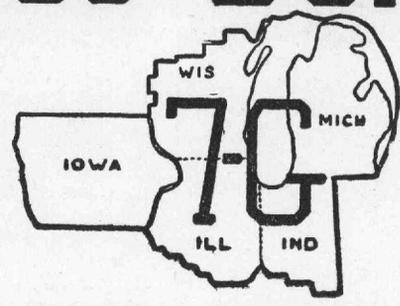


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

Volume 19, No. 9

MONTHLY REVIEW PUBLISHED BY THE
FEDERAL RESERVE BANK OF CHICAGO

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DISTRICT SUMMARY

INDUSTRIAL and trade activity in the Seventh district continued through July to be maintained at a comparatively high level for the season of the year, many phases failing to follow the declining trend usual in the month. Decreases, where recorded, were seasonal in nature, and substantial gains were shown over last July when conditions likewise were favorable for the season. Certain food-producing industries, however, have been adversely affected by the drought this year.

Operations at steel mills continued to be well sustained through July and into August, while July building construction in the district was the heaviest of the year to date, though residential building showed a seasonal recession. Shipments from steel casting foundries increased over June, and those from furniture factories equaled the preceding month's volume. Malleable casting shipments declined but production increased slightly. Although there was some further curtailment in the manufacture of automobiles, it was much less than usual. The movement of building materials continued active, despite a seasonal slowing-down in that of lumber. Employment was slightly below the June level; payrolls declined to a greater extent.

A contraseasonal increase took place in July in the production of packing-house commodities, which brought the volume considerably above a year ago as well as above average for the month, and sales followed a similar trend. Butter and cheese pro-

duction were affected by drought conditions and were below average for the period. The July movement of wheat was the heaviest since the beginning of the 1931 season, but that of corn and oats fell off from June, receipts of oats at primary markets being the lowest on record. Grain prices rose sharply in July. There was a marked decline during the month in the condition of Seventh district crops as the heat and drought continued. Rains in August over fairly widespread areas have been of some benefit to the soil, crops, and pastures.

Wholesale trade conditions improved in July, groceries and electrical supplies showing counter-seasonal gains in business over the preceding month, while drug and hardware sales decreased less than is usual in the period. Declines in the department store, retail shoe, and retail furniture trades were seasonal in nature, and increases in sales over the corresponding month last year continued to be substantial.

Commercial loans of reporting member banks in the district expanded further between the middle of July and August 19, but a decrease in loans on securities and a reduction in holdings of U. S. Government securities effected a small decline in the period in total loans and investments of these banks. Dealer sales of commercial paper and transactions in bankers' acceptances were heavier in July, but remained much below normal.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	AUGUST 19, 1936	CHANGE FROM JULY 15, AUGUST 21, 1936	
		1936	1935
Total Bills and Securities.....	\$ 291.3	\$ -0.3	\$ -66.9
Bills Discounted.....	0.0	0	0
Bills Bought.....	0.4	+0.0	-0.2
U. S. Government Securities.....	289.1	0	-66.6
Total Reserves.....	1,675.5	-118.0	+408.2
Member Bank Reserve Deposits.....	973.4	-5.1	+203.1
All Other Deposits.....	39.3	-112.6	+24.8
Federal Reserve Notes in Circulation.....	916.8	-3.6	+113.1
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined.....	86.8%	-0.6*	+7.1*

*Number of Points.

Credit and Finance

Reserve deposits of member banks at the Federal Reserve Bank of Chicago declined 60 million dollars during the first three weeks of the period July 15 to August 19, coincident with the selling of bills locally by the Treasury and a net outflow of funds from this district through commercial and financial transactions with other districts. However, in the fourth week, member bank deposits rose 16 millions and in the fifth week another 39 millions, during which time the Treasury's deposits at this bank were reduced, while inter-

district settlements for commercial and financial transactions resulted in a net gain of funds to the district. Over the entire period, therefore, member bank reserve deposits declined but 5 million dollars. Federal Reserve notes in circulation, to which 47 million dollars had been added between May 20 and July 15, were 4 million dollars less on August 19 than five weeks earlier.

Although the range of commercial loan rates of down-town Chicago and Detroit banks is reported unchanged for July, 2.64 per cent was the average rate earned on commercial loans by several of these Chicago banks, as compared with 2.70 per cent for June and with 3.04 per cent for July 1935.

Commercial paper dealers in the Middle West reported sales in July as 35 per cent above June, and for the first half of August as slightly better than for the same period in July; nevertheless, sales volume remained about 40 per cent below the 1926-35 average. Available supply was readily absorbed at rates which have prevailed during recent months, most paper moving out at $\frac{3}{4}$ of 1 per cent. Volume outstanding at the end of July was 4 per cent above the same date last year.

The total of new bankers' acceptances made in July in this district increased more than seasonally, but was nevertheless 60 per cent below the 1926-35 average. The first half of August showed a considerable increase over the same period of July, and the volume was somewhat above the first fifteen days of August 1935, grain bills being conspicuous this year in comparison with last. Purchases and sales reported by bill dealers in this district for the period July 16 to August 12 were somewhat better than a year ago. Nominal rates have remained $\frac{1}{4}$ per cent bid, $\frac{3}{16}$ per cent asked, for 90-day bills.

Bond market conditions in July and early August, as reported by dealers in this district, remained substantially unchanged, with strong demand, principally from institutional buyers, and a well-sustained price level. July issues, about two-thirds refunding and the balance new capital, amounted to approximately half the June volume. Between July 16 and August 17, the Chicago Journal of Commerce average of twenty leading stocks listed on the Chicago Stock Exchange rose from \$54.89 at the beginning of the period to \$56.45 on August 3, but had declined to \$55.68 by August 17.

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	AUGUST 19, 1936	JULY 15, 1936	AUGUST 21, 1935
Total loans and investments.....	\$3,007	\$ -8	\$ +439
Total loans on securities.....	250	-13	-1
To brokers and dealers:			
In New York.....	9	+5	+8
Outside New York.....	39	-17	+8
To others (except banks).....	202	-1	-17
Acceptances and commercial paper bought.....	38	+8	0
Loans on real estate.....	69	+1	+4
Loans to banks.....	9	0	-2
Other loans.....	499	+27	+165
U. S. Government direct obligations.....	1,574	-27	+217
Obligations fully guaranteed by U. S.			
Government.....	152	+2	+11
Other securities.....	416	-6	+45
Demand deposits—adjusted.....	2,228	-4	+252
Time deposits.....	816	+15	+98
Borrowings.....	0	0	0

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

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

	JULY 1936	JULY 1935
Total country and city check clearings:		
Pieces.....	10,466,477	9,999,067
Amount.....	\$2,070,170,928	\$1,643,611,928
Daily average clearings:		
Total items cleared—		
Pieces.....	402,557	384,580
Amount.....	\$79,621,958	\$63,215,843
Items drawn on Chicago—		
Pieces.....	69,213*	92,337
Amount.....	\$41,414,000	\$32,391,000
Items drawn on Detroit—		
Pieces.....	22,796	18,724
Amount.....	\$9,752,767	\$7,556,793

*Reduction in July 1936 is due to the packaging of Chicago early clearings.

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

The accompanying chart is an elaboration of last month's presentation of asset and deposit data for all member banks in the United States, and is designed for the purpose of showing relationships between the variable supply of deposit funds and the employment of such funds as major sources of revenue.

After having reached 99.49 per cent in June 1929, the ratio of total earning assets to total deposits ranged between 93.66 and 97.97 per cent from December of that year to June 1931. Liquidation in loans was slower than were deposit withdrawals from that time to September 1931, bringing supply and utilization into close proximity where they continued to September 1932. Subsequently, the reduction in loans proceeded more rapidly than did the decline in deposits, so that the percentage was reduced to 92.84 by December 1933. Coincident with a marked expansion in deposits and a relatively slower growth in security holdings, together with some further liquidation in loans, the ratio had declined to 77.98 by December 1935. "All other" loans fell from 25.44 per cent of deposits in June 1932 to 13.46 in December 1935, and loans on stocks and bonds decreased from 20.00 to 10.75. The percentage for Treasury notes, certificates, and bills—principally maturities within five years—rose from 5.26 to 17.15 in this period. Following a gain from 14.02 per cent in June 1933 to 16.24 in December of the same year, the ratio for United States Government bonds—largely maturities beyond the five-year period—declined to 10.16 per cent in December 1935, partly due to the retirement of National bank notes from circulation.

Though not given in the chart, data for the major groups of banks corresponded rather closely to the trend of the aggregates. However, the total earning asset ratio was consistently higher in country banks than for reserve or central reserve city banks, as was that of "all other" loans. Stock and bond loan ratios were usually greater in the metropolitan areas than in

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

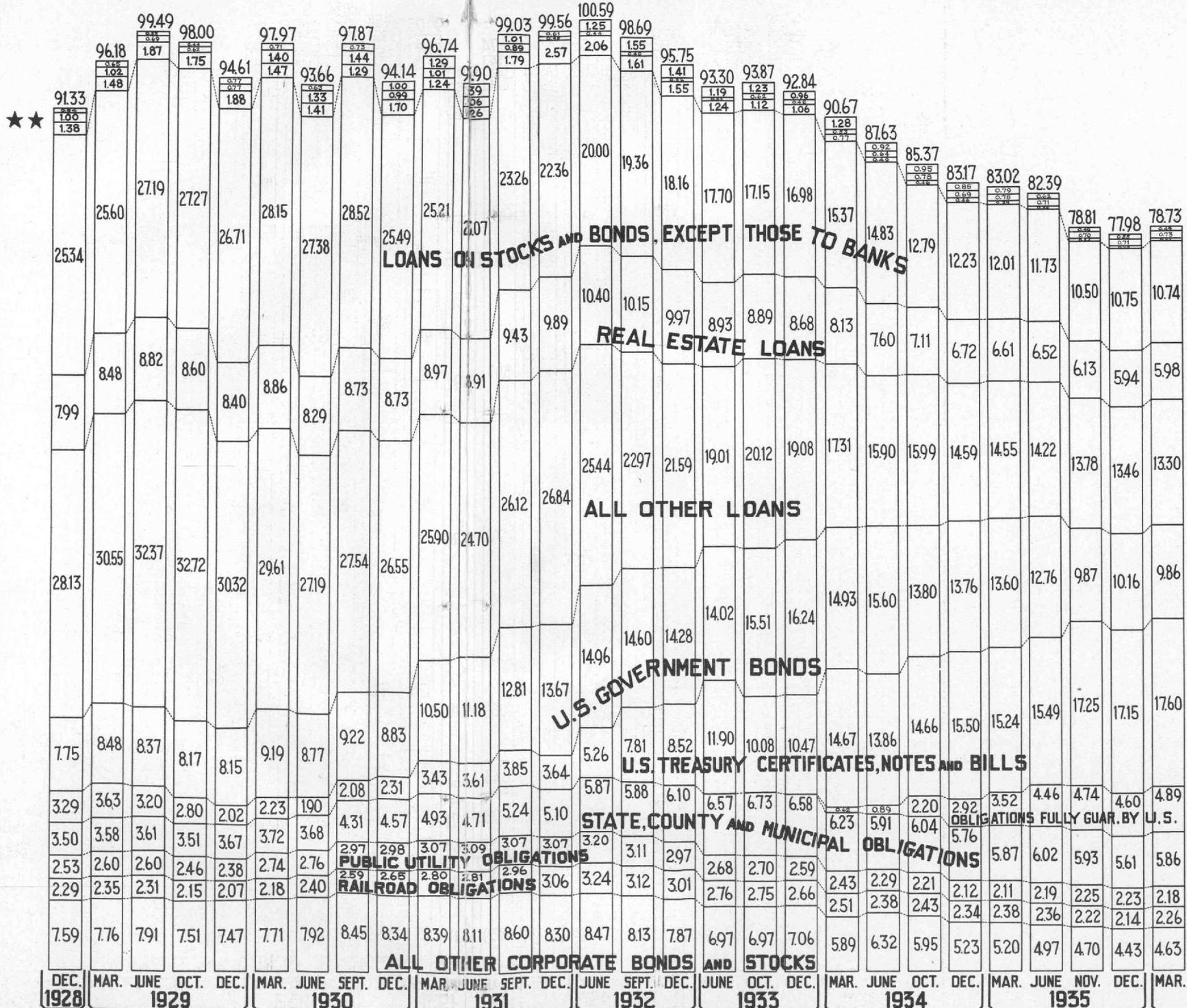
(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	July 1936	June 1936	July 1935
Chicago.....	\$2,979	-10.1	+8.0
Detroit.....	885	-4.4	+27.5
Milwaukee.....	280	-3.4	+19.5
Indianapolis.....	201	+7.1	+22.3
Total four larger cities.....	\$4,345	-7.9	+12.8
37 smaller cities.....	776	-0.1	+24.1
Total 41 centers.....	\$5,121	-6.8	+14.4

★ RATIO OF EARNING ASSETS TO DEPOSITOR CLAIMS

ALL MEMBER BANKS IN UNITED STATES

DECEMBER 1928 TO DATE



★★ TOP THREE SECTIONS IN EACH BAR REPRESENT, RESPECTIVELY, ACCEPTANCES OTHER THAN OWN BILLS, COMMERCIAL PAPER BOUGHT IN OPEN MARKET, AND LOANS TO BANKS.
★ PERCENT

reserve cities, and those in the latter were larger than in country institutions. Real estate loan ratios in country and reserve city banks exceeded those for Chicago and New York combined. Differences in investment policy are reflected in higher Government bond ratios in reserve cities than elsewhere, and in the more rapid rise in central reserve cities in the ratio for United States notes, certificates, and bills from 11.58 per cent of deposits in June 1932 to 27.39 in March 1936. Furthermore, a higher percentage of State, county, public utility, railroad, and "all other" corporate obligations was maintained in country banks than in reserve cities, and ratios in the latter were usually in excess of those in central reserve cities.

Agricultural Products

A marked decline during July in the condition of Seventh district crops was confirmed by August 1 estimates of the United States Bureau of Agricultural Economics, the principal production losses from continued heat and drought being 45 per cent in corn, 36½ per cent in edible dry beans, 18 per cent in white potatoes, 17 per cent in hay and grapes, 12½ per cent in barley, 9½ per cent in tobacco, 9 per cent in apples, and 7 per cent in sugar beets. The outlook for small grain, broom corn, and hay remained better than in the 1934 drought year but that for most other crops was less favorable, and practically all crops, except winter wheat and sugar beets, showed a decided decrease from the 1928-32 average.

Precipitation in the district averaged 62 per cent of normal from August 1 to 20 and ranged from 28 per cent in Michigan to 54 per cent in Iowa, 66 per cent in Indiana, 72 per cent in Illinois, and 78 per cent in Wisconsin. Following moderate to heavy rainfall in the southern half of Iowa on August 4 and 5, precipitation in that State was largely confined to local showers from August 6 to 20. On the other hand, fair to good rains were received in central, north central, and northeastern Illinois, in the southwestern, northwestern, and central parts of Indiana, and at the close of the period in Wisconsin.

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		FORECAST 1936	UNITED STATES		AVERAGE 1928-32
	FORECAST 1936	FINAL 1935		FINAL 1935		
Corn.....	501,551	880,218	1,439,135	2,291,629	2,553,424	
Oats.....	363,465	453,391	771,703	1,196,668	1,215,102	
Winter Wheat.....	62,938	57,807	519,097	464,203	622,252	
Spring Wheat.....	2,127	2,134	113,648	159,241	241,312	
Barley.....	34,073 (a)	47,713 (a)	145,027	282,226	281,237	
Rye.....	6,705 (a)	12,911 (a)	27,095	58,928	38,212	
Buckwheat.....	538 (a)	1,226 (a)	5,606	8,220	8,277	
Flaxseed.....	265 (b)	336 (b)	6,342	14,123	15,996	
Potatoes (white).....	39,789	57,484	294,537	387,678	372,115	
Potatoes (sweet).....	1,055 (c)	1,280 (c)	66,357	83,198	66,368	
Sugar Beets ¹	700 (d)	686 (d)	8,808	7,908	8,118	
Apples (total crop).....	9,763 (a)	23,303 (a)	102,487	167,283	161,333	
Peaches.....	1,527 (e)	6,232 (e)	43,131	52,808	56,451	
Pears.....	1,011 (e)	1,611 (e)	23,519	22,035	23,146	
Cherries ¹	29 (f)	33 (f)	104 (g)	120 (g)	108 (g)	
Grapes ¹	50 (a)	73 (a)	1,831	2,455	2,200	
Beans (dry edible) ² ..	2,141 (f)	4,828 (f)	10,200	13,799	11,858	
Tobacco ³	15,792	15,835	1,106,801	1,296,810	1,427,174	
All Tame Hay ¹	12,649	17,450	61,853	76,146	69,533	
Wild Hay ¹	362 (a)	542 (a)	6,934	11,338	10,719	
Broom Corn ¹	12 (h)	17 (h)	41	63	47	
Cotton ⁴	12,481	10,638	14,667	

¹In thousands of tons. ²In thousands of 100-lb. bags. ³In thousands of pounds. ⁴In thousands of 500-lb. bales. (a) Five states including Seventh Federal Reserve district. (b) Iowa, Michigan, and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Michigan, Illinois, Indiana, and Iowa. (f) Michigan and Wisconsin. (g) Twelve states only. (h) Illinois.

The prospective yield of Seventh district corn had been further reduced by August 20 from the low level at the beginning of the month. However, deterioration has been checked in the southern portion of this area and is progressing at a slower rate in many other sections. A rapid decline in yield continues in Michigan and in some parts of Iowa. General condition of the crop in the district ranges from fair to very poor, with a large number of ears underdeveloped or only partially filled and with a fairly high percentage of the stalks barren. In southern counties, recent rains have resulted in the formation of new ears and in the growth of sucker plants. Past experience indicates, however, that any augmentation to the corn crop from this source is likely to be comprised largely of poorly developed grain and nubbins. Soybeans in the southern portion of the district likewise have been revived by recent rains. Furthermore, the moisture has placed soil of that area in fair condition for the planting of emergency crops. Though beginning to show better color in several sections, pastures throughout the entire Seventh district remain generally poor. Potatoes are badly damaged in Michigan and until recently were greatly in need of rain in Wisconsin.

Precipitation in the remainder of the United States corn and wheat region, except Montana, was much below normal from August 1 to 20 and ranged from 3 per cent in Oklahoma to 74 per cent in Ohio. Much higher than seasonable temperatures prevailed. Deterioration in corn continues widespread west of the Mississippi River. Much of the crop is a failure in the Plains States and Missouri. Elsewhere, it ranges from fair to poor, though some is good and a little is excellent. The rate of decline in a few areas is not quite so rapid as during July and early August. The threshing of winter wheat is nearing completion, and the combining and threshing of spring wheat is under way. Prevailing high prices are bringing about the harvesting of a considerable amount of the low-yielding spring wheat which ordinarily would not pay for the cutting.

GRAIN MARKETING

Wheat receipts and reshipments at interior primary markets in the United States were greater during July than at any time since the beginning of the 1931 marketing season. Furthermore, United States imports of the grain increased sharply over June and were much heavier than a year ago. Continued drought in Canada and the United States and excessive moisture in Europe brought a world-wide rise in wheat prices, which had carried No. 2 hard winter for immediate delivery at Chicago to \$1.22¼ and \$1.28⅞ by August 19, at which level prices were above any day since in October 1935. United States visible supplies of wheat showed a marked though somewhat less than seasonal accumulation on August 15 over mid-July, and were 54 per cent in excess of a year ago but 38 per cent under the 1926-35 average for the date.

After recording a more than normal expansion a month earlier, corn movements at these centers declined counter-seasonally in July from June. Drought conditions were reflected in a spectacular rise in prices. On August 19, quotations for No. 2 yellow corn at Chicago had reached \$1.18⅜ and \$1.23¼, the highest level since March 1925. Visible supplies of the grain in the United States recorded a moderate decline on

August 15 from a month earlier and were 78½ per cent under the 1926-35 mid-August average.

July receipts of oats at these points of accumulation were below any other month on record (January 1921), and reshipments were under the four preceding periods of the current year. Prices of No. 2 white oats at Chicago rose in sympathy with corn, reaching 46½ and 48½ cents by August 19.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

	JULY 1936 (In Thousands of Bushels)	PER CENT JUNE 1936	CHANGE FROM JULY 1935	FROM JULY 1926-35 Av.
Wheat:				
Receipts.....	83,422	+389.5	+179.7	+23.1
Shipments.....	27,725	+127.3	+147.5	-9.8
Corn:				
Receipts.....	16,779	-33.1	+138.2	-14.2
Shipments.....	11,476	-19.6	+157.1	-10.4
Oats:				
Receipts.....	1,750	-72.8	-25.1	-78.1
Shipments.....	4,665	-15.4	+101.2	-24.1

MOVEMENT OF LIVESTOCK

Augmented by underfinished animals from drought areas, receipts of cattle, hogs, and calves at public stockyards in the United States increased further during July and those of lambs showed a reversal of the downward trend a month earlier. Cattle and calf marketings remained greater than a year ago and were above the 1926-35 average for the period. Hog receipts totaled considerably above last July but under the ten-year average, and lamb marketings decreased in both comparisons. Movement to inspected slaughter followed the trend of market receipts, except that the slaughter supply of hogs fell slightly below June and that of lambs was above normal for July. Reshipments of cattle and calves to feed lots gained as is usual in July over June, were much greater than a year ago, and continued above the 1931-35 average for the month; feeder lambs moved in a volume heavier than last July but under average.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States expanded contraseasonally by 4 per cent in July over June, and was not only 37½ per cent larger than a year earlier but also 2½ per cent above the 1926-35 average for the month. Though totaling slightly under current production, the tonnage sold exceeded that of last July by 19 per cent and practically equaled the ten-year average. The general price level of packing-house commodities was slightly higher than in June, despite a decline in quotations for veal, lamb, low-grade beef, and a few pork cuts. Dollar sales billed to domestic and foreign customers aggregated one per cent

LIVESTOCK SLAUGHTER (In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District, July 1936.....	239	503	211	82
Federally Inspected Slaughter, United States:				
July 1936.....	928	2,692	1,352	523
June 1936.....	853	2,739*	1,309	517
July 1935.....	745	1,712	1,546	464

*Revised.

AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	WEEK ENDED		MONTHS OF	
	AUG. 22 1936	JULY 1936	JUNE 1936	JULY 1935
Native Beef Steers (average).....	\$ 8.80	\$ 8.15	\$ 7.85	\$ 9.80
Fat Cows and Heifers.....	6.70	6.45	6.65	7.50
Calves.....	7.50	7.40	8.50	7.85
Hogs (bulk of sales).....	10.30	9.70	9.90	9.40
Lambs.....	9.25	9.45	11.35	8.45

more in July than a month previous, were 12 per cent larger than a year ago, and exceeded the 1926-35 July average by 4 per cent. Inventories in the United States showed some accumulation on August 1 over the beginning of July and totaled 125,475,000 pounds heavier than on the corresponding date of 1935 but 25½ per cent under the 1931-35 August 1 average. Payrolls at the close of July reflected further improvement over a year ago and showed gains over June of 4 per cent each in employes and hours and 5 per cent in wage payments.

Shipments for export declined in July from June, owing to reduced forwardings of lard to the United Kingdom. Resistance to price advances resulted in a slackening in British demand for the commodity, although quotations remained under Chicago parity. United States hams were in light demand in the United Kingdom, stocks thereof accumulated, and prices continued considerably under replacement costs. Cuban purchases were confined largely to lard for delivery subsequent to lower duties becoming effective on September 3. Porto Rican trade in packing-house commodities from the United States was fair. Imports of animal products into the United States increased further during July.

DAIRY PRODUCTS

Drought conditions effected a much greater than seasonal decline during July in the manufacture of dairy products. Creamery butter production in the Seventh Federal Reserve district fell off 21 per cent from June, totaled 20½ per cent below last July, and was 22 per cent under the 1926-35 average for the month. The sales tonnage in July showed a 17 per cent decrease each from a month earlier, a year ago, and the ten-year average. Manufacture of the commodity in the United States also was sharply lower in these comparisons. United States inventories of creamery butter gained less than normally on August 1 over the beginning of July and were 19 per cent below the 1931-35 average for the date. Following further strength shown early in the month, prices had eased by August 21.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUPS	WEEK OF JULY 15, 1936			CHANGE FROM JUNE 15, 1936	
	REPORT- ING FIRMS	WAGE EARN- ERS	EARN- INGS (000 OMITTED) \$	WAGE EARN- ERS %	EARN- INGS %
	No.	No.		%	%
DURABLE GOODS:					
Metals and Products ¹	1,484	394,666	9,628	-0.2	-5.9
Vehicles.....	312	338,014	10,132	-3.5	-5.7
Stone, Clay, and Glass.....	253	23,889	515	+0.4	-3.8
Wood Products.....	426	40,708	752	+2.0	-3.5
Total.....	2,475	797,277	21,027	-1.5	-5.7
NON-DURABLE GOODS:					
Textiles and Products.....	328	58,882	982	-4.0	-7.8
Food and Products.....	710	104,478	2,404	+7.2	+6.7
Chemical Products.....	226	28,959	743	-2.0	-3.1
Leather Products.....	128	22,545	440	+1.7	+1.1
Rubber Products.....	33	13,109	306	-2.7	-8.4
Paper and Printing.....	613	68,275	1,691	+0.6	-3.3
Total.....	2,038	296,248	6,566	+1.5	-0.6
Total Mfg., 10 Groups.....	4,513	1,093,525	27,593	-0.7	-4.5
Merchandising ²	2,416	105,491	2,212	-1.7	-0.7
Public Utilities.....	159	87,154	2,736	+2.2	+0.1
Coal Mining.....	24	5,289	110	+14.4	+17.2
Construction.....	511	15,579	357	-2.2	-4.6
Total Non-Mfg., 4 Groups.....	3,110	213,513	5,415	+0.2	-0.2
Total, 14 Groups.....	7,623	1,307,038	33,008	-0.6	-3.8

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

The manufacture of American cheese in Wisconsin declined 17 per cent in July from June to a level 4 per cent under a year previous and 2 per cent below the 1926-35 average for the period. Distribution of this commodity from primary markets of that State exceeded last July's volume by 22 per cent and was 12½ per cent heavier than average for the period, although it decreased 7½ per cent from June. Total inventories of cheese in the United States recorded less than the usual accumulation on August 1 over the beginning of July, and the excess over the 1931-35 average was reduced to 3,337,000 pounds. A further advance in prices took place in the first three weeks of August.

Industrial Employment Conditions

Industrial employment in the Seventh Federal Reserve district was one-half per cent lower in the middle of July than a month earlier and wage payments totaled smaller by 4 per cent, the changes following the customary midsummer trend, though being less than seasonal in extent. Declines were more pronounced in the durable goods industries and were occasioned mainly by vacations and lay-offs for the taking of inventories. These industries reported a total loss of 1½ per cent in employment and of 5½ per cent in payrolls, whereas consumers' or non-durable goods showed an increase of 1½ per cent in the former item and a decrease of only one-half per cent in the latter. The food products and leather goods industries recorded gains during the month while textiles, chemicals, and rubber goods registered declines.

Only minor changes were contributed by the non-manufacturing industries as a whole, employment showing a very slight increase and payrolls a similarly negligible decrease. The various groups within this classification, however, experienced marked changes, increases in the public utilities and coal mining being offset by material declines within the merchandising and construction industries. All reporting industries, manufacturing and non-manufacturing, employed 8½ per cent more workers and were disbursing 21½ per cent more in wage payments this July than in the same month last year.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Less curtailment than usual for July took place this year in United States production of automobiles. A total of 372,402 passenger cars manufactured in the current period represented a reduction of but one per

cent from June output, as compared with a decline in the preceding ten years averaging 14 per cent. Truck output numbering 68,597, was 11 per cent below that of a month previous. Gains of 36 and 19 per cent, respectively, in passenger car and truck production were recorded over July last year.

A rather sharp drop was shown for July from June in midwest distribution of automobiles, but the number of cars sold at wholesale was about 5 per cent greater than a year ago and retail sales were 15 per cent above July last year. Sales of used cars likewise numbered considerably less in July, but were well above the month in 1935. Some increase was recorded during the month in stocks of new cars on hand, but used-car stocks continued to decline and showed a much smaller increase over a year ago than did those of new cars. Deferred payment sales comprised 53 per cent of the total retail sales of dealers reporting the item in July, this ratio comparing with one of 46 per cent in the preceding month and for last July.

IRON AND STEEL PRODUCTS

Evidence of a sustained high level of activity in the steel industry of the Chicago district is shown in the rate of steel ingot output which in the third week of August stood at 73 per cent of capacity, as compared with 70 per cent at about the same time a month earlier and with only 57 per cent a year ago when operations in the industry were expanding. Shipments and new business were well maintained through July and into early August, with demand fairly well diversified as to source. Little change was recorded in July from June in daily average pig iron output in the Illinois and Indiana district, this average exceeding that of any previous July since 1929. The scrap iron and steel market, which had shown some strength about the first of July, started rising steadily toward the close of the month and by the middle of August quotations had reached the highest levels of the year so far.

Production and shipments of steel castings at Seventh district foundries continued to increase during July, the tonnages reported exceeding those of a month earlier by approximately 8 per cent each. Orders, however, totaled 25 per cent below the sharply higher volume booked in June, and the gains over year-ago figures, though still considerable, were more moderate for all items than in the preceding month. At malleable casting foundries, orders and shipments recorded some recession in July—6 and 7 per cent, respectively—while production showed a 2 per cent increase. All items

MIDWEST DISTRIBUTION OF AUTOMOBILES

	JULY 1936: PER CENT CHANGE FROM		COMPANIES INCLUDED
	JUNE 1936	JULY 1935	
New Cars:			
Wholesale—			
Number Sold.....	-22.8	+4.8	19
Value.....	-23.3	+6.2	19
Retail—			
Number Sold.....	-20.0	+14.9	35
Value.....	-18.5	+27.0	35
On Hand July 31—			
Number.....	+6.4	+24.1	35
Value.....	+8.8	+27.5	35
Used Cars:			
Number Sold.....	-19.4	+20.3	35
Salable on Hand—			
Number.....	-8.3	+11.2	35
Value.....	-8.9	+12.3	35

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JULY 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JUNE 1936	JULY 1935	
Wholesale Lumber:			
Sales in Dollars.....	-12.7	+19.6	9
Sales in Board Feet.....	-9.5	+12.1	7
Accounts Outstanding ¹	-3.2	+26.3	9
Retail Building Materials:			
Total Sales in Dollars.....	-3.8	+20.5	122
Lumber Sales in Dollars.....	-0.0	+0.5	57
Lumber Sales in Board Feet.....	-9.3	+8.9	27
Accounts Outstanding ¹	-0.4	+8.6	119
	RATIO OF ACCOUNTS OUTSTANDING¹ TO TOTAL DOLLAR SALES DURING MONTH		
	JULY 1936	JUNE 1936	JULY 1935
Wholesale Trade.....	154.1	139.0	146.0
Retail Trade.....	255.6	246.7	283.0

¹End of Month.

exceeded those of a year ago, the gains in this comparison ranging from 26 per cent in the volume of orders booked to 52 per cent in the tonnage produced.

Stove and furnace manufacturers reported a normal seasonal decline in activity during July, shipments falling 10 per cent, orders 12 per cent, and molding-room operations 22 per cent below the preceding month. The latter item was also slightly under the level of July 1935, while shipments and orders continued larger by approximately 53 and 93 per cent in this comparison. Inventories at the close of July were practically unchanged from a month earlier but 36 per cent heavier than at the same time last year.

FURNITURE

A somewhat smaller than seasonal rise was recorded in July orders booked by reporting furniture manufacturers in the Seventh district, the aggregate increasing 43 per cent over June, as compared with a gain in the 1927-35 average for the month of 60 per cent. Shipments, on the other hand, showed little change from the June volume. Both items continued above average for July—orders by 3 and shipments by 16 per cent. Unfilled orders on hand at the end of July exceeded those of a month previous by 50 per cent, in consequence of the sharp gain in new orders. As compared with the corresponding month of 1935, orders booked were higher by 16 per cent, shipments by 40 per cent, and unfilled orders by 27 per cent. Operations at 69 per cent of capacity in July were maintained at about the same rate as in June, but were 11 points higher than a year ago.

Building Materials, Construction Work

Demand for lumber as reflected in monthly sales figures was somewhat less active in July than in June, the decline at wholesale being about as large as is usual at this season while at retail it was slightly smaller. Increases over a year ago were not so heavy as those recorded in the preceding month, although at wholesale they continued substantial. Outstanding accounts declined during July but showed a higher ratio to monthly sales than a month earlier and for wholesale and manufacturing firms the ratio was above that of the corresponding month a year ago. The dollar value of all materials handled by reporting retail yards showed a much larger increase over last July than did sales of lumber alone, which trend may be attributed to improvement in the demand for coal as well as to heavier sales of brick and cement. Shipments by cement manufacturers and dealers within the district continued to expand in July as did deliveries of brick. Much of the demand for these materials was reported as coming from PWA and WPA projects.

WHOLESALE TRADE IN JULY 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries...	+16.5	-0.9	-3.7	+7.6	76.0
Hardware...	+27.2	+31.9	+23.3	+23.4	157.9
Drugs.....	+7.8	-1.0	-4.7	+9.8	148.6
Electrical Supplies..	+55.9	+40.2	+28.1	+47.6	116.3

BUILDING CONSTRUCTION

Rather sharp expansion took place during July in the volume of building construction started in this district, according to data on building contracts awarded. The \$49,000,000 total of such contracts not only was the highest for the year so far but, as in June, exceeded any corresponding period since 1930. Residential contracts, on the other hand, showed a seasonal decline and amounted to only 21 per cent of the total, though recording a larger increase over last year than a month previous.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
July 1936.....	\$49,207,200	\$10,512,700
Change from June 1936.....	+24.3%	-17.2%
Change from July 1935.....	+87.6%	+82.3%
First seven months of 1936.....	\$269,783,930	\$59,539,681
Change from same period 1935.....	+87.7%	+104.3%

*Data furnished by F. W. Dodge Corporation.

A small decline from June—3½ per cent—was recorded in the total estimated cost of permits issued during July in 95 cities of the Seventh district. The decrease was due, however, to a 30 per cent drop in Detroit permits, as other large cities in the district as well as the aggregate for smaller centers registered gains in the comparison. The total number of permits issued in the 95 cities fell off 15 per cent from the preceding month, the declines in this item being more general than in dollar value. Both the number and estimated cost of permits continued to be well above the corresponding month a year ago, although the gains in July were smaller than in June.

Merchandising

Unusually favorable trends prevailed during July in reporting lines of wholesale trade in the Seventh district. Whereas declines are customary in the month, this year groceries and electrical supplies recorded gains in sales over the preceding month, and hardware and drugs showed less than seasonal recessions in business from June. Sales of electrical supplies expanded 12 per cent and those of groceries 22 per cent over a month earlier, while hardware sales declined 4 per cent and drug sales one per cent, as against decreases in the July average of 9, 4, 11, and 6 per cent, respectively. Furthermore, in the yearly comparison the grocery trade showed the largest gain since October 1934 and the electrical supply trade since last August. As a con-

DEPARTMENT STORE TRADE IN JULY 1936

LOCALITY	PER CENT CHANGE JULY 1936 FROM JULY 1935		PER CENT CHANGE FIRST SEVEN MONTHS 1936 FROM SAME PERIOD 1935	RATIO OF JULY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JUNE	
	NET SALES	STOCKS END OF MONTH		1936	1935
Chicago.....	+14.5	-1.0	+13.2	34.1	31.4
Detroit.....	+23.6	+8.2	+8.0	46.4	43.1
Milwaukee.....	+15.9	+9.0	+12.5	40.1	39.0
Other Cities.....	+12.7	+5.1	+10.7	34.1	31.1
7th District.....	+16.1	+3.2	+11.4	39.1	36.4

sequence of the sharp expansion in the current period, grocery sales totaled slightly more—one per cent—in the first seven months of this year than last, whereas for the six-months' period they had recorded a one per cent decline; drug sales were 5 per cent, hardware sales 24 per cent, and electrical supply sales 34 per cent heavier in the seven months of 1936 than in the same period last year. Ratios of accounts outstanding to net sales remained in July well below the year-ago ratios and likewise were lower than a month earlier.

Although Seventh district department store trade experienced a seasonal recession in July of 25 per cent, sales continued to exceed substantially those of the corresponding month of 1935, the gains in the year-ago comparison for the past three months having been the heaviest since the close of 1934. It will be noted from the table that Detroit showed the greatest improvement over a year ago and the aggregate for stores in smaller cities the least. As is usual, stocks on hand declined somewhat between the end of June and close of July; in Chicago, they were slightly under July 31 last year,

but increases in other cities effected an aggregate gain for the district over a year ago of 3 per cent.

The retail shoe trade fell off seasonally in July, sales of reporting dealers and department stores totaling 36 per cent under those of the preceding month. As compared with July last year, the dollar volume sold was 9 per cent larger in the current month, and in the first seven months of 1936 sales aggregated almost 10 per cent above those of the same period in 1935. Stocks declined 6 per cent further during July but were 8 per cent heavier than at the close of July a year ago.

In accordance with seasonal trend, sales of furniture and house furnishings by dealers and department stores continued to decline in July, although the decrease of 19 per cent was slightly less than average for the month. An exceptionally large gain—33 per cent—was shown over a year ago. A fractional decline took place between the close of June and July 31 in the dollar volume of stocks on hand which were 7 per cent above those on the corresponding date last year.

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	July 1936	June 1936	May 1936	Apr. 1936	Mar. 1936	Feb. 1936	July 1935	June 1935	May 1935	Apr. 1935	Mar. 1935	Feb. 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	92	91	85	85	81	83	82	83	86	82	77	80
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	77	74	64	59	51	46	33	27	34	38	35	31
In Tons.....	12	85	80	68	60	50	46	32	25	31	38	33	29
Malleable—In Dollars.....	21	53	56	56	61	59	49	38	39	43	48	45	37
In Tons.....	21	77	82	81	89	88	73	55	57	65	72	69	57
Stoves and Furnaces—													
Shipments (in dollars).....	8	154	170	176	156	150	113	100	117	127	115	106	82
Furniture—													
Orders (in dollars).....	12	86	60	67	62	62	45	74	43	50	43	48	44
Shipments (in dollars).....	12	61	61	59	64	65	57	44	39	46	54	51	37
Output of Butter by Creameries—													
Production.....	59	114	145	140	89	87	82	153	173	144	99	83	81
Sales.....	61	111	133	120	99	88	90	134	141	130	94	87	79
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	85	70	65	66	63	60	74	68	69	66	62	60
Hardware.....	11	90	94	102	88	77	49	71	76	76	72	64	43
Drugs.....	12	76	77	76	78	78	67	70	70	74	73	73	69
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	63	86	86	84	79	68	55	76	73	75	69	60
Detroit.....	5	72	93	100	102	89	78	58	78	92	96	92	76
Indianapolis.....	4	73	93	97	94	96	66	64	79	88	88	89	65
Milwaukee.....	5	68	87	90	93	83	67	59	75	76	85	77	58
Other Cities.....	41	59	79	86	81	77	60	52	71	75	75	70	55
Seventh District—Unadjusted.....	82	65	87	90	89	82	69	56	76	78	81	76	62
Adjusted.....	82	91	89	88	84	90	87	78	77	77	76	83	79
Automobile Production—(U. S.)—													
Passenger Cars.....		127	128	132	142	117	77	94	100	104	132	123	93
Trucks.....		182	205	199	227	206	167	153	165	147	175	177	156
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		36	43	40	35	25	10	20	26	18	16	9	4
Total.....		72	58	61	54	56	34	38	34	33	36	32	17
Iron and Steel—													
Pig Iron Production:*													
Illinois and Indiana.....		101	101	100	94	81	75	53	59	67	65	63	63
United States.....		85	88	87	82	67	64	50	53	57	57	58	59
Steel Ingot Production—(U. S.)*.....		113	115	117	114	97	89	66	68	73	76	83	87

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

PRODUCTION, employment, and trade increased further in July, when allowance is made for the usual seasonal changes, and commodity prices continued to advance. Money rates remained at extremely low levels.

PRODUCTION AND EMPLOYMENT

Industrial production, which usually declines considerably in July, was maintained at the level of the preceding three months, and the Board's seasonally adjusted index advanced to 108 per cent of the 1923-1925 average as compared with 103 per cent in June. Output of steel continued at about the June rate, although a sharp decrease is usual, and automobile production declined by less than the usual amount. In the first three weeks of August there was little change in activity at steel mills, while at automobile factories output was curtailed as preparations were made for the production of 1937 models. Output of non-durable products was larger in July than in June, reflecting chiefly a sharp rise in activity at cotton mills and greater than seasonal increases in production at shoe factories, silk mills, and flour mills. At coal mines output increased and crude petroleum continued to be produced in large volume.

Factory employment increased further in July, contrary to seasonal tendency. The number of workers was larger than in June at steel mills, foundry and machine shops, and furniture factories, while at railroad repair shops there was a decline. Among the non-durable goods industries employment increased at textile mills and meat-packing plants, and declined less than seasonally at establishments producing wearing apparel. Factory payrolls decreased by a smaller amount than is usual in July.

The value of construction contracts awarded increased considerably from June to July, according to the F. W. Dodge Corporation, with large increases reported for both publicly-financed and privately-financed work.

AGRICULTURE

Crop prospects declined during July as a result of continued drought. On the basis of August 1 conditions, the corn crop was estimated by the Department of Agriculture at 1,439,000,000 bushels, a reduction of 37 per cent from last season, and estimates for spring wheat, oats, hay, and potatoes were also considerably under the harvests of a year ago. The cotton crop was forecast at 12,481,000 bales as compared with 10,638,000 bales last year and an average of 14,667,000 bales during the five years 1928-1932.

DISTRIBUTION

Retail trade was sustained in July at a higher level than is usual in that month. The Board's adjusted index of department store sales, which allows for a considerable seasonal decline, increased from 88 per cent of the 1923-1925 average in June to 91 per cent in July, and mail order and variety store sales also showed smaller decreases than are usual for the season. Freight-car loadings increased in July.

COMMODITY PRICES

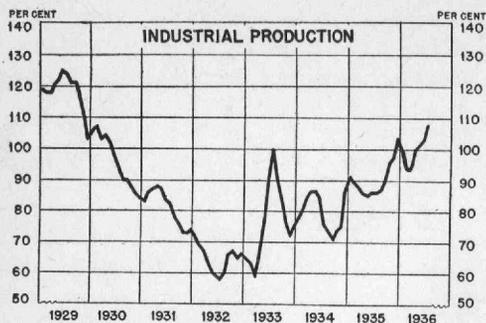
Wholesale commodity prices continued to advance between the middle of July and the middle of August. Prices of wheat, flour, feed grains, and dairy products rose considerably, owing primarily to the drought, and livestock prices also advanced while cotton declined. There was a considerable increase in the price of steel scrap.

BANK CREDIT

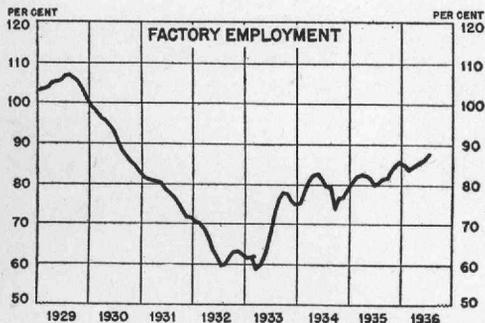
Excess reserves of member banks decreased from \$2,920,000,000 on July 15 to \$1,810,000,000 on August 19. About \$1,470,000,000 of excess reserves were absorbed by the increase of 50 per cent in reserve requirements of member banks, which went into effect August 15. This decrease was offset in part by a growth of \$360,000,000 in total reserve balances, reflecting principally large disbursements by the Treasury from its funds held on deposit with Federal Reserve banks.

After the increase in reserve requirements there remained a large amount of excess reserves widely distributed among member banks. The money market was not affected by the action, and interest rates remained at extremely low levels. In the week ending August 19 a few scattered banks borrowed at the reserve banks, but the total amount borrowed was negligible and some banks drew upon their balances with other banks in order to meet the increase in requirements. Deposits of domestic banks with reporting member banks in leading cities declined by \$210,000,000 in the week.

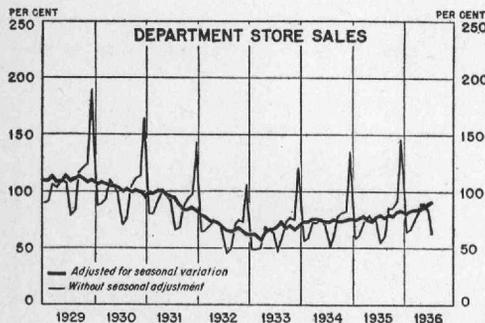
Between July 15 and August 19 loans and investments of reporting member banks in leading cities declined by \$260,000,000, reflecting reductions of \$130,000,000 in loans on securities and of \$160,000,000 in holdings of United States Government direct obligations, partly offset by an increase of \$60,000,000 in other loans to customers. Adjusted demand deposits, which increased to a new high level on July 22, were slightly smaller on August 19.



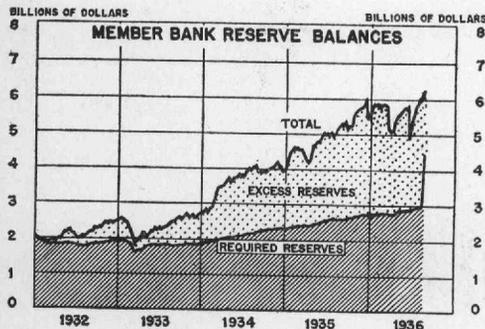
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to July 1936.



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



Indexes of value of sales, 1923-1925 average=100. By months, January 1929 to July 1936.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932, to August 19, 1936.