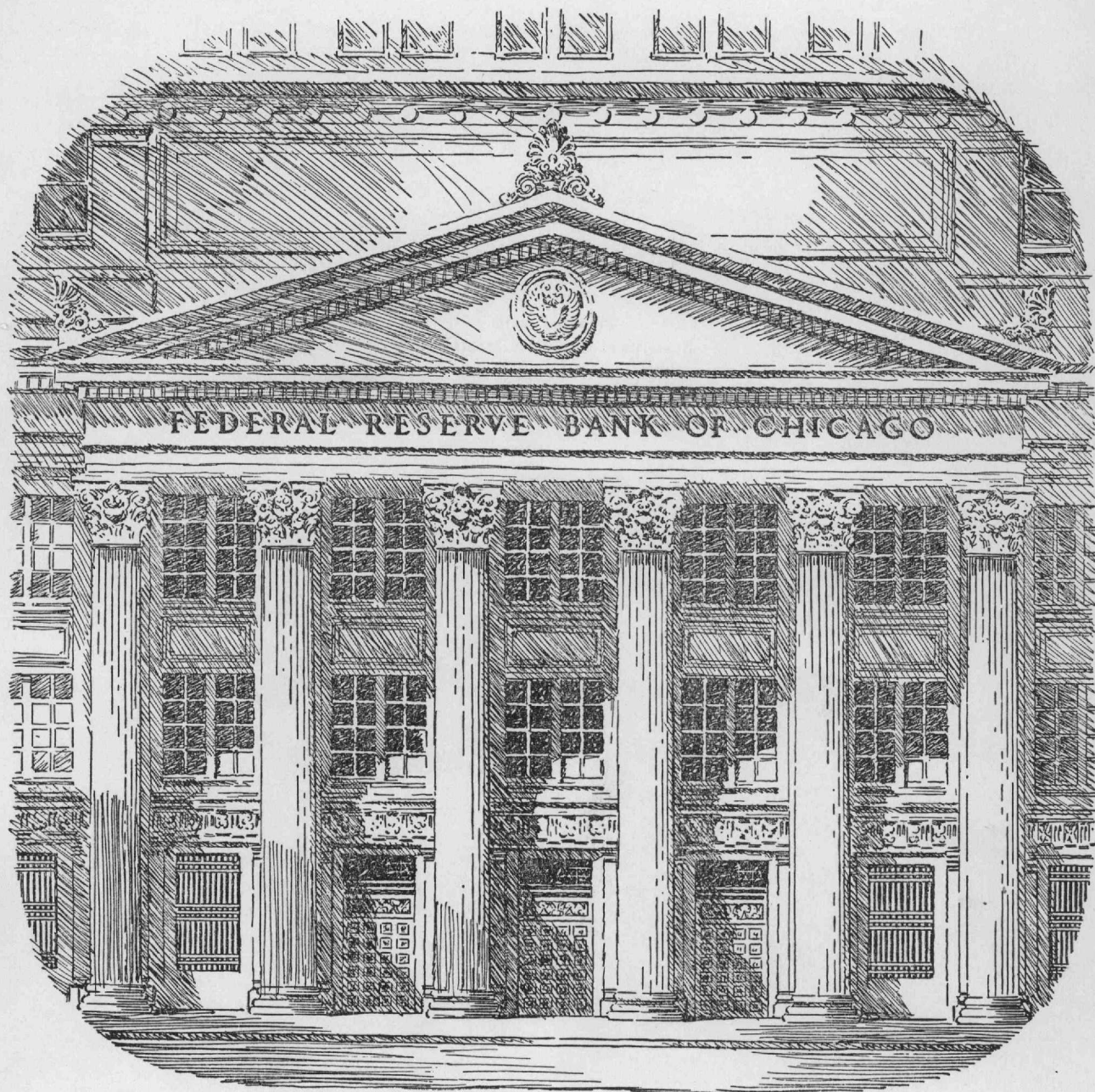




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# BUSINESS CONDITIONS



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Prepared by the  
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of the  
Federal Reserve Bank of Chicago

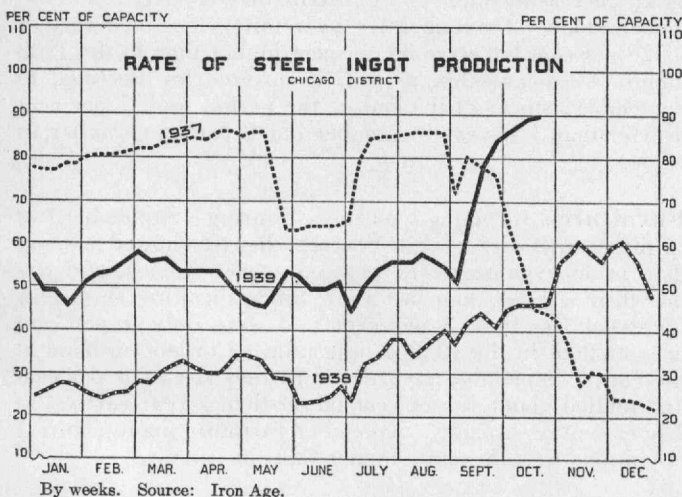


# Monthly Review of Business Conditions in the Seventh Federal Reserve District

## DISTRICT SUMMARY

**R**EFLECTING a marked upsurge in general business activity after the outbreak of war, output of major Seventh district industries rose sharply through the month of September and continued high in October. The steel operating rate has approached capacity levels and volume of automobile production has shown a rapid seasonal expansion. Concurrent with the general increase in industrial activity, practically all phases of distribution advanced more than seasonally in September. Prices for industrial products continued quite firm; those for most farm commodities turned downward somewhat after their initial upswing in early September, but continued above the low levels of last summer.

**Industry**—Since the outbreak of war in Europe there has been a marked advance in steel production. District mills had stepped up their operating rate to 89½ per cent of capacity by the fourth week of October, which represents the highest actual volume output in history. Demand for steel was quite general, but particularly heavy from the automotive and railroad industries. Incoming business was much lower in October, as most steel users had placed their near-term requirements; almost all of the orders placed in steel and allied lines have come from domestic sources. Steel castings orders were up sharply in September, reflecting chiefly increased car-building activity, as were those for malleable castings, and new business in the stove and furnace industry recorded a seasonally rising trend.



By late October automobile output was approaching peak production, though hampered somewhat by strike conditions. New business at district paper mills expanded notably in September, and orders at furniture factories showed a more than seasonal increase.

With the general September rise in industrial activity, many district firms added to their payrolls. A close to 10 per cent increase in volume of both employment and wage payments carried the general level of employment up to the closing months of 1937. There was a substantial increase in building contracts awarded during September, due mainly to heavy awards for public utility construction. Both coal mining and petroleum refining in this area likewise showed gains during the month.

**Trade**—District department store trade recorded a better than seasonal expansion of 31 per cent during September. Sales for the month totaled 7 per cent greater than in the 1938 period, with Detroit continuing to make the best relative showing among the major cities of the district; and in the first half of October sales of larger district stores were up 13 per cent over the comparable year-ago volume. The retail shoe as well as furniture trade also showed a notable seasonal increase in September. Practically all groups among the reporting wholesale houses shared in sales gains, total wholesale distribution for September increasing 16 per cent over August and 21 per cent over last year.

**Agriculture**—Following a general upswing in prices for most farm products in early September, quotations for grains, livestock, and meat products declined somewhat. Supplies of corn this fall are expected to be at record levels; wheat stocks are more nearly normal, although world wheat supplies are also in record volume. There was a rise of 14 per cent during September in meat packers' dollar sales, and inventories declined further. Reflecting very unfavorable pasture conditions and a much lower milk flow, production of butter and cheese declined more than seasonally from August, and prices were relatively strong.

**Finance**—Demand deposits of district weekly reporting member banks continued their upward trend in late September and the first half of October. Bank loans likewise expanded, mostly in the commercial, industrial, and agricultural classification. The new-issue market has continued unusually inactive; bond prices showed firming tendencies after marked declines in early September.

## Manufacturing

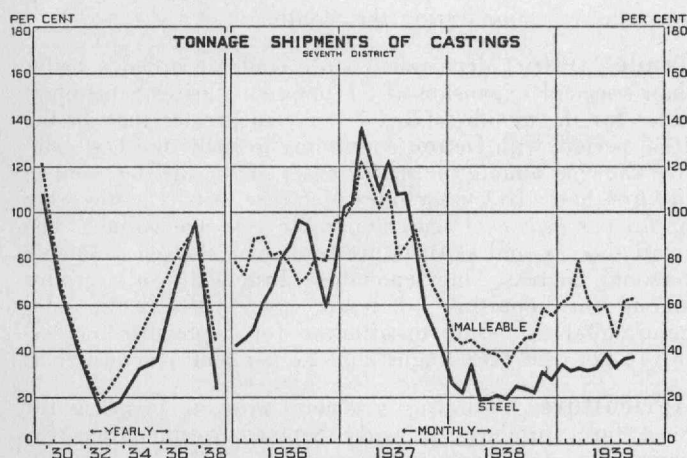
**Steel and Allied Industries**—An unusually heavy influx of new business after Labor Day at steel companies in the Chicago district caused producers to accelerate operations rapidly to near-capacity levels. By the fourth week of October, the rate of steel ingot output in this area had reached 89½ per cent of capacity; this was an advance of 38½ points over a seven-week period and the highest rate since 1929, for the 1937 high point was 86 per cent. Since there has been an increase in annual ingot capacity of about 2 million tons in this district during the past ten years, the rate of 89½ per cent represented the highest actual volume of output on record. With mills in most instances booked at least to the end of December, some allocation of orders became necessary, although pressure for delivery has been strong. By early October the volume of in-

coming business had declined sharply, as many consumers had amply covered their near-term requirements.

With few exceptions all finished steel products shared in the heavy September demand. Sources of this demand were general. Among the most important were the railroads, whose purchases had been relatively light for some time; inquiries and orders for a large volume of new equipment, as well as rails, have been received from the railroads or from their suppliers. The automotive industry also has been a major factor in demand for steel, as manufacturers specified liberally against the low-priced commitments made earlier in the year; most of these releases had been given by early October, and shipments were being made as fast as possible. Although inquiries from belligerents and other foreign countries continued, few actual commitments have been made.

Finished steel prices continued quite firm, and in mid-October the industry was awaiting price announcements for the first quarter of 1940. The scrap iron and steel market has been rather confused; quotations for scrap rose sharply between mid-September and the first part of October, but declined somewhat in the following two weeks of the month.

Among allied industries to share in the greatly increased activity since early September may be noted machine tools, electrical equipment, car builders, and certain miscellaneous machinery. Agricultural machinery manufacturers have likewise experienced considerable expansion in activity. Although numerous inquiries from abroad have been received, domestic business has been so heavy in certain of these industries that manufacturers have been hesitant to accept these additional orders.



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

As did producers of primary steel products, steel and malleable casting foundries in the Seventh district recorded a sharp increase in new business during September, following upon considerable expansion in orders booked during August. The notable gain in steel castings was largely attributable to the marked increase in car-building activity by the railroads. Shipments and production of castings showed very little change from the preceding month. At both steel and malleable casting foundries shipments amounted to less than half the current tonnages booked.

#### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	September 1939 Per Cent Change from	
	Aug. 1939	Sept. 1938
<b>Steel Castings:</b>		
Orders booked (tons).....	+155.0	+270.5
Orders booked (dollars).....	+114.2	+232.4
Shipments (tons).....	+0.5	+64.0
Shipments (dollars).....	-4.3	+56.8
Production (tons).....	-2.8	+107.8
<b>Malleable Castings:</b>		
Orders booked (tons).....	+76.1	+131.8
Orders booked (dollars).....	+73.6	+132.2
Shipments (tons).....	+2.0	+38.2
Shipments (dollars).....	-1.3	+32.9
Production (tons).....	-0.2	+38.6

\* \* \*

Stove and furnace factories of the district reported a seasonally rising trend in September in orders and ship-

ments, the gain in shipments amounting to nearly 50 per cent and in orders to about 60 per cent, although the majority of companies showed a smaller increase in new business than did the total. There was some decline in inventories, as production was advanced only 3 per cent; inventories had been running a little heavier than in 1938, but at the end of September were moderately smaller than last year.

**Automobiles**—In great part owing to the earlier introduction of new models this year, automobile manufacturers have advanced production schedules rapidly since early September. Total output for that month recorded a sharp seasonal expansion over the low point reached for the year in August; preliminary estimates indicate that October should show a further large gain, although strikes were retarding output somewhat in mid-month. Several manufacturers have already scheduled record fourth-quarter production, and some trade estimates indicate that fourth-quarter output should exceed that of the same period of any recent year. Passenger cars manufactured in the United States during September numbered 161,625, or 148 per cent more than a year ago; this unusually favorable comparison was due in large measure to the fact that in September 1938 production was still at a seasonally low level. Truck output in September, amounting to 27,126 units, declined 30 per cent from August but increased 48 per cent over the same month last year.

Distribution of new passenger automobiles at wholesale in the Seventh district recorded a sharp rise in September, as an increasing number of distributors received the 1940 models. Sales of automobiles by retailers declined further by 20 per cent but were 30 per cent higher than in the 1938 month. Used-car sales, as well as inventories, declined in September; stocks at the end of the period were 7 per cent heavier than last year in number but 2 per cent smaller in value.

**Furniture**—Incoming business during September at furniture factories of the Seventh district showed a more than usual expansion—13 per cent—over August, and was one third greater than last year. Since furniture shipments increased less than 3 per cent and were only 9 per cent heavier than in the 1938 month, unfilled orders on hand at the end of September recorded a further rise of 9 per cent and totaled about 45 per cent larger than a year earlier. At 78 per cent of capacity, September furniture manufacturing operations were 5 points higher than in August.

**Paper and Pulp**—The quickening pace in Seventh district industry during September was reflected in an unusually sharp upturn in new business booked by district paper mills. Shipments showed a moderate increase, and there was a slight decline in tonnage production of both paper and pulp.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	September 1939 Per Cent Change from	
	August 1939	Sept. 1938
<b>Paper:</b>		
Orders booked (tons).....	+53.2	+57.5
Orders booked (dollars).....	+55.7	+59.7
Shipments (tons).....	+5.6	+20.5
Shipments (dollars).....	+5.4	+17.9
Production (tons).....	-2.8	+15.9
Stocks at end of month (tons).....	+0.9	-2.7
<b>Pulp:</b>		
Production (tons).....	-1.9	+9.3
Stock at end of month (tons).....	-5.6	-14.9



## Building

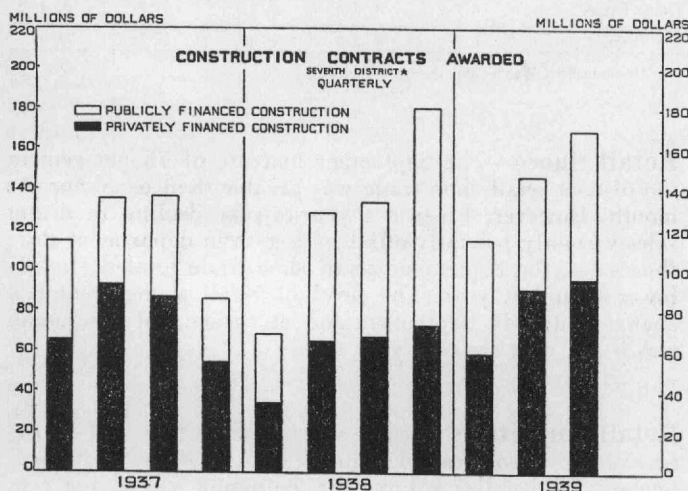
The September volume of contracts awarded for construction in the Seventh district increased substantially over August. The gain was due mainly to a large volume of public utility awards which made up practically one third of the total. Residential contracts declined from the high level reached in August, when several U.S.H.A. projects were included in the figures, but were practically as heavy as in the two months preceding August. Awards for non-residential building and public works, apart from the utilities, showed little change in September from the volume of a month earlier. The rise in total building contracts corresponded closely to the increase in the amount of public funds to be expended for this type of work, the gain in each amounting to over 11 million dollars.

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

Period	Total Contracts	Residential Contracts
September 1939.....	\$63,806,000	\$17,137,000
Change from August 1939.....	+21.1%	-27.8%
Change from September 1938.....	+19.5%	+14.8%
First nine months of 1939.....	\$441,097,000	\$157,876,000
Change from same period 1938.....	+26.4%	+61.2%

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

Building permits issued in 100 reporting cities of the district showed a decline of 6 per cent during September in number of projects contemplated, but an increase of 23 per cent in total valuation. For the City of Chicago estimated cost of proposed building was almost three times as large as in August and in the heaviest monthly volume since March 1931. Apart from the State of Michigan, where both Detroit and most smaller cities recorded declines, permits issued throughout the district had a somewhat higher valuation than a month earlier. In comparison with the September 1938 level, permits totaled 17 per cent higher in number and 44 per cent greater in estimated cost.



\*Data furnished by F. W. Dodge Corporation for the Chicago and Southern Michigan territories which closely approximate the Seventh district area. By quarter-yearly periods, 1937 through the first three quarters of 1939.

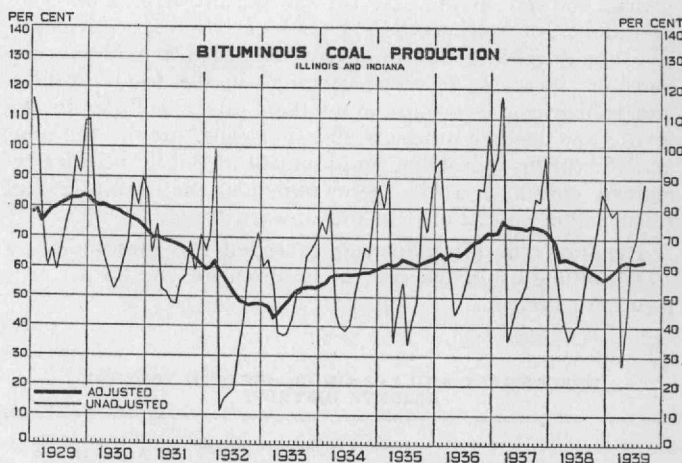
Following more than seasonal gains during August in demand for building materials, there was a less than usual decline in September distribution of lumber at wholesale in the Seventh district area and only a slight recession in sales of lumber by retail yards. Shipments of cement from

district plants decreased slightly during September; a slackening in demand for cement generally takes place in the period, although the curtailment does not become marked until the onset of colder weather. Brick deliveries also were somewhat smaller than in August. Building materials prices were firm throughout September, the aggregate gain for the month amounting to about 2 per cent, as measured by the Bureau of Labor Statistics wholesale price index.

## Fuel Industries

**Petroleum Refining**—As in most other Seventh district industries, petroleum refineries located in the Indiana, Illinois, and Kentucky area stepped up their operations during September. The daily average of crude runs to stills for the month was about 7 per cent higher than in August and continued about 15 per cent greater than 1938 levels.

**Coal Mining**—There was a greater than usual expansion during September in bituminous coal production of Indiana and Illinois. The gain over August amounted to 24 per cent; the seasonal rise is about 10 per cent at this time. The current increase reflected higher rates of operation in the steel and other manufacturing industries, as well as some shifting of demand from Eastern mines which operated at greatly increased levels in the period.

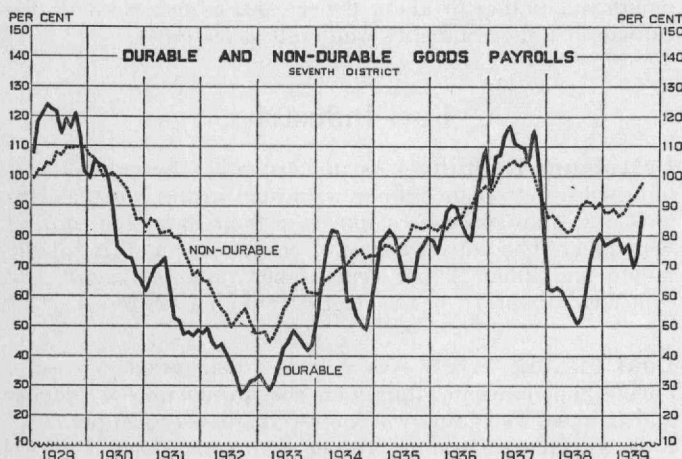


Index numbers of bituminous coal production in Illinois and Indiana, with and without adjustment, 1923-1925 average = 100. Adjustment: 12-month moving averages. By months, January 1929 through September 1939.

## Industrial Employment

The widespread rise in industrial activity throughout the district resulted in an expansion of about 10 per cent in employment and payrolls from August to September. This followed notable gains in August and carried the general volume of employment and payrolls to the levels recorded in the closing months of 1937. September gains were especially marked in the metals and vehicles industries, reflecting the sharply upward movement in steel and automobile production during September. Since the employment figures cover the week of September 15, at which time neither the steel nor the automotive industry had yet reached volume production, data for mid-October, when available, should show further notable gains in these important Seventh district industries. In increasing their personnel by more than

one third from August to September, the vehicles group more than offset the rather steady declines in employment which had been apparent since last January. The level reached by this group, both in employment and payrolls, was the highest since November 1937.



Index numbers of payrolls in durable and non-durable goods industries of the Seventh district, 1923-1925 average = 100. By months, January 1929 through September 1939.

Exclusive of the vehicles group, total returns for the district showed an increase for the period of  $3\frac{1}{2}$  per cent in number of workers and 4 per cent in wage payments. The non-durable goods industries recorded a moderate expansion; increases in wage earnings in the food products and rubber goods groups more than offset declines in the textile and leather products classifications. Among the non-manufacturing industries, employment at public utilities remained constant, while merchandising, coal mining, and construction contributed to the upward trend.

The level for all industries exceeded the corresponding 1938 volume by 17 per cent in employment and 25 per cent in wage payments.

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

Industrial Group	Week of September 15, 1939			Change from August 15, 1939	
	Reporting Firms No.	Wage Earners No.	Earnings (\$000 Omitted)	Wage Earners %	Earnings %
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,744	393,404	11,447	+ 6.0	+ 6.8
Vehicles.....	380	330,685	11,385	+37.3	+32.0
Stone, Clay, and Glass.....	280	20,689	507	+ 1.9	- 1.1
Wood Products.....	476	46,218	1,006	+ 2.8	+ 2.6
Total.....	2,880	790,996	24,345	+16.8	+16.8
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	389	65,746	1,235	+ 1.6	- 2.7
Food and Products.....	1,013	119,255	3,042	+ 0.6	+ 4.7
Chemical Products.....	304	38,138	1,167	+ 2.8	+ 1.2
Leather Products.....	172	27,740	568	+ 0.4	- 5.5
Rubber Products.....	34	19,820	595	+ 8.1	+22.6
Paper and Printing.....	730	76,273	2,217	- 0.5	+ 1.5
Total.....	2,642	346,972	8,824	+ 1.2	+ 2.6
<b>Total Mfg., 10 Groups.....</b>	<b>5,522</b>	<b>1,137,968</b>	<b>33,169</b>	<b>+11.6</b>	<b>+12.7</b>
Merchandising.....	5,418	139,310	3,086	+ 4.5	+ 3.4
Public Utilities.....	1,104	100,478	3,374	- 0.2	- 0.0
Coal Mining.....	73	14,919	331	+14.1	+13.4
Construction.....	766	14,684	444	+ 3.3	+ 2.9
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,361</b>	<b>269,391</b>	<b>7,235</b>	<b>+ 3.1</b>	<b>+ 2.1</b>
<b>Total, 14 Groups.....</b>	<b>12,883</b>	<b>1,407,359</b>	<b>40,404</b>	<b>+ 9.8</b>	<b>+10.6</b>

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

Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.

## Merchandising

**Department Store Trade**—A better than seasonal increase in sales was again recorded during September by Seventh district department store sales. The September gain over August amounted to 31 per cent. However, because the August increase had been exceptionally large and the September 1938 gain likewise unusual, the favorable margin over 1938 levels was narrowed slightly from 8 to 7 per cent. With one more Saturday this September, current daily average sales were only 6 per cent larger than last year. Reflecting notable increases in industrial payrolls as well as special sales promotions, Detroit department store trade expanded considerably more in September than in other large district cities; Detroit sales likewise continued to show the greatest increase over 1938. In the first two weeks of October, sales of weekly reporting stores in the district exceeded the total for the same 1938 period by 13 per cent. Some further increase took place in store inventories during September, as is seasonally expected, and these stocks rose to a level 3 per cent above those at the end of September 1938. In contrast to rather substantial increases in Detroit and Indianapolis, as well as smaller gains in other cities, inventories of Chicago department stores remained slightly under 1938 levels.

#### DEPARTMENT STORE TRADE IN SEPTEMBER 1939

Locality	Per Cent Change September 1939 from September 1938		Per Cent Change First Nine Months 1939 from Same Period 1938	Ratio of September Collections to Accounts Outstanding End of August	
	Net Sales	Stocks End of Month	Net Sales	1939	1938
Chicago.....	+ 2.8	- 0.6	+ 4.5	40.4	38.1
Detroit.....	+14.1	+12.6	+13.5	46.3	40.5
Fort Wayne.....	+11.9	.....	+ 5.5	.....	.....
Indianapolis.....	+ 5.3	+10.1	+ 7.7	33.5	32.9
Milwaukee.....	+ 8.8	+ 1.7	+ 4.7	36.1	35.5
Peoria.....	+ 9.2	.....	+ 1.2	.....	.....
Other Cities*.....	+ 7.9	+ 1.6	+ 5.7	34.4	32.3
<b>7th District.....</b>	<b>+ 7.0</b>	<b>+ 2.6</b>	<b>+ 6.6</b>	<b>39.3</b>	<b>36.8</b>

\*Include Fort Wayne and Peoria.

**Retail Shoes**—The September increase of 75 per cent in the district retail shoe trade was greater than usual for the month. However, because a year-to-year decline in dealer sales was only partially offset by a gain in department store shoe sales, the September retail shoe trade totaled slightly lower than last year. The level of retail shoe inventories changed little in September and at the end of the month was 6 per cent above a year ago.

**Retail Furniture**—Retail sales of furniture and house-furnishings also expanded more than seasonally in September. Total dollar volume for the month was 41 per cent greater than in August, with department stores showing a much greater increase than furniture dealers. As compared with year-earlier levels, however, dealers made the better showing; aggregate sales of department stores and dealers were 16 per cent greater than in September 1938. Retailers continued to enlarge their stocks of furniture and house-furnishings somewhat, as these stocks increased 4 per cent in September and at the end of the month were 7 per cent higher than in 1938.



# SALES OF INDEPENDENT RETAIL STORES (As reported by the Department of Commerce)

	Per Cent Change September 1939 from September 1938			
	Illinois	Indiana	Iowa	Wisconsin
Apparel Group.....	+ 6.1	+ 4.4	+ 7.8	+ 5.1
Drug Stores.....	+ 4.7	+ 2.7	+ 6.2	+ 1.7
Food Group.....	+ 5.0	+ 3.8	+ 7.0	+ 5.5
Furniture and Appliances.....	+17.1	+12.5	+17.4	+ 9.1
Hardware Stores.....	+10.7	+12.9	+16.2	+ 6.2
Lumber and Building Materials.....	+20.3	+ 6.8	+24.0	+11.9
Motor Vehicle Dealers.....	+34.1	+15.9	+ 0.8	+47.4
Total All Groups.....	+ 8.7	+ 7.7	+ 8.5	+ 5.5

**Wholesale Trade**—Further expansion took place during September in wholesale trade of the Seventh district. Aggregate sales of all groups reporting to the Department of Commerce exceeded those of the preceding month by 16 per cent, with only a few scattered lines showing a recession. All major groups experienced increases in business, the gains ranging from only one per cent for tobacco and its products to better than 20 per cent in groceries and in meats and meat products in which lines higher prices exerted an effect on the dollar value of sales. As compared with a year ago, wholesale distribution of commodities in the district totaled 21 per cent heavier in the current period, practically all groups reporting increases. Inventories continued to rise during September; at the end of the month they were 3 per cent higher than on August 31 and 5 per cent larger than a year earlier.

## WHOLESALE TRADE IN SEPTEMBER 1939

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+ 3.2	- 0.8	+ 3.9	+ 4.9
Electrical Goods.....	+46.3	+23.3	+37.2	+40.5
Groceries.....	+19.5	+ 4.0	+0.5	+10.2
Hardware.....	+18.6	- 1.2	+ 8.7	+11.8
Meats and Meat Products.....	+32.6	+18.9	+ 2.4	+17.9
Paper and Its Products.....	+20.5	+15.8	+15.6	+15.3
Tobacco and Its Products.....	+10.1	+ 1.1	+ 3.4	+14.1
Miscellaneous.....	+17.1	+ 6.5	+ 5.2	+11.0

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

## Agriculture

**Grain Marketing**—In the first week of September prices of major grains advanced sharply with the outbreak of war in Europe. The peak for the month was reached on September 7, when orderly trading was resumed with the modi-

fication of trading restrictions. December quotations for wheat reached 88 cents at Chicago on that day. Subsequently, as the ideas of the trade became adjusted to war conditions, more attention was paid to the world supply situation. The Bureau of Agricultural Economics pointed out that world wheat supplies—excluding Russia and China—for the year beginning last July 1 were indicated as about 5,464 million bushels. This is by far the largest volume on record and exceeds the supplies available in 1914 by almost 60 per cent, while world consumption is only about 30 per cent larger than in 1914. Supplies of wheat in the United States this year are at about average levels and somewhat lower than last year, but with domestic prices ruling considerably above export parity levels, export sales have been possible only with Government subsidies.

Besides the war and world supply situation as major factors in influencing price trends, domestic prices have also been affected by the serious drought over large portions of the domestic winter wheat area. Prolonged dryness was only partially alleviated by rains in the second week of October, and subsoil moisture deficiency remained considerable. There were erratic price fluctuations in late September and early October, influenced largely by the rapidly changing political situation abroad, but October 21 cash wheat prices were about equal to month-earlier levels.

There was an unusually heavy movement of corn during September to interior primary markets in the United States, as a result of the decidedly early maturing of the new crop. After a considerable advance in early September, corn prices weakened toward the end of the month, coincident with a heavy movement from the country and weakness in livestock prices. There was little net change over the first half of October, as selling was easily absorbed, some by export purchases, but prices later declined slightly. Stocks of corn on farms this fall are at record levels, the carry-over as of October 1 being estimated at about 24 per cent of last year's crop, or 546 million bushels. About half of this total is sealed corn on which Government loans have been made. The total supply of feed grains on October 1, including crops still to be harvested, was estimated as about 4 per cent heavier than last year; however, livestock numbers have increased 7 to 8 per cent, and when the amount of corn under seal is excluded, the supply of feed grain per consuming animal is about normal.

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

	Sept. 1939	Aug. 1939	Sept. 1938	Sept. 1929-38 Avg.
Wheat:				
Receipts.....	37,810	44,728	36,212	35,271
Shipments.....	24,633	23,343	22,176	21,976
Corn:				
Receipts.....	22,925	9,877	17,628	14,521
Shipments.....	11,652	11,550	9,919	8,000
Oats:				
Receipts.....	12,108	19,501	9,580	10,958
Shipments.....	10,082	7,821	6,982	6,252

## CROP PRODUCTION

Estimated by the United States Department of Agriculture on the Basis of  
October 1 Condition

(In thousands of bushels, unless otherwise specified)

	Seventh District			United States		
	Forecast 1939	Final 1938	Average 1928-37	Forecast 1939	Final 1938	Average 1928-37
Corn.....	1,091,903	1,038,749	847,142	2,532,417	2,542,238	2,309,674
Oats.....	368,452	430,768	454,618	941,230	1,053,539	1,049,300
Barley.....	47,482a	46,964a	48,128a	269,540	252,139	235,021
Soybeans.....	62,800b	46,003b	16,915b	72,055c	53,940c	20,092c
Total Wheat.....	58,396	69,531	59,767	739,445	930,801	752,952
Rye.....	8,122a	9,942a	7,806a	40,834	55,039	36,330
Potatoes (White).....	49,941	53,457	53,056	358,689	371,617	372,253
Celery <sup>1</sup> .....	1,901d	1,604d	1,485d	10,799	11,868	9,123
Apples (commercial).....	14,760a	8,050a	10,297a	100,998	82,395	96,469
Tame Hay <sup>2</sup> .....	17,396	18,379	15,201	75,023	80,299	68,765

<sup>1</sup>In thousands of crates. <sup>2</sup>In thousands of tons. a—Five States including Seventh Federal Reserve district. b—Illinois, Indiana, and Iowa. c—Six States. d—Michigan and Indiana.

**Livestock and Meat Packing**—Following the precipitate advance in the first week of September, prices of livestock declined considerably in September and October, and in late October cattle and hog prices were lower than last year at the same time. However, prices were still considerably higher than the low points in August. During September there were sizable gains in receipts of livestock at public yards, although receipts of hogs declined slightly. Shipments of cattle and calves to feed lots continued heavy during the month.

# **LIVESTOCK SLAUGHTER** (In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
September 1939.....	190	441	265	59
September 1938.....	181	439	304	57
Federally Inspected Slaughter,				
United States:				
September 1939.....	880	2,885	1,635	427
August 1939.....	823	2,792	1,457	414
September 1938.....	917	2,671	1,694	453
September 1929-38 average.....	936	2,628	1,610	475

# **AVERAGE PRICES OF LIVESTOCK** (Per hundred pounds at Chicago)

	Week Ended October 21, 1939	Sept. 1939	Months of Aug. 1939	Sept. 1938
Native Beef Steers (average).....	\$ 9.70	\$10.30	\$ 9.20	\$10.40
Fat Cows and Heifers.....	8.10	8.45	7.35	7.90
Calves.....	10.75	10.50	9.50	10.75
Hogs (bulk of sales).....	7.10	7.55	5.60	8.40
Lambs.....	9.35	9.55	8.60	7.95

Dollar sales of packing houses in the United States rose sharply during September. Most of the gain was occasioned by higher prices for meat products, as tonnage sales showed little change. Strong domestic demand offset a curtailment in export outlets; the tonnage sold was 9 per cent greater than current production, and there was a further decline in inventories. Despite the downtrend in prices of livestock and most packing-house products after the bulge in the first week of September, quotations in mid-October were still above the level prevailing at the end of August. Meat-packing production in the first half of October was well above that for the same period of September and about equal to the corresponding 1938 production.

# **MEAT PACKING—UNITED STATES**

	Per Cent Change in Sept. 1939 from	Sept. 1938	Sept. 1929-38 Avg.
Tonnage produced.....	+ 2.6	+ 5.9	+ 5.0
Tonnage sold.....	- 0.4	+ 5.9	+ 6.4
Dollar sales.....	+14.3	+ 6.3	+12.0
Inventories.....	-16.5	+ 4.2	-26.9

Shipments of packing-house products for export dropped off sharply in September from August. Forwardings comprised almost entirely shipments to Sweden, Norway, Switzerland, and other European neutrals, as well as to some Latin American countries; trade with these neutral nations improved, however, and realized prices were up to Chicago parity. Following the setting of maximum prices in England at levels considerably below the United States basis and the commandeering of spot stocks of packing-house commodities in Great Britain, shipments of these

# **INVENTORIES OF SELECTED FARM COMMODITIES IN THE UNITED STATES**

	October 1, 1939	Per Cent Change from October 1, 1938	October 1, 1929-37 Avg.
Creamery Butter:			
Excluding Government holdings.....	128,202,000 lbs.	+17.7	+ 1.4
Including Government holdings.....	154,571,000 lbs.	-26.6	+22.3
Cheese:			
American.....	97,598,000 lbs.	-19.6	+ 6.8
All varieties.....	116,618,000 lbs.	-17.1	+ 8.4
Eggs:			
Shell and frozen case equivalent.....	8,900,000 cases	+12.4	- 4.5*
Wheat:			
On farms and in visible position.....	477,899,000 bu.	- 9.2	- 1.8
Oats:			
On farms and in visible position.....	780,970,000 bu.	-10.8	- 9.7
Corn:			
New crop plus farm carry-over.....	3,078,469,000 bu.	+ 6.3	+24.3
Packing-House Products:			
Commercial holdings.....	478,407,000 lbs.	+ 4.2	-29.8

\*1934-38 October 1 average.

products to England fell to negligible proportions. No war orders had been contracted for meats and fats in the United States by mid-October, but unusually large orders for beef and mutton were reported to have been placed recently in Argentina by France and Great Britain. Reflecting the adverse influence of the war upon supplies of pork from central Europe, there was a sharp decline during September in United States imports of animal products.

**Dairy Products**—The condition of pastures deteriorated rapidly during September with lack of moisture and abnormally high temperature. The record decline in pasture condition was accompanied by the sharpest September decrease in milk production in the fifteen years for which such statistics are available. This was reflected in a greater than seasonal reduction of 21 per cent in creamery butter production by district firms to a level 11 per cent below the September 1938 make. Estimates for the country as a whole indicate closely similar trends. September sales of butter by district firms were 12 per cent lower than in August and 13 per cent lighter than a year ago. There was a sizable decline in United States cold-storage holdings in September, and these stocks on October 1 were well below the heavy 1938 levels. Butter prices for the most part continued firm through September and the first three weeks of October, in contrast to trends in some other farm products. While strength in the butter markets cannot be entirely dissociated from the war situation, seasonal influences as well as broadened consumer demand were largely operative.

A decline during September of about 10 per cent in production of American cheese in Wisconsin was accompanied by an increase of the same proportion in distribution of cheese from primary points in the State. With seasonal decreases in production and unusual reductions in cold-storage holdings, the statistical position of cheese remained favorable, and prices continued firm.

# **MONTHLY BUSINESS INDEXES**

	Sept. 1939	Aug. 1939	July 1939	Sept. 1938	Aug. 1938	July 1938
Data refer to Seventh district and are not adjusted for seasonal variation unless other- wise indicated. 1923-1925 average = 100						
<b>Manufacturing Industries:</b>						
Employment.....	88	79	77	73	67	67
Payrolls.....	89	79	74	68	61	59
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	102	91	80	56	47	39
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	55	21	52	22	20	37
Trucks.....	72	102	156	49	85	92
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	45	46	39	30	32	25
In Tons.....	37	37	32	24	25	19
Malleable—In Dollars.....	49	50	36	37	35	28
In Tons.....	62	61	46	45	41	33
<b>Stoves and Furnaces:</b>						
Shipments.....	243	163	111	203	151	113
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	90	81	59	67	68	65
Shipments in Dollars.....	83	82	58	74	61	43
<b>Building Contracts Awarded:</b>						
Residential.....	58	81	67	51	51	47
Total.....	93	77	80	78	73	59
<b>Meat Packing—(U. S.):</b>						
Production.....	90	88	87	85	82	79
Sales Tonnage.....	98	98	91	92	86	82
Sales in Dollars.....	98	85	88	92	85	88
<b>Department Store Net Sales:</b>						
Chicago.....	87	76	58	84	70	57
Detroit.....	150	75	65	133	69	61
Indianapolis.....	117	92	73	113	84	70
Milwaukee.....	102	79	65	98	74	66
Other Cities.....	91	75	58	84	72	57
Seventh District—Unadjusted.....	102	77	61	96	72	59
Adjusted.....	98	95	85	93	87	83



## Credit and Finance

**Reporting Member Banks**—Total loans of Seventh district weekly reporting member banks continued to increase over the four weeks ended October 18, though not so sharply as in the first three weeks of September. The expansion in aggregate loans reflected chiefly gains in the commercial, industrial, and agricultural classification; the rise in this group was fairly well spread among the reporting banks, apparently reflecting increased borrowings coincident with the general rise in business activity. Holdings of Government securities, other than Treasury bills, changed little after the outbreak of the war. Though showing little net change over the four-week period in question, reporting banks' holdings of securities other than Governments increased 10 millions in the last two weeks of the period, apparently owing in part to acquisitions of railroad equipment trust issues, of which a fairly large volume recently has been offered to finance purchases of new freight cars.

Demand deposits adjusted continued their upward trend and on October 18 were 13 per cent higher than a year ago. Time deposits on that date were 7 per cent greater than in 1938.

**Securities Markets**—Declines in quoted bond prices, which had carried most high-grade securities to their lowest 1939 levels, were checked in late September. Prices since have been generally stronger, and by mid-October had recovered more than half of their earlier losses. Short-term issues, which had declined more sharply in September, made a more marked recovery in the first half of October. Medium-grade and more speculative bonds continued to move in fairly close correlation with the stock market; the general level of stock prices showed little net change after the sharp rise in the first half of September. Rather thin markets continued to exist for corporate and municipal bonds. Institutional investors, who have been the main support of the bond market in recent years, displayed little interest except at the lower levels of late September.

New long-term corporate bond issues have been in unusually low volume since late August, and a considerable portion of the restricted total has been privately placed with institutions. There has been a fairly large amount of relatively short-term railroad equipment trust issues since mid-September; these high-grade short-term securities have found favorable reception among investors, particularly banks. The general rise in bond yields in September cut off most contemplated refunding, and the improvement in industrial activity has not as yet reached the stage where new capital issues are appearing to finance plant expansion. New municipal issues continued rather restricted, the September total being the lowest in over five years.

Yields on Treasury notes, which had more than doubled between late August and mid-September, later declined sufficiently to cancel more than half of the increase by mid-October. Longer-term Treasury bonds did not show the same degree of recovery as did the shorter-term issues. Weekly issues of 91-day Treasury bills in the first three weeks of October were selling at about early August levels, yielding well under .05 per cent. With the issue dated October 18, the amount raised weekly by this type of financing was increased from 100 million to 150 million dollars. In mid-October the Treasury announced that about \$206 million of  $\frac{3}{4}$  per cent Commodity Credit Corporation notes maturing November 2 will be refunded by one per cent notes with a maturity of slightly over two years.

## Selected Seventh District Banking Data

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

(Amounts in thousands)

	Oct. 18, 1939	Sept. 20, 1939	Change from Oct. 19, 1938
Total bills and securities.....	\$300,991	\$-3,197	\$+23,791
Bills discounted.....	542	+86	+231
Bills bought.....	69	0	+2
U. S. Treasury bills.....	20,389	-8,828	-45,595
U. S. Treasury notes.....	135,928	+2,324	+10,393
U. S. Treasury bonds.....	143,618	+3,242	+58,748
Total Government securities.....	299,935	-3,262	+23,546
Total reserves.....	2,510,507	+53,303	+396,078
Member bank reserve deposits.....	1,654,233	+78,964	+360,481
All other deposits.....	82,397	-41,192	-16,178
Federal Reserve notes in circulation.....	1,043,461	+13,611	+77,189
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	90.3%	+0.3*	+0.7*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Oct. 18, 1939	Sept. 20, 1939	Change from Oct. 19, 1938
<b>ASSETS</b>			
Loans and investments—total.....	\$3,167	\$+6	\$+226
Loans—total.....	875	+5	+56
Commercial, industrial, and agricultural loans.....	512	+4	+46
Open-market paper.....	35	+1	0
Loans to brokers and dealers in securities.....	29	-4	-4
Other loans for purchasing or carrying securities..	76	0	-2
Real estate loans.....	109	+3	+16
Loans to banks.....	0	0	-4
Other loans.....	114	+1	+4
U. S. Treasury bills.....	138	+7	—
U. S. Treasury notes.....	434	+1	+94
U. S. Treasury bonds.....	940	+12	—
Obligations fully guaranteed by U. S. Government	291	+1	+53
Other securities.....	489	+4	+23
<b>LIABILITIES</b>			
Demand deposits—adjusted*.....	2,608	+46	+305
Time deposits.....	939	+6	+60
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the four weeks ended October 18 was 19.38 times, as compared with 19.80 times in the preceding five weeks and with 20.48 times in the corresponding period of 1938.

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	Sept. 1939	Aug. 1939	Per Cent of Increase or Decrease from Sept. 1938
Chicago.....	\$3,062	+7.6	+16.3
Des Moines.....	99	+14.0	+10.6
Detroit.....	837	+5.0	-21.3
Fort Wayne.....	31	+3.2	-2.0
Grand Rapids.....	57	+3.3	+22.8
Indianapolis.....	195	+4.5	+3.7
Milwaukee.....	252	+2.1	+9.8
Peoria.....	58	+12.5	+7.8
South Bend.....	36	+2.4	+17.6
32 smaller cities.....	494	+7.4	+14.6
Total 41 cities.....	5,121	+6.6	+16.0

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

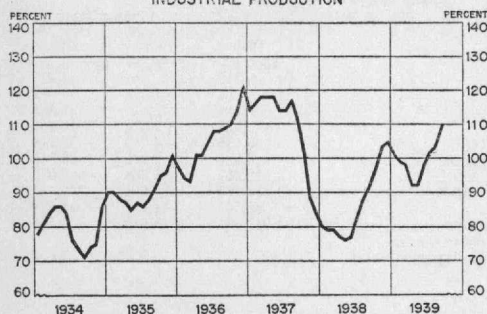
(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	September 1939	September 1938
Total country and city check clearings:		
Pieces.....	12,194,758	11,017,515
Amount.....	\$2,356,986,731	\$1,957,414,865
Daily average clearings:		
Total items cleared—		
Pieces.....	487,790	440,701
Amount.....	\$94,279,469	\$78,296,595
Items drawn on Chicago—		
Pieces.....	79,682	75,001
Amount.....	\$48,473,000	\$41,637,000
Items drawn on Detroit—		
Pieces.....	18,983	19,840
Amount.....	\$8,591,391	\$7,496,415

# National Summary of Business Conditions

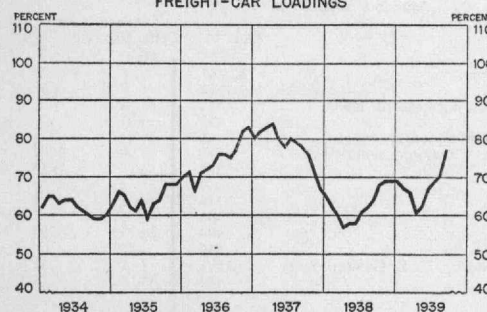
(By the Board of Governors of the Federal Reserve System)

## INDUSTRIAL PRODUCTION



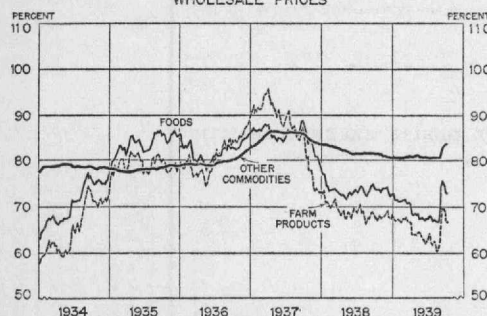
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to September 1939.

## FREIGHT-CAR LOADINGS



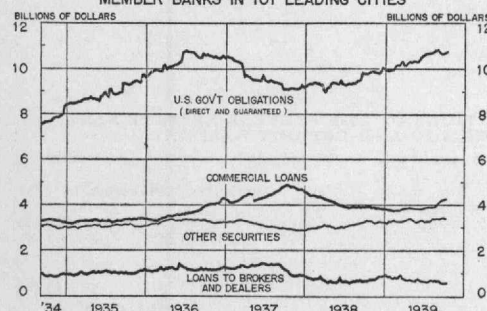
Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to September 1939.

## WHOLESALE PRICES



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

## MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to October 11, 1939. Commercial loans, which include industrial and agricultural loans, represent, prior to May 19, 1937, so-called "Other loans" as then reported.

**VOLUME** of industrial production, which had turned up sharply last summer, advanced still more rapidly in the six weeks after the outbreak of war. Employment also increased but at a less rapid rate. Consumption of goods by industry and by individuals has not expanded so rapidly as production and orders. Buying of basic commodities, after a burst of activity in early September, has slackened considerably, but orders for many semi-finished goods and for finished products, particularly machinery and railroad equipment, have continued in large volume. Most orders have come from domestic sources. Prices of basic commodities advanced sharply in the early part of September, but in recent weeks prices of foodstuffs have declined while prices of industrial materials in most instances have been maintained. Prices of finished goods have shown a much smaller advance.

**Production**—In September the Board's seasonally adjusted index of industrial production advanced to 110 per cent of the 1923-1925 average as compared with 103 in August and 92 last spring. Increases in output of iron and steel, flour, sugar, meat products, and petroleum were particularly marked in September. In the steel industry ingot production rose from an average rate of 61 per cent of capacity in August to 71 in September. In the first three weeks of October the rate advanced further to 90 per cent and actual volume of output was at the highest level on record. Flour production rose to near record levels and at meat-packing establishments activity was at the highest rate reached in several years. The sharp increase in output of crude petroleum followed a considerable reduction in the previous month and currently production is at about the high rate prevailing before wells were closed in the latter half of August.

In other industries increases in activity, though quite general, were not so marked. Automobile production showed a sharp seasonal rise as volume production of new model cars was begun at most plants, and in related lines, such as plate glass, activity also increased. Textile production increased somewhat further from the high level reached earlier. Shoe production, however, which had been in large volume in the first eight months of the year, decreased in September. Mineral production advanced generally and iron ore shipment schedules were expanded to build up stocks at lower lake ports before the close of the shipping season.

Value of construction contracts, as reported by the F. W. Dodge Corporation, rose further in September, reflecting a contraseasonal increase in private residential building. Other private construction showed little change and there was some reduction in the volume of new public projects, both residential and non-residential.

**Distribution**—In September and the early part of October department store sales increased considerably. Freight-car loadings also advanced sharply, with the most marked increases reported in shipments of coal and of miscellaneous freight, which includes most manufactured products.

**Commodity Prices**—Wholesale prices of foodstuffs declined after the middle of September, following sharp advances earlier in the month. Prices of industrial commodities, which rose considerably until the third week in September, subsequently were generally maintained, although prices of some materials, such as steel scrap, hides, and rubber, declined from earlier peak levels.

**Bank Credit**—Following reductions during the early part of September, Government security holdings by member banks in 101 leading cities increased somewhat during the three weeks ending October 11, reflecting largely the purchase of Treasury bills. Commercial loans continued to increase, but at a less rapid rate than in late August and early September. The volume of demand deposits at city banks also increased further.

Excess reserves, which had increased sharply at member banks during the first half of September, showed further moderate increases during the four weeks ending October 11.

**Money Rates and Bond Yields**—Prices of United States Government securities increased in the latter part of September and the first half of October, following sharp declines early in September. Average yields on long-term Treasury bonds declined from 2.79 per cent on September 21 to 2.62 per cent on October 16. Yields on Treasury notes declined to 0.78 per cent from 1.30 per cent early in September.



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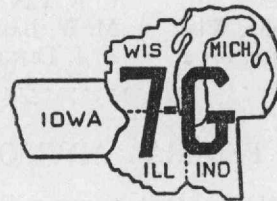
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**SEVENTH FEDERAL**



**RESERVE DISTRICT**

