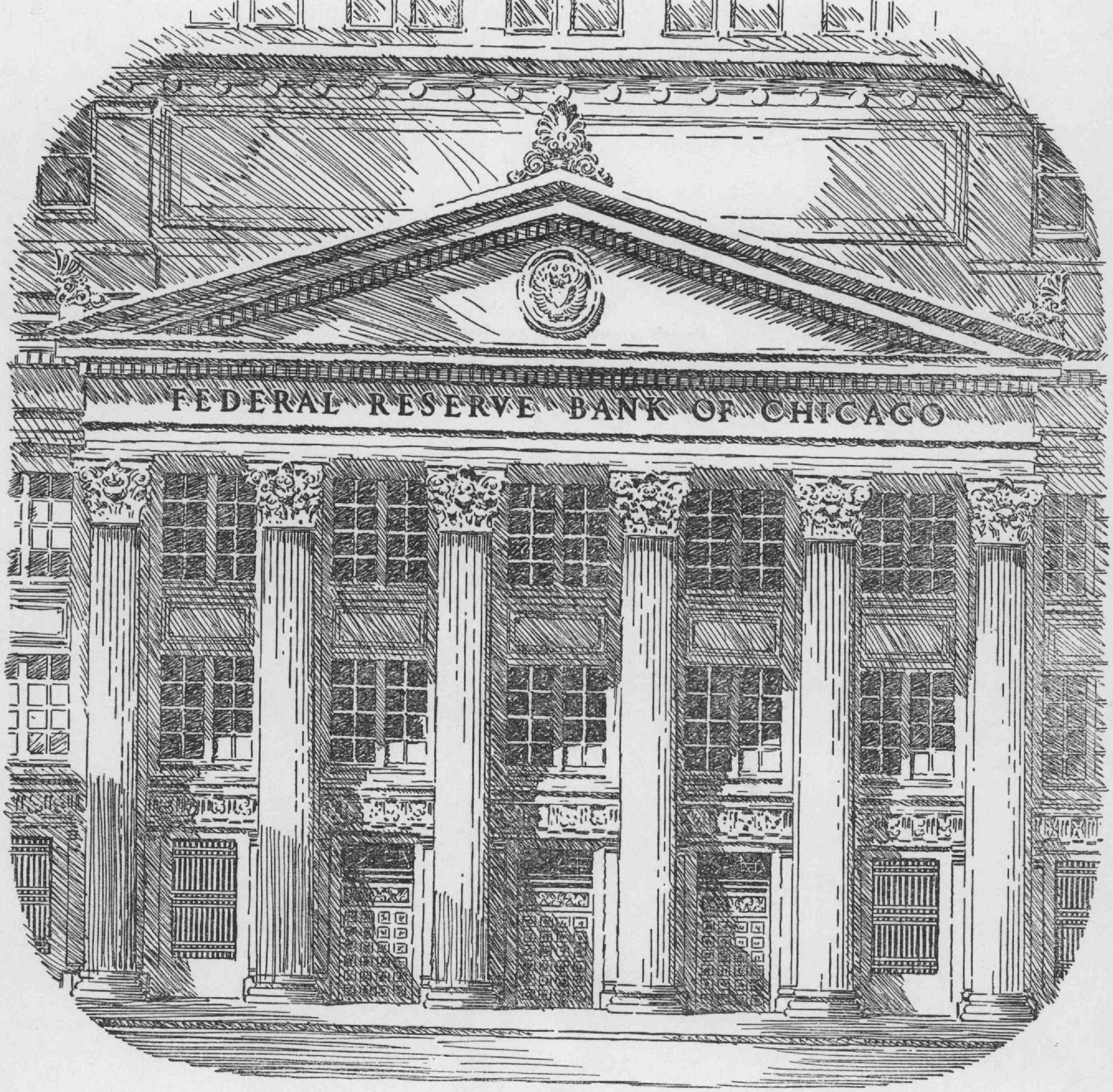
BUSINESS CONDITIONS



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Prepared by the
Research and Statistics Department
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Federal Reserve Bank of Chicago

DISTRICT SUMMARY

AS COMPARED with a year ago when the level of business activity was declining, current conditions in the Seventh district are considerably improved. However, there was some recession during January from the rising trend prevailing in the later months of 1938. Industrial production for the most part was down in January, the merchandising of commodities fell off in accordance with seasonal expectation, and employment and payroll volumes decreased.

INDUSTRY

ALTHOUGH the steel industry was operating at a slightly higher rate in the middle of February than a month previous and production was well above a year earlier, there has been no decided expansion in the volume of incoming business. Output of automobiles was smaller in January than in December but much heavier than in the month last year. Building construction, though considerably exceeding that of January 1938, fell off more than seasonally, and the movement of materials was slow. Shipments from stove and furnace factories were sharply lower in January than a month previous, as is usual; those of furniture declined more than seasonally, with new orders showing less than the customary expansion for the period. On the other hand, activity at steel and malleable casting foundries recorded improvement in January, and that of paper mills increased following recent declines. All of the major manufacturing groups represented in employment data registered losses in wage payments during January and most of them had lower employment volumes.

AGRICULTURAL PRODUCTS

PRODUCTION of packing-house commodities declined in January from the preceding month and was below that of last January and the 1929-38 average for the month; however, sales increased and inventories accumulated less than seasonally. The manufacture of creamery butter in the district totaled above that of December and a year ago; distribution of the commodity declined from the preceding period and approximated the year-earlier volume. The volume of Wisconsin cheese produced in January showed a small nonseasonal recession from a month previous but was above that of last January; sales gained in both comparisons. Inventories of butter diminished less than is usual from the end of December, while those of cheese declined more than seasonally. The movement of wheat and corn at interior primary markets was lighter in January than a month earlier, and that of corn was much below last year and the 1929-38 January average.

TRADE

MERCHANDISING phases followed seasonal trends during January, as both wholesale and retail trade fell off from the preceding month. The decline in department store trade was greater than in the 1929-38 average for January and, owing to a decrease in Chicago, totaled below a year ago. However, sales of shoes and furniture and house-furnishings at retail exceeded those of last January, and wholesale trade groups sold heavier dollar volumes than in the same 1938 month.

CREDIT

BECAUSE of heavy buying of Government securities, reserve balances of member banks in the Seventh district were reduced 82 millions in the four weeks ended February 15. Both loans and investments of weekly reporting member banks increased in this period; demand deposits in these banks were smaller in mid-February than four weeks previous, but time deposits showed a small gain.

Manufacturing

IRON AND STEEL PRODUCTS

NO DECIDED improvement has been noted during recent weeks in business of steel mills in the Chicago district. Buying of rails by the railroads has been active, and demand for construction materials has been fair; but a sizable volume of orders from the automobile industry and its suppliers has not as yet developed and demand from other sources has been rather inactive, although specifications from agricultural implement and tractor manufacturers have been increasing. Steel ingot production in the middle of February averaged 53 per cent of capacity for Chicago district mills, as compared with a rate of 49 per cent four weeks earlier and one of only 25 per cent a year ago. Pig iron production in the Illinois and Indiana district continued to decline in January from the peak month of 1938 last November; it was, however, much above the low volume of last January.

* * *

Activity at steel and malleable casting foundries of the Seventh district showed expansion during January over the preceding month and was considerably greater than in the corresponding period of 1938, shipments recording the first gains over year-earlier volumes since the fall of 1937. New business booked by both types of foundries increased in January for the third successive month. Despite the expansion in shipments and production, they lagged considerably behind the amount of incoming orders.

STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	January 1939 Per Cent Change from Dec. 1938	Jan. 1938
Steel Castings:		
New orders booked (tons)	+25.5	+12.2
New orders booked (dollars)	+36.1	+18.0
Shipments (tons)	+5.2	+39.3
Shipments (dollars)	+5.2	+21.1
Production (tons)	+4.8	+60.7
Malleable Castings:		
New orders booked (tons)	+38.2	+108.6
New orders booked (dollars)	+35.4	+89.5
Shipments (tons)	+12.1	+34.0
Shipments (dollars)	+10.0	+22.7
Production (tons)	+1.0	+61.3

At stove and furnace factories of the district, shipments, production, and new orders received continued in January well above the levels of a year earlier, the increases amounting to 27, 32, and 54 per cent, respectively. In the comparison with the preceding month, shipments were off about 28 per cent, or much less than in other recent years; production declined 25 per cent; while new business gained 48 per cent. Inventories diminished slightly between the end of December and January 31 and were moderately under those of a year ago.

THE AUTOMOBILE INDUSTRY

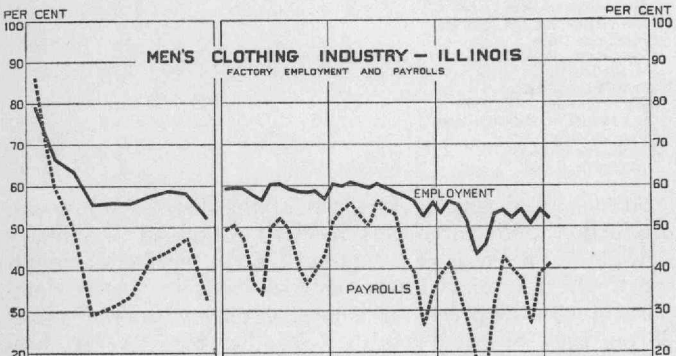
ALTHOUGH the production of automobiles in January was moderately lighter than that of December—the peak month of 1938 in the industry—it exceeded by a wide margin the output of last January which showed a sharp decline in the period. Passenger automobiles manufactured in the United States numbered 280,040 this January, or 14 per cent less than in December but 80 per cent greater than a year ago, while truck production of 59,112 units was 5 per cent below the preceding period and 9 per cent above the corresponding month last year. Manufacturers reduced schedules somewhat further in February, but preliminary data indicate that output for the month will total substantially heavier than for the same 1938 period.

In line with seasonal expectations, sales of new automobiles in the Seventh district fell off in January from a month previous, the number of cars sold at wholesale by reporting distributors being about 20 per cent smaller and dealer sales to users declining one third. However, as compared with a year ago, wholesale distribution was 125 per cent heavier this January and retail sales numbered 30 per cent larger. Although stocks of new cars were increased close to 70 per cent further during the current period, they totaled one fourth lighter than at the end of January 1938; at the end of December they were less than one half those of a year earlier. Sales of used cars in January rose fractionally in the aggregate over the preceding month but numbered 5 per cent smaller than for last January with, however, the majority of reporting firms showing decreases in the monthly comparison and increases over a year ago. Stocks of used cars expanded only 2 per cent between the end of December and January 31 and were almost 20 per cent lighter than at the same time a year previous.

Other Manufacturing

Men's Clothing

FACTORY production and sales of men's clothing in the Chicago area lagged sharply behind 1937 during most of 1938. Late in the year, however, a decided improvement took place and this trend has extended into 1939; sales during the 1939 spring season, which is now nearing its close, show an expansion of at least one fifth in unit volume over the 1938 spring season. Owing to the decline in prices from a year earlier, dollar sales recorded a somewhat smaller gain over 1938 than did the number of units sold. Inventories of both raw materials and finished merchandise at factories are down 25 to 50 per cent from the beginning of 1938. Since October, production has evidenced improvement over a year ago in about the same degree as has sales volume,



Index numbers of factory employment and payrolls in the men's clothing industry of Illinois, 1925–1927 average=100. By years, 1929 through 1938; by months, January 1936 through January 1939.

and the currently favorable trend in both production and sales is expected to continue into the autumn buying season which begins late in March. Prices are now showing some firming tendency in line with recent advances in piece goods.

Seventh district sales of men's clothing at retail exceeded those of a year earlier during December for the first time in many months; January sales were off sharply from a month previous and showed a small decline from a year ago. Inventories of men's clothing at retail are currently about one fourth lighter than at the close of January 1938.

Furniture

AS IS usual in January when the furniture marts are held, new business booked in the month this year by furniture manufacturers in the Seventh district expanded sharply over that of the preceding period. The increase, however, was smaller than in the 1929-38 average for January, amounting to only 65 per cent as against almost 100 per cent in the average. As compared with a year earlier, new orders totaled 20 per cent heavier this January; in December they were 30 per cent larger than a year previous. The volume of new business exceeded the ten-year average by 3 per cent, whereas December orders totaled almost 25 per cent above it. Shipments of furniture showed a much greater than seasonal recession during January from the preceding month—30 per cent as against a decrease of only 12 per cent in the 1929-38 January average. They aggregated 24 per cent above those of a year ago and 3 per cent above the average. Unfilled orders on hand January 31 recorded a rise of 82 per cent over the end of December and a gain of 25 per cent over the same date last year; their ratio to incoming orders increased from 85 per cent in the preceding month to 94 per cent, which latter compared with 91 per cent in January 1938. There was a further decline of 8 points in production during January to 61 per cent of capacity, the current rate, however, being 11 points higher than a year ago.

Paper and Pulp

FOLLOWING recent declines in orders and production, activity at Seventh district paper mills showed a sizable gain during January over December and continued much above the year-earlier level. Pulp mills operated at about 89 per cent of potential capacity, or almost 12 points higher than a year ago, while paper mill production was at 85 per cent of capacity, or 5 points above January 1938.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	January 1939 Per Cent Change from December 1938	January 1938
Paper:		
New orders booked (tons)	+12.5	+32.1
New orders booked (dollars)	+8.0	+10.7
Total shipments (tons)	+12.9	+18.6
Total shipments (dollars)	+9.2	+9.0
Total production (tons)	+7.1	+18.4
Stocks on hand at end of month (tons)	—19.7	—23.6
Pulp:		
Pulp produced (tons)	+8.7	+12.0
Stock on hand at end of month (tons)	+4.4	—12.1

The Building Industry

THE F. W. Dodge Corporation reports on building contracts awarded in the Seventh district during the first month of 1939 reflected a sharper recession in activity from the relatively high level of the preceding month than has been recorded for this period since early 1930. All of the various types of construction work for which contracts were awarded shared in the curtailment, residential building falling off by the smallest percentage amount, with non-residential building and public works declining more than 50 per cent. The losses in these last two classifications practically equaled the reduction in the volume of public funds to be expended for such projects. Public funds have been an important factor in the non-residential classification, mainly through the assistance extended in the erection of schools and other educational buildings. Despite the losses in January, total awards for the month were still almost twice as large as the year-ago volume, with privately-financed contracts constituting 47 per cent of the aggregate, or slightly more than the 45 per cent shown for January 1938.

BUILDING CONTRACTS AWARDED*
SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
January 1939	$36,121,000	$11,985,000
Change from December 1938	−47.5%	− 25.2%
Change from January 1938	+90.7%	+222.1%

*Data furnished by F. W. Dodge Corporation.

January building permits reported by 100 cities throughout the district totaled 14 per cent fewer in number and 17 per cent less in valuation than a month earlier. The main exceptions to the decreases recorded were furnished by Indianapolis and Milwaukee where the estimated cost of the contemplated projects was considerably higher than in December. All of the five States of the district as well as the larger cities within them showed increases over a year ago, both in the number and valuation of permits issued. Aggregate gains for the district as a whole amounted to 35 per cent in number and 90 per cent in estimated cost, Wisconsin registering the heaviest and Illinois the lightest increase in the latter item.

Demand for building materials continued inactive during January, with sales in general below those of a month earlier but higher than at the same time a year ago. The decreases in sales of lumber were somewhat larger than are customary at this season, both in the wholesale and retail divisions. Increases over last January were especially marked in shipments of brick and cement, the gain in the former being reported as about 80 per cent and in the latter as 65 per cent. Although there has been a slight tendency during recent months toward firmer materials prices, the Bureau of Labor Statistics wholesale price index has changed little since last November and currently is still about 2½ per cent lower than a year previous.

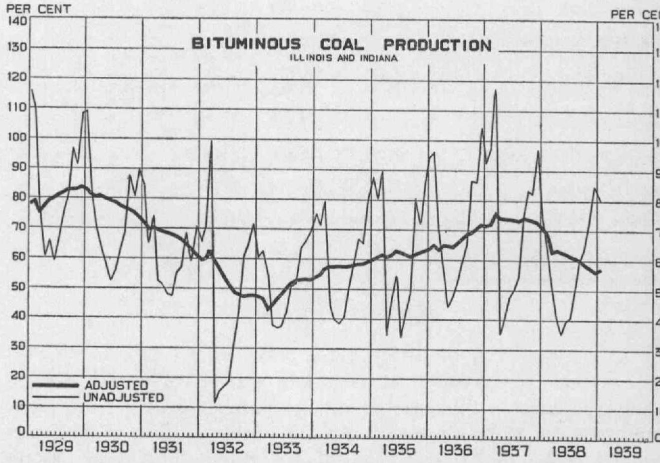
Fuel Industries

Petroleum Refining

DAILY average runs of crude petroleum to stills in the Indiana, Illinois, and Kentucky district averaged during January about 4 per cent higher than in December and continued above the year-earlier level, as they have since last September. Earlier in 1938 refinery operations were somewhat curtailed as unwieldy stocks of crude and finished products had been built up, so that runs as well as gasoline production for the year were below the 1937 aggregate for the area. Crude runs for the United States this January approximated the average for last January after running below year-earlier levels since March 1938. Since mid-1938 there has been considerable tendency to shade retail gasoline prices, and crude prices also have declined rather sharply in recent months. Refineries in 1938 were under pressure to diminish stocks of petroleum products, and by last November stocks of gasoline in the Indiana, Illinois, and Kentucky area were well reduced from earlier peaks; since then they have tended to accumulate.

Coal

PRODUCTION of bituminous coal in Illinois and Indiana was 9 per cent heavier during January than in the corresponding month of 1938. With the exception of last spring when production exceeded the year-ago level due to several large mines being shut down for the month of April 1937, this represented the first such favorable year-to-year comparison since September 1937. Industrial inventories have been running about 6 per cent below a year previous, and present stocks are considered ample. Further reductions, however, are considered unlikely in the immediate future, as the period for negotiations for a new wage scale is close at hand. Although current statistics are not available, it is estimated that distribution from Middle Western mines last fall ran about 10 per cent lower than in 1937.



Index numbers of bituminous coal production in Illinois and Indiana, with and without adjustment, 1923–1925 average = 100. Adjustment: 12-month moving averages. By months, January 1929 through January 1939.

Industrial Employment Conditions

ALL of the major manufacturing groups represented in the employment and payroll figures of the Seventh district showed decreases in amount of wages paid in January compared with a month previous, and all but one registered a lower volume of employment. The exception to the downward trend in the latter was furnished by the vehicles group. Durable goods industries generally reported larger losses in wage payments than in number of workers employed, mainly because of a prevailing tendency toward shorter working-hours. Within the non-durable goods groups, declines in wage payments were approximately in line with those in employment. The largest percentage decreases for the month among the manufacturing groups were furnished by the food and the stone-clay-and-glass industries. Of the non-manufacturing groups, merchandising and construction showed, as is customary, a sharp seasonal curtailment, the losses in the former being slightly larger than the increases recorded for December. In the construction industry a seasonal recession has been in progress since last October. Although the declines during the current period for all of the reporting industries combined were of considerable proportions, they were much smaller than took place in January 1938. Consequently, the comparison with a year ago showed improvement, employment increasing 2 per cent over that time, while wage payments were as much as 13 per cent higher. These favorable margins over year-earlier volumes were the first recorded since November 1937.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of January 15, 1939			Change from December 15, 1938	
	Reporting Firms No.	Wage Earners No.	Earnings (000 Omitted) $	Wage Earners %	Earnings %
DURABLE GOODS:					
Metals and Products[1]	1,784	370,935	10,090	— 0.8	— 3.9
Vehicles	423	339,105	10,831	+ 0.2	— 4.2
Stone, Clay, and Glass	279	20,150	458	— 5.6	—11.3
Wood Products	493	42,566	857	— 2.8	— 7.4
Total	2,979	772,756	22,236	— 0.6	— 4.3
NON-DURABLE GOODS:					
Textiles and Products	406	63,536	1,166	— 3.2	— 4.4
Food and Products	1,042	97,360	2,543	— 6.1	— 4.9
Chemical Products	299	36,255	1,068	— 0.9	— 0.3
Leather Products	176	30,136	608	— 1.2	— 3.6
Rubber Products	34	17,009	461	— 8.3	— 6.3
Paper and Printing	748	76,194	2,183	— 0.6	— 2.0
Total	2,705	320,490	8,029	— 3.4	— 3.5
Total Mfg., 10 Groups	5,684	1,093,246	30,265	— 1.4	— 4.1
Merchandising[2]	5,518	131,371	2,903	—18.4	—14.0
Public Utilities	1,118	95,798	3,166	— 0.3	— 0.7
Coal Mining	78	18,515	473	0.0	+ 4.0
Construction	757	7,842	223	—18.9	—21.7
Total Non-Mfg., 4 Groups	7,471	253,526	6,765	—11.1	— 7.4
Total, 14 Groups	13,155	1,346,772	37,030	— 3.4	— 4.7

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

Merchandising

Retail Trade

BECAUSE of a decline in the City of Chicago, Seventh district department store trade showed a small loss in the aggregate for January from the same month a year ago. Furthermore, the recession from December of 57 per cent was somewhat greater than seasonal for the period, comparing with one of 53 per cent in the 1929-38 average for January. In the three weeks ending February 18, district department store sales were 4 per cent less than in the corresponding weeks of 1938; unfavorable weather effected a decrease of 10 per cent in Chicago department store trade, but sales of Detroit, Milwaukee, and Indianapolis stores recorded increases over the three-week period of a year earlier. Stocks, though declining 4 per cent in January from the end of December in accordance with seasonal trend, totaled under those of January 31, 1938 by only 8 per cent, which represents a further narrowing of the margin of decrease in the yearly comparison.

DEPARTMENT STORE TRADE IN JANUARY 1939

Locality	Per Cent Change January 1939 from January 1938		Ratio of January Collections to Accounts Outstanding End of December	
	Net Sales	Stocks End of Month	1939	1938
Chicago	—4.6	—8.4	50.5	50.3
Detroit	+0.6	—8.3	44.9	41.7
Fort Wayne	—3.5	...	....	....
Indianapolis	+2.5	—13.9	40.9	41.8
Milwaukee	+0.7	—3.7	41.4	40.1
Peoria	—5.0	...	....	....
Other Cities*	+1.9	—6.6	36.9	35.7
7th District	—1.8	—8.0	44.8	43.5

*Include Fort Wayne and Peoria.

* * *

A seasonal recession of 54 per cent took place during January in the retail shoe trade. Sales of reporting dealers and department stores totaled 6 per cent larger than in January 1938, whereas in December they were only one per cent heavier in the yearly comparison. Department store sales of shoes showed an 8 per cent increase over last January, while dealer sales recorded a 4 per cent decline. The level of inventories at the close of January was 2 per cent above that of a year ago and that percentage above the preceding month.

* * *

Sales of furniture and housefurnishings at retail by dealers and department stores fell off 42 per cent in January from a month previous, or somewhat more than is usual. They were, however, 6 per cent in excess of the dollar volume sold a year ago, which is about the same percentage increase shown in December over a year earlier. Dealer sales recorded a heavier decrease from December and a smaller gain over last January than did those of department stores, increasing only 4 per cent in the latter comparison, while department stores sold 7 per cent more furniture and housefurnishings. Although stocks declined 6 per cent between December 31 and the end of January, they were but 10 per cent smaller than on the same 1938 date, whereas four months earlier the margin of difference was as much as 20 per cent.

Wholesale Trade

AS IS usual in January, the volume of wholesale trade in the Seventh district declined in the month this year from the preceding period. Electrical goods sales were off 33 per cent, hardware sales 25 per cent, those of tobacco and its products 23 per cent, and sales in the miscellaneous group 23 per cent from the December volumes. Exceptions to the downward trend were noted in the grocery trade which increased 7 per cent, in sales of paper and its products which rose 6 per cent, and in the drug trade in which business gained 2 per cent over a month previous. Sales volumes in general exceeded those of January 1938, as may be seen in the accompanying table; last year, however, greater than seasonal recessions had been recorded in the month. Stocks totaled 3 per cent heavier on January 31, for all reporting groups, than at the end of December but were 12 per cent lighter than on the same 1938 date.

WHOLESALE TRADE IN JANUARY 1939*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries and Foods	+ 6.5	— 8.6	+ 4.2	+ 7.3
Hardware	+ 5.9	—14.0	— 4.8	— 1.3
Drugs & Drug Sundries	+ 5.4	—10.8	+ 3.7	+ 4.7
Electrical Goods	+ 7.4	—15.8	— 3.8	— 5.4
Paper & Its Products	+ 3.8	—16.8	+ 2.3	— 2.0
Tobacco & Its Products	+10.8	+ 6.7	+ 5.1	+ 8.7
Miscellaneous	+ 7.8	—13.7	— 8.5	— 4.0

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

Agricultural Products

Grain Marketing

Wheat

THE movement of wheat at interior primary markets in the United States declined more than is usual in January, and reshipments of the grain dropped to below the year-earlier level. Wheat exports were in considerably better volume than in December and about the same as last January. Displaying a generally softening tendency from late January through mid-February, quotations for No. 2 hard winter wheat in cash positions at Chicago stood at \$.70¾ and \$.72¼ on February 15. Chief factors in these price declines were weakness in surrounding securities markets, a lessening of the European political tension, and weakness in corn prices. In the following week prices recovered slightly. Visible supplies of wheat, as of February 18, had declined 10 per cent from a month earlier, but remained well above the level of a year previous.

Corn and Oats

THERE was a further decline during January in the movement of corn at interior centers of accumulation, both receipts and shipments being the lowest for any month since the fall of 1937. Country marketings of corn were likewise small, roads at many points being impassable. After relief of the Argentine drought in the second week of January, corn prices declined irregularly through mid-February, influenced by long liquidation, lack of substantial export sales, and continued favorable weather conditions in Argentina, as well as by competition from low-grade wheat as a feed grain in Europe. Quotations for No. 2 yellow corn for immediate delivery at Chicago at \$.48½ to \$.49⅛ on February 15 were about 4 cents lower than a month earlier but made some recovery in the following week. Little change was noted in United States visible supplies on February 18 as compared with a month previous; these stocks continued about one fourth heavier than in the corresponding 1938 period. Receipts of oats increased somewhat in January, but reshipments from primary points declined seasonally in the period. Some weakness in oats prices was shown in late January and the first half of February.

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

	Jan. 1939	Dec. 1938	Jan. 1938	Jan. 1929–38 Av.
Wheat:				
Receipts	12,146	14,809	10,625	13,924
Shipments	12,920	18,228	13,156	10,975
Corn:				
Receipts	14,355	20,314	33,069	19,322
Shipments	8,953	10,514	21,179	10,835
Oats:				
Receipts	6,269	5,794	5,461	5,267
Shipments	5,830	6,034	4,739	5,012

LIVESTOCK

THOUGH continuing below year-earlier levels, receipts of hogs, lambs, and calves at public stock yards in the United States rose seasonally during January over December. Cattle receipts showed a greater increase than is usual and exceeded slightly the 1929-38 January average. The movement to inspected slaughter diverged from the trend of market receipts in that hog slaughter declined 7 per cent from December and that of cattle increased only fractionally. Shipments of livestock to feed lots declined roughly in line with seasonal expectations but remained well above the year-ago movement.

The extent of changes in number of livestock on farms as of January 1, 1939 from a year earlier is shown in the following tabulation:

(In thousands)

	Five States Including Seventh District 1939	Five States Including Seventh District 1938	United States 1939	United States 1938
Number:				
Hogs and Pigs	18,174	16,784	49,011	44,218
Cows and Heifers, kept for milk*	6,466	6,415	25,093	24,834
Other Cattle and Calves	7,345	7,213	41,728	41,249
Lambs and Sheep	5,392	5,447	53,762	52,682
Horses and Colts	2,714	2,820	10,800	11,128
Mules and Mule Colts	241	245	4,382	4,428
Total Farm Value:				
Hogs and Pigs	\$ 243,229	\$ 224,859	\$ 547,461	\$ 498,070
Cows and Heifers, kept for milk*	409,411	400,468	1,397,280	1,352,014
Other Cattle and Calves	234,794	214,215	1,172,513	1,065,221
Lambs and Sheep	34,114	36,549	309,180	322,525
Horses and Colts	267,817	296,618	911,572	1,012,217
Mules and Mule Colts	25,746	27,955	515,869	543,092

*Two years old and over.

MEAT PACKING

FOLLOWING less than seasonal expansion in December, the production of packing-house commodities in the United States aggregated smaller for January than in that month. Lard, barreled pork, and most dry salt meats declined in price from December, but quotations for beef, veal, lamb, and a majority of pork cuts advanced. Sales to domestic and foreign customers increased in January over December, and there was a less than seasonal accumulation of inventories. Production and sales did not show quite so favorable a comparison with the ten-year average, however, as during the preceding period. Furthermore, payrolls at the close of January recorded declines from a year ago of 4 per cent each in employes and hours and 5 per cent in wage payments; there was, on the other hand, a gain over December of one per cent in employes, of 7 per cent in wage payments, and of 9 per cent in hours worked. Production continued under last year during the first half of February.

MEAT PACKING—UNITED STATES

	Per Cent Change in January 1939 from December 1938	January 1938	January 1929–38 Av.
Tonnage produced	−1.9	−4.4	−5.3
Tonnage sold	+4.4	+3.9	−4.7
Dollar sales	+2.7	−0.8	+6.4
Inventories	+17.6	−1.0	−16.9

Foreign Trade

JANUARY shipments of packing-house commodities for export exceeded those of a month earlier, owing principally to fair bookings of lard and pickled meats by the United Kingdom. British trade in United States lard was good in the first half of January but slackened somewhat after mid-month; the demand for pork was relatively good over the entire period. Though showing improvement over a month earlier, continental European demand for packing-house products from the United States continued on a very restricted basis, centered principally in a small tonnage of lard and dry salt meats. Cuba purchased fair quantities of lard during the period, Porto Rican demand for lard and smoked meats improved, and there was moderate business with Latin America. Realizations on lard and hams in the United Kingdom were equal to or slightly above Chicago parity during the first half of January and only a little below it during the remainder of the month; prices in most other foreign markets were on a United States basis. With a considerable portion of January forwardings either on a straight sales basis or absorbed promptly upon arrival, United States holdings of packing-house commodities in foreign markets —inclusive of stocks in transit—recorded very little if any

LIVESTOCK SLAUGHTER
(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, January 1939	189	663	277	80
Federally Inspected Slaughter, United States:				
January 1939	761	4,043	1,456	415
December 1938	758	4,346	1,347	417
January 1938	830	4,201	1,552	420
December 1929–38 average	778	4,541	1,435	416

AVERAGE PRICES OF LIVESTOCK
(Per hundred pounds at Chicago)

	Week Ended Feb. 18 1939	Months of Jan. 1939	Months of Dec. 1938	Months of Jan. 1938
Native Beef Steers (average)	\$10.20	\$10.45	\$10.25	\$ 8.30
Fat Cows and Heifers	8.25	7.95	7.50	6.95
Calves	10.75	9.75	8.75	10.00
Hogs (bulk of sales)	7.85	7.35	7.25	7.95
Lambs	8.95	8.90	9.00	8.35

increase on February 1 over the beginning of January. Importations of animal products into the United States decreased in January from December.

Dairy Products

JANUARY production of creamery butter by Seventh district firms increased about 2 per cent over December and continued 3 per cent over January 1938. Manufacture of the commodity in the United States remained well above the year-earlier level. January sales by district butter firms approximated the year-ago amount, but were 4 per cent below the preceding month. After declining in December and early January, butter prices were maintained steady through the first three weeks of February, largely by sizable market purchases of the Federal Surplus Commodities Corporation. United States cold-storage holdings of creamery butter on February 1 showed a somewhat less than seasonal reduction from January 1. Of 111½ million pounds in storage on February 1, about four fifths were held by Government agencies.

American cheese production in Wisconsin recorded a slight nonseasonal decline during January from December, but totaled 6 per cent greater than a year ago and 10 per cent higher than the 1929-38 January average. Sales of cheese from Wisconsin primary markets aggregated 7 per cent larger than in December and 13 per cent above January 1938. United States stocks of all varieties of cheese declined somewhat more than seasonally from January 1 to February 1, and though still at record levels for the date, exceeded by only about one fifth the 1933-38 average for February 1. Cheese prices softened in the first half of January but held firm thereafter through the first three weeks of February.

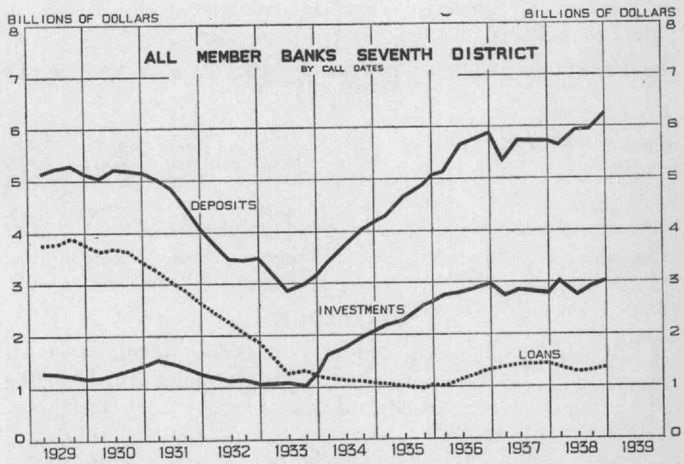
MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1923-25 average=100	Jan. 1939	Dec. 1938	Nov. 1938	Jan. 1938	Dec. 1937	Nov. 1937
Manufacturing Industries:						
Employment	82	83	81	79	91	100
Payrolls	79	83	80	68	84	101
Pig Iron Production:						
Illinois and Indiana	75	80	83	49	53	68
Automobile Production—(U. S.):						
Passenger Cars	96	111	109	53	83	101
Trucks	157	165	138	143	217	172
Casting Foundries Shipments:						
Steel—In Dollars	35	33	34	33	47	58
In Tons	29	27	30	25	37	47
Malleable—In Dollars	47	43	44	38	49	55
In Tons	61	55	58	46	60	67
Stoves and Furnaces:						
Shipments	85	129	168	60	132	177
Furniture Manufacturing:						
Orders in Dollars	80	49	62	66	37	53
Shipments in Dollars	45	63	64	37	51	68
Building Contracts Awarded:						
Residential	41	55	59	13	16	26
Total	53	101	84	28	38	41
Meat Packing—(U. S.):						
Production	102	104	99	106	101	88
Sales Tonnage	91	88	93	88	89	83
Sales in Dollars	88	86	85	89	83	86
Creamery Butter Output:						
Production	81	80	78	78	78	75
Sales	100	105	109	101	98	101
Department Store Net Sales:						
Chicago	66	148	90	69	148	95
Detroit	74	181	111	74	180	117
Indianapolis	85	182	112	84	172	109
Milwaukee	74	160	99	74	161	104
Other Cities	64	148	92	62	144	93
Seventh District—Unadjusted	69	157	96	70	156	100
Adjusted	86	94	88	88	93	92

Credit and Finance

Condition of All Member Banks

PRELIMINARY data for December 31, 1938 show that deposits and investments of all Seventh district member banks increased during 1938, while loans declined. However, these general trends were not common to each of the different groups of banks. During the first half of the year, loans of all classes of banks declined, but those of country banks recovered during the last half of 1938 to the extent that a net increase was shown for the year, while loans of banks in large cities other than Chicago were at the same level on December 31 as a year earlier; only in Chicago was a marked decrease in the volume of loans recorded during 1938. Investments of large city banks showed steadier and more marked increases than did those of the rural institutions, where holdings of securities actually declined during the first six months of 1938 and were only slightly higher at the end of the year than on December 31, 1937. Total deposits of all classes of banks increased during 1938, but a steadier rise took place in Chicago than elsewhere, deposits outside the metropolis recording a large portion of their increases in the last quarter of the year.



Selected items of condition by call dates from March 27, 1929, through December 31, 1938.

Member Bank Reserves

CONTINUED heavy buying of Government securities during the four weeks ended February 15 reduced Seventh district member bank reserves to the lowest level since last April. Sales of bills and guaranteed notes by the Treasury amounted to 120 millions, and other miscellaneous items further augmented Treasury receipts for the period to a level over $140 million in excess of disbursements. Commercial and financial funds continued to flow into the Seventh district from other districts to the net extent of 71 millions, but increased currency circulation and declining Reserve bank credit extended, reduced reserves by 11 millions, with the result that they were off 91 millions in Chicago during the four weeks and only 9 millions higher in other sectors of the district, the latter gain being mainly due to increased balances of Wisconsin banks in the last week of the period.

Interest Rates

INTEREST rates charged by reporting member banks showed practically no change between January 15 and the middle of February. However, the average rate earned on total loans and discounts by the larger banks of the district's two main cities—Chicago and Detroit—recorded the third successive month-to-month decline, prior to which time the average had moved steadily higher during most of 1938.

Open Market Paper

MIDDLE Western dealer sales of commercial paper failed during January to show full seasonal improvement over December, while new financing through bankers' acceptances in the Seventh district fell off in close accordance with the normal trend. Outstandings of the former on January 31 recorded a slight increase over the same month-earlier date, while liability for acceptances fell off by 7 per cent during the period. Acceptances made and commercial paper sales both declined during the first fifteen days of February from the corresponding January period.

Securities Markets

NEW corporate financing in January was in the lowest volume of any month since January 1935, and only a small fraction of the limited total originated in the Seventh district. Of interest, however, was an issue of equipment trust certificates by an aviation transport company to finance the purchase of new airships. This type of financing has heretofore been confined almost exclusively to railroads. A large issue of 10-20 year debentures appearing on February 1 was enthusiastically received and participated in extensively by banks. Though continuing to purchase only high-grade bonds, the banks are, nevertheless, showing a tendency to buy somewhat longer maturities than heretofore. Prices of high-grade bonds were firm during January and early February, and the lower grades, especially the more speculative utilities, moved irregularly upward. This tended to narrow the spread that has persisted between prices of the different quality bonds. A similar narrowing of spread was witnessed in municipal quotations, while new issues of these securities were in moderately small volume.

The Treasury continued to dominate the new issue market, offering two issues of Government-guaranteed notes for the U. S. Housing Authority and for the Reconstruction Finance Corporation, in the volume of about $114 million and $300 million, respectively. The former, five-year notes dated February 1, bore the rate of $1\frac{3}{8}$ per cent and established a new record for issues publicly offered by the Treasury in that subscriptions were about 27 times in excess of allotments. The $\frac{7}{8}$ per cent R. F. C. notes, dated February 15 and maturing January 15, 1942, sold at $\$100\frac{1}{4}$ and elicited applications of $2,566 million. The $100,000,000 weekly issues of Treasury bills in the five weeks ended February 23 all sold at average discounts to yield less than .010 per cent.

The Chicago Journal of Commerce average of 20 Chicago stocks fluctuated between about $43.00 and $47.00 over the period from January 21 to February 21, which range compares with an average of $39.34 on the latter date in 1938.

Selected Seventh District Banking Data

* * *

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	February 15 1939	Change from Jan. 18 1939	Change from Feb. 16 1938
Total bills and securities	$281	$0	$-2
Bills discounted	0	0	0
Bills bought	0	0	0
U. S. Government securities	281	0	-1
Total reserves	2,123	-5	+326
Member bank reserve deposits	1,090	-82	+73
All other deposits	294	+71	+232
Federal Reserve notes in circulation	984	+2	+18
Ratio of total reserves to deposit and Federal Reserve note liabilities combined	89.6%	+0.1*	+1.8*

*Number of Points.

* * *

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

Assets	February 15 1939	Change from Jan. 18 1939	Change from Feb. 16 1938
Loans and investments—total	$3,202	$+51	$+224
Loans—total	848	+3	-105
Commercial, industrial, and agricultural loans	483	+7	-92
Open-market paper	30	-2	-19
Loans to brokers and dealers in securities	37	0	-10
Other loans for purchasing or carrying securities	78	0	-7
Real estate loans	98	+1	+11
Loans to banks	4	0	0
Other loans	118	-3	+12
U. S. Government direct obligations	1,642	+22	+199
Obligations fully guaranteed by U. S. Government	246	+18	+58
Other securities	466	+8	+72
Liabilities			
Demand deposits—adjusted*	2,276	-53	+121
Time deposits	892	+3	+8
Borrowings	0	0	0

*The annual velocity of demand deposits (unadjusted) in the four weeks ended February 15 was 19.12 times, as compared with 25.25 times in the preceding five weeks and with 19.78 times in the corresponding period of 1938.

* * *

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	January 1939	Per Cent of Increase or Decrease from December 1938	Per Cent of Increase or Decrease from January 1938
Chicago	$2,823	-20.5	+ 3.2
Des Moines	108	- 2.4	+15.5
Detroit	878	-11.5	+ 6.7
Fort Wayne	30	-12.5	- 6.5
Grand Rapids	50	-14.9	+ 7.2
Indianapolis	210	- 1.1	+ 9.7
Milwaukee	254	-10.9	+ 2.8
Peoria	52	-15.7	- 8.8
South Bend	35	-10.1	- 1.8
32 smaller cities	464	-12.1	+ 3.0
Total 41 cities	4,904	-16.5	+ 4.1

* * *

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

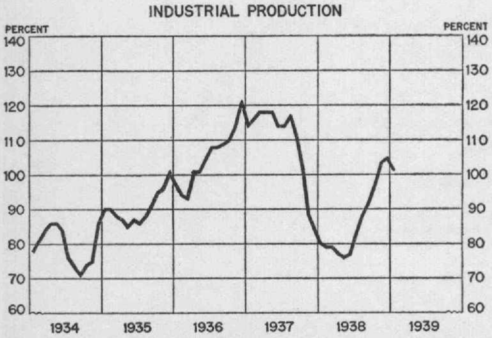
(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	January 1939	January 1938
Total country and city check clearings:		
Pieces	11,725,318	10,378,971
Amount	$2,062,050,102	$1,856,101,089
Daily average clearings:		
Total items cleared—		
Pieces	469,013	415,159
Amount	$82,482,004	$74,244,044
Items drawn on Chicago—		
Pieces	75,925	69,465
Amount	$43,911,000	$39,662,000
Items drawn on Detroit—		
Pieces	19,217	17,808
Amount	$7,972,812	$7,979,744

National Summary of Business Conditions

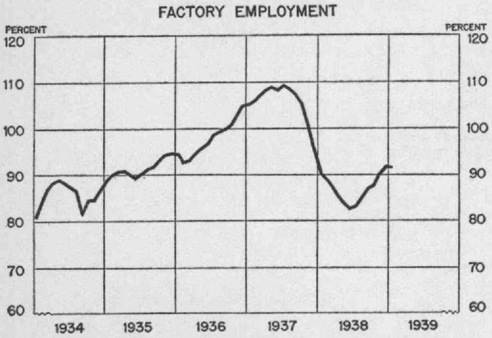
(By the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



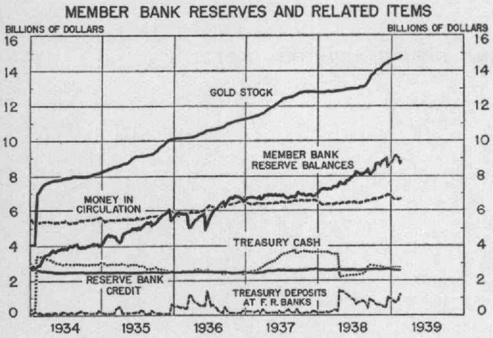
Index of physical volume of production, adjusted for seasonal variation, 1923–1925 average = 100. By months, January 1934 to January 1939.

FACTORY EMPLOYMENT



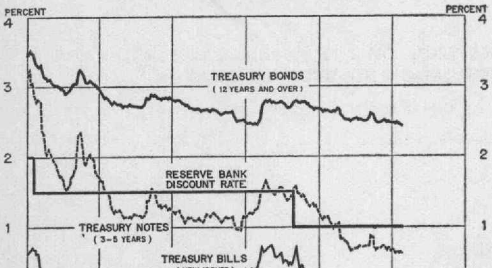
Index of number employed, adjusted for seasonal variation, 1923–1925 average = 100. By months, January 1934 to January 1939.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, January 3, 1934, to February 21, 1939

MONEY RATES IN NEW YORK CITY



For weeks ending January 6, 1934, to February 18, 1939.

INDUSTRIAL production increased less than seasonally in January and the first three weeks of February, following a rapid advance in the latter half of 1938. Wholesale commodity prices continued to show little change.

Production

IN January volume of industrial production, as measured by the Board's seasonally adjusted index, was at 101 per cent of the 1923-1925 average as compared with 104 in December. At steel mills, where activity usually increases considerably at this season, output in January and the first three weeks of February was at about the same rate as in December. Automobile production declined seasonally in the first two months of the year as retail sales showed about the usual decrease and dealers' stocks reached adequate levels. Output of cement declined in January, and there was also some reduction in output of lumber and plate glass. In the non-durable goods industries, where production had been at a high level in December, activity increased less than seasonally. Increases at cotton, silk, and tobacco factories were smaller than usual and at woolen mills there was a decline. Shoe production and sugar refining continued in substantial volume, and activity at meat-packing establishments showed little change, following a decline in December. Mineral production increased somewhat in January, reflecting an increase in output of crude petroleum.

Value of construction contracts awarded declined in January, according to F. W. Dodge Corporation figures, owing principally to a reduction in awards for publicly-financed projects, which had been in large volume in December. Contracts for privately-financed residential building continued at the recent advanced level, while awards for private non-residential building remained in small volume.

Employment

FACTORY employment and payrolls showed the usual decline between the middle of December and the middle of January. In most individual industries, as well as in the total, changes in the number of employes were of approximately seasonal proportions. In trade, employment declined somewhat more than is usual after Christmas.

Distribution

SALES at department and variety stores and by mail order houses showed the usual sharp seasonal decline from December to January. In the first two weeks of February department store sales continued at the January level.

Volume of freight-car loadings in January and the first half of February was at about the same rate as in December.

Commodity Prices

WHOLESALE commodity prices generally continued to show little change in January and the first three weeks of February. Grain prices declined somewhat, following a rise in December, while prices of hogs increased seasonally. Changes in prices of industrial materials were small.

Bank Credit

EXCESS reserves of member banks, which reached a record high level of $3,600,000,000 on January 25, declined somewhat in February. This decline resulted chiefly from a temporary increase in Treasury balances with the Reserve banks representing cash receipts from the sale of the new United States Housing Authority and Reconstruction Finance Corporation notes. Purchases of these notes were also responsible for an increase in total loans and investments of reporting member banks in 101 leading cities, following a decline during January.

Money Rates

AVERAGE yields on United States Government securities declined further during the first three weeks of February to about the lowest levels ever reached. New issues of 91-day Treasury bills, after selling at par or at a slight premium in late December and early January, were again on a slight discount basis during February. Other open-market rates continued unchanged.

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3-2-39

SEVENTH FEDERAL

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RESERVE DISTRICT