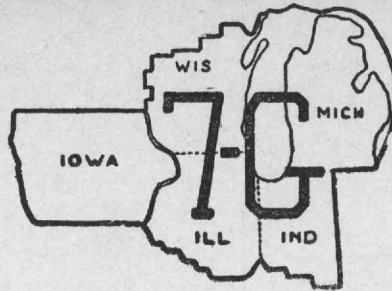


BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

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Volume 19, No. 12

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

November 28, 1936

Attebery
 Wood
 McConkey

DISTRICT SUMMARY

INDUSTRY and trade in the Seventh district have shown a steadily rising trend in recent weeks and remain considerably above the 1935 level, although at this time last year activity likewise was expanding.

Increasing requirements of the automotive industry and from miscellaneous sources sustained steel production at a high level through October and into November, and October pig iron production was the largest of the year so far. The manufacture of automobiles rose sharply, as output of new models was accelerated, but failed to equal the year-ago volume. Shipments from malleable casting foundries increased over September, as did those from stove factories, and furniture manufacturers shipped an above-average volume in October. Output of steel castings declined. Building construction, as indicated by contracts awarded, totaled somewhat heavier than a month earlier, and the movement of building materials continued active. A marked gain was shown in industrial employment and payrolls for October over the preceding month.

Production of food products, such as packing-house commodities, butter, and cheese, expanded in October, and not only was above a year ago but greater than average for the period. Sales volumes likewise increased over a month earlier, although distribution of butter and cheese was under October last year. The movement of grains continued below normal in October. The Seventh district corn crop totaled $3\frac{1}{2}$ million bushels higher on November

1 than had been forecast a month earlier and estimates for several other crops also were raised, because of the favorable weather conditions prevailing in October.

The wholesale distribution of commodities in the district, as indicated by reporting trade groups, increased in October over September. Gains in the hardware and drug trades were greater than usual for the month, and grocery sales rose counterseasonally, following two months of decline, while the gain in the electrical supply trade was somewhat less than seasonal. The department store, retail shoe, and retail furniture trades again recorded exceptionally large increases over the corresponding month of 1935, although the retail shoe and furniture trades declined from the preceding month, in accordance with seasonal trend.

Principally because of a decline in holdings of United States Government and of other securities, total loans and investments of reporting member banks in the district were 19 million dollars lower on November 18 than five weeks earlier. Commercial loans of these banks expanded an additional 9 millions in the period. Both demand and time deposits were larger on November 18 than on October 14. In accordance with seasonal trend, new financing through bankers' acceptances and commercial paper sales by dealers increased in October over the preceding month but remained much below average in volume.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	CHANGE FROM		
	NOVEMBER 18, 1936	OCTOBER 21, 1936	NOVEMBER 20, 1935
Total Bills and Securities.....	\$ 285.9	\$ -0.1	\$ -72.2
Bills Discounted.....	0.0	0.0	+0.0
Bills Bought.....	0.4	0.0	-0.2
U. S. Government Securities.....	283.9	0.0	-71.8
Total Reserves.....	1,745.8	-4.3	+348.8
Member Bank Reserve Deposits.....	1,051.7	-7.2	+170.2
All Other Deposits.....	12.3	-6.4	+0.4
Federal Reserve Notes in Circulation..	931.8	+11.2	+109.1
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Com- bined.....	87.4%	-0.1*	+6.0*

*Number of Points.

Credit and Finance

Seventh district member bank reserve balances declined 7 million dollars between October 21 and November 18. In this period, there was an 18 million dollar rise in currency circulation and a 17 million dollar net outflow in interdistrict commercial and financial settlements, the latter resulting mainly from large transfers of capital funds for bond redemptions and purchases. However, these factors effecting a decline in member bank reserve balances, were to a great extent offset by United States Treasury disbursements locally being 28 millions greater than current receipts.

The level of bank loan rates in October was practically unchanged from September, as reported by down-town Chicago and Detroit banks, but a slight improvement is noted in the rate earned on loans and discounts by certain of the reporting Chicago banks—an average of 2.49 per cent in October comparing with 2.46 per cent in September; in October 1935, the average was 2.85 per cent and somewhat lower than the preceding month of that year.

Acceptances made by Seventh district banks in October increased seasonally over September, in dollar value, but continued below the 1926-35 average for October by 55 per cent. In the first half of November they exceeded those in the first half of October, but were less than for the same period a year ago. Total acceptances outstanding on October 31 were slightly higher than a month earlier or on the same date last year, though 58 per cent under the end-of-October average, 1926-35. Of outstandings on October 31, acceptances based on goods stored in or shipped between foreign countries comprised 59 per cent, domestic warehouse credits 24 per cent, and imports 15 per cent. Bill dealers' operations, while in smaller volume than a year ago, improved slightly in the four weeks ended November 11 over the preceding period. Rates remain nominally $\frac{1}{4}$ bid, $\frac{3}{8}$ asked, for 90-day maturities.

October sales of commercial paper dealers in the Middle West expanded more than seasonally over a month previous and were well above October 1935, while in the comparison with the 1926-35 average for the month, the 44½ per cent decline is the smallest since July of this year when sales were only 40½ per cent below the 1926-35 average for the month. Reports for the first half of November indicate continued increase in the number of borrowers and amounts required, with a consequent improvement in sales volume. Rates are unchanged from recent months.

Seventh district bond dealers report that renewed investment activity and firming prices have followed the dullness in October, which preceded the election. New offerings, principally refundings, have been readily subscribed, institutional buyers predominating. Listed stocks also have advanced in price, as evidenced by the Chicago Journal of Commerce average of 20 leading stocks on the Chicago Stock Exchange, which rose from \$59.73 on October 21 to a new high for the year of \$62.64 on November 17, then receded to \$61.63 on November 21.

CONDITION OF LICENSED REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	NOVEMBER 18, 1936	OCTOBER 14, 1936	NOVEMBER 20, 1935
Total loans and investments.....	\$3,022	\$ -19	\$ +351
Total loans on securities.....	239	-5	-7
To brokers and dealers:			
In New York.....	3	0	+2
Outside New York.....	38	-4	+11
To others (except banks).....	198	-1	-20
Acceptances and commercial paper bought	31	0	0
Loans on real estate.....	71	+1	+6
Loans to banks.....	9	+1	-1
Other loans.....	532	+9	+197
U. S. Government direct obligations.....	1,596	-15	+120
Obligations fully guaranteed by			
U. S. Government.....	153	+5	-8
Other securities.....	391	-15	+44
Demand deposits—adjusted.....	2,324	+31	+232
Time deposits.....	816	+7	+77
Borrowings.....	0	-1	0

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TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH		
	OCTOBER 1936	OCTOBER 1935
(Exclusive of Treasury checks and of non-transit items drawn on own bank)		
Total country and city check clearings:		
Pieces.....	10,725,721	10,718,594
Amount.....	\$2,103,696,298	\$1,772,023,991
Daily average clearings:		
Total items cleared—		
Pieces.....	410,459	410,184
Amount.....	\$80,435,568	\$67,730,006
Items drawn on Chicago—		
Pieces.....	66,323*	95,902
Amount.....	\$42,204,000	\$34,566,000
Items drawn on Detroit—		
Pieces.....	19,155	18,443
Amount.....	\$9,455,915	\$7,762,229
*Decline in October 1936 is due to packaging of Chicago early clearings.		

Agricultural Products

Seventh Federal Reserve district production of corn was augmented to such an extent by the late crop reaching full maturity before killing frosts this autumn, that it totaled 3½ million bushels greater than had been expected on October 1. Despite wet weather and some difficulty in obtaining harvest hands, husking operations made greater than usual progress, owing to the small size of the crop, and were more than half completed by November 1. The district estimates for soybeans, buckwheat, potatoes, sweet corn, apples, pears, and tobacco likewise were increased because of the favorable weather conditions obtaining in October.

High prices and some desire to supplement the corn deficiency by furnishing late fall and early spring pasturage resulted in a marked increase in Seventh district winter wheat acreage this autumn as compared with 1935. The grain which was seeded early has attained a good growth, but there is considerable apprehension as to whether the heavier than normal acreage planted late in October and early November will secure sufficient start to withstand rigorous winter weather.

Indications are that a considerable portion of the cattle which moved to feed lots earlier this season is being fattened on the abundant supply of autumn forage and will be marketed rather early and that winter feeding operations may be reduced sharply from a year ago.

GRAIN MARKETING

The movement of grain at interior primary markets in the United States remained light during October. However, receipts and shipments of wheat increased counterseasonally over September, and exports of this commodity rose to a level above any month since August 1934. Imports decreased further. Except for temporary weakness during late October and early November and under the influence of strong markets abroad, quotations of No. 2 hard winter wheat for immediate delivery at Chicago continued the recovery which began early in October. By November 18, prices of the grain had reached \$1.22¾ and \$1.26½, a level higher

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	OCTOBER 1936	SEPTEMBER 1936	OCTOBER 1935
Chicago.....	\$3,323	+12.8	+30.5
Detroit.....	895	+15.7	+23.0
Milwaukee.....	293	+15.6	+24.4
Indianapolis.....	200	+16.8	+27.3
Total four larger cities.....	\$4,711	+13.7	+28.5
37 smaller cities.....	794	+13.9	+17.1
Total 41 centers.....	\$5,505	+13.7	+26.7

than at any time since mid-August. Visible supplies of wheat in the United States were 6 per cent smaller on November 14 than a month earlier and 51½ per cent under the 1926-35 average for the date.

Receipts and reshipments of corn at these centers decreased nonseasonally in October from September and were smaller than at any time since last autumn. Imports from the Argentine continued. After having declined in October, prices of No. 2 yellow corn (old crop) for current delivery at Chicago advanced to \$1.17⅞ and \$1.19¼ on November 9. Quotations later moved irregularly downward to \$1.09⅛ and \$1.11½ by November 20. Visible supplies increased on November 14 over a month earlier.

Interior primary market receipts of oats were smaller in October than for any month subsequent to July 1935. On the other hand, reshipments increased over September. Exports and imports remained negligible. Visible supplies of oats in the United States decreased more than is usual on November 14 from mid-October, although the volume of these holdings continued above the 1926-35 average for the date. Prices tended to strengthen after the third week in October.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In Thousands of Bushels)

	OCTOBER 1936	SEPTEMBER 1936	OCTOBER 1935	OCTOBER 1926-35 AV.
Wheat:				
Receipts.....	15,058	10,596	26,399	37,254
Shipments.....	14,066	10,627	14,589	26,291
Corn:				
Receipts.....	8,425	9,194	9,515	18,330
Shipments.....	4,134	4,308	3,912	10,317
Oats:				
Receipts.....	3,498	3,998	11,814	9,953
Shipments.....	4,778	3,742	7,896	7,312

MOVEMENT OF LIVESTOCK

Hog and calf receipts at public stockyards in the United States were greater in October than in other months subsequent to the last quarter of 1934; and the marketing of cattle and lambs was the heaviest since last October, though gaining less than seasonally over September and totaling below the 1926-35 October average. Hog marketings, on the other hand, recorded more than a usual gain over the preceding period and

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of November 1 condition (In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		AVERAGE 1928-32
	PRELIMINARY 1936	FINAL 1935	PRELIMINARY 1936	FINAL 1935	
Corn.....	547,771	880,218	1,526,627	2,291,629	2,553,424
Buckwheat.....	642(a)	1,226(a)	6,456	8,220	8,277
Soybeans.....	23,113(h)	34,533(b)	26,054(c)	37,691(c)	10,204(c)
Flaxseed.....	236(d)	336(d)	6,081	14,123	15,996
Potatoes (white).....	49,251	57,484	332,244	387,678	372,115
Potatoes (sweet).....	1,045(b)	1,280(b)	68,537	83,198	66,368
Beans (dry edible) ¹	2,299(e)	4,828(e)	10,755	13,799	11,858
Sugar beets ²	850(f)	686(f)	9,505	7,908	8,118
Canning Vegetables:					
Sweet Corn ³	224(a)	438(a)	578	860	628
Snap Beans ⁴	13(g)	23(g)	71	82	73
Apples (total crop).....	11,048(a)	23,303(a)	108,031	167,283	161,333
Pears.....	1,037(h)	1,611(h)	23,750	22,035	23,146
Grapes ⁵	46(a)	73(a)	1,836	2,455	2,200
Cranberries ⁶	59(i)	81(i)	515	520	581
Tobacco ⁴	18,402	15,835	1,162,637	1,296,810	1,427,174
Pecans ⁴	50(j)	265(j)	34,760	95,340	59,983
Cotton ⁵	12,400	10,638	14,467
Sorgo Syrup ⁶	316(b)	448(b)	11,581	13,350	12,467

¹In thousands of 100-lb. bags. ²In thousands of tons. ³In thousands of barrels. ⁴In thousands of pounds. ⁵In thousands of bales. ⁶In thousands of gallons. (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) Michigan, Wisconsin, and Indiana. (h) Michigan, Illinois, Indiana, and Iowa. (i) Wisconsin. (j) Illinois.

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

were much larger than last October, but continued under the ten-year average for the month. The volume of calves increased in all three comparisons. Movement to inspected slaughter deviated in several instances from the trend of market receipts: the supply of cattle expanded more than is usual over September, was above that of any month since November 1934, and exceeded the 1926-35 October average by a considerable margin. Furthermore, the volume of hogs and lambs for slaughter was above the ten-year average.

Reshipments of cattle and lambs to feed lots expanded more than seasonally over September but remained less than a year ago and the 1931-35 average for the month, and those of calves increased in all three comparisons.

MEAT PACKING

Owing to the continued influence of a small corn crop in effecting earlier than normal marketings of livestock this autumn, the production of packing-house commodities at inspected slaughtering establishments in the United States rose more than seasonally in October to a level above any previous month since December 1934. It not only exceeded that of September by 17½ per cent, but was 22 per cent heavier than a year ago and 9½ per cent above the 1926-35 October average. The tonnage sold was 11½ per cent larger than in September, 18½ per cent above last October, and practically equal to the ten-year average for the period, though somewhat under the volume of current production. Because of the large quantity offered, prices declined rather sharply in October from September. Dollar sales billed to domestic and foreign customers totaled only 1½ per cent above a month earlier, 5 per cent greater than in the same month last year, and one per cent in excess of the 1926-35 average for October. Inventories of packing-house commodities in the United States accumulated counterseasonally on November 1 over the beginning of October and showed the first gain over the 1931-35 average thus far in 1936. Payrolls at the close of October registered an increase over September of 6 per cent in number of employes, 8 per cent in hours worked, and of 10½ per cent in wage payments. Moreover, gains of 13 per cent in workers, 19½ per cent in hours, and 18 per cent in wage payments were recorded over last October.

October shipments for export slightly exceeded those of a month earlier, owing principally to increased forwardings of lard to the United Kingdom. British demand was fair for American lard and improved for hams. Except that some inquiry for United States

LIVESTOCK SLAUGHTER (In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
October 1936.....	241	609	324	82
Federally Inspected Slaughter, United States:				
October 1936.....	1,124	3,492	1,742	585
September 1936.....	1,072*	2,403	1,593	553
October 1935.....	1,083	2,135	1,765	531

*Including a small volume of Government purchases.

AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	NOV. 21, 1936	OCT. 1936	SEPT. 1936	OCT. 1935
Native Beef Steers (average).....	\$10.30	\$9.30	\$9.15	\$10.45
Fat Cows and Heifers.....	7.25	7.10	7.00	7.45
Calves.....	6.75	8.00	8.75	8.55
Hogs (bulk of sales).....	9.45	9.55	9.90	9.90
Lambs.....	8.55	8.50	9.30	9.10

fats developed in Finland, Italy, and Scandinavian countries, Continental European trade in animal products from the United States continued negligible. Cuban demand for lard improved in anticipation of an increase in freight rates. Quotations for United States lard and meats in the United Kingdom were slightly under Chicago parity during the month. Coincident with the reduction in current arrivals, prices of American hams in British markets moved closer to the United States parity early in November.

Imports of packing-house commodities into the United States decreased further during October.

DAIRY PRODUCTS

Unusually good pastures this autumn were mainly responsible for a counter-seasonal rise in the production of dairy products during October. Aggregating $\frac{1}{2}$ per cent heavier than in September, the manufacture of creamery butter in the Seventh Federal Reserve district exceeded that of last October by $9\frac{1}{2}$ per cent and was 2 per cent greater than the 1926-35 average for the month. The tonnage sold was $1\frac{1}{2}$ per cent under the ten-year average and 12 per cent below a year ago, though increasing 2 per cent over September. Production of the commodity in the United States expanded one per cent over a month earlier and exceeded the 1926-35 October average by $12\frac{1}{2}$ per cent. Consumer demand for lower-priced competitive fats continued. Despite a price decline of $7\frac{1}{2}$ per cent in October from the preceding period, inventories of creamery butter in the United States decreased less than normally on November 1 from the beginning of October and were 2,358,000 pounds larger than the 1931-35 average for the date, in contrast to a decline shown in this comparison on other reporting dates of 1936. Quotations firmed in the third week of November.

The manufacture of American cheese in Wisconsin increased $6\frac{1}{2}$ per cent in October over September, and was not only 11 per cent greater than a year earlier but also $40\frac{1}{2}$ per cent heavier than the 1926-35 average for the month. Distribution of the commodity from primary markets of that State totaled less than current production and $6\frac{1}{2}$ per cent under a year ago, although it rose contraseasonally by $22\frac{1}{2}$ per cent over September and aggregated 12 per cent more than the 1926-35 October average. Total inventories of cheese in the United States increased 3,928,000 pounds on November 1 over the beginning of October to a level 17,907,000 pounds above the 1931-35 average for the date. Following a decline of 4 per cent in October from September, prices steadied in the first three weeks of November.

Industrial Employment Conditions

Increases of $5\frac{1}{2}$ per cent in employment and $12\frac{1}{2}$ per cent in payrolls were reported by Seventh district industries for the payroll period of October 15 as compared with the corresponding period a month earlier. The gains were the largest recorded since early 1934, surpassing even the marked expansion that was reflected in the reports for February and October in 1935. The improvement in the current month was effected largely by the durable goods industries which added a total of 9 per cent more workers to their volume of employment and raised aggregate wage payments close to 19 per cent. The vehicles group, covering mainly the

automobile and transportation equipment industries, rehired practically as large a volume of workers as had been laid off during the two preceding months and paid out slightly more in wages than two months earlier. The large metals and products group, exclusive of vehicles, increased employment 3 per cent, approximately the same as in the September to October period last year, but raised wage payments $11\frac{1}{2}$ per cent, which gain was the largest recorded for this group since a year ago last February. The wood products and stone-clay-and-glass industries also contributed substantially to the aggregate rise in the durable goods group. Most of the non-durable goods industries also reported increases, but these were less extensive and the largest of these groups, food products, registered a decline. Under the non-manufacturing groups only construction failed to follow the general upward trend reflected in increases aggregating $1\frac{1}{2}$ per cent in employment and about 2 per cent in payrolls for this classification. Percentage gains in payrolls were almost uniformly above those in employment, although the extensive raise in wage rates announced by some of the larger industries had not gone into effect at the time of the October reports.

Durable Goods Employment, Payrolls, and Production

The accompanying chart shows the trend by months of Seventh district building contracts awarded, castings output, automobile production, and manufacturing employment and payrolls in the durable goods industries as a whole. Except for temporary recovery in the spring of 1930, the series dropped steadily from a level which through the greater part of 1929 was considerably above the 1923-24-25 average, to an extreme low in 1932. At that time passenger car and truck production, steel and malleable casting shipments, durable goods payrolls and employment, respectively, fell to only

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF OCT. 15, 1936			CHANGE FROM SEPT. 15, 1936	
	REPORT- ING FIRMS	WAGE EARN- ERS	EARN- INGS (000 OMITTED) \$	WAGE EARN- ERS	EARN- INGS
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,510	422,641	11,249	+3.2	+11.5
Vehicles	325	346,148	10,634	+18.7	+28.9
Stone, Clay, and Glass	246	22,773	536	+0.0	+6.6
Wood Products	419	46,848	1,003	+4.5	+12.5
Total	2,500	838,410	23,422	+9.0	+18.7
NON-DURABLE GOODS:					
Textiles and Products	322	62,532	1,136	+1.4	+5.5
Food and Products . .	747	117,142	2,636	-4.1	-0.5
Chemical Products . .	240	35,856	947	+0.6	+3.0
Leather Products . . .	135	25,718	508	-2.9	+6.1
Rubber Products . . .	31	14,907	393	+9.8	+30.0
Paper and Printing . .	637	75,016	2,037	+1.4	+7.7
Total	2,112	331,171	7,657	-0.7	+4.6
Total Mfg., 10 Groups.	4,612	1,169,581	31,079	+6.1	+14.9
Merchandising²	2,537	115,141	2,382	+3.2	+4.2
Public Utilities	197	97,175	3,143	+0.2	+0.6
Coal Mining	27	6,643	168	+6.5	+13.5
Construction	308	12,758	305	-6.0	-1.6
Total Non-mfg., 4 Groups	3,069	231,717	5,998	+1.4	+2.2
Total, 14 Groups	7,681	1,401,298	37,077	+5.3	+12.7

¹Other than Vehicles. ²Illinois, Indiana, and Wisconsin.

12, 32, 10, 12, 20, and 37 per cent of this average. Furthermore, residential and total building contracts had declined to 2 and 5½ per cent of the average by February 1933. That employment showed less reduction than payrolls was due principally to shortened schedules for the purpose of spreading the work over a greater number of employes. A steady improvement has been shown in the past three and one-half years. By midsummer of 1936, durable goods employment and payrolls, castings production, and total building contracts awarded had recovered to approximately 75 per cent of the 1923-24-25 average and the automobile industry was operating well above that level. Recent declines in the production of automobiles mark the annual change in models rather than any cessation of demand.

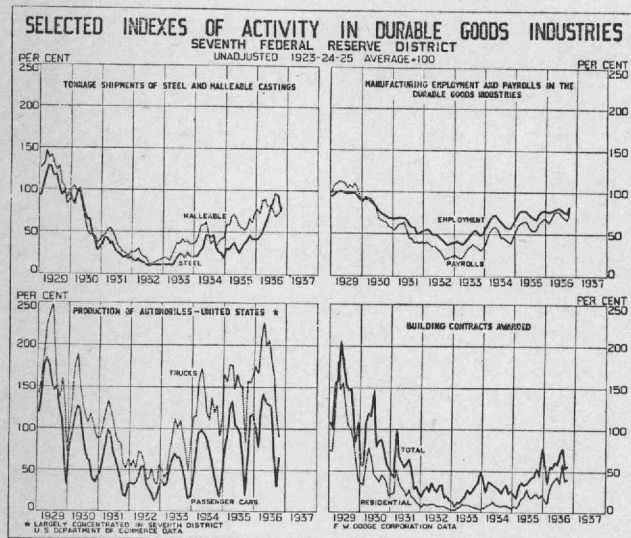
tract totaled markedly higher in October than in the preceding month and substantially exceeded those in October last year. Sales to users, however, dropped off in the month and aggregated less than in October 1935. Data on stocks of new cars show that the number on hand increased to a much lesser extent over a month previous than did their value and the decline from last October was greater in number than in value, which would indicate that deliveries to the end of October had been light on the lower-priced cars. Used-car sales continued in October to exceed those of a year ago; stocks, though declining in the period, remained somewhat higher than last year.

IRON AND STEEL PRODUCTS

Despite slowing-down in demand from the building and certain other of the heavy industries, incidental to the approach of winter, requirements of the automotive industry and from miscellaneous users have maintained operations of the steel industry in the Chicago district at a high level. At around 76 per cent of capacity in the middle of November, steel ingot output for the district approximated that of a month earlier and was close to 20 points higher than a year ago. A further increase was shown for October over September in the production of pig iron in the Illinois and Indiana district, daily average output being the heaviest of the year to date and over half again as large as in the month last year. The scrap iron and steel market has continued firm.

Operations at reporting steel casting foundries of the Seventh district decreased in October from the preceding month and shipments followed a similar trend, while incoming orders were slightly heavier than in September. The decline in shipments amounted to 15½ per cent in tonnage but only 8½ per cent in dollar volume. Malleable casting foundries reported increases for the month of 12 per cent in production, 10 per cent in the tonnage shipped, and 7 per cent in the volume of orders booked. Comparisons with the corresponding month a year ago continued favorable for both steel and malleable castings, but the gains in shipments and production were considerably smaller than for several months previous.

A continuance of seasonal activity was reflected in the reports for October covering the manufacture of stoves and furnaces, shipments rising 34 per cent, orders 13 per cent, and molding-room operations 18 per cent above the corresponding items in the preceding month.



Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

The manufacture of automobiles rose rather sharply in October, as output of new models was accelerated, but it failed to equal the volume in the month last year, owing to postponed change-over this year in certain makes of cars. Passenger cars produced during the current period in the United States numbered 190,688 or 110½ per cent above a month previous and 11 per cent under a year ago, while truck output numbering 33,940 declined 24 per cent in the monthly and 42 per cent in the yearly comparison.

As deliveries of some new models were made to distributors, sales of automobiles at wholesale in this dis-

MIDWEST DISTRIBUTION OF AUTOMOBILES

	OCTOBER 1936; PER CENT CHANGE FROM		COMPANIES INCLUDED
	SEPTEMBER 1936	OCT. 1935	
New Cars:			
Wholesale—			
Number Sold.....	+583.9	+40.7	14
Value.....	+675.8	+40.4	14
Retail—			
Number Sold.....	-27.3	-15.9	34
Value.....	-21.0	-8.4	34
On Hand October 31—			
Number.....	+5.3	-14.7	34
Value.....	+38.9	-5.8	34
Used Cars:			
Number Sold.....	-8.4	+10.5	34
Salable on Hand—			
Number.....	-7.5	+5.5	34
Value.....	-6.7	+9.0	34

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	OCTOBER 1936; PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	SEPTEMBER 1936	OCTOBER 1935	
Wholesale Lumber:			
Sales in Dollars.....	+12.8	+21.3	8
Sales in Board Feet.....	+2.5	+16.2	6
Accounts Outstanding ¹	+1.8	+15.7	8
Retail Building Materials:			
Total Sales in Dollars.....	+19.5	+19.3	139
Lumber Sales in Dollars....	+23.6	+37.3	35
Lumber Sales in Board Feet	+21.9	+18.7	69
Accounts Outstanding ¹	+5.1	+16.3	137
	RATIO OF ACCOUNTS OUTSTANDING ¹ TO TOTAL DOLLAR SALES DURING MONTH		
	OCTOBER 1936	SEPTEMBER 1936	OCTOBER 1935
Wholesale Trade.....	144.8	160.5	151.7
Retail Trade.....	182.1	206.1	186.0

¹End of Month.

Gains in the yearly comparison amounted to 25 per cent in orders, 28 per cent in production, and 39 per cent in shipments. Inventories totaled 7 per cent more than a month earlier and 140 per cent higher than at the close of October a year ago.

FURNITURE

Activity in the furniture industry of the Seventh district continued at a high level in October, orders booked totaling 29 per cent and shipments 13 per cent above the 1927-35 average for the period. New orders declined 6 per cent in the month, in accordance with seasonal trend, while shipments expanded 15 per cent, or considerably more than usual. Although a heavier volume of shipments than of current orders effected a decrease of 10 per cent in unfilled orders between September 30 and the close of October, they amounted to 103 per cent of new orders, as against a ratio of only 78½ per cent a year ago. Other comparisons with last October show an increase for the month this year of 38 per cent in orders booked and of 35 per cent in shipments. Production in October averaged close to 90 per cent of capacity—better than 8 points higher than a month earlier and 18 points above October 1935.

Building Materials, Construction Work

A continued active demand for building materials was evident in October, distribution in most reporting lines showing an increase over September instead of the recession customary for the period. Lumber sales by manufacturing and wholesale dealers of the district, after recording a less than seasonal decline in September, followed with an expansion that was contrary to trend for October. Gains at retail lumber yards, both in sales of lumber alone and in those of all materials handled, including coal, were considerably above the average for the month. Shipments of cement were reported as either equal to or larger than in the preceding month, whereas the September to October movement of this material during the past ten years has been downward almost without exception. Brick deliveries also were well maintained and in some cases heavier than a month earlier. The movement of all building materials continued on a scale greatly in excess of that at the same time a year ago.

BUILDING CONSTRUCTION

Both residential and other types of building in the Seventh district increased slightly in October over September, according to data on contracts awarded. As compared with a year ago, although residential building was 5½ millions larger in October this year, other building was 3½ millions smaller, so that total building was only 2 millions or 5 per cent heavier in the current period. Last year residential contracts comprised only 17½ per cent of total contracts, whereas this October they were 31 per cent thereof.

WHOLESALE TRADE IN OCTOBER 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries . . .	-0.9	+18.9	-8.2	-3.0	77.8
Hardware . . .	+26.6	+34.8	+20.9	+23.1	154.6
Drugs	+8.9	+1.4	-5.1	+8.5	140.4
Electrical Supplies . . .	+50.2	+38.5	+30.0	+37.4	139.3

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
October 1936	\$38,216,000	\$11,767,100
Change from September 1936	+2.6%	+4.1%
Change from October 1935	+5.3%	+86.8%
First ten months of 1936	\$398,103,656	\$99,737,360
Change from same period 1935	+67.1%	+113.1%

*Data furnished by F. W. Dodge Corporation.

Building permits issued in 99 cities of the district declined in both number and estimated cost in October from the preceding month, though continuing above those of the corresponding month of 1935. Decreases from September amounted to 4 and 16 per cent in number and cost, respectively, while gains over a year ago aggregated 18 and 33 per cent. In the yearly comparison, declines in estimated cost were recorded by Chicago, Indianapolis, and Milwaukee, but increases for Detroit, Des Moines, and in the total for smaller cities considerably more than counteracted the effect of them.

Merchandising

Trends in wholesale trade conditions of the Seventh Federal Reserve district were for the most part favorable during October. After having declined contra-seasonally in the two preceding months, the wholesale grocery trade recorded a 3 per cent expansion in the current period, which was contrary to trend for October. Gains of 13 per cent in hardware sales and 7 per cent in the drug trade compared with seasonal increases of only 8 and 3 per cent, respectively, in the 1926-35 October average. Electrical supply sales, however, exceeded those of September by only 6 per cent, whereas the seasonal gain for October is 13 per cent. As compared with a year ago, the decline of slightly less than one per cent in the grocery trade contrasted with one of almost 8 per cent in September, the gains in hardware and drug sales about equaled those of a month previous, while the increase in electrical supplies was larger in the comparison. For the first ten months of 1936, sales in the drug trade were heavier by 5 per cent, those of hardware by 24 per cent, and those of electrical supplies by 34 per cent than in the corresponding period of 1935; the dollar volume of groceries sold approximated that of the same ten months last year. In all groups except electrical supplies, ratios of accounts outstanding to net sales continued to decline in October and were lower than a year ago. Stocks were generally higher than either a month or a year previous.

DEPARTMENT STORE TRADE IN OCTOBER 1936

LOCALITY	PER CENT CHANGE OCTOBER 1936 FROM OCTOBER 1935		PER CENT CHANGE FIRST TEN MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF OCTOBER COLLECTIONS TO ACCOUNTS OUTSTANDING END OF SEPTEMBER	
	NET SALES	STOCKS END OF MONTH		1936	1935
Chicago	+20.1	+1.0	+14.6	36.8	35.3
Detroit	+22.8	+10.1	+11.4	51.1	48.8
Milwaukee	+23.6	+11.3	+14.5	43.5	42.4
Other Cities	+15.6	+3.4	+11.0	37.7	35.9
7th District	+20.4	+4.8	+13.1	42.8	40.9

Although Seventh district department store trade rose only 8 per cent in October over September, the gain was larger than in any of the preceding ten years and compared with one of only 2 per cent in the average for those years. In this district, September-October expansion is modified each year by the trend in Detroit where special sales in September are followed by a rather noticeable drop in October trade. Sales by Milwaukee stores increased 24 per cent in October over the preceding month, Chicago trade gained 14 per cent, and sales by stores in smaller cities totaled 18 per cent larger, while Detroit sales declined 14½ per cent. As compared with a year ago, sales in the current period showed an even greater gain than in September, exceeding those of last October by 20 per cent; the larger cities recorded heavier increases in the comparison than did the smaller centers. Stocks continued to rise during October, in accordance with seasonal trend, and totaled 5 per cent above the corresponding 1935 level.

Sales of shoes by reporting dealers and department stores in the district declined somewhat more than seasonally in October from the preceding month, following considerably better than usual expansion in August

and September. However, the recession of 19 per cent in the current period, though comparing with one of but 16 per cent in the 1926-35 average, was smaller than in any of the four immediately preceding years. Furthermore, the gain of 21 per cent over a year ago equaled that of September, which had been the largest in the yearly comparison so far in 1936. Sales in the first ten months of this year exceeded those in the same period last year by 12 per cent. A rising trend continued in stocks.

Although a recession of 5 per cent was shown for October from September in sales of furniture and housefurnishings by reporting dealers and department stores, the decrease was less than usual for the period and most dealers as well as the majority of department stores recorded increases for the period. The dollar volume sold totaled 27 per cent in excess of that for October last year, with dealer sales showing a much smaller gain in the comparison than did department stores. A further rise of 8 per cent in stocks between September 30 and the close of October brought them to 16 per cent above those on the corresponding date a year ago.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

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

	No. of Firms	Oct. 1936	Sept. 1936	Aug. 1936	July 1936	June 1936	May 1936	Oct. 1935	Sept. 1935	Aug. 1935	July 1935	June 1935	May 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	99	97	94	91	91	85	94	86	84	82	83	86
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	74	85	86	77	74	64	47	39	38	33	27	34
In Tons.....	12	76	94	96	85	80	68	47	39	37	32	25	31
Malleable—In Dollars.....	21	56	50	48	53	56	56	45	37	36	38	39	43
In Tons.....	21	80	73	69	77	82	81	66	56	53	55	57	65
Stoves and Furnaces—													
Shipments (in dollars).....	8	356	274	183	154	170	176	257	196	133	100	117	127
Furniture—													
Orders (in dollars).....	12	84	89	89	100	60	67	62	61	61	74	43	50
Shipments (in dollars).....	12	91	79	72	65	61	59	68	64	56	44	39	46
Output of Butter by Creameries—													
Production.....	59	103	103	101	114	145	140	94	112	131	153	173	144
Sales.....	61	106	104	98	111	133	120	121	107	130	134	141	130
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	73	72	75	83	68	63	75	80	70	71	66	67
Hardware.....	11	108	96	84	90	94	102	86	75	71	71	76	76
Drugs.....	12	89	83	74	76	77	76	81	76	77	70	70	74
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	98	86	72	63	87	86	81	73	63	55	76	73
Detroit.....	5	112	134	81	72	93	100	92	110	74	58	78	92
Indianapolis.....	4	128	116	83	73	93	97	101	95	77	64	79	88
Milwaukee.....	5	118	94	77	68	87	90	95	80	69	59	75	76
Other Cities.....	41	97	83	71	59	79	86	83	71	69	52	71	75
Seventh District—Unadjusted.....	82	104	97	75	65	88	90	86	81	68	56	76	78
Adjusted.....	82	95	94	94	91	89	88	78	79	85	78	77	77
Automobile Production—(U. S.)—													
Passenger Cars.....		65	31	72	127	128	132	73	19	62	94	100	104
Trucks.....		90	118	163	182	205	199	156	83	149	153	165	147
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		40	39	59	36	43	40	22	21	17	20	26	18
Total.....		56	54	77	72	58	61	53	43	42	38	34	33
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		108	103	97	101	101	100	71	68	65	53	59	67
United States.....		98	93	89	85	88	87	65	60	58	50	53	57
Steel Ingot Production—(U. S.)*.....		126	120	121	113	115	117	87	85	81	66	68	73

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

VOLUME of industrial production increased seasonally in October and there was a substantial rise in employment and payrolls. Prices of a number of industrial raw materials and finished products have advanced.

PRODUCTION AND EMPLOYMENT

In October the Board's seasonally adjusted index of industrial production was at 109 per cent of the 1923-1925 average, about the level of the three preceding months. Steel production was in larger volume than in any other month since 1929, and the rate of activity was sustained in the first three weeks of November. Output of automobiles rose sharply from September to October. The increase in this period was less than a year ago, reflecting the fact that this year the date of the shift of production of new models was less uniform among the leading producers, but in the first three weeks of November production increased further and was larger than last year. Activity at textile mills, which usually increases in October, declined slightly from the high level of September. In the meat-packing industry output showed a further increase. Coal production increased seasonally, and production of crude petroleum continued at recent high levels.

Factory employment increased by more than the usual seasonal amount between the middle of September and the middle of October. Increases in employment were general among the durable goods industries, with the largest expansion reported at factories producing automobiles and machinery, while changes in employment in the nondurable goods industries were largely of a seasonal character. Factory payrolls rose by considerably more than the usual seasonal amount.

Value of construction contracts awarded, as reported by the F. W. Dodge corporation, was slightly smaller in October than in September, with a decline in publicly-owned projects partly offset in the total by an increase in awards for private non-residential construction.

DISTRIBUTION

Sales by department stores and by mail order houses serving rural areas increased from September to October by a larger amount than is usual at this season. Variety store sales showed a less than seasonal rise. Freight-car loadings increased further in October, reflecting chiefly a larger volume of shipments of miscellaneous freight and of coal.

COMMODITY PRICES

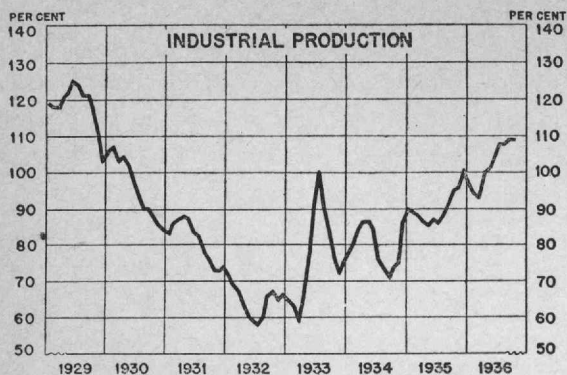
The general level of wholesale commodity prices advanced somewhat during the first three weeks of November, following two and a half months of little change. Since the middle of October prices of a number of industrial raw materials, particularly nonferrous metals, hides, rubber, silk, and wood, have shown a considerable rise and there have also been substantial increases in the prices of some finished products, including automobile tires, glass, woolen goods, and cotton goods.

BANK CREDIT

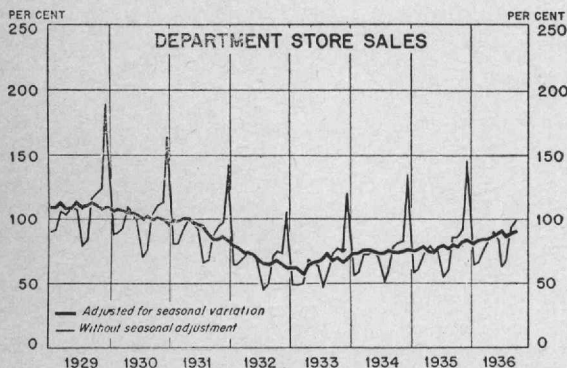
Member bank reserves increased in the four weeks ended November 18, chiefly as the result of transfers of gold to the United States. On that date member bank reserves were \$2,270,000,000 larger than legal requirements, the highest level since the increase in reserve requirements which became effective in the middle of August.

Adjusted demand deposits at weekly reporting member banks in leading cities have continued to increase, and on November 18 amounted to about \$15,400,000,000. Since the end of last May these deposits have increased by over \$800,000,000, reflecting a rise in deposits outside New York City. Time deposits at reporting banks have remained at about the \$5,000,000,000 level.

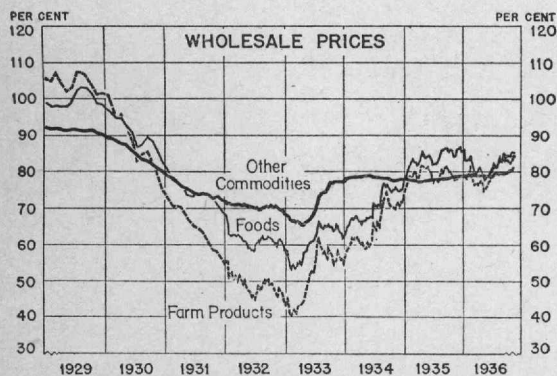
Holdings of United States Government obligations at reporting banks have recently declined somewhat further. Since the end of June the decline has amounted to about \$300,000,000 and has been at New York City, with little change elsewhere. Holdings of other securities have declined in recent weeks, reflecting chiefly a reduction in the amount held by New York City banks. Loans to customers have shown some further increase.



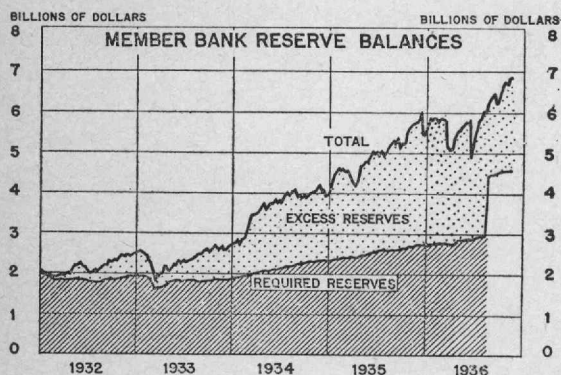
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to October 1936.



Indexes of value of sales, 1923-1925 average=100. By months, January 1929 to October 1936.



Indexes 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 November 21, 1936.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932, to November 18, 1936.