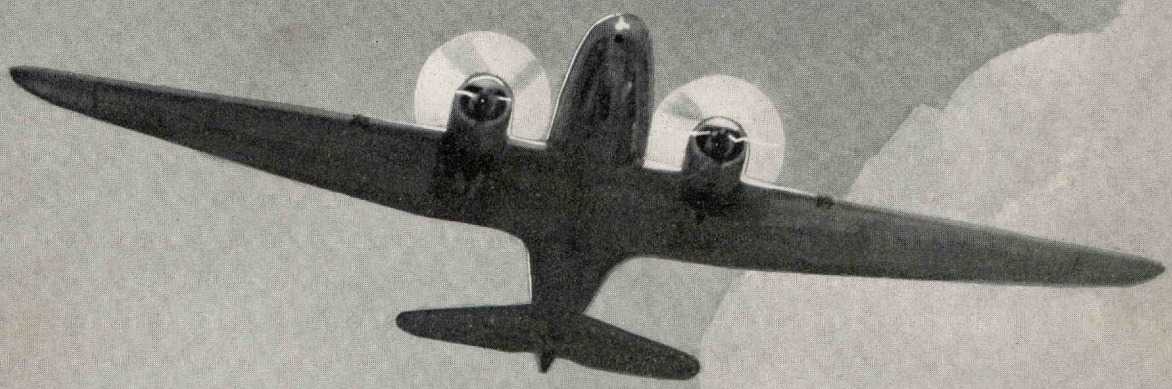
Library

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO



MARCH 1942

Business Conditions in the Seventh Federal Reserve District

Rising prices accentuated the expansion in the volume of production and trade that took place in the Seventh Federal Reserve District during February. Prices of farm products were sustained by a heavy domestic demand and the requirements of the lend-lease program. Production in many lines continued to move ahead despite the restrictions on the manufacture of consumers' durable goods. Retail trade, although less disturbed by the hysteria so much in evidence during January, continued at levels substantially above a year ago. Loans and investments of reporting member banks in the Seventh District reached an all-time high of $4,460,000,000, gaining $60,000,000 during the month.

Rising defense expenditures and larger income payments have increased the pressure on the price structure. The insidious upward creep of the wholesale price level is negligible over short periods, but its cumulative effect is felt throughout the whole economic structure. The advance since the first of the year has been 3 per cent, but during the last twelve months has been 20 per cent. Wholesale prices are higher than at any time since September 1928. The cost of living in Chicago has risen 11 per cent in the last twelve months.

Although some farm products have not reached permissible ceilings, the spectacular rise in hog prices at Chicago was of particular importance to Seventh District agriculture. A top price of thirteen dollars was reached for the first time since 1937. Cattle prices were relatively stable on a high level, and the market for corn, wheat, and soybeans moved on an even keel held in line by Governmental policies.

Dollar sales of Seventh District department stores in February were 20 per cent higher than in the same month a year ago. Most of the rise, however, has reflected advances in retail prices. Moreover, February dollar sales were, on a daily average basis, below those of January, although usually there is a slight seasonal increase.

Operations in the bituminous coal industry of this District have been at a higher rate this year than in the corresponding period a year ago. They were also higher than in the closing months of 1941. Since the beginning of this year through the middle of February, the daily average output has been 14 per cent higher than for the same period in 1941. Stocks held at commercial docks of Lake Superior and Lake Michigan were sharply reduced in January, but remained at a level approximately 11 per cent higher than recorded a year ago.

Crude oil production in the State of Illinois has been held well within the quota which has been recommended by the Office of the Petroleum Coordinator. Through February 21 of this year, Illinois, Indiana, and Michigan produced an average of 430,000 barrels a day, which was 12 per cent more than produced in the same period of 1941. Runs of crude oil to stills have shown a rising tendency so far this year. Gasoline production was approximately 30 per cent higher than in 1941, but declined somewhat during February from the January production. Stocks of gasoline on February 21, the latest date for which information is available, were 9 per cent higher than those held at the close of January and exceeded those of a year ago by 20 per cent.

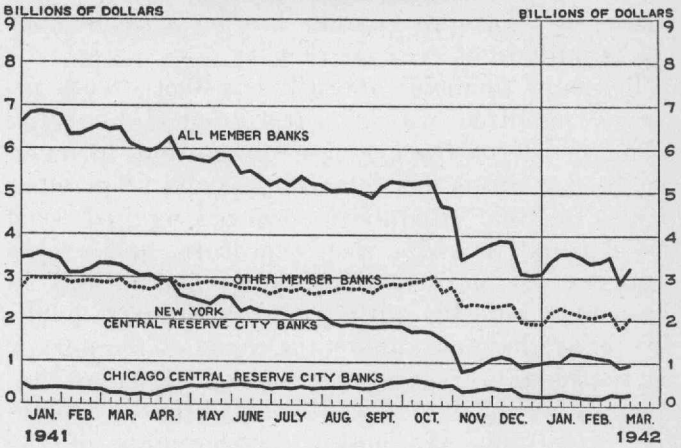
Steel mills in the Chicago area operated at an average rate of 102.6 during February, compared with 97.8 for the same period a year ago. In the week of February 21, the rate reached 104, a new high since 1935, and a rate which is particularly significant in view of the increased capacities. The indicated production for the month was 1,300,000 tons. Consumption of pig iron increased considerably during February. Under ordinary conditions about 40 per cent pig iron and 60 per cent scrap is used in steel. In the latter part of 1941, the ratio became 70 per cent pig iron and 30 per cent scrap. Production capacities have been substantially increased in this area in the last six months.

Treasury Operations and Excess Reserves

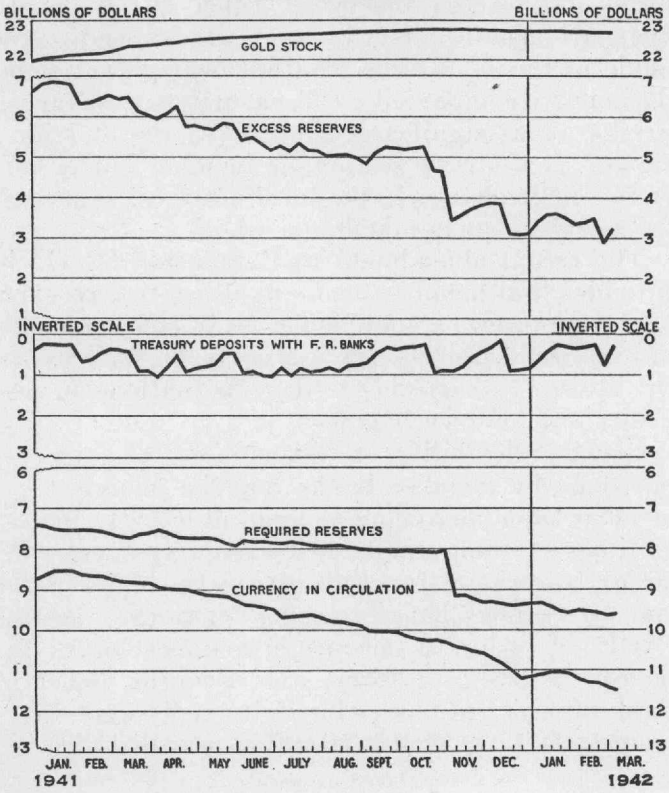
War finance today exercises an all-pervading influence on the money market. Huge war expenditures, enormous tax collections, and flotations of large new issues of Government obligations are the dominant factors influencing member bank earning assets, deposits, and reserves. An example is the recent sharp fluctuation in the excess reserves of all member banks. Excess reserves declined $580 million in the week ended February 25, in large part as the result of a $534 million increase in Treasury deposits with Federal Reserve banks when payment was made for the new Treasury bond issue. Excess reserves rose $390 million in the two weeks ended March 11, chiefly as a result of the drawing down by heavy war expenditures of Treasury deposits with Federal Reserve banks from $798 million on February 25 to $60 million on March 11.

Excess reserves of all member banks now amount to less than half of their peak level. On February 25, excess reserves amounted to $2,880 million, the lowest level since September 1938. The charts show the chief causes of the decline in excess reserves of all member banks since January 1941 and the extent to which the decline has been shared by New York City member banks, Chicago member banks, and other member banks. Currency in circulation, required reserves, and Treasury deposits with Federal Reserve banks have been shown on an inverted scale, so as to facilitate study of the effect of changes in these factors upon excess reserves. Excess reserves decline when currency in circulation, required reserves, and Treasury deposits with Federal Reserve banks rise. Excess reserves rise when these three factors decline.

EXCESS RESERVES OF NEW YORK, CHICAGO, AND OTHER MEMBER BANKS



EXCESS RESERVES OF ALL MEMBER BANKS AND PRINCIPAL DETERMINANTS
JANUARY 1941 — MARCH 1942



The decline in excess reserves from January 15, 1941 to March 4, 1942 amounted to $3,686 million. Money in circulation rose almost $3 billion during the period and on March 4 stood at a record high of $11,518 million. In the seven weeks ending March 4, currency in circulation rose $456 million. Required reserves have risen more than $2 billion since January 1941. This rise has been due in part to the higher reserve requirements which became effective November 1, and in part to the growth in net demand deposits caused by the increase in member bank holdings of Government obligations and the rise in commercial and agricultural loans of member banks. These changes which have caused excess reserves to decline were offset in part by an increase of $639 million in the monetary gold stock during the period. Since October 29, the monetary gold stock has shown a decline of $91 million, due to an increase in the amount of gold earmarked for foreign account at the Federal Reserve banks. Such earmarked gold is not included in the monetary gold stock. The decline in the gold stock has not affected excess reserves, for the decline has been met by a decrease in free gold held in the Treasury working balance.

From January 1941 until the increase in reserve requirements last fall, almost all of the

decline in excess reserves of member banks taken as a whole was in excess reserves of New York City member banks. Since the end of October, however, two-thirds of the decline in excess reserves of all member banks has been at member banks outside of New York City.

Treasury financial operations affect excess reserves in three ways. First, deficit financing through sale of Government obligations to member banks causes net demand deposits of member banks to rise. Required reserves against such net demand deposits rise, therefore, and excess reserves decline. Second, sharp fluctuations in Treasury deposits with Federal Reserve banks are today the most important cause of temporary fluctuations in reserve balances and excess reserves of member banks. Third, Treasury financial operations are major determinants of the distribution of reserve balances and excess reserves among various groups and classes of member banks.

Sharp week-to-week fluctuations in excess reserves of all member banks may be expected to continue in the future, as a result of temporary fluctuations in Treasury deposits with Federal Reserve banks. When Treasury deposits with Federal Reserve banks rise, usually as a result of heavy tax collections and cash payment for new Treasury issues, excess reserves decline. When Treasury deposits with Federal Reserve banks decline, chiefly as a result of heavy war expenditures, excess reserves rise. The fluctuations in excess reserves in the weeks ending February 25 and March 4 have already been explained. In the middle of March excess reserves will show a sharp but temporary decline as a result of heavy income tax collections. It is anticipated that income tax collections in March will amount to $2,750 million. In subsequent weeks, excess reserves will rise as a result of heavy war expenditures not offset by heavy Treasury cash receipts.

To a great extent, the wide fluctuations in excess reserves of member banks, particularly excess reserves of member banks in money market centers, caused by sharp week-to-week fluctuations in Treasury deposits with Federal Reserve banks may be offset by Treasury and Federal Reserve policy.

There are various means by which the impact of Treasury financing on bank reserves may be softened, such as timing of Treasury bill maturities in periods of heavy income tax collections. For example, the maturity of Treasury bills dated December 24 and 31 and January 7 was shortened below the usual 91-day maturity, so that bill issues will mature on March 16, 17, 18, and 19. It is expected that the $600 million of Treasury bills which mature during the week of March 15 will be paid for in cash from March 15 income tax receipts. Such cash payments, without replacement, will offset, to that extent, the decrease in excess reserves which would be caused otherwise by deposit of income tax collections in Treasury deposits with the Federal Reserve banks. The same effect has already been achieved by the reduction of $150 million in Treasury bills outstanding during recent weeks. On February 18 and 25 and March 4, new issues of $150 million replaced maturing issues of $200 million.

The use of tax anticipation notes to pay income taxes smooths out Treasury cash receipts and, therefore, lessens fluctuations in Treasury deposits with Federal Reserve banks and fluctuations in excess reserves. Heavy war expenditures, which now amount to almost $600 million a week, serve to alleviate any strain on the money market caused by income tax collections and cash payment for new Treasury issues.

Use of war loan accounts by member banks in payment for Government obligations purchased by themselves and for their customers mitigates the sharp fluctuations in excess reserves caused by Treasury operations. The transfer of Treasury funds from war loan accounts in commercial banks to the Federal Reserve banks in itself causes a decline in member bank reserve balances and excess reserves. Such effects, however, are usually offset by huge war expenditures made at the same time. Withdrawal of war loan deposits, accompanied by Treasury expenditures, brings about significant changes in the distribution of excess reserves among member banks but causes little change in the level of excess reserves for member banks taken as a whole.

The recent amendment to Regulation D, which provides that member banks in all central reserve and reserve cities shall make their computations of required reserves on a weekly basis, lessens the effect of sharp day-to-day fluctuations in deposits and reserve balances.

Greater flexibility in adjustment of reserve positions by member banks may be achieved by member bank borrowing at Federal Reserve banks at times of temporarily low excess reserves. A major traditional function of central banks is to loan to member banks to meet temporary needs. Partly in order to encourage member banks to borrow where necessary, the Federal Reserve Bank of Chicago has reduced its rediscount rate from 1½ to 1 per cent. Attention is called also to

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Money Market in February

Treasury Finance

War expenditures reached a new peak of $2,201 million in February. Such outlays, as reported in daily Treasury statements, amounted to $2,101 million in January and $1,847 million in December. In the four remaining months of the fiscal year ended June 30, 1942, war expenditures, according to budget estimates, will average $2,870 million per month.

In February total sales of defense savings bonds in the nation were $703 million, as compared with $1,061 million in January and $529 million in December. Sales of Series E bonds amounted to $398 million in February and $667 million in January. February sales of Series F and G bonds amounted to $52 million and $253 million, respectively. Sales of defense savings bonds declined in February because, in part, the January sales figures included large amounts of savings bonds sold to people who bought their entire 1942 limit in that one month. No person or organization may buy more than $5,000 maturity value of Series E bonds or more than $50,000 cost price of Series F and G bonds in one calendar year.

On February 13, Secretary of the Treasury Morgenthau announced the offering for cash subscription of $1,500 million of 2¼ per cent Treasury bonds of 1952-55. Subscriptions were entertained from various classes of subscribers on the same basis as subscriptions to the December offering. Total subscriptions received in the nation were $4,697 million, and total subscriptions allotted were $1,512 million. In the Seventh District total subscriptions received were $499 million, and total subscriptions allotted were $161 million. Subscriptions up to $5,000 where the subscribers specified that delivery be made in registered bonds ninety days after the issue date, totaling about $14 million, were allotted in full. All other subscribers were allotted 32 per cent on a straight percentage basis.

Cash payment for the new offering was made on February 25. The Treasury working balance rose from $1,616 million on February 24 to $3,046 million on February 25. Previously the working balance had declined, as a result of war expenditures, from $2,215 million on February 3. Treasury deposits with Federal Reserve banks rose to $1,008 million on February 25 from $280 million on February 24. War loan deposits with commercial banks rose to $2,026 million from $1,327 million on February 24. Previously such balances had declined from $1,764 million on February 10, as a result of transfer of balances with special depositary banks to Treasury deposits with the Federal Reserve banks.

Weekly Reporting Member Banks

Loans and investments of weekly reporting member banks in 101 cities rose $601 million in the four weeks ended February 25. Holdings of Treasury bonds increased $502 million, reflecting chiefly purchases of the new 2¼ per cent Treasury bonds of 1952-55. Commercial, industrial, and agricultural loans rose $124 million during the period. Of this increase, $105 million was at New York City reporting banks.

Demand deposits adjusted at reporting member banks showed sharp fluctuations during February, as a result of war expenditures from Treasury deposits with Federal Reserve banks and purchases of Treasury obligations. Likewise, United States Government deposits at weekly reporting member banks in 101 cities declined $232 million in the week ended February 18, as a result of transfer of Treasury balances from war loan depositaries to Federal Reserve banks, but rose $434 million in the following week, as a result of payment for the new Treasury issue by credit to war loan accounts.

Federal Reserve Open-Market Operations

During February, the Federal Reserve System, in pursuance of its policy of endeavoring to maintain orderly conditions in the United States Government securities markets, increased slightly its holdings of Government bonds. Federal Reserve holdings of Government bonds increased $7,405 thousand in the week ended February 18 and $12,426 thousand in the week ended February 25. There were no changes during February in Federal Reserve holdings of Treasury notes, and Federal Reserve holdings of Government securities have not included Treasury bills since the statement date of January 28.

Federal Reserve holdings of Government securities, direct and fully guaranteed, amounted to $2,262 million on February 25, an increase of $78 million since December 3.

Rediscount Rate Lowered

The rediscount rate of the Federal Reserve Bank of Chicago, which had been 1½ per cent since August 21, 1937, has been lowered to 1 per cent

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Farm Animal Population Sets Records

Record highs were established for the total number of cattle and of sheep on United States farms as of January 1, 1942, according to the annual summary of livestock on farms recently released by the Agricultural Marketing Service of the United States Department of Agriculture. Hogs were substantially more numerous than in the previous year. The total number of meat animals this year stood at an all-time high. A large increase in numbers of poultry over last year was also shown. The January 1 numbers of all cattle were 2 per cent above the peak in World War I (1918); dairy cattle were 22 per cent above 1919; sheep and lambs were 10 per cent over the 1919 inventory; hogs were 6 per cent less than the 1919 peak. Combining these inventories on the basis of feed consumption, the total of animal units was 7 per cent larger than in 1941. The 1942 level has been exceeded only four times since 1890—in 1923, 1924, 1933, and 1934.

The reasons for these high inventory numbers fall into two principal groups. The production cycle for cattle has been in an expanding phase since 1938. This is true for both dairy cattle and beef animals. In particular, range conditions have recently made a situation favorable to feeder production.

But the more potent group of factors making for expansion has been the defense and war situation. Expanding industry has brought increasing employment and payrolls, thus increasing domestic demand. To this factor must be added the various stimulants given by lend-lease buying, price-supporting policies of the Government under the proclamations of the Secretary of Agriculture, and the loan policies of the Commodity Credit Corporation, as well as the objectives set up in the goals for 1942 production under the "Food for Freedom" campaign. As a result of these, feed ratios have been favorable to the expansion of production.

The total cattle inventory was 74.6 million head, of which milk cattle numbered 36 million head and beef cattle ("animals not for milk") were 38.6 million. This represents an increase over 1941 of roughly 3.5 per cent for dairy cattle and 5.5 per cent for beef cattle. Changes in inventories in the five States which lie in whole or in part in the Seventh Federal Reserve District were somewhat different. For the District the dairy cattle increased less than 3 per cent over last year, while the number of beef cattle showed a very slight decrease. Analysis of the United States totals of dairy animals indicates that the largest rate of increase was shown for heifer calves, amounting to nearly 5 per cent, followed next by cows and heifers two years old and over, with the smallest rate of increase shown for one-to-two year old heifers. In the District this order was somewhat reversed; the largest rate of increase was for one-to-two year olds, and the smallest rate was for calves. A similar analysis of the United States beef cattle numbers indicates that the largest rate of increase was 7 per cent for cows and heifers two years old and older, with steers increasing 5.6 per cent over last year, while calves and one-to-two year old heifers increased about 4.5 per cent. Data are not available for a similar analysis of the District for beef cattle.

The increases by classes for both dairy and beef cattle can be interpreted to indicate long range plans for expansion. With regard to dairy cattle, however, some caution in drawing such inferences is in order. The relatively large increase in calves is due in part to the fact that freshening of cows was earlier this season than usual. But over and above the allowance for this fact, the increase in calves and one-to-two year olds indicates some future expansion in milk production. As for beef cattle, one of the aims of the 1942 production is to achieve a rather heavy marketing of beef and veal in order to stabilize the beef industry and prevent over-expansion of the current upswing of the production cycle. But that producers intend to continue expansion is shown by the substantial increase in she-stock (and bulls) in this year's inventories.

Sheep numbers have been expanding since 1937. This year's inventory shows a gain of 3 per cent over last year. Here, as in beef cattle, the Seventh District States show a different picture than for the country. A slight decrease is shown for the total of all sheep in these States from last year. The number of stock sheep is larger than as of January 1, 1941, but the number on feed was 12 per cent less. For the United States the stock sheep show an increase of about 3 per cent, while the number on feed shows an increase of more than 4.5 per cent over a year ago. The production goals for 1942 call for an increase of only 1 per cent in the number slaughtered, but favorable lamb and wool prices are making sheep an attractive complementary enterprise.

Hog numbers are up 11.5 per cent over last year for the country, and 15 per cent for the five

Seventh District States. The breakdown of the national figures by age and type shows that the number of pigs under six months old is 18 per cent above the previous year's figures. This checks very closely with the 18 per cent reported increase in the 1941 fall pig crop. The number of sows and gilts shows an increase of 26 per cent over 1941 figures, which may be compared with the report of an expected increase of 28 per cent in spring farrowings for this year. An interesting point revealed by this analysis is that the number of "other swine, over six months old" was 4 per cent less than last year. When the heavy marketings of January are considered, it seems apparent that marketings for February and March, or for the entire first quarter of 1942, will be at a rate somewhat short of that necessary to achieve the goals for 1942. It is thought by some observers that farmers are holding back animals for marketing at heavy weights, but there is scant support for this view in these figures.

Poultry showed substantial increases in this year's inventories. The number of chickens in the United States, according to the inventory, was 10 per cent larger than for last year. The increase for the Seventh District States was even larger, amounting to 12 per cent. The increase nationally happens to be proportionally at the same rate called for in the 1942 slaughter goals, that is, 10 per cent. Turkey numbers showed an increase of 6 per cent over the 1941 inventories. In the Seventh District States, the total increase was slightly less than 6 per cent. Moreover, the entire gain was in Iowa, with an increase of 25 per cent. Illinois was unchanged, while each of the three remaining States showed declines.

As a result of these large livestock numbers, the demand for feed during 1942 is expected to be strong. In addition to the expanding numbers of animals, feeders are using a larger than usual quantity of feed per animal. Using October 1 figures, the supply of feed grains, divided by the number of feed-consuming animal units, gives a supply per unit slightly less than last year, but substantially above the average of recent years. Increases in livestock numbers during 1942 are the present prospect, and the number of feed-consuming animals is expected to be even larger next January 1.

Prices of feed during the next few months depend on the success of the Government's program to encourage wheat feeding and the final outcome of the struggle between the Congressional farm bloc and the Administration over the policies to be followed with respect to the stocks controlled by the Commodity Credit Corporation. At the present time feeding ratios are generally favorable to livestock producers, except for the butterfat-feed ratio.

LIVESTOCK NUMBERS ON FARMS, JANUARY 1

Species and Class	Seventh District States			United States		
	Jan. 1, 1942	Jan. 1, 1941	Per Cent Change	Jan. 1, 1942	Jan. 1, 1941	Per Cent Change
	(In thousands)			(In thousands)		
All Cattle	15,604	15,341	+1.7	74,607	71,461	+4.4
Cattle for Milk	9,960	9,690	+2.8	38,643	37,357	+3.4
Cow and Heifers, 2 years old and over	6,826	6,633	+2.9	26,303	25,478	+3.2
Heifers, 1-2 years old	1,489	1,441	+3.3	5,825	5,660	+2.9
Heifer Calves	1,645	1,616	+1.8	6,515	6,219	+4.8
Cattle not for Milk	5,644	5,651	—0.1	35,964	34,104	+5.5
Cows and Heifers, 2 years old and over	.....	.....	.....	12,017	11,229	+7.0
Heifers, 1-2 years old	.....	.....	.....	3,932	3,768	+4.4
Calves	.....	.....	.....	12,031	11,495	+4.7
Steers	.....	.....	.....	6,274	5,939	+5.6
Bulls	.....	.....	.....	1,710	1,673	+2.2
Horses and Colts	2,278	2,424	—6.0	9,856	10,214	—3.5
Mules and Colts	161	183	—12.0	3,811	3,922	—2.8
Sheep, Total	5,240	5,316	—1.4	55,979	54,283	+3.1
Stock	3,985	3,928	+1.5	49,204	47,804	+2.9
On Feed	1,255	1,428	—12.1	6,775	6,479	+4.6
Hogs, Total	24,107	20,924	+15.2	60,526	54,256	+11.6
Under 6 months old	.....	.....	.....	31,066	26,285	+18.2
Sows and Gilts	.....	.....	.....	10,770	8,533	+26.2
Other: 6 months and over	.....	.....	.....	18,690	19,438	—3.8
Chickens	107,208	97,123	+10.4	473,933	422,909	+12.1
Turkeys	697	660	+5.6	7,710	7,252	+6.3

Source: Agricultural Marketing Service, United States Department of Agriculture.

Treasury Operations and Excess Reserves

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the statement issued by the Board of Governors of the Federal Reserve System on December 8, which stated, in part, that "the System is prepared to use its powers to assure that an ample supply of funds is available at all times for financing the war effort and to exert its influence toward maintaining conditions in the United States Government security market that are satisfactory from the standpoint of the Government's requirements," and that "Federal Reserve banks stand ready to advance funds on United States Government securities at par to all banks."

Treasury financial operations exercise a major influence upon the distribution of excess reserves among various classes and groups of member banks. Member banks in areas where Treasury cash disbursements, chiefly war expenditures, are greater than Treasury cash receipts, chiefly income tax receipts and proceeds from sale of new issues, tend to gain reserves and deposits. Member banks in areas where Treasury cash expenditures are less than Treasury cash receipts tend to lose reserves and deposits. The magnitude of these influences is shown in the accompanying table, which shows transfers on Treasury account through the Interdistrict Settlement Fund. Such transfers of funds from Treasury deposits in one Federal Reserve bank to Treasury deposits in another Federal Reserve bank have no effect in themselves upon member bank reserve balances and excess reserves. A continued gain or loss in Treasury transactions through the Interdistrict Settlement Fund is an indication, however, of a continued excess of Treasury cash expenditures in a given district over Treasury cash receipts or a continued excess of receipts over expenditures.

NET TRANSFERS FOR GOVERNMENT ACCOUNT TO (+) OR FROM (—) FEDERAL RESERVE BANKS THROUGH THE INTERDISTRICT SETTLEMENT FUND IN 1941

(In millions of dollars)

District	Amount
Boston	—378
New York	—221
Philadelphia	—313
Cleveland	—839
Richmond	+344
Atlanta	+408
Chicago	—982
St. Louis	+219
Minneapolis	+124
Kansas City	+297
Dallas	+324
San Francisco	+1,018

Money Market in February

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TREASURY BILLS OUTSTANDING AND HELD BY WEEKLY REPORTING MEMBER BANKS FEBRUARY 4—MARCH 4

(In millions of dollars)

	Increase or Decrease in Week Ending				
	Feb. 4	Feb. 11	Feb. 18	Feb. 25	Mar. 4
Outstanding	0	0	—50	—50	—50
Holdings of weekly reporting member banks:					
New York City	—35	—13	—20	0	—12
Chicago	+4	—4	—34	0	+29
99 other cities	+55	+27	+20	—34	—24
Holdings of others than weekly reporting member banks	—24	—10	—16	—16	—43

by the Board of Directors of the Federal Reserve Bank of Chicago, effective February 28, 1942. The action was approved by the Board of Governors of the Federal Reserve System. The change equalizes the rediscount rate in the Chicago District with that in existence in the New York District.

Advances to banks secured by Government obligations continue at the rate of 1 per cent, which has been in effect since September 1, 1939.

Amendment to Regulation D

The Board of Governors of the Federal Reserve System has amended Regulation D, effective with the reserve computation period beginning February 28, 1942, so as to provide that deficiencies in reserve balances of member banks in all central reserve and reserve cities shall be computed on the basis of average daily net deposit balances covering weekly periods. This change places banks in all these cities, including those in which Federal Reserve banks or branches are located, on the same basis in this respect, and has been made for the convenience of member banks in these cities in adjusting their reserve positions.

Until this time, deficiencies in reserve balances of member banks in cities where Federal Reserve banks or branches thereof are located and in a few other reserve cities have been computed on the basis of average daily net deposit balances covering semi-weekly periods. Such computations by member banks in other reserve cities have been made on a weekly basis.

Country banks, *i. e.,* those located outside of central reserve or reserve cities will continue as heretofore to compute deficiencies in reserve balances on a semi-monthly basis.

BUILDING CONTRACTS AWARDED
SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
January 1942	$57,951,000	$19,685,000
Change from December 1941	+21%	+25%
Change from January 1941	+13%	+17%

Source: F. W. Dodge Corporation.

DEPARTMENT AND APPAREL STORE TRADE
SEVENTH FEDERAL RESERVE DISTRICT

Locality	Net Sales		Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change in January 1942 from		Per Cent Change in January 1942 from		Per Cent Change in January 1942 from	
	December 1941	January 1941	December 1941	January 1941	December 1941	January 1941
Chicago	—43	+32	— 7	+13	+107	+206
Peoria	—46	+33	....	....	....	....
Fort Wayne	—42	+56	—11	+28	....	....
Indianapolis	—45	+40	+ 2	+38	+82	+87
Des Moines	—41	+39	....	....	....	....
Sioux City	—46	+22	....	....	....	....
Detroit	—43	+45	—25	+11	+70	+164
Flint	—56	+14	....	....	....	....
Grand Rapids	—47	+47	....	....	....	....
Lansing	—47	+43	....	....	....	....
Milwaukee	—43	+40	— 6	+16	+109	+75
Other Cities	—48	+44	— 6	+21	+142	+48
Total	—44	+38	— 9	+17	+86	+139
Apparel Stores	—28	+32	—12	+28	+102	+ 3

SALES OF INDEPENDENT RETAIL STORES
SEVENTH FEDERAL RESERVE DISTRICT

	Per Cent Change January 1941 to January 1942				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*	+23	+25	+27	+26	+20
Apparel Group	+44	+48	+51	+43	+54
Drug Stores	+13	+14	+12	+13	+12
Eating and Drinking Places	+15	+17	+12	+22	+13
Food Group	+23	+26	+22	+24	+24
Furniture-Household-Radio Group	+22	+15	+22	+31	+32
Hardware Stores	+35	+59	+35	+36	+49
Jewelry Stores	+16	+28	+33	+ 5	+32
Lumber and Building Materials	+ 8	+25	+28	— 2	+12
Motor Vehicle Dealers	—59	—58	—53	....	—56

*Includes classifications other than those listed.
Source: Bureau of the Census, United States Department of Commerce.

WHOLESALE TRADE
SEVENTH FEDERAL RESERVE DISTRICT

Commodity	Per Cent Change January 1941 to January 1942			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries	+14	—13	+24	+27
Electrical Goods	+38	+41	+46	+66
Groceries	+31	+22	+18	+26
Hardware	+43	+21	+15	+42
Jewelry	— 1	+ 5	+ 1	+25
Meats and Meat Products	+69	+57	+39	+61
Paper and Its Products	+66	+35	+15	+34
Tobacco and Its Products	+13	+73	— 4	+20
Miscellaneous	+42	+21	+14	+31
Total	+38	+25	+16	+34

Source: Bureau of the Census, United States Department of Commerce.

PERCENTAGE INCREASES FROM DECEMBER 15, 1941 TO JANUARY 15, 1942 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Average: Large Cities	+1.3	+2.7[1]	+0.8	+0.2	+0.1[2]	+0.9	+0.6
Chicago	+1.2	+2.7	+0.4	+0.1	+0.1	+1.2	+0.4
Detroit	+1.6	+3.7	+0.3	+0.7	+0.4	[3]	+1.0

PERCENTAGE INCREASES FROM MARCH 15, 1941 TO JANUARY 15, 1942 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS

Average: Large Cities	+10.6	+18.1	+13.3	+3.1	+3.5	+15.9	+6.3
Chicago	+10.2	+18.1	+12.6	+3.1	+2.9	+12.4	+6.1
Detroit	+12.1	+17.4	+13.9	+8.5	+8.5	+14.1	+8.8

INDEXES OF THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS
JANUARY 15, 1942
(Average 1935-39=100)

Average: Large Cities	111.9	116.2[1]	115.7	108.4	104.2[2]	117.8	108.3
Chicago	111.9	116.2	112.6	112.5	103.4	116.3	106.9
Detroit	114.5	115.5	116.9	118.4	106.7	117.2	111.2

[1]Based on data for 51 cities.
[2]Based on data for 34 cities.
[3]No change.
Source: Bureau of Labor Statistics.

MONTHLY BUSINESS INDEXES

Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100	Jan. 1942	Dec. 1941	Nov. 1941	Jan. 1941	Dec. 1940	Nov. 1940
Manufacturing Industries:						
Durable Goods:						
Employment	148	153	157	131	130	128
Payrolls	196	192	192	152	152	148
Non-Durable Goods:						
Employment	114	118	119	102	105	104
Payrolls	140	143	139	111	117	111
Total:						
Employment	137	141	144	121	122	120
Payrolls	178	177	176	140	142	137
Pig Iron Production:*						
Illinois and Indiana	205	208	203	187	184	191
Automobile Production (U. S. and Canada):						
Passenger Cars and Trucks	78	90	111	156	151	152
Casting Foundries Shipments:						
Steel—In Dollars	468	480	372	196	178	151
In Tons	245	246	204	169	160	138
Malleable—In Dollars	205	230	199	164	167	142
In Tons	164	188	164	150	158	132
Stoves and Furnaces:						
Shipments	**	125	144	75	113	128
Furniture Manufacturing:						
Orders in Dollars	199	110	169	193	101	115
Shipments in Dollars	149	195	203	108	139	154
Paper Manufacturing:*						
Tonnage Production	139	139	140	115	108	111
Petroleum Refining—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Stills	180	165	167	141	140	141
Gasoline Production	172	161	161	134	134	137
Bituminous Coal Production:*						
Illinois, Indiana, Iowa and Michigan	159	138	140	136	142	126
Building Contracts Awarded:						
Residential	171	137	209	146	171	194
Total	147	121	169	130	122	180
Department Store Net Sales:*						
Chicago	116	203	137	88	192	126
Detroit	128	219	157	91	203	139
Indianapolis	135	248	165	98	218	144
Milwaukee	121	217	151	90	193	124
Other Cities	118	223	155	84	203	134
Seventh District—Unadjusted	120	213	146	89	197	131
Adjusted	152	126	133	113	117	119

*Daily average basis.
**Not available.

LIVESTOCK MOVEMENT AND SLAUGHTER

	Seventh Federal Reserve District January 1942	Per Cent Change from January 1941	United States Total (67 Markets) January 1942	Per Cent Change from January 1941
	(1,000 head)		(1,000 head)	
RECEIPTS:				
Cattle	328	+13.3	1,321	+16.3
Calves	86	+ 7.1	467	+ 0.6
Hogs	1,236	+21.6	3,704	+21.9
Lambs and Sheep	384	+ 0.3	1,791	+ 4.0
SLAUGHTER:				
Cattle	231	+13.6	834	+17.8
Calves	69	+11.1	283	+ 2.6
Hogs	921	+24.0	2,670	+24.3
Lambs and Sheep	256	+ 3.1	1,036	+ 3.4
SHIPMENTS:				
Cattle	97	+12.4	477	+14.2
Calves	17	— 6.0	183	— 2.0
Hogs	315	+15.3	1,033	+17.3
Lambs and Sheep	128	— 4.5	754	+ 5.6

Source: Agricultural Marketing Service, United States Department of Agriculture.

HOG-CORN RATIOS

	February 1942	January 1942	February 1941	February 1940
Illinois	16.5	14.7	13.9	9.8
Indiana	15.6	14.9	13.3	10.2
Iowa	16.7	15.3	15.1	10.4
Michigan	14.8	13.8	11.8	9.4
Wisconsin	15.1	13.8	12.9	8.9
United States	15.2	14.5	12.8	9.1

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

RECEIPTS AND SHIPMENTS OF GRAIN

At Interior Primary Markets in the United States
(In thousands of bushels)

	January 1942	January 1941	Per Cent Change Jan. 1942 from Jan. 1941	Ten-Year Average January 1932–41	Per Cent Change Jan. 1942 from Ten-Year Average
WHEAT:					
Receipts	19,713	10,342	+90.6	10,235	+92.6
Shipments	10,416	10,052	+ 3.6	9,783	+ 6.5
CORN:					
Receipts	29,789	16,434	+81.3	14,754	+101.9
Shipments	16,124	9,009	+79.0	8,543	+88.7
OATS:					
Receipts	8,437	3,515	+140.0	4,414	+91.1
Shipments	7,239	3,367	+115.0	4,225	+71.3

	February 1942	February 1941	Per Cent Change Feb. 1942 From Feb. 1941	Ten-Year Average February 1932–41	Per Cent Change Feb. 1942 from Ten-Year Average
WHEAT:					
Receipts	17,601	8,145	+116.1	9,896	+77.9
Shipments	9,322	8,148	+14.4	8,264	+12.8
CORN:					
Receipts	29,183	13,945	+109.3	12,732	+129.2
Shipments	15,182	7,070	+114.7	6,529	+132.5
OATS:					
Receipts	5,556	3,096	+79.5	4,029	+37.9
Shipments	5,746	3,112	+84.6	3,756	+53.0

Source: Daily Trade Bulletin.

EMPLOYMENT AND PAYROLLS
SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of January 15, 1942			Per Cent Change from December 15, 1941	
	Number of Reporting Firms	Number of Employes	Wage Payments (In thousands of dollars)	Number of Employes	Wage Payments
DURABLE GOODS:					
Metals and Products[1]	1,841	594,835	23,457	—1.5	+2.1
Transportation Equipment	390	354,392	16,995	—6.5	+4.3
Stone, Clay, and Glass	271	21,943	664	—9.0	—14.0
Wood Products	439	60,589	1,637	—2.2	—8.0
Total	2,941	1,031,759	42,753	—3.5	+2.2
NON-DURABLE GOODS:					
Textiles and Products	430	74,718	1,696	—3.8	—5.4
Food and Products	1,018	124,417	3,906	—4.6	—0.3
Chemical Products	317	43,417	1,577	+0.3	+1.8
Leather Products	178	33,345	889	—1.9	—3.8
Rubber Products	35	15,366	474	—18.7	—17.4
Paper and Printing	686	91,301	3,090	—0.5	—2.6
Total	2,664	382,564	11,632	—3.4	—2.5
Total Mfg., 10 Groups	5,605	1,414,323	54,385	—3.4	+1.2
Merchandising	4,826	136,125	3,312	—18.8	—16.2
Public Utilities	1,001	108,446	3,931	—1.0	+0.9
Coal Mining	45	8,291	313	+0.8	+4.3
Construction	712	11,171	448	—16.4	—14.5
Total Non-Mfg., 4 Groups	6,584	264,033	8,004	—11.6	—7.7
Total, 14 Groups	12,189	1,678,356	62,389	—4.8	*

[1]Other than transportation equipment.
*Decrease of less than one per cent.
Source: State agencies of Illinois, Indiana, Michigan and Wisconsin.

BANK DEBITS

Debits to deposit accounts, except interbank accounts

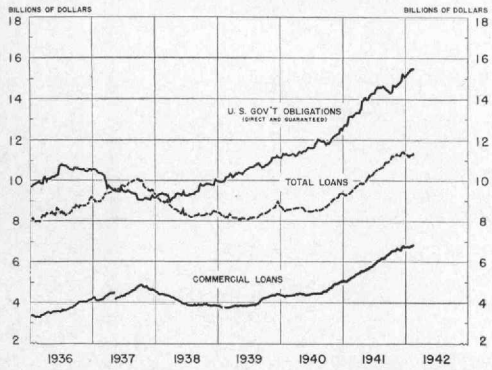
	(In thousands of dollars)			Per Cent Change Feb. 1942 from	
	Feb. 1942	Jan. 1942	Feb. 1941	Jan. 1942	Feb. 1941
ILLINOIS:					
Aurora	13,595	17,418	12,377	—22	+10
Bloomington	16,503	16,059	12,211	+ 3	+35
Champaign-Urbana	15,817	20,386	14,627	—22	+ 8
Chicago	3,380,025	4,067,868	2,892,898	—17	+17
Danville	10,857	13,811	10,081	—21	+ 8
Decatur	23,456	31,582	19,009	—26	+23
Elgin	9,219	10,756	7,681	—14	+20
Moline	10,675	13,872	8,556	—23	+25
Peoria	70,437	88,405	61,178	—20	+15
Rockford	40,114	44,922	31,778	—11	+26
Springfield	26,322	33,092	24,654	—20	+ 7
INDIANA:					
Fort Wayne	42,168	49,234	31,919	—14	+32
Gary	21,445	25,258	18,481	—15	+16
Hammond	11,068	13,105	8,826	—16	+25
Indianapolis	281,648	339,068	210,130	—17	+34
South Bend	48,729	59,860	47,073	—19	+ 4
Terre Haute	27,751	34,224	23,582	—19	+18
IOWA:					
Cedar Rapids	33,215	39,274	26,313	—15	+26
Clinton	7,533	8,185	5,744	— 8	+31
Davenport	24,869	29,179	24,285	—15	+ 2
Des Moines	110,163	121,354	90,024	— 9	+22
Dubuque	11,500	13,914	9,525	—17	+21
Mason City	12,795	14,815	9,934	—14	+29
Muscatine	3,857	4,247	3,028	— 9	+27
Sioux City	52,308	63,516	38,283	—18	+37
Waterloo	25,682	27,973	18,373	— 8	+40
MICHIGAN:					
Adrian	4,984	5,908	4,630	—16	+ 8
Battle Creek	20,069	19,538	13,844	+ 3	+45
Bay City	13,714	17,036	11,366	—19	+21
Detroit	1,290,604	1,459,576	1,137,802	—12	+13
Flint	30,754	35,485	30,757	—13	*
Grand Rapids	64,024	72,627	59,290	—12	+ 8
Jackson	19,949	23,079	16,227	—14	+23
Kalamazoo	27,777	33,189	25,491	—16	+ 9
Lansing	32,086	35,789	25,951	—10	+24
Saginaw	26,243	30,108	23,818	—13	+10
WISCONSIN:					
Green Bay	18,703	21,722	14,715	—14	+27
Manitowoc	8,891	9,546	6,937	— 7	+28
Milwaukee	345,151	384,037	286,319	—10	+21
Oshkosh	10,822	12,662	9,568	—15	+13
Sheboygan	29,214	29,463	16,519	— 1	+17
SEVENTH DISTRICT:					
41 Cities	6,274,736	7,391,142	5,343,804	—15	+17
UNITED STATES:					
274 Cities	41,550,000	48,610,000	35,783,000	—15	+16

*Decrease of less than one per cent.

INDUSTRIAL PRODUCTION

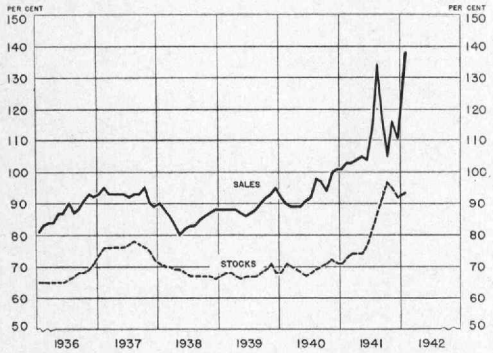
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for January 1942.

MEMBER BANKS IN 101 LEADING CITIES



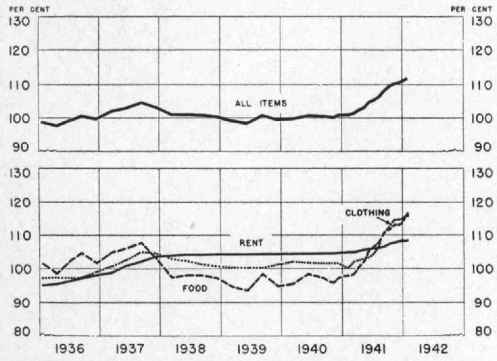
Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for February 11, 1942.

DEPARTMENT STORE SALES AND STOCKS



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for January 1942.

COST OF LIVING



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September 1940, monthly thereafter. Latest figures shown are for January 1942.

National Summary of Business Conditions

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

Industrial activity rose further in January and the first half of February, reflecting continued sharp advances in output of military products. Retail trade was unusually active and prices, particularly of unregulated commodities, advanced.

Production—Volume of industrial production increased in January, although usually there is some decline at this season, and the Board's adjusted index rose further to 170 per cent of the 1935-39 average. Continued rapid increases in activity were reported in the machinery and armament industries and production of chemicals likewise rose sharply. Activity at cotton textile mills reached a new high level, following some decline in December. In the meatpacking industry, where activity had risen to record levels in December, there was a further advance in January and output of most other manufactured food products was maintained in large volume for this time of year.

Production of steel and nonferrous metals continued near capacity in January and lumber production, which usually declines at this season, was sustained. In the automobile industry output of passenger cars and light trucks continued at about the December rate; in February, however, production of cars and trucks for civilian use was halted and the plants were shut down for conversion to armament production. Coal production increased in January, following a decline in December when demand was curtailed somewhat by unusually warm weather, and output of crude petroleum was maintained at record levels.

Value of construction contracts awarded in January was some two-fifths below the level of the last quarter of 1941, according to figures of the F. W. Dodge Corporation. Declines were reported in all classes of construction; the decrease in residential building being usual at this season.

Total awards in January were slightly larger than last year, but public projects accounted for a much larger proportion of the total than a year ago.

Distribution—In January retail trade was stimulated considerably by widespread anticipatory buying of many products resulting from announcements that distribution of new tires and tubes, new automobiles, and sugar would henceforth be rationed and that the amount of materials available for use in various other goods would be restricted. Sales at department stores, variety stores, and general merchandise stores declined much less than is usual after the Christmas season, while sales of tires and tubes were restricted to essential uses and sales of automobiles ceased pending the establishment of a rationing system. In the first half of February department store sales decreased somewhat from the high level reached in mid-January.

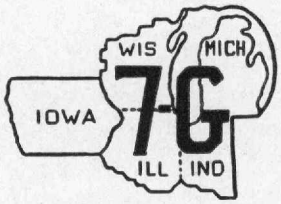
Total carloadings of revenue freight, which usually decline in January, showed little change this year and the Board's seasonally adjusted index advanced from 137 to 140 per cent of the 1935-39 average. Loadings of grain and forest products rose to unusually high levels for this time of year and coal shipments also increased, following a decline in December. Shipments of miscellaneous freight, which include most manufactured products, declined less than seasonally.

Commodity Prices—Prices of commodities and services continued to advance sharply in January and the first half of February. The Emergency Price Control Act of 1942 became a law on January 30 and former Federal maximum price schedules—approximately 100 in number—remained in effect under its terms. About one-half of these schedules were issued following the United States' entry into the war. In this period, price controls were extended to a number of finished consumers' goods and covered mainly items for which output for civilian use had been sharply curtailed or prohibited by Federal order. Retail prices of foods and textile products, which are not subject to direct control, showed exceptionally large increases from December 15 to January 15 and, according to preliminary indications, have continued to advance since that time.

Bank Credit—Since the beginning of the year loans and investments at banks in leading cities have increased, reflecting purchases of government securities by city banks outside New York and increases in commercial loans by banks in New York. Demand deposits and currency in circulation have risen sharply. Members bank reserves have shown little change in recent weeks, and excess reserves have continued close to 3½ billion dollars.

United States Government Security Prices—Prices of United States government bonds declined somewhat in the first half of February, following little change during the previous month, while prices of short-term securities, which had risen in January, were steady.

SEVENTH FEDERAL



RESERVE DISTRICT