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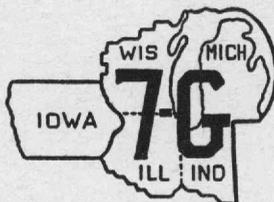
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SEVENTH FEDERAL



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Volume 20, No. 2

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

February 28, 1937

DISTRICT SUMMARY

THERE was some recession apparent during January from levels prevailing in the closing month of 1936 in several phases of Seventh district business, and employment in the middle of January was rather sharply lower than a month previous. However, activity remained substantially above year-ago volumes, though margins of gain were narrowed in some instances, and the declines from December were for the most part seasonal in nature.

The steel and allied industries furnished notable exceptions to the downward trend. Operations of steel mills were expanded between the middle of January and mid-February, with some plants at capacity production, and pig iron production rose further in January. Activity at steel casting foundries continued to expand sharply in the period, and shipments from malleable casting foundries were somewhat heavier, though production declined. Strikes in the automobile industry effected a reduction in output which, however, exceeded that of last January. Building construction increased in the aggregate over December, while the movement of building materials slackened in accordance with seasonal trend. Shipments from furniture factories in the district declined more than is usual in January, and new orders booked showed a much less than normal gain in the period. Declines from December in employment and payrolls were considerably greater in the durable goods and the non-manufacturing industries than in the nondurable goods groups.

Trends in food-producing industries were downward during January. Production of packing-house commodities and that of creamery butter fell off counterseasonally

in the period and were less than a year ago and below the 1927-36 average for January. The manufacture of Wisconsin cheese declined in both the monthly and yearly comparisons and exceeded the ten-year average by only a small percentage. Distribution of these commodities likewise declined in volume from December, although owing to a higher price level than a month earlier the dollar value of packing-house sales increased. Inventories remained heavy. Grain movements, for the most part, declined more than seasonally from December and were unusually light in volume. The reduction from a year ago in livestock on farms January 1, 1937, was less than anticipated.

The merchandising of commodities in this district, both at wholesale and retail, declined in January from the preceding month, in accordance with seasonal trend. Decreases in wholesale trade groups and in the retail furniture trade were greater than in the 1927-36 average for January, while recessions in the department store and retail shoe trades were about seasonal. All phases continued to show gains over the corresponding month of a year previous.

On February 17, total loans and investments of reporting member banks in the district had increased somewhat over the volume on January 20, owing principally to expansion in commercial loans and a gain in holdings of United States Government securities. Member bank reserve balances at this bank declined in the period. Sales of commercial paper by midwest dealers and new financing through bankers' acceptances were lighter in January than in December and considerably below average for the month.

Credit and Finance

Practically all factors which affect member bank reserve balances contributed to a reduction of 80 million dollars in reserves between January 20 and February 17. Chief among these were a loss of 53 million dollars through commercial and financial transactions with other districts and an excess of Treasury receipts over disbursements of 23 million dollars. Minor factors were a decrease in reserve bank credit extended (largely "float") of about 2 million dollars and a growth in money circulation of the same amount. The loss through interdistrict transactions was occasioned by net purchases of 30 million dollars in Treas-

ury bills and notes (Commissioner of Public Debt transfers), offset slightly by a gain from other districts through movements of capital funds; besides sizable shifts in company funds and interbank balances, the remainder of the adverse balance of payments reflected purchases of merchandise, grain, livestock, oil, and fabricating materials for the automobile industry in excess of sales of merchandise, automobiles, and other manufactured products. Heavy payments by depositary banks on War Loan credit account, in addition to sales of Savings bonds and Federal tax collections, were the augmenting factors in Treasury receipts.

There was little change in loan rates of Chicago banks in mid-February as compared with a month previous. The

bulk of prime commercial loans to customers was made at rates of 1½ to 5 per cent by the down-town banks of both Chicago and Detroit, with rates of 1½ to 4½ per cent reported for December. However, the January average rate earned on total loans and discounts by representative Chicago banks of 2.64 per cent compared with 2.70 per cent for the same banks in December. Detroit banks reported a similar decline from 2.71 per cent in December to 2.65 per cent in January.

January sales by midwest commercial paper dealers declined contraseasonally by 18½ per cent from the relatively high level of the preceding month to 34 per cent below the 1927-36 average for the period, but were about 64 per cent above a year earlier. Packer names contributed to a better supply of commercial paper during the first half of February. Demand throughout the period showed no material change, except for a slight weakening on the part of city banks in the first half of February. No change was noted in rates, with the bulk of sales at ¾ per cent.

The volume of acceptances created by Seventh district banks during January fell off 2 per cent, or less than normally, from December, but was smaller than in any month since June 1936, 10½ per cent below last January, and 63½ per cent under the 1927-36 average for the period. Reports for the first half of February show a considerable increase in new acceptance financing. End-of-January outstandings were practically the same as a month earlier but 6 per cent under the year-ago figure and 61 per cent below the ten-year average. Accepting banks purchased from others more than twice the volume of bills bought in December or in January last year, but rediscounting of their own acceptances changed little from a month previous. Bill dealers in this district reported better sales to local banks with rates at ⅜ to ⅙.

Seventh district security dealers report that the bond market has been characterized recently by a slight hesitancy, particularly on the part of institutional buyers, and by a perceptible softening in prices of municipals and high-grade corporate issues. Furthermore, new offerings—both municipal and corporate—have not been as rapidly or readily absorbed. The volume of new corporate offerings, of which over two-thirds was for refunding purposes, was about one-half the high December figure. Yields on Treasury bills firmed somewhat: those dated February 3 were taken at 401 per cent, highest since March 1934, and the February 24 financing was done at a rate of .386 per cent. Chicago Stock Exchange prices shown in the Chicago Journal of Commerce average of 20 leading stocks reached \$68.97 on February 13, which point has not been exceeded since August 29, 1931, but fell off to \$66.96 on February 20.

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)

	January 1937	January 1936
Total country and city check clearings:		
Pieces.....	9,747,174	10,099,794
Amount.....	\$2,059,955,273	\$1,744,087,709
Daily average clearings:		
Total items cleared—		
Pieces.....	389,887	388,454
Amount.....	\$82,398,211	\$67,080,296
Items drawn on Chicago—		
Pieces.....	64,437*	96,382
Amount.....	\$43,369,000	\$34,360,000
Items drawn on Detroit—		
Pieces.....	20,300	19,134
Amount.....	\$10,506,063	\$8,629,691

*Decline in January 1937 is due to packaging of Chicago early clearings.

Agricultural Products

The reduction in livestock numbers from a year ago is somewhat less than had been expected, and the extent of these changes is shown in the following tabulation:

LIVESTOCK ON FARMS—JANUARY 1

Estimated by the United States Department of Agriculture (In Thousands)

	Five States Including Seventh District		United States	
	1937	1936	1937	1936
Number:				
Swine, including Pigs.....	15,788	15,986	42,744	42,837
Milk Cows and Heifers*....	6,453	6,506	25,041	25,439
Other Cattle and Calves....	7,100	7,353	41,635	42,529
Lambs and Sheep.....	5,193	5,484	52,576	52,022
Horses and Colts.....	2,905	2,925	11,527	11,635
Mules and Mule Colts.....	269	271	4,603	4,684
Total Farm Value:				
Swine, including Pigs.....	\$ 226,563	\$ 238,355	\$ 508,423	\$ 544,911
Milk Cows and Heifers*....	369,519	369,944	1,261,608	1,253,427
Other Cattle and Calves....	202,109	214,206	1,010,086	1,063,943
Lambs and Sheep.....	33,988	38,808	315,963	331,922
Horses and Colts.....	340,321	340,232	1,141,911	1,126,457
Mules and Mule Colts.....	33,258	32,547	597,156	563,781

*Two years old and over.

GRAIN MARKETING

Most grain movements at interior primary markets in the United States slowed up more than seasonally in January from December and were in exceptionally light volume. Receipts of wheat were below those of any month subsequent to February 1936 and reshipments thereof were the smallest since last April. Exports remained negligible and imports decreased from December. Coincident with foreign weakness that developed because of large floating stocks, resale pressure of Southern Hemisphere wheat, and favorable harvesting weather in the

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	February 17, 1937	Change From	
		January 20, 1937	February 19, 1936
Total loans and investments.....	\$3,129	\$ +25	\$ +249
Total loans on securities.....	249	+2	+13
To brokers and dealers:			
In New York.....	3	-1	+2
Outside New York.....	47	+2	+15
To others (except banks).....	199	+1	-4
Acceptances and commercial paper			
bought.....	39	+2	+9
Loans on real estate.....	74	0	+9
Loans to banks.....	8	-1	-1
Other loans.....	534	+15	+174
U. S. Government direct obligations..	1,655	+8	-22
Obligations fully guaranteed by			
U. S. Government.....	164	0	+21
Other securities.....	406	-1	+46
Demand deposits—adjusted.....	2,274	-50	+184
Time deposits.....	854	+4	+95
Borrowings.....	0	0	0

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	Change From		
	February 17, 1937	January 20, 1937	February 19, 1936
Total Bills and Securities.....	\$ 277.9	\$ -0.3	\$ -66.9
Bills Discounted.....	0.0	-0.0	-0.0
Bills Bought.....	0.4	-0.0	-0.2
U. S. Government Securities.....	276.4	0.0	-65.8
Total Reserves.....	1,658.6	-72.9	+272.6
Member Bank Reserve Deposits.....	914.4	-79.5	+92.7
All Other Deposits.....	40.0	+2.5	+10.5
Federal Reserve Notes in Circulation..	949.2	+2.3	+96.9
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	87.1%	-0.4*	+5.8*

*Number of Points.

Argentine, prices at Chicago eased further to January 28. Moreover, the domestic market was adversely affected by a lack of confidence in long positions, miller hesitancy, and the resale of Japanese holdings of Pacific Coast wheat acquired earlier in the season. Quotations of No. 2 hard winter wheat for immediate delivery at Chicago, subsequently, had risen to \$1.40³/₄ and \$1.45¹/₂ by February 13, owing principally to better European demand for Southern Hemisphere and Canadian offerings and a considerable diversion to Germany and Spain of Argentine wheat previously intended for London and Liverpool and partially owing to the influence on the domestic market of recent dust storms in the southwestern part of the United States. These quotations reacted later to weakness at Liverpool. Receipts of wheat at interior primary markets in the United States decreased in the first half of February from a month earlier, but reshipments increased. Visible supplies of the grain continued to decline more than seasonally and on February 13 were 63¹/₂ per cent under the 1927-36 average for the date.

The January movement of corn at these centers of accumulation was below that of any month since last October. Imports into the United States continued. Following a bulge early in the fourth week of January, prices of No. 2 yellow corn had declined to \$1.09³/₄ and \$1.11¹/₄ by February 2. With smaller country offerings in the first week of February than in the corresponding period of January and coincident with the advance in wheat, prices of No. 2 yellow corn for current delivery at Chicago had risen to \$1.14³/₄ and \$1.16⁵/₈ by February 16. Visible supplies of the grain in the United States declined contra-seasonally on February 13 from a month earlier and were 55 per cent below the 1927-36 average for the date.

In contrast to the trend in wheat and corn, receipts of oats at interior primary markets in the United States expanded slightly in January over December to the highest level since last August. Reshipments of the grain, though less than in the preceding period, were above the 1927-36 January average. Prices followed the general trend of corn. Visible supplies of oats in the United States decreased on February 13 from a month earlier.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	January 1937	December 1936	January 1936	January 1927-36 Av.
Wheat:				
Receipts.....	7,245	10,717	9,355	16,626
Shipments.....	8,257	11,921	8,079	11,427
Corn:				
Receipts.....	12,490	18,873	14,352	20,904
Shipments.....	4,834	6,309	8,051	11,029
Oats:				
Receipts.....	4,012	3,836	5,653	6,597
Shipments.....	7,076	7,945	5,552	5,341

MOVEMENT OF LIVESTOCK

Cattle, hog, and calf receipts at public stockyards in the United States fell off nonseasonally in January to a level

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	January 1937	Per Cent of Increase or Decrease from December 1936	January 1936
Chicago.....	\$3,382	-15.0	+24.0
Detroit.....	1,010	-16.9	+19.2
Milwaukee.....	298	-11.2	+19.6
Indianapolis.....	212	-4.8	+17.6
Total four larger cities.....	\$4,902	-14.8	+22.4
37 smaller cities.....	806	-11.0	+19.2
Total 41 centers.....	\$5,708	-14.3	+21.9

below other recent months and under a year ago. In contrast, lamb marketings expanded more than is usual over December and remained much greater than a year earlier. Hog receipts declined sharply from the 1927-36 January average but those of other livestock increased in this comparison. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—in general followed the trend of market receipts, except that the supply of hogs and calves was above January 1936. However, the number of cattle, lambs, and calves for slaughter recorded a greater increase over the 1927-36 average for the month than did market receipts and the decline in the slaughter supply of hogs was less marked in the comparison.

More than the usual recession in reshipments of cattle and calves to feed lots took place in January from December; the movement was lighter than in several months past and under a year previous but exceeded the 1932-36 January average. Reshipments of feeder lambs increased contraseasonally over December, exceeded those of last January by 21¹/₂ per cent, and were within 2¹/₂ per cent of the 1932-36 average for the month.

MEAT PACKING

Following the exceptionally heavy volume of a month earlier, January production of packing-house commodities in the United States declined counterseasonally by 18 per cent to a level 4 per cent under a year ago and 15¹/₂ per cent below the 1927-36 January average. The tonnage sold was only slightly smaller than current production but aggregated 14¹/₂ per cent less than the ten-year average for the month, one per cent under last January, and 1¹/₂ per cent lighter than in December. Despite a decline in dry salt pork quotations from December and a downward trend in prices of several products after the first week in January, the general price level of packing-house commodities was higher in January than a month earlier. Dollar sales billed to domestic and foreign customers rose 5 per cent over December to a level above any month since October 1930, 19 per cent higher than a year ago, and 18 per cent in excess of the 1927-36 average for the month. Inventories of these commodities in the United States showed somewhat more than a seasonal accumulation on February 1 over the beginning of January, were nearly double those of a year previous, and exceeded the 1932-36 average for the date by 40 per cent. Payroll data for the close of January recorded a decline from a month earlier of one per cent each in number of employes and wage payments, and of 2 per cent in hours worked. Moreover, gains in the yearly comparison of 16 per cent in

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
January 1937.....	222	697	347	86
Federally Inspected Slaughter,				
United States:				
January 1937.....	867	3,519	1,700	484
December 1936.....	987	4,681	1,573	494
January 1936.....	906	3,428	1,540	465

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended Feb. 20 1937	January 1937	Months of December 1936	January 1936
Native Beef Steers (average).....	\$10.40	\$10.75	\$10.30	\$ 9.35
Fat Cows and Heifers.....	7.80	7.50	7.60	7.10
Calves.....	8.50	9.75	8.90	9.50
Hogs (bulk of sales).....	10.10	10.25	9.95	10.05
Lambs.....	10.50	10.35	8.90	10.35

employees, 18 per cent in hours, and 22 per cent in aggregate payrolls were smaller than those shown at the close of 1936.

Shipments for export decreased further in January. Lard consignments to the United Kingdom were reduced, and there likewise was a decline in forwardings of hams and bacon to that country. On the other hand, tonnage to Cuba and Porto Rico increased. British demand declined for United States lard and was fair for the limited supply of hams and bacon offered. Some inquiry for hams for future shipment to the United Kingdom developed during the month but was believed to be mainly for the purpose of testing the market. Continental European trade in animal products from the United States remained negligible, being largely confined to casings and oleo fats. Cuban and Porto Rican demand continued fair to good. English quotations for packing-house commodities from the United States were under Chicago parity during the entire month; Cuban and Porto Rican prices, on the other hand, were fully up to this parity. Inventories of United States animal products in foreign countries—inclusive of stocks in transit—decreased further on February 1. Importations of packing-house commodities into the United States increased in January over December.

DAIRY PRODUCTS

Under the adverse influence of high feeding costs, the manufacture of dairy products decreased in January from a month earlier, contrary to seasonal trend. Creamery butter production in the Seventh Federal Reserve district declined 6 per cent from December to a level below any month since November 1928; it was 12½ per cent lighter than a year ago and 20 per cent under the 1927-36 January average. Though in excess of current production, the tonnage sold declined 7½ per cent from December to the lowest point since February 1935 and was 14½ per cent smaller than the ten-year average for the month. United States production of the commodity showed trends similar to those of the Seventh district. The consumption of a substantial volume of competitive substitutes continued. Inventories of creamery butter in the United States were seasonally smaller on February 1 than on January 1, but nearly double those of a year ago and more than one-third larger than the 1932-36 average for the date. After declining through most of January, prices strengthened in the first half of February.

American cheese manufacture in Wisconsin aggregated 14½ per cent lighter in January than in December, 13 per cent smaller than a year ago, and only 5 per cent in excess of the 1927-36 average for the month. Distribution of the commodity from primary markets of the State, which showed a decline of approximately 9 per cent in each of these comparisons, recorded less than a normal excess over current production. Total inventories of cheese in the United States on February 1 were one-third larger than the 1932-36 average for the date, having decreased less than seasonally from January 1. Prices eased to January 19 and then steadied at this slightly lower level during the remainder of the month and in the first half of February.

Industrial Employment Conditions

Employment and payrolls, as recorded for the week of January 15 by Seventh district industries, were substantially lower than in the corresponding week a month earlier. The effect of strike conditions in the automobile and re-

lated industries was apparent in the returns, Michigan being responsible for almost one-third of the aggregate loss in employment and considerably more than one-third of the drop in wage payments. The vehicles classification reflected the situation with decreases of 8 per cent in volume of workers employed and 17 per cent in disbursement of wages. Seasonal factors, however, were also operative and especially marked in the stone-clay-and-glass, food products, and merchandising industries which registered unusually large curtailments. The textile industries furnished the main exception to the general trend with employment and payrolls higher than in the preceding month. The paper and printing and chemical groups also showed an upward trend, but the increases amounted to less than one-half per cent each in employment and payrolls. Durable goods as a whole contributed by far the most to the decline within the manufacturing classification, although consumers' goods also recorded definite curtailment. In all of the non-manufacturing groups employment fell off considerably during the month, especially in the merchandising and construction industries where the recession approximated 15 per cent. The spread between the current figures and those of a year ago in the combined industry groups was slightly narrower in January than in December, totaling about 10 per cent in the current employment volume and 19 per cent in payroll amounts.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Although aggregate output of automobiles in January was affected to a considerable extent by the strike in General Motors plants, it surpassed by a small margin that in the month last year. Passenger car production numbered 309,594 this January, or 27 per cent less than in the closing month of 1936 and 4 per cent more than last January, while truck output of 70,249 was 3 per cent below a month previous and 7 per cent above a year ago.

The trend in midwest distribution of automobiles was somewhat similar to that in production, in that sales de-

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of Jan. 15, 1937			Change From Dec. 15, 1936	
	Reporting Firms	Wage Earners	Earnings (000 omitted)	Wage Earners	Earnings
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,496	428,844	11,499	-2.0	-6.4
Vehicles.....	342	398,970	11,711	-8.1	-17.4
Stone, Clay, and Glass.....	248	17,621	384	-11.8	-18.5
Wood Products.....	412	47,149	941	-0.5	-6.2
Total.....	2,498	892,584	24,535	-5.0	-12.2
NON-DURABLE GOODS:					
Textiles and Products.....	313	61,687	1,152	+0.4	+3.2
Food and Products.....	717	97,735	2,378	-4.8	-5.6
Chemical Products.....	224	27,917	744	0.0	+0.6
Leather Products.....	120	22,085	473	-0.8	-0.5
Rubber Products.....	31	15,539	392	-3.9	-9.8
Paper and Printing.....	627	76,730	2,138	+0.4	+0.1
Total.....	2,032	301,693	7,277	-1.7	-2.0
Total Mfg., 10 Groups.....	4,530	1,194,277	31,812	-4.2	-10.0
Merchandising².....	3,291	106,016	2,184	-16.6	-14.8
Public Utilities.....	651	93,510	3,094	-0.1	-2.7
Coal Mining.....	21	4,388	117	-0.0	-8.6
Construction.....	299	8,989	213	-13.5	-13.9
Total Non-Mfg., 4 Groups	4,262	212,903	5,608	-9.6	-8.3
Total, 14 Groups.....	8,792	1,407,180	37,420	-5.0	-9.8

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

clined from the preceding month but exceeded those of a year ago; however, wholesale distribution fell off only slightly from a month previous and sales at both wholesale and retail were much larger than last January. New-car stocks increased on January 31 over the end of December, though not to the extent to which they did a year ago, and were substantially smaller than at the close of January 1936. Used-car sales followed the trend of new cars at retail, except that the decline from December was noticeably smaller than in sales of new cars; stocks gained moderately between December 31 and the end of January but were much heavier than a year ago.

IRON AND STEEL PRODUCTS

Floods and strikes have failed to lower activity in the steel industry of the Chicago district, as broadening demand from sources other than the automobile industry and pressure for deliveries have resulted in a rising rate in mill operations. Some mills are operating at capacity and plants are being reopened that have been closed for a number of years. In addition to the continuance of a heavy railroad demand, buying from the farm implement, structural, and other industries has expanded. In the middle of February, steel ingot production in the district averaged 80½ per cent of capacity, as compared with 77 per cent a month earlier and 60 per cent a year ago. A further slight rise from the high level of December was shown in January pig iron production in the Illinois and Indiana district, the daily average volume exceeding that of last January by close to 60 per cent. Prices are strong, and those of scrap iron and steel continued to advance through January and into February.

Steel casting foundries of the Seventh district reported continued expansion in January, orders rising 29 per cent above the unusually large volume booked in December, while shipments increased 28 per cent and production 22 per cent in this comparison. The spread between current volumes and those of a year ago was the largest since last June, ranging in the several items from over 100 to more than 300 per cent. The fact that some plants now in operation were closed a year ago accounted partially for the heavy gains. At malleable casting foundries, orders booked totaled 20 per cent less in January than in December; shipments were 5 per cent larger and production decreased by a similarly small percentage. All items continued to show gains over a year previous, but the increases were considerably smaller than a month earlier.

The manufacture of stoves and furnaces in January recorded a greater than customary recession for the period,

molding-room operations falling 23 per cent and shipments 63 per cent below those in December. Orders were 5 per cent larger and inventories showed an accumulation of 6 per cent. All items were higher than for January 1936, the increases ranging from 5 per cent in shipments to 59 per cent in orders accepted.

FURNITURE

Much less than the usual expansion was shown this January in new orders booked by reporting furniture manufacturers of the Seventh district, and shipments declined somewhat more than seasonally. However, both items considerably exceeded the 1927-36 average for the period, though not to the extent of a month previous, and were well above the level of a year ago. New orders gained 69 per cent in the monthly and 56 per cent in the yearly comparison, and totaled 32 per cent above the January average, while shipments dropped 23 per cent below December, and were 68 per cent in excess of last January and 36 per cent greater than the average. Unfilled orders on hand at the end of January rose 64 per cent over a month earlier and were 106 per cent of current orders booked, as compared with a ratio of 110 per cent for December; they were 83 per cent heavier than on the same date last year when the ratio to incoming orders was only 86 per cent. There was some curtailment in operations during January, the average rate of capacity for the period being 77 per cent compared with 83 per cent in December.

Building Materials, Construction Work

Seasonal dullness characterized the movement of building materials in January. Lumber sales declined to a greater than usual extent, thereby bringing the winter recession to date up to its customary proportions. Only minor differences were noticeable between the decline in lumber sales alone and in those of other materials handled by reporting retail yards. Wholesale distributors made a better showing than retail dealers, and sales in dollars showed a smaller contraction than did those in board-foot measurement. Shipments of cement from plants located within the district were 20 per cent lower in January than in December, which constitutes about a normal rate of recession. Brick deliveries also followed the average trend for the month with a substantial curtailment. In comparison with year-ago figures, all lines reflected continued improvement, demand for brick being about twice as heavy as in January 1936, cement shipments from 25 to 50 per cent larger, and lumber sales ranging from 30 to 60

MIDWEST DISTRIBUTION OF AUTOMOBILES

	January 1937 Per Cent Change From		Companies Included
	December 1936	January 1936	
New Cars:			
Wholesale—			
Number Sold.....	-2.5	+141.3	19
Value.....	-3.6	+126.8	19
Retail—			
Number Sold.....	-34.4	+41.6	32
Value.....	-32.6	+49.2	32
On Hand January 31—			
Number.....	+15.9	-37.0	32
Value.....	+7.8	-28.2	32
Used Cars:			
Number Sold.....	-13.4	+32.6	32
Salable on Hand—			
Number.....	+8.6	+25.2	32
Value.....	+4.1	+34.4	32

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	January 1937: Per Cent Change From		Number of Firms or Yards
	December 1936	January 1936	
Wholesale Lumber:			
Sales in Dollars.....	-1.7	+44.5	8
Sales in Board Feet.....	-9.4	+32.2	6
Accounts Outstanding ¹	+1.9	+26.1	8
Retail Building Materials:			
Total Sales in Dollars.....	-24.4	+4.2	113
Lumber Sales in Dollars.....	-25.9	+31.1	73
Lumber Sales in Board Feet.....	-31.5	+60.6	47
Accounts Outstanding ¹	-9.7	+5.1	110
	Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month		
	January 1937	December 1936	January 1936
Wholesale Trade.....	136.6	131.7	156.6
Retail Trade.....	318.5	267.8	315.5

¹End of Month.

per cent above the earlier level. Prices have advanced during the past year on practically all building materials with the exception of cement, and the wholesale index for the group, as computed by the United States Bureau of Labor Statistics, stood at 92.1 per cent of the 1926 average in the first week of February, as compared with 85.2 in the corresponding week last year.

BUILDING CONSTRUCTION

A substantial rise was recorded during January in building construction activity in the Seventh district, according to data on contracts awarded, as the dollar volume of such contracts expanded almost 30 per cent over the closing month of 1936 and was larger than for any month since last August. Although residential building, which amounted to 18 per cent of the total, continued to decline somewhat, it exceeded the year-ago volume by 90 per cent.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
January 1937.....	\$44,055,300	\$7,866,200
Change from December 1936.....	+27.9%	-5.4%
Change from January 1936.....	+9.1%	+89.6%

*Data furnished by F. W. Dodge Corporation.

Building permit data for cities in the Seventh district continued in January to show considerable gains over the corresponding month a year earlier, the number of permits issued in 101 cities totaling 55 per cent greater than last January and their estimated cost being 75 per cent larger. As compared with the preceding month, however, declines of 27 and 30½ per cent, respectively, were registered. In the year-to-year comparison, the estimated cost of permits in Indianapolis, Des Moines, and Milwaukee was less this January, while Chicago furnished an exception to the general trend in the monthly comparison, issuing a greater number with a larger estimated cost than in December; the aggregate dollar volumes for smaller cities in Indiana and Wisconsin likewise were above a month previous.

Merchandising

Seasonal trends prevailed during January in wholesale trade conditions of the Seventh district, as sales by reporting groups declined from the December volumes. The recessions were greater than seasonal in extent following unusually good business in December. Grocery sales decreased 6 per cent in the period, drug sales 8 per cent, hardware sales 32 per cent, and electrical supply sales 37½ per cent, as compared with declines in the 1927-36 January average of 3, 1, 23, and 28 per cent, respectively. All groups continued to show gains over the corresponding

month a year ago, but except in electrical supplies they were smaller than those recorded a month earlier. Stocks rose in the current period and remained heavier than a year previous. Accounts-sales ratios were higher than for December in groceries, hardware, and electrical supplies, and in the last named group the ratio was likewise above last January.

The decline of 52½ per cent in January from December in Seventh district department store trade was seasonal for the period, and the gain of 20 per cent over last January equaled the heavy increase shown last October and in the closing month of 1936 over a year previous. Daily average sales were 23 per cent larger this January than in the month last year. As will be noted in the table, Chicago and Milwaukee trade gained considerably more in the yearly comparison than did trade in Detroit and smaller cities of the district. Stocks were only 1½ per cent lower at the close of January than a month earlier, and their excess of 10 per cent over the corresponding date a year ago was the largest in the comparison since the middle of 1934.

From the accompanying chart it may be seen that department store trade in this district has made considerable recovery in the past three years from the low levels obtaining in 1932 and 1933. On the basis of annual performance, by 1936, business of reporting stores in the district as a whole had risen to 42 per cent above the 1933 level. Detroit showed the greatest recovery in the period—57 per cent. Although Milwaukee trade recorded the smallest increase—37 per cent—over the 1933 low, the fact that department store sales in that city did not decline during the depression years to the extent that sales in other cities fell off accounted in part for the size of the gain. As compared with the peak year 1929, department store business in the district was 77 per cent thereof in 1936. The smaller cities of the district made the best showing in this comparison, their aggregate 1936 sales amounting to 83 per cent of the 1929 volume. Detroit trade last year was only 69 per cent of the 1929 level, but the peak had been exceptionally high in that city. Recovery in the larger cities of the district as well as in the smaller cities did not evidence itself until 1934, except in Chicago where the 1933 World's Fair occasioned some improvement over 1932. It will be noted that in the ten years covered by the chart, fluctuations in Detroit sales were much sharper than in other cities of the district; also, that the relationship to the base years, 1923-24-25, was noticeably higher in that city. The latter fact no doubt is due to the rapid development of the automobile industry in subsequent years, and the fluctuations during the year probably reflect trends in that industry.

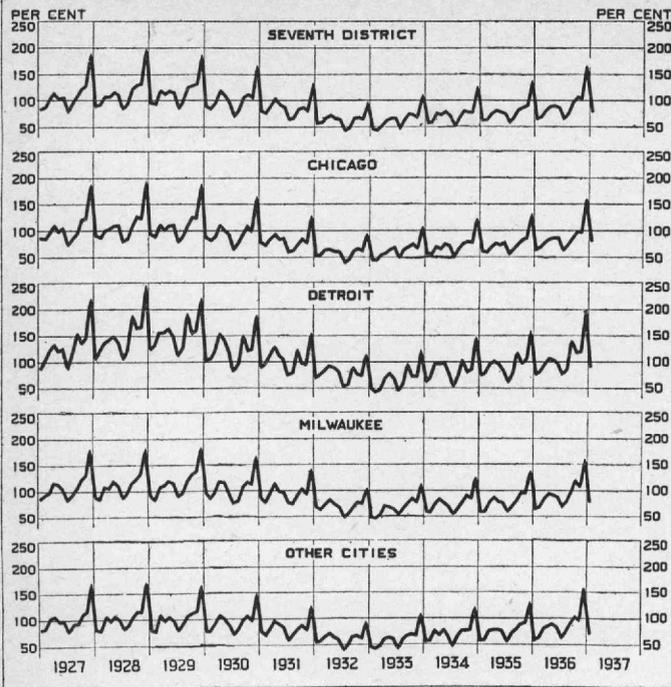
DEPARTMENT STORE TRADE IN JANUARY 1937

Locality	Per Cent Change January 1937 From January 1936		Ratio of January Collections to Accounts Outstanding End of Preceding Month	
	Net Sales	Stocks End of Month	1937	1936
Chicago.....	+22.9	+7.0	40.5	37.7
Detroit.....	+17.9	+11.7	48.7	49.1
Milwaukee.....	+23.5	+16.3	42.4	41.9
Other Cities.....	+15.0	+9.1	40.3	38.7
7th District.....	+20.3	+10.0	43.6	42.4

WHOLESALE TRADE IN JANUARY 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Out- standing to Net Sales
	Net Sales	Stocks	Accounts Out- standing	Col- lections	
Groceries.....	+3.9	+9.3	-5.4	+3.1	87.1
Hardware.....	+33.6	+46.1	+26.8	+36.7	210.9
Drugs.....	+13.9	+9.5	-2.3	+12.1	133.6
Electrical Supplies...	+47.0	+75.1	+63.5	+54.5	174.8

SEVENTH DISTRICT DEPARTMENT STORE SALES



Indexes of value of sales, without adjustment for seasonal variation, 1923-1924-1925 average=100. By months, January 1927 to January 1937.

Sales of shoes by representative dealers and department stores dropped 53 per cent in January from the preceding month, which decline is seasonal for the period. They exceeded the dollar volume sold in January 1936 by 20 per cent, the gain comparing with one of 16 per cent in the yearly comparison for December. Stocks increased 3 per cent during the month and totaled 8 per cent heavier than a year ago.

A somewhat greater than seasonal recession took place during January in the retail furniture trade. Total sales of furniture and housefurnishings by reporting dealers and department stores in the district showed a decline of 41 per cent from December, as compared with a decrease of but 35 per cent in the 1927-36 January average. However, a substantial increase—30 per cent—continued to be recorded over the corresponding month a year ago. Trends in sales by dealers were less favorable than in sales by department stores, the former falling off 43 per cent from a month earlier and gaining only 25 per cent over last January, while the latter declined 41 per cent and increased 31½ per cent in the respective comparisons. Little change was shown in stocks between December 31 and the end of January, and they exceeded those of a year previous by 16 per cent.

MONTHLY BUSINESS INDEXES 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.)

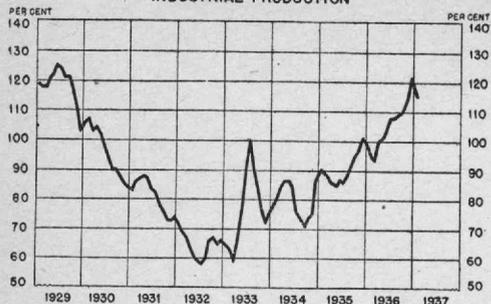
	No. of Firms	Jan. 1937	Dec. 1936	Nov. 1936	Oct. 1936	Sept. 1936	Aug. 1936	Jan. 1936	Dec. 1935	Nov. 1935	Oct. 1935	Sept. 1935	Aug. 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	101	96	93	99	97	94	85	83	88	94	86	84
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	95	73	57	74	85	86	42	41	42	47	39	38
In Tons.....	12	102	77	59	76	94	96	42	41	41	47	39	37
Malleable—In Dollars.....	21	69	66	55	56	50	48	52	49	42	45	37	36
In Tons.....	21	98	96	80	80	73	69	78	73	62	66	56	53
Stoves and Furnaces—													
Shipments (in dollars).....	8	98	266	256	356	274	183	93	176	207	257	196	133
Furniture—													
Orders (in dollars).....	12	114	67	81	84	89	89	73	43	56	62	61	61
Shipments (in dollars).....	12	65	81	75	91	79	72	41	53	54	68	64	56
Output of Butter by Creameries—													
Production.....	59	72	77	88	103	103	101	82	79	75	94	112	131
Sales.....	61	85	93	94	106	104	98	94	101	99	121	107	130
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	65	70	65	73	72	75	63	59	63	75	80	70
Hardware.....	11	64	93	85	108	96	84	48	65	75	86	75	71
Drugs.....	12	83	89	78	89	83	74	73	74	72	81	76	77
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	78	157	98	98	86	72	64	133	85	82	74	63
Detroit.....	6	88	194	117	117	139	84	75	160	104	95	116	77
Milwaukee.....	5	77	160	105	118	94	77	63	135	94	95	80	69
Other Cities.....	44	68	156	94	103	89	74	59	130	88	87	77	71
Seventh District—Unadjusted.....	84	78	164	101	104	97	75	65	137	90	87	83	68
Adjusted.....	84	97	98	91	95	95	94	81	82	81	79	80	85
Automobile Production—(U. S.)—													
Passenger Cars.....		106	145	117	65	31	72	102	117	115	73	19	62
Trucks.....		186	193	142	90	118	163	174	163	154	156	83	149
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		27	28	32	40	39	59	14	21	17	22	21	17
Total.....		64	50	52	56	54	77	59	78	43	53	43	42
Pig Iron Production*—													
Illinois and Indiana.....		120	117	109	108	103	97	77	79	79	71	68	65

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

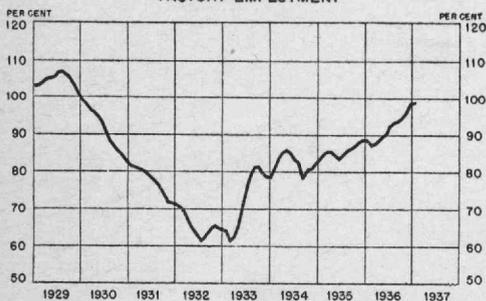
(By the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



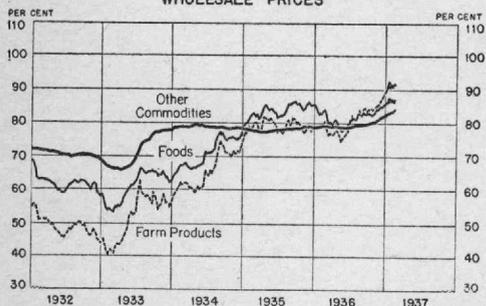
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to January 1937.

FACTORY EMPLOYMENT



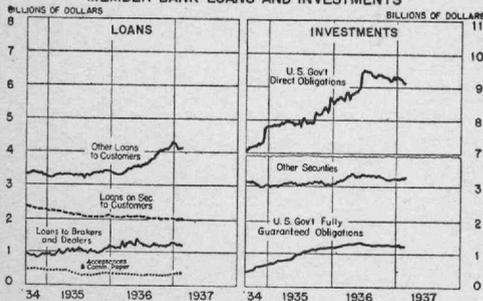
Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to January 1937.

WHOLESALE PRICES



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1932 to date. Latest figure is for week ending February 20, 1937.

MEMBER BANK LOANS AND INVESTMENTS



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to February 17, 1937. Loans on real estate and loans to banks excluded.

INDUSTRIAL activity, adjusted for seasonal changes, showed a decline in January following a rapid rise in November and December. Distribution of commodities to consumers declined more than seasonally.

PRODUCTION AND EMPLOYMENT

Volume of industrial production, which usually increases at this time of year, declined from December to January, and the Board's seasonally adjusted index was 115 per cent of the 1923-1925 average as compared with 121 in December and 114 in November. Steel production increased, though by less than the usual seasonal amount, and was larger in January than at any other time during the recovery period. In the first three weeks of February output of steel increased somewhat further. Output of automobiles was curtailed by strikes in January and the first half of February, but after the strikes were settled production rose sharply. At lumber mills there was a considerable decrease in activity in January, reflecting in part the effects of unusually cold weather in the western lumber regions. Production of plate glass declined further in January, but toward the end of the month the strikes which had restricted output since October were settled. At textile mills activity declined from the exceptionally high level reached in December, and in the meat-packing industry there was also a decrease, while output at shoe factories increased. Mineral production was smaller in January than in December, reflecting a reduction in output of coal. There was a further rise in output of crude petroleum.

Value of construction contracts awarded showed a considerable rise in January, according to figures of the F. W. Dodge Corporation, and was substantially larger than a year ago. The most marked increases over December were in factory building, which recently has been in larger volume than at any time since 1930, and in residential building. The increase in residential building was largely in publicly-financed apartment construction.

Factory employment and payrolls showed about the usual seasonal decline between the middle of December and the middle of January. Among the durable goods industries there were increases in employment at blast furnaces and steel mills and at foundries and machine shops, while in the automobile industry there was a considerable decline. In industries producing nondurable goods, employment declined by less than the usual seasonal amount, with increases at textile mills and in the chemical industries, and seasonal reductions in working forces in most other lines.

DISTRIBUTION

Department store sales showed the usual seasonal decrease in January, while sales at variety stores and mail-order houses declined considerably more than is usual. Car loadings of revenue freight also declined in January, reflecting in part the effects of floods. There were substantial declines in shipments of forest products, coal, and miscellaneous freight.

COMMODITY PRICES

The general level of wholesale commodity prices, which, according to the Bureau of Labor Statistics, had advanced more than 5 per cent from the end of October to the middle of January, showed little change from the middle of January to the third week of February. Prices of agricultural commodities declined slightly, while industrial commodities as a group continued to advance. There were substantial increases in nonferrous metals, lumber, and petroleum, and smaller increases in a wide variety of finished products, while prices of glass and certain cotton textiles declined, following rapid increases in other recent months.

BANK CREDIT

Total loans and investments of weekly reporting member banks in leading cities declined somewhat further during the four weeks ending February 17, reflecting principally a decrease in holdings of United States Government obligations. Commercial loans, following a seasonal decline in January, increased at reporting banks outside New York City and remained practically unchanged in New York.

On January 31 the Board of Governors raised reserve requirements for member banks by 33 1/3 per cent, half of the increase to become effective on March 1 and half on May 1. This action completes the use of the Board's authority under the law to raise reserve requirements.

Excess reserves of member banks showed little change in the five weeks ending February 24; there was a further increase at New York City banks and a decline at banks elsewhere.

The rate on bankers' acceptances was raised 1/16 of 1 per cent on February 1, following a similar increase on January 16. Market yields on short- and medium-term Treasury obligations also increased slightly in January and the early part of February, while yields on long-term Government bonds showed little change.