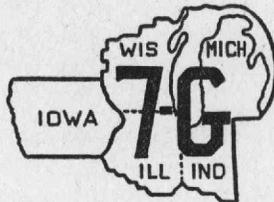




LIBRARY

SEVENTH  
FEDERALRESERVE  
DISTRICT

Volume 20, No. 1

MONTHLY REVIEW PUBLISHED BY THE  
FEDERAL RESERVE BANK OF CHICAGO

January 28, 1937

## DISTRICT SUMMARY FOR 1936

CONTINUED and widespread improvement was manifested during 1936 in Seventh district business activity. The betterment was apparent not only in trade and in the consumers' goods industries, where the effect of greater purchasing power through increased employment and wages and larger farm income exerted a stimulating influence, but also in the heavier industries which accelerated production noticeably in the latter part of the year. In many phases business was greater in volume than for any year since 1930, and in a few since 1929.

The steel industry was active throughout 1936; production of steel ingots attained a high point for the year of 77½ per cent of capacity in the middle of December, whereas in 1935 the high point was under 70 per cent and average output for that year as a whole was much lower. Demand was good from most sources, with purchases of rails and railroad equipment and of steel for the automotive industry featuring the market in the latter part of the year. Pig iron production in 1936 was almost half again as large as in 1935 and higher than for any year since 1930. Shipments of steel castings from foundries in the district totaled almost twice those of a year earlier, while those of malleable castings expanded about 30 per cent and of stoves and furnaces close to 40 per cent. Automobile plants produced approximately 4½ million passenger cars and trucks in the past year, which number represents a gain of almost 15 per cent over 1935 and the heaviest output since 1929. Continued expansion was recorded during 1936 in building construction, which was the largest in six years, contracts awarded for residential building exceeding those of a year previous by over 100 per cent and total contracts gaining 46 per cent in the comparison. The movement of building materials also was substantially greater than in 1935. Shipments from furniture factories of the district rose 36 per cent in 1936 over the preceding year and were 5 per cent above the 1927-35 average. Shoe production was even somewhat above the record 1935 output.

In food-producing industries may be noted a 23 per cent expansion over 1935 in the 1936 production of packing-house commodities, and gains of 12 and 6 per cent, respectively, in tonnage and dollar value of sales. The manufacture and distribution of Wisconsin cheese increased 7 per cent in 1936 over a year previous, while

that of creamery butter declined by the same percentage. Inventories of these commodities were considerably above average at the close of the year.

The merchandising of commodities at wholesale and at retail recorded further improvement in the past year. The wholesale grocery trade increased only one per cent in dollar volume, but gains of 9, 25, and 33 per cent, respectively, were shown in the sales of drugs, hardware, and electrical supplies at wholesale. Business in the hardware trade exceeded that of any year since 1929 and in the electrical supply trade was above any year since 1930, the volume for which year it about equaled, while grocery and drug sales were the largest in five years. Department store trade was the best since 1930 and 14 per cent greater than a year previous, with Chicago reporting the heaviest gain over 1935 of the larger cities in the district. The retail shoe trade rose 11 per cent in the year, the furniture trade 21 per cent, and the retail hardware trade 16 per cent.

Reflecting the improved business activity, total employment and payrolls in Seventh district industries at the close of 1936 were 12 and 28 per cent larger, respectively, than a year previous and close to the level at the end of 1929. The durable goods industries showed somewhat greater gains in both employment and payrolls in the past year than did the nondurable goods groups. Non-manufacturing employment and payrolls at the end of the year recorded smaller expansion over a year earlier than the manufacturing groups.

Owing to drought conditions during the summer months, the production of most Seventh district grain, vegetable, and fruit crops declined sharply in 1936 from 1935. The spring pig crop was 13 to 25 per cent larger than a year previous; and the latest Government estimates show a 2 per cent increase in the autumn crop, although earlier reports had indicated a considerable decline. A sharp advance in prices of farm products and heavy marketings of livestock raised cash farm income of the five States including the Seventh district 16½ per cent in 1936 over 1935.

Member bank reserve balances at this bank exceeded legal requirements throughout the past year, although the excess was reduced considerably following a 50 per cent increase in reserve requirements on August 15. The excess for December, averaged 49½ per cent, as against a high

point for the year of 147 per cent for June. Total loans and investments of reporting member banks in the district were noticeably larger at the close of 1936 than a year previous, gains in commercial loans being responsible for the major portion of the increase in the total. Deposits in these banks also expanded in the year. Commercial paper sales by dealers and financing through bankers' acceptances were considerably below normal in 1936, although commercial paper sales rose sharply in December. Money rates remained low throughout the year.

The total volume of checks handled in 1936 by the Federal Reserve Bank of Chicago, including the Detroit Branch, exceeded that of 1935 by approximately 15 per cent in the number of items and by 18 per cent in dollar amount. Currency and coin received and counted declined in volume during the year, the former by about 35,000 pieces and \$240 million in amount, and the latter by approximately 55,000 pieces and less than \$500,000 in

amount. Fiscal Agency operations for the year showed that although issues, redemptions, and exchanges of United States securities handled, numbered almost 3½ millions more than in 1935, their amount totaled over 500 million dollars smaller, the handling of Adjusted Service Certificates accounting for the sharp increase in number. Reflecting a considerably quieter market in Government securities than in other recent years, operations of the Investment Department of this bank during 1936 recorded a substantial shrinkage from those of a year previous. Because member banks in the district were for the most part in a strong cash position throughout the year, making borrowing unnecessary, loan and discount operations of this bank were exceptionally light in 1936. There were 51 banks of the district admitted to membership in the System during the year—40 State and 11 national banks—and membership of 11 banks was terminated, so that total membership in this district on December 31, 1936, of 746 banks showed a net gain of 40 banks over that at the close of 1935.

### Finance Company Outstandings

Outstanding installment loans of nearly 100 finance companies operating in the Seventh Federal Reserve district—including the branches of nation-wide concerns in this area—aggregated \$405,476,100 on November 30, 1936, having increased in comparison with the amount on corresponding dates of earlier years as follows: 50 per cent over 1935, 110 per cent over 1934, and 219 per cent over 1933. This survey covers about one-third of all finance companies operating in the territory and from 75 to 90 per cent of the aggregate Seventh district volume. On the basis of those reports showing segregated data, automobile paper comprised 85 to 88 per cent of total outstandings and "all other" commodities constituted the remaining 12 to 15 per cent. However, there is rather conclusive evidence that a large portion of the funds for installment (or "budget") purchases of furniture, clothing, and many other lines of merchandise is supplied directly by the selling agencies themselves or obtained through other methods than borrowing from finance companies.

Loans with complete recourse on the borrowing dealer, distributor, or manufacturer comprised 8 per cent of aggregate outstandings of finance companies as of November 30, 1936; those with a repurchase agreement with respect to repossessions, 73 per cent; and those having no recourse constituted the remaining 19 per cent. Only minor differences in the ratios were shown for the other dates covered by the survey. On November 30, 1936, reported rediscountings and short-term borrowings from banks comprised less than 2 per cent of total outstandings of finance companies, but this volume was largely concentrated in a few small firms in which borrowings bore a high ratio to the aggregate volume of business carried. In this limited number of institutions, bank borrowings increased 28½ per cent over 1935, 190 per cent over 1934, and 345 per cent over 1933. No data were collected with respect to the amount of long-term issues or participations held by banks.

The amount of outstanding automobile loans by finance companies on November 30, 1936, was greater than on corresponding dates of earlier years by 50 per cent over 1935, 107 per cent over 1934, and 233 per cent over 1933. These loans for the most recent date were indicated as having been utilized 92½ per cent for purchases of auto-

mobiles at retail and 7½ per cent for wholesale buying of cars. The ratio for retail financing of cars increased over 1935 and that for wholesale purchases declined, but otherwise the percentages showed no substantial change over the four-year period covered by the survey.

### Credit and Finance

Member bank reserve balances on January 20 were 12 million dollars more than on December 16. Although the Federal Reserve Bank of Chicago received, as a result of the post-Christmas decline in currency demand, 23 million dollars more in currency than it paid out, and Treasury disbursements in this district exceeded receipts by 2 millions, member banks' balances were not proportionately increased for the reason that net payments in settlement of interdistrict commercial and financial transactions took 13 million dollars. Treasury receipts were considerably enlarged by income tax collections, sale of bills and Savings Bonds, and depositary withdrawals, but retirement of certain obligations in the fifth week of the period resulted in a net excess of disbursements. As to interdistrict transactions, Seventh district losses in the first three weeks through the purchase or retirement of securities and an adverse trade balance that was counteracted in some degree by movement of automobile funds, were nearly offset in the fourth week by net gains from dividend and interest payments, and movement of funds in the meat-packing industry; in the fifth week, losses from purchase or retirement of securities, transfer of public utility and insurance company funds, and payment for merchandise, materials

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

(Amounts in millions of dollars)

	January 20 1937	Change From	
		December 16 1936	January 22 1936
Total Bills and Securities.....	\$ 278.2	\$ -7.6	\$ -68.2
Bills Discounted.....	0.1	+0.0	-0.5
Bills Bought.....	0.4	0.0	-0.2
U. S. Government Securities.....	276.4	-7.5	-66.8
Total Reserves.....	1,731.5	+3.3	+370.4
Member Bank Reserve Deposits.....	993.9	+12.2	+227.6
All Other Deposits.....	37.5	-3.4	-28.5
Federal Reserve Notes in Circulation...	946.9	-9.9	+108.3
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	87.5	+0.2*	+6.1*

\*Number of Points.

1370-2X10

and foodstuffs considerably exceeded gains from payment of dividends and sale of automobiles and other manufactures.

Loan rates of Chicago banks were substantially unchanged in the week ended January 15, as compared with a month earlier, the bulk of prime commercial loans continuing to be made at rates from 1½ to 4½ per cent. Detroit banks, which previously reported rates from 1 to 5 per cent, show a range of 1½ to 4½ for the current period.

The December average rate earned on loans and discounts by representative Chicago banks, with the addition of another bank to those included in the computation last month, was 2.70 per cent which compares with 2.54 per cent in November for the same banks. The majority of included banks, however, reported either decreasing or unchanged rates. The average for December of selected Detroit banks, with one more bank included than in the November computations, is 2.71 per cent against 2.81 per cent for November.

Commercial paper sales by midwest dealers in December exceeded the November total by 80 per cent and the 1926-35 average for December by 7 per cent, while paper outstanding at the end of December was 31 per cent above a month and a year earlier. Packers' borrowing increased the December supply materially, and in the first half of January borrowing for advance purchases of tobacco added to the available paper. In both periods the continuing strong demand, with some improvement from country banks, readily absorbed dealers' offerings. Rates are reported unchanged, the bulk of sales being at ¾ per cent.

Contrary to a normal rise in December over November, December's total of bills accepted by Seventh district banks dropped 20 per cent below November and was 67 per cent under the ten-year average for December. The volume for the first half of January, while slightly less than in the first half of December, showed some improvement as compared with a year earlier. Total acceptances of Seventh districts banks outstanding at the end of December were 10 per cent below the close of 1935 and 61 per cent under the ten-year average. Accepting banks' December purchases of others' bills were 27 per cent above November and more than double the figure for December 1935.

Dealers in bankers' acceptances in this district reported increased activity in the four weeks ended January 13, as compared with the quiet preceding period and that of a year previous. On January 13 acceptance rates were raised

¼ per cent, from prevailing nominal rates of ¼ bid, ⅜ asked for the 30- to 90-day maturities, to ⅝ bid, ¼ asked.

Bond dealers report that the Middle West investment market, following the usual dull period in the latter part of December, has evidenced renewed activity in January, affected by some hesitancy on the part of institutional buyers and a tendency of private investors toward bonds of lesser grade, those having convertible features, and equities. The large volume of new offerings in December, about two-thirds refundings, was readily taken, principally by institutional buyers. The price level has been well maintained, though a recent tendency is noted toward lower prices for municipals of short maturities. The municipal market generally has been dull. Rates of weekly Treasury bill issues have risen from 0.088 per cent per annum on December 2 to 0.345 per cent on January 20, which compares with 0.067 on July 8 last and with 0.23 on August 5.

On the Chicago Stock Exchange, stock prices at the middle of January reached the highest level since September 2, 1931, the Chicago Journal of Commerce average of twenty issues rising to \$66.84 on January 21 from \$59.63 on December 21.

**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)

	December 1936	December 1935
Total country and city check clearings:		
Pieces.....	11,430,320	10,757,842
Amount.....	\$2,376,257,126	\$1,877,486,803
Daily average clearings:		
Total items cleared—		
Pieces.....	439,628	430,314
Amount.....	\$91,394,505	\$75,099,472
Items drawn on Chicago—		
Pieces.....	71,262*	102,647
Amount.....	\$47,507,000	\$39,134,000
Items drawn on Detroit—		
Pieces.....	22,649	20,320
Amount.....	\$11,823,932	\$9,367,120

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

**Agricultural Products**

The tentative estimate of the United States Department of Agriculture, as contained in its November 10 release "The Hog Outlook for 1937," had confirmed earlier private reports of a substantial decline in the 1936 autumn crop of pigs as compared with 1935. Subsequently, on the basis of rural mail carriers' reports for December 1, the Department estimated a decline of only 2 per cent in the corn belt pig crop from 1935, an increase of 2 per cent for the five States including the Seventh Federal Reserve district, and a gain of 6 per cent in the United States as a whole. Though at first evincing some skepticism, the trade has now given rather general acceptance to data contained in the more recent estimate.

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

(Amounts in millions of dollars)

	January 20, 1937	December 16, 1936	Change From December 16, 1936 to January 22, 1937
Total loans and investments.....	\$3,104	\$ —13	\$ +228
Total loans on securities.....	247	—3	—6
To brokers and dealers:			
In New York.....	4	0	+3
Outside New York.....	45	—1	+9
To others (except banks).....	198	—2	—18
Acceptances and commercial paper bought.....	37	+4	+6
Loans on real estate.....	74	+2	+9
Loans to banks.....	9	—1	—1
Other loans.....	519	—36	+163
U. S. Government direct obligations.....	1,647	+10	—23
Obligations fully guaranteed by U. S. Government.....	164	—2	+19
Other securities.....	407	+13	+61
Demand deposits—adjusted.....	2,324	—25	+253
Time deposits.....	850	+19	+92
Borrowings.....	0	0	—1

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

(Amounts in millions of dollars)

	December 1936	Per Cent of Increase or Decrease From November 1936	December 1935
Chicago.....	\$3,978	+31.6	+23.8
Detroit.....	1,215	+36.8	+25.6
Milwaukee.....	336	+28.7	+30.7
Indianapolis.....	223	+18.1	+26.9
Total four larger cities.....	\$5,752	+31.9	+24.7
37 smaller cities.....	906	+20.6	+27.2
Total 41 centers.....	\$6,658	+30.2	+25.0

## GRAIN MARKETING

The wheat movement at interior primary markets in the United States continued light in December. Imports increased over November and exports remained negligible. Aggregate stocks of the grain on farms and in visible positions in the United States were 21 per cent smaller on January 1, 1937, than a year earlier and 54½ per cent below the 1928-32 average for the date. Receipts and shipments in the first half of January were under the corresponding weeks of December. Following a renewed advance that had carried quotations to \$1.41⅞ and \$1.44¾ by December 28, and largely reflecting selling pressure occasioned by weaker cables and less aggressive European buying in the Southern Hemisphere and Canada, prices of No. 2 hard winter wheat for current delivery at Chicago had declined to \$1.35⅝ and \$1.39 by January 21.

December receipts of corn at these centers of accumulation in the United States were the largest since last June and reshipments exceeded any month since August. Importations continued. Although the visible supply increased over a year earlier, total holdings plus farm stocks in the United States were 41 per cent smaller on January 1 than at the beginning of 1936 or the 1928-32 January 1 average. Influenced by small offerings from the country and by fairly active commission buying, prices of No. 2 yellow corn for immediate delivery at Chicago had advanced further to \$1.14½ and \$1.17⅞ by January 14; subsequently, they eased to \$1.11¾ and \$1.14⅝ on January 21.

The marketing of oats in the United States increased contraseasonally in December over November; reshipments of the grain from interior primary markets were in excess of any earlier month since last May and 39½ per cent above the 1926-35 December average. Prices followed the general trend of corn. Total stocks of oats on farms and in visible positions in the United States on January 1 were 26½ per cent below the 1928-32 average for the date.

### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	December 1936	November 1936	December 1935	December 1926-35 Av.
<b>Wheat:</b>				
Receipts.....	10,717	10,774	9,887	18,168
Shipments.....	11,921	10,963	9,501	14,140
<b>Corn:</b>				
Receipts.....	18,873	17,715	18,582	23,007
Shipments.....	6,309	5,239	8,756	11,064
<b>Oats:</b>				
Receipts.....	3,836	2,581	4,575	6,466
Shipments.....	7,945	6,398	6,387	5,697

### MOVEMENT OF LIVESTOCK

Receipts of livestock at public stockyards in the United States declined in December from November, the recession being largely seasonal except in hogs where it was counter to the usual tendency at this time of year. Cattle and calf marketings remained considerably above the 1926-35 average, and those of lambs declined only slightly in this comparison. On the other hand, hog receipts aggregated 15 per cent less than the ten-year average. With the exception of a very moderate decrease in the number of cattle, receipts of all livestock continued in excess of a year earlier. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—diverged in several major instances from the trend of market receipts: the supply of cattle nearly equaled that of a month earlier and was greater than in December 1935, the quantity of hogs, calves, and lambs increased over

November, and the number of hogs and lambs exceeded the 1926-35 seasonal average.

Cattle and calf reshipments to feed lots fell off rather sharply in December from the preceding period but were considerably above the 1931-35 average for the month and in excess of December a year previous; those of lambs declined in all three comparisons.

### MEAT PACKING

December production of packing-house commodities at inspected slaughtering establishments in the United States exceeded that of any month since October 1934, being 7½ per cent greater than in November 1936, 30 per cent larger than a year earlier, and 8 per cent above the 1926-35 December average. Coincident with an advance in prices over a month earlier, the sales tonnage not only remained more than seasonally below current production but also declined 3½ per cent from November to a level 5½ per cent under the ten-year average for the month; it was, however, 11½ per cent greater than the relatively limited volume of December 1935. On the other hand, dollar sales billed to domestic and foreign customers rose counter-seasonally by 3 per cent in December over the preceding period to a point 15½ per cent in excess of December a year previous and 18 per cent higher than the 1926-35 average for the month. Inventories of these commodities in the United States continued to show more than a seasonal accumulation, totaling nearly one-third greater on January 1, 1937, than the 1932-36 average for the date and 583,604,000 pounds heavier than at the beginning of 1936. Payrolls at the close of December reflected a gain of one per cent in employes over November, but hours worked and wage payments declined, respectively, by 1½ and 3½ per cent in the comparison. However, increases of 17 per cent in workers, 25 per cent in hours, and 27 per cent in wage payments were reported over December a year earlier.

In the calendar year 1936 compared with 1935, production expanded 23½ per cent, the tonnage sold gained 12½ per cent, and dollar sales billed to domestic and foreign customers increased 6½ per cent.

Shipments for export decreased in December from a month previous. British demand for packing-house commodities, after having been fair for hams and good for lard during the early part of December, tended to slacken after midmonth, partly owing to seasonal influences and partly because of higher prices asked for current offerings. Continental European trade remained negligible. Despite an advance in quotations of lard, barreled pork, and smoked

### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
<b>Yards in Seventh District,</b>				
December 1936.....	212	796	305	70
<b>Federally Inspected Slaughter,</b>				
<b>United States:</b>				
December 1936.....	987	4,681	1,573	494
November 1936.....	988	4,292	1,544	477
December 1935.....	892	2,875	1,369	481

### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended Jan. 16 1937	December 1936	Months of November 1936	December 1935
Native Beef Steers (average).....	\$10.85	\$10.30	\$10.25	\$ 9.95
Fat Cows and Heifers.....	7.50	7.60	7.25	7.10
Calves.....	10.25	8.90	7.50	8.80
Hogs (bulk of sales).....	10.30	9.95	9.45	9.65
Lambs.....	10.40	8.90	8.65	11.10

meats, demand from Cuba and Porto Rico was fair to good. Prices of American lard in the United Kingdom ruled  $1\frac{1}{2}$  to 2 points under Chicago parity, and British quotations for United States lard were approximately one cent below this basis. On the other hand, prices in Cuba and Porto Rico fully equaled the United States parity. Inventories of United States animal products in foreign markets—inclusive of stocks in transit—had decreased further by January 1, 1937.

United States imports of packing-house commodities declined in December from November.

#### DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district fell off nonseasonally by  $10\frac{1}{2}$  per cent in December to a level 10 per cent under the 1926-35 average for the month, and was about the same as a year earlier. The decline in sales tonnage continued, with the current volume one per cent lighter than in November, 8 per cent below December 1935, and 13 per cent less than the ten-year December average. In showing little change from the preceding period, manufacture of the commodity in the United States remained above average and larger than a year previous. As a reflection of relatively heavy consumption of lower-priced substitutes in recent months, January 1 inventories of creamery butter in the United States aggregated 52 per cent greater than at the beginning of 1936 and  $23\frac{1}{2}$  per cent above the 1932-36 average for the date. Prices advanced about 2 per cent in December over November but eased in the first half of January. For the calendar year 1936, Seventh district production and distribution of creamery butter showed a decline of  $7\frac{1}{2}$  per cent from 1935.

The manufacture of American cheese in Wisconsin decreased  $9\frac{1}{2}$  per cent in December from a month earlier but was  $29\frac{1}{2}$  per cent heavier than the 1926-35 average for the month and  $9\frac{1}{2}$  per cent larger than in December 1935. Distribution from primary markets of that State declined less than normally from November and the volume was 26 per cent above the ten-year December average. In the calendar year 1936, Wisconsin production and distribution of the commodity expanded about 7 per cent over 1935. Total inventories of cheese in the United States were one-fourth greater on January 1, 1937, than the 1932-36 average for the date. Following a moderate decline in mid-December, prices held fairly steady during the remainder of the month and in the first half of January.

### Industrial Employment Conditions

December reports on employment and payrolls in Seventh district industries, which for the most part cover a payroll period ending near the middle of the month, reflected a continued and unusually sharp increase for the closing month of the year. As in the two preceding months, gains were contributed mainly by the metals and vehicles industries, although of twelve other groups represented in the survey eight increased employment and nine payrolls. The metal industries with 2 per cent additional workers and a general advance in wage rates, showed a 7 per cent increase in total wage payments. The continued expansion in the automotive industries again caused Michigan to lead other sections of the district in the percentage rise in employment and payrolls. Disturbances in the labor field were comparatively minor at the time of the December reports, affecting mainly the supply of glass held at a

number of automobile plants; it was not until the close of the month that labor difficulties assumed considerable proportions. Increases recorded for December were pronounced also in a number of other manufacturing groups such as the wood products, leather goods, and rubber industries which are closely allied to the automobile industry, and the paper and printing industries. Declines in the manufacturing classification were confined to food products and the stone-clay-and-glass group. Non-manufacturing industries registered, as is usual, their most substantial increase of the year in December, owing to seasonal expansion in the merchandising group whose business is always at a peak in December. Coal mining contributed to the rise, especially in wage payments; public utilities increased the latter, while the construction industries recorded a substantial decrease in both number of workers employed and payrolls.

Employment in all of the industries represented, computed by means of month-to-month percentage changes, was 12 per cent higher this December than last, and the corresponding gain in payroll amounts totaled 28 per cent.

### Manufacturing

#### AUTOMOBILE PRODUCTION AND DISTRIBUTION

Schedules of automobile manufacturers in the United States continued to be advanced markedly during December, despite strikes in industries supplying materials. Production of passenger automobiles in the month numbered 426,019, representing a rise of 25 per cent over the preceding month and a gain of 24 per cent over the previous record December output in 1935. Trucks produced in the final month of 1936 totaled 72,702 in number, or 36 per cent above a month earlier and 18 per cent greater than in December a year previous. Production of passenger cars in the calendar year 1936, numbering 3,676,063, exceeded that of 1935 by 13 per cent, while truck output of 778,472 vehicles was 12 per cent heavier in the comparison.

Coincident with the continued rise in production, distribution of automobiles in this district expanded further

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of Dec. 15, 1936			Change From Nov. 15, 1935	
	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> ...	1,526	438,973	12,269	+2.1	+6.9
Vehicles.....	319	410,317	13,444	+6.3	+6.4
Stone, Clay, and Glass..	260	22,791	539	-0.2	-0.4
Wood Products.....	420	48,149	1,026	+0.4	+2.0
Total.....	2,525	920,230	27,278	+3.8	+6.3
<b>NON-DURABLE GOODS:</b>					
Textiles and Products...	318	62,556	1,142	+0.1	+1.1
Food and Products.....	759	109,542	2,653	-1.5	-0.9
Chemical Products.....	237	32,736	889	+0.5	+1.7
Leather Products.....	131	25,368	519	+1.6	+6.3
Rubber Products.....	32	16,207	436	+1.5	+4.3
Paper and Printing.....	624	75,847	2,096	+2.6	+3.6
Total.....	2,101	322,256	7,735	+0.3	+1.7
Total Mfg., 10 Groups....	4,626	1,242,486	35,013	+2.9	+5.3
Merchandising <sup>2</sup> .....	2,528	131,106	2,639	+13.2	+9.7
Public Utilities.....	199	93,699	3,181	-1.0	+1.8
Coal Mining.....	23	5,045	147	+0.7	+8.8
Construction.....	312	10,236	247	-13.3	-16.3
Total Non-Mfg., 4 Groups	3,062	240,086	6,214	+5.6	+4.2
Total, 14 Groups.....	7,688	1,482,572	41,227	+3.3	+5.1

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

in December, sales by both wholesale and retail dealers recording substantial gains over the preceding month and exceeding those of a year previous by much wider margins than in November. Stocks of new cars on hand, however, numbered only moderately heavier at the end of December than a month earlier and were considerably smaller than at the end of December 1935. Used-car sales followed the trend in those of new cars, but stocks showed a rather sharp rise over the close of November and were substantially larger than a year previous. It will be noted in the table that in the year 1936 sales of both new and used cars to consumers totaled well above the 1935 volumes, and that stocks averaged much higher in the past year.

#### IRON AND STEEL PRODUCTS

At 77 per cent of capacity in the third week of January, output of steel ingots in the Chicago district averaged approximately the same as a month earlier. Although strikes in the automobile industry have affected orders from that source, demand has been strong from most other classifications so that satisfactory operating schedules are assured for the near-term future. Railroad equipment demand continues an important feature of the market. The steel industry in 1936 showed a substantial improvement over the year 1935; operations from the middle of the year averaged above 70 per cent of capacity and attained a high of 77½ per cent in mid-December, whereas the high point for 1935 was under 70 per cent and the average for that year as a whole much lower. Daily average pig iron production in the Illinois and Indiana district was greater this last December than for the same month of any year since 1928, exceeding that of December 1929 by about 3 per cent and expanding nearly 7 per cent over last November. For the year 1936, pig iron production in this district was almost half again as large in the daily average as for the year 1935 and higher than for any year since 1930. Advances on finished steel prices at Chicago were made effective the end of December; the price of pig iron was increased 50 cents per ton as of January 1; while scrap iron and steel prices have recorded further strength since the middle of December.

At reporting steel casting foundries of the Seventh district, incoming orders were twice as heavy in December as in the preceding month and from three to four times the volume recorded in the closing month of 1935. Production also showed an unusually sharp acceleration for the month, expanding 23 per cent, while shipments followed this trend with a rise of 29 per cent. The tonnage

of each of these items was about twice that recorded for December a year earlier. A high degree of activity was also experienced by malleable casting foundries: all items reported increased approximately 25 per cent over the corresponding figures of a month previous, and totaled above December 1935 by 32 per cent in shipments, 37 per cent in production, and 72 per cent in orders booked. For the year 1936 as a whole, shipments were substantially heavier than in 1935, the gains totaling 96 per cent in tonnage and 81 per cent in dollar units for steel castings, and 30 and 33 per cent in these respective units for malleable castings.

In the manufacture of stoves and furnaces, operations continued to show a seasonal decline, the drop during December amounting to 29 per cent. Shipments were 3 per cent and orders accepted 11 per cent smaller than those of the preceding month. Production fell below the volume of a year previous, while the other items continued to show a favorable margin of about 40 per cent. Inventories were 17 per cent heavier than a month earlier but 4 per cent lighter than at the close of 1935. Shipments for the entire year 1936 were 39 per cent larger than in 1935.

#### FURNITURE

Shipments in 1936 from furniture factories of the Seventh district totaled more than 5 per cent above the average for the preceding nine years and 36 per cent heavier than in 1935. Orders booked recorded even larger gains—13 and 38 per cent, respectively. Activity in the closing month of 1936 continued at a high level: new orders exceeded the 1927-35 average for the month by 75 per cent and shipments were heavier by 50 per cent; while the decline of 18 per cent from November in the former item was less than seasonal and shipments approximated those of the preceding month, whereas they usually decline in the period. Although unfilled orders on hand at the close of December aggregated 18 per cent below a month earlier, owing to the accelerated rate of shipments and to cancellations, their ratio to new orders rose slightly to 122 per cent from 121 per cent in November and compared with only 82 per cent at the close of 1935. Other comparisons with December 1935 show gains this last December of 62 per cent in orders booked, 43½ per cent in shipments, and 144 per cent in unfilled orders. The December rate of operations at between 85 and 90 per cent of capacity was little changed from that of the preceding month and averaged 17 points higher than a year earlier.

#### MIDWEST DISTRIBUTION OF AUTOMOBILES

	December 1936 Per Cent Change From		Calendar Year 1936 Change From Calendar Year 1935	Companies Included		
	Nov. 1936	Dec. 1935		Nov. 1936	Dec. 1935	Year 1935
<b>New Cars:</b>						
Wholesale—						
Number Sold.....	+21.6	+55.4	+6.6	16	15	14
Value.....	+27.5	+43.7	+5.7	16	15	14
Retail—						
Number Sold.....	+21.9	+72.4	+29.3	31	30	30
Value.....	+19.2	+80.9	+41.3	31	30	30
On Hand End of Month—						
Number.....	+4.5	-35.6	+34.3*	31	30	30
Value.....	+6.1	-26.1	+33.5*	31	30	30
<b>Used Cars:</b>						
Number Sold.....	+19.7	+38.6	+31.6	31	30	30
Salable on Hand—						
Number.....	+24.5	+29.7	+22.9*	31	30	30
Value.....	+21.4	+37.4	+23.7*	31	30	30

\*Average end of month.

#### LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	December 1936: Per Cent Change From		Number of Firms or Yards
	November 1936	December 1935	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	+0.0	+62.4	8
Sales in Board Feet.....	+2.1	+62.0	6
Accounts Outstanding <sup>1</sup> .....	-8.8	+35.2	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	-15.3	+37.7	97
Lumber Sales in Dollars.....	-26.6	+41.7	33
Lumber Sales in Board Feet.....	-16.9	+38.9	29
Accounts Outstanding <sup>1</sup> .....	-15.7	+11.9	94
	Ratio of Accounts Outstanding <sup>1</sup> to Total Dollar Sales During Month		
	December 1936	November 1936	December 1935
Wholesale Trade.....	137.5	152.6	168.4
Retail Trade.....	232.9	240.7	286.8

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

## Building Materials, Construction Work

Movement of building materials into consuming channels slowed down considerably during December, although the declines were generally less sharp than in the December average for the ten years preceding. At retail yards, total dollar sales showed a smaller decline than did dollar sales of lumber alone, mainly because of a seasonally heavy movement of coal from some of these yards but also because of an unusually well sustained demand for materials such as brick and cement. Sales of the latter materials probably were stimulated to some extent by price advances announced by a number of clay products dealers as going into effect January 1. Sales of lumber by wholesale and manufacturing concerns totaled slightly larger in December than in the preceding month contrary to the customary seasonal trend. Outstanding accounts of these concerns declined during the month and, as a result, their ratio to sales was considerably lower than either at the close of the preceding month or a year earlier. A similar improvement in this ratio was also shown by reporting retail yards. Lumber sales both at wholesale and retail continued substantially heavier than in the same month a year previous and for 1936 as a whole were approximately 25 per cent larger than in 1935. Shipments of brick and cement, while falling slightly below the November volume, likewise recorded a noticeable improvement over a year earlier. For 1936 as a whole, cement shipments into the district totaled approximately 50 per cent heavier than in 1935.

### BUILDING CONSTRUCTION

A further decline was recorded between November and December in the aggregate volume of building construction in the Seventh district, as reflected by contracts awarded data, the total of such contracts amounting to less than 34½ million dollars in the latter month as compared with close to 36 millions in the former. As against December 1935, when contracts awarded totaled 53 million dollars, the aggregate for this last December was noticeably smaller; however, in December of the earlier year, contracts showed a sharp rise over November, owing to a heavy volume of public works and non-residential projects, and were larger than for any month since March 1931. In the entire year 1936, building construction in this district was substantially heavier than in the preceding year and exceeded that of any year since 1930. Residential building recorded greater improvement this past year than did other types, and amounted to 25 per cent of all building as compared with only 18 per cent in 1935.

Permits issued during December in 100 cities of the Seventh district totaled 145 per cent larger in estimated cost than in December 1935 and 21 per cent above a month earlier. Des Moines furnished an exception to the general trend as compared with a year previous, while Milwaukee

and the totals for smaller cities in Illinois and Michigan were responsible for the gain over November, as most of the larger cities and the smaller centers in other States of the district recorded declines in the monthly comparison. The number of permits issued in December exceeded the corresponding 1935 figure by 72 per cent but was 28 per cent less than in the preceding month.

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

Period	Total Contracts	Residential Contracts
December 1936.....	\$34,456,500	\$8,312,600
Change from November 1936.....	-3.4%	-11.1%
Change from December 1935.....	-35.2%	+33.7%
Calendar Year 1936.....	\$468,238,256	\$117,400,760
Change from calendar year 1935.....	+46.0%	+102.7%

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

## Merchandising

December business of wholesale trade firms in the Seventh Federal Reserve district was exceptionally good in volume. Sales of groceries and hardware expanded 8 and 11 per cent, respectively, over November, whereas recessions are usual in the period, and the gains of 13 and 34 per cent recorded in the drug and electrical supply trades were greater than seasonal for December. Furthermore, in the grocery, hardware, and drug trades, increases over the corresponding month of 1935 were larger than in the yearly comparison for any month subsequent to May 1934. For the calendar year 1936, sales exceeded those of the preceding year by one per cent in groceries, 9 per cent in drugs, 25 per cent in hardware, and 33 per cent in electrical supplies. The 1936 sales volume of the hardware trade surpassed that of any year since 1929, and in the electrical supply trade was the heaviest since 1930, which year it about equaled, while business of drug and of grocery firms was the best in five years.

The 1936 Christmas trade of Seventh district department stores, as evidenced by December sales data, was larger by 19 per cent than in 1935. However, with one more trading day this past December, daily average sales for the month gained only 15 per cent over a year earlier. As compared with November, the dollar volume sold in December rose 63 per cent, as against an expansion in the 1926-35 average for the period of but 54 per cent. Sales in the calendar year 1936, which totaled 14 per cent above the year 1935, were the best in six years. Chicago stores showed the most favorable improvement in business over the preceding year. Although stocks averaged somewhat

### WHOLESALE TRADE IN DECEMBER 1936

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Col-lections	
Groceries.....	+18.6	+8.6	+7.0	+19.5	77.5
Hardware.....	+43.5	+20.9	+21.9	+27.3	151.8
Drugs.....	+22.0	+11.6	+0.7	+17.0	143.3
Electrical Supplies...	+48.7	+60.8	+41.6	+22.8	134.0

### DEPARTMENT STORE TRADE IN DECEMBER 1936

Locality	Per Cent Change December 1936 From December 1935		Per Cent Change Calendar Year 1936 From Calendar Year 1935	Ratio of December Collections to Accounts Outstanding End of November	
	Net Sales	Stocks End of Month	Net Sales	1936	1935
Chicago.....	+18.5	+1.8	+15.5	36.4	32.8
Detroit.....	+21.3	+11.5	+12.9	47.2	45.8
Milwaukee.....	+19.2	+13.8	+14.9	42.8	41.8
Other Cities.....	+18.5	+3.3	+11.1	36.0	33.0
7th District.....	+19.3	+6.2	+14.0	41.3	38.6

higher throughout 1936 than a year earlier, their turnover was faster, a rate of 5.09 times for the year comparing with 4.73 times for 1935.

In accordance with seasonal trend, sales of shoes by reporting dealers and department stores in the Seventh district rose substantially in December over November—by 43 per cent, as compared with a gain of 41½ per cent in the 1926-35 December average—and exceeded those of December 1935 by 16 per cent. The dollar volume sold in the entire year 1936 totaled 11 per cent greater than in 1935. At the close of this past year, stocks on hand were 10 per cent heavier than a year previous, the decline of 14 per cent from the end of November being less than is customary for the period.

A noticeably greater than seasonal increase took place in the retail furniture trade during December, sales of dealers and department stores gaining 30 per cent over

the preceding month, as compared with an increase in the 1927-35 December average of but 21 per cent. Furthermore, the gain of 33 per cent over the corresponding month a year earlier was the largest in this comparison of any month in 1936. Sales of furniture and housefurnishings by reporting firms in the calendar year 1936 were 21 per cent heavier than in the preceding year. Although stocks declined 7 per cent between the end of November and December 31, they exceeded those at the close of 1935 by 15 per cent.

Retail hardware dealers in the five States including the Seventh Federal Reserve district had sales in 1936 totaling 16½ per cent larger than in the year 1935. Gains in the past year ranged from less than 2½ per cent for Iowa dealers to 21 per cent in Michigan, with Illinois, Wisconsin, and Indiana showing respective increases over a year earlier of 15, 17, and 18 per cent.

## MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

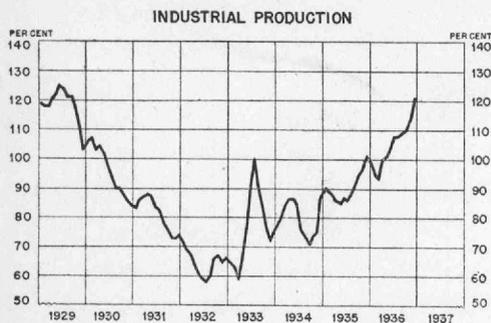
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following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

	No. of Firms	Dec. 1936	Nov. 1936	Oct. 1936	Sept. 1936	Aug. 1936	July 1936	Dec. 1935	Nov. 1935	Oct. 1935	Sept. 1935	Aug. 1935	July 1935
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	96	93	99	97	94	91	83	88	94	86	84	82
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	72	57	74	85	86	77	41	42	47	39	38	33
In Tons.....	12	76	59	76	94	96	85	41	41	47	39	37	32
Malleable—In Dollars.....	21	66	55	56	50	48	53	49	42	45	37	36	38
In Tons.....	21	96	80	80	73	69	77	73	62	66	56	53	55
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	8	251	256	356	274	183	154	176	207	257	196	133	100
<b>Furniture—</b>													
Orders (in dollars).....	12	68	81	84	89	89	100	43	56	62	61	61	74
Shipments (in dollars).....	12	76	75	91	79	72	65	53	54	68	64	56	44
<b>Output of Butter by Creameries—</b>													
Production.....	59	79	88	103	103	101	114	79	75	94	112	131	153
Sales.....	61	93	94	106	104	98	111	101	99	121	107	130	134
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	27	70	65	73	72	75	83	59	63	75	80	70	71
Hardware.....	11	94	85	108	96	84	90	65	75	86	75	71	71
Drugs.....	12	89	78	89	83	74	76	74	72	81	76	77	70
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	157	96	98	86	72	63	133	85	81	73	63	55
Detroit.....	5	186	113	112	134	81	72	153	101	92	110	74	58
Indianapolis.....	4	176	109	128	116	83	73	143	93	101	95	77	64
Milwaukee.....	5	160	105	118	94	77	68	135	94	95	80	69	59
Other Cities.....	41	148	91	97	83	71	59	125	86	83	71	69	52
Seventh District—Unadjusted.....	82	163	101	104	97	75	65	137	90	86	81	68	56
Adjusted.....	82	97	91	95	94	94	91	81	81	78	79	85	78
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		145	117	65	31	72	127	117	115	73	19	62	94
Trucks.....		193	142	90	118	163	182	163	154	156	83	149	153
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		28	32	40	39	59	36	21	17	22	21	17	20
Total.....		50	52	56	54	77	72	78	43	53	43	42	38
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....		117	109	108	103	97	101	79	79	71	68	65	53
United States.....		102	100	98	93	89	85	69	70	65	60	58	50
Steel Ingot Production—(U. S.)*.....		128	130	126	120	121	113	92	91	87	85	81	66

\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

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



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

THE Board's index of industrial production showed a sharp advance in December after allowance is made for the usual seasonal changes. There was a marked expansion in employment and payrolls and retail trade continued at high levels.

## PRODUCTION AND EMPLOYMENT

Actual volume of industrial production showed little change from November to December, at a time when a sharp seasonal decline is usual, and the Board's adjusted index advanced from 114 to 121 per cent of the 1923-1925 average. There was a further rise in activity at textile mills to the highest level on record and output of other nondurable manufactures was maintained. Declines in production of steel and lumber were smaller in December than are usual in that month. At automobile factories there was a marked increase in output. In the first three weeks of January activity at steel mills increased somewhat, but there was a decline in assemblies of automobiles as a result of shutdowns occasioned by strikes. Coal production declined seasonally from November to December, while output of crude petroleum increased, contrary to seasonal tendency.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, showed a seasonal decrease in December.

Factory employment expanded further between the middle of November and the middle of December, contrary to the usual seasonal movement. Increases were general among the durable goods industries, with the largest advances at plants producing automobiles and machinery. In the nondurable goods industries there were marked increases in the number employed at textile mills and at shoe factories. Reflecting principally the higher level of employment and advances in wage rates, factory payrolls increased sharply in December, particularly at steel mills and in the textile industries. In retail trade, employment rose more than seasonally and in most other non-agricultural pursuits there were increases, when allowance is made for seasonal changes.

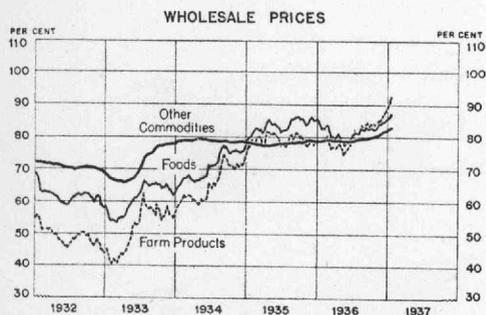


Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to December 1936. Indexes compiled by the United States Bureau of Labor Statistics.

## DISTRIBUTION

Retail sales in December increased seasonally at department stores and by more than the usual seasonal amount at variety stores and mail order houses serving rural areas.

Freight-car loadings showed a smaller decrease than is usual in December, and the Board's seasonally adjusted index advanced further.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1932 to date. Latest figure is for week ending January 16, 1937.

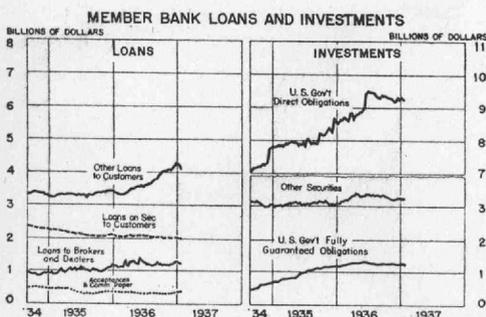
## COMMODITY PRICES

Wholesale prices, for both industrial and agricultural commodities, continued to advance in the second half of December and the first half of January. There were marked increases in prices of industrial raw materials, particularly nonferrous metals, lumber, hides, and wool, and prices of a number of finished goods, such as steel products, paper, and textiles also advanced. Since the middle of January there has been a decline in prices of commodities traded in on the organized exchanges.

## BANK CREDIT

Loans and investments of reporting member banks in leading cities declined in the first three weeks of January, as a result of reductions in commercial loans and in loans to brokers. The decrease in loans reflected in part the retirement of notes issued by the Commodity Credit Corporation last July and in part repayment of other loans, which had increased sharply in preceding weeks. Holdings of Government obligations declined further at New York City banks but increased at banks in other leading cities. Demand deposits decreased at the turn of the year, but thereafter increased somewhat, reflecting chiefly the return of currency from holiday use.

The rate on 90-day bankers' acceptances was raised 1/16 of 1 per cent on January 13 and now stands at 1/4 of 1 per cent. Market discount rates on Treasury bills have also increased, with bills offered in the week ending January 16 selling at a discount of over 1/3 of 1 per cent, as compared with a rate of about 1/10 of 1 per cent early in December.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to January 20, 1937. Loans on real estate and loans to banks excluded.

Excess reserves of member banks increased from \$1,880,000,000 to \$2,130,000,000 in the four weeks ending January 20, reflecting largely the post-holiday return flow of currency from circulation.