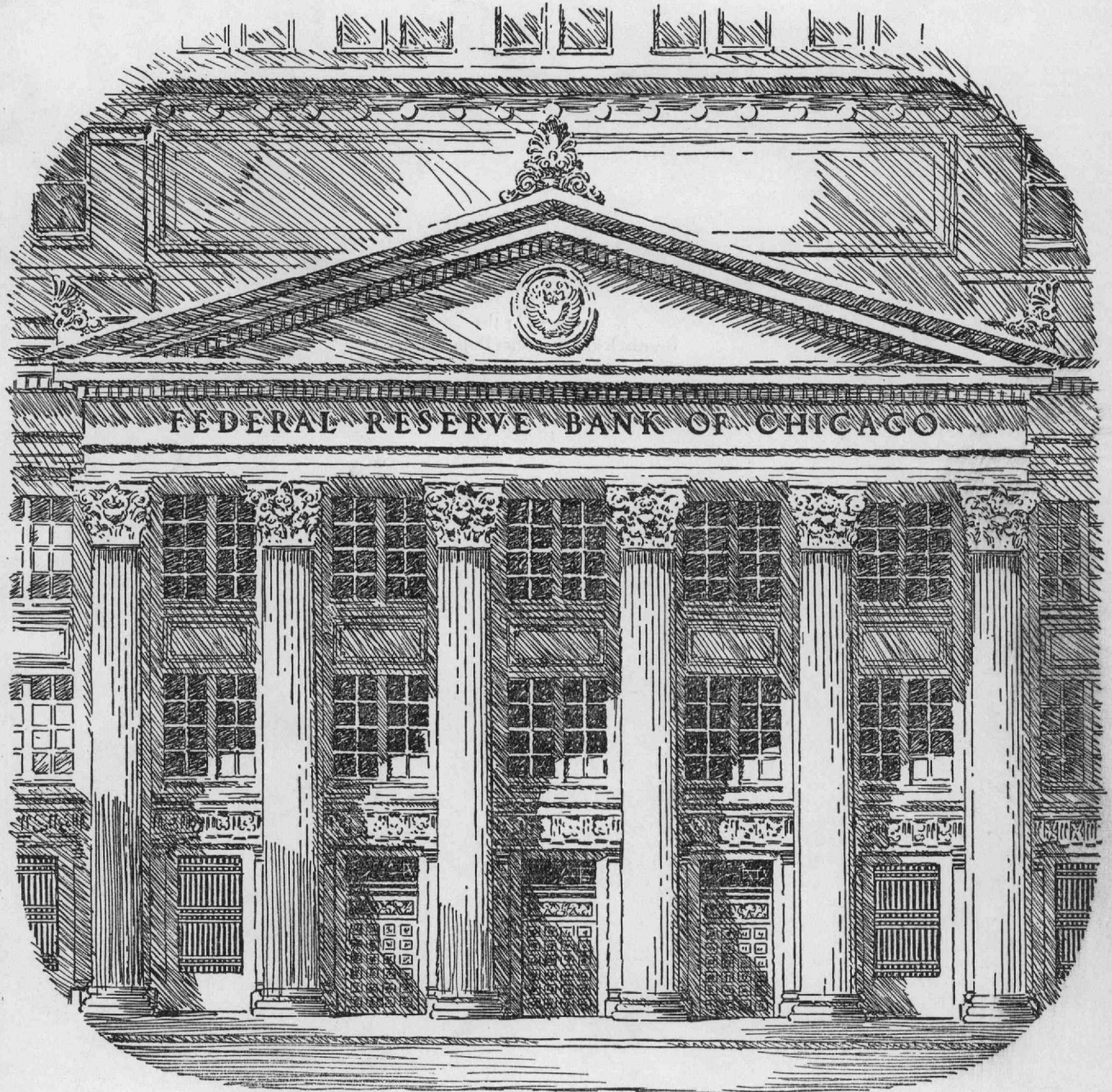


*M. Fitzgerald*

# BUSINESS CONDITIONS



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DISTRICT SUMMARY

**T**HE generally high level of Seventh district industrial output was maintained in November. Volume of new orders in many lines, notably steel, has declined from the exceptionally heavy autumn business, but production activity continued for the most part high into December. November automobile output was slowed down somewhat by the continuance of an industrial dispute with one major producer, but expanded sharply after its settlement at the close of the month. Volume of employment showed only minor declines, and distribution of commodities at retail has held up well, though recording recessions of a seasonal nature in several phases. Agricultural price trends have been widely divergent with grains strong and most livestock weak.

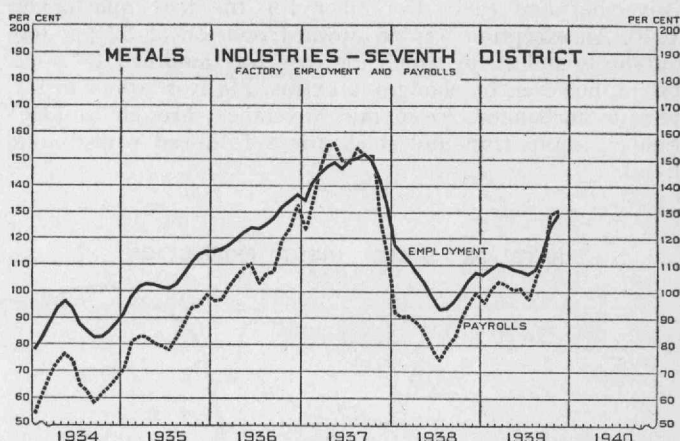
**Industry**—During November district steel mills continued to operate at an unusually high level, but in December the rate of output slowed down slightly to 92 per cent of capacity in the third week of the month, as compared with 94½ per cent a month previous. Recently there has been somewhat less pressure from customers for delivery and new business has fallen off from the exceptionally heavy volume of the fall months. There were further substantial gains during November in new orders at steel castings firms, again reflecting activity in railroad car building, but incoming business at malleable castings concerns declined; output of both steel and malleable castings showed a substantial advance over the month. Automobile production continued to be held back somewhat in November by prolongation of the industrial dispute at the plants of one major producer. Following settlement of the situation in late November, total weekly production rose to a new high for the year. Demand for automobiles appears to be well sustained, and some producers are reported to have heavy backlogs still to be worked off. A seasonally declining trend was reported during November in activity at district stove and furnace factories, as well as at furniture plants, but output of both furniture and stoves continued well above 1938 levels. Although production in Seventh district paper mills remained at close to capacity, there was a small decline in shipments for November.

Contracts awarded for building construction in the Seventh district increased 3 per cent in November over October, reflecting gains in residential and public utility awards; value of building permits likewise increased in the period. There was a slight decline in total output of bituminous coal mines of the area, but petroleum refining activity continued to increase.

From mid-October to mid-November employment decreased fractionally and payrolls 2 per cent in Seventh district manufacturing industries, reflecting in the main lower employment in the automobile industry, although several other major groups showed decreases.

**Manufacturing**

**Steel and Steel Products**—New business received by Chicago district steel mills has been diminishing rather steadily in recent weeks, as was to be expected following the exceptionally heavy volume of buying in the fall months. The declining trend is thus enabling producers to make some reduction in their backlogs of orders. Many steel consumers already have covered part or all of their needs for the first quarter of next year, but a number of them have



Index numbers adjusted to Census of Manufactures through 1937. 1923-1925 average = 100.

**Trade**—Aggregate Seventh district department store sales continued greater than the 1938 level by 4 per cent during November, but were slightly lower than in October. However, on a daily average basis, November sales were 3 per cent higher than a month previous. In the first two full weeks of December, sales of the larger department stores of the district were 7 per cent heavier than in the corresponding 1938 week. Sales of shoes at retail outlets in the district showed a seasonally declining trend in November from October and again were slightly below year-earlier levels, while retail furniture sales fell off somewhat less than seasonally and continued well above 1938.

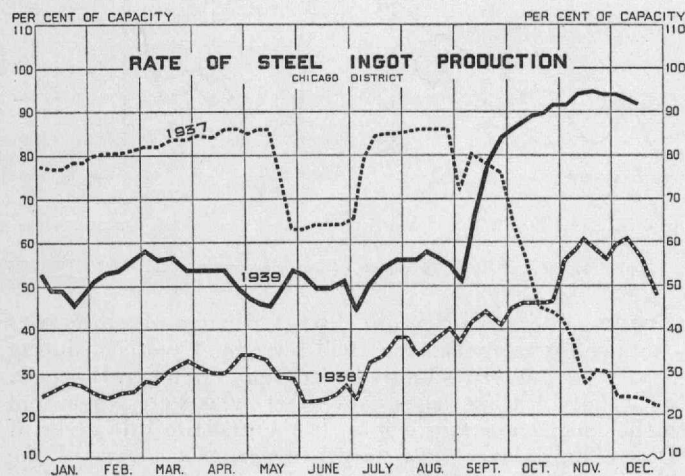
**Agriculture**—Price trends of some major district farm products recently have been sharply divergent. Domestic wheat prices have shown an abrupt advance, reflecting continuation of the severe drought condition in the winter wheat areas, and corn prices have been strong. On the other hand, quotations for cattle have tended somewhat lower, and hog prices have exhibited weakness, falling to the lowest level in over five years. Reflecting the decline in meat-products prices, there was a 10 per cent decrease in meat-packing dollar sales during November, although tonnage distribution showed little change from October. Declines in butter and cheese production during November were largely of a seasonal nature, and prices held relatively firm.

**Finance**—Total loans of weekly reporting member banks continued to expand in the four weeks ended December 13, reflecting mainly increased loans to brokers and dealers, as loans in the commercial, industrial, and agricultural classification declined somewhat. Demand deposits showed an increase over the period, and member bank reserve balances rose to a new high level. Prices of high-grade bonds continued firm.

still to place their orders for the early months of 1940—among the latter, the railroad car builders. Although there has been a lightening of pressure for deliveries, steel mills are maintaining operations at practically capacity levels. Because of necessary repairs to furnaces and other equipment, the rate of steel ingot output in the Chicago district had declined slightly to 92 per cent of capacity by the third week in December from the peak of 94½ per cent reached in the corresponding November week. A further moderate expansion took place during November in daily average pig

iron output of the Illinois and Indiana district, and it attained the highest level for any month since August 1929.

Steel prices, for the most part, were reaffirmed in late November and early December for the first quarter of 1940. An exception was an upward revision of \$2 per ton on sheets and strip, which increase was modified to some extent, however, by changes in extras. Pig iron prices so far remain unchanged. From mid-November through mid-December, scrap iron and steel prices followed a declining trend.



By weeks. Source: Iron Age.

\* \* \*

Despite several successive months of heavy expansion, new business booked by steel castings foundries of the Seventh district showed a further substantial gain during November, although the greater number of individual firms had a smaller volume of incoming business than a month previous. Shipments and production continued to be accelerated rather rapidly but, as in October, were much smaller in volume than new orders booked. Output from malleable castings foundries likewise was increased further in November and, with a second consecutive monthly decline in new business, exceeded the amount of the latter. Activity in both steel and malleable castings remained considerably greater than the still relatively low levels of a year ago, impressively so in the case of steel castings.

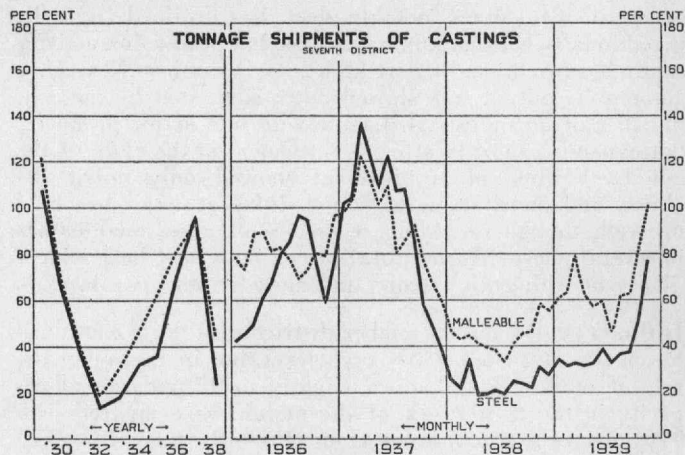
#### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	November 1939 Per Cent Change from	
	Oct. 1939	Nov. 1938
<b>Steel Castings:</b>		
Orders booked (tons).....	+26.8	+531.1
Orders booked (dollars).....	+17.0	+414.2
Shipments (tons).....	+46.9	+170.5
Shipments (dollars).....	+37.4	+164.9
Production (tons).....	+41.4	+206.7
<b>Malleable Castings:</b>		
Orders booked (tons).....	-20.9	+ 66.4
Orders booked (dollars).....	-21.5	+ 66.8
Shipments (tons).....	+23.7	+ 74.7
Shipments (dollars).....	+22.5	+ 79.7
Production (tons).....	+13.0	+ 94.3

\* \* \*

Following a seasonally rising trend in the three preceding months, new orders and output of Seventh district stove and furnace factories fell off, as is customary, in November. Orders booked were less by 34 per cent than in October, while shipments and production declined by 36 and 15 per cent, respectively. As compared with a year earlier, however, these items continued to record rather substantial gains, incoming business totaling larger than last November

by 25 per cent, and shipments and production showing respective increases of 21 and 24 per cent. Reporting manufacturers' inventories of stoves changed little in dollar volume between October 31 and the close of November at which latter time they were over one fourth heavier than on November 30, 1938.



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

**Automobiles**—A sharp advance was shown in automobile production during the first full week of December to a level by far the highest of the year so far. This heavy volume of output resulted from the resumption of full production by a large manufacturer whose plants had been closed for almost two months by an industrial dispute, as well as from a well sustained retail demand and heavy backlogs still to be worked off by some of the other producers. Despite the effect exerted on output for November by the continued shutdown in the one large company, the total for the month recorded a moderate increase over that for October, though being somewhat under output for last November. Production of passenger automobiles in the United States numbered 285,252 this November, and that of trucks comprised 66,530 units, or 13 and 8 per cent more, respectively, than in the preceding month. As compared with the corresponding 1938 month, production of passenger cars was 11 per cent smaller and truck output 28 per cent heavier in the current period.

After declining in October, wholesale distribution of new automobiles in the Seventh district increased again in November and was over 10 per cent heavier than a year ago. Sales by reporting retail dealers to consumers rose moderately further—13 per cent—over the period, but numbered only one per cent greater than for last November when the automobile shows were being held and volume retail demand for the new models was just making its appearance. Similarly, stocks of new cars in dealers' hands at the end of November this year were 10 per cent smaller than at the same time last year because of the later stocking of dealers in the fall of 1938. The number of used cars sold increased 5 per cent during November over a month earlier and was about one fourth above sales in the same 1938 month; used-car stocks numbered 4 per cent lighter at the close of November than a year ago.

**Furniture**—New orders booked during November by Seventh district furniture manufacturers fell off more than 20 per cent from those of the preceding month. The decline, though seasonal in nature, was sharper than usual for the period, following a small counterseasonal rise in

October and a greater than seasonal increase in September. Shipments, on the other hand, diminished only slightly in November, whereas they usually drop off considerably in the period. Both incoming business and output continued well above year-earlier levels, the former by 22 per cent and the latter by 32 per cent. Although unfilled orders were reduced 10 per cent in the current month, they remained heavier than a year ago by 80 per cent. Little change took place during November in the rate of factory operations; at 87 per cent of capacity, they were 13 points higher than in the same 1938 month.

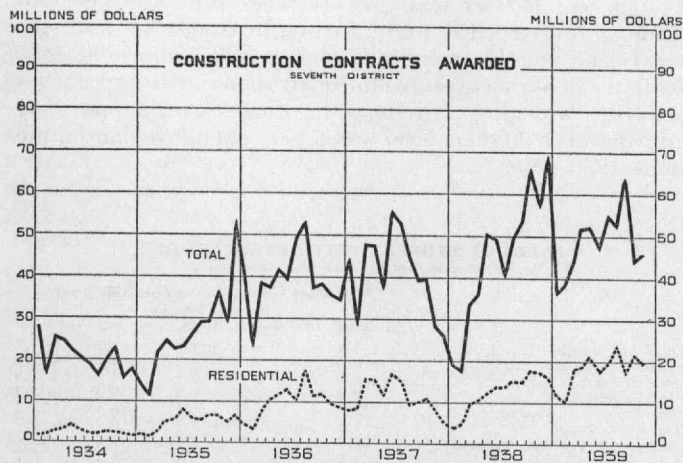
**Paper and Pulp**—There was a further decline during November in orders booked by district paper mills, and shipments of paper also decreased somewhat. However, activity remained well in excess of 1938 levels, and district paper mills continued to operate at close to practical capacity.

**PAPER AND PULP INDUSTRY  
SEVENTH DISTRICT**

	November 1939 Per Cent Change from	
	Oct. 1939	Nov. 1938
<b>Paper:</b>		
Orders booked (tons).....	-17.5	+16.7
Orders booked (dollars).....	-11.4	+19.8
Shipments (tons).....	-5.4	+27.2
Shipments (dollars).....	-4.8	+29.4
Production (tons).....	+1.4	+29.4
Stocks at end of month (tons).....	+4.9	+0.9
<b>Pulp:</b>		
Production (tons).....	+1.1	+16.1
Stock at end of month (tons).....	-0.5	-20.6

**Building**

Gains recorded during November in non-residential building and public utilities construction more than offset losses in residential and public works projects, with the result that total building contracts awarded in the Seventh district showed a 2½ per cent expansion over October. The amount of public financing included in these awards rose \$2,000,000 over the period. Although heavy engineering works which generally absorb the greater part of such funds declined \$1,500,000, there was an increase of \$3,500,000 in the volume of public financing for the construction of one-family dwellings to be erected for the purpose of rent or sale. Private residential building, as reflected by contracts awarded, fell off by almost \$5,000,000 in November, which accounted for a net decline in the residential classification. An expansion of about \$4,000,000 in non-residential awards was largely due to the construction of commercial buildings and thus represented almost entirely an increase in private financing.



By months, January 1934 through November 1939. Data furnished by F. W. Dodge Corporation.

As compared with the corresponding month a year ago, total contracts awarded declined \$11,000,000, or 20 per cent, this November, losses in non-residential awards and public works construction being only partially offset by gains in residential building and public utility projects. The most significant change in the yearly comparison is the shift in importance from public to private financing. The latter comprised 70 per cent of the total valuation this November as against only 44 per cent last year; for the eleven months of 1939 to date, private funds constituted 60 per cent of the aggregate awards as against a little under 50 per cent in the same 1938 period.

**BUILDING CONTRACTS AWARDED  
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
November 1939.....	\$45,833,000	\$19,731,000
Change from October 1939.....	+2.6%	-8.1%
Change from November 1938.....	-19.8%	+14.7%
First eleven months of 1939.....	\$531,600,000	\$199,067,000
Change from same period 1938.....	+12.6%	+50.3%

Data furnished by F. W. Dodge Corporation.

Building projects contemplated in the Seventh district, as reflected by permits issued in 101 cities, increased 23 per cent in estimated cost during November over the preceding month, although the number of such projects fell off 21 per cent. The gain in value was mainly determined by Illinois and Indiana cities, as the aggregates for the other three States of the district—Iowa, Michigan, and Wisconsin—showed a contrary trend. All of the five States shared in the total increase recorded over last November of 46 per cent in estimated cost and of 18 per cent in the number of permits issued.

Prices for building materials held practically steady during November, while the demand for them in this district showed somewhat less than the usual decline. Distribution of lumber at wholesale decreased by only a small percentage in both board-foot and dollar volume from a month previous; retail sales fell off by approximately 20 per cent. Cement shipments, which generally are only about one half as large in November as in October, declined less than one third in volume this year. November brick shipments were reported as 10 per cent heavier than in the preceding month. All of the items covered continued to record a favorable margin over the corresponding month a year ago.

**Fuel Industries**

**Petroleum Refining**—Operations of petroleum refineries located in the Indiana, Illinois, and Kentucky area continued at a high level during November. The daily average of crude runs to stills for the month was about 5 per cent greater than in October and about one fifth larger than in November 1938.

**Coal Mining**—Although there is usually little change from October to November in operations of bituminous coal mines in Illinois and Indiana, production of soft coal in November declined slightly. The margin of gain over the 1938 level was sharply reduced, due to the fact that a nonseasonal rise occurred in November last year.

**Industrial Employment**

From mid-October to mid-November there was a fractional net decline in employment and a more definite decrease in amount of wage payments among Seventh district manufacturing industries. Although the small recession was in line with the usual seasonal expectation for November,

it represented the first month-to-month decrease in the general level of employment and payrolls since last July. An estimated 10,000 fewer workers were employed in mid-November than a month earlier, but the net gain in employment in district manufacturing industries since July has been close to a quarter of a million workers.

Although several other industrial groups registered declines in the current period, the vehicles classification recorded the sharpest reduction, reflecting a labor dispute with one large producer; if the data for the entire automobile industry for the State of Michigan had been omitted from the current comparison, there would have been an increase of about 2 per cent in district industrial employment. Some industries apparently were working on shorter time schedules, for several groups maintained or even increased their employment while showing a reduction in wage payments over the period. All of the groups in the non-durable goods classification showed a decline in wage payments for the month. The metals industries continued active, increases in this group almost offsetting the declines in the vehicles classification.

Trends among the non-manufacturing industries followed in general the usual seasonal pattern for the period, there being some increase in the merchandising group and substantial declines in employment and payrolls in the construction industry.

Since there was an expansion in district employment and payrolls during this period in 1938, November comparisons with year-earlier levels were less favorable than in October; nevertheless, the current total for all district groups showed a gain of 10 per cent in employment and of 15 per cent in payrolls over November 1938.

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

Industrial Group	Week of November 15, 1939			Change from October 15, 1939	
	Reporting Firms No.	Wage Earners No.	Earnings (000 Omitted) \$	Wage Earners %	Earnings %
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,753	453,768	13,607	+4.1	+1.8
Vehicles.....	378	321,778	11,312	-7.3	-6.7
Stone, Clay, and Glass.....	265	20,522	521	+0.7	-2.6
Wood Products.....	461	49,534	1,111	+3.3	+2.9
Total.....	2,857	845,602	26,551	-0.7	-2.0
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	384	67,835	1,282	+0.8	-3.6
Food and Products.....	1,020	109,859	2,833	-2.0	-3.2
Chemical Products.....	295	38,430	1,174	+0.3	-1.5
Leather Products.....	170	27,610	583	+1.1	-0.3
Rubber Products.....	34	20,933	630	-1.4	-3.2
Paper and Printing.....	728	78,465	2,313	+0.9	-0.1
Total.....	2,631	343,132	8,815	-0.3	-2.1
Total Mfg., 10 Groups.....	5,488	1,188,734	35,366	-0.6	-2.0
Merchandising.....	5,455	145,893	3,154	+2.4	+0.5
Public Utilities.....	1,099	95,312	3,209	-0.5	-0.4
Coal Mining.....	71	16,490	420	+4.1	-6.2
Construction.....	799	13,062	407	-6.0	-8.0
Total Non-Mfg., 4 Groups.....	7,424	270,757	7,190	+1.1	-0.9
Total, 14 Groups.....	12,912	1,459,491	42,556	-0.3	-1.8

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

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

### Merchandising

**Department Store Trade**—Aggregate sales of Seventh district department stores showed a slight decline—one per cent—in November from those of the preceding month, although on a daily average basis they rose 3 per cent over the period. The dollar volume sold by Detroit stores increased 3 per cent and the total for stores in smaller cities

2 per cent in the monthly comparison, while sales of Indianapolis and Milwaukee stores were off by 6 per cent each and Chicago trade declined only one per cent. The 4 per cent gain recorded in the district aggregate over last November was considerably lower than the 10 per cent increase shown in the yearly comparison for October. In the first two full weeks of December, sales of the larger department stores in this area exceeded those of the corresponding 1938 weeks by 7 per cent. Stocks again rose more than seasonally in November, expanding 8 per cent over the end of October, with the result that on November 30 they had reached a level 9 per cent above that of a year earlier; on October 31 inventories had been only 4 per cent higher than in 1938. The rate of stock turnover in November was very slightly slower than a year ago.

#### DEPARTMENT STORE TRADE IN NOVEMBER 1939

Locality	Per Cent Change November 1939 from November 1938		Per Cent Change First Eleven Months 1939 from Same Period 1938	Ratio of November Collections to Accounts Outstanding End of October	
	Net Sales	Stocks End of Month	Net Sales	1939	1938
Chicago.....	+ 4.3	+ 5.9	+ 3.5	46.3	43.3
Detroit.....	+ 2.0	+15.1	+10.3	47.7	45.2
Fort Wayne.....	+12.1	.....	+ 7.8	.....	.....
Indianapolis.....	+ 8.1	+15.8	+ 8.4	40.9	39.9
Milwaukee.....	+ 3.3	+ 5.9	+ 4.7	36.9	37.5
Peoria.....	+ 1.5	.....	- 0.3	.....	.....
Other Cities*.....	+ 3.9	+ 9.1	+ 8.2	38.0	36.2
7th District.....	+ 3.9	+ 8.5	+ 5.9	43.8	41.7

\*Include Fort Wayne and Peoria.

**Retail Shoes**—There was a 7 per cent decline during November in sales of shoes at retail by reporting dealers and department stores in this district, the trend being seasonal in nature. Sales totaled 3 per cent lower than in the corresponding 1938 month—the third successive decrease in the yearly comparison. Department stores, with a loss of 6 per cent, were responsible for the decline in the aggregate from last November, as dealer sales of shoes showed a 4 per cent increase. At the end of November retail inventories of shoes exceeded those on the same year-ago date by 7 per cent.

**Retail Furniture**—Although sales of furniture and house-furnishings at retail by dealers and department stores totaled 8 per cent below the October dollar volume, the decline was smaller than usual for the period and trade was 11 per cent heavier than in November last year. Department stores recorded more favorable trends in both the yearly and monthly comparisons than did furniture dealers. As in the department store and retail shoe trades, inventories showed a widening of the margin of gain over a year ago; on November 30 their level was 8 per cent above that on the same 1938 date.

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

	Per Cent Change November 1939 from November 1938				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+ 7.4	+ 9.3	+ 2.6	+ 4.6	+ 1.1
Apparel Group.....	+ 5.0	+ 5.9	- 0.1	+ 0.3	+ 1.6
Drug Stores.....	+ 8.3	+ 9.3	+ 6.4	+ 4.1	+ 7.8
Food Group.....	- 2.0	- 3.0	+ 1.4	- 0.5	- 0.3
Furniture and Appliances.....	+12.6	+10.9	+22.5	+10.5	+12.3
Hardware Stores.....	+ 7.6	+10.7	+14.8	+ 9.2	- 0.7
Lumber and Building Materials.....	+10.2	+19.1	+ 6.4	+ 4.6	+11.9
Motor Vehicle Dealers.....	+13.0	+14.2	+ 2.1	+11.1	- 6.7

\*Includes classifications other than those listed.

**Wholesale Trade**—The majority of reporting wholesale trade groups in the Seventh district continued in November to experience a better business volume than in the corresponding period of 1938. As in other recent months, the electrical goods, hardware, paper, and meat trades showed the widest margins of gain over last year, while grocery sales were smaller than at that time for the second successive month. Aggregate sales of all groups were 9 per cent heavier than in November 1938. As compared with the preceding month, November wholesale trade totaled 8 per cent lighter, with sales of electrical goods, groceries, and drugs recording only small recessions but with the hardware and meat trades falling off by 12 and 19 per cent, respectively. Exceptions, among the major groups, to the declines from October were a 3 per cent rise in sales of tobacco and its products and a 4 per cent increase in the paper trade. In the aggregate, wholesale inventories changed little between October 31 and the end of November but exceeded those of a year ago by 12 per cent.

**WHOLESALE TRADE IN NOVEMBER 1939**

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+ 1.4	+ 9.9	+ 3.2	+ 4.4
Electrical Goods.....	+32.4	+17.7	+35.4	+37.7
Groceries.....	- 4.2	+ 7.2	+ 2.6	- 1.5
Hardware.....	+14.8	+21.2	+15.1	+20.7
Meats and Meat Products.....	+10.7	+ 4.7	+15.8	+15.8
Paper and Its Products.....	+22.0	+16.2	+15.1	+21.5
Tobacco and Its Products.....	+ 8.4	+ 3.4	+ 5.5	+ 9.1
Miscellaneous.....	+ 9.2	+ 6.3	+15.2	+15.5

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

**Agriculture**

**Grain Marketing**—The domestic grain markets during most of November and the first half of December were featured by a marked rise in quotations for wheat, together with substantial strength in corn and oats prices. Other world wheat markets, notably Winnipeg and Buenos Aires, also advanced considerably, reflecting chiefly heavy export purchases in Canada and a disappointing outturn of the Argentine crop. However, they failed to rise as much as domestic markets, which were chiefly influenced by the continuation and intensification of the severe drought over the major portion of the winter wheat area, with the result that the margin of domestic over foreign prices was widened. An average of private commercial estimates shows the condition of the winter wheat crop as of December 1 to be the lowest on record, and indicates a probable crop of only 389 million bushels, which compares with a harvest of 551 millions in 1939. In mid-December the drought area was extending into the American and Canadian Northwest.

There was marked activity in the Chicago wheat market during the first three weeks of December and futures prices advanced to the highest level in over two years, December wheat selling as high as \$1.11 per bushel around mid-month, or about 23 cents above the September peak and 43 cents over the end of August. Later there was some reaction on profit taking. The higher level of prices attracted some additional marketing during December, but receipts of wheat had been unusually low in October and November, and visible supplies of the grain were below average.

Corn prices at Chicago were strong throughout November and advanced further in the first three weeks of December, reflecting mainly strength in surrounding markets, buying of futures by export interests, and continued light country marketings. Operations in cash corn were rather restricted

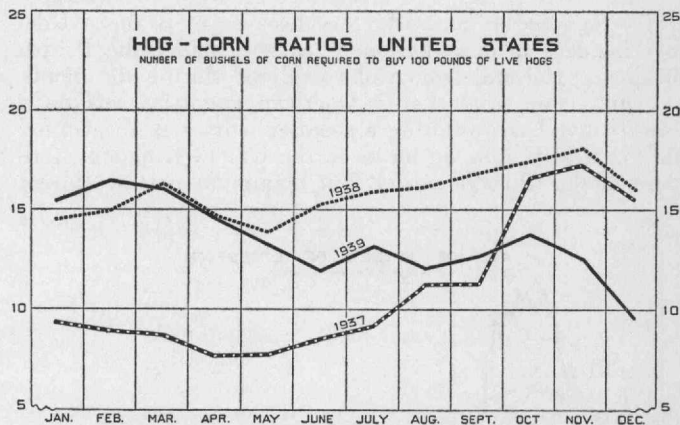
due to low receipts, and cash premiums were well maintained. An increase of about 6 cents per bushel from mid-November through mid-December, together with continued weakness in hog prices, brought a sharp reduction in the hog-corn ratio which had been running somewhat above average, though well below the unusually favorable ratios of 1938. Should the same relationships continue, hog feeding operations would not be nearly so profitable as in the two preceding years.

Oats prices have continued strong and there has been considerable tightness in the cash market, reflecting limited supplies in cash positions.

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

	Nov. 1939	Oct. 1939	Nov. 1938	Nov. 1929-38 Avg.
<b>Wheat:</b>				
Receipts.....	12,028	19,584	18,514	16,712
Shipments.....	16,017	16,966	21,669	21,267
<b>Corn:</b>				
Receipts.....	26,316	32,110	30,835	20,177
Shipments.....	16,365	13,204	16,141	10,469
<b>Oats:</b>				
Receipts.....	5,408	6,262	3,559	4,801
Shipments.....	5,811	6,193	5,941	5,677

**Livestock and Meat Packing**—Marketings of hogs have been unusually heavy in recent months, and during November receipts of hogs at public stockyards in the United States increased 16 per cent over October and continued 9 per cent heavier than 1938 receipts for the comparable month. Marketings of cattle, lambs, and calves showed close to seasonal declines during the month. The movement of hogs to inspected slaughter also has been unusually heavy, and hog prices recorded pronounced weakness in November and December; the Chicago Daily Drovers Journal average price for hogs reached \$5 on December 15, which was the lowest average since August 1934. Cattle and calf prices have not declined to the same extent as have those of hogs, and lamb prices have been comparatively firm. Shipments of cattle and calves to feed lots showed full seasonal declines in November but continued unusually heavy for the season.



Number of bushels of corn equal in value to 100 pounds of hog live weight at local markets. By months, January 1937 through December 1939; latest month estimated. Source: United States Department of Agriculture.

Reflecting principally the sharp increase in hog marketings that accompanied a declining hog-corn ratio, the production of packing-house commodities in the United States rose more than seasonally in November to the highest level for any month since 1936. There was a greater than usual accumulation of inventories between November 1 and December 1, despite a less than seasonal decline in tonnage sales from October to November. The November decrease

**LIVESTOCK SLAUGHTER**  
(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
November 1939.....	174	741	251	68
November 1938.....	160	632	222	72
Federally Inspected Slaughter, United States:				
November 1939.....	837	4,437	1,469	450
October 1939.....	893	3,545	1,585	482
November 1938.....	858	3,913	1,453	457

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

	Week Ended		Months of	
	Dec. 16, 1939	Nov. 1939	Oct. 1939	Nov. 1938
Native Beef Steers (average).....	\$ 9.10	\$ 9.50	\$ 9.75	\$10.10
Fat Cows and Heifers.....	7.45	7.75	8.15	7.80
Calves.....	9.25	9.00	10.50	9.50
Hogs (bulk of sales).....	5.15	5.85	6.85	7.70
Lambs.....	8.80	9.15	9.30	8.85

in dollar sales reflected mainly a lower level of packing-house commodity prices; with a lack of substantial export demand in the industry, continued weakness brought the general price level of meat-packing products to the lowest point since 1934. Prices of lard and a few other items showed some recovery during the first three weeks of December. At the close of November, meat-packing payrolls were up 4 per cent over a month earlier and showed a gain of 15 per cent over a year ago. Production in the first half of December continued in excess of the corresponding period of 1938, and hog slaughter recorded a further increase over the closing weeks of November.

**MEAT PACKING—UNITED STATES**

Per Cent Change in November 1939 from

	Oct. 1939	Nov. 1938	Nov. 1929-38 Avg.
Tonnage produced.....	+11.2	+ 9.8	+13.5
Tonnage sold.....	- 0.5	+ 6.9	+10.7
Dollar sales.....	- 9.7	+ 1.0	+ 8.6
Inventories.....	+24.2	+16.0	-10.4

During November there was some expansion in shipments of packing-house commodities for export to the United Kingdom and Canada. However, trade with European neutrals failed to show improvement and was confined largely to lard, cooking fats, and a few meats; this trade was generally regarded as unsatisfactory because of prolonged delays incident to examination of cargoes under the British blockade. Demand from Cuba declined during the month and that from other Latin American countries was on a conservative basis awaiting a steadier market in the United States. Realizations on meats in the United Kingdom were close to the Chicago parity, but maximum prices allowed

on lard were below this parity. Quotations in other countries were fully up to the United States basis.

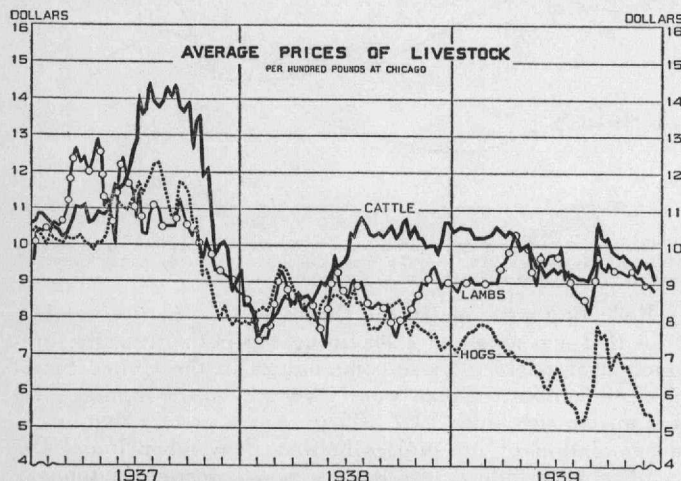
**Dairy Products**—Reflecting unusually mild weather and continued heavy feeding of grains and concentrates, milk production in the Seventh district area showed a less than usual decrease during November and continued heavier than in 1938. There was a decline of 18 per cent in the manufacture of creamery butter by district firms during the month, and production totaled about 6 per cent lower than a year ago. Butter sales, on the other hand, increased by about 11 per cent over October and were 9 per cent heavier than in November 1938. There was a full seasonal decline in cold-storage holdings of butter in the United States from November 1 to December 1 and, although private commercial stocks continued larger than a year ago, total stocks including Government holdings were well under last year's level. Butter prices held quite firm throughout most of November, declining slightly at the end of the month, but were somewhat firmer in December.

Production of American cheese in Wisconsin showed a seasonal decline of 27 per cent during November and was about 3 per cent heavier than last year, while sales from primary Wisconsin points declined by about one third and were 13 per cent lower than last year. Cold-storage holdings of American cheese remained well below last year's and average levels, and prices held firm, there having been practically no change in cheese prices since late September.

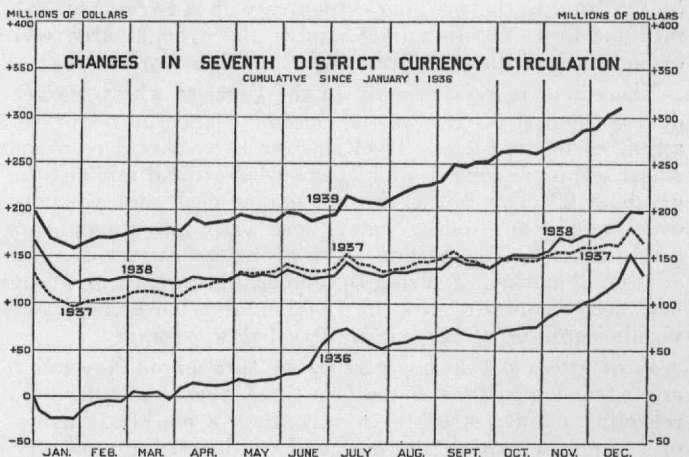
Pronounced weakness was shown in the egg markets in late November and early December, reflecting unseasonably mild weather and continued heavy production of eggs.

**Credit and Finance**

**Member Banks**—Total loans of Seventh district weekly reporting member banks expanded 27 million dollars during the four-week period ended December 13. This gain was largely due to a sharp increase in loans to brokers and dealers in securities during the last week of the period. Commercial, industrial, and agricultural loans declined by about 8 millions over the four weeks. Reporting member banks' holdings of Treasury bonds increased 18 million dollars, reflecting acquisitions of the new Treasury issue during the last week of the period. However, reduced holdings of Treasury bills and notes brought about a net decline of 45 million dollars in total security portfolios of these banks. Demand deposits adjusted increased by 65 millions over the current period, and a small rise was noted in the volume of time deposits.



Weekly average prices of livestock, Chicago, 1937 through December 16, 1939. Source: Chicago Daily Drivers Journal.



By weeks, January 1, 1936, through December 13, 1939.



Seventh district member bank reserves increased 61 million dollars to a new high level of over 1.7 billions during the four weeks ended December 13. The effect of large gains in commercial and financial funds from other districts and of additions to reserves through heavy redemptions of Treasury bills in this district was only partly offset by seasonal increases in currency circulation and sales of Treasury bonds during the period.

**Securities Markets**—New long-term corporate bond issues during November and early December were in relatively small volume, although new municipal issues totaled the largest since last July. Recent principal public underwritings of companies in this area consist of two large public utility issues.

Bond prices continued generally firm up to the middle of December, although a moderate recession in quoted levels of medium-grade bonds was noted around the end of November, reflecting a similar trend in stock prices. This decline was principally noted in the more speculative rail bonds. High-grade corporate bond prices have moved rather steadily upward, and average municipal bond quotations by early December were at higher levels than prior to the September decline. All markets for bonds continued thin.

Prices of Treasury bonds continued firm, although quotations for both long- and short-term securities in mid-December were still somewhat below last summer's levels. Public subscriptions to the issue of 2 per cent 1948-50 Treasury bonds were about twelve times as large as the ultimate allotments of 521 million dollars, of which about 15 per cent went to Seventh district investors. Average discounts on weekly issues of 91-day Treasury bills in the latter part of November and the first half of December were at about the levels of last July, the bills selling to yield between .01 and .02 per cent.

## Selected Seventh District Banking Data

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

	Change from		
	Dec. 13, 1939	Nov. 15, 1939	Dec. 14, 1938
Total bills and securities.....	\$277,039	\$-13,831	\$+52
Bills discounted.....	740	+209	+625
Bills bought.....	0	0	-68
U. S. Government securities direct and guaranteed:			
Bills.....	0	-11,457	-65,660
Notes.....	135,478	-115	+9,619
Bonds.....	140,500	-2,345	+55,630
Total Government securities.....	275,978	-13,917	-411
Total reserves.....	2,639,781	+56,601	+406,605
Member bank reserve deposits.....	1,701,205	+61,299	+349,576
All other deposits.....	94,562	-56,483	-42,716
Federal Reserve notes in circulation.....	1,070,200	+17,993	+80,327
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	92.1%	+1.3*	+2.1*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

ASSETS	Change from		
	Dec. 13, 1939	Nov. 15, 1939	Dec. 14, 1938
Loans and investments—total.....	\$3,137	\$-18	\$+152
Loans—total.....	931	+27	+88
Commercial, industrial, and agricultural loans.....	531	-8	+55
Open-market paper.....	34	0	+1
Loans to brokers and dealers in securities.....	62	+32	+20
Other loans for purchasing or carrying securities.....	76	0	-4
Real estate loans.....	112	+2	+18
Loans to banks.....	0	0	-4
Other loans.....	116	+1	+2
U. S. Treasury bills.....	47	-45	
U. S. Treasury notes.....	412	-20	-44
U. S. Treasury bonds.....	944	+18	
Obligations fully guaranteed by U. S. Government.....	308	-1	+81
Other securities.....	495	+3	+27
LIABILITIES			
Demand deposits—adjusted*.....	2,650	+65	+275
Time deposits.....	947	+3	+61
Borrowings.....	0	0	0

\*The annual velocity of demand deposits (unadjusted) in the four weeks ended December 13 was 20.54 times, as compared with 19.30 times in the preceding four weeks and with 20.07 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

	Nov. 1939	Oct. 1939	Sept. 1939	Nov. 1938	Oct. 1938	Sept. 1938
<b>Manufacturing Industries:</b>						
Employment.....	91	92	88	81	77	73
Payrolls.....	94	96	89	80	76	68
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	139	130	102	83	68	56
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	97	86	55	109	64	22
Trucks.....	177	163	72	138	58	49
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	85	60	45	34	28	30
In Tons.....	77	50	37	30	22	24
Malleable—In Dollars.....	79	64	49	44	37	37
In Tons.....	101	81	62	58	45	45
<b>Stoves and Furnaces:</b>						
Shipments.....	183	254	248	168	214	203
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	75	96	94	62	66	67
Shipments in Dollars.....	88	93	83	64	73	74
<b>Building Contracts Awarded:</b>						
Residential.....	67	73	58	59	59	51
Total.....	67	65	93	84	96	78
<b>Meat Packing—(U. S.):</b>						
Production.....	109	98	90	99	91	85
Sales Tonnage.....	100	100	98	93	94	92
Sales in Dollars.....	86	95	98	85	95	92
<b>Department Store Net Sales:</b>						
Chicago.....	93	93	87	90	84	84
Detroit.....	113	102	150	111	99	133
Indianapolis.....	120	127	117	112	113	113
Milwaukee.....	99	105	102	99	102	98
Other Cities.....	96	94	91	92	87	84
Seventh District—Unadjusted.....	99	98	102	96	91	96
Adjusted.....	90	89	98	88	82	93

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	Per Cent of Increase or Decrease from		
	Nov. 1939	Oct. 1939	Nov. 1938
Chicago.....	\$2,774	- 1.4	+ 6.9
Des Moines.....	88	- 8.6	+ 0.2
Detroit.....	929	- 0.4	+ 9.6
Fort Wayne.....	33	- 2.1	+ 8.3
Grand Rapids.....	57	- 4.5	+20.5
Indianapolis.....	204	- 4.5	+ 8.9
Milwaukee.....	239	-11.9	+ 2.2
Peoria.....	64	+ 4.5	+ 8.0
South Bend.....	37	- 8.3	+17.3
32 smaller cities.....	509	- 4.8	+11.0
Total 41 cities.....	4,934	- 2.5	+ 7.7

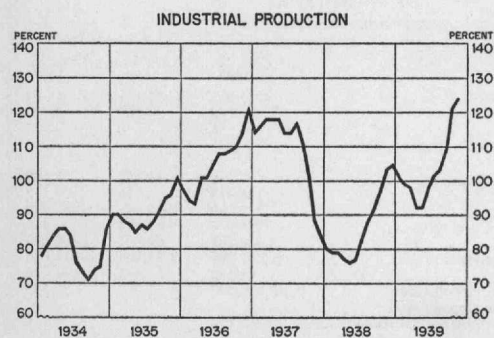
### TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

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

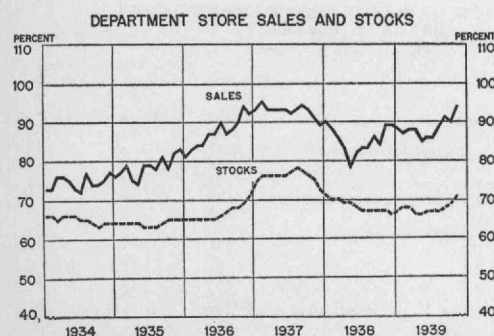
	November 1939	
	November	November
Total country and city check clearings:		
Pieces.....	12,342,957	11,831,499
Amount.....	\$2,443,298,889	\$2,066,119,481
Daily average clearings:		
Total items cleared—		
Pieces.....	514,290	514,413
Amount.....	\$101,804,120	\$89,831,282
Items drawn on Chicago—		
Pieces.....	81,351	80,505
Amount.....	\$53,037,000	\$46,891,000
Items drawn on Detroit—		
Pieces.....	20,196	22,126
Amount.....	\$10,244,779	\$9,647,142

# National Summary of Business Conditions

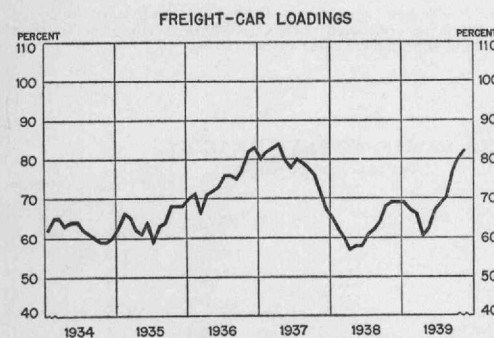
(By the Board of Governors of the Federal Reserve System)



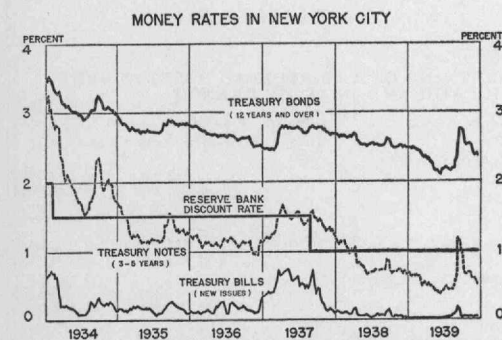
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to November 1939.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to November 1939.



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



For weeks ending January 6, 1934, to December 16, 1939.

**F**OLLOWING a rapid rise after the outbreak of the European war industrial activity continued at a high level in November and the first half of December. There was a considerable increase in distribution of commodities to consumers while prices of basic commodities, which had been steady during November, rose somewhat in the first two weeks of December.

**Production**—The Board's seasonally adjusted index of industrial production advanced from 121 to 124 per cent in November, reflecting sustained activity at a period of the year when a decline is usual. Production of durable goods, which had advanced rapidly for several months, showed a further expansion. Record production of steel ingots continued in November and was followed by a less than seasonal decline in the first half of December. Automobile production increased in November, notwithstanding the fact that plants of one important company remained closed pending settlement of an industrial dispute. After this was settled at the end of November assemblies rose sharply. Retail sales of new automobiles were in large volume in November and at the end of the month dealers' stocks of new cars apparently were smaller than at the corresponding time in other recent years. Lumber production declined less than seasonally in November but plate glass production, which had reached a high level in October, showed a reduction.

Output of nondurable goods continued at a high level in November. At cotton and woolen mills activity increased somewhat further and was close to the record levels reached three years ago. Rayon production advanced to new high levels but at silk mills there was a sharp decline following substantial increases earlier this fall. Output of flour and sugar declined further from the levels reached in September while changes in activity at shoe factories and meat-packing establishments were largely seasonal in character.

Coal production in November declined somewhat from the high level reached in October. Output of crude petroleum increased further and iron ore shipments continued in exceptionally large volume until the Great Lakes' shipping season closed in the latter part of the month.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased in November following a sharp decline in October. In both months changes in total awards reflected principally fluctuations in the volume of contracts for public construction. Private residential awards declined somewhat less than seasonally in November, while awards for other private projects showed little change. Contracts for private work, both residential and nonresidential, were larger than a year ago, while those for public projects were below the high level of that time when contracts under the Public Works Administration program were being awarded in large volume.

**Employment**—Factory employment and payrolls continued to increase in November, reflecting chiefly further sharp advances in industries producing steel, machinery, and other durable goods.

**Distribution**—In November distribution of commodities to consumers increased considerably. The Board's seasonally adjusted index of department store sales, which had been around 90 in the three preceding months, advanced to 94, a level about the same as at the peak in 1937 when prices of commodities sold at department stores were generally somewhat higher than at present.

Freight-car loadings showed less than the usual seasonal decrease from October to November and the Board's adjusted index increased from 80 to 82, which was only slightly under the recovery peak reached in the early part of 1937. Shipments of ore and miscellaneous freight declined less than is usual in November, while loadings of coal decreased more than seasonally from the relatively high October level.

**Commodity Prices**—Prices of both industrial materials and foodstuffs advanced from the latter part of November to the middle of December. Wheat and silk prices rose considerably and there were smaller increases in cotton and hides. Prices of steel scrap and nonferrous metals, on the other hand, showed declines.

**Government Security Market**—Prices of United States Treasury bonds advanced sharply during the last half of November to a level not far below the all-time high point of last June and remained steady during the first half of December.

**Bank Credit**—Total loans and investments at reporting member banks in 101 leading cities rose substantially during November and the first half of December, reflecting largely purchases of new United States Government securities. Commercial loans, which had been increasing since August, continued to rise until the third week in November. Deposits increased further.

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