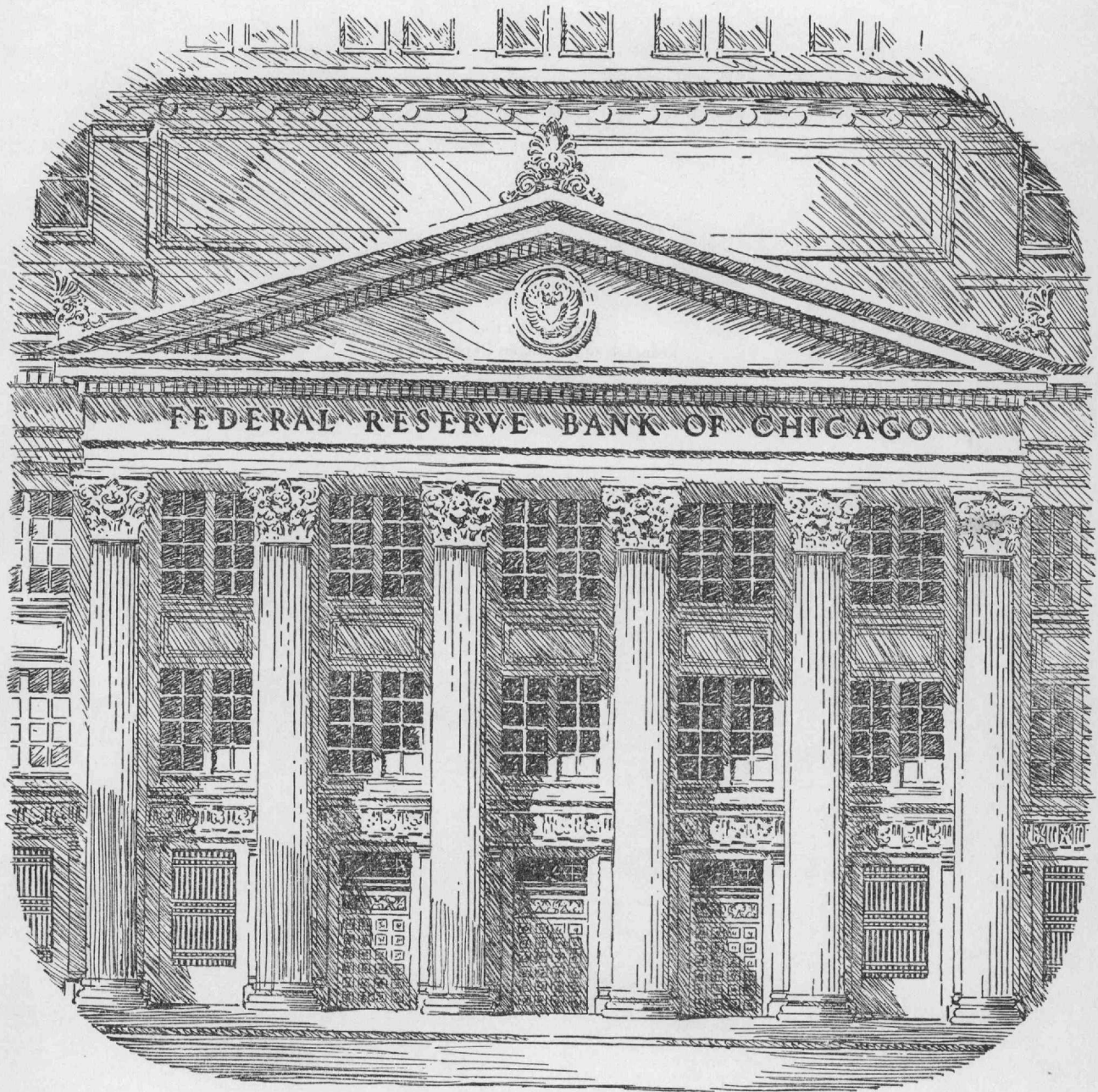
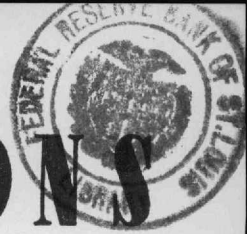


BUSINESS CONDITIONS



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DISTRICT SUMMARY

FURTHER marked expansion in output of major district industries was noted in October. Gains continued into November, though at a less rapid rate since some industries were approaching practical capacity levels. Total October automobile output was held back somewhat by an industrial dispute during a good part of the month. It is difficult at this time to ascertain accurately whether the bulk of the output by heavy industries has gone into the hands of the final consumer or whether the wave of demand this fall has been due chiefly to inventory buying in anticipation of price rises or delivery difficulties. Most phases of distribution have held at fairly high levels, although wholesale trade and some retail lines declined from a month earlier. Construction activity, as evidenced by contracts and permit data, likewise decreased. The general price level of farm commodities has shown little net change, following a reaction from the marked upswing in early September.

Industry—District steel mills had advanced their rate of operations further to 94½ per cent of capacity by the third week of November. This rate indicated the highest actual volume of output on record, and reported heavy backlogs seemed to assure production at near-capacity levels over the near term at least. There has been unusually strong pressure on the part of customers for delivery. Increased activity among automobile, farm implement, and railroad car manufacturers has furnished the main sources of demand, although new business in the past few months has come from diversified lines. Little additional business from foreign countries was reported by steel concerns. Reflecting continued increases in car-building activity, there was a further sharp expansion in new orders booked by district steel castings firms; orders for malleable castings declined somewhat. The substantial rise in automobile production during the month was, however, less than seasonally expected, because of a labor dispute which shut down one large producer. Reports on automobile distribution show highly favorable trends. Orders and shipments of district furniture manufacturers rose in October, the former counter-seasonally. Following a sharp increase in September, new orders at paper mills declined, but shipments and production continued to rise. Bituminous coal mining showed a seasonal increase during October; petroleum refining activity registered a minor gain in the period. Contracts awarded for building construction declined nearly one third from the heavy September volume, and valuation of building permits in the district also decreased.

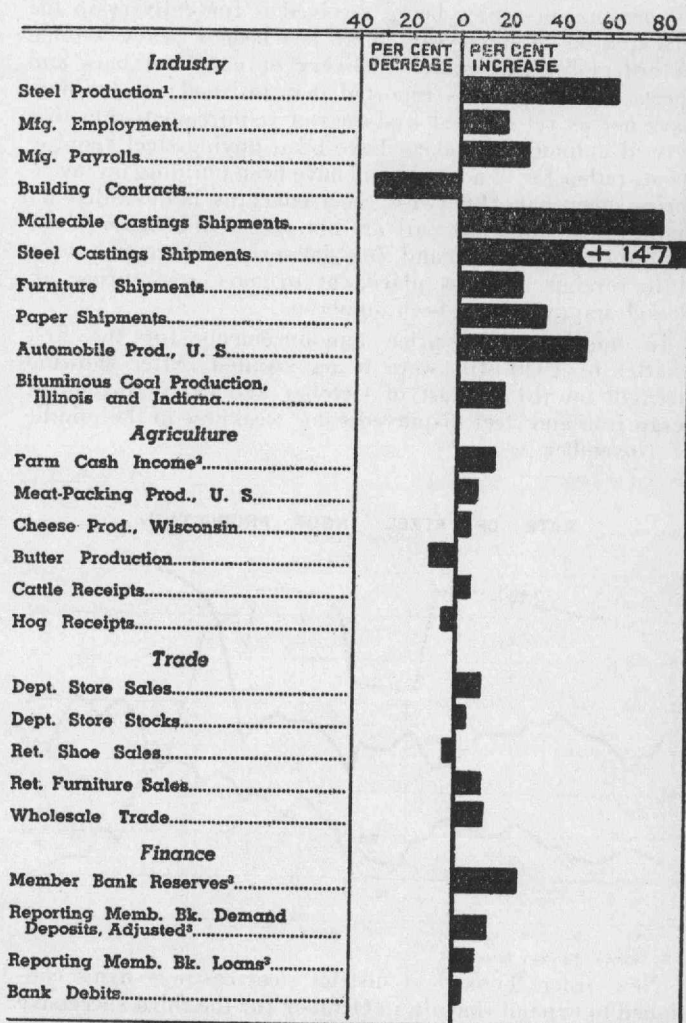
Reflecting the continued rise in general industrial activity, there was an aggregate increase of 7 per cent in payrolls and 3½ per cent in employment of district firms. Gains in wage payments and number of employes were widespread among most industrial groups, the food products and building industries showing the only major declines.

Trade—Following a marked expansion in district department store sales in September, which was due partly to special sales promotions among Detroit stores, there was a slight decline in trade during October. However, sales volumes continued well above 1938 levels, there being an increase over October 1938 of 12 per cent on a daily average basis; sales data from the larger district stores show a year-to-year gain of only 5 per cent for the three weeks ended November 18. District retail trade in shoes, as well

as in furniture, recorded a greater than usual decline during October, following notable seasonal increases a month previous. Wholesale distribution of commodities declined about 10 per cent in the aggregate but continued well over 1938 volumes.

Agriculture—After declining in late September and early October, the general price level for farm products held fairly steady. Cattle and hog quotations continued soft; those for wheat and lambs were firm. Drought conditions over a major portion of the winter wheat area have continued rather serious. Prices for most meat products declined and meat-packers' dollar sales showed little change, although tonnage production and sales advanced. Butter production and sales declined more than seasonally and were under the corresponding 1938 levels; both cheese and butter prices continued firm. Farm cash income for the five States which include the Seventh Reserve district advanced in September and was well over the year-earlier level.

Seventh District Business Activity
October, 1939 Compared with October, 1938



¹ Ingot rate, Chicago district, for week of November 21.
² September data. ³ As of November 15.

Finance—Loans of weekly reporting member banks in the district have continued their expansion, again mostly in the commercial, industrial, and agricultural classification. The banks' holdings of direct Government obligations, as

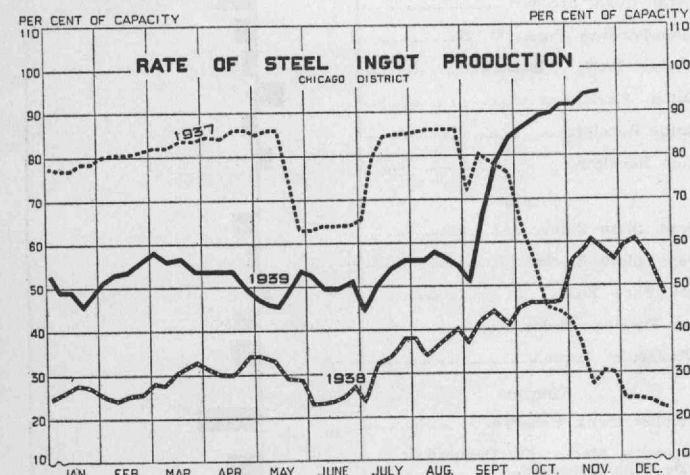
well as demand deposits, have declined. Activity in the new-issue market advanced slightly in October over the extremely low September level, and bond prices have shown firming tendencies.

Manufacturing

Steel and Steel Products—Steel mills of the Chicago district have continued to advance operations from the unusually high level prevailing during the latter part of October. Steel ingot output was raised 5½ points to 94½ per cent of capacity between mid-October and the third week of November. Daily average pig iron production for October in the Illinois and Indiana area rose almost 30 per cent over September. Because of reported heavy backlogs, some of which will carry over into 1940, it appears that steel production should continue at close to capacity levels over the near-term period.

Strong pressure for deliveries is unabated and has been particularly heavy from railroad car builders and the automotive industry. In some instances it remains necessary to ration steel and, although new orders have been diminishing in recent weeks, order departments still are unable to keep up with incoming business. Most mills are booked to capacity through the end of the year except in a few products, among them heavy structural steel. Practically all new business now being received is for delivery in the first quarter of next year; there has been a heavy volume of orders for first-quarter delivery of merchant bars and sheets and strip. It is reported that railroad car builders have not as yet covered first-quarter requirements, but that several automobile makers have been buying steel requirements rather far in advance and have been building up inventories somewhat. Otherwise, steel concerns believe that inventories for the most part are not excessive because of the continued urgent demand for deliveries. There has been little foreign business placed at primary steel firms, although inquiries have been numerous.

In mid-November price announcements for the first quarter of 1940 still were being awaited. After showing strength toward the last of October and early November, scrap iron and steel displayed some weakness in the middle of November.



By weeks. Source: Iron Age.

New orders booked at district steel castings firms continued to expand sharply in October for the third successive month and were many times greater than the rather low level of last year. Buying by railroad car builders again

was the major factor in the current increase. Tonnages booked at malleable casting foundries declined in October, following several months of gain, but remained substantially heavier than in 1938. Although shipments and production of both steel and malleable castings were accelerated considerably during October, they lagged well behind the volume of incoming business.

STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	October 1939 Per Cent Change from	
	Sept.	Oct. 1938
Steel Castings:		
Orders booked (tons).....	+76.9	+714.4
Orders booked (dollars).....	+62.5	+509.5
Shipments (tons).....	+38.1	+146.8
Shipments (dollars).....	+35.5	+130.4
Production (tons).....	+54.1	+162.5
Malleable Castings:		
Orders booked (tons).....	-11.2	+129.4
Orders booked (dollars).....	-10.7	+130.6
Shipments (tons).....	+30.7	+79.5
Shipments (dollars).....	+31.2	+74.5
Production (tons).....	+41.8	+89.4

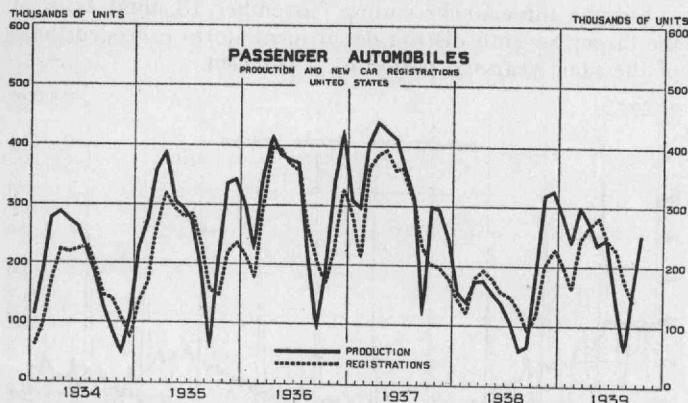
In accordance with the usual trend for the period, there was a continued rise during October in activity at Seventh district stove and furnace factories. Operations were 15 per cent higher than a month previous, and orders booked and shipments expanded 10 and 20 per cent, respectively, over the September volumes. Despite the increased production, inventories diminished moderately over the period. As compared with October 1938, incoming business totaled about one fifth larger and shipments were heavier by more than 40 per cent; production showed a 25 per cent increase, and inventories were lower by that percentage.

Automobiles—Production of automobiles rose markedly in October and totaled half again as large as in the 1938 month when heavy production of the 1939 models was just beginning to get under way. However, because of an industrial dispute which resulted in a shutdown by one large producer, the October gain over September was not so great as would usually be expected at this season. Passenger cars and trucks manufactured in the United States numbered 251,819 and 61,558, respectively, in October, or 56 and 127 per cent more than a month earlier. Due to widespread acceptance of the 1940 models, some producers are reported to have rather large banks of unfilled orders for automobiles. Consequently, output continued to expand further in November, and it is indicated that the total for the month will exceed the October volume, although estimates for fourth-quarter production have been revised downward because of the strike situation.

Owing to the fact that distributors of a few makes of cars received their major supply of the 1940 models in August and September and because distributors for the large producer who was shut down part of the month were unable to get deliveries, sales of new automobiles at wholesale in the Seventh district recorded a moderate decline in the aggregate for October from September. However, retail dealer sales to users rose sharply by approximately 80 per cent in the period and exceeded those in the month last year by 55 per cent. There was a less than 10 per cent gain during October in stocks of new cars in dealers' hands; these inventories at the end of the month were about 40 per cent higher than a year earlier when the new models

had not as yet been received in large volume. Used-car sales have been fair; stocks are somewhat higher than last year.

Supplementing information on sales of reporting district dealers are the data on registrations of new cars in Indiana, Illinois, and Michigan for the month of October, which totaled more than half again as heavy as in September and over twice as large as in October last year.



Number of new passenger automobiles produced and registered each month in the United States. Latest figures: Production, October 1939; Registrations, September 1939. Sources: Production, United States Department of Commerce; Registrations, R. L. Polk & Company.

Furniture—Following a greater than usual increase in September, incoming business at Seventh district furniture factories showed a counterseasonal gain of 10 per cent during October. Furniture shipments rose 12 per cent in the period and were about one fourth larger than in October 1938. Unfilled orders on manufacturers' books continued to rise—by 10 per cent—and totaled on October 31 about 85 per cent heavier than a year ago, as shipments failed by a moderate amount to equal new orders. The rate of production was accelerated further in October to 85 per cent of capacity, which was 8 points higher than a month earlier.

Paper and Pulp—Orders booked at district paper mills declined during October, after showing an unusually sharp upturn in September; but shipments and production recorded noticeable increases and were about one third heavier than last year. Paper mills operated at close to practical capacity in October.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	October 1939 Per Cent Change from	
	Sept. 1939	Oct. 1938
Paper:		
Orders booked (tons).....	-17.2	+30.2
Orders booked (dollars).....	-16.5	+18.5
Shipments (tons).....	+13.8	+33.2
Shipments (dollars).....	+15.8	+33.2
Production (tons).....	+12.5	+27.1
Stocks at end of month (tons).....	+2.9	-4.8
Pulp:		
Production (tons).....	+15.1	+17.2
Stock at end of month (tons).....	-9.6	-20.7

Building

Total building contracts awarded during October in the Seventh district declined 30 per cent from September and were about one third lower than last year in the month. The unfavorable comparison with September was due largely to the fact that public utilities awards had been unusually heavy in the earlier month, because of the placing of further contracts for the construction of the Chicago subway. Contracts awarded for residential building increased by about one fourth during October and continued well above year-ago levels, but those for public works and non-residential projects totaled somewhat less than one half

of the corresponding 1938 volumes. There recently has been some evidence of an increasing proportion of private financing of building projects.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
October 1939.....	\$44,670,000	\$21,460,000
Change from September 1939.....	-30.0%	+25.2%
Change from October 1938.....	-32.2%	+23.5%
First ten months of 1939.....	\$485,767,000	\$ 179,336,000
Change from same period 1938.....	+17.1%	+55.6%

*Data furnished by F. W. Dodge Corporation.

Building permit data for 102 cities of the Seventh district showed a 12 per cent decrease in estimated valuation from September to October, although the number of projects contemplated increased slightly. Estimated cost of proposed building for this area was 5 per cent heavier than last October, increases in Illinois and Wisconsin offsetting declines in the other three States of the district.

There was a good demand for building materials during October, with prices holding firm. As measured by the Bureau of Labor Statistics wholesale price index, the general level of building materials prices rose 2 per cent. Dollar volume of wholesale lumber distribution showed a greater than usual expansion—13 per cent—in October; retail sales of lumber registered a gain of 6 per cent. Cement shipments, which usually decline at this season, were 8 per cent lower in October this year than a month previous. Brick deliveries in October, following a sharp decline in September, about equaled the August volume. While lumber distribution continues to show considerable increases over 1938 levels, shipments of cement have been somewhat lower and brick deliveries record variations in trend, some dealers reporting increases and others decreases in the year-to-year comparison.

Industrial Employment

Reflecting the continued rise during October in the general level of industrial activity throughout the Seventh district, volume of employment and payrolls recorded further

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of October 15, 1939			Change from September 15, 1939	
	Reporting Firms No.	Wage Earners No.	Earnings ('000 Omitted) \$	Wage Earners %	Earnings %
DURABLE GOODS:					
Metals and Products ¹	1,760	435,196	13,354	+8.2	+14.3
Vehicles.....	379	343,488	12,022	+3.2	+5.7
Stone, Clay, and Glass.....	279	22,631	593	+2.1	+8.5
Wood Products.....	475	48,770	1,096	+6.5	+10.0
Total.....	2,893	850,085	27,065	+5.9	+10.0
NON-DURABLE GOODS:					
Textiles and Products.....	384	67,015	1,322	+1.4	+6.9
Food and Products.....	1,029	112,064	2,926	-7.6	-4.7
Chemical Products.....	299	33,806	1,028	+1.8	+5.0
Leather Products.....	172	27,480	579	-1.2	+1.7
Rubber Products.....	34	21,230	650	+6.6	+8.8
Paper and Printing.....	732	78,009	2,322	+3.2	+6.0
Total.....	2,650	339,604	8,827	-1.2	+2.1
Total Mfg., 10 Groups.....	5,543	1,189,689	35,892	+3.7	+7.9
Merchandising.....	5,417	143,139	3,160	+3.0	+3.4
Public Utilities.....	1,029	99,913	3,386	+0.4	+1.0
Coal Mining.....	69	15,591	442	+7.7	+38.1
Construction.....	798	13,635	435	-3.2	-1.5
Total Non-Mfg., 4 Groups.....	7,313	272,278	7,423	+1.9	+3.5
Total, 14 Groups.....	12,856	1,461,967	43,315	+3.4	+7.2

¹Other than vehicles.

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

gains in the month. Earnings of industrial workers showed a gain of 7 per cent from mid-September to mid-October, while the number of wage earners increased 3½ per cent over the period. Despite notable increases in the past three months, employment and payrolls for the district as a whole are still somewhat lower than the high points of 1937. However, the employment level was about 15 per cent higher than that prevailing in October 1938 and wage payments were approximately 22 per cent larger. The manufacturing industries have contributed the greater part of this year-to-year gain; the expansion in non-manufacturing establishments in the comparison amounted to only about 3 per cent in employment and 4 per cent in amount of wage payments.

September-to-October gains were well distributed within the various industry groups, the food products and building and construction classifications furnishing the main exceptions to the upward trend. Losses registered in the food products group were slightly heavier than generally occur in that industry at this season of the year. Declines among the building industries followed the usual seasonal trend. The metals industries showed the most notable expansion, with percentage increases that were heavier than in any previous month since 1933. Nevertheless, the general level in employment and payrolls of the metals group is still considerably below that prevailing during the greater part of the year 1937. In the vehicles group smaller increases were reported, following sharp upturns in September. Wood products registered an unusually heavy gain during the month, and the stone-clay-and-glass products group also showed more than the customary seasonal expansion.

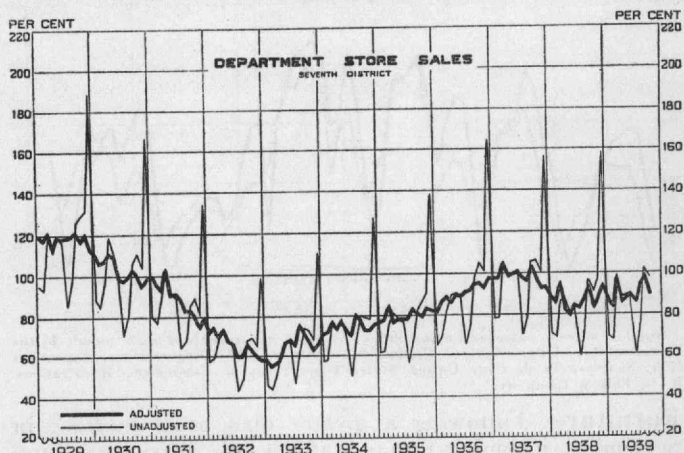
Seasonal increases in activity were likewise evident in the reports from merchandising and coal-mining groups, and to a lesser extent in those from public utilities where gains somewhat more than offset the slight declines shown a month earlier.

Merchandising

Department Store Trade—There was a slight decline during October from the preceding month in aggregate net sales of Seventh district department stores. This was due entirely to a substantial decrease in Detroit, following special promotional sales in September. Other large cities of the district recorded moderate increases in sales volumes, ranging from 3 per cent in Milwaukee to 9 per cent in Chicago. As compared with last October, district department store trade was 10 per cent larger in the current period—the largest percentage increase in the year-to-year comparison since last June—and with one less Saturday in October this year, daily average sales showed a gain of 12 per cent over the corresponding 1938 volume. Department store

stocks continued to expand during October, and the greater than seasonal rise of 8 per cent over the end of September brought them on October 31 to a level 4 per cent above inventories on the same date last year. The rate of stock turnover, however, was greater than last October and for the ten months of 1939 amounted to 3.58 times, compared with 3.30 times for the 1938 period.

For the three weeks ending November 18, total sales of the larger Seventh district department stores exceeded those of the same year-ago period by 5 per cent.



Indexes of department store sales in the Seventh district, with and without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 through October 1939.

Retail Shoes—Sales of shoes at retail by reporting dealers and department stores fell off more than is usual in October. The decline of 30 per cent followed two months of more than seasonal expansion and was due chiefly to a large decrease in department store sales, as dealers' sales showed a loss of only 7 per cent. For the second successive month, shoe sales aggregated a little under those of a year earlier, and a further slight increase in retail inventories of shoes carried them by October 31 to a point 7 per cent above those of the 1938 date.

Retail Furniture—As in the retail shoe trade, sales of furniture and housefurnishings by district dealers and department stores declined more than seasonally in October, following a greater than usual expansion in September. Aggregate dollar volume sold showed a recession of 16 per cent from the preceding month, with department store sales of furniture and housefurnishings smaller by 18 per cent and those of dealers decreasing 11 per cent. Total sales during October exceeded those in the 1938 month by 10 per cent. Stocks of furniture and housefurnishings continued to expand and at the end of October were 7 per cent heavier than a year earlier.

DEPARTMENT STORE TRADE IN OCTOBER 1939

Locality	Per Cent Change October 1939 from October 1938		Per Cent Change First Ten Months 1939 from Same Period 1938	Ratio of October Collections to Accounts Outstanding End of September	
	Net Sales	Stocks End of Month		1939	1938
Chicago.....	+11.5	- 0.6	+ 5.3	44.0	41.8
Detroit.....	+ 9.4	+11.1	+12.8	48.9	46.8
Fort Wayne.....	+20.2	+ 7.2
Indianapolis.....	+13.6	+14.8	+ 8.4	37.8	37.2
Milwaukee.....	+ 7.9	+ 1.4	+ 4.9	39.9	38.4
Other Cities*.....	+ 8.4	+ 6.8	+ 6.0	36.3	35.9
7th District.....	+10.4	+ 3.5	+ 7.0	42.9	41.3

*Include Fort Wayne.

SALES OF INDEPENDENT RETAIL STORES (As compiled by the Bureau of the Census)

	Per Cent Change October 1939 from October 1938				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+12.5	+10.5	+ 7.1	+10.3	+ 4.0
Apparel Group.....	+13.4	+10.2	+ 4.8	+ 5.8	+ 5.6
Drug Stores.....	+ 0.3	- 1.6	- 1.6	- 2.5	- 3.9
Food Group.....	- 5.8	- 8.5	- 3.0	- 5.4	- 5.3
Furniture and Appliances.....	+18.1	+18.3	+19.1	+21.9	+ 9.7
Hardware Stores.....	+ 4.4	+16.3	+12.9	+11.7	+ 3.3
Lumber and Building Materials.....	+16.8	+ 9.5	+25.3	+ 7.1	+22.0
Motor Vehicle Dealers.....	+68.2	+47.5	+24.2	+67.4	+25.9

*Includes classifications other than those listed.

Wholesale Trade—Sales of commodities at wholesale in the Seventh district declined almost 10 per cent in the aggregate for October from the preceding month, according to

data collected by the United States Department of Commerce. The meat and electrical goods trades recorded increases over the period of 5 and 18 per cent, respectively, but grocery sales were off by 25 per cent and other major groups experienced declines averaging around 5 per cent. Total sales of smaller groups showed little change from September. In the comparison with last October, the dollar volume sold by most groups was heavier in the month this year, the increase in the aggregate amounting to 11 per cent. Wholesale inventories rose during October in the majority of lines, and at the end of the month they totaled 8 per cent heavier than a year earlier.

WHOLESALE TRADE IN OCTOBER 1939

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+ 5.6	+ 7.5	0.0	+ 2.3
Electrical Goods.....	+43.5	+ 2.5	+17.5	+24.4
Groceries.....	- 1.6	+12.9	+ 6.6	+ 7.3
Hardware.....	+14.0	+ 8.5	+ 9.1	+16.8
Meats and Meat Products.....	+ 8.7	+26.7	+ 5.4	0.0
Paper and Its Products.....	+20.7	+ 7.3	+13.2	+24.5
Tobacco and Its Products.....	+ 5.6	+10.1	+ 5.2	+ 9.0
Miscellaneous.....	+18.3	+ 5.0	+ 9.7	+15.4

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

Agriculture

The 1939 corn crop exceeded that of last year despite a reduction in acreage. Yields were unusually high; the average per acre in Iowa, Illinois, and Indiana was the largest on record, with that in the two first named States reaching 51½ bushels. Returns of 100 bushels per acre were not uncommon. Factors in the excellent crop this year were the intensive use of hybrid seed and restriction of acreage to more fertile land, together with ideal weather for growing and maturing the corn crop. Production of soybeans this year was the highest on record, due to high yields and increased acreage.

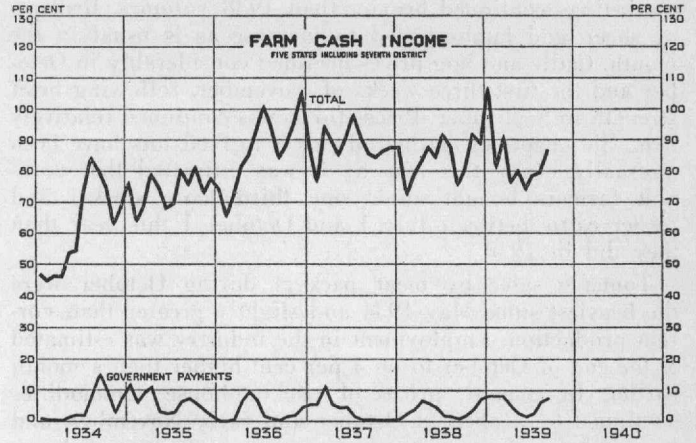
CROP PRODUCTION

Estimated by the United States Department of Agriculture on the Basis of November 1 Condition
(In thousands of bushels, unless otherwise specified)

	Seventh District			United States		
	Preliminary 1939	Final 1938	Average 1928-37	Preliminary 1939	Final 1938	Average 1928-37
Corn.....	1,124,515	1,038,749	847,142	2,591,063	2,542,238	2,309,674
Soybeans.....	65,376a	46,675a	17,045a	79,689	57,065	21,833
Cowpeas.....	918b	820b	513b	7,875	8,474	6,367
Buckwheat.....	580a	684a	849a	5,905	6,682	7,994
Beans (dry edible)¹.....	4,210c	4,575c	3,835c	14,137	15,268	12,688
White Potatoes.....	48,954	53,457	53,056	361,765	371,617	372,258
Cabbage².....	164a	315a	196a	1,073	1,496	1,082
Onions¹.....	2,765a	2,715a	3,030a	17,155	14,930	13,797

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

Grain Marketing—The movement of wheat at interior primary markets in the United States declined sharply in October and fell below the year-earlier level. Wheat prices held fairly firm throughout most of October and early November. There were erratic fluctuations reflecting changes in the foreign war and political situation, but the dominant factor in domestic price trends was the serious drought condition over large portions of the domestic winter wheat belt. Prices had declined from mid-September through October 9, largely as a result of slow domestic and foreign demand, but later recovered most of the decline. In addition to continuation of the severe drought, which was only temporarily alleviated by local rains, increased British demand for Canadian wheat, plus unusually small domestic receipts, served to strengthen United States quotations. The withholding of wheat, as well as of corn, from market also has been an important price factor this fall.



Indexes of farm cash income, unadjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 through September 1939.

After declining about 10 cents from mid-September through early October, cash corn prices held fairly steady. Quotations for No. 2 yellow corn at Chicago in mid-November were also about 10 cents less than two months earlier but about 5 cents higher than the low points in August. Only fair export sales of corn were reported, but there was a heavy movement of the grain down the Lakes for export. Marketings of corn were much lighter than last year, despite early maturity of the crop. Though not so favorable as in the fall of 1938, the October corn-hog price ratio improved over September and indicated the profitability of heavy feedings of livestock. There has been an increase of about 7 per cent over last year in total number of grain-consuming animals.

The October oats movement declined sharply, and oats prices showed considerable independent strength and continued firm into November.

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

	Oct. 1939	Sept. 1939	Oct. 1938	Oct. 1929-38 Avg.
Wheat:				
Receipts.....	19,584	37,810	27,266	24,339
Shipments.....	16,966	24,633	23,759	20,445
Corn:				
Receipts.....	32,110	22,925	47,417	19,397
Shipments.....	13,204	11,652	19,562	10,374
Oats:				
Receipts.....	6,262	12,108	7,569	7,753
Shipments.....	6,193	10,082	5,743	6,179

Livestock and Meat Packing—There was a seasonal expansion during October in receipts of cattle, hogs, and calves at public stockyards in the United States; these

LIVESTOCK SLAUGHTER (In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
October 1939.....	199	553	233	75
October 1938.....	195	557	283	74
Federally Inspected Slaughter,				
United States:				
October 1939.....	893	3,545	1,585	482
September 1939.....	880	2,885	1,635	427
October 1938.....	884	3,311	1,638	470
October 1929-38 average.....	948	3,298	1,747	486

AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	Week Ended		Months of	
	Nov. 18, 1939	Oct. 1939	Sept. 1939	Oct. 1938
Native Beef Steers (average).....	\$ 9.30	\$ 9.75	\$10.30	\$10.55
Fat Cows and Heifers.....	7.65	8.15	8.45	7.85
Calves.....	9.00	10.50	10.50	10.50
Hogs (bulk of sales).....	6.05	6.85	7.55	7.90
Lambs.....	9.15	9.30	9.55	8.15

marketings continued heavier than 1938 volumes. Receipts of sheep and lambs failed to increase as is usual in the month. Cattle and hog prices declined considerably in October and the first three weeks of November, following brief strength in September. Prices for lambs continued relatively firm. Shipments of cattle and calves to feed lots have been unusually heavy this season; it was estimated that corn-belt farmers bought about one third more stocker and feeder cattle between July 1 and October 1 this year than they did in 1938.

Tonnage sales by meat packers during October were the heaviest since May 1934 and slightly greater than current production. Employment in the industry was estimated at the end of October to be 4 per cent higher than a month earlier. In general, prices of packing-house commodities continued to weaken in October and early November, and by mid-November prices of some cuts, such as pork loins, were lower than those prevailing before the outbreak of war in Europe. Meat-packing production continued to expand in the first half of November, but declined in the third week of the month to a level under that of a year ago.

MEAT PACKING—UNITED STATES

	Per Cent Change in October 1939 from		
	Sept. 1939	Oct. 1938	Oct. 1929-38 Avg.
Tonnage produced.....	+10.2	+ 9.4	+ 5.2
Tonnage sold.....	+ 3.6	+ 7.3	+ 2.0
Dollar sales.....	- 1.4	+ 1.3	+ 5.2
Inventories.....	- 5.7	+ 9.1	-21.3

Reflecting largely demand for lard, oleo, shortening, and industrial oils from neutral countries in western Europe, export shipments of packing-house products increased in October. Foreign prices were generally up to Chicago parity, except that realizations for lard in Great Britain were slightly below this basis. However, some lard was consigned to the United Kingdom. Neither Britain nor France has as yet placed war orders for meats or fats from the United States, although these belligerents have bought meats from Argentina and Uruguay.

Imports of animal products into the United States have been sharply reduced since the war began.

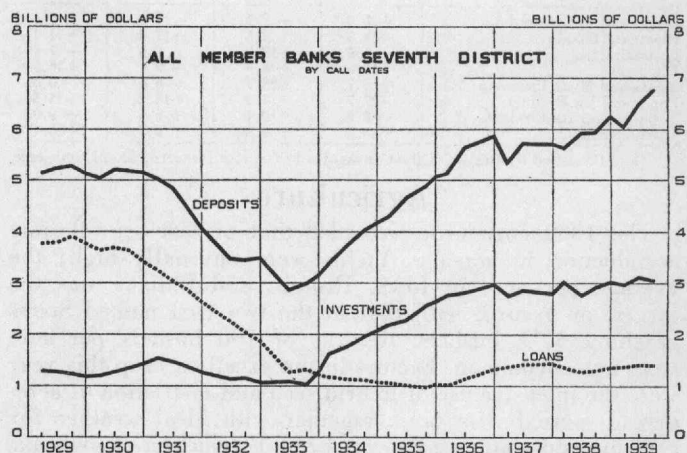
Dairy Products—Following unusual deterioration during September, pastures in the district declined about seasonally in October, and on November 1 were in much poorer condition than last year for the area as a whole. However, heavy feeding of grains and concentrates kept the district milk flow well above the average and close to year-earlier levels; there was about the usual seasonal decline in milk production over the month. October creamery butter manufacture as well as sales declined somewhat more than seasonally from September and were about 10 per cent lower than in October last year. Butter make in the United States likewise showed full seasonal declines during the period and, with consumer demand evidently well sustained, United States cold-storage stocks of butter again declined more than is usual at this season. Butter prices showed little net change in October, maintaining the gains of a month previous. In the first three weeks of November added strength carried wholesale quotations for 92 score butter at Chicago to 30 cents, the highest since February 1938.

There was a somewhat less than seasonal decline of 5 per cent during October in production of American cheese in Wisconsin. The level of cheese prices has maintained cheese production at a relatively higher rate than that of butter; cheese manufacture continued slightly above year-ago volumes. Sales of cheese from primary Wisconsin points declined about 11 per cent in October from September.

Cheese prices through October and the first three weeks of November held earlier gains, and cold-storage stocks remained below average.

Credit and Finance

Member Banks—Preliminary data for the condition on October 2 of all Seventh district member banks indicate a continued growth of deposits in which all groups of banks shared. Total deposits increased by 281 million dollars, or 4 per cent, since June 30. Investments declined over the three-month period, more markedly in the case of banks in smaller communities than in the larger centers. Loans of Chicago member banks increased 26 millions, or enough to offset a net decline in loans for all other banks in the district.



Selected items of condition by call dates from March 27, 1929, through October 2, 1939.

Commercial, industrial, and agricultural loans of weekly reporting member banks in the district have continued their recently expanding trend, total loans of these larger banks increasing 29 million dollars during the four weeks ended November 15. Net holdings of direct Government obligations declined by 62 millions, principally in the Treasury bill category, while holdings of guaranteed obligations rose by 18 millions, chiefly reflecting acquisitions of the new R.F.C. notes recently issued. Demand deposits adjusted declined 23 million dollars, registering a decrease in each of the last three weeks of the period.

Seventh district member bank reserves declined 14 million dollars between October 18 and November 15. An excess of 42 million dollars in Treasury receipts over disbursements, principally due to the sale of R.F.C. notes, together with a seasonal increase in currency circulation amounting to 13 million dollars, was only partly offset by a gain in commercial and financial funds through the clearings system and other minor factors.

Securities Markets—The October total of new long-term corporate bond issues amounted to over 170 million dollars. This represents a fairly sizable volume in comparison with recent months, but about 80 per cent of the total was made up of two large eastern utility refundings which were privately placed with institutional investors and insurance companies. The principal public underwritings consisted of railroad equipment trusts issued largely to finance purchases of new freight cars. The volume of issues representing new capital continued extremely restricted. The October amount

of new municipal bond issues, though still far from heavy, showed a gain over a month previous. Improved volume of underwriting continued through the first half of November, several large cities putting out new issues with comparatively short-term maturities.

High-grade corporate and municipal bond prices have continued to rise and by mid-November were close to last summer's levels. Pressure of funds seeking stable investment has in the case of some short-term securities pushed prices to levels higher than the peaks of last summer. In the case of longer-term securities, potential demand has been heavy in relation to the rather restricted offerings. However, markets continue thin and all investors, with the possible exception of some institutions, have attempted to maintain a rather high degree of liquidity. Medium-grade bonds in the past few weeks have not done so well price-wise as have the more conservative liens. In sympathy with a similar trend in the stock market, there was a slight decline during the first half of November in average quotations of this more speculative group.

During the latter part of October and the first half of November, prices of long-term Treasury securities showed little net change and quotations for Treasury notes increased moderately, following a considerable recovery in late September and early October from their early September lows.

After obtaining 150 million dollars of new money during the latter half of October, 50 millions through each of three weekly issues of 91-day bills, the Treasury returned to its previous practice of refunding only those issues falling due each week. Average yields on the first two issues in November were nominal. In early November the Treasury refunded at a lower interest rate the note issue maturing December 15 and also sold 276 million dollars of one per cent R.F.C. notes, a new money offering. About 15 per cent of each issue went to Seventh district investors.

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in thousands)

	Nov. 15, 1939	Oct. 18, 1939	Nov. 16, 1938
Total bills and securities.....	\$290,870	\$-10,121	\$+13,760
Bills discounted.....	531	-11	+292
Bills bought.....	0	-69	-67
U. S. Treasury bills.....	11,457	-8,932	-54,527
U. S. Treasury notes.....	135,593	-335	+10,058
U. S. Treasury bonds.....	142,845	-773	+57,975
Total Government securities.....	289,895	-10,040	+13,506
Total reserves.....	2,583,180	+72,673	+347,171
Member bank reserve deposits.....	1,639,906	-14,327	+336,403
All other deposits.....	161,045	+68,648	-45,803
Federal Reserve notes in circulation.....	1,052,207	+8,746	+74,708
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	90.8%	+0.5*	+0.6*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Nov. 15, 1939	Oct. 18, 1939	Nov. 16, 1938
ASSETS			
Loans and investments—total.....	\$3,155	\$-12	\$+183
Loans—total.....	904	+29	+78
Commercial, industrial, and agricultural loans...	539	+27	+67
Open-market paper.....	34	-1	-1
Loans to brokers and dealers in securities.....	30	+1	-3
Other loans for purchasing or carrying securities.....	76	0	-1
Real estate loans.....	110	+1	+17
Loans to banks.....	0	0	-4
Other loans.....	115	+1	+3
U. S. Treasury bills.....	92	-46	-
U. S. Treasury notes.....	432	-2	+16
U. S. Treasury bonds.....	926	-14	-
Obligations fully guaranteed by U. S. Government	309	+18	+71
Other securities.....	492	+3	+18
LIABILITIES			
Demand deposits—adjusted*.....	2,585	-23	+286
Time deposits.....	944	+5	+60
Borrowings.....	0	0	0

*The annual velocity of demand deposits (unadjusted) in the four weeks ended November 15 was 19.30 times, as compared with 19.38 times in the preceding four weeks and with 21.93 times in the corresponding period of 1938.

MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.
1923-1925 average = 100

	Oct. 1939	Sept. 1939	Aug. 1939	Oct. 1938	Sept. 1938	Aug. 1938
Manufacturing Industries:						
Employment.....	92	88	79	77	73	67
Payrolls.....	96	89	79	76	68	61
Pig Iron Production:						
Illinois and Indiana.....	130	102	91	68	56	47
Automobile Production—(U. S.):						
Passenger Cars.....	86	55	21	64	22	20
Trucks.....	163	72	102	58	49	85
Casting Foundries Shipments:						
Steel—In Dollars.....	60	45	46	28	30	32
In Tons.....	50	37	37	22	24	25
Malleable—In Dollars.....	64	49	50	37	37	35
In Tons.....	81	62	61	45	45	41
Stoves and Furnaces:						
Shipments.....	301	248	163	214	203	151
Furniture Manufacturing:						
Orders in Dollars.....	101	94	81	66	67	68
Shipments in Dollars.....	92	83	82	73	74	61
Building Contracts Awarded:						
Residential.....	73	58	81	59	51	51
Total.....	65	93	77	96	78	73
Meat Packing—(U. S.):						
Production.....	99	90	88	91	85	82
Sales Tonnage.....	101	98	98	94	92	86
Sales in Dollars.....	96	98	85	95	92	85
Department Store Net Sales:						
Chicago.....	93	87	76	84	84	70
Detroit.....	102	150	75	99	133	69
Indianapolis.....	127	117	92	113	113	84
Milwaukee.....	105	102	79	102	98	74
Other Cities.....	94	91	75	87	84	72
Seventh District—Unadjusted.....	98	102	77	91	96	72
Adjusted.....	89	98	95	82	93	87

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	October 1939	Per Cent of Increase or Decrease from September 1939	October 1938
Chicago.....	\$2,814	- 8.1	- 6.7
Des Moines.....	96	- 2.9	+ 5.4
Detroit.....	933	+11.5	+20.2
Fort Wayne.....	34	+10.4	+ 5.8
Grand Rapids.....	59	+ 3.2	+20.5
Indianapolis.....	214	+ 9.8	+ 9.2
Milwaukee.....	271	+ 7.5	+ 9.5
Peoria.....	61	+ 5.1	- 1.0
South Bend.....	40	+11.8	+24.1
32 smaller cities.....	536	+ 8.3	+13.0
Total 41 cities.....	5,058	- 1.2	+ 1.7

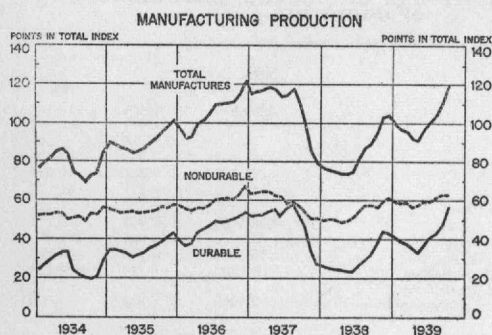
TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

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

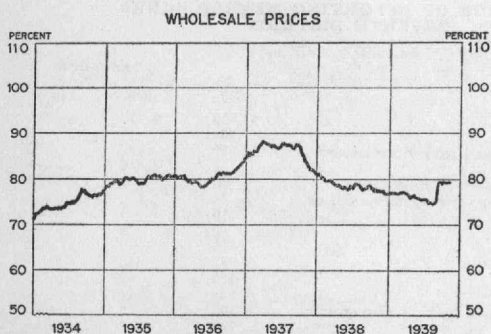
	October 1939	October 1938
Total country and city check clearings:		
Pieces.....	12,773,958	12,136,710
Amount.....	\$2,482,148,360	\$2,091,135,401
Daily average clearings:		
Total items cleared—		
Pieces.....	508,634	483,175
Amount.....	\$98,726,534	\$83,241,531
Items drawn on Chicago—		
Pieces.....	81,002	79,247
Amount.....	\$50,526,000	\$44,278,000
Items drawn on Detroit—		
Pieces.....	19,207	20,770
Amount.....	\$9,715,781	\$7,402,137

National Summary of Business Conditions

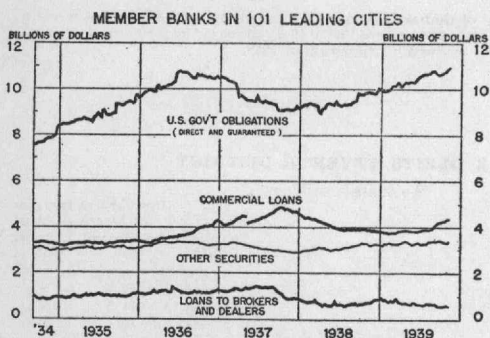
(By the Board of Governors of the Federal Reserve System)



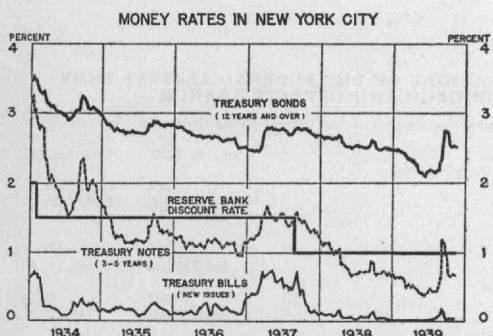
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. Durable and non-durable series expressed in terms of points in the total index. By months, January 1934 to October 1939.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 to week ending November 11, 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to November 8, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other Loans" as then reported.



For weeks ending January 6, 1934, to November 11, 1939.

RAPID expansion of industrial output continued in October, and employment and payrolls increased considerably. Distribution of commodities to consumers, which had increased in September, was maintained at the higher level in October. In the first half of November industrial activity increased further but, with production in many industries approaching capacity, the advance was less rapid than in earlier months. Commodity prices generally showed little change during October and the first half of November, following the sharp rise in September.

Production—Volume of industrial production showed a further sharp rise in October and the Board's seasonally adjusted index advanced from 111 to 120 per cent of the 1923-1925 average. Marked increases in activity were reported in the steel and steel-consuming industries and at mines. In the steel industry ingot production in October was at a rate of 90 per cent of capacity and actual volume of output was the greatest for any month on record. Some further increase in the rate of output was reported in the first half of November. Pig iron production also advanced sharply and lake shipments of iron ore, which had increased considerably in September, continued in exceptionally large volume. Activity in the machinery and shipbuilding industries and in most other steel-consuming lines rose in October but by a considerably smaller amount than output of steel. In the automobile industry, however, output showed less than the marked rise usual at this season. This was due to the fact that plants of one large producer were closed during most of the month by an industrial dispute. Mineral production in October was at record levels owing chiefly to a high rate of crude petroleum output.

In the nondurable goods industries activity was generally maintained at the high levels reached in August and September. Flour production declined sharply, however, following an exceptionally large volume of output in September.

Value of construction contracts, as reported by the F. W. Dodge Corporation, decreased considerably in October, reflecting principally a reduction in awards for public construction. Private residential contracts continued in substantial volume while awards for commercial and industrial building declined somewhat following increases in the previous month.

Employment—Reports from leading industrial States indicate that factory employment and payrolls increased sharply between the middle of September and the middle of October. Increases were particularly large at steel mills and in related industries. There was also a considerable increase in employment on the railroads in October.

Distribution—Retail distribution of general merchandise in October showed about the usual seasonal rise from the advanced September level. In the early part of November department store sales increased considerably.

Freight-car loadings rose further from September to October, reflecting a large increase in shipments of miscellaneous freight, which includes most manufactured products, and smaller increases in loadings of coal, forest products, and ore.

Commodity Prices—Price changes that have occurred since the general sharp rise in September have reflected largely particular developments in individual commodities. From the middle of October to the middle of November prices of a number of foodstuffs continued to decline and there were also decreases in some industrial materials, such as print cloths, wool, tin, and steel scrap. Wheat, cotton, and burlap advanced somewhat while prices of most other commodities, including finished industrial products, showed little change.

Government Security Prices—Following a sharp recovery from the low of September 21, prices of United States Government bonds showed irregular changes during the period from October 24 through the first half of November. On November 15 yields on long-term Treasury bonds were at 2.47 per cent as compared with 2.79 per cent on September 21.

Bank Credit—Total loans and investments at reporting member banks in 101 leading cities increased substantially during the six weeks ending November 8, reflecting largely purchases of Treasury bills by New York City banks. Commercial loans continued to show moderate increases. Deposits at these banks rose to new high levels.

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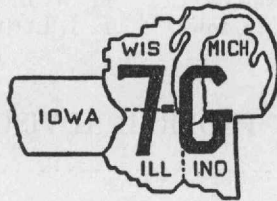
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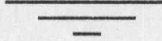
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FEDERAL RESERVE BANK OF CHICAGO

SEVENTH FEDERAL



RESERVE DISTRICT



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