



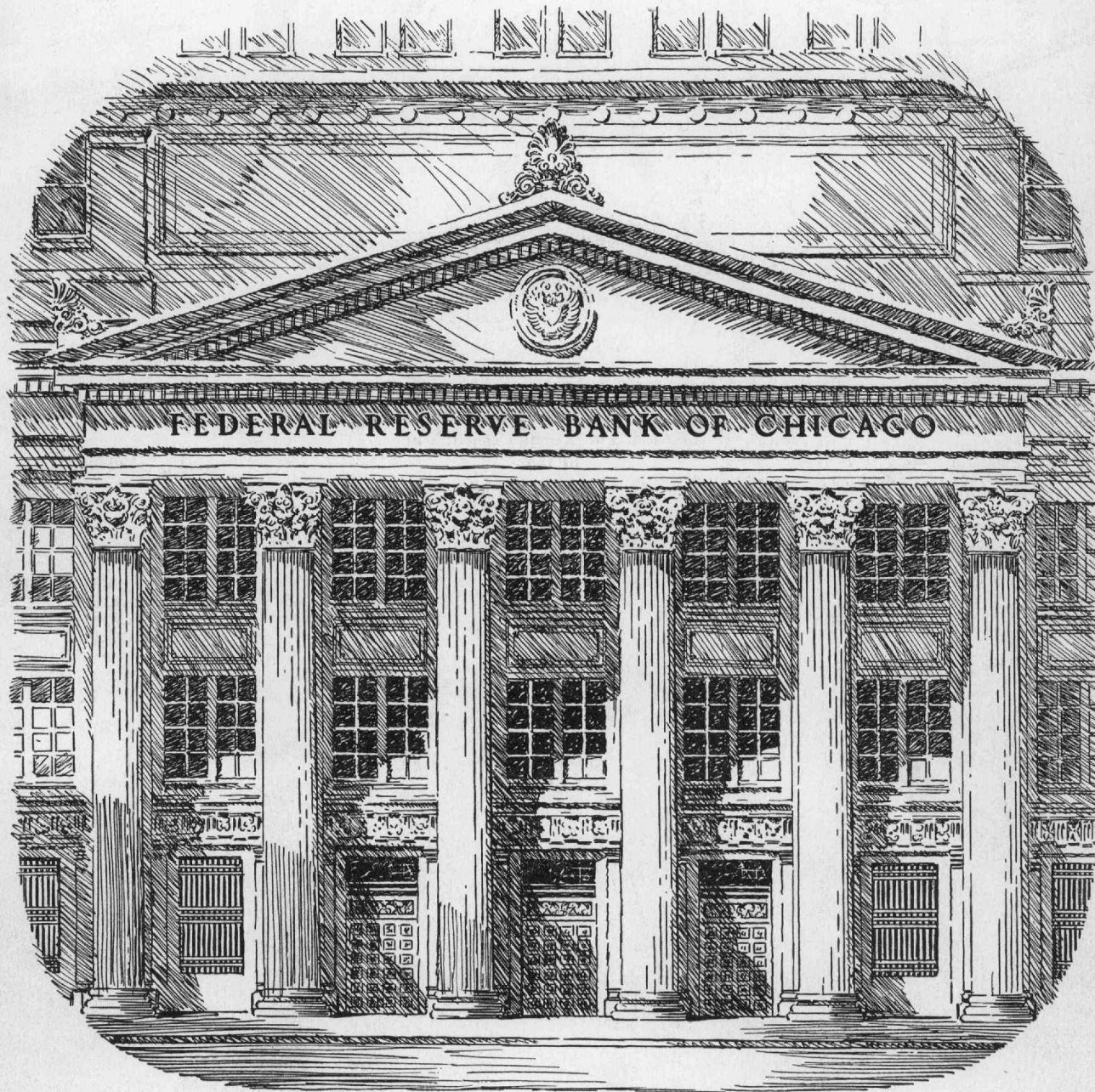
# BUSINESS CONDITIONS

FEDERAL RESERVE BANK

1933 MAR 31 AM 8 46

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Prepared by the  
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## DISTRICT SUMMARY

SEVERAL factors have pointed recently to a narrowing of the rate of recession that has prevailed since last fall in the Seventh district. A slight upturn in activity has taken place in a few instances. In the heavy goods industries margins of decline from a year ago remain large, but the fact that output was then at a high level should be taken into account. Merchandising groups have continued to effect a reduction in excessive inventories, even though sales declines from the corresponding 1937 volumes have become perceptibly greater.

### INDUSTRY

AMONG manufacturing phases to show increased output in recent weeks are primary steel, stoves and furnaces, furniture, and shoes. At casting foundries, curtailment of activity was considerably less in February than in January; in building construction the decline was smaller than seasonal. On the other hand, production of automobiles was light, although distribution improved to some extent. There has been little indication as yet of a spring expansion in the building materials industries. Paper mills in the Seventh district shipped a smaller volume in February than in January, and declines from a year earlier became more pronounced. Petroleum refining decreased in the current period, but remained above a year ago. Although in mid-February employment and payrolls showed a small counter-seasonal decline from the preceding month, they gave evidence of a cessation of the sharply downward trend in industrial output.

### TRADE

IN ACCORDANCE with seasonal trend, most wholesale trade groups of the Seventh district had a lighter dollar volume of business in February than in January. Department store trade was also slightly less in the aggregate. The retail shoe and furniture trades recorded increases in sales over the preceding month; the gain in the former was contrary to trend for February and that in the latter was greater than is usual. For the most part, however, in both wholesale and retail trade groups, declines from year-ago volumes were larger than in January. Inventories at the end of February were below those of a year ago.

### AGRICULTURAL PRODUCTS

FARMERS in the five States including the Seventh Federal Reserve district are planning to reduce their acreage from that of 1937 by 2 per cent for barley, 3 per cent for corn, and by 6, 8, and 13 per cent, respectively, for potatoes, soybeans, and spring wheat. The hay and flaxseed acreage is expected to be about 10 per cent larger and that of tobacco may aggregate 16 per cent greater this year than in 1937.

Production of packing-house commodities fell off sharply in February. The sales tonnage also declined but showed an improvement in ratio to production. Both items were above a year ago, though below the 1928-37 average for February. Because of price differences, however, the dollar value of sales totaled less than that of last February and only slightly more than the average. The manufacture and the distribution of creamery butter in the Seventh district declined in February, in accordance with seasonal trend, but exceeded the year-ago volumes. American cheese production and sales in Wisconsin expanded counter-seasonally over January and were heavier than for last February. A less than seasonal decrease took place during February in inventories of butter and cheese, and holdings of meat products rose. There was a continuance of good export volumes in principal grains, but the interior primary movement was small in comparison with that of January.

### CREDIT

BECAUSE of Treasury income tax collections, reserve balances of Seventh district member banks declined moderately between February 16 and March 16. Increased holdings of United States Government direct obligations, together with some gain in investments other than Government securities, effected a 93 million dollar rise in the earning assets of weekly reporting member banks during the four weeks; deposit liability of these banks declined in the period. Bankers' acceptance financing in February was in record low volume, and dealer sales of commercial paper were unusually small.

## Credit and Finance

### MEMBER BANK RESERVES

IN THE four-week period ended March 16, a decline of 28 million dollars took place in the reserve balances of Seventh district member banks. Treasury operations absorbed 31 millions from the money market during this period, but inter-district transfers netted a 3 million dollar gain in funds to this district. Other factors practically canceled each other. Treasury operations in the district were largely influenced by income tax collections.

### INTEREST RATES

CHANGES in interest rates charged by the larger Chicago and Detroit banks between the middle of February and

March 15 were mixed, and no well-defined trends were evident. Earnings on total loans and discounts by both Chicago downtown banks and the large Detroit banks averaged 2.58 per cent during February. The Detroit figure represented an improvement over January's 2.53 per cent; the Chicago average was lower than the 2.64 per cent recorded during the preceding month.

### OPEN MARKET PAPER

NEW acceptances made during February by accepting banks of the Seventh district totaled about one half the January volume. This total was the lowest on this bank's records, which extend back to 1923. February purchases of bills were only one third of the January total, and these also represented a new low for our records, with comparable

figures back to 1930. A small volume of February maturities, 43 per cent less than in January, held the loss in total holdings to 9 per cent. Outstandings on February 28, though only 6½ per cent below those of January 31, were the lowest for the end of the month in over fifteen years. All comparisons with February 1937 and the 1928-37 average for the February period showed decided declines, those involving the average being the sharper. The declining trend in new financing continued into the first fifteen days of March, with acceptances made by several large Chicago banks running more than 10 per cent below the corresponding February period, although they were slightly above the total for the first half of March 1937. Transactions in the Chicago open bill market between February 15 and March 15 were in somewhat greater volume than during the preceding month.

Commercial paper sales in the Middle West decreased during February almost 50 per cent from January, nearly 20 per cent from a year ago, and approximately 25 per cent from the 1928-37 average for the month. Outstandings on February 28 were practically unchanged from the end of January and totaled 5 and 9½ per cent above the year-ago and ten-year average volumes, respectively. Rates tended to ease as they had done for the past few months, but demand from both country and city banks slackened, especially that from the city banks. Commercial paper sales by representative Chicago dealers during the first half of March were over 20 per cent heavier than in the same February period, and the tendency of rates to soften continued.

### SECURITIES MARKETS

**D**URING February and early March the Midwestern bond market exhibited no important characteristics that were not common to the rest of the country. All prices were firm except those for rails, which eased off in early March. A wide spread continued to separate the prices of highest grade bonds from those of somewhat less conservative qualities. Institutions did most of what little buying existed, but large banks evinced some interest, mainly in short-term "gilt-edged" liens and tax-exempts. There have been a few municipal issues since February 1 and one large corporate issue in early February met with good success. Nevertheless, activity in all phases of the bond market continues far below normal.

The Chicago Journal of Commerce average of twenty Chicago stocks established a new 1938 low of \$35.95 on March 18, and stood at \$36.18 on March 22. At the beginning of March, the Treasury commenced the issuance of two series of Treasury bills weekly, one with a 91-day maturity and the other with a maturity close to June 15. All of these bills sold at discounts substantially below 0.100.

## Agricultural Products

### GRAIN MARKETING

#### Wheat

**T**HE movement of wheat at interior primary markets of the United States was the smallest in February since last spring and, although it remained well in excess of last year's volume, it totaled less than the 1928-37 average for February. Exports of the grain were substantial during the month. Because of fair export buying and relatively firm foreign markets, wheat prices held steady in the latter half

## Selected Seventh District Banking Data

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

	March 16 1938	Change from	
		February 16 1938	March 17 1937
Total bills and securities.....	\$283	\$0	\$+5
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	282	0	+6
Total reserves.....	1,775	-22	+66
Member bank reserve deposits.....	989	-28	+2
All other deposits.....	70	+8	+58
Federal Reserve notes in circulation.....	965	-1	+13
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.6%	-0.2*	+0.1*

\*Number of Points.

### CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

	March 16 1938	Change from	
		February 16 1938	March 17 1937
<b>ASSETS</b>			
Loans and investments—total.....	\$3,071	\$+93	\$-69
Loans—total.....	939	-14	-8
Commercial, industrial, and agricultural loans:			
On securities.....	42	-3	..*
Otherwise secured and unsecured.....	524	-6	..*
Open-market paper.....	47	-2	..*
Loans to brokers and dealers in securities	42	-5	-13
Other loans for purchasing or carrying securities.....	84	-1	..*
Real estate loans.....	87	0	+11
Loans to banks.....	3	-1	-5
Other loans:			
On securities.....	47	0	..*
Otherwise secured and unsecured.....	63	+4	..*
U. S. Government direct obligations.....	1,539	+96	-77
Obligations fully guaranteed by U. S. Government.....	176	-12	+12
Other securities.....	417	+23	+4
<b>LIABILITIES</b>			
Demand deposits—adjusted.....	2,090	-65	-169
Time deposits.....	881	-3	+29
Borrowings.....	2	+2	+2

\*Not Available.

### VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

	February 1938	Per Cent of Increase or Decrease from	
		January 1938	February 1937
Chicago.....	\$2,293	-16.1	-19.4
Detroit.....	638	-22.5	-24.6
Milwaukee.....	222	-10.2	-17.6
Indianapolis.....	151	-21.1	-15.3
Total four larger cities.....	\$3,304	-17.3	-20.2
37 smaller cities.....	590	-17.5	-14.3
Total 41 centers.....	\$3,894	-17.3	-19.4

### 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 1938	February 1937
Total country and city check clearings:		
Pieces.....	9,227,920	9,046,481
Amount.....	\$1,587,688,793	\$1,809,292,866
Daily average clearings:		
Total items cleared—		
Pieces.....	419,451	411,204
Amount.....	\$72,167,672	\$82,240,585
Items drawn on Chicago—		
Pieces.....	67,847	66,953
Amount.....	\$39,235,000	\$43,486,000
Items drawn on Detroit—		
Pieces.....	17,053	20,128
Amount.....	\$7,103,750	\$9,410,123

of February, and quotations for No. 2 hard winter wheat in cash positions at Chicago ended the month at \$1.00 and \$1.02<sup>3</sup>/<sub>4</sub>. These prices ruled weaker through March 21, however, and stood at \$.91<sup>1</sup>/<sub>4</sub> and \$.93<sup>1</sup>/<sub>8</sub> on that date, or about 8 to 11 cents higher than the July futures. Weaker foreign markets, lack of important export buying, generally improved crop prospects in the North American winter wheat belt, and substantial long liquidation were prime elements in this softening tendency. Visible supplies of wheat in the United States had declined more than seasonally by March 19. On this date they were 14 per cent under a month earlier and 52 per cent lower than the 1928-37 average, though 55 per cent larger than stocks on the comparable 1937 date.

#### Corn and Oats

THE primary movement of corn, like that of other principal grains, was more than seasonally lighter in February than in January, and receipts of the commodity at interior centers of accumulation fell below the February 1928-37 average. February exports of corn were in good volume. In contrast to price trends in the wheat market, quotations for No. 2 yellow corn for immediate delivery at Chicago held steady in the five weeks ended March 21, and at \$.58<sup>3</sup>/<sub>8</sub> and \$.60<sup>1</sup>/<sub>8</sub> on that date were slightly below July and September futures quotations. Corn prices were chiefly bolstered by a moderate export demand, lighter country marketings, and forecasts of the worst Argentine crop failure in fifteen years. Visible stocks of corn on March 19, though only 6 per cent higher than a month previous, totaled two times more than in 1937 and well above the 1928-37 average for the date. The February oats movement likewise declined counter-seasonally from January, and exports of the grain were considerably lower. Under the influence of wheat, oats prices softened somewhat in the first three weeks of March, and visible supplies diminished seasonally by 7 per cent from mid-February to mid-March.

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

(In thousands of bushels)

	February 1938	January 1938	February 1937	February 1928-37 Av.
Wheat:				
Receipts.....	8,727	10,625	6,107	16,262
Shipments.....	9,980	13,156	7,156	10,286
Corn:				
Receipts.....	18,447	33,069	9,397	19,901
Shipments.....	11,579	21,179	4,732	9,738
Oats:				
Receipts.....	4,041	5,461	3,456	6,071
Shipments.....	4,188	4,739	5,979	5,379

#### MOVEMENT OF LIVESTOCK

CATTLE and calf marketings at public stock yards in the United States dropped in February to the lowest level since the spring of 1933; hog receipts were the lowest for any month since October. Volume in each classification totaled under a year earlier and the 1928-37 February average. Lamb receipts exceeded those of last February and were slightly above the ten-year average for the month, even though they declined seasonally in volume from January. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—deviated somewhat from the trend of market receipts: the slaughter supply of cattle was not only greater than in February 1937 and in several months during the first half of 1935, but considerably above the 1928-37 February average; that of lambs and calves was also substantially above the ten-year average.

#### MEAT PACKING

FEBRUARY production at inspected slaughtering establishments in the United States was 24 per cent lighter than that of January and 10 per cent under the 1928-37 average for the month; the margin of gain over the corresponding 1937 period narrowed to 5 per cent. As a consequence of the heavy decline in production from the relatively high level of January, payrolls in the industry showed decreases at the close of February from a month earlier of 10 per cent in workers, 16 per cent in hours, and 15 per cent in wage payments. Hours and employment declined 8 and 10 per cent, respectively, from last February, while wage payments increased only 4 per cent in the comparison. Among favorable factors was a noticeable improvement in the sales to production ratio, although inventories of these commodities in the United States had risen 39<sup>1</sup>/<sub>2</sub> million pounds further by March 1 and were within 12 per cent of the 1933-37 average for the date. The tonnage sold, totaling 5 per cent heavier in February than a year earlier, was within 13 per cent of January's tonnage, and only 6 per cent below the 1928-37 February average. Coincident with a rise during February in the prices of most pork products, dollar sales billed to domestic and foreign customers increased, despite a decline in quotations for beef, veal, and lamb. In the aggregate these dollar sales were only 6 per cent less than in January and 9 per cent less than in the 1937 month; they were one per cent greater than the ten-year average for February. No marked change in trends was evidenced in the first half of March.

#### Foreign Trade

A DECLINE in shipments of packing-house products for export was recorded in February from January; however, some expansion took place in the volume of hams forwarded to the United Kingdom. Trade in United States lard was fair in England and improved in Porto Rico but tended to decline in Cuba and Continental Europe. Settlement of the Porto Rican stevedores' strike contributed much to the gain in that country. In addition to the usual pre-Easter demand for hams, there was some forward buying by British purchasers to cover a portion of their summer month requirements. English prices of American hams moved closer to Chicago parity during the month. Quotations for United States lard continued under this parity in the United Kingdom but were close to it in other foreign markets. Inventories of United States packing-house commodities abroad—inclusive of stocks in transit—decreased on March 1 from a month earlier. Imports of animal products into the United States declined substantially further during February.

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, February 1938.....	178	460	266	75
Federally Inspected Slaughter, United States:				
February 1938.....	716	2,833	1,424	398
January 1938.....	830	4,201	1,552	420
February 1937.....	708	2,842	1,315	437

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended March 19 1938	February 1938	Months of January 1938	February 1937
Native Beef Steers (average).....	\$8.65	\$7.80	\$8.30	\$10.40
Pat Cows and Heifers.....	7.15	6.80	6.95	7.80
Calves.....	9.00	9.60	10.00	8.85
Hogs (bulk of sales).....	9.35	8.30	7.95	10.10
Lambs.....	9.10	7.60	8.35	10.50

## DAIRY PRODUCTS

**P**RODUCTION and distribution of creamery butter in the Seventh district conformed to seasonal trend during February. Butter manufacture in the area totaled 2 per cent lower than in January and 10 per cent less than the 1928-37 February average, but was 10 per cent higher than the make for February 1937. The tonnage sold in the district aggregated one per cent lower than in January, although it was 10 per cent higher than in February 1937 and 5 per cent above the ten-year average. For the United States, production of the commodity showed about the same trends as in the Seventh district, except that it almost equaled the average for the month. By March 1, United States inventories of creamery butter had declined 10 million pounds from a month earlier—8 million pounds less than would be seasonally expected; they totaled 4 million pounds over the 1933-37 average exceeding slightly stocks of March 1, 1937. Bolstered considerably by Government purchases, butter prices held steady from mid-February through the first three weeks of March.

A counter-seasonal expansion occurred in February over January in the manufacture and sale of American cheese in Wisconsin, and the volumes were the largest since last October. Cheese production in the State totaled 8 per cent more than in January and 11 per cent heavier than that of a year ago or the 1928-37 February average. During the first three weeks of March production continued well sustained. February distribution of the commodity from Wisconsin primary markets rose 3 per cent above the January amount, 6 per cent over the February 1937 amount, and almost equaled the ten-year average for the month. United States inventories of cheese fell somewhat less than seasonally from February 1 to March 1 and, although they remained well below stocks of a year earlier, their excess over the 1933-37 average widened to 12 million pounds. After pronounced weakness in January and early February, cheese prices ruled steady through the first two weeks of March but were off slightly in the third week.

## Manufacturing

### IRON AND STEEL PRODUCTS

**A** SLIGHT improvement may be noted in activity at Chicago district steel mills. Sales and specifications have gained to a small extent. The rate of steel ingot output in the middle of March averaged 30 per cent of capacity, which is the highest since the end of November and compares with a rate of 25 per cent a month earlier. Sources of demand have been varied. As yet the automotive and construction industries, as well as the railroads, have done little buying. Pig iron production in the Illinois and Indiana district continued to trend downward during February. Prices of scrap iron and steel have remained unchanged, following some weakening in the third week of February.

Orders booked during February by reporting steel casting foundries of the Seventh district failed to maintain the gain recorded in the preceding month. The recession from the January level totaled 20 per cent in tonnage and 9 per cent in dollar units. The divergence in these percentages was due to a difference in the cost of various types of castings and not to any recent price advance. Shipments and production continued a downward movement that has been

practically without interruption since last June, but the losses in these items were considerably below those of any recent month. At malleable casting foundries, the volume of incoming orders fell off to about the same extent as in January—by 8 per cent in tonnage and 7 per cent in dollar units. Shipments and production were curtailed much less than a month earlier. All items continued on a substantially lower basis as compared with the corresponding volumes of a year ago, the losses in steel castings averaging around 80 per cent and those in malleable castings about 60 per cent.

In the manufacture of stoves and furnaces, orders accepted and production increased for the second consecutive month; the February gain amounted to about 45 per cent in each of these items. An expansion of 40 per cent in shipments reversed the downward trend prevailing since last September. Despite these gains, however, the declines from year-ago volumes remained heavy, totaling 28 per cent in orders, 35 per cent in shipments, and 79 per cent in production. Inventories, which were slightly reduced during the current period, showed an excess of only 10 per cent over those of a year ago as against an excess of several times that percentage a month earlier.

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

**A**LTHOUGH it appears that March production of automobiles will show an increase over that of February, indications are that first-quarter output will amount to only a little better than one half that of the comparable 1937 period. Operations during February were light: production of passenger cars by American manufacturers numbered 139,519, a volume which was 11 per cent below January and 53 per cent smaller than a year ago; truck output of 47,287 vehicles recorded declines of 13 and 30 per cent from the preceding month and last February, respectively.

Evidences of improvement were noted during February in Seventh district distribution of automobiles. Sales of new cars at both wholesale and retail expanded moderately over a month previous, and used-car sales increased likewise. New-car sales to users numbered only 6 per cent smaller than in February 1937 and recorded an 11 per cent gain in value in the comparison. Some reduction of stocks was effected in the current period. The margin of excess over a year ago was narrowed considerably in the case of new-car stocks, while used-car stocks numbered less than at the close of last February.

#### MIDWEST DISTRIBUTION OF AUTOMOBILES

	February 1938 Per Cent Change from		Companies Included
	January 1938	February 1937	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	+19.8	-62.7	12
Value.....	+13.5	-56.6	12
Retail—			
Number Sold.....	+25.5	-6.3	27
Value.....	+15.4	+10.6	27
On Hand End of Month—			
Number.....	-12.8	+10.2	27
Value.....	-5.8	+33.5	27
<b>Used Cars:</b>			
Number Sold.....	+8.4	-14.4	27
Salable on Hand—			
Number.....	-6.7	-6.8	27
Value.....	-8.5	+6.0	27

## FURNITURE

**S**LIGHTLY more favorable trends prevailed during February in the furniture industry of the Seventh district. The aggregate dollar volume of orders booked by reporting manufacturers decreased less than seasonally from January, and shipments expanded more than is usual for the period. Furthermore, the margins of decline from a year ago were narrowed somewhat. The decrease in new orders from the preceding month amounted to 19 per cent and that from last February to 31 per cent. Shipments increased 40 per cent in the comparison with January and declined 38 per cent from last year. There was a fractional gain in unfilled orders between the end of January and February 28, and their ratio to incoming business rose from 92 per cent a month earlier to 114 per cent; the latter compared with 146 per cent a year ago. Operations remained about 30 points under the corresponding 1937 rate but were accelerated a few points during February to nearly 55 per cent of capacity.

## PAPER AND PULP

**E**XCEPT for a slight increase in orders booked, activity during February at Seventh district pulp and paper mills decreased somewhat from January levels, and the comparisons with a year earlier became more unfavorable. Inventories of paper continued their declining tendency, but pulp stocks increased over those of January 31. Paper mills again operated at about 80 per cent of capacity, or about 15 points below the highly active month of February 1937; the pulp industry operated at the same percentage of capacity as in January and about 14 points lower than a year ago.

### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	February 1938 Per Cent of Increase or Decrease from January 1937	
	1938	1937
<b>Paper:</b>		
New orders booked (tons).....	+6.7	-31.7
New orders booked (dollars).....	+1.6	-24.2
Total shipments (tons).....	-10.1	-21.8
Total shipments (dollars).....	-9.2	-15.7
Total production (tons).....	-1.3	-24.1
Stocks on hand at close of month (tons).....	-3.5	+40.6
<b>Pulp:</b>		
Pulp produced (tons).....	-6.7	-13.6
Stock on hand at close of month (tons).....	+2.9	+71.0

## SHOES

**B**OOT and shoe manufacturing in the Seventh district has been showing steadily increasing activity since early this year. January production exceeded that of December by 14 per cent and the February preliminary data gave indication of a further rise of 12 per cent. These gains compare with an average expansion of 8 and 9 per cent, respectively, in these two months during the preceding ten years. Although output has returned to a level equal to the corresponding 1928-37 average, it is still almost 30 per cent lower than the relatively high volume of a year ago.

## Petroleum Refining

**P**ETROLEUM refineries located in the Indiana, Illinois, and Kentucky area operated during the week ended March 12 at 83 per cent of capacity, a rate considerably lower than in most other recent weeks. In this area, daily average crude runs to stills were, during February, the lowest since last March; they declined one per cent from the January average. Their margin of gain, however, over the

year-ago runs increased to 3 per cent. Crude runs for the United States showed similar trends, the average for February decreasing about 2 per cent from January.

## Industrial Employment Conditions

**F**EBRUARY reports on employment and payrolls in Seventh district industries indicated that the sharp rate of recession prevailing in the past several months had practically ended. Although, contrary to the usual trend for the period, some further slight declines were shown from January, their size was almost negligible in comparison with the drastic curtailments recorded in the preceding three months. One of the most important of the industry groups in this district, metals and products, contributed slightly more than its proportionate share to the general decline in the middle of February, with the primary producers of iron and steel as well as their consuming industries sharing in the curtailment. The vehicles group, covering principally the automobile and railroad equipment industries, showed about the same percentage loss in employment as the metals group, though a smaller decline in payrolls. Stone-clay-and-glass and wood products, the other two durable goods groups represented in the returns, gave indication of expanding activity, mainly through larger wage payments. Within the non-durable goods classification, textile and leather products experienced greater than average seasonal gains that very slightly more than offset the losses shown in the other groups included. Some of the latter declines—such as those occurring in chemicals and rubber products—were contrary to the usual trend for the period. In the food products group, the curtailment was somewhat heavier than generally takes place in February. Non-manufacturing industries followed a trend that is customary for the month, registering moderate decreases in both employment and payrolls. The one exception was the construction group, which maintained its wage payments at practically the level of the preceding month. The aggregate employment and payroll volumes of the district are now about 20 and 30

### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of February 15, 1938			Change from January 15, 1938	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted) \$	Wage Earn- ers %	Earn- ings %
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> ..	1,740	381,429	9,130	-2.8	-1.6
Vehicles.....	431	278,277	7,147	-3.0	-0.7
Stone, Clay, and Glass.	278	18,318	409	-1.3	+3.8
Wood Products.....	482	40,226	776	+0.8	+6.9
Total.....	2,931	718,250	17,462	-2.6	-0.8
<b>NON-DURABLE GOODS:</b>					
Textiles and Products..	383	59,118	1,069	+6.5	+12.5
Food and Products....	1,009	99,820	2,574	-1.1	-3.1
Chemical Products....	292	29,789	846	-1.0	-0.9
Leather Products.....	169	23,130	476	+2.5	+8.6
Rubber Products.....	32	13,426	278	-6.8	-6.5
Paper and Printing....	709	76,250	2,127	-0.0	+0.3
Total.....	2,594	301,533	7,370	+0.6	+0.7
Total Mfg., 10 Groups...	5,525	1,019,783	24,832	-1.7	-0.3
Merchandising <sup>2</sup> .....	5,141	126,648	2,837	-2.1	-2.2
Public Utilities.....	925	105,166	3,527	-1.5	-0.9
Coal Mining.....	27	5,092	117	-1.2	-7.7
Construction.....	344	6,369	189	-5.3	+0.9
Total Non-Mfg., 4 Groups	6,437	243,275	6,670	-1.9	-1.6
Total, 14 Groups.....	11,962	1,263,058	31,502	-1.7	-0.6

<sup>1</sup>Other than Vehicles.

<sup>2</sup>Illinois, Indiana, and Wisconsin.

per cent, respectively, below those of a year ago. The spread has widened appreciably, not so much on account of the moderate decreases in the current month as because of the generally rising trend in activity a year ago.

## The Building Industry

### CONSTRUCTION

**A** LESS than usual recession took place this February in construction work of the Seventh district, and the decline from a year earlier, though still substantial, was noticeably smaller than in a similar comparison for January. Residential building as well as public works building showed some increase over the preceding month; the former rose to 26 per cent of total construction, from 20 per cent in January.

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

Period	Total Contracts	Residential Contracts
February 1938.....	\$17,289,000	\$4,506,000
Change from January 1938.....	-8.7%	+21.1%
Change from February 1937.....	-40.3%	-44.6%
First two months of 1938.....	\$36,232,000	\$8,227,000
Change from same period 1937.....	-50.3%	-48.6%

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

Following a small increase a month previous, the estimated cost of building permits issued in 100 cities of the district fell off 16 per cent in February and was only about one half as large as a year ago. Exceptions to the general downward trend in the monthly comparison were noted in Des Moines and Milwaukee, and in the aggregates for the smaller cities of Indiana and Iowa; gains over last February were shown in the totals for the smaller cities of Illinois and Iowa. The number of permits issued this February rose about 25 per cent over January and was only one per cent less than a year earlier.

### MATERIALS

**B**UILDING material industries continued to mark time in February, and there are few indications as yet of an approaching spring expansion. Sales of lumber at both wholesale and retail again declined, whereas at this season there is usually a moderately upward trend in wholesale distribution. The recession in lumber sales at retail approximated that which generally occurs at this time of the year. For all materials handled by reporting yards the decrease

#### LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	February 1938 Per Cent Change from		Number of Firms or Yards
	January 1938	February 1937	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	-10.7	-51.8	10
Sales in Board Feet.....	-16.2	-60.1	8
Accounts Outstanding <sup>1</sup> .....	+0.5	-34.1	10
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	-10.2	-18.6	182
Lumber Sales in Dollars.....	-8.0	-28.0	100
Lumber Sales in Board Feet.....	-7.1	-25.3	113
Accounts Outstanding <sup>1</sup> .....	-4.6	-6.8	180
	Ratio of Accounts Outstanding <sup>1</sup> to Total Dollar Sales during Month		
	February 1938	January 1938	February 1937
Wholesale Trade.....	186.7	174.1	136.6
Retail Trade.....	309.8	291.2	269.4

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

exceeded the February average for the preceding ten years, mainly because of an exceptionally light demand for coal during that month. Sales of brick and cement, on the other hand, as reported by some of the leading manufacturers and dealers in these materials, experienced a moderate gain paralleling the January to February trend in the 1928-37 average. Activity in all lines was at a substantially lower level than last year, and the differences were somewhat more marked than a month previous. Stocks in most lines continued to be heavier than a year ago, although some reduction was effected during the current period. According to the index of the United States Bureau of Labor Statistics, wholesale prices of building materials, as a group, declined approximately one per cent during February, and in the first week of March were 3½ per cent lower than at the corresponding time last year.

## Merchandising

### WHOLESALE TRADE

**I**N THE majority of wholesale trade groups of the Seventh Federal Reserve district, business in February recorded greater declines from the corresponding 1937 volumes than had been the case in January. As compared with the preceding month, the dollar volume sold in the current period was smaller by 7 per cent each in the grocery and the electrical goods trades, by 9 per cent in drugs, and by 2 per cent in the miscellaneous group, while hardware sales showed a fractional increase over January. For the most part these changes were in accordance with seasonal trend. Generally, inventories on February 28 totaled below those on the date last year; they were considerably less in some groups.

#### WHOLESALE TRADE IN FEBRUARY 1938\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstand- ing	Collections
Groceries.....	-9.6	-9.8	-10.8	-10.5
Hardware.....	-23.1	-13.7	-11.1	-22.9
Drugs.....	-11.6	-5.3	-0.3	-7.8
Electrical Goods.....	-19.4	-2.1	+8.2	-8.1
Miscellaneous.....	-13.4	-7.0	-4.1	-9.6

\*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce. Additional information on wholesale trade may be obtained through the Bureau in Washington, D. C.

### RETAIL TRADE

**O**NLY a slight recession—about one per cent—was shown for February from January in total sales of Seventh district department stores, and daily average sales increased 3 per cent. However, the margin of decline from last year increased from 9 per cent in January to 13 per cent, and continued to widen into March. Detroit business recorded by far the largest decrease from last February. The position of inventories has improved further. Stocks at the end of February were 7 per cent smaller than on the date in 1937, whereas on January 31 they had totaled only 2 per cent lighter than a year earlier. A 5 per cent increase in inventories over the preceding month was no more than seasonal.

\* \* \*

A somewhat greater than seasonal increase in business took place during February in the retail furniture trade. Aggregate sales of reporting dealers and department stores exceeded those of January by 24 per cent, the gain com-





Based on Dollar Amounts Reported by 39 Firms.

paring with one of 21 per cent in the 1928-37 average for the month. On the other hand, the decrease of 21 per cent from last February in the dollar volume sold was noticeably larger than the 15 per cent decline recorded in the year-ago comparison for January. Stocks of furniture and house-furnishings on February 28, though 2 per cent larger than a month earlier, totaled one per cent below those on hand at the same time in 1937.

### DEPARTMENT STORE TRADE IN FEBRUARY 1938

Locality	Per Cent Change February 1938 from February 1937		Per Cent Change First Two Months of 1938 from Same Period 1937	Ratio of February Collections to Accounts Outstanding End of January	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	-10.2	-9.1	-10.9	28.9	30.0
Detroit.....	-25.2	-2.5	-21.2	39.1	44.0
Fort Wayne.....	-10.1	.....	-7.0	.....	.....
Indianapolis.....	-10.5	+7.1	-4.5	36.0	38.2
Milwaukee.....	-9.6	-10.9	-7.6	35.3	39.2
Peoria.....	-12.5	.....	-9.5	.....	.....
*Other Cities.....	-9.0	-3.2	-6.8	31.1	33.2
7th District.....	-13.3	-6.6	-11.9	33.6	36.3

\*Include Fort Wayne and Peoria.

\* \* \*

Contrary to the usual trend, sales of shoes at retail expanded 2 per cent in February this year. The dollar volume sold by shoe dealers showed a decline from January, but that by department stores recorded a substantial increase in the period. As compared with a year ago, business totaled 9 per cent smaller this February, with department stores experiencing a greater decrease than did dealers. Stocks rose 13 per cent during the current period; however, they were about on a level with a year previous.

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

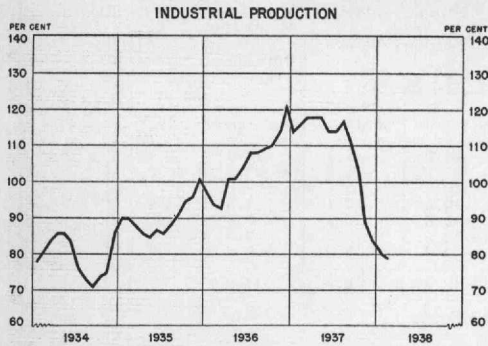
Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.

	No. of Firms	Feb. 1938	Jan. 1938	Dec. 1937	Nov. 1937	Oct. 1937	Sept. 1937	Feb. 1937	Jan. 1937	Dec. 1936	Nov. 1936	Oct. 1936	Sept. 1936
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	45	84	89	83	86	100	100	92	101	96	93	99	97
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	30	33	47	58	70	96	104	95	73	57	74	85
In Tons.....	12	22	25	37	47	58	86	114	102	77	59	76	94
Malleable—In Dollars.....	21	36	38	49	55	64	76	74	69	66	55	56	50
In Tons.....	21	43	46	60	67	77	92	103	98	96	80	80	73
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	14	64	46	124	166	241	245	99	95	214	205	288	219
<b>Furniture—</b>													
Orders (in dollars).....	34	53	65	37	53	65	77	75	111	67	81	84	89
Shipments (in dollars).....	34	52	37	51	68	81	87	83	67	81	75	91	79
<b>Output of Butter by Creameries—</b>													
Production.....	59	77	78	78	75	86	92	70	72	77	88	104	103
Sales.....	61	100	101	98	101	101	122	90	85	93	94	106	104
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	27	54	57	64	66	72	81	60	65	70	65	73	72
Hardware.....	11	54	52	75	88	116	115	70	64	93	85	108	96
Drugs.....	13	69	76	89	88	94	91	77	85	90	80	89	83
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	29	68	69	148	95	98	91	76	78	157	98	98	86
Detroit.....	6	71	74	180	117	123	151	93	88	194	117	117	139
Milwaukee.....	5	69	73	159	102	118	104	76	77	160	105	118	94
Other Cities.....	44	65	68	151	97	107	99	70	68	156	94	103	89
Seventh District—Unadjusted.....	84	68	70	155	100	106	105	78	78	164	101	104	97
Adjusted.....	84	85	88	93	92	96	102	97	97	98	93	95	95
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....	48	53	83	101	102	41	101	101	106	145	116	65	31
Trucks.....	126	144	217	172	83	139	179	179	186	195	143	91	120
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....	15	13	16	26	37	34	28	28	27	28	32	40	39
Total.....	25	28	38	41	58	57	42	42	64	50	52	56	54
<b>Pig Iron Production*—</b>													
Illinois and Indiana.....	47	49	53	68	98	134	123	123	120	117	109	108	103

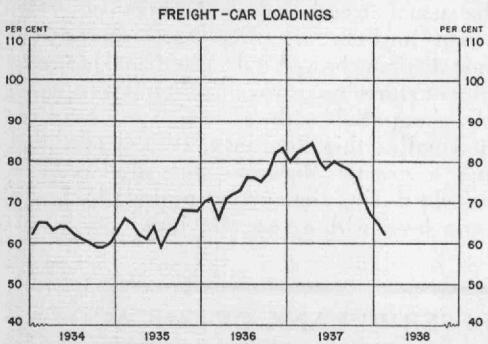
\*Average daily production.

# National Summary of Business Conditions

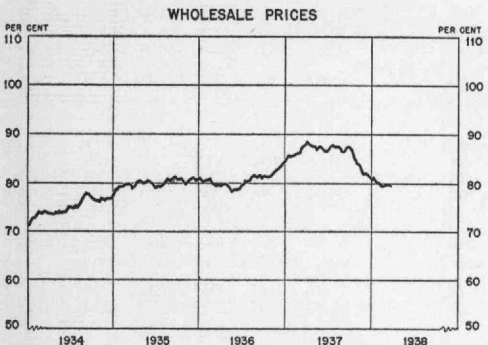
(By the Board of Governors of the Federal Reserve System)



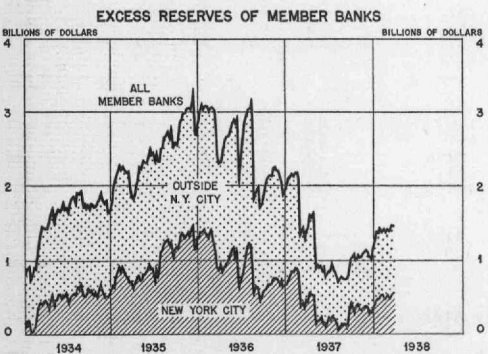
Index of physical volume of production, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1934 to February 1938.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to February 1938.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending March 19, 1938.



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934 to March 16, 1938.

**V**OLUME of manufacturing production showed little change from January to February, while output of minerals declined further. Awards for residential building increased somewhat in February and rose considerably in the first half of March.

## PRODUCTION

**T**HE Board's seasonally adjusted index of industrial production, which includes both manufacturing and mining, was 79 per cent of the 1923-1925 average in February as compared with 80 per cent in January. The decline in the total index was accounted for chiefly by a reduction in output of minerals, particularly of crude petroleum. Steel ingot production showed about the usual seasonal increase and averaged 32 per cent of capacity in February. Automobile production decreased slightly further, and output of plate glass continued to decline. Lumber production rose seasonally. In the first three weeks of March, activity at steel mills and automobile factories was at about the same average rate as in February. In the nondurable goods industries there were moderate increases in output in February at textile mills and shoe factories, where production has recently been at low levels, while at meat-packing establishments activity declined.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a sharp decline from January to February, reflecting chiefly a marked reduction in awards for publicly-financed projects. Contracts for residential building increased moderately. In the first half of March, there was a considerable further increase reported for residential building and awards for other construction also increased.

## EMPLOYMENT

**F**ACTORY employment and payrolls increased by somewhat less than the usual seasonal amount between the middle of January and the middle of February. The Board's seasonally adjusted index of factory employment was at 83 per cent of the 1923-1925 average in February as compared with 84 in January. In the durable goods industries decreases were general in February, though not so large as in preceding months. Employment in nondurable goods industries increased somewhat, following a period of rapid decline. Employment in trade, at mines, on the railroads, and in the construction and public utility industries decreased somewhat from the January level.

## DISTRIBUTION

**V**ALUE of department store sales, as measured by the Board's seasonally adjusted index, declined from 90 per cent of the 1923-1925 average in January to 88 per cent in February, and in the first three weeks of March there was a further decrease. Sales at variety stores and mail order houses, in February, showed somewhat less than the usual seasonal increase.

Freight-car loadings decreased further in February, reflecting chiefly reduced shipments of coal and grain, and showed a seasonal increase in the first two weeks of March. The current level of carloadings is about 25 per cent less than a year ago.

## COMMODITY PRICES

**T**HE general level of wholesale commodity prices, as measured by the Bureau of Labor Statistics' index, showed little change from the middle of February to the third week of March. There were seasonal increases in prices of livestock and meats, while prices of such basic commodities as wheat, cotton, rubber, zinc, and bituminous coal declined.

## BANK CREDIT

**E**XCESS reserves of member banks increased during the first three weeks of March to over \$1,500,000,000, the highest level since last April. The bulk of the increase occurred at New York City banks, which in the third week of the month held over \$700,000,000 of excess reserves.

During February and the first half of March, there was little net change in deposits and in total loans and investments at reporting member banks in 101 leading cities. Holdings of United States government obligations declined at banks in New York but increased in Chicago. Commercial loans, which had decreased sharply in the four preceding months, showed a further moderate decline.

## MONEY RATES AND BOND YIELDS

**C**ONDITIONS in the short-term money market continued easy in March. Rates on Treasury bills were slightly lower and prime commercial paper was quoted at a range of from  $\frac{3}{4}$  to 1 per cent, as against the flat 1 per cent rate which had prevailed since a year ago. Yields on Treasury bonds and notes, after declining for the past six months, advanced slightly around the middle of March. Yields on corporate bonds also advanced in March, reflecting principally declines in prices of railroad bonds.

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**SEVENTH FEDERAL**



**RESERVE DISTRICT**