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FEDERAL RESERVE BANK OF CHICAGO

# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

# Review of Seventh District Business

Business in the Seventh Federal Reserve District moved forward in 1942 carrying employment and payrolls to an all-time high. In December, the Federal Reserve Bank of Chicago index of employment reached 149.8 per cent of the 1935-39 average. This compares with an index of 145.5 per cent at the peak of 1941 and an index of 110 per cent in 1929. Payrolls are 30 per cent higher than they were a year ago. The increase over the previous month was shared by all of the major manufacturing groups except stone-clay and glass products, in which the trend is normally downward at this season. Both durable and non-durable shared in the expansion. The rise in employment during the past year did not get well under way until after the conversion of the automobile industry to a war basis had been completed. The transportation equipment group as a whole, after registering a decline of 25 per cent from the peak in November 1941 to the low of February and March 1942, rose approximately 40 per cent above the low level. The current December employment in this group exceeded that of a year ago by 14 per cent.

The metal industries, exclusive of the transportation equipment group, had 9 per cent more workers in December than last year. Food and leather goods industries were the only other groups in which employment showed an appreciable increase from December 1941 to December 1942. The former gained 6 per cent and the latter 8 per cent.

Construction contracts awarded were almost 40 per cent greater in valuation than a year ago. Non-residential awards, mainly for the construction of industrial plants, totaled close to \$700,000,000 during the year, which was about two-thirds again as large as the volume of this type of building in 1941. Public works and utilities showed an expansion of about one-third over the previous year. Residential building alone showed a decline. This decline, of course, was the result of the various Government regulations issued during the year for the purpose of conserving materials and limiting housing to the needs of defense workers. The effect of these regulations was also seen in the shift in type of residential building for which contracts were awarded. One-family dwellings, for owner occupancy, declined to a negligible amount, after having constituted one-half of the total in 1941. Publicly-owned residential building amounted to 48 per cent of the total in 1942, whereas it was only 8 per cent in 1941. Publicly-financed non-residential building also showed an increase, rising from 56 per cent of the total of this classification in 1941 to more than 90 per cent in 1942.

Bituminous coal production by the Seventh District

States in December continued at the same level as in November. The output in these two months averaged about 330,000 tons a day. The production total for the year exceeded that of 1941 by about 15 per cent, which was slightly better than the increase shown for the country as a whole.

Crude oil production in Illinois, Indiana, and Michigan declined further in December, averaging 321,000 barrels a day. The average in November was 447,000 barrels and in December a year ago it was 507,000. The production for the year 1942 was approximately 14 per cent below that of 1941. The refineries in the District were also less active in December than in the month previous, although runs of crude oil were as heavy as a year ago, and for the entire year were 5 per cent larger.

Gasoline shipments from District refineries declined since the January 21, 1943 order of the Petroleum Administrator for War, stopping the use of tank cars in moving motor fuel to the East Coast. After a decline of as much as 50 per cent during December, gasoline demand made some gains during January because consumers used remaining "A" series coupons before they expired. Fuel inventories are extremely low, while fuel oil demand has increased because of the cold weather. Pumping of crude oil into the new 24-inch pipeline from Longview, Texas, to Norris City, Illinois, has begun. The Eastern leg of the new pipeline, from Norris City to the New York-Philadelphia area, is reaching the full construction stage as more materials become available.

Paper production continued firm during January, despite adjustments to a revised "freeze order" restricting output of paper products according to use. Threats of paper scarcity further stimulated demand, causing an extension of backlogs of orders at many mills.

Steel ingot production in Chicago and Detroit, the District's principal steel centers, remained above 100 per cent of rated capacity. Orders leveled off during the month mainly because of adjustment to the requirements of the Controlled Materials Plan. At the present time, the alloy steel supply is particularly critical. In the scrapyards, manpower continues to be the principal problem, and labor shortages are beginning to appear in some steel mills. Cold weather and snow hampered scrapyard turnover during January, but for the most part mills in this District are reported to have sufficient scrap for immediate needs.

After two weeks of declining business, department store sales reported in the Seventh Federal Reserve District for the last week of January showed an improvement over a year ago. Cumulative sales for the first four weeks of January, however, failed to equal the sales for the unusually high January of 1942.

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# Seventh District Manpower

The manpower resources of the Seventh Federal Reserve District are now being used more fully than at any previous time. Yet the demands of industry, agriculture, and government for more men and women remain far from satisfied as the nation intensifies its military and war production effort to drive toward ultimate victory.

The crucial questions are: first, what sources of potential manpower remain to fill these vital needs, and second, what is the optimum balance in manpower use as between the armed forces, industrial war output, food and fibre for the war, and the minimum essential goods and services for civilians.

Throughout the District and the nation the manpower supply is distinctly uneven, ranging from severe labor stringencies in a number of important producing areas to small surpluses in scattered communities. Further migration, however, is to be discouraged for the most part because of extreme housing shortages in war production centers and because workers only aggravate the problem by leaving essential work in one community to move to another. Manpower needs must be met principally within the labor resources already existing in each production area. Thousands of potential workers now unskilled and normally considered outside of the labor force must be drawn into the labor market. Women, non-whites, and those physically handicapped offer the greatest possible sources of additional labor supply. Extension of hours worked and sharp reductions in labor turnover and absenteeism are regarded as important methods of increasing the output of the workers now on the job. Orderly withdrawal of men into the armed forces will be increasingly necessary in the coming months. Replacements must be ready wherever possible so as to minimize this disrupting influence upon production and the overall employment problem.

## THE LABOR FORCE

The labor force comprises the nation's workers, excluding those in the armed forces, who are actually employed or unemployed but seeking employment. The productive output of the nation depends upon this group which was estimated by the United States Bureau of the Census to number 53.4 million persons in December 1942, including 1.5 millions or 3 per cent unemployed. Comparable figures for the states of the Seventh District are unfortunately not available. However, assuming a pattern in the District roughly paralleling the national pattern, and allowing for the increases in civilian population since the 1940 census, the District labor force is estimated now to be slightly more than 9 million per-

sons, or about 17 per cent of the national total. In general, the current manpower problem involves (1) expanding or at least maintaining this labor force despite Selective Service withdrawals, and (2) obtaining the most effective use of those in the labor force.

The Seventh District labor force normally (1940) is distributed among the following industry groups in decreasing order of importance: manufacturing; wholesale and retail trade; agriculture, forestry, and fishing; personal services; transportation, communication, and other public utilities; professional and related services; construction; government; finance, insurance, and real estate; business and repair services; mining; and amusement, recreation, and related services. Mobilization for war has caused considerable readjustment of workers among these groups. Manufacturing, construction, transportation, and government have made the most consistent rises during the past three years at the expense of other groups. The most serious declines have occurred in wholesale and retail trade; agriculture, forestry, and fishing; finance, insurance and real estate; and personal services. Important shifts between groups are likely to continue for some time as certain war activities reach their peak and as workers in specifically designated non-essential industries feel increasing pressures to find war employment.

Ignoring seasonal fluctuations, the civilian labor force in the nation remained virtually unchanged throughout 1942, for declines in unemployment and gains of former non-workers have offset losses to Selective Service. Within the District, the labor force probably increased because of the importance of in-migrant workers, especially to the Detroit and Chicago metropolitan areas.

## INDUSTRIAL LABOR SUPPLY SITUATION

The War Manpower Commission releases periodically a survey of the industrial labor supply as a guide for placing of further government contracts. The latest summary reveals the increasing scarcity of labor resources and their uneven pattern throughout the District. Industrial areas are now classified by the War Manpower Commission into four groups: Group I, areas of acute shortage; Group II, areas of current minimum balance of labor supply and demand; Group III, areas of temporary surplus but with anticipated balance of labor supply and demand within six months; and Group IV, areas of labor surplus. Each so-called "labor market" area is given under the name of one city, but includes nearby communities which should be grouped together as a natural area.

Three areas in the Seventh District and thirty-two in the nation are classified under Group I, in which no renewal of contracts should be made and no new contracts should be placed if alternative facilities for their production are available elsewhere. The District areas are: Detroit; Sterling, Illinois; and Manitowoc, Wisconsin. This group includes "(1) all areas in which the current labor requirements cannot be met except through the release of workers now employed in production for which facilities exist elsewhere, (2) all areas where labor requirements have been or are being met only through substantial necessary in-migration, or where large-scale special recruitment programs have been or are immediately necessary to draw upon reserves of women and other individuals not customarily in the labor market."

The War Manpower Commission included eighteen Seventh District areas and ninety-five areas in the nation in the revised Group II, defined as areas in which only renewals of contracts at the present level of production (requiring no additional workers) should be made and in which no new contracts should be placed if alternative facilities for their production exist elsewhere. This group includes "(1) all areas in which substantial in-migration, taxing present community facilities, will be necessary to meet presently known labor requirements, (2) all areas where large-scale special recruitment programs will be necessary to meet presently known labor requirements, drawing upon reserves of women and other individuals not customarily in the labor market, (3) all areas which are at peak employment and whose labor requirements have been met only through substantial necessary in-migration or large-scale recruitment programs."

#### SEVENTH DISTRICT AREAS OF CURRENT BALANCE OF LABOR SUPPLY AND DEMAND

Illinois	Michigan
Joliet	Adrian
Moline	Battle Creek
Springfield	Benton Harbor
	Flint
Indiana	Jackson
Gary	Lansing
Michigan City	Muskegon
Terre Haute	Pontiac
	Saginaw
Iowa	Wisconsin
Burlington	Milwaukee
	Sturgeon Bay

Twelve areas in the Seventh District and sixty-one in the nation are listed in Group III, defined as "areas in which renewals of contracts at present level of production should be made and in which new contracts may be placed providing such contracts are to be completed within six months." This group includes all areas where presently known labor requirements for the next six months can be met with relatively little in-migration or use of individuals not customarily in the labor market.

#### SEVENTH DISTRICT AREAS OF ANTICIPATED BALANCED LABOR SUPPLY AND DEMAND FOR SIX MONTHS

Illinois	Iowa
Aurora	Cedar Rapids
Chicago	Des Moines
Rockford	
Indiana	Michigan
Bloomington	None
Fort Wayne	
Indianapolis	Wisconsin
Richmond	Madison
South Bend	Racine

Tentatively designated in Group IV as plentiful labor areas are nine Seventh District industrial areas and eighty-five in the nation. Here the available labor supply is not fully utilized on essential civilian or war production, or a substantial surplus of workers exists, and all possible effort should be made to renew contracts, place new contracts, and locate new production facilities.

#### SEVENTH DISTRICT AREAS OF LABOR SURPLUS

Illinois	Iowa
Bloomington	None
Danville	Michigan
Galesburg	Grand Rapids
Peoria	Kalamazoo
Indiana	Wisconsin
Muncie	Oshkosh
	Sheboygan

#### THE FARM LABOR SITUATION

Farm labor shortages are expected to be serious during the coming year, especially in dairy and livestock enterprises. Certain crops, such as fruits and vegetables, are expected to be affected acutely at their seasonal peaks. The meeting of the farm labor problem will determine very largely the amount of food available to civilian consumers.

Heavy losses of farm labor from the farm are well known to the average reader. Estimates are that in the nation since the beginning of accelerated war activity about 1,600,000 men have left the farm, above one-third to the armed services and a little less than two-thirds to non-farm employment. If 1943 war goals are to be met in agriculture, upwards of 1.5 million workers will have to be found.

January estimates of demand for and supply of farm labor indicate the demand in the East North Central States was about 13 per cent greater than in January 1942 and 20 per cent greater than 1941. At the same date supply was nearly 20 per cent below the level of January 1942, and more than 30 per cent less than a year earlier.

Seventh District states depend less upon hired labor in the total farm labor force than does the country as a whole. It would appear from the January 15, 1943, *Farm*

*Labor Report* of the Bureau of Agricultural Economics that total farm employment in the District shows little change for January of this year from the same month of 1942, the number of family workers having increased sufficiently to offset the decline in hired workers.

In the corn states (Illinois, Indiana, Iowa, and Ohio) the average number employed on the first day of each month in 1942 showed a slight rise over the average of 1941, but a reduction from 1940. Family workers increased on the average for 1942 over both of the two previous years, while hired workers showed a decrease for 1942 amounting to 5 per cent of the previous year, and nearly 10 per cent of 1940.

In the dairy area (including Michigan, Minnesota, and Wisconsin) the average of total farm employment decreased slightly for 1942 from the level of either of the two previous years. Family workers totalled a little larger last year than 1941 but were less than in 1940, while hired workers were 3 per cent less than in 1941 and 6 per cent less than in 1940.

#### POSSIBLE SOURCES OF ADDITIONAL LABOR SUPPLY

Personnel officers, particularly in industry and agriculture, no longer can enforce rigid job specifications because few applicants have the training, experience, and physical condition normally required. As a result considerable effort has been expended (1) to break down work operations so that less important and narrower skills are needed, and (2) to simplify and speed up training methods so that workers can be placed on the job sooner. These practices have facilitated the employment and use of many entirely unskilled persons.

##### Women the Major Source

During 1942, most of the new additions to the labor force were women, and women constitute the largest single source of untapped labor supply in the District and the nation. Not all will go directly into war work, although women have proved themselves already to be very capable in performing assembly and fabrication jobs in aircraft, ordnance, shipbuilding, and many other important war industries. In greater numbers women will fill civilian positions formerly held by men in transportation, trade, and services.

Married women are actually the principal labor reserve since less than one-seventh of all married women 18 to 64 years of age living with their husbands were in the labor force in March 1940 when the last census was taken. At that time there were 802,000 such women in the Chicago Metropolitan area, and 450,000 in the Detroit Metropolitan area. The vast majority of these women are probably still without jobs.

In 1940, roughly three-fourths of the single women and half of the widowed, divorced, and separated women were employed. These fractions are undoubtedly much higher now, and consequently this whole group is not to be counted upon for many more workers. Not many recruits to the employment forces are likely to come from the population over 65 years or under 18 years of age, except for seasonal and part-time work. Non-white women constitute roughly 7 per cent of the female labor reserve in the District. Full utilization of these, e.g., 70,000 non-whites in Chicago and 40,000 in Detroit, will, of course, involve special problems of training and the elimination of discriminatory hiring practices.

##### Handicapped Workers

The United States Public Health Service estimates that there are approximately two and one-half to three million physically handicapped persons in the nation who can be drawn into the labor market. Though physically handicapped, they are not necessarily vocationally handicapped, since an individual's disability may not interfere with a particular occupation. In normal times, however, they are not commonly employed either because of employer specifications and prejudices, or because of readjustment difficulties in shifting to a new job or occupation. At least half of the present reserve of physically handicapped workers require vocational training before they can be employed. Perhaps as many as a million need only selective placement. Employer acceptance, and proper training and placement of these persons should help ease the critical labor shortage. Probably one-sixth of the estimated potential workers in the physically handicapped group reside in the Seventh District.

Discriminatory practices in regard to employing non-whites are still common, particularly in industry and trade. Small numbers of non-whites, principally negroes, are being employed in war plants, but almost invariably in unskilled capacities. Non-whites constitute an increasing proportion of new employees, but as a group the total is small when compared with the number of women now being hired. Failure to make full use of all of the District's population of employable age has complicated the manpower problem.

The potential sources of farm labor in the order of their importance, according to the U. S. Department of Agriculture, are: women workers; town and city residents who work in agriculture; farm boys reaching working age; non-agricultural workers living on farms to work in addition to other occupations; children under 14 years of age; and some unemployed farm labor, such as aged and physically handicapped. Other sources may be found in under-employed farmers whose land, capital, or ability limit their present production for the market.

## EFFORTS TO EASE THE MANPOWER SITUATION

Alarming labor turnover rates, labor pirating, labor hoarding by employers anticipating future rather than current use of workers, Selective Service withdrawals, and mounting absenteeism have aggravated the labor supply situation markedly since the beginning of early war preparations. Industry, labor, and government have sought measures to combat these difficulties, with some success.

The ending of voluntary enlistments has reduced labor turnover somewhat. Some employers in war industries have voluntarily established their own training schools where workers are paid to acquire needed basic skills. Large numbers of unskilled persons, men and women, have entered industry and been upgraded through such schools. Employers and unions have sponsored penalty and incentive plans to reduce absenteeism.

The War Manpower Commission (WMC), created by Executive Order in April 1942, has endeavored to coordinate all manpower activities so as to maximize the use of labor throughout the nation. In September 1942 the war manpower functions of a number of government agencies were concentrated within the WMC. Included were: the United States Employment Service (USES), Social Security Board, National Youth Administration, Apprenticeship Training Service, and the Training Within Industry Service. In December 1942, the Selective Service System was made a part of the WMC.

### "Essential" Activities and Occupations

At the request of the WMC, the United States Employment Service prepares and keeps current a detailed list of essential activities and occupations to be considered in granting deferments from service in the armed forces. Essential war activities include the production, repair, transportation and maintenance of equipment, supplies, facilities, or materials required in the prosecution of the war by the United States and the other United Nations. An "essential occupation" is any occupation, craft, trade, skill, or profession required in an essential activity in which an untrained individual is unable to attain reasonable proficiency within less than six months of training or experience.

The WMC "does not intend to restrict all hiring and recruiting activities to the United States Employment Service." However, it has the power to use the USES as an exclusive employment channel "wherever the requirements of sound manpower are violated," e.g., labor pirating, labor hoarding, and discrimination in hiring. This use of the USES stands in the background as a potential threat if voluntary employment methods fail.

### Employment Stabilization Plans

Within the next three months, it is estimated that

some plan of manpower control will be in effect in every major industrial community in the nation. Already voluntary employment stabilization plans have been established in the Seventh District, e.g. Detroit, Michigan, and Milwaukee, Wisconsin. Further plans are now under consideration for other areas. Each plan is administered by a joint area commission of industry, labor and government.

In brief, the plan requires that employers refuse to hire or solicit workers from other essential industries within each area unless the applicant presents a certificate of release from his former employer or from the Review Unit of the USES. A worker may transfer to a new job in the area if he is competent to perform higher skilled work than his current employer is able or willing to provide; employed at less than full-time (40 hours per week); when the distance to the place of employment is unreasonably great; when he is employed at wages or under conditions substantially less favorable than generally prevailing in the community; and for "compelling personal reasons." The necessary review of each labor transfer is expected to reduce labor turnover. Advertisement for skilled workers is eliminated unless the advertisement contains a clause that only persons eligible under the WMC stabilization plan need apply. Employers are not to advertise, recruit, or scout for workers outside of any area without clearance with the USES or the government contract agency for which the plant is producing war materials. Employers and labor organizations will cooperate in eliminating any contract provisions which stand in the way of accomplishing the desired objectives of the stabilization plan.

The WMC announced on February 4, 1942 that hiring of labor in all shortage areas would soon come under its direct control. Workers are to be furnished to employers on a priority system based on the importance of the employer in the war effort. New barriers will be placed on workers seeking to shift from vital occupations to less essential ones, and employers' rights to discharge workers supplied by the WMC or its approved agencies will be subject to limitation. Although no worker is to be "frozen" in a particular job or any one line of work, he must have a "very good reason" for leaving it. Local hiring control programs must conform to national WMC policy and be approved by regional WMC directors, but in general will be operated and regulated by area directors in conjunction with area management-labor committees.

### Selective Service Withdrawals

Indicating a definite decision to move workers from non-essential to war industries, Selective Service has announced that essentiality of employment rather than dependency is to be the basis for draft deferments.

After April 1, 1943, only those over 37 years of age and the physically handicapped will be automatically deferrable. Thirty-five occupations, 19 industries, eight wholesale and retail trades, and nine service activities are now classified by Selective Service as "non-essential." This list is expected to be extended from time to time. Men affected by the non-essential ruling in general will have until May 1 to shift to an occupation rated by WMC as essential to the war effort, or else face induction regardless of dependents. Preliminary reports from the USES show that applications for war jobs have increased markedly since the Selective Service announcement, indicating that the program to encourage workers to move from non-essential to essential activities and occupations is already having some success.

The Manning Table Plan of the WMC was developed to withdraw workers from industry to the armed forces systematically and with the least disruptive effect. The plan does not defer workers indefinitely as some employers have presumed. Employers apply to the WMC to participate in the Manning Table Plan, agreeing to submit detailed job descriptions, estimates of the minimum training, experience and other factors needed to prepare a new worker for each job, monthly estimates of future labor needs for the following six months, information on where handicapped workers can be employed, the amount of upgrading possible, and an evaluation of personnel by age, marital status, and dependency. On the basis of these data, the Manning Table is prepared, scheduling Selective Service withdrawals against this background so as to minimize interruptions and losses in production.

In addition to the training programs directed by the War Manpower Commission, many other public and private schools are training unskilled persons for war-time occupations. The United States Office of Education sponsors technical-vocational as well as college-level courses. Private training schools have sprung up in virtually all war production centers of the District and nation.

#### Longer Workweek?

The view has been expressed that relief for manpower shortage can be obtained by lengthening the workweek. Hours worked by employees in manufacturing industries in the nation during October 1942 averaged 43.6 hours per week. In durable goods industries the number was 45.7 hours per week, and in non-durable goods industries, 40.6. Although higher than any period since 1930, these hours on the whole are markedly lower than in the other major belligerent nations, and considerably under the levels prevailing during World War I. However, in many plants producing war materials in the Seventh District and the nation, a forty-eight hour week

or longer is widely in effect and in some instances guaranteed to workers.

Eight government agencies—the Labor, Commerce, War, and Navy Departments, Maritime Commission, Public Health Service, War Production Board, and WMC recommend that for wartime production, the 8-hour day and 48-hour week approximate the best working schedule for sustained efficiency in most industrial operations. The recommendation in no way affects the Wage-Hour Act's provision requiring time and one-half pay for all overtime work after 40 hours per week. The 7-day workweek for individuals has been found to be injurious to health, production, and morale. It slows down output because of the cumulative effects of fatigue and leads to increased absenteeism. Production can be increased by extending hours in war plants employing workers at fewer hours than recommended by the government agencies, but hours extension alone will not solve the manpower shortage.

#### Farm Labor Program

Governmental programs to deal specifically with the farm labor situation have also been formulated. Selective Service has recently notified local draft boards to reduce the minimum requirements for deferring essential agricultural war workers from sixteen units (sixteen dairy cows, or equivalent operation in hogs, corn, poultry, and other farm products) to eight. Movement between farms is to be permitted without change in draft status, but leaving the farm for non-farm employment is to be cause for immediate reclassification to 1-A.

The Department of Agriculture in cooperation with state and other agencies is experimenting with a farm worker training program. A substantial group was moved from Kentucky to the Ohio Agricultural Experiment Station for special "short course" training in the type of farming operations for which these workers are needed and will be used. In Wisconsin some farm workers have been moved from the "cutover" region to Dodge County in the southern part of the state for dairy farm work. A number of state colleges and experiment stations are likewise experimenting on their own with programs of this type. Success of these ventures will be particularly helpful in meeting the needs of live-stock enterprises. However, one of the major problems in these programs is the housing of such workers and their families on farms where they are most needed.

Complete authority over farm labor recruitment has been delegated to the Secretary of Agriculture. He recently announced a campaign to recruit 3,500,000 seasonal farm workers to handle the peak load of planting and harvesting crops. These workers would presumably leave present occupations temporarily to meet the farm labor needs.

WHOLESALE TRADE Seventh Federal Reserve District				
Commodity	Per Cent Change Dec. 1942 to Dec. 1941			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries	+14.9	- 1.3	- 7.0	+22.3
Electrical Goods	-61.0	-66.2	-42.5	-47.1
Groceries	+11.7	- 9.1	- 8.1	+13.9
Hardware	-11.6	-32.1	-23.6	-12.0
Jewelry	-38.3	+ 4.8	-50.9	-11.1
Meats and Meat Products	+53.5	- 8.8	+65.9	+80.3
Paper and Its Products	-13.6	+ 6.4	-32.0	-13.1
Tobacco and Its Products	+12.2	- 9.8	- 5.6	+14.1
Miscellaneous	+ 4.0	-15.8	-23.3	- 4.9
<b>Total</b>	<b>+ 2.8</b>	<b>-20.4</b>	<b>-18.2</b>	<b>+ 8.9</b>

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

MONTHLY BUSINESS INDEXES						
Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100	Dec. 1942	Nov. 1942	Oct. 1942	Dec. 1941	Nov. 1941	Oct. 1941
	<b>MANUFACTURING INDUSTRIES:</b>					
<b>Durable Goods:</b>						
Employment	165	162	160	153	157	157
Payrolls	258	249	243	192	192	192
<b>Non-Durable Goods:</b>						
Employment	119	118	119	118	119	120
Payrolls	168	161	157	143	139	140
<b>Total:</b>						
Employment	150	147	146	141	144	144
Payrolls	230	221	216	177	176	176
<b>FURNITURE MANUFACTURING:</b>						
Orders in Dollars	140	151	147	110	169	186
Shipments in Dollars	135	141	178	195	203	233
<b>PAPER MANUFACTURING:*</b>						
Tonnage Production	111	131	131	139	140	144
<b>PETROLEUM REFINING—(Indiana, Illinois, Kentucky Area):*</b>						
Crude Runs to Stills	163	168	172	163	167	168
Gasoline Production	130	140	145	157	161	165
<b>BITUMINOUS COAL PRODUCTION:*</b>						
Illinois, Indiana, Iowa, and Michigan	150	150	144	144	141	126
<b>BUILDING CONTRACTS AWARDED:</b>						
Residential	155	270	258	137	209	263
Total	167	137	266	121	169	200
<b>DEPARTMENT STORE NET SALES:*</b>						
Chicago	226	147	140	202	135	122
Detroit	260	193	170	218	161	118
Indianapolis	300	214	192	245	162	153
Milwaukee	264	178	167	217	151	137
Other Cities	263	184	157	225	156	123
Seventh District—Unadjusted	246	168	154	212	147	124
Adjusted	146	153	147	126	133	118

\*Daily average basis.

BANK DEBITS Debits to deposit accounts, except interbank accounts					
	(In thousands of dollars)			Per Cent Change December 1942 from	
	Dec. 1942	Nov. 1942	Dec. 1941	Nov. 1942	Dec. 1941
<b>ILLINOIS:</b>					
Aurora	17,390	13,991	17,409	+24	*
Bloomington	20,418	18,736	15,544	+ 9	+31
<b>Champaign-Urbana:</b>					
Chicago	5,216,774	4,183,857	4,833,987	+25	+ 8
Danville	15,528	12,787	13,701	+21	+13
Decatur	37,901	46,129	40,947	-18	- 7
Elgin	13,069	10,643	11,932	+23	+10
Joliet	32,001	27,685		+16	
Moline	15,570	12,493	14,434	+25	+ 8
Peoria	86,409	81,289	87,109	+ 6	- 1
Rockford	57,536	44,998	49,831	+28	+15
Springfield	37,450	37,560		*	**
<b>INDIANA:</b>					
Fort Wayne	61,655	56,670	53,796	+ 9	+15
Gary	29,868	28,679	28,192	+ 4	+ 6
Hammond	15,129	13,026	13,530	+ 16	+12
Indianapolis	374,387	324,463	329,524	+ 15	+14
Lafayette	16,984	14,584		+16	
Muncie	23,446	20,315		+15	
South Bend	64,422	57,720	66,492	-12	- 3
Terre Haute	39,718	37,714	35,227	+ 5	+13
<b>IOWA:</b>					
Burlington	13,287	11,629		+14	
Cedar Rapids	47,177	37,069	43,229	-27	+ 9
Clinton	10,404	9,361	9,800	+11	+ 6
Davenport	31,712	25,277	33,567	+25	- 6
Des Moines	156,275	114,163	139,158	+37	+12
Dubuque	14,258	13,170	14,687	+ 8	- 3
Mason City	19,164	13,578	15,407	+41	+24
Muscatine	5,925	4,893	5,560	+21	+ 7
Ottumwa	20,693	18,099		+14	
Sioux City	75,122	59,097	63,832	+27	+18
Waterloo	30,087	25,714	29,049	+17	+ 4
<b>MICHIGAN:</b>					
Adrian	6,930	6,063	6,242	+14	+11
Battle Creek	27,740	22,012	21,464	+26	+29
Bay City	19,277	23,282	20,389	-17	- 5
Detroit	2,256,168	1,844,597	1,641,145	+22	+37
Flint	44,229	37,363	41,239	+18	+ 7
Grand Rapids	88,100	71,871	81,223	+23	+ 8
Jackson	30,119	25,267	25,294	+19	+19
Kalamazoo	42,262	31,951	39,942	+32	+ 6
Lansing	55,946	44,912	38,035	+25	+47
Muskegon	35,701	29,281		+22	
Port Huron	15,000	13,736		+ 9	
Saginaw	45,137	32,323	41,471	+40	+ 9
<b>WISCONSIN:</b>					
Green Bay	22,471	20,231	21,979	+11	+ 2
Madison	59,907	49,214		+22	
Manitowoc	13,789	11,323	11,439	+22	+21
Milwaukee	582,469	402,073	451,007	+45	+29
Oshkosh	15,761	11,084	13,780	+42	+14
Racine	34,726	30,939		+12	
Sheboygan	26,961	23,983	37,021	+12	-27
<b>TOTAL 41 CENTERS</b>	<b>9,789,185</b>	<b>7,911,577</b>	<b>8,516,591</b>	<b>+24</b>	<b>+15</b>
<b>TOTAL 50 CENTERS</b>	<b>10,040,930</b>	<b>8,127,059</b>		<b>+24</b>	<b>+24</b>
<b>UNITED STATES:</b>					
274 CENTERS	64,990,000	50,673,000	56,582,000	+28	+15

†New reporting centers for which figures were not collected before May 1942.  
\*Decrease of less than one per cent. \*\*Increase of less than one per cent.

DEPARTMENT AND APPAREL STORE TRADE Seventh Federal Reserve District										
Locality	Total Net Sales			Per Cent Change December 1942 from December 1941			Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change December 1942 from		Per Cent Change January through December 1942 from January through December 1941	Open Book Sales	Instal- ment Sales	Cash and C.O.D. Sales	Per Cent Change December 1942 from		Per Cent Change December 1942 from	
	November 1942	December 1941					November 1942	December 1941	November 1942	December 1941
Chicago	+63.2	+ 7.6	+ 5.7	- 5.2	-22.3	+22.5	-19.4	+ 7.3	+ 5.3	+72.0
Peoria	+38.5	+ 5.1	+ 3.6	- 2.9	- 6.0	-27.8	-21.2	- 2.9		
Fort Wayne	+32.5	+ 8.1	+19.6	- 1.4		-42.7	-21.7	+ 8.9	+18.1	+38.2
Indianapolis	+45.2	+17.4	+17.4							
Des Moines	+35.0	+ 8.0	+ 8.1							
Sioux City	+44.2	+ 9.2	+ 7.3							
Detroit	+38.3	+13.0	+17.1	- 8.4	-12.6	+35.6	-27.7	+ 8.7	+ 0.8	+62.4
Flint	+46.8	+23.6	+ 2.2							
Grand Rapids	+47.9	+ 2.1	+ 4.9							
Lansing	+30.0	+ 8.5	+ 9.0							
Milwaukee	+54.5	+15.9	+15.2	+ 5.1	-10.4	+39.6	-19.0	+24.5	- 8.1	+145.9
Other Cities	+42.4	+ 5.6	+ 6.6	+ 1.7	- 8.1	+24.7	-23.4	- 2.0	- 8.1	+ 77.0
<b>District total</b>	<b>+49.8</b>	<b>+ 9.8</b>	<b>+10.2</b>	<b>- 3.7</b>	<b>-16.0</b>	<b>+29.1</b>	<b>-23.0</b>	<b>+ 9.4</b>	<b>+ 3.6</b>	<b>+ 78.2</b>
<b>Apparel stores</b>	<b>+32.9</b>	<b>+20.5</b>	<b>+15.5</b>	<b>+ 1.9</b>		<b>+44.1</b>	<b>-22.4</b>	<b>+29.3</b>	<b>-10.7</b>	<b>+148.1</b>



SALES OF INDEPENDENT RETAIL STORES (As compiled by the Bureau of the Census)					
	Per Cent Change December 1941 to December 1942				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+ 1	+ 3	- 7	+ 8	+ 3
Apparel Group.....	+17	+26	+ 5	+31	+16
Drug Stores.....	+19	+29	+24	+32	+24
Eating and Drinking Places.....	+15	+21	+ 2	+23	+23
Food Group.....	+27	+35	+15	+41	+21
Furniture-Household- Radio Group.....	- 9	-11	- 6	+12	- 2
Hardware Stores.....	- 6	- 1	- 9	- 6	-12
Jewelry Stores.....	+21	+39	+23	+50	+36
Lumber and Building Materials.....	-24	-27	-32	-22	+ 2
Motor Vehicle Dealers..	-73	-80	-67	-75	-66

\*Includes classifications other than those listed.

BUILDING CONTRACTS AWARDED Seventh Federal Reserve District		
	Total Contracts	Residential Contracts
December 1942.....	\$65,769,000	\$17,880,000
Change from November 1942.....	+22%	-43%
Change from December 1941.....	+38%	+13%
Year 1942.....	\$1,280,949,000	\$296,504,000
Change from year 1941.....	+40%	-12%

Source: F. W. Dodge Corporation.

WHOLESALE PRICES			
	Indexes—Dec. 1942 (1926=100)	Per Cent Change from	
		Nov. 1942	Dec. 1941
All Commodities.....	101.0*	+0.7*	+7.9
Farm Products.....	113.8	+3.0	+20.2
Foods.....	104.3	+0.8	+15.2
All Other.....	95.9*	+0.1*	+2.3

\*Preliminary

Source: Bureau of Labor Statistics.

EMPLOYMENT AND PAYROLLS Seventh Federal Reserve District					
Industrial Group	Week of December 15, 1942			Per Cent Change from Nov. 15, 1942	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup>	1,994	701,568	32,986	+2.1	+4.3
Transportation Equipment.....	428	592,824	33,567	+3.0	+2.5
Stone, Clay, and Glass	291	23,755	856	-0.9	-2.0
Wood Products.....	476	60,770	1,972	+1.3	+3.6
Total.....	3,189	1,378,917	69,381	+2.4	+3.3
<b>NON-DURABLE GOODS:</b>					
Textiles and Products	447	77,744	2,085	+0.6	+2.0
Food and Products...	1,099	169,900	6,077	+0.4	+6.5
Chemical Products...	343	60,410	2,550	+1.4	+3.3
Leather Products....	175	34,145	1,065	+0.2	+0.4
Rubber Products....	83	16,145	735	+3.5	+5.8
Paper and Printing...	703	87,255	3,282	+2.0	+3.2
Total.....	2,800	445,599	15,794	+1.0	+4.2
<b>Total Mfg., 10 Groups..</b>	<b>5,989</b>	<b>1,824,516</b>	<b>85,175</b>	<b>+2.0</b>	<b>+3.5</b>
<b>Merchandising.....</b>	<b>4,471</b>	<b>172,136</b>	<b>4,592</b>	<b>+10.9</b>	<b>+13.6</b>
<b>Public Utilities.....</b>	<b>1,134</b>	<b>112,874</b>	<b>4,252</b>	<b>-1.6</b>	<b>-1.4</b>
<b>Coal Mining.....</b>	<b>40</b>	<b>7,136</b>	<b>295</b>	<b>+1.0</b>	<b>+5.0</b>
<b>Construction.....</b>	<b>675</b>	<b>26,298</b>	<b>1,380</b>	<b>-14.2</b>	<b>-24.8</b>
<b>Total Non-Mfg., 4 Grps.</b>	<b>6,320</b>	<b>318,444</b>	<b>10,519</b>	<b>+3.5</b>	<b>+0.5</b>
<b>Total, 14 Groups.....</b>	<b>12,309</b>	<b>2,142,960</b>	<b>95,694</b>	<b>+2.3</b>	<b>+3.1</b>

<sup>1</sup>Other than transportation equipment. Data furnished by State agencies of Illinois, Indiana, Iowa, Michigan, and Wisconsin.

COST OF LIVING							
Indexes of the Cost of Goods Purchased by Wage Earners and Lower-Salaried Workers by Groups of Items December 15, 1942 (1935-1939 average=100)							
City	All Items	Food	Cloth- ing	Rent	Fuel, Elec- tricity, and Ice	House Furnish- ings	Miscel- laneous
Chicago..	119.5	129.9	121.3	114.4	103.7	119.6	111.7
Detroit...	121.4	131.8	127.1	114.4	107.3	120.8	114.6
Average: Large Cities	120.4	132.7	125.9	108.0	106.3	124.1	112.8
Percentage Changes from December 15, 1941 to December 15, 1942							
Chicago..	+8.0	+14.8	+8.1	+1.8	+0.4	+4.1	+4.9
Detroit...	+7.7	+18.3	+9.0	-2.7	+0.9	+3.1	+4.1
Average: Large Cities	+9.0	+17.3	+9.7	-0.2	+2.1	+6.3	+4.7

Source: Bureau of Labor Statistics.

HOG-CORN RATIOS				
	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1940
Illinois.....	16.8	18.6	16.2	11.2
Indiana.....	17.9	18.9	16.0	10.4
Iowa.....	18.0	19.7	16.2	11.9
Michigan.....	15.8	16.3	13.7	8.9
Wisconsin.....	15.9	16.6	14.0	10.0
United States.....	16.5	17.7	15.4	10.3

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

UNITED STATES FEDERALLY INSPECTED LIVESTOCK SLAUGHTER (In thousands)					
	December 1942	December 1941	Five-Year Average December 1937-41	Per Cent Change December 1941 to December 1942	Per Cent Change December 1942 from Five-Year Average
Hogs.....	6,778	5,767	5,074	+18	+34
Cattle.....	982	1,004	851	- 2	+16
Calves.....	476	457	429	+ 4	+11
Lambs and Sheep..	2,175	1,571	1,425	+38	+53

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

RECEIPTS AND SHIPMENTS OF GRAIN At Interior Primary Markets in the United States (In thousands of bushels)					
	December 1942	December 1941	Per Cent Change December 1942 from December 1941	Ten-Year Average 1932-1941	Per Cent Change December 1942 from Ten-Year Average
<b>WHEAT:</b>					
Receipts.....	31,545	22,828	+38.2	12,251	+157.5
Shipments.....	28,916	14,386	+101.0	12,317	+134.8
<b>CORN:</b>					
Receipts.....	41,329	27,814	+48.6	20,092	+105.7
Shipments.....	24,954	13,222	+88.7	9,961	+150.5
<b>OATS:</b>					
Receipts.....	6,670	8,087	-17.5	4,813	+38.6
Shipments.....	5,983	6,364	-6.0	4,982	+20.1
<b>SOYBEANS:</b>					
Receipts.....	2,815	5,000	-43.7	*	*
Shipments.....	1,267	2,459	-48.5	*	*

\*Not available.

Source: Chicago Board of Trade.

# National Summary of Business Conditions

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

Industrial activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

**Production**—Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of non-durable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

Output of nondurable goods showed little change from November to December. Textile production continued at the high level which has prevailed for the past year and a half. Meat packing increased sharply, reflecting exceptionally large hog slaughter, and output of most other manufactured foods was maintained at a high level.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 per cent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages.

Value of construction contracts awarded in December, according to the F. W. Dodge Corporation, was somewhat higher than in November. Contracts for apartment-type buildings for housing war workers continued to rise and public works increased sharply, while awards for manufacturing buildings declined further.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

**Distribution**—Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

**Commodity Prices**—Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

**Bank Credit**—Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

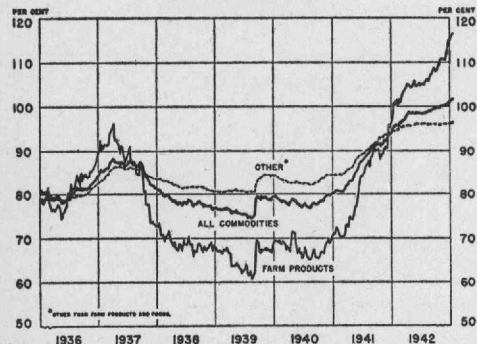
**United States Government Security Prices**—Subsequent to the close of the Victory Fund drive in December, prices of United States Government securities increased. Long-term taxable bonds are yielding 2.32 per cent on the average, and long-term partially tax-exempt bonds 2.06 per cent.

## INDUSTRIAL PRODUCTION



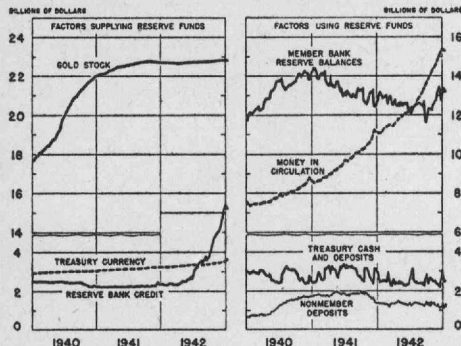
Federal Reserve monthly index of physical volume of production adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for December, 1942.

## WHOLESALE PRICES



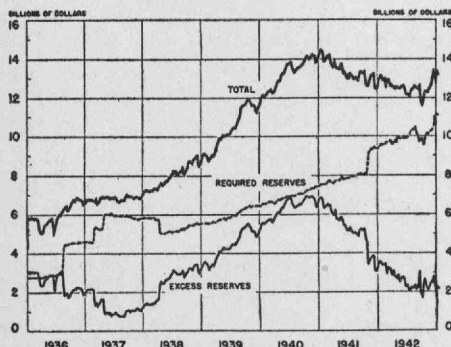
Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending January 16, 1943.

## MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for January 13, 1943.

## MEMBER BANK RESERVES



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.

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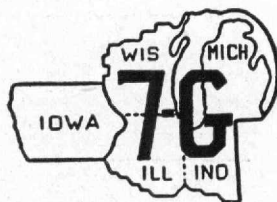
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**SEVENTH FEDERAL**



**RESERVE DISTRICT**

