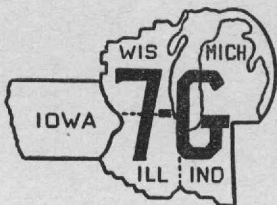


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

Volume 19, No. 13

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FEDERAL RESERVE BANK OF CHICAGO

December 31, 1936

DISTRICT SUMMARY

A HIGH level of activity continues to prevail in Seventh district industrial production, as well as in the distribution of commodities. Certain phases recorded some curtailment in November that was seasonal in nature, and retail trade was affected by the fewer number of trading days than either a month or a year previous. However, several major industries have expanded operations further, and industrial employment and payrolls in November were the heaviest for the month since 1929.

Output of automobiles was sharply higher in November than a month earlier and approximated the year-ago volume, although their manufacture was to some extent retarded by strikes in industries furnishing fabricating materials. The steel industry is now operating at close to practical capacity, with buying of rails and railroad equipment featuring the demand. Production of steel and of malleable castings declined during November, but new orders booked rose substantially. Furniture manufacturers continued to ship much greater than average volumes in the month, and some factories were operating above theoretical capacity, although there was a seasonal recession in shipments from the preceding month. Building construction and the movement of building materials were smaller in November, following the normal trend for the period.

Above-average volumes of packing-house commodities and dairy products were produced during November, although manufacture of the latter declined from October and distribution of both was lighter in the period. The movement of wheat re-

mained exceptionally small, while that of corn expanded. Oats shipments considerably exceeded receipts in November.

In accordance with seasonal trend, sales in reporting wholesale trade groups declined during November from the preceding month, but volumes were heavier than a year ago. Because of fewer trading days in the current period than a month earlier or in November last year, department store sales declined in the month-to-month comparison and were only 12 per cent above November 1935; daily average sales, however, increased over October and totaled 18 per cent above a year ago. There was a contrary to seasonal decline during November in the retail shoe trade, but the dollar volume sold remained greater than in 1935. The retail furniture trade, though decreasing as is usual from a month earlier, continued to show a substantial gain over the corresponding month last year.

Increased demand for currency and heavy Treasury collections in the district reduced member bank reserve balances at this bank to a noticeable extent between November 18 and December 16. A general increase in the several classes of loans and investments of reporting member banks during the same period brought the total to a point 95 million dollars higher on the latter date than on the former; time and demand deposits in these banks likewise increased in the four weeks. There was little change between October and November in the volume of new financing through bankers' acceptances; November sales by commercial paper dealers in the Middle West were somewhat lower in November than a month earlier.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	DECEMBER 16, 1936	CHANGE FROM	
		NOVEMBER 18, 1936	DECEMBER 18, 1935
Total Bills and Securities.....	\$285.8	\$ -0.1	\$ -72.9
Bills Discounted.....	0.1	0.0	-0.5
Bills Bought.....	0.4	0.0	-0.2
U. S. Government Securities.....	283.9	0.0	-71.8
Total Reserves.....	1,728.2	-17.6	+263.0
Member Bank Reserve Deposits.....	981.7	-70.0	+100.1
All Other Deposits.....	40.9	+28.6	-22.8
Federal Reserve Notes in Circulation.....	956.8	+25.1	+113.9
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	87.3%	-0.1*	+5.4*

*Number of Points.

Credit and Finance

Member banks' balances at the Federal Reserve Bank of Chicago were reduced 70 million dollars between November 18 and December 16, additional currency to the amount of 32 million dollars having been withdrawn to supply the needs of pre-holiday business activity and expanded payrolls, and Treasury receipts, augmented by substantial cash payments for bonds issued December 15 and by income tax collections, having exceeded local disbursements by 40 millions. Although there was considerable change from week to week in net gains and losses from commercial and financial operations with other dis-

districts, for the entire period they effected practically no net change in the supply of Seventh district funds; however, reserve bank credit outstanding increased 2 million dollars, largely through transactions in "float."

Down-town Chicago banks' loan rates at mid-December were unchanged from a month previous, except for a slight increase in rates on commodity paper secured by warehouse receipts and similar documents. An average of rates earned on loans and discounts by representative Chicago banks, weighted by mid-month totals thereof, shows a decline from 2.62 per cent in October to 2.50 per cent in November. In a similar computation for selected Detroit banks, the decline was from 2.64 per cent in October to 2.56 per cent in November.

Accepting banks in this district created in November about the same volume of bills as in October, the normal seasonal relationship. The total was 5 per cent under a year ago and 56 per cent below the 1926-35 average for the month. Reports for the first half of December indicate a decline as compared with the corresponding period a month previous, which approximated that of a year ago. Acceptances outstanding on November 30, 1936, were slightly higher than a month earlier, but, as on that date, were 58 per cent under the ten-year average. Buying and selling rates, as reported by local bill dealers, remained unchanged.

Commercial paper sales by midwest dealers failed to maintain in November the improvement reported for October and the first half of November, the month's total being seasonally about 4 per cent below the preceding month. Reports for the first half of December indicate a better than normal increase over the first fifteen days of November, some expansion in borrowing being noted in connection with dividend disbursements. Commercial paper outstanding at the end of November was reported unchanged from a month previous and a year ago. Demand for paper continues strong, at rates prevailing for some months past.

Bond market conditions in November, as reported by Seventh district dealers, continued substantially unchanged from recent months—price levels advanced further, particularly in public utilities and municipals; new corporate long-term offerings, while in total somewhat smaller than October, comprised a larger proportion of new financing; these, and a considerably smaller volume of municipal offerings than in any comparable period for some time, were readily absorbed by a predominantly institutional market. No appreciable change

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)

	NOVEMBER 1936	NOVEMBER 1935
Total country and city check clearings:		
Pieces.....	9,853,810	9,908,999
Amount.....	\$1,958,709,436	\$1,686,359,284
Daily average clearings:		
Total items cleared—		
Pieces.....	447,900	412,875
Amount.....	\$89,032,247	\$70,264,970
Items drawn on Chicago—		
Pieces.....	72,586*	98,738
Amount.....	\$46,397,000	\$35,478,000
Items drawn on Detroit—		
Pieces.....	21,993	19,464
Amount.....	\$10,594,396	\$8,382,834

*Decline in November 1936 is due to packaging of Chicago early clearings.

in the general situation was reported for the first half of December. The level of listed stock prices, as reflected by the Chicago Journal of Commerce average of 20 leading stocks on the Chicago Stock Exchange, was lower on December 21 than on November 21 and about the same as on October 21.

Agricultural Products

No independent survey of the fall pig crop was made in 1936 by the Federal Reserve Bank of Chicago. However, it has been ascertained that brood sows were liquidated in considerable volume during the period when corn prospects were declining from drought. Tentative estimates by reliable sources indicate that a reduction in farrowings effected a decrease in the autumn crop of pigs as compared with a year ago of 5 to 13 per cent in the Seventh district, 9 to 21 per cent in the corn belt, and approximately 16 per cent in the United States. Government reports show a smaller number of cattle and lambs in corn-belt feed lots on December 1 this year than on the corresponding date of 1935.

GRAIN MARKETING

Wheat receipts and shipments at interior primary markets in the United States remained exceptionally light during November. Exports of the grain fell off sharply from October to a negligible volume, and imports decreased further. Influenced by a world-wide rise which accompanied heavy Italian and British buying in Argentina, Australia, Canada, and some Danubian countries, quotations of No. 2 hard winter wheat for immediate delivery at Chicago advanced more than 15 cents between mid-November and December 15, and at \$1.35 $\frac{1}{8}$ and \$1.38 $\frac{1}{8}$ on this latter date were above any level obtaining since August 1929. Primary market receipts in the first half of December decreased from the corresponding period of November, but reshipments of the grain increased and were considerably in excess of current arrivals. Visible supplies of wheat in the United States declined about normally on December 12 from a

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	DECEMBER 16, 1936	NOVEMBER 18, 1936	DECEMBER 18, 1935
Total loans and investments.....	\$3,117	\$ +95	\$ +410
Total loans on securities.....	250	+11	-1
To brokers and dealers:			
In New York.....	4	+1	+3
Outside New York.....	46	+8	+13
To others (except banks).....	200	+2	-17
Acceptances and commercial paper bought	33	+2	+2
Loans on real estate.....	72	+1	+7
Loans to banks.....	10	+1	0
Other loans.....	555	+23	+206
U. S. Government direct obligations.....	1,637	+41	+122
Obligations fully guaranteed by			
U. S. Government.....	166	+13	+19
Other securities.....	394	+3	+55
Demand deposits—adjusted.....	2,349	+25	+252
Time deposits.....	831	+15	+76
Borrowings.....	0	0	0

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	NOVEMBER 1936	OCTOBER 1936	NOVEMBER 1935
Chicago.....	\$3,024	-9.0	+12.5
Detroit.....	888	-0.7	+13.6
Milwaukee.....	261	-11.1	+13.8
Indianapolis.....	188	-5.8	+16.6
Total four larger cities.....	\$4,361	-7.4	+12.9
37 smaller cities.....	752	-5.4	+13.0
Total 41 centers.....	\$5,113	-7.1	+12.9

month earlier, though continuing in less than half the average volume for the date.

Corn marketings in the United States gained counter-seasonally in November over October; receipts of the grain totaled larger than in other months this year since June, and reshipments were the heaviest since August. Imports into the United States continued in substantial volume and exports remained negligible. Following a decline in the closing weeks of November, quotations of No. 2 yellow corn for current delivery at Chicago steadied at a slightly higher level during the first part of December. Visible stocks of the grain in the United States on December 12 were nearly double those of a month previous and 56 per cent above a year ago, though aggregating 60 per cent under the 1926-35 average for the date.

November receipts of oats at interior primary centers in the United States totaled below those of other months subsequent to July 1935. Reshipments, on the other hand, were not only the largest this year since May but also considerably in excess of current arrivals. In the first half of December, a gain in market movement was recorded over the corresponding period of November and reshipments continued in excess of receipts. The upward trend in prices from early November continued; quotations of No. 2 white oats for immediate delivery at Chicago were 53 and 55 $\frac{1}{8}$ cents on December 15 and higher than at any other time since in April 1935. Visible holdings of the grain were smaller on December 12 than either a month or year earlier but exceeded the 1926-35 average for the date by 28 $\frac{1}{2}$ per cent.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In Thousands of Bushels)

	NOVEMBER 1936	OCTOBER 1936	NOVEMBER 1935	NOVEMBER 1926-35 Av.
Wheat:				
Receipts.....	10,774	15,058	14,136	23,799
Shipments.....	10,963	14,066	12,210	24,461
Corn:				
Receipts.....	17,715	8,425	19,241	17,836
Shipments.....	5,239	4,134	7,360	9,896
Oats:				
Receipts.....	2,581	3,498	6,225	6,889
Shipments.....	6,398	4,778	6,514	6,240

MOVEMENT OF LIVESTOCK

Though aggregating less than in any previous month this year since July, November receipts of cattle and lambs at public stockyards in the United States showed a smaller than seasonal decline from October and were not only greater than a year earlier but also in excess of the 1926-35 November average. Hog marketings totaled larger than in any month since November 1934, having risen more than usual over October to a level within 5 $\frac{1}{2}$ per cent of the ten-year average for the period. Calf receipts decreased more than seasonally in November from a month previous, but were above last year and the 1926-35 November average. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—deviated somewhat from the trend of market receipts: the cattle supply declined slightly more than is usual from October, that of hogs exceeded the 1926-35 average for the period by a fair margin, and the volume of both cattle and lambs recorded a much larger gain over the ten-year average than was evidenced in market receipts.

Reshipments of cattle to feed lots fell off less than seasonally in November from October and were greater

than the 1931-35 average for the month, though under last November; the movement of feeder calves increased in all three comparisons and was above that of any month subsequent to November 1930. Feeder lamb reshipments exceeded those of a year earlier, but showed the usual sharp decline from October and were under the 1931-35 average.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States rose further by 1 $\frac{1}{2}$ per cent in November to a level 28 $\frac{1}{2}$ per cent above a year ago and 8 $\frac{1}{2}$ per cent in excess of the 1926-35 average for the month. These gains continued to reflect the influence of the small 1936 corn crop which brought about heavier than normal liquidation of cattle and hogs. In declining 12 per cent from October, the tonnage sold dropped more than seasonally under current production and showed a decline of 4 $\frac{1}{2}$ per cent from the 1926-35 average for November; it was, however, 15 per cent greater than a year ago. Quotations of lamb, veal, and most pork products declined in November from a month earlier, but these decreases were counteracted by an advance in prices of beef, fresh hams, prime steam lard, and dry salt bellies. Dollar sales billed to domestic and foreign customers totaled 5 $\frac{1}{2}$ per cent smaller than in October, were 7 per cent greater than last November, and 9 $\frac{1}{2}$ per cent above the ten-year average for the month. Inventories of these commodities in the United States accumulated considerably more than seasonally on December 1 over a month earlier and were 29 per cent heavier than the 1931-35 average for that date. Payrolls at the close of November recorded a gain over October of 7 per cent in employes, 7 $\frac{1}{2}$ per cent in hours worked, and 11 $\frac{1}{2}$ per cent in wage payments. Moreover, the increases over a year ago of 19 per cent in employes, 28 $\frac{1}{2}$ per cent in working hours, and 34 $\frac{1}{2}$ per cent in wage payments were much larger than had been evidenced in any previous month of 1936.

Shipments for export decreased in November from the preceding month, owing principally to a reduction in forwardings of lard to the United Kingdom and despite the heavier tonnage of hams shipped to that country for the Christmas trade. British demand averaged fair to good for American hams and improved for United States lard; trade in the last-mentioned item, however, continued under the adverse influence of relatively lower-priced offerings from South American and Continental producers. Except that demand for fat backs was fair in Scandinavian countries and developed to some

LIVESTOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, November 1936.....	246	880	322	75
Federally Inspected Slaughter, United States:				
November 1936.....	988	4,292	1,544	477
October 1936.....	1,124	3,492	1,742	585
November 1935.....	956	2,422	1,407	480

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	DEC. 19, 1936	NOV. 1936	OCT. 1936	NOV. 1935
Native Beef Steers (average).....	\$10.00	\$10.25	\$9.30	\$10.00
Fat Cows and Heifers.....	6.85	7.25	7.10	7.30
Calves.....	8.75	7.50	8.00	8.40
Hogs (bulk of sales).....	9.90	9.45	9.55	9.35
Lambs.....	8.70	8.65	8.50	10.50

extent in Finland, Continental European trade in United States packing-house commodities remained negligible through the entire month. Cuban and Porto Rican demand for United States lard and barreled pork improved and there was some inquiry for pickled beef on the part of Newfoundland. British quotations for lard from the United States were 1 to 1¼ cents below Chicago parity and American hams sold considerably under this basis. Prices which obtained in Cuba and Porto Rico were fully equal to the Chicago basis. Inventories of United States animal products in foreign markets—inclusive of stocks in transit—decreased on December 1 from the beginning of November.

A further decline in United States imports of packing-house commodities took place during November.

DAIRY PRODUCTS

Subsequent to a counterseasonal rise in volume a month earlier, the production of dairy products in the Seventh Federal Reserve district recorded about the usual recession for November. Creamery butter manufacture in the area declined 15 per cent from October, but exceeded that of a year ago by 18 per cent and was 5 per cent heavier than the 1926-35 average for the month. Coincident with a 3½ per cent advance in quotations and with the continued competition of lower-priced substitutes, the tonnage of creamery butter sold decreased more than seasonally in November from a month previous, being 11½ per cent less than in October, 9 per cent under the ten-year average, and 4½ per cent below last November. United States production of the commodity in November fell 23 per cent below that of the preceding period but increased 9½ and 2½ per cent, respectively, in comparison with a year earlier and the 1926-35 November average. In showing less than a normal decline from the beginning of November, December 1 inventories of creamery butter in the United States exceeded the 1931-35 average for the date by 20 per cent and were 16,955,000 pounds heavier than a year ago. Quotations rose further during the first half of December.

American cheese manufacture in Wisconsin decreased 29½ per cent in November from October, but was 14 per cent larger than a year earlier and 38½ per cent above the 1926-35 average for the period. Distribution of the commodity from primary markets of that State, though recording a recession of only 13½ per cent from October, showed less than a normal excess over current production, and aggregated 16½ per cent smaller than last November; it exceeded the ten-year average by 14 per cent. Despite some easing in prices, total inventories of cheese in the United States declined less than seasonally on December 1 from the beginning of November and were 21½ per cent heavier than the 1931-35 average for the date.

Industrial Employment Conditions

Following the unusually sharp gains of the preceding month, employment and payrolls in Seventh district industries registered further substantial increases in November, attaining proportions that were the largest since early 1930 and above any recorded for the month since 1929. The increases for the period extending approximately from October 15 to November 15 totaled 3½ per cent in number of wage earners and 7½ per cent in

amount of wage payments, with every State of the district contributing to the rise in the latter item and all but Indiana to the gain in the former. Michigan was responsible for nine-tenths of the added employment volume and 84 per cent of the payroll rise which, as in the preceding month, was effected principally by the high rate of activity prevailing in the metals and especially the vehicles industries. Increases in wage rates, reported mainly by the metals and meat-packing industries, accounted for most of the spread between the rise in employment and in payrolls, although there was evidence in some industries of a lengthening in operating schedules. Within the durable goods classification, stone-clay-and-glass and the wood products groups experienced only minor changes during the month, contributing little to the sharp rise in the classification as a whole. Several of the non-durable goods groups registered decreases, especially in employment, and this classification as a whole showed a decline of one per cent in the number of workers employed, although wage payments increased by 1½ per cent. The non-manufacturing industries as a whole recorded expansion in both number of workers and wages, largely because of seasonal activity in the merchandising and public utility groups.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Although retarded to some extent by strikes in industries supplying fabricating materials, the production of automobiles recorded a further sharp rise in November and in the aggregate about equaled that of the corresponding month last year. The 341,456 passenger cars manufactured during November in the United States represented a rise of 79 per cent over October output and an increase of one per cent over last November. Trucks produced in the current period numbered 53,434, or 57 per cent above a month earlier but 8 per cent under a year ago.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF NOV. 15, 1936			CHANGE FROM OCT. 15, 1936	
	REPORTING FIRMS	WAGE EARNERS	EARNINGS (000 OMITTED)	WAGE EARNERS	EARNINGS
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,529	427,768	11,517	+1.8	+4.0
Vehicles	311	375,607	12,117	+13.7	+19.1
Stone, Clay, and Glass	251	22,255	526	-0.9	+1.1
Wood Products	421	47,874	1,032	+0.0	+1.0
Total	2,512	873,504	25,192	+6.4	+10.6
NON-DURABLE GOODS:					
Textiles and Products	322	61,338	1,105	-0.3	-1.1
Food and Products	760	112,192	2,724	-3.5	+3.0
Chemical Products	237	37,403	999	-2.2	-0.2
Leather Products	138	26,930	527	+0.2	-1.3
Rubber Products	32	15,961	429	+4.8	+7.8
Paper and Printing	634	76,016	2,090	+0.9	+2.2
Total	2,123	329,840	7,874	-1.1	+1.7
Total Mfg., 10 Groups	4,635	1,203,344	33,066	+4.2	+8.3
Merchandising²	2,532	118,072	2,450	+2.5	+3.1
Public Utilities	195	97,290	3,189	+0.3	+1.5
Coal Mining	26	5,740	147	-0.2	+4.8
Construction	312	12,274	306	-5.8	-2.5
Total Non-mfg., 4 Groups	3,065	233,376	6,092	+1.0	+2.0
Total, 14 Groups	7,700	1,436,720	39,158	+3.7	+7.3

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

Distribution of new cars to dealers in this district continued to increase in November, and dealer sales to users showed a considerable gain over October and a more moderate one over November 1935. Stocks of new cars were further augmented during the current period, but numbered much less at the close of the month than a year ago. Sales of used cars declined somewhat from a month earlier, though remaining above the 1935 level. Following a recession in October, stocks of used cars rose substantially in November and recorded a larger gain over a year ago than in a similar comparison for October. Sales made on the deferred payment plan were 43 per cent of total retail sales in November, which ratio is somewhat under that for October and little changed from the month last year.

IRON AND STEEL PRODUCTS

A steadily increasing demand for steel has maintained operations of mills in the Chicago district at practical capacity, with the percentage of theoretical capacity prevailing in the middle of December at 77½ per cent. Price advances effective in the first quarter of next year have accelerated buying to some extent but actual requirements from many industries also have been gaining. Purchases of rails and accessories and of railroad equipment have featured the demand in recent weeks. Pig iron, on which the price was raised \$1.00 per ton toward the close of November, likewise has been active, daily average production in the Illinois and Indiana district continuing in November to be greater than at any time since mid-1930 and reaching another high for the year to date. The scrap iron and steel market has been exceptionally strong, and price advances were general in the middle of December.

Incoming orders at Seventh district foundries were heavy in November, the tonnages booked exceeding those of October by 39 per cent for steel and 20 per cent for malleable castings. Much of the new demand was for a cheaper than average type of castings, with the result that aggregate volumes registered smaller gains in dollar than in tonnage units despite prevailing strength in current price quotations. Production decreased during the month, 5 per cent in malleable and 9 per cent in steel castings, and shipments of the latter declined considerably further. Comparisons with year-ago figures continued favorable, increases for steel castings ranging from 45 per cent in shipments to close to 165 per cent in orders, and for malleable castings from approximately 20 per cent each in production and orders to 30 per cent in the volume shipped.

MIDWEST DISTRIBUTION OF AUTOMOBILES

	NOVEMBER 1936: PER CENT CHANGE FROM		COMPANIES INCLUDED
	October 1936	November 1935	
New Cars:			
Wholesale—			
Number Sold.....	+41.5	+40.1	17
Value.....	+22.4	+20.9	17
Retail—			
Number Sold.....	+79.6	+12.7	31
Value.....	+76.7	+24.9	31
On Hand November 30—			
Number.....	+31.5	-20.2	31
Value.....	+26.2	-12.7	31
Used Cars:			
Number Sold.....	-4.6	+13.4	31
Salable on Hand—			
Number.....	+31.2	+11.4	31
Value.....	+37.5	+18.3	31

Production and shipments of stoves and furnaces declined during November by 8 and 27 per cent, respectively, marking the close of a seasonal expansion that has been in evidence since July. Orders accepted were also in considerably smaller volume than in October. Stocks registered a decrease of 6 per cent during the month but were more than twice as large as at the close of November 1935.

FURNITURE

The level of activity at furniture factories of the Seventh district continued decidedly above average through November and was much heavier than a year ago in the same month, although shipments declined in volume from the preceding month, in accordance with seasonal trend. Orders booked in the current period showed little change in the aggregate from a month earlier, in contrast to a usual decline for November, and the decrease of 15 per cent in shipments was less than the average for the month. The dollar volume of the former slightly exceeded that of the latter, but a moderate amount of cancellations effected a decline of one per cent in unfilled orders from the close of October; orders still on hand November 30 aggregated 118 per cent of current orders booked, as compared with a ratio of only 77 per cent a year previous. Other comparisons with last November showed gains this year of 46 per cent, 35 per cent, and 112 per cent in new orders, shipments, and unfilled orders, respectively. The rate of operations in November averaged a little under 90 per cent of capacity, with some plants operating at or above theoretical capacity.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe manufacturing in the Seventh district was considerably less active in the first half of this year than last, but has gained steadily in recent months and by the close of October the total volume produced equaled that for the first ten months of 1935. If the recent favorable margin over a year ago continues through the remainder of the year, 1936 output will exceed by a substantial volume the record established in 1935. The leather industry, also, since the middle of the year, has shown gains in comparison with last year, and sales to date are only slightly lower than in the same period of 1935. According to the United States Bureau of Labor Statistics data on wholesale commodity prices, those of hides and

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	NOVEMBER 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	OCTOBER 1936	NOVEMBER 1935	
Wholesale Lumber:			
Sales in Dollars.....	-10.8	+39.2	8
Sales in Board Feet.....	-5.6	+32.8	6
Accounts Outstanding ¹	+1.0	+37.6	8
Retail Building Materials:			
Total Sales in Dollars.....	-20.5	+29.2	112
Lumber Sales in Dollars....	-14.3	+57.2	50
Lumber Sales in Board Feet	-16.8	+49.1	20
Accounts Outstanding ¹	-4.0	+12.4	110
	RATIO OF ACCOUNTS OUTSTANDING ¹ TO TOTAL DOLLAR SALES DURING MONTH		
	NOVEMBER 1936	OCTOBER 1936	NOVEMBER 1935
Wholesale Trade.....	158.2	139.6	160.0
Retail Trade.....	264.8	215.2	300.0

¹End of Month.

leather products on December 5 this year had advanced approximately 5 per cent from the week ending December 7, 1935.

Building Materials, Construction Work

Building materials generally, after continuing active longer than is usual at this season, showed the expected seasonal recession in November. Sales of lumber, by wholesalers and manufacturers and at retail yards, declined, the losses being approximately the same in the two phases of distribution and considerably smaller than either a year ago or in the 1926-35 average for November. The shipping season for cement practically ends with the passing of October and available reports for November indicate a falling-off of 40 per cent or more in the movement of this material. Brick deliveries followed a similar trend, reported declines ranging from 20 to 50 per cent. All comparisons with 1935 activity continue favorable, the gains amounting to approximately 50 per cent in lumber sales, to an even higher percentage in cement shipments, and to considerably more in the movement of brick, the volume of the last-named being from two to three times as heavy as a year ago. According to the U. S. Bureau of Labor Statistics, prices of building materials at wholesale advanced about one per cent during November and in the week of December 12 were nearly 4 per cent higher than in the corresponding week last year.

BUILDING CONSTRUCTION

In accordance with seasonal trend, building construction declined during November in the Seventh district. Residential building recorded the greatest recession from a month earlier, as reflected in contracts awarded data, as other construction showed little change in the aggregate. The gain over a year ago in residential contracts continued to be large, and that in total contracts was much heavier than in October. Residential contracts comprised 26 per cent of the total this November, as against only 17 per cent last year.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
November 1936.....	\$35,678,100	\$9,350,800
Change from October 1936.....	-6.6%	-20.5%
Change from November 1935.....	+22.1%	+91.4%
First eleven months of 1936.....	\$433,781,756	\$109,088,160
Change from same period 1935.....	+62.2%	+111.0%

*Data furnished by F. W. Dodge Corporation.

A declining trend continued during November in the number and estimated cost of building permits issued in cities of the district, but increases over last year re-

WHOLESALE TRADE IN NOVEMBER 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries.....	+2.4	+8.5	-7.4	+0.9	93.1
Hardware....	+13.2	+29.4	+15.8	+21.9	180.7
Drugs.....	+7.6	+7.4	-4.6	+4.0	156.1
Electrical Supplies...	+42.2	+37.0	+43.3	+26.9	142.8

mained substantial. Data for 101 cities show decreases from October of 24 and 18 per cent, respectively, in number and estimated cost, and gains of 39 and 68 per cent over the corresponding month of 1935. A year ago in November, the declines from the preceding month were much sharper than this year.

Merchandising

Volume of business in reporting groups of wholesale trade in the Seventh district declined in November from the preceding month, in accordance with seasonal trend. Hardware sales totaled smaller by 21 per cent, grocery sales by 11 per cent, drug sales by 7½ per cent, and electrical supply sales by 4 per cent, as against declines in the 1926-35 average for November of 15, 7, 9, and 4 per cent, respectively. The grocery trade recorded the first gain over a year ago since August, but increases over last year in other groups were smaller than in October. Cumulative sales for 1936 through November were larger than in the same period of 1935 by 5 per cent in the drug trade, 23 per cent in hardware, and 35 per cent in electrical supplies, while the grocery trade totaled only fractionally heavier. Stocks continued to be higher than a year ago, substantially so in hardware and electrical supplies. Ratios of accounts outstanding to net sales rose during November in all groups, and in hardware and electrical supplies the ratio was above that for last November. Prices are showing a firm to upward tendency.

Because of fewer trading days in November than either a month earlier or a year ago, department store sales in this district declined in the former comparison and recorded a noticeably smaller gain over last year than in the two preceding months. Total sales were 4 per cent below those of October and only 12 per cent heavier than in November 1935, but daily average sales increased 8½ per cent in the monthly and 18 per cent in the yearly comparison. Detroit and Chicago stores had sales that totaled only one and 2 per cent less, respectively, than in October, while Milwaukee sales declined 11 per cent and those by stores in smaller cities 7 per cent. In the comparison with last November, the larger cities showed more favorable margins of gain than did the smaller centers. At the end of November, stocks were almost 6 per cent higher than on October 31 and exceeded those a year ago by 7 per cent.

Sales of shoes by reporting dealers and department stores in the Seventh district continued to decline in November, the decrease of 11 per cent from a month

DEPARTMENT STORE TRADE IN NOVEMBER 1936

LOCALITY	PER CENT CHANGE NOVEMBER 1936 FROM NOVEMBER 1935		PER CENT CHANGE FIRST ELEVEN MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF NOVEMBER COLLECTIONS TO ACCOUNTS OUTSTANDING END OF OCTOBER	
	NET SALES	STOCKS END OF MONTH		1936	1935
Chicago.....	+14.3	+3.6	+14.8	36.6	34.8
Detroit.....	+12.0	+10.1	+11.5	47.6	49.4
Milwaukee.....	+11.6	+12.0	+14.2	39.4	40.1
Other Cities.....	+5.2	+6.9	+10.4	36.8	37.1
7th District.....	+12.1	+6.9	+13.1	40.9	41.1

earlier being contrary to trend for the period, although declines likewise took place in the corresponding month of 1935 and 1934. The dollar volume sold in the current period totaled 9 per cent heavier than in the month last year—a noticeably smaller gain than in a similar comparison for the two preceding months—and in the first eleven months of 1936 sales exceeded those of the same period of 1935 by 11 per cent. A slight decline took place in stocks between the end of October and November 30, which were 7 per cent higher than at the end of November a year ago.

The recession of 12 per cent in November from October in total sales of furniture and housefurnishings by dealers and department stores was seasonal in extent, and the sales volume continued to exceed that of the corresponding month last year by a substantial margin—19 per cent. Sales by dealers showed a heavier decline from a month previous than did those of department stores and exceeded those of a year ago by a much smaller percentage. Stocks rose one per cent further during November and at the end of the month aggregated 15 per cent greater than on November 30, 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	Nov. 1936	Oct. 1936	Sept. 1936	Aug. 1936	July 1936	June 1936	Nov. 1935	Oct. 1935	Sept. 1935	Aug. 1935	July 1935	June 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	94	99	97	94	91	91	88	94	86	84	82	83
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	57	74	85	86	77	74	42	47	39	38	33	27
In Tons.....	12	59	76	94	96	85	80	41	47	39	37	32	25
Malleable—In Dollars.....	21	55	56	50	48	53	56	42	45	37	36	38	39
In Tons.....	21	80	80	73	69	77	82	62	66	56	53	55	57
Stoves and Furnaces—													
Shipments (in dollars).....	8	255	356	274	183	154	170	207	257	196	133	100	117
Furniture—													
Orders (in dollars).....	12	84	84	89	89	100	60	56	62	61	61	74	43
Shipments (in dollars).....	12	76	91	79	72	65	61	54	68	64	56	44	39
Output of Butter by Creameries—													
Production.....	59	88	103	103	101	114	145	75	94	112	131	153	173
Sales.....	61	94	106	104	98	111	133	99	121	107	130	134	141
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	65	73	72	75	83	68	63	75	80	70	71	66
Hardware.....	11	85	108	96	84	90	94	75	86	75	71	71	76
Drugs.....	12	80	89	83	74	76	77	72	81	76	77	70	70
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	96	98	86	72	63	87	85	81	73	63	55	76
Detroit.....	5	113	112	134	81	72	93	101	92	110	74	58	78
Indianapolis.....	4	109	128	116	83	73	93	93	101	95	77	64	79
Milwaukee.....	5	105	118	94	77	68	87	94	95	80	69	59	75
Other Cities.....	41	91	97	83	71	59	79	86	83	71	69	52	71
Seventh District—Unadjusted.....	82	101	104	97	75	65	88	90	86	81	68	56	76
Adjusted.....	82	91	95	94	94	91	89	81	78	79	85	78	77
Automobile Production—(U. S.)—													
Passenger Cars.....		117	65	31	72	127	128	115	73	19	62	94	100
Trucks.....		142	90	118	163	182	205	154	156	83	149	153	165
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		32	40	39	59	36	43	17	22	21	17	20	26
Total.....		52	56	54	77	72	58	43	53	43	42	38	34
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		109	108	103	97	101	101	79	71	68	65	53	59
United States.....		100	98	93	89	85	88	70	65	60	58	50	53
Steel Ingot Production—(U. S.)*.....		130	126	120	121	113	115	91	87	85	81	66	68

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

PRODUCTION, wage payments, and the distribution of commodities to consumers increased considerably from October to November. Wholesale commodity prices have advanced steadily since the end of October.

PRODUCTION AND EMPLOYMENT

The Board's index of industrial production, which makes allowance for changes in the number of working days in the month and for the usual seasonal variations, was 114 per cent of the 1923-1925 average in November, as compared with 109 per cent in October. Output of both durable and nondurable manufactures showed a considerable rise. Production of steel ingots increased further to a rate of 79 per cent of capacity in November, and output of automobiles also increased. Figures for the first three weeks of December indicate continued expansion in output of both steel and automobiles. In the plate glass industry, where there has been a strike, production was sharply reduced in November, and activity at lumber mills declined, reflecting the effects of the maritime shipping strike on the Pacific Coast. Increases in output were reported at meat-packing establishments and textile mills, and sugar meltings and output of tobacco products declined by less than the usual seasonal amount. At mines, coal production increased and output of crude petroleum and iron ore showed a smaller than seasonal reduction.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, continued at about the same rate in November as in the previous month.

Factory employment showed little change from October to November, although a decrease is usual at this season of the year, and the Board's seasonally adjusted index advanced to 96 per cent of the 1923-1925 average. The number employed at factories producing durable goods continued to increase, with the largest expansion in the automobile and machinery industries. There was a decline in employment at lumber mills and in the glass industry. In the non-durable goods industries as a group, employment showed a smaller decline than is usual in November. At shoe factories and establishments producing wearing apparel, smaller than seasonal declines were reported and there were increases in employment at cotton and woolen textile mills and at meat-packing plants.

DISTRIBUTION

Department store sales increased substantially in November, and there was also a rise in sales at variety stores and at chain grocery stores. Sales by general merchandise stores and mail order houses serving rural areas declined from the high level reported for October.

Freight-car loadings showed a smaller than seasonal decrease in November. Loadings of coal, coke, and grain increased contrary to the usual seasonal tendency, and shipments of miscellaneous commodities and of most other classes of freight declined by less than the seasonal amount.

COMMODITY PRICES

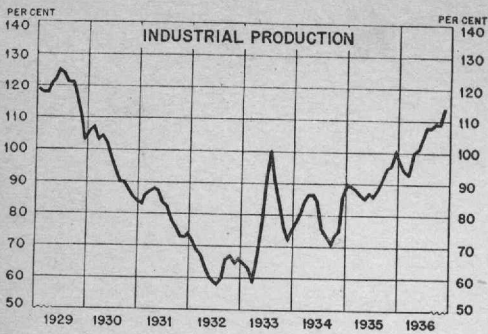
The general level of wholesale commodity prices continued to advance from the middle of November to the third week of December. There were substantial increases in the prices of wheat, flour, nonferrous metals, and rubber. Prices of wool, cotton yarns, and worsted yarns advanced somewhat further and cotton, pig iron, and steel scrap prices also increased in this period.

BANK CREDIT

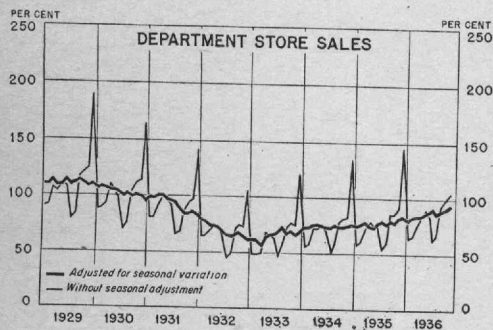
The reserve position of member banks in recent weeks has been influenced largely by temporary seasonal developments in connection with holiday currency requirements and mid-December financing by the United States Treasury.

Notwithstanding the increased demand for currency for Christmas shopping, there was a further growth in demand deposits at weekly reporting member banks through the first half of December, reflecting additions to monetary gold stock, as well as a sharp increase in bank loans.

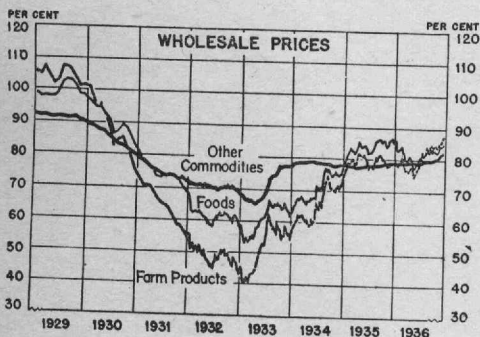
At reporting banks outside New York City, holdings of Government securities increased by \$140,000,000 in the four weeks ending December 16, while at New York City banks they showed a further small decline. There was an increase of \$100,000,000 in loans to brokers and dealers in securities in New York City, largely for the purpose of buying United States Government securities. Commercial loans showed a further increase of \$150,000,000, carrying the total volume of such loans to a level \$800,000,000 higher than a year ago.



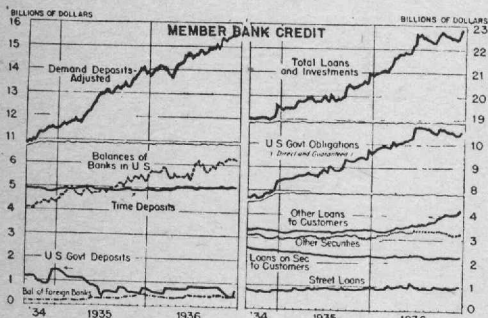
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to November 1936.



Indexes of value of sales, 1923-1925 average = 100. By months, January 1929 to November 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 December 19, 1936.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to December 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.

14 111