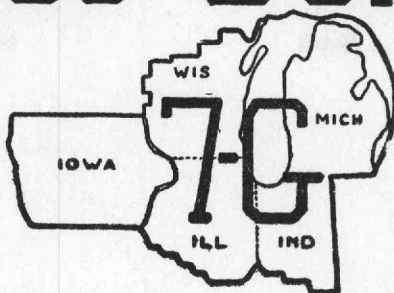


# BUSINESS CONDITIONS

SEVENTH  
FEDERAL



RESERVE  
DISTRICT

Volume 19, No. 7

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## GENERAL SUMMARY

**B**USINESS activity in the Seventh Federal Reserve district for the most part was well maintained through May, and in the majority of reporting groups decidedly favorable margins were recorded over a year ago when a declining trend was in evidence.

Demand for steel was steady during May and continued thus into June, operations rising in the early part of this latter month. Shipments from steel casting foundries and from stove and furnace factories likewise increased in May, although those of malleable castings receded somewhat. A seasonal gain took place in building construction, with the volume of contracts awarded in the district the heaviest for the year to date, and the demand for building materials continued to expand steadily. The decline in shipments of furniture was seasonal in nature as was that in shoe production. A further gain was shown during May in industrial employment and payrolls.

In food industries, the manufacture and distribution of butter and cheese expanded in May over April, while production of packing-house commodities decreased non-seasonally by a small amount with tonnage sales slightly higher and their dollar value a little lower than a month earlier. Production in this last group and of cheese exceeded that of a year ago, but the manufacture and distribution of butter were smaller as were sales of packing-house commodities in dollars. The movement of wheat rose sharply though less than seasonally in

May; corn receipts declined more than is usual in the month, while those of oats increased less than customarily, but reshipments of these two grains gained substantially. Crop conditions in the Seventh district were mixed in the middle of June, corresponding closely to rainfall received in May and early June in the various sections.

Sales in the several reporting lines of retail trade recorded a greater than seasonal gain in May over April and substantial increases were shown over last May, this trend being true of the department store, retail shoe, and retail furniture trades. In wholesale groups, the gains over the preceding month in the hardware and electrical supply trades were heavier than usual, while the decline in drug sales was slightly greater than seasonal in extent and that in groceries contrary to trend, sales in this last line likewise totaling below those of a year ago.

In the period May 20-June 17, total loans and investments of reporting member banks in the district rose 87 million dollars, increased holdings of U. S. Government direct obligations constituting the major portion of this amount, although loans and investments in other securities (except those guaranteed by the Government) also increased. Gains in both demand and time deposits in these banks were recorded in the period. Commercial paper sales by dealers and new financing through bankers' acceptances expanded in May over a month earlier.

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

(Amounts in millions of dollars)

	JUNE 17, 1936	CHANGE FROM MAY 20, 1936	JUNE 19, 1935
Total Bills and Securities.....	\$ 323.7	\$ -0.2	\$ -39.6
Bills Discounted.....	0.0	0	-0.1
Bills Bought.....	0.4	-0.2	-0.2
U. S. Government Securities.....	321.2	0	-39.5
Total Reserves.....	1,676.5	+112.2	+231.8
Total Deposits.....	1,073.6	+95.1	+91.2
Federal Reserve Notes in Circulation.....	889.8	+16.5	+100.3
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Com- bined.....	85.3%	+0.9*	+3.8*

\*Number of Points.

## Credit Conditions and Money Rates

Between May 20 and June 17, member bank reserve balances at this bank increased, as shown in the accompanying table, by slightly more than 4½ million dollars. This relatively small gain in the period reflects a reduction in the volume of reserve balances during the week of June 11 to 17, amounting to about 84½ million dollars, largely the result of Treasury operations and which offset to a large degree the increased volume in each of the preceding weeks of the period. Treasury receipts exceeded disbursements from May

20 to June 17 by about 56 million dollars, and there was recorded a rise of more than 15½ million dollars in demand for currency; these changes were more than counterbalanced by a net inflow of nearly 80 million dollars of funds into the district through commercial and financial transactions with other districts.

#### Changes Between May 20 and June 17 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).....	-1,516
Commercial operations through inter-district settlements.....	+79,254
Treasury and National bank currency.....	-4,347
<b>Total supply.....</b>	<b>+73,391</b>
Demand for currency.....	+15,768
Member bank reserve balances.....	+4,649
Treasury cash and deposits at Federal Reserve Bank of Chicago.....	+51,781
Special and "all other" deposits.....	+1,255
Other Federal Reserve accounts.....	-62
<b>Total demand.....</b>	<b>+73,391</b>

Money rates continue at low levels. Banks located in the down-town area of Chicago reported a range of 1½ to 5 per cent as prevailing on customers' commercial loans during the week ended June 15, unchanged from the week ended May 15. The average rate earned by Chicago down-town banks during the calendar month of May was 2.80 per cent, whereas in April the item had been 2.68, and in May a year ago, 3.06 per cent. In Detroit, banks situated in the business section reported a prevailing range of 1½ to 4½ per cent on customers' commercial loans during the week ended June 15, as against 1½ to 5 for the like week of May.

Sales in commercial paper by Seventh district dealers increased 10 per cent in May over April and by the same percentage over those of May 1935; the current total, however, was 44 per cent below the 1926-1935 average for the month. Demand continued to exceed supply by a wide margin, reports indicating some cessation in demand from city banks, offset by an increase on the part of country banks. Outstandings at the close of May exceeded the end-of-April volume by 13 per cent, and were one per cent in excess of the May aggregate a year ago, but totaled more than 36 per cent below the 1926-1935 average for the end of May. Rates recorded no change over April: prime short-term paper was quoted at ½ to ¾ of 1 per cent, less well known at ¾ to 1 per cent, with the bulk of sales at ⅝ to ¾ of 1 per cent. During the first half of June, sales of commercial paper were about 55 per cent less than in the corresponding period in May, with demand in excess of supply and rates substantially those shown above for May.

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

(Amounts in millions of dollars)

	JUNE 17, 1936	CHANGE FROM MAY 20, 1936	JUNE 10, 1935
Total loans and investments.....	\$2,916	\$ +87	\$ +484
Total loans on securities.....	272	+4	+12
To brokers and dealers:			
In New York.....	5	-4	+3
Outside New York.....	63	+13	+29
To others (except banks).....	204	-5	-20
Acceptances and commercial paper bought.....	31	-1	-9
Loans on real estate.....	68	+1	+2
Loans to banks.....	10	0	-3
Other loans.....	431	+13	+87
U. S. Government direct obligations.....	1,545	+68	+344
Obligations fully guaranteed by U. S. Government.....	146	-10	-8
Other securities.....	413	+12	+59
Demand deposits—adjusted.....	2,160	+51	+252
Time deposits.....	846	+29	+48
Borrowings.....	0	0	0

Chicago bill dealers during the period May 14 to June 17 reported increased purchases over the preceding period, and receipts from Eastern offices were likewise in greater volume, effecting a gain of about 29 per cent in supply. Total distribution gained by the same amount—reflecting entirely a considerably heavier volume of sales to local banks—and holdings at the end of the period, therefore, were nil. Rates were unchanged at ⅛ to 3/16 of 1 per cent.

New financing by means of bankers' acceptances in this district during May showed a seasonal gain of about 21 per cent over April; the aggregate, however, fell short of the May 1935 volume by slightly more than 3 per cent and of the 1926-1935 average for the month by about 56 per cent. Direct discounting of bills at originating banks likewise followed a seasonal trend, recording a 16 per cent increase over April, and purchases of bills of other banks gained approximately 5 per cent. Total purchases aggregated 14 per cent greater than in April, but were about 3 per cent less than in May of last year and nearly 66 per cent under the 10-year average. Sales during May were nil, while maturities exceeded purchases, effecting a reduction of about 5 per cent in month-end holdings. Liabilities for outstandings at the close of the month were one per cent less than at the end of April, 4 per cent under a year ago, and 57 per cent below the 10-year average for May. During the first half of June, financing by means of acceptances was less by 68 per cent than in the corresponding period of May.

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

	PER CENT CHANGE IN MAY 1936 FROM APRIL 1936	MAY 1935
Total value of bills accepted.....	+21.5	-3.2
Purchases (including own bills discounted).....	+14.2	-2.9
Sales.....	0	0
Holdings*.....	-5.1	-25.2
Liability for outstandings*.....	-1.3	-4.0

\*At end of month.

#### SECURITY MARKETS

Reflecting principally a lessened volume of new issues, the Chicago bond market was somewhat less active in May than in April, with prices showing a moderate upward trend. Institutional buyers continue the principal source of demand, although reports indicate that corporation issues bearing a rate slightly higher than the average find some purchasers among individuals. During the first half of June prices advanced slightly, and demand was strong for the very high-grade issues and less active for the second- and third-grade bonds. Stock prices in Chicago moved upward; the average price of twenty leading stocks on the local stock exchange\* on June 16 was \$52.38 as against \$50.54 a month earlier. This average reached a low in the period May 16 to June 16 on May 20 when \$49.40 was reported, since which date the trend has been upward, subject to minor fluctuation.

\*Chicago Journal of Commerce

#### Agricultural Products

On June 16, crop conditions throughout the Seventh Federal Reserve district corresponded closely to local rainfall received in May and early June. Precipitation was ample in most of Iowa, Wisconsin, and in the northern tier of Illinois counties; in Michigan it rose from 28 per cent of normal in May to 105 per



cent in the first half of June. On the other hand, considerable deficiency existed over a broad belt extending across northwestern Indiana through north central Illinois into six southeastern counties of Iowa. Rainfall of the five States averaged 58 per cent of normal in May and 79 per cent in the first half of June.

Despite poor seed, corn made a good stand, except in southeastern Iowa and a few other localities where the ground was too dry for successful germination. Progress of the crop ranged from fair to excellent. The earliest was knee high and a major part of the crop showed very good growth, but some was very small and needed rain to prevent deterioration and much of the replanted was not above ground. Fields were exceptionally free of weeds, owing to intensive cultivation. Acreage was indicated as being larger than a year ago.

Winter wheat filled out well and was in excellent condition on June 16, except that some deterioration occurred in Illinois and Indiana after the first of June. Oats and other small grains ranged from poor in very dry areas to fair and good in localities benefited by early June rains. Straw generally was short. Pastures had improved in Iowa, Wisconsin, and Michigan but had deteriorated in the greater portion of Illinois and Indiana. Haying was progressing under favorable weather conditions. Early alfalfa appears to have turned out well, but poor yields were indicated for timothy and the clover crop was variable. Early potatoes were in fair to good condition in major production counties and in need of rain in Illinois and Indiana. In some localities, prospects for tree fruits had been reduced further by a heavy drop in June. On the other hand, berries in Michigan, Wisconsin, and Iowa improved following a poor outlook at the close of May. Grasshoppers, cutworms, locusts, and other insect pests were reported as being unusually active early in June.

#### CROP PRODUCTION

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

	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES		
	FORECAST 1936	FINAL 1935	FORECAST 1936	FINAL 1935	1928-32 AVERAGE
Winter Wheat.....	76,834	78,972	481,870	433,447	618,186
Rye.....	7,914	12,731	33,429	57,936	38,655
Peaches.....	1,210*	6,232*	40,615	52,808	56,451
Pears.....	1,076*	1,611*	22,544	22,035	23,146

\*Michigan, Illinois, Indiana, and Iowa.

On the basis of June 1 condition a local statistician estimated the oats crop of the five States including the Seventh district at 473,387,000 bushels for 1936 as compared with the 1935 harvest of 480,983,000 bushels and the 1928-32 average of 563,854,000 bushels. Most commercial estimates placed United States oats production at 1,085,000,000 to 1,165,000,000 bushels. A continuation of drought conditions in the Dakotas probably has reduced spring wheat output in the

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

(Amounts in millions of dollars)

	MAY 1936	PER CENT OF INCREASE OR DECREASE FROM	
		APR. 1936	MAY 1935
Chicago.....	\$2,785	-2.7	+14.2
Detroit.....	847	-1.7	+14.4
Milwaukee.....	247	-10.8	+4.5
Indianapolis.....	169	-0.0	+9.2
Total four larger cities.....	\$4,048	-2.9	+13.3
37 smaller cities.....	734	+2.7	+11.6
Total 41 centers.....	\$4,782	-2.1	+13.1

United States to below 200,000,000 bushels and possibly to a point as low as 175,000,000 bushels. These estimates compare with the 1928-32 average production of 242,384,000 bushels for spring wheat and 1,217,647,000 bushels for oats.

#### GRAIN MARKETING

After totaling relatively light in April, the movement of wheat at interior primary markets in the United States rose sharply—but less than seasonally—in May to a level higher than at any time since last autumn. Furthermore, reshipments exceeded current receipts by more than a normal amount, though both items remained considerably below the 1926-35 May average. Imports expanded over April and continued above the corresponding period of 1935. Prices declined  $5\frac{1}{2}$  per cent from a month earlier. Visible supplies of wheat in the United States fell off more than seasonally on June 13 to a level  $3\frac{1}{2}$  per cent under a year ago and 72 per cent below the 1926-35 average for that date. By June 20, quotations had recovered to levels obtaining in the second week of May.

Corn receipts, subsequent to the smaller than normal decline in April, contracted more than seasonally during May, while reshipments, after having recorded less than the usual gain in the preceding period, rose to a level above any month since November 1934, thereby narrowing the deficiency from the 1926-35 average. Prices advanced approximately  $1\frac{1}{2}$  per cent in May over April. Visible supplies of corn in the United States decreased less than an average amount on June 13 from a month earlier but were  $21\frac{1}{2}$  per cent under a year ago and  $71\frac{1}{2}$  per cent below the 1926-35 mid-June average.

Receipts of oats at these centers of accumulation increased less than seasonally in May over April. On the other hand, reshipments rose more sharply than is usual for May to a level above any other month since May 1934, and both recorded a smaller decrease from the 1926-35 average than during April. Prices declined  $2\frac{1}{2}$  per cent from a month earlier. Visible supplies of oats in the United States not only decreased less than customarily on June 13 from May 9 but also exceeded the 1926-35 average for that date by  $98\frac{1}{2}$  per cent and a year ago by  $235\frac{1}{2}$  per cent.

#### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

	PER CENT CHANGE IN			
	APRIL 1936	MAY 1935	MAY 1936	MAY 1926-35 Av.
Wheat:				
Receipts.....	+51.4	+31.5	-41.2	
Shipments.....	+75.1	+56.6	-30.5	
Corn:				
Receipts.....	-10.2	+51.6	+12.6	
Shipments.....	+35.3	+52.4	-18.7	
Oats:				
Receipts.....	+21.4	+77.4	-35.6	
Shipments.....	+71.3	+235.6	-21.0	

#### MOVEMENT OF LIVESTOCK

Receipts of cattle, hogs, and calves at public stockyards in the United States decreased in May from April—contrary to the usual tendency—and those of lambs gained less than seasonally. Each declined from the 1926-35 average for the month. The number of hogs was in excess of a year ago but that of other livestock was smaller. Movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—diverged in some instances from the trend of market receipts: the lamb supply fell off

from April, while that of hogs recorded a slight increase; the volume of cattle was greater than either a year ago or the 1926-35 May average; and the number of calves was above normal for May.

Reshipments of cattle and calves to feed lots decreased in May from a month and year earlier and those of cattle were under the 1926-35 average for the period. The movement of feed lambs rose sharply in all three comparisons, being above any month subsequent to November 1935.

#### MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States declined non-seasonally by one per cent in May from April to a level 14 per cent below the 1926-35 average for the month, but was 12½ per cent heavier than a year ago. The sales tonnage likewise was 14 per cent under this ten-year average, having expanded fractionally over a month earlier and totaling 3 per cent in excess of a year ago and 2 per cent greater than current production. Although quotations of lamb, veal, and a few other cuts strengthened, the general price level of packing-house commodities eased in May from April. Dollar sales billed to domestic and foreign customers aggregated almost as great as a month earlier but were one per cent under the corresponding period of 1935 and 5½ per cent below the 1926-35 May average. Total inventories of packing-house commodities in the United States were reduced somewhat more than normally on June 1 from the beginning of May and were 29 per cent less than the 1931-35 average for that date. Payrolls at the close of May reflected little change from April in amount of wage payments but showed a gain of 3 per cent in employes and of one per cent in hours worked. Furthermore, comparisons with 1935 were more favorable than had obtained in any earlier month of 1936, the increases over last May being 1/5 per cent in employes, 7½ per cent in hours worked, and 5 per cent in wage payments.

With the contraction in lard forwardings largely offset by an expansion in those of meats, shipments for export in May continued near the April level. British demand recorded a further seasonal expansion in hams and remained moderate for United States lard. Cuban trade in fats improved and a moderate demand continued from Porto Rico, though some buyers were reported as awaiting a steadier market. Some inquiry developed from Ecuador. Imports of packing-house commodities into the United States decreased from April.

In the United Kingdom, prices of United States lard remained below Chicago parity; quotations for

American hams improved in May but subsequently declined in June to a point under this parity. Cuban prices of United States lard and other fats ruled somewhat above the Chicago basis.

#### DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district rose 57 per cent in May over a month earlier to a level within 8 per cent of the 1926-35 average for the period and 2½ per cent under a year ago. The sales tonnage expanded 21 per cent over April, but aggregated 8 per cent under last May and was 8½ per cent below this ten-year average. Manufacture of the commodity gained less sharply in the United States during May than in the Seventh district, and was lighter than a year ago, though only 2½ per cent below the 1926-35 May average. Coincident with an 11 per cent decline in prices in May from April, effecting some reduction in consumption of competitive oleomargarine, inventories of creamery butter in the United States accumulated less than normally on June 1 over a month previous; however, the decline of 34 per cent in their volume from the 1931-35 average was smaller than shown on May 1.

American cheese manufacture in Wisconsin increased 29½ per cent in May over April and was 5½ per cent greater than a year ago, but failed to equal the 1926-35 average by 5½ per cent. Distribution from primary centers of that State rose counter-seasonally by 8 per cent over a month earlier to a level 34 per cent higher than last year and 16½ per cent above the average. Prices declined 3 per cent in May from April. Total inventories of cheese in the United States increased on June 1 over the beginning of May and were 22½ per cent above the 1931-35 average for the date.

### Industrial Employment Conditions

Continued increases marked the employment and payroll figures reported by Seventh district industries for May, practically all of the main groups contributing

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

INDUSTRIAL GROUPS	WEEK OF MAY 15, 1936			CHANGE FROM APR. 15, 1936	
	REPORTING FIRMS	WAGE EARNERS	EARNINGS ('000 OMITTED)	WAGE EARNERS	EARNINGS
	No.	No.	\$	%	%
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,463	365,710	9,436	+1.8	+3.5
Vehicles.....	315	359,580	11,221	+1.3	+1.1
Stone, Clay and Glass.....	251	20,370	446	+4.1	+5.8
Wood Products.....	442	41,510	761	+2.4	+1.5
Total.....	2,471	787,170	21,864	+1.7	+2.2
<b>NONDURABLE GOODS:</b>					
Textiles and Products.....	322	60,833	1,022	-1.0	-4.3
Food and Products.....	725	95,966	2,251	+4.4	+7.6
Chemical Products.....	227	30,307	784	+2.3	+4.3
Leather Products.....	137	25,179	446	-2.2	-2.6
Rubber Products.....	33	13,669	344	+1.7	+5.5
Paper and Printing.....	629	70,052	1,815	+0.2	+1.4
Total.....	2,073	296,006	6,662	+1.3	+2.7
Total Mfg., 10 Groups.....	4,544	1,083,176	28,526	+1.6	+2.3
<b>Merchandising<sup>2</sup>.....</b>	2,423	109,999	2,265	-1.0	-0.3
Public Utilities.....	160	87,747	2,741	+1.3	-0.3
Coal Mining.....	26	5,021	107	+3.1	-1.2
Construction.....	301	12,217	279	+20.6	+27.3
Total Non-Mfg., 4 Groups.....	2,910	214,984	5,392	+1.1	+0.8
Total, 14 Groups.....	7,454	1,298,160	33,918	+1.5	+2.1

<sup>1</sup>Other than Vehicles. <sup>2</sup>Illinois, Indiana, and Wisconsin.

#### LIVESTOCK SLAUGHTER (In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, May 1936.....	194	451	188	89
Federally Inspected Slaughter, United States:				
May 1936.....	786	2,579	1,213	503
April 1936.....	812	2,559	1,267	525
May 1935.....	735	2,172	1,584	508

#### AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	WEEK ENDED JUNE 20, 1936	MAY 1936	MONTHS OF APRIL 1936	MAY 1935
Native Beef Steers (average).....	\$ 7.85	\$ 7.95	\$ 8.45	\$11.10
Fat Cows and Heifers.....	6.65	6.90	7.00	8.10
Calves.....	8.75	8.75	8.35	8.25
Hogs (bulk of sales).....	9.80	9.55	10.55	9.25
Lambs.....	11.35	10.50	10.90	7.95



to the upward trend. In the durable goods industries—covering the manufacture of metal, automotive, stone-clay-glass, and wood products—every group recorded higher employment and payroll volumes than a month earlier, the aggregate increase amounting to nearly 2 per cent in the former and slightly more than that in the latter item. Vehicles, which led the expansion in April, registered a smaller percentage gain in the current month than shown in the aggregate for the durable goods group. The metal industries, exclusive of vehicles, increased employment and payroll volumes at practically the same rate as in the preceding month and somewhat more sharply than in the durable goods industries as a whole. Two nondurable goods groups—textiles and leather products—recorded a decline during May, in both employment and payrolls, but all other groups in this classification showed expansion resulting in an aggregate rise of about 1½ per cent in number of workers employed and of 2½ per cent in their wage payments. For the manufacturing groups as a whole, the increases totaled slightly over 1½ per cent in employment and slightly under 2½ per cent in wage payments.

Of the non-manufacturing industries, construction contributed the largest percentage increase in both workers and wage payments, 21 per cent in the former and 27 per cent in the latter item. All of the other groups—merchandising, public utilities, and coal mining—showed slight declines in wage payments, while only one, merchandising, showed a loss in employment volume.

## Manufacturing

### AUTOMOBILE PRODUCTION AND DISTRIBUTION

Some curtailment took place during May in the manufacture of automobiles, but the volume produced continued to be exceptionally large and was well above that of the month last year. Passenger automobile production amounted to 385,507 cars, which number represents a decline of 7½ per cent from April and an increase of 26 per cent over a year ago. Truck output numbered 75,058, or 12½ per cent less than a month earlier and 35 per cent above last May.

Distribution of new automobiles in May was well maintained. Sales at wholesale exceeded those in April by about 4 per cent, while those to users were 3 per cent larger. The number sold by both distributors and dealers was considerably greater than in May last year. Stocks declined moderately between April 30 and the close of May, but were about one-third heavier than a year ago. Used car sales continued to increase in May and were much larger than in the same month

### MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in May 1936 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	APRIL 1936	MAY 1935	
<b>New Cars:</b>			
Wholesale—			
Number Sold.....	+3.7	+27.5	16
Value.....	+3.3	+11.9	16
Retail—			
Number Sold.....	+2.8	+48.9	33
Value.....	+1.9	+62.2	33
On Hand at Close of May—			
Number.....	-10.8	+33.2	33
Value.....	-9.5	+32.0	33
<b>Used Cars:</b>			
Number Sold.....	+11.6	+41.6	33
Salable on Hand—			
Number.....	-1.8	+29.6	33
Value.....	-1.3	+32.9	33

of 1935, while salable cars on hand numbered slightly less than a month earlier, though remaining substantially heavier than last year. Sales made on the deferred payment plan amounted to 51 per cent of total retail sales by dealers reporting the item, as compared with a ratio of 49 per cent for April and 48 per cent a year ago.

### IRON AND STEEL PRODUCTS

After declining to 65 per cent of capacity toward the latter part of May, production of steel ingots in the Chicago district again rose until in the early part of June it had reached 71 per cent, at which rate it was maintained through the middle of the month. A year ago at the same time, output had averaged only 42 per cent of capacity and in the middle of June 1934, 69 per cent. Both new business and shipments were well maintained through May, demand being particularly good from the railroads, carbuilders, and the construction industry, although there was still some buying from the automotive industry. Announcement of higher prices for the third quarter of this year stimulated sales considerably in the early part of June. Production of pig iron in the Illinois and Indiana district continued to expand in May, rising 6½ per cent in the daily average over April and being almost 50 per cent greater than last May.

Shipments of steel castings at Seventh district foundries continued to show a rising trend in May, the gain over the April tonnage amounting to 11 per cent. Orders, however, decreased 34 per cent from the preceding month's volume and production was curtailed 3 per cent. At malleable casting foundries, decreases took place for the second consecutive month in both shipments and production—10 per cent in the former and 15 per cent in the latter item; a gain of 8 per cent in the volume of incoming orders partly offset the sharp drop experienced during April. In the yearly comparison, malleable castings showed increases ranging from about 17 per cent in production to close to 30 per cent in shipments, while at steel casting foundries the tonnages of all items totaled more than twice those of last May and the dollar amounts were only slightly less than double.

In the manufacture of stoves and furnaces, molding-room operations declined 8 per cent in May as compared with April but were practically on a level with those of a year ago. Shipments and orders, which normally show the effect of seasonal inactivity in May, increased this year by 12 and 11 per cent, respectively, and were also 39 and 64 per cent in excess of the corresponding volumes reported for May 1935.

### LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	MAY 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	APRIL 1936	MAY 1935	
<b>Wholesale Lumber:</b>			
Sales in Dollars.....	+0.5	+32.5	8
Sales in Board Feet.....	-3.2	+23.2	6
Accounts Outstanding <sup>1</sup> .....	+12.0	+31.8	8
<b>Retail Building Materials:</b>			
Total Sales in Dollars.....	+6.7	+13.3	164
Lumber Sales in Dollars.....	+28.7	-6.1	58
Lumber Sales in Board Feet.....	+16.5	+6.7	69
Accounts Outstanding <sup>1</sup> .....	+11.9	+14.6	161
RATIO OF ACCOUNTS OUTSTANDING <sup>1</sup> TO TOTAL DOLLAR SALES DURING MONTH			
	MAY 1936	APRIL 1936	MAY 1935
Wholesale Trade.....	148.4	133.1	149.2
Retail Trade.....	235.5	223.6	231.6

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

## FURNITURE

The 9 per cent gain recorded for May over April in orders booked by reporting furniture manufacturers in the Seventh district was somewhat less than seasonal, comparing with an increase of 12 per cent in the 1927-35 average for May, but the volume of April orders had approximated that for March in contrast to a usual decline in April. Furthermore, orders continued to be higher than average for the month—by 2 per cent. Shipments declined 7 per cent in May, or about seasonally. They totaled less than new orders received so that despite cancellations unfilled orders rose 16 per cent at the close of May over a month previous. As compared with last May, orders were 34½ per cent, shipments 29 per cent, and unfilled orders 40 per cent larger in the month this year. Operations were curtailed somewhat during May, averaging 63 per cent of capacity, as against 67 per cent for April; they were, however, 4 points higher than in the same month of 1935.

## Building Materials, Construction Work

Demand for building materials showed continued expansion in May, lumber, brick, and cement moving into consuming channels in a steadily increasing volume. Sales of lumber by wholesale and manufacturing firms of the district showed very little change from the preceding month but continued in excess of the corresponding dollar and tonnage volumes of a year ago by about the same percentages as in April. At retail yards, however, the distribution of lumber was sharply accelerated over the preceding month, board-foot sales rising 17 per cent though showing an increase of only 7 per cent as compared with the corresponding volume of a year ago. This latter comparison was affected by sharp decreases at a few yards, which partially offset the substantial increases recorded by a majority of the dealers. Outstanding accounts increased appreciably during the month for both wholesale and retail concerns and for the latter were heavier in ratio to dollar sales than either a month or a year earlier. Shipments of brick and cement also expanded seasonally during May and were substantially larger than at the same time a year ago. While seasonal and even greater than seasonal gains have thus been experienced by building materials groups in general, current volumes continue considerably smaller than what is considered normal for the various lines.

### BUILDING CONSTRUCTION

The almost \$42,000,000 of building contracts awarded during May in the Seventh district established a high for the year to date, and residential building, which comprised 28 per cent of the total, rose moderately further to another record for more than five years, aggregating the heaviest of any month since March 1931.

### WHOLESALE TRADE IN MAY 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries...	-6.1	-2.0	-8.4	-5.1	92.9
Hardware...	+33.4	+18.6	+27.7	+28.5	154.6
Drugs.....	+1.8	-0.5	-0.9	+2.9	159.9
Electrical Supplies...	+42.4	+27.1	+22.6	+22.7	121.9

## BUILDING CONTRACTS AWARDED\* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
May 1936.....	\$41,618,513	\$11,604,701
Change from April 1936.....	+11.3%	+14.1%
Change from May 1935.....	+83.4%	+119.8%
First five months of 1936.....	\$181,199,375	\$36,329,994
Change from same period 1935.....	+91.9%	+131.8%

\*Data furnished by F. W. Dodge Corporation.

The estimated cost of building permits issued in 101 cities of the district declined 11 per cent in May from April, following two successive months of expansion; however, the number of permits rose 13 per cent further in the period. As compared with last May, gains of 91½ and 31 per cent were recorded in estimated cost and number, respectively. Exceptions to the general trend were to be found in Indianapolis and in smaller cities of Iowa, Michigan, and Wisconsin, where the dollar amount of permits exceeded that of a month earlier; also, a small decline was noted from a year ago in the aggregate number of permits issued in the smaller cities of Iowa, and from April in those issued in Des Moines.

## Merchandising

Trends varied during May in wholesale trade groups. Sales by reporting grocery firms in the Seventh district declined 2 per cent from the preceding month, as against a 6 per cent expansion in the 1926-35 average for May; the 16 per cent increase over April in the hardware trade and that of 12 per cent in electrical supplies compared with seasonal gains of but 6 and 8 per cent, respectively; while the recession of 2 per cent in drug sales was slightly greater than average for the period. In the yearly comparison, the gain shown in electrical supply sales was the largest since last September and in hardware since April 1934, but the grocery trade recorded a moderate decline following three months of increase, and the gain in drug sales was smaller than in the two preceding months. Data covering the first five months of this year show that sales in the drug, hardware, and electrical supply groups exceeded those of the corresponding months in 1935 by 3, 22½, and 25½ per cent, respectively, while there was a decline in the grocery trade of 2 per cent. In the grocery and drug groups, ratios of accounts outstanding to net sales were higher in May than a month earlier or a year ago.

Sales of reporting department stores in the Seventh district rose 4 per cent in May over April, the gain comparing with one of only one per cent in the 1926-35

### DEPARTMENT STORE TRADE IN MAY 1936

LOCALITY	PER CENT CHANGE MAY 1936 FROM MAY 1935		PER CENT CHANGE FIRST FIVE MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF MAY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF APRIL	
	NET SALES	STOCKS END OF MONTH	NET SALES	1936	1935
Chicago.....	+15.6	-4.1	+13.6	33.3	32.4
Detroit.....	+12.1	+6.5	+4.5	46.8	47.1
Indianapolis.....	+14.3	....	+8.0	....	....
Milwaukee.....	+18.9	+6.2	+11.2	40.8	42.1
Other Cities.....	+17.2	+4.0	+11.0	35.7	34.2
7th District.....	+15.3	+0.7	+10.5	39.2	38.8



average for the period. Among the larger cities in the district, Indianapolis recorded the heaviest increase over a month earlier—6 per cent—while sales in Chicago expanded 3½ per cent and in Detroit 3 per cent, with Milwaukee trade showing a recession of a little under one per cent. Sales made by stores in smaller cities were 10 per cent larger in the aggregate than a month earlier. The gain over a year ago of 15 per cent for the district as a whole represented the heaviest in the year-to-year comparison since December 1934; daily average sales exceeded those of May 1935 by 18 per cent. A small decline of 1½ per cent took place in stocks during May, which totaled less than one per cent above those held at the close of May last year.

For the fourth consecutive month, sales of shoes by reporting dealers and department stores in the Seventh district expanded in May. The gain of 14 per cent over April compared with a rise of but 5½ per cent in the 1926-35 average for the period. Sales were 18 per cent larger in May this year than last, the increase being the heaviest in the yearly comparison since last November and in contrast to one of only 4 per cent in April. This considerable gain brought sales for the year to date to 9 per cent above those for the first

five months last year. Stocks on hand declined 4 per cent between April 30 and the close of May, and totaled 4 per cent larger than on the same date of 1935.

The dollar volume of furniture and house furnishings sold by reporting dealers and department stores expanded 22 per cent in May over the preceding month, as against an increase in the 1927-35 May average of only 7 per cent; in April, however, the gain over a month previous had been less than seasonal. Sales totaled 21 per cent heavier than last May, the increase as in the retail shoe trade being the largest since November last year. Dealer sales showed a noticeably greater gain in the yearly comparison than did those of department stores. Although stocks decreased 3 per cent during May, they were 8 per cent above those held at the close of May last year.

While sales of drug, cigar, and men's clothing chains increased in May over April, those by five-and-ten-cent store, grocery, and musical instrument chains declined, so that aggregate sales of twelve chains operating 2,725 stores during the month showed a fractional recession from a month previous. The dollar volume sold, however, exceeded that of a year ago by 5½ per cent, with all groups except groceries sharing in the increase.

## 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 1936	Apr. 1936	Mar. 1936	Feb. 1936	Jan. 1936	Dec. 1935	May 1935	Apr. 1935	Mar. 1935	Feb. 1935	Jan. 1935	Dec. 1934
<b>Meat Packing—(U. S.)—</b>													
Sales (in dollars).....	47	85	85	81	83	85	83	86	82	77	80	81	73
<b>Casting Foundries—</b>													
Shipments:													
Steel—In Dollars.....	12	64	59	51	46	42	41	34	38	35	31	31	20
In Tons.....	12	68	60	50	46	42	41	31	38	33	29	30	19
Malleable—In Dollars.....	21	56	61	59	49	52	49	43	48	45	37	37	28
In Tons.....	21	81	89	88	73	78	73	65	72	69	57	59	42
<b>Stoves and Furnaces—</b>													
Shipments (in dollars).....	8	176	156	150	113	93	176	127	115	106	82	57	105
<b>Furniture—</b>													
Orders (in dollars).....	12	67	62	62	45	73	43	50	43	48	44	52	26
Shipments (in dollars).....	12	59	64	65	57	41	53	46	54	51	37	27	31
<b>Flour—</b>													
Production (in bbls.).....	18	76	91	89	92	104	79	100	86	89	90	104	93
<b>Output of Butter by Creameries—</b>													
Production.....	59	140	89	87	82	82	79	144	99	83	81	86	88
Sales.....	61	120	99	88	89	94	102	130	94	87	79	107	116
<b>Wholesale Trade—</b>													
Net Sales (in dollars):													
Groceries.....	28	65	66	63	60	64	60	69	66	62	60	69	65
Hardware.....	11	102	88	77	49	48	65	76	72	64	43	41	52
Drugs.....	12	76	78	78	67	73	74	74	73	73	69	74	67
<b>Retail Trade (Dept. Stores)—</b>													
Net Sales (in dollars):													
Chicago.....	27	85	84	79	68	63	133	73	75	69	60	60	123
Detroit.....	5	100	102	89	78	72	153	92	96	92	76	69	139
Indianapolis.....	4	97	94	96	66	67	143	88	88	89	65	70	140
Milwaukee.....	5	90	93	83	67	63	135	76	85	77	58	58	125
Other Cities.....	41	87	81	77	60	56	125	75	75	70	55	53	115
Seventh District—Unadjusted.....	82	89	88	82	69	64	137	78	81	76	62	61	126
Adjusted.....	82	88	84	90	87	80	81	77	76	83	79	77	75
<b>Automobile Production—(U. S.)—</b>													
Passenger Cars.....		132	142	117	77	102	117	104	132	123	93	78	38
Trucks.....		199	227	206	167	174	163	147	175	177	156	165	113
<b>Building Construction—</b>													
Contracts Awarded (in dollars):													
Residential.....		40	35	25	10	14	21	18	16	9	4	6	5
Total.....		61	55	56	34	59	78	33	26	32	17	20	26
<b>Iron and Steel—</b>													
Pig Iron Production:*													
Illinois and Indiana.....		100	94	81	75	77	79	67	65	63	63	51	38
United States.....		87	82	67	64	67	69	57	57	58	59	49	34
Steel Ingot Production—(U. S.).....		117	114	97	89	85	92	73	76	83	87	80	59

\*Average daily production.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

**V**OLUME of industrial production, which had increased sharply in April, was maintained in May, and there was an increase in distribution of commodities to consumers.

## PRODUCTION AND EMPLOYMENT

The Board's seasonally adjusted index of industrial production in May was 101 per cent of the 1923-1925 average, as compared with 100 per cent in April. Production of durable manufactures increased further, reflecting larger output of steel and lumber, partly offset in the total by a reduction in the output of automobiles from the high level of April. At steel mills the rate of activity in May was higher than at any other time since the spring of 1930. This level has been maintained in June, reflecting in part some accumulation of steel by fabricators in advance of the effective date of recently announced price increases. Declines in production were reported for many nondurable manufactures; at woolen mills, however, activity increased. Output of bituminous coal declined from April to May, while output of crude petroleum continued in large volume.

Factory employment increased slightly between the middle of April and the middle of May, contrary to the usual seasonal tendency. Increases were reported at plants producing iron and steel products, machinery, and most other durable manufactures. Changes in employment in industries producing nondurable manufactures were largely of a seasonal nature. Factory payrolls were somewhat larger in the middle of May than a month earlier.

Total value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, declined slightly from April to May. Awards for residential building continued to increase and in May, as in other months this year, were substantially larger than a year ago when residential building was first beginning to increase from the extreme low level of the depression.

## DISTRIBUTION

Department store sales, which usually decline at this season, increased from April to May and there was also a rise in sales at variety stores and mail-order houses. Freight-car loadings increased by slightly more than the usual seasonal amount.

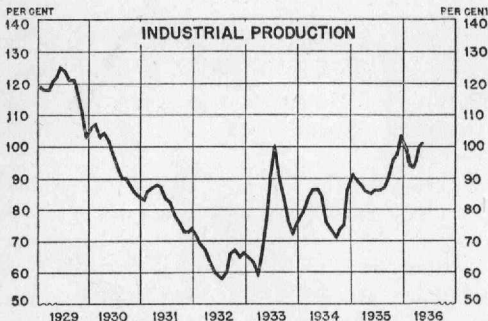
## COMMODITY PRICES

Wholesale prices of commodities, which had declined from the middle of April to the middle of May, have advanced somewhat since that time and in the week ending June 20 were at 78.7 per cent of the 1926 average, according to the index of the Bureau of Labor Statistics. In recent weeks prices of livestock and livestock products, grains and flour, and textile raw materials and finished products have advanced. For many steel products price increases have been announced to take effect early in the third quarter.

## BANK CREDIT

Excess reserves of member banks, after a slow increase in May and the early part of June, declined by \$900,000,000 in the week ending June 17. The reduction in excess reserves was due principally to an increase in the deposits maintained at the Reserve banks by the Treasury, which received large payments for new securities issued, as well as quarterly tax installments. At that time the Treasury began to distribute checks and adjusted service bonds to veterans and there was an increase in the demand for currency in connection with the cashing of these bonds and checks.

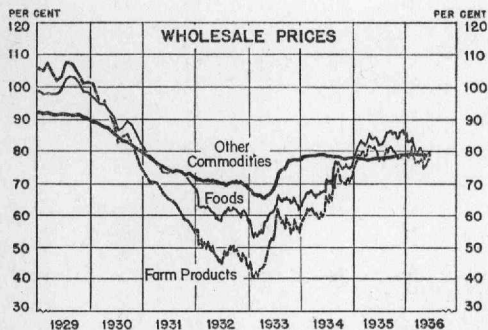
United States Government obligations held by reporting member banks in leading cities, which had increased somewhat in May and early June, showed a further sharp increase in the week ending June 17 in connection with the new issue of Government securities. Bank loans also increased.



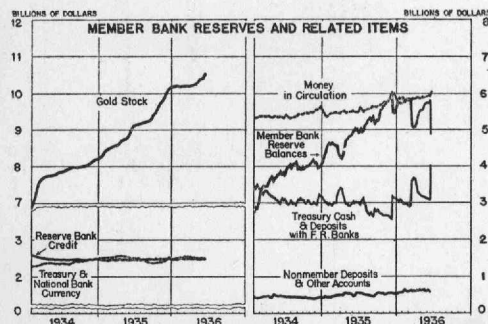
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1936.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to May 1936.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending June 20, 1936.



Wednesday figures, January 31, 1934, to June 17, 1936.