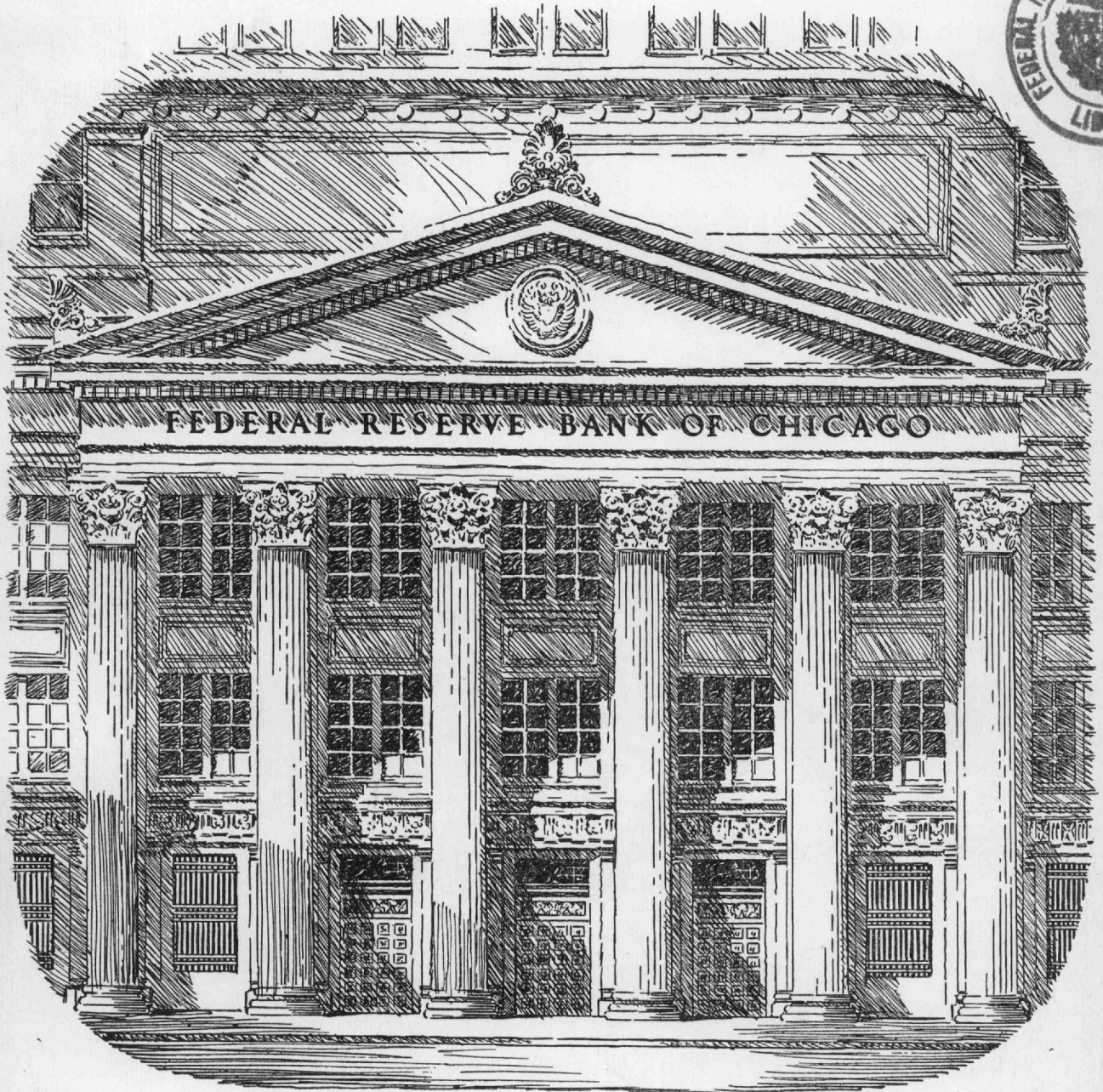




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BUSINESS CONDITIONS



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DISTRICT SUMMARY

FEW indications of definite improvement can be noted in business conditions of the Seventh Federal Reserve district. In most reporting industries activity in April remained sharply under that of a year earlier, and in many groups it fell off from March when some seasonal expansion had been shown. Although reporting retail lines and certain wholesale trade groups had an increase in business over March, sales volumes with few exceptions were well below those of last April; inventory position, however, has continued to improve.

INDUSTRY

FOLLOWING a slight rise at the end of April, steel production in the district had again receded by the middle of May. April output from steel and malleable casting foundries of the district was sharply lower than a month previous, and seasonal activity at stove factories was approaching an end. Automobile production did not attain the expected seasonal peak in April and totaled slightly less than in March. Output from furniture factories declined more than usually from the preceding month and that from paper and pulp mills was smaller in the comparison. An exception to these downward trends was noted in the building industry where construction activity and the movement of materials showed some further expansion. Employment and payroll volumes recorded a contraction in April, contrary to trend for the period.

AGRICULTURAL PRODUCTS

APRIL production of packing-house commodities was smaller than in March, a year ago, or the 1928-37 average for the month. Although the sales tonnage of such products exceeded production, it also was lower in these comparisons. The manufacture of creamery butter and of Wisconsin cheese expanded more than seasonally over March, and distribution of the latter likewise gained in the comparison. Both sales and production of these commodities exceeded the year-earlier volumes and, with the exception

of butter manufacture, were larger than in the 1928-37 April average. May 1 inventories of dairy products were above the 1933-1937 average for the date, while those of packing-house commodities were under it, having declined more than seasonally from April 1. There was a heavy movement of wheat and corn in April; visible supplies of these grains diminished in the month. Inclement weather has affected the planting of corn, and frost has damaged fruit and garden truck to some extent; also, there has been slight deterioration in certain crops. Pastures are luxuriant.

TRADE

ONLY a small increase was shown during April over March in department store sales of the Seventh district and the retail furniture trade expanded less than seasonally; the volumes sold in both groups were much below those of last April. On the other hand, the retail shoe trade gained considerably more than is usual and totaled above a year ago. In wholesale trade groups, sales of groceries and electrical goods increased over the preceding month, but those in other reporting lines declined, and with the exception of grocery sales volumes remained well below those of last year. Both wholesale and retail phases recorded improvement in inventory position, declines in stocks from the 1937 level being substantial in the majority of groups.

CREDIT

MEMBER bank reserve balances reached a record high level on May 18, having risen steadily in the four-week period ended on that date. There was a continued decrease in earning assets of reporting member banks in this period, because of a smaller volume of loans and reduced holdings of United States Government direct obligations. Following a decline in the preceding five-week period, demand deposits in these banks increased between April 20 and May 18. Dealer sales of commercial paper and new financing through bankers' acceptances fell off in April and were much below the 1928-37 average volumes.

Credit and Finance

OPEN MARKET PAPER

NEW acceptances created in April by accepting banks in the Seventh district declined 9 per cent, or less than seasonally, from the March total. Outstandings at the end of the month, however, showed a greater than usual drop of 15 per cent from March 31. Bank holdings of acceptances on April 30 were one per cent higher than a month previous, the increase being brought about by a slightly smaller volume of maturities during April than in March and by much heavier purchases of other banks' bills. Percentage comparisons with a year ago were all negative—35 per cent for new financing, 44 per cent for outstandings, and 51 per cent in the banks' portfolios. All of these percentage declines were greater than in the March comparisons with a year earlier. Decreases from the 1928-37 average for April were close to 70 per cent, as has been the case for the

past several months. New financing during the first fifteen days of May by several of the large Chicago banks exceeded the April volume for the same period by 17 per cent, but amounted to only one half of the corresponding year-ago total.

Commercial paper sales during April and outstandings on April 30, as reported by representative dealers in the Middle West, were both in the lowest volume since late in 1936. In each item, a downward trend is normally expected, but the 20 per cent drop in sales from March and the 13 per cent decline in outstandings exceeded the seasonal decreases. Comparisons with a year ago and the 1928-37 average also showed declines, amounting to one-half of one per cent and 28 per cent, respectively, in sales and to 11 and 3 per cent in outstandings. Except that the bulk of sales tended to become more firmly established at $\frac{3}{4}$ per cent, rates remained steady. Borrowings on commercial paper and demand for paper by country banks were both

lighter in April than in March, while demand from city banks showed little change in the month. Sales during the first fifteen days of May ran about 8 per cent below those of the same period in April, as the supply continued to dwindle.

MEMBER BANK RESERVES

A NEW high record of over 1,214 million dollars was established on May 18 for Seventh district member bank reserve balances, following a continuous upward trend each week since March 30 and including a 140 million dollar increase during the four-week period ended May 18. In this latter period, an inflow of commercial and financial funds from other districts effected an 85 million dollar addition to reserves, and an excess of Treasury disbursements over receipts added 60 millions. Cash redemptions of a substantial portion of maturing Treasury bills were responsible for the excess in Treasury disbursements. Seventh district currency circulation increased over 5 million dollars during the four-week period.

INTEREST RATES

I NTEREST rates charged by outlying Chicago banks on prime commercial loans were somewhat higher on May 15 than a month earlier; those on other loans by these banks showed no important changes. Downtown Chicago banks and the larger Detroit institutions reported only minor variations in their rate scales over the same period. Average rates of earnings on total loans and discounts by these two latter groups showed moderate improvement in April over the March averages but remained below those of a year ago.

SECURITIES MARKETS

B OND market conditions in the Middle West showed little change in April and early May from the dullness prevailing for the past several months. Prices firmed, especially on high-grade bonds. Rails remained unsettled, though moving within a narrower range than during March. The volume of new corporate financing in April approximated that for March, while municipal issues were smaller in the same comparison. Both lagged far behind a normal level. Institutional demand continued to be the main support of the market; individual interest was negligible. Banks, particularly the larger ones, appeared more active because of the additional funds available for investment since the recent lowering of reserve requirements.

The 91-day Treasury bills dated May 18 sold at the record low average discount of .027 per cent—the fifth straight week of improved financing terms for the Treasury. The Chicago Journal of Commerce average of Chicago stock prices on May 21 was \$35.36, about \$2.50 below the April high and slightly above the May low of \$34.85 recorded on May 2.

Agricultural Products

CROP CONDITIONS

O WING to inclement weather, corn planting in the Seventh Federal Reserve district continued considerably behind normal schedule and was less than half completed by May 17. Germination and growth of the grain also was hindered by low temperatures. Frost in mid-May nipped some of the early garden and truck crops, and caused considerable damage to fruit. Oats have made rather slow growth since the beginning of May but are in generally fair

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

	May 18 1938	Change from	
		April 20 1938	May 19 1937
Total bills and securities.....	\$278	\$ 0	\$-2
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	277	0	-1
Total reserves.....	2,096	+74	+325
Member bank reserve deposits.....	1,214	+140	+192
All other deposits.....	162	-64	+138
Federal Reserve notes in circulation.....	963	0	-7
Ratio of total reserves to deposit and Federal Reserve note liabilities combined..	89.6%	+0.3*	+1.8*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

	May 18 1938	Change from	
		April 20 1938	May 19 1937
ASSETS			
Loans and investments—total.....	\$2,847	\$-67	\$-204
Loans—total.....	851	-44	-120
Commercial, industrial, and agricultural loans:			
On securities.....	39	-1	-11
Otherwise secured and unsecured.....	468	-32	-60
Open-market paper.....	38	-3	-14
Loans to brokers and dealers in securities.....	30	-2	-20
Other loans for purchasing or carrying securities.....	76	-4	-20
Real estate loans.....	89	+1	+9
Loans to banks.....	5	0	-2
Other loans:			
On securities.....	43	-3	-3
Otherwise secured and unsecured.....	63	0	+1
U. S. Government direct obligations.....	1,372	-61	-102
Obligations fully guaranteed by			
U. S. Government.....	193	+19	+21
Other securities.....	431	+19	-3
LIABILITIES			
Demand deposits—adjusted*.....	2,129	+64	-122
Time deposits.....	872	-1	+17
Borrowings.....	0	0	0

*The annual velocity of demand deposits (unadjusted) in the four weeks ended May 18 was 19.51 times, as compared with 22.32 times in the preceding five weeks and with 23.35 times in the corresponding period of 1937.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

	April 1938	Per Cent of Increase or Decrease from	
		March 1938	April 1937
Chicago.....	\$2,616	-11.0	-16.9
Detroit.....	693	-7.1	-33.0
Milwaukee.....	250	-4.3	-15.1
Indianapolis.....	176	-1.0	-18.8
Total four larger cities.....	\$3,735	-9.4	-20.4
37 smaller cities.....	707	-0.4	-15.4
Total 41 centers.....	\$4,442	-8.1	-19.7

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)

	April 1938	April 1937
Total country and city check clearings:		
Pieces.....	10,815,829	10,742,101
Amount.....	\$1,854,098,453	\$2,279,781,428
Daily average clearings:		
Total items cleared—		
Pieces.....	415,993	415,407
Amount.....	\$71,311,479	\$88,270,657
Items drawn on Chicago—		
Pieces.....	70,031	66,702
Amount.....	\$38,396,000	\$45,387,000
Items drawn on Detroit—		
Pieces.....	15,789	21,493
Amount.....	\$6,532,838	\$11,684,657

to good condition, though showing slight deterioration in a few localities because of inadequate surface moisture. On the other hand, winter wheat and rye continue to exhibit heavy growth and fair to excellent progress; they are beginning to head in the southern portion of the district. Pastures remain luxuriant. Clover and alfalfa have shown some slight deterioration since May 1, but for the most part are approaching early cutting in a fine condition. The planting of sugar beets and early potatoes is nearing completion and that of late potatoes continues.

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of May 1 condition (In thousands of bushels)

	Five States Including Seventh District			United States		
	Forecast 1938	Final 1937	1927-36 Average	Forecast 1938	Final 1937	1927-36 Average
Winter wheat	106,349	115,080	81,763	754,153	685,102	546,396
Rye	10,263	13,632	7,221	51,755	49,449	36,454

GRAIN MARKETING

Wheat

MOVEMENT of wheat at interior centers of accumulation in the United States remained heavy during April; both receipts and reshipments at these centers were again the largest for the month in several years. Exports of the grain continued in fair volume. Under the influence of bumper crop prospects for winter wheat in the United States, quotations for No. 2 hard winter wheat in cash positions at Chicago declined about 5 cents in the latter part of April, ending the month at \$.84 $\frac{3}{8}$ and \$.87 $\frac{3}{8}$. There was a show of firmness in the first two weeks of May, when some apprehension was displayed as to possible frost and rust damage in the southwestern part of the United States; but increasingly favorable crop news from the winter wheat belt brought these prices to \$.81 $\frac{7}{8}$ and \$.84 $\frac{7}{8}$ by May 21. The liberal decline in visible supplies of wheat during the four weeks ended May 14—23 per cent—had little effect on price trends.

Corn and Oats

THERE was an exceptionally heavy movement of corn during April at interior primary centers in the United States. Unseasonably large country marketings were mostly offset by a continued heavy export movement. Sustained by sizable sales to Europe, prices for No. 2 yellow corn for immediate delivery at Chicago stood at \$.59 $\frac{1}{4}$ and \$.59 $\frac{3}{8}$ on May 21, or only slightly lower than a month earlier. Visible supplies of the grain on May 14 were 19 per cent lighter than a month previous but almost 8 times greater than stocks of the comparable 1937 date. Receipts of oats fell off slightly during April, but reshipments were the largest for any month since May 1934. Visible supplies declined more than seasonally; prices were off about 2 cents on May 21 from a month earlier.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	April 1938	March 1938	April 1937	April 1928-37 Av.
Wheat:				
Receipts	11,063	10,388	8,924	13,004
Shipments	14,052	10,655	8,749	12,010
Corn:				
Receipts	29,532	23,516	7,915	14,561
Shipments	24,084	13,330	4,762	11,807
Oats:				
Receipts	4,313	4,643	4,619	6,711
Shipments	8,553	6,345	7,754	7,738

MOVEMENT OF LIVESTOCK

APRIL cattle and hog marketings at public stockyards in the United States declined 12 and 9 per cent, respectively, from March; those of lambs and calves showed some increase. Volumes were under the 1928-37 April average and, except for lambs, below the year-ago amounts. Movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—was characterized by a decline in each classification; volumes, however, remained in excess of the ten-year average, with the exception of hog slaughter, which continued to be one fourth below it and was the smallest since last September. Comparisons with 1937 were about the same as in March, lamb slaughter being the only category which totaled above last year.

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
April 1938	171	387	247	96
Federally Inspected Slaughter,				
United States:				
April 1938	749	2,462	1,425	502
March 1938	809	2,610	1,428	506
April 1937	802	2,810	1,334	588

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	May 21 1938	April 1938	March 1938	April 1937
Native Beef Steers (average)	\$9.00	\$8.65	\$8.45	\$10.85
Fat Cows and Heifers	7.65	7.50	7.10	8.30
Calves	9.15	8.85	8.50	8.65
Hogs (bulk of sales)	8.40	8.40	9.15	10.00
Lambs	7.75	8.45	8.80	12.40

MEAT PACKING

APRIL production of packing-house commodities at inspected slaughtering establishments in the United States totaled 6 per cent less than for either this March or last April; the margin of decrease from the 1928-37 average for the period widened to 12 per cent. Though showing a more than seasonal excess over current production, the tonnage sold during April aggregated 5 per cent under a year earlier and 8 per cent less than the ten-year April average. A slight easing from March was evidenced in the general price level of packing-house products, despite somewhat firmer quotations for beef and common to medium grade veal. Dollar sales billed to domestic and foreign customers declined one per cent in April from a month earlier to one per cent below the 1928-37 average for the period and were 14 per cent smaller than in April 1937. As a reflection of the foregoing trends, employment, hours worked, and wage payments at slaughtering establishments showed a decline of 3 per cent each at the close of April from March 31; decreases of 11, 13, and 12 per cent, respectively, were recorded from a year ago. Inventories of animal products in the United States declined more than is usual on May 1 from a month earlier to a level 17 per cent below the 1933-37 average for the date. In the first half of May, production continued under the corresponding period of 1937.

Foreign Trade

ASOMEWHAT smaller quantity of packing-house commodities was shipped for export in April than during March. The bulk of these forwardings consisted of lard, boxed meats, oleo, and casings. There was a tendency to defer some movements until the early summer reduction in inland and ocean freight rates became effective late in April and early May. Demand in the United Kingdom continued fair for United States lard and hams but was rather

slow for bacon. Czechoslovakia purchased a limited quantity of fat backs. Trade in Cuba equaled that of March; on the other hand, Porto Rican and South American demand for animal products slackened. Quotations for United States lard ruled below Chicago parity in England and on the European Continent but were close to this parity in Cuba, Porto Rico, and other importing nations. Stocks of United States packing-house commodities in foreign markets—inclusive of goods in transit—showed little change on May 1 from the beginning of April. The importation of animal products into the United States increased further in April and was at the highest level since December last year.

DAIRY PRODUCTS

GOOD pasture conditions and a consequently heavy milk flow effected greater than seasonal increases in butter and cheese production during April. Seventh district creamery butter manufacture expanded 16 per cent over March and was 13 per cent greater than for April 1937, although it totaled 2 per cent less than the 1928-37 average for the month. Production of the commodity in the United States showed even more favorable trends, being well above a year ago and the average. The sales tonnage of Seventh district creameries recorded a fractional decline from March but aggregated 10 per cent higher than a year ago and 6 per cent above the 1928-37 April average. Although a slight decrease is usually expected, butter inventories in the United States expanded 5 million pounds between April 1 and May 1, standing on the latter date 13 million pounds higher than last year and 12 million pounds above the 1933-37 May 1 average. After pronounced weakness in the first half of April, cash butter prices were sustained in the latter part of the month and the first two weeks of May by liberal Government purchases. Some further softening, however, was shown in mid-May.

Production and sales of American cheese in Wisconsin rose more than seasonally during April over the preceding month. Cheese manufacture increased 16 per cent over March, 28 per cent over April 1937, and 21 per cent over the 1928-37 average for the period. April distribution of the commodity from primary markets in the State showed similar trends, aggregating 12, 23, and 17 per cent, respectively, more than in March, a year ago, and the ten-year April average. United States stocks of cheese had declined only one million pounds by May 1 from a month earlier, and the excess over the 1933-37 average widened to 13 million pounds. Prices ruled fairly steady in late April and the first half of May, after some softness in early April.

Industrial Employment Conditions

AFTER attaining a fairly steady level in the preceding month, employment and payrolls in Seventh district industries again showed a definite contraction in April. The declines were contrary to the usual trend, as the 1928-37 April averages record a practically stationary volume of employment and an increase of 1½ per cent in wage payments. The trend in payrolls for both the current and the preceding month was more favorable than in employment, which may at least partially be explained by the fact that more recent and lower-paid workers are generally laid off first in a period of recession. However, the tendency to lengthen time schedules, noted in March, was also responsible for some of the discrepancy between employment and

wage trends in the current month, and in most cases affected the same industries. Thus, such major manufacturing groups as metals, vehicles, chemicals, and rubber products, showed a considerably smaller contraction in wage payments than in employment. An opposite trend, however, prevailed in groups such as the textiles, leather, and paper and printing industries, where payroll declines exceeded losses in employment mainly on account of a shortening of weekly time schedules. Durable goods industries as a whole presented a more sharply downward trend in both employment and payrolls than did the non-durable or consumer goods classification, despite the fact that the only major manufacturing group to show an expansion during April was in the durable goods classification—the stone-clay-and-glass products group. Of the consumer goods industries, food products registered the least and leather products the greatest decrease during the current period. Seasonal expansion in the merchandising and construction industries brought the aggregate volumes of employment and payrolls in non-manufacturing groups as a whole above those of a month earlier. Employment and payroll volumes in all reporting industries totaled below those of a year ago by 25 and 35 per cent, respectively, whereas the corresponding differences in March were only 20 and 30 per cent.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

TOTAL April production of automobiles showed a slight decline from the March volume and amounted to only about 40 per cent of output for last April, the peak month of 1937. Passenger cars manufactured in the United States during the current period numbered 176,078, or one per cent more than in March but 60 per cent below output a year ago; truck production of 43,236 vehicles decreased 9½ per cent from the preceding month and 55 per cent from April 1937.

Some further increase took place during April in sales of new automobiles by reporting distributors and dealers in

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of April 15, 1938			Change from March 15, 1938	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted)	Wage Earn- ers %	Earn- ings %
	No.	No.	\$		
DURABLE GOODS:					
Metals and Products ¹ ...	1,782	360,630	9,025	-3.8	-2.5
Vehicles.....	425	243,944	6,850	-6.9	-1.9
Stone, Clay, and Glass...	275	17,781	406	+4.4	+4.3
Wood Products.....	491	38,900	759	-4.1	-7.2
Total.....	2,973	661,255	17,040	-4.8	-2.3
NON-DURABLE GOODS:					
Textiles and Products...	402	58,862	1,000	-0.6	-4.0
Food and Products.....	1,047	100,109	2,623	-0.8	-0.4
Chemical Products.....	307	34,551	1,040	-2.1	-0.8
Leather Products.....	164	21,655	416	-5.4	-8.1
Rubber Products.....	34	12,745	270	-4.8	-2.6
Paper and Printing.....	741	74,536	2,028	-1.2	-2.2
Total.....	2,695	302,458	7,377	-1.5	-2.0
Total Mfg., 10 Groups...	5,668	963,713	24,417	-3.8	-2.2
Merchandising ²	5,451	137,388	2,996	+4.2	+3.4
Public Utilities.....	1,125	107,299	3,592	+0.1	-0.9
Coal Mining.....	28	4,474	90	-14.7	-18.6
Construction.....	777	9,330	264	+11.9	+7.1
Total Non-Mfg., 4 Groups	7,381	258,491	6,942	+2.3	+0.9
Total, 14 Groups.....	13,049	1,222,204	31,359	-2.6	-1.5

¹Other than Vehicles.

²Illinois, Indiana, and Wisconsin.

the Middle West. The number of cars sold remained considerably less than in the corresponding 1937 period, but the percentage declines were somewhat smaller than in March. Stocks of new cars on hand showed a definite reduction in April and, although they continued to exceed those of a year ago by a fairly substantial amount, the margin of increase was much narrower than a month earlier. Firms handling makes not affected by strike conditions in 1937, reported stocks below those of last year. The number of used cars sold in April fell off noticeably from the March volume, following gains in each month of the first quarter of 1938, and the decline from year-ago sales was greater than a month earlier. Salable used cars on hand at the end of April numbered above those of March 31, whereas they had been diminishing in recent months; also, the decrease from the 1937 level was smaller than in March.

MIDWEST DISTRIBUTION OF AUTOMOBILES

	April 1938 Per Cent Change from		Companies Included
	March 1938	April 1937	
New Cars:			
Wholesale—			
Number Sold.....	+ 8.5	-62.5	15
Value.....	+ 3.8	-60.4	15
Retail—			
Number Sold.....	+ 4.5	-43.1	28
Value.....	+11.7	-36.2	28
On Hand End of Month—			
Number.....	-11.5	+16.5	27
Value.....	-15.5	+31.6	27
Used Cars:			
Number Sold.....	-21.0	-36.0	27
Salable on Hand—			
Number.....	+ 3.3	- 6.9	27
Value.....	+ 4.3	+ 0.0	27

IRON AND STEEL PRODUCTS

FOLLOWING a slight rise in the last part of April and early May to 34 per cent of capacity, from 30 per cent, steel ingot production in the Chicago district receded again in the middle of May to 29 per cent of capacity, as steel-consuming industries continued to work on reduced schedules. No sustained improvement in demand has been noted from any source. Production of pig iron in the Illinois and Indiana district remained at a low level in April, although a further small increase was shown in the comparison with a month previous. Scrap iron and steel prices, which had been nominal and unchanged for several weeks, declined in the middle of May.

April activity at Seventh district foundries reached a new low level for the present recession, with orders, shipments, and production falling below the tonnages reported for March by 51, 43, and 35 per cent, respectively, in steel castings and by 17, 8, and 17 per cent in malleable castings. The contraction in the corresponding dollar volumes was also substantial, though somewhat less than in tonnage units. Comparisons with a year ago, at which time operations were approximately at their peak for the period of recovery, showed decreases ranging from 81 to 92 per cent in steel castings and from 64 to 70 per cent in malleable castings. For both types of castings, shipments in the current month were the smallest in dollar value that have been recorded since December 1934; expressed in tonnage units, shipments of steel castings fell below any previous month since May 1933, and those of malleable castings were the lightest since October 1934. Current shipments of both types of castings continued heavier than the volume of incoming orders.

In the manufacture of stoves and furnaces, seasonal activity was nearing a close in April, and orders and production registered declines of approximately 30 and 10 per cent each from the preceding month. Shipments continued to expand, with a small increase of 2 per cent. All items continued to total below those of a year ago, the differences amounting to about 45 per cent in shipments and to somewhat more than that percentage in orders and production. Inventories showed an accumulation of 6 per cent during the month and totaled 34 per cent heavier than at the close of April 1937.

FURNITURE

AS IS usual in the period, orders booked and shipments by reporting furniture manufacturers in the Seventh district fell off in April this year from a month previous. The declines of 15 and 20 per cent, respectively, were greater than seasonal, noticeably so in shipments which had shown more than seasonal increases in the two preceding months. In the comparison with the corresponding 1937 month, both shipments and new orders totaled over 40 per cent smaller this April and each was about 15 per cent less than in the 1928-37 average for the period. Unfilled orders continued to be reduced—by 16 per cent—as shipments exceeded orders received by a moderate amount and cancellations increased; at the end of April, orders on hand were almost 60 per cent smaller than a year earlier. At 50 per cent of capacity, manufacturing operations were slightly lower during April than in March and close to 35 points below those of April 1937.

PAPER AND PULP

EXCEPT for a slight rise in orders booked, activity at Seventh district pulp and paper mills declined during April from March. However, most comparisons with 1937 became less unfavorable. Pulp mills operated at about 81 per cent of capacity in April, 2 points under the March rate, while paper mills ran at 76 per cent of capacity, or 3 points below a month previous. In April 1937, both paper and pulp mills in the Seventh district were operating at virtually maximum capacity.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	April 1938 Per Cent of Increase or Decrease from	
	March 1938	April 1937
Paper:		
New orders booked (tons).....	+ 0.3	-27.4
New orders booked (dollars).....	+ 3.1	-19.3
Total shipments (tons).....	- 4.5	-25.5
Total shipments (dollars).....	-10.4	-26.6
Total production (tons).....	- 4.4	-29.0
Stocks on hand at end of month (tons).....	+ 9.1	+56.4
Pulp:		
Pulp produced (tons).....	- 8.0	-17.9
Stock on hand at end of month (tons).....	+11.3	+92.9

Petroleum Refining

PETROLEUM refineries located in the Indiana, Illinois, and Kentucky area operated at 90 per cent of capacity during the week ended May 14—a rate somewhat higher than that of other weeks this spring. Daily average crude runs to stills in this area increased 2 per cent during April over the March average, though declining 3 per cent from April 1937. Crude runs in the United States recorded similar trends, except that the April average slightly exceeded that for a year earlier.

The Building Industry

CONSTRUCTION

ACCORDING to contracts awarded data, some further expansion took place during April in the building construction industry of the Seventh district. Both residential and non-residential building were heavier than in March, while the volume of public works and utilities construction totaled smaller in the comparison. Although building activity remained in April well below that of a year ago, the margin of decline was narrowed for the third consecutive month. Public works construction continued to exceed the corresponding 1937 volume. As in March, residential building constituted 29 per cent of the total; last April it amounted to 32 per cent of the aggregate.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
April 1938	\$ 36,370,000	\$10,493,000
Change from March 1938	+ 8.0%	+ 6.7%
Change from April 1937	-23.2%	-30.9%
First four months of 1938	\$106,285,000	\$28,554,000
Change from same period 1937	-36.6%	-38.7%

*Data furnished by F. W. Dodge Corporation.

Prospective new building in the district, as reflected by the aggregate of permits issued in 103 cities, continued to increase in April. However, the gain of 24 per cent over March in the total estimated cost of such building was effected through an increase in Detroit and the smaller cities of Illinois, Michigan, and Wisconsin, as permits issued in Chicago, Indianapolis, Des Moines, and the smaller cities of Indiana and Iowa declined in dollar value, with Milwaukee showing little change from the March volume. A decrease of 28 per cent was recorded from last April in the total estimated cost of prospective building for the 103 cities. Des Moines and the aggregate for the smaller cities of Michigan registered an increase in this comparison.

MATERIALS

THE greatly increased demand for building materials that developed during March was followed in April by a more moderate expansion which in several lines failed to reach customary seasonal proportions. Gains in wholesale lumber distribution were not so heavy as in the preceding month and the increase in dollar units was only fractional, although in board-foot measurement it exceeded the 1928-37 average April rise. Retail yards reported gains substantially below those generally occurring at this season. Cement shipments, likewise, after more than doubling in volume during March, showed little further expansion in April, whereas in the ten years, 1928-37, such shipments recorded an average rise of close to 70 per cent for each of these months. Brick deliveries continued to improve, the increase from March to April amounting to approximately 30 per cent. Activity in all lines, however, remained on a restricted basis as compared with the corresponding period a year earlier: brick deliveries were about 40 per cent smaller than for last April; cement shipments, after reaching the year-ago level in March, again showed an unfavorable margin in April; while the distribution of lumber recorded decreases in the yearly comparison that were slightly less at wholesale but greater at retail than had been the case a

month previous. Outstanding accounts of reporting lumber dealers increased in line with sales during the month, but were in considerably heavier ratio to such sales than in the same month a year ago. Wholesale prices of building materials generally were firm during April, the United States Bureau of Labor Statistics index showing an advance of about 1½ per cent in the period and a subsequent loss of about two thirds of this increase in the first week of May.

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	April 1938 Per Cent Change from		Number of Firms or Yards
	March 1938	April 1937	
Wholesale Lumber:			
Sales in Dollars	+ 0.3	-41.5	9
Sales in Board Feet	+ 9.8	-41.8	7
Accounts Outstanding ¹	+ 4.3	-23.8	9
Retail Building Materials:			
Total Sales in Dollars	+15.0	-14.8	181
Lumber Sales in Dollars	+11.0	-24.2	97
Lumber Sales in Board Feet	+ 7.2	-21.9	110
Accounts Outstanding ¹	+ 9.8	- 6.0	178
	Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month		
	April 1938	March 1938	April 1937
Wholesale Trade	168.3	161.8	129.1
Retail Trade	218.5	228.3	196.8

¹End of Month.

Merchandising

WHOLESALE TRADE

TRENDS varied during April in business of wholesale trade groups in the Seventh district. Sales of groceries and of electrical goods increased over March by 13 and 6 per cent, respectively, while those of hardware and drugs and aggregate sales of miscellaneous groups showed declines in the period of 2, 9, and 3 per cent, in the order named. The recession in hardware sales was contrary to trend for April. Comparisons with a year ago recorded larger decreases than a month previous in hardware and drugs but a somewhat smaller decline in electrical goods sales; grocery sales were only fractionally below those of last April. Total inventories for all reporting groups were one per cent less on April 30 than a month earlier and 15 per cent below stocks on the same date of 1937.

WHOLESALE TRADE IN APRIL 1938*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries	- 0.2	-14.3	- 3.1	+ 1.2
Hardware	-29.6	-21.3	-16.1	-27.3
Drugs	-17.6	- 7.5	- 4.6	-11.9
Electrical Supplies	-25.5	-11.4	+ 2.7	-20.2
Miscellaneous	-14.6	-11.9	- 4.3	- 9.2

*Data furnished by Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

RETAIL TRADE

DEPARTMENT store sales in the Seventh district increased less than 2 per cent in April over the preceding month and totaled 11½ per cent below those of April 1937, despite the fact that much of the Easter buying came in the month this year. Furthermore, in the first half of May, the dollar volume sold was 18 per cent less than in the corresponding year-ago period. A decline of 1½ per cent from March in April sales of Chicago stores was responsible for

the smallness of the increase in the district total over a month previous, as Detroit, Indianapolis, Milwaukee, and the aggregate for the smaller cities of the district recorded sales gains averaging around 5 per cent. Trade in Detroit, as it has done in each earlier month this year, showed a noticeably greater decline from last year than that in other cities. Inventory position has continued to improve: stocks on April 30 were fractionally higher than a month previous—a slight rise usually takes place in the period—but they totaled 10 per cent below those on hand at the close of April 1937.

* * *

Not only did the retail shoe trade experience a much greater than seasonal expansion in business during April, but the dollar sales volume totaled substantially larger than a year ago. According to data received from reporting shoe dealers and the shoe departments of department stores, sales in the current period exceeded those of the preceding month by 31 per cent and were 16 per cent heavier than in April 1937. The increase over March compares with one of only 10 per cent in the 1928-37 April average. Dealers showed a much larger gain in the monthly comparison than did department stores and also a somewhat greater increase over a year earlier. The improvement during April brought sales for the year to date to within 7 per cent of those for the first four months of 1937. Between the end of March and April 30, stocks recorded a slight rise in dollar amount; on the latter date they were 4 per cent smaller than a year ago at the same time.

DEPARTMENT STORE TRADE IN APRIL 1938

Locality	Per Cent Change April 1938 from April 1937		Per Cent Change First Four Months 1938 from Same Period 1937	Ratio of April Collections to Accounts Outstanding End of March	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	-11.0	-12.1	-11.4	31.9	33.0
Detroit.....	-20.7	-9.3	-21.6	41.5	46.2
Fort Wayne.....	-3.8	-8.7
Indianapolis.....	-2.6	-8.0	-7.3	38.3	40.5
Milwaukee.....	-6.0	-10.6	-7.7	37.1	41.3
Peoria.....	-0.5	-8.3
Other Cities*.....	-6.2	-4.7	-9.1	33.5	35.3
7th District.....	-11.5	-10.3	-12.7	35.7	38.3

*Include Fort Wayne and Peoria.

* * *

Sales of furniture and housefurnishings by dealers and department stores continued in April to show some increase, although the gain of 6 per cent over March was much less than seasonal for the period. As compared with a year ago, dollar sales totaled 29 per cent lighter in April this year; in March they had been 20 per cent less. Department store sales of furniture and housefurnishings, as in March, recorded a smaller increase over the preceding month and a heavier decline from a year earlier than did dealer sales. Stocks aggregated 2 per cent larger at the end of April than a month previous but were 10 per cent less than on April 30 last year.

MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

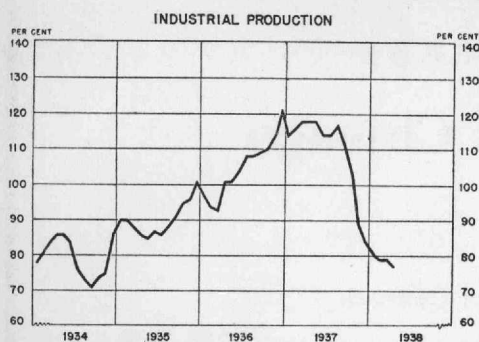
Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh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

	No. of Firms	April 1938	Mar. 1938	Feb. 1938	Jan. 1938	Dec. 1937	Nov. 1937	April 1937	Mar. 1937	Feb. 1937	Jan. 1937	Dec. 1936	Nov. 1936
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	82	83	84	89	83	86	95	95	92	101	96	93
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	27	42	30	33	47	58	119	124	104	95	73	57
In Tons.....	12	18	34	22	25	37	47	123	136	114	102	77	59
Malleable—In Dollars.....	21	34	37	36	38	49	55	85	88	74	69	66	55
In Tons.....	21	41	45	43	46	60	67	112	122	103	98	96	80
Stoves and Furnaces—													
Shipments (in dollars).....	14	91	90	64	46	124	166	168	147	99	95	214	205
Furniture—													
Orders (in dollars).....	33	47	56	53	66	37	53	82	96	76	112	68	83
Shipments (in dollars).....	33	54	68	52	37	51	68	92	101	83	67	82	76
Output of Butter by Creameries—													
Production.....	59	101	87	77	78	78	75	90	80	70	72	77	88
Sales.....	61	110	110	100	101	98	101	100	98	90	85	93	94
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	70	63	54	57	64	66	70	72	60	65	70	65
Hardware.....	11	72	73	54	52	75	88	108	101	70	64	93	85
Drugs.....	13	68	76	69	76	89	88	82	86	77	85	90	80
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	82	86	67	69	148	95	93	100	76	78	157	98
Detroit.....	6	94	87	71	74	180	117	117	113	93	88	194	117
Indianapolis.....	4	100	97	75	84	172	109	101	116	82	79	177	109
Milwaukee.....	5	98	95	71	74	161	104	104	105	78	78	163	108
Other Cities.....	40	82	79	62	62	144	93	86	90	67	64	149	91
Seventh District—Unadjusted.....	84	87	86	68	70	156	100	97	102	78	78	164	102
Adjusted.....	84	82	95	85	88	93	92	98	104	97	97	98	93
Automobile Production—(U. S.)—													
Passenger Cars.....		60	59	48	53	83	101	150	138	101	106	145	116
Trucks.....		115	127	126	144	217	172	255	240	179	186	195	143
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		36	34	15	13	16	26	52	52	28	27	28	32
Total.....		53	49	25	28	38	41	69	69	42	64	50	52
Pig Iron Production*—													
Illinois and Indiana.....		52	51	47	49	53	68	130	127	123	120	117	109

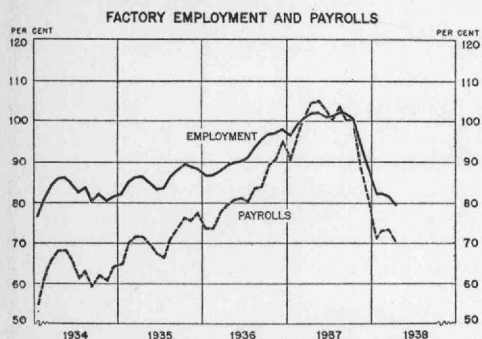
*Average daily production.

National Summary of Business Conditions

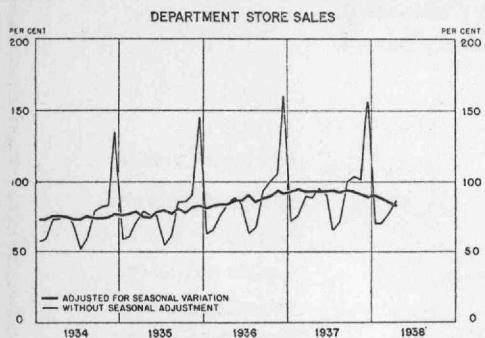
(By the Board of Governors of the Federal Reserve System)



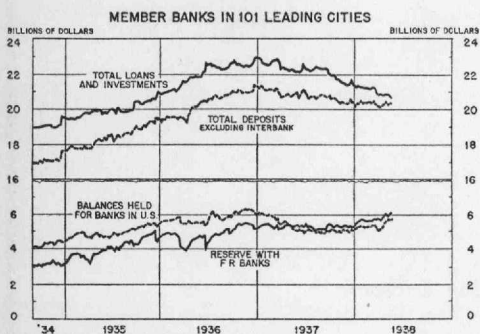
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1934 to April 1938.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average =100. By months, January 1934 to April 1938. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes of value of sales, 1923-1925 average=100. By months, January 1934 to April 1938.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to May 18, 1938. Total deposits, excluding interbank, are adjusted to exclude "float."

INDUSTRIAL production declined in April, reflecting chiefly reduced activity in the cotton textile and lumber industries. Distribution of commodities increased less than seasonally but continued to be somewhat in excess of production. Commodity prices showed a further decrease.

PRODUCTION

IN APRIL volume of industrial production, as measured by the Board's seasonally adjusted index, was at 77 per cent of the 1923-1925 average as compared with the level of about 79 per cent maintained during the first quarter of the year. The decline reflected, chiefly, considerable reductions in output at cotton textile mills and lumber mills, where there had been moderate increases in production in March. In most other manufacturing industries changes in activity were largely seasonal in character. Output at steel mills continued at around 33 per cent of capacity and in the automobile industry showed little change, amounting in April to about 40 per cent of the volume of a year ago. In the first three weeks of May production of steel and automobiles was at a lower rate than in April. At mines there was a considerable decline in output of anthracite in April, while bituminous coal production showed somewhat less than the usual seasonal decrease. Crude petroleum production continued in large volume.

Value of construction contracts awarded, which had increased considerably in March, showed little change in April, according to figures of the F. W. Dodge Corporation. Awards usually increase somewhat further in April. In the first four months of this year private residential building was about one fourth less than in the corresponding period last year, while other private work, particularly industrial and utility construction, was only about one half as large as a year ago. Awards for public projects were somewhat larger than last year.

EMPLOYMENT

FACTORY employment and payrolls declined from the middle of March to the middle of April, and the Board's seasonally adjusted index of employment was at 79 per cent of the 1923-1925 average as compared with 82 in March and 84 at the beginning of the year. The number employed at automobile factories declined sharply, and there were further substantial decreases in the steel and machinery industries and at railroad repair shops. Smaller declines were reported in most other manufacturing industries. Employment at mines and on the railroads also decreased, while in trade there was some increase in the number employed, reflecting partly increased business at the Easter season.

DISTRIBUTION

DISTRIBUTION of commodities to consumers showed less than the usual seasonal rise in April. The Board's adjusted index of department store sales was 83 in April compared with 86 in March and 90 at the beginning of the year, and figures for the first half of May indicate a further decrease.

Freight-car loadings also declined from March to April, reflecting largely reduced shipments of miscellaneous freight, and were about 30 per cent less than in April 1937.

COMMODITY PRICES

WHOLESALE prices of industrial commodities continued to decline from the middle of April to the third week of May, and prices of agricultural products also decreased somewhat further. Steel scrap, copper, and rayon showed considerable declines and there were reductions in prices of some finished industrial products. It was announced that prices of most finished steel products would be unchanged for third quarter delivery.

BANK CREDIT

TOTAL loans and investments of reporting member banks in 101 leading cities showed little change during April and the first half of May. Holdings of United States Government obligations increased somewhat, while holdings of other securities and loans declined. Adjusted demand deposits in leading cities increased during the period as a result of expenditures by the Treasury from its balances with the reserve banks. Interbank deposits also increased substantially.

Member bank reserves increased further, reflecting principally Treasury disbursements from its deposits at the reserve banks, including retirement of \$50,000,000 of Treasury bills each week.

MONEY RATES AND BOND YIELDS

YIELDS on Government securities declined slightly further in the four weeks ending May 21 to an average for longer-term Treasury bonds of 2.28 per cent. The average yield on 3- to 5-year Treasury notes declined to a new low of 0.73 per cent. The rate on three-month Treasury bills continued at record low levels, and other open-market money rates remained unchanged.

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5-31-38

