

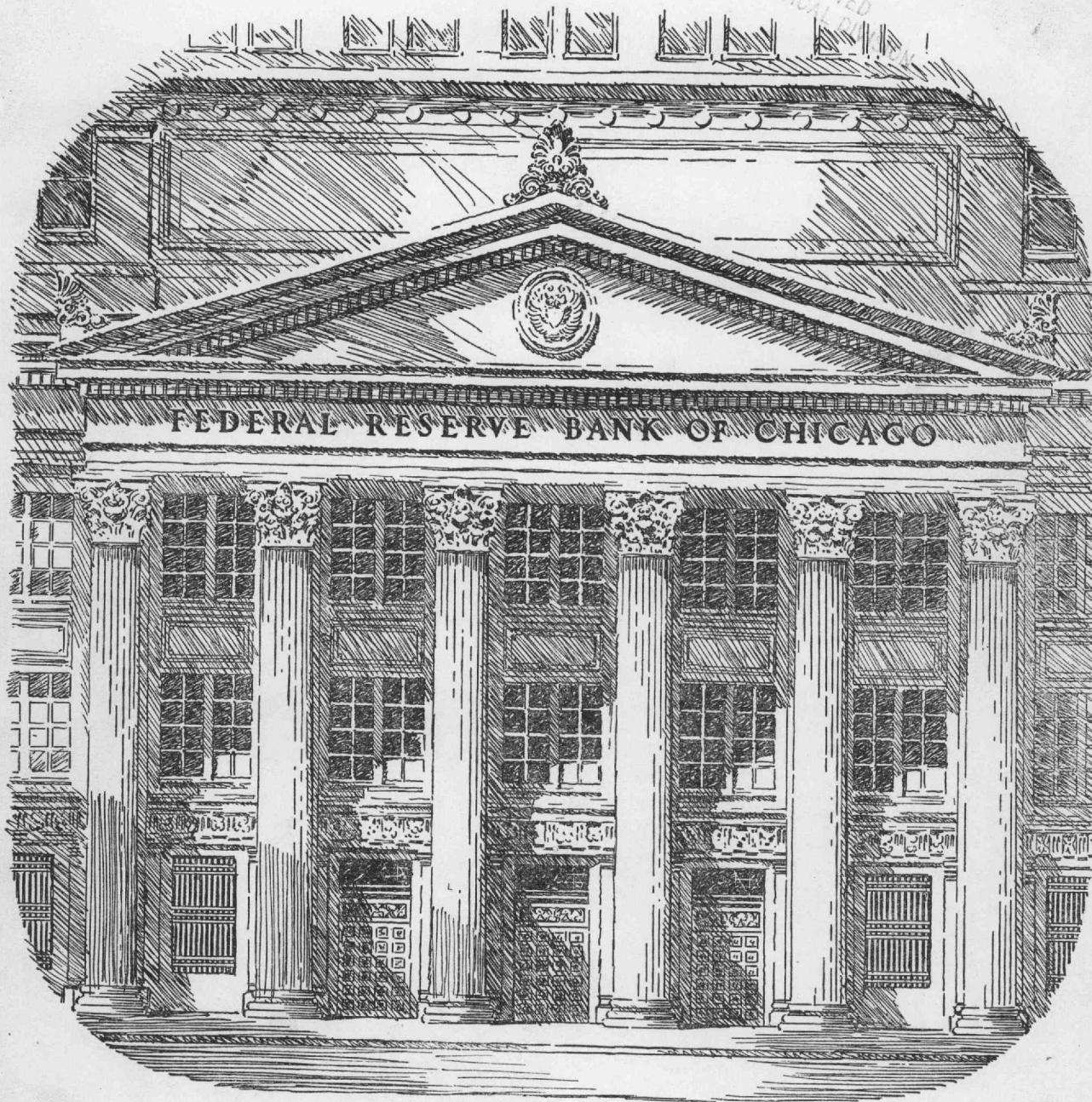
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# BUSINESS CONDITIONS

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# Monthly Review of Business Conditions in the Seventh Federal Reserve District

## DISTRICT SUMMARY FOR 1938

**B**EGINNING shortly after the middle of 1938, business activity in the Seventh Federal Reserve district showed evidences of a rising trend which gained momentum and became considerably more general in the fourth quarter of the year. By the end of the year, a level had been attained in many phases which was above that prevailing at the close of 1937 when, however, business was pursuing a sharply downward trend from the relatively high level of the first half of that year. This recession in activity continued steadily through the first half of 1938, so that despite the improvement shown in the latter part of the year, especially in the fourth quarter, aggregate volumes of production and trade, with few exceptions, were considerably smaller for 1938 as a whole than for the calendar year 1937. One of the most favorable factors evident throughout 1938 was the reduction of heavy inventories in both production and distribution phases to a point where replacement of stocks has become or will soon become necessary. Although employment and payrolls recorded a heavy loss in 1938, consumer buying power as a whole was fairly well sustained, with the result that the merchandising of commodities in the district showed a smaller decline from a year previous than did their production.

### INDUSTRY

**S**TEEL mills of the Chicago district operated at a comparatively low level until the fourth quarter of 1938 when a rather definite expansion took place, stimulated in large part by buying from the automobile industry and suppliers thereto. The high rate of operations for the year was 60½ per cent of capacity, reached in mid-November and again in mid-December, while the low point was 23 per cent of capacity prevailing in early June; the 1938 high compared with that of 86 per cent in 1937. Pig iron production in the Illinois and Indiana district totaled less than one half the year-earlier volume, and followed steel in showing expansion in the last quarter of 1938. Tonnage shipments of steel castings from Seventh district foundries were off 75 per cent from 1937 and those of malleable castings declined more than 50 per cent, although new business in the last two months of 1938 was recording improvement over a year previous. Stove and furnace factories had shipments totaling 30 per cent smaller than in 1937.

The number of passenger automobiles and trucks produced during 1938 in the United States was 2,489,635, or 48 per cent less than a year earlier; however, output in November and December exceeded that of the same 1937 months and, with low dealer stocks, the outlook for the industry at the beginning of 1939 was considerably improved.

An exception among the heavier industries to the unfavorable showing of the past year was building. Contracts amounting to \$540,816,000 were awarded during 1938 in the district, which volume was 10 per cent greater than that of 1937. The improvement in this phase began in August, and December contracts totaled the heaviest for any month since June 1930. Residential building rose 12 per cent over a year earlier, public works were sharply up, and utilities construction gained slightly but, because of a lower volume of commercial and industrial building, non-residential awards were less than in 1937. Building materials moved in moderately smaller volume in 1938 than a year previous.

In the latter part of 1938, shipments of Seventh district furniture manufacturers showed a steadily narrowing margin of the decline from 1937, and in the last two months of the year incoming business exceeded that of the corresponding year-earlier months. However, for 1938 as a whole, output was almost 30 per cent less than in 1937. Shipments from district paper mills were 11 per cent under a year previous, improvement in the latter part of 1938 being insufficient to carry the total volume for the year above that for 1937. Shoe production in 1938 was 12 per cent below a year previous.

Crude runs of oil to stills in this area were only slightly less in the past year than in 1937. Bituminous coal production in Illinois and Indiana totaled 23 per cent smaller in the comparison.

### EMPLOYMENT AND PAYROLLS

**F**ROM a level 32 per cent under that of a year earlier in July, industrial employment in the district rose each month thereafter until by December it reached a level within 7 per cent of December 1937, while payrolls showed only a 2 per cent decline in the closing month of 1938 from a year earlier. The manufacturing industries recorded much greater declines in employment and payrolls than did non-manufacturing; and in the former classification durable goods showed noticeably heavier losses than did the non-durable goods industries. Durable goods payrolls averaged 40 per cent smaller in 1938 than in 1937, whereas payrolls in the non-durable goods classification averaged only 14 per cent less and nearly equaled those of 1936.

### AGRICULTURAL PRODUCTS

**P**RODUCTION of packing-house commodities in 1938 totaled 9 per cent heavier in volume than a year earlier. Tonnage sales were 3½ per cent larger in the comparison and close to current production but, owing to the lower price level prevailing during the past year, dollar sales of meat products aggregated 9 per cent less than in 1937. Butter production in the Seventh district was up 10 per cent in 1938 over a year previous, and sales gained 14 per cent, while the manufacture of Wisconsin cheese increased 14 per cent and its distribution 6 per cent. United States inventories of these farm products and grains were unusually large this past year, with those of packing-house commodities relatively light.

Crop conditions in 1938 were fairly favorable. With the exception of small grains and some fruits, production of most crops in this area exceeded the 1927-36 average. In the five States which include the Seventh district, farm income from the sale of crops and livestock products as well as from Government payments aggregated 6 per cent less in the calendar year 1938 than in 1937, but was only slightly smaller than during 1936.

### TRADE

**A**GGREGATE sales of Seventh district wholesale trade groups reporting to the United States Department of Commerce were 12 per cent smaller in the past year than in 1937. Grocery and drug sales declined 9 per cent each, the hardware trade was off 22 per cent and electrical goods

sales 27 per cent, and sales in the miscellaneous group decreased 14 per cent, while tobacco and its products recorded a gain of one per cent over a year earlier. Stocks averaged 15 per cent lighter for all reporting groups at the close of 1938 than a year previous.

In retail trade phases covered by this bank, department store sales showed a 12 per cent loss in dollar volume in 1938 from 1937, with Detroit recording the heaviest decline among the larger cities of the district—19 per cent. The retail shoe trade registered an 11 per cent recession from a year earlier, while sales of furniture and house-furnishings declined 18 per cent. Except for October when unseasonably warm weather affected trade, there was a noticeable narrowing after July of the margin of decrease from 1937, and the department store and retail furniture trades reported an increase in December sales over those of the 1937 month. Inventories were in good position at the close of 1938.

### CREDIT

**T**HERE was a net increase during 1938 of \$288 million in member bank reserve balances at this bank. Contributing thereto was a gain of \$576 million in commercial and financial funds from other districts, partially offset by net transfers of about \$60 million from member bank reserves to other classifications and by Treasury receipts which exceeded disbursements by \$224 million. The net gain in funds from other districts was about 20 per cent larger than in 1937, while the excess of Treasury receipts amounted to only about 60 per cent of the previous year's total. A reduction on April 16 of approximately 13¼ per cent in reserve requirements increased excess reserves of Seventh district member banks \$110 million. At the end of 1938, excess reserves of these banks were nearly \$325 million greater than a year earlier, standing at about \$500 million.

On December 28, total loans and investments of weekly reporting member banks in principal cities of the district

were \$87 million heavier than on the corresponding 1937 date. The gain was due to an increase of \$214 million in the banks' investments, as loans declined \$127 million in the aggregate during the year. Demand deposits in these banks were \$185 million and time deposits \$18 million larger at the close of 1938 than a year earlier.

New financing through bankers' acceptances totaled 35 per cent lighter in this district during 1938 than in 1937 and amounted to only one fourth of the 1928-37 average. Commercial paper sales of Midwest dealers were a little over 25 per cent under the 1937 aggregate and the same percentage less than in the ten-year average.

There were 1,909 commercial failures in the Seventh district during 1938, with total liabilities of \$34,250,000, which figures represent increases of 44 and 31 per cent, respectively, over those of a year previous. Average liability, however, amounting to \$17,941 for the year, showed a 9 per cent decline from that in 1937.

### ANNUAL VOLUME OF PRINCIPAL OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO (HEAD OFFICE AND DETROIT BRANCH COMBINED)

NUMBER OF PIECES HANDLED:	1938	1937
Bills discounted.....	248	313
Currency received and counted.....	295,880,000	315,093,000
Coin received and counted.....	162,604,000	112,578,000
Checks handled.....	155,496,000	145,618,000
Collection items handled:		
U. S. Government coupons paid.....	3,352,000	3,546,000
All other.....	726,000	777,000
U. S. securities—issues, redemptions, and exchanges, Fiscal Agency Department.....	780,000	804,000
Transfer of funds.....	143,000	162,000
AMOUNTS HANDLED:		
Bills discounted.....	\$ 8,319,000	\$ 23,084,000
Currency received and counted.....	1,236,137,000	1,373,645,000
Coin received and counted.....	18,957,000	18,664,000
Checks handled.....	29,572,112,000	33,435,921,000
Collection items handled:		
U. S. Government coupons paid.....	80,455,000	83,300,000
All other.....	808,957,000	887,764,000
U. S. securities—issues, redemptions, and exchanges, Fiscal Agency Department.....	2,664,344,000	2,007,705,000
Transfer of funds.....	16,567,196,000	18,317,163,000

## Merchandising

### RETAIL TRADE

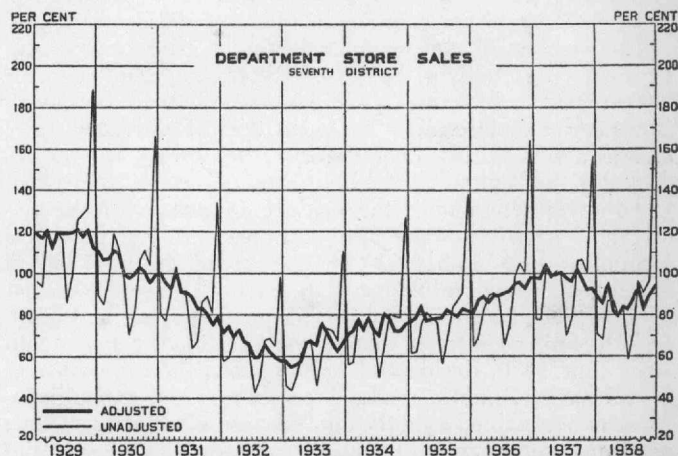
**T**HE first increase over year-earlier levels since October 1937 was recorded during December in the dollar volume of Seventh district department store trade, although the gain was slight. Trends varied somewhat among the various cities of the area, but general improvement was noted over the 1937 comparisons of the preceding month. Furthermore, the expansion of 60 per cent in sales over November was

DEPARTMENT STORE TRADE IN DECEMBER 1938

Locality	Per Cent Change December 1938 from December 1937		Per Cent Change Calendar Year 1938 from Calendar Year 1937	Ratio of December Collections to Accounts Outstanding End of November	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	-0.1	-11.6	-10.4	44.1	42.0
Detroit.....	+0.4	-13.6	-18.9	45.4	43.7
Fort Wayne.....	-3.3	.....	-11.3	.....	.....
Indianapolis.....	+7.1	-12.6	-5.9	41.2	41.3
Milwaukee.....	-0.6	-7.0	-10.1	41.4	40.1
Peoria.....	+2.6	.....	-7.7	.....	.....
Other Cities*.....	+2.9	-6.6	-8.8	34.9	34.0
7th District.....	+0.8	-11.0	-11.8	42.2	40.7

\*Include Fort Wayne and Peoria.

more than seasonal. Data covering the first two weeks of January this year show a 6 per cent decline from the same period of 1938, but the size of the decrease is partially due to the fact that there was one less trading day in the first week of the period than a year ago. At the end of 1938, stocks totaled well below those at the close of 1937, although the decline has narrowed gradually from the 17 per cent



Index numbers of department store sales in the Seventh district, with and without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 through December 1938.

recorded at the end of September to 11 per cent on December 31. Stock turnover for the calendar year just past was 4.37 times, or about the same as for the preceding year.

\* \* \*

The retail shoe trade experienced seasonal improvement in December, dollar sales of reporting dealers and department stores gaining 40 per cent over November, as compared with an increase of 42 per cent in the 1928-37 December average. Business totaled 3 per cent less than in the same 1937 month, although dealers had sales 4 per cent larger than at that time. Stocks declined 17 per cent from the end of November and were 6 per cent lighter than at the close of December a year earlier.

\* \* \*

Not only did sales of furniture and housefurnishings at retail expand much more during December than in the same month of any year in the 1928-37 average, increasing 37 per cent over November, but they exceeded those of December 1937 by 7 per cent—the first gain in the year-to-year comparison since September 1937. Dealer sales showed a considerably greater improvement over a month and a year previous than did those of department stores. At the end of December, inventories totaled 14 per cent lighter than on December 31, 1937, they having diminished 6 per cent from the close of November.

### WHOLESALE TRADE

**D**ECEMBER trends varied in business of wholesale trade groups in the Seventh Federal Reserve district. Sales of electrical goods expanded 20 per cent over November, those of tobacco and its products rose 12 per cent, and sales of drugs and drug sundries increased 4 per cent; while the hardware trade fell off 8 per cent from the preceding month, sales of groceries and foods were off 4 per cent, and the aggregate dollar volume sold by miscellaneous groups declined 8 per cent. In the total for all reporting lines, a recession of 2 per cent was shown from November. As indicated in the accompanying table, comparisons with December 1937 also varied as among the several groups; total sales recorded a decline of 2 per cent from a year earlier. With few exceptions, stocks diminished somewhat between November 30 and December 31, and at the end of the latter month, they were 15 per cent smaller in the aggregate for all groups than at the close of 1937.

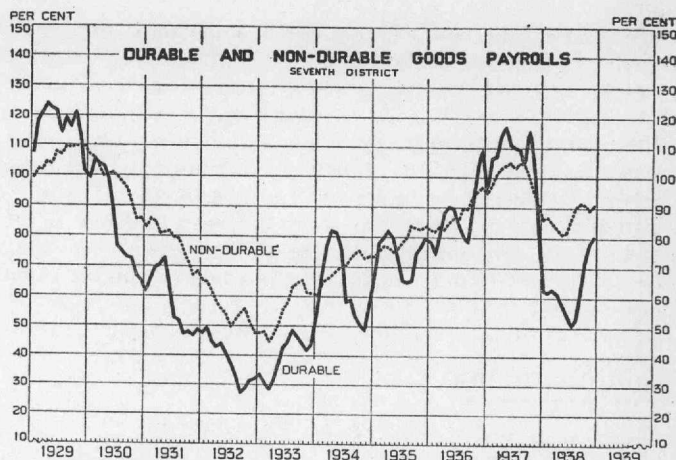
#### WHOLESALE TRADE IN DECEMBER 1938\*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	-2.7	-5.5	+0.4	-0.2
Hardware.....	+0.3	-20.3	-13.1	-13.2
Drugs.....	+4.4	-12.4	+0.7	+2.1
Electrical Goods.....	-9.1	-26.4	-37.7	-36.8
Tobacco and Its Products	+3.2	+7.0	+12.4	+9.5
Miscellaneous.....	-1.6	-15.7	-6.7	-4.8

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

### Industrial Employment Conditions

**C**ONTINUED gains in employment and payroll volumes were reported for December by Seventh district industries. The gains were fairly evenly distributed as among the five States comprising this area, ranging from 2½ to 4 per cent in the number of workers employed and from 2 to 5



Index numbers of payrolls in durable and non-durable goods industries of the Seventh district, 1923-1925 average = 100. By months, January 1929 through December 1938.

per cent in wage payments. This marked a change from the three preceding months during which the increases contributed by Michigan greatly outweighed those recorded by any of the other States. Durable goods, with the exception of stone-clay-and-glass products, added more workers and expanded payrolls, reaching a level which for the group as a whole was lower than a year earlier by only 11 per cent in employment and 3 per cent in payrolls—the smallest margins of difference recorded in this comparison throughout the entire year. Decreases from November to December within the food products and the chemical industries offset much of the increases contributed by other non-durable goods groups. However, aggregate employment within this classification was only 4 per cent below that of a year previous, and wage payments were practically the same as at that time. Among the industries classified as non-manufacturing, merchandising as usual had sharp gains in both employment and payroll volumes, while the construction industries recorded

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

Industrial Group	Week of December 15, 1938			Change from November 15, 1938	
	Reporting Firms No.	Wage Earners No.	Earnings ('000 \$)	Wage Earners %	Earnings %
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,792	371,752	10,424	+ 2.6	+ 4.2
Vehicles.....	420	328,000	11,293	+ 5.5	+ 2.9
Stone, Clay, and Glass.....	298	21,540	517	- 4.7	- 5.3
Wood Products.....	491	43,716	922	+ 0.6	+ 3.4
Total.....	3,001	765,008	23,156	+ 3.5	+ 3.3
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	404	65,408	1,224	+ 1.1	+ 5.1
Food and Products.....	1,050	103,293	2,690	- 2.8	- 2.0
Chemical Products.....	304	31,119	870	- 1.0	- 3.8
Leather Products.....	171	30,477	633	+ 2.9	+ 7.8
Rubber Products.....	34	18,550	492	+ 1.0	+ 2.4
Paper and Printing.....	735	75,937	2,211	+ 1.3	+ 4.3
Total.....	2,698	324,784	8,120	- 0.2	+ 1.5
<b>Total Mfg., 10 Groups.....</b>	<b>5,699</b>	<b>1,089,792</b>	<b>31,276</b>	<b>+ 2.4</b>	<b>+ 2.8</b>
<b>Merchandising<sup>2</sup>.....</b>	<b>5,555</b>	<b>163,879</b>	<b>3,406</b>	<b>+16.0</b>	<b>+11.2</b>
<b>Public Utilities.....</b>	<b>1,123</b>	<b>97,095</b>	<b>3,211</b>	<b>- 0.9</b>	<b>- 1.1</b>
<b>Coal Mining.....</b>	<b>77</b>	<b>17,376</b>	<b>432</b>	<b>+ 1.4</b>	<b>+ 6.2</b>
<b>Construction.....</b>	<b>782</b>	<b>9,828</b>	<b>293</b>	<b>-12.6</b>	<b>-10.2</b>
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,537</b>	<b>288,178</b>	<b>7,342</b>	<b>+ 7.6</b>	<b>+ 4.2</b>
<b>Total, 14 Groups.....</b>	<b>13,236</b>	<b>1,377,970</b>	<b>38,618</b>	<b>+ 3.4</b>	<b>+ 3.1</b>

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

a seasonal curtailment. The net rise brought these industries to within a close margin of the year-earlier volumes, employment being about 2 per cent and payrolls 4 per cent lower than last December. For industry as a whole, manufacturing and non-manufacturing, December employment was 7 per cent and wage payments 2 per cent smaller than a year earlier. This trend was in marked contrast to conditions prevailing during the greater part of the year, the low point reached last July showing a decline of 32 per cent in number of workers and 40 per cent in wage payments from the same period of 1937.

## Manufacturing

### IRON AND STEEL PRODUCTS

**S**TEEL mills of the Chicago district were operating at 49 per cent of capacity in the second week of January, which compares with 60½ per cent four weeks previous, the lower rate than at that time being due to the usual year-end lull and to the fact that incoming business in early January was insufficient in volume to support the higher rate of operations. The current level of production is much above that of a year ago at the same time when operations averaged only 26 per cent of capacity in the second week of January, but is 28 points lower than in the 1937 week. Specifications from the automobile industry have fallen off in recent weeks, as is to be expected at this season, although they continue to constitute the most important source of demand. There are indications, however, of improved buying from the railroads, the construction industry, and from farm implement manufacturers. A slight decline was shown during December from November in average daily pig iron production of the Illinois and Indiana district, but it exceeded that of December 1937 by over 50 per cent. Steel prices remain firm, and those of scrap iron and steel have recorded little change since early December.

\* \* \*

A further expansion was shown during December in new orders received by steel and malleable casting foundries of the Seventh district, and they exceeded by a substantial amount the light volumes booked a year earlier. Shipments of both types of castings were less than in the preceding month and were smaller than incoming orders; though remaining below those of a year earlier, the margins of decline from that time continued to be narrowed. It will be noted in the table that December production of steel castings totaled smaller than either a month previous or in the closing month of 1937, while production of malleable castings was greater in both comparisons.

#### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	December 1938 Per Cent Change from	
	Nov. 1938	Dec. 1937
<b>Steel Castings:</b>		
New orders booked (tons).....	+ 9.5	+48.0
New orders booked (dollars).....	+10.9	+24.2
Shipments (tons).....	- 7.3	-25.5
Shipments (dollars).....	- 0.6	-28.0
Production (tons).....	- 3.9	-20.8
<b>Malleable Castings:</b>		
New orders booked (tons).....	+ 4.3	+25.6
New orders booked (dollars).....	+ 3.1	+19.5
Shipments (tons).....	- 4.2	- 7.3
Shipments (dollars).....	- 1.1	-10.7
Production (tons).....	+11.1	+17.5

\* \* \*

Both new orders accepted and shipments by stove and furnace manufacturers of the district continued to decline in December, as is usual for the period, but they totaled

heavier by 58 and 31 per cent, respectively, than in the same month of 1937 when activity was light. Production was increased slightly during December and exceeded that of a year earlier by 22 per cent.

### THE AUTOMOBILE INDUSTRY

**D**ECEMBER production of automobiles was the heaviest of any month in 1938 and substantially above that in the final month of 1937 when schedules continued to be sharply reduced. Output of passenger automobiles this last December in the United States numbered 326,006 cars, which represented an increase over November production of 2 per cent and a gain of 33 per cent over the corresponding period a year earlier. The number of trucks produced in December totaled 62,340, or 20 per cent above the preceding month but 24 per cent under December 1937. Although January production of automobiles will show a decline from the volume of a month previous, in accordance with seasonal trend, data covering the early weeks of the month indicate that it will exceed that of last January by a much more substantial margin than in the yearly comparison for December.

Demand for automobiles in the Seventh district held up relatively well in December and was decidedly greater than in the closing month a year earlier. Although sales of new cars at retail were off 12 per cent from November when the automobile shows sharply accelerated demand, they numbered 43 per cent greater than in December 1937 and wholesale distribution was two thirds larger than at that time. Stocks continued to expand but at the end of the period totaled less than one half those held a year earlier. Sales of used cars numbered slightly more in December than in the preceding month and were over one fifth heavier than a year previous; salable used cars on hand increased somewhat in the period but remained moderately lighter as compared with 1937 stocks. Despite the improvement shown in the closing months of 1938, sales of new automobiles by reporting dealers in this district totaled more than one third smaller for the entire year than in 1937, while those of used cars were 20 per cent less. Although stocks of new cars in the first half of 1938 averaged considerably heavier than a year previous, they were so materially reduced thereafter that for the year as a whole they averaged almost 40 per cent lighter in number than a year earlier. Used-car stocks recorded approximately a 15 per cent decline from 1937.

### OTHER INDUSTRY

#### Furniture

**N**EW business of reporting furniture manufacturers in the Seventh district continued to show a less than seasonal recession in December, as did the dollar volume of shipments. The former item declined 22 per cent from the preceding month and the latter 2 per cent, as against decreases in the 1928-37 average for the period of 26 and 14 per cent, respectively. Orders booked were 31 per cent heavier than in December 1937 and 24 per cent above the ten-year average, while shipments were 27 per cent over the average and 22 per cent larger than a year earlier. As is usual for the month, unfilled orders were reduced sharply between November 30 and December 31, but exceeded those on hand at the end of 1937 by 20 per cent; their ratio to incoming orders, however, remained lower in this latter comparison. The December rate of production, at 69 per cent of capacity, was 2 points under that for the preceding month but 14 points above the rate prevailing a year previous.

Attendance at the January furniture marts and house-furnishings shows in Chicago was excellent, and it is reported that buying aggregated at least one fifth better than a year ago, with individual exhibitors in some instances experiencing as much as 200 to 300 per cent improvement over that time. Medium-to-high grade goods sold better this year, whereas in 1937 the lower-priced merchandise moved the best. Prices are firm and actually up slightly over last year, although the increase is concealed, rather, in the form of this year's products.

### Paper and Pulp

**T**HERE was a further decline in new orders booked at Seventh district paper mills during December, but activity continued well above the year-earlier level. Little change from November was noted in December in the production of either pulp or paper.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

December 1938  
Per Cent Change  
from

Nov. 1938 Dec. 1937

<b>Paper:</b>		
New orders booked (tons).....	- 3.2	+28.8
New orders booked (dollars).....	- 4.1	+19.2
Total shipments (tons).....	+ 3.8	+22.1
Total shipments (dollars).....	+ 2.8	+15.9
Total production (tons).....	- 3.8	+13.7
Stocks on hand at end of month (tons).....	- 7.6	+ 0.8
<b>Pulp:</b>		
Pulp produced (tons).....	- 1.7	+ 7.1
Stock on hand at end of month (tons).....	- 1.6	-25.1

### The Building Industry

**C**ONTRACTS awarded for building and construction work in the Seventh district during December totaled close to \$69,000,000—the highest monthly volume recorded not only in 1938 but since June 1930. About two thirds of the current awards comprised publicly-financed projects, and the large volume of these was entirely responsible for the increase over November as private contracts showed a decline in this comparison. While most of the heavy increase over a year earlier was also due to public financing, private contracts were twice as large this December as last and responsible for about one quarter of the net advance. The important part played by public funds in stimulating building activity during 1938 is apparent from the fact that contracts awarded during the year as a whole exceeded those of 1937 by 10 per cent, although there was a decline of almost one fifth in the total awards for private construction work, which decrease was due to a curtailment in building for industrial and commercial purposes. Residential building, stimulated through Federal Housing Administration loans in 1938, showed a slightly greater percentage gain than did construction as a whole.

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

Period	Total Contracts	Residential Contracts
December 1938.....	\$ 68,800,000	\$ 16,017,000
Change from November 1938.....	+20.4%	-6.9%
Change from December 1937.....	+165.2%	+241.5%
Calendar Year 1938.....	\$540,816,000	\$148,497,000
Change from Calendar Year 1937.....	+10.2%	+12.1%

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

Permits issued in 102 reporting cities of the Seventh district reflected a general decline during December in number of projects contemplated but a moderate advance in their estimated cost. The aggregate loss in number amounted

to 38 per cent and the rise in valuation to 8 per cent. The increase in the latter was moderated by the substantial decreases recorded by three of the larger cities in the district—Des Moines, Detroit, and Milwaukee—and by a net decline in Illinois cities outside the Chicago territory. Compared with December 1937, increases of 35 per cent in number of permits and of 140 per cent in cost were shown. These increases were general throughout the five States of the district, although in one of the larger cities, Milwaukee, there was a substantial decline in the estimated cost of proposed construction.

Despite the rise in construction activities, building materials showed a general falling-off in demand; the decline, in some cases, however, was somewhat smaller than is customary in December. Board-foot sales of lumber decreased 30 per cent at retail and 27 per cent at wholesale from a month previous but exceeded the corresponding volumes of a year earlier by 35 and 18 per cent, respectively. Sales for the calendar year were 8 per cent lower at retail and 38 per cent less at wholesale than in 1937. Total as well as net receipts of lumber at Chicago were approximately 25 per cent smaller in 1938 than in 1937. Shipments of cement during the past year from mills in the Seventh district were within 10 per cent of those made a year earlier. The United States Bureau of Labor Statistics wholesale price index for building materials was, at the close of 1938, 4 per cent under that prevailing at the end of 1937.

### Agricultural Products

#### GRAIN MARKETING

#### Wheat

**T**HE December movement of wheat at interior primary markets in the United States showed seasonal declines from November, but was in greater volume than in the 1937 month, reshipments of the grain being the largest for December since 1928. Wheat prices displayed a generally firming tendency over the period and the first three weeks of January, reflecting chiefly the prolonged drought in the Southwest, sharply reduced acreage and crop prospects for American winter wheat, and a scarcity of offerings from the Southern Hemisphere. Quotations for No. 2 hard winter wheat in cash positions at Chicago closed the year at \$.68 $\frac{5}{8}$  to \$.71 $\frac{1}{8}$ , or about 5 $\frac{1}{2}$  cents higher than a month previous. There was some temporary easing-off of prices in early January when the southwestern drought was somewhat relieved by general rains. Combined stocks of wheat on farms and in visible positions in the United States on January 1 showed a reduction of one fourth from October 1, but were 15 per cent heavier than a year earlier.

#### Corn and Oats

**A**FTER running comparatively heavy over the fall months, the movement of corn at interior centers of accumulation declined counterseasonally in December and fell below the 1928-37 average. Exports were again in fair volume. Corn prices rose about 4 cents in December, sustained by continued light country marketings, a fair export demand, and uneasiness over the crop outlook in Argentina. Quotations declined slightly in the first three weeks of January, chiefly owing to a moderate relieving of the Argentine drought situation. The Government report showing United States farm corn reserves of 1,797 million bushels as of January 1, compared with 1,673 billion bushels last year, indicated a

farm disappearance of 833 million bushels in the last quarter of 1938, which is slightly above average and well above disappearance for a year previous. Receipts of oats showed a sharp nonseasonal expansion and were the largest for December since 1929, but prices were firm throughout the month.

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

	(In thousands of bushels)			
	Dec. 1938	Nov. 1938	Dec. 1937	Dec. 1928-37 Av.
Wheat:				
Receipts.....	14,809	13,514	10,863	15,646
Shipments.....	18,228	21,669	16,482	13,503
Corn:				
Receipts.....	20,314	30,835	35,744	22,475
Shipments.....	10,514	16,141	17,008	10,837
Oats:				
Receipts.....	5,794	3,559	5,489	5,228
Shipments.....	6,084	5,941	4,206	5,174

#### LIVESTOCK

**E**STIMATES by the United States Department of Agriculture show an expansion for 1938 over 1937 in the autumn pig crop of 17 per cent in the five States including the Seventh Federal Reserve district and one of 18 per cent in the nation. The aggregate for the spring and autumn pig crops combined increased about 14 per cent in the Seventh district area and 15 per cent in the United States as a whole. Reports of this same agency indicate that so far as the corn belt is concerned, there were 7 per cent more cattle and 4 per cent fewer lambs on feed as of January 1, 1939, than a year earlier.

December receipts of livestock at public stockyards in the United States declined from November and were the smallest for December in several years. Except that hog slaughter expanded 11 per cent over the preceding month, the movement of livestock to Federally inspected slaughter followed the trend of market receipts. Shipments to feed lots declined somewhat less than seasonally during December and totaled well above the 1937 and the 1933-37 average levels.

#### LIVESTOCK SLAUGHTER

	(In thousands)			
	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, December 1938.....	155	643	218	67
Federally Inspected Slaughter, United States:				
December 1938.....	758	4,346	1,347	417
November 1938.....	858	3,913	1,453	457
December 1937.....	859	3,958	1,403	452
December 1928-37 average.....	781	4,672	1,345	412

#### AVERAGE PRICES OF LIVESTOCK

	(Per hundred pounds at Chicago)			
	Week Ended Jan. 21 1939	Dec. 1938	Months of Nov. 1938	Dec. 1937
Native Beef Steers (average).....	\$10.50	\$10.25	\$10.10	\$8.95
Fat Cows and Heifers.....	8.15	7.50	7.80	7.35
Calves.....	10.00	8.75	9.50	9.75
Hogs (bulk of sales).....	7.35	7.25	7.70	7.85
Lambs.....	9.05	9.00	8.85	8.90

#### MEAT PACKING

**T**HE production of packing-house commodities at inspected slaughtering establishments in the United States expanded somewhat less than seasonally in December over November, and inventories of these products in the nation had accumulated only slightly more than normally on January 1 over a month earlier. Although prices of most of the commodities declined in December from the preceding period, total dollar sales billed to domestic and foreign customers recorded a larger gain over the 1928-37

average for the month than in November; they also were in excess of December 1937. Quotations for light-weight hams, a few other pork cuts, mutton, and most beef were higher than in November. Payrolls in the industry showed an increase at the close of December over a month earlier of 4 per cent each in total wage payments and employees, and of 2 per cent in working hours. Wage payments rose to the level of a year ago; the number of employees was 2 per cent greater and hours worked were only 2 per cent less than at that time.

#### MEAT PACKING—UNITED STATES

	Per Cent Change in December 1938 from			Per Cent Change Calendar Year 1938 from 1937
	November 1938	December 1937	December 1928-37 Av.	
Tonnage produced.....	+ 4.5	+ 3.0	- 0.9	+ 9.2
Tonnage sold.....	- 5.4	- 1.1	- 0.5	+ 3.3
Dollar sales.....	+ 0.6	+ 3.6	+ 8.7	- 9.0
Inventories.....	+37.9	+14.4	-18.8	.....

#### Foreign Trade

**T**HE tendency of both exporters and importers to await the elimination of English duties on lard as of January 1 was largely responsible for a lessened volume of packing-house commodity shipments for export during the first three weeks of December than in the corresponding period of November; there was also a sharp decline in the movement of hams and bacon. An expansion in forwardings of lard during the remainder of the month resulted in heavier stocks afloat on January 1 than a month earlier and thereby tended to supplement the light inventories in England. British demand for United States lard was relatively good until near the close of the period when importers were reducing their holdings preparatory to the Anglo-American agreements becoming effective. Many exporters anticipate an improvement in British demand for United States lard as a consequence of these agreements. Continental trade in animal products from the United States decreased in December from November and was confined largely to very moderate quantities of lard and dry salt meats. Cuban, Porto Rican, and Latin-American trade remained about fair. Owing to lower prices at Chicago, quotations for United States lard in the United Kingdom moved somewhat closer to Chicago parity than a month earlier; ham quotations in England were slightly above the United States basis. Importations of animal products into the United States increased in December over a month earlier, owing principally to a relatively large movement of hams from Poland.

#### DAIRY PRODUCTS

**T**HE manufacture of creamery butter was at record levels during 1938. Production was stimulated by unusually good pasturage, cheap feed, and a heavy milk flow, as well as by the maintenance of price levels by Government purchases over part of the year. Total 1938 production in the United States is estimated at around 1,780 million pounds, an increase of about 10 per cent over 1937. Seventh district creamery butter manufacture showed about the same gain over 1937 as in the entire country. Major market factors during 1938 were the building-up of unprecedentedly large cold-storage holdings and heavy purchases by the Government-sponsored Dairy Products Marketing Association. Butter consumption was well maintained over the year but not large enough to move excess supplies. United States cold-storage holdings at the end of the year were still at record levels for the date, as they have been since June. About two thirds of these supplies were held by the Government agency.

During December creamery butter production by Seventh district firms expanded 2 per cent over November and 3 per cent over the year-earlier amount; United States production for the month is estimated at about 5 per cent greater than in the 1937 period. December sales by Seventh district firms totaled 4 per cent lighter than in November but 7 per cent larger than a year previous. Butter prices at Chicago weakened in the latter half of December and by early January reached the previous D.P.M.A. "peg" price of 25½ cents for 92 score, which level was maintained through the first three weeks of the month.

The production of American cheese in Wisconsin during 1938 totaled about 14 per cent heavier than in 1937. The December volume declined seasonally 4 per cent from November, but exceeded the 1937 level for the month by the same percentage. Distribution of cheese from primary Wisconsin markets declined only slightly from the preceding period and aggregated 23 per cent heavier than in December 1937. Cheese prices were firmer in December but off somewhat in the first three weeks of January. There was a greater than seasonal reduction in United States cold-storage holdings of cheese during December; however, on January 1 these stocks were still at record levels for the date.

## MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1923-25 average=100	Dec. 1938	Nov. 1938	Oct. 1938	Dec. 1937	Nov. 1937	Oct. 1937
<b>Manufacturing Industries:</b>						
Employment.....	83	81	77	91	100	104
Payrolls.....	83	80	76	84	101	112
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	80	83	68	53	68	98
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	111	109	64	83	101	102
Trucks.....	165	138	59	217	172	83
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	33	34	28	47	58	70
In Tons.....	27	30	22	37	47	58
Malleable—In Dollars.....	43	44	37	49	55	64
In Tons.....	55	58	45	60	67	77
<b>Stoves and Furnaces:</b>						
Shipments.....	153	172	220	134	180	310
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	49	62	66	37	53	66
Shipments in Dollars.....	63	64	73	51	68	83
<b>Building Contracts Awarded:</b>						
Residential.....	55	59	59	16	26	37
Total.....	101	84	96	38	41	58
<b>Meat Packing—(U. S.):</b>						
Production.....	104	99	91	101	88	84
Sales Tonnage.....	88	93	94	89	83	88
Sales in Dollars.....	86	85	95	83	86	100
<b>Creamery Butter Output:</b>						
Production.....	80	78	102	78	75	86
Sales.....	105	109	123	98	101	101
<b>Department Store Net Sales:</b>						
Chicago.....	148	90	84	148	95	98
Detroit.....	181	111	99	180	117	123
Indianapolis.....	182	112	113	172	109	125
Milwaukee.....	160	99	102	161	104	120
Other Cities.....	148	92	87	144	93	101
Seventh District—Unadjusted.....	157	96	91	156	100	106
Adjusted.....	93	88	82	93	92	97

## Credit and Finance

### MEMBER BANK RESERVES

**B**ETWEEN December 14 and January 18, Treasury receipts in the Seventh district exceeded disbursements by 335 million dollars. Sale of Government securities amounted to 457 millions and income tax collections and other internal revenue to 72 millions; while redemptions were 121

million dollars, and War Loan and miscellaneous debits accounted for 73 millions. The effect of these operations on member bank reserves was partially counteracted by a 77-million dollar gain in commercial and financial funds from other districts, the return of 61 millions which had previously been transferred from reserves, and a 20-million dollar post-holiday drop in currency circulation. The net result was that reserves declined 180 millions during this period.

### INTEREST RATES

**I**NTEREST rates on time-collateral loans of Chicago downtown banks softened somewhat in the latter part of December and the first half of January, but no other change in the rates of reporting Chicago or Detroit banks was discernible. The average rate earned on total loans and discounts by the large banks in these cities declined in December, for the second consecutive month, but continued above the 1937 level.

### OPEN MARKET PAPER

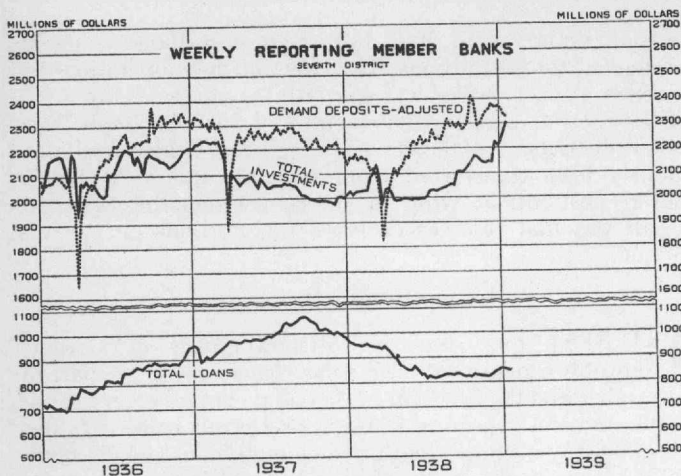
**B**ANKERS' acceptances made in December by Seventh district accepting banks declined counterseasonally from November, but commercial paper sales of reporting Middle Western dealers showed a sharp increase in the comparison. Outstandings of both types of open-market paper on December 31 were substantially lower than a year earlier, especially those of bankers' acceptances. Commercial paper sales, continuing to rise in the first half of January in accordance with seasonal trend, were nearly double those for the same December period but still failed to reach the level of a year previous.

### SECURITIES MARKETS

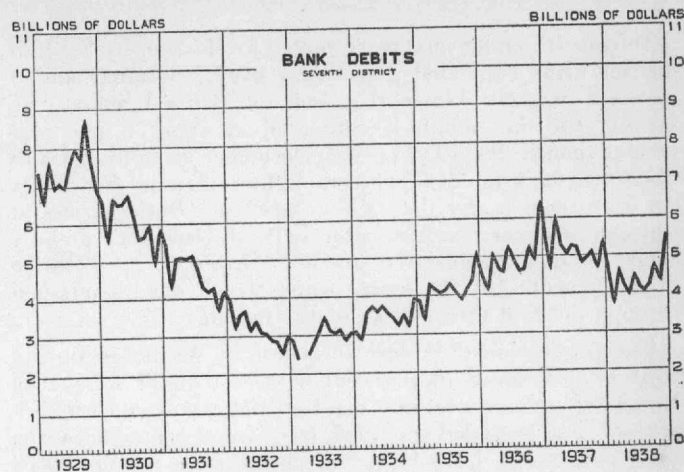
**T**HE volume of new corporate bonds issued in December, though substantially higher than a year earlier, remained rather restricted, and the small number of issues in registration at the start of 1939 indicated that the January total would also be rather small. New issues in the past year were in somewhat greater volume than in 1937, although a larger proportion of the 1938 total represented refundings. About one third of the December volume represented refunding obligations of Seventh district utilities. The largest issue of the month was not well received when offered; subsequently, however, institutional investors bought substantial blocks of the issue when prices were re-adjusted to a slightly lower level on the open market. Corporate bond prices were quite firm throughout December and early January, despite rather restricted activity in the market; a few issues softened slightly under pressure of year-end tax selling. Speculative rails made the best showing over this period. Municipals were both active and firm in price, partially due to the restricted number of new issues over recent months.

In three of four weekly issues of Treasury bills at the turn of the year, the phenomenon of a negative interest rate was witnessed, bids accepted being either slightly above or at par. The issue dated January 18 sold at an average discount of an infinitesimal fraction of one point.

Chicago stock prices showed little change between mid-December and January 21, and the Chicago Journal of Commerce average of 20 stocks on that date continued above the level prevailing last year at this time.



Wednesday figures for reporting member banks in leading cities of the Seventh district, January 1, 1936, to January 13, 1939.



Debits to individual deposit accounts in 21 principal clearing-house cities of the Seventh district. By months, January 1929 through December 1938.

## Selected Seventh District Banking Data

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

(Amounts in millions)

	Jan. 18 1939	Dec. 14 1938	Change from Jan. 19 1938
Total bills and securities.....	\$ 281	\$+4	\$-2
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	281	+5	-1
Total reserves.....	2,128	-105	+312
Member bank reserve deposits.....	1,172	-180	+137
All other deposits.....	223	+86	+162
Federal Reserve notes in circulation.....	982	-8	+12
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	89.5%	-0.5*	+1.7*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Jan. 18 1939	Dec. 14 1938	Change from Jan. 19 1938
<b>ASSETS</b>			
Loans and investments—total.....	\$3,151	\$+166	\$+195
Loans—total.....	845	+ 2	-102
Commercial, industrial, and agricultural loans.....	476	0	-101
Open-market paper.....	32	- 1	-16
Loans to brokers and dealers in securities.....	87	- 5	- 4
Other loans for purchasing or carrying securities....	78	- 2	- 9
Real estate loans.....	97	+ 3	+10
Loans to banks.....	4	0	0
Other loans.....	121	+ 7	+18
U. S. Government direct obligations.....	1,620	+173	+190
Obligations fully guaranteed by U. S. Government	228	+ 1	+39
Other securities.....	458	-10	+68
<b>LIABILITIES</b>			
Demand deposits—adjusted*.....	2,329	-46	+174
Time deposits.....	889	+ 3	+ 7
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the five weeks ended January 18 was 25.25 times, as compared with 20.07 times in the preceding four weeks and with 24.67 times in the corresponding period of 1937-38.

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

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

	December 1938	December 1937
Total country and city check clearings:		
Pieces.....	13,075,252	11,843,624
Amount.....	\$2,399,278,202	\$2,227,065,790
Daily average clearings:		
Total items cleared—		
Pieces.....	502,894	455,524
Amount.....	\$92,279,931	\$85,656,376
Items drawn on Chicago—		
Pieces.....	80,515	76,521
Amount.....	\$49,180,000	\$45,478,000
Items drawn on Detroit—		
Pieces.....	21,213	20,097
Amount.....	\$9,420,784	\$9,459,943

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)  
Per Cent Change from

	December 1938	November 1938	December 1937	Calendar Year 1938	Per Cent Change from Calendar Year 1937
Chicago.....	\$3,548	+36.7	+8.0	\$32,757	-12.3
Des Moines.....	111	+26.7	+9.6	1,081	- 5.7
Detroit.....	992	+17.0	-3.4	8,899	-25.4
Fort Wayne.....	34	+11.7	-8.1	365	-16.5
Grand Rapids.....	59	+24.6	+1.2	554	-17.7
Indianapolis.....	212	+13.1	+2.6	2,188	-10.8
Milwaukee.....	285	+22.1	-3.2	2,906	-14.6
Peoria.....	62	+ 4.8	+2.0	660	-13.3
South Bend.....	39	+22.7	-1.5	390	-17.8
32 smaller cities.....	528	+15.1	+0.2	5,334	-13.1
Total 41 cities.....	\$5,870	+28.2	+4.1	\$55,134	-14.9

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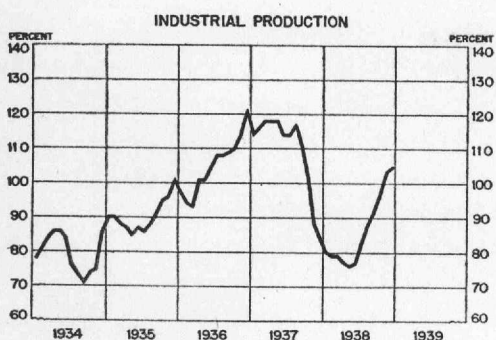
**SEVENTH FEDERAL**



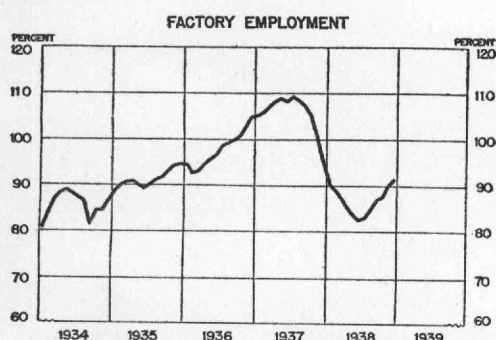
**RESERVE DISTRICT**

# National Summary of Business Conditions

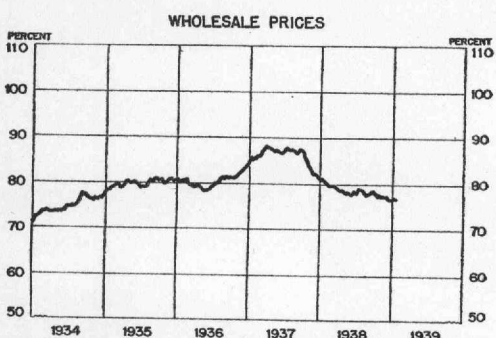
(By the Board of Governors of the Federal Reserve System)



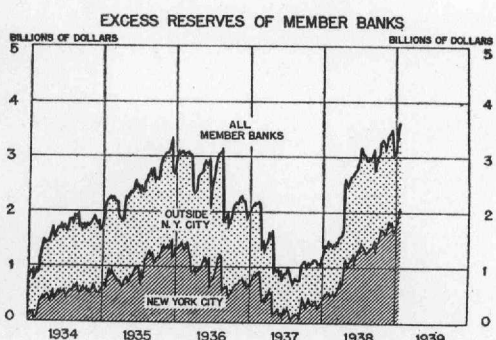
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 through December 1938.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 through December 1938.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending January 14, 1939.



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934, to January 18, 1939.

**VOLUME** of industrial production declined seasonally in December and showed little change in the first three weeks of January, when an increase is usual. Wholesale commodity prices were steady. Employment and payrolls increased further in December, and retail sales showed more than the usual seasonal rise.

## PRODUCTION

**I**N DECEMBER volume of industrial production declined by about the usual seasonal amount and the Board's adjusted index was at 104 per cent of the 1923-1925 average, about the level reached in November following an exceptionally rapid advance after the middle of the year. Changes in output in most lines in December were largely seasonal. In the steel industry, however, production showed a greater than seasonal decline, and averaged 54 per cent of capacity in December as compared with 61 per cent in November. Lumber production showed little change from November to December, although usually there is a decline, and at textile mills and shoe factories activity declined less than seasonally. At meat-packing establishments there was a reduction in output.

Automobile production increased somewhat further in December. In the fourth quarter of 1938 production and sales of the new model cars were in about the same volume as in 1937. Dealers' stocks of new cars increased seasonally in this period but at the year-end were much below the high level of a year earlier.

Value of construction contract awards increased considerably from November to December, according to F. W. Dodge Corporation figures for 37 Eastern States. The increase reflected principally a further rise in contracts awarded for Public Works Administration projects, which accounted for most of the sharp increase in awards that occurred in the last half of 1938. Contracts for private residential building decreased less than seasonally in December, while other private construction showed little change and remained at a low level.

## EMPLOYMENT

**E**MPLOYMENT and payrolls rose further between the middle of November and the middle of December. In most manufacturing lines the number employed continued to increase, when allowance is made for the usual seasonal changes, and in the automobile and machinery industries the rise was considerable. Employment and payrolls in trade increased more than is usual in the holiday season and in the construction industry employment showed much less than the usual seasonal decline.

## DISTRIBUTION

**D**ISTRIBUTION of commodities increased more than seasonally in December. Sales at department stores showed the usual sharp expansion prior to Christmas and sales at variety stores and mail-order sales showed a more than seasonal rise.

Freight-car loadings declined seasonally from November to December, reflecting largely the customary decrease at this time of year in shipments of miscellaneous freight.

## BANK CREDIT

**A**S THE result of the post-holiday return of money from circulation, together with Treasury disbursements from its balances with the Reserve banks, and gold imports, excess reserves of member banks increased nearly \$600,000,000 in the four weeks ending January 18 to a new high level of \$3,560,000,000. A large part of the increase occurred at New York City banks.

Total loans and investments of reporting member banks in 101 leading cities, which increased substantially in the first three weeks of December, declined in the following four weeks. There was some decline in loans and a reduction in holdings of United States Government obligations, reflecting in part distribution to the public of new securities purchased by banks in December. Deposits declined somewhat in the latter part of December but increased in January.

## MONEY RATES AND BOND YIELDS

**A**VERAGE yields on United States Government securities declined slightly in December and the first three weeks of January. For three consecutive weeks the entire new issue of 91-day Treasury bills sold on or slightly above a no-yield basis. Commercial paper rates declined slightly in January while other open-market money rates continued unchanged.