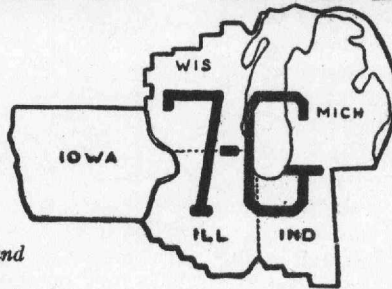


BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

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General Summary

SEASONAL factors were partly responsible for the declining trend shown during May in manufacturing activity and merchandising of commodities in the Seventh district, and for gains recorded in food-producing groups. Their effect, however, was insufficient to account entirely for the changes from a month previous, and comparisons with a year ago in most cases remained unfavorable.

Automobile production furnished an exception to the trend in manufacture, expanding in May over April, whereas curtailment took place during the same period of the preceding three years. Building likewise was somewhat heavier, as reflected in contracts awarded. Other major lines of production, such as steel and pig iron, malleable and steel castings, furniture, and shoes, reported lessened activity.

Production of meats, butter, and cheese expanded in May over April, and distribution of the last two commodities also increased. The volume of meat production slightly exceeded that of May a year ago, but manufacture and sales of butter and cheese totaled less. The movement of wheat and of feed grains was smaller than usual in May. Prospects for corn in the district are favorable, and pastures are in good condition. Fruit crops, with the exception of strawberries, will probably be smaller this year than last, but production of garden truck will be greater. Forecasts for spring wheat and oats indicate heavier crops than in 1931.

Most phases of wholesale distribution of commodities recorded smaller sales in May than a month previous, and department store, the retail furniture, and chain store

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	CHANGE FROM		
	JUNE 15 1932	MAY 18 1932	JUNE 17 1931
Total Bills and Securities.....	\$245.5	\$+34.7	\$+131.3
Bills Discounted.....	29.9	+2.2	+13.5
Bills Bought.....	7.8	+3.0	-6.2
U. S. Government Securities.....	207.8	+29.4	+125.0
Total Reserves.....	678.0	-17.1	+68.5
Total Deposits.....	328.6	+8.4	-7.1
Federal Reserve Notes in Circulation.....	560.8	+9.5	+219.2
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	76.2	-3.5*	-13.7*

*Number of Points.

trades showed declines. The retail shoe trade, on the other hand, recorded a moderate gain. Wholesale distribution of automobiles during the month declined seasonally, but sales to consumers gained, contrary to trend in recent years.

Features of the credit situation included a slight increase in borrowings at the Federal Reserve Bank, and a gain in loans and investments and demand deposits of reporting member banks of the Seventh district. Dealer sales of commercial paper expanded slightly over April, while transactions in bankers' acceptances were notably heavier.

Credit Conditions and Money Rates

Borrowings of member banks at the Reserve bank increased slightly over 2 million dollars during the period May 18 to June 15. A net outflow of funds from the district for commercial and financial transactions amounting to approximately 24½ millions, an increase in demand for currency of almost 12 millions, and a gain in member bank reserve balances of 9½ millions, were the principal changes in factors making for increased recourse to the Reserve bank. Offsetting these developments to a considerable extent was an excess of local Treasury expenditures over receipts totaling almost 44 million dollars. The accompanying table is designed to show in detail the foregoing changes and others of minor influence in member bank borrowing.

FACTORS IN MEMBER BANK BORROWING AT THE FEDERAL RESERVE BANK OF CHICAGO

Changes between May 18 and June 15, 1932

(In millions of dollars)

Changes making for increase in member bank borrowing:		
1. Funds lost through inter-district settlements for commercial and financial transactions.....	24.61	
2. Increase in demand for currency.....	11.87	
3. Increase in member bank reserve balances.....	9.43	
4. Decrease in holdings of acceptances (local transactions)...	0.68	
5. Increase in unexpended capital funds.....	0.19	
6. Increase in non-member clearing balances.....	0.03	
7. Sales of gold to industry.....	0.02	
Total.....	46.83	
Changes making for decrease in member bank borrowing:		
1. Excess of local Treasury expenditures over receipts.....	43.70	
2. Increase in holdings of U. S. securities (local transactions)	0.78	
3. Increase in reserve bank float.....	0.12	
Total.....	44.60	
Excess of changes making for increase in member bank borrowing:	2.23	
Absorption of this excess: Increase in member bank borrowings (discounts for member banks).....	2.23	

MEMBER BANK CREDIT

Total loans and investments of reporting member banks in the district on June 15 showed a gain of 25 millions over May 18, as against a decline of 57 million dollars on May 18 from April 13, and of 108 millions in the period extending from March 16 to April 13. This reversal of trend in total loans and investments reflects for the most part heavier investment holdings since the beginning of June, loans on securities increasing only one million, while all other (commercial) loans of reporting member banks declined 9 million dollars on June 15 in comparison with May 18. Net demand deposits also registered an increase over the May figure, the upward movement having begun early in that month. Time deposits, while showing a rise of 2 millions on June 15 over May 18, have been declining since the beginning of June. As will be noted on the accompanying table, total loans and investments as well as deposit aggregates of reporting members continue well below the volumes shown a year ago.

The prevailing rate on customers' commercial loans as reported by down-town banks in Chicago ranged from 4½ to 5 per cent during the week ended June 15, unchanged from the corresponding week in May. In Detroit, a range of 5½ to 6 per cent was reported, also the same as in May. The average rate earned on loans and discounts by down-town Chicago banks during the calendar month of May was 4.73 per cent, as against 4.86 per cent in April and 4.39 per cent in May 1931.

Commercial paper sales in the Middle West, under the continuing influence of restricted borrowing and moderate demand, remained in May at one-fourth the customary volume for the month, though expanding 7½ per cent over April. Selling rates ranged from 2½ and 2¾ per cent for prime paper to 3 and 3½ per cent for less well known obligations; the bulk of sales moved at 2¾ and 3 per cent. A further increase of 8 per cent was recorded in outstandings on June 1, but they continued 50 per cent below the level of a year ago. During the first half of June, new financing by means of commercial paper fell off so sharply that sales for the period totaled only one-half the volume in the corresponding weeks of May. Quotations on June 15 ranged from 2½ to 3 and 3¼ per cent, with most paper moving at 2½ to 3 per cent.

In the Chicago bill market, dealer purchases of local acceptances declined to an almost negligible quantity from May 12 to June 15, but the receipts from Eastern markets increased to such an extent that total bill supplies aggregated 31 per cent greater than in the preceding period. Open-market sales to out-of-town banks nearly tripled and those to local banks expanded 17 per cent as compared with April 14 to May 11. Despite a sharp decline in shipments to Eastern cities, total distribution exceeded that of a month earlier by 43 per cent. Holdings

CONDITION OF REPORTING MEMBER BANKS, SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	JUNE 15 1932	MAY 18 1932	JUNE 17 1931
Total Loans and Investments.....	\$2,483	\$+25	\$-754
Loans on Securities.....	796	+1	-284
All Other Loans.....	912	-9	-264
Investments.....	775	+33	-206
Net Demand Deposits.....	1,345	+33	-403
Time Deposits.....	980	+2	-301
Borrowings from Federal Reserve Bank.....	8	+3	+1

remained at an exceptionally low level. Rates were steady at 7/8 per cent for 30-day offerings to 1¼ per cent for those of 180 days.

AVERAGE WEEKLY TRANSACTIONS OF REPORTING DEALERS IN THE CHICAGO BILL MARKET

	May 12 to June 15, 1932	
	PER CENT CHANGE IN COMPARISON WITH PERIOD FROM APRIL 14 TO MAY 11 1932	PER CENT CHANGE IN COMPARISON WITH PERIOD FROM MAY 14 TO JUNE 10 1931
Bills purchased.....	-72.3	-94.0
Bills sold.....	+94.9	-16.4
Holdings*.....	-11.7	-97.7

*At end of period.

Following a sharp contraction in April and coincident with large amounts of maturities during the current month, new financing by means of acceptance credits attained a higher level in the Seventh district during May than at any other time since February. The direct discounting of these bills by the accepting banks also showed a marked expansion over the preceding period. Total supplies, therefore, were nearly double those of April, despite the fact that these institutions continued to purchase other banks' bills on a very restricted basis. As sales were almost negligible, portfolios not only reached the highest point since August 31, 1931, but also contained the greatest volume of the banks' own acceptances on record (January 1923). The liability for outstanding bills, on the other hand, declined further on May 31 to the lowest level in three years. A somewhat smaller volume of financing took place during the first half of June than in the corresponding weeks of May.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN MAY 1932 FROM	
	APRIL 1932	MAY 1931
Total value of bills accepted.....	+74.2	-4.3
Purchases (including own bills discounted).....	+62.4	-22.6
Sales.....	+30.2	-83.4
Holdings*.....	+46.2	-16.3
Liability for outstandings*.....	-9.1	-35.5

*At end of month.

SECURITY MARKETS

Demand for bonds in the Chicago market during May was very light, and prices in general trended downward throughout the month. This lessened demand was reflected in the volume of new issues which totaled below the small amount offered in April and considerably under the volume for May 1931. State and municipal bonds comprised the major portion of these new issues. The most pronounced weakness during the month was evidenced among the second and third grade rail and industrial issues, some of which reached new low levels in price. Government financing continued a feature of the investment market, with the over-subscription of four issues in May indicative of the demand for highest grade securities. There was no outstanding class of purchaser during May, the source of demand appearing scattered. Prices

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM	
	APR. 1932	MAY 1931
Chicago.....	\$1,914	-18.3
Detroit, Milwaukee, and Indianapolis.....	839	-5.2
Total four larger cities.....	\$2,753	-14.7
32 smaller centers.....	501	-8.2
Total 36 centers.....	\$3,254	-13.8

on the Chicago Stock Exchange continued downward during all of May and the first two weeks in June. The average price of twenty leading stocks* amounted to only \$15.50 on June 16, as compared with an average of \$18.02 on the corresponding date in May.

* Chicago Journal of Commerce.

Agricultural Products

Reports from 232 county agricultural agents show that 93 per cent of the 1932 corn acreage in the Seventh Federal Reserve district had been planted by June 1. Although these operations were not quite so far advanced as on the corresponding date of 1931, the disadvantage has been offset by more successful seed germination this season than last. The small amount of replanting that is necessary will be confined largely to a few counties where cutworms were unusually active. Moreover, favorable weather and an ample supply of moisture have been conducive to very healthy growth of the plants during June. In some localities, however, additional rainfall would be beneficial. Winter wheat and rye have improved since the end of May, and pastures are now in good condition. The outlook for fruit is less promising than a year ago. A 10 per cent larger crop of strawberries is expected than in 1931; but present prospects indicate that yields will be reduced at least 50 per cent for peaches and 25 per cent for pears, probably 20 per cent for apples and grapes, 14 per cent for sweet cherries, and possibly 5 per cent for other fruit. The production of garden truck, on the other hand, appears to be in excess of a year ago. On the basis of June 1 condition, a local statistician forecasts the 1932 oat crop in the five states including the Seventh district as 562,575,000 bushels, or 60 million bushels greater than the 1931 harvest.

Commercial estimates of spring wheat production in the United States range from 249,000,000 to 260,000,000 bushels and those of oats from 1,265,000,000 to 1,328,000,000 bushels, as compared with respective crops of 104,806,000 and 1,112,142,000 bushels harvested a year ago.

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of June 1 condition
(In thousands of bushels)

	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES		1926-30 AVERAGE
	FORECAST 1932	FINAL 1931	FORECAST 1932	FINAL 1931	
Winter Wheat..	64,345	111,726	410,669	787,465	587,540
Rye.....	7,930	7,755	38,734	32,746	44,531

GRAIN MARKETING

The primary movement of wheat in May was considerably below average; receipts totaled only half the large volume of a year ago, and both receipts and shipments showed a smaller than usual gain over April. Exports reversed the usual trend for May, falling below the large figure of a month previous; the volume, however, was above average for the month and about double that for May 1931. A decline of nearly 10 million bushels in the visible supply occurred in May, with practically no change in the first two weeks of June. Last year a much smaller reduction was noted for the same period.

The presence of a large portion of the world's surplus wheat in this country and the probability of larger world production in 1932 than in 1931, as estimated by the International Institute of Agriculture, influenced the Chicago market. The trend of both cash and future wheat

was upward in response to further unfavorable crop news in May, but after the twenty-third of the month a decline set in which brought the July future to a new low on June 14. Cash prices offered somewhat better resistance.

Following the usual May trend, corn receipts declined and shipments increased over April, though the movement was much smaller than usual. Oats receipts and shipments expanded, and the former exceeded the year-ago figure, but both were below the average volume. The usual reduction in the visible supply of corn failed to take place; the total at the end of May was larger than the corresponding figure in the previous three years and double that of a year ago. The visible supply of oats has declined, though less rapidly than in previous years. From March 15, 1930 until last May 7 the supply was constantly below the corresponding year-ago figure, but since the latter date an excess has been recorded. Feed grain prices averaged lower than in April, and declines, which continued in June, were less sharp for oats than for corn.

MOVEMENT OF LIVE STOCK

Receipts at public stock yards in the United States increased in May, but the gain for cattle and lambs was smaller than seasonal. With the single exception of hogs, the volume of each aggregated less than a year ago. Lamb marketings remained considerably above the 1922-31 average; those of other live stock continued to show a marked decline in this comparison. On the other hand, the movement of both cattle and lambs to inspected slaughter (inclusive of the receipts which do not pass through public markets) not only decreased from 1931 but also fell off from April. Reshipments to feed lots were restricted to half the normal volume for this season of the year.

MEAT PACKING

The volume of production at slaughtering establishments in the United States expanded ½ per cent further in May and was one per cent heavier than a year ago, though totaling 2½ per cent below the 1922-31 average. Improvement was also evidenced by month-end payrolls, which showed an increase of 2 per cent in number of employes, as compared with April, and of ½ per cent in hours worked; wage payments, however, decreased ½ per cent. Although demand remained fair, the value of sales billed to domestic and foreign customers aggregated 1½ per cent less in May than a month earlier and was 33 per cent smaller than in the corresponding period of 1931. These recessions were mainly due to the current low level of prices, inasmuch as the sales tonnage increased one per cent over April and decreased only 2½ per cent from

LIVE STOCK SLAUGHTER (In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, May 1932.....	174	752	309	98
Federally Inspected Slaughter, United States May 1932.....	616	3,940	1,444	399
April 1932.....	650	3,714	1,497	428
May 1931.....	704	3,408	1,445	425

AVERAGE PRICES OF LIVE STOCK (Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	JUNE 18 1932	MAY 1932	APRIL 1932	MAY 1931
Native Beef Steers (average).....	\$6.55	\$6.05	\$6.35	\$7.15
Fat Cows and Heifers.....	4.90	4.65	4.90	6.00
Calves.....	5.70	5.45	4.95	8.10
Hogs (bulk of sales).....	3.50	3.35	3.90	6.55
Yearling Sheep.....	4.85	4.00	4.85	6.40
Lambs.....	6.05	5.50	6.75	8.30

last May. Quotations of most packing-house products declined from the preceding month. United States inventories of these commodities recorded a small gain on June 1—contrary to the seasonal trend—but continued under those of a year ago and the 1926-30 average.

A somewhat larger tonnage was shipped in May for export than in April. Foreign demand for lard remained moderate, though it averaged slightly better than in the preceding month; quietness continued to prevail in the meat trade. Lard prices in European markets were about on a parity with Chicago, but quotations for other packing-house products were at a discount. United States holdings of these commodities in foreign countries (inclusive of stocks in transit) tended to decline.

DAIRY PRODUCTS

Butter manufacturing in the Seventh Federal Reserve district increased 39 per cent in May over April—or less than seasonally—and declined 3 per cent from a year ago. The sales tonnage showed a slightly smaller recession from 1931 than did production but expanded only 19½ per cent in comparison with the preceding month. Although production in the United States also increased over April, the ratio of consumption to manufacture was such that inventories of the commodity in the country as a whole were enlarged to a lesser degree than is customary for June 1; these holdings showed a heavier decrease from the 1927-31 average and a smaller recession from last year than evidenced on May 1. A downward trend in prices continued throughout the month.

In the five weeks ended June 4, the production of American cheese in Wisconsin exceeded that of the preceding period by 31 per cent, though it declined 15 per cent from a year ago and 21½ per cent from the 1927-31 average. Merchandising of the commodity from primary markets of the state fell below manufacturing operations to a smaller than seasonal extent, coincident with a gain of 5 per cent over the preceding month and a recession of only 9½ per cent from the average level for the past five years. The total stock of cheese in the United States showed a relatively small gain over the beginning of May—1,500,000 pounds—and aggregated 8,000,000 pounds less than on either June 1, 1931 or the five-year average for that date. Prices declined from April.

Industrial Employment Conditions

Between April 15 and May 15 declines of 1½ per cent in employment and one-half of one per cent in payrolls were recorded for the total of all groups in this bank's Seventh district survey. The loss in employment was sharper for manufacturing than for non-manufacturing industry, while in payrolls a fractional gain in the manufacturing total was offset by a considerable reduction in non-manufacturing. This downward trend is in contrast to moderate expansion in the total for the same period in three of the preceding four years.

A mixed trend was evidenced by the various groups and by totals for individual states. Thus, manufacturing industry in Michigan increased in both number of men and their earnings, likewise non-manufacturing in Wisconsin recorded gains, while other state totals were lowered. Of the ten manufacturing groups, six recorded losses in both men and payrolls, three gained in both items, and one group, rubber products, lost fractionally in employment while showing a large increase in wage payments. The

gains in manufacturing included a somewhat more than seasonal expansion in the stone-clay-glass group, seasonal increases in food products, and a reversal of the downward trend of the preceding two months in the vehicles group. The latter group, being outstanding in Michigan, was largely responsible for the increased totals in that state as referred to above. The most significant declines were in leather products, particularly the shoe industry; in wood products, where furniture factories restricted their operations; in textiles, influenced largely by reductions in the millinery and men's clothing industries; and in metals, in which declines were recorded by the copper and brass industry in Michigan and by iron and steel, machinery and machine tools in Illinois and Wisconsin.

In non-manufacturing, the utilities, which have the greatest representation, contributed most to the recession. The high percentage increases shown for coal mining had little effect on the totals because of the continuation of the virtual shut-down of Illinois mines since April 1. Seasonal gains in construction work included expansion of highway work in Illinois and of building in Wisconsin. The merchandising group had more employes but paid considerably less in wages than in the preceding month.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Production of passenger automobiles in the United States, numbering 157,683 in May, increased 30 per cent over April. The gain was in contrast to declines shown for the month in the preceding three years, but output totaled 42 per cent below May a year ago. Truck production of 27,393 expanded one per cent over the preceding month and aggregated 40 per cent smaller than in the corresponding month last year.

The recession recorded in wholesale distribution of automobiles during May in the Middle West was seasonal in nature, while the continued increase in the number of sales at retail was contrary to trend for the month. Used car sales likewise expanded further in May. Distribution of both new and used cars remained small, however, as compared with a year ago. The decline of 7 per cent between April 30 and the end of May in stocks of new

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF MAY 15, 1932			CHANGE FROM APRIL 15	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	741	128,305	2,144	-4.8	-8.3
Vehicles.....	131	163,668	4,184	+1.4	+9.7
Textiles and Products.....	153	25,909	340	-6.2	-11.5
Food and Products.....	344	52,038	1,154	+2.4	+2.4
Stone, Clay, and Glass.....	144	6,630	134	+7.9	+8.8
Wood Products.....	281	20,538	251	-7.8	-13.8
Chemical Products.....	102	13,167	305	-3.4	-6.9
Leather Products.....	75	14,585	187	-6.8	-22.8
Rubber Products ²	8	5,688	128	-0.4	+14.6
Paper and Printing.....	312	38,531	919	-1.7	-3.0
Total Mfg., 10 Groups....	2,291	469,059	9,746	-1.7	+0.4
Merchandising ³	170	29,115	628	+1.1	-4.0
Public Utilities.....	71	73,676	2,189	-1.8	-5.0
Coal Mining.....	14	230	6	+22.3	+7.9
Construction.....	237	7,811	178	+6.3	+16.8
Total Non-Mfg., 4 Groups	492	110,832	3,001	-0.5	-3.7
Total, 14 Groups.....	2,783	579,891	12,747	-1.5	-0.6

¹Other than Vehicles. ²Michigan and Wisconsin. ³Illinois and Wisconsin.

cars kept them at a level 35 per cent below last year; the number of used cars on hand also fell off moderately in May. A small reduction was shown during the month in the proportion of cars bought on the deferred payment plan, the ratio to total retail sales of dealers reporting the item being 48 per cent as against 50 per cent a month previous, while in May 1931 the ratio was 53 per cent.

IRON AND STEEL PRODUCTS

Conditions in the steel industry of the Chicago district changed little through May and the first half of June. Buying continued light, and operations remained close to 20 per cent of capacity, as against an average rate of 40 per cent in the middle of June a year ago. Pig iron output in the Illinois and Indiana district declined further during May, daily average output being only 40 per cent of that in the same month of 1931. Prices of finished steel have held firm, but scrap iron and steel continue to show weakness.

A further reduction in activity of iron and steel casting foundries took place during May in the Seventh district, new orders, shipments, and production recording declines from the preceding month. As compared with last May, output of steel castings totaled about 70 per cent smaller and that of malleable castings almost 60 per cent less; orders booked were off in approximately the same amounts. Shipments of stove and furnace manufacturers in the district were seasonally less in May, and new orders dropped 27 per cent from the April volume; the declines from a year ago totaled slightly smaller than in a similar comparison for April.

FURNITURE

Orders booked by nineteen furniture manufacturers in the Seventh district declined further in May, current bookings totaling 28 per cent under those of the preceding month. In May a year ago, likewise, new orders fell off—19 per cent—but the average for the past five years shows an increase of 16 per cent. Shipments also contracted, the decrease of 22 per cent comparing with one of 21 per cent a year ago, and 11 per cent in the five-year average. Unfilled orders, which at the close of April approximated 70 per cent of April orders booked, fell off 27 per cent during May and the ratio to current orders remained constant. In comparison with a year ago, orders booked and shipments were both more than 50 per cent lower, and there was a corresponding decline in the rate of operations, which currently approximated 27 per cent of capacity—4 points lower than in April—comparing with a rate of 49 per cent maintained in May a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Seventh district shoe production, which ordinarily shows a very moderate decline for the month, decreased 11½ per cent in May from April to the lowest level since January. The tanning and sales of leather also declined from the preceding month and last May. Prices eased.

Chicago trading in packer green hides fell off from April and demand for calf and kip skins remained rather quiet. Shipments from the city, however, totaled much larger in May than during the preceding month. Quotations held barely steady.

Building Materials, Construction Work

Unsatisfactory conditions continued to influence building materials in the Seventh district during May. No improvement other than seasonal was shown by reporting firms, and, with the exception of lumber at retail, dealers' operations were lower than in April. Wholesale lumber yards continued the decline of a month previous in both dollar and board-foot sales, and both items showed the largest loss yet recorded in the year-ago comparison. Prices were stationary to lower, and further reduction occurred in stocks. A sharp rise was recorded in the accounts-sales ratio, due to slow collections and the declining sales volume.

Total dollar sales of reporting retailers were lowered 9 per cent, which is the first loss in this item between April and May in our records, and compares with a five-year average gain for May of 8 per cent. Lumber sales of yards segregating this item had a more favorable trend, gaining 7 per cent in dollar value and 17 per cent in board feet. A year ago, board-foot sales increased 11 per cent over April. Prices at retail also were unchanged or lower, and many yards had smaller stocks than at the end of April. A 2½ per cent increase in accounts outstanding contributed to a higher ratio of accounts to sales than in the two preceding months.

The poor demand influenced the lowering of prices for both cement and clay products in May. Road building proceeded at a much lower rate than a year ago, and further curtailment at cement mills is expected in order to avoid excess stocks. Shipments from midwestern mills during May increased seasonally over April and exceeded production by a small amount. Stocks continue at a high level, as shown by the ratio of stocks to shipments, which was 399 for May as compared with 181 for the five-year May average. Similarly, brick and tile plants shipped a

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in May 1932 from Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	APRIL 1932	MAY 1931	
New Cars			
Wholesale—			
Number Sold.....	-22.8	-48.5	19
Value.....	-29.0	-47.2	19
Retail—			
Number Sold.....	+4.0	-41.7	45
Value.....	-4.3	-50.0	45
On Hand May 31—			
Number.....	-7.1	-35.3	46
Value.....	-9.6	-39.0	46
Used Cars			
Number Sold.....	+3.8	-15.6	46
Salable on Hand—			
Number.....	-12.0	-4.5	46
Value.....	-13.7	+0.4	46

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	MAY 1932: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	APRIL 1932	MAY 1931	
Wholesale Lumber:			
Sales in Dollars.....	-15.7	-54.0	12
Sales in Board Feet.....	-8.4	-52.1	10
Accounts Outstanding ¹	-3.6	-31.3	10
Retail Building Materials:			
Total Sales in Dollars.....	-8.6	-41.9	193
Lumber Sales in Dollars.....	+6.7	-40.3	68
Lumber Sales in Board Feet... ..	+17.3	-44.2	71
Accounts Outstanding ¹	+2.4	-18.0	185
	Ratio of accounts outstanding ¹ to dollar sales during month		
	MAY 1932	APRIL 1932	MAY 1931
Wholesale Trade.....	226.3	197.0	154.7
Retail Trade.....	435.6	389.0	312.9

¹End of month.

very small volume of their products and in many cases are finding it necessary to shorten their operating season.

BUILDING CONSTRUCTION

Expansion in building activity during May in the Seventh Federal Reserve district was reflected in total contracts awarded during the month, which registered a gain of 50 per cent over the April volume. Residential awards, amounting to less than 12 per cent of the total, also recorded a small increase. Declines from a year ago were somewhat smaller in volume than those of the preceding two months.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
May 1932.....	\$24,446,172	\$2,840,644
Change from April 1932.....	+50%	+6%
Change from May 1931.....	-41%	-68%
First five months of 1932.....	\$92,341,400	\$12,145,331
Change from same period 1931.....	-58%	-74%

*Data furnished by F. W. Dodge Corporation.

The number of permits issued during May in 100 cities of the Seventh district, following the large gain shown during April over March, recorded a small decline of 5 per cent in estimated valuation and of 11 per cent in number issued, as compared with the preceding month. Declines remained large in the comparison with a year ago for both estimated cost and number issued. Chicago and Indianapolis were the only two large cities which registered a gain in estimated cost over April, the increases amounting to 174 and 331 per cent, respectively. These same two cities, however, during April had shown a decline from the preceding month.

Merchandising

Further declines were recorded during May in all reporting wholesale trade groups except shoes, which showed a 10 per cent expansion over the preceding month, but in dry goods; drugs, and electrical supplies the recessions were seasonal in nature though larger than the average for the past several years. In groceries and hardware, declines of 3 and 10 per cent, respectively, compared with average increases of 3 and 2 per cent. Decreases from April in the other three groups were: dry goods, 3 per cent; drugs, 6 per cent; and electrical supplies, 5 per cent. In groceries, hardware, drugs, and shoes, declines in May from a year ago were smaller than in a similar comparison for April, in dry goods the decline was about the same, but in electrical supplies it was larger. The first five

months of 1932 showed sales decreases from the same period of 1931 of 20 per cent each in groceries and drugs, 25 per cent in hardware, 32 per cent in dry goods, 42 per cent in electrical supplies, and 44 per cent in shoes.

The decline of 5 per cent in May from April in Seventh district department store trade, though less than that shown for the period in the preceding two years, compared with an average recession in the past ten years of less than one per cent, five of these years recording gains. Percentage changes in the month this year varied considerably as among the various cities, Detroit sales declining only 7 per cent, those in Chicago 4 per cent, Indianapolis 7 per cent, Milwaukee 10 per cent, and in the total for other cities 10 per cent. The decline from last May of 26 per cent in the district total was somewhat smaller than the 30 per cent decrease shown in the year-ago comparison for April, but the cumulative total for the year so far remained 26 per cent below the corresponding period of 1931. Stocks are at an exceptionally low level, though their rate of turnover continues to be slower than last year.

For the third successive month, the retail shoe trade, as reflected by reports from dealers and department stores, showed a gain. May sales totaled 9 per cent heavier than a month previous, in contrast to declines recorded over the same period in 1930 and 1931. The increase in April over March this year was much smaller than usual, however, and despite the more favorable trend in the current month, sales aggregated 22 per cent below May a year ago and for the year so far were 23 per cent smaller than in the five months of 1931.

The retail furniture trade, which showed an increase in May over April of the preceding three years, declined during the period this year, sales of furniture and house furnishings by reporting dealers and department stores dropping 12 per cent in the aggregate from the preceding month. Total sales were 35 per cent below the corresponding month a year ago, which decline is the heaviest to be recorded in the year-to-year comparison. Installment sales by dealers declined 11 and 38 per cent, respectively, in the month-to-month and year-ago comparisons.

May sales of reporting chains were generally lower than in April, their total declining 3 per cent in the comparison and 18 per cent from the corresponding month last year. The groups covered include grocery, drug, five-and-ten-cent store, cigar, shoe, furniture, musical instrument, and men's clothing chains. The last-named line showed a small expansion in sales over the preceding month, furnishing the one exception to the declining trend.

WHOLESALE TRADE IN MAY 1932

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLECTIONS	
Groceries.....	-18.5	-26.7	-5.7	-17.0	109.5
Hardware.....	-21.9	-20.3	-11.9	-25.4	309.1
Dry Goods.....	-36.5	-32.0	-29.2	-31.2	352.0
Drugs.....	-18.9	-14.4	+7.8	-23.6	226.0
Shoes.....	-43.5	-15.8	-42.1	-40.9	400.3
Electrical Supplies.....	-47.0	-32.3	-28.8	-47.0	193.3

DEPARTMENT STORE TRADE IN MAY 1932

LOCALITY	PER CENT CHANGE MAY 1932 FROM MAY 1931		PER CENT CHANGE FIRST FIVE MONTHS 1932 FROM SAME PERIOD 1931	RATIO OF MAY COLLECTIONS TO ACCOUNTS OUTSTANDING APRIL 30	
	NET SALES	STOCKS END OF MONTH		1932	1931
	Chicago.....	-26.6	-26.0	-27.5	25.0
Detroit.....	-22.2	-22.6	-24.6	31.1	32.0
Indianapolis.....	-26.0	-14.8	-20.3	36.8	41.1
Milwaukee.....	-27.6	-18.9	-24.1	32.4	35.9
Other Cities.....	-30.9	-16.7	-26.5	29.0	33.0
7th District.....	-26.3	-22.5	-25.9	30.0	33.1

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the month indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	May 1932	Apr. 1932	Mar. 1932	Feb. 1932	Jan. 1932	Dec. 1931	May 1931	Apr. 1931	Mar. 1931	Feb. 1931	Jan. 1931	Dec. 1930
Meat Packing—(U. S.)—													
Sales (in dollars).....	63	51	52	53	53	58	58	77	78	79	78	84	85
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	15	13	14	17	16	17	19	38	39	44	40	34	31
In Tons.....	15	13	14	17	15	16	20	38	37	43	41	34	30
Malleable—In Dollars.....	21	12	13	17	16	15	15	31	34	34	30	30	27
In Tons.....	21	21	23	30	28	26	26	51	54	53	47	45	40
Stoves and Furnaces—													
Shipments (in dollars).....	11	51	54	53	43	32	58	84	94	77	69	50	86
Furniture—													
Orders (in dollars).....	18	19	26	32	29	38	23	39	49	61	56	73	43
Shipments (in dollars).....	18	22	28	37	32	24	31	47	59	64	57	37	46
Flour—													
Production (in bbls.).....	25	104	109	110	96	98	98	89	95	95	95	102	101
Output of Butter by Creameries—													
Production.....	67	141	102	96	93	92	91	146	108	91	82	85	83
Sales.....	69	113	95	97	93	91	104	117	102	91	88	91	94
Wholesale Trade—													
et Sales (in dollars):													
Groceries.....	29	66	68	70	61	60	67	81	84	83	74	82	85
Hardware.....	13	47	51	40	31	30	46	63	72	55	41	42	58
Dry Goods.....	9	33	34	35	34	30	39	51	55	51	41	42	51
Drugs.....	13	63	67	72	67	66	72	79	87	85	81	88	83
Shoes.....	6	34	31	35	29	25	37	60	68	63	44	40	51
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	23	60	64	62	55	54	129	83	94	83	74	81	165
Detroit.....	5	86	89	80	75	65	149	109	126	109	95	87	184
Indianapolis.....	5	67	75	70	60	62	134	93	94	88	68	80	154
Milwaukee.....	5	71	81	72	61	68	141	99	112	93	75	85	167
Other Cities.....	45	59	67	61	53	51	118	86	95	78	67	71	145
Seventh District.....	83	66	71	67	59	57	132	90	101	88	76	81	164
Automobile Production (U. S.)—													
Passenger Cars.....		54	41	34	32	34	33	93	98	79	62	47	41
Trucks.....		73	72	52	62	55	63	121	133	120	105	89	89
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		10	9	8	10	5	9	30	36	52	23	22	20
Total.....		36	24	31	26	18	22	61	67	101	42	46	51
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		30	32	37	40	41	41	76	86	84	78	72	72
United States.....		26	29	32	34	32	32	66	69	67	62	56	55
Steel Ingot Production—(U. S.)*.....		32	36	39	44	42	38	72	79	86	78	68	57
Unfilled Orders U. S. Steel Corp.....		46	49	52	53	56	57	76	82	84	83	87	83

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

VOLUME of production in basic industries and employment at factories decreased further in May, and wholesale prices declined. Foreign withdrawals of gold, which had been in large volume in May and the first half of June, practically stopped after the middle of the month.

PRODUCTION AND EMPLOYMENT

Production at mines and factories declined further in May, and the Board's seasonally adjusted index of industrial production showed a reduction from 64 per cent of the 1923-1925 average in April to 61 per cent in May. Output of coal was substantially reduced, particularly in the anthracite fields, shipments of iron ore showed less than the usual seasonal increase, production of iron and steel declined, and activity at textile mills and shoe factories was further curtailed; in the automobile industry output increased considerably. In the first part of June, activity in the steel and cotton industries was reported to have declined further, while output of automobiles continued at about the same rate as in the latter part of May.

Further reductions in employment and earnings of factory workers accompanied the smaller volume of manufacturing output in May, particularly in the steel and machinery industries, and in the textile and clothing trades. Employment at automobile plants and in the seasonally active food industries showed an increase.

Value of building contracts awarded, according to reports to the F. W. Dodge Corporation, after increasing somewhat in April and May, declined slightly in the first half of June, reflecting chiefly smaller awards for public works and other non-residential building.

DISTRIBUTION

Railroad freight traffic decreased further in May, the largest reduction being in shipments of coal and miscellaneous freight. Sales of department stores in leading cities, which had increased substantially during April, were smaller in May.

WHOLESALE PRICES

Prices of commodities at wholesale were 1.7 per cent lower in May than in April, according to the Bureau of Labor Statistics. There were large decreases in prices of many domestic agricultural products and of hides and textiles. Prices of petroleum products advanced.

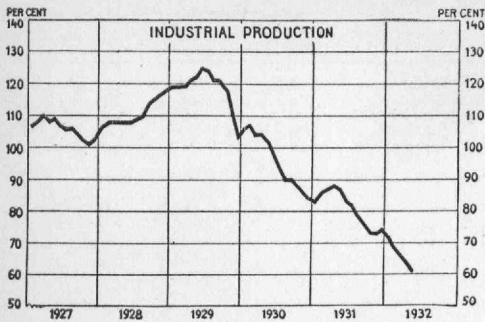
During the first three weeks of June, market quotations for a number of non-agricultural commodities were relatively steady, and prices of sugar, meats, and live stock increased. Prices of wheat, after considerable fluctuation, were at unusually low levels at the beginning of the third week in June.

BANK CREDIT

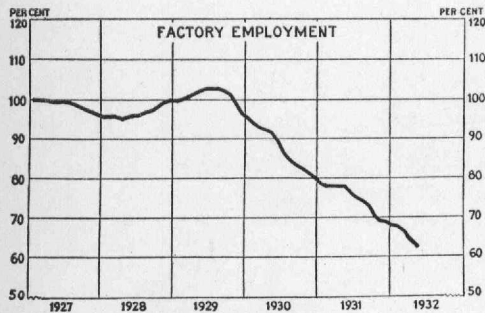
Withdrawals of gold from the United States continued through May and the first half of June, and the country's stock of monetary gold declined by \$435,000,000 between May 4 and June 15. After that date there was no further decline in the total stock of monetary gold, continued gold exports representing gold previously earmarked by foreign central banks. During the first part of May, continued purchases of United States Government securities by the reserve banks enabled member banks further to reduce their discounts; in later weeks, however, funds released through these purchases were absorbed by the demand for gold export, and there was also a decrease in member bank reserve balances.

Loans and investments of reporting member banks in leading cities, which had declined sharply earlier in the year, showed wide fluctuations after the middle of May. In the middle of June, total loans and investments were larger than a month earlier, the increase in holdings of United States securities being more than sufficient to offset declines in other investments and in loans.

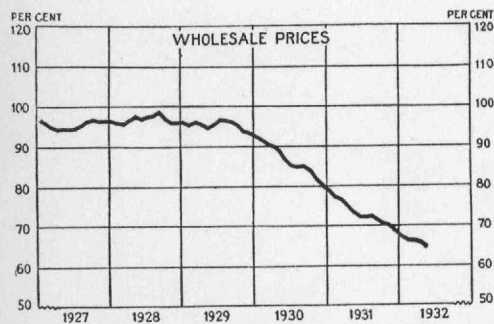
Money rates in the open market remained at low levels. Rates on prime commercial paper were reduced to a range of $2\frac{1}{2}$ — $2\frac{3}{4}$ per cent in the second week of June.



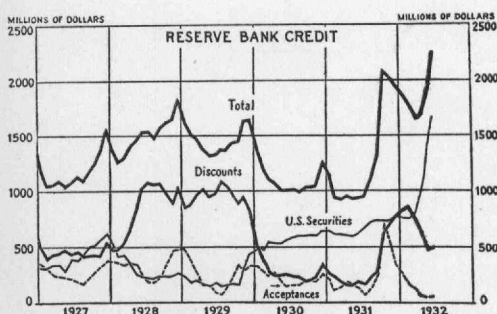
Index number of industrial production, adjusted for seasonal variation (1923-25 average = 100).



Federal Reserve Board's index of factory employment, with adjustment for seasonal variation (1923-25 average = 100).



Index of United States Bureau of Labor Statistics (1926 = 100).



Monthly averages of daily figures for twelve Federal Reserve banks. Latest figures, averages of first 20 days in June 1932.