



BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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DISTRICT SUMMARY

INDICATIONS have appeared of some slowing-down in the rate of Seventh district industrial activity, although strike conditions have been partly responsible for this trend as have seasonal factors. The agricultural outlook in mid-June, on the other hand, was exceptionally favorable in so far as crop prospects were concerned. Furthermore, the volume of retail trade has been well sustained.

From the middle of May to the early part of June, operations of steel mills in the Chicago district dropped 23 points, the result of strikes at independent companies, although demand for deliveries remained good through May and into June. Production of automobiles, similarly, was affected in May by further strike difficulties, but output exceeded that of the corresponding month last year. Activity at steel and malleable casting foundries of the district declined in May, and orders for steel castings were below those of a year ago; a similar trend was indicated at stove and furnace factories. The volume of building construction fell off in May and was under the 1936 level, but the movement of building materials expanded. Orders booked by furniture manufacturers showed a counterseasonal decline in May and shipments were reduced by more than the usual amount. Further gains were recorded between mid-April and mid-May in the volume of Seventh district industrial employment and payrolls, both the manufacturing and non-manufacturing industries contributing to the increases; as in the preceding period, the durable goods industries showed heavier gains than did nondurable goods.

The production and distribution of butter and of Wisconsin cheese expanded in May over April but that of packing-house commodities declined, although because of a higher price level, the dollar value of sales in the last-named group was greater than a month previous. As compared with last May, production in all three groups aggregated less in the current period and was below the 1927-36 average for May; sales of meat products and of butter were larger, while those of cheese totaled smaller though above average for the month. Inventories of packing-

house commodities declined more than seasonally on June 1 from a month previous, and those of butter and of cheese increased less than usually. At interior primary markets, the movement of wheat continued in May to be much below average; corn receipts expanded counterseasonally, but reshipments were the smallest since the fall of 1935; oats receipts rose further in the period, while reshipments recorded a greater than seasonal increase over current arrivals. Prices of these grains showed a declining trend. Visible supplies thereof remained limited in volume. The mid-June outlook for Seventh district crops including fruits was unusually favorable, pastures and meadows continued to show improvement, and the outlook for garden truck was exceptionally good.

Counter-to-seasonal recessions in business were experienced during May by reporting wholesale trade groups of the Seventh district, with drug sales totaling also below those of a year ago and gains over last May by grocery and hardware firms being relatively small. Retail phases of distribution, on the other hand, recorded expansion in sales during May over April; that in the retail furniture trade was slightly less than in the 1927-36 average for the period, while in the department store and retail shoe trades it was greater than seasonal.

Because of a slightly larger volume of loans as well as investments, total loans and investments of reporting member banks in the district were about 10 million dollars heavier on June 16 than four weeks previous; both demand and time deposits in these banks increased somewhat in this period. Despite a sizable gain in funds to the district through commercial and financial transactions with other districts, collections by the United States Treasury caused reserve balances of all member banks in the district to show a decline of 15½ millions in the four weeks. Dealer sales of commercial paper in May increased substantially to a point close to the 1927-36 average for the month, but new financing through bankers' acceptances gained only slightly and remained much below average. Pronounced inactivity continued to characterize the midwest bond market.

Credit and Finance

In the four weeks between May 19 and June 16, reserve balances of Seventh district member banks declined 15½ million dollars. The principal factor in this decline was an excess of local Treasury collections over disbursements of

127½ million dollars; added to this was an increase in Seventh district money circulation of 2 million dollars. Largely offsetting the losses was a gain in funds of 114 million dollars through commercial and financial transactions with other districts. Chief items in Treasury receipts were heavy income tax collections around the June 15

period, a War Loan call of 82 million dollars from depository banks, and the sale of two issues of Treasury notes on June 15. On the side of Treasury payments, coupon and bill redemptions constituted the major factors. The gain in funds from other districts through commercial and financial transactions comprised largely shifts in interbank balances from New York to Chicago.

There was so little change reported in prevailing interest rates by leading Chicago and Detroit banks that no definite trend could be established in mid-June for either prime commercial, collateral, or commodity paper loan rates. The May average rate earned on total loans and discounts by representative Chicago banks was 2.72 per cent, as against 2.67 per cent for April; similarly situated Detroit banks experienced the same trend, with the average rising from 2.68 in April to 2.76 per cent in May.

Sales of commercial paper by midwestern dealers rose 36 per cent in May above those of April to a point 40½ per cent in excess of a year ago and only 11 per cent less than the 1927-36 May average. End-of-May outstandings increased but one per cent over the month earlier figure, although they stood 45 per cent above last year and 3½ per cent over the ten-year average for the date. Rates held steady during May and the first half of June. The bulk of the paper went at 1 to 1¼ per cent, with only a few names at ¾ per cent. Mid-June reports from several Chicago houses indicate a sizable increase in sales over the corresponding May period; the supply of paper remained steady and demand continued brisk.

The volume of acceptances created in May by Seventh district banks rose only 1½ per cent, or less than seasonally, over April, and totaled 16½ per cent below the May 1936 amount and 63½ per cent under the 1927-36 average for the month. Acceptances outstanding on May 29 fell seasonally 5 per cent below outstandings of April 30, remained 59½ per cent under the ten-year average for the end of the month, and were the lowest since June 1935. Bank holdings of acceptances on May 29 were 20½ per cent greater than a month previous and at the highest level since last October. Maturities during May were the smallest since July 1930. Reports for the first half of June from several Chicago banks show a drop of about 50 per cent in new financing as compared with the corresponding period of May. Almost complete stagnation in the open-bill market is reported by Chicago dealers; on June 22 nominal bill rates were again slightly reduced on all but the 30-day maturities, with 60-90 day bills quoted at ½ bid, 7/16 asked after the change.

Midwestern bond dealers report that the bond market during May and the first part of June was characterized by an inactivity even more pronounced than during April. Although, because of the great amount of financing which lately has been postponed, there is some feeling that the future may see an increase in new offerings, the volume

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	June 16 1937	Change from	
		May 19 1937	June 17 1936
Total bills and securities.....	\$279.9	\$ 0.0	\$ -43.7
Bills discounted.....	0.2	0.0	+0.2
Bills bought.....	0.4	0.0	0.0
U. S. Government securities.....	278.4	0.0	-42.8
Total reserves.....	1,811.6	+40.5	+135.1
Member bank reserve deposits.....	1,006.7	-15.5	+67.0
All other deposits.....	82.7	+58.6	-51.2
Federal Reserve notes in circulation..	966.9	-3.5	+77.1
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	88.1%	+0.3*	+2.8*

*Number of points.

of new corporate issues, of which a relatively large portion was for refunding purposes, was at a low ebb in May. The general trend of the bond market was upward with few recessions, best advances being made in short-term municipal and high-grade corporate bonds. Institutional buyers evidenced more interest in this type of security, but on the whole failed to abandon their attitude of caution. No marked indication of bond activity among the banks was noted, and individuals continued to pay more attention to speculative situations than to the purchase of bonds. Two issues of Treasury notes amounting to 800 million dollars, sold June 15, were oversubscribed more than six times by the country as a whole. The discount on 273-day Treasury bills issued in June was lower than in May; those dated June 23 were sold at an average rate of .578 per cent. Stock prices on the Chicago exchange, as reflected by the Chicago Journal of Commerce average, have moved lower and stood at \$55.49 on June 22.

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)

	May 1937	May 1936
Total country and city check clearings:		
Pieces.....	10,449,645	10,650,040
Amount.....	\$2,157,662,895	\$1,855,709,197
Daily average clearings:		
Total items cleared—		
Pieces.....	417,986	426,002
Amount.....	\$86,306,516	\$74,228,368
Items drawn on Chicago—		
Pieces.....	66,350*	102,785
Amount.....	\$44,164,000	\$38,731,000
Items drawn on Detroit—		
Pieces.....	20,404	17,939
Amount.....	\$11,301,476	\$8,835,758

*Decline in May 1937 is due to the packaging of checks drawn on Chicago banks.

Agricultural Products

Except that warm weather and abundant sunshine were greatly needed, the outlook for Seventh district crops was unusually favorable on June 22. Corn planting progressed rapidly in the last half of May and was completed on practically normal schedule; by June 22 the crop was up to a good stand, with some of the earliest laid by and with the bulk of plants 6 to 18 inches above ground. Although frequent rains

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	June 16 1937	Change from	
		May 19 1937	June 17 1936
Loans and investments—total.....	\$3,061	\$ +10	\$ +145
Loans—total.....	976	+5	+164
Commercial, industrial, and agricultural loans:			
On securities.....	50	0	...
Otherwise secured and unsecured.....	533	+5	...
Open-market paper.....	50	-2	...
Loans to brokers and dealers in securities	53	+3	-15
Other loans for purchasing or carrying securities.....	96	0	...
Real estate loans.....	81	+1	+13
Loans to banks.....	7	0	-3
Other loans:			
On securities.....	46	0	...
Otherwise secured and unsecured.....	60	-2	...
U. S. Government direct obligations.....	1,478	+4	-67
Obligations fully guaranteed by U.S.Govt.	173	+1	+27
Other securities.....	434	0	+21
LIABILITIES			
Demand deposits—adjusted.....	2,272	+21	+112
Time deposits.....	861	+6	+15
Borrowings.....	0	0	0

NOTE: A recent revision has been made in the classification of loan items, in order to make available additional data with respect to changes in the volume of the various kinds of loans of reporting member banks. Consequently, there will be no comparable year-ago figures for certain of these items for approximately one year.

interfered with farm work to such an extent that many fields remained weedy, corn had been cultivated at least once in northern areas and from two to three times elsewhere. The sowing of soybeans continued. An abundant production of small grains was in prospect for the district; these were beginning to ripen in the southern counties and to head in the north; dry weather was needed to prevent deterioration in quality. The growth of straw was generally rank and lodging took place in a number of localities because of heavy winds, rain, and hail on June 12 and 13; corn likewise was damaged in a few areas. A considerable tonnage of hay had been cut by June 22; some in windrows deteriorated from moisture. Pastures and meadows showed continued improvement. Prospects for fruit were above average. Early potatoes were in good condition; late varieties were still being planted. The outlook for canning crops and garden truck also was exceptionally good. Insect pests seemed unusually active.

On the basis of June 1 condition, a local statistician estimated that the 1937 oats crop in the five States including the Seventh Federal Reserve district would aggregate 540,410,000 bushels as compared with 391,766,000 bushels harvested in 1936 and 563,930,000 bushels in the 1928-32 average. Most commercial estimates of the United States production of oats ranged from 1,062,000,000 to 1,200,000,000 bushels as against the five-year average of 1,215,102,000 bushels. The average of the unofficial forecasts of the spring wheat crop in the United States was 229,000,000 bushels as compared with 107,448,000 bushels harvested in 1936 and the 1928-32 average of 241,312,000 bushels.

CROP PRODUCTION

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

(In thousands of bushels unless otherwise specified)

	Five States Including Seventh District			United States		
	Forecast 1937	Final 1936	1928-32 Average	Forecast 1937	Final 1936	1928-32 Average
Winter Wheat.....	124,170	92,453	80,119	648,597	519,013	623,220
Rye.....	14,658	6,822	6,727	45,974	25,554	38,212
Peaches.....	5,058*	2,001*	3,989*	56,102	47,650	57,298
Pears.....	3,023*	1,855*	1,594*	31,484	26,956	24,334
Strawberries**.....	1,256	1,281	1,088	11,705	10,010	11,620

*Michigan, Illinois, Indiana, and Iowa.

**In thousands of crates containing 24 quarts and on the basis of May 24 condition.

GRAIN MARKETING

The movement of wheat at interior primary markets of the United States was much smaller in May than the 1927-36 average for the month, with reshipments of the grain greater than at any time subsequent to last December and above the volume of current arrivals. Exports of wheat from the United States increased over both April and a year ago but were below imports, although the latter showed a decline from a month and year earlier. The prospect of a large crop in North America this year, weakness at Winnipeg, and pressure of Australian and Danubian offerings upon European markets, led to long

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	May 1937	Per Cent of Increase or Decrease from	
		April 1937	May 1936
Chicago.....	\$2,921	-7.2	+4.9
Detroit.....	1,068	+3.2	+26.0
Milwaukee.....	275	-6.4	+11.5
Indianapolis.....	203	-6.6	+20.3
Total four larger cities.....	\$4,467	-4.9	+10.3
37 smaller cities.....	811	-3.0	+10.5
Total 41 centers.....	\$5,278	-4.6	+10.4

liquidation in the United States and resulted in a decline in prices of No. 2 hard winter wheat for immediate delivery at Chicago from \$1.37 $\frac{1}{8}$ and \$1.40 $\frac{3}{4}$ on May 19, to \$1.16 $\frac{3}{4}$ and \$1.22 $\frac{3}{8}$ by June 7. Some recovery developed later, owing to a decrease in world shipments, adverse weather conditions in Canada, possibility of a wet harvest in the United States Southwest, and apprehension that black rust recently discovered in the winter wheat belt may carry a threat to the North American spring wheat crop. Visible supplies of the grain in the United States decreased sharply on June 12 from a month earlier and were about one-eighth of the 1927-36 average for the date.

Corn receipts at interior centers of accumulation expanded counterseasonally in May over April but reshipments of the grain fell to the lowest level since October 1935. After continuing in substantial volume throughout May, United States imports of the grain diminished somewhat during the first half of June. Prices of No. 2 yellow corn for current delivery at Chicago showed an almost uninterrupted decline from \$1.36 $\frac{1}{2}$ and \$1.39 $\frac{1}{2}$ on May 18, to \$1.12 $\frac{1}{4}$ and \$1.17 $\frac{1}{2}$ on June 18. Moreover, quotations for December delivery were 37 $\frac{5}{8}$ cents to 41 $\frac{1}{4}$ cents under June delivery, largely due to the possibility of a good harvest this year and a prospective decrease in feeding requirements. June 12 visible supplies of the grain in the United States were about one-fifth of the 1927-36 average for the date. Primary market receipts of oats rose slightly further in May, and reshipments of the grain not only exceeded those of any month subsequent to May 1934 but also recorded a greater than seasonal excess over current arrivals. Imports and exports continued negligible. Prices generally followed the trend of other grains and visible supplies remained in limited volume.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	May 1937	April 1937	May 1936	May 1927-36 Av.
	Wheat:			
Receipts.....	7,365	8,924	11,057	18,342
Shipments.....	10,125	8,749	13,477	18,764
Corn:				
Receipts.....	9,264	7,915	15,923	14,518
Shipments.....	4,092	4,762	11,467	13,998
Oats:				
Receipts.....	4,698	4,619	5,886	8,492
Shipments.....	9,412	7,754	8,772	9,990

MOVEMENT OF LIVESTOCK

Hog receipts at public stockyards in the United States declined further in May and were in the lowest volume since September 1935; those of cattle were above any month subsequent to January this year, and the number of lambs and calves was the largest since last autumn. With the exception of hogs, each gained substantially in volume

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, May 1937.....	167	333	213	89
Federally Inspected Slaughter, United States:				
May 1937.....	745	2,099	1,371	561
April 1937.....	802	2,810	1,334	588
May 1936.....	786	2,579	1,213	503

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	June 19 1937	May 1937	April 1937	May 1936
Native Beef Steers (average).....	\$11.95	\$11.20	\$10.85	\$7.95
Fat Cows and Heifers.....	9.50	8.55	8.30	6.90
Calves.....	8.85	9.25	8.65	8.75
Hogs (bulk of sales).....	10.95	10.80	10.00	9.55
Lambs.....	11.70	10.85	12.40	10.50

over a year ago. The number of cattle and calves was in excess of the 1927-36 May average, but that of hogs declined sharply in this comparison and there was also a small decrease in lambs. Movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—diverged in several instances from the trend of market receipts: the slaughter supply of cattle fell off nonseasonally from a month earlier and was under last May; that of calves was the smallest since February; and the quantity of lambs for slaughter had been exceeded in December and January but was above the ten-year average.

Reshipments of cattle and calves to feed lots were greater during May than at any time since last December, and those of lambs were the heaviest since November. The movement of feeder cattle and calves considerably exceeded both the 1932-36 average and a year ago; that of lambs decreased from last May and showed a small gain over the five-year average.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States fell off counterseasonally by 14 per cent in May from April to a level below any month since September 1935, and was not only 13 per cent under a year earlier but 24½ per cent below the 1927-36 average for the period. The tonnage sold exceeded current production by a substantial amount and was slightly greater than a year ago, but registered a decline of 4 per cent from April and of 12½ per cent from the ten-year average for the month. Although quotations for a few commodities eased, the general price level of packing-house commodities averaged higher in May than in the preceding period. Dollar sales billed to domestic and foreign customers rose 4½ per cent over April to a level 16½ per cent above last May, and were 11½ per cent greater than the 1927-36 average for May. Inventories of packing-house commodities in the United States decreased more than seasonally on June 1 from the beginning of May, but were nearly 60 per cent greater than last year and 23½ per cent above the 1932-36 average for the date. Payrolls at the close of May showed a decline from April of 1½ per cent in number of employes, of 2 per cent in hours worked, and of 3 per cent in wage payments. There was an increase over last May, however, of 7½ per cent each in number of workers and in hours worked, and of 30 per cent in wage payments.

Shipments for export increased in May over April, largely because of heavier shipments of lard on consignment to the United Kingdom. British demand for American pork products was fair during the month but confined principally to stocks already landed. Practically no inquiries for future delivery were received. Aside from limited quantities of lard being sold to Czechoslovakia and some oleo to Sweden, Continental trade remained generally quiet. Cuban trade in packing-house commodities in the United States continued good but there was some decline in Porto Rican demand. British quotations for United States lard improved somewhat during the period, though remaining slightly below Chicago parity, with prices of American hams continuing considerably under this basis, largely owing to competition from other producing countries. Swedish and Danish prices on lard in Copenhagen were two to three cents below the United States parity. Imports of animal products into the United States decreased further in May.

Creamery butter manufacture in the Seventh Federal Reserve district rose 44 per cent in May over April to the highest level since last June, but was 7½ per cent under, a year ago and 15 per cent below the 1927-36 average for the period. The tonnage sold was not only 22 per cent greater than in April and the heaviest since last June, but also 2 per cent larger than last May and within 7½ per cent of the ten-year average. The production of creamery butter in the United States expanded about seasonally over a month earlier and was only slightly below last May and the ten-year average for the month. Inventories of the commodity in the United States increased somewhat less than is usual on June 1 over the beginning of May, and were 6,350,000 pounds below the 1932-36 average for the date. Prices declined slightly to May 15 and then, under the influence of purchases by the Agricultural Adjustment Administration, held steady at around 30 cents during the remainder of the month and in the first three weeks of June.

The production of American cheese in Wisconsin increased 23½ per cent in May over April, although it aggregated 6½ per cent less than a year earlier and 10½ per cent below the 1927-36 average for the month. Distribution of the commodity nearly equaled current production, being only 7½ per cent under a year ago, 13½ per cent greater than in April, and 8 per cent above the ten-year average for May. Total inventories of cheese in the United States increased somewhat less than normally on June 1 over the beginning of May but exceeded the 1932-36 average for the date by more than 40 per cent. After declining in the latter part of April, prices continued steady through May and showed some advance in the first three weeks of June.

Industrial Employment Conditions

The number of workers gainfully employed in reporting Seventh district industries was approximately 1½ per cent larger by the middle of May than a month earlier, and wage payments were nearly 3 per cent higher in a comparison of the corresponding payroll periods. The gains

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of May 15, 1937			Change from April 15, 1937	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners %	Earnings %
	No.	No.	\$		
DURABLE GOODS:					
Metals and Products ¹ ..	1,533	493,606	15,091	+1.1	+0.4
Vehicles.....	337	440,998	15,303	+2.9	+7.0
Stone, Clay, and Glass.	259	25,240	637	+2.6	+2.1
Wood Products.....	410	47,137	1,013	-4.4	-6.0
Total.....	2,539	1,006,981	32,044	+1.6	+3.3
NON-DURABLE GOODS:					
Textiles and Products..	338	64,206	1,213	-2.9	-4.7
Food and Products.....	739	100,830	2,691	+2.1	+2.7
Chemical Products.....	242	35,585	1,054	+1.1	+0.8
Leather Products.....	135	26,994	558	-0.8	-4.1
Rubber Products.....	32	21,332	579	+0.9	+1.4
Paper and Printing....	619	81,118	2,409	+1.9	+3.5
Total.....	2,105	330,065	8,504	+0.6	+1.0
Total Mfg., 10 Groups...	4,644	1,337,046	40,548	+1.4	+2.8
Merchandising ²	3,420	117,254	2,530	+2.0	+3.0
Public Utilities.....	708	96,993	3,267	+1.8	+2.2
Coal Mining.....	24	2,617	61	-28.9	-15.1
Construction.....	330	10,823	298	+11.0	+19.2
Total Non-Mfg., 4 Groups	4,482	227,687	6,156	+1.8	+3.0
Total, 14 Groups.....	9,126	1,564,733	46,704	+1.4	+2.8

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

were well distributed throughout the district and among the major groups, manufacturing and non-manufacturing industries contributing equally according to their respective volumes. As was the case in the preceding month, increases in employment and payrolls were heavier in the manufacture of durable than nondurable goods, mainly on account of the automobile industry which up to the period of the current report was still showing recovery from the effects of the earlier prevailing strike conditions. The metals and products group, exclusive of vehicles, also continued to record expansion, although the gains were light in comparison with those of recent months. The strike within the steel industry, which later assumed wide proportions, had not started at the time of the current reports. Other important increases for the April to May period were registered by the stone-clay-and-glass products group, which showed further seasonal expansion; by food products, which added to its employment volume for the first time this year while continuing an increase in wage payments that has characterized this group in recent months; and by the construction industries, which showed about as large a seasonal gain as in the preceding month. The major decreases reported were in wood products, which registered its first recession since last January, and in textiles and leather products in both of which groups declines also had been recorded during the preceding period. Coal mining was curtailed sharply for the second consecutive month, the combined decrease amounting to about two-fifths of its earlier volume of employment and to more than one-half of the corresponding wage payments.

Petroleum Refining

Though relatively unimportant in crude oil production, the Illinois, Indiana, and Kentucky area has about 12 to 15 per cent of the total petroleum refining capacity of the United States. Data on crude runs to stills indicate that refineries in this territory, which lies largely in the Seventh Federal Reserve district, were operating at about 96½ per cent of capacity in the week ended June 12, while the rate for the country as a whole was about 82½ per cent. Average runs of crude petroleum to stills in the Illinois, Indiana, and Kentucky area rose 3 per cent in April over March and were 12 per cent greater than a year earlier, although average daily gasoline production gained only 1 and 9½ per cent, respectively, in the comparisons. For the first four months of the year, crude runs to stills in this area aggregated 14½ per cent heavier than in the corresponding 1936 period, while gasoline production showed a similar gain of 16 per cent.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

With strike disturbances still manifesting themselves in numerous instances, the production of automobiles in May failed to equal the April volume, although it totaled larger than in the same month a year ago and above any May since 1929. There were 425,432 passenger cars manufactured in the current period, which number is 3 per cent less than in April and 10½ per cent greater than for May 1936. Truck output this May, numbering 91,467, showed a decline of 5 per cent from the preceding month and a gain of 21 per cent over last May.

Some decline took place during May in retail sales of new automobiles by midwest dealers, and the number of cars sold was about 10 per cent smaller than in May last year. Wholesale distribution, however, totaled substantially heavier than in April or a year ago. Stocks of new cars in dealers' hands increased further between April 30 and the close of May, though remaining much smaller than a year previous. Used-car sales gained a little in May over April, but numbered under those of May 1936; stocks were slightly lower in both comparisons.

IRON AND STEEL PRODUCTS

Strikes affected operations of independent steel mills in the Chicago district from the latter part of May through the middle of June, and as a result thereof the rate of steel ingot output for the district as a whole dropped 23 points between the middle of May and the early part of June from 86 per cent of capacity to only 63 per cent; it rose one point in the following week to 64 per cent. Some tapering-off in new business has been apparent in recent weeks, but demand for deliveries has remained strong with that from freight-car builders, tank builders, the oil equipment industry, and tractor and agricultural implement manufacturers being noticeably good in volume. Needs of the automobile industry have lessened somewhat since the first of June. Pig iron production in May increased 2 per cent further in the daily average and was about one-third greater than in May last year. Prices in the iron and steel scrap market continued weak through the latter part of May and into June.

Demand for steel and malleable iron castings diminished sharply further in May, the tonnages booked during the month being respectively 65 and 25 per cent lighter than those of a month earlier. Production and shipments registered a more moderate decline, aggregating lower than

MIDWEST DISTRIBUTION OF AUTOMOBILES

	May 1937 Per Cent Change from		Companies Included
	April 1937	May 1936	
New Cars:			
Wholesale—			
Number Sold.....	+29.0	+25.1	17
Value.....	+15.2	+20.3	17
Retail—			
Number Sold.....	-6.1	-10.6	30
Value.....	-7.9	-5.8	30
On Hand End of Month—			
Number.....	+8.3	-29.3	30
Value.....	+12.9	-21.7	30
Used Cars:			
Number Sold.....	+0.9	-8.5	30
Salable on Hand—			
Number.....	-3.4	-3.4	30
Value.....	-1.3	+3.4	30

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	May 1937 Per Cent Change from		Number of Firms or Yards
	April 1937	May 1936	
Wholesale Lumber:			
Sales in Dollars.....	+2.7	+33.4	7
Sales in Board Feet.....	-3.7	+18.5	5
Accounts Outstanding ¹	+6.9	+27.3	7
Retail Building Materials:			
Total Sales in Dollars.....	+8.1	+9.8	157
Lumber Sales in Dollars.....	+16.6	+20.6	75
Lumber Sales in Board Feet.....	+7.6	+3.8	85
Accounts Outstanding ¹	+11.3	+4.3	154
	Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month		
	May 1937	April 1937	May 1936
Wholesale Trade.....	141.2	135.7	148.0
Retail Trade.....	234.1	225.5	245.5

¹End of Month.

in the preceding month by approximately 10 per cent in both steel and malleable castings. Recessions were slightly smaller in dollar measurement than in tonnage units. Orders booked for steel castings fell below the corresponding volume of a year ago for the first time since October 1935, but production and shipments continued to show favorable though somewhat smaller margins of gain than in recent months. At malleable casting foundries increases over a year previous were recorded in all items, those in production and shipments being proportionately as large as in earlier months this year.

In the manufacture of stoves and furnaces, orders accepted during May were 39 per cent smaller than in April, while shipments showed a recession of 6 per cent and molding-room operations a decline of 7 per cent. Orders were smaller than in the corresponding month a year ago by 26 per cent, but shipments and operations totaled, respectively, 27 and 4 per cent larger in this comparison.

FURNITURE

Trends during May in the furniture manufacturing industry of the Seventh district were downward. New orders booked declined counterseasonally by $3\frac{1}{2}$ per cent from April and the 13 per cent reduction in shipments was somewhat greater than is usual for the period. Although gains of 16 and 30 per cent over a year ago were recorded in these respective items, the increases were the smallest in the comparison since the early part of 1936. Shipments totaled less than the amount of new orders and, despite cancellations, unfilled orders on hand at the end of May were only slightly reduced in volume from the close of the preceding month, while their ratio to orders booked rose from 116 per cent for April to 119 per cent in the current period and compared with 75 per cent for last May. Operations averaged slightly lower during May than a month earlier, but were above 80 per cent of capacity and about 15 points higher than a year ago.

Building Materials, Construction Work

Sales of lumber, measured in dollar units, followed the customary trend this May, wholesale and manufacturing firms reporting a slight rise over the preceding month and retail dealers a substantial increase. Distribution in board-foot volume, however, showed a decline at wholesale, contrary to the usual trend, and a smaller than average expansion at retail. Total dollar sales of coal as well as of building materials handled by reporting retail yards increased proportionately less than did sales of lumber alone, but the gain was closely in line with the average for May. Both wholesale and retail distribution of lumber continued to be much heavier than in the same month last year. Outstanding accounts increased during May and were larger in ratio to sales than a month earlier, though remaining slightly lower than a year ago. Other building materials, such as brick and cement, also showed an appreciable expansion in activity in May over the preceding

month: production and shipments of cement, according to preliminary data, followed the average April to May movement with increases of approximately 50 per cent each; brick deliveries in some sections of the district were equal in volume to those of April, while in others they were substantially larger. Both cement and brick shipments exceeded materially those of a year ago.

BUILDING CONSTRUCTION

Building contracts awarded in the Seventh district dropped off 10 million dollars in the aggregate for May from April and were 4 millions smaller than in the month last year. Residential building, which comprised 31 per cent of the total, was $3\frac{1}{2}$ millions lighter than a month earlier and very slightly greater than a year ago; for the year to date, however, it remains well above the corresponding 1936 volume, while total building is moderately heavier.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
May 1937.....	\$37,412,000	\$11,715,600
Change from April 1937.....	-21.0%	-22.9%
Change from May 1936.....	-10.1%	+1.0%
First five months of 1937.....	\$205,275,300	\$58,258,400
Change from same period 1936.....	+13.4%	+60.6%

*Data furnished by F. W. Dodge Corporation.

The trend in proposed construction likewise was downward in May. The estimated cost of permits issued during the month in 102 cities of the district totaled 18 per cent below that of the preceding period, while the number of such permits was $1\frac{1}{2}$ per cent smaller. However, as compared with last May, gains of 13 and 14 per cent were shown in the respective items. All of the five larger cities of the district recorded declines from April in the estimated cost of permits issued, and Indianapolis, Des Moines, and Detroit showed decreases from a year ago. Permits issued in Chicago, on the other hand, totaled in value more than 100 per cent above May 1936, and Milwaukee had an increase of over 50 per cent in the comparison.

Merchandising

The wholesale distribution of commodities in May, according to data of reporting trade groups in the district, fell off counter to trend for the period. Hardware sales declined one per cent, electrical supply sales 7 per cent, grocery sales 8 per cent, and drug sales 10 per cent, as against respective gains of 7, 9, and 5 per cent in the 1927-36 May average for the first three named groups and no change for drugs. Business in the drug trade was smaller than a year ago for the first time in nine months, and the

DEPARTMENT STORE TRADE IN MAY 1937

Locality	Per Cent Change May 1937 from May 1936		Per Cent Change First Five Months 1937 from Same Period 1936	Ratio of May Collections to Accounts Outstanding End of April	
	Net Sales	Stocks End of Month		1937	1936
Chicago.....	+13.0	+19.1	+16.6	32.9	29.3
Detroit.....	+16.6	+13.2	+16.8	45.9	47.1
Milwaukee.....	+14.5	+14.0	+17.3	40.2	40.9
Other Cities.....	+11.1	+14.9	+13.9	36.8	37.4
7th District.....	+13.6	+16.1	+16.2	39.4	38.9

WHOLESALE TRADE IN MAY 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries.....	+4.8	+21.0	-0.2	+4.9	80.4
Hardware.....	+5.8	+40.3	+11.4	+22.0	162.7
Drugs.....	-2.3	+8.1	-6.7	+5.4	148.4
Electrical Supplies..	+43.2	+76.9	+52.3	+65.5	123.5

increases in groceries and hardware were relatively small; although the gain in electrical supply sales in this comparison remained heavy, it was much less than in other recent months. In the first five months of 1937, the dollar volumes sold exceeded those for the same period in 1936 by 7 per cent in the drug trade, 9 per cent in groceries, 24½ per cent in hardware, and 64½ per cent in electrical supplies. In all groups except drugs, stocks declined slightly between April 30 and the close of May. Ratios of accounts outstanding to net sales rose during May in all groups and in hardware and electrical supplies were above those of a year ago.

An increase of 6 per cent took place in May over April in Seventh district department store trade, the gain comparing with an increase of but one per cent in the 1927-36 average for May. Milwaukee trade gained only one per cent over a month earlier, but sales by Chicago and Detroit stores rose 6 and 7 per cent, respectively, and the total for firms in smaller cities increased 9 per cent. It will be noted in the table that this last group showed a somewhat smaller gain over a year ago than did the larger cities. Although stocks declined slightly during May, they continued to aggregate 16 per cent heavier than last year at the same time; stock turnover in May was a little less than in the 1936 month.

Although the expansion of 8 per cent shown over the preceding month in May sales of shoes by reporting dealers and department stores is a little better than seasonal for the period, the volume of business totaled less than one per cent above that of the corresponding 1936 period. However, trade in the first five months of this year totaled 13 per cent above the same period a year ago. Stocks were a little lower at the end of May than a month earlier but 19 per cent larger than at the close of May last year.

A somewhat less than usual increase was recorded for May over April in aggregate sales of furniture and house-furnishings by dealers and department stores, the gain of 5 per cent comparing with one of 8 per cent in the 1927-36 average for May. Again, dealers experienced the larger expansion over the preceding month and department stores the greater increase over a year ago: the dollar volume sold by dealers exceeded that of April by 7½ per cent, while department stores sold 4½ per cent more; as compared with last May, dealer sales totaled only fractionally higher, and those by department stores 23 per cent heavier. The combined sales volume showed a gain of 17 per cent over May 1936. There was a decline of 2 per cent in stocks during May, although they remained around 23 per cent above the year-ago level.

MONTHLY BUSINESS INDEXES 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 1923-24-25 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	May 1937	Apr. 1937	Mar. 1937	Feb. 1937	Jan. 1937	Dec. 1936	May 1936	Apr. 1936	Mar. 1936	Feb. 1936	Jan. 1936	Dec. 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	100	96	95	92	101	96	86	85	81	83	85	83
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	109	119	124	104	95	73	64	59	51	46	42	41
In Tons.....	12	108	123	136	114	102	77	68	60	50	46	42	41
Malleable—In Dollars.....	21	80	85	88	74	69	66	56	61	59	49	52	49
In Tons.....	21	102	112	122	103	98	96	81	89	88	73	78	73
Stoves and Furnaces—													
Shipments (in dollars).....	9	193	205	180	131	103	266	153	143	139	113	93	176
Furniture—													
Orders (in dollars).....	12	78	81	94	74	114	67	67	62	62	45	73	43
Shipments (in dollars).....	12	78	92	102	85	65	81	59	64	65	57	41	53
Output of Butter by Creameries—													
Production.....	59	129	90	80	70	72	77	140	89	87	82	82	79
Sales.....	61	122	100	98	90	85	93	120	99	88	89	94	101
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	65	70	72	60	65	70	63	65	61	59	63	59
Hardware.....	11	107	108	101	70	64	93	102	88	77	49	48	65
Drugs.....	13	74	82	86	77	85	90	75	77	79	69	73	74
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	96	93	100	76	78	157	87	84	79	68	64	133
Detroit.....	6	118	117	113	93	88	194	103	106	93	79	75	160
Milwaukee.....	5	101	102	103	76	77	160	90	93	83	67	63	135
Other Cities.....	44	96	90	96	70	68	156	88	84	81	62	59	130
Seventh District—Unadjusted.....	84	101	97	102	78	78	164	90	89	82	69	65	137
Adjusted.....	84	100	98	104	97	97	98	90	86	89	86	81	82
Automobile Production—(U. S.)—													
Passenger Cars.....		145	150	138	101	106	145	131	142	117	77	102	117
Trucks.....		243	256	240	179	187	195	201	229	207	168	176	163
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		40	52	52	28	27	28	40	35	25	10	14	21
Total.....		55	69	69	42	64	50	61	54	56	34	59	78
Fig Iron Production*—													
Illinois and Indiana.....		133	130	127	123	120	117	100	94	81	75	77	79

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

VOLUME of industrial production in May continued at the level of the two preceding months. Commodity prices declined slightly in May and the first three weeks of June.

PRODUCTION, EMPLOYMENT, AND TRADE

In May the Board's seasonally adjusted index of industrial production remained unchanged at 118 per cent of the 1923-25 average. Output of iron, steel, automobiles, and lumber increased further. At cotton and woolen mills and at shoe factories activity continued at a high level, while at silk mills, meat-packing establishments, and sugar refineries there were considerable decreases. Crude petroleum production continued to rise and output of bituminous coal increased somewhat, following a sharp decline in April. Shipments of iron ore in May were larger than in the corresponding month of any previous year. In the first three weeks of June, automobile production declined seasonally and, largely owing to labor disturbances, steel output was reduced to 77 per cent of capacity as compared with 90 per cent in May.

Value of construction contracts awarded in May was smaller than in April, according to figures of the F. W. Dodge Corporation. There were declines in awards for residential and other private projects, while contracts for public projects increased. In the first half of June awards for both private and public work were at a somewhat higher rate than in May.

Factory employment, which usually declines at this season showed little change from April to May and the Board's adjusted index advanced somewhat further. Employment in the durable goods industries continued to increase while employment in other lines declined seasonally. Factory payrolls remained at the April level, following sharp increases in earlier months.

Distribution of commodities to consumers continued in May at the level of other recent months. Sales at department stores and at variety stores showed a seasonal rise and mail-order sales were maintained.

COMMODITY PRICES

Between the middle of May and the third week of June, prices of grains, except spring wheat, declined considerably and there were smaller declines in cotton, cotton goods, wool, rubber, and steel scrap, while prices of most other commodities showed little change.

BANK CREDIT

Excess reserves of member banks, which had been about \$900,000,000 after the May 1 increase in reserve requirements, declined by about \$180,000,000 during the week ending June 16, in connection with Treasury operations, but increased in subsequent days and on June 23 were at a level of \$810,000,000.

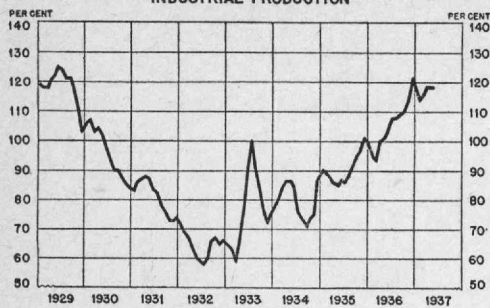
At reporting member banks in leading cities holdings of United States Government obligations, after several weeks of little change, increased sharply during the week ending June 16, reflecting purchases of the new issues of Treasury notes.

Commercial loans at member banks continued to increase in the four weeks ending June 16. This increase was largely at banks in New York City, which also showed a growth in loans to other New York banks and to brokers and dealers in securities.

MONEY RATES

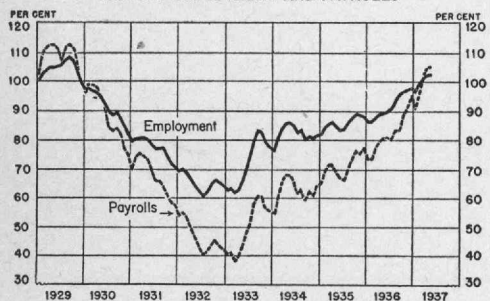
The open-market rate on 90-day bankers' acceptances, which had been reduced from $\frac{1}{8}$ to $\frac{1}{2}$ of 1 per cent on May 7, was further reduced to $\frac{1}{16}$ of 1 per cent on June 22. Other money rates have shown little change in recent weeks.

INDUSTRIAL PRODUCTION



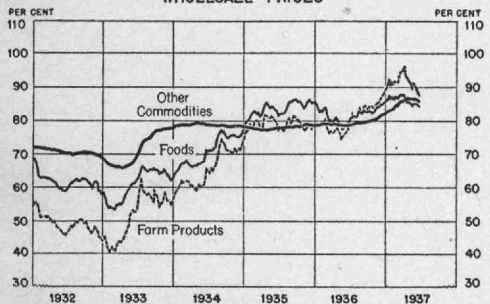
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to May 1937.

FACTORY EMPLOYMENT AND PAYROLLS



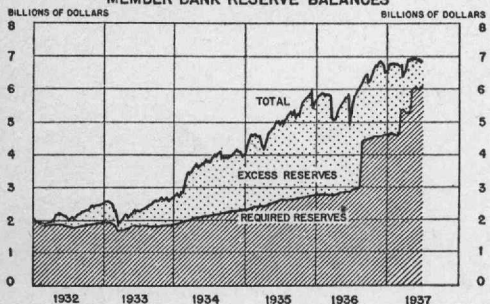
Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 to May 1937.

WHOLESALE PRICES



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1932 to date. Latest figure is for week ending June 19, 1937.

MEMBER BANK RESERVE BALANCES



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required reserves, January 6, 1932, to June 23, 1937.