September 1935.....	886	1,453	1,549	458
August 1935.....	875	1,668	1,665	472
September 1934.....	1,804*	2,601	1,743*	843*

*Inclusive of slaughter for relief agencies.

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED OCT. 19 1935	MONTHS OF SEPTEMBER 1935	AUGUST 1935	SEPTEMBER 1934
Native Beef Steers (average).....	\$10.45	\$10.60	\$10.65	\$8.00
Fat Cows and Heifers.....	7.35	7.55	7.85	5.35
Calves.....	8.50	9.00	9.00	7.10
Hogs (bulk of sales).....	10.05	10.95	10.85	6.85
Lambs.....	9.15	9.50	8.90	6.15

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT FORECAST 1935	FINAL 1934	UNITED STATES FORECAST 1935	FINAL 1934	AVERAGE 1928-32
Corn.....	816,972	482,658	2,213,319	1,377,126	2,562,147
Oats.....	442,514	183,361	1,183,870	525,889	1,217,646
Winter Wheat.....	55,468	49,293	431,709	405,552	618,186
Spring Wheat.....	2,266	1,632	167,226	91,377	242,385
Barley.....	47,680(a)	28,880(a)	290,297	118,348	282,841
Rye.....	11,638(a)	5,560(a)	52,236	16,045	38,655
Buckwheat.....	1,050(a)	1,267(a)	7,818	9,042	8,277
Flaxseed.....	237(b)	151(b)	14,115	5,213	15,961
Soybeans.....	29,446(c)	14,742(c)	32,870#	17,036#	10,204#
Potatoes (white).....	55,223	66,027	365,995	385,421	363,367
Potatoes (sweet).....	1,356(c)	1,180(c)	69,027	67,400	63,841
Sugar Beets ¹	892(d)	999(d)	8,453	7,481	8,118
Apples (total).....	22,510(a)	12,085(a)	168,209	120,670	161,333
Peaches.....	6,232(e)	1,290(e)	52,380	45,665	56,451
Pears.....	1,554(e)	1,638(e)	21,425	23,490	23,146
Cranberries ²	77(f)	59(f)	485	443	581
Grapes ³	78(a)	75(a)	2,327	1,931	2,200
Dry Beans ⁴	4,617(g)	3,400(g)	14,005	10,369	11,858
Tobacco ⁴	17,122	12,764	1,272,945	1,045,660	1,432,845
All Tame Hay ¹	17,825	9,856	76,707	52,269	69,591
Wild Hay ¹	646(a)	498(a)	12,330	4,759	10,793
Broom Corn ¹	13(h)	12(h)	54	32	47
Onions ⁵	2,714(a)	2,612(a)	14,432	12,980	13,402*
Cabbage ¹	239(i)	262(i)	933	1,230	964*
Celery ⁵	726(j)	1,044(j)	8,359	8,614	9,418*
Canning Crops:					
Sweet Corn ¹	481(a)	222(a)	883	496	587*
Tomatoes ¹	408(e)	352(e)	1,768	1,406	1,310*
Beets ¹	23(k)	17(k)	52	40	34*
Lima Beans ¹	1(d)	2(d)	17	17	12*

¹In thousands of tons. ²In thousands of barrels. ³In thousands of 100-lb. bags. ⁴In thousands of pounds. ⁵In thousands of crates. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana, and Iowa. (f) Wisconsin. (g) Michigan and Wisconsin. (h) Illinois. (i) Indiana, Michigan, Wisconsin, and Iowa. (j) Michigan and Indiana. (k) Wisconsin, Michigan, and Indiana. #The six leading commercial producing states. *1929-33 Average.

the supply of cattle gained less than usual over August, and was not only under November and December 1934 and January 1935 but $1\frac{1}{2}$ per cent below the 1925-34 average for the month; that of lambs decreased from August, contrary to seasonal tendency, but exceeded the 1925-34 September average; and the supply of calves declined more than is customary for September.

Reshipments to feed lots in September were above any month since last October; those of cattle showed more than a seasonal gain over August, and the movement of feeder lambs and calves increased less than usual. The volume of cattle and calves exceeded the 1930-34 average for the month but was under last September, and that of lambs declined in both of these comparisons.

MEAT PACKING

The production of packing-house commodities in the United States declined $3\frac{1}{2}$ per cent in September to a level $22\frac{1}{2}$ per cent under the 1925-34 September average, 38 per cent below total production of last September which included processing for relief agencies, and 16 per cent under the commercial production of a year ago. Daily average production, however, was slightly above August. The aggregate sales tonnage fell off slightly and showed not only a smaller than seasonal excess over current production but a decrease of 13 per cent from last September and of $25\frac{1}{2}$ per cent from the 1925-34 normal for the month. Despite a decline in beef and a few other products, the general price level of packing-house commodities was fully up to that of the preceding month. Sales billed to domestic and foreign customers rose $3\frac{1}{2}$ per cent in total value over August and were $13\frac{1}{2}$ per cent above a year earlier and within $11\frac{1}{2}$ per cent of the 1925-34 average for the month. Inventories of packing-house commodities in the United States decreased less than is usual on October 1 from the beginning of September, but were 430,728,000 pounds under the corresponding date of 1934 and 322,469,000 pounds less than the 1930-34 October 1 average. Payrolls for the last week of September indicated a decline from August of $2\frac{1}{2}$ per cent in number of employes, $3\frac{1}{2}$ per cent in hours worked, and of 4 per cent in wage payments, and also showed a greater recession from 1934 than had been evidenced in any earlier period of 1935.

Shipments for export were reduced further to an exceptionally small volume in September, with hams, shoulders, and other meats to the United Kingdom comprising the bulk of the tonnage; lard forwardings to Cuba decreased and those to the United Kingdom were reduced to negligible proportions. British trade in American lard was unusually light, due to high prices resulting from limited supply and to a continuance of keen competition in offerings originating from Continental and South American producers. Moreover, the increasing use of substitutes for animal fats has reacted unfavorably upon the lard trade both in the United Kingdom and in Cuba. British demand for American hams was fair; Continental trade in American products remained practically nil during the entire month.

Prices of United States lard in British markets moved a little closer to the Chicago parity during September and quotations for hams remained under the United States basis. Inventories of United States packing-house commodities in foreign countries—inclusive of stocks in transit—were reduced further on October 1 to an exceptionally low level.

Importations of animal products into the United States declined in September.

DAIRY PRODUCTS

The production of creamery butter in the Seventh Federal Reserve district declined 16 per cent in September from August and from a year ago but was 4 per cent greater than the 1925-34 average for the month. The sales tonnage fell off 18 per cent from a month earlier and 11 per cent from last September, but was about on a level with the ten-year average. United States production of the commodity followed a similar trend, except that the recession from August and a year ago was smaller than in the Seventh district and the increase over the September average was greater. Despite the continuance of Government purchases, inventories of creamery butter in the United States fell off less than seasonally on October 1 from the beginning of September, and were not only 23,619,000 pounds in excess of the corresponding date of 1934 but 28,488,000 pounds above the 1930-34 October 1 average. Prices were advanced $4\frac{1}{2}$ per cent in September over August.

Wisconsin manufacture of American cheese rose $1\frac{1}{2}$ per cent in the four weeks ended September 28 over the preceding period to a level $31\frac{1}{2}$ per cent higher than a year previous and $48\frac{1}{2}$ per cent above the 1930-34 average for the period. Sales recorded more than the usual deficiency from current production, but exceeded those of August by $5\frac{1}{2}$ per cent and were not only 36 per cent above a year ago but 29 per cent greater than this five-year average for September. Total inventories of cheese in the United States accumulated more than seasonally on October 1 over the beginning of September and were 11,071,000 pounds in excess of the 1930-35 average for that date. September prices were $3\frac{1}{2}$ per cent above those of August.

Industrial Employment Conditions

Payroll figures reported for September by Seventh district industries reflected a rising trend in every major industrial group except the manufacture of vehicles and transportation equipment. This group, constituting an important portion of the district totals, showed a decrease in wage payments of $4\frac{1}{2}$ per cent, thereby lowering the aggregate figure which, nevertheless, registered an increase of almost 3 per cent over a month earlier. Employment figures for the month recorded a less favorable trend than did payrolls, a decline of 11 per cent in the vehicles group together with a decrease of one per cent in the paper and printing industries more than offsetting

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF SEPTEMBER 15, 1935			CHANGE FROM AUG. 15, 1935	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS ('000 OMITTED) \$	WAGE EARNINGS %	EARNINGS %
Metals and Products ¹	1,165	252,521	6,058	+3.7	+6.9
Vehicles.....	223	232,004	6,224	-10.8	-4.4
Textiles and Products.....	258	46,306	895	+4.5	+12.2
Food and Products.....	541	92,595	2,021	+2.7	+5.3
Stone, Clay, and Glass.....	150	10,837	233	+2.7	+3.8
Wood Products.....	339	31,885	589	+3.5	+8.3
Chemical Products.....	159	21,022	513	+1.7	+3.2
Leather Products.....	112	25,042	477	+2.1	+1.5
Rubber Products.....	25	10,320	235	+11.7	+20.5
Paper and Printing.....	505	60,413	1,512	-0.9	+1.3
Total Mfg., 10 Groups....	3,477	782,945	18,757	-1.5	+2.4
Merchandising ²	1,470	86,010	1,731	+7.6	+7.2
Public Utilities.....	110	80,920	2,518	-0.0	+1.4
Coal Mining.....	17	3,667	70	+94.3	104.7
Construction.....	348	17,339	335	+3.8	+6.2
Total Non-Mfg., 4 Groups.	1,945	187,936	4,654	+4.7	+4.7
Total, 14 Groups.....	5,422	970,881	23,411	-0.4	+2.8

¹Other than Vehicles. ²Illinois and Wisconsin.

the gains in other groups and resulting in an aggregate loss of one-half of one per cent in the number gainfully employed within the district. Comparisons of current figures with those of a year ago indicate increases of 7½ per cent in the volume of employment and 18 per cent in aggregate payrolls.

Practically all the metal industries outside of vehicles contributed to the September gains, employment and payrolls in this group reaching the highest volumes recorded since the spring of 1931. The vehicles group, despite a steady decline in recent months, remains above the level of a year ago, by 9 per cent in number of workers and 7 per cent in wage payments. Other manufacturing groups in which substantial gains were recorded during both August and September were the textile, wood products, and stone-clay-and-glass industries. The percentage increases reported by the food-products group for September were slightly in excess of the decreases that took place during the preceding month. Non-manufacturing industries registered a general rise of close to 5 per cent each in employment and payrolls, with all reporting groups contributing to the gain in the latter and all but public utilities to that in the former. The coal-mining industry showed increased activity in September, the number of men and wage payments being practically double those of a month earlier. The construction industry continued an expansion that has prevailed since last February. Public utilities increased payrolls by a moderate percentage and the merchandising group added slightly more than 7 per cent to both employment and payroll volumes.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

The low point of passenger automobile production since November 1934 (the low for that year) was reached in September this year when output numbered only 57,285, as compared with 182,389 in August and with 125,040 in September last year. In the first three quarters of 1935, however, production totaled 2,388,189, as against 1,933,835 in the same nine months a year ago. Truck output in September numbered 32,520, which compares with 57,662 a month previous and 44,967 last September; for the nine months of 1935, production amounted to 540,856 trucks, comparing with 450,179 for the corresponding months of 1934.

September data on distribution of new automobiles in the Middle West reflect the fact that dealers and distributors are awaiting new models, current sales having dropped considerably from those of August and totaling substantially under those of last September at wholesale and moderately so at retail. Furthermore, stocks were almost 35 per cent less in number than at the close of August and 33 per cent lighter than a year ago. As

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in September 1935 from Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	AUGUST 1935	SEPT. 1934	
New Cars			
Wholesale—			
Number Sold.....	-57.7	-32.6	23
Value.....	-60.5	-39.4	23
Retail—			
Number Sold.....	-31.2	-10.8	46
Value.....	-31.4	-15.8	46
On Hand September 30—			
Number.....	-34.5	-32.7	46
Value.....	-29.6	-29.0	46
Used Cars			
Number Sold.....	-24.7	+22.0	46
Salable on Hand—			
Number.....	-6.2	+16.2	46
Value.....	-8.5	+5.5	46

regards used cars, on the other hand, September sales, though declining 25 per cent from the preceding month, were 22 per cent heavier in number than in the month last year, and stocks were only 6 per cent lighter than on August 31 and 16 per cent larger than on September 30, 1934. Deferred payment sales in September amounted to 43 per cent of total retail sales of dealers reporting the item, as compared with a ratio of 46 per cent for August and one of 49 per cent a year ago.

IRON AND STEEL PRODUCTS

Demand for finished steel was well sustained during September in the Chicago district, and continued good into the early part of October. The automotive industry constituted the principal source of demand in September, with the agricultural implement industry and miscellaneous users of steel also specifying rather freely; very little business has come as yet from the railroads. Production of steel ingots in the district averaged close to 60 per cent of capacity through September and the early part of October, but dropped to 55½ per cent in the middle of the month, although orders and specifications continued good. Average daily pig iron production in the Illinois and Indiana district was larger for September than for any month since May 1931 and was double that of last September. Scrap iron and steel prices have shown little quotable change in recent weeks; pig iron is notably strong in price.

Production of steel and malleable castings totaled about as heavy in September as in August at which time a substantial increase had been recorded over the preceding month. Shipments also equaled the volume of the preceding month, as did orders for malleable castings, but bookings of steel castings declined 13 per cent. Increases over a year ago were substantial in all comparisons, steel castings recording gains of 32 per cent in tonnage shipped and close to 60 per cent each in production and orders, while for malleable castings the corresponding increases amounted to 61, 69, and 106 per cent, respectively.

In the manufacture of stoves and furnaces, seasonal activity was reflected in a further rise of 20 per cent in molding-room operations from August to September, and in increases of 45 per cent in orders accepted and 48 per cent in shipments. Inventories declined 16 per cent during the month and were 5 per cent lower than at the close of September 1934. In comparison with a year ago, current orders, operations, and shipments were larger by 31, 33, and 42 per cent, respectively.

FURNITURE

A greater-than-seasonal increase was recorded for September in shipments by Seventh district furniture manu-

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	SEPTEMBER 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	AUGUST 1935	SEPT. 1934	
Wholesale Lumber:			
Sales in Dollars.....	-0.2	+38.3	10
Sales in Board Feet.....	-12.1	+22.2	8
Accounts Outstanding ¹	+3.7	+17.7	10
Retail Building Materials:			
Total Sales in Dollars.....	+9.7	+40.4	176
Lumber Sales in Dollars.....	-1.5	+31.7	64
Lumber Sales in Board Feet.....	-2.0	+55.3	74
Accounts Outstanding ¹	+5.8	+11.5	168
Ratio of Accounts Outstanding ¹ to Total Dollar Sales During Month			
	SEPT. 1935	AUGUST 1935	SEPT. 1934
Wholesale Trade.....	159.2	153.2	187.2
Retail Trade.....	246.5	256.8	312.2

¹End of Month.

facturers, while orders booked failed to expand. The former item gained 16 per cent over the preceding month and the latter showed no change, as compared with increases of 12 and 8 per cent, respectively, in the 1927-34 average for the month. Owing to a larger volume of shipments than orders and a moderate amount of cancellations, unfilled orders on hand at the end of September declined from those of a month previous by 8 per cent, and their ratio to current orders dropped from 100 per cent for August to 92 per cent in September but compared with 74 per cent a year ago. All items showed marked gains over September last year, orders booked totaling 49 per cent, shipments 61 per cent, and unfilled orders 84 per cent heavier than at that time. Operations rose from 64 per cent of capacity in August to 67 per cent in September, and were 14 points higher than in the corresponding month of 1934.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe production in the Seventh district continued through September at a level that was considerably higher than the seasonal average for the month, although preliminary reports indicated a 9 per cent recession from the heavy output of the preceding month. Final production data for August showed an increase of 13 per cent over July, were 2 per cent larger than in the same month a year ago, and 15 per cent in excess of the 1925-34 seasonal average for this month. The tanning of leather declined during September, while prices rose and sales were larger. The movement of packer green hides and skins in the Chicago market continued active, the volume traded being approximately as heavy as in August. Prices advanced and in the week of October 12 ranged from $\frac{1}{2}$ to 1 cent higher than a month earlier on most hide quotations, and from 1 to 2 cents higher on calf and kip skins.

Building Materials, Construction Work

Lumber sales by wholesale and manufacturing concerns of the Seventh district continued in September as in the month preceding to show a less favorable trend than generally prevails at this season. Board-foot sales showed a 12 per cent decrease, as compared with an average August-September decline of $6\frac{1}{2}$ per cent in the ten years preceding. Owing to the greater than-seasonal expansion that occurred during the first half of the year, however, current sales continued appreciably in excess of those reported a year ago. At retail yards of the district, total sales of materials showed a rising trend in September, while sales of lumber declined—both in line with the usual movement at this season. Outstanding accounts increased during the month both in wholesale and retail distribution, wholesale accounts being larger in ratio to current sales than during the preceding month. Little change was noticeable during September in the demand for other building materials such as brick and cement, the volume of business in these

lines continuing below normal but slightly higher than in the same month a year ago.

BUILDING CONSTRUCTION

Activity in Seventh district building construction continued to expand during September. Residential contract awards in the month amounting to $21\frac{1}{2}$ per cent of the total, registered a gain of more than a million dollars over the August volume, and accounted for the slight increase shown in total building contracts. In the first three quarters of 1935, residential building exceeded that of the entire year 1934 by over 50 per cent and showed even greater gains over the years 1933 and 1932; the current aggregate, however, is relatively low as against earlier years.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
September 1935.....	\$29,156,885	\$6,263,178
Change from August 1935.....	+0.3%	+22.8%
Change from September 1934.....	+45.4%	+168.4%
First nine months of 1935.....	\$201,965,479	\$40,504,296
Change from same period 1934.....	+5.7%	+92.1%

*Data furnished by F. W. Dodge Corporation.

The valuation of building permits issued in 100 cities of the Seventh Federal Reserve district, totaling approximately $8\frac{1}{2}$ million dollars for September, was only slightly below the August level and continued well in excess of the corresponding month of 1934, the latter increase amounting to more than 100 per cent. The number of permits totaled 6,801 and represented gains of 9 and 63 per cent, respectively, in the monthly and year-ago comparisons. Among the larger cities, Detroit and Des Moines both registered declines from August in estimated cost, while aggregates for Chicago, Indianapolis, and Milwaukee increased somewhat. All five cities showed rather large gains over September 1934.

Merchandising

September wholesale trade in the Seventh district showed varying trends: grocery sales expanded 13 per cent over the preceding month, the gain comparing with one of only 3 per cent in the 1925-34 September average and with a decline of 3 per cent in the month last year; hardware sales increased about seasonally in the period—9 per cent; drug sales declined 2 per cent, as they did in September a year ago but as against an increase of 3 per cent in the average for the month; and electrical supply sales dropped off 11 per cent, whereas the seasonal average shows a gain of 2 per cent in the period. All groups except the last-named, however, recorded heavier increases over a year ago than in the corresponding comparison for August; the gain in the grocery trade contrasted with a decline a month previous

WHOLESALE TRADE IN SEPTEMBER 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.....	+12.3	-5.7	-6.6	+1.4	79.4
Hardware.....	+32.1	+5.3	+8.6	+21.5	170.0
Drugs.....	+15.1	+6.8	+1.2	+12.0	156.4
Electrical Supplies.....	+50.1	+6.5	+18.7	+48.0	156.7

DEPARTMENT STORE TRADE IN SEPTEMBER 1935

LOCALITY	PER CENT CHANGE SEPTEMBER 1935 FROM SEPTEMBER 1934		PER CENT CHANGE FIRST NINE MONTHS 1935 FROM SAME PERIOD 1934	RATIO OF SEPTEMBER COLLECTIONS TO ACCOUNTS OUTSTANDING END OF AUGUST	
	NET SALES	STOCKS END OF MONTH		1935	1934
Chicago.....	-4.6	+3.5	+2.6	31.6	32.5
Detroit.....	+14.3	-0.7	+8.9	43.3	41.2
Indianapolis.....	-0.5	-12.1	+9.8	35.6	36.7
Milwaukee.....	+5.0	-2.2	+6.7	36.6	34.5
Other Cities.....	+7.7	+6.9	+8.2	30.4	28.8
7th District.....	+3.3	+1.1	+6.0	35.0	34.3

and that of 50 per cent in electrical supplies with the exception of August was the largest in the yearly comparison since May 1934. In the first three quarters of 1935, grocery sales exceeded those of the same period of 1934 by 2½ per cent, drug sales gained 11 per cent, hardware sales 19 per cent, and the electrical supply trade 23 per cent. In all groups ratios of accounts receivable at the close of September to net sales during the month remained smaller than in September last year.

Sales of Seventh district department stores expanded 20 per cent in the aggregate for September over the preceding month, the gain comparing with one of 27 per cent in the 1925-34 average for the month. The size of the increases varied widely as among the different cities: sales of Detroit stores showed a 45 per cent gain over August, Indianapolis trade expanded 22½ per cent, that in Chicago increased 15 per cent and in Milwaukee 14 per cent, while total sales of stores in smaller centers were only 3 per cent larger than a month previous. For the second successive month, Chicago department store trade was less than in the corresponding period of 1934, and Indianapolis trade also registered a fractional loss for September in the comparison, so that sales for the district as a whole aggregated only 3 per cent above those of last September. However, owing to the fact that there was one more Saturday in the month last year, daily average sales this September totaled 5 per cent heavier than a year ago. A somewhat greater than seasonal rise—11 per cent—took place in stocks between the end of August and September 30, and they exceeded

by one per cent those held at the same time in 1934. The rate of stock turnover for the year 1935 through September was 3.11 times, as against 2.89 times for the corresponding period last year.

For the second successive month, the retail shoe trade recorded a more than seasonal gain over the preceding month: sales by reporting dealers and department stores exceeded those of August by 59 per cent, while the 1925-34 average shows an increase of only 50 per cent. As compared with last September, the dollar volume of trade was 7 per cent larger, whereas in the yearly comparison for August it increased but 4 per cent. For the year through September, sales aggregated 7 per cent heavier than in the first three quarters of 1934. A further increase was shown in stocks during September, and at the end of the month they were 7 per cent above those of a month previous and fractionally larger than a year ago.

Sales of furniture and house furnishings by dealers and department stores totaled 21 per cent heavier in September than in August; the 1927-34 average for September shows a gain of 33 per cent. Dealer sales declined 4 per cent in the period, so that the increase in department store sales effected the aggregate expansion shown. In the yearly comparison, total sales were 17 per cent heavier than last September, with dealers recording a somewhat larger gain than did department stores. Stocks increased 4 per cent over a month earlier and were 2 per cent heavier than at the close of September 1934.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

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

	No. of Firms	Sept. 1935	Aug. 1935	July 1935	June 1935	May 1935	Apr. 1935	Sept. 1934	Aug. 1934	July 1934	June 1934	May 1934	Apr. 1934
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	87	84	82	83	86	82	77	75	68	69	68	62
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	39	38	33	27	34	38	29	42	40	41	44	31
In Tons.....	12	39	37	32	25	31	38	31	46	44	44	47	31
Malleable—In Dollars.....	21	36	36	38	39	43	48	24	27	25	32	41	38
In Tons.....	21	54	53	55	57	65	72	34	40	36	48	62	58
Stoves and Furnaces—													
Shipments (in dollars).....	10	197	132	100	117	120	114	140	85	64	84	102	78
Furniture—													
Orders (in dollars).....	13	59	59	71	41	48	41	40	38	42	20	29	25
Shipments (in dollars).....	13	63	54	42	38	44	51	39	37	27	25	33	23
Flour—													
Production (in bbls.).....	19	98	94	85	87	100	85	106	102	82	94	96	87
Output of Butter by Creameries—													
Production.....	59	112	132	153	173	143	98	133	152	150	152	143	102
Sales.....	61	108	130	134	141	130	94	120	140	132	136	138	108
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	87	77	78	74	74	70	76	78	67	83	76	64
Hardware.....	11	77	71	71	76	76	72	59	57	54	62	71	63
Drugs.....	12	76	77	70	70	74	73	68	69	59	63	68	66
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	73	63	55	76	73	75	75	66	51	71	74	65
Detroit.....	5	110	74	58	78	92	96	98	69	50	76	93	91
Indianapolis.....	4	95	77	64	79	88	88	96	70	51	71	81	78
Milwaukee.....	5	80	69	59	75	76	85	76	63	52	68	74	82
Other Cities.....	40	72	70	53	72	77	76	68	62	45	64	76	65
Seventh District—Unadjusted.....	81	81	68	56	76	78	81	79	66	50	71	78	72
Adjusted.....	81	79	84	78	77	77	76	77	82	70	72	77	73
Automobile Production—(U. S.)—													
Passenger Cars.....		20	62	94	101	105	137	43	63	76	89	94	98
Trucks.....		86	153	162	172	152	202	119	136	111	120	150	172
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		21	17	20	26	18	16	8	7	7	9	13	10
Total.....		43	42	38	34	33	36	29	23	28	30	32	36
Iron and Steel—													
Pig Iron Production*:													
Illinois and Indiana.....		68	65	53	59	67	65	34	42	45	66	68	54
United States.....		60	58	50	53	57	57	31	35	40	66	67	59
Steel Ingot Production—(U. S.)*.....		85	81	66	67	73	76	38	38	45	88	95	88

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Board of Governors of the Federal Reserve System)

Industrial production and employment increased in September and distribution of commodities to consumers was in larger volume, reflecting in part seasonal influences. The general level of wholesale prices showed little change.

PRODUCTION AND EMPLOYMENT

Output at factories and mines, as measured by the Board's seasonally adjusted index of industrial production, advanced from 87 per cent of the 1923-1925 average in August to 88 per cent in September, reflecting chiefly increases in the output of iron and steel, lumber, cotton and silk textiles, and anthracite, offset in part in the total by declines in the production of automobiles and woolen textiles. At steel mills activity increased from 49 per cent of capacity in August to 51 per cent in September, and during the first three weeks of October continued at about the September level. At automobile factories a sharp decline in output during September, as preparations were made for new models, was followed in the early part of October by a rapid advance. Lumber production continued to increase in September. In the cotton textile industry, where output had been at a relatively low level since April, activity showed a marked increase in September and there was also an increase in output at silk mills, while at woolen mills, where activity has been at an exceptionally high level for several months, there was a decline.

Factory employment showed a seasonal increase between the middle of August and the middle of September. The number employed at foundries and in the lumber, non-ferrous metals, and machinery industries increased substantially, while in the automobile industry there was a considerable decline. At cotton mills employment showed a seasonal increase and at silk and rayon mills there was an increase of more than the usual seasonal amount, while employment at woolen mills and shoe factories declined.

The value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in the six weeks ending October 15 as in the previous six weeks, reflecting an increase in residential building, partly of a seasonal character, and a slight decline in other types of construction.

DISTRIBUTION

Freight-car loadings showed an increase of more than the usual seasonal amount in September and increased further in the first half of October. Department store sales also increased by more than the estimated seasonal amount in September, and for the third quarter the average of the Board's seasonally adjusted index was 80 per cent of the 1923-1925 average as compared with 75 per cent a year ago.

COMMODITY PRICES

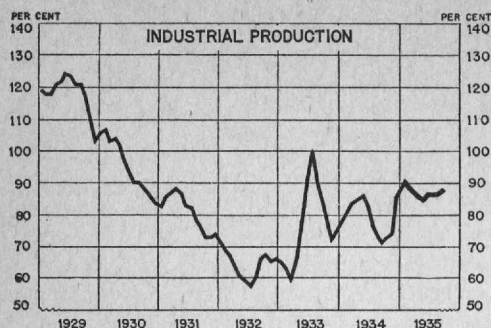
The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, showed little change during September and the first three weeks of October. Prices of grains decreased in the middle of October, following a considerable advance, while prices of silk, hides, and copper increased throughout the period.

BANK CREDIT

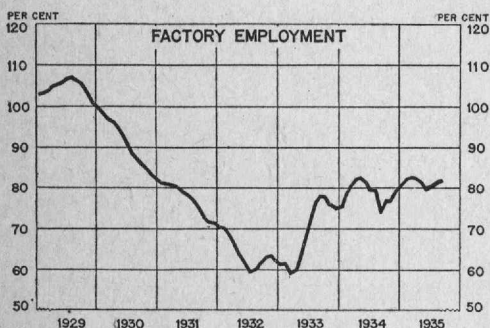
Reserves of member banks continued to increase during the five weeks ending October 23, reflecting chiefly imports of gold from abroad. At the end of the period reserves in excess of legal requirements at \$2,930,000,000 were at the highest level on record.

At weekly reporting member banks in 91 leading cities adjusted demand deposits increased by \$40,000,000 during the four weeks ending October 16, while United States Government deposits declined and inter-bank balances rose to a new high level. Loans on securities decreased by \$40,000,000, while other loans, including commercial credits, increased by \$80,000,000.

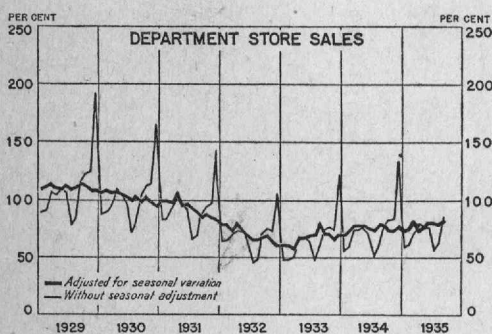
Yields on both short-term and long-term Government obligations increased from the last week in August to the first part of October and subsequently declined. Other short-term open-market money rates remained at previous low levels.



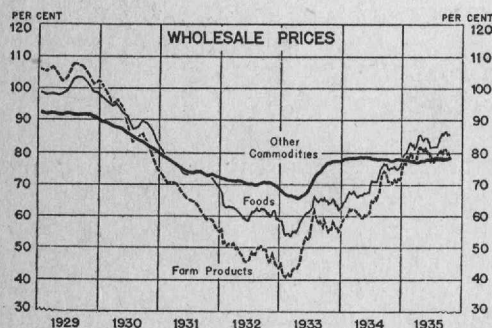
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



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



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



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