

BUSINESS CONDITIONS



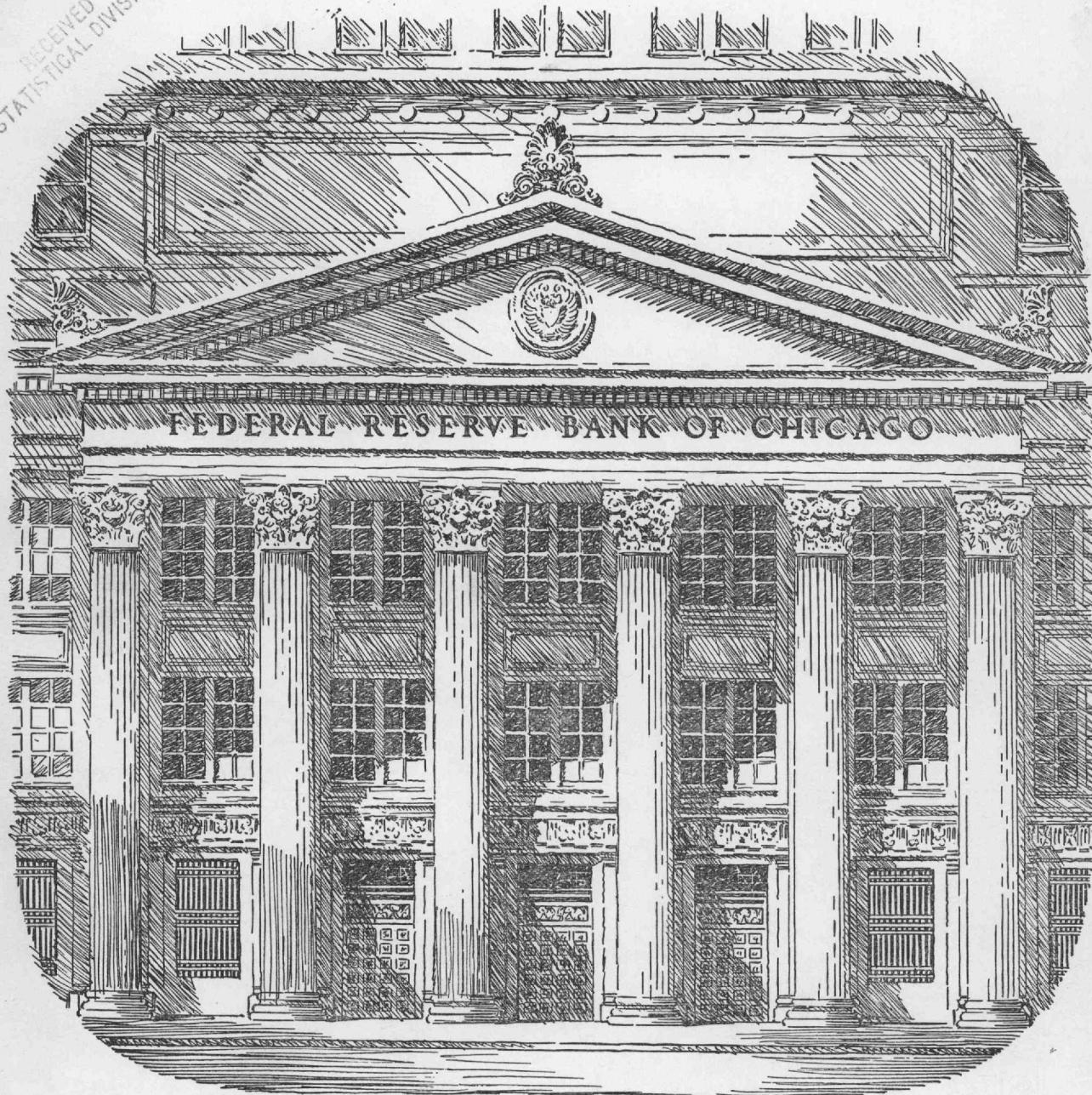
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FEDERAL RESERVE BANK
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DISTRICT SUMMARY

LED by the automotive industry, Seventh district industrial activity advanced steadily upward during October, and preliminary data for November indicate that this trend has continued. In several instances current volumes of output have attained or surpassed the levels prevailing a year ago when the recession in business had become quite marked. Unseasonably warm weather in October exerted an unfavorable effect on retail trade, but the first half of November showed improvement. Industrial employment and payrolls in the district recorded further large gains in October.

INDUSTRY

BECAUSE initial demand for new cars has been greater than expected, manufacturers of automobiles have had to revise production schedules upward, and it appears that the November volume of output will closely approximate that of the month last year. Production of steel, largely stimulated by activity in the automotive industry, had reached a level by mid-November higher than at any time since the close of the third quarter of 1937. A number of steel-consuming industries also experienced improved business through October and into November. Building construction, as indicated by contracts awarded, recorded a further definite rise in October, the increase bringing the volume for the year to date to within 5 per cent of the corresponding 1937 period. As a result of this activity, demand for building materials has expanded. Paper mills in the Seventh district displayed greater activity in October than either a month or a year earlier, and although output from furniture factories declined counter to trend for the period, incoming business fell off less than seasonally and was above the 1928-37 average for October.

Employment and payrolls in the durable goods industries showed another sharp gain in October, while in the non-durable goods classification some recession was noted from the preceding month. Non-manufacturing groups increased their employment and payroll volumes in the current period.

Manufacturing

STEEL AND ALLIED INDUSTRIES

STIMULATED by demand from automobile manufacturers and their suppliers, operations of Chicago district steel mills were at a higher level in the middle of November than at any time since the end of the third quarter of 1937. Steel ingot output in this area, at 60½ per cent of capacity in mid-November, had risen almost 15 points over four weeks earlier, and indications are that it will be maintained at substantially the same rate through the remainder of 1938, at least; a year ago output had fallen to only 27½ per cent of capacity and reached 22 per cent at the year-end. Increased buying during recent weeks of sheets and strip, bars, wire, and from iron foundries has been chiefly attributable to the automotive industry. As yet, the building industry has not become a major source of demand, although there has been

AGRICULTURAL PRODUCTS

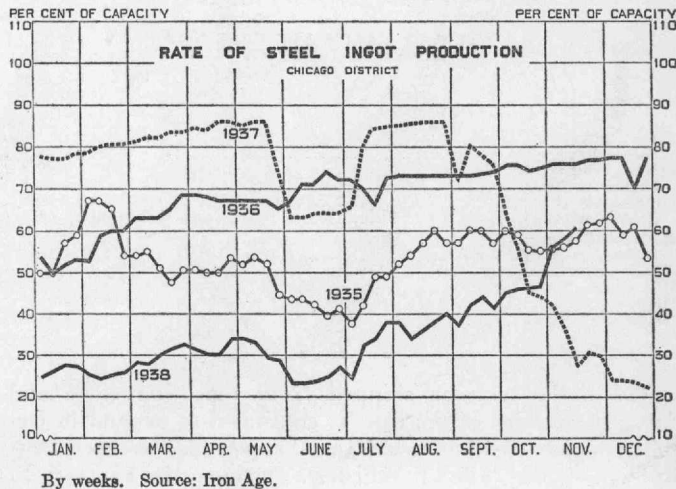
VOLUMES of packing-house commodities produced and sold in October exceeded those of the preceding month and a year ago but were below the 1928-37 average for the period. Because the sales tonnage was more than seasonally greater than production, inventories of these commodities declined further during the month. Although creamery butter manufacture in the district fell off in October, it remained unusually heavy for the season. Production of American cheese in Wisconsin rose counterseasonally over September and was above that of last October or the ten-year average. The movement of corn was exceptionally large for October; wheat receipts declined as is usual in the month, while reshipments expanded.

TRADE

LESS favorable trends than prevailed in September were noted during October in the department store and retail shoe trades of the Seventh district, attributable to a considerable extent to mild weather, but business improved in the first half of November. Sales of furniture and house-furnishings fell off during October in accordance with seasonal trend. Although a number of wholesale trade groups had heavier sales in October than a month previous, aggregate sales showed some decline from September and were much below those of a year ago.

CREDIT

BECAUSE of operations in connection with recent corporate financing in the district, member bank reserve balances failed to gain much in the four weeks ended November 16, despite a large inflow of funds from other districts through commercial and financial transactions. Both loans and investments of weekly reporting member banks increased in the period. There was a continued gain during the four weeks in velocity of demand deposits at these banks, to a rate only slightly short of that operative in the corresponding 1937 period.



some business in structural steel; agricultural implement buying has been fair of late, as has that from the oil industry; while the railroads have placed only a few miscellaneous orders for steel. Except from makers of automobiles, however, users of primary steel products are displaying little tendency to buy other than for current needs.

Manufacturers of automobile parts and accessories in the Seventh district have had a decided increase in their business over the past month or two, although November volumes in most instances will not equal those of a year ago. It is expected that production schedules, which usually closely follow customers' releases on contracts, will be advanced steadily further and that by the end of the year they will surpass the comparable 1937 level. Although the inventory situation is considered normal, few raw materials are being bought in advance of production requirements.

Other steel-consuming industries likewise have been experiencing improvement in their business but are not making purchases of steel in advance of current needs. Producers of excavating and other heavy machinery, also boilers, etc., report that operating schedules will be advanced in line with new orders which in some instances already are greater than a year ago. Operations, however, have not as yet attained the corresponding 1937 level. In the agricultural machinery industry, manufacturers are producing for 1939 business, but consumer buying is lagging at present and little change is expected in the situation in the near-term future. Advance buying of raw steel for this industry has not developed to any great extent. There has been some improvement of late in business of companies whose products are used in building construction and equipment. Firms producing railway supplies, on the other hand, have experienced no noticeable betterment over the low level of activity that has prevailed for some time.

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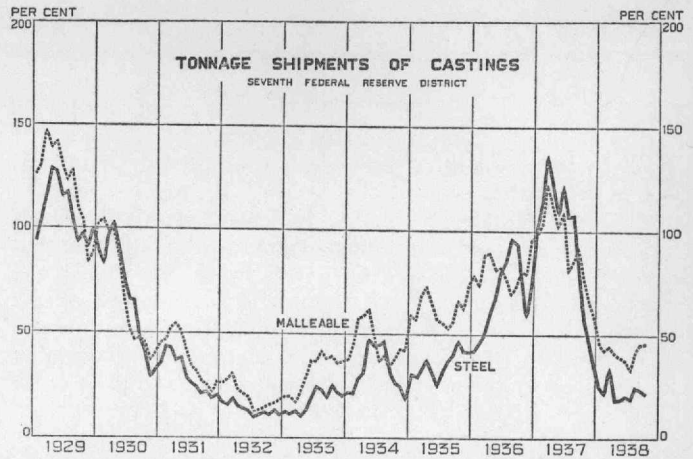
Shipments from steel casting foundries of the Seventh district again declined in October and new orders fell off, although production was expanded considerably. Output of malleable castings, because of specifications from the automobile industry, continued to trend upward slightly further, as did production, but new orders showed some decline after four successive months of gain. The production of both steel and malleable castings exceeded the volume of shipments and incoming business. Although margins of decline from year-ago levels recorded a noticeable narrowing in October, they remained large, especially in the case of steel castings, demand for which comes largely from the railroads.

**STEEL AND MALLEABLE CASTINGS
SEVENTH DISTRICT**

	October 1938 Per Cent Change from	
	Sept. 1938	Oct. 1937
Steel Castings:		
New orders booked (tons).....	-19.5	-54.4
New orders booked (dollars).....	-11.4	-49.2
Shipments (tons).....	-8.2	-60.8
Shipments (dollars).....	-7.8	-58.8
Production (tons).....	+22.0	-58.3
Malleable Castings:		
New orders booked (tons).....	- 8.5	-16.2
New orders booked (dollars).....	- 7.8	-20.1
Shipments (tons).....	+ 1.4	-40.6
Shipments (dollars).....	+ 1.0	-42.1
Production (tons).....	+ 5.1	-38.4

* * *

The dollar volume shipped from reporting stove and furnace factories of the district continued to expand in October, which trend is usual for the period. However, new orders accepted failed to register a further gain, contrary to



Indexes of tonnage shipments of steel and malleable castings, unadjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 through October 1938.

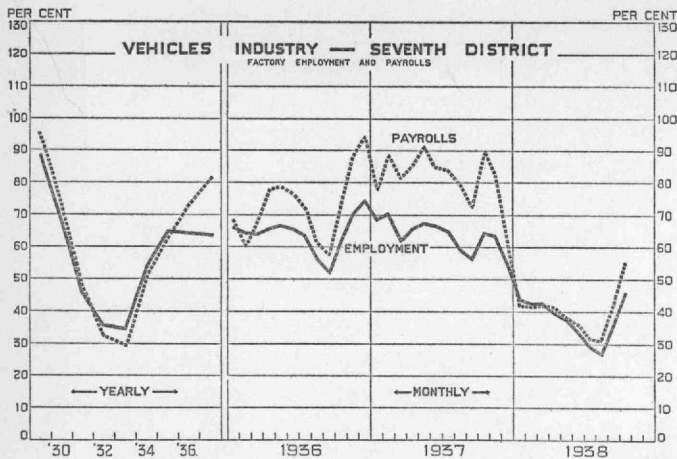
trend for October. Production declined only slightly from September, whereas last October it was sharply curtailed. As compared with a year ago, new business recorded a small gain in the current period, but shipments and production remained much lighter.

THE AUTOMOBILE INDUSTRY

WITH initial demand for the new 1939 model automobiles greatly in excess of earlier expectations, automobile manufacturers have had to revise production schedules upward and in many instances are unable to keep up with the rising volume of orders. Following a low level of production in September, output rose rapidly in October until by the third week of November it surpassed that of the corresponding 1937 week by almost 11,000 units. Passenger vehicles produced during the entire month of October numbered 187,494 and trucks 22,028, or more by 188 and 20 per cent, respectively, than a month earlier, though 37 and 29 per cent below output last October. At the current rate of production, it is estimated that output in November will closely approximate that of the 1937 month and that if schedules are maintained, the December volume will exceed output of December 1937. In contrast to a year ago at this time when inventories were being expanded through heavy production and disappointing sales, stocks of both new and used cars this year were at a low level and unfilled orders increasing.

Because of the unexpected demand for new cars, manufacturers have had to increase substantially their purchases of materials over original specifications. Although commitments to a considerable extent are being made for near-term requirements, there also has been some buying for needs over a longer period extending at least to the end of the year.

The results of the November automobile show at Chicago appear to have been satisfactory, with reports that sales exceeded those of last year by a substantial amount. Reporting dealers and distributors in the Seventh district had much heavier sales in October than a month previous, as new models were received. Stocks rose in the period but at the end of October were less than one fifth those held a year ago. Sales of used cars increased slightly in October over September; salable cars on hand numbered somewhat greater at the end of the month but were only three fifths those on hand at the same time in 1937.



Indexes of employment and payrolls in the vehicles industry of the Seventh district, unadjusted for seasonal variation, 1925-1927 average = 100. By years, 1929 through 1937; by months, January 1936 through October 1938.

Furniture

A MUCH less than seasonal decline took place during October in orders booked by reporting Seventh district furniture manufacturers, and the volume of new business was within 2 per cent of last October when, however, it fell off 15 per cent from September. Shipments in October recorded a recession of 4½ per cent from the preceding month, as against an increase of 3 per cent in the 1928-37 average for the period. Orders booked exceeded the ten-year average by 4 per cent, while shipments were below it by 8 per cent. With output a little heavier than new business and a moderate volume of cancellations, unfilled orders on hand at the end of October totaled 6 per cent smaller than a month previous. Operations were reduced slightly to 71½ per cent of capacity, which rate is 10 points lower than for October last year.

OTHER INDUSTRY

Paper and Pulp

REPORTS from Seventh district pulp and paper mills for October show some increase in activity over September and comparisons with 1937 continued favorable in the paper industry.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

October 1938
Per Cent Change
from

	Sept. 1938	Oct. 1938
Paper:		
New orders booked (tons).....	+ 8.9	+18.4
New orders booked (dollars).....	+13.1	+ 1.9
Total shipments (tons).....	+ 2.2	+ 7.4
Total shipments (dollars).....	+ 1.7	+ 2.9
Total production (tons).....	+ 2.2	+ 6.3
Stocks on hand at end of month (tons).....	+ 6.6	+10.2
Pulp:		
Pulp produced (tons).....	+ 6.8	- 0.3
Stock on hand at end of month (tons).....	- 3.1	- 2.7

The Building Industry

CONSTRUCTION activity in the Seventh district registered a notable expansion during October, contracts awarded increasing for the third successive month and totaling higher than a year ago by a much wider margin than in either of the two preceding months. As a result, awards for the year to date were within 5 per cent of the corresponding 1937 volume. Residential contracts amounted to about 26 per cent of the total, or slightly less than the percentage maintained

during recent months. A noteworthy increase was contributed by non-residential building which in general has been less active than other types of construction. Contracts awarded for the building of churches, schools, and other public institutions were mainly responsible for a 63 per cent rise over September in this classification, which reached a level exceeding that of a year ago by 56 per cent. Despite this increase, such contracts for the year to date were still only about two thirds as heavy as for the corresponding period in 1937. Awards for public works and utilities, more than 90 per cent of which are to be financed by public funds, recorded a slight recession during October but amounted to more than twice the volume of a year ago.

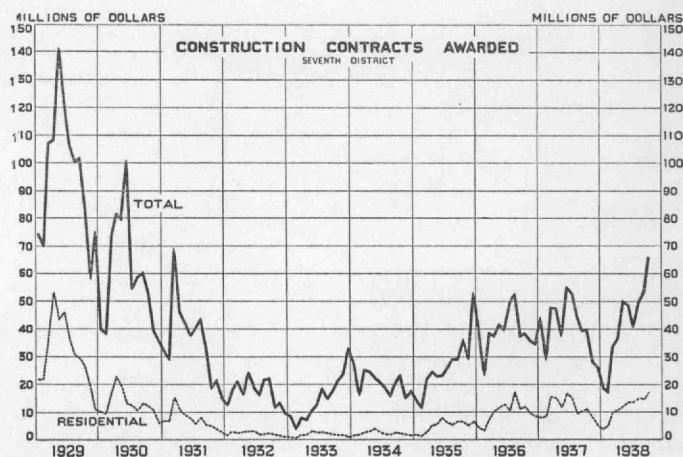
BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
October 1938.....	\$65,861,000	\$17,376,000
Change from September 1938.....	+23.3%	+16.2%
Change from October 1937.....	+66.9%	+58.9%
First ten months of 1938.....	\$414,855,000	\$115,284,000
Change from same period of 1937.....	-5.0%	-4.0%

*Data furnished by F. W. Dodge Corporation.

The number of permits issued during October in 102 reporting cities of the district were about 5 per cent larger than in either the preceding month or the same 1937 period, while the valuation of the contemplated projects increased by as much as 21 and 33 per cent, respectively, in these comparisons. There was considerable variation in this latter item as among different sections of the district, Indiana and Michigan showing a sharp rise over both a month and a year earlier, while Illinois and Wisconsin cities registered declines. Iowa recorded a moderate gain in the monthly but a loss in the yearly comparison. Of the fifteen cities included in the Michigan data, all but three contributed to the unusually sharp rise in that State.

There was a generally increasing demand for building materials during the month of October, and shipments of brick and cement were heavier than a year ago. Sales of lumber increased moderately at wholesale and more substantially so at retail, the volume of the latter being approximately as large as in October last year. Lumber dealers reported collections as good, and the ratio of outstanding accounts to sales declined slightly from a month earlier for both wholesale and retail dealers.



By months, January 1929 through October 1938. Data furnished by F. W. Dodge Corporation.

Industrial Employment Conditions

THE rise during October in employment and payrolls of Seventh district industries was as great as that recorded a month earlier. The automobile industry with an increase of about 50,000 workers in the Michigan area alone, was again the heaviest contributor to the current advance. Practically all of the metal industries, however, showed a substantial expansion, increasing time-schedules as well as working forces, so that wage payments rose more rapidly than employment volumes. Seasonal activity was reflected especially in the payroll figures of agricultural implement and electrical machinery concerns. All of the durable goods groups shared in the substantial rise recorded in that classification. Consumers' goods, on the other hand, registered a slight decline in October, seasonal losses in the food products and leather goods industries aggregating somewhat more than the increases in the textiles, chemicals, rubber, and paper and printing groups. The declines within the food products groups were, as usual at this season, occasioned largely by the completion of work in the canning and preserving industry. Non-manufacturing industries as a whole increased employment and payrolls to a moderate extent with merchandising, the largest group within this classification, expanding them about as much as is usual at this season. The total employment volume, for all of the industries combined, was approximately 22 per cent below that of a year ago, while wage payments were 28 per cent less.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of October 15, 1938			Change from September 15, 1938	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners	Earnings
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,802	344,689	9,363	+ 3.8	+ 9.1
Vehicles.....	401	281,551	9,822	+25.5	+30.4
Stone, Clay, and Glass.....	286	21,802	547	+ 2.6	+ 6.4
Wood Products.....	504	43,681	933	+ 3.1	+ 5.9
Total.....	2,993	691,723	20,665	+11.6	+18.0
NON-DURABLE GOODS:					
Textiles and Products.....	398	65,530	1,241	+ 1.5	+ 1.9
Food and Products.....	1,046	107,396	2,733	-10.2	- 5.8
Chemical Products.....	307	31,035	917	- 0.0	+ 3.7
Leather Products.....	170	28,581	569	- 4.0	- 5.0
Rubber Products.....	35	17,199	467	+ 7.0	+ 5.6
Paper and Printing.....	747	73,871	2,122	+ 1.3	+ 4.2
Total.....	2,703	323,612	8,099	- 3.1	- 0.5
Total Mfg., 10 Groups.....	5,696	1,015,335	28,764	+ 6.4	+12.1
Merchandising².....	5,539	137,437	3,011	+ 1.6	+ 2.1
Public Utilities.....	1,090	99,381	3,269	+ 0.2	- 0.4
Coal Mining.....	42	8,966	216	+22.4	+34.1
Construction.....	776	11,529	342	- 2.0	+ 2.6
Total Non-Mfg., 4 Groups.....	7,447	257,313	6,838	+ 1.5	+ 1.7
Total, 14 Groups.....	13,143	1,272,648	35,602	+ 5.4	+10.0

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

Agricultural Products

FARM cash income from crops, livestock, and benefit payments for 1938 through September was down from the corresponding period of 1937 by only 6 per cent in the five States which include the Seventh Federal Reserve district, in contrast to a decline of 13 per cent for the nation as a whole. So far as crop production is concerned, the November 1 estimates for the Seventh district showed but little change

from a month earlier other than the fact that corn production was raised 18 million bushels. Unofficial estimates indicate that winter wheat seedings in this area are about 14 per cent smaller than the acreage planted in the autumn of 1937.

Cattle, hog, and calf marketings in the United States advanced more than seasonally during October, but those of lambs declined somewhat. Trends for the month in inspected slaughter may be noted in the accompanying table.

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, October 1938.....	195	557	283	74
Federally Inspected Slaughter, United States:				
October 1938.....	884	3,311	1,638	470
September 1938.....	917	2,671	1,694	453
October 1937.....	958	2,711	1,530	525
October 1928-37 average.....	940	3,338	1,724	479

GRAIN MARKETING

Wheat

DURING October receipts of wheat at interior primary markets in the United States fell off seasonally from September but were the largest for the month since 1931. Reshipments expanded somewhat. Exports of the grain continued at about the same level as in September but were sharply lower than in 1937. Wheat prices at Chicago displayed a declining tendency in the second half of October, reflecting chiefly weakness in foreign markets as European importers absorbed arrivals of the commodity purchased during the war-scare period. With some strengthening at Winnipeg and Liverpool, moderate domestic country marketings, and some purchases by Government agencies, quotations for No. 2 hard winter wheat in Chicago cash positions held fairly steady during the first three weeks of November, and at \$.64 $\frac{1}{4}$ and \$.66 $\frac{7}{8}$ on November 21 were about 2 cents lower than a month previous. Visible supplies of wheat in the nation on November 19 equaled the month-earlier amount and stood 14 per cent higher than last year.

Corn and Oats

THERE was an exceptionally large movement of corn during October at interior primary markets. Receipts were bolstered by deliveries to the Government against earlier loans; reshipments also were heavy. Aggravated by

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the Basis of November 1 Condition

(In thousands of bushels unless otherwise specified)

	Seventh District			United States		
	Preliminary 1938	Final 1937	Average 1927-36	Preliminary 1938	Final 1937	Average 1927-36
	Corn.....	1,006,142	1,140,744	812,711	2,480,958	2,644,995
Soybeans.....	43,537(a)	33,096(a)	13,670(a)	54,021	40,997	18,000
Cowpeas.....	729(b)	486(b)	534(b)	8,304	8,822	6,069
Buckwheat.....	617(a)	616(a)	919(a)	6,358	6,777	8,569
Beans (dry edible) ¹	4,763(c)	4,574(c)	3,758(d)	14,859	15,839	12,053
White Potatoes.....	55,344	51,039	53,249	368,203	393,289	369,693
Cabbage ²	363(a)	182(a)	195(a)	1,500	1,165	1,082
Onions ¹	2,700(a)	2,333(a)	3,100(a)	14,740	14,746	13,638

¹In thousands of 100-lb. sacks. ²In thousands of tons. (a) Five States including Seventh Federal Reserve district. (b) Indiana and Illinois. (c) Michigan and Wisconsin.

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	Nov. 19, 1938	October 1938	September 1938	October 1937
Native Beef Steers (average).....	\$ 9.95	\$10.55	\$10.40	\$12.80
Fat Cows and Heifers.....	7.65	7.85	7.90	8.85
Calves.....	9.25	10.50	10.75	9.35
Hogs (bulk of sales).....	7.65	7.90	8.40	10.10
Lambs.....	8.95	8.15	7.95	10.10

sizable marketings and a lack of substantial export demand, prices of corn were weak during most of the month. When country marketings dropped to small proportions and it became evident that a large amount of the grain would be sealed for Government loans, cash prices of No. 2 yellow corn at Chicago rose slightly above the month-earlier level to \$.46½ and \$.47½ by November 21. Visible supplies of corn increased sharply from mid-October to November 19, and on the latter date totaled over twice as great as 1928-37 average stocks for the date. However, Government holdings constituted a considerable portion of these supplies. The October oats movement fell off somewhat from September, and prices declined slightly but were firmer in November.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES
(In thousands of bushels)

	October 1938	September 1938	October 1937	October 1928-37 Av.
Wheat:				
Receipts.....	27,266	36,212	22,663	30,021
Shipments.....	23,759	22,176	24,394	22,917
Corn:				
Receipts.....	47,417	17,628	17,837	16,183
Shipments.....	19,562	9,919	7,316	9,372
Oats:				
Receipts.....	7,569	9,580	9,263	8,352
Shipments.....	5,743	6,982	8,698	6,625

MEAT PACKING

DEMAND attendant on the rising trend in industrial employment brought about a further decline during October in inventories of packing-house commodities in the United States, despite a substantial increase in inspected slaughter over September. The tonnage sold was more than seasonally greater than current production. While quotations for most pork products and lamb declined from a month earlier, those of better quality beef, mutton, and choice veal firmed somewhat. Dollar sales billed to domestic and foreign customers remained slightly above the 1928-37 average for the month. Slaughtering establishment employment and man-hours rose over a month earlier by 3 per cent, and wage payments increased by 6 per cent. They remained, however, under a year earlier.

MEAT PACKING—UNITED STATES

	Per Cent Change in October 1938 from		
	September 1938	October 1937	1928-37 October Av.
Tonnage produced.....	+ 7.0	+7.6	- 4.2
Tonnage sold.....	+ 2.5	+7.4	- 5.2
Dollar sales.....	+ 3.7	-4.4	+ 1.4
Inventories (tonnage).....	-10.2	+4.7	-30.6

Foreign Trade

SHIPMENTS of packing-house commodities for export expanded further in October to replenish stocks in the United Kingdom and to take advantage of the summer freight rates which were to be discontinued on October 31. Orders placed during the war scare also were being filled. The demand for United States lard already landed improved in the United Kingdom during the last half of October. Other than a moderate demand for fat-backs and other dry salt meats in Norway and Sweden and for lard in Belgium, Continental demand was rather quiet during October. Czechoslovakian trade dropped to almost negligible proportions following the readjustment of the Sudeten boundaries. Sales to the South American republics gained in October, but those to Cuba and Porto Rico decreased. Quotations in the United Kingdom were generally below the Chicago basis except for hams and certain brands of lard. In a few countries on the Continent, prices of lard and meats were up to the United States parity. Imports of animal products into the

United States decreased during October from September and continued much below the volume of current exports.

DAIRY PRODUCTS

PASTURE conditions and milk production fell off somewhat during October; however, they remained at unusually high levels for the season. October production of creamery butter by Seventh district firms declined 8 per cent from September but totaled about one fifth greater than in the 1937 month. Creamery butter production in the United States likewise declined from September and stood well above 1937 levels. Butter sales by Seventh district firms fell off sharply in October, totaling 19 per cent less than in September though exceeding the year-ago and 1928-37 average levels by 22 and 13 per cent, respectively. Government purchases were markedly less during October than in recent months. United States inventories of butter declined seasonally 17 million pounds from October 1 to November 1, but were about 75 million pounds greater than the 1933-37 average for the date. More than one half of the amount in storage was held by Government agencies. The wholesale price of 92 score butter held at 25½ cents throughout most of October, and advanced to 26½ cents by November 21.

With comparatively favorable price relationships during October, production of American cheese in Wisconsin rose contraseasonally 2 per cent over September and totaled 10 per cent greater than in October 1937 or the 1928-37 October average. Distribution of the commodity from primary markets in the State declined 7 per cent from September, but was 17 per cent larger than a year ago. Cheese prices held firm through most of October; they displayed some weakness in early November and production declined owing to this factor and a seasonally smaller milk flow. However, prices displayed further firmness in mid-November. United States cold-storage holdings of cheese decreased more than seasonally in October, but on November 1 were still at record levels for the season.

MONTHLY BUSINESS INDEXES

	Oct. 1938	Sept. 1938	Aug. 1938	Oct. 1937	Sept. 1937	Aug. 1937
Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1923-25 average = 100						
Manufacturing Industries:						
Employment.....	77	73	67	104	101	101
Payrolls.....	76	68	61	112	105	109
Pig Iron Production:						
Illinois and Indiana.....	68	56	47	98	134	134
Automobile Production—(U. S.):						
Passenger Cars.....	64	22	20	102	41	106
Trucks.....	59	49	85	83	139	220
Casting Foundries Shipments:						
Steel—In Dollars.....	28	30	32	70	96	115
In Tons.....	22	24	25	58	86	107
Malleable—In Dollars.....	37	37	35	64	76	71
In Tons.....	45	45	41	77	92	85
Stoves and Furnaces:						
Shipments.....	221	209	154	305	301	223
Furniture Manufacturing:						
Orders in Dollars.....	65	67	68	66	78	82
Shipments in Dollars.....	70	74	61	83	89	85
Building Contracts Awarded:						
Residential.....	59	51	51	37	34	32
Total.....	96	78	73	58	57	65
Meat Packing—(U. S.):						
Production.....	91	85	82	84	75	67
Sales Tonnage.....	94	92	86	88	87	80
Sales in Dollars.....	96	92	85	100	100	98
Creamery Butter Output:						
Production.....	102	111	129	86	92	110
Sales.....	123	153	156	101	122	126
Department Store Net Sales:						
Chicago.....	84	84	70	98	91	75
Detroit.....	99	133	69	123	151	87
Indianapolis.....	113	113	84	125	124	86
Milwaukee.....	102	98	74	120	106	80
Other Cities.....	87	84	72	101	91	75
Seventh District—Unadjusted.....	91	96	72	106	105	78
Adjusted.....	83	93	87	97	102	96

Merchandising

WHOLESALE TRADE

TOTAL sales of reporting wholesale trade groups in the Seventh Federal Reserve district declined 2 per cent in October from the preceding month to a volume 16 per cent below that of last October. Recessions in the individual groups amounted to 1½ per cent each in hardware and electrical goods, 2 per cent in drugs, and to 6 per cent in groceries, with tobacco and its products gaining fractionally and the aggregate for the miscellaneous groups increasing one per cent. It will be noted in the table that tobacco and its products furnished an exception to the generally heavy declines from a year ago, showing a slight increase in the comparison. In some groups, such as drugs, electrical goods, and groceries, stocks rose a little between the end of September and October 31, but they continued to be considerably smaller than in 1937.

WHOLESALE TRADE IN OCTOBER 1938*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	-12.7	-16.4	- 9.8	-12.2
Hardware.....	-20.4	-20.8	-16.0	-19.8
Drugs.....	-14.9	-17.9	- 5.2	-13.2
Electrical Goods.....	-36.1	-17.9	-34.6	-28.0
Tobacco and Its Products.....	+ 1.9	- 7.1	+ 4.6	+ 0.2
Miscellaneous.....	-16.7	-24.6	-19.1	-18.4

*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

RETAIL TRADE

OCTOBER failed to show a continuance of the betterment recorded a month earlier in department store trade of the Seventh district, the mild weather being assigned as one of the principal reasons for the lighter volume of sales than in September and the less favorable comparison with a year ago. Whereas a month previous sales had gained more than seasonally and the margin of decline from the corresponding 1937 period was narrowed to only 9 per cent, in October the dollar volume sold fell off 4 per cent and totaled 15 per cent below that of last October. For the first two weeks of November, however, sales were running only 7 per cent behind those of the same two weeks a year ago. Stocks on hand at the end of October aggregated 8 per cent heavier than a month earlier but were 13 per cent smaller than at the close of October last year.

DEPARTMENT STORE TRADE IN OCTOBER 1938

Locality	Per Cent Change October 1938 from October 1937		Per Cent Change First Ten Months 1938 from Same Period 1937	Ratio of October Collections to Accounts Outstanding End of September	
	Net Sales	Stocks End of Month		1938	1937
	Chicago.....	-13.5	-12.4	-12.5	38.5
Detroit.....	-20.5	-19.2	-23.4	46.8	45.9
Fort Wayne.....	-17.3	-13.7
Indianapolis.....	- 9.4	-15.8	- 9.0	37.2	39.1
Milwaukee.....	-16.7	- 9.6	-12.0	38.4	39.8
Peoria.....	-12.6	-10.0
Other Cities.....	-15.0	-10.2	-11.3	34.6	35.2
7th District.....	-15.3	-13.4	-14.5	40.0	40.7

*Include Fort Wayne and Peoria.

As in department store trade, sales of shoes at retail recorded a less favorable trend in October than a month previous, declining 27 per cent or more than seasonally from September and totaling 11 per cent smaller than last October as against a decrease of only 8 per cent in the yearly comparison for September. Inventories held by reporting dealers and department stores were 10 per cent lighter on October 31 than a year ago.

* * *

Although sales of furniture and housefurnishings by dealers and department stores fell off 10 per cent in October from September, in accordance with seasonal trend, the decline of less than 12 per cent from last October was the smallest in the yearly comparison so far in 1938 and dealer sales were equal in the aggregate to those of the preceding month. At the end of October stocks were 4 per cent larger than in September but continued at a level approximately 20 per cent below that of a year ago.

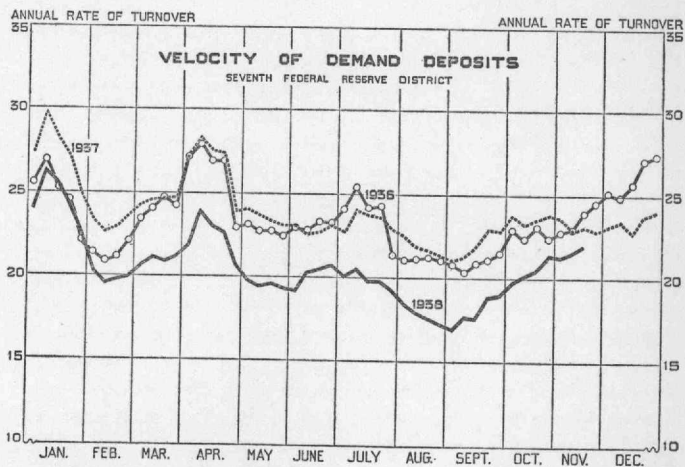
Credit and Finance

MEMBER BANK RESERVES

DESPITE an unusually large net inflow of 147 million dollars in commercial and financial funds from other districts during the four weeks ended November 16, Seventh district member bank reserve balances rose only 10 millions in the period. Transfers of about 80 millions from reserve balances, in connection with recent corporate financing, counteracted to that extent the effect of the gain in inter-district funds. Treasury operations and a 15-million dollar increase in currency circulation exerted an additional curtailing influence on the rise in reserves. Balances of banks outside the two largest cities of the district increased more than 6½ millions, mainly because of the Indiana group. A rise of about the same size was recorded for banks in the Detroit area, more than counteracting a small decline in Chicago.

INTEREST RATES

INTEREST rates charged by outlying Chicago banks on time collateral loans appeared slightly lower on November 15 than a month earlier, while those of the larger banks



Four-week moving averages, centered on the fourth week. Average daily turnover multiplied by number of working days in year.

in Chicago and Detroit showed little change over the same period. The average rate earned on total loans and discounts by the latter two groups of banks continued to move higher in October, that for the big Chicago banks exceeding the year-ago average for the fifth successive month.

OPEN MARKET PAPER

MIDDLEWESTERN commercial paper sales in October and outstandings at the end of the month both recorded more unfavorable comparisons with 1937 than was the case in September. However, Chicago dealers reported sales in the first half of November as nearly equal to the corresponding year-ago figure. Rates appeared a little firmer, after tending downward for several months.

Acceptances created in October by Seventh district banks rose substantially above the September total, and preliminary figures from selected Chicago banks indicated that November sales up to the fifteenth of the month were slightly higher than in the same period of October. Outstandings on October 31 showed the first increase over a month previous since last January. Both October totals remained in about the same unfavorable relationship to the corresponding 1937 and 1928-37 average figures that prevailed in September.

SECURITIES MARKETS

BOND prices during October and early November were actuated solely by domestic factors, in contrast to September when events in Europe were responsible for most of the fluctuations in the securities markets. These domestic factors were favorable, in the main, over the period in question, leading to firmness in bond prices. A heavy volume of new corporate bonds appeared in October—the largest for any month since early 1937—as most of the financing originally planned for September was held over awaiting clarification of the international outlook. Most of the new issues were utility refundings, and over one half of the total represented issues of utilities located in the Seventh district, most of them high-grade bonds. The few issues of less conservative quality which met with success did so mainly on the strength of inducements, such as conversion features. Municipal prices continued firm; a large number of issues of this type appeared, but the aggregate volume was not very large. Most municipal offerings were accorded a better reception in the East than in the Middle West, in which latter area a substantial proportion originated. Institutions continued to absorb most of the new offerings placed on the market, and more cases of direct placement of bond issues with insurance companies have been noted. Banks, apparently, are not as yet utilizing their heavy excess reserves to any appreciable extent for bond investment.

The Treasury refunded nearly 300 millions of 1½ per cent R.F.C. notes, due December 15, by exchange for three-year 7/8 per cent R.F.C. notes, dated November 1. The new notes, like those maturing, are guaranteed by the Government. Treasury short-term financing during the five weeks ended November 23, was done at the average nominal cost of between .020 and .030 per cent on each issue.

Chicago stock prices advanced to new high ground for 1938 in the first part of November, the Chicago Journal of Commerce average of 20 stocks reaching \$48.75 on November 12, though receding slightly in the following week.

Selected Seventh District Banking Data

* * *

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Nov. 16 1938	Change from Oct. 19 1938	Nov. 17 1937
Total bills and securities.....	\$277	\$ 0	\$-6
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	276	0	-5
Total reserves.....	2,236	+122	+460
Member bank reserve deposits.....	1,304	+ 10	+313
All other deposits.....	197	+ 98	+149
Federal Reserve notes in circulation.....	977	+ 11	- 6
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	90.2%	+0.6*	+2.4*

*Number of Points.

* * *

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Nov. 16 1938	Change from Oct. 19 1938	Nov. 17 1937
ASSETS			
Loans and investments—total.....	\$2,972	\$+31	\$-23
Loans—total.....	826	+ 7	-184
Commercial, industrial, and agricultural loans.....	472	+ 6	-151
Open-market paper.....	35	0	-19
Loans to brokers and dealers in securities.....	33	0	-11
Other loans for purchasing or carrying securities... ..	77	- 1	-14
Real estate loans.....	93	0	+ 7
Loans to banks.....	4	0	- 1
Other loans.....	112	+ 2	+ 5
U. S. Government direct obligations.....	1,434	+16	+29
Obligations fully guaranteed by U. S. Government.....	238	0	+50
Other securities.....	474	+ 8	+82
LIABILITIES			
Demand deposits—adjusted*.....	2,299	- 4	+109
Time deposits.....	884	+ 5	+13
Borrowings.....	0	0	0

*The annual velocity of demand deposits (unadjusted) in the four weeks ended November 16 was 21.93 times, as compared with 20.48 times in the preceding five weeks and with 23.07 times in the corresponding period of 1937.

* * *

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	October 1938	Per Cent of Increase or Decrease from September 1938	October 1937
Chicago.....	\$3,015	+14.5	- 1.1
Des Moines.....	91	+ 1.9	+ 0.0
Detroit.....	777	+12.5	-21.9
Fort Wayne.....	32	+ 2.2	-15.3
Grand Rapids.....	49	+ 5.2	-12.2
Indianapolis.....	196	+ 9.3	- 4.9
Milwaukee.....	247	+ 7.8	-10.4
Peoria.....	62	+14.4	- 7.3
South Bend.....	32	+ 6.0	-24.7
32 smaller cities.....	473	+ 9.8	-12.7
Total 41 cities.....	\$4,974	+12.7	- 7.2

* * *

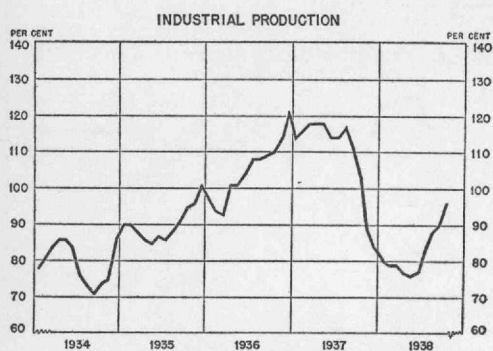
TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

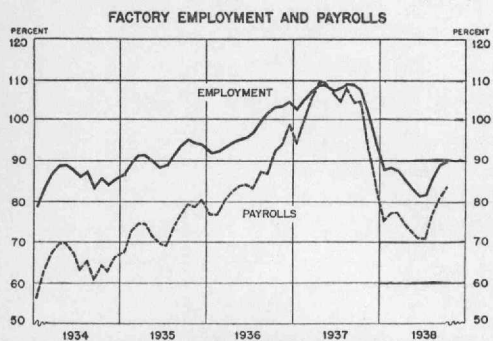
	October 1938	October 1937
Total country and city check clearings:		
Pieces.....	12,136,710	11,304,401
Amount.....	\$2,091,135,401	\$2,187,953,224
Daily average clearings:		
Total items cleared—		
Pieces.....	483,175	449,842
Amount.....	\$83,241,531	\$87,001,704
Items drawn on Chicago—		
Pieces.....	79,247	71,295
Amount.....	\$44,278,000	\$45,014,000
Items drawn on Detroit—		
Pieces.....	20,770	19,527
Amount.....	\$7,402,137	\$9,234,450

National Summary of Business Conditions

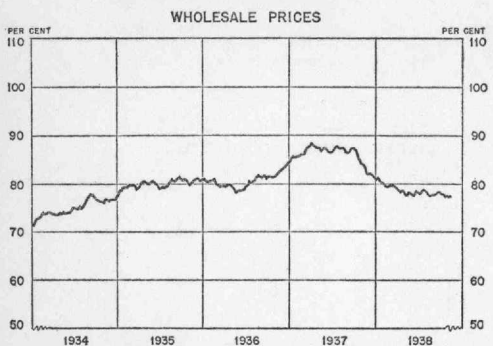
(By the Board of Governors of the Federal Reserve System)



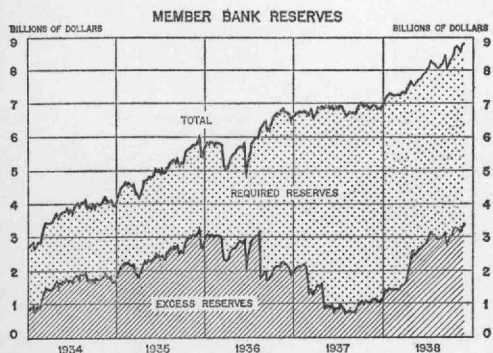
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1938.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1934 to October 1938. Indexes compiled by the United States Bureau of Labor Statistics.



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



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934, to October 23, 1938.

INDUSTRIAL production continued to increase sharply in October and the first three weeks of November, reflecting principally larger output of steel and automobiles. Wholesale commodity prices showed little change in this period. Volume of employment and national income increased in October.

PRODUCTION

IN OCTOBER the Board's seasonally adjusted index of industrial production was at 96 per cent of the 1923-1925 average, as compared with 90 per cent in September. Steel ingot production increased considerably, averaging 53 per cent of capacity in October, and in the first three weeks of November there was a further substantial advance. In the automobile industry output was increased rapidly during October and the first three weeks of November both to stock dealers with new model cars and to meet the increased volume of retail demand accompanying the introduction of new models. Production, which in the first nine months of 1938 had been at a considerably lower level, was at nearly the same rate as in the corresponding period in other recent years. Output of plate glass also increased sharply further in October. Cement production showed a considerable increase, while lumber production declined slightly.

Activity at textile mills, which had risen sharply during the summer, continued at about the August and September rate, although usually there is an increase at this time of the year. Shoe production declined somewhat further in October, and there was a decrease in output of tobacco products, while in most other industries manufacturing nondurable goods, changes in output were largely seasonal in character. Mineral production showed a further moderate rise, reflecting in large part increased output of crude petroleum and nonferrous metals. Lake shipments of iron ore also were in larger volume, although a decrease is usual in October. Coal production increased seasonally.

Value of construction contracts awarded in 37 Eastern states increased considerably in October, according to figures of the F. W. Dodge Corporation, reflecting chiefly a sharp rise in awards for public projects. Contracts for hospital, educational, and other public buildings included in the Public Works Administration program were in large volume, and there was a further increase in contracts awarded for slum clearance projects of the United States Housing Authority.

EMPLOYMENT

EMPLOYMENT and payrolls increased somewhat further between the middle of September and the middle of October. At automobile factories employment continued to rise sharply and there were further moderate increases in most other durable goods industries. The number employed at canning establishments declined and in other nondurable goods industries showed little change. Employment increased somewhat at mines, on the railroads, and in the construction industry, while in trade the rise was less than seasonal.

DISTRIBUTION

SALES at department and variety stores and by mail order houses showed less than the usual seasonal increase in October, partly because consumer buying of winter merchandise was retarded by unseasonably warm weather during most of the month. In the first two weeks of November department store sales increased moderately.

Freight-car loadings rose considerably further in October, owing largely to increased shipments of grains, coal, and miscellaneous freight. In the first half of November loadings showed a seasonal decline.

COMMODITY PRICES

WHOLESALE commodity prices generally showed little change from the middle of October to the third week of November. Prices of steel scrap and leather advanced. Tin plate prices, on the other hand, were reduced, and there were also decreases in zinc, hides, and rubber. Prices of farm products and foods showed small fluctuations in this period.

BANK CREDIT

TOTAL loans and investments at reporting member banks in 101 leading cities declined by about \$150,000,000 during the first half of November following a substantial increase during October. The decline in November was almost entirely at New York City banks and reflected the retirement of State and local government obligations held by these banks. Adjusted demand deposits, which reached an all-time peak of \$16,000,000,000 at reporting banks in the last week in October, also decreased somewhat in the first half of November. Member bank reserves in the middle of November were at about the high level reached a month earlier.

MONEY RATES AND BOND YIELDS

THE prevailing rate on open-market commercial paper declined slightly in November to $\frac{5}{8}$ of 1 per cent, a new low level. Other short-term open-market rates were unchanged. Yields on U. S. Government securities and on high-grade corporate bonds showed only small changes during November, continuing close to the low levels reached in October.

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SEVENTH FEDERAL



RESERVE DISTRICT

