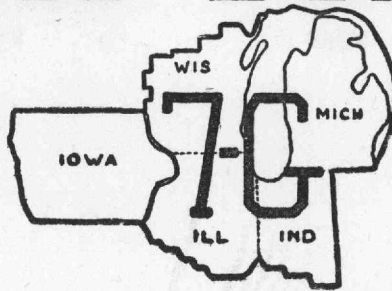


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



RESERVE  
DISTRICT

Volume 19, No. 10

MONTHLY REVIEW PUBLISHED BY THE  
FEDERAL RESERVE BANK OF CHICAGO

September 26, 1936

## DISTRICT SUMMARY

THE current level of industrial production and of distribution in the Seventh Federal Reserve district continues well above the corresponding period in 1935, despite some recent recession apparent in certain phases and the continued effect of drought in food-producing industries.

The steel industry has shown no decline from the high level of activity which has been maintained throughout the summer months. The aggregate of building construction gained further in August, owing to a sharp expansion in the volume of residential building which was the heaviest since May 1930, while there was a rising demand for building materials in the month. The production of automobiles was considerably curtailed in August, as manufacturers prepared for 1937 models. Shipments of steel castings increased, but those of malleable castings declined; output from furniture factories showed less than the usual gain over July. Industrial employment decreased, continuing the trend of a month earlier.

Although the production of packing-house commodities totaled less in August than in July, it was much heavier than last year and slightly above average for the period; sales likewise were larger than a year ago. However, the production and dis-

tribution of dairy products in the district remained below normal and continued to show greater than seasonal declines. The August movement of grain was below average, and price levels were above those for July. Since the breaking of the drought, autumn crops have improved and pastures are noticeably better. From a survey made by this bank, it is estimated that the 1936 pack of peas, corn, beans, and most fruits in the district will be sharply less than in 1935 and the output of many other items will be smaller.

Counter-seasonal declines took place during August in most reporting wholesale trade groups, following the improvement shown in July. Retail trade expanded, in accordance with seasonal trend. In the majority of both wholesale and retail trade lines, gains over 1935 were smaller than in recent months.

A continued rising trend is apparent in commercial loans of reporting member banks in the Seventh district, which gained 12 million dollars between August 19 and September 16 and were 182 millions heavier than on the corresponding date last year. Loans on securities also increased slightly in this period and holdings of U. S. Government securities expanded 33 millions.

## Credit and Finance

Although in the period August 19 to September 16 there was a 22 million dollar net inflow of funds to this district from commercial and financial transactions with other districts and an increase of 7 millions in reserve credit ("float") outstanding, they combined to augment member bank reserve balances by no more than 3 million dollars, for the demand for currency increased 4 millions and an excess of Treasury receipts over disbursements absorbed 22 millions. During the first three weeks of the period, with Treasury disbursements exceeding receipts and a net inflow of funds to this district from other districts, reserve balances rose 68 million dollars, while currency in circulation for month-end and holiday requirements in-

creased 9 millions. In the fourth week, Treasury deposits at this bank were enlarged by tax collections and payments for bonds issued September 15, and,

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

(Amounts in millions of dollars)

	SEPTEMBER 16, 1936	CHANGE FROM	
		AUGUST 19, 1936	SEPTEMBER 18, 1935
Total Bills and Securities.....	\$291.3	\$ -0.0	\$ -67.0
Bills Discounted.....	0.0	+0.0	+0.0
Bills Bought.....	0.4	+0.0	-0.2
U. S. Government Securities.....	289.1	0	-66.6
Total Reserves.....	1,691.7	+16.2	+429.6
Member Bank Reserve Deposits.....	976.6	+3.1	+234.4
All Other Deposits.....	60.9	+21.6	+29.0
Federal Reserve Notes in Circulation.....	916.5	-0.3	+107.9
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	86.5%	-0.3*	+6.8*

\*Number of Points.

**TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH**

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	AUGUST 1936	AUGUST 1935
Total country and city check clearings:		
Pieces.....	9,731,237	9,706,918
Amount.....	\$1,934,609,503	\$1,620,688,786
Daily average clearings:		
Total items cleared—		
Pieces.....	374,278	359,515
Amount.....	\$74,408,058	\$60,025,511
Items drawn on Chicago—		
Pieces.....	64,575*	86,763
Amount.....	\$38,925,000	\$31,081,000
Items drawn on Detroit—		
Pieces.....	17,469	16,626
Amount.....	\$8,577,032	\$6,768,079

\*Reduction in August 1936 is due to the packaging of Chicago early clearings.

together with a net outflow of funds to other districts, reduced reserve balances of member banks by 65 millions despite a return from circulation of 5 millions in currency.

The average rate earned on commercial loans by reporting down-town Chicago banks was 2.46 per cent for August, as against 2.64 per cent for July, 2.70 per cent for June, and 3.06 per cent for August 1935. However, there was no change in the range of commercial loan rates which continued at low levels.

The volume of bills accepted during August by banks in this district exceeded July by less than the normal amount, but was 20 per cent greater than in August 1935. In the first half of September a substantial amount of grain bills and more coffee acceptances brought the total well above the same period last year, although it was considerably less than for the first fifteen days of August. Banks in the Seventh district reported their acceptances outstanding on August 31 as 11 per cent above a year ago, which increase compares with a decline of 4 per cent for the country as a whole. However, outstandings of this district were 55 per cent below the 1926-35 average for the end of August. Transactions by bill dealers in this district were light as compared with the preceding month and a year ago. Nominal rates were  $\frac{1}{4}$  to  $\frac{3}{16}$  per cent.

A more than seasonal decline in sales for August and the first half of September, on a correspondingly reduced supply of paper, was reported by commercial paper dealers in the Middle West. Rates remain unchanged, the bulk of sales being at  $\frac{3}{4}$  per cent.

Bond dealers in this district report for August and early September a market seasonally dull in both new offerings and trading activity, with low yields and high price levels reflecting continued demand for the better

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

(Amounts in millions of dollars)

	SEPTEMBER 16, 1936	CHANGE FROM	
		AUGUST 19, 1936	SEPTEMBER 18, 1935
Total loans and investments.....	\$3,048	\$ +41	\$ +395
Total loans on securities.....	255	+5	+5
To brokers and dealers:			
In New York.....	9	0	+8
Outside New York.....	44	+5	+11
To others (except banks).....	202	0	-14
Acceptances and commercial paper bought.....	34	-4	-3
Loans on real estate.....	70	+1	+5
Loans to banks.....	8	-1	-3
Other loans.....	511	+12	+182
U. S. Government direct obligations.....	1,607	+33	+181
Obligations fully guaranteed by U. S. Government.....	147	-5	-13
Other securities.....	416	0	+41
Demand deposits—adjusted.....	2,240	+12	+284
Time deposits.....	821	+5	+84
Borrowings.....	0	0	-2

grade bonds. Reversing the relationship established in each prior month this year, August long-term offerings for new capital considerably exceeded refundings, owing principally to one large issue of corporate debentures. Listed stocks moved generally higher in price, the Chicago Journal of Commerce average of twenty leading stocks traded on the Chicago Stock Exchange rising from \$55.68 on August 17 to a high for the year of \$57.55 on September 11, then receding to \$56.53 by September 17 but recovering by September 21 to \$57.22.

**Agricultural Products**

Precipitation in the closing week of the month brought average rainfall for the five States including the Seventh Federal Reserve district to 96 per cent of the August normal, and the consequent improvement in autumn crops was reflected in the upward revision of estimates for many items on September 1 over a month earlier.

Corn, soybeans, and most other autumn crops of the Seventh district had improved further by September 21. Pastures are noticeably better than a month earlier and are sufficient to permit grazing over a rather wide territory, although some remain short or overgrazed and many are weedy. Late alfalfa and soybeans are making good progress. The present condition of corn ranges from fair to poor, with an increased area that is fair and with some corn good. Despite the fact that improvement in late ears is expected to effect an increase over earlier estimates, prospects are for less than a normal portion of the crop reaching maturity before September 30; 55 to 70 per cent is now safe from frost, but a considerable amount is still in the roasting-ear stage and some is so late that the most favorable weather will be needed for it to ripen. Many nubbins are reported. Furthermore, much of the corn which had been damaged beyond recovery has been cut for fodder and silage. The size of most stalks is so small that two to five times the normal acreage is being required for silo filling. Late potatoes are improving; the Wisconsin crop is in fair to good condition and that of Michigan is now fair. Prospects for Michigan peaches have been lowered somewhat because of the heavy storm on September 11. After having received a good start, plowing and seeding in many sections are now being delayed by wet weather.

**CANNING OPERATIONS**

Returns received by this bank from 146 of the 400 canneries located in the five States including the Seventh district indicate that the 1936 pack, as estimated by these companies on the basis of their operating rate to the present time and the prospective supply of raw materials to the end of the canning season, decreased substantially from 1935 in the output of corn, peas,

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

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	AUGUST 1936	JULY 1936	AUGUST 1935
Chicago.....	\$2,840	-4.7	+9.4
Detroit.....	828	-6.4	+21.5
Milwaukee.....	267	-4.6	+18.0
Indianapolis.....	175	-13.0	+22.8
Total four larger cities.....	\$4,110	-5.4	+12.7
37 smaller cities.....	725	-6.6	+17.4
Total 41 centers.....	\$4,835	-5.6	+13.4



beans, and most fruits. Moreover, somewhat smaller losses are recorded in a majority of the other items on which data were collected. These trends in the main are confirmed by recent crop estimates, except that the decline in corn pack is much larger than had been anticipated and that in tomatoes probably reflects to a degree a strong consumption demand for the raw product. Moreover, with a much greater than normal percentage of tomatoes still on the vines, there is a possibility that, if autumn frosts come much later than usual, the supply will exceed present estimates. Data from pickle companies are too meager to establish a definite trend, although prospects for cucumbers have been greatly improved by recent rains; some processors believe drought damage has been offset by the increased acreage this year, while others anticipate a reduction in total output as compared with 1935. Canning costs have advanced sharply in 1936 over a year ago, owing partly to the smaller volume of the pack and partly to the necessity in some cases of paying a higher than contract price to growers in order to prevent a diversion of supply to the fresh market. Notwithstanding, a number of canneries in their sales to customers are adhering to the terms of the original contracts entered into early in the season and are not benefiting from the advances at retail and wholesale.

**REPORTED PACK OF VEGETABLES AND FRUITS OF REPRESENTATIVE CANNERIES IN FIVE STATES INCLUDING SEVENTH FEDERAL RESERVE DISTRICT**  
(Converted to Cases—24 No. 2s to Case)

	ESTIMATED PACK 1936	ACTUAL PACK 1935
Beans, green, wax, and string.....	315,359	521,105
Beans, lima, kidney, and all other*.....	40,027	45,685
Beets.....	404,878	485,487
Corn.....	3,378,510	10,085,862
Peas.....	2,361,540	3,967,032
Kraut.....	961,325	1,295,709
Tomatoes.....	2,041,733	2,744,978
Tomato pulp and paste.....	432,979	482,065
Tomato juice.....	693,772	662,819
Tomato catsup.....	117,050	166,822
All other canned vegetables**.....	1,044,945	752,711
Raspberries.....	42,925	85,033
Strawberries.....	656	4,850
Cherries.....	1,039,178	1,516,512
Peaches.....	23,500	25,585
All other canned fruits and berries.....	43,377	135,097

\*Excluding beans, with pork, with sauce, and baked.  
\*\*Including beans, with pork, with sauce, and baked.

**GRAIN MARKETING**

The combined July-August receipts of wheat at interior primary markets in the United States were only 14 per cent smaller than the 1926-35 average for the period, but reshipments declined 30 per cent in this comparison. Imports exceeded exports. Coincident with a decline in world crop prospects and an advance in European prices, quotations of No. 2 hard winter wheat at Chicago averaged 8 per cent higher in August than during July. However, a decline took place at the close of the month because of weakness at Liverpool and hedging pressure at Winnipeg. An unfavorable outlook for the Argentine crop was accompanied by renewed strength in foreign markets, and quotations at Chicago had recovered by September 20 to a point only a few cents under the August 19 high. Visible supplies in the United States were 42 per cent lighter on September 12 than the ten-year average for the date.

Corn at principal centers of accumulation in the United States moved in smaller than usual volume for August, and prices advanced sharply over July. After weakness resulting from Argentine offerings in the Middle West and an improved outlook for autumn

feed, quotations strengthened at Chicago to September 20. Visible supplies remained exceptionally light. Primary market receipts of oats in the 1936-37 season to August 31 were about average in volume, but reshipments fell considerably below normal. Prices followed those of corn, but visible supplies were 78½ per cent greater than the 1926-35 seasonal average.

**MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES**  
(In Thousands of Bushels)

	AUGUST 1936	JULY 1936	AUGUST 1935	AUGUST 1926-35 Av.
Wheat:				
Receipts.....	28,065	83,422	47,963	61,588
Shipments.....	18,151	27,725	14,798	34,748
Corn:				
Receipts.....	15,737	16,779	6,385	17,286
Shipments.....	7,708	11,476	3,353	10,843
Oats:				
Receipts.....	13,356	17,502*	30,297	22,891
Shipments.....	4,493	4,665	5,184	8,537

\*Corrected.

**MOVEMENT OF LIVESTOCK**

Hog marketings in the United States aggregated less during August than in any previous month since November 1935 but cattle, calf, and lamb receipts at public stockyards in the United States exceeded those of any month since last October. In contrast to 1934, receipts in August this year were augmented only slightly by Government buying. Cattle and calf marketings remained above a year ago and the 1926-35 average; those of lambs continued smaller in these comparisons. Hog receipts were above last August but below this ten-year average. Movement to inspected slaughter followed the general trend of market receipts, except that the gain over July in cattle supply was greater than seasonal, and the number of lambs had been larger in January this year, though showing only

**CROP PRODUCTION**

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		AVERAGE 1926-32
	FORECAST 1936	FINAL 1935	FORECAST 1936	FINAL 1935	
Corn.....	512,451	880,218	1,458,295	2,291,629	2,553,424
Oats.....	366,285	453,391	776,661	1,196,668	1,215,102
Barley.....	33,283(a)	47,713(a)	144,847	282,226	281,237
Soybeans.....	23,444(b)	34,533(b)	26,146(c)	37,691(e)	10,204(c)
Winter Wheat.....	62,938	57,807	519,097	464,203	622,252
Spring Wheat.....	2,179	2,134	111,144	159,241	241,312
Rye.....	6,705(a)	12,911(a)	27,095	58,928	38,212
Buckwheat.....	568(a)	1,226(a)	5,793	8,220	8,277
Flaxseed.....	246(d)	336(d)	6,310	14,123	15,996
Potatoes (white).....	43,976	57,484	311,951	387,678	372,115
Potatoes (sweet).....	995(b)	1,280(b)	67,594	83,198	66,368
Sugar Beets <sup>1</sup> .....	800(f)	686(f)	9,056	7,908	8,118
Beans (dry edible) <sup>2</sup> .....	2,598(e)	4,828(e)	10,771	13,799	11,858
Onions <sup>3</sup> .....	3,425(a)	2,559(a)	17,381	14,546	13,247
Cabbage for Market <sup>4</sup> .....	105(g)	177(g)	785	797	845
Tomatoes for Market <sup>5</sup> .....	1,345(h)	1,301(h)	19,637	19,176	16,891
Canning Vegetables:					
Cabbage for Kraut <sup>1</sup> .....	31(g)	44(g)	91	135	166
Green Peas <sup>1</sup> .....	68(g)	104(g)	175	268	182
Green Lima Beans <sup>1</sup> .....	2(f)	2(f)	20	16	13*
Snap Beans <sup>1</sup> .....	13(i)	23(i)	73	82	73
Sweet Corn <sup>1</sup> .....	221(a)	438(a)	581	860	628
Tomatoes <sup>1</sup> .....	430(h)	381(n)	1,772	1,689	1,293
Apples (total crop).....	9,821(a)	23,303(a)	105,856	167,283	161,333
Peaches.....	1,348(h)	6,232(h)	43,873	52,808	56,541
Pears.....	967(h)	1,611(h)	23,914	22,035	23,146
Grapes <sup>6</sup> .....	51(a)	73(a)	1,875	2,455	2,200
Cranberries <sup>3</sup> .....	55(j)	81(j)	531	520	581
Tobacco <sup>4</sup> .....	16,375	15,835	1,142,887	1,296,810	1,427,174
All Tame Hay <sup>1</sup> .....	13,722	17,450	62,997	76,146	69,533
Wild Hay <sup>1</sup> .....	380(a)	542(a)	7,197	11,338	10,719
Broom Corn <sup>1</sup> .....	13(k)	17(k)	39	63	47
Perans <sup>1</sup> .....	40(k)	265(k)	33,330	95,340	59,983
Cotton <sup>5</sup> .....	.....	.....	11,121	10,638	14,667

\*1929-32 average.

<sup>1</sup>In thousands of tons. <sup>2</sup>In thousands of 100-lb. bags. <sup>3</sup>In thousands of barrels. <sup>4</sup>In thousands of pounds. <sup>5</sup>In thousands of bales. (a) Five states including Seventh Federal Reserve District. (b) Illinois, Indiana and Iowa. (c) Indiana, Illinois, Iowa, North Carolina, Ohio, and Missouri. (d) Iowa, Michigan, and Wisconsin. (e) Michigan and Wisconsin. (f) Michigan. (g) Wisconsin, Michigan, Indiana, and Illinois. (h) Michigan, Illinois, Indiana, and Iowa. (i) Wisconsin, Michigan, and Indiana. (j) Wisconsin. (k) Illinois.

a small decline from the average. Reshipments to feed lots were heavier than at any time since last autumn; the number of calves was above normal but that of cattle and lambs decreased in this comparison.

### MEAT PACKING

Despite an earlier than customary liquidation of fat cattle coincident with rising prices of feed, a somewhat more than seasonal decrease in the supply of hogs and a less than normal gain in marketings of other livestock resulted in the production of packing-house commodities at inspected slaughtering establishments declining slightly more than is usual in August to a level 3 per cent under July. It was, however, one per cent heavier than the 1926-35 average for the month and 26½ per cent greater than a year ago. The tonnage sold exceeded that of last August by 17 per cent but aggregated 1½ per cent lighter than in July and 6 per cent under the ten-year average. An advance in the general price level of packing-house commodities was recorded over a month earlier, although quotations of lamb, most veal, medium to common beef, and of a few pork cuts declined. Therefore, dollar sales billed to domestic and foreign customers totaled 3 per cent greater than in July, 12 per cent larger than a year ago, and 4½ per cent above the 1926-35 average for August. Inventories of these products in the United States rose counter-seasonally on September 1 over a month earlier and were 193,014,000 pounds larger than on the same date last year. Moreover, the decrease of 16½ per cent in this item as compared with the 1931-35 average was smaller than had been recorded on any previous reporting date in 1936. Payrolls at the close of August registered a decline from July of 1½ per cent in employes, one per cent in hours worked, and of 3 per cent in total wage payments. Although the number of employes was only 4½ per cent greater than a year ago, hours worked increased 10 per cent and wage payments 8½ per cent in the comparison.

Shipments for export declined rather sharply in August from July, principally owing to a reduction in forwardings to the United Kingdom because prices of lard and hams in that country were 3 to 4 cents under Chicago parity and below replacement costs. Influenced by slow demand and limited offerings, sales of these commodities from the United States were relatively light in British markets during the entire month. Moreover, demand from the European continent remained negligible. Porto Rican and Cuban trade in United States packing-house products continued about the same as in July; sales of lard to Cuba were largely confined to deliveries subsequent to September 3. Despite some accumulation of hams in the

### LIVESTOCK SLAUGHTER (In thousands)

Yards in Seventh District, August 1936.....	LAMBS AND CALVES			
	CATTLE	HOGS	SHEEP	CALVES
Federally Inspected Slaughter, United States: August 1936 .....	1,015	2,254	1,395	541
July 1936 .....	928	2,692	1,352	523
August 1935 .....	875	1,668	1,665	472

### AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	WEEK ENDED		MONTH OF	
	SEPT. 19 1936	AUG. 1936	JULY 1936	AUG. 1935
Native Beef Steers (average).....	\$ 9.30	\$ 8.50	\$ 8.15	\$10.65
Fat Cows and Heifers.....	7.15	6.70	6.45	7.85
Calves.....	9.00	7.50	7.40	9.00
Hogs (bulk of sales).....	9.85	10.10	9.70	10.85
Lambs.....	9.10	9.50	9.45	8.90

United Kingdom, inventories of packing-house commodities in foreign markets—inclusive of stocks in transit—showed little change on September 1 from the beginning of August. Imports into the United States increased further during the month.

### DAIRY PRODUCTS

Seventh district production of dairy products continued to reflect the poor pasture conditions which obtained until recent rains. The manufacture of creamery butter in the Seventh Federal Reserve district declined more than seasonally in August to a level 13 per cent under July, 25 per cent below a year earlier, and 24½ per cent less than the 1926-35 average for the month. Coincident with an advance of 4½ per cent in prices, the tonnage sold declined 12½ per cent from July and was not only smaller than in any previous month this year since March but also 25½ per cent under last August and 23 per cent below the ten-year average. Production of the commodity in the United States showed about a normal recession in August from a month earlier and a decline of only 9½ per cent from the 1926-35 August average. Though recording somewhat more than a seasonal accumulation over August 1, inventories of creamery butter in the United States aggregated 16 per cent smaller on September 1 than the 1931-35 average for the date. Quotations held rather steady through the first three weeks of September.

The manufacture of American cheese in Wisconsin declined by 18½ per cent in August from a month earlier, 19 per cent from a year ago, and 6 per cent from the 1926-35 average for the period, while distribution of the commodity from primary centers of that State decreased 24½ per cent, 13 per cent, and 11½ per cent, respectively, in these comparisons. Furthermore, sales showed a greater than seasonal deficiency from current production. Total inventories of cheese in the United States increased more than normally on September 1 over the beginning of August and were 6,050,000 pounds above the 1931-35 average for the date. Subsequent to a 6 per cent rise in August

### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF AUGUST 15, 1936			CHANGE FROM JULY 15, 1936	
	REPORT- ING FIRMS	WAGE EARN- ERS	EARN- INGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,498	395,318	9,894	+1.1	+3.9
Vehicles.....	332	296,735	8,561	-11.7	-14.7
Stone, Clay, and Glass.....	255	23,141	517	-0.3	+2.0
Wood Products.....	423	43,223	868	+4.1	+13.9
Total.....	2,508	758,417	19,840	-4.2	-4.8
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	328	61,836	1,129	+4.8	+14.8
Food and Products.....	726	106,768	2,461	+0.3	+0.1
Chemical Products.....	229	33,222	870	+2.5	+2.0
Leather Products.....	141	28,839	568	+2.9	+8.3
Rubber Products.....	31	11,512	275	-2.2	+2.3
Paper and Printing.....	633	70,593	1,824	+1.6	+6.0
Total.....	2,088	312,770	7,117	+1.8	+4.7
Total Mfg., 10 Groups.....	4,596	1,071,187	26,957	-2.5	-2.4
<b>Merchandising<sup>2</sup>.....</b>	2,431	105,468	2,180	-0.3	-0.7
Public Utilities.....	164	90,103	2,789	+1.2	-0.3
Coal Mining.....	28	6,786	157	+7.1	+21.4
Construction.....	519	16,908	397	+3.9	+6.4
Total Non-Mfg., 4 Groups.....	3,142	219,265	5,523	+0.8	+0.5
Total, 14 Groups.....	7,738	1,290,452	32,480	-2.0	-2.0

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana, and Wisconsin.



over July, prices of the product eased in the first three weeks of September.

## Industrial Employment Conditions

Following a slightly less than seasonal curtailment in July, employment and payrolls in Seventh district industries failed to show the recovery usual in August, reports for the month indicating further declines of 2 per cent in each of these items. However, the decreases were effected almost entirely by reductions within the automobile industry, reflected in the heavy percentage declines for employment and payrolls in the vehicles group as a whole. Increases in the large metals and metal products group which recorded a recovery from the temporary set-back of the preceding month, as well as an unusually sharp expansion in the wood products industries, served to moderate somewhat the losses contributed by the vehicles group, but durable goods industries as a whole experienced decreases of more than 4 per cent each in employment and payrolls. With the exception of rubber goods where there was a loss in employment though heavier payrolls, every reporting industrial group covering consumers' or non-durable goods increased both employment and payrolls during August. In food products the gains were very slight but in all other groups they were of substantial proportions, the classification as a whole raising its employment volume close to 2 per cent and its wage payments almost 5 per cent. Even these increases were insufficient to counteract entirely the declines in the durable goods industries, so that manufacturing as a whole recorded losses of  $2\frac{1}{2}$  per cent each in workers and wage payments. Further gains, however, were contributed by the non-manufacturing groups where aggregate employment increased nearly one per cent and payrolls one-half per cent. Substantial increases in the coal mining and construction industries were partially offset by the large merchandising group which showed a slight reduction in both workers and wage payments, as well as by the public utilities which registered a minor loss in the latter item.

## Manufacturing

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

Most manufacturers of automobiles completed their production of 1936 models in August and many closed their plants preparatory to the production of 1937 models, with the result that aggregate output of automobiles in the month recorded a substantial reduction from that of July. Passenger cars produced in August numbered 209,754, or 44 per cent less than in the preceding month but 16 per cent in excess of output in

August 1935, while the number of trucks produced totaled 61,537, representing a recession from July of 10 per cent and an increase over a year ago of 9 per cent.

In line with the curtailed output from factories, wholesale distribution of automobiles in the Middle West dropped sharply in August from July and was moderately smaller than in the same month last year. Sales to users, though continuing to decline, numbered over 40 per cent greater than those made last August, and used-car sales remained well above a year ago. A noticeable decrease took place in stocks of new cars between July 31 and the end of August, and a much smaller one was shown in those of used cars; the margin of excess over a year ago in new-car stocks was slightly narrowed during the month, while that in used cars widened somewhat. The ratio of deferred payment sales to total retail sales averaged 50 per cent in August, as compared with 54 per cent in July and with 47 per cent in the month last year, according to data for identical dealers.

### IRON AND STEEL PRODUCTS

Operations of steel mills in the Chicago district continue to reflect a satisfactory demand for their products, as through August and into September the rate of output was maintained at 73 per cent of capacity. Prominent in the demand have been the railroads and the construction industry, it being significant that buying from both of these sources has expanded considerably this year. Requirements from the automobile industry were lighter in August, but tonnage for 1937 models is now being placed. August pig iron production in the Illinois and Indiana district showed some recession from the high level of the preceding three months, but it continued as in July to exceed the corresponding month of any previous year since 1929. A strong iron and steel scrap market prevailed through August and further advances took place in the first part of September.

Seventh district foundries recorded a somewhat mixed trend in August operating activity, a number of them reporting increases over July, while others held to the earlier level and some showed curtailments. The aggregate result for steel casting foundries was an 8 per cent rise in production accompanied by a 7 per cent increase in tonnage shipped but a drop of 34 per cent in orders booked. Malleable castings followed an opposite trend to steel castings in production and shipments, both of these items decreasing approximately 10 per cent, while the volume of new orders booked

### MIDWEST DISTRIBUTION OF AUTOMOBILES

	AUGUST 1936: PER CENT CHANGE FROM		COMPANIES INCLUDED
	JULY 1936	AUGUST 1935	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	-41.2	-15.2	19
Value.....	-44.6	-18.5	19
Retail—			
Number Sold.....	-17.8	+42.9	34
Value.....	-14.3	+59.2	34
On Hand August 31—			
Number.....	-22.7	+21.8	34
Value.....	-28.6	+21.8	34
<b>Used Cars:</b>			
Number Sold.....	-12.2	+21.0	34
Salable on Hand—			
Number.....	-6.7	+15.7	34
Value.....	-6.2	+25.3	34

### LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	AUGUST 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JULY 1936	AUGUST 1935	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	+3.3	+23.6	8
Sales in Board Feet.....	-2.5	+15.2	6
Accounts Outstanding <sup>1</sup> .....	+1.1	+19.7	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	+7.6	+27.0	140
Lumber Sales in Dollars.....	+1.8	+27.6	35
Lumber Sales in Board Feet.....	+5.6	+21.3	69
Accounts Outstanding <sup>1</sup> .....	+3.1	+15.5	137
	RATIO OF ACCOUNTS OUTSTANDING <sup>1</sup> TO TOTAL DOLLAR SALES DURING MONTH		
	AUGUST 1936	JULY 1936	AUGUST 1935
Wholesale Trade.....	152.0	155.3	156.9
Retail Trade.....	212.1	222.5	233.4

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

increased by slightly less than one per cent. All items, both for steel and malleable castings, registered considerable increases over a year ago, although the margins were narrower than previously this year.

The manufacture and shipments of stoves and furnaces reflected the usual resumption of seasonal activity in this industry during August, gains recorded in the two items more than offsetting the losses of the two preceding months. The volume of orders accepted, however, was only slightly higher in August than in July. Comparisons with year-ago figures showed increases ranging from 23 per cent in molding-room operations to 28 per cent in orders and 38 per cent in shipments. Inventories accumulated 3 per cent during the month and exceeded the volume of last August by 37 per cent.

#### FURNITURE

Orders booked during August by reporting Seventh district furniture manufacturers totaled half again as large as in the month last year, the gain in this comparison being the heaviest so far in 1936. They were, moreover, one-third above the 1927-35 average for August, and the 8 per cent decline recorded from the preceding month compared with one of 18 per cent in this average. The trend in shipments was contrary to that in new orders, as the 6 per cent expansion in the item over July was decidedly less than seasonal, the 22 per cent increase over a year ago was with one exception the smallest this year, and the volume totaled 3 per cent below the nine-year average for August. Inasmuch as shipments were considerably under the volume of new orders, unfilled orders on hand continued to rise, aggregating 24 per cent heavier than a month earlier and amounting to 112 per cent of orders booked; as compared with the close of August last year, they were larger by 70 per cent. Operations rose about 5 points during August from 67 to 72 per cent of capacity and were 11 points above last August.

### Building Materials, Construction Work

A moderately rising trend in demand for practically all building materials was recorded for August. Sales of lumber, brick, and cement showed gains which in some instances were of rather small proportions but which were well distributed throughout the Seventh district. Lumber sales, measured in dollar value, increased more sharply at wholesale than at retail, but the rise was somewhat less than is customary at this season. Retail trade, though stimulated by an increasing demand for coal, also experienced less than the average expansion in August over July. Drought conditions affected sales of brick and tile unfavorably in some sections; nevertheless, the trend in these materials also was slightly upward. Cement shipments within the district gained moderately over the preceding

month and remained at a level approximately 50 per cent higher than in the same month of 1935. Movement of both brick and cement, however, continues greatly below what is considered normal for these industries. Prices of building materials as a whole registered little change during August, remaining at a level about one per cent above that of a year ago.

#### BUILDING CONSTRUCTION

Not since May 1930 has the volume of residential construction started in the Seventh district been as heavy as in August this year. Contracts awarded for such work expanded sharply over a month previous and were nearly three and one-half times those in August last year. The gain over July in residential contracts which comprised about one-third of all awards, was responsible for an increase in total contracts, as other types of building construction declined in the period. In the first eight months of 1936, contracts awarded exceeded by over 2 million dollars those for the entire year 1935.

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

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
August 1936.....	\$ 52,847,200	\$17,179,900
Change from July 1936.....	+7.4%	+63.4%
Change from August 1935.....	+81.8%	+236.9%
First eight months of 1936.....	\$322,630,538	\$76,669,581
Change from same period 1935.....	+86.7%	+123.9%

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

For the second successive month, a decline took place in the total estimated cost of permits issued in this district, August data for 98 cities recording a 10½ per cent decrease from July. Exceptions to the general trend were noted in Detroit and Des Moines, where gains of 26 and 6½ per cent, respectively, were reported, and in the aggregates for smaller cities in Indiana and Wisconsin. The number of permits issued increased 5 per cent over the preceding month. As compared with August last year, the estimated cost of permits in the 98 cities was 63 per cent larger in the current month and the number issued 31 per cent greater.

### Merchandising

Following the improvement noted in July, less favorable trends prevailed during August in reporting groups of wholesale trade in the Seventh district. Contraseasonal declines were shown of 3 per cent in drugs, 10 per cent in groceries, and 22 per cent in electrical supplies, while the decrease of 8 per cent in hardware sales compared with practically no change in

#### DEPARTMENT STORE TRADE IN AUGUST 1936

LOCALITY	PER CENT CHANGE AUGUST 1936 FROM AUGUST 1935		PER CENT CHANGE FIRST EIGHT MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF AUGUST COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JULY	
	NET SALES	STOCKS END OF MONTH	NET SALES	1936	1935
Chicago.....	+13.7	+3.2	+12.7	30.4	29.8
Detroit.....	+9.0	+8.6	+8.2	42.6	41.5
Milwaukee.....	+11.4	+16.4	+12.4	36.8	37.7
Other Cities.....	+3.7	+11.0	+9.4	30.8	30.3
7th District.....	+9.9	+7.5	+10.7	35.1	34.5

#### WHOLESALE TRADE IN AUGUST 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Hardware.. +18.3	+33.6	+18.0	+29.3	170.0	
Drugs..... -4.0	-1.5	-4.9	+5.1	167.0	
Electrical Supplies.. +17.7	+43.3	+7.0	+59.2	141.3	



the 1926-35 average for the period. Furthermore, the drug trade recorded a decline from the corresponding month last year—the first in this comparison since February—and the gains over a year ago in hardware and electrical supplies were smaller than in several months. Data for the first eight months of 1936 show that electrical supply sales exceeded those of the same period in 1935 by 34 per cent, the hardware trade was heavier by 23 per cent, drug sales by 4 per cent, and grocery sales by 2 per cent. Ratios of accounts outstanding to net sales were generally higher for August than a month previous.

Seventh district department store trade expanded 17½ per cent in August over July, the gain being slightly greater than seasonal in extent. The increase of 10 per cent over August 1935 was noticeably smaller than in the yearly comparison for the three preceding months, but with one less trading day in the month this year, daily average sales showed a gain of 14 per cent. Aggregate sales of stores in smaller cities recorded the least improvement over a year ago—only 4 per cent—while Chicago stores had the largest increase—14 per cent. A somewhat more than seasonal expansion in stocks during August brought them to 7½ per cent above the close of the same month in 1935, they having been but 3 per cent higher in a similar comparison for July.

Although the rise of 19 per cent for August over July in sales of shoes by reporting dealers and department stores was considerably above average for the period, only a small increase—less than 3 per cent—was shown over the corresponding month a year ago, the majority of department stores reporting a decline in this latter comparison. In the eight months of 1936, the dollar volume sold exceeded that of the same period in 1935 by 9 per cent. A 19 per cent expansion took place in stocks between July 31 and the close of August, and they totaled 12 per cent larger than on August 31 last year.

A smaller than seasonal gain was recorded during August in the retail furniture trade. Aggregate sales of reporting dealers and department stores exceeded those of the preceding month by 20 per cent, whereas a 30 per cent gain is shown in the 1927-35 average for August, the current increase being smaller than in most of the years included in this average. As compared with the corresponding month of 1935, the gain in sales volume continued to be substantial—20 per cent. Dealer sales made a less favorable showing in both the monthly and yearly comparisons than did those of department stores. Stocks on hand were 3 per cent larger on August 31 than a month previous and 12½ per cent heavier than on the same date of 1935.

## 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	Aug. 1936	July 1936	June 1936	May 1936	Apr. 1936	Mar. 1936	Aug. 1935	July 1935	June 1935	May 1935	Apr. 1935	Mar. 1935
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	94	91	91	85	85	81	84	82	83	86	82	77
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	86	77	74	64	59	51	38	33	27	34	38	35
In Tons.....	12	96	85	80	68	60	50	37	32	25	31	38	33
Malleable—In Dollars.....	21	48	53	56	56	61	59	36	38	39	43	48	45
In Tons.....	21	69	77	82	81	89	88	53	55	57	65	72	69
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	8	183	154	170	176	156	150	133	100	117	127	115	106
<b>Furniture—</b>													
Orders (in dollars).....	12	92	100	60	67	62	62	61	74	43	50	43	48
Shipments (in dollars).....	12	68	65	61	59	64	65	56	44	39	46	54	51
<b>Output of Butter by Creameries—</b>													
Production.....	59	99	114	145	140	89	87	131	153	173	144	99	83
Sales.....	61	97	111	133	120	99	88	130	134	141	130	94	87
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	77	85	70	65	66	63	72	74	68	69	66	62
Hardware.....	11	83	90	94	102	88	77	71	71	76	76	72	64
Drugs.....	12	73	76	77	76	78	78	77	70	70	74	73	73
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	75	63	87	86	84	79	63	55	76	73	75	69
Detroit.....	5	81	72	93	100	102	89	74	58	78	92	96	92
Indianapolis.....	4	83	73	93	97	94	96	77	64	79	88	88	89
Milwaukee.....	5	77	68	87	90	93	83	69	59	75	76	85	77
Other Cities.....	41	71	59	79	86	81	77	69	52	71	75	75	70
Seventh District—Unadjusted.....	82	76	65	87	90	89	82	68	56	76	78	81	76
Adjusted.....	82	95	91	89	88	84	90	85	78	77	77	76	83
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		72	127	128	132	142	117	62	94	100	104	132	123
Trucks.....		163	182	205	199	227	206	149	153	165	147	175	177
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		59	36	43	40	35	25	17	20	26	18	16	9
Total.....		77	72	58	61	54	56	42	38	34	33	36	32
<b>Iron and Steel—</b>													
Pig Iron Production*:													
Illinois and Indiana.....		97	101	101	100	94	81	65	53	59	67	65	63
United States.....		89	85	88	87	82	67	58	50	53	57	57	58
Steel Ingot Production—(U. S.)*.....		121	113	115	117	114	97	81	66	68	73	76	83

\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

**I**NDUSTRIAL activity increased seasonally in August and there was a substantial increase in factory employment and payrolls. Commodity prices, which had advanced for three months, showed little change after the middle of August.

## PRODUCTION AND EMPLOYMENT

The Board's index of industrial production, which makes allowance for usual seasonal movements, remained unchanged in August at 107 per cent of the 1923-1925 average. Output of steel increased by more than the seasonal amount and the higher level was maintained in the first three weeks of September. Production of automobiles was sharply reduced as plants were closed for inventory taking and for mechanical changes in connection with the introduction of new models. Output of non-durable manufactures increased further in August, reflecting chiefly continued expansion in activity at textile plants and shoe factories. At bituminous coal mines, output increased less than is usual at this season and at anthracite mines production declined. Output of petroleum showed an increase.

Factory employment rose further between the middle of July and the middle of August by an amount larger than is usual at this season. There were substantial increases in working forces at establishments producing textiles and wearing apparel and smaller increases in most other lines, partly offset in the total by a decline in employment in the automobile industry. Factory payrolls increased.

Value of construction contracts, which had increased sharply in July, declined somewhat in August, according to the figures of the F. W. Dodge Corporation. The value of non-residential projects was smaller than in July but larger than in other recent months. Residential building increased considerably, reflecting a marked increase in contracts for apartments, several of which were publicly-financed projects. Awards for single-family houses, which have accounted for most of the increase in residential building during the past year and a half, showed little change in August.

## AGRICULTURE

Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates made a month earlier, except for a sharp decline in prospects for cotton. Prospective output of leading crops, with the exception of cotton and winter wheat, is considerably smaller than last year, but, in comparison with the drought year 1934, it is larger, except for corn and potatoes.

## DISTRIBUTION

Freight-car loadings of most classes of commodities showed about the usual seasonal increase from July to August. Shipments of grain, however, declined sharply and the increase in total loadings was less than seasonal. Department store sales increased by less than the usual amount and the Board's seasonally adjusted index was 86 per cent of the 1923-1925 average, as compared with 91 per cent in July and 87 per cent in June.

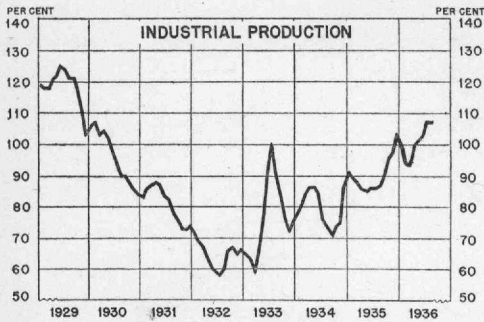
## COMMODITY PRICES

Wholesale commodity prices showed little change between the middle of August and the third week of September, following three months of advance. Prices of steel scrap and chemicals and drugs continued to advance, and there were also increases in the prices of hides and nonferrous metals. There was a seasonal decline in hog prices. Cotton, which advanced in price early this month at the time of the official crop report, declined after the middle of the month.

## BANK CREDIT

Demand deposits of reporting member banks in leading cities increased somewhat further in the four weeks ending September 16, reflecting gold imports, Treasury expenditures, and an increase in bank loans. Growth in loans was principally in so-called "other" loans, which include loans to customers for agricultural, commercial, and industrial purposes. These loans are now at the highest level since early in 1933. Loans to security dealers showed an increase, as is usual, prior to flotation of the new issue of Treasury bonds on September 15. A part of the new Treasury issue was purchased by reporting banks, principally by drawing upon their balances with the Reserve banks.

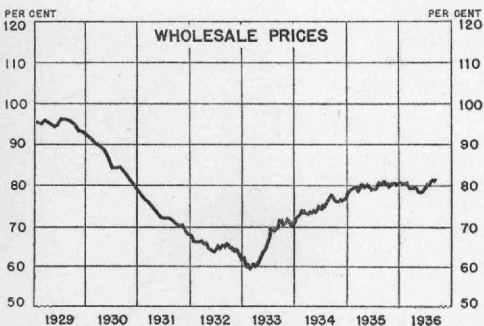
Largely as a consequence of payments to the Treasury, excess reserves of member banks showed a decrease of \$280,000,000 in the week ending September 16. This decline followed an increase of nearly \$200,000,000 in the preceding three weeks, when the Treasury was reducing its deposits with the Reserve banks. Since early in August there has been a renewed inflow of gold and the country's monetary gold stock has increased by about \$100,000,000 in the past month.



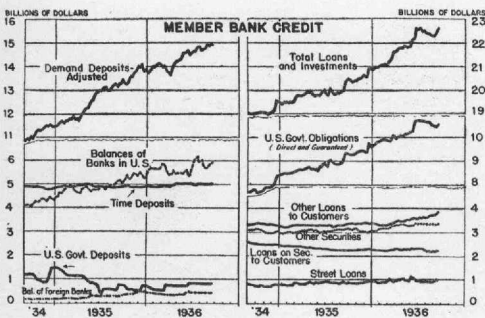
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to August 1936.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to August 1936. Indexes compiled by the United States Bureau of Labor Statistics.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending September 19, 1936.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to September 16, 1936. Loans on real estate, loans to banks, and acceptances and commercial paper bought included in total loans and investments but not shown separately.