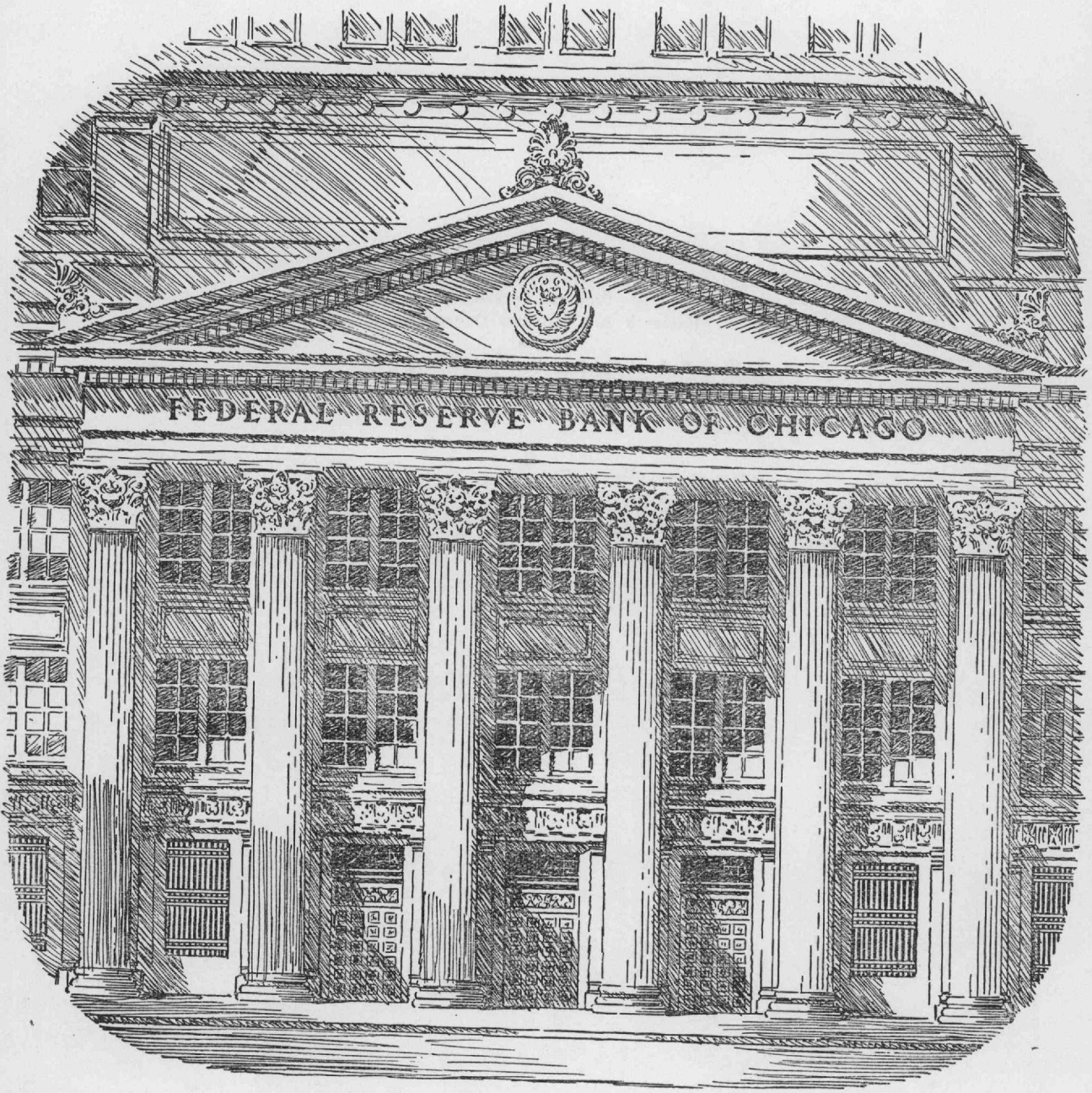
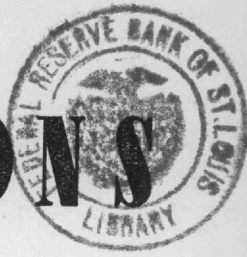


BUSINESS CONDITIONS



Volume 22

March, 1939

Number 3

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

Monthly Review of Business Conditions in the Seventh Federal Reserve District

DISTRICT SUMMARY

TRENDS varied during February in industrial output of the Seventh district, several production phases recording expansion over the beginning month of the year, while others experienced recessions in activity. However, as compared with the low levels prevailing at the same time last year, current conditions have continued to show much improvement. Industrial employment and payroll volumes increased less than is usual in February over January but were above a year ago. The wholesale distribution of commodities exceeded that of last February; retail trade was under the corresponding 1938 volume.

INDUSTRY

A STEADY rise took place through February and into March in primary steel production of the Chicago area; in the second week of March, however, output dropped slightly. Demand for rails has been a sustaining factor in this industry, but buying by the automotive industry has remained light. Production of automobiles declined somewhat more than seasonally in February, though totaling more than half again as large as in the month last year. At steel and malleable casting foundries of the district, activity continued above that of a year earlier, but new business fell off from January and output from steel casting foundries was less than in that month. There was also a non-seasonal decline in orders booked during February by stove and furnace manufacturers, although production and shipments rose, in accordance with the usual trend. Building construction, as reflected by contracts awarded, showed a small gain in February over the preceding month and was more than double that of a year ago; the movement of building materials trended downward. In the furniture industry, shipments rose more than seasonally and orders booked fell off less than is usual, with both items above the 1929-38 February average. Following a substantial expansion in January, activity at district paper mills diminished in February, but remained above a year earlier.

Owing to declines in the metals and vehicles industries in Michigan, aggregate employment and payroll volumes in the Seventh district recorded less than the usual seasonal increase during February; nevertheless, the number of workers employed was 5 per cent greater than in the month last year, while wage payments were higher than at that time by 15 per cent.

TRADE

THE dollar volume of department store trade was little changed in February from that of January; it again failed

to equal the year-ago level by 2 per cent. However, this latter trend was reversed in March and in the third week of that month, sales were running 7 per cent above the corresponding 1938 week. The retail shoe trade decreased slightly during February and was under a year earlier following a gain in a similar comparison for January. Sales of furniture and housefurnishings expanded less than seasonally over a month previous and about equaled those of last February. Wholesale trade in the district was a little smaller in the aggregate for February than in January but continued to show an increase over a year ago.

AGRICULTURAL PRODUCTS

AS IS customary in February, the production and sales of packing-house commodities decreased in the month this year, and the former was below the year-ago volume. The sales tonnage exceeded production so that inventories declined non-seasonally and continued much below the 1929-38 average. The manufacture of creamery butter was seasonally lighter and distribution of the commodity fractionally smaller in February than a month previous; the former exceeded the year-earlier volume and the latter about equaled it. Wisconsin cheese production declined from January and last February, while sales increased in the two comparisons. The movement of both wheat and corn continued during February to fall off more than seasonally; visible supplies of wheat remained below average levels, and those of corn were above average.

Farmers in the five States including the Seventh district are planning to reduce their corn and oats acreages in 1939 from 1938 by 3 and 8 per cent, respectively. On the other hand, March 1 intentions indicate increases in acreage over last year of 3 per cent in hay, 14 per cent in soybeans, 11 per cent each in barley and spring wheat, 10 per cent in tobacco, and one per cent in potatoes.

CREDIT

MEMBER bank reserve balances gained 50 million dollars in the four weeks ended March 15, the result of an inflow of funds from other districts through commercial and financial transactions, as an excess of Treasury collections over disbursements and an increase in currency circulation during the period exerted a counter effect. Loans of weekly reporting member banks in the district expanded 10 millions between February 15 and the same date in March, but a net decline in the banks' investment holdings resulted in only a minor change in the total of these earning assets.

Manufacturing

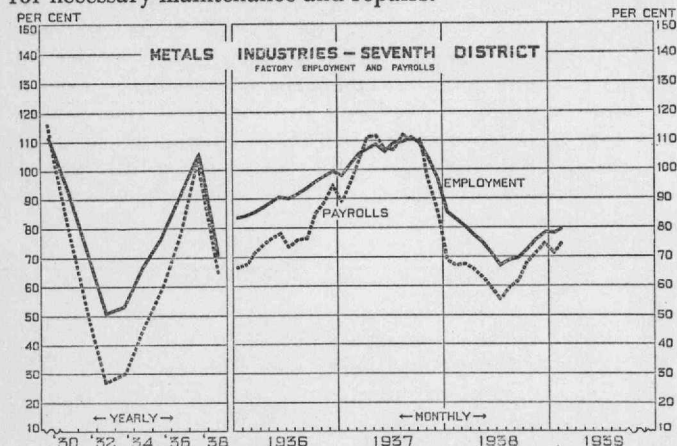
STEEL AND STEEL PRODUCTS

PRODUCERS of primary steel in the Chicago area advanced operations gradually beginning the last part of January until, by the first week in March, steel ingot output was averaging 58 per cent of capacity as against only 46 per cent six weeks earlier. In the second week of March, however, production dropped two points to 56 per cent of capacity. This latter rate compares with one of 30 per cent a year ago and with 82 per cent at the same time in 1937. Demand for rails has continued to be a sustaining factor in the industry, although much of the buying for 1939 already

has been completed. Building construction likewise has taken some tonnage. On the other hand, purchases by the automotive industry have remained light and demand from farm implement firms has not been great; deliveries of steel purchased last fall at low prices are still being made to automotive firms. Buying of steel by miscellaneous sources has been scattered and slightly smaller in recent weeks.

The majority of steel-consuming industries have been operating at noticeably higher levels so far in 1939 than during the same period in 1938; new business has been better than a year ago and is expected to show further improvement. Inventories for the most part are in a conservative position, so that considerably greater takings of steel are probable this year than last. Any larger volume of new

business will necessitate rather heavy purchases of steel in many instances. Among the more optimistic of the steel-consuming industries are the automobile makers, the parts and accessories manufacturers, heavy machinery firms, electrical appliance manufacturers, stove and furnace factories, and some container firms. For the most part, no extraordinary outlays for capital expenditures are planned, except for necessary maintenance and repairs.



Index numbers of employment and payrolls in the metals industries of the Seventh district, 1923-1925 average = 100. By years, 1929 through 1938; by months, January 1936 through February 1939.

Considerable improvement over the low level of activity prevailing a year ago continued to be noted during February at steel and malleable casting foundries of the Seventh district, although new business fell off from the preceding month and there was a slight decline from January in tonnage production and shipments of steel castings. At steel casting foundries, both output and operations continued to lag behind the volume of incoming business, while at malleable casting foundries production exceeded new orders booked and shipments were only slightly lighter than orders.

STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

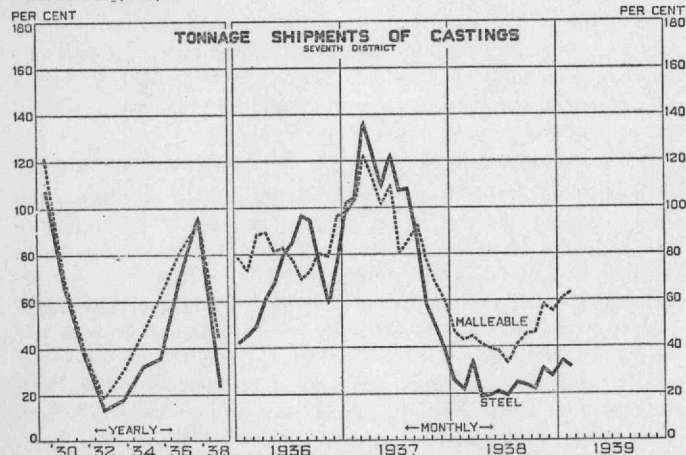
February 1939
Per Cent Change
from

Steel Castings:

	Jan. 1939	Feb. 1938
New orders booked (tons).....	-18.3	+11.5
New orders booked (dollars).....	-20.9	-0.3
Shipments (tons).....	-3.3	+45.2
Shipments (dollars).....	+3.3	+34.5
Production (tons).....	-7.4	+35.4

Malleable Castings:

	Jan. 1939	Feb. 1938
New orders booked (tons).....	-22.1	+74.5
New orders booked (dollars).....	-19.7	+62.4
Shipments (tons).....	+2.7	+44.7
Shipments (dollars).....	-0.5	+28.8
Production (tons).....	+1.2	+73.3



Index numbers of tonnage shipments of steel and malleable castings, 1923-1925 average = 100. By years, 1929 through 1938; by months, January 1936 through February 1939.

Although shipments and production by Seventh district stove and furnace manufacturers expanded sharply in February over January, in accordance with seasonal expectation, the dollar amount of new orders accepted fell off in the period contrary to the usual trend. Furthermore, these latter recorded a decline in the aggregate from a year ago—the first decrease in this comparison since last September—despite the fact that the majority of reporting firms had a larger volume of business than last February. Shipments and production, on the other hand, continued to show substantial increases over a year earlier. Inventories were further diminished during February.

THE AUTOMOBILE INDUSTRY

AUTOMOBILE production in February showed a greater than seasonal decline from the preceding month. However, factory output totaled more than half again as large as in February last year when business in the industry was at a low level. There were 239,983 passenger cars and 57,858 trucks manufactured this February in the United States, or 14 and 2 per cent fewer, respectively, than in January but 72 and 23 per cent more than a year ago. Output was rising again in the early weeks of March, and it is estimated that production for the entire month will show a rather substantial gain over February and continue to total better than 50 per cent above that of the corresponding 1938 month.

Sales of new automobiles by reporting retail dealers in the Seventh district declined only slightly—by 4 per cent—in February from the preceding month, and the number of used-car sales was about the same as in January. However, the number of new cars sold totaled fractionally less than in February last year and that of used cars was 14 per cent lighter in the comparison, following a substantial increase during January over a year earlier in new-car sales and only a small decrease in those of used cars. Wholesale distribution of new automobiles, on the other hand, rose a little in February over a month previous and was almost 100 per cent heavier than in February 1938. With stocks of new cars in dealers' hands expanding one third more between the close of January and February 28, they stood on the latter date at a level almost 15 per cent higher than a year ago at the same time. The number of salable used cars on hand was 4 per cent less at the end of February than a month earlier and around 15 per cent smaller than on February 28 last year.

OTHER MANUFACTURING

Furniture

SEASONAL trends prevailed during February in the furniture industry of the Seventh district. New orders fell off, following the usual sharp expansion in January, while shipments increased substantially. The decline of 21 per cent from January in the former item was somewhat less than in the 1929-38 February average and the increase in the latter about average. New business exceeded that of last February by 18 per cent and the ten-year average for the month by 15 per cent; shipments totaled 16 per cent above a year ago and 3 per cent above the average. Despite the fact that output increased so sharply, it failed to equal the volume of incoming orders, so that at the end of February unfilled orders on hand were 2 per cent heavier than a month previous and their ratio to orders booked rose from 94 per cent for January to 122 per cent; they were 29 per cent larger than a year previous when the ratio of this item to new business was 111 per cent. At around 70 per cent of

capacity, February manufacturing operations were 8 points higher than a month earlier and at approximately the December level; a year ago in February the rate of production averaged only 58 per cent of capacity.

Paper and Pulp

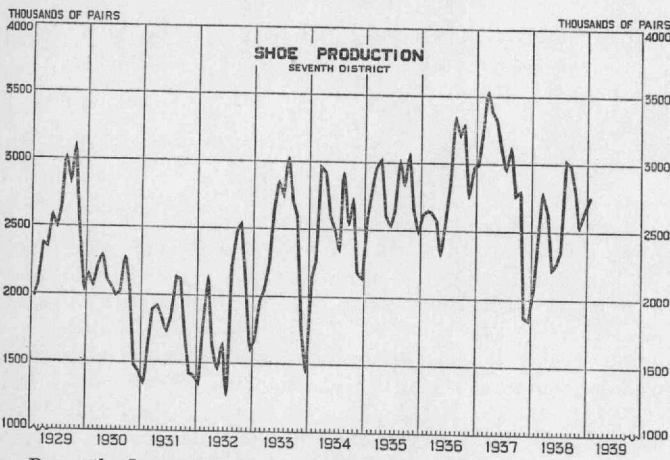
AFTER gaining substantially in January, output of pulp and paper mills located in the Seventh district declined during February. However, activity continued well above year-earlier levels, although the year-to-year comparisons were not so favorable as in previous periods.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	February 1939 Per Cent Change from	
	Jan. 1939	Feb. 1938
Paper:		
New orders booked (tons).....	- 4.7	+14.4
New orders booked (dollars).....	+ 0.5	+ 0.9
Total shipments (tons).....	-13.6	+11.3
Total shipments (dollars).....	-10.3	+ 5.0
Total production (tons).....	+ 3.8	+ 4.4
Stocks on hand at end of month (tons).....	+ 2.8	- 4.2
Pulp:		
Pulp produced (tons).....	- 6.2	+11.5
Stock on hand at end of month (tons).....	+11.0	-16.1

Shoe Production

ACCORDING to reports issued by the United States Bureau of the Census, shoe production in the Seventh Federal Reserve district averaged around 28,000,000 pairs annually during the years 1923 through 1929. The highest output reported for this period was in 1929 when close to 30,000,000 pairs were produced. In the accompanying chart the trend in shoe production is presented by means of monthly data from the beginning of 1929 through January 1939. Despite wide seasonal fluctuations as well as sharp recessions in the years 1930 and 1937, the trend shown by this chart is in the main upward. For each of the last five years, 1934-38, the annual production total has exceeded the aggregate for the year 1929.



The Building Industry

THE value of contracts awarded during February in the Seventh district was only slightly larger than that of January but amounted to more than twice the volume of a year ago, the increase in this latter comparison being greater than was the case a month earlier. Public works and utilities construction constituted close to 40 per cent of the total awards, while residential and non-residential building contributed about equally to the remaining 60 per cent. This reflected a sharp gain in public works and utilities which

in January were less than 30 per cent of the total contracts awarded. Advances were recorded over the preceding month in non-residential building for commercial and industrial purposes, whereas educational and institutional building generally registered declines. Public financing in the non-residential classification as a whole was slightly lower in February than in January—53 as against 57 per cent—while in total contracts the percentage rose from 53 to 56.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
February 1939.....	\$38,138,000	\$10,322,000
Change from January 1939.....	+ 5.6%	- 13.9%
Change from February 1938.....	+120.6%	+129.1%
First two months of 1939.....	\$74,259,000	\$22,307,000
Change from same period of 1938.....	+105.0%	+171.1%

*Data furnished by F. W. Dodge Corporation.

Permits issued in 100 reporting cities of the district likewise reflected only minor changes during February from a month earlier in the volume of contemplated construction, the number of projects showing a decrease of one per cent while the aggregate valuation increased 2 per cent. As compared with a year ago, the number of permits issued totaled 5 per cent higher in the current period and the estimated cost was larger by as much as 129 per cent. Chicago, Des Moines, and the group of smaller cities in Illinois recorded substantial gains over the preceding month in estimated cost of proposed projects, and all but Milwaukee and the total for smaller cities in Iowa shared in the heavy gain over last February.

Building materials activity followed a generally downward trend in February; although sales of lumber by wholesale and manufacturing concerns increased more than normally, those by retail dealers decreased to a greater extent than is customary at this season. Cement shipments from mills within the district were 10 per cent under those of January, in contrast to an average rise of about that percentage in the ten preceding years, and shipments of brick also fell below the January volume. Weather conditions, which were unfavorable during a large part of the month, were probably responsible for much of the prevailing inactivity.

Industrial Employment Conditions

MANUFACTURING industries of the Seventh Federal Reserve district registered a moderate expansion in aggregate employment and payroll volumes during the period January 15 to February 15, but the increases were smaller than those generally recorded at this season. For the fifteen years previous to 1939, for which such data are available, factory employment in the district has averaged 2 per cent and factory payrolls 4 per cent higher in February than in January. The small size of the current gains was mainly due to losses in the metals and vehicles industries in the State of Michigan. Despite the increases contributed by all of the other States including the district, employment and payrolls in the vehicles group as a whole fell below the level of a month earlier, contrary to the usual trend at this time of the year. Stone, clay, and glass products continued to show seasonal curtailment, the rate of decline being more moderate than in other recent months. In lumber products the increases in workers and wage payments more than offset the reductions in January. Textiles and leather

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of February 15, 1939			Change from January 15, 1939	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted) \$	Wage Earn- ers	Earn- ings
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,787	381,490	10,614	+2.4	+4.9
Vehicles.....	386	329,003	10,171	-0.6	-2.8
Stone, Clay, and Glass.....	274	18,082	405	-0.6	-1.9
Wood Products.....	487	43,266	921	+3.5	+9.1
Total.....	2,934	771,841	22,111	+1.1	+1.3
NON-DURABLE GOODS:					
Textiles and Products.....	406	66,338	1,263	+3.3	+7.1
Food and Products.....	1,038	95,936	2,465	-1.3	-2.8
Chemical Products.....	307	36,326	1,099	+0.5	+0.9
Leather Products.....	171	25,991	558	+3.6	+5.4
Rubber Products.....	34	17,933	481	+1.9	-0.8
Paper and Printing.....	735	75,864	2,158	-0.3	-0.9
Total.....	2,691	318,388	8,024	+0.7	+0.3
Total Mfg., 10 Groups.....	5,625	1,090,229	30,135	+1.0	+1.0
Merchandising ²	5,498	128,171	2,835	-1.8	-2.1
Public Utilities.....	1,132	100,553	3,334	+0.7	+1.3
Coal Mining.....	79	18,541	510	-0.9	+6.6
Construction.....	759	7,482	204	-7.2	-11.5
Total Non-Mfg., 4 Groups.....	7,468	254,747	6,883	-0.9	-0.2
Total, 14 Groups.....	13,093	1,344,976	37,018	+0.6	+0.8

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

also recorded expansion in February following earlier declines. Gains in the non-durable goods industries as an aggregate, however, fell short of those recorded in durable goods during the current period. The increases in the manufacturing industries as a whole were partially offset by losses in non-manufacturing lines, the construction and merchandising groups laying off more employes than were put to work by public utility concerns. The coal industry showed a reduction in the number of men at work but a rise in aggregate wage payments. Industrial employment in the district was approximately 5 per cent larger and wage payments about 15 per cent larger this February than in the month last year. Despite the decline recorded in the current month for Michigan, this State has experienced a sharper rise in both employment and payrolls since a year ago than any of the other States comprising the district.

Merchandising

RETAIL TRADE

AS IS usual in the period, the dollar volume sold in February this year by Seventh district department stores closely approximated that for January, aggregate sales of reporting firms recording a one per cent decline from the preceding month. There was about the same percentage decrease during February from a year ago as in January—2 per cent—and, as a month earlier, the decline in Chicago

DEPARTMENT STORE TRADE IN FEBRUARY 1939

Locality	Per Cent Change February 1939 from February 1938		Per Cent Change First Two Months 1939 from Same Period 1938	Ratio of February Collections to Accounts Outstanding End of January	
	Net Sales	Stocks End of Month		1939	1938
	Chicago.....	-5.9	-6.1	-5.2	44.4
Detroit.....	+5.6	-1.1	+3.6	41.1	36.8
Fort Wayne.....	-2.7	-3.1
Indianapolis.....	+0.3	-11.6	+1.4	35.7	36.0
Milwaukee.....	-2.0	+2.9	-0.8	37.2	35.2
Peoria.....	-9.6	-7.3
Other Cities*.....	+2.6	-2.3	+2.5	32.8	30.4
7th District.....	-1.9	-4.0	-1.7	40.0	38.1

*Include Fort Wayne and Peoria.

was chiefly responsible for that in the total. District department store trade in the three weeks ended March 18 exceeded that of the same 1938 weeks by 4 per cent. A greater than customary expansion took place in stocks during February, inventories at the end of the month being 10 per cent heavier than on January 31 but 4 per cent lighter than on February 28, 1938; a month previous the margin of decline from a year ago had been 7 per cent.

Sales of shoes by reporting dealers and department stores showed a slight decline in dollar volume during February from the preceding month, their aggregate decreasing 2 per cent in the comparison. A gain of 4 per cent was recorded by department stores over January, but dealer sales fell off 11 per cent, thus effecting the decrease in the total. Sales were 2 per cent smaller than last February, following a gain in the yearly comparison for January of close to 5 per cent. Stocks on hand at the end of February exceeded those on the corresponding 1938 date by one per cent and rose 18 per cent over those of a month previous.

A less than seasonal expansion took place during February in the retail furniture trade of the district. Sales of furniture and housefurnishings by dealers and department stores totaled 16 per cent larger than in January, as against an increase of 24 per cent in the 1929-38 average for the period, with dealer sales gaining less than did those of department stores. As compared with last February, the dollar volume sold was about the same in the month this year, whereas January sales had totaled 6 per cent greater than a year previous. Inventories rose 11 per cent between the end of January and February 28, and by the latter date the margin of decline from a year earlier had been narrowed to only 4 per cent as against a difference of 11 per cent on January 31.

WHOLESALE TRADE

THE majority of wholesale trade groups in the Seventh district had a smaller volume of dollar sales in February than a month previous, sales in all reporting phases declining 1½ per cent in the aggregate from January. Among the more important lines, tobacco and its products furnished an exception to this downward trend, as did the total for miscellaneous groups. As compared with a year ago, business continued to be heavier in the current period—by 6 per cent in the aggregate. In many lines the percentage gains over last February were greater than in the yearly comparison for January, although those in groceries and hardware were smaller. As will be noted in the table, stocks continued to be lighter than a year earlier, except those of tobacco and its products, the total for all groups showing a decline of 7 per cent on February 28 from the corresponding 1938 date; at the end of January aggregate inventories were 12 per cent less than a year previous.

WHOLESALE TRADE IN FEBRUARY 1939*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
	Groceries and Foods...	+1.4	-6.9	-0.6
Hardware.....	+3.1	-8.5	-3.8	+7.0
Drugs & Drug Sundries.....	+7.7	-6.7	-1.1	+7.6
Electrical Goods.....	+7.8	-9.9	+2.4	+1.3
Paper & Its Products.....	+4.9	-8.4	+4.7	+5.0
Tobacco & Its Products.....	+12.3	+13.4	+11.3	+6.7
Miscellaneous.....	+9.0	-6.9	-4.9	+1.1

*Data furnished by Bureau of the Census, United States Department of Commerce.

Agricultural Products

GRAIN MARKETING

Wheat

RECEIPTS and shipments of wheat during February at interior primary markets in the United States continued to decline more than seasonally from the preceding month; reshipments of the grain were the lowest since April 1937. Wheat exports were again in fair volume and at about the same level as in February 1938. After softness in late January and early February, wheat prices were fairly steady during the remainder of the month, reflecting chiefly continued dry weather in the Southwest, an increase in the United States subsidy on flour exports, and light shipments from the Southern Hemisphere. At the end of February, quotations for No. 2 hard winter wheat in cash positions at Chicago stood at \$.707/8 and \$.721/4, down about one cent for the month. Prices in the first half of March held at about the same level, in the face of good general rains in the Southwest, disappointing export demand, and a very light trading interest, but declined slightly in the third week of March. Visible supplies of wheat in the United States continued below average levels though well above year-ago amounts; on March 18 these stocks were 14 per cent lower than four weeks earlier.

Corn and Oats

THE movement of corn during February again declined more than seasonally and continued at relatively low levels, being the smallest since September 1937. Exports of corn from the United States decreased in February, but export sales were in fair volume and helped maintain corn prices in the latter half of February. However, at the end of the period, cash quotations were down 2 1/2 to 3 cents for the month, influenced principally by a poor cash demand, favorable Argentine weather, and competition in world markets from low-grade wheat. With a firmer cash basis, continued heavy country sealing, and light marketings, corn values held fairly steady over the first half of March, but eased in the third week of the month on meager foreign and domestic demand. United States visible stocks of corn declined counterseasonally in the four weeks ended March 18, but remained considerably higher than 1938 supplies or the 1929-38 average for the period. The movement of oats dropped sharply in February and fell below the ten-year average. Oats prices held relatively firm in comparison with other grains and visible supplies declined seasonally.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	Feb. 1939	Jan. 1939	Feb. 1938	Feb. 1929-38 Avg.
Wheat:				
Receipts.....	9,365	12,146	8,727	14,876
Shipments.....	9,148	12,920	9,980	9,980
Corn:				
Receipts.....	10,731	14,355	18,447	17,271
Shipments.....	5,129	8,953	11,579	8,710
Oats:				
Receipts.....	4,263	6,269	4,041	5,283
Shipments.....	3,838	5,830	4,188	4,923

MEAT PACKING

THERE was a close to seasonal decline in February from January in packing-house commodity production in the United States. However, the tonnage sold not only decreased less than is customarily expected at the beginning of Lent but exceeded current production; consequently, inventories

showed a non-seasonal decline from the beginning of February and a widening in the margin of decrease from a year earlier; lard stocks, on the other hand, were heavier than on March 1, 1938. Prices of most pork, veal, and mutton advanced in February and quotations for heavy beef firmed, but those for lard, dry salt meats, and lamb declined as compared with January. Dollar sales billed to domestic and foreign customers decreased as is usual in February. Payrolls at the close of the month recorded a drop from January of 7 per cent in employes and of 10 per cent each in hours and wage payments; they were, however, close to the year-ago level. Production in the first half of March continued under the corresponding period of 1938.

MEAT PACKING—UNITED STATES

	January 1939	Per Cent Change in February 1939	
		from February 1938	February 1929-38 Avg.
Tonnage produced.....	-22.0	-0.6	-6.8
Tonnage sold.....	-11.4	+5.4	+0.6
Dollar Sales.....	-4.1	+0.9	+6.1
Inventories.....	-1.7	-6.3	-22.3

Foreign Trade

SHIPMENTS of animal products for export increased in February over a month earlier, reflecting in considerable degree the filling of orders booked by England during January rather than a gain in the volume of new business. February sales of lard from stocks already landed in the United Kingdom were below earlier expectations, and there also was a decline in the ham trade. Demand from Cuba, Porto Rico, and the South American republics was relatively good in the first half of February but subsequently tended to decline under the influence of some strengthening in lard prices at Chicago. Moreover, shipments to and demand from Cuba were adversely affected during the period by buyer stipulations that forwardings were to be made by non-conference steamers, a condition which many exporters considered as unsatisfactory. Continental European demand remained rather quiet throughout the month. In consequence of close adjustment of export shipments to current demand, United States holdings of packing-house commodities in foreign markets—inclusive of stocks in transit—showed little change on March 1 from the beginning of February. Prices in the United Kingdom declined to below the Chicago parity during the month; those on hams were 2 to 2 1/2 cents under the replacement basis.

Importations of animal products into the United States expanded in February over January.

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, February 1939.....	162	438	257	70
Federally Inspected Slaughter, United States:				
February 1939.....	653	2,890	1,361	385
January 1939.....	761	4,043	1,456	415
February 1938.....	716	2,833	1,424	398
February 1929-38 average.....	640	3,473	1,240	374

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	Mar. 15, 1939	Feb. 1939	Jan. 1939	Feb. 1938
Native Beef Steers (average).....	\$10.50	\$10.30	\$10.45	\$ 7.80
Fat Cows and Heifers.....	8.35	8.20	7.95	6.80
Calves.....	9.75	10.75	9.75	9.60
Hogs (bulk of sales).....	7.40	7.80	7.35	8.30
Lambs.....	9.00	9.00	8.90	7.60

DAIRY PRODUCTS

CREAMERY butter production during February in the Seventh district showed a close to seasonal decline of 5 per cent from January and continued slightly greater than 1938 levels. Production in the United States as a whole declined by about the same percentage but remained comparatively higher than year-earlier production. February sales by Seventh district firms were only fractionally smaller than in January, and totaled 5 per cent higher than the 1929-38 average and approximated the February 1938 level. United States cold-storage holdings of butter remained relatively heavy, but of the total of almost 93 million pounds on March 1 about 90 per cent was held by Government agencies.

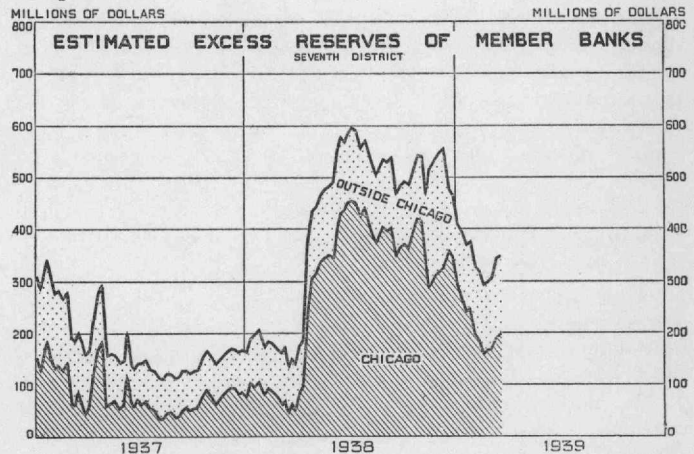
Butter prices during February through March 8 were supported by continued purchases by the Federal Surplus Commodities Corporation. On this latter date the Department of Agriculture announced that for the time being, at least, the F.S.C.C. would discontinue its purchases on the open market, and in the following four business days wholesale quotations for 92 score butter at Chicago dropped from 25½ to 21¾ cents. This decline was promptly reflected in prices at retail markets, and it was hoped that lowered retail prices would broaden consumption. Wholesale prices firmed slightly in the third week of March.

Manufacture of American cheese in Wisconsin during February totaled 6 per cent below the year-ago amount and 4 per cent under January; on the other hand, sales of the commodity from primary markets in the State showed a nonseasonal increase of 8 per cent over January and aggregated 18 per cent greater than year-earlier or 1929-38 average levels. With this favorable sales relationship, stocks of cheese declined more than is usual for February and prices held steady to firm throughout the period. However, when butter prices broke, quotations for cheese declined about 1 cent.

Credit and Finance

MEMBER BANK RESERVES

EXCESS reserves of Seventh district member banks, which had been at a high level during the last half of 1938, moved almost steadily downward between the middle of December and the end of February. This drop apparently was caused by heavy purchases of Government securities, largely short-term, by banks and others with the intention of holding these tax-exempt assets past the Illinois personal property tax assessment date on April 1. Holdings of Government securities by Seventh district reporting member banks on March 15 were 207 millions greater than on December 14, while excess reserves declined about 200 millions in this period.



Estimated excess reserves of all member banks in Chicago and in the Seventh district; by weeks, January 6, 1937, through March 15, 1939.

The declining trend in Seventh district member bank reserves, which had been practically uninterrupted since the middle of December, was reversed in the four weeks ended March 15 when a 50-million dollar gain was recorded. Continued heavy buying of Treasury bills and income tax collections, which latter appear to be running about one third less than in the comparable 1938 period, brought about a 24-million dollar excess of Treasury receipts over disbursements. However, this factor together with a 9-million dollar expansion in currency circulation only partially offset the effect of an inflow of 83 millions in commercial and financial funds from other districts. Chicago banks were responsible for 70 per cent of the district's increase in reserves during the period, but the rising trend was shared by banks in all sectors of the district except in Wisconsin where an unusually sharp increase had occurred during the preceding four weeks.

INTEREST RATES

THE average rate earned on total loans and discounts by the larger banks in Chicago continued to work lower during February, though still exceeding the comparable 1938 figure; this favorable year-to-year comparison has existed since last June. The average for the major Detroit banks rose substantially above January to terminate a downward trend that had persisted for three months.

OPEN MARKET PAPER

NEW acceptances made in February by Seventh district accepting banks and commercial paper sales of representative Middle Western dealers each declined between 10

MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.
1923-25 average=100

	Feb. 1939	Jan. 1939	Dec. 1938	Feb. 1938	Jan. 1938	Dec. 1937
Manufacturing Industries:						
Employment.....	83	82	83	78	79	91
Payrolls.....	80	79	83	67	68	84
Pig Iron Production:						
Illinois and Indiana.....	76	75	80	47	49	53
Automobile Production—(U.S.):						
Passenger Cars.....	82	96	111	48	53	83
Trucks.....	154	157	165	125	143	217
Casting Foundries Shipments:						
Steel—In Dollars.....	39	38	33	30	33	47
In Tons.....	31	33	27	22	25	37
Malleable—In Dollars.....	47	47	43	36	38	49
In Tons.....	62	60	55	43	46	60
Stoves and Furnaces:						
Shipments.....	96	70	129	83	60	132
Furniture Manufacturing:						
Orders in Dollars.....	63	80	49	53	66	37
Shipments in Dollars.....	60	45	63	52	37	51
Building Contracts Awarded:						
Residential.....	35	41	55	15	13	16
Total.....	56	53	101	25	28	38
Meat Packing—(U.S.):						
Production.....	79	102	104	80	106	101
Sales Tonnage.....	80	90	88	76	88	89
Sales in Dollars.....	85	88	86	84	89	83
Creamery Butter Output:						
Production.....	77	81	80	76	78	78
Sales.....	100	100	105	100	101	98
Department Store Net Sales:						
Chicago.....	64	66	148	67	69	148
Detroit.....	74	74	181	71	74	180
Indianapolis.....	75	85	182	75	84	172
Milwaukee.....	68	74	160	71	74	161
Other Cities.....	63	64	148	62	62	144
Seventh District—Unadjusted.....	67	69	157	68	70	156
Adjusted.....	84	86	94	85	88	93

and 20 per cent from the January totals. However, estimates for the first half of March showed substantial increases over the same February period. Outstandings of both types of open-market paper on February 28 were lower than at the end of January, but the declines were not so great as in new financing and sales.

SECURITIES MARKETS

LONG-TERM corporate bond financing in February, with one large refunding accounting for about 60 per cent of the total, rose substantially above the extremely restricted January figure, although only one small building issue originated in the Seventh district. Furthermore, most Chicago bond houses anticipate a larger volume of new issues in March and April, due to heavier registrations. Prices of all classifications of bonds, despite some softening in mid-March due to European political developments, stood higher on March 17 than a month earlier. Rails and utilities were comparatively strong, with second-grade issues tending further to narrow the spread between their prices and those of the highest grades. Moreover, many of the latter group established new all-time highs during this period. The improved price performance of the second-grade issues is attributed by some Chicago bond men to the fact that institutional buyers are willing to accept issues of somewhat lower quality than heretofore, especially in the public utility field, because of the very low yields prevailing on "gilt-edged" obligations. Top-grade municipal prices moved to new high ground, the consequence of the paucity of new issues and continued heavy demand for outstanding issues.

The weekly issues of 91-day Treasury bills sold at only nominal average discounts during the five weeks ended March 22, with the three most recent ones practically at par. Of the \$500,000,000 total issued over this period, 88 millions of the bills were sold and 11 millions redeemed in the Seventh district, resulting in a net addition of about 77 millions to district holdings. The accompanying table indicates that weekly reporting member banks took about 30 millions of these bills between February 15 and March 15. The Treasury's March financing was confined to refunding, no new cash being sought. Holders of $2\frac{1}{8}$ per cent notes maturing June 15 were given the option of exchanging them on payment of a premium for $2\frac{3}{4}$ per cent bonds of 1960-65, $2\frac{1}{2}$ per cent bonds of 1950-52, or $1\frac{1}{8}$ per cent notes maturing December 15, 1943. About 1,259 millions representing 97 per cent of the maturing notes were so exchanged—165 millions in the Seventh district. Over two thirds of the exchanges were for the 1960-65 bonds and only 4 per cent for the $1\frac{1}{8}$ per cent notes.

Chicago stock prices worked higher during the last part of February and early March, the Chicago Journal of Commerce average of 20 Chicago stocks reaching \$48.86 on March 10, the highest point since October 1937. By March 22, however, the average had fallen to \$44.24, largely because of uncertainty abroad.

ANNOUNCEMENT

THE Federal Reserve Bank of Chicago has just completed a tabulation of average operating ratios of member banks in the Seventh Federal Reserve district for the calendar year 1938. Groupings in this study have been made according to the size of banks. A copy of this tabulation may be obtained upon request to the Federal Reserve Bank of Chicago.

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Mar. 15	Change from	
	1939	Feb. 15 1939	Mar. 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.....	2,175	+52	+400
Member bank reserve deposits.....	1,139	+49	+150
All other deposits.....	300	+6	+230
Federal Reserve notes in circulation.....	981	-3	+16
Ration of total reserves to deposit and Federal Reserve note liabilities combined.....	89.8%	+0.2*	+2.2*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	Mar. 15	Change from	
	1939	Feb. 15 1939	Mar. 16 1938
Loans and investments—total.....	\$3,206	+4	+135
Loans—total.....	858	+10	-81
Commercial, industrial, and agricultural loans.....	495	+12	-71
Open-market paper.....	29	-1	-18
Loans to brokers and dealers in securities.....	40	+3	-2
Other loans for purchasing or carrying securities.....	77	-1	-7
Real estate loans.....	99	+1	+12
Loans to banks.....	3	-1	0
Other loans.....	115	-3	+5
U. S. Treasury bills.....	284	+30	+89
U. S. Treasury notes.....	343	-112	+89
U. S. Treasury bonds.....	1,001	+68	+77
Obligations fully guaranteed by U. S. Government.....	253	+7	+50
Other securities.....	467	+1	+50
LIABILITIES			
Demand deposits—adjusted*.....	2,274	-2	+184
Time deposits.....	896	+4	+15
Borrowings.....	0	0	-2

*The annual velocity of demand deposits (unadjusted) in the four weeks ended March 15 was 19.92 times, as compared with 19.12 times in the preceding four weeks and with 20.90 times in the corresponding period of 1938.

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	February 1939	Per Cent of Increase or Decrease from	
	1939	January 1939	February 1938
Chicago.....	\$2,200	-22.1	-4.1
Des Moines.....	76	-30.1	+5.9
Detroit.....	751	-14.5	+17.7
Fort Wayne.....	25	-14.8	-3.5
Grand Rapids.....	43	-12.6	+10.9
Indianapolis.....	162	-22.8	+7.3
Milwaukee.....	236	-7.0	+6.4
Peoria.....	44	-16.2	-3.4
South Bend.....	29	-15.5	-0.1
32 smaller cities.....	393	-15.4	+3.7
Total 41 cities.....	3,959	-19.3	+1.7

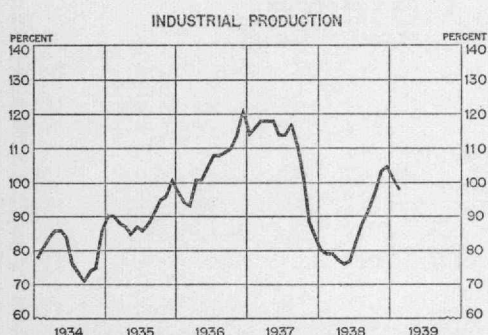
TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

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

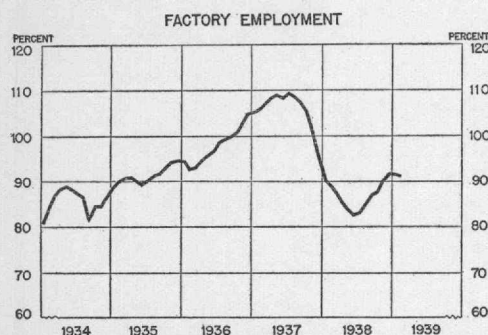
	February 1939	February 1938
Total country and city check clearings:		
Pieces.....	10,671,137	9,227,920
Amount.....	\$1,811,907,924	\$1,587,688,793
Daily average clearings:		
Total items cleared—		
Pieces.....	485,052	419,451
Amount.....	\$82,359,451	\$72,167,672
Items drawn on Chicago—		
Pieces.....	77,058	67,847
Amount.....	\$42,704,000	\$39,235,000
Items drawn on Detroit—		
Pieces.....	19,484	17,053
Amount.....	\$8,978,804	\$7,103,750

National Summary of Business Conditions

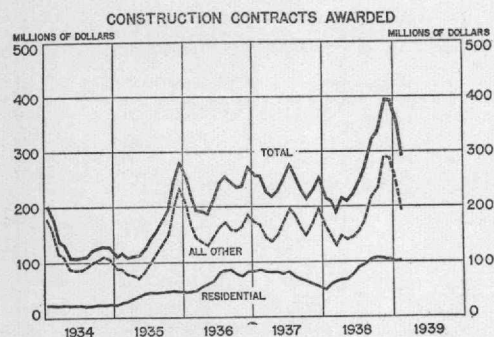
(By the Board of Governors of the Federal Reserve System)



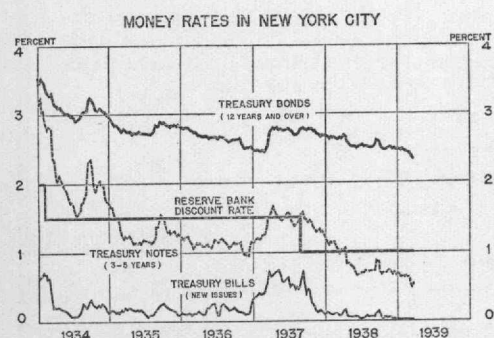
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to February 1939.



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



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for January and February and estimate for March.



For weeks ending January 6, 1934, to March 18, 1939

IN FEBRUARY industrial activity continued at the January rate, without showing the usual rise, and retail trade increased less than seasonally. In the first three weeks of March, however, industrial activity and trade showed seasonal increases. Commodity prices continued to show little change.

PRODUCTION

VOLUME of industrial production was at about the same rate in February as in the two previous months, although usually there is an increase, and the Board's seasonally adjusted index declined further to 98 per cent of the 1923-1925 average. In the steel industry activity did not show the usual seasonal advance. Pig iron production increased, but new orders for steel were in limited volume and ingot production remained at about 54 per cent of capacity throughout the month. There was some decline in automobile assemblies, following a period of considerable increase. Output of lumber and plate glass continued to decrease in February, while cement production, which had been curtailed in January, increased considerably. In the first three weeks of March steel production increased to about 56 per cent of capacity and automobile output was also in somewhat larger volume.

Textile production in February was at about the same rate as in January. At cotton and woolen mills activity increased somewhat but at silk mills there was a marked decline. Output of shoes and tobacco products continued at high levels. In the meat-packing industry activity declined further and there was also a decrease in activity at sugar refineries.

Bituminous coal production was maintained in February, and crude petroleum output likewise continued in substantial volume. Anthracite output declined in February, and in March was reduced further as mine owners and workers agreed on a curtailment program.

Value of construction contracts awarded declined in February, according to F. W. Dodge Corporation figures, owing principally to a further decrease in awards for publicly-financed work. Contracts for privately-financed residential building increased further, while awards for private nonresidential building remained at the low level of other recent months.

EMPLOYMENT

FACTORY employment and payrolls increased somewhat less than is usual between the middle of January and the middle of February. Changes in non-manufacturing lines were largely of a seasonal nature.

DISTRIBUTION

DEPARTMENT store sales were in about the same volume in February as in January, although some increase is usual, and sales at variety stores increased less than seasonally, while mail order sales rose by slightly more than the seasonal amount. In the early part of March department store sales increased.

Freight-car loadings declined somewhat from January to February, reflecting for the most part reduced shipments of grains, forest products, and miscellaneous freight.

COMMODITY PRICES

WHOLESALE commodity prices were generally maintained with little change during February and the first three weeks of March. As is usual at this season prices of livestock and meats increased while dairy products declined. Silk prices advanced considerably in this period. In the early part of March current prices of pig iron and of semi-finished and finished steel were reaffirmed for the second quarter of this year.

BANK CREDIT

INVESTMENTS in United States Government obligations by New York City banks increased considerably in February and the first half of March. In this period member banks reduced their holdings of Treasury notes and increased their bonds, reflecting in part exchanges of notes for new bond issues on March 15. Excess reserves of member banks continued somewhat below the high level of \$3,600,000,000 reached at the end of January, fluctuating largely in accordance with changes in Treasury balances at the Federal Reserve banks.

MONEY RATES

AVERAGE yields on United States Government securities declined to new record low levels from February 27 to March 10, following the announcement by the Treasury that no cash would be raised in the March financing. Yields rose slightly after the middle of March accompanying renewed tension in Europe. New issues of 91-day Treasury bills continued to sell on practically a no-yield basis during March. Other open-market rates continued unchanged.

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DETROIT BRANCH

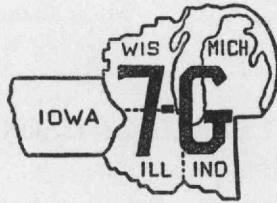
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SEVENTH FEDERAL



RESERVE DISTRICT

