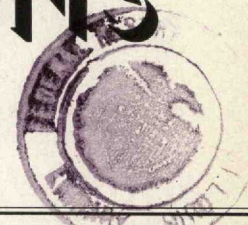


W. K. ...

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO



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CHARLES B. VAN DUSEN, CLASS B DIRECTOR

THIS MONTH



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Charles B. Van Dusen, Class B Director

Because of his activities over many years in the business world, Mr. Charles B. Van Dusen is well qualified to serve the interests of commerce, agriculture, and industry in this district as a Class B director of the Federal Reserve Bank of Chicago. Mr. Van Dusen has been on this bank's Board only since 1939 when he was elected to fill the unexpired term of another member, but was recently re-elected to serve over the coming three years.

Mr. Van Dusen was born in Detroit, Michigan, and lives there at the present. He received his education in the public schools of that city. His business career began as a newsboy and a messenger. When still quite young, Mr. Van Dusen became connected with a wholesale dry goods firm and was in that type of business for twenty years. Subsequently, he became associated with S. S. Kresge Company, who operate over 100 retail stores throughout the country, and he is still with that organization. At the incorporation of the business in 1912, Mr. Van Dusen was made a Director and Secretary and Treasurer. In 1925, he became Vice President and General Manager of the company. Although Mr. Van Dusen relinquished office in 1938, he has continued with the business as a Director.

In 1931, Mr. Van Dusen received an honorary degree of Master of Science in Business Administration from the Colleges of the City of Detroit (now Wayne University).

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District Summary of Business Conditions

As had been expected earlier, volume of Seventh district business has continued to advance, in some phases to new all-time highs. Many industries which should show some decline at this season have maintained operations in good volume, and the heavy industries, particularly those closely affected by the defense program, are pushing production levels to maximum capacity. With the level of wage-earner income now at post-depression peaks, retail trade this season has been unusually good; this bank has estimated that Christmas business of department stores was the highest since 1929.

Industry—Contrary to the seasonal declines which are usually expected in the Seventh district during November, both employment and payrolls in district factories increased for the month. A gain of one per cent in the number of workers and of 1½ per cent in volume of wage earnings raised the indexes to levels higher than any reached in 1937. There was a gain for all district industries of 12 per cent in employment and 19 per cent in payrolls over November 1939.

With no important slackening in demand from any section of the market, district steel mills by now have their order books filled rather solidly through the first quarter of 1941. Mills continue to operate as close to capacity as possible, the few minor week-to-week fluctuations being due in the main to furnace repairs. In this district there have been announced no significant additions to capacity. Prices on major steel items have been reaffirmed for first quarter delivery. In November, new business at steel and malleable casting plants fell off from earlier heavy volumes. District stove and furnace manufacturers experienced a seasonal recession in both shipments and production, although output at these plants continued considerably heavier than year-earlier levels.

Public demand for new cars has been unusually well sustained this year and, in consequence, automobile manufacturers have maintained high operating schedules, so that total fourth-quarter production should be in record volume for this period. By now automobile dealers are rather well stocked with new cars; used-car inventories, particularly of higher-priced models, continue heavy.

Although a decline is seasonally expected in November, volume of total construction contracts was up somewhat for the month. This reflected a substantial increase in contracts for industrial building, as residential construction showed a seasonal decline. The increase in total contracts over 1939 was 43 per cent. Construction awards for defense purposes have bulked large in recent totals.

District furniture manufacturers report the usual seasonal decrease in November activity, but furniture shipments were up 11 per cent over last year and factory operating schedules continued high. Output of soft coal in the area increased much more than seasonally in November, following sharp declines in the preceding month. Operations of petroleum refineries declined somewhat, and gasoline output failed to show a year-to-year gain.

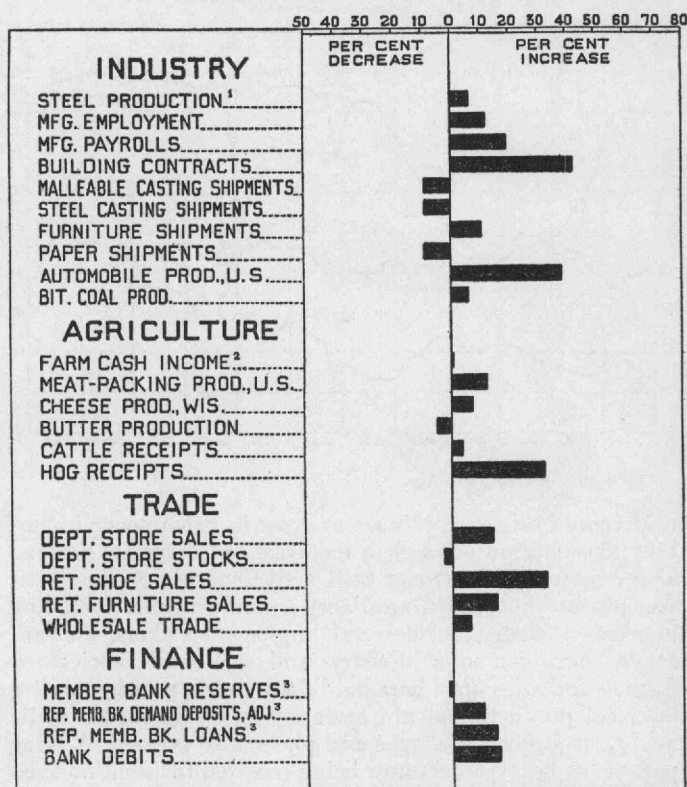
Trade—There has been an exceptionally good retail trade business in the closing months of 1940. Daily average department store sales for the district were up 13 per cent over 1939 during November, and preliminary weekly data for December indicate goodly gains. In department store sales, the City of Detroit has, by far, made the best showing in recent months; Chicago, though enjoying a good volume of trade, was making a relatively less favorable showing as compared with other major cities in the district. Retail shoe

sales were unusually good in November, being fully one third higher than last year in the month, while sales of furniture failed to decline as is customary in November and were 16 per cent higher than in the 1939 period. Retail inventories, as a whole, were somewhat lower than at the end of November last year. November wholesale trade for all reporting lines was up 6 per cent in the year-to-year comparison.

Agriculture—Prices of most major district farm products have continued firm. The corn and hog market has shown some weakness, but cattle and wheat prices have been fairly steady and those for dairy products are at particularly good levels for this season. Tonnage production of meat-packing products in November reached an all-time high for that month, being 13 per cent above last year. Though slightly below a year ago, output of creamery butter has continued heavy, and production of American cheese was larger than in November 1939. Marketings of grain, particularly corn, have been considerably restricted. Cash income of district farmers has continued substantially greater than in 1939.

Credit and Finance—Since August there has been a fairly steady increase in total loans at weekly reporting member banks in the district; by mid-December the loan volume of these banks reached 1,077 million dollars, which was above the highest level reached in 1937. Deposits at reporting banks have continued at record levels, while currency circulation also was larger in December than ever before. Prices of high-grade bonds remain firm.

SEVENTH DISTRICT BUSINESS ACTIVITY NOVEMBER 1940 COMPARED WITH NOVEMBER 1939

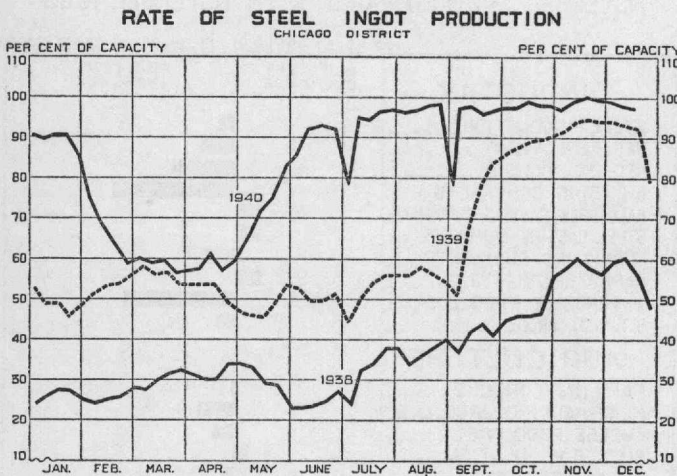


1. Ingot rate, Chicago district, week ending December 21. 2. October data.
3. As of December 18.

Industrial Activity

Defense Contracts—Between November 15 and mid-December, defense contracts totaling nearly \$750,000,000 were let throughout the United States, raising the total since the inauguration of the National Defense Program early last summer to about \$10,000,000,000. Of the amount let since November 15, approximately \$65,000,000, or 9 per cent, was in the Seventh district, a somewhat smaller proportion than has prevailed for the entire period of the defense program so far. Construction accounted for over one quarter of the current amount in the Seventh district, and ammunition components, which had bulked large in previous awards in this area, accounted for a slightly smaller percentage. One order received from the Navy by the Defoe Boat and Motor Works, Bay City, Michigan, for construction of minesweepers amounted to \$6,310,000. Two orders to firms in the Chicago area for Diesel engines totaled \$5,196,000.

Steel and Steel Products—No slackening of consequence has appeared in the strong demand for steel products that has prevailed in this area and elsewhere for the past six months or longer. During December, new business was coming into Chicago district sales offices at close to the rate of a month previous, and it continued to exceed the volume of products shipped, thus further building up backlogs. Mill books are being filled more and more solidly through the entire first quarter. However, except in a few instances, there has been little lengthening of deliveries in recent weeks, and buying remains orderly with no necessity as yet for allocation of orders. Capacity operations are still being maintained by district steel mills; minor declines in ingot production in some weeks have been for the most part due to necessary repairs to furnaces.



Defense business continues to grow in prominence in current consumption of steel in the area, but domestic demand also remains quite strong. Still active sources of this latter demand are household appliance manufacturers, including the stove industry, agricultural implement makers, the railroads, the automotive industry, and structural fabricators. Carbon and alloy steel bars hold their strong position among the steel products that are most active, as do sheets, while buying of structural shapes and plates also is good. A large part of the heavy orders now being received for semi-finished steel is from firms holding defense business. The recent removal of special discounts has caused an increase in buying

of pipe. There appears currently a definite tendency in this district toward an improvement in tin plate activity.

In early December the Carnegie-Illinois Steel Corporation announced that present prices on major steel items had been reaffirmed for the first quarter of 1941. Subsequently a number of other companies have made similar announcements. Although no general action has been taken, producers of pig iron have raised its price \$1.00 per ton, and orders have been taken at the higher prices. An increasingly strong situation prevails in the iron and steel scrap market.

* * *

Incoming business of reporting steel and malleable casting foundries of the Seventh district fell off in the aggregate for November from the heavy volumes of other recent months, and in the case of steel castings was much under the high level of November 1939. Shipments of both types of castings also were lighter in November than a month previous or a year ago. Production of steel castings was accelerated further to a point above either the tonnage of shipments or that of orders booked, while malleable castings shipments and production remained smaller than the volume of new business.

STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	November 1940 Per Cent Change from	
	October 1940	November 1939
Steel Castings:		
Orders booked (tons).....	-37.5	-58.6
Orders booked (dollars).....	-31.8	-50.5
Shipments (tons).....	-4.9	-8.9
Shipments (dollars).....	-7.5	-5.0
Production (tons).....	+4.0	-6.8
Malleable Castings:		
Orders booked (tons).....	-12.5	+40.7
Orders booked (dollars).....	-11.6	+40.5
Shipments (tons).....	-2.6	-8.9
Shipments (dollars).....	-3.7	-6.9
Production (tons).....	-9.6	-11.5

As is usual in November, factory shipments of stoves and furnaces by district firms receded sharply in the 1940 month from the October peak for the year, and production also was curtailed over the period. However, the dollar volume shipped exceeded that of November 1939 by almost 30 per cent, while production was about 20 per cent heavier in the comparison. Orders booked during November increased 10 per cent in the aggregate over those of the preceding month, contrary to seasonal trend, and were 45 per cent larger than for the same period a year earlier.

Automobiles—Heavy output of 1941-model automobiles has continued into December, with the sustained strong demand for new cars through November. At the high rate of operations prevailing in the final month of the year, it is indicated that 1940 fourth-quarter assemblies of cars will easily establish an all-time record for the period. November production, of 407,091 passenger automobiles and 80,261 trucks in the United States, almost equaled in the aggregate the unusually heavy October volume, and was similarly the best for the month in history. Factory shipments in December are estimated to be about as large as those in November. Dealers throughout the country are reported, however, as now being amply stocked with the new models in most instances, and field stocks have reached a level substantially above that of a year ago. Used-car stocks remain high, although such cars are moving in rather satisfactory volume. The problem in the used-car field remains one of greater dollar investment in relation to the number of cars held, owing to the amount of higher-priced late-model used cars on hand.

Orders placed for trucks by the Government are currently heavy and are an increasingly important factor in this phase of the automobile industry. Buying of midget trucks has been an item of recent interest. Also, purchases of trailers of various types have been made by the defense program in the past few weeks.

November data covering activity among Seventh district automobile dealers reporting to this bank indicate that sales of both new and used cars were off moderately from those made in October, the decline in each instance amounting to approximately 15 per cent. However, sales of new cars numbered one fifth higher than in November 1939, and those of used cars were about 15 per cent greater in the comparison. Dealer stocks of new automobiles in the area were built up one third further during November and remained at a level twice as high as a year ago at the same time. Stocks of used cars in dealers' hands also increased considerably more between the end of October and November 30, and totaled almost 40 per cent larger than on the same 1939 date.

Building—Construction awards in the Seventh district, contrary to the usual trend, registered an increase in November over October. The rise was due to augmented volumes of industrial construction; residential awards declined by nearly one third in this month-to-month comparison, while the total amount involved in industrial contracts was over three times as large as a month earlier. The defense program is in large measure responsible for the current heavy volume of non-residential construction. Bi-monthly releases of the Office of Government Reports indicate that contracts for defense construction in Illinois, Indiana, Iowa, Michigan, and Wisconsin have amounted since mid-June to over \$200,000,000. Some of the larger contracts of late have included \$34,000,000 for a shell-loading plant near Burlington, Iowa; \$11,500,000 for a similar plant at Union Center, Indiana; and \$3,800,000 for a replacement center at Camp Grant, Illinois. Private construction has likewise been stimulated by the generally higher level of industrial activity, although the effect of the defense program on this particular phase has been on the whole indirect.

**BUILDING CONTRACTS AWARDED
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
November 1940.....	\$68,142,000	\$22,372,000
Change from October 1940.....	+1.3%	-28.7%
Change from November 1939.....	+43.1%	+ 6.6%
First eleven months of 1940.....	\$604,961,000	\$260,000,000
Change from same period in 1939.....	+13.8%	+30.6%

Data furnished by the F. W. Dodge Corporation.

The dollar amount involved in building permits issued in 101 Seventh district cities during November was somewhat below that of both a month and a year earlier. Largely instrumental was the situation in Chicago, where the volume was only one third of that recorded in November 1939.

Movement of building materials declined during November in about the usual proportions for this season of the year. Dealers in this area reported prices as continuing firm; the United States Bureau of Labor Statistics index showed practically no change over the period.

Furniture—In accordance with seasonal trend, new business and shipments by Seventh district furniture manufacturers declined in November from the volumes of the preceding month. The drop of 25 per cent in orders was con-

siderably sharper than customarily takes place in the period, while the recession of 6 per cent in shipments was smaller than usual. Comparisons with 1939 levels continued favorable, although margins of gain were narrowed; incoming orders were only one and factory shipments 11 per cent above those of last November. Manufacturers continued to work down their unfilled order books during the current period, the volume on hand November 30 being 18 per cent lower than a month previous. The rate of factory operations remained high through November.

**PAPER AND PULP INDUSTRY
SEVENTH DISTRICT**

	November 1940 Per Cent Change from October 1940 November 1939	
Paper:		
Orders booked (tons).....	-2.9	+2.0
Orders booked (dollars).....	+4.9	+4.8
Shipments (tons).....	-3.4	-8.9
Shipments (dollars).....	-2.7	-2.1
Production (tons).....	-5.7	-12.5
Stocks at end of month (tons).....	+3.9	+11.5
Pulp:		
Production (tons).....	-2.1	+5.5
Stock at end of month (tons).....	-5.5	+54.6

Freight-Car Loadings—The average number of revenue freight cars loaded daily by railroads in the Chicago industrial area increased during November, contrary to seasonal trend, as industrial activity continued at a high level. Throughout the Seventh district as a whole, however, loadings declined slightly from the October rate; those of grain, miscellaneous merchandise, forest products, and less-than-carload freight receded, more than counteracting increased loadings of livestock, coal, and coke. For the year through November, all types of freight have moved in greater volume than in the same 1939 period, with the exception of grain and l.c.l. freight.

Bituminous Coal Production—After a contraseasonal decline in October, which was due to consumers' utilization of inventories built up prior to the introduction of minimum prices early in that month, Seventh district production of soft coal showed a heavier than normal increase in November over the preceding month. On a seasonally adjusted basis, daily average output rose 24 per cent, after receding 24 per cent in October from September. Total volume of production in the first eleven months of the year exceeded the same 1939 period by 7 per cent, about the same favorable margin which prevailed in November.

Petroleum Refining—Activity at petroleum refineries in the Seventh district declined during November in somewhat greater than usual proportion. Gasoline production receded more sharply than did the volume of crude oil run to stills, indicating a lower yield per barrel of crude. Furthermore, gasoline output dropped below the comparable year-ago level for the first time in more than two years. Indicated consumption of motor fuel fell off, as was to be expected at this season of the year, with the result that refinery inventories rose slightly in November. Nevertheless, the level of these stocks, generally considered for many months past as being rather unwieldy, compared more closely with the corresponding 1939 volume than had been the case since early this year, and totaled on November 30 about 20 per cent higher than on the same year-ago date.

Employment and Payrolls

November, which generally shows declines in industrial payrolls and the number of workers employed, this year went contrary to the usual trend, with definite increases in both of these items. Manufacturing industries of the district reported gains of one per cent in employment and 1½ per cent in payrolls, raising these volumes to levels that exceeded the previous post-depression highs of 1937. As may be seen from the accompanying chart, the so-called durable goods industries—metals and products, vehicles, stone-clay-and-glass, and wood products—constitute the greater portion of manufacturing within this district. Payrolls in these industries are considerably more susceptible to changes in economic conditions than in the non-durable classification, including consumers goods, where the trend displays relatively minor fluctuations. The unclassified industry group shown in the chart arises out of the compilation of data and adjustment to census figures, which, to avoid disclosure of identity of individual firms, places in this classification figures for large firms which might be included elsewhere.

The metals industries and the vehicles group continued to expand in November but at a somewhat less rapid rate than in the preceding three months. Data on vehicles are based on estimates, final figures being unavailable at this writing. The other two durable goods groups recorded less than the usual seasonal recessions, as did certain non-durable goods industries. The greatest declines in this latter group took place in food products and chemicals. Within the non-manufacturing division, construction showed curtailment and merchandising the customary seasonal expansion.

The all-industry index for November indicates a net gain of 12 per cent in employment and 19 per cent in payrolls over the corresponding 1939 volumes.

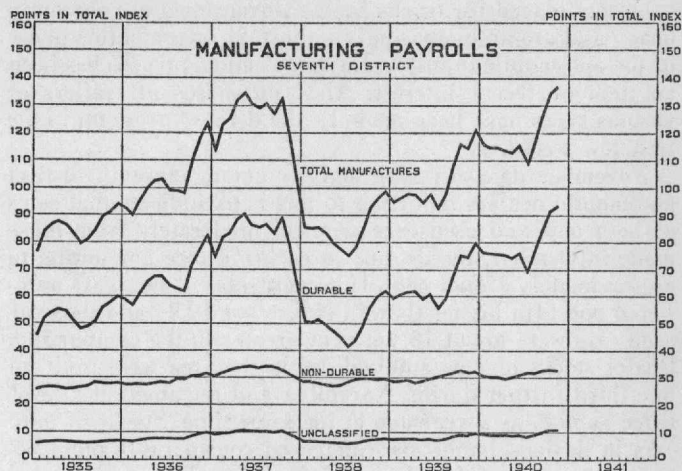
EMPLOYMENT AND PAYROLLS—SEVENTH FEDERAL RESERVE DISTRICT*

Industrial Group	Week of November 15, 1940			Per Cent Change from Oct. 15, 1940	
	No. of Reporting Firms	No. of Employees	Wage Payments ('000 Omitted)	No. of Employees	Wage Payments
DURABLE GOODS:					
Metals and Products ¹	1,423	407,252	\$12,706	+2.5	+2.3
Vehicles.....	256	86,432	3,073	+2.8	+5.1
Stone, Clay, and Glass.....	234	19,548	493	-1.4	-5.8
Wood Products.....	351	36,875	806	+0.4	-1.8
Total.....	2,264	550,107	17,078	+2.2	+2.3
NON-DURABLE GOODS:					
Textiles and Products.....	339	59,920	1,151	+1.0	-0.0
Food and Products.....	886	96,504	2,408	-4.7	-2.6
Chemical Products.....	254	28,403	865	-2.3	-2.4
Leather Products.....	142	23,650	516	+1.3	+2.4
Rubber Products.....	31	15,323	382	+1.6	+3.1
Paper and Printing.....	580	63,311	1,892	+0.2	-0.8
Total.....	2,232	287,111	7,274	-1.4	-1.1
Total Mfg., 10 Groups.....	4,496	837,218	24,352	+0.9	+1.3
Merchandising.....	5,317	151,885	3,320	+2.6	+2.5
Public Utilities.....	1,136	106,046	3,604	-0.1	-1.1
Coal Mining.....	49	9,000	231	+3.3	+4.2
Construction.....	698	12,115	367	-5.5	-16.9
Total Non-Mfg., 4 Groups.....	7,200	279,046	7,522	+1.2	-0.3
Total, 14 Groups.....	11,696	1,116,264	\$31,874	+1.0	+0.9

¹Other than vehicles.

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

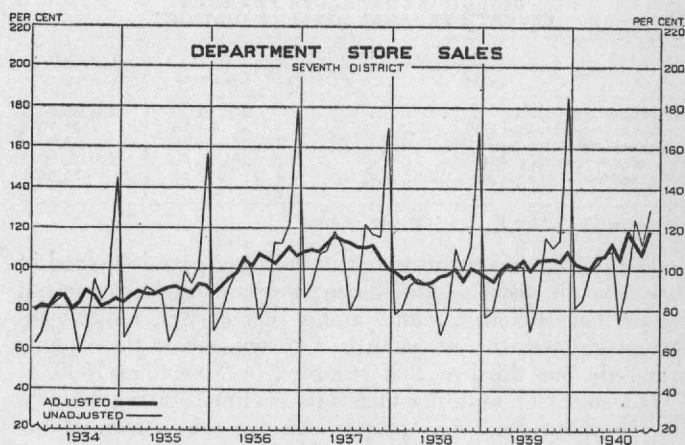
*Michigan data not yet available.



Index of manufacturing payrolls by major divisions, without adjustment for seasonal variation, 1935-1939 average for total = 100. Durable manufactures, non-durable manufactures, and unclassified expressed in terms of points in the total index. Data adjusted to Census of Manufactures for Illinois, Indiana, Iowa, Michigan, and Wisconsin through 1937.

Trade Trends

Department Stores—Volume of Seventh district department store trade was exceptionally good in the closing months of 1940. On a daily average basis, November sales of reporting firms rose 16 per cent over those of October and were 13 per cent heavier than in November 1939, while aggregate sales increased 9 and 15 per cent in the respective comparisons. In fact, department store business this past November was in the heaviest dollar volume for the month since 1929. Furthermore, because of the fewer number of trading days in the period, November sales usually total a little under the October volume, so that the increase recorded in the 1940 month was counter to trend for the period. Detroit department store sales expanded markedly during November over a month previous—18 per cent. Gains of around 5 per cent each took place in Chicago, Indianapolis, and Milwaukee.



Indexes of daily average sales of department stores in the Seventh district, with and without adjustment for seasonal variation, 1935-1939 average = 100. By months, January 1934 through November 1940.

Based on data covering the three weeks ending December 21, it appears that Christmas buying this past year was well ahead of the 1939 volume and also greater than for any other year since 1929, with Detroit again leading the way

in size of percentage increase over a year earlier. In these three weeks of December, sales gains by the larger district department stores over the corresponding 1939 period amounted to one per cent in Chicago, 14 per cent in Detroit, 5 per cent in Indianapolis, 6 per cent in Milwaukee, and 5 per cent for the district as a whole. It should be noted that there were two more Christmas shopping days following December 21, whereas the three-week period last year ended Saturday, December 23. Hence, it is highly probable that the entire month of December will show considerably greater increases when the figures are available.

For the entire calendar year 1940, it is indicated that Detroit will make the best showing of the four largest cities of the district, in so far as department store trade is concerned. Activity in the automotive industry and defense business undoubtedly have been responsible for the sharp expansion in that city's department store sales during the closing months of the year. Chicago department store business has lagged somewhat behind that of the other large district cities in percentage gain for 1940 as a whole over a year earlier.

In preparing for the Christmas trade, department store stocks were expanded slightly further between October 31 and the end of November, but at the latter time were 2 per cent smaller than on the corresponding 1939 date. However, at no time in 1940 have department store inventories been much above the year-earlier level.

DEPARTMENT STORE TRADE IN NOVEMBER 1940

Locality	Per Cent Change November 1940 from November 1939		Per Cent Change First Eleven Months 1940 from Same Period 1939	Ratio of November Collections to Accounts Outstanding End of October	
	Net Sales	Stocks End of Month		1940	1939
Chicago.....	+11.1	+0.6	+5.9	51.2	52.3
Detroit.....	+24.7	-7.6	+10.3	50.4	47.6
Fort Wayne.....	+18.8	..	+7.8
Indianapolis.....	+18.4	+4.9	+8.8	42.3	41.3
Milwaukee.....	+14.7	-5.9	+6.9	40.0	36.8
Peoria.....	+15.4	..	+4.5
Other Cities*.....	+12.1	-1.8	+5.8	40.1	37.3
7th District.....	+14.9	-1.9	+7.1	47.0	45.6

*Include Fort Wayne and Peoria.

Retail Shoes—A substantial counterseasonal expansion was recorded during November in the retail shoe trade of the Seventh district. Although sales of shoes by retail dealers declined from the October volume, those by department stores increased sharply, so that there was an aggregate rise over the period of 15 per cent. Because of this unusually favorable month-to-month trend, the retail shoe business this past November exceeded that of the same 1939 period by a full one third. On November 30, retail stocks of shoes totaled 2 per cent lighter than a month earlier and were 5 per cent smaller than on the corresponding year-ago date.

Retail Furniture—A very favorable trend also was shown by the retail furniture trade in November. The dollar volume of furniture and housefurnishings sold by reporting dealers and department stores of the district totaled slightly greater for the period than in the preceding month, whereas a moderate recession in such sales customarily takes place at this season. The increase of 16 per cent over November 1939,

furthermore, was much larger than in the yearly comparison for either September or October. Retail inventories of furniture and housefurnishings were fractionally lower at the end of November than a year earlier and up only slightly over October 31.

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

	Per Cent Change November 1940 from November 1939				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+10	+14	+10	+23	+11
Apparel Group.....	+12	+15	+12	+22	+18
Drug Stores.....	+4	+4	-1	+9	+1
Eating and Drinking Places.....	-1	+2	+2	+11	+4
Food Group.....	+6	+6	+2	+6	+2
Furniture-Household-Radio Group.....	+9	+14	+8	+25	+5
Hardware Stores.....	+7	-2	-1	+16	+13
Jewelry Stores.....	+13	+19	+1	+24	+10
Lumber and Building Materials.....	+11	+13	+3	+19	+2
Motor Vehicle Dealers.....	+13	+32	+12	+45	+13

*Includes classifications other than those listed.

Wholesale Trade—Increases shown during November over a year earlier in sales of major wholesale trade groups of the Seventh district were for the most part smaller than those recorded in a similar comparison for October. In the aggregate, the dollar volume sold by district wholesale firms reporting regularly to the Bureau of the Census exceeded that of November 1939 by 6 per cent; in October the gain over a year previous had been 9 per cent. Most lines had smaller sales this November than in the preceding month, the decline in the total amounting to 8 per cent. Inventory comparisons on November 30 with the same 1939 date were about equally divided between increases and decreases. Wholesale inventories of meats and meat products rose substantially over both a month and a year earlier.

WHOLESALE TRADE IN NOVEMBER 1940

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+2.5	+1.2	+3.5	+1.9
Electrical Goods.....	+2.0	+1.1	-11.7	-6.7
Groceries.....	+9.0	+5.1	+5.9	+6.8
Hardware.....	+11.5	-0.7	+11.6	+9.1
Jewelry.....	+15.2	-2.8	+13.6	+13.4
Meats and Meat Products.....	-0.2	+14.6	+13.2	-4.6
Paper and Its Products.....	-11.6	-7.2	-1.6	-1.3
Tobacco and Its Products.....	+0.5	-8.8	+1.6	+1.4
Miscellaneous.....	+10.3	+3.5	+5.3	+6.0

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

The Agricultural Situation

Grain Marketing—Cash wheat prices at Chicago during most of November held at not far from the 90 cent level, which was just slightly lower than last year's prices but about 20 cents higher than the lows of last August. Receipts of wheat at interior primary markets in the United States have been greatly curtailed, as owners of cash wheat have sold their holdings very sparingly. There developed in November and continued into December an apparent stalemate between flour buyers and owners of stored wheat. With the latter marketing wheat in only very small amounts and buyers of flour maintaining a policy of covering only day-to-day needs, demand for wheat by millers has remained on a restricted basis. Wheat continued to go into the Government loan in fair volume. The Department of Agriculture has revised its estimate of United States wheat production upward

to 817 million bushels, which is nearly 9 per cent larger than last year's crop. The present outlook for the 1941 winter wheat crop is highly favorable, in sharp contrast to unusually poor conditions existing last year at this time. Crop conditions in the Argentine are generally good, but the wheat harvest in Australia is confirming earlier pessimistic estimates.

Chicago prices of spot corn, after showing considerable strength over the first three weeks of November, declined in late November and December, until by December 17 the cash basis was around 60 cents at Chicago. This market apparently was largely dependent upon the attitude of country holders, though prices subsequently strengthened slightly. There were reports of increasing dissatisfaction among farmers as to terms of the Government loan this year; but anticipated increased marketings of corn failed to materialize in any great volume, although cash premiums have eased considerably. Additional bearish factors have been the continued heavy marketings of hogs and the situation with respect to corn in Argentina, where the Government was offering corn to exporters at about 28½ cents f.o.b. vessels. Domestic acreage allotments announced for the United States in 1941 are approximately the same as in 1940.

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

	November 1940	October 1940	November 1939	November 1930-39 Avg.
Wheat:				
Receipts.....	9,914	17,983	12,028	15,898
Shipments.....	16,363	15,597	16,017	20,412
Corn:				
Receipts.....	20,989	37,115	26,316	20,937
Shipments.....	11,815	19,093	16,365	11,166
Oats:				
Receipts.....	4,020	4,228	5,408	4,653
Shipments.....	3,611	4,249	5,811	5,439

Livestock and Meat Packing—On a seasonally adjusted basis, slaughter of livestock in the United States under Federal inspection recorded a decline in November from October. Unadjusted data showed declines in slaughter of cattle, sheep and lambs, and calves, while that of hogs rose about 21 per cent. Quotations at Chicago for meat animals, except hogs, averaged in November somewhat above October levels; slight declines were general in the first two weeks of December.

According to the United States Department of Agriculture, the downswing in hog production which began in the spring of 1940 continued through this fall and will do so at least through the coming spring season. The fall pig crop of 1940 for the United States as a whole was estimated as 12½ per cent smaller than that of 1939; the 1940 pig crop, for spring

LIVESTOCK SLAUGHTER
(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District:				
November 1940.....	200	959	233	66
November 1939.....	174	741	251	68
Federally Inspected Slaughter:				
United States:				
November 1940.....	884	5,419	1,462	462
October 1940.....	968	4,483	1,734	507
November 1939.....	837	4,437	1,469	450

AVERAGE PRICES OF LIVESTOCK
(Per hundred pounds at Chicago)

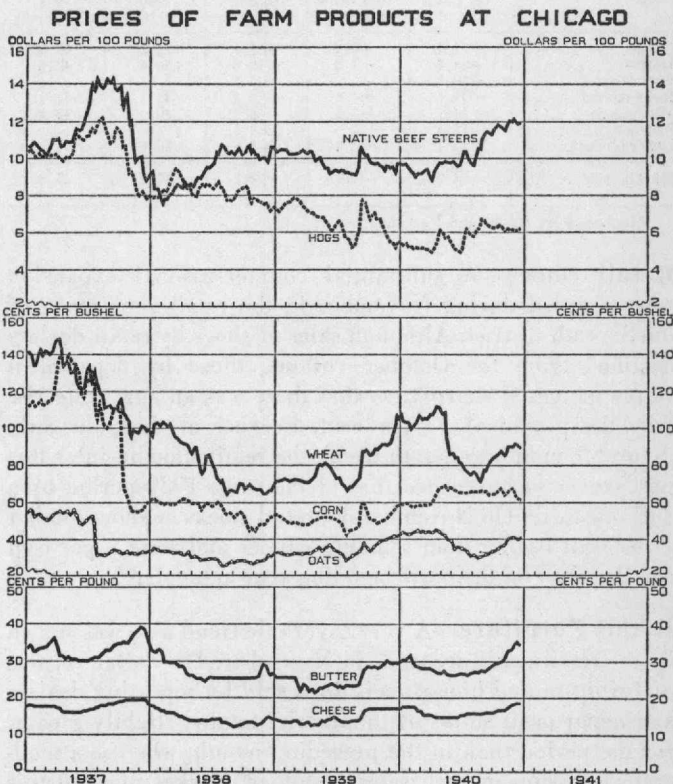
	Week Ended		Months of	
	Dec. 21, 1940	November 1940	October 1940	November 1939
Native Beef Steers (average).....	\$11.90	\$12.00	\$11.75	\$ 9.50
Fat Cows and Heifers.....	8.60	8.65	8.50	7.75
Calves.....	9.25	9.50	9.50	9.00
Hogs (bulk of sales).....	6.20	6.15	6.30	5.85
Lambs.....	9.10	9.30	9.20	9.25

and fall combined, was down 10 per cent from last year, although the second largest since 1933. In the Seventh district the number of pigs saved this fall was off about 7 per cent from last year, while the crop for the entire year was less by 5 per cent. The Department of Agriculture has forecast a decrease of about 12 per cent in 1941 spring litters for the corn belt states. If hog prices should advance substantially over the next thirty days and if the corn-hog ratio becomes favorable, actual decreases in number of sows farrowed in the corn belt may not be so large.

MEAT PACKING—UNITED STATES

	Per Cent Change in November 1940 from		
	October 1940	November 1939	November 1930-39 Avg.
Tonnage produced.....	+ 7.2	+12.5	+25.8
Tonnage sold.....	- 5.8	+10.6	+21.6
Dollar sales.....	- 6.0	+ 7.3	+19.9
Inventories, end of month.....	+23.2	+38.6	+27.8

Tonnage production of the American meat-packing industry during November exceeded all past records for the month, even approximating the all-time peak reached in December 1924. Output was more than one quarter higher than the November average for the previous ten years. The tonnage sold likewise established a new record for the period, though receding somewhat from a month previous. As is usual in November, consumer demand for poultry expanded at the expense of meats. Sales were 10 per cent lower than production, with the result that packing-house inventories rose sharply in November. Prices of animal products eased off somewhat from the October levels, although quotations for lard, hams, and top-grade beef ran counter to this trend.



By weeks, 1937 through December 21, 1940.

Dairy Products—Milk production continued heavy in November, although the abrupt change in weather throughout major producing areas curtailed output to an extent somewhat greater than usual. Butter production in the Seventh district fell slightly below the year-ago level; for the country as a whole the decline was less than was the case locally. United States inventories declined in about the normal proportions. Output of American cheese in Wisconsin also declined seasonally from October, but continued above the levels of a year earlier.

Prices of major dairy products remained relatively high, although a slight recession in Chicago quotations for 92-score butter was noted after the middle of December. Regarding the strength in such prices over recent months, the U.S.D.A. Marketing Service is quoted: "Prices of dairy products have risen in recent weeks to levels which, if maintained, would probably further stimulate milk production."

of 1,063 millions, which prevailed in September 1937. Demand deposits adjusted (to exclude Government and inter-bank deposits and items in process of collection) fell off slightly in the last week of the period. Investment portfolios were expanded somewhat, as holdings of Treasury bills rose. Other changes in assets and liabilities of these banks were of little significance.

Securities Markets—Bond market conditions during the latter part of November and the first few weeks of December remained practically unchanged from those of the past several months. Prices, particularly those of high-grade liens, continued firm and higher on a good volume of trading. New issues of corporate and municipal securities during November appeared in somewhat smaller volume than a month earlier, although large amounts of new municipal securities were issued in early December, motivated to some extent by current discussion of elimination of the tax-exemption feature on future securities of these types.

Most bond market interest over the current period was centered on the Treasury's issue in mid-December of 5-year $\frac{3}{4}$ per cent national defense notes. Income from these securities, under special provision of the Revenue Act of 1940, is taxable by the United States Government. The $\frac{3}{4}$ per cent coupon, higher than the current yield on similar tax-exempt notes outstanding, was intended as compensation for the lack of this feature. Subscriptions at par for the \$500 million issue totaled \$4,073 million. The notes went to a premium as soon as trading thereon commenced, placing them close to comparable tax-exempts, on a yield basis. In general, this was attributed to institutional demand, many investors, such as universities, religious bodies, etc., having no need for tax-exemption. Action on refunding of the \$545,000,000 of $3\frac{3}{8}$ per cent bonds, called as of March 15, 1941, has been deferred by the Treasury, pending more exhaustive examination by Congress of the whole question of tax-exemption on all types of future issues of Government securities. Meanwhile, the Treasury has been transferring indebtedness from under the regular \$45 billion limit to the special \$4 billion additional limit authorized by the Revenue Act of 1940, by issuing bills under the latter limit to replace maturities of approximately \$100,000,000 each week. By December 18, about \$600,000,000 of debt had been so transferred; these transfers give the Treasury more borrowing authority under the regular \$45 billion limit.

Currency Circulation—The accompanying chart, which indicates net outstanding liability of this bank by weeks for Federal Reserve notes, serves as an indicator of total currency circulation in the Seventh district. Total outstanding money in circulation in the United States is made up of about two thirds Federal Reserve notes and one third Treasury currency. The latter is difficult to estimate accurately for an individual Federal Reserve district, for which reason we portray graphically only the circulation of Federal Reserve notes. It will be seen that circulation has expanded considerably in recent years, and in mid-1940 surpassed the previous all-time high established in March 1933, at which time withdrawals for hoarding were sharply expanded, due to the banking crisis at that time. The current high level is attributed, in part, and only in part, to the smaller number of banks in existence today than in the 1920's, necessitating the carrying on of a larger proportion of the country's business by cash; more extensive imposition of service charges by banks on checking accounts, with the

MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average=100	Nov.	Oct.	Sept.	Nov.	Oct.	Sept.
	1940	1940	1940	1939	1939	1939
Manufacturing Industries:						
Durable Goods:						
Employment.....	126	123	117	109	108	102
Payrolls.....	148	144	133	117	118	106
Non-Durable Goods:						
Employment.....	105	107	107	100	101	102
Payrolls.....	111	112	111	108	110	108
Total:						
Employment.....	119	118	114	106	106	102
Payrolls.....	137	135	126	114	116	107
Pig Iron Production:*						
Illinois and Indiana.....	186	181	173	163	154	120
Automobile Production—(U. S.):						
Passenger Cars.....	156	161	86	109	96	62
Trucks.....	135	121	75	112	104	46
Casting Foundries Shipments:						
Steel—In Dollars.....	150	162	137	157	114	84
In Tons.....	137	145	116	150	102	74
Malleable—In Dollars.....	142	147	123	152	124	95
In Tons.....	132	135	114	145	117	90
Railroad Freight Loadings:*						
Originating in Chicago Industrial Area.....	123	121	125	116	118	114
Stores and Furnaces:						
Shipments.....	144	133	162	129	156	152
Furniture Manufacturing:						
Orders in Dollars.....	117	155	155	118	144	140
Shipments in Dollars.....	156	165	142	141	143	126
Paper Manufacturing:*						
Tonnage Production.....	111	114	107	126	124	113
Petroleum Refining—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Still.....	141	147	147	140	132	126
Gasoline Production.....	135	143	140	138	132	129
Bituminous Coal Production:*						
Illinois, Indiana, Iowa, and Michigan.....	130	96	110	122	125	100
Building Contracts Awarded:						
Residential.....	194	272	297	182	194	153
Total.....	173	171	176	121	114	167
Meat Packing—(U. S.):						
Production.....	144	134	105	128	116	106
Sales Tonnage.....	129	137	118	117	118	115
Sales in Dollars.....	104	110	107	97	107	110
Dairy Products:*						
Creamery Butter Production.....	77	93	104	83	88	100
American Cheese Production—(Wisconsin).....	79	103	116	71	100	108
Department Store Net Sales:*						
Chicago.....	124	111	112	113	111	104
Detroit.....	139	110	156	113	105	143
Indianapolis.....	143	128	137	122	126	119
Milwaukee.....	129	116	126	113	116	116
Other Cities.....	134	112	115	120	113	112
Seventh District—Unadjusted.....	130	112	125	114	111	116
Adjusted.....	118	107	113	104	106	106

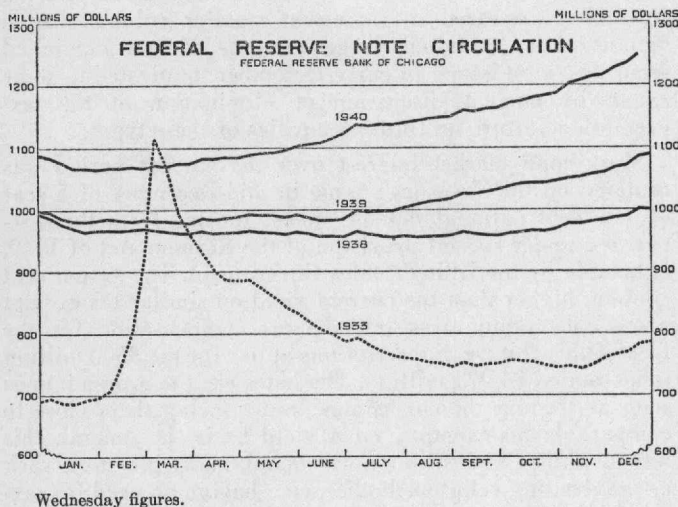
*Daily average basis.

Credit and Finance

Weekly Reporting Member Banks—During the four weeks ended December 18, total loans of weekly reporting member banks in the Seventh district established a new post-depression peak, surpassing the previous record high

same result; and the large number of relief and other Federal checks, which are almost always cashed immediately on receipt instead of being deposited in banks. The latest figure, as of December 13, shown on the chart, indicates circulation near the seasonal peak. After Christmas, it is expected that some recession will take place, as money which was used in connection with Christmas retail trade returns to the banks and is deposited by them at the Federal Reserve bank.

In addition to the expanding circulation of paper money, coins in circulation also have increased. A recent single shipment of new coin received at this bank from the Mint totaled \$1,850,000. This amount of coin weighs about 163 tons, and it took 7 cars to handle the shipment.



Current Events

New Member Banks

In late November and in the first few weeks of December, eleven State banks in the Seventh district joined the Federal Reserve System. These new members raise to 318 the number of State banks in this district belonging to the System, an increase of about one fifth so far in 1940.

The most recent new members, whose total resources approximate \$16,500,000 are:

Bank	Location
American Trust & Savings Bank	Dubuque, Iowa
Early Savings Bank	Early, Iowa
Union Trust Company	Greensburg, Indiana
Lake City Bank	Warsaw, Indiana
Milwaukee County Bank	West Allis, Wisconsin
First Old State Bank	Elkhart, Indiana
The Farmers and Merchants Bank	Boswell, Indiana
Plymouth State Bank of Plymouth	Plymouth, Illinois
The First Trust & Savings Bank	Aurelia, Iowa
The Farmers Bank of Mt. Pulaski	Mt. Pulaski, Illinois
State Bank of Harbor Beach	Harbor Beach, Michigan

Hodge Speaks Before Lions Club

On December 13, Mr. Paul C. Hodge, Assistant Counsel of the Federal Reserve Bank of Chicago, spoke before about fifty members and guests of the Evanston, Illinois, Lions Club. Mr. Hodge's subject was "Banking Problems and the Federal Reserve System."

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Dec. 18, 1940	Nov. 20, 1940	Dec. 20, 1939
Total bills and securities.....	\$250	\$-5	\$-26
U. S. Government securities direct and guaranteed:			
Bills.....	0	0	0
Notes.....	103	-1	-33
Bonds.....	146	-4	+8
Total Government securities.....	249	-5	-25
Total reserves.....	2,930	-59	+229
Member bank reserve deposits.....	1,745	-128	-21
All other deposits.....	165	+39	+59
Federal Reserve notes in circulation.....	1,248	+35	+162
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	92.7%	-0.3*	+1.4*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Dec. 18, 1940	Nov. 20, 1940	Dec. 20, 1939
ASSETS			
Loans and investments—total.....	\$3,631	\$+83	\$+494
Loans—total.....	1,077	+18	+140
Commercial, industrial, and agricultural loans.....	657	+8	+124
Open-market paper.....	36	-4	+2
Loans to brokers and dealers in securities.....	45	+8	-20
Other loans for purchasing or carrying securities.....	65	0	-11
Real estate loans.....	131	+3	+19
Loans to banks.....	1	+1	+1
Other loans.....	142	+2	+25
U. S. Treasury bills.....	318	+29	+258
U. S. Treasury notes.....	253	+14	-103
U. S. Treasury bonds.....	1,091	-1	+143
Obligations fully guaranteed by U. S. Government.....	276	+5	-30
Other securities.....	586	+18	+86
Cash reserves, other than items in process of collection.....	2,188	-71	+34
LIABILITIES			
Demand deposits—adjusted.....	2,969	-17	+291
Time deposits.....	999	+13	+51
Inter-bank deposits.....	1,352	+10	+151
U. S. Government deposits.....	136	-2	+2
Turnover velocity of demand deposits (annual rate)....	20.23	21.20	23.79

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	November 1940	Per Cent Change from November 1939	First Eleven Months of 1940	Per Cent Change from Same Period 1939
Chicago.....	\$3,073	+10.8	\$33,268	+6.8
Des Moines.....	99	+13.1	1,065	+4.2
Detroit.....	1,236	+33.0	11,213	+20.0
Fort Wayne.....	36	+ 8.1	365	+7.8
Grand Rapids.....	63	+10.8	645	+12.4
Indianapolis.....	233	+14.3	2,375	+10.5
Milwaukee.....	277	+16.1	2,971	+6.8
Peoria.....	74	+16.3	683	+12.5
South Bend.....	50	+35.8	486	+22.9
32 smaller cities.....	571	+12.1	5,821	+11.5
Total 41 cities.....	5,712	+15.8	58,892	+9.9

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS FEDERAL RESERVE BANK OF CHICAGO

ITEMS HANDLED	Average for Each Banking Day during	
	November 1940	November 1939
Commercial checks.....	552,000	514,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)..	2,464	2,317
Paper currency received and counted.....	1,190,000	1,188,000
Coins received and counted.....	242,000	412,000
Wire and other transfers of funds (Inter-and intra-district)	518	498
Securities in and out of safekeeping.....	959	1,130
Coupons cut from securities in safekeeping.....	3,500	2,026
DOLLAR AMOUNTS		
Commercial checks.....	\$119,000,000	\$102,000,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)..	2,970,000	2,713,000
Paper currency received and counted.....	5,155,000	4,737,000
Coins received and counted.....	55,000	53,000
Wire and other transfers of funds (Inter-and intra-district)	83,000,000	65,000,000
Securities in and out of safekeeping.....	7,119,000	11,950,000
Value of securities held in safekeeping at end of month....	907,000,000	848,000,000

National Defense Activities

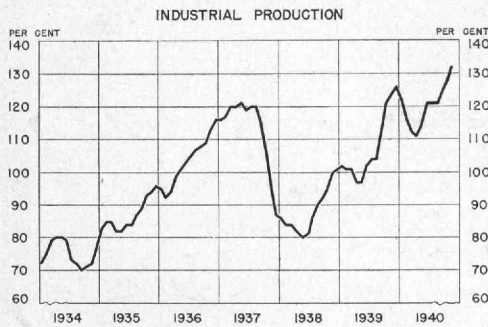
Under date of November 18 all banking institutions in the Seventh Federal Reserve district were advised by letter of the desire of this bank to assist business men and bankers with respect to the procedure to be followed in obtaining Government contracts and sub-contracts, and to advise them as to means of obtaining needed credit. By the use of the services of the Federal Reserve banks and their branches in their own trade territories, it is hoped that the convenience of small business enterprises throughout the country will be greatly facilitated and that business men will find it unnecessary to make trips to Washington to obtain information with respect to defense contracts.

Every effort is being made to encourage the use of the customary banking channels to finance the credit needs of the smaller business enterprises. To obtain needed information with respect to facilities of smaller business enterprises that are available for defense purposes, the banking institutions were asked to cooperate in obtaining the data called for in a questionnaire entitled "Facilities for Defense Supplies." The banking institutions of this district have generally responded in a very satisfactory manner. Questionnaires have been received in connection with 857 smaller enterprises that have not previously received invitations to bid. Copies of these questionnaires have been forwarded to the appropriate Governmental agencies in Washington in an endeavor to have the names of such firms placed on the proper mailing lists to receive invitations to bid when products of the type that they are in a position to furnish are required. Additional copies of questionnaires will be forwarded promptly to any banks that have further use for them.

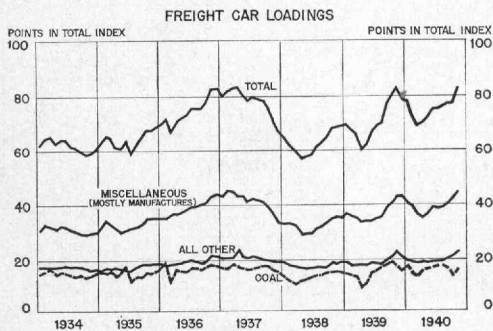
As the National Defense Program contemplates the placement in the near future of additional orders in substantial volume, it is desirable that information relative to all available plant facilities be on record for the guidance of the various procurement offices.

National Summary of Business Conditions

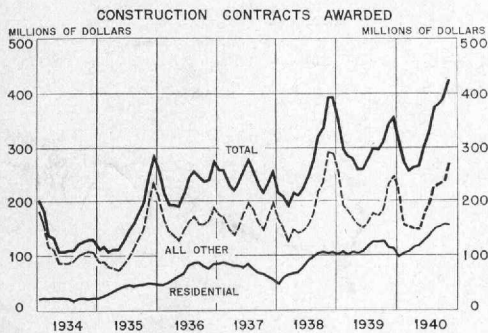
(By the Board of Governors of the Federal Reserve System)



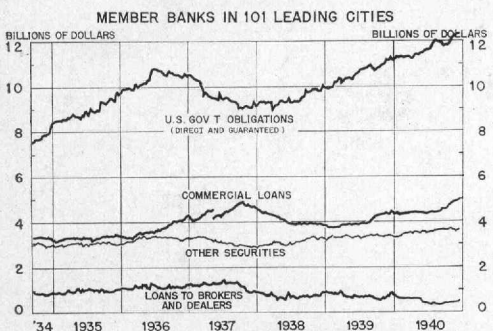
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to November 1940.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January 1934 to November 1940.



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



Wednesday figures, September 5, 1934, to December 11, 1940. Commercial loans based on new classification beginning May 19, 1937.

INDUSTRIAL activity continued at a high rate in November and the first half of December and distribution of commodities increased considerably. Commodity prices generally showed little change following earlier advances.

Production—Volume of industrial production, which usually declines at this season, showed little change from October to November, and the Board's seasonally adjusted index rose 3 points further to 132 per cent of the 1935-1939 average.

Reflecting work on a large volume of orders for national defense purposes and for civilian needs, activity in the machinery and textile industries continued to increase sharply. At machinery plants and at cotton textile mills activity reached new high levels and at woolen mills output was close to the previous peak reached early in 1937.

Steel ingot production, which had been at about 94 per cent of capacity in October, increased somewhat further in November and the first half of December. Automobile production continued in unusually large volume, amounting in November to around 500,000 cars and trucks. Retail sales of new cars have been large this autumn and production has been maintained at high levels in order to supply this demand and to build up dealers' stocks. Lumber production declined less than seasonally from October to November. New orders for lumber continued somewhat above the current rate of production although below the high level of the three preceding months when large orders were placed for cantonment construction. Lumber stocks at mills continued to decline and were smaller than at any time in recent years. Bituminous coal production increased considerably in November, following a sharp decline in the previous month, while output of crude petroleum was maintained at about the October rate. Production of most metals continued in large volume.

Value of total construction contract awards declined less than seasonally in November. In the 37 eastern States for which F. W. Dodge Corporation data are available total contracts showed little change; awards for public construction increased further and those for private work declined by somewhat less than the usual seasonal amount. In the far western States contract awards showed a decline from the unusually high level reached in October.

Distribution—Distribution of commodities to consumers increased considerably in November. Sales at department stores and mail-order houses rose sharply, while variety store sales increased by about the usual seasonal amount. In the first half of December there was the customary large expansion in retail sales.

Total freight-car loadings showed considerably less than the usual seasonal decline in November and the early part of December. Loadings of coal, which had been curtailed in October, increased sharply and shipments of ore and of miscellaneous merchandise declined much less than is usual at this time of the year.

Wholesale Commodity Prices—Prices of basic commodities, which had risen substantially since August, generally showed little change from the middle of November to the middle of December. Prices of a few imported commodities, particularly cocoa, burlap, and shellac, increased considerably and there were small advances in steel scrap and some other domestic commodities, while moderate declines were reported for such varied commodities as lead, grains, and lard.

Bank Credit—Total loans and investments at reporting member banks in 101 leading cities have increased sharply since the beginning of October. Commercial loans continued to increase in November and the first half of December, and holdings of United States Government obligations at New York City banks rose sharply. Principally as a result of the expansion of bank loans and investments, Government expenditures, and foreign disbursements financed by additional gold imports, bank deposits increased to new high levels. At the same time there has been a considerable increase in currency in circulation partly in response to seasonal trade demands.

United States Government Security Prices—Prices of United States Government securities continued to rise during the latter half of November and the early part of December, and the 1960-65 bonds advanced to successive new high levels, with a peak of about 111½ on December 10. The yield on this issue declined to a low point of 2.03 per cent on the latter date, but increased slightly toward the middle of the month, reflecting some easing in prices.