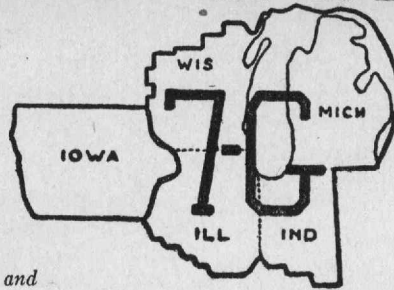


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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General Summary

DECLINES recorded for June in Seventh district business activity were in many industries and trades somewhat greater than seasonal in extent, but the volumes produced and sold for the most part continued to exceed those of the corresponding month last year, and data for the first half year showed substantial margins of gain over the same six months of 1933.

The steel industry maintained a comparatively high rate of operations through the greater part of June, supplying commitments to be delivered before July 1, but curtailed them sharply at the end of the month. The automobile industry reduced production moderately during the period, while declines in activity at steel and malleable casting foundries were greater than seasonal. Furniture shipments decreased substantially from a month previous and were lower than a year ago; and building construction and the movement of materials were lighter, although building in the first six months of this year totaled almost three times that for the corresponding period of 1933. Shoe manufacturing likewise followed these general downward trends but showed only a slight recession from May. Largely owing to reduced operations at steel and automobile plants, aggregate industrial employment in the district recorded the first decline since last November but continued much higher than a year ago at the same time.

In the production of foodstuffs, meat packing registered a decline in June from the preceding month, while the production of butter and the manufacture of Wisconsin cheese expanded in the comparison, the latter more than seasonally. The value of meat-packing products sold was in excess of a month previous, but distribution of both butter and cheese declined, contrary to trend for June. With the exception of a gain in meat-packing sales, comparisons with the corresponding month a year ago showed declines. Early harvesting of wheat caused a considerable

expansion in the movement to primary markets, and shipments therefrom were stimulated by strong speculative and milling demand. On the other hand, the movement of feed grains—corn and oats—was light. June rains checked to a considerable extent the deterioration of crops in the Seventh district, but were insufficient to raise previous low crop estimates. Corn, of the major crops, is in the best condition, contrary to the situation in the southwest part of the country. Truck crop acreage in the district will be at least average this year.

Merchandising phases for the most part recorded recessions in June that were somewhat more than seasonal or contrary to trend for the period. In wholesale trade groups, groceries alone experienced heavier sales than in the preceding month, the gain being greater than usual for June; the decrease in the hardware trade was larger than that in the June average; declines in dry goods, drugs, and electrical supplies were non-seasonal; and hardware and dry goods registered slight declines from a year ago for the first time since April 1933. Department store trade fell off more than seasonally in June, though showing a favorable margin of 10 per cent over last June and aggregating approximately one-fourth greater in the first half of the year than in the same months of 1933. Retail shoe sales declined, contrary to trend, and the decrease in the retail furniture trade was more than normal. Aggregate sales of reporting chains were only slightly less than a month previous. Wholesale distribution of automobiles increased a little in June, as did sales to consumers.

Following a rather sharp expansion in May, new financing by means of bankers' acceptances in the Seventh district fell off considerably in June. Commercial paper sales by dealers, on the other hand, were unusually good for recent years. Investment holdings of reporting member banks in the district expanded between June 13 and July 18, while loans declined; deposits, both time and demand, rose slightly in the period. Reserve bank credit extended in the district decreased in these five weeks.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

	(Amounts in millions of dollars)		CHANGE FROM	
	JULY 18 1934	JUNE 13 1934	JULY 1933	JULY 1933
Total Bills and Securities	\$429.2	\$-2.6	\$+	95.9
Bills Discounted	0.2	-0.1		-11.9
Bills Bought	0.6	0		-0.3
U. S. Government Securities	428.3	-2.5		+108.1
Total Reserves	1,092.2	+0.8		+153.1
Total Deposits	722.9	-1.8		+294.5
Federal Reserve Notes in Circulation	768.1	-1.0		-2.5
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined	73.2%	+0.2*		-5.1*

*Number of Points.

Credit Conditions and Money Rates

Total credit extended by the Federal Reserve Bank of Chicago—total earning assets plus float—amounted to \$426,412,000 on July 18 as compared with \$431,679,000 on June 13. The supply of funds available to banks in the Seventh district was increased during the period through an inflow from other areas—resulting from commercial and financial transactions and amounting to more

than 52½ millions. This heavy increase, however, was almost offset by the 50 millions which the United States Treasury collected in excess of local disbursements. Partially reflecting the decrease in special and "all other" deposits, totaling 33 millions, member bank reserve balances during the period increased 37 million dollars. Demand for currency again showed a decline. A gain was recorded in this item in the week preceding July 4, in accordance with the usual practice of withdrawing money for hand-to-hand circulation during the holiday, but it was not large enough to offset the trend for the period. The volume of reserve bank credit in use within this district dropped nearly 3 million dollars during the five weeks, and compared with an increase of 1½ millions in the four weeks ended June 13.

Changes between June 13 and July 18 in Factors Affecting Use of Federal Reserve Bank Funds Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended.....	-2,769
Commercial operations through inter-district settlements.....	+52,605
Treasury and National bank currency.....	-6,668
Total supply.....	+43,168
Demand for currency.....	-9,450
Member bank reserve balances.....	+37,030
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	+50,270
Special and "all other" deposits.....	-33,274
Other Federal Reserve accounts.....	-1,408
Total demand.....	+43,168

MEMBER BANK CREDIT

An increase of 75 million dollars in total loans and investments of licensed reporting member banks was shown on July 18 as compared with June 13, reflecting heavier investment holdings, loans on securities as well as "all other" (commercial) loans recording moderate declines in the comparison. Net demand and time deposits increased by small amounts, as indicated in the table below. As against July 19, 1933, it will be noted that total loans and investments of licensed reporting member banks on July 18 this year showed a gain of 221 millions, due entirely to growth in the volume of investments. Net demand deposits in the year-to-year comparison gained 423 millions, and time deposits 16 millions.

Rates reported on customers' commercial loans by down-town Chicago banks were unchanged for the week ended July 15 from those given a month earlier—1½ to 5 per cent. The average rate earned by down-town Chicago banks during the calendar month of June was 3.26 per cent, compared with 3.47 in May and with 3.85 in June 1933. In Detroit, a range of 3½ to 6 per cent was reported as the prevailing rate on customers' commercial loans during the week ended July 15, unchanged from the corresponding week in the preceding month.

Commercial paper sales by dealers in the Middle West aggregated heavier during June than in any previous month since the middle of 1931. They not only expanded 27½ per cent over May and were 56½ per cent in excess of a year ago, but recorded a smaller recession from the 1924-33 seasonal average than had been evidenced earlier in 1934. A non-seasonal expansion in borrowings by means of commercial paper was largely absorbed by a

stronger investment demand from city and country banks. Selling quotations in June, therefore, continued to range from ½ and ¾ per cent for prime short-term obligations to 1 and 1¼ per cent for paper less well known or of longer maturity, with the bulk of transactions taking place at ¾ to 1 per cent. As a consequence of the increased sales volume, June 30 outstandings of commercial paper in the Middle West were above those of any reporting date since the autumn of 1931, being 18½ per cent larger than on May 31 and 102 per cent in excess of a year ago, though falling 58 per cent under the customary level for this time of the year. A further expansion of 18½ per cent in sales was recorded in the first half of July over the corresponding weeks of June, but rates continued within a range of ½ to 1½ per cent.

With the exception of increased activity in the week ended July 3, operations of dealers in the Chicago bill market were almost negligible during the period from June 14 to July 11. Local purchases were the smallest in almost two years and, together with a decline in the volume of receipts from Eastern cities, resulted in total supply dropping 5½ per cent from that obtaining May 17 to June 13. As distribution showed a similar change from the preceding period and was 74 per cent below last year, dealers, as previously, were unable to accumulate any bills in their own portfolios. No change was reported in selling rates during the period, the prevailing range being quoted at ⅜ and ¼ per cent to ½ per cent.

Transactions in bankers' acceptances were at an exceptionally low level during June in the Seventh Federal Reserve district. New financing through the utilization of acceptance credits aggregated less than for any previous month since June 1927 and was 50 per cent below the 1924-33 June average. Furthermore, the direct discounting of these bills at the originating banks and the buying of other banks' acceptances decreased to such an extent from May that total purchases were not only less than at any other time in more than five years but 48½ per cent below the 1924-33 June average. Sales were almost negligible. Although maturities totaled in excess of current purchases, holdings declined less than seasonally on June 30 from the end of May, and were 198 per cent greater than is customary at this time of year. The liability for outstandings, however, was smaller at the close of June than for any reporting date since September 29, 1928. Largely as a consequence of heavier borrowing by the grain industry, new financing by means of acceptance credits increased nearly 90 per cent in the first half of July over the corresponding weeks of June.

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

	PER CENT CHANGE IN JUNE 1934 FROM	
	MAY 1934	JUNE 1933
Total value of bills accepted.....	-54.7	-51.2
Purchases (including own bills discounted).....	-55.1	-52.4
Sales.....	-84.9	-90.2
Holdings*.....	-7.6	-31.1
Liability for outstandings*.....	-3.4	-32.8

*At end of month.

SECURITY MARKETS

Trading in the Chicago bond market was somewhat more active during June than in May of this year, but remained far below the level of a year ago. Demand continued to favor mainly high grade municipals and corporation issues of outstanding quality. United States Government bonds were firm to slightly higher during the period. A sharp break in German obligations featured activity in the foreign market. There appears to have been some liquidation of high-grade short-term securities, which have advanced in price to a point where the yield is very low as compared with the yields obtainable on

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	JUNE 13 1934	JUNE 13 1934	JULY 19 1933
Total Loans and Investments.....	\$1,818	\$ +75	\$ +221
Loans on Securities.....	327	- 9	- 95
All Other Loans.....	387	-19	-83
Investments.....	1,104	+103	+399
Net Demand Deposits.....	1,615	+32	+423
Time Deposits.....	494	+19	+16
Borrowings from Federal Reserve Bank.....	0	0	- 0

medium or longer term securities of approximately the same grade. Institutions are reported to be furnishing the major portion of the buying demand. Stock prices on the Chicago Exchange moved within a narrow range during June and the first two weeks of July. The average price of twenty leading stocks* amounted to \$29.64 on July 16, and on the corresponding date in June totaled \$30.95.

*Chicago Journal of Commerce.

Agricultural Products

Frequent and fairly well distributed rains in this district during June checked the rapid deterioration of crops, which had been in progress during the spring. The total precipitation, however, was below normal for the month, and due to the long duration of the drouth, was insufficient to raise the July 1 estimates of yield for major crops from the previously indicated low levels. In the first half of July more rain fell, averaging heaviest in Iowa where nearly double the normal amount was reported. Potatoes are practically the only important Seventh district crop for which a normal yield is expected, while rye production probably will exceed last year, due to increased acreage. Of the other major crops, corn is in best condition, at present, in the states of this district, though sharply deteriorated in the area to the southwest. Oats, barley, spring wheat, and hay have been most severely damaged. There will doubtless be an increase in emergency forage crops, in an effort to offset losses in regular crops.

Dry weather aided the spread of chinch bugs and other insect pests, which are a significant threat to the grass type of crop, compelling the substitution of certain legumes, particularly soy beans, where seed is available. Among fruits in this district, pears and grapes apparently will exceed last year's production, while apples, peaches, and cherries will show declines. The acreage in truck crops is at least average this year, and while these crops suffered from the drouth, recent rains have been beneficial. The high prevailing temperatures of the early summer caused grains to mature earlier than usual, and corn cultivation, like all field work, is ahead of the average year.

GRAIN MARKETING

Earlier harvesting of wheat than usual in the southwest caused a considerable increase in the June market movement, while the prospect of record low production served to sustain prices at a fairly high level. Primary receipts in June were double the May volume and exceeded the five-year average for the month for the first time in a year. Reshipments were stimulated by strong milling and speculative demand and recorded a contrary-to-seasonal gain over the preceding month of 13 per cent, but remained 22 per cent below average. The visible supply of wheat reached its end-of-the-season low point on June 16, three weeks later than last year; but in the month following expanded 23 million bushels, as against a gain of 5½ millions in the same period of 1933. The Department of Agriculture estimated farm stocks of wheat at 61 million bushels on July 1, which compares with 82 millions in

1933 and 93 millions in 1932. Total carry-over of old wheat is probably somewhat over 250 million bushels, the lowest since 1929. Future wheat prices averaged 8 cents higher than in May, despite a considerable decline from the high level of June 1. Most of the loss was regained before the middle of July.

The movement of feed grains in June was light and seasonal in trend, as corn receipts increased 22 per cent over May, while those of oats declined, as did shipments of both grains. Stocks of these grains showed further reduction from a year ago, the visible supply of corn being 20 million bushels lower at the middle of July, with that of oats 8 millions less than a year previous. Farm stocks of corn on July 1, as reported by the Department of Agriculture, were 470 million bushels compared with 628 millions in 1933; and those of oats were 108 millions against 204 millions on July 1 of last year. Future prices of feed grains in June averaged higher than in May, by 5½ cents for corn and 8 cents for oats, as their quotations held more nearly steady during the month than did those for wheat. The first half of July witnessed a firm trend in both grains.

MOVEMENT OF LIVE STOCK

The liquidation of animals from drought stricken areas continued in June and was largely responsible for cattle receipts at public stock yards in the United States showing a further rise of 2 per cent during the period to a level above any month since October 1933, 23½ per cent in excess of a year ago, and 13½ per cent above the 1924-33 June average. Furthermore, calf marketings were reduced less than the usual amount from May and were 16½ per cent larger than normal for June. Receipts of hogs and lambs, on the other hand, decreased more than seasonally from the relatively heavy volume of a month earlier and were considerably under last year as well as the 1924-33 June average. The movement to inspected slaughter (inclusive of animals that did not pass through public stock yards) showed some divergence from the trend of market receipts: the supply of lambs increased over May, that of calves attained a level higher than for any other month on record (January 1920), and the only recession recorded from the ten-year average was a 2 per cent decrease in the supply of hogs.

June marked the first time in 1934 in which the month's shipments of cattle to feed lots was greater than seasonal, the volume being only 8½ per cent smaller than in May and 4 per cent under the corresponding period of 1933. The movement of feeder lambs and calves, however, was considerably under the 1929-33 June average.

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of July 1 condition.

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		FORECAST		UNITED STATES		AVERAGE
	1934	1933	1934	1933	1933	1927-31	
Corn.....	732,047	835,127	2,113,137	2,343,883	2,516,307	2,516,307	
Oats.....	220,902	314,089	567,839	731,524	1,186,956	1,186,956	
Winter Wheat...	43,652	44,426	394,268	351,608	632,061	632,061	
Spring Wheat...	1,663	2,316	89,394	176,370	254,298	254,298	
Barley.....	27,367(a)	35,401(a)	125,155	156,988	270,444	270,444	
Rye.....	5,881(a)	5,629(a)	17,194	21,236	40,950	40,950	
Flaxseed.....	201(b)	236(b)	5,599	6,806	18,664	18,664	
Potatoes (White)	46,741	39,752	348,092	320,353	365,556	365,556	
Potatoes (Sweet)	1,233(c)	1,090(c)	64,924	65,073	62,386	62,386	
Sugar Beets*....	988(d)	1,203(d)	7,902	11,030	7,854	7,854	
Apples.....	9,360(a)	15,033(a)	112,011	142,981	156,303	156,303	
Peaches.....	631(e)	1,965(e)	48,720	44,942	57,919	57,919	
Pears.....	1,209(e)	1,010(e)	22,431	21,192	22,540	22,540	
Cherries*.....	30(d)	34(d)	115	117	93	93	
Grapes*.....	81(a)	74(a)	1,956	1,910	2,283	2,283	
Dry Beans***...	3,087(d)	3,539(d)	10,429	12,280	11,594	11,594	
Tobacco**.....	14,405	17,814	1,039,517	1,385,107	1,470,556	1,470,556	
All Tame Hay*..	8,399	13,289	52,020	65,983	72,250	72,250	

*In thousands of tons. **In thousands of pounds. ***In thousands of 100-lb. bags. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan and Wisconsin. (e) Illinois, Indiana, Iowa, and Michigan.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

PER CENT OF INCREASE
OR DECREASE FROM
JUNE 1934 MAY 1934 JUNE 1933

Chicago.....	\$2,392	+6.8	+12.0
Detroit, Milwaukee, and Indianapolis.....	961	+1.2	+46.4
Total four larger cities.....	\$3,353	+5.1	+20.1
33 smaller centers.....	521	+1.3	+28.6
Total 37 centers.....	\$3,874	+4.6	+21.2

MEAT PACKING

With a greater than seasonal decline in pork department activities partially offset by an increase in the beef section, the volume of production of packing-house commodities at slaughtering establishments in the United States decreased 3 per cent in June from a month earlier and 8½ per cent from a year ago but was 5½ per cent larger than the 1924-33 June average. Demand remained steady. Therefore, the sales tonnage offered—which was slightly less than in May but nearly equal to current production and more than 5 per cent heavier than either a year ago or the ten-year average for the month—was absorbed at a higher general price level than obtained a month earlier, the decline in beef, veal, and mutton quotations being more than counteracted by an advance in pork products. Prices remained considerably above last year and much lower than the 1924-33 average. Under the influence of the foregoing trends, the total value of sales billed to domestic and foreign customers increased 1½ per cent in June over May and 24½ per cent over the corresponding period of 1933 but remained 27 per cent below the 1924-33 average for the month. Despite the seasonal expansion shown over the preceding month, July 1 inventories of these commodities in the United States aggregated 117,560,000 pounds less than a year ago and 96,820,000 pounds below the 1929-33 July 1 average. Payrolls at the close of June continued to reflect a marked improvement over 1933 and also showed an increase over May of 4 per cent in number of employes, 10½ per cent in hours worked, and of 8½ per cent in wage payments.

Shipments for export fell off sharply in June from May and consisted principally of lard forwarded to the United Kingdom. Demand for American lard remained fair in the British market, but was almost negligible on the Continent. With the exception of a good demand for hams by the United Kingdom, European trade in United States meats remained exceptionally light. Lard prices in the United Kingdom continued below Chicago parity but, owing to the continuance of quota systems, prices of United States meats throughout Europe and of lard on the Continent remained above this parity. United States inventories of packing-house commodities in foreign markets (inclusive of stocks in transit) were reported as slightly greater on July 1 than a month earlier.

DAIRY PRODUCTS

Seventh district creamery butter production increased 6½ per cent in June over a month earlier, but was 8 per cent lighter than a year ago and 19 per cent under the 1924-33 average for the period. The sales tonnage declined—contrary to trend—being one per cent less than in May, 14 per cent smaller than in 1933, and 18½ per cent under the customary June volume. United States production of the commodity, though larger than in May, likewise recorded a marked decline from last year. Despite an advance in prices over the preceding month, demand

LIVE STOCK SLAUGHTER (In thousands)

	CATTLE		LAMBS AND SHEEP		CALVES
		HOGS			
Yards in Seventh District,					
June 1934.....	258	751	228	141	
Federally Inspected Slaughter,					
United States					
June 1934.....	932	3,763	1,259	601	
May 1934.....	864	4,218	1,244	600	
June 1933.....	751	4,626	1,490	441	

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

	WEEK ENDED		MONTHS OF	
	JULY 14 1934	JUNE 1934	MAY 1934	JUNE 1933
Native Beef Steers (average).....	\$7.45	\$7.35	\$6.95	\$5.80
Fat Cows and Heifers.....	4.70	4.75	4.70	4.45
Calves.....	5.15	4.65	5.45	4.70
Hogs (bulk of sales).....	4.50	4.20	3.60	4.50
Lambs.....	7.45	8.45	9.20	7.40

remained sufficiently strong in June to prevent the normal increase on July 1 in United States inventories which aggregated 36,129,000 pounds under a year ago and 25,412,000 pounds below the 1929-33 average for the date.

American cheese manufacture in Wisconsin expanded more than a seasonal amount in the four weeks ended June 30 over the preceding period, but was 7 per cent lighter than in 1933 or the 1929-33 average for the month. Owing to a rise in prices over May, production showed a much greater excess over current sales than is usual for this time of year. Distribution of the commodity from primary markets of Wisconsin recorded a counter-to-seasonal decline of 8 per cent from the preceding four weeks and was 32 per cent less than the five-year average for June. That sales in the United States likewise reverted to an unfavorable relationship to current manufacture is evidenced by the fact that total inventories of cheese in the country as a whole showed more than the average gain on July 1 over the beginning of June and aggregated 16,057,000 pounds greater than the 1929-33 average for early July.

Industrial Employment Conditions

After a continuous rise since last November, employment and payrolls in Seventh district industries registered a decline in June, the former item falling off 3½ per cent and the latter 4 per cent in comparison with the preceding month. As compared with the corresponding figures of a year ago, however, the current employment volume shows an increase of 35 per cent and payrolls a rise of 43 per cent, and with the exception of May and April this year, employment is at the highest level since May 1931, and payrolls since June 1931.

The curtailment of operations in the vehicles industries, reflected in losses of 8 per cent in working forces and 10 per cent in wage payments, caused a sharp reaction in employment trends for the state of Michigan in which the bulk of these industries is located, and contributed mainly to the recession in the Seventh district as a whole which, exclusive of the Michigan figures, showed a stationary volume of employment and a one-half per cent increase in payrolls. The metal industries also shared in the district decline with a loss of approximately 3 per cent each in employment and payrolls. Substantial decreases were shown for the textile industries, building materials, chemicals, and the paper and printing industries. The leather goods group increased payrolls one per cent, while showing a decline in employment of the same amount. The

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JUNE 15, 1934			CHANGE FROM MAY 15, 1934	
	REPORT- ING FIRMS No.	WAGE EARNERS No.	EARNINGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
Metals and Products ¹	1,274	236,717	5,111	-3.4	-2.8
Vehicles.....	229	303,535	7,366	-8.1	-10.2
Textiles and Products.....	297	44,000	701	-5.0	-2.4
Food and Products.....	611	93,280	2,025	+7.7	+8.4
Stone, Clay, and Glass.....	169	10,455	212	-5.4	-2.8
Wood Products.....	415	31,370	468	-2.3	-2.0
Chemical Products.....	158	20,295	453	-1.3	-1.4
Leather Products.....	106	20,898	379	-1.1	+0.8
Rubber Products ²	8	6,335	146	-12.7	-10.0
Paper and Printing.....	577	63,121	1,447	-1.8	-1.7
Total Mfg., 10 Groups.....	3,844	830,006	18,308	-4.0	-4.7
Merchandising ³	1,522	79,901	1,647	-1.7	+1.4
Public Utilities.....	79	81,835	2,345	+0.5	-1.0
Coal Mining.....	16	2,478	40	-18.4	-26.3
Construction.....	314	11,836	252	+6.5	-1.0
Total Non-Mfg., 4 Groups	1,931	176,050	4,284	-0.5	-0.4
Total, 14 Groups.....	5,775	1,006,056	22,592	-3.4	-3.9

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

main offset to the heavy recessions from May to June, however, was afforded by the food products group in which employment and payrolls each registered a rise of 8 per cent. The total decline for the manufacturing industries amounted to 4 per cent in employment and 4½ per cent in payrolls.

Non-manufacturing industries also experienced a slight aggregate decline of one-half per cent both in number of workers employed and wage payments. Public utilities and the construction industry increased employment by one-half and 6½ per cent, respectively, but payrolls in each group decreased one per cent. Merchandising concerns raised payrolls 1½ per cent, while reducing employment by a fractionally larger percentage. Coal mines showed a continual seasonal inactivity, the current declines totaling 18 per cent in men employed and 26 per cent in wage payments.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

A further moderate decline took place during June in production of automobiles, in line with seasonal trend. Output of passenger automobiles by United States manufacturers aggregated 261,852 in the period, or 4 per cent less than in May but 26 per cent in excess of the June 1933 volume. In the first half of 1934, passenger car production numbering 1,400,339, totaled 68 per cent greater than in the corresponding period last year, 92 per cent above the same months of 1932, 6 per cent over the period in 1931, and within 25 per cent of the first six months of 1930. Truck production in June numbered 46,199, or 20 per cent below May output and 10 per cent heavier than for last June; production for the first semester this year of 313,621 vehicles showed respective gains of 103, 124, and 23 per cent over the same periods of 1933, 1932, and 1931, and a decline of 6 per cent from the first six months of 1930.

Distribution of automobiles at wholesale increased a little in the aggregate for June, although the majority of firms reported declines, and sales to consumers likewise rose slightly in number over a month previous. It will be noted in the table that new cars sold continued to number somewhat heavier than a year ago, and that in the first half of this year they exceeded those in the corresponding months of 1933 by a substantial margin. Stocks fell off slightly in June, following a steady rise since the first of the year, but they totaled almost double those held at the close of June last year and for the first half of 1934 averaged 50 per cent heavier than for the six months a year ago. Used car sales again declined in June, while stocks thereof increased. The average number of used cars on hand in the first six months of this year was

MIDWEST DISTRIBUTION OF AUTOMOBILES

	JUNE 1934 PER CENT CHANGE		FIRST HALF 1934 PER CENT CHANGE	COMPANIES INCLUDED
	FROM		FROM	
	MAY 1934	JUNE 1933	FIRST HALF 1933	
New Cars				
Wholesale—				
Number Sold.....	+0.4	+7.2	+51.4	18
Value.....	+2.5	+29.5	+78.3	18
Retail—				
Number Sold.....	+2.2	+1.1	+29.7	55
Value.....	-0.2	-1.8	+26.0	55
On Hand End of Month—				
Number.....	-1.7	+96.8	+52.2*	55
Value.....	-0.9	+98.1	+45.5*	55
Used Cars				
Number Sold....	-4.6	-6.9	+21.1	55
Salable on Hand—				
Number.....	+8.1	+8.0	+13.9*	55
Value.....	+13.5	+22.6	+15.0*	55

*Average end of month.

only moderately in excess of the average for the period last year, in contrast to the heavy gain shown in new car stocks. The proportion of deferred payment sales to total retail sales of dealers reporting the item rose in June, the ratio amounting to 53 per cent, as against 49 per cent a month and a year previous.

IRON AND STEEL PRODUCTS

Desire on the part of buyers to make commitments before higher prices became effective on July 1, coupled with fear of a strike in the early part of the month, maintained steel operations in the Chicago district at a comparatively high rate through the greater part of June. New business, however, fell off during the period, and the first part of July found buying very quiet. Steel ingot output, which had attained a peak for the year to date of 69 per cent of capacity by the middle of June, dropped rapidly thereafter—a reaction to a great extent seasonal—until by the first of July it averaged only 28 per cent, where it remained through the first week of the month, then rose 5 points in the second week. Last year at the same time operations were around 60 per cent of capacity. Pig iron production was curtailed only slightly in June, daily average output in the Indiana and Illinois district declining but 3 per cent from the preceding month and continuing substantially heavier than a year ago. Activity in both iron and steel during the first half of 1934 considerably exceeded that of the same period in 1933. Lower prices on many finished steel products were filed after July 1, while pig iron remained unchanged; scrap iron and steel prices, after holding steady through June, recorded some weakening in the early part of July.

A greater than usual seasonal recession in activity was experienced during June by the Seventh district foundry industry. New orders booked for steel castings totaled 17 per cent less in tonnage than in the preceding month, while shipments were 12 and production 17 per cent lower. In malleable casting foundries the reductions amounted to 35 per cent in orders, 22 per cent in shipments, and 30 per cent in production. Despite these declines, comparisons with figures of a year ago showed increases in all items for steel castings and in all except orders for malleable castings. These latter fell below those of last June, 39 per cent in tonnage units and 27 per cent in dollar value, the first declines in the year-ago comparison since March 1933.

In the manufacture of stoves and furnaces, orders accepted during June were 36 per cent smaller than in May and 19 per cent below those reported for June 1933. Shipments declined 8 per cent and molding-room operations 7 per cent from the preceding month but were, respectively, 50 and 37 per cent higher than a year ago.

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JUNE 1934: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	MAY 1934	JUNE 1933	
Wholesale Lumber:			
Sales in Dollars.....	-8.7	-7.0	11
Sales in Board Feet.....	-5.4	-31.6	9
Accounts Outstanding ¹	+0.2	+18.5	11
Retail Building Materials:			
Total Sales in Dollars.....	-15.3	-5.9	173
Lumber Sales in Dollars.....	-6.7	-7.5	57
Lumber Sales in Board Feet.....	-18.7	-19.9	68
Accounts Outstanding ¹	+0.1	-2.5	165
	Ratio of Accounts Outstanding ¹ to dollar sales during month		
	JUNE 1934	MAY 1934	JUNE 1933
Wholesale Trade.....	191.2	174.2	149.2
Retail Trade.....	382.7	323.6	372.3

¹ End of Month.

Inventories accumulated further by 9 per cent and totaled 40 per cent in excess of last year's figure.

FURNITURE

A decline of 33 per cent from May was registered in new orders booked during June by furniture manufacturers reporting to this bank, only part of which recession was seasonal, and which compared with one of only 5 per cent in the same period a year ago. Shipments continued for the second month to total in excess of new orders, declining, moreover, in slightly lower ratio from a month previous—27 per cent. As a consequence, the volume of unfilled orders outstanding, though decreasing 24 per cent in the month, was nevertheless, at the close of June, 10 points higher in the ratio to current orders, which ratio amounted to 86 per cent. Orders booked totaled 34 per cent less than a year ago, shipments were 13 per cent lower, and unfilled orders outstanding at the close of the month 16 per cent smaller. The rate of operations averaged 3 per cent of capacity greater than a year ago, but was unchanged from the 49 per cent obtaining during May.

SHOE MANUFACTURING, TANNING, AND HIDES

Preliminary reports on June shoe production in the Seventh district indicate an output approximately as large as in the preceding month but lower than in the corresponding month of 1933. The latest available production figures for May were 15 per cent under those reported for April and 5½ per cent smaller than in May last year. Until the moderate recession experienced in April, operations in this industry had been steadily rising since last December. Uncertainty regarding the ultimate effects of the government cattle-buying program disturbed the hide and leather markets. In the tanning industry, production and sales declined from May to June, and the trend in leather prices was definitely downward. Sales of packer green hides in the Chicago market also were smaller in June than in May, but price quotations about the middle of June showed a recovery of one cent from the low levels prevailing at the close of the preceding month. This advance, however, was again lost the second week in July when quotations dropped from one-half to one and one-half cents on all items.

Building Materials, Construction Work

June operations of reporting lumber and building materials dealers in the Seventh district suffered a reaction from the upward trend recorded in the preceding month. The loss in dollar sales of retailers, amounting to 15 per cent, was more than seasonal and contrasted with an increase of 13 per cent for the same period last year. The accompanying recession of 6 per cent from a year ago was the first since September 1933. A non-seasonal loss was also reported by wholesale lumber yards, whose sales were lower than a year previous for the first time in fourteen months. The drouth caused a decided curtailment in rural purchases of materials, while rumors of

prospective price reductions are probably causing a postponement of buying.

June shipments from midwestern cement mills fell slightly below the preceding month and the year-ago volume, though production increased moderately in both comparisons. In the first six months of 1934, shipments exceeded the corresponding 1933 period by 40 per cent. Brick and tile operations were maintained at a fair level during June, with some producers reporting larger shipments than in May.

BUILDING CONSTRUCTION

Residential contracts awarded in the Seventh Federal Reserve district during June amounting to only slightly more than 2½ million dollars—or over a million dollars less than in the preceding month—were for the most part responsible for the further recession in total awards during the month, which dropped 1½ million dollars from May. Total contracts for the first six months of this year, however, were almost three times as large as in the corresponding period of 1933.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
June 1934.....	\$20,634,426	\$2,575,177
Change from May 1934.....	-7%	-32%
Change from June 1933.....	+62%	+13%
First six months of 1934.....	\$136,359,633	\$14,764,590
Change from same period 1933.....	+172%	+57%

*Data furnished by F. W. Dodge Corporation.

Building permits issued in the Seventh district during June likewise declined; the estimated cost of proposed construction in 102 cities fell off 17 per cent from May and increased but one per cent over June a year ago. In the number of permits issued in these same cities declines of 23 and 8 per cent, respectively, were registered. As compared with the preceding month, Indianapolis showed a gain of 196 per cent in estimated cost of permits and Milwaukee registered a 3 per cent increase, they being the only two of the five larger cities—Chicago, Detroit, Milwaukee, Indianapolis, and Des Moines—to differ from the trend of the district.

Merchandising

With the exception of groceries which showed somewhat greater than the usual June increase in sales over the preceding month, reporting groups of wholesale trade experienced recessions in business during June from May which were either contrary to trend, or, as in the case of the hardware trade, greater than seasonal. The expansion of 9 per cent over a month previous in the grocery trade compared with one of 5½ per cent in the 1924-33 average for the month, but declines of 7, 10, and 13 per cent, respectively, in the electrical supply, drug, and dry goods trades were in contrast to gains of 4, ½, and one per cent in the average for June, and the decrease of

DEPARTMENT STORE TRADE IN JUNE 1934

LOCALITY	PER CENT CHANGE JUNE 1934 FROM JUNE 1933		PER CENT CHANGE FIRST SEMESTER 1934 FROM SAME PERIOD 1933	RATIO OF JUNE COL- LECTIONS TO ACCOUNTS OUTSTANDING END OF MAY	
	NET SALES	STOCKS END OF MONTH		1934	1933
Chicago.....	+4.4	+9.0	+16.7	36.0	30.4
Detroit.....	+24.7	+21.7	+42.8	42.4	32.6
Indianapolis.....	+8.4	+45.9	+19.6	40.8	38.1
Milwaukee.....	+6.3	+19.0	+18.6	37.4	30.8
Other Cities.....	+11.3	+17.0	+29.1	32.7	28.4
7th District.....	+10.3	+16.5	+24.4	37.9	31.5

WHOLESALE TRADE IN JUNE 1934

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCTS. OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCTS. OUTSTAND.	COLLEC- TIONS	
Groceries.....	+16.9	+11.5	-2.5	+22.7	89.4
Hardware.....	-1.2	+37.1	+2.8	+20.1	200.2
Dry Goods.....	-1.7	+51.1	-3.8	+23.2	242.7
Drugs.....	+4.4	+11.4	-12.4	+14.1	199.0
Electrical Supplies.....	+26.9	+25.7	+2.7	+61.9	153.5

12½ per cent in hardware compared with one of less than ½ per cent in the average. Furthermore, gains over last June in drugs and electrical supplies were smaller than in previous months this year, and dry goods and hardware recorded the first decline in the year-ago comparison since April 1933. As a consequence, the increases in cumulative sales for 1934 to date over the corresponding period last year were, for the most part, reduced rather sharply for the period ending June 30 from those indicated through the end of May; in the six months of this year grocery sales exceeded those of the first half of 1933 by 19 per cent, drugs by 27½ per cent, dry goods by 40 per cent, hardware by 43 per cent, and electrical supplies by 64 per cent. Ratios of accounts outstanding at the end of June to net sales during the month rose over those of the preceding month, except in groceries where the ratio dropped further.

The recession of 9 per cent in June from May in Seventh district department store trade represented a somewhat heavier than seasonal decline, one of only 5 per cent being shown in the 1924-33 average for the month. The size of the decreases varied considerably among the several large cities and the smaller centers of the district, Chicago trade falling off only 4 per cent, while sales by Milwaukee stores declined 9 per cent, those of Detroit firms 11 per cent, and Indianapolis trade 13 per cent, with sales by stores in smaller centers showing a 15 per cent drop. The gain of 10 per cent recorded for district sales over last June was the smallest in the yearly comparison since last November, but trade in the first half of 1934 exceeded that of the same period in 1933 by almost 25 per cent. A seasonal decline in stocks between the end of May and June 30 brought them to a level only 16½ per cent above that of a year ago,

whereas a month previous they were 25 per cent larger in a similar comparison. Stock turnover in the first six months this year was 1.95 times, as compared with 1.87 times in the cumulative period last year.

Sales of shoes by retail dealers and the shoe departments of department stores fell off sharply—25 per cent—in June from the preceding month, in contrast to an increase in the 1926-33 average for the period of 4 per cent but following an exceptionally favorable trade experienced in May. They continued to exceed those of a year ago, although the gain over last June amounted to only 2 per cent. In the first semester of 1934, sales totaled 26 per cent heavier than in the six months last year.

The decline of 30 per cent in June from May in the retail furniture trade was somewhat more than seasonal for the month, and the increase of 6 per cent over the corresponding month last year was the smallest since the beginning of the current upward trend last May. Although installment sales by dealers dropped to a slightly greater extent from a month previous than did total sales, they showed a much larger gain—18 per cent—in the year-ago comparison.

Chain store trade for June recorded little change from the preceding month in the aggregate for reporting groups, increases in drug, cigar, and men's clothing chains being slightly more than offset by declines in five-and-ten-cent store sales, shoes, and musical instruments. Total sales, therefore, declined a little less than one per cent in the period. As compared with last June, all groups except musical instruments experienced gains, and sales totaled 12 per cent in excess of that month. Data covering the first half of 1934 showed an increase of 18 per cent in aggregate sales of reporting groups over the corresponding period of 1933.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the months 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.)

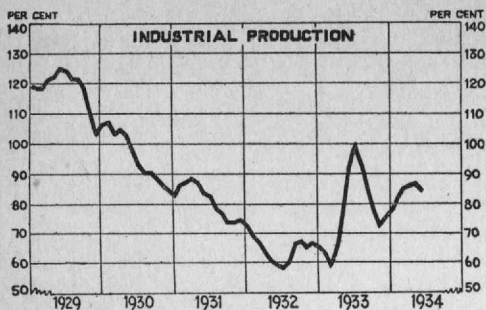
	No. of Firms	June 1934	May 1934	Apr. 1934	Mar. 1934	Feb. 1934	Jan. 1934	June 1933	May 1933	Apr. 1933	Mar. 1933	Feb. 1933	Jan. 1933
Meat Packing—(U. S.)—													
Sales (in dollars).....	62	69	68	62	63	63	60	56	56	48	45	44	46
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	41	44	31	28	22	21	18	12	10	11	10	12
In Tons.....	12	44	47	31	28	21	21	19	13	10	12	11	12
Malleable—In Dollars.....	21	32	41	38	36	28	23	21	16	12	10	11	11
In Tons.....	21	48	62	58	58	44	38	37	29	22	16	20	20
Stoves and Furnaces—													
Shipments (in dollars).....	10	94	108	84	82	63	45	58	54	44	38	35	22
Furniture—													
Orders (in dollars).....	14	20	29	25	31	28	35	30	32	24	19	24	25
Shipments (in dollars).....	14	25	33	23	24	29	21	28	27	23	20	20	19
Flour—													
Production (in bbls.).....	21	98	101	92	106	107	121	120	108	114	110	91	103
Output of Butter by Creameries—													
Production.....	67	128	120	85	80	72	78	139	135	94	93	85	93
Sales.....	69	113	114	90	92	93	93	132	113	87	96	91	89
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	83	76	64	68	62	64	70	63	55	58	51	51
Hardware.....	11	61	70	60	52	39	38	61	54	39	28	22	22
Dry Goods.....	9	38	44	40	42	34	37	39	34	26	23	21	25
Drugs.....	13	59	66	64	71	64	70	58	54	49	49	49	58
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	25	68	71	63	66	54	54	66	64	57	56	44	45
Detroit.....	5	85	93	91	92	67	58	66	74	65	45	40	48
Indianapolis.....	4	71	81	78	84	56	62	65	73	70	52	47	54
Milwaukee.....	5	68	74	82	71	58	58	63	68	70	51	46	47
Other Cities.....	43	64	75	65	73	53	52	58	60	57	44	38	40
Seventh District—Unadjusted.....	82	70	77	71	73	57	55	64	66	61	51	43	46
Adjusted.....	82	72	75	72	75	72	69	65	65	57	56	55	57
Automobile Production—(U. S.)—													
Passenger Cars.....		90	94	99	94	64	39	71	62	51	33	31	38
Trucks.....		123	154	174	150	117	115	112	90	71	47	41	50
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		9	13	10	8	6	4	8	10	5	5	2	3
Total.....		30	32	36	37	24	40	19	15	10	12	6	12
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		66	68	54	49	39	34	45	31	18	18	21	19
United States.....		66	67	59	53	46	40	43	29	21	18	20	19
Steel Ingot Production—(U. S.)*.....		87	93	87	77	68	55	74	55	40	25	34	29

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

INDUSTRIAL production, which had increased during each of the six months from December to May, declined in June by somewhat more than the usual seasonal amount. Factory employment and payrolls also showed decreases which were partly of a seasonal nature. The general level of wholesale commodity prices advanced during June and showed little change during the first three weeks of July.



Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)

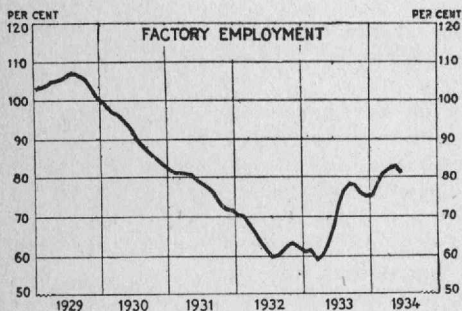
PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, decreased from 86 per cent of the 1923-25 average in May to 84 per cent in June, reflecting chiefly a sharp reduction in activity at cotton textile mills. Production at lumber mills and at coal mines also showed a decline. In the steel and automobile industries, activity decreased in June by an amount somewhat smaller than is usual at this season. Maintenance of activity at steel mills in June reflected in part the accumulation of stocks by consumers, according to trade reports, and at the beginning of July output of steel showed a sharp decline.

Employment at factories decreased somewhat between the middle of May and the middle of June, reflecting reductions in working forces in industries producing textile fabrics, wearing apparel, leather products, automobiles, and lumber, offset in part by increases in employment at steel mills and at meat-packing establishments.

Value of construction contracts awarded, which had shown little change during May and June, showed an increase in the first half of July, according to the F. W. Dodge Corporation.

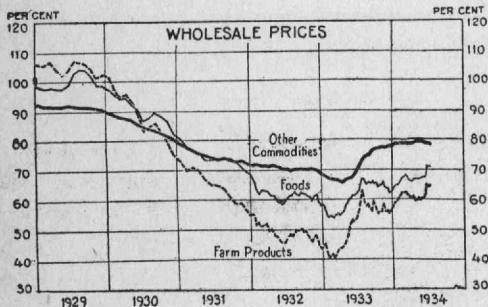
Department of Agriculture estimates, based on July 1 conditions, indicated a wheat crop of 484,000,000 bushels, compared with an average of 886,000,000 bushels for the five years 1927-1931, and a corn crop of 2,113,000,000 bushels, compared with the five-year average of 2,516,000,000 bushels. Crops of other grains, hay, and tobacco were also estimated to be considerably smaller than usual. The acreage of cotton under cultivation was estimated at 28,000,000 acres, about 2,000,000 less than the acreage harvested last season. In the first three weeks of July drought conditions prevailed over wide areas, particularly in the southwest.



Federal Reserve Board's index of factory employment, adjusted for seasonal variation. (1923-1925 average = 100.)

DISTRIBUTION

The number of freight cars loaded per working day showed a further slight increase in June, followed by a decline in the first half of July. Sales by department stores decreased in June by more than the estimated seasonal amount.



Indexes of the United States Bureau of Labor Statistics. By months 1929 to 1931; by weeks 1932 to date. (1926 = 100.)

WHOLESALE COMMODITY PRICES

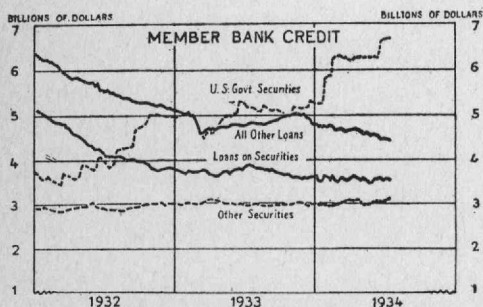
Wholesale prices of farm products and foods generally advanced during June, while other commodities as a group showed a slight decline. Hog prices increased considerably in the middle of the month, while wheat declined throughout the month. In the middle of July wheat prices advanced rapidly to levels above those reached at the end of May, and there was a considerable advance in cotton, while lumber prices declined and finished steel prices were reduced somewhat from the advanced quotations previously announced.

BANK CREDIT

Between June 13 and July 18 member bank reserves increased to a new high level of nearly \$4,000,000,000, about \$1,850,000,000 in excess of legal requirements. The growth reflected chiefly a further increase in the monetary gold stock. A seasonal increase in demand for currency over the July Fourth holiday period was followed by an approximately equal seasonal return flow during the succeeding two weeks. The volume of reserve bank credit outstanding showed little change.

At reporting member banks there was a growth of United States Government deposits during the five-week period, reflecting chiefly the purchase in June of new issues of Government securities by the banks. Bankers' balances also increased, but deposits of individuals, firms, and corporations have shown little change. Loans declined somewhat, reflecting a decrease in loans to customers, while loans to brokers showed an increase.

Money rates remained practically unchanged at the low levels prevailing in June.



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for July 18, 1934.