

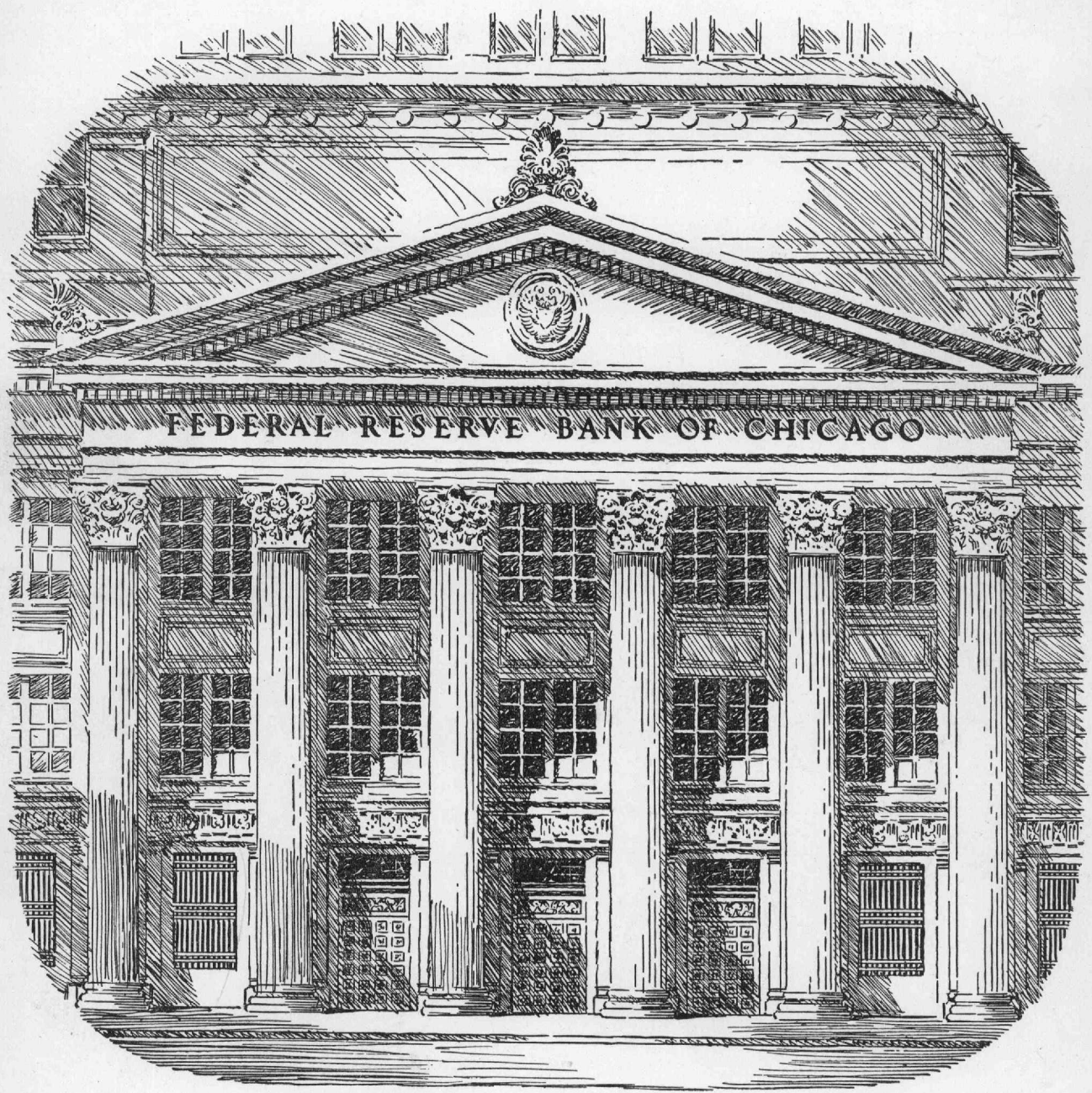
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BUSINESS CONDITION



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Prepared by the
Research and Statistics Department
of the
Federal Reserve Bank of Chicago

Monthly Review of Business Conditions in the Seventh Federal Reserve District

DISTRICT SUMMARY

AS IS usual in March, some expansion took place in the month this year in manufacturing activity of the Seventh Federal Reserve district, and the distribution of commodities also increased. However, as compared with a year ago, the volumes produced and sold in the current period continued to be much smaller for the most part, amounting to between 40 and 50 per cent in many of the heavier goods industries. Decreases from last year in wholesale and retail trade were large but not so great as in production groups.

INDUSTRY

BECAUSE of a somewhat improved demand from miscellaneous sources, operations of steel mills were increased in March, but they declined again in April. Automobile production also expanded in March but was much below a year ago. Output from steel and malleable casting foundries and of stoves and furnaces showed similar trends. Gains were recorded over February in building construction and in the movement of building materials. Shipments from furniture factories and from paper mills increased in the period. The number of men employed in Seventh district industries was slightly less in mid-March than a month earlier, but wage payments registered a fractional gain.

AGRICULTURAL PRODUCTS

PRODUCTION of packing-house commodities, of butter, and of Wisconsin cheese increased in March over the preceding month, and volume sales were also greater in the comparison. Output of butter and of cheese exceeded the year-ago volumes, but that of meat products was smaller than last year. Inventories of packing-house commodities on March 31 totaled below the 1933-37 average for the date, while those of butter and cheese exceeded it.

The movement of principal grains at interior primary markets of the country expanded more than seasonally in March and that of corn was heavier than in the ten-year March average. Damage to winter wheat this year has been less than last year or the 1927-36 average; prospects are that the Seventh district crop will be smaller than in 1937 but above the average.

TRADE

IN ACCORDANCE with seasonal trend, wholesale trade groups in the district had heavier sales in March than a month earlier, but the volumes sold were for the most part well below those of a year ago. Despite the fact that the major portion of Easter buying fell in April this year, March sales of department stores increased more than seasonally over February, as did sales of shoes at retail. The retail furniture trade showed a somewhat less than seasonal gain in business during March. Sales in all three of these phases of retail distribution totaled much smaller than for last March. Inventories at both wholesale and retail have now been reduced to a level under that of a year earlier.

CREDIT

THERE was an 85 million dollar increase between March 16 and April 20 in Seventh district member bank reserve balances, due to an excess of Treasury disbursements over receipts. Earning assets of weekly reporting member banks in the district dropped 157 millions in the period, as the volume of both loans and investments was reduced. Deposits in these banks also declined in the five weeks. More favorable trends were recorded during March in bankers' acceptance activity, and dealer sales of commercial paper increased in the month.

Credit and Finance

MEMBER BANK RESERVES

SEVENTH district member bank reserve balances were 85 million dollars greater on April 20 than on March 16. The increase was due entirely to Treasury disbursements in this district, which exceeded receipts by 99 millions, heavy income tax collections in the first week of the period only partially counteracting redemptions of Treasury securities amounting to over 150 millions, almost all after April 1. Factors tending to reduce reserves included commercial and financial transfers out of the district of 9 million dollars and a slight increase in currency circulation. The decrease in reserve requirements effective April 16 added about 100 millions to excess reserves in the Seventh district.

INTEREST RATES

RATES charged on time collateral loans by outlying Chicago banks worked somewhat lower between mid-March and April 15. The same tendency was noted on commodity-paper loans by downtown Chicago banks. Other lending by these banks and by the major Detroit banks was

done at approximately the same rates as on March 15. The average rates earned on total loans and discounts by both the larger Chicago and Detroit banks were lower during March than a year ago, averaging 2.58 and 2.60 per cent, respectively, as against 2.63 and 2.70 per cent for March 1937. The Chicago rate was the same as for February, while the Detroit figure slightly exceeded that of the preceding month.

OPEN MARKET PAPER

SEVENTH district bankers' acceptance data for March on the whole showed decidedly more favorable trends than was the case a month earlier. New financing by accepting banks exceeded the February total by 65 per cent and ran only 8 per cent below last year, although outstandings established a record low at the end of March for the third month in the last four. Holdings of bills on March 31 declined from February 28, closely in line with seasonal expectation, but exceeded the year-ago figure for the first time since the summer of 1936. All comparisons with March 1937 and the 1928-37 average for the month continued to show decreases, except for holdings of bills, as noted above. The declines from the ten-year average amounted to over

70 per cent in all items; nevertheless, they were smaller for the most part than those recorded for February. During the first half of April, acceptances made by several of the large Chicago banks totaled nearly 12 per cent more than in the same period of March, but continued to lag far behind a year ago.

Middle Western commercial paper sales, as reported by representative dealers, totaled 11 per cent higher during March than in February. However, sales were below last year and the 1928-37 average for March by 12½ and 21 per cent, respectively. Outstandings on March 31 showed slight decreases from last month and a year ago, but exceeded the ten-year average by 6½ per cent. Rates were stable, after a tendency to work lower in the past few months. A somewhat stronger demand developed from country banks. April sales up to the middle of the month did not quite equal those for the first half of March. Although demand for paper continued excellent, sales were limited chiefly by the inadequate supply obtainable.

SECURITIES MARKETS

MARCH and early April constituted the dullest period yet witnessed during the current recession in the bond market of the Middle West. The continued weakness in railroad liens affected the whole field, depressing the prices of all corporate bonds. Even the highest grades suffered to some extent, although the spread between this group and the lower grades was further widened. Softening of prices also occurred in the municipal field. New financing was at a minimum, with corporate emissions running far below normal.

Individuals and small banks maintained a strictly "hands-off" policy with regard to bond trading. Even the institutional group, which has been the main support of the bond market for several months, displayed a rather hesitant attitude, buying only when pressure of accumulated funds became so great as to force investment in the best mediums available.

The Chicago Journal of Commerce average of twenty leading Chicago stocks, which declined almost without interruption during March, stood at \$30.80 on March 31, a new low since April 1935. After the end of month, however, the average climbed fairly steadily until April 21, reaching \$36.97 on that date. The Treasury in April resumed short-term financing exclusively through the medium of 91-day Treasury bills; those dated April 20 sold at an average discount of .061 or somewhat below the discounts at which similar bills had sold earlier in April.

Agricultural Products

CROP CONDITIONS

THE winter damage to wheat this year in the Seventh Federal Reserve district was not only much less than had been expected earlier in the season but also considerably smaller than a year ago or than shown in the 1927-36 average. Furthermore, growth of winter grains, spring pastures, and of most grasses was fully one month ahead of normal schedule on March 31; and spring plowing and planting operations in most areas were running in advance of the usual season. Following a delay occasioned by inclement weather in the first half of April, oats seeding, plowing for corn, and general farm work were making rapid progress by April 19. Winter grains and pastures continued in good

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	April 20 1938	Change from	
		March 16 1938	April 21 1937
Total bills and securities.....	\$278	\$-5	\$+2
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	277	-5	+2
Total reserves.....	2,022	+247	+266
Member bank reserve deposits.....	1,074	+85	+55
All other deposits.....	226	+156	+210
Federal Reserve notes in circulation.....	963	-2	-1
Ratio of total reserves to deposit and Federal Reserve note liabilities combined..	89.3%	+1.7*	+1.5*

*Number of Points.

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	April 20 1938	Change from	
		March 16 1938	April 21 1937
ASSETS			
Loans and investments—total.....	\$2,914	\$-157	\$-121
Loans—total.....	895	-44	-68
Commercial, industrial, and agricultural loans:			
On securities.....	40	-2	..*
Otherwise secured and unsecured.....	500	-24	..*
Open-market paper.....	41	-6	..*
Loans to brokers and dealers in securities.....	32	-10	-16
Other loans for purchasing or carrying securities.....	80	-4	..*
Real estate loans.....	88	+1	+12
Loans to banks.....	5	+2	-3
Other loans:			
On securities.....	46	-1	..*
Otherwise secured and unsecured.....	63	0	..*
U. S. Government direct obligations.....	1,433	-106	-45
Obligations fully guaranteed by U. S. Government.....	174	-2	+7
Other securities.....	412	-5	-15
LIABILITIES			
Demand deposits—adjusted.....	2,065	-25	-149
Time deposits.....	873	-8	+24
Borrowings.....	0	-2	0

*Not Available.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	March 1938	Per Cent of Increase or Decrease from	
		February 1938	March 1937
Chicago.....	\$2,940	+28.2	-22.6
Detroit.....	746	+16.9	-32.9
Milwaukee.....	260	+17.2	-18.3
Indianapolis.....	178	+18.0	-16.8
Total four larger cities.....	\$4,124	+24.8	-24.3
37 smaller cities.....	710	+20.3	-14.1
Total 41 centers.....	\$4,834	+24.1	-22.9

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)

	March 1938		March 1937
	March 1938	March 1938	March 1937
Total country and city check clearings:			
Pieces.....	11,242,997		11,199,174
Amount.....	\$2,039,291,263		\$2,431,051,133
Daily average clearings:			
Total items cleared—			
Pieces.....	416,407		414,784
Amount.....	\$75,529,306		\$90,038,931
Items drawn on Chicago—			
Pieces.....	69,411		70,760
Amount.....	\$41,126,000		\$47,151,000
Items drawn on Detroit—			
Pieces.....	17,912		21,523
Amount.....	\$7,339,254		\$11,448,619

condition. Moreover, there was evidence that only a small percentage of early seeded oats had failed to germinate satisfactorily. Prospects for fruit appeared favorable for the most part, frost damage in early April and late March having been confined principally to peaches in the very southern-most areas and to sour cherries.

On the basis of April 1 condition, the United States Department of Agriculture forecasts that the five States including the Seventh Federal Reserve district will have a crop of 104,320,000 bushels of winter wheat in 1938, as compared with 115,080,000 bushels harvested in 1937 and 81,763,000 bushels in the 1927-36 average. United States production of the grain is estimated at 725,707,000 bushels for 1938, an increase of 40,605,000 bushels over 1937 and of 179,311,000 bushels over the ten-year average yield.

GRAIN MARKETING

Wheat

THE March movement of wheat at interior primary markets in the United States was the heaviest for the month in several years. Both receipts and reshipments of the grain at these centers expanded over February and remained well above a year ago. Exports continued good though not so substantial in volume as in February. After a severe decline in the first half of March, wheat prices held fairly steady in the second half of the month, quotations for No. 2 hard winter wheat in cash positions at Chicago standing at \$.91 $\frac{1}{8}$ and \$.93 $\frac{3}{8}$ on March 31. Sizable export sales and lessened pressure from Australian offerings in the Liverpool market were factors in the relative stability during this period. Prices softened considerably in the first part of April when attention was turned to the unusually favorable crop prospects for winter wheat in the United States. However, heavy export sales, especially to the United Kingdom, and reports of material crop damage from freezing in the southwestern part of the United States, tempered the effect of earlier crop estimates, and wheat prices had firmed to \$.89 $\frac{1}{8}$ and \$.92 $\frac{3}{8}$ by April 21. Combined stocks of wheat on farms and in visible positions on April 1 aggregated 70 per cent more than last year but were one fourth lighter than the 1927-36 average for the date.

Corn and Oats

LIKE that of other principal grains, the primary corn movement was more than seasonally greater in March than in February. March receipts of the grain at interior primary markets were the heaviest for the month since 1928 and reshipments the largest since 1929. Corn exports were not so well sustained as in February. Prices remained firm from mid-March through mid-April; because of the recent crop failure in the Argentine, foreign demand for United States corn continued strong throughout the period. Prices of No. 2 yellow corn for immediate delivery at Chicago stood at \$.59 $\frac{3}{4}$ and \$.60 $\frac{5}{8}$ on April 21, slightly firmer than a month earlier. Although stocks of corn on farms and in visible positions totaled 164 per cent greater on April 1 than a year previous and 34 per cent larger than the 1927-36 April 1 average, a fairly good disappearance since the first of the year was indicated. The March oats movement was likewise more than seasonally heavier than in February. Exports of oats fell off to negligible volume, and prices were mostly influenced by the course of the wheat market, holding steady in March but subject to considerable weakness in

early April. Combined visible supplies and stocks on farms April 1 stood 43 per cent above the same date of 1937 and 9 per cent higher than the ten-year average.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	March 1938	February 1938	March 1937	March 1928-37 Av.
Wheat:				
Receipts.....	10,388	8,727	7,648	15,785
Shipments.....	10,655	9,980	7,566	11,230
Corn:				
Receipts.....	23,516	18,447	9,436	16,993
Shipments.....	13,330	11,579	5,383	10,200
Oats:				
Receipts.....	4,643	4,041	3,549	6,561
Shipments.....	6,345	4,188	7,184	7,227

MOVEMENT OF LIVESTOCK

AT PUBLIC stockyards in the United States, cattle and calf receipts rose more than seasonally in March over a month earlier to a level above the 1928-37 March average, but remained below a year ago. Hog marketings declined less than usually from February but aggregated considerably smaller than a year earlier and were sharply under the ten-year average for the month. Lamb receipts exceeded those of March 1937 by 10 per cent, although they recorded a less than seasonal expansion over February and fell slightly below the average. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—followed rather closely the trend of market receipts, except that the slaughter supply of lambs was 11 per cent heavier in March than the ten-year average for the month.

Reshipments of cattle and calves to feed lots expanded sharply in March over February. The volume of each was the largest since last December, considerably above a year ago, and much greater than the 1933-37 March average. Movement of feeder lambs was the smallest since March 1937 but 32 per cent in excess of that month; it was only 4 per cent under the five-year average. The United States Department of Agriculture estimated that by April 1 the number of cattle on feed had increased over a year ago by 20 per cent in the corn belt as a whole, by 12 per cent in Indiana, 15 per cent in Wisconsin, 25 per cent in Iowa, and 28 per cent in Illinois; no change from last year was recorded for Michigan.

MEAT PACKING

PRODUCTION of packing-house commodities at inspected slaughtering establishments in the United States aggregated one per cent more for March as a whole than a month earlier. It was, however, 5 per cent lighter than a year ago

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, March 1938.....	196	428	262	101
Federally Inspected Slaughter, United States:				
March 1938.....	809	2,610	1,428	506
February 1938.....	716	2,833	1,424	398
March 1937.....	825	3,033	1,312	592

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Weed Ended April 16 1938	March 1938	February 1938	March 1937
Native Beef Steers (average).....	\$8.55	\$8.45	\$7.80	\$10.80
Fat Cows and Heifers.....	7.65	7.10	6.80	8.10
Calves.....	9.00	8.50	9.60	8.80
Hogs (bulk of sales).....	8.35	9.15	8.30	10.20
Lambs.....	8.30	8.80	7.60	12.00

and 7 per cent under the 1928-37 average for the month; furthermore, average daily production was less than in February. Coincident with the foregoing trends, payrolls at the close of March showed a further decline of 2 per cent in employes and hours worked and of one per cent in wage payments. Employment, hours, and total wages decreased, respectively, by 9, 8, and 4 per cent from a year ago. The tonnage sold during March exceeded current production by a more than seasonal amount but was 4 per cent less than either a year previous or the 1928-37 March average. A slight widening of the decline in packing-house inventories in the United States to 13 per cent below the 1933-37 average was evidenced on April 1. Prices of most commodities, with the exception of veal, lard, bellies, and the heavier sweet pickled hams and dry salt fat backs, firmed slightly in March over February. However, total dollar sales billed to domestic and foreign customers were only 3 per cent in excess of the 1928-37 average for the month and totaled one-half per cent lighter than in February; the margin of decrease from a year earlier increased to 12 per cent. In the first half of April, production continued below that of the corresponding period of 1937 and prices eased from March.

Foreign Trade

SHIPMENTS of packing-house commodities for export expanded substantially in March over February, largely reflecting increased shipments of lard to the United Kingdom. Coincident with a lowering in United States prices after the first week in March, demand for United States lard improved in the United Kingdom; not only did stocks of the commodity already landed move in good volume but there was a considerable increase in buying for current shipment. The United Kingdom also made some purchases of meats and lard for future delivery. A moderate quantity of meats and oleo was sold to Continental Europe. The lard trade in Cuba, Porto Rico, and in some of the South American republics similarly showed signs of improvement. Quotations for United States lard and meats on the European continent and in England ruled slightly under Chicago parity during the month of March, but prices in most other foreign markets, except in the South American republics, compared favorably with those in the United States. Inventories of United States packing-house commodities in foreign countries—inclusive of stocks in transit—decreased further on April 1. Imports of animal products into the United States rose in March to a level slightly above that obtaining in January this year.

DAIRY PRODUCTS

MARCH production and distribution of creamery butter in the Seventh district again conformed to seasonal trend. Manufacture of the commodity in the area rose 14 per cent over February and totaled 9 per cent greater than in March 1937, but was 7 per cent under the 1928-37 average for the month. Tonnage sales by Seventh district firms aggregated 10 per cent heavier in March than in February, were 13 per cent over the year-ago amount, and exceeded the ten-year average by 9 per cent. The butter make in the United States showed slightly more favorable trends than in the Seventh district, and totaled above the average. Between March 1 and April 1, United States inventories of butter declined about two million pounds less than usually; stocks on the later date stood 7½ million pounds higher than a year earlier and the margin of excess over the 1933-37 average widened to 6 million pounds. Despite sizable Gov-

ernment purchases, butter prices ruled progressively weaker in the last week of March and in the first three weeks of April, and on April 21 stood 3½ cents lower than a month previous. United States production of competitive substitutes continued heavy, manufacture of oleomargarine during the first quarter of the year was about one fifth greater than in the same period of 1937.

The manufacture and sale of American cheese in Wisconsin expanded during March more than seasonally over February. Production increased 27 per cent over the preceding month, 21 per cent over March 1937, and 16 per cent over the 1928-37 March average. Distribution of American cheese from primary markets in the State totaled 16 per cent more than in February, 10 per cent greater than a year earlier, and 11 per cent above the ten-year average for the period. Aggregate inventories of cheese in the United States had declined 8½ million pounds by April 1 from a month earlier and the excess over the 1933-37 average had narrowed to 10 million pounds. Although better sustained than butter prices, cheese markets displayed some softening tendency, and on April 21 prices were down one cent from a month earlier.

Industrial Employment Conditions

INDUSTRIES generally throughout the Seventh district registered only minor changes in both employment and payrolls during the period extending from the middle of February to the middle of March. The slight change that did occur in employment, however, was downward, whereas for the ten years preceding both employment and payroll trends averaged upward by about one half of one per cent. An almost negligible rise in wage payments for the current period was the result of the tendency within the durable goods groups to lengthen working hours rather than continue to spread the available work among as large a volume of workers as possible. The stone-clay-and-glass products group increased the number of workers as well as wage payments, the gain in the former item being somewhat less than seasonal. In the metals, vehicles, and wood products groups, increases recorded in wage payments were accompanied by

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of March 15, 1938			Change from February 15, 1938	
	Reporting Firms No.	Wage Earners No.	Earnings (000 Omitted) \$	Wage Earners %	Earnings %
DURABLE GOODS:					
Metals and Products ¹ . . .	1,736	366,216	9,042	-2.7	+0.4
Vehicles	423	267,536	7,120	-0.4	+1.5
Stone, Clay, and Glass . . .	267	18,717	466	+0.8	+11.5
Wood Products	481	40,144	808	-2.0	+1.7
Total	2,907	692,613	17,436	-1.7	+1.2
NON-DURABLE GOODS:					
Textiles and Products . . .	391	57,989	1,004	-0.4	-3.3
Food and Products	1,002	99,631	2,597	-2.0	-1.1
Chemical Products	305	34,809	1,032	-1.8	-1.6
Leather Products	169	23,268	461	+1.0	-2.7
Rubber Products	32	13,156	274	-2.3	-1.8
Paper and Printing	722	74,628	2,060	-3.0	-3.7
Total	2,621	303,481	7,423	-1.7	-2.3
Total Mfg., 10 Groups . . .	5,528	996,094	24,864	-1.7	+0.1
Merchandising ²	5,261	127,496	2,796	+1.2	-0.3
Public Utilities	1,045	105,924	3,598	-0.4	+0.8
Coal Mining	25	4,919	102	+1.3	-8.2
Construction	662	7,895	234	-3.9	-5.2
Total Non-Mfg., 4 Groups	6,993	246,234	6,730	+0.3	-0.0
Total, 14 Groups	12,521	1,242,328	31,594	-1.3	+0.1

¹Other than Vehicles.

²Illinois, Indiana, and Wisconsin.

some reductions in the number of workers employed. Consumer-goods industries generally experienced declines during the period, the losses being within a range of from one-half to 3½ per cent. Within the non-manufacturing classification, merchandising and coal mining showed a rise in employment volumes, while the public utilities group increased wage payments. The construction industries, contrary to the customary trend in March, decreased both employment and payrolls. Aggregate employment and payroll volumes for all reporting industries were approximately 20 and 30 per cent, respectively, below those of a year ago, which percentage declines were the same as those recorded a month earlier.

Petroleum Refining

DURING the week ended April 9, petroleum refineries located in the Indiana, Illinois, and Kentucky area operated at 81 per cent of capacity, a rate somewhat lower than in most recent weeks. Daily average crude runs to stills in this area aggregated about 5 per cent less during March than in February and fell slightly below average runs of the year-earlier period. Crude runs for the United States showed somewhat more favorable trends, the March average being slightly above the year-ago figure, though declining about 2 per cent from February.

Manufacturing

IRON AND STEEL PRODUCTS

MODERATELY improved demand from miscellaneous users of steel had carried steel mill operations in the Chicago district to 32½ per cent of capacity by the end of March, from the low level of 24 per cent in the early part of February. This betterment was not so well sustained in April, however, and by the third week of the month steel ingot output had receded to 30 per cent of capacity. Buying by the automotive, railroad, and construction industries continues to lag behind that of other steel-consuming industries where recessions in business from last year have not been so great. Even this miscellaneous group of consumers is restricting purchases to actual needs and for replenishing inventories which have been diminishing since the first of the year. Some expansion took place during March in pig iron production of the Illinois and Indiana district, but output remained at a low level. Scrap iron and steel prices declined 50 cents per ton in the second week of April.

Although incoming orders for steel castings again showed a decline from the preceding month, shipments and production of such castings were sharply accelerated during March. The tonnage increases in these last two items totaled 50 and 36 per cent, respectively, but despite these gains, volumes were still about 75 per cent below those of a year ago. Ton-nages booked decreased 17 per cent during the month and amounted to only 10 per cent of the March 1937 volume. At malleable casting foundries, there was a general reversal in March of the earlier downward trend, orders and production increasing 20 per cent each and shipments 5 per cent over February. Losses from last year, averaging over 60 per cent, were slightly heavier than those of the preceding month. The manufacture of stoves and furnaces continued active during March, orders and production gaining about 25 per cent each and shipments rising 40 per cent over a month earlier. As compared with March a year ago, shipments totaled 39 per cent, orders 49 per cent, and production 70 per cent lower in the current period.

AUTOMOBILE PRODUCTION AND DISTRIBUTION

THERE was some expansion during March in United States production of automobiles, but the volume totaled much below that of last March and output for the first quarter of this year was about 50 per cent smaller than in the corresponding 1937 period. Indications are that April will see the spring peak in production but a continued sharp decline from a year ago. Passenger car production in March numbered 174,151, or 25 per cent more than in February and 57 per cent less than last March, while truck output of 47,800 vehicles was one per cent greater than in the preceding month and 47 per cent smaller than a year ago. In the first quarter of 1938, the number of passenger cars manufactured totaled 469,732, and that of trucks produced was 149,145, these amounts representing declines from corresponding 1937 volumes of 53½ per cent and 34½ per cent, respectively.

Midwest distribution of new automobiles showed further improvement in March, as sales by both distributors and dealers rose by large percentages over the February volumes. However, last March sales had expanded even more markedly over the preceding month, so that comparisons for the current period with a year ago were very unfavorable. Moreover, stocks, though continuing to decline in March, were much heavier with most dealers at the end of the month than last year at the same time when strikes were affecting deliveries. Used-car sales in March followed trends similar to those in new cars, in both the monthly and yearly comparisons. Stocks of used cars not only were reduced further in the period but also were moderately lighter than a year ago.

MIDWEST DISTRIBUTION OF AUTOMOBILES

	March 1938 Per Cent Change from		Companies Included
	February 1938	March 1937	
New Cars:			
Wholesale—			
Number Sold.....	+51.4	—69.8	15
Value.....	+55.2	—64.8	15
Retail—			
Number Sold.....	+50.3	—46.5	29
Value.....	+41.2	—44.6	29
On Hand End of Month—			
Number.....	— 0.7	+67.7	28
Value.....	— 5.5	+100.2	28
Used Cars:			
Number Sold.....	+38.0	—23.0	29
Salable on Hand—			
Number.....	— 8.0	—10.5	29
Value.....	— 8.0	— 3.2	29

FURNITURE

FOR the second successive month, shipments by reporting furniture manufacturers in the Seventh district recorded a greater than seasonal expansion in March, their dollar volume increasing 31½ per cent over February as compared with a gain of only 14 per cent in the 1928-37 average for the month. Also, they totaled only 4 per cent below this average, and the 33 per cent decline from last March compared with one of 38 per cent in the yearly comparison for February. Orders booked, on the other hand, rose less than 7 per cent over the February volume, whereas the ten-year average for the period shows an increase of 13 per cent. The margin of decline from a year ago in this item increased to 42 per cent from 31 per cent a month earlier, and the decrease from the average amounted to 14 per cent. Because shipments were much heavier than orders booked, unfilled

orders on hand at the end of March were 20 per cent lighter than at the close of February, and their ratio to new business dropped to 86½ per cent from 115 per cent in the preceding month; as compared with March last year, orders on hand totaled 54 per cent smaller this March. Operations, at 53 per cent of capacity, were little changed from the February rate, and continued approximately 30 points below those of a year ago.

PAPER AND PULP

SIZABLE gains over February were registered during March in Seventh district production, shipments, and tonnage orders of paper and in pulp production. However, a slight decline in dollar orders for paper was noted, and comparisons with a year earlier in both pulp and paper activity became more unfavorable. Seventh district paper mills operated at about the same rate of capacity as in February but well below a year ago; the pulp industry operated at a somewhat higher level than in the preceding month, though about 14 points under that of March 1937 when pulp mills were running at almost maximum capacity.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	March 1938 Per Cent of Increase or Decrease from February 1938		March 1937
	February 1938	March 1937	
Paper:			
New orders booked (tons).....	+ 8.1	—45.7	
New orders booked (dollars).....	— 1.4	—38.4	
Total shipments (tons).....	+ 5.8	—28.2	
Total shipments (dollars).....	+ 7.0	—22.1	
Total production (tons).....	+ 8.9	—23.2	
Stocks on hand at end of month (tons).....	+10.7	+55.4	
Pulp:			
Pulp produced (tons).....	+16.5	—13.2	
Stock on hand at end of month (tons).....	+16.2	+72.9	

The Building Industry

CONSTRUCTION

ACTIVITY in the building construction industry of the Seventh district expanded considerably during March, in accordance with seasonal trend, although the total dollar value thereof, as indicated by contracts awarded, continued to be substantially lower than a year ago. The volume of residential building, especially, trended sharply upward in the current period and amounted to almost 30 per cent of the total. Public works and utilities construction not only exceeded that of the preceding month but also was greater than for last March.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
March 1938.....	\$33,683,000	\$9,834,000
Change from February 1938.....	+94.8%	+118.2%
Change from March 1937.....	—29.1%	—36.0%
First three months of 1938.....	\$69,915,000	\$18,061,000
Change from same period 1937.....	—41.9%	—42.4%

*Data furnished by F. W. Dodge Corporation.

Permits issued in 102 cities of the district show that the estimated cost of prospective new building increased 87 per cent in the aggregate for March over a month earlier; the number of such permits was double that for February. As compared with March 1937, the dollar volume of building in prospect totaled 36 per cent smaller and permits numbered one per cent less. Among the larger cities and the aggregates for the smaller cities, an exception to the decline from last year in the estimated cost was Chicago where an 8 per cent increase was recorded in the comparison.

MATERIALS

FAVORABLE weather conditions as well as the prospective increase in freight rates contributed to a decidedly upward trend in sales of building materials during March, the increases being more than sufficient to offset the lag apparent in several lines a month earlier. Wholesale lumber distribution increased considerably more than the 20 per cent shown in the average February to March comparison for the ten preceding years, but continued at a level 45 and 50 per cent under a year ago in dollar and board-foot measurement, respectively. Retail sales of lumber also showed a greater than average expansion over the preceding month and a smaller decrease from last year than a month earlier. Brick and cement shipments followed the customary trend for the period with increases averaging for the most part around 50 per cent but in some cases considerably higher. Current shipments of these materials are still well below those of last year; the declines on the basis of preliminary returns amounted to about 25 per cent for cement and 50 per cent for brick. Wholesale prices of building materials, as a group, weakened slightly during March but firmed again in early April.

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	March 1938 Per Cent Change from		Number of Firms or Yards
	February 1938	March 1937	
Wholesale Lumber:			
Sales in Dollars.....	+44.5	—44.0	9
Sales in Board Feet.....	+56.3	—51.1	7
Accounts Outstanding ¹	+17.8	—27.7	9
Retail Building Materials:			
Total Sales in Dollars.....	+46.8	— 7.7	181
Lumber Sales in Dollars.....	+56.4	—17.0	99
Lumber Sales in Board Feet.....	+63.0	—12.2	112
Accounts Outstanding ¹	+ 8.4	— 4.0	179
	Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month		
	March 1938	February 1938	March 1937
Wholesale Trade.....	154.8	190.0	119.8
Retail Trade.....	228.3	309.8	219.2

¹End of Month.

Merchandising

WHOLESALE TRADE

AS IS usual in the period, the wholesale distribution of commodities in the Seventh district rose in March this year over the preceding month. For the most part, however, sales gains were smaller than in the 1928-37 average for the period and declines from a year earlier were larger than a month previous. As compared with February, sales increases amounted to 7 per cent in groceries, 35½ per cent in hardware, 11 per cent in drugs, and 21 per cent in the miscellaneous group. Inventories in the aggregate for all groups were 11 per cent smaller than those of a year ago.

WHOLESALE TRADE IN MARCH 1938*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	— 4.6	—14.1	— 3.7	— 2.5
Hardware.....	—27.4	— 8.9	—14.9	—26.6
Drugs.....	—13.0	— 7.9	— 2.9	—11.2
Electrical Supplies.....	—29.2	—13.3	— 7.0	—19.1
Miscellaneous.....	—18.3	—10.3	— 7.7	—17.1

*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce. Additional information on wholesale trade may be obtained through the Bureau in Washington, D. C.

RETAIL TRADE

ALTHOUGH the full effect of Easter buying was not apparent in the period, Seventh district department store sales expanded 29 per cent in March over those of the preceding month, the increase comparing with one of only 21 per cent in the 1928-37 March average. However, owing to the fact that Easter came at the end of March in 1937, sales in the month this year were 15½ per cent less than for last March. A much smaller decline from a year ago was shown for the first half of April. Only a seasonal increase of 6 per cent took place in stocks between February 28 and the end of March, and they totaled 9 per cent below those of a year earlier at the same time. Stock turnover for the first quarter of 1938 was at a slower rate than in the same period of 1937, being only .96 times as against 1.06 times last year.

* * *

Following a somewhat greater than seasonal increase in February, sales of furniture and housefurnishings by dealers and department stores expanded 5 per cent further in March; the 1928-37 average for the month shows a 7 per cent gain. As compared with a year ago, such sales totaled 20 per cent less this March. Department stores recorded a much smaller gain over the preceding month and a slightly heavier decline from last year than dealers experienced. There was a further increase of 3 per cent in stocks between the close of February and March 31, but the margin of decrease from a year earlier widened to 8 per cent from only one per cent a month previous.

DEPARTMENT STORE TRADE IN MARCH 1938

Locality	Per Cent Change March 1938 from March 1937		Per Cent Change First Three Months 1938 from Same Period 1937	Ratio of March Collections to Accounts Outstanding End of February	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	-13.5	-10.3	-11.6	34.0	35.8
Detroit.....	-23.3	-7.5	-21.9	40.7	44.7
Port Wayne.....	-15.6	-10.6
Indianapolis.....	-15.8	-6.6	-5.9	37.8	39.4
Milwaukee.....	-9.4	-9.9	-8.2	37.2	40.8
Peoria.....	-13.5	-11.1
Other Cities*.....	-14.7	-2.3	-10.3	31.9	34.8
7th District.....	-15.5	-8.7	-13.0	36.0	38.8

*Includes Fort Wayne and Peoria.

* * *

Sales of shoes by reporting dealers and department stores rose 59 per cent in March over February, or more than seasonally. However, because sales in the month last year had also shown an exceptionally large increase, the dollar volume sold in the current period totaled 22 per cent smaller than that of a year ago. Business in February this year had been only 9 per cent smaller than in the 1937 month. For the first quarter of 1938, sales aggregated 16 per cent less than in the same period of 1937. At the end of March, stocks were 5½ per cent heavier than a month earlier but one per cent below those on the same date last year.

MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

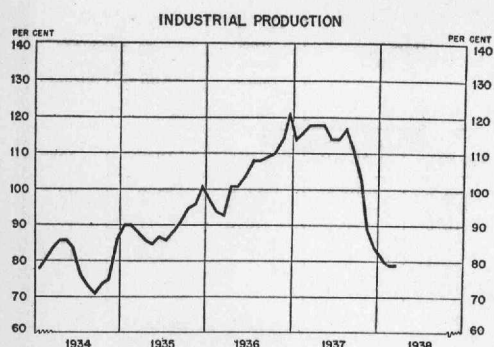
Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.

	No. of Firms	Mar. 1938	Feb. 1938	Jan. 1938	Dec. 1937	Nov. 1937	Oct. 1937	Mar. 1937	Feb. 1937	Jan. 1937	Dec. 1936	Nov. 1936	Oct. 1936
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	84	84	89	83	86	100	95	92	101	96	93	99
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	42	30	33	47	58	70	124	104	95	73	57	74
In Tons.....	12	34	22	25	37	47	58	136	114	102	77	59	76
Malleable—In Dollars.....	21	37	36	38	49	55	64	88	74	69	66	55	56
In Tons.....	21	45	43	46	60	67	77	122	103	98	96	80	80
Stoves and Furnaces—													
Shipments (in dollars).....	14	90	64	46	124	166	241	147	99	95	214	205	288
Furniture—													
Orders (in dollars).....	33	56	53	66	37	53	66	96	76	112	68	83	85
Shipments (in dollars).....	33	68	52	37	51	68	83	101	83	67	82	76	92
Output of Butter by Creameries—													
Production.....	59	87	77	78	78	75	86	80	70	72	77	88	104
Sales.....	61	110	100	101	98	101	101	98	90	85	93	94	106
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	63	54	57	64	66	72	72	60	65	70	65	73
Hardware.....	11	73	54	52	75	88	116	101	70	64	93	85	108
Drugs.....	13	76	69	76	89	88	94	86	77	85	90	80	89
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	86	67	69	148	95	98	100	76	78	157	98	98
Detroit.....	6	87	71	74	180	117	123	113	93	88	194	117	117
Milwaukee.....	5	93	69	73	169	102	118	103	76	77	160	105	118
Other Cities.....	44	84	65	68	151	97	107	96	70	68	156	94	103
Seventh District—Unadjusted.....	84	86	68	70	155	100	106	102	78	78	164	101	104
Adjusted.....	84	95	85	88	93	92	96	104	97	97	98	93	95
Automobile Production—(U. S.)—													
Passenger Cars.....		59	48	53	83	101	102	138	101	106	145	116	65
Trucks.....		127	126	144	217	172	83	240	179	186	195	143	91
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		34	15	13	16	26	37	52	28	27	28	32	40
Total.....		49	25	28	38	41	58	69	42	64	50	52	56
Pig Iron Production*—													
Illinois and Indiana.....		51	47	49	53	68	98	127	123	120	117	109	108

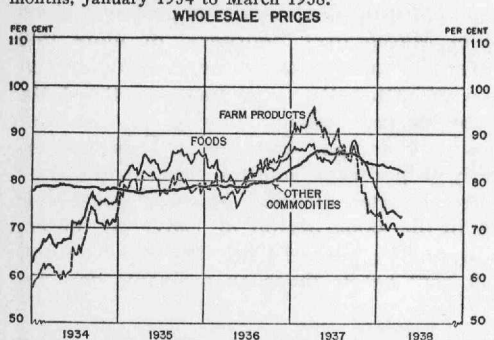
*Average daily production.

National Summary of Business Conditions

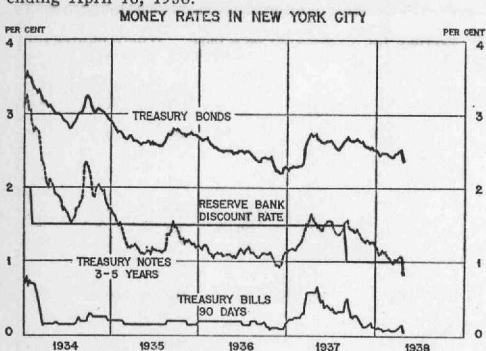
(By the Board of Governors of the Federal Reserve System)



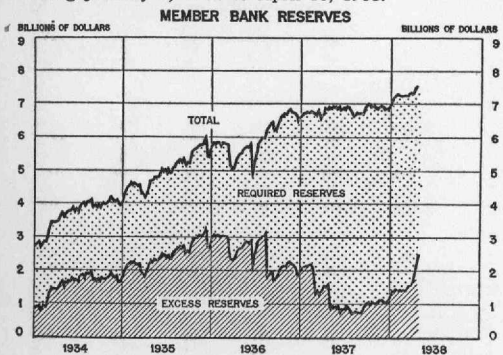
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to March 1938.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending April 16, 1938.



Discount rate of Federal Reserve Bank; weekly averages of daily yields on 3- to 5-year Treasury notes and on Treasury bonds callable after 8 years, and weekly average of daily dealer's quotations on 90-day Treasury bills or rate on new bills offered in week. For weeks ending January 6, 1934 to April 16, 1938.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934 to April 20, 1938.

IN March and the first three weeks of April, industrial activity continued at about the same rate as in January and February. Distribution of commodities to consumers showed less than the usual seasonal increase and wholesale commodity prices declined further.

PRODUCTION

VOLUME of industrial production showed little change from February to March and the Board's index, which is adjusted for the number of working days and for usual seasonal variations, remained at 79 per cent of the 1923-1925 average. In the steel industry, output of ingots averaged 33 per cent of capacity in March and continued at about this level in the first three weeks of April. Shipments of finished steel in March, as in other recent months, were at a somewhat higher rate than output. Automobile production, which usually expands sharply at this time of the year, showed little change from the low level of January and February, and output of tires and plate glass likewise remained at a low rate. In the lumber and cement industries there were considerable increases in output in March. At cotton and silk textile mills and shoe factories activity rose somewhat, while production at woolen mills declined following a rise in February. Declines were reported also for meat-packing and sugar refining. At mines, where production decreased generally in February, output of bituminous coal and nonferrous metals continued to decline in March, while production of anthracite and crude petroleum increased somewhat.

Value of construction contracts awarded showed a considerable increase in March, according to figures of the F. W. Dodge Corporation. Awards for residential work, which had advanced moderately in February, increased sharply in March but were still 12 per cent less than in March 1937. Contracts for other private work also increased in March, but remained considerably smaller than a year ago. The value of public projects showed an increase and was higher than last year.

EMPLOYMENT

FACTORY employment declined somewhat and payrolls showed little change from the middle of February to the middle of March, although increases are usual at this season. The number employed in the machinery industries decreased considerably further and at woolen mills there was also a substantial decline, while most other manufacturing industries showed moderate declines or little change. Employment on the railroads and in the public utilities declined somewhat further in March, while in other nonmanufacturing lines there was little change in the number employed.

DISTRIBUTION

SALES at variety stores and by mail order houses increased seasonally in March, while sales at department stores showed less than the usual rise. The Board's seasonally adjusted index of department store sales declined from 88 in February to 86 in March, and figures for the first three weeks of April indicate some further decline. Freight-car loadings showed little change from February to March, although a rise is usual at this time of the year. Shipments of coal declined substantially, and miscellaneous loadings increased by less than the usual seasonal amount.

COMMODITY PRICES

WHOLESALE commodity prices generally declined from the middle of March to the third week of April. There were further decreases in prices of a number of raw and semi-finished industrial commodities, and prices of some leading agricultural products also declined, reflecting in part seasonal influences. In the middle of April prices of some industrial materials advanced slightly from the lows reached earlier in the month.

BANK CREDIT

DURING March and the first three weeks of April, total loans at reporting member banks in 101 leading cities declined further, reflecting a substantial reduction in loans to brokers and dealers in securities and also declines in commercial loans. Holdings of investments showed little net change, declining in March and increasing in April.

As a part of the Government's program for encouragement of business recovery, the Board of Governors reduced reserve requirements of member banks by about \$750,000,000, effective April 16, and excess reserves correspondingly increased. As a part of the same program, the Treasury discontinued the inactive gold account and deposited about \$1,400,000,000 of gold certificates with the Federal Reserve banks. Additions to excess reserves from this source will occur as the Treasury draws upon these deposits to meet current expenditures and the retirement of Treasury bills.

MONEY RATES AND BOND YIELDS

YIELDS on Treasury bonds declined from a level of 2.50 per cent in the first half of April to 2.32 per cent on April 22. The average yield on 3-5 year Treasury notes declined to a new low of 0.81 per cent, which compares with the previous low of 0.91 per cent in December 1936. The rate on three-month Treasury bills declined to virtually a no-yield basis. Other short-term open-market money rates remained unchanged in the first three weeks of April.

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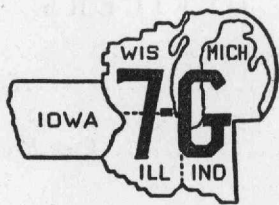
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SEVENTH FEDERAL



RESERVE DISTRICT