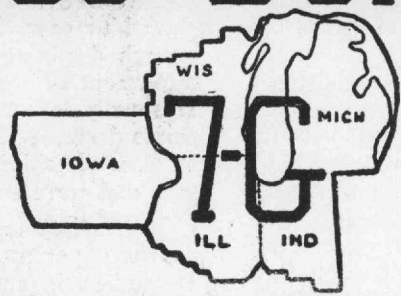


BUSINESS CONDITIONS

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*

JOHN H. MARTIN, *Asst. Federal Reserve Agent, Detroit Branch*
GEORGE A. PRUGH, *Asst. Federal Reserve Agent*

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TRENDS IN FARM REAL ESTATE—SEVENTH FEDERAL RESERVE DISTRICT 1934 AND 1935

PRONOUNCED betterment in farm real estate conditions was manifest in this district as well as in the United States as a whole in 1934, and the year just closed has continued the improvement noted in the prior year.

In these years demand for farm land has increased, evident at first in the case of high grade, well improved farms, and in more recent months extending to less well improved and less fertile land. A considerable portion of the demand for the better farms has emanated from investors paying cash rather than from farmers themselves, inasmuch as relatively few of the latter class in recent years have been provided with sufficient cash or with incentive to acquisition of additional acreage, because of the low level of farm income, past indebtedness, high taxes, and other factors.

As might be expected, the heightened demand for farm land and the removal from the market of much distressed acreage, has had its reflection in improved prices, the more marked in the better grades of land, although a somewhat greater volume of less desirable farm property is now reported as moving and at higher prices. In so far as the individual States of this district are concerned, the tabulation below, based on data prepared by the U. S. Department of Agriculture, shows the estimated percentage increase in price of *all* farm land in 1934 as against 1933, and in 1935 as compared with the preceding year:

	1933 to 1934	1934 to 1935	1933 to 1935
Iowa.....	+9 per cent	+6 per cent	+15 per cent
Illinois.....	+9 per cent	+3 per cent	+12 per cent
Indiana.....	+6 per cent	+8 per cent	+14 per cent
Wisconsin.....	0 per cent	+2 per cent	+2 per cent
Michigan.....	+2 per cent	+1 per cent	+3 per cent

In Illinois, Iowa, and Indiana the increase in value of the higher grade farm land probably has been as high as 20 per cent from 1933 through 1935, and in Michigan and Wisconsin, probably 5 to 8 per cent.

It will be noted from the foregoing that the most pronounced gain in estimated value per acre took place in the corn belt States of this district, Iowa, Illinois, and Indiana, while Wisconsin and Michigan showed a much lesser gain. In the case of the former State, a considerable portion of its farming area is given over to dairying, which industry suffered acutely from a series of dry years culminating in 1934, as well as from a continued relatively low level of prices for dairy products, with the result that recovery has been less pronounced than in the corn belt States of the district. Michigan, the least purely agricultural of any of the five States comprising the district, in part the result of the predominance of manufacturing and in part of relatively poor soil in the western half of the State, has also shown a less rapid improvement in the value of farm land.

Actual figures on the number of sales of individual farms are compiled and published by the U. S. Department of Agriculture. The latest data cover the twelve months ending March 15, 1935. Tabulated below are shown the number of *voluntary* sales and trades per 1,000 of all farms and similarly the number of *forced* sales and related defaults in the twelve months ending March 15 in 1933, 1934, and 1935, in each of the five States comprising this district.

	VOLUNTARY SALES AND TRADES			FORCED SALES AND RELATED DEFAULTS		
	1933	1934	1935	1933	1934	1935
Iowa.....	11.8	14.9	16.0	85.7	55.5	40.1
Illinois.....	13.6	13.2	15.0	50.7	38.2	25.1
Indiana.....	16.3	20.2	24.0	44.9	33.3	26.1
Wisconsin.....	14.1	13.3	14.1	40.4	30.9	24.5
Michigan.....	18.1	18.6	21.9	50.4	36.5	22.8

From the above tabulation it will be seen that the number of forced sales per 1,000 of all farms has decreased greatly in the period covered, while voluntary sales in all States but Wisconsin have increased. There is evidence to indicate that the trends shown in the table have been accentuated since March 15, 1935.

GENERAL SUMMARY

MOST phases of manufacturing and trade activity in the Seventh district closed the year 1935 with business at levels either moderately or well above those prevailing at the end of 1934 and with the aggregate volumes for the year substantially exceeding those of a year previous, thus continuing the improvement that has manifested itself with some fluctuations since the spring of 1933. Some of the reporting food-producing industries, notably meat packing and butter, continued exceptions to the trend, in so far as aggregate volume of production and sales were concerned, although the higher prices obtaining caused the dollar value of output to increase—considerably in the case of the former industry.

Production of automobiles increased further in December, and 1935 recorded the heaviest output for the industry of any year since 1929. Although steel mill operations declined at the close of December, as is usual, incoming business in the month exceeded that of November. Shipments of steel and malleable castings increased in December, and building construction, as reflected in contracts awarded, showed a heavy expansion. Declines in the furniture industry, in shoe manufacturing, and the movement of building materials were seasonal in nature. Industrial employment and payrolls continued to rise in December.

There was a small increase in the production of packing-house commodities during December, but the sales tonnage declined more than seasonally and both items were well below the corresponding month a year earlier. Although butter production and sales expanded in the month, they remained

smaller than in 1934. On the other hand, the manufacture and distribution of Wisconsin cheese continued to exceed the volumes of a year previous, though declining from the preceding month. The movement of wheat in December fell off less than seasonally but was much below normal. Corn receipts decreased but were double those of December 1934, while shipments recorded a less than seasonal gain and were smaller than a year previous.

The various reporting groups of retail trade in the district experienced substantial gains in sales during December, in accordance with seasonal trend, and all, including the department store, retail shoe, retail furniture, and chain store trades, showed increases over December 1934. In reporting groups of wholesale trade, groceries and hardware recorded more than seasonal recessions in business during December, while electrical supplies and drugs had greater than average gains; the grocery trade registered a moderate decline from a year earlier, as well, but the other groups continued to gain in this comparison.

With small increases in loans and a more substantial one in holdings of U. S. Government securities, total loans and investments of reporting member banks in the district gained 130 millions between December 18 and January 15; demand deposits in these banks declined somewhat in the period and time deposits rose slightly. For the second consecutive month, commercial paper sales of dealers in this section expanded counter-seasonally in December; financing by means of bankers' acceptances declined in the period, contrary to trend.

Credit Conditions and Money Rates

Member bank reserve balances in the Seventh Federal Reserve district declined approximately 66 million dollars during the four weeks ended January 15, reflecting a heavy outflow of funds to other districts, amounting to 87½ millions, as a result of commercial and financial operations, which was only partially offset by a drop of 21 millions in demand for currency. Total credit extended by the Chicago Reserve bank amounted to \$344,419,000 on January 15, representing a decline of almost 13 millions from December 18. In

the accompanying tabulation detailed changes in all sources and uses of Seventh district banking reserves are shown.

Changes between December 18, 1935 and January 15, 1936 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) ..	-782
Commercial operations through inter-district settlements	-87,585
Treasury and National bank currency	+1,646
Total supply	-86,721
Demand for currency	-21,245
Member bank reserve balances	-65,909
Treasury cash and deposits at Federal Reserve Bank of Chicago	+397
Special and "all other" deposits	-262
Other Federal Reserve accounts	+298
Total demand	-86,721

The level of money rates has remained unchanged

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	CHANGE FROM		
	JANUARY 15, 1936	DECEMBER 18, 1935	JANUARY 16, 1935
Total Bills and Securities	\$ 346.0	\$ -12.7	\$ -93.0
Bills Discounted	0.0	-0.5	-9.0
Bills Bought	0.6	+0.0	-0.1
U. S. Government Securities	343.2	-12.5	-85.2
Total Reserves	1,405.0	-60.3	+301.2
Total Deposits	877.7	-67.6	+138.3
Federal Reserve Notes in Circulation ..	837.4	-5.6	+60.2
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	81.9	0*	+8.7*

*Number of Points.

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	JANUARY 15, 1936	DECEMBER 18, 1935	JANUARY 16, 1935
Total loans and investments	\$2,837	\$+130	\$ +484
Total loans on securities	259	+8	-55
To brokers and dealers:			
In New York	1	0	-40
Outside New York	39	+6	+5
To others (except banks)	219	+2	-20
Acceptances and commercial paper bought	30	-1	-42
Loans on real estate	65	0	-6
Loans to banks	10	0	-8
Other loans	357	+8	+49
U. S. Government direct obligations ..	1,635	+120	+490
Obligations fully guaranteed by U. S. Government	144	-3	+24
Other securities	337	-2	+32
Demand deposits—adjusted	2,071	-26	+363
Time deposits	758	+3	+76
Borrowings	0	0	-9

during the past month. Down-town Chicago banks reported customers' commercial loans as carrying 1½ to 5 per cent during the week ended January 15, as was the case for the week ended December 15. The average rate earned on loans and discounts by down-town banks in Chicago during the calendar month of December was 2.83 per cent, compared with 2.92 per cent in November and with 2.96 per cent in December 1934. In Detroit a range of 3 to 5 per cent on customers' commercial loans was reported by down-town banks for the week ended January 15, unchanged from the range obtaining during the week ended December 15.

Instead of recording the customary decline during December, dealer sales of commercial paper in the Middle West expanded for the second consecutive month and were in the largest volume since last August. The gain over the preceding month amounted to 9½ per cent and the volume totaled 10 per cent heavier than in December 1934. In the comparison with the 1925-34 average for the month, however, sales showed a decline of 37 per cent, while November sales in a similar comparison were 46 per cent less. Demand for commercial paper from country banks increased during December, but from city banks remained relatively light. Selling rates were unchanged in the period, ranging from ½ to ¾ per cent for prime short-term paper to ⅝ and 1 per cent for the less well known obligations, with the bulk of sales going at ¾ per cent. The volume of commercial paper outstanding at the close of the year showed little change from the end of the preceding month and was 7 per cent greater than on December 31, 1934. In the first half of January 1936, sales of commercial paper declined 6 per cent from the corresponding part of December and selling rates continued within a range of ½ to 1 per cent.

Market operations of Chicago bill dealers from December 12, 1935 to January 15, 1936, continued light in volume. Receipts from Eastern markets declined and together with a drop in the small volume of local purchases resulted in a decrease of 26½ per cent during the five weeks in the total supply of acceptances. Sales to out-of-town banks increased to over twice the volume of the preceding period, offsetting a decline in sales to local banks, so that with shipments to Eastern cities nil, total distribution equaled supply and dealers did not accumulate any holdings in their portfolios. Rates ranged from ⅛ to 3/16 per cent in the period, showing no change from recent weeks.

Seventh district financing by means of bankers' acceptances registered a counter-seasonal decline in December 1935 and dropped to a level of 67 per cent below the 1925-34 average for the month. Total purchases also failed to gain as is usual in December, recording a considerable decrease from November due

to a heavy recession in the volume of own bills discounted. Sales were nil during December. Bill holdings of accepting banks decreased 5 per cent on December 31 from the end of November. The liability for outstandings at the end of the year was 2 per cent in excess of the close of November. New financing showed a further decline in the first half of January from the corresponding weeks in December.

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

	PER CENT CHANGE IN DECEMBER 1935 FROM	
	NOVEMBER 1935	DECEMBER 1934
Total value of bills accepted.....	-23.7	-24.8
Purchases (including own bills discounted)....	-24.5	-64.7
Sales.....	-100.0	-100.0
Holdings*.....	-5.2	-64.9
Liability for outstandings*.....	+2.0	-19.1

*At end of month.

SECURITY MARKETS

High-grade bonds continued in good demand during the final month of 1935 in the Chicago bond market, and price levels for issues in that classification trended higher. The volume of new financing in December was larger in the aggregate than for any of the preceding four months, and about 60 per cent of the total was in refundings, which percentage, however, was smaller than in recent months. Particularly notable advances were made in the secondary rails which showed marked gains due to improved earnings statements in the latter part of 1935. Municipal issues were in good demand during the month, and prices were stronger. Prices on the Chicago Stock Exchange trended gradually upward during December and the early part of January. The average price of twenty leading stocks* amounted to \$50.96 on January 18, and compared with \$47.66 on the corresponding date in December and \$29.56 on January 18, 1935.

*Chicago Journal of Commerce.

Agricultural Products

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States expanded only 2 per cent in December over November, as compared with an average gain for the month of 10 per cent, and was not only 13 per cent under commercial production of December 1934 and 19½ per cent below total production of that period but 22½ per cent less than the 1925-34 December average.

LIVESTOCK SLAUGHTER

	(In thousands)			
	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, December 1935.....	214	554	284	84
Federally Inspected Slaughter, United States:				
December 1935.....	892	2,875	1,369	481
November 1935.....	956	2,422	1,407	480
December 1934.....	1,076*	4,196	1,298*	494*

*Inclusive of slaughter for relief agencies.

AVERAGE PRICES OF LIVESTOCK

	(Per hundred pounds at Chicago)			
	WEEK ENDED		MONTHS OF	
	JAN. 18, 1936	DEC. 1935	NOV. 1935	DEC. 1934
Native Beef Steers (average).....	\$ 9.50	\$ 9.95	\$10.00	\$7.40
Fat Cows and Heifers.....	7.85	7.10	7.30	4.70
Calves.....	9.00	8.80	8.40	5.25
Hogs (bulk of sales).....	8.90	9.65	9.35	6.00
Lambs.....	10.55	11.10	10.50	7.35

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	DEC. 1935	PER CENT OF INCREASE OR DECREASE FROM	
		NOV. 1935	DEC. 1934
Chicago.....	\$3,214	+19.5	+30.0
Detroit.....	967	+23.7	+47.3
Milwaukee.....	257	+12.1	+15.9
Indianapolis.....	175	+8.5	+18.2
Total four larger cities.....	\$4,613	+19.5	+31.9
36 smaller cities.....	706	+7.3	+24.9
Total 40 centers.....	\$5,319	+17.7	+30.9

The sales tonnage decreased more than seasonally to a level 5 per cent under a month earlier and $2\frac{1}{2}$ per cent below the ten-year average, and was $10\frac{1}{2}$ per cent smaller than a year earlier. With a decline in prices of pork products from November practically offset by advances in beef, veal, and lamb, the total value of sales billed to domestic and foreign customers fell off 4 per cent in December from a month previous, but was $\frac{1}{2}$ per cent above the 1925-34 average for the month and $14\frac{1}{2}$ per cent greater than in the corresponding period of 1934. Payrolls at the close of the month reflected smaller recessions from a year previous than had been evidenced in November, and showed a gain over the preceding period of $2\frac{1}{2}$ per cent each in number of employes and in wage payments, and of $1\frac{1}{2}$ per cent in number of hours worked. Inventories of packing-house commodities in the United States accumulated less than seasonally on January 1 over the beginning of December; they were in only half the volume of a year ago and 256,810,000 pounds below the 1931-35 average for the date.

In the calendar year 1935, total production of these commodities decreased 30 per cent from 1934, the sales tonnage slightly exceeded production for market but was 19 per cent under a year earlier. On the other hand, prices rose to such an extent that the total value of sales billed to domestic and foreign customers exceeded that of 1934 by $22\frac{1}{2}$ per cent.

Aggregate shipments for export declined in December from November, although a few companies experienced a gain in this item. British demand was fair for United States lard but showed less than the anticipated improvement for American ham and bacon. Continental demand for United States packing-house products remained negligible, despite some signs of reviving interest, and Cuban trade was disappointing during the entire month. Prices of United States lard in the United Kingdom were only slightly below Chicago parity, but British quotations for American hams were considerably under this parity. Inventories of United States packing-house commodities in foreign countries—inclusive of stocks in transit—remained relatively light at the beginning of 1936. Imports of animal products into the United States increased in December over November.

DAIRY PRODUCTS

Creamery butter manufacture in the Seventh Federal Reserve district rose $2\frac{1}{2}$ per cent in December over a month earlier to a level $13\frac{1}{2}$ per cent under a year previous and $12\frac{1}{2}$ per cent below the 1925-34 December average. The sales tonnage, likewise, increased $2\frac{1}{2}$ per cent over November, and was within 13 per cent of last December and 6 per cent of the ten-year average for the month. In the calendar year 1935, Seventh district production of the commodity declined $7\frac{1}{2}$ per cent from 1934, and sales decreased 10 per cent but were slightly in excess of current manufacture. The production of creamery butter in the United States showed a larger expansion over November and a smaller recession from a year earlier and the 1925-34 seasonal average than was evidenced in the Seventh district. United States inventories of the commodity fell off more than is usual on January 1, 1936 from the beginning of December to a level 13,933,000 pounds under the 1931-35 average for the date, and were 7,006,000 pounds less than a year

earlier. Prices rose approximately $2\frac{1}{2}$ per cent in December over those of November.

The production of American cheese in Wisconsin decreased $8\frac{1}{2}$ per cent in the five weeks ended January 4 from the preceding period, but was 46 per cent heavier than a year earlier and $31\frac{1}{2}$ per cent in excess of the 1930-34 average for the period. Distribution from primary markets of that State fell off $36\frac{1}{2}$ per cent from the preceding five weeks and showed not only a non-seasonal deficiency as compared with current manufacture but an increase of only $8\frac{1}{2}$ per cent over the 1930-34 average for the month and of $3\frac{1}{2}$ per cent over a year earlier. For the calendar year 1935, production expanded 7 per cent over 1934 and sales gained $11\frac{1}{2}$ per cent. Total inventories of cheese in the United States declined less than the usual amount on January 1, 1936 from the beginning of December, and were 14,392,000 pounds above the 1931-35 average for that date though 2,908,000 pounds under last January 1. Prices rose $8\frac{1}{2}$ per cent in December over November.

Industrial Employment Conditions

The trend in employment and payrolls of Seventh district industries during the November 15 to December 15 period was closely in line with that exhibited a month earlier, especially within the manufacturing groups. Metals and vehicles were again the main contributors to the aggregate rise of one-half per cent in employment and $3\frac{1}{2}$ per cent in payrolls for this classification. The seasonal declines in the foods, stone-clay-and-glass, and wood products groups recorded for November continued in December, and to these was added another group—chemical products. Textile industries showed a partial recovery in payrolls following the sharp decline experienced in the preceding month, but the downward trend in employment continued. The paper and printing industries, which had shown very little change in either employment or payrolls for November, registered considerable gains in both of these items for December. Leather and rubber products followed the November trend, but the increases recorded in payroll figures by these groups were more pronounced in December than a month earlier. The non-manufacturing industries, despite a

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF DEC. 15, 1935			CHANGE FROM NOV. 15, 1935	
	REPORTING FIRMS	WAGE EARNERS	EARNINGS ('000 OMITTED)	WAGE EARNERS	EARNINGS
	No.	No.	\$	%	%
Metals and Products ¹	1,154	269,399	6,785	+0.8	+4.7
Vehicles.....	229	312,345	9,489	+2.4	+5.3
Textiles and Products.....	258	45,369	799	-2.2	+4.2
Food and Products.....	532	77,535	1,770	-4.3	-2.9
Stone, Clay and Glass.....	150	8,870	187	-13.9	-12.6
Wood Products.....	329	30,850	580	-3.0	-0.8
Chemical Products.....	161	21,257	533	-2.2	-2.2
Leather Products.....	119	26,423	514	+1.4	+3.0
Rubber Products.....	23	10,930	283	-1.2	+6.3
Paper and Printing.....	490	60,634	1,561	+1.7	+3.8
Total Mfg., 10 Groups.....	3,445	863,612	22,501	+0.4	+3.7
Merchandising ²	1,505	108,398	2,165	+13.0	+13.7
Public Utilities.....	109	79,614	2,489	-1.2	+0.5
Coal Mining.....	18	4,020	97	+14.2	+19.5
Construction.....	297	10,130	203	-24.0	-23.1
Total Non-Mfg., 4 Groups.....	1,929	202,162	4,954	+4.6	+4.6
Total 14 Groups.....	5,374	1,065,774	27,455	+1.2	+3.6

¹ Other than Vehicles. ² Illinois and Wisconsin.

continued seasonal decline in the construction group, registered aggregate gains for December amounting to 4½ per cent in employment and close to 5 per cent in payrolls. These gains, contrary to the trend of the preceding month, were effected mainly through the greater than seasonal expansion in the merchandising and coal-mining industries. The former of these two groups increased its employment volume 13 per cent and wage payments 14 per cent, and the latter showed increases of 14 and 20 per cent, respectively, in these items. Combined, the manufacturing and non-manufacturing divisions recorded an aggregate rise of one per cent in number of wage earners and of 4 per cent in amount of wage payments for the month of December as compared with the preceding month. As compared with the volumes of employment and payrolls recorded for the closing month of 1934, December 1935 showed gains of 14 and 27 per cent, respectively, in these volumes.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

The 344,613 passenger automobiles manufactured in December brought output for the calendar year 1935 to 3,285,836, which number exceeded 1934 production by 51 per cent and represented the greatest volume since 1929, although it failed to equal that year by 29 per cent. December production, which established a record for that month, compared with 338,425 in November and exceeded that of December 1934 by 210 per cent. Trucks produced in December numbered 63,191, or 6 per cent more than in the preceding month and 48½ per cent above a year earlier. In the entire year 1935, a total of 724,058 trucks was produced, or 26 per cent more than in 1934 and, as in the case of passenger cars, representing the heaviest annual output since 1929.

Consumer buying of automobiles in the Seventh district dropped off in December, following two months of sharp gains, although wholesale distribution showed only a slight decline from a month previous. As a result of these trends, stocks of new cars in dealers' hands continued to rise. Both sales and stocks recorded heavy increases over December 1934. Trends in used cars were similar to those in new cars at retail, but the sales decline from November and the gain over December 1934 were much smaller for used than for new cars. It will be noted in the table that the volume

MIDWEST DISTRIBUTION OF AUTOMOBILES

	DECEMBER 1935 PER CENT CHANGE FROM		CALENDAR YEAR 1935 CHANGE FROM CALENDAR YEAR 1934	COMPANIES INCLUDED		
	Nov. 1935	Dec. 1934		Nov. 1935	Dec. 1934	Year 1934
	New Cars:					
Wholesale—						
Number Sold.....	-1.7	+176.8	+66.4	13	12	11
Value.....	+0.4	+217.0	+61.3	13	12	11
Retail—						
Number Sold.....	-18.8	+167.9	+30.6	36	35	34
Value.....	-16.9	+125.5	+28.5	36	35	34
On Hand End of Month—						
Number.....	+19.0	+180.0	+8.7*	36	35	34
Value.....	+16.9	+188.5	+14.1*	36	35	34
Used Cars:						
Number Sold.....	-4.7	+43.4	+20.1	36	35	34
Salable on Hand—						
Number.....	+10.1	+53.0	+50.3*	36	35	34
Value.....	+4.8	+47.2	+50.0*	36	35	34

*Average end of month.

of automobiles sold in the year 1935 was substantially larger than that of a year earlier. A noticeable increase was recorded in December in the proportion of deferred payment sales to total retail sales of dealers reporting the item, a ratio of 46 per cent comparing with 39 per cent in the preceding month and with 46 per cent for the corresponding month of 1934.

IRON AND STEEL PRODUCTS

Incoming business in the steel industry of this district expanded in December over the preceding month, although operations declined, as is usual, over the holiday season. The year 1935 as a whole showed rather satisfactory improvement in this industry, shipments aggregating considerably larger than in 1934. The automobile industry was the main source of demand during the year, but miscellaneous users of steel likewise were active buyers. Operations were maintained throughout the year at a comparatively steady rate and at no time fell below 40 per cent of capacity. Toward the close of December steel ingot output dropped seasonally to about 47 per cent of capacity but rose again thereafter until in the middle of January it was averaging 52 per cent, the latter rate comparing with around 57 per cent a year ago at the same time. Pig iron production in the Illinois and Indiana district declined only slightly in the daily average for December from a month previous and was more than double that of December 1934. No changes of importance have taken place in price quotations during recent weeks.

Orders booked by reporting steel casting foundries of the Seventh district continued to rise in December, the increase over the November tonnage amounting to 57 per cent. Shipments by these foundries increased by about one per cent and production registered a decline of a similar small percentage volume. At malleable casting foundries, the December volume of orders booked fell 19 per cent below the November figure, but shipments and production expanded considerably—by 20 and 13 per cent, respectively. Year-end activity at both types of foundries was substantially greater than at the close of 1934. For the year 1935 as a whole, shipments of steel castings totaled 11 per cent heavier in tonnage and 18 per cent more in dollars than in 1934; for malleable castings, the increases in this comparison were close to 40 per cent in both tonnage and dollar measurements.

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	DECEMBER 1935 PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	NOVEMBER 1935	DECEMBER 1934	
Wholesale Lumber:			
Sales in Dollars.....	-10.2	+69.3	11
Sales in Board Feet.....	-5.1	+70.8	9
Accounts Outstanding ¹	-3.8	+28.8	10
Retail Building Materials:			
Total Sales in Dollars.....	-14.6	+23.2	134
Lumber Sales in Dollars.....	-22.4	+39.0	29
Lumber Sales in Board Feet.....	-13.8	+51.8	63
Accounts Outstanding ¹	-9.5	+19.9	132
RATIO OF ACCOUNTS OUTSTANDING¹ TO TOTAL DOLLAR SALES DURING MONTH			
	DECEMBER 1935	NOVEMBER 1935	DECEMBER 1934
Wholesale Trade.....	163.2	152.3	214.6
Retail Trade.....	282.1	268.9	289.3

¹ End of Month.

Seasonal declines in the manufacture of stoves and furnaces were approximately the same in December as in the preceding month, shipments falling off 15 per cent, orders 28 per cent, and molding-room operations 3 per cent. Inventories were slightly lower than a month earlier and were 23 per cent below those at the close of 1934. Shipments for the entire year 1935 were about 40 per cent in excess of those reported for 1934.

FURNITURE

The furniture industry of the Seventh district experienced the best year in 1935, in so far as volume of business was concerned, of any year since 1930, according to data covering firms reporting to this bank. During each month of the year, shipments and orders were at a level sharply above that of 1934. December reports showed a seasonal decline from the preceding month of 34 per cent in orders booked and a smaller than normal recession of 7 per cent in shipments, the volume of the latter item being close to average for the period. Unfilled orders were reduced sharply—by 31 per cent—in December, but their ratio to current orders rose from 89 per cent in November to 94 per cent, which percentage compared with only 73 per cent a year earlier. Other comparisons with December 1934 showed a gain in the current period of 25 per cent in orders booked, one of 55 per cent in shipments, and an increase in unfilled orders of 60 per cent. December operations at 67 per cent of capacity were 4 points lower than a month previous but 19 points higher than a year earlier.

Building Materials, Construction Work

A seasonal slowing-down in demand for building materials of all kinds was reflected in December reports. Sales of lumber by wholesale and manufacturing firms of the district decreased from November by 5 per cent in board-foot measure and somewhat more than that percentage in dollar value. Retail yards registered a 14 per cent recession in the actual volume of lumber sold with an even larger loss in dollar value, and the dollar sales of all materials handled by these yards decreased 14½ per cent. Cement shipments followed the usual downward trend of the month, while brick deliveries held up unusually well and were about on a par with those reported for November. Sales of most building materials were substantially higher in 1935 than 1934, not only in the closing month of the year but in the average for the twelve months. Distribution of lumber at wholesale totaled 69 per cent more in dollar value this December than last and showed an increase of 30 per cent in the monthly average for the year as a whole. Retail sales of lumber also averaged about 30 per cent higher in 1935 than 1934, the December volume being 40 per cent above that of a year

WHOLESALE TRADE IN DECEMBER 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries.....	-8.1	-3.3	-18.0	-13.8	99.1
Hardware.....	+25.3	+15.1	+17.7	+24.7	183.0
Drugs.....	+16.0	+4.1	-4.0	+15.2	170.9
Electrical Supplies.....	+37.4	+12.7	+11.9	+36.9	131.9

earlier. Brick deliveries likewise advanced sharply during the year 1935, while shipments of cement showed little change.

BUILDING CONSTRUCTION

December showed a marked increase in building construction, following a seasonal decline in November. The total volume of contracts awarded in the Seventh Federal Reserve district amounted to more than 53 million dollars and was the largest for any month since March 1931. Residential contracts likewise registered a heavy gain, although they comprised a smaller percentage of total awards than for any period since last February. Total construction awards for the year 1935 were greater than for any year since 1931.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
December 1935.....	\$53,155,349	\$6,218,293
Change from November 1935.....	+82.0%	+27.3%
Change from December 1934.....	+201.7%	+371.3%
Calendar year 1935.....	\$320,608,399	\$57,907,505
Change from year 1934.....	+29.8%	+118.9%

*Data furnished by F. W. Dodge Corporation.

The estimated cost of proposed construction, according to building permits issued in 101 cities of the Seventh district, declined 16 per cent in December from November, though totaling over twice the amount of December 1934. Similar trends were shown in the number of permits issued during the final month of 1935. Detroit, Indianapolis, and Des Moines were three of the larger cities to differ from the district trend in the monthly comparison of estimated cost, gains of 13, 20, and 77 per cent, respectively, being recorded by these cities.

Merchandising

Reporting groups of wholesale trade in the Seventh Federal Reserve district followed seasonal trends in December, although a more favorable showing was made by some lines than others. The wholesale grocery trade experienced a greater than seasonal decline of 7 per cent in the period and sales aggregated 8 per cent smaller than in December 1934, and a 13 per cent decrease from November in hardware sales was also more than average. Increases over the preceding month of 12 per cent in the drug trade and 25 per cent in electrical supplies were heavier than usual for the period. For the calendar year 1935, substantial gains over the year 1934 were recorded in all groups except groceries where the increase was only frac-

DEPARTMENT STORE TRADE IN DECEMBER 1935

LOCALITY	PER CENT CHANGE DECEMBER 1935 FROM DECEMBER 1934		PER CENT CHANGE CALENDAR YEAR 1935 FROM CALENDAR YEAR 1934	RATIO OF DECEMBER COLLECTIONS TO ACCOUNTS OUTSTANDING END OF NOVEMBER	
	NET SALES	STOCKS END OF MONTH		1935	1934
Chicago.....	+8.1	+6.2	+4.6	33.6	33.6
Detroit.....	+11.5	+6.1	+11.8	45.7	46.7
Indianapolis....	+2.4	-9.6	+9.6	43.0	44.0
Milwaukee.....	+7.7	+3.0	+7.8	41.8	41.5
Other Cities....	+11.2	+7.7	+10.4	33.2	31.4
7th District....	+8.9	+4.9	+7.6	38.2	38.0

tional; drug sales exceeded those of the prior year by 10 per cent, hardware sales were 21 per cent larger, and electrical supply sales totaled 30 per cent more. Higher ratios of accounts to sales were shown for December over November in groceries and hardware, while in drugs and electrical supplies the ratios were lower.

The gain of 52 per cent in December over the preceding month in Seventh district department store trade was close to average for the period, and that of 9 per cent over a year earlier, though not so heavy as in a similar comparison for November, compared favorably with other months last year. Daily average sales were 10½ per cent larger than in December 1934, due to the fact that there was one more Saturday in that month. Of the larger cities, Chicago showed the heaviest increase in December in the monthly comparison—56 per cent—and Milwaukee had the smallest gain with 42 per cent. As in other recent months, Detroit trade recorded the most favorable trend over the corresponding month of 1934 and for the calendar year 1935 showed the largest increase over the entire year 1934—12 per cent. Inventories at the end of December exceeded those at the close of 1934 by 5 per cent in dollar value; stock turnover for the year was 4.56 times in 1935, as compared with 4.27 times in 1934.

Sales of shoes by reporting dealers and department

stores totaled 9 per cent heavier in the year 1935 than a year earlier. December trade exceeded that of the same month in 1934 by 6 per cent, expanding 48 per cent over the preceding month, which is more than seasonally. Stocks had risen by the end of December to 8 per cent above those of a year previous.

The gain of 18 per cent over November in December sales of furniture and house furnishings was somewhat smaller than average for the period. As compared with December 1934 and for the calendar year 1935 compared with a year earlier, the dollar volume sold was likewise 18 per cent higher. Sales by dealers showed a somewhat larger increase than did those by department stores in 1935 over 1934, whereas in 1934 as compared with 1933, the opposite trend prevailed. At the close of 1935, stocks were 3 per cent greater than a year previous at the same time.

Eleven reporting chain groups, operating 2,720 stores in December, had sales aggregating 49 per cent in excess of those in the preceding month but totaling only 2 per cent larger than in December 1934. All groups which include five-and-ten-cent-store, drug, grocery, cigar, and musical instrument chains, shared in the monthly gain, and with the exception of groceries in the increase over December 1934 and that of 2½ per cent recorded for the year 1935 over a year earlier.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

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

	No. of Firms	Dec. 1935	Nov. 1935	Oct. 1935	Sept. 1935	Aug. 1935	July 1935	Dec. 1934	Nov. 1934	Oct. 1934	Sept. 1934	Aug. 1934	July 1934
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	84	88	94	86	84	82	73	71	79	77	75	68
Casting Foundries—													
Shipments:													
Steel—in Dollars.....	12	41	42	47	39	38	33	20	24	27	29	42	40
In Tons.....	12	41	41	47	39	37	32	19	25	26	31	46	44
Malleable—in Dollars.....	21	50	42	45	37	36	38	28	29	26	24	27	25
In Tons.....	21	74	62	66	56	53	55	42	43	38	34	40	36
Stoves and Furnaces—													
Shipments (in dollars).....	10	172	205	258	197	132	100	101	144	192	140	85	64
Furniture—													
Orders (in dollars).....	12	35	56	62	61	61	74	26	35	41	41	39	43
Shipments (in dollars).....	12	49	54	68	64	56	44	31	38	43	40	38	28
Flour—													
Production (in bbls.).....	19	77	86	122	98	94	85	93	101	117	106	102	82
Output of Butter by Creameries—													
Production.....	59	76	74	94	112	132	153	88	98	125	133	152	150
Sales.....	61	101	98	121	107	130	134	116	130	127	120	140	132
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	64	69	81	86	77	78	70	73	77	76	78	67
Hardware.....	11	65	75	86	75	71	71	52	57	65	59	57	54
Drugs.....	12	80	72	81	76	77	70	67	69	77	68	69	59
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	134	85	81	73	63	55	123	77	79	75	66	51
Detroit.....	5	153	101	92	110	74	58	139	81	76	98	69	50
Indianapolis.....	4	143	93	101	95	77	64	140	83	85	96	70	51
Milwaukee.....	5	135	94	95	80	69	59	125	83	89	76	63	52
Other Cities.....	40	127	88	85	72	70	53	116	74	75	68	62	45
Seventh District—Unadjusted.....	81	137	89	86	81	68	56	126	78	79	79	66	50
Adjusted.....	81	81	81	78	79	85	78	75	71	72	77	82	70
Automobile Production—(U. S.)—													
Passenger Cars.....		118	116	73	20	62	94	38	17	29	43	63	76
Trucks.....		168	158	160	86	153	162	113	92	127	119	136	111
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		21	17	22	21	17	20	5	6	8	8	7	7
Total.....		78	43	53	43	42	38	26	22	34	29	23	28
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		79	79	71	68	65	53	38	34	33	34	42	45
United States.....		69	70	65	60	58	50	34	33	31	31	35	40
Steel Ingot Production—(U. S.)*.....		93	91	87	85	81	66	59	47	41	38	38	45

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

INDUSTRIAL production and employment showed a further increase in December, when allowance is made for the usual seasonal changes, and distribution of commodities to consumers was in increased volume.

PRODUCTION AND EMPLOYMENT

The Board's seasonally adjusted index of industrial production, which takes account of the considerable decline that usually occurs in December, advanced from 98 per cent of the 1923-1925 average in November to 103 per cent in December, the highest level reached by this index since the spring of 1930. As in other months during the last half of 1935, the rise in the index was due in large part to increases in output of durable manufactures, particularly iron and steel and automobiles. During the first half of January production of steel and automobiles increased somewhat, following declines in the holiday period. Output at mines was also larger in December than in November. Activity at cotton and silk textile mills declined less than is usual in December, while at woolen mills there was a more than seasonal decrease in operation. Output at shoe factories increased.

Factory employment showed little change between the middle of November and the middle of December, when a slight decline is customary. The number employed continued to increase at steel mills, automobile factories, foundries and machine shops, and at railroad-car building plants. There was also an increase in employment at shoe factories. Seasonal declines were reported by many other important industries. Factory payrolls were larger in the middle of December than a month earlier.

The value of construction contracts awarded increased sharply in December, according to figures of the F. W. Dodge Corporation, although a decline is usual in that month. There was a further substantial growth in the volume of awards for publicly-financed projects and residential building also increased.

DISTRIBUTION

Sales at department stores and variety stores, as well as sales by chain stores and mail order houses serving rural areas, showed larger increases than are usual in December. Freight-car loadings decreased by less than the usual seasonal amount in December, and the Board's adjusted index increased from 66 per cent of the 1923-1925 average in November to 71 per cent, continuing the advance begun last August.

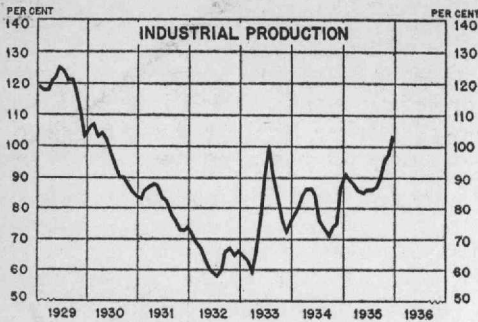
COMMODITY PRICES

The general level of wholesale prices showed little change during December. In the first three weeks of January there was some decline in the general index, reflecting in part lower prices for cotton gray goods, flour, pork, and silk. Prices of hogs, rubber, and petroleum increased.

BANK CREDIT

Excess reserves of member banks, which declined by \$600,000,000 in the third week of December, increased by \$320,000,000 during the following five weeks, reflecting the usual seasonal return flow of currency from circulation, a decline in Treasury balances with the Federal Reserve banks, and a small increase in monetary gold stock. On January 22 excess reserves totaled \$3,030,000,000, as compared with the peak of \$3,300,000,000 on December 11, 1935.

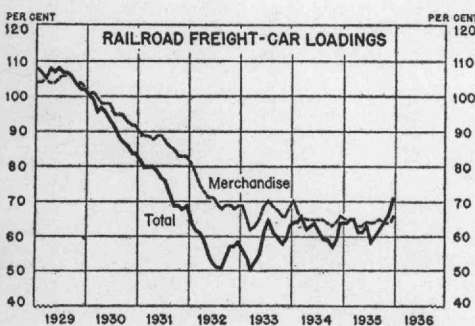
Changes in the condition of reporting member banks in leading cities between December 18 and January 15 reflected largely the influences of seasonal factors.



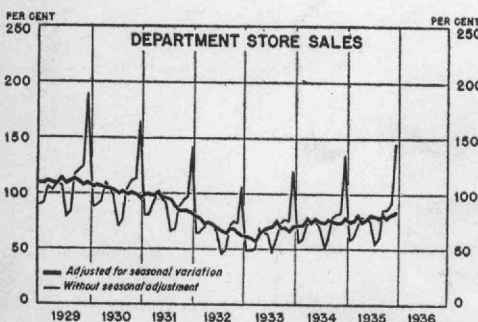
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to December 1935.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to December 1935.



Indexes of number of cars loaded, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to December 1935.



Indexes of value of sales, 1923-1925 average = 100. By months, January 1929 to December 1935.