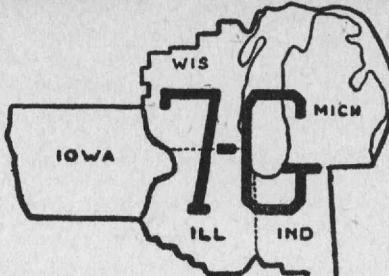


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

EUGENE M. STEVENS, Chairman of the Board and
Federal Reserve Agent

CLIFFORD S. YOUNG, Asst. Federal Reserve Agent

HARRIS G. PETT, Manager

Division of Research and Statistics

Volume 18, No. 12

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

JOHN H. MARTIN, Asst. Federal Reserve Agent,
Detroit Branch

GEORGE A. PRUGH, Asst. Federal Reserve Agent

November 30, 1935

GENERAL SUMMARY

ACTIVITY trended upward during October in almost all major groups of Seventh district industry and trade. With the exception of certain food-producing industries, gains were recorded over October 1934, as well, and in manufacturing phases they were noticeably large.

Automobile manufacturers accelerated output of new models sharply during the month. Business received by steel mills showed moderate improvement over a month previous, and output of steel and malleable castings was larger. Orders booked by furniture manufacturers expanded over those of September, contrary to trend for the period, and shipments increased more than seasonally. Building construction, as evidenced by data on contracts awarded, gained substantially in October, and the movement of building materials improved. Industrial employment and payrolls gained, affected considerably by the sharp rise in activity at automobile plants.

Greater than seasonal gains were recorded for October in the production and tonnage sales of packing-house commodities, although owing to the lower prices prevailing in the period, dollar sales showed only a moderate increase. The production of butter and of Wisconsin cheese, on the other hand, fell off more than normally, while sales were above the average for the period, those of butter increasing over September contrary to trend. The movement of wheat and of corn was below average this October; oats receipts remained

exceptionally large though dropping sharply from a month previous, and reshipments were far below receipts. The 1935 production of corn, oats, wheat, potatoes, and a few less important crops in the district was below the 1928-32 average, but that of most other crops was heavier.

In reporting groups of wholesale trade, above-average gains were shown in the drug and hardware trades, while the increase in electrical supply sales was smaller than usual and the decline in the grocery trade somewhat greater than seasonal. The gain over September in department store sales was about average for October and that over a year ago was the heaviest in three months. The retail shoe and furniture trades recorded declines from a month previous, which trends are customary in the period; sales in both groups exceeded those of a year ago. Chain store trade was larger in October than either a month or a year earlier.

Holdings of Government securities by reporting member banks in the district increased 68 millions on November 20 over five weeks previous, while those of other securities declined and loans showed only a slight gain; demand deposits in these banks rose and time deposits declined a little during the period. Reserve balances of all member banks in the district gained almost 70 millions in these weeks. New financing by means of bankers' acceptances expanded sharply in October, but dealer sales of commercial paper recorded a much greater than seasonal decline.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	NOVEMBER 20, 1935	OCTOBER 16, 1935	CHANGE FROM NOVEMBER 21, 1934
Total Bills and Securities.....	\$ 358.1	\$ 0	\$ -73.1
Bills Discounted.....	0.0	+0.0	-0.1
Bills Bought.....	0.6	-0.0	-0.2
U. S. Government Securities.....	355.7	0	-72.7
Total Reserves.....	1,397.0	+86.4	+311.1
Total Deposits.....	893.4	+68.0	+178.4
Federal Reserve Notes in Circulation.....	822.6	+9.7	+53.2
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined....	81.4	+1.4*	+8.3*

*Number of Points.

Credit Conditions and Money Rates

Reserve balances of member banks in the Seventh Federal Reserve district increased more than $69\frac{1}{2}$ million dollars during the five-week period ended November 20. The gain resulted from a further net inflow of funds to this district through commercial and financial transactions, amounting to over 77 millions. The volume of reserve bank credit extended locally declined during the period, while demand for currency increased somewhat. Changes in all sources and uses of Seventh district bank-

ing reserves are shown in detail in the accompanying tabulation.

Changes between October 16 and November 20 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).....	-7,926
Commercial operations through inter-district settlements.....	+77,387
Treasury and National bank currency.....	-2,461
Total supply.....	+67,000
Demand for currency.....	+3,782
Member bank reserve balances.....	+69,584
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	-5,038
Special and "all other" deposits.....	-1,397
Other Federal Reserve accounts.....	+69
Total demand.....	+67,000

During the week ended November 15 down-town Chicago banks reported a range of 1½ to 5 per cent as the prevailing rate on customers' commercial loans; this range was also reported for the week ended October 15. The average rate earned by down-town Chicago banks on loans and discounts during the calendar month of October was reported as 2.85 per cent, compared with 2.93 per cent in September and with 3.03 per cent in October 1934. A range of 3½ to 5 per cent was reported by the principal banks of Detroit as the prevailing rate on customers' commercial loans during the week ended November 15, as compared with 3½ to 6 per cent in the corresponding week of October.

Commercial paper sales of reporting dealers in the Middle West aggregated slightly less than 10 million dollars during October, showing a much greater than seasonal decline from September, and were in the lowest volume since January 1934. Borrowing declined somewhat, although demand from city and country banks remained in about the same volume as the preceding month. Quotations for October ranged from ½ to ¾ per cent for prime short-term obligations to ½ and 1¼ per cent for those of longer maturity; the bulk of sales, however, took place at ¾ per cent, unchanged from the preceding month. Outstandings on October 31 showed a drop of 10 per cent from a month earlier and were the smallest since March 30 this year. Owing to a continued scarcity in supply, sales of commercial paper during the first 15 days in November registered a further slight decline from the first half of October.

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

(Amounts in millions of dollars)

	NOVEMBER 20, 1935	OCTOBER 16, 1935	NOVEMBER 21, 1934	CHANGE FROM NOVEMBER 20, 1935
Total loans and investments.....	\$2,671	\$+47	\$+364	
Total loans on securities.....	246	+3	-66	
To brokers and dealers:				
In New York.....	1	0	-41	
Outside New York.....	27	-1	+1	
To others (except banks).....	218	+4	-26	
Acceptances and commercial paper bought.....	31	-3	-55	
Loans on real estate.....	65	0	-10	
Loans to banks.....	10	-1	-2	
Other loans.....	335	+4	+17	
U. S. Government direct obligations.....	1,476	+68	+393	
Obligations fully guaranteed by U. S. Government.....	161	-1	+49	
Other securities.....	347	-23	+38	
Demand deposits—adjusted.....	2,092	+113	+405	
Time deposits.....	739	-1	+101	
Borrowings.....	0	0	0	

Note: The data as given above are not comparable with those previously given, as they cover an additional number of cities, and several of the items are shown on a revised basis. Future data will be on this new basis.

Dealer transactions in the Chicago bill market totaled considerably smaller from October 17 to November 13 than in the preceding period or a year ago. Supplies fell off 42½ per cent from those of September 12 to October 16 and were less than in either of the two preceding periods. A heavy decline in sales to out-of-town banks more than offset a slight gain in sales to local banks, and with shipments to Eastern cities remaining nil, total distribution equaled supply. Selling rates ranged from ½ per cent, unchanged from recent months.

Activity in acceptance operations of banks in the Seventh Federal Reserve district increased in October over the relatively low level prevailing in September. New financing by means of bankers' acceptances showed a much greater than seasonal gain during the month and was in the largest volume since last May. A similar trend was shown in purchases, the volume of the banks' own bills discounted registering a heavy increase which more than offset a decline in the buying of other banks' acceptances, and as a result total bills bought in the period increased 33 per cent over the preceding month. All items, however, recorded declines in the year-ago comparison. Sales continued to be nil during October. Maturities increased 11½ per cent in the month but were considerably below October 1934 and the 1925-34 average. The liability for outstandings at the end of October was the largest for any date since May 31. New financing by means of bankers' acceptances aggregated 97 per cent larger in the first half of November than in the corresponding weeks of October.

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

	PER CENT CHANGE IN OCTOBER 1935 FROM SEPT. 1935	OCT. 1935
Total value of bills accepted.....	+72.5	-23.4
Purchases (including own bills discounted).....	+33.1	-54.6
Sales.....	0	0
Holdings*	+3.6	-58.7
Liability for outstandings*.....	+7.8	-21.3

*At end of month.

SECURITY MARKETS

Demand for high-grade bonds continued strong during October in the Chicago market. Prices moving within a narrow range showed moderate reaction in the early part of the month and recovery during the latter part. Utilities and industrials were particularly strong in the corporate field with first-grade rails also being given preference, while the second-grade railroad issues were somewhat weak. Municipal issues showed especial strength throughout the month—a reflection of some shortage in supply and a continued demand for investments of that type. The issues of all securities in October, including refundings, though larger than in the corresponding period in the preceding four years, totaled under the volume of September. Prices on the Chicago Stock Exchange con-

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM OCT. 1935	SEPT. 1935	OCT. 1935
Chicago.....	\$2,546	+1.8	+12.1
Detroit.....	727	+17.9	+49.5
Milwaukee.....	236	+14.3	+10.6
Indianapolis.....	157	+11.6	+12.3
Total four larger cities.....	\$3,666	+5.8	+17.9
36 smaller cities.....	672	+14.5	+25.0
Total 40 centers.....	\$4,338	+7.1	+19.0

tinued to move gradually upward during the latter half of October and the first two weeks in November, the average price of twenty leading stocks* amounting to \$46.47 on November 16 as against only \$41.92 on the same date in the preceding month.

*Chicago Journal of Commerce.

Agricultural Products

November 1 reports confirmed earlier indications that frosts in the first half of October did more than usual damage to quality of Seventh district corn but only slightly affected quantity. Merchantable quality, however, was above a year ago, though much husking and cribbing was behind usual schedule because a prolonged period of cold weather was needed in many localities to reduce high moisture content of the crop. After having suffered some earlier delay, the harvesting of soybeans had made rapid progress by November 1. A slightly larger acreage was seeded to winter wheat this autumn than in 1934.

On the basis of November 1 condition, the United States Department of Agriculture increased Seventh district forecasts for corn, soybeans, buckwheat, edible dry beans, apples, pears, and cranberries over October 1 but reduced those of potatoes, sugar beets, grapes, and tobacco. Seventh district production of corn, oats, wheat, barley, flaxseed, potatoes, grapes, tobacco, onions, and celery totaled smaller in 1935 than the 1928-32 average but that of most other crops was larger in this comparison.

GRAIN MARKETING

Receipts of wheat at interior primary markets in the United States fell off more than seasonally in October from September to a level 31 per cent under the 1925-34 average for the month and only 8 per cent in excess of a year ago. Reshipments remained relatively light and were considerably under current receipts. Imports exceeded those of September and a year ago, and exports remained almost nil. Prices for October averaged slightly higher than those of September, though trending downward from the peak attained early in the month; quotations eased further in the first half of November but

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		
	PRELIMINARY	FINAL	1935	1934	AVERAGE
Corn.....	819,634	482,658	2,211,268	1,377,126	2,562,147
Buckwheat.....	1,086(a)	1,267(a)	7,787	9,042	8,277
Flaxseed.....	237(b)	151(b)	14,213	5,213	15,961
Soybeans.....	31,099(a)	14,865(a)	36,527	18,627	11,658
Cowpeas.....	742(c)	606(c)	5,983	5,296	4,773
Potatoes (white)....	50,852	66,027	353,805	385,421	363,367
Potatoes (sweet)....	1,187(d)	1,180(d)	68,186	67,400	63,841
Sugar Beets ¹	774(e)	999(e)	8,163	7,481	8,118
Apples (total)....	22,887(a)	12,085(a)	168,465	120,670	161,333
Pears.....	1,564(f)	1,638(f)	21,255	23,490	23,146
Strawberries ²	1,427(a)	918(a)	11,896	13,152	12,091*
Cranberries ³	85(g)	59(g)	487	443	581
Grapes ¹	73(a)	75(a)	2,327	1,931	2,200
Dry Beans ⁴	4,835(h)	3,400(h)	13,806	10,369	11,858
Tobacco ⁵	16,848	12,764	1,300,036	1,045,660	1,432,845

¹In thousands of tons. ²In thousands of 24-quart crates. ³In thousands of barrels. ⁴In thousands of 100-lb. bags. ⁵In thousands of pounds. (a) Five States including Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois and Indiana. (d) Illinois, Indiana, and Iowa. (e) Michigan. (f) Illinois, Michigan, Indiana, and Iowa. (g) Wisconsin. (h) Michigan and Wisconsin. *1929-33 average.

Note: Estimates for oats, wheat, barley, rye, hay, peaches, and broom corn, not included in the above tabulation, are the same as a month earlier.

continued above a year ago. Wheat for immediate delivery remained at a premium over the December option. Under the influence of the foregoing trends, visible supplies of wheat in the United States accumulated counter-seasonally on November 9 over a month earlier but were 44 per cent below the 1925-34 average for that date and 21 per cent smaller than a year ago.

Receipts of corn at these points of accumulation increased more than usually in October over September, but were 40 per cent under last year and 49 per cent below the 1925-34 average for the month. Reshipments remained exceptionally light, though gaining more than normally over a month earlier. Coincident with the beginning of marketings from the 1935 crop, prices of cash corn had declined by early November to a level considerably under a year ago and only slightly above the December option. Visible supplies of corn in the United States, however, remained unusually small.

Primary market receipts of oats in the United States fell off sharply in October from September but were 11 per cent heavier than the 1925-34 average for the month and 16½ per cent in excess of October 1934. Reshipments remained far below the volume of current receipts. Visible supplies of the grain in the United States, therefore, gained counter-seasonally on November 1 over a month earlier and were nearly 40 per cent greater than the 1925-34 average for the date. Prices for October and early November averaged slightly less than those of September and were decidedly lower than last year at the same time.

MOVEMENT OF LIVESTOCK

Receipts of cattle, calves, and lambs at public stockyards in the United States rose in October to a level above any month since last October, although they declined from a year ago and the gain in cattle and lamb marketings was somewhat less than seasonal. Cattle and calf receipts exceeded the 1925-34 October average but those of lambs decreased in this comparison. Hog marketings expanded considerably more than is customary over September but were 41 per cent below a year ago and 48½ per cent under the ten-year average. Movement to inspected slaughter (inclusive of animals that did not pass through public stockyards) generally followed the trend of market receipts, except that the supply of cattle and of lambs increased more than a seasonal amount over September and that of lambs gained over the 1925-34 October average.

LIVE STOCK SLAUGHTER

	(In thousands)		
	CATTLE	HOGS	LAMBS AND SHEEP CALVES
Yards in Seventh District, October 1935.....	230	435	337 89
Federally Inspected Slaughter, United States October 1935.....	1,083	2,135	1,765 531
September 1935.....	886	1,453	1,549 458
October 1934.....	1,417*	3,546	2,627* 660*

*Inclusive of slaughter for relief agencies.

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED NOVEMBER	OCTOBER	MONTHS OF SEPTEMBER	OCTOBER
Native Beef Steers (average).....	\$ 9.75	\$10.45	\$10.60	\$7.60
Fat Cows and Heifers.....	7.00	7.45	7.55	5.10
Calves.....	8.40	8.55	9.00	6.25
Hogs (bulk of sales).....	9.25	9.90	10.95	5.70
Lambs.....	10.35	9.10	9.50	6.10

Reshipments of cattle to feed lots in October were heavier than in any month since August 1934 and were not only 38½ per cent larger than a year ago but 19½ per cent above the 1930-34 average for October. The movement of feeder lambs and calves rose to a level above any corresponding period since last October but was slightly below that month and under the 1930-34 seasonal average.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States rose more than seasonally in October to a level 29 per cent above September and within 11 per cent of the 1925-34 average for the month, but was 13½ per cent below commercial production of last October and 25½ per cent under total production at that time. The sales tonnage expanded more than normally over September and continued somewhat in excess of current production; however, it declined 13½ per cent from a year earlier and 17 per cent from the 1925-34 average for October. Prices dropped sharply in October from the preceding month, though remaining considerably above the corresponding period of 1934. The total value of sales billed to domestic and foreign customers, therefore, increased only 8½ per cent over September but was 18 per cent greater than a year ago and within 8 per cent of the ten-year average for October. Inventories of packing-house commodities in the United States decreased less than seasonally on November 1 from the beginning of October, but were 228,702,000 pounds below the 1930-34 average for the date and 426,920,000 pounds under a year ago. Payrolls for the last week of October recorded a gain over the preceding month of 2 per cent in number of employes, 6½ per cent in hours worked, and of 8 per cent in wage payments, and showed a much smaller decline from 1934 than had been evidenced a month earlier.

Shipments for export increased in October over the limited volume of September and continued to consist largely of hams and other hog meats to the United Kingdom, although forwardings of lard to that country increased. Despite the resumption of limited shipments of lard to Germany following several months of inactivity, Continental demand for packing-house commodities from the United States remained almost nil. British trade was fair for United States lard but rather poor for hams. Cuban demand for lard remained light. Prices of American lard in the United Kingdom moved nearer to Chicago parity than in September, but English quotations for United States meats were considerably under the United States basis. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—declined further on November 1.

DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district declined more than seasonally in October to a level 14 per cent under September, 23 per cent below a year ago, and 4½ per cent less than the 1925-34 average for the month. On the other hand, the sales tonnage expanded 14 per cent over September—contrary to the usual tendency—and was not only within 3½ per cent of last October but 16 per cent above the average. Trends in United States production of the commodity were similar to those in the Seventh district. Inventories of creamery butter in the United States were reduced

more than a normal amount on November 1 from the beginning of October, but were 8,965,000 pounds greater than a year earlier and 19,190,000 pounds heavier than the 1930-34 average for that date. Prices rose 6½ per cent in October over September and advanced further during the first half of November.

The production of American cheese in Wisconsin fell off somewhat more than ordinarily is the case in the four weeks ended November 2 from the preceding period; it was, however, 31½ per cent larger than a year ago and 43 per cent in excess of the 1930-34 average for the period. Distribution of the commodity from primary markets of that State increased 26 per cent over the corresponding weeks of 1934 and 36 per cent over the five-year average, but showed little change from a month earlier and a smaller than seasonal excess over current manufacture. Total inventories of cheese in the United States decreased less than is customary on November 1 from the beginning of October, and were not only 12,835,000 pounds above the 1930-34 average for the date but within 6,279,000 pounds of a year ago. After averaging slightly lower in October than in September, prices firmed early in November.

Industrial Employment Conditions

Seventh district industries increased employment almost 5 per cent and wage payments more than 7 per cent between the payroll periods of September 15 and October 15. These gains were the largest since the heavy seasonal expansion of last February when employment advanced as sharply as in the current month and payroll by an even somewhat larger percentage. As in the earlier expansion, the present improvement affected the majority of the reporting industries, all of the principal group with the exception of food products and construction work contributing to the gain in employment and all but these and the textile and leather groups to the rise in payrolls. The automobile industry was almost entirely responsible for the substantial increases of 17 per cent in employment and 22 per cent in payrolls recorded for the vehicles group as a whole. Rubber products followed the trend in vehicles with increases of 8 and 12 per cent, respectively. The metal industries reported advances for the third consecutive month, the October gains being

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF OCTOBER 15, 1935			CHANGE FROM SEPT. 15, 1935	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS (000 OMITTED \$)	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	1,173	256,386	6,293	+3.7	+6.7
Vehicles.....	224	243,759	6,715	+16.7	+22.0
Textiles and Products.....	268	48,267	883	+1.3	-4.0
Food and Products.....	549	87,028	1,904	-6.1	-5.8
Stone, Clay, and Glass.....	153	11,330	243	+3.2	+3.5
Wood Products.....	341	33,182	627	+3.6	+5.9
Chemical Products.....	165	21,766	543	+0.7	+3.4
Leather Products.....	117	22,029	434	+0.1	-1.1
Rubber Products.....	23	11,095	264	+7.9	+11.9
Paper and Printing.....	512	60,358	1,531	+1.3	+2.7
Total Mfg., 10 Groups.....	3,525	795,200	19,437	+5.6	+8.8
Merchandising ²	1,500	94,573	1,884	+2.1	+1.1
Public Utilities.....	110	81,045	2,568	+0.2	+2.0
Coal Mining.....	18	4,197	98	+14.5	+41.5
Construction.....	332	16,575	316	-5.1	-5.3
Total Non-Mfg., 4 Groups.....	1,960	196,390	4,866	+0.9	+1.7
Total, 14 Groups.....	5,485	991,590	24,303	+4.7	+7.3

¹Other than Vehicles. ²Illinois and Wisconsin.

approximately as heavy as those recorded for September. Stone-clay-and-glass and the chemical industries have also shown a steady rise in the number of workers employed and their wage payments since last July, and wood products have recorded increases in these items since last May. The main exception to the rising trend in manufacturing activity was furnished by the food-products group in which the losses were brought about mainly by the cessation of activity in the canning and preserving and certain other highly seasonal industries. Among the non-manufacturing groups, construction employment and payrolls experienced a moderate recession following the steady expansion that has been shown by this group since last January. The coal industry again recorded heavy gains in both men and wage payments, while merchandising and public utilities advanced more moderately. Manufacturing and non-manufacturing industries combined attained an employment level in October that was the highest since last May and a payroll volume that exceeded any month since April.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

An exceptionally sharp upturn was shown during October in production of automobiles, following the low level reached in September, as manufacturers pushed output of new models. Passenger vehicles produced in the month numbered 214,609, representing a rise of 275 per cent over a month previous and a gain of 155 per cent over October 1934. Truck output numbered 60,412 in the period, or 86 per cent more than in the preceding month and 26 per cent above that of last October.

Receipt of new models in certain makes of cars resulted in a substantial aggregate gain over a month and a year previous in October sales of reporting distributors in this district. Sales by dealers to users likewise rose in the total over September and were moderately greater in number than a year ago. New cars on hand at the end of October were noticeably heavier than a month earlier, but numbered slightly smaller than on the same date of 1934. Sales of used cars increased 5 per cent in the monthly and 3 per cent in the yearly comparison; stocks were somewhat larger than a month previous and moderately above those of a year ago. (See table for detailed data.) The ratio of sales made on the deferred payment plan to total sales of dealers reporting the item stood at 42 per cent for October, as compared with 40 per cent in September and as against 53 per cent in the month last year.

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in October 1935 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	SEPT. 1935	OCT. 1934	
New Cars			
Wholesale—			
Number Sold.....	+165.9	+136.9	18
Value.....	+202.5	+158.9	18
Retail—			
Number Sold.....	+30.9	+8.4	37
Value.....	+36.8	+0.6	37
On Hand October 31—			
Number.....	+25.2	-0.7	37
Value.....	+39.2	+11.7	37
Used Cars			
Number Sold.....	+5.3	+3.0	37
Salable on Hand—			
Number.....	+3.0	+14.5	37
Value.....	+9.9	+6.6	37

IRON AND STEEL PRODUCTS

Some further improvement took place during October in the business of steel mills in the Chicago district. Orders aggregated moderately in excess of those a month previous and were decidedly heavier than in October of last year. The automotive industry continued to lead in the demand for steel products. Output of steel ingots, which averaged around 55 per cent of capacity through the last half of October, had risen to 61½ per cent by the third week in November, this rate comparing with only 33 per cent in the corresponding week of 1934. Another gain was recorded during October in production of pig iron in the Illinois and Indiana district, which as in September was more than double that of a year ago. The price of pig iron was raised \$1 per ton at the end of October; finished steel prices remain firm; and the scrap market has advanced.

Production and shipments of steel and malleable castings at Seventh district foundries were substantially heavier in October than September, the tonnage gains in these items amounting to 17 and 14 per cent, respectively, for steel and to 19 and 30 per cent for malleable castings. The volume of new orders booked by these foundries was less than either production or shipments, and orders for steel castings fell below the volume of a month earlier by 21 per cent and that of the corresponding month in 1934 by 13 per cent. New business in malleable castings was 5 per cent less than in the preceding month but was almost twice as heavy as in October 1934. In the year-ago comparison, production and shipments of both types of castings registered heavier increases than in any previous month this year.

Seasonal activity continued to manifest itself in the manufacture of stoves and furnaces, shipments totaling 31 per cent larger in October than September, orders rising 16 per cent, and production 4 per cent. In the yearly comparison, production showed a gain of 10 per cent, orders one of 12 per cent, and shipments one of 35 per cent. Stocks were 30 per cent lower at the close of October than a month earlier and 15 per cent below those reported for a year ago.

FURNITURE

A 3 per cent increase was recorded for October over September in orders booked by Seventh district furniture manufacturers, the gain contrasting with a decline of 12 per cent in the 1927-34 average for the period.

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	OCTOBER 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OR VARDS
	SEPT. 1935	OCT. 1934	
Wholesale Lumber:			
Sales in Dollars.....	+7.8	+50.3	11
Sales in Board Feet.....	+9.1	+47.1	9
Accounts Outstanding ¹	-0.3	+22.8	11
Retail Building Materials:			
Total Sales in Dollars.....	+21.9	+47.7	174
Lumber Sales in Dollars.....	+21.4	+43.8	61
Lumber Sales in Board Feet.....	+33.6	+76.7	70
Accounts Outstanding ¹	+4.0	+12.5	166
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
Oct. 1935	Sept. 1935	Oct. 1934	
Wholesale Trade.....	149.6	161.8	183.0
Retail Trade.....	213.7	250.3	281.7

¹End of Month.

Shipments rose $6\frac{1}{2}$ per cent in the month, whereas the normal gain is but 3 per cent. They exceeded incoming orders and together with cancellations effected a decline of 14 per cent from a month previous in unfilled orders held at the close of October, the ratio of this last item to current orders dropping from 92 per cent at the end of September to 77 per cent a month later. As compared with last October, data for the month this year show gains of 52 per cent in orders, 59 per cent in shipments, and 86 per cent in unfilled orders. An operating ratio of 73 per cent of capacity in October compared with one of 68 per cent in the preceding month and was 15 points above that of a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Manufacturing activity in the shoe industry of the Seventh district showed some increase in October over the preceding month, the volume produced remaining at a level approximately 12 per cent higher than a year ago. Final reports on September production recorded a 6 per cent decline from August but a 12 per cent increase over the corresponding month of 1934 as well as over the 1925-34 September average. In the tanning industry, production and sales of leather were heavier in October than a month earlier, and prices showed a rising trend following the marked advance that has taken place in the cost of hides during the past two months. Trading in hides continued active, Chicago packers having moved all of their September and a large share of their October production. Prices advanced steadily and by early November ranged from $\frac{1}{4}$ to $1\frac{3}{4}$ cents higher than in the first week of October.

Building Materials, Construction Work

Demand for building materials in general showed some improvement in October over the preceding month and continued considerably more active than at the same time a year ago. Sales of lumber especially were substantially higher than a month earlier, both at wholesale and retail, the gains in board-foot volume somewhat exceeding those in dollar value. Furthermore, for materials other than lumber handled by retail yards the expansion in sales was slightly larger than for lumber alone. Collections were good, and while outstanding accounts increased at retail during the month, their ratio to total sales at both wholesale and retail was lower than either a month or a year earlier. Shipments of brick and tile were slightly heavier in October than in September with a somewhat more favorable margin shown in the yearly comparison. The demand for tile was particularly strong in certain farming sections of the district. Cement shipments were reported as 5 per cent in excess of the September volume, although they were unfavorably affected by the cold and damp weather that prevailed during part of the month. The current demand for cement continues

WHOLESALE TRADE IN OCTOBER 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries.....	+5.8	-6.8	-10.5	+13.1	83.3
Hardware.....	+30.6	+7.6	+11.8	+23.7	161.4
Drugs.....	+8.1	+4.4	+0.8	+12.2	151.3
Electrical Supplies.....	+37.7	+17.6	+26.4	+51.6	127.3

in excess of that in the corresponding months of 1933 and 1934, but is considerably lower than in years previous to these.

BUILDING CONSTRUCTION

Construction activity in the Seventh Federal Reserve district registered the fifth consecutive monthly gain in October, according to data on contracts awarded in this territory. Total awards amounted to over 36 million dollars for the month and were in the largest volume since August 1931. Residential contracts increased very slightly in the monthly comparison and comprised $17\frac{1}{2}$ per cent of the total.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
October 1935.....	\$36,276,149	\$6,298,798
Change from September 1935.....	+24.4%	+0.6%
Change from October 1934.....	+58.0%	+187.6%
First ten months of 1935.....	\$238,241,628	\$46,803,094
Change from same period 1934.....	+11.3%	+101.1%

*Data furnished by F. W. Dodge Corporation.

Permits issued in 103 cities of the district for all types of construction increased $36\frac{1}{2}$ per cent over September in their estimated cost and totaled more than twice the volume of October last year. The number of permits—7,211—showed gains of $4\frac{1}{2}$ and $42\frac{1}{2}$ per cent, respectively, in the monthly and year-ago comparisons. The five large cities in the district—Chicago, Detroit, Milwaukee, Indianapolis, and Des Moines—determined the trend of the district in the estimated cost of proposed construction as compared with last October, the smaller cities showing an aggregate decline from that month.

Merchandising

The usual seasonal trends were followed this October by reporting wholesale trade groups. Although the decline of 5 per cent from September in the wholesale grocery trade was greater than average and the increase of $10\frac{1}{2}$ per cent in electrical supply sales smaller than usual, gains of 10 and 8 per cent in hardware and drugs, respectively, were above normal for the month. All groups showed smaller increases over a year ago than in the corresponding comparison for September. Gains for the first ten months of 1935 over the same period of 1934 amounted to 4 per cent in groceries, 10 per cent in drugs, 21 per cent in hardware, and 25 per cent in electrical supplies. With the exception of groceries, stocks on hand were heavier at the end of October this year than last.

DEPARTMENT STORE TRADE IN OCTOBER 1935

LOCALITY	PER CENT CHANGE OCTOBER 1935 FROM OCTOBER 1934	PER CENT CHANGE FIRST TEN MONTHS 1935 FROM SAME PERIOD 1934		RATIO OF OCTOBER COLLECTIONS TO ACCOUNTS OUTSTANDING END OF SEPTEMBER
		NET SALES	STOCKS END OF MONTH	
Chicago.....	+2.1	+4.1	+3.3	35.3
Detroit.....	+20.6	+1.4	+10.1	48.7
Indianapolis.....	+18.5	-12.1	+10.8	42.3
Milwaukee.....	+7.5	-0.7	+6.9	42.4
Other Cities.....	+15.7	+8.5	+8.9	35.9
7th District.....	+9.2	+2.2	+6.4	40.6
				38.8

Ratios of accounts receivable to net sales remained smaller than a year ago. Prices are reported as steady to upward.

Seventh district department store trade expanded 6 per cent in October over the preceding month, which increase is about average for the period. The largest gains were recorded in sales of Milwaukee firms and those of stores in smaller centers, which exceeded the September volumes by 18 per cent each; Chicago trade gained 11 per cent, and that of Indianapolis firms 7 per cent. Detroit sales fell off 14 per cent, which trend, however, is customary for that city, following special sales each September. The gain of 9 per cent for the district over last October was the largest in the yearly comparison in three months and reflected particularly favorable margins in Detroit, Indianapolis, and smaller cities. Stocks again rose more than seasonally at the end of October over a month previous (by 8 per cent) and were 2 per cent heavier than a year ago, but the rate of turnover exceeded that in the month last year.

Although the retail shoe trade recorded a much larger than seasonal recession in October—sales of reporting dealers and department stores dropping 22 per cent in

the aggregate from September as against an average decline of but 12 per cent—it exceeded that of October last year by 17 per cent. Department stores effected the decline shown in the monthly comparison, as dealers reported increases over September. In the ten months of 1935, sales totaled 7½ per cent above those of the same period in 1934. Stocks on hand October 31 registered a gain of 3 per cent over both a month and a year previous.

Sales of furniture and house furnishings by dealers and department stores totaled 6 per cent smaller in October than in the preceding month. Dealers, however, reported an 18 per cent gain in this comparison. Total sales were 28 per cent above those of a year ago, and dealer sales 34½ per cent heavier. Although stocks rose 4 per cent over the end of September, they were only fractionally higher than on October 31 last year.

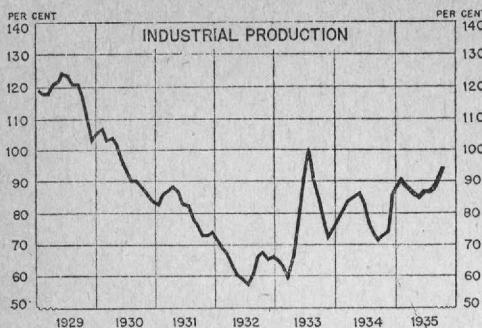
With practically all reporting groups recording gains, aggregate October sales of 12 chains operating 2,742 stores in the month exceeded those of September by 14 per cent. In the comparison with last October, five-and-ten-cent store, drug, and grocery chains showed increases, while cigar, men's clothing, and musical instrument chains had smaller sales, the total being 4 per cent above a year ago.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

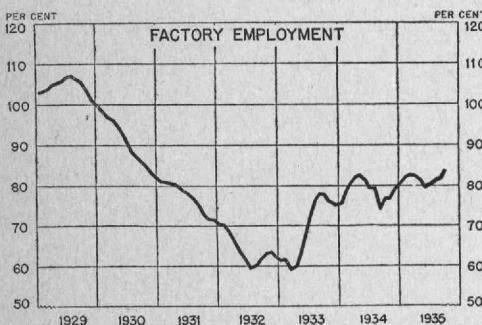
(Index numbers express a comparison of unit or dollar volume for the months indicated using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following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

	No. of Firms	Oct. 1935	Sept. 1935	Aug. 1935	July 1935	June 1935	May 1935	Oct. 1934	Sept. 1934	Aug. 1934	July 1934	June 1934	May 1934
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	93	86	84	82	83	86	79	77	75	68	69	68
Casting Foundries—													
Shipments:													
Steel—in Dollars.....	12	47	39	38	33	27	34	27	29	42	40	41	44
In Tons.....	12	47	39	37	32	25	31	26	31	46	44	44	47
Malleable—in Dollars.....	21	45	37	36	38	39	43	26	24	27	25	32	41
In Tons.....	21	66	56	53	55	57	65	38	34	40	36	48	62
Stoves and Furnaces—													
Shipments (in dollars).....	10	258	197	132	100	117	120	192	140	85	64	84	102
Furniture—													
Orders (in dollars).....	12	62	61	61	74	43	50	41	41	39	43	20	30
Shipments (in dollars).....	12	68	64	56	44	39	46	43	40	38	28	25	34
Flour—													
Production (in bbls.).....	19	122	98	94	85	87	100	117	106	102	82	94	96
Output of Butter by Creameries—													
Production.....	59	96	112	132	153	173	143	125	133	152	150	152	143
Sales.....	61	122	107	130	134	141	130	127	120	140	132	136	138
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	81	86	77	78	74	74	77	76	78	67	83	76
Hardware.....	11	86	75	71	71	76	76	65	59	57	54	62	71
Drugs.....	12	82	76	77	70	70	74	77	68	69	59	63	68
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	81	73	63	55	76	73	79	75	66	51	71	74
Detroit.....	5	92	110	74	58	78	92	76	98	69	50	76	93
Indianapolis.....	4	101	95	77	64	79	88	85	96	70	51	71	81
Milwaukee.....	5	95	80	69	59	75	76	89	76	63	52	68	74
Other Cities.....	40	85	72	70	53	72	77	75	68	62	45	64	76
Seventh District—Unadjusted.....	81	86	81	68	56	76	78	79	79	66	50	71	78
Adjusted.....	81	78	79	85	78	77	77	72	77	82	70	72	77
Automobile Production—(U. S.)—													
Passenger Cars.....	73	20	62	94	101	105	105	29	43	63	76	89	94
Trucks.....	160	86	153	162	172	152	127	119	136	111	120	150	
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	22	21	17	20	26	18	8	8	7	7	9	13	
Total.....	53	43	42	38	34	33	34	29	23	28	30	32	
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....	71	68	65	53	59	67	33	34	42	45	66	68	
United States.....	65	60	58	50	53	57	31	31	35	40	66	67	
Steel Ingots Production—(U. S.)*	87	85	81	66	67	73	41	38	38	45	88	95	

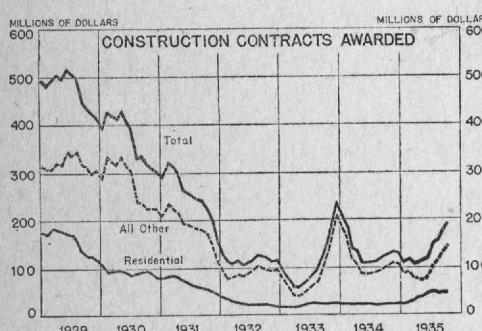
*Average daily production.



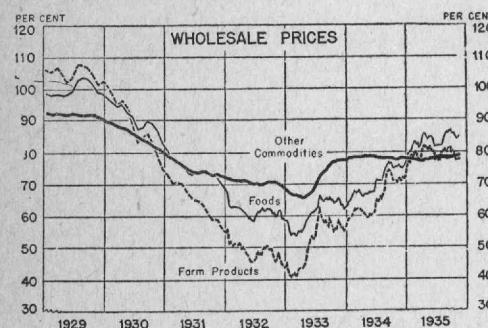
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



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 September and October and estimate for November 1935.



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

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

INDUSTRIAL production increased more than seasonally in October and there was also a considerable advance in factory employment and payrolls. There was a continuous inflow of gold from abroad and an increase in bank deposits.

INDUSTRIAL PRODUCTION AND EMPLOYMENT

Volume of output at factories and mines, as measured by the Board's seasonally adjusted index of industrial production, increased from 89 per cent of the 1923-1925 average in September to 94 per cent in October, reflecting larger output in a wide range of industries. Automobile production, which had been at a low level in September when preparations were being made for the manufacture of new models, increased rapidly during October and the early part of November. At steel mills, activity increased slightly in this period, contrary to the usual seasonal tendency, and in the third week of November was at about 54 per cent of capacity. Lumber production showed little change. Among the industries producing nondurable manufactures, the principal changes in output were increases of considerably more than the usual seasonal amount at cotton mills, woolen mills, and meat-packing establishments. At mines, output of bituminous coal was in larger volume than in other recent months and output of crude petroleum continued to increase.

Factory employment, which ordinarily shows little change at this season, increased considerably between the middle of September and the middle of October, reflecting substantial increases in the industries producing durable manufactures. The most marked expansion was in the automobile industry and there were smaller increases at railroad repair shops and in the iron and steel, machinery, and non-ferrous metals industries. Employment at canning factories showed a considerable decline, largely of a seasonal character.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a considerable increase in October followed by a slight decline in the first half of November. In this six-week period total contracts were substantially larger than a year ago, reflecting marked increases both in residential building and in other types of construction, but the volume is still at a relatively low level.

DISTRIBUTION

Railroad freight-car loadings increased by a considerable amount from September to October, reflecting principally larger shipments of coal and miscellaneous freight. In the early part of November carloadings were at a lower level than in October, chiefly as a consequence of seasonal developments. Department store sales which usually increase at this season, showed little change from September to October on a daily average basis, and the Board's seasonally adjusted index declined from 81 per cent of the 1923-1925 average to 77 per cent.

COMMODITY PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, was slightly lower in October and the early part of November than in the latter part of September, reflecting reductions in the prices of farm products and foods, offset in part in the index by an advance in prices of other commodities, particularly hides and leather products and textiles. Prices of hogs and pork showed a decrease, as is usual at this season, while cotton advanced.

BANK CREDIT

Excess reserves of member banks increased further by \$190,000,000 during the five-week period ended November 20, reflecting a continued inflow of gold from abroad. At the end of the period excess reserves were at a new high level of over \$3,000,000,000.

Total loans and investments of reporting banks in 101 leading cities increased by \$190,000,000 during the five weeks ended November 20, reflecting principally an increase in holdings of United States Government securities. Adjusted demand deposits of these banks showed an increase of \$550,000,000 for the period.

The call money rate on New York Stock Exchange loans was increased from $\frac{1}{4}$ of 1 per cent to $\frac{3}{4}$ of 1 per cent in the last week of October. At the same time the rate on time loans was increased from $\frac{1}{4}$ of 1 per cent to 1 per cent, but few loans have been made. Other money rates have remained at former low levels.