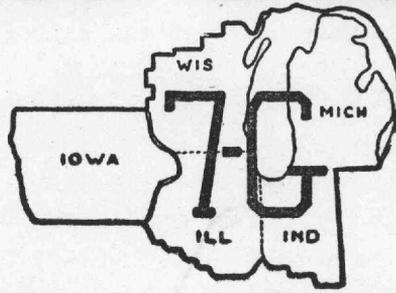


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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GENERAL SUMMARY

WITH a relatively well sustained level of activity still operative in the Seventh district, June closed a half year that in volume of business was well above the corresponding six months of 1935. With few exceptions, both the manufacture and sale of goods shared in the substantial gains over a year ago.

Some reduction in automobile production took place in June, but output was high for the month and more cars were produced in the first six months this year than for any similar period since 1929. Business in the steel industry was well maintained through the month, and steel and malleable casting foundries were active. Orders booked and shipments by furniture manufacturers were above average for June. Building construction, though recording a decline in the aggregate from May, continued much heavier than in other recent years, and residential building expanded further. The movement of building materials likewise continued to increase. The number of workers employed in Seventh district industries showed only a small gain in the total for June.

The production and distribution of packing-house commodities rose in June and were considerably larger than in the month last year, and the manufacture and sale of Wisconsin cheese followed a similar trend. Because of limited pasturage, butter production failed to expand in June, though sales increased, and both items showed declines from a

year ago. The June movement of grains was much heavier than in 1935 and that of corn was above average for June. High temperatures and lack of sufficient rainfall have adversely affected the principal crops of the Seventh district since July 1 when estimates indicated some decline in production from the 1928-32 average but larger crops than in the drought year 1934.

In the distribution of commodities at wholesale, data for the first half of 1936 show substantial gains over the same period of 1935 in hardware and electrical supply sales, while drugs recorded a moderate increase and grocery sales declined slightly. Grocery, hardware, and drug sales expanded in June over May. Only a small recession took place in department store sales during June, the result of a counter-seasonal increase shown in the aggregate sales of Chicago stores, and a considerable gain was recorded over last June. The retail shoe and furniture trades declined in June, in accordance with seasonal trend, but both had much larger sales than a year ago.

Total loans and investments of reporting member banks in the district showed another substantial rise between June 17 and the middle of July, the gain in the aggregate being due principally to an increase in commercial loans and to expanded holdings of U. S. Government obligations. Demand deposits in these banks increased during the period, while time deposits declined.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	JULY 15, 1936	CHANGE FROM JUNE 17, 1936	JULY 17, 1935
Total Bills and Securities.....	\$ 291.6	\$ -32.1	\$ -66.7
Bills Discounted.....	0.0	0	-0.1
Bills Bought.....	0.4	0	-0.2
U. S. Government Securities.....	289.1	-32.1	-66.6
Total Reserves.....	1,793.5	+117.0	+420.6
Total Deposits.....	1,130.5	+56.9	+231.4
Federal Reserve Notes in Circulation.....	920.3	+30.5	+124.9
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Com- bined.....	87.4%	+2.1*	+6.4*

*Number of Points.

Credit and Finance

Balances of member banks with the Federal Reserve Bank of Chicago increased between June 17 and July 15, 1936, accounting for 39 millions of the 57 million dollar increase in total deposits at this bank. Federal reserve notes in circulation rose 30½ million dollars. During the first half of the period, soldiers' bonus payments reduced Treasury deposits despite receipts from June 15 financing, and member bank balances rose substantially as did also total reserve notes outstanding. During the latter part of the period, cur-

rency demand declined but reserve balances were reduced somewhat by sale of Treasury securities locally.

While down-town Chicago and Detroit banks report that commercial loan rates remain unchanged, the average rate earned on commercial loans by certain of these Chicago banks during June 1936 was 2.70 per cent, a decline from the average of 2.80 per cent for May and from that of 3.01 per cent for June 1935.

June sales of commercial paper, reported by dealers in this district, were about the same as for May and while 20 per cent above June 1935, they were 47 per cent below the 1926-35 average for June. The first half of July showed a substantial increase over the same period of June, with a continued strong demand and rates unchanged, the bulk of sales being at $\frac{3}{4}$ of 1 per cent. The total of bankers' acceptances created in this district in June 1936 declined more than seasonally from the May figure, but was about equal to June 1935; the current total is 70 per cent below the 1926-35 average for June. The first half of July, however, showed an increase of about 60 per cent over the same period of June. For the period June 18 to July 15, 1936, purchases and sales reported by bill dealers in this district were double the preceding period. Nominal rates, increased by $\frac{1}{16}$ of 1 per cent on July 18, were on that date $\frac{1}{4}$ per cent bid, $\frac{3}{16}$ per cent asked, for 30-, 60-, and 90-day maturities.

Bond dealers in this district report a strong market during the period June 16 to July 16, with price levels well maintained. The volume of offerings in June, principally corporate refunding operations, exceeded May and trebled the figure for June 1935. Stocks quoted on the Chicago Stock Exchange made a general advance in price between June 16 and July 16, the Chicago Journal of Commerce average of twenty leading stocks rising from \$52.38 to \$54.89. This increase occurred in the last seven days of the period, and was accompanied by greater activity, the volume of trading on July 15 reaching the highest point since April 28.

Deposits and Earning Assets, All Member Banks in U. S.

The accompanying chart shows that the movement of earning assets (total loans and investments) of all member banks in the United States has diverged considerably from the trend of total deposits (inclusive of inter-bank) in the period from December 1928 to March 1936. Earning assets declined by approximately 11 billion dollars between December 1928 and June 1933, and subsequently showed a gain of only

TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and items drawn on own bank)

	JUNE, 1936	JUNE, 1935
Total country and city check clearings:		
Pieces	11,308,219	9,657,814
Amount	\$2,090,469,267	\$1,638,517,885
Daily average clearings:		
Total items cleared—		
Pieces	434,931	386,313
Amount	\$80,402,666	\$65,540,715
Items drawn on Chicago—		
Pieces	101,056	90,482
Amount	\$41,916,000	\$32,878,520
Items drawn on Detroit—		
Pieces	20,023	19,419
Amount	\$10,391,324	\$8,697,766

$5\frac{1}{2}$ billions to March 1936. On the other hand, deposits fell from 39 billion dollars in December 1928 to $26\frac{1}{2}$ billions in June 1933, with the withdrawal of deposits proceeding at a more rapid rate than the liquidation of earning assets in the period from June 1931 to September 1931. Between June 1933 and March 1936, deposits were increased by about 12 billion dollars.

Total loans and discounts of member banks in the United States have shown an almost uninterrupted decline since October 1929. From a high point of slightly more than 26 billion dollars on that date they had fallen to a level only slightly in excess of 11 $\frac{3}{4}$ billion dollars by November 1935, and have since recovered only $\frac{1}{4}$ billion dollars of this loss. Loans on bonds and stocks declined by approximately 6 billion dollars between March 1930 and March 1936, and those on real estate were reduced by more than $\frac{3}{4}$ billion dollars in the entire period December 1928 to March 1936.

Security holdings rose from 10 $\frac{1}{2}$ billion dollars in December 1928 to more than 18 billions in March 1936, largely as a consequence of increased investment in Federal and local government obligations. Corporate security holdings declined from 4 $\frac{3}{4}$ billion dollars in December 1928 to less than 4 $\frac{1}{2}$ billions in October 1929; from this point they increased to a little over 5 billion dollars in December 1930, but declined later to approximately 3 billion dollars in March 1934. These securities showed a subsequent accumulation of only $\frac{1}{2}$ billion dollars to March 1936.

Member bank holdings of United States Government bonds—comprised largely of maturities in excess of five years—had increased from 3 billion dollars in December 1928 to more than 4 $\frac{3}{4}$ billions by June 1934 but had declined to 3 $\frac{3}{4}$ billion dollars by March 1936, this recession being due largely to the retirement of National bank notes from circulation. Moreover, the decrease was more than offset by an influx of more than 1 $\frac{3}{4}$ billion dollars of indirect (fully guaranteed) obligations of the United States Government into bank portfolios after the beginning of 1934. Following a

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	JUNE 15, 1936	CHANGE FROM JUNE 17, 1936	JULY 17, 1935
Total loans and investments.....	\$3,015	\$ +99	\$ +482
Total loans on securities.....	263	-9	+11
To brokers and dealers:			
In New York.....	4	-1	+3
Outside New York.....	56	-7	+24
To others (except banks).....	203	-1	-16
Acceptances and commercial paper bought.....	30	-1	-6
Loans on real estate.....	68	0	+2
Loans to banks.....	9	-1	-3
Other loans.....	472	+41	+123
U. S. Government direct obligations.....	1,601	+56	+299
Obligations fully guaranteed by U. S.			
Government.....	150	+4	-11
Other securities.....	422	+9	+67
Demand deposits—adjusted.....	2,232	+72	+287
Time deposits.....	801	-45	+58
Borrowings.....	0	0	0

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	JUNE 1936	PERCENT OF INCREASE OR DECREASE FROM	JUNE 1935
		MAY 1936	
Chicago.....	\$3,315	+19.0	+28.2
Detroit.....	926	+9.3	+31.1
Milwaukee.....	290	+17.5	+23.8
Indianapolis.....	187	+11.0	+19.1
Total four larger cities.....	\$4,718	+16.6	+28.4
37 smaller cities.....	776	+5.8	+25
Total 41 centers.....	\$5,494	+14.9	+27.7

decline from 1¼ billion dollars in December 1928 to less than ¾ billion in June 1930, holdings of United States Treasury notes, certificates, and bills, which were comprised principally of maturities within a period of five years, had risen to 6¾ billion dollars by March 1936.

Member bank holdings of State, County, and Municipal government obligations increased by about one billion dollars between December 1928 and March 1936.

Agricultural Products

July 1 estimates of the United States Bureau of Agricultural Economics indicate that the 1936 production of principal crops in the Seventh district and the United States will fall somewhat below the 1928-32 average but exceed that of 1934 by a wide margin. Subsequent to July 1, these crops have been adversely affected by the extremely high temperatures which prevailed in the first half of July and by a further deficiency in precipitation. Rainfall in the Seventh district averaged only 28 per cent of normal from July 1 to July 22, and ranged from 12 per cent in Iowa, to 21 per cent in Wisconsin, 29 per cent in Michigan, 32 per cent in Indiana, and 48 per cent in Illinois.

Owing to the heat and drought, corn has deteriorated over the greater portion of the district. Considerable rolling and some firing has taken place in every State of this area, expected yields of late corn have declined rather sharply, and the entire crop ranges from fair to poor in condition. Indications on July 22, therefore, pointed to a Seventh district corn crop of 200 million bushels below the forecasts of three weeks earlier. Normal temperatures and good rains are needed to save a bulk of the production in many of the driest sections. Some of the crop has reached a stage beyond recovery. Soybeans, likewise, are damaged, and garden truck has deteriorated. Pastures and second crops of hay are generally poor. Having largely escaped the most serious part of the drought, winter wheat has the prospect of fair to good yields, except in Wisconsin where it ranges from fair to poor. The harvest of this crop is well under way. Considerable

damage from grasshoppers and chinch-bugs is reported in the Illinois crops.

Throughout the entire corn and wheat region, weather and crop conditions on July 22 closely paralleled those of the Seventh Federal Reserve district. Moderate to heavy rains had been received in Montana and in some parts of North Dakota, but elsewhere precipitation was generally light. Except for a temporary moderation from July 11 to 14 in the Northwest and in a few other sections, temperatures were extremely high over wide areas. Spring wheat and late varieties of small grains have deteriorated further. Also, drought conditions throughout the belt have reduced the probable yield of corn in the United States by 300 to 350 million bushels as compared with July 1. The second crops of hay are very poor, almost generally, and pastures are brown or badly burned over a large territory. Grasshopper damage to crops is serious in parts of Oklahoma and Kansas, and has attained some degree of importance in Missouri and Nebraska.

GRAIN MARKETING

Receipts of wheat at interior primary markets in the United States were larger in June than in any previous month since October 1935, but reshipments decreased. Imports of the commodity nearly doubled those of May and were much greater than a year ago. After declining 3½ per cent in June from a month earlier, prices both at home and abroad reacted sharply in July to a smaller total supply in the United States than a year ago, the probability of a reduction in the world crop from 1935, and the smallest world carry-over in nine years. Quotations of No. 2 red winter wheat at Chicago for immediate delivery had risen from 88¼ and 91⅞ cents on June 13 to \$1.10¾ and \$1.14 by July 17, which level was above that of any date since early March this year.

The June movement of corn at these centers exceeded that of any corresponding period since August 1934. Prices rose slightly in June, and showed a sharp advance in July when it became evident that heavier farm stocks in the United States on July 1, 1936, as compared with a year ago, were being fully offset by a decline in prospective yields in the corn belt.

Receipts of oats rose in June, and reshipments showed less than a seasonal decline from May. Following a small advance in June, prices of this grain rose sharply in the first half of July, when it was shown that the excess carry-over as compared with a year ago was being more than offset by lessened production in 1936.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

	JUNE 1936 (In Thousands of Bushels)	PER CENT CHANGE FROM MAY 1936	JUNE 1935	JUNE 1926-35 Av.
Wheat:				
Receipts.....	17,041	+54.1	+71.0	-20.8
Shipments.....	12,198	-9.5	+15.4	-30.0
Corn:				
Receipts.....	25,062	+57.4	+175.7	+39.1
Shipments.....	14,282	+24.5	+134.4	+15.5
Oats:				
Receipts.....	6,446	+9.5	+226.2	-10.2
Shipments.....	5,517	-37.1	+78.5	-21.6

MOVEMENT OF LIVESTOCK

Cattle, calf, and hog marketings in the United States increased counter-seasonally in June over a month earlier, largely owing to prevalence of drought and partially because of a larger number of animals on

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		FORECAST 1936	UNITED STATES	
	FORECAST 1936	FINAL 1935		FINAL 1935	AVERAGE 1928-32
Corn.....	904,964	880,218	2,244,834	2,291,629	2,553,424
Oats.....	366,294	453,391	805,420	1,196,668	1,215,102
Winter Wheat.....	56,055	57,807	512,085	464,203	622,252
Spring Wheat.....	2,292	2,134	126,314	159,241	241,312
Barley.....	38,905(a)	47,713(a)	164,866	282,226	281,237
Rye.....	6,780(a)	12,911(a)	26,380	58,928	33,212
Flaxseed.....	292(b)	336(b)	9,468	14,123	15,996
Potatoes (white).....	48,586	57,484	315,359	387,678	372,115
Potatoes (sweet).....	1,215(c)	1,280(c)	63,806	83,198	66,368
Sugar Beets ¹	59(d)	686(d)	8,819	7,908	8,118
Apples (total crop).....	10,700(a)	23,303(a)	103,214	167,283	161,333
Peaches.....	1,345(e)	6,232(e)	41,260	52,808	56,451
Pears.....	1,089(e)	1,611(e)	23,264	22,035	23,146
Cherries ¹	31(f)	33(f)	106(g)	120(g)	108(g)
Grapes ¹	59(a)	73(a)	1,776	2,455	2,200
Beans (dry edible) ²	3,367(f)	4,828(f)	11,685	13,799	11,858
Tobacco ³	17,428	15,835	1,113,764	1,296,810	1,427,174
All Tame Hay ¹	15,215	17,450	65,743	76,146	89,533
Wild Hay ¹	407(a)	542(a)	7,545	11,338	10,179
Canning Crops:					
Snap Beans ¹	18(h)	23(h)	73	81	73
Green Peas ¹	98(i)	103(i)	223	265	182

¹In thousands of tons. ²In thousands of 100-lb. bags. ³In thousands of pounds.
(a) Five states including Seventh Federal Reserve district. (b) Iowa, Wisconsin, and Michigan. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana, and Iowa. (f) Michigan and Wisconsin. (g) Twelve states only. (h) Michigan, Wisconsin, and Indiana. (i) Wisconsin, Illinois, Michigan, and Indiana.

farms this year than last. Lamb marketings declined less than is usual from May. Receipts of cattle and calves were much greater than a year ago and over 10 per cent in excess of the 1926-35 June average. Hog receipts were sharply higher than last June but remained considerably below average; those of lambs decreased in both comparisons. In some instances, the movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—deviated from the trend of market receipts: the supply of lambs gained over May and was slightly above the 1926-35 average for the month, and cattle for slaughter showed a smaller expansion over May than did current receipts.

A greater number of cattle moved to feed lots during June than a month earlier; reshipments of feeder lambs and calves declined. The feeder lamb movement was under the 1931-35 June average but that of both cattle and calves to feed lots exceeded it by a considerable margin.

In the first half of July, cattle and hog marketings continued considerably above the corresponding period of 1935.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States rose 10 per cent in June over May to a level above any other month this year since January, and was not only 40½ per cent greater than the record low volume of a year ago but within 5½ per cent of the 1926-35 June average. The sales tonnage expanded counter-seasonally by 9½ per cent over May, being slightly larger than current production, 29 per cent greater than last June, and only 3 per cent below average. A decline in prices of beef, lamb, and lard as compared with a month earlier offset an advance in pork quotations. Dollar sales billed to domestic and foreign customers increased 6 per cent in June over May; they were 10 per cent above a year ago and slightly exceeded the 1926-35 June average. Increased activity was reflected in payrolls at the close of June, which showed gains over May of 3½ per cent in number of employes, 7 per cent in hours worked, and 9 per cent in wage payments; moreover, somewhat larger increases were recorded over a year earlier than had been evidenced in the preceding period. Though only slightly under a year ago, inventories of packing-house commodities in the United States showed more than a normal reduction on July 1 from the beginning of June and were one-third smaller than the 1931-35 average for the date.

Shipments for export increased in June over May, owing largely to greater forwardings of lard and hams

LIVESTOCK SLAUGHTER (In thousands)

Yards in Seventh District, June 1936.....	LAMBS AND CALVES			
	CATTLE	HOGS	SHEEP	CALVES
Federally Inspected Slaughter, United States:				
June 1936.....	223	522	182	89
May 1936.....	853	2,759	1,309	517
June 1935.....	786	2,579	1,213	503
June 1935.....	669	1,828	1,421	439

AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	JULY 18, 1936	JUNE 1936	MAY 1936	JUNE 1935
Native Beef Steers (average).....	\$ 7.85	\$ 7.85	\$ 7.95	\$10.40
Fat Cows and Heifers.....	6.25	6.65	6.90	7.75
Calves.....	6.75	8.50	8.75	8.20
Hogs (bulk of sales).....	9.35	9.90	9.55	9.35
Lambs.....	9.40	11.35	10.50	8.70

to the United Kingdom. Under the quota system larger shipments of hams are permitted during the summer months. Demand in that country was fair for both United States hams and lard. Trade with Porto Rico gained. Continental European demand remained negligible. British quotations for United States lard were one to two and one-half cents under Chicago parity, and prices of hams were not only erratic but also below replacement costs. Cuban quotations for United States fats were slightly above Chicago parity.

Imports of packing-house commodities into the United States recorded some expansion during June.

DAIRY PRODUCTS

A lack of seasonable pasturage resulted in Seventh district creamery butter production continuing at the May level during June. In failing thus to record the customary expansion over a month earlier, manufacture of the commodity totaled 20 per cent below a year ago and 16 per cent under the 1926-35 June average. On the other hand, the sales tonnage decreased only 9½ per cent from the average and 6 per cent from last June, having expanded 11 per cent over May. Production of creamery butter in the United States practically equaled the 1926-35 average June volume and was heavier than in May but somewhat lighter than a year ago. Inventories of the commodity in the United States increased substantially but less than seasonally on July 1 over the beginning of June and were 16 per cent below the 1931-35 average for the date and 22½ per cent less than on July 1 last year. Prices advanced approximately 10 per cent in June over May and, coincident with a decline in production, rose further in the first half of July.

The manufacture of American cheese in Wisconsin continued in June to show more than a seasonal expansion, being 50 per cent heavier than in May, 14 per cent greater than in the corresponding period of 1935, and 6 per cent above the 1926-35 average for the month. Distribution of the commodity from primary markets of that State increased 28 per cent over May and was not only one-third greater than a year

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUPS	WEEK OF JUNE 15, 1936			CHANGE FROM MAY 15, 1936	
	REPORTING FIRMS	WAGE EARN- ERS	EARN- INGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,484	380,280	9,811	+1.6	+1.3
Vehicles.....	303	348,366	10,750	-1.3	-3.1
Stone, Clay, and Glass.....	258	24,074	540	+5.6	+9.3
Wood Products.....	427	40,460	783	+2.4	+6.2
Total.....	2,472	793,180	21,884	+0.5	+0.6
NON-DURABLE GOODS:					
Textiles and Products.....	327	61,178	1,061	-1.4	+1.9
Food and Products.....	717	99,909	2,308	+6.6	+5.1
Chemical Products.....	227	29,922	768	+0.2	-0.6
Leather Products.....	136	25,418	475	+0.3	+5.8
Rubber Products.....	33	13,477	334	-1.4	-2.9
Paper and Printing.....	636	70,117	1,804	-0.1	-1.0
Total.....	2,076	300,021	6,750	+1.8	+1.9
Total Mfg., 10 Groups.....	4,548	1,093,201	28,634	+0.8	-0.0
Merchandising ²	2,445	108,392	2,224	+0.4	+1.1
Public Utilities.....	157	88,182	2,821	+0.6	+3.0
Coal Mining.....	25	4,111	84	-18.1	-20.9
Construction.....	326	13,763	319	+10.1	+10.5
Total Non-Mfg., 4 Groups.....	2,953	214,448	5,448	+0.6	+2.2
Total, 14 Groups.....	7,501	1,307,649	34,082	+0.8	+0.3

¹Other than Vehicles. ²Illinois, Indiana, and Wisconsin.

earlier but one-fourth larger than average. Total inventories of cheese in the United States accumulated less than seasonally on July 1 over the beginning of June, and their excess over the 1931-35 average was reduced to 8½ per cent. Prices rose 12½ per cent in June over a month earlier and with a decline in manufacture showed further strength during the first half of July.

Industrial Employment Conditions

Manufacturing industries in the Seventh district registered a one per cent increase in volume of employment from May to June but showed practically no change in aggregate weekly payrolls. Classified according to durable and non-durable goods industries, the former recorded a less favorable trend than the latter, payrolls decreasing one-half per cent and employment increasing by a similar small percentage. A recession in the vehicles group, reflecting largely conditions in the automobile industry, was responsible for this trend, counteracting as it did gains of moderate proportions in the other groups falling within this type of industries. For the non-durable products, on the other hand, increases of 2 per cent each took place in both employment and wage payments, the food and leather products groups contributing the greater share of this expansion. The rubber and paper and printing industries showed a contraction in employment and payroll volumes for June, which partly offset the gains recorded in these groups a month earlier.

The non-manufacturing industries—comprising merchandising, public utilities, coal mining, and construction—showed increases in all groups except coal mining. In this latter group, a recession of approximately 20 per cent in both employment and payrolls was largely seasonal. The construction industries continued to show expansion, the number of men and wage payments rising approximately 10 per cent each. The combined non-manufacturing groups registered about the same percentage gain in employment as did the manufacturing industries, but recorded a 2 per cent rise in payrolls as compared with practically no change in the latter groups.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

A comparatively well sustained demand for automobiles in June caused production to record only a small

MIDWEST DISTRIBUTION OF AUTOMOBILES

	JUNE 1936 PER CENT CHANGE FROM		FIRST HALF 1936 PER CENT CHANGE FROM FIRST HALF 1935	COMPANIES INCLUDED
	MAY 1936	JUNE 1935		
New Cars:				
Wholesale—				
Number Sold.....	-7.7	+19.9	+0.3	15
Value.....	-8.1	+18.0	+2.3	15
Retail—				
Number Sold.....	-6.7	+38.0	+25.8	30
Value.....	-8.9	+46.6	+37.3	30
On Hand End of Month—				
Number.....	-8.6	+33.1	+80.2*	30
Value.....	-11.5	+28.4	+74.4*	30
Used Cars:				
Number Sold.....	+4.8	+56.8	+35.8	30
Salable on Hand—				
Number.....	-15.8	+7.4	+32.5*	30
Value.....	-14.4	+14.6	+32.8*	30

*Average End of Month.

decline from the heavy May volume and brought output for the first half of 1936 to a level higher than for any corresponding period since the peak year of 1929. Passenger vehicles produced in June numbered 376,641 and truck output 77,846, representing a recession of 2 per cent in the former and an increase of 4 per cent in the latter from the May volume, and gains of 28 and 25 per cent over a year ago. Production in the first six months of this year totaled 2,045,894 for passenger cars and 444,514 for trucks, as compared with 1,847,427 for the former and 370,828 for the latter in the same period of 1935.

The number of new automobiles sold in the first half of 1936 followed closely the trend of production, sales by reporting dealers in this district being substantially larger than in the first six months last year, although the volume sold through wholesale distributors gained only slightly; used-car sales likewise have been much heavier this year than last. Stocks of both new and used cars have averaged considerably higher in 1936 than 1935. Data for June show a moderate decline from May in sales of new cars, but those of used cars gained. Some further decrease took place during the month in stocks of new and used cars.

IRON AND STEEL PRODUCTS

Demand for steel from Chicago district mills was heavy during June, in part reflecting purchases in anticipation of the price advances which took effect the first of July, although much of the buying was for immediate needs as well as for future requirements. As in the preceding month, the railroads, car-builders, and the construction industry were prominent in the volume of new business, with demand from the automotive industry showing a seasonal decline. Because of the heavy sales, shipments and operations were well sustained in June; output of steel ingots averaged 74 per cent of capacity in the third week of the month, although by the middle of July it had receded to 70 per cent, mill production being affected by the severe heat wave prevalent at that time. Pig iron production in the Illinois and Indiana district was a very little higher in the daily average for June than a month previous and continued to exceed considerably the corresponding output of the preceding five years. The scrap iron and steel market showed some strengthening around the first of July, but was only moderately active.

Orders received at Seventh district foundries for steel castings advanced sharply in June, amounting to more than twice the tonnage of the preceding month

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JUNE 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	MAY 1936	JUNE 1935	
Wholesale Lumber:			
Sales in Dollars.....	+16.8	+37.3	8
Sales in Board Feet.....	+20.8	+34.1	6
Accounts Outstanding ¹	+6.5	+31.6	6
Retail Building Materials:			
Total Sales in Dollars.....	+1.7	+24.9	161
Lumber Sales in Dollars.....	+4.7	+31.5	52
Lumber Sales in Board Feet.....	+5.5	+16.6	63
Accounts Outstanding ¹	+3.3	+14.3	153
RATIO OF ACCOUNTS OUTSTANDING ¹ TO TOTAL DOLLAR SALES DURING MONTH			
	JUNE 1936	MAY 1936	JUNE 1935
Wholesale Trade.....	139.4	153.0	145.6
Retail Trade.....	245.6	242.7	267.1

¹End of Month.

and to over four times that booked last year in June. Shipments and production also expanded; the former continued the steady rise that has been in effect since last December and the latter resumed the upward trend which had been interrupted a month previous. All items were heavier than at this time a year ago, the favorable margins in this comparison exceeding any recorded within the past two years. One plant which had been closed since August 1934, resumed operations this June and of the other reporting plants, practically all contributed to the current gains over both a month and a year previous. At malleable casting foundries, also, increases were recorded in the volume of orders booked and tonnage shipped, but the gains were small and production was curtailed slightly for the third consecutive month. Gains over a year ago at these foundries likewise were considerably smaller than at steel casting plants.

In the manufacture of stoves and furnaces, orders accepted and molding-room operations declined appreciably from May to June, but shipments were maintained at a level within 3 per cent of the preceding month's volume. Both shipments and orders were heavier than a year ago by considerable margins, while molding-room operations were lower in this comparison for the first time since last December. Inventories increased 15 per cent during the month and were 42 per cent larger than at the close of June 1935.

FURNITURE

Orders booked during June by Seventh district furniture manufacturers dropped off less than is usual, the decline from May of 13 per cent comparing with one of 20 per cent in the average for the period. Shipments showed a contra-seasonal rise of 5 per cent in June over May. The favorable trends recorded in these two items brought them well above the average volumes for May. A somewhat heavier amount of shipments than new orders and a moderate volume of cancellations effected a reduction of 7 per cent in unfilled orders on hand at the close of June from a month previous. All items continued to maintain wide margins over the corresponding month a year ago, the gains aggregating 38 per cent, 59 per cent, and 23 per cent in orders, shipments, and unfilled orders, respectively. In line with the heavier shipments in June, operations were advanced from 66 per cent of capacity in May to 73 per cent in the current period, the latter rate being 15 points higher than in June 1935.

Building Materials, Construction Work

Distribution of lumber by wholesale and manufacturing concerns showed an expansion in June that was considerably more marked than is customary at this season. The movement of lumber from retail yards was about 5 per cent larger in June than in the preceding month when a sharp acceleration in sales took

WHOLESALE TRADE IN JUNE 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries...	+2.8	-0.2	-10.6	+3.3	84.4
Hardware...	+15.0	+16.1	+8.8	+27.8	171.2
Drugs.....	+10.9	+2.8	-3.9	+11.0	159.5
Electrical Supplies..	+46.1	+40.1	+13.0	+41.8	124.4

place. Both the wholesale and retail trades were considerably more active this June than in the same month a year ago. Outstanding accounts also were much heavier than last year but their ratio to total dollar sales was somewhat lower. Cement shipments, which in May reached a volume that was the heaviest for that month in any year since 1931, registered further seasonal expansion in June. Brick deliveries likewise continued to increase and were substantially larger than a year ago, although they are still much below normal volume. Wholesale prices of building materials in general are about one per cent higher than at the same time in 1935.

BUILDING CONSTRUCTION

Although the aggregate value of contracts awarded in the Seventh district declined somewhat in June from May, owing largely to a smaller volume of building other than residential in Illinois, it was heavier than in the corresponding month of any year since 1930, and residential building gained for the fourth consecutive month. The latter amounted to 30 per cent of total building, which ratio is the highest since last June.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
June 1936.....	\$39,420,853	\$11,802,687
Change from May 1936.....	-5.3%	+1.7%
Change from June 1935.....	+70.8%	+53.2%
First six months of 1936.....	\$220,570,228	\$48,132,681
Change from same period 1935.....	+87.7%	+108.9%

*Data furnished by F. W. Dodge Corporation.

Building permits issued in 98 cities of the Seventh district increased 13 per cent during June in total estimated cost and 7 per cent in number. As compared with June 1935, gains of 124 and 58 per cent, respectively, were shown. The aggregates for smaller cities in Illinois and Michigan recorded declines in estimated cost from a month previous, as did figures for Des Moines, and a small decrease was shown from last year in value of permits in the smaller cities of Iowa.

Merchandising

Sales made during the first half of 1936 by reporting wholesale hardware and electrical supply firms in the Seventh district exceeded by substantial margins—16 and 25 per cent, respectively—the aggregates for the corresponding six months last year. Drugs recorded only a 5 per cent gain in business over the first half of 1935, while grocery sales were 1½ per

DEPARTMENT STORE TRADE IN JUNE 1936

LOCALITY	PER CENT CHANGE JUNE 1936 FROM JUNE 1935		PER CENT CHANGE FIRST SIX MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF JUNE COLLECTIONS TO ACCOUNTS OUTSTANDING END OF MAY	
	NET SALES	STOCKS END OF MONTH		1936	1935
Chicago.....	+19.3	-3.5	+13.0	38.3	33.6
Detroit.....	+18.9	+6.8	+6.3	49.6	43.9
Milwaukee.....	+16.8	+7.8	+12.0	46.8	44.5
Other Cities.....	+11.1	+5.2	+10.0	37.0	33.5
7th District.....	+17.6	+1.3	+10.7	42.5	38.0

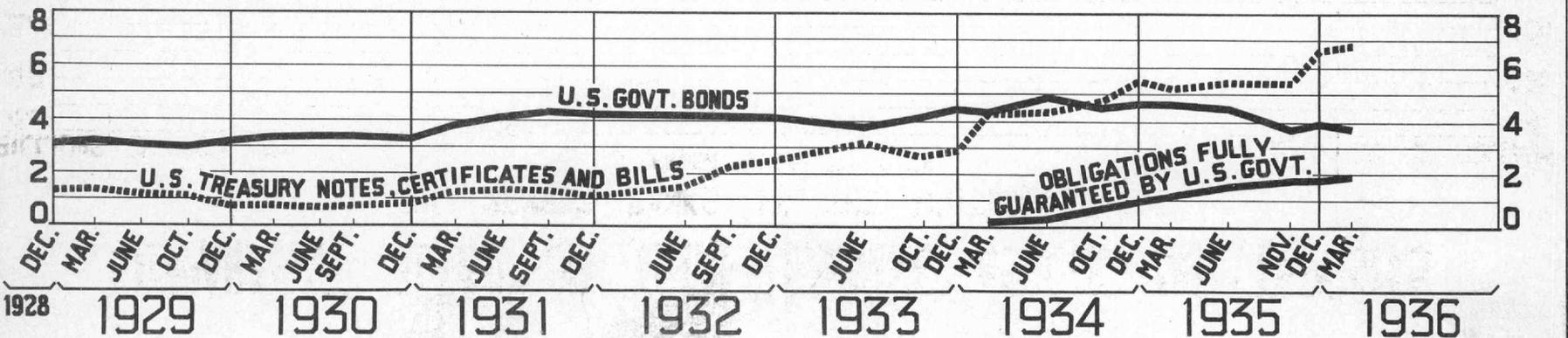
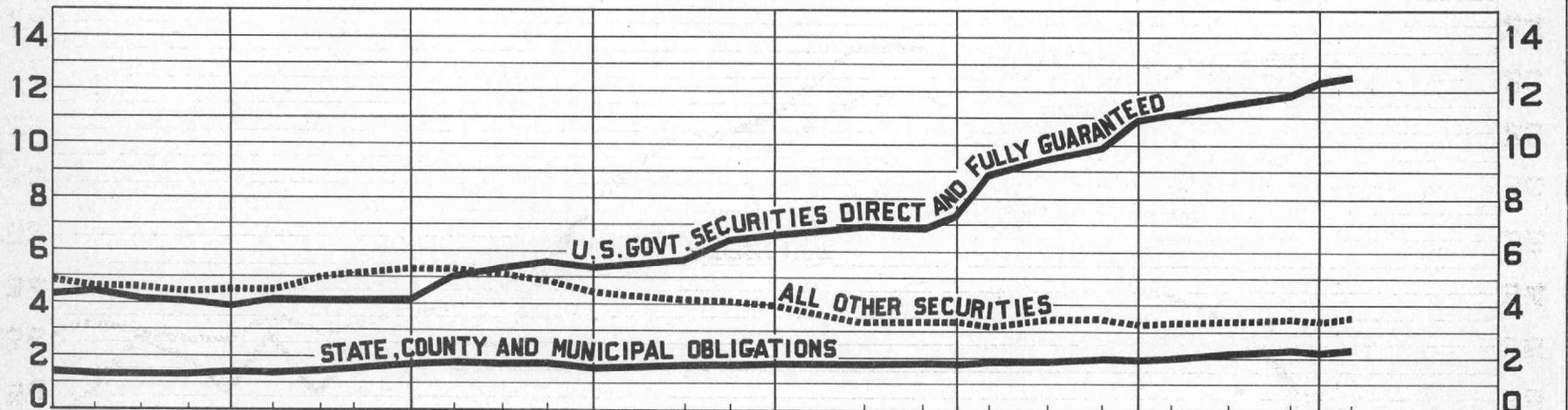
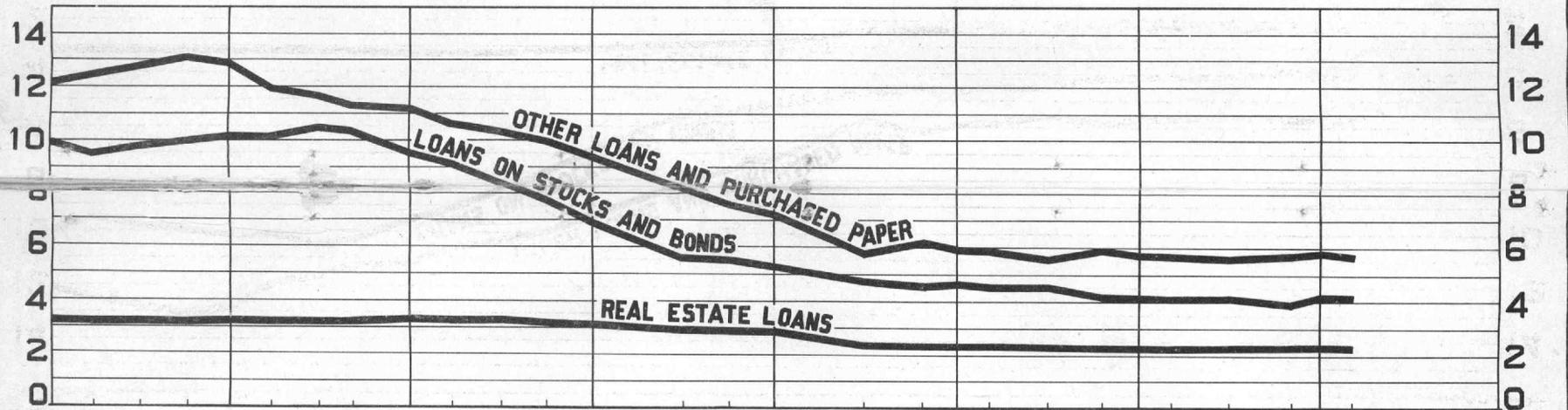
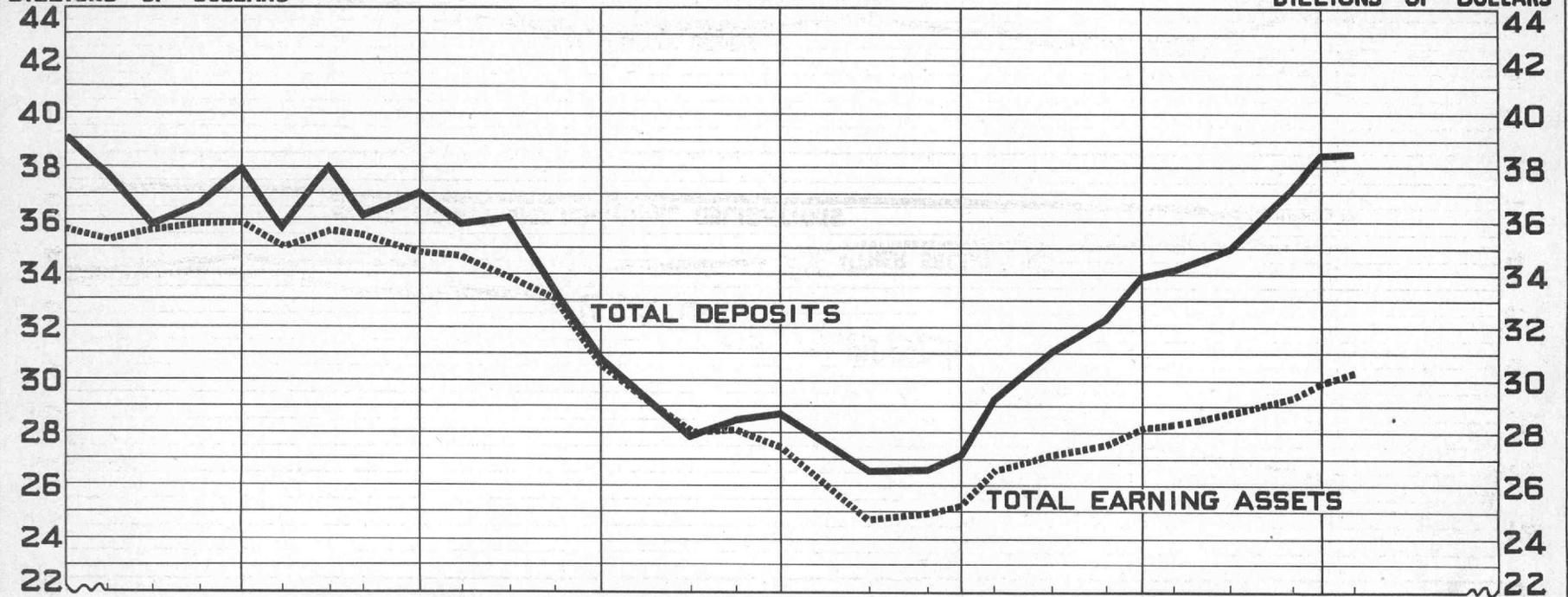
COMPARATIVE TREND OF TOTAL EARNING ASSETS AND DEPOSITS

ALL MEMBER BANKS IN THE UNITED STATES

DECEMBER 1928 TO DATE

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



cent less in this comparison. Data covering the month of June show that grocery sales expanded $7\frac{1}{2}$ per cent over a month earlier, and that hardware and drug sales were 2 per cent larger each; however, the dollar volume of electrical supplies sold declined 5 per cent from May. The gains in hardware and drug sales were contrary to trend for June, while the increase in groceries was greater than seasonal. In the comparison with last June, the drug and electrical supply trades showed the largest gains of the year so far, and the increase in the grocery trade followed a moderate decline in May from a year ago.

Because of a counter-seasonal expansion of 4 per cent in June in aggregate sales of Chicago department stores, the total dollar volume of department store sales in the Seventh district as a whole declined only one per cent in the period, as against a recession in the 1926-35 average for June of 5 per cent. Sales in Detroit were 7 per cent smaller in June than a month earlier, those in Milwaukee declined 3 per cent, while stores in smaller cities had a volume that was $8\frac{1}{2}$ per cent less. In the year-to-year comparison, the gain of almost 18 per cent for the district was the largest to be recorded in over two years and brought sales for the year to date to nearly 11 per cent in excess of those in the first six months last year. A seasonal recession of 7 per cent took place in stocks

between the close of May and June 30, and they were only one per cent above those on hand a year ago at the same time; stock turnover for the first half year was 2.29 times, as compared with 2.12 times for the period in 1935.

Following four successive months of expansion, sales of shoes by reporting dealers and department stores dropped 18 per cent in June below the May volume, the decline comparing with increases for the month in six of the ten preceding years. However, sales totaled $9\frac{1}{2}$ per cent above those in June a year ago, which increase is the second largest in the comparison for 1936 to date. In the first half of this year, sales aggregated almost 9 per cent more than in the same period last year. Although stocks declined 9 per cent during June, they were 7 per cent heavier than a year ago.

The decline of 18 per cent shown for June from May in sales of furniture and house furnishings by dealers and department stores was less than seasonal, while the aggregate increase of 29 per cent over last June was the heaviest recorded in the yearly comparison since November 1935. Dealer sales decreased in the period to a greater extent than did those of department stores and registered a smaller gain over a year ago. Stocks declined 4 per cent during June but exceeded those of the month last year by 9 per cent.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

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

	No. of Firms	June 1936	May 1936	Apr. 1936	Mar. 1936	Feb. 1936	Jan. 1936	June 1935	May 1935	Apr. 1935	Mar. 1935	Feb. 1935	Jan. 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	91	85	85	81	83	85	82	86	82	77	80	81
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	74	64	50	51	46	42	27	34	38	35	31	31
In Tons.....	12	80	68	60	50	46	42	25	31	38	33	29	30
Malleable—In Dollars.....	21	56	56	61	59	49	52	39	43	48	45	37	37
In Tons.....	21	82	81	89	88	73	78	57	65	72	69	57	59
Stoves and Furnaces—													
Shipments (in dollars).....	8	170	176	156	150	113	93	117	127	115	106	82	57
Furniture—													
Orders (in dollars).....	12	59	67	62	62	45	73	43	50	43	48	44	52
Shipments (in dollars).....	12	62	59	64	65	57	41	39	46	54	51	37	27
Flour—													
Production (in bbls.).....	18	94	76	91	89	92	104	88	100	86	89	90	104
Output of Butter by Creameries—													
Production.....	59	139	140	89	87	82	82	173	144	99	83	81	86
Sales.....	61	133	120	99	88	89	94	141	130	94	87	79	107
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	70	65	66	63	60	64	68	69	66	62	60	69
Hardware.....	11	103	102	88	77	49	48	76	76	72	64	43	41
Drugs.....	12	77	76	78	78	67	73	70	74	73	73	69	74
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	91	86	84	79	68	63	76	73	75	69	60	60
Detroit.....	5	93	100	102	89	78	72	78	92	96	92	76	69
Indianapolis.....	4	93	97	94	96	66	67	79	88	88	89	65	70
Milwaukee.....	5	87	90	93	83	67	63	75	76	85	77	58	58
Other Cities.....	41	79	86	81	77	60	56	71	75	75	70	55	53
Seventh District—Unadjusted.....	82	89	90	89	82	69	64	76	78	81	76	62	61
Adjusted.....	82	91	88	84	90	87	80	77	77	76	83	79	77
Automobile Production—(U. S.)—													
Passenger Cars.....		129	132	142	117	77	102	100	104	132	123	93	78
Trucks.....		207	199	227	206	167	174	165	147	175	177	156	165
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		40	40	35	25	10	14	26	18	16	9	4	6
Total.....		58	61	55	56	34	59	34	33	36	32	17	20
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		101	100	94	81	75	77	59	67	65	63	63	51
United States.....		88	87	82	67	64	67	53	57	57	58	59	49
Steel Ingot Production—(U. S.)*.....		115	117	114	97	89	85	68	73	76	83	87	80

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

VOLUME of production, employment, and trade was sustained in June at the May level, although usually there is a decline at this season. Wholesale prices of commodities advanced between the middle of May and the third week of July, reflecting in part the effects of the drought.

PRODUCTION AND EMPLOYMENT

The Board's seasonally adjusted index of industrial production increased from 101 per cent of the 1923-25 average in May to 103 per cent in June. Steel production continued at about 70 per cent of capacity in June and the first three weeks of July, although a considerable decline is usual at this season. Output of automobiles declined seasonally. The cut of lumber showed a seasonal rise in June following a substantial increase in the preceding month. Production increased at woolen mills and was sustained at cotton mills where a decline is usual in June. Output of foods increased.

Factory employment and payrolls showed a slight increase between the middle of May and the middle of June, contrary to seasonal tendency. Steel mills and plants producing machinery employed more workers, and at automobile factories there was less than the seasonal decline. At textile mills employment was unchanged, although a decline is usual in June, while the clothing industries reported a decrease in the number employed.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased somewhat from May to June and continued to be substantially larger than a year ago. There was a further increase in residential building.

AGRICULTURE

Crop estimates by the Department of Agriculture on the basis of July 1 conditions indicated little change from last year for wheat and corn and considerable declines for oats, hay, potatoes, and tobacco. Since July 1 prospects have been reduced by extreme drought over wide areas. Cotton area in cultivation on July 1 was estimated by the Department of Agriculture at 30,600,000 acres compared with 27,900,000 acres last year and an average of 41,400,000 acres in the years 1928-1932.

DISTRIBUTION

Freight-car loadings increased seasonally in June, and the distribution of commodities to consumers was maintained at the May level. In recent months retail trade as measured by sales of automobiles and by the volume of business of department, variety, and mail order stores has expanded considerably.

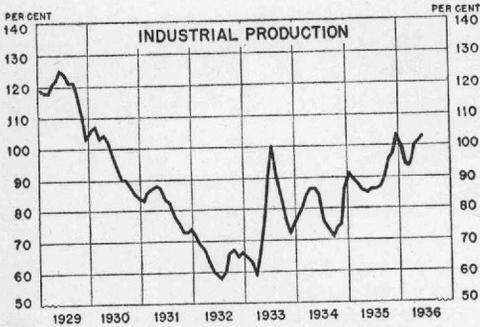
COMMODITY PRICES

The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced by about 3 per cent between the middle of May and the third week of July, following a decline of about the same amount earlier in the year. Prices of wheat, flour, feed grains, and dairy products advanced sharply, owing primarily to the drought, and there were increases also in the prices of hogs and pork, cotton and cotton textiles, silk, rubber, copper, and finished steel.

BANK CREDIT

Gold imports, which had been in large volume in May and June, declined in July. Funds held by the Treasury as cash and on deposit with Federal Reserve banks declined, as the result of disbursements in connection with the cashing of Veterans' Service bonds. Consequently reserve balances of member banks, which had declined in June, rose once more to their previous level.

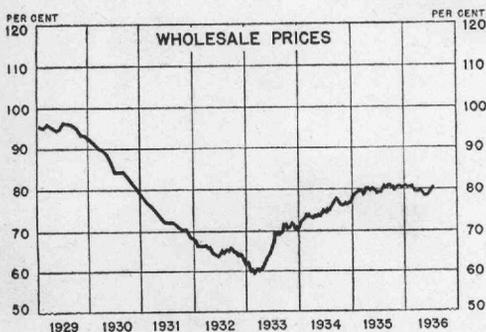
Total loans and investments of reporting member banks in leading cities, after increasing sharply at the end of May and the early part of June, declined somewhat in the four weeks ending July 15, reflecting largely a reduction in loans to security brokers and dealers in New York City. Balances held for domestic banks increased by \$800,000,000 during the period, as a consequence of redeposit with reporting banks of a considerable part of funds acquired by banks through Treasury disbursements.



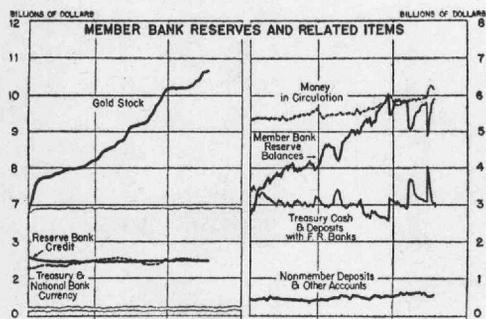
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to June 1936.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to June 1936.



Index 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 July 18, 1936.



Wednesday figures, January 31, 1934, to July 22, 1936.