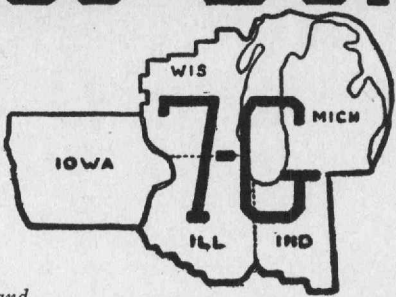


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# BUSINESS CONDITIONS

## SEVENTH FEDERAL



## RESERVE DISTRICT

EUGENE M. STEVENS, *Chairman of the Board and Federal Reserve Agent*  
CLIFFORD S. YOUNG, *Asst. Federal Reserve Agent*

HARRIS G. PETT, *Manager*  
Division of Research and Statistics  
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JOHN H. MARTIN, *Asst. Federal Reserve Agent, Detroit Branch*  
GEORGE A. PRUGH, *Asst. Federal Reserve Agent*

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### General Summary

A DECLINING trend was evident during May in the majority of reporting manufacturing and merchandising industries of the Seventh district, while food-producing industries experienced gains that were largely seasonal in nature. Numerous instances were noted of a lower volume of business than in the corresponding month of 1934 when most phases of industry and trade recorded a rising trend.

Shipments of automobiles, steel and malleable castings, and of furniture declined in May from April, and production of shoes was less. Orders booked for castings and for furniture, however, increased in the comparison. Shipments from steel mills were well maintained during the period, but owing to a recession in the volume of incoming business, operations were rather sharply curtailed after the middle of May. Building construction, reflected in employment in the industry and in the movement of building materials, furnished an exception to the declining trend, showing greater activity than in the preceding month. Steel production and output of steel castings were much smaller than a year ago, but most other groups maintained a favorable margin in this comparison. A small decline from April in employment and payrolls of Seventh district industries was the first to be recorded since last November.

Trends in food-producing industries were generally upward in May, production and sales of meat-packing products, and those of creamery butter gaining over a month previous, while the manufacture of Wisconsin cheese also was expanded, though sales declined. As compared with May last year, with the exception of an increase in the

dollar value of sales of packing-house products, activity was less in the month this year. Inventories continued below average, although those of butter and cheese increased over the close of April. The movement of wheat in May totaled heavier than in six months, and receipts of corn and of oats expanded, but reshipments of these last two grains declined; the movement of all three grains remained considerably below average. Imports of grain have shown a marked gain in 1935 over 1934. Farm work and crop growth in the Seventh district made fair progress during May despite the unseasonably cool and wet weather that prevailed; the outlook is for above-average crops this year in the district.

Sales of reporting wholesale trade groups increased in May over April; those of groceries and electrical supplies totaled below the year-ago volume, but hardware and drug sales continued to be heavier in this comparison. The department store and retail shoe trades recorded counter-to-seasonal recessions in sales during May, and business likewise totaled less than in the month last year. A similar trend was shown by chain store trade. The retail furniture trade, however, experienced a more than seasonal expansion in the period, and sales exceeded those of last May.

Total loans and investments of reporting member banks in the district showed a substantial increase between May 15 and June 19; net demand and time deposits in these banks likewise rose in the period. Dealer sales of commercial paper again declined in May from April, but new financing by means of bankers' acceptances recorded some expansion in the month.

### Credit Conditions and Money Rates

Commercial and financial transactions with other districts resulted in a net inflow of over 50 million dollars to the Seventh Federal Reserve district during the period from May 15 to June 19, and United States Treasury disbursements exceeded collections in the district by close to 16 millions. Reflecting these additions to banking reserves, as well as a decline of 3 million dollars in demand for currency, member bank reserve balances showed a substantial increase amounting to almost 67 millions. Detailed changes in items affecting the use of Chicago Reserve bank credit are given in the accompanying tabulation.

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

(Amounts in millions of dollars)

	JUNE 19 1935	CHANGE FROM	
		MAY 15 1935	JUNE 20 1934
Total Bills and Securities.....	\$ 363.3	\$ -23.4	\$ -68.9
Bills Discounted.....	0.0	+0.0	-0.6
Bills Bought.....	0.6	+0.0	-0.1
U. S. Government Securities.....	360.7	-23.2	-70.2
Total Reserves.....	1,444.7	+99.7	+386.8
Total Deposits.....	982.4	+73.5	+290.1
Federal Reserve Notes in Circulation.....	789.5	+3.0	+21.6
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	81.5	+2.2*	+9.1*

\*Number of Points.

**Changes between May 15 and June 19 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District**

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts).....	+246
Commercial operations through inter-district settlements.....	+50,601
Treasury and National bank currency.....	-1,765
<b>Total supply.....</b>	<b>+49,082</b>
Demand for currency.....	-2,873
Member bank reserve balances.....	+66,712
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	-15,608
Special and "all other" deposits.....	+340
Other Federal Reserve accounts.....	+511
<b>Total demand.....</b>	<b>+49,082</b>

A range of 1½ to 5 per cent, unchanged from the preceding month, was reported as the prevailing rate on customers' commercial loans by down-town Chicago banks during the week ended June 15. The average rate earned on loans and discounts by Chicago banks located in the down-town area was reported as 3.06 per cent for May, as compared with 2.95 per cent in April and with 3.47 per cent in May 1934. A range of 3½ to 6 per cent on customers' commercial loans was reported for the week ended June 15 by down-town Detroit banks; the same range had been given by these banks for the corresponding week in May.

Commercial paper sales in the Middle West continued during May the downward trend evident in the preceding four months, declining 12 per cent from April and 20 per cent from May a year ago. Borrowing increased somewhat in the month and was absorbed by a slightly improved investment demand from city banks. Demand from country banks, however, showed a decline. Quotations for May ranged from ¾ per cent for low to 1 per cent for high, with the bulk of sales moving at ¾ per cent. Outstandings on May 31 registered a counter-to-seasonal gain of 8 per cent over April 30 and were 43 per cent above the corresponding date in 1934, though totaling 45 per cent below the 1925-34 average for the date. Under the influence of a good demand and slightly heavier borrowing, sales for the first half of June expanded 44½ per cent over the similar period in May. Selling rates during the early part of June remained unchanged.

Local purchases of bills by dealers in Chicago were smaller in the aggregate from May 16 to June 12 than for any corresponding period since the autumn of last year. There also was a marked reduction from a month earlier in receipts from Eastern markets, the volume dropping to

**CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT**

(Amounts in millions of dollars)

	JUNE 19	CHANGE FROM	JUNE 20
	1935	MAY 15	1934
Total loans and investments.....	\$2,003	\$+57	\$+179
Total loans on securities.....	236	0	-107
To brokers and dealers			
In New York.....	2	0	-17
Outside New York.....	32	+5	-20
To others.....	202	-5	-70
Acceptances and commercial paper bought.....	31	-5	....
Loans on real estate.....	31	0	....
Other loans.....	319	0	-16*
U. S. Government direct obligations.....	988	+48	+248
Obligations fully guaranteed by			
U. S. Government.....	91	-1	....
Other securities.....	307	+15	+54†
Net demand deposits.....	1,957	+103	+418
Time deposits.....	620	+17	+135
Borrowings from Federal Reserve Bank.....	0	0	0

\*Represents total acceptances, commercial paper, loans on real estate and other loans. Segregated figures not available.

†Represents obligations fully guaranteed by U. S. Government and other securities. Segregated figures not available.

the lowest point on this bank's records (January 1925). As a result of these declines, the total supply of acceptances available for distribution by dealers likewise dropped to a record low point. Sales to both local and out-of-town banks, as a consequence of this reduction in supply, fell off sharply from the preceding period. Local sales were in the lightest volume in four years, while those to out-of-town banks were the smallest since the period August 17-September 13, 1933. Shipments to Eastern cities were nil during the period. Rates remained steady, ranging from ⅛ to ⅜ per cent. Dealers did not accumulate any holdings in their portfolios during this four-week period.

New financing by means of bankers' acceptances as reported by accepting banks in the Seventh district expanded 10 per cent in May over April, but the total volume remained below that of the first two months of this year, was 48½ per cent under a year ago, and 56½ per cent less than the 1925-34 average for the month. Purchases of other banks' bills declined slightly during the period, but the decrease was more than offset by a gain in the volume of the banks' own bills discounted and resulted in an increase in the total amount of bills bought. For the second consecutive month sales were nil; maturities, on the other hand, increased 15½ per cent, more than offsetting the gain in purchases, so that holdings at the end of May registered a decline of 19 per cent from the preceding month, as compared with an average increase for this period amounting to 16½ per cent. The liability for outstanding bills on May 31 showed a decline of 11 per cent from a month previous and was 37½ per cent below a year ago. In the first half of June, new financing by means of acceptance credits declined 58½ per cent, in part owing to lessened borrowing by the iron and steel industry.

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

	PER CENT CHANGE IN	MAY 1935 FROM
	APRIL 1935	MAY 1934
Total value of bills accepted.....	+10.2	-48.7
Purchases (including own bills discounted).....	+1.7	-63.3
Sales.....	0	-100.0
Holdings*.....	-19.1	-51.3
Liability for outstandings*.....	-10.8	-37.4

\*At end of month.

**SECURITY MARKETS**

The more favorable tone in the Chicago bond market, which became evident in April, continued throughout May and the early part of June. Prices of high grade corporate and municipal issues were firm during May, while the lower-priced bonds were again characterized by wide fluctuations. The volume of new financing in May remained at about the level of the preceding month. The market for bonds continued to be confined primarily to institutions and banks, although there appeared some evidence of growing interest on the part of private investors. In the early part of June, there was a noticeable improvement in the price level of second and third grade rail bonds.

**VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT**

(Amounts in millions of dollars)

	MAY 1935	PER CENT OF INCREASE OR DECREASE FROM
	APR. 1935	MAY 1934
Chicago.....	\$2,440	-7.0
Detroit, Milwaukee, and Indianapolis.....	1,132	+2.8
Total four larger cities.....	\$3,572	-4.1
36 smaller centers.....	652	+5.9
Total 40 centers.....	\$4,224	-2.7

Prices on the Chicago Stock Exchange trended gradually upward during the first two weeks of June. The average price of twenty leading stocks\* amounted to \$34.88 on June 17, as compared with \$32.13 on June 1 and \$33.17 on May 17.

\*Chicago Journal of Commerce.

## Agricultural Products

Despite unseasonably cool weather, more than normal rainfall, and a lack of sufficient sunshine, crops and farm work, though remaining somewhat behind schedule, made fair progress during May and early June in all parts of the Seventh Federal Reserve district except in the counties lying nearest to its southern boundary. Corn planting in many of the counties farthest south in Illinois and Indiana continued handicapped by the superabundance of moisture to such an extent that it was only one-fourth to one-third finished in those areas by June 18, and was just nearing completion in southern Iowa, whereas this type of work in other sections of the district was not only practically completed by that date but early plantings were up to a fair to good stand and had been cultivated for the first or second time. Replanting operations showed little or no progress in these southern sections where losses from rotting, erosion, and poor germination had been relatively large this spring, but they were well advanced throughout the remainder of the Seventh district. Many fields in the southern part of the district were very weedy. In all areas except the northern portion of the lower peninsula of Michigan where some deficiency in subsoil moisture still existed, hay and pastures attained a condition above the 1928-32 average for this season of the year. The June 1 forecasts showed both winter wheat and rye in the Seventh district as approaching harvest with production considerably above the 1928-32 average, and the mid-month reports indicated that oats, barley, spring wheat, and other small grains were in good condition. However, some lodging of small grains and yellowing of corn were reported. Early potatoes were making excellent growth and the late crop was being planted by the middle of June. Seventh district prospects for fruit are unusually good this year; the crop of apples, peaches, pears, and cherries is expected to exceed the 1928-32 average production.

### CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES		
	FORECAST 1935	FINAL 1934	FORECAST 1935	FINAL 1934	1928-32 AVERAGE
Winter Wheat.....	85,432	75,221	441,494	405,034	618,186
Rye.....	11,206	5,555	44,031	16,040	38,655
Peaches.....	6,777	1,196	52,322	45,571	56,451
Pears.....	1,640(a)	1,638(a)	21,999	23,432	23,146
Cherries*.....	35(b)	31(b)	124	114	117

\*In thousands of tons.

(a) Michigan, Illinois, Indiana, and Iowa. (b) Michigan and Wisconsin.

### GRAIN MARKETING

Receipts and reshipments of wheat at terminal markets in the United States were heavier in May than in any previous month since November 1934, but failed to record as large a gain as is customary over April. They aggregated not only one-third less than in the month last year but 58 per cent below the 1925-34 average for May. Despite the sharp increase in imports in 1935 over 1934 and a decline in exports to negligible proportions, visible

supplies of this grain in the United States were only a little over one-third as great on June 15 as a year ago and aggregated 62,000,000 bushels less than the 1925-34 average for that date. Prices, however, declined in May from a month earlier and eased further during the first half of June.

Corn receipts at these concentration points expanded slightly over April and were 32 per cent above last May, but 26½ per cent under the 1925-34 average for the month. Reshipments decreased in all three comparisons. Exports of this grain remained practically nil and imports continued much greater than in 1934. However, the visible supplies of corn in the United States on June 15 were but one-fifth those of a year ago and one-third of the 1925-34 average for the date. Prices of this grain also declined in May and early June from April.

After having been unusually light since the beginning of 1935, receipts of oats at terminal markets in the United States rose 49 per cent in May over April to a level higher than for any month since last November, though one-third under that of a year ago and only one-third as great as the 1925-34 May average. Reshipments of the grain fell off counter-seasonally in May from a month earlier, were 72½ per cent under the corresponding period of 1934, and 79½ per cent below average. Exports of corn remained negligible and imports continued considerably in excess of last year, but visible supplies showed about the same decline from the seasonal average as had been evidenced a month earlier. Prices of oats were lower during May and early June than in April.

### MOVEMENT OF LIVE STOCK

Cattle and lamb receipts at public stock yards in the United States increased less than seasonally in May over April; and those of hogs and calves decreased, contrary to the usual trend. Furthermore, the marketing of hogs aggregated less than in any other month on record (January 1915), being 49½ per cent under a year ago and 52½ per cent below the 1925-34 seasonal average. Cattle receipts decreased 10½ per cent from last May and 4½ per cent from this ten-year average, and the marketing of calves, though lighter than in the corresponding period of 1934, was slightly above the average level for the month. The movement to inspected slaughter—inclusive of animals that did not pass through public yards—deviated from the trend of market receipts in the following respects: the supply of cattle and lambs expanded over April more sharply than is customary, that of lambs and calves showed a larger gain over the 1925-34 average than did market receipts, the supply of cattle slightly exceeded normal vol-

### LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
May 1935.....	179	380	313	100
Federally Inspected Slaughter, United States				
May 1935.....	735	2,172	1,584	508
April 1935.....	683	2,177	1,483	511
May 1934.....	864	4,218	1,244	600

### AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	JUNE 22 1935	MAY 1935	APRIL 1935	MAY 1934
Native Beef Steers (average).....	\$10.15	\$11.10	\$11.05	\$6.95
Fat Cows and Heifers.....	7.65	8.10	7.85	4.70
Calves.....	8.25	8.25	8.00	5.45
Hogs (bulk of sales).....	9.25	9.25	9.00	3.60
Lambs.....	8.00	7.95	8.15	9.20

ume for the period, and there had been other months since 1915 in which the number of hogs totaled less than in May 1935.

Contrary to the usual tendency, reshipments of cattle to feed lots increased in May over April and those of calves decreased; the volume of each was considerably above a year ago and the 1930-34 average for the month. Reshipments of feeder lambs not only declined somewhat from April but remained decidedly smaller than last year and the five-year average.

#### MEAT PACKING

The processing and distribution of packing-house commodities at federally inspected slaughtering establishments in the United States gained less than seasonally in May over a month earlier. Production expanded only  $4\frac{1}{2}$  per cent over April, and was not only 33 per cent lighter than a year ago but  $25\frac{1}{2}$  per cent below the 1925-34 average for the month. Furthermore, the sales tonnage, though showing a non-seasonal excess over current production in May, increased less than usual over April, was 26 per cent smaller than in the corresponding period of 1934, and 19 per cent under the ten-year average. The general price level of packing-house products advanced in May over the preceding month, despite some easing in beef quotations. The total value of sales billed to domestic and foreign customers, therefore, was in excess of that of any other month since November 1930, 5 per cent greater than in April, 25 per cent above a year ago, and within 7 per cent of the 1925-34 seasonal average. Commercial inventories of packing-house commodities in the United States declined 92,901,000 pounds on June 1 from the beginning of May to a level 200,224,000 pounds under the corresponding date of 1934 and 243,463,000 pounds below the 1930-34 seasonal average. On the other hand, stocks held by relief agencies remained heavy. Payrolls in the meat-packing industry recorded a decline at the close of May from the last week of April of 3 per cent in hours worked and of  $2\frac{1}{2}$  per cent in wage payments, with little change in number of employes, and were approximately 15 per cent under the corresponding period of 1934.

Shipments for export increased in May over April, reflecting a rather sharp gain in lard tonnage and a more moderate expansion in forwardings of meats. British demand for United States lard improved during the month and a good trade in American hams was reported. Demand on the Continent for United States packing-house commodities remained negligible. Prices of American lard improved in the United Kingdom but continued under Chicago parity. Quotations for the limited quantity of hams permitted to enter under the quota system continued at a premium in British markets, but prices of American bacon in that country remained at a discount. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—decreased on June 1 from the beginning of May.

Imports of tallow and of certain types of beef products into the United States have begun to attain some importance in recent months.

#### DAIRY PRODUCTS

The manufacture and distribution of butter at creameries in the Seventh Federal Reserve district rose sharply in May to a level higher than at any time since last autumn. Production increased 45 per cent over April, and was within  $\frac{1}{2}$  per cent of a year ago but 6 per cent under

the 1925-34 May average. The district sales tonnage expanded 38 per cent over a month earlier but declined  $5\frac{1}{2}$  per cent from last May, and was somewhat less than current production. United States manufacture of the commodity followed the district trend, and distribution remained under the adverse influence of a greater consumption of butter substitutes than in 1934. Although prices declined more than 20 per cent in May from a month earlier, inventories of creamery butter in the United States increased more than seasonally on June 1 from the beginning of May to a level 5,925,000 pounds above a year ago and within 2,317,000 pounds of the 1930-34 average for that date.

The production of American cheese in Wisconsin expanded 45 per cent in the five weeks ended June 1 over the preceding period, but was 4 per cent under last May and  $9\frac{1}{2}$  per cent below the 1930-34 seasonal average. Distribution of the commodity from primary markets of that state showed somewhat less than a seasonal deficiency from current production; it was, however,  $13\frac{1}{2}$  per cent smaller than in the April period, 3 per cent under a year ago, and 10 per cent below this five-year average. Total inventories of cheese in the United States increased 2,264,000 pounds on June 1 over a month earlier, but were 14,746,000 pounds less than on the same date in 1934 and 4,210,000 pounds smaller than average at this time of year. Prices declined approximately  $9\frac{1}{2}$  per cent in May from April.

### Industrial Employment Conditions

Employment and payrolls in Seventh district industries decreased from April to May by one-half per cent each, the declines being the first recorded since November 1934. A majority of the manufacturing industry groups shared in these declines, while in the non-manufacturing division only merchandising contributed to the recession. Exceptions to the reduction in manufacturing activity were afforded mainly by stone-clay-and-glass products which showed a marked seasonal expansion for the fourth successive month, and by the rubber goods industry which added a large number of workers but did not show a corresponding rise in payrolls. Moderate seasonal gains in a number of food-products industries such as canning,

#### EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF MAY 15, 1935			CHANGE FROM APRIL 15, 1935	
	REPORTING FIRMS No.	WAGE EARNERS No.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products <sup>1</sup> . . . . .	1,160	244,633	5,547	-0.7	-2.8
Vehicles . . . . .	214	321,268	9,199	-1.7	+1.3
Textiles and Products . . . . .	270	44,828	702	-4.9	-16.1
Food and Products . . . . .	561	80,978	1,768	+0.6	+0.6
Stone, Clay, and Glass . . . . .	142	10,403	212	+10.3	+8.8
Wood Products . . . . .	349	29,083	459	-2.7	-6.7
Chemical Products . . . . .	157	21,833	516	-0.5	+3.0
Leather Products . . . . .	94	20,278	379	-0.4	-0.5
Rubber Products <sup>2</sup> . . . . .	8	7,758	174	+11.0	+1.7
Paper and Printing . . . . .	495	60,106	1,449	+0.1	-0.3
<b>Total Mfg., 10 Groups . . . . .</b>	<b>3,450</b>	<b>841,198</b>	<b>20,405</b>	<b>-1.0</b>	<b>-0.8</b>
Merchandising <sup>3</sup> . . . . .	1,694	96,765	1,986	-1.0	-0.8
Public Utilities . . . . .	79	81,848	2,498	+0.6	+0.6
Coal Mining . . . . .	14	2,488	46	+50.9	+45.4
Construction . . . . .	340	13,432	235	+20.5	+19.7
<b>Total Non-Mfg., 4 Groups . . . . .</b>	<b>2,127</b>	<b>194,533</b>	<b>4,765</b>	<b>+1.3</b>	<b>+1.1</b>
<b>Total, 14 Groups . . . . .</b>	<b>5,577</b>	<b>1,035,731</b>	<b>25,170</b>	<b>-0.6</b>	<b>-0.5</b>

<sup>1</sup>Other than Vehicles. <sup>2</sup>Michigan and Wisconsin. <sup>3</sup>Illinois and Wisconsin.

beverages, ice, and ice-cream, slightly more than offset declines in others, the group as a whole increasing employment and payrolls by one-half per cent. Chemical industries raised payrolls 3 per cent, and vehicles showed a gain of 1½ per cent in this item. Employment in the latter group decreased 1½ per cent, marking the first break in the expanding activity of this industry since last November. Metals other than vehicles, after a slight recession in payrolls during April, showed further losses both in employment and payrolls for May. The greatest curtailment of the month was experienced in the textile industries where employment declined 5 per cent and payrolls 16 per cent.

Except for merchandising industries, in which both employment and payrolls showed a slight contraction, all reporting non-manufacturing groups recorded improvement in May. The most substantial percentage gain was reported for the coal mines in that section of Illinois which is included within the Seventh district; for Illinois as a whole, such gains were considerably smaller, due to marked recessions in that industry in the southern portion of the state. Construction industries continued to expand seasonally, and public utilities showed further moderate gains in both number of workers and in wage payments.

## Manufacturing

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

A rather sharp decline took place during May in production of automobiles. Output of passenger vehicles and taxicabs by United States manufacturers, totaling 307,522 for the month, dropped 23 per cent from the April volume and exceeded by only 12 per cent that of May last year when a recession of only 5 per cent was recorded. Truck production numbered 57,199, or 25 per cent below a month previous and less than one per cent above a year ago.

Distribution of new automobiles in the Middle West likewise declined in May, the number of cars sold at both wholesale and retail being less than in the preceding month, although sales continued to total well above those of the corresponding month in 1934. Stocks rose somewhat over the close of April, but were much smaller in number than on May 31 last year. Sales of used cars, on the other hand, increased over a month previous, while stocks declined to some extent, though totaling almost two-thirds heavier than on the same date a year ago. Sales of new cars made on the deferred payment plan increased during May in their ratio to total retail sales, amounting to 43½ per cent of this total in May, for

dealers reporting the item, as against only 38½ per cent in April for the same dealers; in May, last year, however, the ratio was 45 per cent.

### IRON AND STEEL PRODUCTS

Shipments from steel mills of the Chicago district were maintained in good volume during May, but incoming business showed a reduction in the month, and activity was considerably less than in the same period last year. By the second week in June the rate of operations had declined to 42 per cent of capacity, which rate compares with around 69 per cent at the same time a year ago. Average daily pig iron production in the Illinois and Indiana district again increased slightly in May but failed to equal that of May 1934 when a substantial rise took place. The iron and steel scrap market, after showing a slight strengthening in May, again weakened in the early part of June.

Activity at steel casting foundries of the Seventh district decreased during May, thereby interrupting a movement that has been steadily upward since last December except for a minor reaction in February. The losses in shipments and production, measured in tonnage units, totaled 10 and 12 per cent, respectively. The volume of orders booked also registered a change in trend during May, the increase of 17 per cent over April reported for this item being in contrast to declines in the three months preceding. All items were well below the level of a year ago, showing a loss in tonnage units of 30 per cent for shipments, 40 per cent for production, and 47 per cent for orders. Malleable castings followed closely the trend of steel castings in the monthly comparison, except that the rise in orders and the decline in production were less marked. In the yearly comparison, however, malleable castings continued to record a favorable margin, shipments totaling 5 per cent, orders 8 per cent, and production 9 per cent heavier than in May 1934.

In the manufacture of stoves and furnaces, orders accepted in May showed a slight recovery of 3 per cent from the sharp contraction experienced during April. Molding-room operations continued at the rate of the preceding month, while shipments totaled 11 per cent higher. In comparison with May 1934, orders showed a small gain of 2 per cent, and production and shipments were larger by 15 and 25 per cent, respectively. Inventories at the close of May were 3 per cent above the figures of either a month or a year earlier.

### FURNITURE

The volume of orders booked during May by reporting furniture manufacturers of the Seventh district exceeded

MIDWEST DISTRIBUTION OF AUTOMOBILES  
Changes in May 1935 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	APRIL 1935	MAY 1934	
<b>New Cars</b>			
Wholesale—			
Number Sold	-8.9	+41.0	24
Value	+4.2	+52.2	24
Retail—			
Number Sold	-13.6	+15.9	51
Value	-11.9	+19.7	51
On Hand May 31—			
Number	+6.3	-15.1	51
Value	+7.4	-6.9	51
<b>Used Cars</b>			
Number Sold	+2.7	+29.5	51
Salable on Hand—			
Number	-5.6	+64.8	51
Value	-5.2	+71.4	51

### LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	MAY 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	APRIL 1935	MAY 1934	
<b>Wholesale Lumber:</b>			
Sales in Dollars	-0.0	-6.6	13
Sales in Board Feet	+2.1	-2.7	11
Accounts Outstanding <sup>1</sup>	+8.0	-10.8	13
<b>Retail Building Materials:</b>			
Total Sales in Dollars	+18.7	+33.6	179
Lumber Sales in Dollars	+37.5	+33.8	63
Lumber Sales in Board Feet	+49.7	+43.9	73
Accounts Outstanding <sup>1</sup>	+9.7	-1.6	171
	Ratio of Accounts Outstanding <sup>1</sup> to Total Dollar Sales during Month		
	May 1935	April 1935	May 1934
Wholesale Trade	148.4	135.2	155.3
Retail Trade	232.5	252.4	310.3

<sup>1</sup>End of Month.

that for any month this year since January and was heavier than for May of any year since 1930, the gain of 15 per cent over the preceding month being somewhat greater than seasonal. Shipments, on the other hand, dropping 16 per cent from the April volume, fell off in much greater than seasonal proportions, the 1927-34 average for the period showing a recession of but 7 per cent. In the yearly comparison, new orders recorded a gain of 56 per cent over last May, while shipments totaled only 27 per cent larger. Unfilled orders at the close of May aggregated 7 per cent heavier than a month previous and 46 per cent above the volume of a year ago, but their ratio to current orders of 73 per cent represented a decline of several points from that of April and of May last year. Operations, which averaged 59 per cent of capacity during May, were three points lower than in April but four points above those for the same month of 1934.

#### SHOE MANUFACTURING, TANNING, AND HIDES

Shoe manufacturing in the Seventh district followed a seasonally downward trend through both April and May of this year, the loss in output totaling  $12\frac{1}{2}$  per cent, as against an average decline of 8 per cent for this two-month period in the ten years preceding. Production for May this year was within  $\frac{1}{2}$  per cent of the high level of May last year and exceeded by 19 per cent the 1925-34 seasonal average. In the tanning industry, both production and sales of leather increased in May as compared with April, and the volume of each was substantially larger than that reported a year ago. Price quotations advanced moderately. Packer green hides in the Chicago market moved in moderate volume and at steadily rising prices during both May and April, the increases in quotations in these months amounting to 3 cents on a majority of specifications. Early June, however, brought a weakening trend in the market with declines of from one-half to one cent on a large number of items.

### Building Materials, Construction Work

With more definite indications in May of improvement in the construction industry, building materials also generally showed a continued rise in activity. Cement plants in the midwest district increased production and shipments materially during May, the volume of the former, however, exceeding that of the latter so that stocks, already heavy, showed a further accumulation. Adverse weather conditions were at least partially responsible for the unfavorable margin shown by these items in comparison with a year ago. Brick and clay deliveries, according to reporting firms, exceeded both those of the preceding month and last May, but were still considerably below the normal volume. Total sales at retail lumber yards increased more than seasonally during May, as did also lumber sales at these yards, whether measured in dollars or in board feet. Sales of lumber by wholesale and manufacturing concerns were the same as in April in dollar

value but followed the seasonal trend with a rise of 2 per cent in board-foot measure. Outstanding accounts were higher at the close of May than a month earlier for both wholesale and retail concerns but were below those of a year ago. The ratio of such accounts to dollar sales during the month increased moderately over the preceding month in the wholesale trade division but was lower in all other comparisons.

#### BUILDING CONSTRUCTION

The estimated cost of permits issued during May in 101 cities of the district reversed the upward trend prevailing during the preceding three months and registered a decline of 15 per cent from April, though totaling 67 per cent greater than for May 1934. The larger cities followed the trend of the district with the exception of Detroit in the monthly comparison, a gain of 22 per cent being recorded for that city. In the year-ago comparison, Des Moines showed a decline of 29 per cent in the estimated cost of proposed work, while the other four large cities—Chicago, Detroit, Milwaukee, and Indianapolis—all showed rather large gains. The number of permits issued in the current month totaled 6,756, or 7 per cent higher than in April and 39 per cent above May last year.

### Merchandising

All reporting groups of wholesale trade had heavier sales in May than a month previous, the gains of 4, 6, and 4 per cent in groceries, hardware, and electrical supplies, respectively, being in accordance with seasonal trend, while that of  $2\frac{1}{2}$  per cent in the drug trade compared with a decline of  $1\frac{1}{2}$  per cent in the 1925-34 average for the period. Although a majority of reporting grocery and electrical supply firms sold more goods in May than in the corresponding month last year, a decline in sales of some of the larger distributors effected decreases from last May in aggregate sales; the decline in electrical supply sales was the first to be recorded in the yearly comparison since April 1933. Hardware and drug sales continued to be moderately heavier than a year ago. Cumulative sales for the five months of 1935 showed increases over the same period of 1934 of 3 per cent in groceries, 6 per cent in drugs, and 12 per cent each in hardware and electrical supplies. Stocks in all groups were lighter on May 31 than at the close of April.

A decline of 2 per cent took place in May from the preceding month in Seventh district department store trade, which compares with an increase of one per cent in the 1925-34 average for the period and with gains of 7 and 9 per cent, respectively, in 1934 and 1933. Indianapolis trade recorded an increase of one per cent over

#### DEPARTMENT STORE TRADE IN MAY 1935

LOCALITY	PER CENT CHANGE MAY 1935 FROM MAY 1934		PER CENT CHANGE FIVE MONTHS 1935 FROM SAME PERIOD 1934	RATIO OF MAY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF APRIL	
	NET SALES	STOCKS END OF MONTH		1935	1934
Chicago.....	-1.7	+0.6	+5.4	31.3	31.0
Detroit.....	-2.4	-0.4	+6.6	47.1	45.8
Indianapolis..	+7.5	-16.5	+10.4	42.4	39.9
Milwaukee...	+2.4	-1.9	+4.4	42.1	38.4
Other Cities..	+0.8	+2.7	+4.5	35.3	33.1
7th District..	-0.6	-0.9	+5.8	38.6	37.0

#### WHOLESALE TRADE IN MAY 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTAND- ING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTAND.	COLLEC- TIONS	
Groceries.....	-4.4	+12.9	-17.8	+0.5	82.8
Hardware.....	+8.3	+0.5	-2.7	+4.8	157.9
Drugs.....	+11.6	-0.8	-5.1	+5.1	151.6
Electrical Supplies.....	-1.5	-2.9	-4.2	+9.0	141.5

April and stores in smaller cities sold a dollar volume aggregating 2 per cent heavier, but sales by Chicago stores declined 2½ per cent, those of Detroit firms 3 per cent, and Milwaukee trade 9 per cent. Owing to decreases from a year ago in Chicago and Detroit trade, district sales were one per cent smaller in the aggregate than in May last year, which decline is the first shown in the yearly comparison since May 1933. Stocks totaled one per cent less at the close of May than a month previous and were slightly under the 1934 level at the same time. It will be noted in the table that collections on accounts outstanding continue to be better than a year ago.

Following three months of unusually favorable trends, the retail shoe trade showed a decline of 2 per cent in May from April, whereas the 1926-34 average for the month records an increase of 6 per cent in the comparison. The majority of reporting dealers and department stores, however, had heavier sales than in April. Most firms shared in the 8 per cent decrease in sales from May a year ago. Sales in the five months of 1935 totaled 5 per cent larger than in the same period of 1934—the result of increased

sales by department stores, as practically all dealers showed losses in this comparison. Little change took place in stocks between the close of April and May 31, and they totaled 11 per cent above those at the end of May last year.

Aggregate sales of furniture and house furnishings by reporting dealers and department stores expanded 13½ per cent during May over the preceding month (the seasonal increase for May is estimated as 6 per cent) and were 6 per cent larger than in the same month of 1934. Sales by dealers totaled less than for last May, department stores effecting the gain shown in this comparison. Stocks declined 4 per cent during the month and about equaled those held at the close of May a year ago.

Although small increases took place in May in grocery, drug, and cigar chain sales, total sales of thirteen chains including in addition to those mentioned, five-and-ten-cent store, shoe, men's clothing, and musical instrument chains, were 2 per cent smaller than in April. In the yearly comparison, an aggregate decline of one per cent was shown, although grocery, drug, and cigar chains reported heavier sales than for last May.

## 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	May 1935	Apr. 1935	Mar. 1935	Feb. 1935	Jan. 1935	Dec. 1934	May 1934	Apr. 1934	Mar. 1934	Feb. 1934	Jan. 1934	Dec. 1933
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	85	82	77	80	81	73	68	62	63	63	60	54
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	34	38	35	31	31	20	44	31	28	22	21	18
In Tons.....	12	31	38	33	29	30	19	47	31	28	21	21	20
Malleable—In Dollars.....	21	43	48	45	37	37	28	41	38	36	28	23	23
In Tons.....	21	65	72	69	57	59	42	62	58	58	44	38	36
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	10	127	114	108	85	59	101	102	78	82	63	45	78
<b>Furniture—</b>													
Orders (in dollars).....	14	46	39	45	42	48	25	29	25	31	28	35	18
Shipments (in dollars).....	14	43	50	47	35	25	30	33	23	24	29	21	23
<b>Flour—</b>													
Production (in bbls.).....	19	100	85	89	90	103	93	96	87	101	104	117	100
<b>Output of Butter by Creameries—*</b>													
Production.....	59	143	98	83	81	86	88	143	102	95	85	92	94
Sales.....	61	130	94	87	79	107	116	138	108	110	111	111	120
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	73	70	67	64	72	70	76	64	68	62	64	63
Hardware.....	11	76	72	64	43	44	52	71	63	54	39	38	46
Drugs.....	13	71	69	69	66	70	64	66	64	71	64	70	67
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	72	75	68	59	59	124	73	65	68	56	56	108
Detroit.....	5	92	96	92	76	69	139	93	91	92	67	58	114
Indianapolis.....	4	88	88	89	65	70	140	81	78	84	56	62	119
Milwaukee.....	5	76	85	77	58	58	125	74	82	71	58	58	111
Other Cities.....	40	77	76	71	56	54	116	76	65	74	54	52	104
Seventh District—Unadjusted.....	81	78	81	75	62	60	126	78	72	75	58	56	109
Adjusted.....	81	76	76	83	79	76	75	76	73	76	73	70	65
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		105	137	124	94	78	38	94	98	95	64	39	17
Trucks.....		152	202	181	159	169	113	150	172	157	115	114	79
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....			16	9	4	6	5	13	10	8	6	4	3
Total.....			36	32	17	20	26	32	36	37	24	40	48
<b>Iron and Steel—</b>													
Pig Iron Production:**													
Illinois and Indiana.....		67	65	63	63	51	38	68	54	49	39	34	31
United States.....		57	57	58	59	49	34	67	59	53	46	40	39
Steel Ingot Production—(U. S.)**.....		72	75	82	86	79	58	93	87	77	68	55	54

\*Revised series—data for earlier months available upon request.  
\*\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Federal Reserve Board)

**T**HERE was a further slight decline in industrial production in May and factory employment and payrolls also showed a decrease. Activity in residential construction continued to be above the level of a year ago.

## PRODUCTION AND EMPLOYMENT

Volume of industrial production, as measured by the Board's seasonally adjusted index, declined from 86 per cent of the 1923-25 average in April to 85 per cent in May, which was the fourth consecutive month of gradual decline from the recent high level of 90 in January. At steel mills output declined somewhat in May and the first three weeks of June, as is usual at this season. In the automobile industry, where output this spring has been at a level substantially higher than in other recent years, production showed a marked decline in May, reflecting in part the effects of a strike. At cotton mills there was little change in activity, while at woolen mills production increased further, contrary to seasonal tendency. Production of shoes declined seasonally. Output of coal which has fluctuated widely in recent months, reflecting partly developments in the labor situation, showed a marked increase during May and the early part of June.

Factory employment and payrolls declined between the middle of April and the middle of May. Decreases in employment were reported for the automobile, radio, lumber, clothing, cotton, silk, and shoe industries, while at woolen mills employment increased and in many other lines little change was reported.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was about the same in May as in April. Residential work continued in excess of a year ago, while the volume of contracts for public projects was smaller than in the corresponding month of 1934.

Department of Agriculture estimates based on June 1 reports indicate that conditions for wheat, oats, barley, rye, hay, and pastures were at the ten-year average for 1923-32, in contrast with conditions a year ago, which were unusually poor as a consequence of a prolonged drought. The winter wheat crop this year is estimated to be somewhat larger than last year and, with a considerable increase indicated for spring wheat, present conditions, according to the Department of Agriculture, suggest a total crop of about 670,000,000 bushels as compared with 496,000,000 bushels last season and a ten-year average of 828,000,000 bushels. Domestic stocks of wheat have been materially reduced this season.

## DISTRIBUTION

Total volume of freight-car loadings increased in May by about the usual seasonal amount. Coal shipments showed a marked increase, while loadings of miscellaneous freight declined. Department store sales, as measured by the Board's seasonally adjusted index, increased from 73 per cent of the 1923-25 average in April to 76 per cent in May and were at approximately the same level as a year ago.

## COMMODITY PRICES

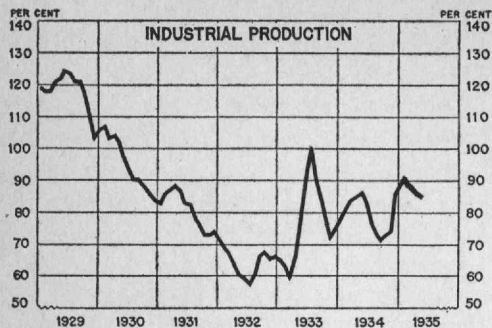
The general level of wholesale prices, which was 80.3 per cent of the 1926 average at the end of April and also in the week ending May 25, had declined to 79.8 per cent by the week ending June 15, according to the index of the Bureau of Labor Statistics. Grain prices decreased considerably during May and the first half of June. Cotton prices, after a sharp decline at the end of May and a subsequent increase, also were lower in the middle of June than at the beginning of May. Prices of commodities other than farm products and foods as a group advanced slightly during this period.

## BANK CREDIT

During the five weeks ending June 19 reserve balances of member banks increased by \$175,000,000 as a result of gold imports, offset in part by an increase in Treasury cash and deposits with the Reserve banks. Excess reserves of member banks on June 12 were above \$2,500,000,000 for the first time, but declined somewhat in the following week.

At reporting member banks in leading cities there was an increase of \$540,000,000 in net demand deposits in the four weeks ending June 12, due in part to gold imports. Time deposits declined by \$150,000,000, of which \$70,000,000 represented a decline at New York City banks consequent upon a ruling of the New York Clearing House in May prohibiting the payment of interest on new time deposits maturing in less than six months. Total loans and investment of reporting banks showed no important changes.

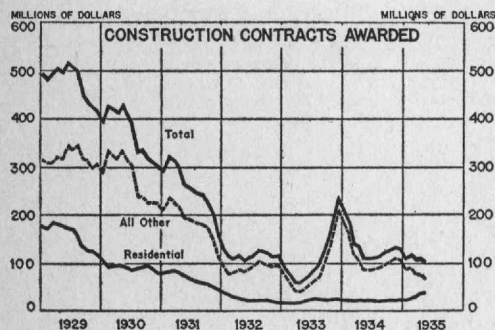
Short-term open-market interest rates continued at low levels in May and the first half of June.



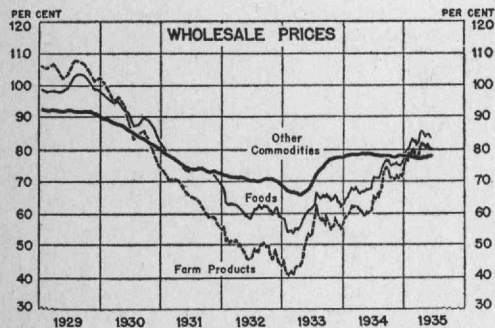
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Index of factory employment, adjusted for seasonal variation. (1923-1925 average = 100.)



Three-month moving averages of F. W. Dodge data for 37 Eastern States, adjusted for seasonal variation. Latest figure based on data for April and May and estimate for June 1935.



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