BUSINESS CONDITIONS

SEVENTH FEDERAL RESERVE DISTRICT

Volume 20, No. 9 — MONTHLY REVIEW PUBLISHED BY THE FEDERAL RESERVE BANK OF CHICAGO — September 29, 1937

DISTRICT SUMMARY

TRENDS during August in the merchandising of commodities in the Seventh district were not so favorable and there was some further recession in certain of the major industries, but several of the manufacturing groups recorded expanding activity in the period and in most phases of industry and trade current levels continued to exceed those in the corresponding 1936 month. Furthermore, the agricultural outlook has remained good, especially as regards the production of crops.

Among the larger industries to show further declines in August were automobiles, where production of 1937 models has been nearly completed, and building construction, the volume of which failed also to equal that of last August. On the other hand, output from steel mills was well maintained through August, although backlogs have been considerably reduced, pig iron production increased over July, activity at malleable casting foundries and at stove and furnace factories expanded, and shipments by furniture manufacturers rose in accordance with seasonal trend. Output from steel casting foundries approximated the July volume but new orders fell off sharply. Principally because of a decline in employment in the durable goods classification, total industrial employment in the Seventh district showed a reduction in August from July, but aggregate payrolls increased very slightly in the period.

Although the production of packing-house commodities rose contraseasonally in August over the small July volume, it continued much below a year ago and the 1927-36 average for the period; distribution of these commodities exceeded production, but also was comparatively small, while the dollar value of sales remained considerably above the average. Output of creamery butter in the district declined in August from the preceding month but was greater than in the same period last year. Production of Wisconsin cheese fell off and was below that of last August, while sales increased in these comparisons. The combined July-August movement of wheat totaled heavier than in several years and visible supplies are now close to the average of the preceding ten years. There was a small movement of corn in August, with visible supplies of the grain remaining light. For most autumn crops in the Seventh district, estimates were increased on September 1 over a month earlier. The 1937 pack of fruits and vegetables will substantially exceed the small 1936 pack.

The majority of reporting wholesale trade groups in this district had smaller sales in August than in July, the declines being greater than seasonal or contrary to trend for the period. In the department store and retail furniture trades, sales increases over the preceding month were less than in the 1927-36 average for August and there was a counterseasonal recession in the retail shoe trade; gains over a year ago in these groups were small.

Chiefly owing to a continued expansion in business and agricultural loans, total loans and investments of reporting member banks in the district rose slightly further by 3 million dollars in the period August 18-September 15. Counteracting the increase in loans to a great extent was a decline in the banks' investment holdings. A gain in funds to this district through commercial and financial transactions with other districts caused member bank reserve balances at this bank to increase about 12 million dollars on September 15 over four weeks earlier. Although commercial paper sales by dealers fell off more than seasonally in August, they were close to the 1927-36 average for the period. New financing through bankers' acceptances continued to gain in August, but it was much below the normal volume.

Credit and Finance

On September 15 reserve balances of Seventh district member banks were almost 12 million dollars higher than four weeks earlier, the increase coming entirely in the last week of the period. The principal factor contributing to this rise was a gain in funds from other districts, through commercial and financial transactions, amounting to 39 million dollars, partly counteracted by an excess of Treasury receipts over disbursements of 27½ million dollars. The gain from other districts through commercial and financial transactions can be more than accounted for by continued shifts in inter-bank balances from New York to Chicago. Collections of miscellaneous and income taxes plus the sale of Treasury bills comprised the chief items in Treasury receipts. Currency circulation expanded because of the Labor Day holiday and contracted in the final week of the period, so that over the four weeks the net increase in this item amounted to only 2½ millions.

Except for a slight strengthening in rates on prime commercial loans among several Chicago downtown banks and the opposite tendency among outlying Chicago banks for the same class of loan, very little change could be noted in reported interest rates charged customers by the larger Chicago and Detroit banks in mid-September as compared with a month previous. Selected Chicago "loop" banks reported an average rate earned on total loans and discounts during the month of August of 2.61 per cent, against an average of 2.67 for July, while the August average reported by major Detroit banks was practically unchanged at 2.69 per cent.

Commercial paper sales of midwestern dealers declined 28½ per cent in August from the July amount, or more than seasonally, but totaled 61½ per cent above August 1936 and stood within 7 per cent of the 1927-36 average for the period. August 31 outstandings, though 58 per cent higher than on August 31, 1936 and 20½ per cent greater than the 1927-36 average for the end of August, increased only one per cent over the month earlier figure, or less than is seasonally expected. Little change was noted during August in demand for funds on the part of borrowers; however, sales of commercial paper to both city and country banks were not so brisk as in July. Chicago dealers had a much smaller volume of sales during the first half of September than in the corresponding August period, chiefly because of reduced supply.

Seventh district accepting banks created 20 per cent more acceptances in August than in July, although the total amount was 23 per cent less than for August 1936 and remained only one third of the 1927-36 average for the month. Reports from several larger Chicago banks indicate a decline of about 5 per cent in new financing during the first half of September as compared with the same August period. Outstandings totaled 5½ per cent higher on August 31 than a month previous but, except for the low months of July and June, were again the smallest since this bank started the collection of acceptance data in 1923. Bank holdings of bills at the end of August stood 6½ per cent more than on July 31, owing to heavier additions to acceptance portfolios and lighter maturities than in July. Dealers in the Chicago open bill market report only a few scattered purchases and sales, with no change in the nominal bill rates quoted.

The slight improvement noted in the bond market during July and the first part of August by midwestern dealers did not extend into the latter part of August and early September. According to reports from representative firms, August was on the whole a very quiet, inactive month in the bond market, with all classes of investors—institutional, bank, and private—in a marked hesitant mood. Only a few important large issues were offered, the total volume of corporate offerings being the lowest for any August since 1934. Although in all but the very high-grade securities there were gradual price declines, especially in low-grade and defaulted rail lines, no marked liquidation appeared except coincident with the stock market decline the week after Labor Day. Toward the middle of September, security prices regained some of their previous losses. The 273-day Treasury bills dated September 22 were sold at an average rate of .441 per cent, the lowest since early March. After holding fairly steady through the greater part of August, stock prices on the Chicago Exchange experienced a severe decline in the week following Labor Day and there was considerable liquidation of margin accounts; subsequently, quotations recovered somewhat from their low points. The Chicago Journal of Commerce average of 20 leading stocks established the year's low of $52.68 on September 13, and stood at $53.40 September 22.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	September 15 1937	Change from August 18 1937	Change from September 16 1936
Total bills and securities	$279.7	$ +0.1	$ −11.6
Bills discounted	0.2	+0.2	+0.2
Bills bought	0.4	0.0	0.0
U. S. Government securities	278.4	0.0	−10.7
Total reserves	1,775.8	+4.2	+84.1
Member bank reserve deposits	998.8	+11.9	+22.2
All other deposits	50.5	−3.6	−10.4
Federal Reserve notes in circulation	975.2	+0.1	+58.7
Ratio of total reserves to deposit and Federal Reserve note liabilities combined	87.7%	−0.1*	+1.2*

*Number of Points.

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)

	August 1937	August 1936
Total country and city check clearings:		
Pieces	10,490,616	9,731,237
Amount	$2,073,647,125	$1,934,609,503
Daily average clearings:		
Total items cleared—		
Pieces	403,485	374,278
Amount	$79,755,659	$74,408,058
Items drawn on Chicago—		
Pieces	67,386	64,575
Amount	$41,665,000	$38,925,000
Items drawn on Detroit—		
Pieces	17,991	17,469
Amount	$8,911,533	$8,577,032

Agricultural Products

The estimates for most autumn crops in the Seventh Federal Reserve district were increased further on September 1; however, those for peaches, pears, grapes, sweet potatoes, and canning vegetables were reduced from the beginning of August. A continuance of hot dry weather into early September hastened maturity but was detrimental to both quality and yields. Corn advanced so rapidly that 75 to 90 per cent of the district crop was out of frost danger by September 21, but some chaffiness of kernels resulted over fairly wide areas. Silage cutting made excellent progress and picking of early ears had started. The digging of late potatoes had begun; in sev-

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

Assets	September 15 1937	Change from August 18 1937	Change from September 16 1936
Loans and investments—total	$3,088	$ +3	$ +40
Loans—total	1,062	+31	+184
Commercial, industrial, and agricultural loans:			
On securities	51	+2	...*
Otherwise secured and unsecured	603	+22	...*
Open-market paper	55	+1	...*
Loans to brokers and dealers in securities	60	−1	+7
Other loans for purchasing or carrying securities	95	+3	...*
Real estate loans	84	+2	+14
Loans to banks	5	−1	−3
Other loans:			
On securities	48	+1	...*
Otherwise secured and unsecured	61	+2	...*
U. S. Government direct obligations	1,435	−7	−172
Obligations fully guaranteed by U.S.Govt.	188	+1	+41
Other securities	403	−22	−13
LIABILITIES			
Demand deposits—adjusted	2,270	+3	+30
Time deposits	866	+4	+45
Borrowings	0	0	0

*Not Available.

eral localities, the yields were below earlier expectations. Preparation of seed beds for winter grains continued to be retarded by hardness and dryness of the topsoil. Pastures were variable; they ranged from good in most of Michigan and fair in other localities benefited by recent rains to poor elsewhere. Following the advent of cooler weather, after the first week in September, fruit ripened slowly. Frosts on September 17 to 20 killed tender vegetation and checked corn growth on lowlands. Deaths of horses in Iowa have been unusually great in number this autumn.

Canning Operations

Returns received by this bank from 167 of approximately 400 canneries located in the five States including the Seventh Federal Reserve district indicate that the 1937 pack, as estimated by these companies on the basis of their operating rate to the present time and prospective supply to the end of the canning season, increased substantially over the low actual output of 1936. Major gains were reported in corn, peas, and some fruits. However, the earlier expectations of a large expansion in tomato products over 1936 do not seem to have materialized, for there has been a sharp decline in crop prospects since mid-July. Moreover, there seems to be little likelihood that the pack of tomato products, corn, or kraut will equal that of two years ago. Operating expenses of canneries are reported as being higher than last year, and market conditions have been generally unsatisfactory. Under the influence of earlier bullish crop reports and because of forced sales by underfinanced packers who had not made future commitments, prices to the present time have ruled under those of 1936.

REPORTED PACK OF VEGETABLES AND FRUITS BY REPRESENTATIVE CANNERIES IN THE FIVE STATES INCLUDING THE SEVENTH FEDERAL RESERVE DISTRICT

(Converted to cases—24 No. 2s to case)*

	Estimated Pack 1937	Actual Pack 1936
Beans, baked	461,681	669,651
Beans, green, wax, and string	566,670	425,853
Beans, lima, kidney, and all other	967,637	849,829
Beets	493,391	542,140
Corn	6,758,008	2,859,797
Kraut	1,031,848	910,144
Peas	5,089,003	2,886,003
Tomatoes	1,801,058	1,647,281
Tomato pulp and paste	637,335	850,992
Tomato juice	180,673	232,332
Tomato catsup	261,963	242,675
All other canned vegetables	801,531	837,627
Raspberries	107,542	43,003
Cherries	1,458,404	1,129,883
Pears	15,990	15,333
Peaches	31,825	19,389
All other canned fruits and preserves	23,719	30,284

*In addition, 581,000 bushels of cucumber pickles were reported in salt brine in 1937 as compared with 349,515 bushels a year earlier.

Grain Marketing

The movement of wheat at interior primary markets in the United States fell off sharply in August from July. However, receipts for July and August combined were greater than in the corresponding period of any year since 1930, and reshipments aggregated the heaviest since 1931.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	August 1937	Per Cent of Increase or Decrease from July 1937	August 1936
Chicago	$2,919	−7.2	+2.8
Detroit	931	−5.6	+12.4
Milwaukee	263	−13.6	−1.7
Indianapolis	184	−17.1	+5.4
Total four larger cities	$4,297	−7.8	+4.5
37 smaller cities	767	−5.9	+5.9
Total 41 centers	$5,064	−7.5	+4.7

Exports expanded further in August and were greatly in excess of a year ago. Influenced by the pressure of heavy Russian and Danubian offerings upon the world markets, a general liquidation of long positions carried prices of No. 2 hard winter wheat for immediate delivery at Chicago down from $1.17½ and $1.20⅞ on August 10 to $1.07¾ and $1.11¼ on August 30. Quotations were at $1.11⅝ and $1.14⅜ on September 22. Visible supplies of wheat in the United States rose on September 18 to a point within 5 per cent of the 1927-36 average for the date.

At United States primary centers of accumulation, corn receipts dropped in August to the lowest level since September 1935, and reshipments of the grain were the smallest since May this year. Imports continued in exceptionally heavy volume. Prices of No. 2 yellow corn for current delivery at Chicago declined from $1.12¾ and $1.17⅞ on August 10 to $.98¾ and $1.00¾ on August 28, under the influence of Argentine offerings in the United States, the trend of wheat quotations, and forecasts of a large domestic crop of corn. Subsequent short covering on September contracts had raised them to $1.11½ and $1.18¾ by September 17, but they stood at $1.06¾ and $1.14½ on September 22. Corn in cash positions commanded 42⅛ to 49⅛ cents premium over December. September 18 visible supplies of the grain in the United States were only one fifth of the 1927-36 seasonal average. The combined July-August total for oats receipts was above that of a year earlier, and reshipments of the grain exceeded those of the same period in any year since 1933. Exports rose sharply in August over July and were above a year ago. Prices followed those of other grains. Stocks of oats at United States terminals increased on September 18 and were within 12½ per cent of the ten-year average for the date.

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of September 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	1,052,094	548,775	921,374	2,549,281	1,529,327	2,554,772
Oats	528,860	366,027	533,780	1,136,167	789,100	1,215,102
Winter Wheat	79,424	62,177	54,737	688,145	519,013	623,220
Spring Wheat	1,724	2,212	4,522	197,805	107,448	241,312
Barley	42,725*a*	31,612*a*	59,082*a*	226,094	147,452	281,237
Rye	12,511*a*	6,822*a*	6,727*a*	51,869	25,554	38,212
Buckwheat	767*a*	471*a*	794*a*	7,223	6,218	8,277
Flaxseed	214*b*	180*b*	295*b*	7,640	5,908	15,996
Potatoes (white)	59,529	47,442	53,937	403,393	329,997	372,115
Potatoes (sweet)	1,303*c*	845*c*	1,207*c*	74,857	64,144	66,368
Sugar Beets[1]	722*d*	867*d*	612*d*	9,223	9,028	8,118
Apples (total crop)	28,640*a*	12,990*a*	17,101*a*	204,319	117,506	164,355
Peaches	5,298*e*	2,001*e*	3,989*e*	59,396	47,650	57,298
Pears	3,009*e*	1,855*e*	1,594*e*	30,311	26,956	24,334
Grapes[1]	82*a*	49*a*	85*a*	2,574	1,916	2,214
Beans (dry edible)[2]	4,318*f*	2,668*f*	3,665*f*	14,272	11,122	12,181
Cabbage for mkt.[1]	141*a*	106*a*	141*a*	1,094	974	861
Onions[2]	2,477*a*	3,649*a*	3,264*a*	14,816	17,227	13,254
Tomatoes for mkt.	1,431*e*	1,127*e*	1,312*e*	21,299	20,446	17,263
Soybeans	31,447*c*	23,647*c*	8,587*c*	36,065*h*	27,459*h*	11,096*h*
Tobacco[3]	24,485	18,880	47,729	1,448,875	1,153,083	1,427,174
All Tame Hay[1]	15,838	14,054	15,879	74,860	63,309	70,146
Wild Hay[1]	597*a*	513*a*	498*a*	9,943	6,915	10,719
Pecans[3]	252*i*	55*i*	157*i*	68,777*j*	40,135*j*	62,965*j*
Cranberries[4]	88*k*	62*k*	51*k*	648	504	593
Cotton[5]	....	....	....	16,098	12,399	14,666
Canning Vegetables:						
Cabbage for Kraut[1]	63*g*	31*g*	69*g*	177	115	166
Green Peas[1]	103*g*	69*g*	106*g*	260	188	182
Green Lima Beans[1]	3*f*	2*f*	1*f*	26	20	13*
Snap Beans[1]	20*l*	14*l*	15*l*	100	77	73
Sweet Corn[1]	542*a*	229*a*	316*a*	1,099	607	628
Tomatoes[1]	440*e*	420*e*	300*e*	1,828	1,988	1,293

[1]In thousands of tons. [2]In thousands of 100-lb. bags. [3]In thousands of pounds. [4]In thousands of barrels. [5]In thousands of 500-lb. bales. *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*—Wisconsin, Michigan, Indiana, and Illinois. *h*—Six States. *i*—Illinois. *j*—Twelve States. *k*—Wisconsin. *l*—Indiana, Michigan, and Wisconsin.

*1929-32 average.

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

	August 1937	July 1937	August 1936	August 1927-36 Av.
Wheat:				
Receipts	61,353	113,378	28,065	57,377
Shipments	25,427	28,413	18,151	33,077
Corn:				
Receipts	7,332	10,120	15,737	17,705
Shipments	4,559	4,661	7,768	10,721
Oats:				
Receipts	24,849	8,070	13,351	21,796
Shipments	8,487	3,824	4,493	8,134

Movement of Livestock

Receipts of hogs at public stockyards in the United States expanded in August over July, and those of cattle, lambs, and calves were the heaviest since last October. Lamb and calf marketings increased over a year ago, but cattle and hog receipts decreased. Comparisons with the 1927-36 average showed an increase in cattle and calves, a small decline in lambs, and a continuation of the marked recession in hogs. Movement to inspected slaughter followed the general trend of market receipts except that the slaughter supply of hogs was the lowest since September 1935, that of calves had been exceeded in March, April, May, and June this year, and the volume of lambs gained slightly over the 1927-36 average but failed to equal that of January 1937 and December or November 1936. August reshipments to feed lots were above those of any earlier month in 1937. Moreover, the movement of feeder lambs and calves considerably exceeded the 1932-36 August average.

Meat Packing

A contraseasonal rise of 4½ per cent over the low level of July was recorded during August in the production of packing-house commodities at inspected slaughtering establishments; the current month's volume, however, was 19½ per cent less than a year ago and 20½ per cent below the 1927-36 average for the period. The tonnage sold aggregated 3½ per cent smaller than that of last August and 12 per cent under the ten-year August average, but continued to exceed current production by a wide margin. Prices of lard, lamb, light-weight pork loins, and some beef cuts declined from July, while quotations for most other animal commodities averaged higher. Dollar sales billed to domestic and foreign customers totaled approximately the same in August as in the preceding month, but were 4½ per cent larger than a year earlier and 11 per cent above the 1927-36 August average. Inventories of these products in the United States have continued to decline more than seasonally; on September 1, they aggregated 24½ per cent smaller than the 1932-36 average for the date. Payrolls at the close of August showed a reduction from a month previous of 3 per cent in number of employes and 3½ per cent each in hours worked and wage payments. The number of workers and hours was 4½ and 7½ per cent, respectively, below last August, while wage payments remained 10 per cent greater than a year earlier.

Owing largely to the small volume available for foreign markets, August shipments of United States packing-house commodities for export continued at a low level which was only slightly above that of a month earlier. On the other hand, imports into the United States declined from July. A fair demand for United States lard already landed was reported in the United Kingdom. Following considerable activity preceding the August holidays, British trade in United States hams declined. Continental demand was restricted principally to a few sales of lard to Italy. Trade in Cuba and Porto Rico declined because of the limited supply offered. Quotations for United States lard in the United Kingdom were slightly under Chicago parity but failed to show as great a recession as in the latter market. Cuban and Porto Rican prices were fully up to the United States basis. In the United Kingdom, quotations for United States meats continued to rule somewhat under the Chicago equivalent.

Dairy Products

Creamery butter manufacture in the Seventh Federal district declined somewhat more than seasonally in August; it was 15½ per cent smaller than in July and 14 per cent under the 1927-36 average for the month, though aggregating 10 per cent heavier than a year ago. The tonnage sold in the area exceeded that of last August by 29 per cent and was 2½ per cent above the ten-year average, but totaled 5 per cent less than in July and considerably under June. Production of the commodity in the United States showed a decrease from July and the 1927-36 average for the period and was only slightly greater than last August. Inventories of creamery butter in the United States expanded somewhat less than seasonally on September 1 over the beginning of August, and they failed to equal the 1932-36 average by 1,457,000 pounds. After advancing in August over a month earlier, prices rose further in the first three weeks of September.

The production of American cheese in Wisconsin decreased 18½ per cent in August from July, and was 3 per

LIVESTOCK SLAUGHTER
(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, August 1937	204	288	266	78
Federally Inspected Slaughter, United States:				
August 1937	880	1,590	1,498	538
July 1937	790	1,643	1,390	520
August 1936	1,015	2,254	1,395	541

AVERAGE PRICES OF LIVESTOCK
(Per hundred pounds at Chicago)

	Week Ended September 18 1937	Months of August 1937	July 1937	August 1936
Native Beef Steers (average)	$13.75	$14.00	$13.95	$8.50
Fat Cows and Heifers	9.75	9.00	9.70	6.70
Calves	10.25	10.00	9.50	7.50
Hogs (bulk of sales)	11.70	11.85	11.65	10.10
Lambs	11.25	10.75	10.70	9.50

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of August 15, 1937 Reporting Firms No.	Wage Earners No.	Earnings (000 Omitted) $	Change from July 15, 1937 Wage Earners %	Earnings %
Durable Goods:					
Metals and Products[1]	1,685	491,323	14,717	+0.3	+4.2
Vehicles	388	396,209	12,960	−8.6	−5.5
Stone, Clay, and Glass	281	24,952	650	−0.8	+2.0
Wood Products	471	53,747	1,149	+3.5	+7.5
Total	2,825	966,231	29,476	−3.4	−0.2
Non-Durable Goods:					
Textiles and Products	402	68,958	1,340	+3.0	+9.0
Food and Products	941	121,730	3,039	+0.7	−1.2
Chemical Products	287	37,526	1,137	+0.0	+3.5
Leather Products	168	31,703	659	+2.1	+2.4
Rubber Products	34	20,564	546	+0.3	+0.6
Paper and Printing	712	81,718	2,299	+1.2	+1.3
Total	2,544	362,199	9,020	+1.3	+1.8
Total Mfg., 10 Groups	5,369	1,328,430	38,496	−2.2	+0.2
Merchandising[2]	4,454	127,841	2,940	−2.1	−0.6
Public Utilities	841	109,802	3,680	−0.1	+0.9
Coal Mining	24	2,734	75	+80.8	+77.2
Construction	368	13,720	380	+6.3	+7.5
Total Non-Mfg., 4 Groups	5,687	254,097	7,075	−0.3	+1.0
Total, 14 Groups	11,056	1,582,527	45,571	−1.9	+0.4

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

cent below the corresponding period of 1936 and 8 per cent under the 1927-36 average for the month. Distribution gained counterseasonally, being 6, 20½, and 9 per cent heavier in these respective comparisons. Although they showed less than the 1932-36 average accumulation over August 1, total inventories of cheese in the United States on September 1 exceeded the five-year seasonal level by 18 per cent. Quotations advanced further in August and the first three weeks of September.

Industrial Employment Conditions

Owing to further seasonal curtailment in automobile production, aggregate employment in Seventh district industries decreased 2 per cent during the period July 15 to August 15, while weekly wage disbursements continued practically unchanged, the rise in the latter amounting to less than one-half of one per cent. Decreases contributed during the current month by industries outside the vehicles classification were of minor importance. There was a slight loss of less than one per cent in the employment volume of stone-clay-and-glass industries but a compensating increase of 2 per cent in wage payments of this group. The food products group, which was mainly instrumental in maintaining a fairly stable volume of employment and payrolls during the preceding month, registered a decline of a little more than one per cent in payrolls for August as the height of the canning season was passed. All other manufacturing industry groups increased both employment and payrolls, the latter item expanding as much as 4 per cent in metals and products, 7½ per cent in wood products, and 9 per cent in textiles and their products. These gains within the manufacturing classification, however, were more than offset by the losses in the vehicles group, in which declines amounted to 8½ per cent in employment and 5½ per cent in payrolls. The non-manufacturing industries as a whole followed the usual seasonal trend with a rise of one per cent in payroll amounts and little change in employment volume. The merchandising group showed a reduction in both number of workers and wages, and the public utilities barely maintained their employment at the July level. Coal mining, however, more than recovered from the sharp recession of the preceding month, and the construction industries continued to show a moderate expansion.

Manufacturing

Automobile Production and Distribution

As additional manufacturers completed their production of 1937 models and prepared for the change-over to new models, operations at automobile plants were further curtailed in August, although the total number of cars produced in the period substantially exceeded output in the same month a year ago. Passenger cars manufactured this August in the United States numbered 311,456, or 14 per cent less than a month earlier but 49 per cent greater than in August last year, while truck output of 82,866 vehicles was 5½ per cent larger than in July and 34 per cent above the corresponding 1936 month.

Sales of new automobiles by wholesale distributors in the district continued in August to total considerably above those of a year previous and the volume sold by dealers to users likewise was well above August last year; as compared with the preceding month sales followed a downward trend. As a result of the much heavier movement of cars into dealers' hands than in the same period of 1936, stocks at the end of August were substantially larger than at the same time a year ago, though totaling about one-fifth smaller than a month earlier. The number of used cars sold in the current period aggregated only slightly less than in July and was in excess of the last August volume; stocks fell off moderately in the month but remained above a year ago.

Iron and Steel Products

Steel mills of the Chicago district maintained operations through August at about 86 per cent of capacity, as indicated by steel ingot production. In the week following the Labor Day holiday curtailment, however, ingot output rose to only 80½ per cent of capacity and receded to 78 per cent in the next week. Shipments have continued to exceed the volume of new business, and as a result backlogs have been further reduced. Although there has been some expansion in buying by the automobile industry, specifications from this source have not as yet been heavy, while agricultural machinery manufacturers continued to be among the largest consumers of steel. Demand from the railroads and from the construction industry remains light. Daily average production of pig iron in the Illinois and Indiana district increased more than 5 per cent in August over July and was almost 40 per cent greater than in August last year. The scrap iron and steel market has been very quiet in recent weeks, and prices have trended downward.

Malleable casting foundries of the Seventh district showed a continued rise during August in the volume of new business booked, the increase over July totaling 13 per cent in both tonnage and dollar measurement. Shipments and production recorded a partial recovery from the losses of the preceding month with tonnage gains of

MIDWEST DISTRIBUTION OF AUTOMOBILES

	August 1937 Per Cent Change from		Companies Included
	July 1937	August 1936	
New Cars:			
Wholesale—			
Number Sold	−29.1	+156.3	18
Value	−31.6	+153.5	18
Retail—			
Number Sold	−15.5	+12.6	30
Value	−13.2	+15.1	30
On Hand End of Month—			
Number	−19.8	+37.1	30
Value	−20.1	+60.7	30
Used Cars:			
Number Sold	−4.2	+10.0	30
Salable on Hand—			
Number	−8.3	+12.4	30
Value	−0.3	+28.3	30

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	August 1937 Per Cent Change from		Number of Firms or Yards
	July 1937	August 1936	
Wholesale Lumber:			
Sales in Dollars	−14.1	+12.3	8
Sales in Board Feet	−15.8	+4.2	6
Accounts Outstanding[1]	−4.2	+16.9	8
Retail Building Materials:			
Total Sales in Dollars	−3.0	+3.0	161
Lumber Sales in Dollars	−18.2	+26.9	79
Lumber Sales in Board Feet	−14.4	+5.8	87
Accounts Outstanding[1]	+2.7	+10.9	158

	Ratio of Accounts Outstanding[1] to Total Dollar Sales during Month		
	August 1937	July 1937	August 1936
Wholesale Trade	158.2	141.7	152.0
Retail Trade	252.4	237.8	234.0

[1]End of Month.

6 and 7 per cent, respectively. All items were substantially above those of a year ago; the increases in tonnage volume amounted to about 25 per cent each in shipments and production and to 55 per cent in orders. Reporting steel casting foundries of the district, on the other hand, experienced a sharp recession in orders booked during August, the declines totaling 46 per cent in tonnage and 34 per cent in dollar units, while operations and shipments were maintained at approximately the same level as in the preceding month. Each of these latter items was 15 per cent above the corresponding volumes of a year ago, but orders booked showed a loss of close to 60 per cent in this comparison.

In the manufacture of stoves and furnaces, seasonal expansion in activity became apparent during August, orders accepted increasing 6½ per cent after four consecutive months of sharp recessions, and shipments and operations rising by more than 20 per cent each over the preceding month. Shipments exceeded those of August last year by 13 per cent, but orders and production were at a lower level than at that time. Inventories were curtailed slightly in the current period, although they exceeded those of a year ago by as much as 75 per cent.

Furniture

For the second successive month orders booked by Seventh district furniture manufacturers totaled smaller than in the corresponding period a year ago, the dollar volume for August being 9 per cent below that of the month last year. However, they showed a slightly less than seasonal decline from the preceding month—14 per cent against 17 per cent in the 1927-36 average for August. Shipments expanded 28 per cent this August, which rise compares with one of 31 per cent in the ten-year average, and aggregated 20 per cent heavier than for last August. Although shipments exceeded new orders by a small amount and there was a moderate volume of cancellations, unfilled orders were reduced only 2 per cent in the current period and their ratio to orders booked rose from 120 per cent for July to 136 per cent and compared with only 109 per cent a year ago; the total on hand August 31 this year approximated that on the same date in 1936. Some increase in factory operations took place in August, although they averaged slightly under 80 per cent of plant capacity.

Building Materials, Construction Work

A delayed recession in August offset the increase in demand for building materials that had taken place in July; however, the level for the two months combined reflected only minor fluctuations from the corresponding average for the ten preceding years, 1927-36. Wholesale and retail lumber dealers of the district reported substantial declines in August business, sales in board feet falling off 16 and 14 per cent, respectively, in contrast to increases of 2 and 10 per cent in the seasonal trend for the month. Furthermore, these sales were only 4 and 6 per cent larger in volume than last August for wholesale and retail firms, respectively, although the dollar value thereof was 12 and 27 per cent greater. After a somewhat smaller than seasonal decline a month earlier, total dollar sales at retail yards registered a further loss of 3 per cent in August, in contrast to the 1927-36 average rise of 10 per cent for the period. Brick and cement shipments totaled slightly less than in the preceding month and brick deliveries were under a year ago; cement shipments approximated those of last August.

Building Construction

A further and somewhat sharper falling-off in building construction in this district was indicated by August data on contracts awarded, and the volume failed to equal that of the corresponding month a year ago by a rather wide margin. Residential building this August was considerably below that of a month earlier and much smaller than in August last year when an unusually heavy expansion took place; it amounted to only about one fifth of total contracts in the period, whereas in the same month of 1936 it comprised close to one third of the total.

BUILDING CONTRACTS AWARDED*
SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
August 1937	$44,651,900	$9,269,900
Change from July 1937	—15.2%	—38.1%
Change from August 1936	—15.5%	—46.0%
First eight months of 1937	$358,105,700	$99,137,200
Change from same period 1936	+11.0%	+29.3%

*Data furnished by F. W. Dodge Corporation.

Not only did the estimated cost of building permits issued during August in 101 cities of the Seventh district show a substantial gain—42½ per cent—over the corresponding month of 1936, but it likewise exceeded by 9 per cent that for July when a substantial decline had been recorded from a month previous. The larger cities as well as the smaller centers shared in the increase over a year ago, with the exception of the smaller cities in Wisconsin, while in the comparison with July, Detroit and the smaller cities in Illinois, Iowa, and Wisconsin furnished exceptions to the upward trend. The total number of permits issued in the 101 cities increased 11 per cent over the preceding month and 9 per cent over last August.

Merchandising

Reporting wholesale trade groups in the Seventh district for the most part recorded declines in sales during August from the preceding month, although trends were somewhat more favorable than in August last year. The

WHOLESALE TRADE IN AUGUST 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries	—3.0	+4.2	—3.4	—4.7	75.2
Hardware	+21.5	+39.8	+22.3	+16.6	174.3
Drugs	+7.0	+9.1	...	...	...
Electrical Supplies	+36.4	+59.5	+60.8	+34.9	152.1

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

DEPARTMENT STORE TRADE IN AUGUST 1937

Locality	Per Cent Change August 1937 from August 1936		Per Cent Change First Eight Months 1937 from Same Period 1936	Ratio of August Collections to Accounts Outstanding End of July	
	Net Sales	Stocks End of Month	Net Sales	1937	1936
Chicago	+3.9	+17.8	+12.6	32.5	30.4
Detroit	+2.0	+25.5	+13.7	38.7	42.7
Milwaukee	+1.3	+12.8	+13.1	36.7	36.9
Other Cities	+5.3	+15.5	+10.7	31.6	33.2
7th District	+3.5	+18.0	+12.5	34.6	35.5

dollar volume sold in the current period by hardware firms totaled 6 per cent smaller than a month earlier, grocery sales were less by 7 per cent, the electrical supply trade declined 11 per cent, while drug sales approximated those in July. The recession in the grocery trade was counter to trend for August, the declines in hardware and electrical supply sales were greater than seasonal, and the slight change in the drug trade compared with a 6½ per cent increase in the 1927-36 August average. For the second successive month, grocery sales failed to equal those of a year ago, but gains in this comparison in the hardware and drug trades were somewhat heavier than in July. In the eight months of 1937, business exceeded that of the corresponding 1936 period by 5 per cent in groceries, 14 per cent in drugs, 23 per cent in hardware, and 53 per cent in electrical supplies. Stocks increased slightly in August over the preceding month in all groups except hardware where a small reduction was made therein.

A less than seasonal expansion was experienced during August in Seventh district department store trade, sales by reporting firms showing an aggregate increase of only 11 per cent over a month previous, as against a rise in the 1927-36 average for the period of 17 per cent. Business of Milwaukee and Detroit stores gained only 3½ and 5 per cent, respectively, over the July volume, while that of Chicago stores expanded 15 per cent and the aggregate for firms in smaller cities of the district rose 14 per cent. In the comparison with a year ago, Chicago made a relatively better showing than did the other large cities, as will be noted in the table, but gains throughout the district were small. A greater than usual rise took place in stocks during August and they totaled 18 per cent above those on August 31 last year.

Contrary to seasonal trend for August, the retail shoe trade in the month this year showed a decline of 4 per cent from the preceding month's volume. A falling-off in dealer sales was mostly responsible for the recession in the aggregate, as the majority of department stores sold more than in July. As compared with last August, sales in the current period totaled only 3 per cent heavier, but for 1937 to date they continued to exceed those of the same months in 1936 by close to 12 per cent. Stocks rose 23 per cent between the end of July and August 31 and on the latter date were 25 per cent larger than a year ago.

With the expansion in sales over July amounting to but 6 per cent against an increase of 29 per cent in the 1927-36 average for the period, the retail furniture trade this August recorded a gain of only 8 per cent over last August, which is the smallest in the yearly comparison since February 1936. Furniture and housefurnishings sales by department stores rose 5 per cent over a month earlier and totaled 9 per cent heavier than for August last year, while the dollar volume sold by dealers increased 9 and 6 per cent, respectively. There was a slight increase in stocks during August, and they remained much heavier—by 23 per cent—than in 1936.

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.)

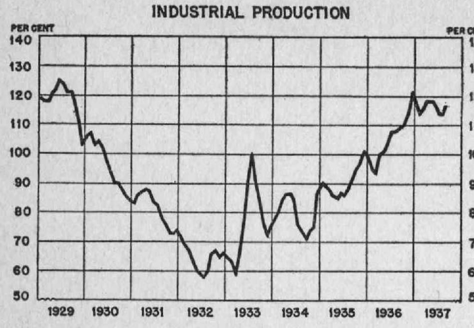
	No. of Firms	Aug. 1937	July 1937	June 1937	May 1937	Apr. 1937	Mar. 1937	Aug. 1936	July 1936	June 1936	May 1936	Apr. 1936	Mar. 1936
Meat Packing—(U. S.)—													
Sales (in dollars)	45	98	98	99	100	96	95	94	91	91	86	85	81
Casting Foundries—													
Shipments:													
Steel—In Dollars	12	115	111	125	109	119	124	86	77	74	64	59	51
In Tons	12	107	107	122	108	123	136	96	85	80	68	60	50
Malleable—In Dollars	21	71	65	89	80	85	88	48	53	56	56	61	59
In Tons	21	85	80	109	102	112	122	69	77	82	81	89	88
Stoves and Furnaces—													
Shipments (in dollars)	9	175	138	161	193	205	180	154	143	158	153	143	139
Furniture—													
Orders (in dollars)	12	81	94	67	78	81	94	89	100	60	67	62	62
Shipments (in dollars)	12	86	66	72	78	92	102	72	65	61	59	64	65
Output of Butter by Creameries—													
Production	59	111	131	149	131	90	80	101	114	145	140	89	87
Sales	61	126	133	144	124	100	98	98	111	134	120	99	88
Wholesale Trade—													
Net Sales (in dollars):													
Groceries	27	72	77	72	66	70	72	75	83	68	63	65	61
Hardware	11	101	108	112	107	108	101	84	90	94	102	88	77
Drugs	13	79	79	85	74	82	86	73	74	75	75	77	79
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago	29	75	66	97	95	93	100	72	63	87	87	84	79
Detroit	6	87	84	111	118	117	113	84	74	96	103	106	93
Milwaukee	5	78	76	97	101	102	103	77	68	87	90	93	83
Other Cities	44	78	67	90	96	90	96	74	62	82	88	84	81
Seventh District—Unadjusted	84	78	70	98	100	97	102	75	65	88	90	89	82
Adjusted	84	95	98	100	99	98	104	91	91	89	90	86	89
Automobile Production—(U. S.)—													
Passenger Cars		106	123	140	145	150	138	72	127	128	131	142	117
Trucks		220	209	228	243	256	240	164	183	206	201	229	207
Building Construction—													
Contracts Awarded (in dollars):													
Residential		32	51	57	40	52	52	59	36	43	40	35	25
Total		65	77	81	55	69	69	77	72	58	61	54	56
Pig Iron Production*—													
Illinois and Indiana		134	127	118	133	130	127	97	101	101	100	94	81

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

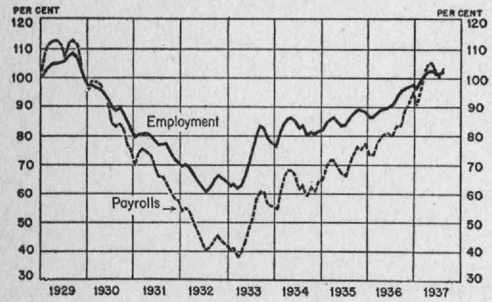
(By the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



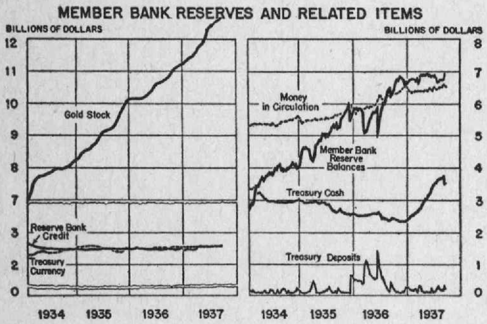
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to August 1937.

FACTORY EMPLOYMENT AND PAYROLLS



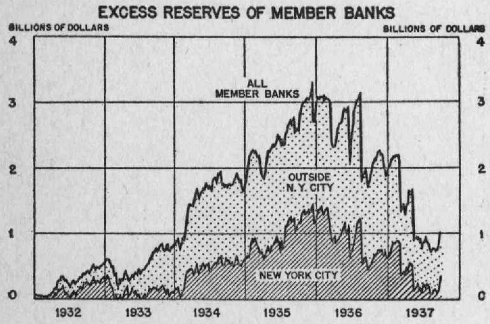
Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 to August 1937. Indexes compiled by the United States Bureau of Labor Statistics.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. January 3, 1934, to September 22, 1937.

EXCESS RESERVES OF MEMBER BANKS



Wednesday figures of estimated excess reserves for all member banks and for New York City, January 6, 1932, to September 22, 1937.

In August industrial activity advanced from the level of the two preceding months and on a seasonally adjusted basis was close to the volume of last spring. Early reports for September indicate a decline in steel output and a seasonal decrease in the production of automobiles.

Production and Employment

Volume of industrial production, as measured by the Board's seasonally adjusted index, was 117 per cent of the 1923-1925 average in August as compared with a level of 114 per cent in June and July and 118 per cent during the spring. Steel production rose slightly further and was close to the high level prevailing before strikes curtailed output in June. Automobile production was maintained in considerably larger volume than is usual in the month preceding the shift to new model production. Lumber output declined, following a period of increase. In the non-durable goods industries output increased in August, reflecting chiefly increases at cotton and woolen textile mills, following considerable declines in the preceding month. Activity at meat-packing establishments increased somewhat from an extremely low level. Shoe production showed less than the usual seasonal rise. At mines, output of coal increased less than seasonally, while crude petroleum production continued to expand.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined somewhat in August and the first half of September. Awards for private residential building showed little change and were in about the same volume as in the corresponding period of 1936, while publicly-financed residential building declined and was in considerably smaller volume than last year.

Factory employment, which had increased in July, showed less than a seasonal rise in August. Factory payrolls increased by about the usual seasonal amount. The number employed at steel mills increased somewhat further, while at automobile factories, railroad repair shops, and sawmills employment declined. In the textile industries employment in the production of fabrics decreased somewhat, while employment in the production of wearing apparel increased. Changes in employment in most other manufacturing industries were small.

Agriculture

Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates a month earlier, except for an increase in cotton and a decrease in corn. Output of leading crops is substantially larger than last season. Supplies of livestock and meats are expected by the Department of Agriculture to continue smaller than last year.

Distribution

Mail order sales and sales at department stores showed somewhat less than the usual seasonal increase from July to August. Freight-car loadings continued at the level of the previous month.

Commodity Prices

Cotton prices declined considerably further from the middle of August to the third week of September and there were smaller decreases in cotton goods, silk, hides, steel scrap, copper scrap, and lumber. Prices of livestock and livestock products, after some decline in the latter part of August and the first week of September, advanced sharply in the middle of September.

Bank Credit

Excess reserves of member banks increased in the five-week period ending September 22 from $800,000,000 to $1,000,000,000 as the result of a release of gold by the Treasury from its inactive account. The bulk of the increase in excess reserves went to New York City banks and on September 22 these banks had excess reserves of $350,000,000, Chicago banks had $50,000,000, and banks elsewhere $600,000,000.

Commercial loans at reporting member banks in 101 leading cities, reflecting in part seasonal demands, continued to increase substantially during the four weeks ending September 15, both in New York City and outside. Holdings of United States Government obligations and of other securities showed a further decrease, with the result that total loans and investments declined somewhat.

Money Rates

Rates on 9-month Treasury bills declined from 0.71 per cent early in September to 0.44 per cent later in the month, and average yields on long-term Treasury notes declined from about 1⅝ per cent to below 1½ per cent.