



BUSINESS CONDITIONS

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RESERVE
DISTRICT

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DISTRICT SUMMARY

ALTHOUGH a further lessening of activity was evident during June in several phases of Seventh district industry, especially in the heavier goods production groups, a few lines recorded expansion following a decline in the preceding month; the prospects for Seventh district crops remained unusually good; and the distribution of commodities continued in substantial volume except for the influence of seasonal trends. Despite the deterrent effect exerted by labor disturbances in recent months, the production and sale of goods in the first half of this year exceeded the level of the corresponding 1936 period by a satisfactory margin.

The average rate of steel operations for the Chicago district remained curtailed through June, as strikes at independent mills continued, but the resumption of operations at these mills early in July caused the rate to rise sharply again. The manufacture of automobiles continued to decline in June and activity in the furniture industry was further reduced, in accordance with seasonal trend. On the other hand, the volume of new building construction in this area was the heaviest since March 1931, and the movement of building materials in general was larger. Also, business at steel casting foundries expanded, following a recession in May, and shipments from malleable casting foundries increased though orders declined. Aggregate industrial employment and payrolls in the Seventh district were smaller in June than a month earlier, due to the reduced activity in the steel and automobile industries.

Output in reporting food groups increased in June to a greater than seasonal extent, both production and sales of packing-house commodities, butter, and Wisconsin cheese rising over the volumes of the preceding month. However, except for a gain in butter sales and production, and an increase in the dollar value of packing-house commodities sold, comparisons with year-ago levels showed declines. Receipts of wheat at interior primary markets

were exceptionally large in June and above the 1927-36 average for the period; reshipments, though under receipts, totaled the heaviest of the year so far. Likewise, the June movement of corn was the largest in several months, but marketings of oats were the smallest since the latter part of 1936. Supplies of these grains were much below the 1928-32 average for the period. Most Seventh district crops this year will considerably exceed the 1936 harvests, or so conditions in the third week of July indicated; pastures and meadows are in good condition; and truck crops are showing rapid growth.

Following a decline in May, business of reporting wholesale trade groups in this district improved in June. Department store sales and the retail furniture trade showed less than seasonal recessions from the preceding month, while the retail shoe trade increased nonseasonally. All of these phases of distribution had heavier sales volumes in the first six months of 1937 than in the first half of last year, most of the gains being substantial.

Weekly condition data for reporting member banks in the Seventh district show that in the four weeks ended July 14, loans, principally commercial, of such banks increased moderately, but this gain in assets was more than counteracted by a decline in holdings of United States Government obligations, so that total loans and investments recorded a loss of 11 million dollars in the period. There was little change over the four weeks in demand or time deposits at these banks. Reserve balances of all member banks in the district likewise showed little net change from June 16 to July 14. A further substantial increase took place during June in dealer sales of commercial paper, which were at the highest level in over six years, while new financing through bankers' acceptances fell off more than seasonally in the month. There has been some recent improvement in bond market conditions.

Credit and Finance

Reserve balances of Seventh district member banks declined about $3\frac{1}{2}$ million dollars in the four-week period ended July 14. An excess of Treasury receipts over disbursements of $63\frac{1}{2}$ million dollars plus a holiday increase of $7\frac{1}{2}$ million dollars in money circulation were the factors contributing to a decline, but almost completely offsetting

them were a gain in funds of 62 million dollars through commercial and financial transactions with other Federal Reserve districts and a $5\frac{1}{2}$ million dollar increase in reserve bank credit extended. Continued income tax receipts, the sale of Treasury bills, and a War Loan call from depositary banks chiefly comprised Treasury collections, offset only in part by redemptions of Treasury bills. The gain from other districts through commercial and financial

transactions was largely accounted for by further shifts in banking funds from New York to Chicago.

Except for some weakening in interest rates on commodity paper loans among down-town Chicago banks, practically no change was reported in mid-July from a month earlier by major Detroit and Chicago banks in prevailing rates charged customers. For the larger Chicago banks the average rate earned on total loans and discounts during June was 2.69 per cent against 2.72 in May, while the June average for several Detroit banks stood unchanged at 2.76 per cent.

Although a decrease is normally expected, June sales of commercial paper by midwestern dealers were the highest for any month since January 1931, and aggregated 27 per cent above May and 86½ per cent more than sales in June 1936. For the first time since last December monthly sales were higher than in the 1927-36 average for the period. June 30 outstandings also exceeded the June ten-year average and stood 53½ per cent above a year ago, but fell off 8 per cent from the preceding month. No substantial change in commercial paper rates was noted; dealers reported considerable amelioration in demand from both city and country banks. During the first half of July several Chicago firms reported a substantial increase in sales over the corresponding June period, due principally to the seasonal presence of large borrowers in the market.

Total acceptances created in June by Seventh district accepting banks, though approximately equaling the June 1936 figure, fell 36 per cent, or more than seasonally, below the May amount to a point 68½ per cent under the 1927-36 June average. For the first half of July, several "loop" banks in Chicago had the same volume of new financing as for the equivalent June period. June 30 outstandings totaled lower than at the end of any month since this bank commenced gathering acceptance data in 1923, being 15½ per cent less than a month earlier. Maturities during June were about 2½ times those of May. Banks reported no sales of bills and total purchases fell off in the period. Holdings of acceptances by banks on June 30 were seasonally lower than a month previous. With no change in the nominal rates quoted, practically no activity has been reported in the Chicago open-bill market.

Some indication of improvement was noted in the final days of June and the first part of July from the weakness and inactivity which has characterized the bond market in recent months. Midwestern bond dealers reported that most of June saw a quiet inactive market, with no significant price changes until the end of the month, when the corrective force of accumulated funds and a better general feeling brought about greater stability and moderate price advances. Bolstered by several large, well-received offerings, the volume of new corporate financing aggregated considerably heavier than in the dull May period; also a

smaller proportion of the offerings was for refunding purposes than in recent months. Only a few dealers reported any interest in bonds on the part of individual investors; however, institutional buyers gave considerable support to the high grade market. Bank purchases of bonds continued light, but scant liquidation was noted. A lower discount on 273-day Treasury bills prevailed in July; those dated July 21 were sold at an average rate of .502 per cent. After falling through most of June, Chicago Stock Exchange prices experienced a sharp reversal of trend after the July 4 holiday. The Chicago Journal of Commerce average stood at \$59.14 on July 21, in contrast to the year's low of \$54.05 reached June 29.

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)

	June 1937	June 1936*
Total country and city check clearings:		
Pieces.....	11,245,644	11,302,132
Amount.....	\$2,340,332,409	\$2,063,403,691
Daily average clearings:		
Total items cleared—		
Pieces.....	432,525	434,697
Amount.....	\$90,012,785	\$79,361,680
Items drawn on Chicago—		
Pieces.....	71,565**	101,056
Amount.....	\$46,140,000	\$41,916,000
Items drawn on Detroit—		
Pieces.....	21,626	19,801
Amount.....	\$11,502,054	\$9,402,390

*Revised figures.

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

Agricultural Products

Conditions prevailing in the third week of July indicated that the 1937 production of most crops in the Seventh Federal Reserve district would not only exceed that of 1936 by a wide margin but also be larger than the 1928-32 average. Corn had made rapid progress since mid-June and was in excellent condition, with the bulk laid by, a considerable portion five to six feet high, much already in tassel, and some of the earliest in silk. The harvesting of small grains had made excellent progress by July 20; a large percentage of the crop had been cut and threshing was well under way in most sections. Soft winter wheat showed considerable deterioration from rust and lodging after the beginning of July, and threshing returns revealed disappointing yields in several areas, but indications were that

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	Change from		
	July 14 1937	June 16 1937	July 15 1936
Loans and investments—total.....	\$3,050	\$ -11	\$ +35
Loans—total.....	999	+23	+157
Commercial, industrial, and agricultural loans:			
On securities.....	49	-1	..*
Otherwise secured and unsecured.....	555	+22	..*
Open-market paper.....	51	+1	..*
Loans to brokers and dealers in securities	56	+3	-4
Other loans for purchasing or carrying securities.....	93	-3	..*
Real estate loans.....	81	0	+13
Loans to banks.....	7	0	-2
Other loans:			
On securities.....	46	0	..*
Otherwise secured and unsecured.....	61	+1	..*
U. S. Government direct obligations.....	1,446	-32	-155
Obligations fully guaranteed by U.S.Govt.	174	+1	+24
Other securities.....	431	-3	+9
LIABILITIES			
Demand deposits—adjusted.....	2,263	-9	+31
Time deposits.....	866	+5	+65
Borrowings.....	0	0	0

*Not Available.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Change from		
	July 14 1937	June 16 1937	July 15 1936
Total bills and securities.....	\$279.9	\$ -0.1	\$ -11.7
Bills discounted.....	0.2	0.0	+0.2
Bills bought.....	0.4	0.0	0.0
U. S. Government securities.....	278.4	0.0	-10.7
Total reserves.....	1,767.3	-44.3	-26.2
Member bank reserve deposits.....	1,003.4	-3.3	+24.8
All other deposits.....	39.0	-43.6	-112.9
Federal Reserve notes in circulation..	976.4	+9.5	+56.0
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.5%	-0.6*	+0.1*

*Number of Points.

the total crop of winter wheat would be much greater than average. Minor rust damage to oats was reported, and some of the crop was cut green due to breaking of the straw through lodging, and some deterioration took place on light soils and in dry areas after the beginning of July. Soybeans were in very good condition. The early crop of hay had been gathered by July 20 with a minimum of rain damage; moreover, timothy yields were better than had been anticipated, and the second crop of alfalfa was being cut. Pastures and meadows throughout the district similarly were in good condition, although in a few areas rainfall would be beneficial. Truck crops generally were showing rapid growth and excellent prospects. Grasshoppers and other insect pests were unusually active in some areas.

GRAIN MARKETING

Wheat receipts at interior primary markets in the United States rose sharply in June to a level above that of any month since last August and to 2 per cent above the 1927-36 average for the period. Though considerably under current arrivals and the 1927-36 June average, reshipments of the grain were the heaviest thus far recorded in 1937. Exports of wheat increased over May and about equaled imports. Under the influence of poor crop prospects in Saskatchewan, Alberta, and other sections of western Canada, some deterioration in the United States crop of soft winter wheat, and further spread of black rust damage in the North American spring wheat crop, prices of No. 2 hard winter wheat for immediate delivery at Chicago advanced from \$1.18 $\frac{3}{8}$ and \$1.22 $\frac{3}{4}$ on June 14, to \$1.33 $\frac{1}{4}$ and \$1.42 $\frac{1}{4}$ on July 2. Moreover, the July 1, 1937 carry-over of wheat on farms and in visible positions in the United States was 44 $\frac{1}{2}$ per cent smaller than a year earlier and 77 $\frac{1}{2}$ per cent below the 1928-32 average for the date. Later pressure of Indian and Australian offerings, a light milling demand at Liverpool, and improved weather conditions in the spring wheat belt of North America, caused considerable liquidation of long positions in world markets. Chicago prices had declined to \$1.22 $\frac{3}{4}$ and \$1.25 $\frac{3}{4}$ by July 10 and were \$1.25 $\frac{1}{2}$ and \$1.30 $\frac{1}{4}$ on July 21.

June receipts of corn at interior primary markets in the United States exceeded those for any month since January, and reshipments were the largest since March. Imports of the grain remained substantial in volume. Holdings of corn on farms and at principal centers of accumulation in the United States were nearly 60 per cent smaller on July 1 than a year earlier or the 1928-32 average for the date. This situation, together with the strength in wheat, carried prices of No. 2 yellow corn for immediate delivery at Chicago from \$1.125 $\frac{8}{8}$ and \$1.15 $\frac{7}{8}$ on June 17, to \$1.30 and \$1.33 $\frac{1}{2}$ by July 9. Subsequently, quotations fell to \$1.18 and \$1.25 $\frac{3}{4}$ on July 21. Prices for December delivery were under the adverse influence of a prospective large production of corn in 1937, and averaged 41 $\frac{3}{4}$ to

47 $\frac{7}{8}$ cents lower than those for immediate delivery. Marketings of oats in June were the smallest since the latter part of 1936. Furthermore, July 1 stocks of the grain on farms and in visible positions were much below the 1928-32 average for the date. Prices generally followed the trend of other grains, except that there was no marked disparity between current and deferred deliveries as was the case with corn.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES (In thousands of bushels)

	June 1937	May 1937	June 1936	June 1927-36 Av.
Wheat:				
Receipts.....	21,330	7,365	17,041	20,915
Shipments.....	11,466	10,125	12,198	16,981
Corn:				
Receipts.....	12,200	9,264	25,062	18,111
Shipments.....	4,927	4,092	14,282	12,660
Oats:				
Receipts.....	2,956	4,698	6,446	6,459
Shipments.....	4,997	9,412	5,517	6,414

MOVEMENT OF LIVESTOCK

The marketing of cattle and calves at public stockyards in the United States rose in June to a level above any month since last November, and was not only greater than a year ago but approximately 23 per cent above the 1927-36 average for the period. On the other hand, hog receipts were the smallest since September 1935, 19 per cent under a year ago, and 46 $\frac{1}{2}$ per cent below the ten-year average. Lamb receipts increased slightly over June 1936, but were under May and 8 $\frac{1}{2}$ per cent below the 1927-36 June average. Movement to inspected slaughter—exclusive of animals that did not pass through stockyards—diverged from the trend of market receipts in several instances: the slaughter supply of hogs increased over May; that of lambs was the largest since January and above the ten-year average for the month; more cattle had been available for slaughter in January this year and in December 1936 than during June; and the volume of calves was under March and April of 1937. Reshipments to feed lots were in excess of a year ago and the 1932-36 June average but showed a seasonal recession from May.

MEAT PACKING

Though aggregating 8 $\frac{1}{2}$ per cent heavier than in May, June production of packing-house commodities at inspected slaughtering establishments in the United States totaled 14 $\frac{1}{2}$ per cent less than a year earlier and was 19 per

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of July 1 condition
(In thousands of bushels unless otherwise specified)

	Seventh District			United States		
	Forecast 1937	Final 1936	Average 1928-32	Forecast 1937	Final 1936	Average 1928-32
Corn.....	992,210	548,775	921,374	2,571,851	1,529,327	2,554,772
Oats.....	488,864	366,027	533,780	1,111,229	789,100	1,215,102
Winter Wheat...	84,839	62,177	54,737	663,641	519,013	623,220
Spring Wheat...	2,003	2,212	4,522	218,646	107,448	241,312
Barley.....	46,355a	31,612a	59,082a	243,540	147,452	281,237
Rye.....	12,164a	6,822a	6,727a	50,398	25,554	38,212
Flaxseed.....	202b	180b	295b	7,622	5,908	15,996
Potatoes (white).	58,355	47,442	53,937	404,229	329,997	372,115
Potatoes (sweet).	1,295c	845c	1,207c	72,706	64,144	66,368
Sugar Beets ¹	646d	867d	612d	8,952	9,028	8,118
Apples (total crop)	27,548a	12,990a	17,101a	194,328	117,506	164,355
Peaches.....	5,256e	2,001e	3,989e	57,693	47,650	57,298
Pears.....	3,007e	1,855e	1,594e	30,178	26,956	24,334
Cherries ¹	52f	32f	35f	1,45g	1,15g	117g
Grapes ¹	83a	49a	85a	2,527	1,916	2,214
Beans (dry edible) ³	3,196f	2,668f	3,665f	13,163	11,122	12,181
Tobacco.....	25,408	18,880	47,729	1,420,943	1,153,083	1,427,174
All Tame Hay ¹ ..	15,980	14,054	15,879	75,321	63,309	70,146
Wild Hay ¹	606a	513a	498a	9,756	6,915	10,719

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

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	June 1937	Per Cent of Increase or Decrease from	
		May 1937	June 1936
Chicago.....	\$3,131	+7.2	-5.5
Detroit.....	1,035	-3.1	+11.8
Milwaukee.....	292	+6.2	+0.7
Indianapolis.....	210	+3.6	+12.2
Total four larger cities.....	\$4,668	+4.5	-1.1
37 smaller cities.....	822	+1.4	+5.9
Total 41 centers.....	\$5,490	+4.0	-0.1

cent below the 1927-36 average for the month. The tonnage sold, however, exceeded current production by a wide margin and was within 6½ per cent of the ten-year average for June and only 3 per cent smaller than in the corresponding month of 1936. Quotations for most packing-house products strengthened over those of May. Dollar sales billed to domestic and foreign customers decreased ½ per cent in June from the preceding period, but were 9½ per cent greater than those of a year earlier and 15 per cent above the 1927-36 June average. July 1 inventories of these commodities in the United States showed the smallest excess over the 1932-36 average thus far recorded in 1937, having declined counterseasonally by 127,461,000 pounds since the beginning of June. Payrolls at the close of June evidenced a gain over May of 2 per cent each in number of employes and hours worked, and of 3 per cent in wage payments. However, the comparison with 1936 was not so favorable as in earlier months of the current year, the increase being only 5 per cent in employment, 1½ per cent in hours worked, and 23 per cent in wage payments.

Shipments for export declined in June from May, largely owing to a reduction in forwardings of lard to the United Kingdom. British demand for American lard and hams from stocks already landed, expanded over a month earlier, but sales were made at prices considerably under Chicago parity. Aside from a small movement of United States lard from the port of Hamburg to Czechoslovakia, Continental trade in packing-house products from the United States remained on a restricted basis and prices were below the Chicago market. Demand from Porto Rico and Cuba was fair, although some hesitancy developed in taking on further commitments at current quotations. Inventories of United States packing-house products in foreign markets—inclusive of stocks in transit—decreased on July 1 from a month earlier. A further decline in imports of animal products into the United States took place during June.

DAIRY PRODUCTS

The production of dairy products expanded more than seasonally in June. Creamery butter production in the Seventh Federal Reserve district rose 14 per cent over May to the highest level since July 1935, and was 3½ per cent above a year ago but 8½ per cent below the 1927-36 average for the month. Influenced by fairly heavy purchases of the Agricultural Adjustment Administration to support the market, the sales tonnage expanded 17 per cent over a month earlier, and was not only 8½ per cent greater than a year ago and within ½ per cent of the 1927-36 average for the period but also larger than for any month in the past four years. Following a seasonal gain in the preceding

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
June 1937.....	203	387	207	94
Federally Inspected Slaughter, United States:				
June 1937.....	840	2,110	1,425	579
May 1937.....	745	2,099	1,371	561
June 1936.....	853	2,739	1,309	517

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	July 17 1937	June 1937	May 1937	June 1936
Native Beef Steers (average).....	\$13.55	\$12.00	\$11.20	\$7.85
Fat Cows and Heifers.....	9.60	9.15	8.55	6.65
Calves.....	9.00	8.85	9.25	8.50
Hogs (bulk of sales).....	11.35	11.10	10.80	9.90
Lambs.....	10.50	11.90	10.85	11.35

period, the production of creamery butter in the United States increased more than is usual in June over May, was 10 per cent above the ten-year average for the month, and at the highest point since June 1935. Inventories of the commodity in the United States showed a somewhat more than seasonal accumulation on July 1 over the beginning of June but were 3,050,000 pounds below the 1932-36 average for the period. After remaining steady during June, prices strengthened somewhat in the first three weeks of July.

The manufacture of American cheese in Wisconsin rose more than seasonally in June to a level 48½ per cent above May, and was within 1½ per cent of the 1927-36 June average, though showing a decline of 7½ per cent over a year ago. Distribution of the commodity totaled considerably under current production and 10 per cent below last June; it was, however, 25 per cent greater than a month earlier and 13 per cent above the ten-year average for the month. Total inventories of cheese in the United States increased about seasonally on July 1 over the beginning of June and remained approximately 25,000,000 pounds in excess of the 1932-36 average for the date. Quotations firmed slightly during June and showed a further advance during the first three weeks of July.

Industrial Employment Conditions

Decreases of one-half per cent in employment and 3 per cent in payrolls recorded in the May to June comparison for all reporting industries of the Seventh district were largely a reflection of losses experienced in the metals and vehicles groups during this period. The strike at independent steel mills of the district as well as intermittent interruptions of work at automobile plants were important factors in the curtailments reported by these two groups. The metals and metal products industries registered a decline of close to 2 per cent in number of workers employed and of 4 per cent in wage payments, thereby reversing a trend that has been steadily upward since last January. Seasonal factors were also operative during the month, affecting especially the vehicles industries in which decreases of one per cent in employment and 7 per cent in payrolls practically offset the increases of the preceding

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of June 15, 1937			Change from May 15, 1937	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners %	Earnings %
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹ ..	1,542	469,421	14,032	-1.7	-3.7
Vehicles.....	346	447,750	14,526	-1.2	-7.2
Stone, Clay, and Glass.	253	21,642	555	+1.1	+2.6
Wood Products.....	404	47,384	1,031	-0.7	+0.1
Total.....	2,545	986,197	30,144	-1.4	-5.2
NON-DURABLE GOODS:					
Textiles and Products..	356	63,998	1,222	-3.3	-2.4
Food and Products.....	745	106,164	2,820	+4.3	+4.5
Chemical Products.....	248	37,887	1,140	-0.1	+1.3
Leather Products.....	134	26,961	568	-0.2	+1.6
Rubber Products.....	32	20,077	564	-5.9	-2.6
Paper and Printing.....	617	79,488	2,347	-0.7	-1.5
Total.....	2,132	334,575	8,661	+0.1	+0.7
Total Mfg., 10 Groups...	4,677	1,320,772	38,805	-1.0	-3.9
Merchandising².....	3,423	117,976	2,595	+1.7	+3.2
Public Utilities.....	612	92,624	3,210	+0.7	+2.6
Coal Mining.....	25	2,022	61	-24.3	-2.1
Construction.....	314	13,124	342	+19.2	+18.3
Total Non-Mfg., 4 Groups	4,374	225,746	6,208	+1.8	+3.5
Total, 14 Groups.....	9,051	1,546,518	45,013	-0.6	-3.0

¹Other than Vehicles.

²Illinois, Indiana, and Wisconsin.

month. Other durable goods groups such as wood products experienced little change either in volume of employment or in wage payments, while the stone-clay-and-glass industries continued a seasonal expansion that has been in progress since January. Groups producing nondurable or consumers' goods reported declines in employment, but a seasonal gain in the food products industries counteracted the other losses shown in this classification. Payrolls advanced in several of these groups—chemicals, leather, and food products—resulting in a net rise of a little more than one-half per cent. The manufacturing industries as a whole, including both durable and nondurable goods, employed one per cent fewer workers and paid out 4 per cent less in wages in June than a month earlier. The non-manufacturing industries, on the other hand, as is usual in June, increased both workers and wages, the former by nearly 2 per cent and the latter by $3\frac{1}{2}$ per cent. All of the groups in this classification with the exception of coal mining contributed to these gains. Within the construction industries, employment and payrolls expanded substantially for the third consecutive month.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

A further small recession took place during June in the United States production of automobiles, but output exceeded that of last June and the number of cars produced in the first six months of 1937 was moderately greater than in the first half of 1936. Passenger vehicles manufactured this June numbered 411,394, or 3 per cent less than in the preceding month and 10 per cent more than a year ago, while truck production of 85,904 was 6 per cent below that of May and 11 per cent above last June. Output in the first half of this year amounted to 2,286,958 passenger cars and 501,891 trucks, which volumes represent an increase of 12 per cent each over the corresponding period last year.

June reports from Seventh district dealers and distributors of automobiles indicate a continued declining trend in sales at retail and a smaller volume of wholesale distribution following a substantial increase in the latter during the preceding month. Sales at retail were also below those of a year ago, while at wholesale they totaled much greater. The number of new cars on hand at the end of June was somewhat less than a month earlier and well below the close of June last year. Used-car sales numbered smaller in June, in line with the trend in new cars, and were considerably under those in the same month of 1936; stocks

thereof declined in the period but totaled heavier than a year ago. Data compiled for the first six months of 1937 show a large increase in wholesale distribution as compared with the same period of 1936, a small gain in sales at retail, and a moderate increase in the number of used cars sold; stocks of new cars have averaged about one-third less than a year ago and those of used cars somewhat heavier.

IRON AND STEEL PRODUCTS

As operations were resumed at the Chicago district steel mills that were affected by strikes from the latter part of May through the month of June, the rate of steel ingot output in this area rose rapidly from the 64 per cent of capacity prevailing at the close of June to $84\frac{1}{2}$ per cent by the third week of July. Mills unaffected by strikes operated at or near capacity in June. The volume of business has remained relatively steady, diminishing demand for some products being offset by increased buying of others; mill backlogs have not been reduced materially. Tractor manufacturers continue among the heavy consumers of steel. As yet, purchasing by the automotive industry for 1938 model production has not developed to any great extent. Daily average production of pig iron in the Illinois and Indiana district was the smallest for June of any month this year, declining more than 10 per cent from that of May though exceeding June output last year by about 18 per cent. After having shown weakness since April, scrap iron and steel prices at Chicago advanced sharply after the first week in July.

Steel casting foundries of the Seventh district regained in June a considerable part of the loss in activity that took place during the preceding month: orders rose 10 per cent in tonnage and 20 per cent in dollar volume against the earlier recessions of 65 and 57 per cent, respectively, recorded in these units of measurement; shipments increased 14 per cent, or by more than the tonnage that was lost a month previous; and production gained 17 per cent against a decline of 13 per cent during May. All items followed the trend shown a month earlier in comparison with a year ago, production and shipments recording about as heavy a gain as previously, while orders decreased more sharply than was the case in May. At malleable casting foundries, the decline in orders that has been apparent since March continued into June, and the tonnage booked fell below the volume of June 1936 by a small percentage. Production registered no change during the period but remained considerably above last year's level. The aggregate tonnage shipped, on the other hand, increased

MIDWEST DISTRIBUTION OF AUTOMOBILES

	June 1937 Per Cent Change from		First Half 1937 Per Cent Change from First Half 1936	Companies Included
	May 1937	June 1936		
	New Cars:			
Wholesale—				
Number Sold.....	-7.3	+47.9	+65.9	15
Value.....	-9.2	+39.7	+56.8	15
Retail—				
Number Sold.....	-10.1	-11.9	+1.7	27
Value.....	-5.8	-1.4	+7.8	27
On Hand End of Month—				
Number.....	-3.1	-15.4	-33.8*	27
Value.....	+2.8	-2.2	-32.8*	27
Used Cars:				
Number Sold.....	-6.7	-17.5	+6.1	27
Salable on Hand—				
Number.....	-9.3	+4.1	+6.0*	27
Value.....	-5.2	+16.1	+12.8*	27

*Average End of Month.

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	June 1937 Per Cent Change from		Number of Firms or Yards
	May 1937	June 1936	
Wholesale Lumber:			
Sales in Dollars.....	-5.9	+12.6	10
Sales in Board Feet.....	-9.3	-3.6	8
Accounts Outstanding ¹	-4.1	+9.9	10
Retail Building Materials:			
Total Sales in Dollars.....	+14.9	+19.0	153
Lumber Sales in Dollars....	+11.8	+21.4	71
Lumber Sales in Board Feet..	+17.9	+9.4	80
Accounts Outstanding ¹	+7.6	+6.5	150
	Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month		
	June 1937	May 1937	June 1936
Wholesale Trade.....	136.8	134.3	140.2
Retail Trade.....	216.8	234.0	243.1

¹End of Month.

8 per cent, thereby reversing the trend of the past two months, and was 33 per cent in excess of a year ago—a higher percentage of gain than has been recorded in recent months.

Seasonal inactivity continued during June in the manufacture of stoves and furnaces: orders and shipments registered further decreases of 12 and 17 per cent, respectively, while operations were maintained at approximately the level of the preceding month. Inventories increased by 19 per cent during the period and were 64 per cent larger than at the close of June 1936. Orders accepted totaled below those of a year ago for the second consecutive month, while shipments were down practically to the level prevailing at that time. Production, however, continued in excess of last year, the spread in this comparison being larger than in earlier months this year.

FURNITURE

Activity in the furniture manufacturing industry of the Seventh district followed the usual seasonal trend in June, orders booked declining 17 per cent and shipments showing a recession of 4 per cent from the preceding month. Both of these decreases, however, were less than the 1927-36 average decline for the period. Comparisons with 1936 continued to indicate a narrowing of the margin of gain, although orders booked totaled 11 per cent and shipments 20 per cent above those of last June and both items remained well above the ten-year average—by 24 and 35 per cent, respectively. As shipments moderately exceeded the volume of new orders, unfilled orders at the end of June were 11 per cent below those of a month previous, but their ratio to new bookings rose from 117 to 125 per cent and they exceeded those on hand June 30 last year by 37 per cent. Though close to 80 per cent of capacity, operations were reduced slightly further in the current period and averaged less than 10 points higher than for last June.

Building Materials, Construction Work

Building materials in June followed only partially a trend that for several months has been in close conformity to the usual seasonal expectations. Sales of lumber by wholesale and manufacturing concerns registered moderate declines from the preceding month, whereas sales normally trend slightly upward at this season, and distribution of lumber at retail increased somewhat more sharply than is generally the case. At retail yards, total dollar sales were 15 per cent larger than in May, as against an average decline of 5 per cent in this item for the ten years preceding, which favorable showing may be due partially to a sustained demand for coal. Accounts outstanding at the close of June at these yards were slightly lower in ratio to sales during the period than either a month or a year previous. For wholesale lumber dealers, this ratio of accounts to sales was only slightly different in all three months. Shipments of brick and cement were approximately 20 per

cent heavier than a month earlier, according to preliminary reports. As compared with a year ago, distribution of building materials generally is considerably heavier, and especially so when measured in dollar value. Current wholesale prices of building materials, according to the U. S. Bureau of Labor Statistics index, are about 13 per cent higher than a year ago.

BUILDING CONSTRUCTION

The largest volume of building construction since March 1931 was started in the Seventh district during June, according to data on contracts awarded, as such contracts expanded 48 per cent in the aggregate over the preceding month and exceeded those of last June by 40 per cent. Residential building was the heaviest since last August and amounted to 30 per cent of the total. Contracts awarded in the first six months of 1937 totaled 40 million dollars more than in the same period of 1936, with residential building contributing 26 millions to this gain.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
June 1937.....	\$55,492,200	\$16,643,400
Change from May 1937.....	+48.3%	+42.1%
Change from June 1936.....	+40.2%	+31.1%
First six months of 1937.....	\$260,767,500	\$74,901,800
Change from same period 1936.....	+18.2%	+52.9%

*Data furnished by F. W. Dodge Corporation.

Sharp gains over both a month and a year previous were recorded in the estimated cost of building permits issued during June in 102 cities of the district, the aggregate of such permits being about half again as large in each of the comparisons. The number of permits issued declined slightly from the preceding month and was only fractionally greater than a year ago. The only variance from the general trend in dollar value as compared with last June was noted in the smaller cities of Wisconsin, where a decline was shown, while in the comparison with May this year, Chicago and the totals for the smaller cities in Illinois and Iowa registered decreases.

Merchandising

Following the counterseasonal declines of May, sales of reporting wholesale trade groups in the Seventh Federal Reserve district recorded gains in June that were greater than usual or contrary to trend for the period. Increases over the preceding month amounted to 12 per cent in drugs, 10 per cent in hardware, 9 per cent in groceries, and 2 per cent in electrical supplies, whereas in the 1927-36

DEPARTMENT STORE TRADE IN JUNE 1937

Locality	Per Cent Change June 1937 from June 1936		Per Cent Change First Six Months 1937 from Same Period 1936	Ratio of June Collections to Accounts Outstanding End of May	
	Net Sales	Stocks End of Month		1937	1936
Chicago.....	+11.3	+18.3	+15.0	35.6	34.9
Detroit.....	+15.1	+18.7	+15.6	44.4	49.1
Milwaukee.....	+11.0	+13.5	+15.4	38.0	42.1
Other Cities.....	+10.2	+13.3	+11.4	36.2	38.4
7th District.....	+11.9	+16.5	+14.5	39.1	41.6

WHOLESALE TRADE IN JUNE 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries.....	+5.0	+10.6	+0.4	+5.9	82.4
Hardware.....	+15.1	+29.1	+10.4	+6.5	164.1
Drugs.....	+16.0	+23.6			
Electrical Supplies..	+49.2	+60.1	+55.3	+54.5	126.0

*Data furnished by U. S. Department of Commerce.

average for June, the drug and hardware trades show slight recessions from the preceding period, electrical supply sales practically no change in the comparison, and the grocery trade a gain of but 5 per cent. Except in groceries where the percentage of increase was about the same, sales exceeded those of the corresponding month in 1936 by a wider margin than in May, with drugs having shown a decline in that month from a year earlier. Business in the first half of 1937 was larger than in the same period of 1936 by 7 per cent in groceries, 16½ per cent in drugs, 19 per cent in hardware, and 61 per cent in electrical supplies. Stocks in all groups were lower at the close of June than a month previous but remained heavier than a year ago.

A less than seasonal recession took place in June from May in Seventh district department store trade, sales declining only 2 per cent in the period, as against a 5 per cent decrease in the 1927-36 June average. Business of reporting Chicago stores totaled 1½ per cent larger than a month earlier, but declines of 4 and 6 per cent were recorded in Milwaukee and Detroit, respectively, and stores in smaller cities of the district sold a dollar volume that was 6 per cent below that of the preceding month. Trade in the first half of this year exceeded that of the first six months in 1936 by a substantial margin, gains ranging from 11 per cent in the smaller city group to around 15 per cent in the larger cities, as will be noted in the table. Throughout this half of the year stocks have averaged well

above the corresponding 1936 level, although some reduction therein has been evident since the end of April; stock turnover for the six months was about the same as a year ago.

Sales of shoes by reporting dealers and department stores in the district not only increased by 6 per cent in June over a month previous, counter to trend in the three preceding years, but totaled 20 per cent in excess of June 1936, whereas in May they had shown a gain of less than one per cent over a year earlier. The dollar volume sold in the first six months of this year was 13 per cent heavier than in the corresponding period a year ago. A rather substantial decline—12 per cent—was recorded in stocks between the close of May and June 30, but they aggregated 15 per cent above those on hand June 30, 1936.

In the retail furniture trade, a decrease of 18 per cent in the total volume of furniture and housefurnishings sold during June by reporting dealers and department stores compared with a decline of 24 per cent in the 1927-36 average for the period. Sales by dealers decreased 13 per cent during the month, while those of department stores fell off 20 per cent. The aggregate increase of 10 per cent recorded over last June was the smallest in the yearly comparison since the early part of 1936, with department stores showing a gain of 12 per cent and dealers one of but 6 per cent. Stocks were reduced only one per cent during June and at the close of the period exceeded the year-ago volume by 32 per cent.

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.)

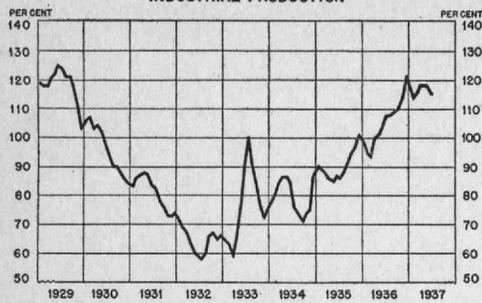
	No. of Firms	June 1937	May 1937	Apr. 1937	Mar. 1937	Feb. 1937	Jan. 1937	June 1936	May 1936	Apr. 1936	Mar. 1936	Feb. 1936	Jan. 1936
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	99	100	96	95	92	101	91	86	85	81	83	85
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	125	109	119	124	104	95	74	64	59	51	46	42
In Tons.....	12	122	108	123	136	114	102	80	68	60	50	46	42
Malleable—In Dollars.....	21	89	80	85	88	74	69	56	56	61	59	49	52
In Tons.....	21	109	102	112	122	103	98	82	81	89	88	73	78
Stoves and Furnaces—													
Shipments (in dollars).....	9	161	193	205	180	181	103	158	153	143	139	113	93
Furniture—													
Orders (in dollars).....	12	66	78	81	94	74	114	60	67	62	62	45	73
Shipments (in dollars).....	12	74	78	92	102	85	65	61	59	64	65	57	41
Output of Butter by Creameries—													
Production.....	59	150	131	90	80	70	72	145	140	89	87	82	82
Sales.....	61	145	124	100	98	90	85	134	120	99	88	89	94
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	72	66	70	72	60	65	68	63	65	61	59	63
Hardware.....	11	112	107	108	101	70	64	94	102	88	77	49	48
Drugs.....	13	85	74	82	86	77	85	75	75	77	79	69	73
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	96	95	93	100	76	78	87	87	84	79	68	64
Detroit.....	6	111	118	117	113	93	88	96	103	106	93	79	75
Milwaukee.....	5	97	101	102	103	76	77	87	90	93	83	67	63
Other Cities.....	44	90	96	90	96	70	68	82	88	84	81	62	59
Seventh District—Unadjusted.....	84	98	100	97	102	78	78	88	90	89	82	69	65
Adjusted.....	84	100	99	98	104	97	97	89	90	86	89	86	81
Automobile Production—(U. S.)—													
Passenger Cars.....	140	145	150	138	101	106		128	131	142	117	77	102
Trucks.....	228	243	256	240	179	187		206	201	229	207	168	176
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		57	40	52	52	28	27	43	40	35	25	10	14
Total.....		81	55	69	69	42	64	58	61	54	56	34	59
Pig Iron Production*—													
Illinois and Indiana.....		118	133	130	127	123	120	101	100	94	81	75	77

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

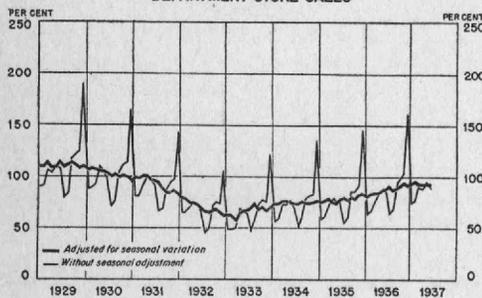
(By the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



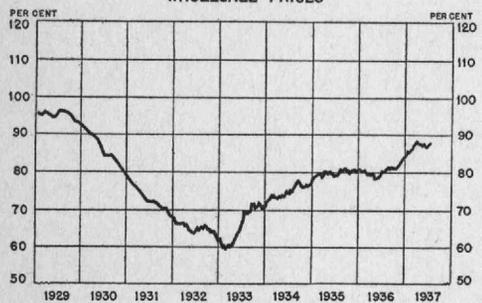
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to June 1937.

DEPARTMENT STORE SALES



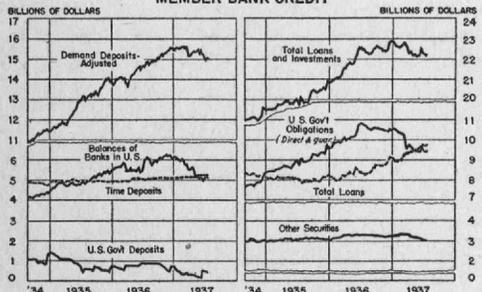
Indexes of value of sales, 1923-1925 average = 100. By months, January 1929 to June 1937.

WHOLESALE PRICES



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending July 17, 1937.

MEMBER BANK CREDIT



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to July 21, 1937.

ACTIVITY in most manufacturing industries and at mines continued in June at the May level, with allowance for seasonal influences, but the total output was decreased by labor difficulties in steel mills. In July, production at these mills increased.

PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, was 115 per cent of the 1923-1925 average in June as compared with 118 per cent maintained in the preceding three months. The decrease was largely accounted for by the decline in steel production. Automobile production declined seasonally and lumber output showed little change. There was considerable reduction in activity at shoe factories and at sugar refineries, while textile production was close to the level of other recent months. At mines output continued in about the same volume as in May.

Value of construction contracts awarded, which had declined in May, increased considerably in June, according to figures of the F. W. Dodge Corporation. There was a marked rise in contracts for public projects, and awards for private building increased somewhat, reflecting chiefly a larger volume of contracts for factories and for apartments.

Factory employment and payrolls declined more than seasonally from the middle of May to the middle of June, largely as a result of strikes in the iron and steel industry. In most other manufacturing industries and also in non-manufacturing lines, changes in employment were chiefly of a seasonal nature.

AGRICULTURE

The July 1 cotton report of the Department of Agriculture showed an acreage of 34,192,000, which is larger than in any year since 1933, but considerably smaller than the average of 41,424,000 acres for the five years 1928-1932. Reports on other major crops indicate larger production than last season and about equal to the average for 1928-1932.

DISTRIBUTION

Distribution of commodities to consumers was maintained in June at the level of other recent months, with allowance for seasonal influences. Department store sales showed a seasonal decline and there was little change in mail-order business. Sales at variety stores increased somewhat. Department store trade in the midwestern industrial area in June and in the first half of the year showed larger increases over a year ago than did sales in other parts of the country.

Freight-car loadings declined somewhat further in June, reflecting largely a decrease in shipments of miscellaneous freight.

WHOLESALE COMMODITY PRICES

The general level of wholesale commodity prices, which had declined gradually from the beginning of April to the middle of June, advanced somewhat after that time. Prices of hogs and pork rose considerably and grain prices advanced during most of the period. Steel scrap prices increased sharply and prices of tin, zinc, and hides also advanced, while cotton goods and rubber continued downward. In the past week prices for grains declined and cotton prices also moved lower.

BANK CREDIT

In the four-week period ending July 21, the volume of excess reserves of member banks increased from \$810,000,000 to \$870,000,000, owing principally to a decline in the amount of required reserves resulting from a decrease in deposits at member banks in leading cities.

Commercial loans of reporting member banks continued to increase both in New York City and in other leading cities during the five weeks ending July 21. There was a substantial decline in adjusted demand deposits, mostly at New York City banks. This decline corresponded to decreases in holdings of United States Government obligations, following increases at the time of new Treasury note issues at the middle of June, and in holdings of other securities. Loans to brokers and dealers in securities, which increased in June, declined during the first three weeks of July.

MONEY RATES

Open-market rates on Treasury bills and yields on Treasury notes and bonds declined in July to the lowest levels since March.