

# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

FEDERAL RESERVE BANK  
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FEDERAL RESERVE BANK OF CHICAGO

## THIS MONTH

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## **Chicago Federal Reserve Bank Building**

The building which houses the Federal Reserve Bank of Chicago, and is owned by the Bank, is one of the city's fine examples of modern adaptation of classic Greek architecture to the needs of business.

A feeling of strength and dignity is expressed in the simplicity of its lines giving true expression to the power and purpose of the institution it houses. While carrying out this architectural motif, the proper accents were given by careful placement of Greek and Roman ornamentations.

The most noticeable characteristic of the building is an order of architecture, rising sixty-five feet from the base, consisting of a Corinthian colonnade, surmounted by an attic. The main entrance on La Salle Street featured by Corinthian columns crowned by a triangular pediment is further emphasized by being projected from the face of the building.

Corinthian pilasters, repeating this classic embellishment, extend from the fourteenth floor level to the cornice which rises to a height of 217 feet above the sidewalk. The building, which was completed in 1922, has fifteen stories and three basements. It was reinforced in anticipation of future needs and can be extended three additional stories to the building limit of 260 feet.

The main banking room, located on the second floor, is of Greek Doric style. It is reached by an open staircase ascending from the ground floor lobby.

## District Summary of Business Conditions

**SEVENTH** district industrial activity has continued at the high pace set in the earlier winter months. Effects of the national defense program are becoming increasingly felt, as substantial segments of industrial capacity are being devoted to defense needs. A few phases of business have shown declines, generally minor and of a seasonal character. Bolstered by the substantially higher level of consumer incomes, retail trade has been exceptionally good for the season.

**Industry**—In January there is usually a sharp decline in total employment and payrolls due to letdowns following the holiday season. This year declines were evidenced in non-durable goods industries and in non-manufacturing businesses, such as merchandising and construction. However, employment in durable goods industries was maintained at about the high level reached in December. For manufacturing industries as a whole, the level of employment in January was 14 per cent greater than last year; manufacturing payrolls showed a year-to-year increase of 21 per cent.

Recent months have shown practically record output in the steel industry. With all products in substantial demand, ingot capacity continues strained, and there has been no easing in the rate of operations except for necessary repairs. Delivery schedules on steel products continue to lengthen. There was a further gain in January in new business at district steel and malleable casting plants, and these orders booked were substantially heavier than last year. Seasonal trends were shown for the month by reporting stove manufacturers in the district; the volume of new orders was up considerably and shipments declined somewhat. Manufacture of automobiles has been maintained at record levels for the season, reflecting a desire to build up field stocks as well as a strong retail demand. Dealer stocks are by now exceptionally large.

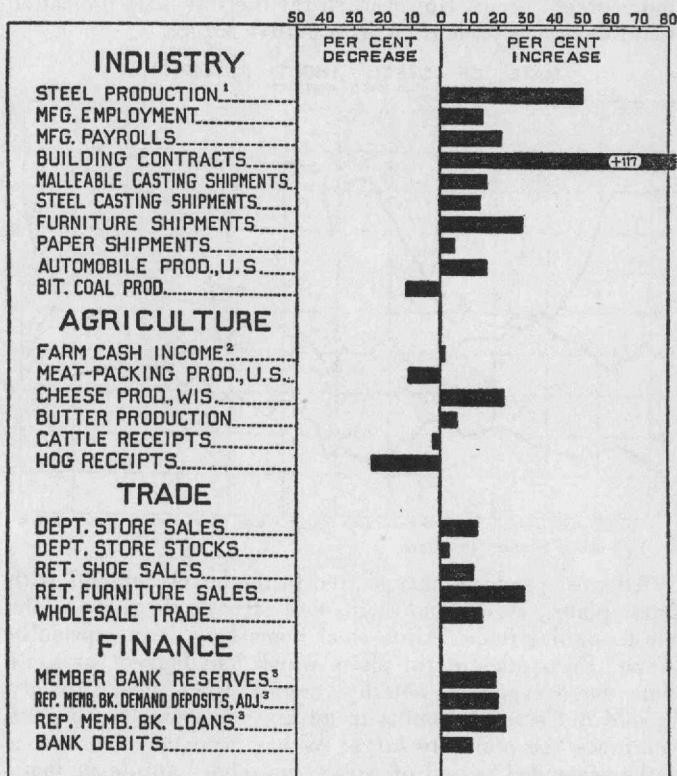
Although volume of residential awards declined slightly in January, there was a counterseasonal increase of 8 per cent in total construction contracts awarded which were more than twice as heavy as a year earlier in the month. District furniture manufacturers report a sharp seasonal gain in volume of new orders because of the January furniture shows; this volume was about 30 per cent heavier than last January. Paper mills in the district also showed sizable gains in new business for the period, and output likewise increased. Bituminous coal production in the area declined somewhat in January, while operations at petroleum refineries continued at about the December level.

**Agriculture**—Price trends of major district farm commodities have been mixed, although the general tendency in agricultural markets has been one of hesitation and some weakness. Grain prices declined in late January and early February, but then showed some recovery. Dairy products have been weak; livestock has held up fairly well. There has been an exceptionally heavy production of dairy products for the season, and supplies are much larger than usual. Meat-packing production in January declined, following several months of very high output.

**Trade**—Volume of consumer buying has continued exceptionally good. District department store sales showed a 10 per cent gain over last year in January, and reports from the larger stores for the first two weeks of February indicate an increase of 18 per cent over a year earlier. Stores in the City of Detroit continued to make relatively the best showing of the major cities in the district. Trade of apparel stores increased 14 per cent in January over the first month of 1940. Sales of shoes at retail recorded close to the same gain, and those of furniture and housefurnishings were as much as 30 per cent higher than a year ago. District wholesale trade during January totaled 14 per cent greater than last January. Inventories of both department stores and wholesalers at the end of January were somewhat greater than year-earlier levels.

**Credit and Finance**—Investments at weekly reporting member banks in the Seventh district increased 76 million dollars in the five weeks ending February 19, reflecting additions to portfolios of Government bonds as well as other securities. Loan volume increased by 19 million dollars, and demand deposits moved further into new high ground. Currency circulation has increased. Prices of high-grade bonds, including Government securities, have declined considerably.

### SEVENTH DISTRICT BUSINESS ACTIVITY JANUARY 1941 COMPARED WITH JANUARY 1940

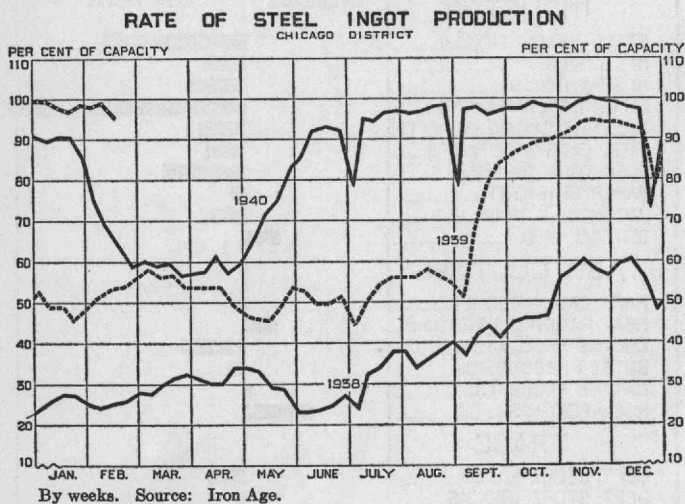


1. Ingot rate, Chicago district, week ending February 22. 2. December data.  
3. As of February 19.

## Industrial Activity

**Defense Contracts**—The Army and Navy under the defense program awarded close to \$700,000,000 in contracts during January, and additional awards by the Federal Works and Security agencies raised this total to about \$735,000,000. A large proportion of the latter amount, \$175,000,000, was allotted to the Seventh district, thereby raising the ratio of defense projects in this area to those of the country as a whole from an average of 9 per cent prevailing at the close of 1940 to 10 per cent for the entire period of the defense program to date. One of the larger contracts awarded in January was for the construction of plant facilities to manufacture airplane engines, at a cost of about \$50,000,000. Data so far available for the month of February indicate a continued heavy volume of defense contracts being assigned to this district with a further slight rise in the ratio of the district volume to that of the country as a whole.

**Steel and Steel Products**—The steadily increasing flow of defense business into this section of the country and a sustained high level of demand from a wide variety of domestic sources resulted in January being practically a record-breaking month in the steel industry of the Chicago area; and no letdown in activity was apparent in February. Capacity operations continue to be maintained, although in the third week of February steel ingot output was lowered to 95½ per cent of capacity, owing to a blooming-mill breakdown. New orders are still coming in well ahead of the volume of shipments, thus further augmenting backlogs and lengthening delivery dates. In some instances, shipments cannot be made for 40 weeks or more, while 10 weeks is about the best delivery promised on a number of items. As the problem of supplying the demand for steel becomes greater, it is reported that producers are scanning incoming orders rather carefully with a view to supplying first the more urgent needs. However, so far there is little indication that buying has been of any speculative nature.



All steel products have shared in the heavy demand, with bars, plates, sheets and strip, and structurals perhaps the most popular items. Alloy steel items have been especially active. Even sales of tin plate, which had lagged for some time, have expanded notably. Semi-finished steel capacity is sold out several months in advance. Warehouse business continues exceptionally large. As has been the case over a rather extended period of weeks, household appliance manufacturers, agricultural implement makers, forgers, builders of heavy machinery, and the automotive industry are

among the most active users of steel. Also, railroad buying, especially of car steel, has been large. Defense program construction is mostly responsible for the currently high level of activity in structural steel. The consumption of scrap iron and steel is heavy, and supplies are becoming rather limited.

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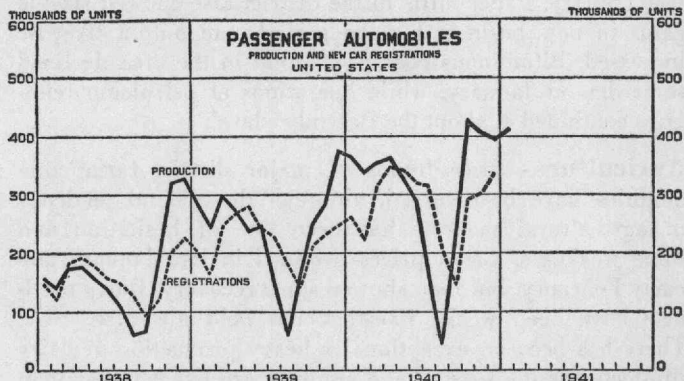
The volume of new orders received by steel and malleable casting foundries of the Seventh district continued to expand in January and was decidedly above that of the first month of 1940 when incoming business was pursuing a downward trend. Foundry operations, though accelerated considerably during the current month, and shipments of both steel and malleable castings remained much lighter than the amount of new orders booked.

### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	January 1941 Per Cent Change from	
	December 1940	January 1940
<b>Steel Castings:</b>		
Orders booked (tons).....	+37	+108
Orders booked (dollars).....	+28	+106
Shipments (tons).....	+6	+13
Shipments (dollars).....	+5	+18
Production (tons).....	+19	+28
<b>Malleable Castings:</b>		
Orders booked (tons).....	+6	+120
Orders booked (dollars).....	+9	+119
Shipments (tons).....	-4	+16
Shipments (dollars).....	-1	+17
Production (tons).....	+15	+20

**Automobiles**—The desire of both automobile manufacturers and dealers to build up field stocks of cars in view of a possible curtailment of output, necessitated by work on defense business, later in the year or in 1942, as well as a strong retail demand, has caused production of automobiles to be maintained at record levels for the season. Any great reduction in the rate of output is still a matter of uncertainty. There were 411,258 passenger cars and 89,673 trucks manufactured in the United States during January. These volumes represent increases of 4 and 3 per cent, respectively, over December—a trend which is contrary to seasonal—and gains of 13 and 29 per cent over January 1940. February output likewise was held at a high level, although because of the fewer number of working days in the month, some decline from January may be recorded. The manufacture of automobiles in both January and February this year was the largest in history for those periods, which was also the case in each of the last three months of 1940.

As a result of this continued heavy output, dealers' stocks have been built up to an exceptionally high volume. In fact, there has been evidence of some warehousing of cars by



Number of new automobiles produced and registered each month in the United States. Production, January 1941; Registrations, December 1940. Sources: Production, United States Department of Commerce; Registrations, R. L. Polk & Company.

manufacturers and dealers as well. Not only are automobile producers building up stocks of finished cars but a surplus of parts also is indicated as being developed. There is concern over a shortage of materials, particularly metals, as difficulties already have been encountered in obtaining brass, copper, and zinc.

Partly because the ultimate consumer of automobiles is endeavoring to protect himself from possible future shortages of cars, retail sales have held to high levels. Other important factors in the strong retail demand have been increased purchasing power, excellent weather for the season prevailing in January and the first half of February, and apprehension as to possible rising prices. The recent introduction of additional 1941 models may likewise be having some influence on current sales volumes. Although field stocks of used cars have been heavy, in line with the huge volume of new-car inventories, such cars have been moving at a satisfactory rate.

Sales of new automobiles during January in the Seventh district were slightly under the December volume, according to data from reporting dealers, but numbered close to 50 per cent greater than in January last year. Stocks continued to be built up further by 15 per cent between the close of 1940 and the end of January; they were one fourth higher than on January 31 a year ago. Used-car sales in the district expanded 12 per cent in January over the preceding month and exceeded those of the month last year by 30 per cent. Inventories of used cars showed a small rise in the current period and were a little better than one fifth higher in number than a year earlier.

**Building**—January, normally a month of substantial decline in the value of contracts awarded for construction work, recorded an increase this year over December of 8 per cent in the Seventh district area. The country as a whole followed the usual downtrend with a contraction of 33 per cent. A loss in the support afforded by the expenditure of public funds accounted for practically all of this decline, as private construction in the country as a whole was within 2 per cent of the December volume. Building under both private and public ownership in the district increased, by 9 and 11 per cent, respectively, over the preceding month. Residential building experienced the usual seasonal recession, while public works projects and non-residential building expanded sharply, the latter increasing \$5,000,000, or around 30 per cent, owing mainly to the requirements of greater industrial activity. Comparisons with year-ago volumes show increases in all types of construction awards; the gain in heavy engineering projects amounted to approximately 60 per cent, and that in residential building to 80 per cent, while non-residential awards were almost four times as large as those of a year earlier.

**BUILDING CONTRACTS AWARDED  
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
January 1941.....	\$51,792,000	\$16,900,000
Change from December 1940.....	+8.0%	-14.3%
Change from January 1940.....	+116.8%	+79.0%

Data furnished by the F. W. Dodge Corporation.

Demand for building materials declined in January after a heavier than seasonal movement during December. Lumber sales at retail, though still markedly higher than a year ago, were one third lower than a month previous. Brick shipments declined much less this January than last, owing to

more favorable weather conditions. The increase over last January's volume was variously reported as ranging from 25 to 45 per cent. Cement shipments fell off seasonally in January by about 7 per cent, as against an average December-to-January decline of 20 per cent in the ten preceding years; the January volume was one and one-third again as large as in the same month last year. Wholesale prices of building materials have held at a steady level since the close of 1940 and in early February were still about 7 per cent higher than at the same time a year ago.

**Furniture**—In reflection of the furniture marts held during January, orders booked in the month by Seventh district furniture manufacturers rose 70 per cent over the December volume. Furthermore, such orders exceeded those of the same 1940 month by a full 30 per cent. As is usual in the period, factory shipments of furniture continued a declining trend through January, totaling 13 per cent under those of a month previous, but they, likewise, were larger by 30 per cent than a year ago. Because of the heavy volume of incoming business, unfilled orders on hand at the end of January recorded a 40 per cent rise over the beginning of the month. Reporting furniture factories operated at an average of 78 per cent of capacity in January, which rate represents a slight reduction from the December average but is 8 points higher than that prevailing in the same 1940 period.

**Paper and Pulp**—Following declines during December in volume of new business at district paper mills, incoming orders advanced sharply in January. Shipments rose further, and production also gained, after declining slightly in the preceding month.

**PAPER AND PULP INDUSTRY  
SEVENTH DISTRICT**

	January 1941 Per Cent change from December 1940	
	December 1940	January 1941
<b>Paper:</b>		
Orders booked (tons).....	+28	+35
Orders booked (dollars).....	+13	+25
Shipments (tons).....	+6	+4
Shipments (dollars).....	+6	+6
Production.....	+17	+9
Stocks at end of month (tons).....	-1	+15
<b>Pulp:</b>		
Production (tons).....	+10	+6
Stock at end of month (tons).....	-16	+8

**Bituminous Coal Production**—Bituminous coal production in Illinois and Indiana aggregated close to 72 million net tons during the year 1940. This amount was 7 per cent greater than for 1939 but slightly below the high volume of 1937. Contrary to the normal seasonal trend, which indicates a steady maintenance of production in January, daily average output of coal in the area for the month this year fell off almost 7 per cent from the December level. As compared with the corresponding period a year ago, there was likewise a decline, amounting in this case to about 12 per cent.

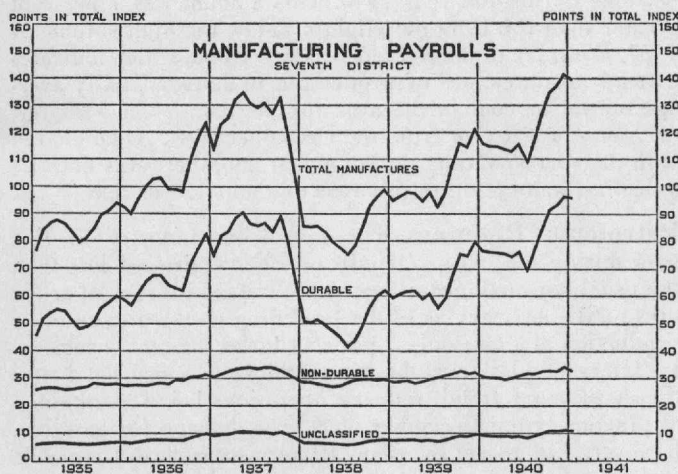
**Petroleum Refining**—The petroleum industry in this area during the closing month of 1940 registered less than the usual seasonal curtailment in activity, with runs of crude oil to stills as heavy as in the preceding month and gasoline production at a rate only 2 per cent lower than in November. In January, similarly, there was shown a somewhat better than customary trend, refinery operations being maintained at practically the December level. The demand for gasoline, however, diminished by about 10 per cent each in December and January, and stocks accumulated in about the same proportion. Both production and sales of gasoline during the year 1940 as a whole were higher than in 1939 by approximately 15 per cent.

## Employment and Payrolls

The usual seasonal factors that are operative between December 15 and January 15 were responsible for the definitely downward trend over the period this year in Seventh district employment and payrolls. Overhauling of plants and machinery, inventory-taking, and the regular declines in those industries that have been especially active during December due to the demands of the holiday trade, are among the retarding factors in employment during January of each year. However, this January the durable goods industries recorded the most favorable trend for the period since 1935, and the non-durable goods since 1937. Declines in employment and payrolls of non-manufacturing industries were in line with those of the past three years, though heavier than any previously recorded, and came principally in the merchandising and construction industries.

Among the durable goods industries, the increases recorded during January in employment and payrolls of the metals group were contrary to seasonal trend and represented the ninth consecutive monthly advance. This group in mid-January was employing 20 per cent more workers and paying out 30 per cent more in wages than at the same time last year. The vehicles group increased payrolls very slightly over December; employment was 17 per cent and wage payments 19 per cent higher than a year ago. In stone-clay-and-glass products, where there was a less than seasonal decline in January, the number of workers and wage payments exceeded those of a year earlier by 13 and 27 per cent, respectively, while in wood products gains of 7 and 14 per cent were registered in the comparison with 1940.

All reporting non-durable goods industries reduced payrolls during the January-to-December period, and in most groups of this classification employment also declined. The sharpest decrease over the period, and one greatly in excess of seasonal expectation, took place in food products. The January gains over a year earlier for non-durable goods as a whole amounted to about 6 per cent in employment and 7 per cent in payrolls, or to considerably less than for durable goods in which they aggregated as much as 18 and 26 per cent, respectively. The increases in total manufacturing over last January were 14 per cent in number of wage earners and 21 per cent in payrolls.



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.

## EMPLOYMENT AND PAYROLLS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of January 15, 1941			Per Cent Change from Dec. 15, 1940	
	No. of Reporting Firms	No. of Employees	Wage Payments ('000 Omitted)	No. of Employees	Wage Payments
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,006	513,953	\$16,712	+ 1.4	+ 0.5
Vehicles.....	405	423,954	15,812	+ 0.5	+ 0.1
Stone, Clay, and Glass.....	243	17,986	472	- 3.3	- 3.7
Wood Products.....	431	49,830	1,120	+ 3.4	- 8.8
Total.....	2,780	1,005,723	33,916	+ 0.7	- 0.1
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	371	64,077	1,270	- 2.4	- 4.2
Food and Products.....	996	105,211	2,786	- 8.4	- 9.7
Chemical Products.....	301	36,812	1,145	- 0.2	- 1.6
Leather Products.....	166	28,071	627	0.9	- 4.0
Rubber Products.....	32	22,328	678	+ 0.2	- 4.2
Paper and Printing.....	672	79,446	2,421	+ 0.8	- 0.7
Total.....	2,538	335,945	8,927	- 3.1	- 4.8
<b>Total Mfg., 10 Groups.....</b>	<b>5,318</b>	<b>1,341,668</b>	<b>42,843</b>	<b>- 0.3</b>	<b>- 1.1</b>
Merchandising.....	5,054	137,501	3,129	-18.5	-16.8
Public Utilities.....	1,119	98,686	3,345	- 0.6	- 1.2
Coal Mining.....	50	8,933	273	- 1.4	- 4.1
Construction.....	710	10,232	350	-12.7	-16.5
<b>Total Non-Mfg., 4 Groups.....</b>	<b>6,933</b>	<b>255,352</b>	<b>7,097</b>	<b>-11.6</b>	<b>- 9.6</b>
<b>Total, 14 Groups.....</b>	<b>12,251</b>	<b>1,597,020</b>	<b>\$49,940</b>	<b>- 2.3</b>	<b>- 2.4</b>

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

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

## Trade Trends

**Department Stores**—Volume of Seventh district department store trade this January was exceptionally good for the month and exceeded that of January a year ago by 10 per cent, as against a 6 per cent increase shown in the year-to-year comparison for December. The favorable trend continued into February, with business during the first two weeks of the month 18 per cent above the corresponding 1940 period. In January, Detroit department store trade recorded the largest gain over a year earlier of the four major cities in this area, which was the case also in the first half of February. Contributing factors to the currently excellent volume of retail business have been favorable weather for the season and increasing consumer purchasing power. Department store inventories on January 31 are indicated as having been about 3 per cent higher than a year earlier.

### DEPARTMENT STORE TRADE IN JANUARY 1941

Locality	January 1941 Compared with January 1940 (Per Cent Change)	
	Net Sales	Stocks End of Month
Chicago.....	+ 6	+ 3
Peoria.....	+16	..
Fort Wayne.....	+24	..
Indianapolis.....	+16	+ 5
Des Moines.....	+ 2	..
Sioux City.....	+ 3	..
Detroit.....	+17	..
Flint.....	+14	..
Grand Rapids.....	- 2	..
Lansing.....	- 6	..
Milwaukee.....	+12	+ 2
Other Cities.....	+12	+ 6
<b>7th District.....</b>	<b>+10</b>	<b>+ 3</b>

**Miscellaneous Retail Trade**—Business of reporting apparel stores in this district was 14 per cent better this January than for the month last year. Stocks of such stores at the close of the period showed an increase of 7 per cent over those on January 31, 1940.

Sales of shoes at retail by dealers and department stores in the area totaled 11 per cent larger during January this

year than in the same 1940 month; the increase in December over a year ago was only 5 per cent. Data on retail stocks of shoes held by department stores are not available, but dealer inventories were considerably lighter on January 31 than a year earlier.

The trend in the retail furniture trade of the Seventh district continues very favorable. Business throughout 1940 had been much better than the 1939 volume, and the first month of 1941 recorded an even greater rise over the year-earlier month. Sales of furniture and housefurnishings by dealers and department stores exceeded those of January 1940 by almost 30 per cent—by far the largest gain in the year-to-year comparison since the early part of 1937. Such sales by dealers gained to a greater extent over a year ago than did those by department stores.

#### SALES OF INDEPENDENT RETAIL STORES

(As compiled by the Bureau of the Census)

	Per Cent Change January 1941 from January 1940				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*	+11	+16	+11	+17	+ 8
Apparel Group	+ 2	+14	+ 9	+13	+ 9
Drug Stores	+ 4	+10	+ 8	+13	+ 7
Eating and Drinking Places	+ 7	+11	+13	+15	+ 7
Food Group	+ 3	+ 9	+ 2	+ 7	+ 2
Furniture-Household-Radio Group	+25	+26	+22	+36	+35
Hardware Stores	+ 8	+12	+10	+17	+ 6
Jewelry Stores	+22	+37	+ 6	+26	+20
Lumber and Building Materials	+26	+32	+17	+35	+ 6
Motor Vehicle Dealers	+29	+31	+30	+36	+37

\*Includes classifications other than those listed.

**Wholesale Trade**—As was the case in the closing month of 1940, the dollar volume of goods sold at wholesale by Seventh district firms was substantially greater in January than in the same month a year earlier. Business of all groups reporting to the Bureau of the Census totaled 14 per cent above that done in January 1940. The majority of wholesale lines were carrying somewhat heavier inventories at the end of January than a year ago, and, for the district as a whole, stocks showed a 5 per cent increase in this comparison.

#### WHOLESALE TRADE IN JANUARY 1941

Commodity	January 1941 Compared with January 1940 (Per Cent Change)	
	Net Sales	Stocks End of Month
Drugs and Drug Sundries	+ 2	- 4
Electrical Goods	+29	+12
Groceries	+11	+ 6
Hardware	+20	+ 4
Jewelry	+67	+18
Meats and Meat Products	+ 3	- 8
Paper and Its Products	+ 9	+ 1
Tobacco and Its Products	+ 2	0
Miscellaneous	+14	+ 6

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

## The Agricultural Situation

**Grain Marketing**—Domestic wheat prices in late January and most of February drifted rather steadily downward from the season's high reached in early January. Trading activity has been unusually light, and speculation in wheat has been retarded by weakness in surrounding markets, particularly in securities. By February 18, cash wheat quotations had declined about 9 cents from January highs; subsequently prices recovered a considerable part of their losses. Heightening tension in the international situation, added to general uncertainty regarding the proposed certificate plan for domestic wheat, contributed to the reaction, as regular news developments were for the most part ignored. Current prospects for the 1941 winter wheat crop continue excellent, and the spring wheat territories of the Northwest approach the

new season with moisture conditions generally good. The 1941 wheat crop outlook for continental Europe has become increasingly pessimistic and the estimate for the Australian crop has been revised downward.

Government authorities report little improvement in the outlook for disposal of wheat through export channels, and that the excessive accumulation of surpluses together with prospects for heavy production may necessitate a referendum on marketing quotas among wheat producers. The Department of Agriculture has revised slightly downward its estimate of the July 1, 1941 stocks. It is expected that a large part of the anticipated carry-over of about 385 million bushels will be held by the Commodity Credit Corporation.

Corn prices at Chicago ruled firm through the first three weeks of January; subsequently they declined, largely in sympathy with weakness in other markets, particularly in wheat. There was little pressure on the cash market, and, although hog prices reacted some from mid-January highs, the hog-corn ratio has continued decidedly favorable to feeding operations, and farmers have held their corn closely, showing comparative indifference to the opportunity for Government loans. The Bureau of Agricultural Economics expects the hog-corn ratio to remain higher than last year throughout 1941, but also forecasts a smaller disappearance of corn because of feeding of other grains. Corn-belt farmers have been advised of the possible necessity of a marketing referendum this year.

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

(In thousands of bushels)

	January 1941	December 1940	January 1940	January 1931-40 Avg.
<b>Wheat:</b>				
Receipts	10,342	8,918	9,370	12,124
Shipments	10,052	9,352	8,807	10,091
<b>Corn:</b>				
Receipts	16,434	20,363	12,660	15,042
Shipments	9,009	10,406	8,281	8,917
<b>Oats:</b>				
Receipts	3,515	5,385	4,381	4,681
Shipments	3,367	3,784	5,190	4,611

**Livestock and Meat Packing**—Following the sharp advance in late December and the first half of January, hog prices reacted somewhat in late January and early February. However, prices remain well above those of early winter and about \$2.50 per hundredweight higher at Chicago than last year. Since corn prices continue only a little changed, the feeding ratio remains highly favorable. There has been a sharp seasonal decrease in hog marketings since December, and the seasonal increase in marketings during the late spring and summer is expected to be less than usual because of the lighter 1940 fall pig crop.

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
<b>Yards in Seventh District:</b>				
January 1941	203	743	248	62
January 1940	208	991	285	76
<b>Federally Inspected Slaughter, United States:</b>				
January 1941	891	4,517	1,625	411
December 1940	858	6,063	1,416	437
January 1940	827	5,356	1,598	416

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended	Months of	
	Feb. 22, 1941	Jan. 1941	Jan. 1940
Native Beef Steers (average)	\$11.30	\$11.95	\$12.00
Fat Cows and Heifers	8.85	8.95	8.20
Calves	11.50	11.00	9.75
Hogs (bulk of sales)	7.75	7.75	6.30
Lambs	10.85	10.30	9.35

Slaughter of hogs during January decreased markedly and was lower than last year, while inspected cattle slaughter increased 4 per cent and was 8 per cent higher than in January 1940. A sharp expansion in slaughter supplies of sheep and lambs took place during the month.

From the all-time high attained in December 1940, packing-house commodity production in the United States dropped 14 per cent in January to the lowest level since last September. There was, however, some further accumulation of inventories over the period, even though tonnage sold recovered part of the decline shown in December. Dollar sales, under the influence of generally higher prices for animal products than a month earlier, expanded to a greater extent than did sales tonnage during January.

**MEAT PACKING—UNITED STATES**

	Per Cent Change in January 1941 from		
	December 1940	January 1940	January 1931-40 Avg.
Tonnage produced.....	-14.4	-10.5	+ 4.9
Tonnage sold.....	+ 4.9	- 6.2	+ 8.7
Dollar sales.....	+ 9.8	+15.2	+32.7
Inventories, end of month.....	+ 8.2	+28.9	+37.2

**Dairy Products**—Milk production and output of dairy products have continued at unusually high levels. Reflecting fairly mild weather and extra-liberal feeding, milk produced per cow was substantially above average on February 1 in all States of the district. In the country as a whole milk production for January was between 12 and 13 per cent above the 5-year average for the month and even higher than the average for March. This was reflected in a heavy output of manufactured dairy products, butter production being up 8 per cent and that of American cheese up 16 per cent over a year earlier. Net movement of dairy products out of storage was much lower than average during January, due to heavy production, and cheese stocks as of February 1 were especially heavy. Cash butter prices have held up fairly well in

face of heavy supplies; quotations for future deliveries have weakened, and the D.P.M.A. has purchased substantial quantities since mid-February. Cheese prices declined about one cent from mid-January to mid-February and have since weakened further. The Department of Agriculture points out that production has seldom continued long as much above normal as it was in January, since conditions favorable to feeding have soon been undermined by pressure of increased supplies.

In the Seventh district butter production for January was up about 5 per cent over last year, and output of American cheese in Wisconsin increased by almost 22 per cent.

**LIVESTOCK ON FARMS, JANUARY 1**

	Seventh District*			United States		
	Jan. 1, 1941	Jan. 1, 1940	Average 1930-39	Jan. 1, 1941	Jan. 1, 1940	Average 1930-39
Horses and Colts.....	2,486	2,598	2,982	10,364	10,602	12,083
Mules and Mule Colts.....	220	228	281	4,238	4,309	4,868
All Cattle and Calves.....	15,259	14,498	13,231	71,666	68,801	67,041
Cows and Heifers, two years old and over, kept for milk..	6,716	6,582	6,427	25,917	25,397	25,104
Yearling Heifers kept for milk.	1,424	1,378	1,235	5,545	5,434	5,019
Heifer Calves for milk cows...	1,587	1,523	1,340	5,929	5,783	5,425
All Sheep and Lambs.....	5,629	5,405	5,116	55,880	54,549	52,878
Hogs, including Pigs.....	20,803	23,303	18,350	52,983	60,207	50,871
Chickens.....	96,634	99,363	99,619	413,934	429,042	424,414
Turkeys.....	706	901	435	7,030	8,567	5,964

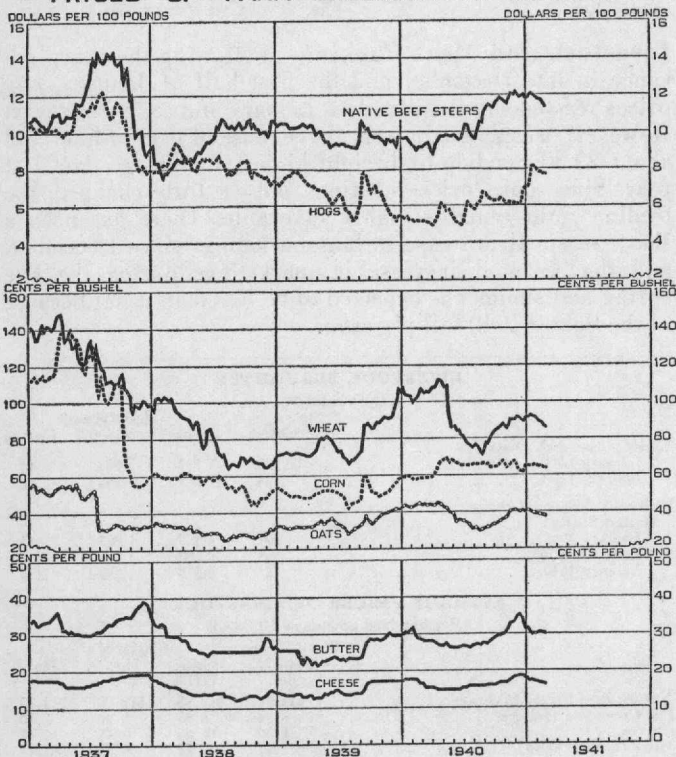
\*Total for Illinois, Indiana, Iowa, Michigan, and Wisconsin.

**Credit and Finance**

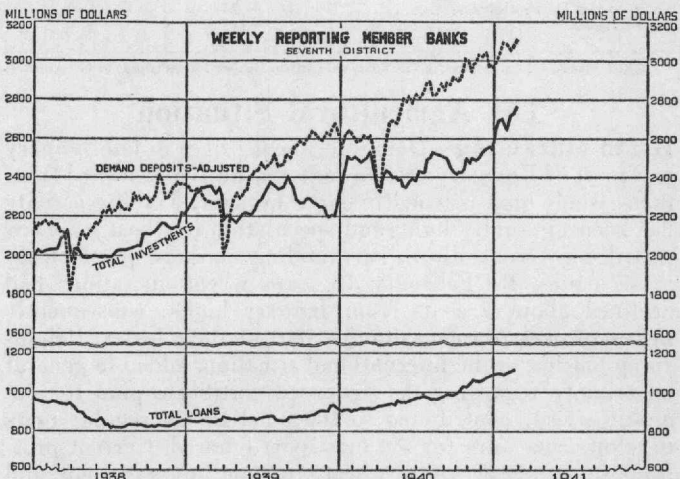
**Member Bank Reserves**—The gain in currency circulation plus Treasury financing caused excess reserves of member banks in the country to recede sharply in the week of February 5. Excess reserves fell \$590,000,000 from January 15 through February 5. The principal factor causing this decline was the payment by the banks for the \$635,000,000 defense notes. This had only a temporary effect, although reserves will probably decline again in March. During the week ended February 12 excess reserves rose \$20,000,000 and in the week of February 19 they increased \$110,000,000. The gain resulted from a sizable disbursement of Treasury funds.

Reserves of member banks in the Seventh district during the five weeks ended February 19 registered practically no net change. Through commercial and financial transactions with other parts of the United States, the Seventh district gained 200 million dollars in reserves which was sufficient to offset reductions caused by an excess of Treasury receipts over disbursements of 165 million dollars and an increase of 35 million dollars in district currency circulation over the period.

**PRICES OF FARM PRODUCTS AT CHICAGO**



By weeks, 1937 through February 22, 1941.



Weekly figures for reporting member banks in leading cities of the Seventh district, January 5, 1938, to February 19, 1941.



**Commercial Loans**—Effective demand for credit accommodations, as reflected by the reports of member banks in 101 leading cities, indicates a quickening of business activity which has been manifest each week since September 25, 1940, when the loans for commercial, industrial, and agricultural purposes stood at \$4,575,000,000. During the intervening twenty-one weeks the volume of these loans has risen by \$642,000,000, the largest gain being recorded during the week ended February 12 when \$49,000,000 was added.

Reporting member banks in the Seventh district have increased their loans of this class since September 25 by \$94,000,000, or approximately one seventh of the increase for the entire country.

**Currency Circulation**—A further movement indicating expansion tendencies was recorded by the volume of currency in circulation which has run counter to seasonal expectations and reflects, in part, the rising tempo of business in the country. The decline following the Christmas peak was much smaller than usual for this season, and in the first half of February there was a rise in circulation of considerably more than seasonal proportions. On February 12, currency in circulation in the United States was \$3,665,000,000, a gain of approximately 17 per cent in one year.

**Security Markets**—For several weeks, the Government bond market has been declining on a small volume of trading and has been marking time recently pending the passage of the Doughton Bill which makes it mandatory that all Treasury bonds issued after March 1, 1941, be subject to Federal income tax.

The Treasury, which had been waiting upon the enactment of this legislation, offered two new securities in exchange for \$545 million of 3½ per cent bonds of the 1941-43 issue, called for payment March 15, as well as for the \$677 million of notes which mature on the same date. Holders of the old securities could subscribe for either or both of the new issues, one a seven- to nine-year, 2 per cent bond, and the other a two-year, ¾ of 1 per cent note. They were offered on an exchange basis only. Following these refunding operations, the Treasury will announce its plans for financing the defense program. It is probable there will be a considerable volume of financing, presumably of medium or long term. One of the early offerings may be to provide one billion dollars of additional cash.

The weekly offerings of Treasury bills will be increased to \$200,000,000. Demand for these bills by Seventh district banks has dropped considerably on issues maturing after April 1. Whereas better than 80 per cent of each weekly offering was taken in this district up to January 15, the percentage has dropped to 16 per cent for the offering of February 19.

During the last four weeks trading in bonds has been relatively light, and a supply slightly in excess of demand has resulted in a continuing decline in price for the 1960-65 bonds. The total decline on this issue since the all-time peak reached December 10 has been about 4 points and has wiped out the earlier gains from the end of October to December 10 when the yield was 2.03 per cent. The low of 1940 was \$103.15 which is also approximately four points under the current price.

## Selected Seventh District Banking Data

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

(Amounts in millions)

	Feb. 19, 1941	Jan. 15, 1941	Change from Feb. 21, 1940
Total bills and securities.....	\$245	\$-1	-\$-23
U. S. Government securities direct and guaranteed:			
Bills.....	0	0	0
Notes.....	101	0	-21
Bonds.....	144	0	-1
Total Government securities.....	245	0	-22
Total reserves.....	2,976	+60	+525
Member bank reserve deposits.....	1,742	0	+281
All other deposits.....	164	+31	+9
Federal Reserve notes in circulation.....	1,281	+28	+212
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	93.3%	0	+2

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	Feb. 19, 1941	Jan. 15, 1941	Change from Feb. 21, 1940
Loans and investments—total.....	\$3,379	\$+95	-\$-493
Loans—total.....	1,110	+19	-198
Commercial, industrial, and agricultural loans.....	682	+16	-147
Open-market paper.....	42	+4	+4
Loans to brokers and dealers in securities.....	41	-3	+1
Other loans for purchasing or carrying securities.....	68	+4	-5
Real estate loans.....	132	0	+18
Loans to banks.....	2	+1	+2
Other loans.....	143	-3	+31
U. S. Treasury bills.....	452	+11	+121
U. S. Treasury notes.....	299	+16	+13
U. S. Treasury bonds.....	1,112	+17	+40
Obligations fully guaranteed by U. S. Government.....	296	+9	+11
Other securities.....	610	+23	+110
Cash reserves, other than items in process of collection.....	2,122	-8	-306
LIABILITIES			
Demand deposits—adjusted.....	3,109	+76	+515
Time deposits.....	1,008	+3	+52
Interbank deposits.....	1,403	+6	+209
U. S. Government deposits.....	124	+4	-10
Turnover velocity of demand deposits (annual rate)....	Feb. 1-19, 1941 19.42	Jan. 1941 19.36	Feb. 1940 20.10

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	January 1941	Per Cent Change from January 1940
Chicago.....	\$3,422	+ 5.9
Des Moines.....	99	+ 2.4
Detroit.....	1,248	+10.2
Fort Wayne.....	39	+13.6
Grand Rapids.....	65	+ 4.8
Indianapolis.....	276	+16.9
Milwaukee.....	314	+13.5
Peoria.....	66	+16.9
South Bend.....	53	+25.0
32 smaller cities.....	596	+13.7
Total 41 cities.....	6,178	+10.2

### VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS FEDERAL RESERVE BANK OF CHICAGO

Average for Each Banking Day during

ITEMS HANDLED	January 1941	January 1940
Commercial checks.....	510,000	477,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	2,130	2,120
Paper currency received and counted.....	1,380,000	1,334,000
Coins received and counted.....	811,000	711,000
Wire and other transfers of funds (Inter- and intra-district).....	497	487
Securities in and out of safekeeping.....	1,466	1,076
Coupons cut from securities in safekeeping.....	1,696	1,670
DOLLAR AMOUNTS		
Commercial checks.....	111,000,000	93,000,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	2,552,000	2,825,000
Paper currency received and counted.....	6,273,000	6,089,000
Coins received and counted.....	99,000	95,000
Wire and other transfers of funds (Inter- and intra-district).....	78,000,000	70,000,000
Securities in and out of safekeeping.....	38,542,000	33,997,000
Value of securities held in safekeeping at end of month.....	985,000,000	1,007,000,000

Rails lost ground during the first three weeks of February, reversing the trend of the previous four-week period, and now stand where they were January 9 when the average yield for Baa's was 5.56 per cent. All other grades lost ground during this same period with the exception of the Aaa's which have remained firm around 3.11 per cent, or close to the low of 1940 when the yield was 3.12 per cent.

The corporate issues have been dull with yields on all grades from Aaa to Baa declining. The average yield on Aaa bonds has increased from 2.72 to 2.76 per cent since the turn of the year. Aa's have moved consistently lower with the average yield rising from 2.91 to 3 per cent. The A grade has been the most stable. Baa's followed the speculative rails and gained for four weeks, then lost ground during February, ending the week of February 13 where they were January 9 with an average yield of 4.41 per cent.

### MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.  
1935-39 average = 100

	Jan. 1941	Dec. 1940	Nov. 1940	Jan. 1940	Dec. 1939	Nov. 1939
<b>MANUFACTURING INDUSTRIES</b>						
Durable Goods:						
Employment.....	131	130	128	111	114	109
Payrolls.....	152	152	148	120	126	117
Non-Durable Goods:						
Employment.....	102	105	104	96	100	100
Payrolls.....	111	117	111	104	110	108
Total:						
Employment.....	121	122	120	106	109	106
Payrolls.....	140	142	137	116	121	114
<b>PIG IRON PRODUCTION*</b>						
Illinois and Indiana.....	187	184	186	165	161	163
<b>AUTOMOBILE PRODUCTION—(U. S.)</b>						
Passenger Cars.....	157	152	156	139	143	109
Trucks.....	151	146	135	117	132	112
<b>CASTING FOUNDRIES SHIPMENTS</b>						
Steel—In Dollars.....	195	178	151	172	163	157
In Tons.....	182	160	138	171	158	150
Malleable—In Dollars.....	164	167	142	142	143	152
In Tons.....	150	158	132	132	134	145
<b>RAILROAD FREIGHT CARLOADINGS*</b>						
Originating in Chicago Industrial Area.....	120	125	123	106	117	116
<b>STOVES AND FURNACES</b>						
Shipments.....	83	113	128	64	87	129
<b>FURNITURE MANUFACTURING:</b>						
Orders in Dollars.....	172	101	116	131	86	118
Shipments in Dollars.....	119	139	154	91	128	141
<b>PAPER MANUFACTURING*</b>						
Tonnage Production.....	116	108	111	106	111	126
<b>PETROLEUM REFINING (Indiana, Illinois, Kentucky Area):*</b>						
Crude Runs to Stills.....	145	140	141	127	132	140
Gasoline Production.....	136	134	137	122	127	138
<b>BITUMINOUS COAL PRODUCTION*</b>						
Illinois, Indiana, Iowa, and Michigan.....	132	142	126	150	125	122
<b>BUILDING CONTRACTS AWARDED</b>						
Residential.....	146	171	194	82	129	182
Total.....	132	122	180	61	90	121
<b>MEAT PACKING—(U. S.)</b>						
Production.....	132	155	144	148	141	128
Sales Tonnage.....	122	117	128	130	116	117
Sales in Dollars.....	117	106	104	101	99	96
<b>DAIRY PRODUCTS*</b>						
Creamery Butter Production.....	95	91	77	91	82	83
American Cheese Production—(Wisconsin).....	92	78	79	75	65	71
<b>DEPARTMENT STORE NET SALES*</b>						
Chicago.....	89	194	124	83	184	113
Detroit.....	92	203	139	75	179	113
Indianapolis.....	98	218	143	84	197	122
Milwaukee.....	90	198	128	81	180	113
Other Cities.....	83	203	134	80	195	120
Seventh District—Unadjusted.....	90	199	130	81	185	114
Adjusted.....	113	118	118	103	109	104

\*Daily average basis.

## Current Events

### George J. Schaller Retires as President

Bankers, industrialists, business associates, and other friends of George J. Schaller attended a dinner in his honor, February 26, given by the Board of Directors of the Federal Reserve Bank of Chicago from which institution he retires as president, March 1, after having served as acting governor, governor, and president for eight years. Clifford V. Gregory, Deputy Chairman of the Board, was toastmaster and presented Mr. Schaller with an illuminated scroll commemorating his services.

Representatives of the Board of Governors in Washington, presidents of other Federal Reserve banks, representatives of many State and national banking associations and commissions, as well as the directors, officers, and those employes with twenty-five years or more of service with the Federal Reserve Bank of Chicago attended.

Following his retirement from active banking service, Mr. Schaller will return to his home in Storm Lake, Iowa, where he was born and received his early banking training. Mr. Schaller began his banking career in 1902 in the Citizens First National Bank of Storm Lake which he and his father organized. He became president in 1922 and continued as head of the bank until 1933 when the directors of the Federal Reserve Bank of Chicago asked him to become acting governor incident to the leave of absence of James B. McDougall who had been governor since the founding of the Federal Reserve Bank in 1914. When Mr. McDougall retired in 1934, Mr. Schaller was elected governor. The Banking Act of 1935 changed the title of governor to president and Mr. Schaller was elected for a five-year term.

### Dunn Addresses Farm Seed Group

Thirty-five states were represented at the January 27 meeting of the Farm Seed Group of the American Seed Trade Association held at the Palmer House in Chicago. C. B. Dunn, General Counsel of the Federal Reserve Bank of Chicago, gave a talk on "The Federal Reserve System and the Present Monetary Situation."

His topic included a general outline of the organization and functions of the Federal Reserve System, and an explanation of the Five Point Program presented in the Special Report of the Board of Governors, the Presidents of the twelve Federal Reserve Banks, and the Federal Advisory Council, submitted to Congress on December 31, 1940.

### Hodge Talks on National Defense

Paul C. Hodge, Assistant Counsel of the Federal Reserve Bank of Chicago was the principal speaker before a joint meeting of the Chamber of Commerce and the Kiwanis Club in Prairie du Chien, Wisconsin, January 27. He also spoke at a Conference of the Chamber of Commerce Secretaries at Starved Rock Lodge, La Salle, Illinois, February 21. The subject for both talks was: "The Part of the Federal Reserve System in the National Defense Program."

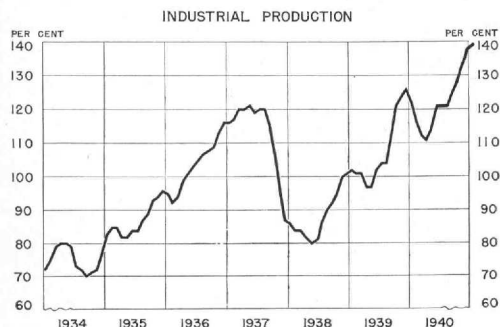
### New Member Banks

The roster of member banks in the Seventh district was increased to 864 from January 25 to February 18, with the addition of four State banks to membership in the Federal Reserve System in this period. The new members are:

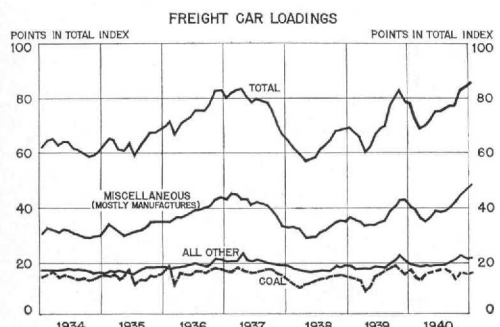
The Saratoga State Bank, Saratoga, Indiana  
The Farmers & Merchants Bank, Berlin, Wisconsin  
Glasford State Bank, Glasford, Illinois  
Villa Grove State Bank, Villa Grove, Illinois.

# National Summary of Business Conditions

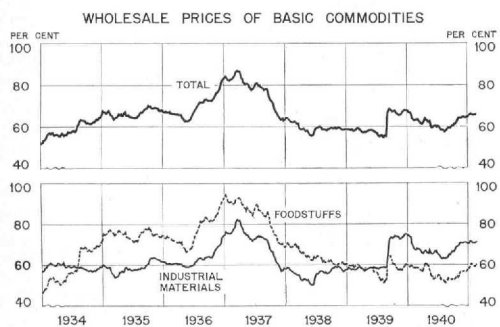
(By the Board of Governors of the Federal Reserve System)



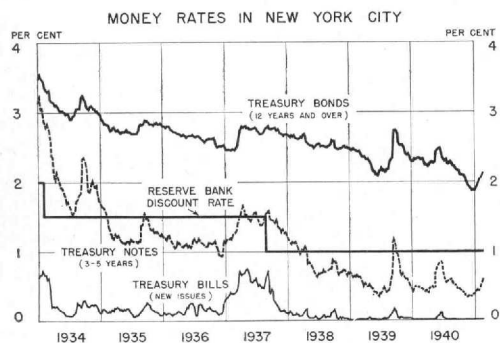
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to January 1941.



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 January 1941.



Federal Reserve groupings of Bureau of Labor Statistics' data, 1926 = 100. Thursday figures, January 4, 1934, to February 13, 1941.



For weeks ending January 6, 1934, to February 15, 1941.

**INDUSTRIAL** activity continued at a high level in January and distribution of commodities was maintained in large volume.

**Production**—In January volume of industrial production declined less than seasonally and the Board's adjusted index rose one point further to 139 per cent of the 1935-39 average. There were further considerable increases in activity in industries making machinery, aircraft, ships, and similar products important in the defense program, and output of industrial materials, such as steel and nonferrous metals, continued at near capacity rates. Lumber production also was in unusually large volume owing to demand arising from construction under the defense program as well as from private building.

Automobile production, which ordinarily declines considerably at this time of year, was maintained at a high rate in January and the first half of February. This reflected in part an unusually large volume of retail sales and in part the industry's efforts to build up dealers' stocks of cars as much as possible with a view to having an adequate supply on hand in case priorities or work on defense orders should necessitate curtailment of automobile production. Currently dealers' stocks of new cars are probably near record levels.

In the cotton textile industry, activity in January showed some further increase from the record level reached in December but the rise was less than usually occurs at this season. At wool textile mills there was some decline from the high level of November and December, while output at rayon mills was maintained in large volume. Defense program orders for textiles, particularly wool and cotton products, have been substantial for some time, and these combined with considerable civilian demand have resulted in the accumulation of large order backlogs at most mills. Activity at meat-packing establishments was reduced in January owing chiefly to a sharp decline in hog slaughter, which had been exceptionally large in the latter part of 1940. Shoe production advanced by less than the usual seasonal amount following a high rate of output in November and December.

At mines output of most metals continued at record levels in January. Production of fuels was sustained in large volume but was not at such high levels as output of other minerals owing in part to the existence of considerable stocks, particularly of petroleum products.

Value of construction contracts, as reported by the F. W. Dodge Corporation, declined in January. The decrease reflected chiefly a sharp reduction in awards for public construction from the exceptionally large December total, which had included a number of defense projects not previously reported by the Dodge Corporation for lack of detailed information. Contracts awarded for private nonresidential building declined somewhat in January but as in December were twice as large as the amount awarded in the corresponding period a year ago. Awards for private residential building increased and on a seasonally adjusted basis were at the highest level since the middle of 1929.

**Distribution**—Distribution of commodities to consumers in January was maintained at the high level reached in the latter part of 1940. Sales at department and variety stores declined seasonally following an unusually large amount of Christmas trade, while sales of automobiles continued near the rate prevailing in December. In the early part of February department store sales were sustained in large volume.

Total freight-car loadings, which usually decline from December to January, showed little change this year and the Board's seasonally adjusted index rose two points further to 86 per cent of the 1923-25 average.

**Wholesale Commodity Prices**—Prices of industrial materials and foodstuffs generally showed little change from the middle of January to the middle of February. Some imported commodities, principally coffee, cocoa, rubber, and tin, rose slightly and there were increases also in prices of lard and wool tops, while declines were reported for livestock and meats, hides, grains, lumber, and scrap metals. Prices of some finished commodities, particularly textile products, showed advances in this period.

**Bank Credit**—Total loans and investments at reporting member banks in 101 leading cities increased substantially during January and the first half of February, reflecting largely purchases of new defense notes issued by the Government. Commercial loans at these banks increased further while loans to New York security brokers and dealers declined.

**United States Government Security Prices**—Prices of United States Government securities continued to decline in the latter half of January and the first half of February, more than canceling the gains from the end of October to the peak on December 10. The 1960-65 bonds on February 14 were selling on a yield basis of 2.28 per cent, compared with a low of 2.03 per cent on December 10.

**SEVENTH FEDERAL**



**RESERVE DISTRICT**