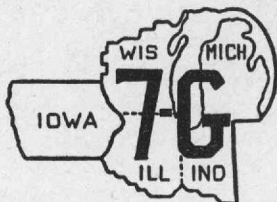




BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

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FEDERAL RESERVE BANK OF CHICAGO

March 27, 1937

Martin
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DISTRICT SUMMARY

TRENDS in Seventh district business conditions were varied during February, with seasonal factors operative to a considerable extent. Levels in general were well above those of last February when adverse weather exerted a deterrent effect on activity in many lines.

Steel mills have continued to operate at a high rate and it has been necessary to extend deliveries on most products. Although new orders declined in the period, steel and malleable casting foundries produced and shipped larger volumes in February than in January. The continuance of strikes in the first half of the month prevented total production of automobiles from equaling that of January, but it exceeded the February 1936 output. As is customary in February, shipments from furniture factories increased, but to a lesser than usual extent and orders booked declined more than seasonally. Building construction, as indicated by contracts awarded, fell off from January, in accordance with seasonal trend, although residential building increased slightly in the comparison. The movement of building materials showed the usual variations in trend during the month. Industrial employment and payrolls, especially in the durable goods industries, expanded in February following the sharp curtailment of a month previous.

Smaller volumes of packing-house commodities and of butter and cheese were produced in February than in the preceding month, but sales showed somewhat more favorable trends, the tonnage sold in packing-house commodities declining less than is usual, butter sales showing a counterseasonal increase, and distribution of cheese about equaling that of January. As compared with a year ago,

sales of meats and butter were larger and those of cheese smaller; all were below the 1927-36 average for February as were production volumes. Inventories continued heavy. Grain movements declined further in February from the low level of January.

A very slight decline took place during February in Seventh district department store trade, and the increase of 13 per cent over a year ago compared with one of 20 per cent in January over a year earlier, although daily average sales were 19 per cent above last February. The retail shoe trade decreased seasonally from the preceding month, while the retail furniture trade rose sharply. The wholesale hardware and electrical supply trades recorded favorable trends in February, sales in the former group expanding more than seasonally in the period and those in the latter increasing counter to trend; both showed large gains over a year earlier. The wholesale grocery and drug trades, on the other hand, experienced somewhat greater than seasonal recessions during February.

As a result principally of increases in loans on securities and in commercial loans, total loans and investments of reporting member banks in the Seventh district were somewhat higher on March 17 than a month earlier, a decline in holdings of United States Government securities counteracting to a considerable degree the gains in the items mentioned. Member bank reserve balances at this bank were noticeably larger on March 17 than four weeks previous. Following declines in January, new financing through bankers' acceptances and dealer sales of commercial paper increased in February, the latter being more than double those of last February.

Proposed Capital Expenditures in 1937

An analysis of returns received by this bank from 163 large companies comprising approximately 50 per cent of the major concerns engaged in manufacture, public service, or transportation in the Seventh Federal Reserve district, shows capital expenditures as planned for the area in 1937 to be one-third greater than actual disbursements for that purpose in 1936. Of the reported total of \$240,500,000 for 1937, the amount to be devoted to new machines and other equipment in plant extension is estimated as

\$83,000,000 and that to replacement or repair of obsolete and depreciated machines and other equipment as \$94,500,000. Approximately \$13,500,000 will go for new buildings and \$29,000,000 for alteration, replacement, or repair of present structures. Unclassified expenditures account for the remaining \$20,500,000 of the total. Public utilities and railways continue to predominate the expansion and replacement programs, but plans are also substantial for 1937 in groups processing iron and steel and in the food industries. Capital expenditures as reported by the building materials and wearing apparel industries are

smaller in dollar volume than in other groups. A few public utilities in receivership have deferred programs for 1937, pending reorganization. Sit-down strikes prevented the filing of reports by a few concerns, particularly in the motor vehicles industry, and a number of companies in other industries were inclined to defer a definite program until labor conditions become more settled.

PROPOSED CAPITAL EXPENDITURES FOR 1937
Seventh Federal Reserve District

Industrial Group (Number of firms indicated in parentheses)	Per Cent Change from Actual Disbursements in 1936				
	Total Expenditures Proposed	Plant Extension		Alterations and Replacements	
		New Buildings	New Equipment	Buildings	Equipment
Auto Accessories, Motor Vehicles, and Aviation (17)	+39.6	+19.5	+43.7	+30.7	+38.5
Clothing and Wearing Apparel (16)	-2.8	+182.5	+2.1	-9.5	-14.6
Building Materials ... (9)	+33.3	+275.1	+33.2	+2.9	+20.8
Machinery, Tools, and Electrical Equipment (21)	+10.2	+46.9	-15.6	-5.2	+4.2
Foods, Beverages, and Confections (31)	+13.2	+2.9	-27.2	+39.2	+41.6
Railroads (8)	+48.0	+114.7	*	+1.4	+40.4
Public Utilities (7)	+35.8	*	+56.6	+45.6	+12.6
Paper and Containers (20)	+65.8	+169.0	+110.2	+34.7	+1.4
Iron, Steel, Foundries, Stoves and Furnaces (19)	-5.5	-5.3	-15.6	-72.2	+23.3
All Other (15)	+39.0	+67.5	+57.3	+12.7	+18.7
Total All Groups. (163)	+34.9	+83.7	+64.1	+8.5	+23.4

* Because of a relatively negligible volume of expenditures in 1936 as compared with those proposed in 1937, percentage changes appear abnormally large and so are not shown.

Note: As in 1936, much the greater amount of proposed expenditures in 1937 is for new machines and other equipment, and for replacement of obsolete and depreciated machines and equipment, rather than for buildings.

Credit and Finance

Reserve balances of Seventh district member banks rose about 73 million dollars between February 17 and March 17, the increase resulting from a gain of 133½ million dollars through interdistrict commercial and financial transactions. This gain in funds was brought about by net sales of 32 million dollars in Treasury bills and notes to other districts, and by an influx of capital funds of approximately 60 million dollars, of which a large amount was in connection with a public utility bond redemption; while the remainder was made up mainly of large shifts in interbank balances for the purpose of building up reserves in view of the increased requirements, plus transfers of corporate funds in the automobile, public utility, and steel industries. Partially offsetting the gain in banking funds through commercial and financial transactions was an excess of Treasury collections over disbursements of 50 million dollars, chiefly occasioned by heavy income tax

payments. Minor offsetting factors were an increase in money circulation of 8 million dollars and a decline in reserve bank credit extended of 2½ million dollars.

Practically no change was noted in rates on prime commercial loans in mid-March over a month previous. However, there was a slight softening in both demand and time collateral loan rates and at the same time some strengthening in rates on commodity paper loans. The average rate earned on total loans and discounts by certain representative Chicago and Detroit banks firmed somewhat in February; for the Chicago banks the increase was from 2.64 per cent in January to 2.67 per cent, and for Detroit banks from 2.65 to 2.72 per cent.

Sale of commercial paper by midwestern dealers rose in February to 6 per cent above the preceding month and more than twice the year-ago total and, though below the 1927-36 February average, were the largest for the month since 1931. Paper outstanding at the end of the period increased 10 per cent over January to the highest point since the close of February 1931, but remained 4½ per cent below the ten-year average for the date. Because of the absence of packer names, sales during the first half of March were considerably smaller than in the corresponding February period. The bulk of sales continued to be made at ¾ per cent, with fewer sales at ⅝ and more at 1 per cent than previously.

Although the volume of acceptances created during February by Seventh district banks totaled 20½ per cent above January, it was about 5 per cent below the year-ago figure and 56 per cent under the 1927-36 average for February. Reports for the first half of March indicate a sizable drop from the corresponding February period. Liability for outstandings at the end of February changed little over January 31 and was only 4 per cent less than a year earlier but 60½ per cent below the 1927-36 average for the date. Accepting banks rediscounted 29 per cent more of their own acceptances in February, but purchases of paper from others fell off to a negligible amount. There was no material change in rates on the open-bill market, which was very inactive, with sales and purchases two-thirds less than in January.

Midwestern dealers report that the hesitancy which characterized the bond market in January became more pronounced in February. Uncertain as to the outlook for interest rates, institutional buyers exhibited considerable lack of interest and adopted a cautious, waiting attitude; individual investors were more interested in common stocks or in high-grade bonds and preferred stocks with

**CONDITION OF LICENSED REPORTING MEMBER BANKS
SEVENTH DISTRICT**
(Amounts in millions)

	March 17 1937	Change From	
		February 17 1937	March 18 1936
Total loans and investments.....	\$3,140	\$ +11	\$ +200
Total loans on securities.....	262	+13	+13
To brokers and dealers:			
In New York.....	3	0	+1
Outside New York.....	52	+5	+13
To others (except banks).....	207	+8	-1
Acceptances and commercial paper bought.....	36	-3	+6
Loans on real estate.....	76	+2	+10
Loans to banks.....	8	0	-1
Other loans.....	565	+31	+170
U. S. Government direct obligations..	1,616	-39	-58
Obligations fully guaranteed by U. S. Government.....	164	0	+20
Other securities.....	413	+7	+40
Demand deposits—adjusted.....	2,259	-15	+252
Time deposits.....	852	-2	+87
Borrowings.....	0	0	0

**FEDERAL RESERVE BANK OF CHICAGO, SELECTED
ITEMS OF CONDITION**
(Amounts in millions)

	March 17 1937	Change from	
		February 17 1937	March 18 1936
Total bills and securities.....	\$277.9	\$ -0.0	\$ -51.1
Bills discounted.....	0.1	+0.0	+0.0
Bills bought.....	0.4	0.0	-0.2
U. S. Government securities.....	276.4	0.0	-49.8
Total reserves.....	1,708.7	+50.0	+283.8
Member bank reserve deposits.....	987.2	+72.8	+273.4
All other deposits.....	11.7	-28.3	-131.6
Federal Reserve notes in circulation..	952.1	+2.9	+92.5
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.5%	+0.4*	+4.5*

* Number of points

the conversion privilege. Although there seemed to be ample funds seeking investment, the bond market in general was dull. Heaviest price declines took place in Government obligations and in high-grade corporate issues; the market in municipal issues was particularly inactive. February new corporate offerings were larger in volume than in January, but on the whole they were poorly received and the market on several issues fell below the offering prices. Many proposed issues were subsequently deferred, and several issues were repriced or contemplated coupon rates raised. Treasury bill rates have continued their firming tendency; those dated March 24 were sold at an average rate of .711 per cent, in contrast with an average rate of only .08 per cent for February 1936. Stock prices on the Chicago Exchange, as evidenced by the Chicago Journal of Commerce average, failed to regain the high of \$68.97 reached February 13 and aggregated \$63.03 on March 22.

of renewed strength in world markets. Major factors contributing to this rise were: the resumption of heavy purchases of Argentine, Australian, and Canadian wheat by Germany, Italy, the United Kingdom, and Spain; the consequent rapid reduction in exportable surpluses of the Southern and Northern Hemispheres; considerably smaller stocks in North America on March 1 than a year earlier; uncertainty regarding new crop prospects in the southwestern United States hard wheat belt; and short covering. Furthermore, reshipments of wheat from interior primary markets of the United States have continued in excess of current arrivals. Prices again showed a tendency to ease in mid-March, largely as a reflection of profit-taking and of some improvement in growing conditions in Kansas, Oklahoma, and other areas in the Southwest.

Corn receipts at interior primary centers of the United States fell off counterseasonally in February from a month earlier, but the decline in reshipments was smaller than the 1927-36 average January-February recession. Imports continued in substantial volume. Stocks of corn in the United States were sharply lower on March 1 than a year ago, despite a gain in the visible supply. Marketings of oats at primary centers of the United States were the smallest since last autumn. Moreover, reshipments of this grain considerably exceeded the volume of current arrivals and there was a further increase in the ratio during the first half of March. Stocks of oats in the United States on March 1 were substantially smaller than a year earlier. Prices of both corn and oats followed the general trend of wheat during February and the first half of March.

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)

	February 1937	February 1936
Total country and city check clearings:		
Pieces.....	9,046,481	9,051,015
Amount.....	\$1,809,292,866	\$1,516,892,099
Daily average clearings:		
Total items cleared—		
Pieces.....	411,204	393,522
Amount.....	\$82,240,585	\$65,951,830
Items drawn on Chicago—		
Pieces.....	66,953*	100,375
Amount.....	\$43,486,000	\$34,484,000
Items drawn on Detroit—		
Pieces.....	20,128	20,190
Amount.....	\$9,410,123	\$8,210,670

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

Agricultural Products

GRAIN MARKETING

The movement of grain at interior primary markets in the United States declined further during February from the exceptionally low level prevailing in January. Wheat receipts and reshipments were lighter than in any month since last February, imports of the grain into the United States decreased from January and a year earlier, and exports remained negligible. The prospect of moisture in dry areas of the Southwest, a pause in the Continental European drain upon world supplies, resale pressure of heavy Argentine shipments, and some uneasiness of long positions resulted in a decline in prices during the last half of February. Following a drop from \$1.40 $\frac{3}{4}$ and \$1.45 $\frac{1}{2}$ on the thirteenth of the month to \$1.32 $\frac{7}{8}$ and \$1.37 $\frac{3}{4}$ on February 25, quotations for No. 2 hard winter wheat for immediate delivery at Chicago subsequently recovered to \$1.42 $\frac{1}{8}$ and \$1.45 $\frac{1}{2}$ by March 10 because

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	February 1937	January 1937	February 1936	February 1927-36 Av.
Wheat:				
Receipts.....	6,107	7,245	5,525	17,740
Shipments.....	7,156	8,257	6,893	10,627
Corn:				
Receipts.....	9,397	12,490	13,769	21,416
Shipments.....	4,732	4,834	7,546	10,088
Oats:				
Receipts.....	3,456	4,012	4,436	6,742
Shipments.....	5,979	7,076	3,772	5,593

MOVEMENT OF LIVESTOCK

Receipts of cattle at public stockyards in the United States declined more than seasonally in February to the lowest level since April 1933, and those of lambs aggregated less than in any month subsequent to December 1935; the volume of each decreased in comparison with the 1927-36 February average. Calf marketings were in excess of last February and the ten-year average for the

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, February 1937.....	177	506	251	79
Federally Inspected Slaughter, United States:				
February 1937.....	708	2,842	1,315	437
January 1937.....	867	3,519	1,700	484
February 1936.....	742	2,319	1,314	405

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	March 20 1937	February 1937	January 1937	February 1936
Native Beef Steers (average).....	\$11.05	\$10.40	\$10.75	\$ 8.45
Fat Cows and Heifers.....	8.10	7.80	7.50	6.75
Calves.....	9.00	8.85	9.75	9.15
Hogs (bulk of sales).....	10.15	10.10	10.25	10.40
Lambs.....	12.65	10.50	10.35	10.10

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	February 1937	Per Cent of Increase or Decrease from	
		January 1937	February 1936
Chicago.....	\$2,847	-15.8	+11.7
Detroit.....	846	-16.3	+12.0
Milwaukee.....	269	-9.6	+11.7
Indianapolis.....	178	-15.9	+22.7
Total four larger cities.....	\$4,140	-15.5	+12.2
37 smaller cities.....	689	-14.6	+15.4
Total 41 centers.....	\$4,829	-15.4	+12.6

period, though falling off in greater than usual degree from January. On the other hand, hog receipts recorded a smaller than seasonal recession in February and were above a year ago but under the 1927-36 average for February. In several instances, the movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—diverged from the trend of market receipts: the number of cattle and lambs for this purpose considerably exceeded the 1927-36 average for the month and that of lambs was practically the same as a year ago. Moreover, the slaughter supply of cattle during each of several months in the first half of 1935 was lower than in February 1937 and that of lambs was less during last February, April, May, and June.

February reshipments of cattle to feed lots exceeded those of a year ago but were less than in subsequent months and below the 1932-36 average for the period; lambs showed a similar trend except they were greater than in March 1936. The movement of feeder calves was the smallest of any month since June 1934 and less than the five-year February average.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States declined 18 per cent in February from January to a level below any month within the past year and 15 per cent under the 1927-36 average for the period, but exceeded that of last February by $7\frac{1}{2}$ per cent. Though showing less than a seasonal recession from January and aggregating $2\frac{1}{2}$ per cent heavier than a year ago, the tonnage sold was the smallest since last February and 11 per cent lighter than the ten-year average for the month. The general price level of packing-house products declined slightly in February from the preceding period, despite an advance in quotations for beef and lamb. Dollar sales billed to domestic and foreign customers totaled 9 per cent smaller than in January but were $10\frac{1}{2}$ per cent greater than the 1927-36 February average and $11\frac{1}{2}$ per cent larger than a year ago. Inventories of these commodities in the United States accumulated somewhat more than seasonally on March 1 over a month previous and were not only 85 per cent heavier than on the corresponding date of 1936 but also 42 per cent greater than the 1932-36 March 1 average. Payrolls at the close of February showed a decline from January of 6 per cent in number of employes, $8\frac{1}{2}$ per cent in hours worked, and of $7\frac{1}{2}$ per cent in wage payments. However, employment, hours, and wage payments increased by 15, $16\frac{1}{2}$, and 21 per cent, respectively, over a year earlier.

Shipments for export declined further in February. Forwardings of lard decreased and were mainly to Porto Rico and Cuba; there was some increase in the movement of hams to the United Kingdom. British trade was relatively quiet for United States lard but improved for hams because of the Easter holiday demand. Continental European inquiry for packing-house commodities from the United States remained exceptionally light. Under the influence of lower-priced offerings than a month earlier, Porto Rican buyers purchased a fairly substantial quantity of lard during February; Cuban demand likewise was good. British quotations for United States lard and meats ruled 1 to $1\frac{1}{2}$ cents under Chicago parity but quotations in Porto Rico and Cuba fully equaled this basis. Inventories of United States packing-house products in foreign markets—inclusive of stocks in transit—showed little

change on March 1 from a month earlier. Imports of animal products into the United States expanded in February over January.

DAIRY PRODUCTS

Seventh district production of creamery butter declined $2\frac{1}{2}$ per cent in February from the relatively small volume of January, and was 14 per cent under a year ago and $19\frac{1}{2}$ per cent below the 1927-36 February average. On the other hand, the tonnage sold was within 4 per cent of this ten-year average; it rose counterseasonally by $6\frac{1}{2}$ per cent over January to a level 2 per cent above last February. Manufacture of the commodity in the United States likewise aggregated substantially less than a year earlier and the 1927-36 average at this season, having fallen off in greater degree from January than did that of the Seventh Federal Reserve district. Inventories of creamery butter in the United States decreased 50 per cent on March 1 from the beginning of February but were 29 per cent heavier than the 1932-36 average for the date and 151 per cent larger than a year ago. Prices rose slightly in February over January and advanced further during the first half of March.

The manufacture of American cheese in Wisconsin declined counterseasonally by 4 per cent in February from a month earlier to the lowest point since March 1935 but totaled only one per cent less than the 1927-36 February average and $3\frac{1}{2}$ per cent smaller than a year ago. Distribution, which exceeded current production by a less than seasonal amount, remained on a level with January, aggregated 25 per cent lighter than last February, and was $5\frac{1}{2}$ per cent under the ten-year average for the month. Total inventories of cheese in the United States decreased less than seasonally on March 1 from the beginning of February and were 40 per cent in excess of the 1932-36 average for the date. Prices remained steady throughout February and the first half of March at the slightly lower level which obtained on January 19.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of February 15, 1937			Change from January 15, 1937	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted) \$	Wage Earn- ers %	Earn- ings %
	No.	No.			
Durable Goods:					
Metals and Products ¹ . . .	1,503	471,741	13,065	+4.9	+8.4
Vehicles	334	404,623	12,859	+2.4	+14.0
Stone, Clay, and Glass . . .	250	22,379	490	+7.4	+6.1
Wood Products	412	48,152	1,028	+1.4	+9.2
Total	2,499	946,895	27,442	+3.7	+10.9
Non-Durable Goods:					
Textiles and Products . . .	318	64,743	1,222	+3.4	+6.9
Food and Products	736	100,790	2,464	-0.3	+0.1
Chemical Products	228	33,565	949	+1.6	+4.1
Leather Products	135	27,325	573	+3.1	+4.5
Rubber Products	32	19,136	502	-1.4	+5.1
Paper and Printing	622	78,599	2,211	+1.3	+2.5
Total	2,071	324,158	7,921	+1.2	+2.9
Total Mfg., 10 Groups	4,570	1,271,053	35,363	+3.1	+9.0
Merchandising ²	3,304	104,681	2,229	-0.0	+3.1
Public Utilities	723	94,588	3,189	+0.4	+2.6
Coal Mining	25	5,128	151	-2.3	+9.0
Construction	299	9,212	222	+2.4	+4.5
Total Non-Mfg., 4 Groups	4,351	213,609	5,791	+0.2	+3.0
Total, 14 Groups	8,921	1,484,662	41,154	+2.6	+8.1

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

Industrial Employment Conditions

Increases of 2½ and 8 per cent, respectively, in aggregate employment and payroll volumes of Seventh district industries were recorded for the payroll period of February 15 as compared with the corresponding period a month earlier. These gains did not quite offset the substantial losses shown in the preceding month, which totaled as much as 5 and 10 per cent, respectively, and which to a considerable extent were the result of labor disturbances, especially in the Michigan area. Although agreements had been reached before the middle of February in a number of the prevailing labor disputes, the final or partial settlements effected did not account entirely for the current gains to which all of the States within the district and practically all of the main industrial groups contributed. Reporting firms in the vehicles group in Michigan added 2 per cent to their employment volume in February after a curtailment of close to 10 per cent in January. On the other hand, metal and metal products concerns in the same State reported an increase of 9½ per cent as against a decrease of 7½ per cent in the preceding month. In the entire manufacturing classification, Michigan regained less than one-half of its earlier curtailment in employment volume, Indiana recovered practically all of the previous loss, while the other States showed a moderately upward trend continued from the preceding month. Non-manufacturing groups in the district as a whole did little more than maintain employment at the January level. Increases in payroll amounts during the current month were to some extent heightened by the introduction of higher wage rates in a large number of industrial establishments. Some of these were incidental to the settlement of the labor strikes, while others were given voluntarily. The trend toward higher wage levels continued after the February payroll period, as did also the spread of labor disturbances, and these latter had become more serious by March than in either of the two preceding months.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

The General Motors strike continued through the first half of February to have its effect upon total output of automobiles. However, production estimates for the entire month did not indicate any great decline from the January volume and showed an increase over output last February.

MIDWEST DISTRIBUTION OF AUTOMOBILES

	February 1937 Per Cent Change from		Companies Included
	January 1937	February 1936	
	New Cars:		
Wholesale—			
Number Sold.....	-38.0	+45.7	16
Value.....	-39.3	+31.3	16
Retail—			
Number Sold.....	-28.8	-4.9	28
Value.....	-35.1	-5.2	28
On Hand End of Month—			
Number.....	+14.5	-46.4	28
Value.....	+6.0	-45.5	28
Used Cars:			
Number Sold.....	+10.2	+23.7	28
Salable on Hand—			
Number.....	-9.5	+8.1	28
Value.....	-9.1	+18.5	28

Distribution of new automobiles in this district fell off rather sharply in February from a month previous at both wholesale and retail. Although about half the dealers sold more cars to consumers than in February 1936, declines in this comparison reported by firms handling General Motors lines effected a small decrease in the total. Wholesale distribution, on the other hand, aggregated much heavier than a year ago. Sales of used cars expanded in February and were well above those of last February. At the end of February, new-car stocks were somewhat larger than a month previous but only about 55 per cent of those on hand last year at the same time. Although stocks of used cars decreased in the period, they continued to be greater than a year ago.

IRON AND STEEL PRODUCTS

Demand for steel products has continued insistent in recent weeks, with the result that mill operations have been maintained at a high level and that deliveries have been extended. Although anticipated price advances following announced wage increases accelerated the volume of buying to some extent in the first part of March, expanding production in steel-consuming lines has been a major factor in the demand. With many units operating at practical capacity, operations of Chicago district mills in the first half of March averaged 82 per cent of capacity, which rate compares with one of 80½ per cent in the middle of February and with 63 per cent a year ago. Production of pig iron in the Illinois and Indiana district continued to expand in February and was almost 65 per cent greater in the daily average than in the month last year. In the early part of March, prices of finished steel products were raised from \$5 to \$8 per ton, and the price of pig iron was increased another \$2 over the \$1.00 advance made in the third week of February. The scrap iron and steel market has remained strong.

Steel and malleable casting foundries of the Seventh district booked less orders in February than in January but continued to increase shipments and expanded operating schedules. The gain in production was small, totaling 4 per cent for malleable and 6 per cent for steel castings, while in tonnages shipped the increases were somewhat larger—6 and 13 per cent, respectively. A decline of 39 per cent in the volume of orders booked for steel castings reversed a trend that had been steadily upward since last September. Malleable castings showed a decline of only 2 per cent in this item during February, after having recorded a 20 per cent recession in the preceding month.

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	February 1937 Per Cent Change from		Number of Firms or Yards
	January 1937	February 1936	
	Wholesale Lumber:		
Sales in Dollars.....	+12.1	+57.7	9
Sales in Board Feet.....	+11.2	+47.1	7
Accounts Outstanding ¹	+6.1	+37.8	9
Retail Building Materials:			
Total Sales in Dollars.....	-6.2	-4.7	116
Lumber Sales in Dollars.....	-5.6	+49.3	75
Lumber Sales in Board Feet.....	-5.6	+58.5	48
Accounts Outstanding ¹	-3.0	+3.8	113
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
	February 1937	January 1937	February 1936
Wholesale Trade.....	139.7	147.5	159.9
Retail Trade.....	333.8	322.8	305.4

¹End of Month.

All items continued to compare favorably with year-ago figures, the increases in malleable castings ranging from 30 to 45 per cent and in steel castings from 140 to 200 per cent.

After the severe decline of the preceding month, activity at stove and furnace factories experienced the customary seasonal reaction in February, orders accepted increasing 9 per cent, shipments 34 per cent, and molding-room operations 49 per cent. Shipments and operations each were on a scale approximately 15 per cent larger than a year ago, while new orders showed an increase of 46 per cent in this comparison. Inventories at the close of February were 25 per cent above those of a month earlier and almost again as high as at the same time last year.

FURNITURE

Trends in the furniture industry of the Seventh district continued to be somewhat unfavorable during February. The decline of 32 per cent from January in orders booked by reporting manufacturers was more than seasonal for the period, while the increase of 25 per cent in shipments was less than is usual; in January the gain in new orders had been smaller and the decrease in shipments greater than in the 1927-36 average for the month. However, both orders booked and shipments in February aggregated over half again as large as in the month last year and remained well above the ten-year average for the period—by 22 and 32 per cent, respectively. Although unfilled orders on hand declined 6 per cent between January 31 and the end of February, they totaled 87 per cent heavier than a year ago and their ratio to current orders rose from 105 per cent a month previous to 146 per cent, which latter compared with a ratio of 119 per cent for February last year. The rate of production rose between 4 and 5 points during February to better than 80 per cent of capacity and was over 15 points higher than a year earlier.

Building Materials, Construction Work

February in the building materials industry is typically a transition period between the approaching spring demand and a still prevailing winter recession, and trends in the month this year showed the usual variation. Increases were mainly noticeable in the wholesale distribution of lumber. In a few instances shipments of brick and cement from manufacturing plants of the district exceeded the corresponding volumes of a month earlier, but the movement as a whole from such plants registered only minor changes. At retail yards the trend continued slightly downward, both sales of lumber and those of other materials handled by these yards falling off in line with the usual seasonal movement. The distribution of all building materials remained substantially heavier than a year ago at which time the unusually cold weather and heavy snows were slowing down deliveries to a considerable extent. At that time, however, sales of coal were greatly stimulated by the

weather conditions so that total dollar sales at reporting retail yards were a little larger than this February. Wholesale accounts outstanding at the close of the current month were slightly lower in ratio to total dollar sales than in either the preceding month or February last year, while at retail this ratio was somewhat higher in both comparisons.

BUILDING CONSTRUCTION

As is customary in February, building contracts awarded in the Seventh Federal Reserve district fell off in the month this year, the recession in the total amounting to 34 per cent. Contracts for residential building increased slightly in the period and constituted 28 per cent of the aggregate as compared with only 18 per cent a month previous. Such contracts were sharply higher than a year ago in the same month, while other classifications showed more moderate gains in the comparison.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
February 1937.....	\$28,970,000	\$8,130,600
Change from January 1937.....	-34%	+3%
Change from February 1936.....	+23%	+169%
First two months of 1937.....	\$73,025,300	\$15,996,800
Change from same period 1936.....	+14%	+123%

*Data furnished by F. W. Dodge Corporation.

The February volume of proposed building construction in the district, as reflected in permits issued in 101 cities, recorded a gain over the preceding month and a substantial rise over February last year. The number of such permits increased 9 per cent and their estimated cost 18½ per cent over the January figures, while as compared with the corresponding month last year gains of 104 and 250 per cent were shown in number and estimated cost, respectively. There were few exceptions to the general trend among either the larger cities or the smaller centers.

Merchandising

Business in the wholesale hardware and electrical supply trades of the Seventh district was in exceptionally good volume during February. Sales of reporting hardware firms expanded 10 per cent in the aggregate over the preceding month, which increase compares with one of only 3½ per cent in the 1927-36 average for February; and electrical supply sales gained 25 per cent in the month, whereas they normally decline in the period. Both groups recorded unusually heavy gains over the corresponding month a year ago. On the other hand, the wholesale grocery and drug trades showed sales recessions from Jan-

DEPARTMENT STORE TRADE IN FEBRUARY 1937

Locality	Per Cent Change February 1937 from February 1936		Per Cent Change First Two Months 1937 from Same Period 1936	Ratio of February Collections to Accounts Outstanding End of January	
	Net Sales	Stocks End of Month		1937	1936
Chicago.....	+10.7	+15.7	+16.6	34.1	35.1
Detroit.....	+17.3	+11.4	+17.6	44.0	46.4
Milwaukee.....	+15.2	+19.0	+19.2	39.2	38.2
Other Cities.....	+12.1	+7.9	+13.3	32.1	34.8
7th District.....	+12.8	+13.9	+16.5	37.3	38.7

WHOLESALE TRADE IN FEBRUARY 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries.....	+2.6	+12.1	-6.0	+4.1	93.8
Hardware.....	+43.9	+50.7	+30.9	+38.7	205.8
Drugs.....	+10.8	+5.9	-2.4	+16.4	149.1
Electrical Supplies..	+75.7	+74.4	+56.5	+56.8	144.9

uary—7½ and 12 per cent, respectively—that were greater than seasonal for February, and increases over a year earlier were smaller than in the two preceding months. In all groups, stocks rose over the end of January and in hardware and electrical supplies were considerably above those at the close of February last year. Ratios of accounts outstanding to current sales were lower this February than in the same month of 1936. For the most part, prices are reported as advancing.

A fractional decline—less than ½ per cent—took place in February in Seventh district department store trade. Gains of 5 and 2 per cent, respectively, were shown over January in aggregate sales of Detroit stores and in the total for stores in smaller cities, but Chicago trade decreased 3½ per cent and Milwaukee sales one per cent. Although total sales of reporting firms recorded a gain of only 13 per cent over last February, as against an increase of 20 per cent in the yearly comparison for January, daily average sales were 19 per cent larger, there having been one more trading day and that a Saturday in the month last year. It will be noted in the table that Detroit trade made the best showing over a year ago. The increase of 10 per cent in stocks during February was much greater than usual for the period, and at the close of the month they exceeded those on the corresponding date of 1936 by

14 per cent. Collection ratios in general were lower this February than last.

In accordance with seasonal trend, sales of shoes by reporting dealers and department stores declined in February from a month previous. The decrease of 4 per cent in the total was due to sales by dealers, as department stores recorded a gain in the comparison. Sales this February exceeded those of the month last year by 17 per cent and in the first two months of 1937 were 18½ per cent greater than in the same period of 1936. A 17 per cent rise was shown in stocks during February, and they were 11 per cent heavier than at the close of February last year.

A sharp gain took place in the retail furniture trade during February, sales of furniture and housefurnishings by dealers and department stores in the district totaling 35 per cent above those of January and exceeding the year-ago volume by 27 per cent. The 1927-36 average increase for February over January is 22 per cent. Department stores recorded larger gains in both the monthly and yearly comparisons than did dealers: sales by the former increased 39 and 32 per cent, respectively, and those by the latter only 19 and 9 per cent. Stocks at the close of February were 8 per cent higher than a month previous and 20 per cent above a year ago.

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 1923-24-25 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.)

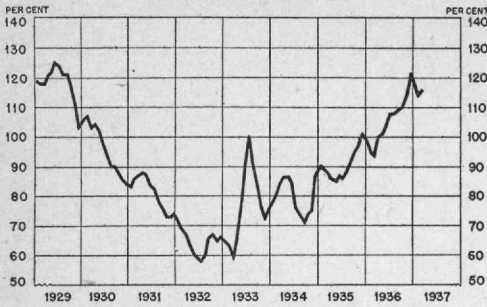
	No. of Firms	Feb. 1937	Jan. 1937	Dec. 1936	Nov. 1936	Oct. 1936	Sept. 1936	Feb. 1936	Jan. 1936	Dec. 1935	Nov. 1935	Oct. 1935	Sept. 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	92	101	96	93	99	97	83	85	83	88	94	86
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	104	95	73	57	74	85	46	42	41	42	47	39
In Tons.....	12	114	102	77	59	76	94	46	42	41	41	47	39
Malleable—In Dollars.....	21	73	69	66	55	56	50	49	52	49	42	45	37
In Tons.....	21	102	98	96	80	80	73	73	78	73	62	66	56
Stoves and Furnaces—													
Shipments (in dollars).....	8	131	98	266	256	356	274	113	93	176	207	257	196
Furniture—													
Orders (in dollars).....	12	74	114	67	81	84	89	45	73	43	56	62	61
Shipments (in dollars).....	12	85	65	81	75	91	79	57	41	53	54	68	64
Output of Butter by Creameries—													
Production.....	59	70	72	77	88	103	103	82	82	79	75	94	112
Sales.....	61	91	85	93	94	106	104	89	94	101	99	121	107
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	60	65	70	65	73	72	59	63	59	63	75	80
Hardware.....	11	70	64	93	85	108	96	49	48	65	75	86	75
Drugs.....	13	75	85	90	80	89	83	69	73	74	72	81	76
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	75	78	157	98	98	86	68	64	133	85	82	74
Detroit.....	6	93	88	194	117	117	139	79	75	160	104	95	116
Milwaukee.....	5	76	77	160	105	118	94	67	63	135	94	95	80
Other Cities.....	44	70	68	156	94	103	89	62	59	130	88	87	77
Seventh District—Unadjusted.....	84	78	78	164	101	104	97	69	65	137	90	87	83
Adjusted.....	84	97	97	98	93	95	95	86	81	82	83	79	80
Automobile Production—(U. S.)—													
Passenger Cars.....			106	145	117	65	31	77	102	117	115	73	19
Trucks.....			186	193	142	90	118	167	174	163	154	156	83
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		28	27	28	32	40	39	10	14	21	17	22	21
Total.....		42	64	50	52	56	54	34	59	78	43	53	43
Pig Iron Production*—													
Illinois and Indiana.....		123	120	117	109	108	103	75	77	79	79	71	68

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

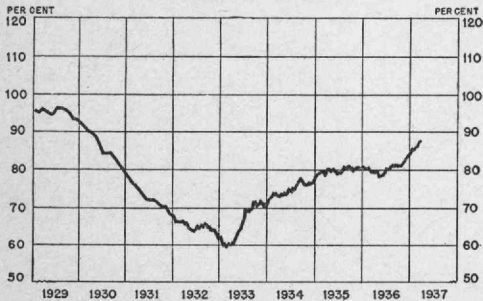
(By the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



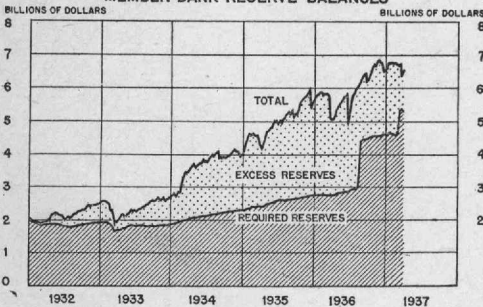
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to February 1937.

WHOLESALE PRICES



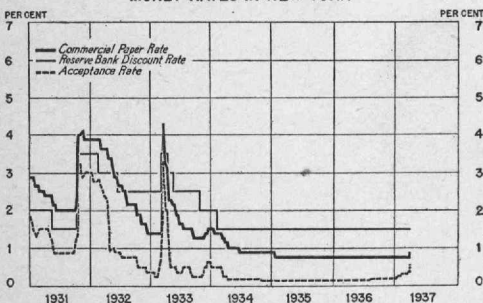
Index compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending March 20, 1937.

MEMBER BANK RESERVE BALANCES



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required reserves, January 6, 1932 to March 24, 1937.

MONEY RATES IN NEW YORK



Minimum rate on rediscounts for and advances to member banks by Federal Reserve Bank, and weekly prevailing rates on prime commercial paper, 4 to 6 months, and prime bankers' acceptances, 90 days. For weeks ending January 3, 1931, to March 27, 1937.

VOLUME of production, employment, and trade increased more than seasonally in February and wholesale prices of industrial commodities continued to advance.

PRODUCTION AND EMPLOYMENT

The Board's index of industrial production, which makes allowance for changes in the number of working days and for usual seasonal variations, was 116 per cent of the 1923-1925 average in February, as compared with 114 in January and an average of 115 in the last quarter of 1936. At steel mills activity continued to increase in February and the first three weeks of March and, although the growth was somewhat less than seasonal, output currently is at about the peak level reached in the summer of 1929. Automobile production, while fluctuating considerably with strikes at important plants, has been larger for the year to date than in the corresponding period last year. Output of plate glass in February showed a sharp rise from the low level of the two preceding months when strikes curtailed production. At textile mills and shoe factories activity continued at a high level, while output at meat-packing establishments declined somewhat further. Mineral production increased, reflecting chiefly greater output of coal and a further rise in crude petroleum production.

Value of construction contracts awarded this year, according to the F. W. Dodge Corporation, has been considerably larger than a year ago, reflecting an increased volume of private residential building and other types of private construction, while the volume of publicly-financed work has been smaller.

Factory employment and payrolls increased from the middle of January to the middle of February by more than the usual seasonal amount. The number employed in the machinery industries increased considerably and there were smaller increases at automobile and plate glass factories. In the non-durable goods industries as a group there was a seasonal rise in employment.

DISTRIBUTION

Department store sales increased from January to February and the Board's seasonally adjusted index advanced from 93 to 95 per cent of the 1923-1925 average. Sales at variety stores also increased more than seasonally, while mail-order sales, largely in rural areas, showed less expansion than is usual at this time of year. Total freight-car loadings increased in February and the first half of March, owing in part to seasonal influences.

COMMODITY PRICES

The general level of wholesale commodity prices advanced from the middle of February to the third week of March, reflecting principally further substantial increases in the prices of industrial materials. Prices of iron and steel, non-ferrous metals, lumber, cotton, rubber, and hides advanced considerably and there were also increases in the prices of cotton goods, paper, and furniture. Wheat prices have advanced in recent weeks following a decline in the latter part of February.

BANK CREDIT

On March 1, when the first half of the recent increase in reserve requirements went into effect, excess reserves of member banks declined from \$2,100,000,000 to about \$1,300,000,000. In the next three weeks, which included the March tax collection period, excess reserves showed moderate fluctuations around the new level. In connection with the increase in reserve requirements there were some withdrawals of bankers' balances from city banks but practically no borrowing by member banks from the reserve banks.

Holdings of United States Government obligations at reporting member banks in leading cities declined by \$280,000,000 in the four weeks ending March 17, a part of the decline reflecting large maturities of Treasury bills. Commercial loans increased further at reporting banks and on March 17 were above last year's high level reached on December 30. Loans to brokers and dealers in securities increased sharply.

MONEY RATES

Since the beginning of March the rate on 90-day bankers' acceptances advanced from $\frac{1}{8}$ of 1 per cent to $\frac{1}{8}$ of 1 per cent, and commercial paper rose from a flat $\frac{3}{4}$ per cent to a range of between $\frac{3}{4}$ and 1 per cent.

Bond yields, which until recently had been near the extreme low point reached last December, advanced by between $\frac{1}{4}$ and $\frac{1}{2}$ per cent and on March 24 were at about the levels prevailing early in 1936.