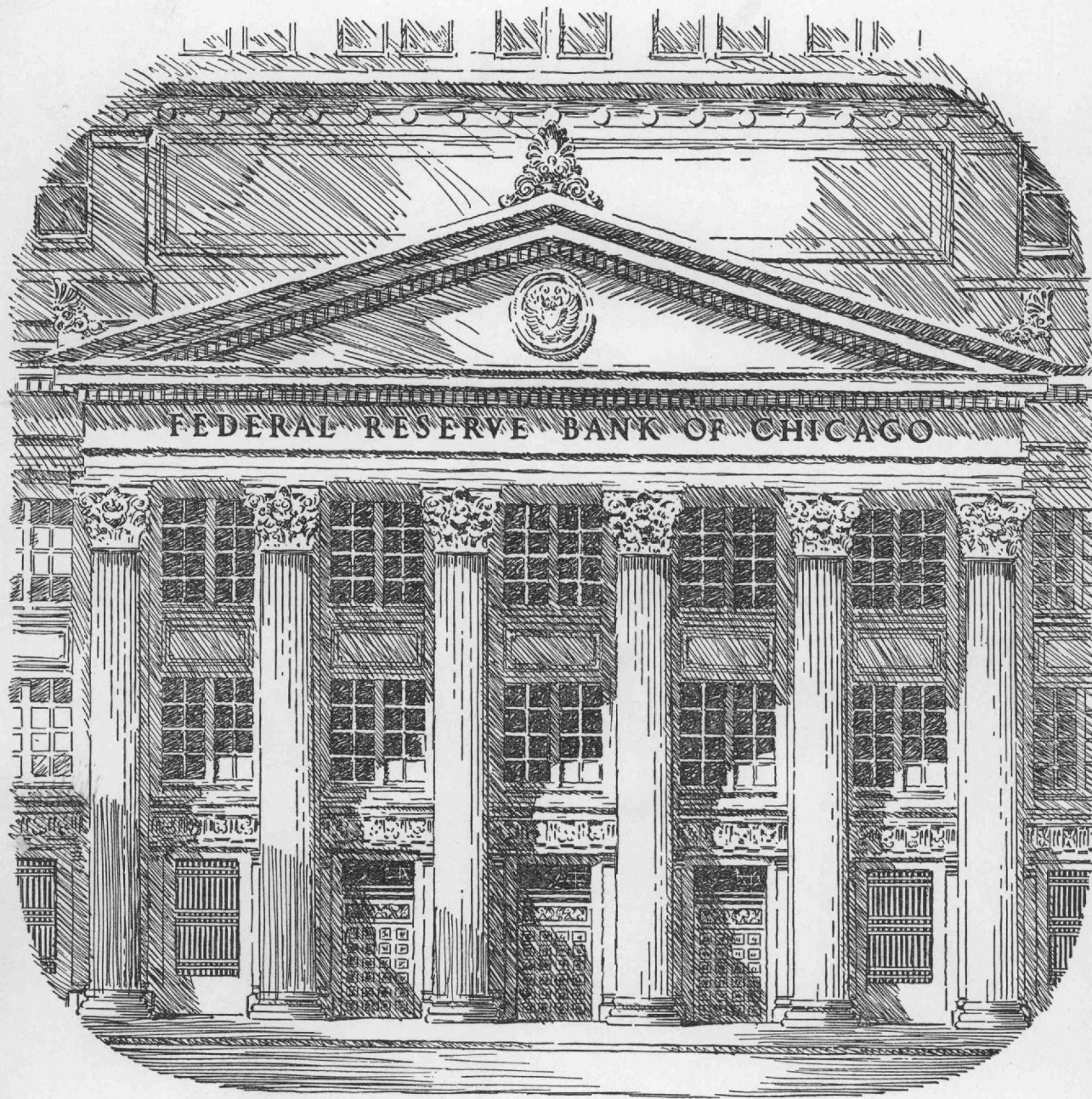




BUSINESS CONDITIONS



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Monthly Review of Business Conditions in the Seventh Federal Reserve District

DISTRICT SUMMARY

ALTHOUGH the level of Seventh district industry and trade remained in June sharply below that of a year ago, several favorable factors evidenced themselves in the month. Production in several phases was increased; wholesale and retail distribution gained, counter-seasonally in some instances; and inventory position was further improved in both manufacturing and trade groups. The production of foodstuffs rose in June over the preceding month and was above that of last June. Most crops in mid-July were in fair to good condition.

INDUSTRY

THERE was some slight improvement in the steel business during June, and in the third week of July production was running almost 10 points higher than four weeks earlier. Incoming business of steel and malleable casting foundries showed a noticeable gain in June over May, and production increased, but activity at stove and furnace factories declined, in accordance with seasonal trend. The manufacture of automobiles was further curtailed in June, and second-quarter output this year fell below that of the first quarter. Declines in new business and shipments of furniture manufacturers were smaller than usual for June; and although orders received by district paper mills decreased, following an increase in May, shipments and production rose over those of the preceding month. Building construction fell off slightly during June, because of a lower volume of public works and utilities construction, but the movement of building materials increased as is customary in the period. Owing to losses in the durable goods industries, aggregate Seventh district employment and payrolls continued to decline in June.

AGRICULTURAL PRODUCTS

THE production of packing-house commodities and of butter and Wisconsin cheese expanded during June and was above a year ago. Sales of butter increased in both

of these comparisons, and those of cheese were above the May volume, while tonnage sales of meat products about equaled those of a month earlier and were larger than last year. Wheat receipts at interior primary markets rose in June, but reshipments of the grain declined; the movement of both corn and oats was lighter than in the preceding month. The corn crop was making good progress in mid-July.

TRADE

WHOLESALE trade groups in the Seventh district had a larger dollar volume of sales during June than in May, but the major lines recorded heavier decreases from last year than a month previous. Owing to increases in the cities of Chicago and Detroit, department store trade for the district as a whole rose counter-seasonally in June, and the margin of decline from a year ago was narrowed. The retail shoe trade likewise expanded over May, and the decrease in the retail furniture trade was less than seasonal in extent. In both wholesale and retail trade groups, stocks at the end of June were lighter than at the close of May and well below volumes held last year at the same time.

CREDIT

MEMBER bank reserve balances in the district decreased in the five weeks ended July 20, reversing a trend that had been upward in recent months. A further reduction in loans of weekly reporting member banks practically offset increases in these banks' holdings of obligations fully guaranteed by the United States Government and those of securities other than Government obligations, so that total loans and investments of the banks showed little change between June 15 and July 20; deposits likewise were about the same on the later date as five weeks earlier. New financing through bankers' acceptances recorded a non-seasonal gain in June over May, while dealer sales of commercial paper showed a sharp decrease.

Credit and Finance

OPEN MARKET PAPER

BANKERS' acceptances made in June by accepting banks in the Seventh district showed a contra-seasonal increase of 6 per cent over May. The total ran only 7½ per cent below last year, a much more favorable comparison than was the case in May, partly because the June total in 1937 was the smallest during that year. The current amount continued, however, far below the 1928-37 average for the month, the decrease amounting to 70 per cent. Bank holdings of bills and liability for outstandings at the end of June both recorded greater than usual declines from the May 31 figures—35 and 5 per cent, respectively. The sharp drop in holdings was caused by smaller purchases for bank portfolios and much heavier maturities in June than in May. Outstandings were about two thirds and holdings one third of the year-ago totals, and each was approximately 80 per

cent below the ten-year averages for the end of June. New acceptances made by several of the large downtown Chicago banks during the first fifteen days of July fell 14½ and 12 per cent, respectively, under the corresponding periods a month and a year previous.

Commercial paper data for June, received from Middle Western dealers, showed sharp declines. Rates were soft, reflecting a continuation of heavy potential demand from banks and restricted borrowings on commercial paper. Sales declined 24 per cent from May, and were 55 and 44 per cent below a year ago and the 1928-37 average for June, respectively. Outstandings on June 30 ran 14, 23½, and 15½ per cent below the end of May, June 30, 1937, and the ten-year average for the date, in that order. Both sales and outstandings were in the lowest volume in over eighteen months. During the first half of July, however, sales by several Chicago dealers rose 18½ per cent above those in the first fifteen days of June, although they were but one third of the corresponding total last year.

MEMBER BANK RESERVES

THE tendency toward sharply rising member bank reserve balances in the Seventh district, which has been apparent for the last few months, was reversed during the five-week period ended July 20 when a decrease of 26 million dollars occurred. An excess of Treasury receipts over disbursements, mainly due to quarterly income tax collections in the first week of the period, reduced member bank reserves by 50 millions. A sharp increase in currency circulation over the July 4 holiday week-end was not completely canceled by returns of currency in the two following weeks, leaving a net increase in circulation of 5 millions for the period. A gain in funds of 31 millions through commercial and financial transfers with other districts partially counteracted the effect of the above factors.

INTEREST RATES

OUTLYING banks in Chicago reported slightly lower rates charged on time collateral loans on July 15 than a month earlier. Other loans by this group were made at about the same rates as on June 15. No noticeable changes were apparent in customers' rates of the larger downtown Chicago banks or of the big Detroit institutions. The average rate earned during June on total loans and discounts by the large Chicago banks rose slightly above that for May and a year ago. The average for the Detroit group declined in these two comparisons, the divergence from June 1937 being the sharpest.

SECURITIES MARKETS

GENERAL advances took place in the bond market during the latter part of June and early July, according to information received from Chicago bond houses. The rise was particularly impressive in the second-grade and speculative rail issues, which were largely affected by the upward movement in the stock market during the same period. Municipals, as well as corporates, showed strength. New municipal issues during June were in larger volume than either in May or in June 1937. Corporate emissions about equaled those of a year ago, but ran much heavier than in the preceding month. The principal demand continued to come from the institutional group which sought only top-grade bonds. Demand from banks fell off to some extent, but most bond houses look for some improvement in this field owing to the recent relaxing of regulations on bank security purchases by the Government examining agencies. Individual investors still remain largely out of the market.

Average discounts on Treasury bills continued at extremely low rates, the 91-day issue dated July 20 selling at an average of .054 per cent. Preliminary figures show that the \$200,000,000 issue of 3-year 7/8 per cent R. F. C. notes was oversubscribed by more than twelve times. The Chicago Journal of Commerce average of 20 Chicago stocks stood at \$44.91 on July 21, after reaching a new 1938 high of \$45.34 on July 19.

Agricultural Products

CROP CONDITIONS

FOLLOWING the slow start and a somewhat more than usual amount of replanting, corn made very good progress with the advent of hot, humid weather in the first three weeks of July; deterioration from heat in southwestern Iowa was offset by improvement elsewhere. Tassels and ears were showing on the earliest corn by July 19 and

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	July 20 1938	Change from	
		June 15 1938	July 21 1937
Total bills and securities.....	\$ 280	\$+ 2	\$ 0
Bills discounted.....	0	0	0
Bills bought.....	0	0	0
U. S. Government securities.....	279	+ 2	+ 1
Total reserves.....	2,149	-49	+393
Member bank reserve deposits.....	1,317	-26	+332
All other deposits.....	118	-24	+75
Federal Reserve notes in circulation.....	959	+ 2	-16
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	89.7%	-0.2*	+2.1*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	July 20 1938	Change from	
		June 15 1938	July 21 1937
ASSETS			
Loans and investments—total.....	\$2,842	\$ +1	\$-217
Loans—total.....	817	-31	-189
Commercial, industrial, and agricultural loans.....	466	-18	-142
Open-market paper.....	31	-3	-21
Loans to brokers and dealers in securities.....	31	-5	-30
Other loans for purchasing or carrying securities.....	79	+1	-14
Real estate loans.....	91	+1	+10
Loans to banks.....	4	-1	-2
Other loans.....	115	-6	+10
U. S. Government direct obligations.....	1,348	-2	-92
Obligations fully guaranteed by U. S. Government.....	223	+19	+42
Other securities.....	454	+15	+22
LIABILITIES			
Demand deposits—adjusted*.....	2,225	0	-44
Time deposits.....	877	0	+10
Borrowings.....	0	0	0

*The annual velocity of demand deposits (unadjusted) in the five weeks ended July 20 was 19.72 times, as compared with 20.40 times in the preceding four weeks and with 23.55 times in the corresponding period of 1937.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

	June 1938	Per Cent of Increase or Decrease from	
		May 1938	June 1937
Chicago.....	\$2,885	+20.1	-7.9
Detroit.....	701	+0.3	-32.3
Milwaukee.....	244	+9.6	-16.3
Indianapolis.....	181	+8.4	-13.8
Total four larger cities.....	\$4,011	+14.9	-14.1
37 smaller cities.....	677	+1.4	-17.7
Total 41 centers.....	\$4,688	+12.7	-14.6

TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	June 1938	June 1937
Total country and city check clearings:		
Pieces.....	11,102,879	11,245,644
Amount.....	\$1,939,535,664	\$2,340,332,409
Daily average clearings:		
Total items cleared—		
Pieces.....	427,034	432,525
Amount.....	\$74,597,526	\$90,012,785
Items drawn on Chicago—		
Pieces.....	73,529	71,565
Amount.....	\$40,203,000	\$46,140,000
Items drawn on Detroit—		
Pieces.....	16,524	21,626
Amount.....	\$7,288,531	\$11,502,054

much of the corn had been "laid by" relatively free of weeds. The latest fields, which were rather weedy, were still short enough to permit cultivation. In many areas, small grains had suffered further loss from tangling and lodging. However, early threshing returns indicated that the yield and quality of winter wheat was average or better and probably somewhat above earlier expectations. Oats had suffered some further deterioration from heat, rust, and wind-storms. The harvesting of oats, rye, and barley was making progress by July 19. Other than for considerable moisture damage to the crop in windrows, hay was in good condition. Pastures through most of the Seventh district similarly were good to excellent on July 19, but had begun to fail in southwestern Iowa.

GRAIN MARKETING

Wheat

CLOSE to seasonal expansion was indicated in receipts of wheat during June at interior primary markets in the United States; reshipments of the grain, however, declined 15 per cent from May. Wheat exports were again in good volume. After a marked recovery in the first half of June, wheat prices ruled progressively weaker through July 21, quotations for No. 2 hard winter wheat in cash positions at Chicago standing at \$.70⁵/₈ and \$.72⁷/₈ on that date, or 13 to 15 cents lower than a month earlier. Principal factors in this decline were favorable harvest weather and a heavy movement in the Southwest, and generally good weather for the growing crop in the spring wheat areas of the United States and Canada. United States visible supplies of wheat increased 162 per cent in the four weeks ended July 16, totaling 27 per cent heavier than a year earlier, though still lighter than the ten-year average.

Corn and Oats

THE June corn movement at interior centers of accumulation fell off from the exceptionally high May volume, but remained well above year-ago and 1928-37 average levels. Corn exports were likewise not so heavy as the excellent May volume. Prices of the grain were well sustained through the first three weeks of July, mostly by an improved foreign demand together with lower crop

prospects than a year ago. Quotations for No. 2 yellow corn for immediate delivery at Chicago stood at \$.59 and \$.60¹/₂ on July 21, or 2 cents above a month previous. Combined stocks of corn on farms and in visible positions on July 1 this year were over 4 times as great as those of July 1, 1937, and 57 per cent above the 1927-36 average for the date, but a fairly good disappearance of 40 per cent from April 1 was indicated. The June oats movement showed greater than seasonal declines from May but continued above a year ago. Visible supplies of oats receded liberally; price levels had a softening tendency.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	June 1938	May 1938	June 1937	June 1928-37 Av.
Wheat:				
Receipts.....	17,063	14,562	21,330	20,979
Shipments.....	14,726	17,376	11,766	16,418
Corn:				
Receipts.....	28,507	31,204	12,200	16,686
Shipments.....	27,850	33,213	4,927	11,804
Oats:				
Receipts.....	3,625	5,195	2,956	5,757
Shipments.....	5,291	10,469	4,997	5,855

MEAT PACKING

THE production of packing-house commodities at inspected slaughtering establishments in the United States rose slightly further in June and was not only 12 per cent heavier than a year ago but within 6 per cent of the 1928-37 average for the month. Payrolls in the industry at the close of the period recorded an increase over May of 3 per cent each in employes and hours, and of one per cent in wage payments. However, employment, hours, and wage payments were lower than a year ago by 8, 7, and 10 per cent, respectively. The tonnage sold in June was about the same as in May, one per cent above a year earlier, and 4 per cent under the 1928-37 average for the month. Prices of most packing-house products averaged somewhat higher than in May but those of lower quality beef, some grades of veal, mutton, and heavy pork loins declined. Dollar sales billed to domestic and foreign customers aggregated one per cent less in June than in May; they were 13 per cent smaller than a year ago but 1/2 per cent above the ten-year June average. Inventories of these commodities in the United States decreased on July 1 from the beginning of June and were 23 per cent below the 1933-37 average for the date. Production in the first half of July continued above the corresponding period of 1937.

Foreign Trade

SHIPMENTS of packing-house commodities for export declined in June from May. British demand was good

LIVESTOCK SLAUGHTER

(In thousands)

Yards in Seventh District,	Cattle	Hogs	Lambs and Sheep	Calves
June 1938.....	178	467	193	73
Federally Inspected Slaughter, United States:				
June 1938.....	816	2,533	1,485	475
May 1938.....	772	2,535	1,550	500
June 1937.....	840	2,110	1,425	579
June 1928-37 average.....	735	3,316	1,346	449

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended July 16 1938	June 1938	Months of 1938	June 1937
Native Beef Steers (average).....	\$10.25	\$9.50	\$8.75	\$12.00
Fat Cows and Heifers.....	8.00	7.75	7.40	9.15
Calves.....	8.85	8.50	8.90	8.85
Hogs (bulk of sales).....	8.80	8.55	8.20	11.10
Lambs.....	9.05	8.95	7.85	11.90

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the Basis of July 1 Condition

	Seventh District			United States		
	Forecast 1938	Final 1937	Average 1927-36	Forecast 1938	Final 1937	Average 1927-36
Corn.....	905,264	1,140,744	812,711	2,482,102	2,644,995	2,306,157
Oats.....	479,355	544,644	443,866	1,093,829	1,146,258	1,042,461
Winter Wheat.....	72,577	78,012	54,715	715,425	685,102	546,396
Spring Wheat.....	1,837	1,695	3,608	251,987	188,891	206,495
Barley.....	44,024(a)	42,767(a)	48,881(a)	239,375	219,635	234,895
Rye.....	9,927(a)	13,632(a)	7,221(a)	51,327	49,449	36,454
Flaxseed.....	260(b)	198(b)	293(b)	7,631	6,974	13,751
Potatoes (white).....	53,285	51,039	53,249	386,660	393,289	369,693
Potatoes (sweet).....	1,260(c)	1,280(c)	1,127(c)	32,417	75,393	70,274
Sugar Beets.....	1,044(d)	549(d)	751(d)	10,785	8,749	8,383
Apples (total crop).....	14,896(a)	30,403(a)	16,650(a)	134,394	210,673	150,728
Peaches.....	3,090(e)	5,258(e)	3,312(e)	53,651	59,724	52,498
Pears.....	2,204(e)	3,153(e)	1,771(e)	31,049	29,548	24,326
Cherries.....	25(f)	49(f)	35(f)	140(g)	145(g)	116(g)
Grapes.....	29(a)	87(a)	77(a)	2,465	2,777	2,197
Beans (dry edible).....	4,159(f)	4,574(f)	3,758(f)	13,559	15,839	12,053
Canning Crops:						
Snap Beans.....	24(h)	20(h)	15(h)	124	105	70
Green Peas.....	105(i)	107(i)	94(i)	264	268	183
Tobacco.....	34,196	26,635	33,665	1,496,644	1,553,405	1,325,243
All Tame Hay.....	18,336	15,360	15,558	79,488	73,785	69,754
Wild Hay.....	493(a)	523(a)	504(a)	10,257	9,302	9,979

¹In thousands of tons. ²In thousands of 100-lb. bags. ³In thousands of pounds.

(a) Five States including Seventh Federal Reserve District. (b) Iowa, Michigan, and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana, and Iowa. (f) Michigan and Wisconsin. (g) Twelve States only. (h) Michigan, Indiana, and Wisconsin. (i) Wisconsin, Illinois, Michigan, and Indiana.

for hams but only fair for United States lard. Furthermore, trade with Czechoslovakia, other continental Europe, and Porto Rico tended to slacken. Cuba continued to purchase fair quantities of animal products from the United States and some business developed from Venezuela. Prices abroad ruled somewhat under Chicago parity. Imports of packing-house products into the United States rose sharply during June.

DAIRY PRODUCTS

JUNE creamery butter production by Seventh district plants showed a less than seasonal gain of 3 per cent over the high May level and was 4 per cent under the 1928-37 June average but 5 per cent above a year ago. Sales by Seventh district firms were exceptionally heavy in June, being 14 per cent greater than in May, 9 per cent over June 1937, 8 per cent above the average, and the highest for any month since June 1931. The butter make in the United States expanded somewhat more than in this district, continuing about 10 per cent greater than a year ago or the ten-year average. United States inventories of butter by July 1 had expanded more than seasonally over June 1—increasing 65 million pounds—and the excess over the 1933-37 average widened to 34 million pounds. Although minor day-to-day fluctuations were the rule, butter prices were fairly well sustained from mid-June through the first three weeks of July, chiefly through continued heavy Government purchases.

Production of American cheese in Wisconsin likewise expanded less than seasonally in June; it totaled 23 per cent more than in May and 10 per cent greater than in June 1937 or the 1928-37 average for the period. Sales of the commodity from primary markets in the State increased, however, more than is usual for June; distribution exceeded that of a month previous and the ten-year average level by 42 and 8 per cent, respectively, and aggregated only 5 per cent less than a year earlier. United States stocks of cheese on July 1 were seasonally 24 million pounds heavier than on June 1, and continued well in excess of year-earlier and average inventories. Cheese prices held fairly steady through July 21.

Industrial Employment Conditions

REPORTS for the payroll period including June 15, reflected continued decreases from the preceding month in employment and payroll volumes of Seventh district industrial establishments, the losses being as great as those recorded in May and heavier than in any earlier month since the sharp recession shown last January. The declines which at that time affected all of the major reporting industry groups, have so far been offset by gains in only four of these groups and the recovery in them has been only partial. A steady expansion within the stone-clay-and-glass products group has brought it back to the level of last December, the present volume of employment being a little lower and wage payments somewhat higher than at that time. The construction industry also has regained most of the ground lost in January. Increases during the current month in food and leather products were mainly instrumental in raising them above the January level which was only moderately below that of last December. In the other reporting groups, minor increases have occurred during the intervening months, but these have been few and the trend has been almost uniformly downward. Exceptions

to this trend in the current month were furnished by the rubber goods group in which the gains recorded were the first since last September, and by wood products which increased employment slightly but showed no accompanying gain in wage payments. As in the two preceding months, durable goods contributed the greater share to the current declines. Consumers goods registered an increase of under one per cent and the non-manufacturing classification a less than one-half per cent decline. Total employment in June decreased approximately 30 per cent and payrolls 39 per cent from those of a year ago.

Manufacturing

IRON AND STEEL PRODUCTS

PRIMARY steel production in the Chicago district, at 34 per cent of capacity in the third week of July, was 91½ points higher than four weeks earlier but about 60 per cent under a year ago. There was some slight improvement in business during June over May, but demand from the railroad, automotive, agricultural, and heavy industries remained light. Production in most steel-consuming groups ranges currently between 25 and 60 per cent less than at the same time in 1937, with that in some lines even lower in the comparison; and the declines from last year in new orders and shipments closely parallel the decrease in production. With few exceptions, production in these industries is now being held to the level of incoming business. Excessive inventories of raw and semi-finished steel have been liquidated to a great extent since the beginning of 1938; and most stocks of finished goods are much under a year ago, although in a few lines there is a heavy carry-over from last season. Prices of several products have declined in the past few weeks, in line with the reduction in steel prices. Scrap iron and steel prices, beginning with the last week in June, rose steadily for the next three weeks.

* * *

Following four successive months of declines, orders booked by steel casting foundries in the Seventh district

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of June 15, 1938			Change from May 15, 1938	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners	Earnings
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,788	338,037	8,167	-4.8	-6.6
Vehicles.....	422	208,262	6,087	-9.7	-5.8
Stone, Clay, and Glass.....	289	20,991	501	+1.9	+3.2
Wood Products.....	488	38,383	745	+1.2	-0.3
Total.....	2,987	605,673	15,500	-6.0	-5.7
NON-DURABLE GOODS:					
Textiles and Products.....	404	55,543	872	-2.8	-6.8
Food and Products.....	1,037	100,096	2,636	+4.9	+4.6
Chemical Products.....	309	33,561	990	-2.2	-5.1
Leather Products.....	173	23,216	458	+3.4	+3.3
Rubber Products.....	35	12,002	225	+1.4	+5.7
Paper and Printing.....	744	70,579	1,929	-1.8	-1.1
Total.....	2,702	294,997	7,110	+0.7	+0.4
Total Mfg., 10 Groups.....	5,689	900,670	22,610	-3.9	-3.9
Merchandising ²	5,235	130,087	2,879	-0.1	-0.2
Public Utilities.....	1,122	97,844	3,234	-0.2	-0.1
Coal Mining.....	26	2,624	55	-23.7	-32.1
Construction.....	757	11,213	319	+3.6	+6.1
Total Non-Mfg., 4 Groups.....	7,140	241,768	6,487	-0.3	-0.3
Total, 14 Groups.....	12,829	1,142,438	29,097	-3.2	-3.1

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

rose noticeably in June, and those booked by malleable casting foundries, after decreasing in April and May, also gained considerably. Furthermore, margins of decline from a year previous were narrower than at any time since last fall. For steel castings, increases over May in new orders amounted to 48 per cent in tonnage and to 34 per cent in dollar value, while for malleable castings the gain was 22 per cent in each unit of measurement. Decreases from last June totaled 71 and 67 per cent in tonnage and dollar value, respectively, for steel castings, and 40 and 38 per cent for malleable castings. Tonnage and dollar shipments of steel castings each expanded 10 per cent in June over the preceding month, as did the number of tons produced. At malleable casting foundries, tonnages shipped were 5 per cent and their dollar value 7 per cent smaller than in May, although production rose 5 per cent. Comparisons with a year ago for these two items remained decidedly unfavorable, losses being around 80 per cent in steel castings and about 65 per cent in malleable castings.

* * *

Shipments from reporting stove and furnace factories of the district declined 13 per cent in June from May, in accordance with seasonal trend, new orders received were smaller by 45 per cent following a sharp expansion in the May aggregate, and production decreased 8 per cent in the period. Decreases from a year ago of 36 per cent in shipments and 50 per cent in production approximated those shown a month earlier, while the decline of 55 per cent in orders was much heavier than in a similar comparison for May. Inventories on June 30 were somewhat lower than at the end of May and moderately under the 1937 date.

AUTOMOBILE PRODUCTION AND DISTRIBUTION

WITH total June automobile production in the United States almost two thirds less than that of a year ago and down from May, output in the second quarter of 1938 totaled smaller than in the first quarter of the year, which is contrary to previous experience in the industry, and showed a noticeably greater decline from the corresponding 1937 period than in the first three months of the year. The number of passenger cars and trucks manufactured in the first half of 1938 was only 43 per cent of output in the first six months of 1937. Passenger car production in June this year numbered 136,531 vehicles, or 12 per cent smaller than in May and 67 per cent under last June. Truck output of 38,136, increased 2 per cent in the former and decreased 55 per cent in the latter comparison. In the first half of 1938, the number of passenger cars produced totaled 936,517 and that of trucks 267,357, as compared with 2,286,987 and 501,311, respectively, in the same 1937 period.

Trends similar to those in production were recorded in Seventh district distribution of new automobiles during June and for the first six months of this year. Wholesale distribution and retail sales continued to diminish in the monthly comparison and were sharply lower than for last June; and volumes for the first half of 1938 were much below the corresponding 1937 period. Although stocks of new cars were reduced steadily in each month of this year to date and at the end of June totaled lighter than on June 30 a year ago, they averaged for the six months considerably heavier than for the first half of 1937. A further small

increase was recorded for June in used-car sales which were, however, one fourth smaller than in June last year. Stocks of such cars continued to decline and to number under those of a year ago.

DISTRIBUTION OF AUTOMOBILES SEVENTH FEDERAL RESERVE DISTRICT

	June 1938 Per Cent Change from		First Half 1938 Per Cent Change from First Half 1937	Companies Included
	May 1938	June 1937		
New Cars:				
Wholesale—				
Number Sold.....	-16.8	-73.7	-68.6	13
Value.....	-19.1	-70.6	-64.5	13
Retail—				
Number Sold.....	-15.0	-52.4	-43.5	26
Value.....	-14.3	-43.8	-37.9	26
On Hand End of Month—				
Number.....	-24.6	-18.4	+37.8*	25
Value.....	-23.6	-15.4	+54.0*	25
Used Cars:				
Number Sold.....	+3.9	-25.5	-25.6	26
Salable on Hand—				
Number.....	-13.3	-6.7	-7.4*	26
Value.....	-12.0	-1.4	+2.8*	26

*Average End of Month.

FURNITURE

THE decline of 15 per cent during June from May in orders booked by reporting Seventh district furniture manufacturers was slightly less than seasonal for the period, the 1928-37 average decrease for the month amounting to 17 per cent; and the recession of only 2 per cent in shipments compared with one of 11 per cent in the average. The margins of decline from a year ago, however, remained practically the same as a month previous—37 per cent in orders and 41 per cent in shipments. The former item was 18 per cent and the latter 14 per cent below the ten-year June average. Although shipments about equaled the volume of incoming orders, cancellations brought unfilled orders at the end of June to 4 per cent under those on hand a month earlier, but the ratio of this last item to new orders rose from 88 per cent in May to 100 per cent for June, the latter comparing with 120 per cent a year ago. Operations, at 52 per cent of capacity in the current period, were one point under the May rate and about 30 points smaller than in June last year.

PAPER AND PULP

ALTHOUGH there was considerable decline during June in new orders booked at Seventh district paper mills, shipments and production of paper at these plants increased over May, and comparisons with year-earlier figures continued to become less unfavorable. Pulp production followed similar trends. Paper mills operated at about 75 per cent of capacity and pulp mills at 77 per cent in June, recording little change from May.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	June 1938 Per Cent of Increase or Decrease from	
	May 1938	June 1937
Paper:		
New orders booked (tons).....	- 9.0	-11.3
New orders booked (dollars).....	-14.4	- 4.8
Total shipments (tons).....	+ 9.8	-20.4
Total shipments (dollars).....	+ 7.2	-22.8
Total production (tons).....	+ 5.4	-24.5
Stocks on hand at end of month (tons).....	+ 0.1	+41.4
Pulp:		
Pulp produced (tons).....	+ 1.5	-17.5
Stock on hand at end of month (tons).....	- 7.4	+34.7

The Building Industry

CONSTRUCTION

CONTRACTS awarded during June in the Seventh district receded slightly from the volume reached in May, a substantial decline in public works and utilities construction more than offsetting a considerable rise in residential and non-residential building. Aggregate awards, which in May showed an excess over a year ago for the first time in 1938, again registered a decrease in this comparison for June, with the losses in non-residential building and utilities especially heavy. Public works awards, despite the decline from the preceding month, remained in more than twice the volume of the corresponding 1937 month; while residential building, though totaling lower than a year ago, constituted almost as large a proportion of the total as at that time.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
June 1938.....	\$48,852,000	\$13,619,000
Change from May 1938.....	-2.5%	+12.3%
Change from June 1937.....	-11.6%	-18.2%
First six months of 1938.....	\$205,238,000	\$54,299,000
Change from same period 1937.....	-21.2%	-27.5%

*Data furnished by F. W. Dodge Corporation.

In centers where residential construction activity is showing an increase over the 1937 level, the expansion is in the building of small homes most of which cost from \$5,000 to \$7,500 in metropolitan districts and from \$3,500 to \$5,000 in other areas. Purchases are confined principally to the class with incomes up to \$3,000 per year and an average of around \$1,800. Many of these small homes are now built to order rather than in advance of sale; purchasing of higher-cost homes already built is relatively light. Over-all building costs are reported to be about 10 per cent lower than last year.

The number of permits for construction projects issued in 100 cities of the district during June exceeded that of May by close to 2 per cent, while the estimated dollar cost totaled 6 per cent higher. As compared with June 1937, the number of permits decreased 6 per cent and the value 40 per cent, although Indianapolis and Des Moines and the smaller cities of Iowa recorded considerable gains in this comparison.

MATERIALS

DEMAND for lumber registered a somewhat better than seasonal increase in June with both wholesale and retail dealers, the former also showing a considerable reduction in the unfavorable spread from a year ago. Total dollar sales at retail yards increased counter-seasonally, although the percentage loss from a year ago remained unchanged from a month earlier. Outstanding accounts of reporting lumber dealers were lower in ratio to sales than in May but higher in this ratio than last June. Cement dealers reported a normal seasonal increase over May, after the lag in that month due to unfavorable weather conditions, and brick deliveries in the Chicago district were approximately as heavy as two months earlier, having recovered the decline that took place during May. In Iowa the demand for clay products was generally lower than

either a month or a year earlier but conditions varied considerably. Prices of building materials as a whole are about 7½ per cent below those of last year.

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	June 1938 Per Cent Change from		Number of Firms or Yards
	May 1938	June 1937	
Wholesale Lumber:			
Sales in Dollars.....	+10.9	-37.4	8
Sales in Board Feet.....	+16.1	-34.4	6
Accounts Outstanding ¹	+1.4	-29.9	8
Retail Building Materials:			
Total Sales in Dollars.....	+9.9	-19.6	168
Lumber Sales in Dollars.....	+12.2	-22.0	86
Lumber Sales in Board Feet.....	+20.8	-11.5	99
Accounts Outstanding ¹	+4.2	-15.1	166
	Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month		
	June 1938	May 1938	June 1937
Wholesale Trade.....	157.9	172.8	141.0
Retail Trade.....	204.8	217.2	192.9

¹End of Month.

Merchandising

WHOLESALE TRADE

WHOLESALE trade groups in the Seventh district sold a slightly larger dollar volume of goods during June than a month previous. Drug sales increased as much as 8 per cent in the comparison, groceries 3 per cent, hardware one per cent, electrical goods only fractionally, and the total for the miscellaneous group 4 per cent. Business in all except this last group showed heavier declines from last year than was the case in May. Decreases in the first half of this year from the corresponding 1937 period amounted to less than 5 per cent in groceries, to between 10 and 15 per cent in drugs and the miscellaneous group, and to approximately 25 per cent each in hardware and electrical supplies. As in May, stocks in all except the miscellaneous group pursued a downward trend and were well below a year ago in all lines.

WHOLESALE TRADE IN JUNE 1938*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	-1.9	-7.1	+2.5	+0.8
Hardware.....	-24.3	-25.7	-18.2	-24.9
Drugs.....	-12.1	-13.2	-3.7	-12.0
Electrical Goods.....	-36.1	-10.8	-23.3	-37.1
Miscellaneous.....	-10.7	-12.2	-6.4	-10.7

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

RETAIL TRADE

BECAUSE of increases in Chicago and Detroit, amounting to 4 per cent each, Seventh district department store sales in June rose counter-seasonally by 2 per cent in the aggregate over the preceding month. The 1928-37 average shows a recession of 5 per cent for the period, and in no previous year on this bank's records (from 1923) has a gain in business been recorded for June over May. Milwaukee stores reported only a fractional decline in sales during the month, while a decrease of 4 per cent took place in Indianapolis trade and one of 3 per cent in the total for firms in smaller cities. Although the decline from the corresponding month a year ago remained large in

DEPARTMENT STORE TRADE IN JUNE 1938

Locality	Per Cent Change June 1938 from June 1937		Per Cent Change First Six Months 1938 from Same Period 1937	Ratio of June Collections to Accounts Outstanding End of May	
	Net Sales	Stocks End of Month		1938	1937
Chicago.....	-15.4	-11.8	-13.4	30.1	32.5
Detroit.....	-27.8	-13.5	-25.5	40.0	43.3
Fort Wayne.....	-19.4	-12.5
Indianapolis.....	-12.8	-15.2	-9.6	37.2	38.4
Milwaukee.....	-15.9	-12.1	-11.3	38.0	38.0
Peoria.....	-21.6	-12.6
Other Cities*.....	-14.9	-6.0	-11.8	32.4	34.0
7th District.....	-17.8	-11.6	-15.4	34.6	36.7

*Include Fort Wayne and Peoria.

June—18 per cent—it represented a narrowing from that of 22 per cent experienced in May, and in the first two weeks of July, district department store sales totaled only 12 per cent below those of the same period last year. By the end of June, stocks had fallen to 12 per cent under those of the 1937 date, having diminished 8 per cent from the close of May. Stock turnover in the first half of 1938 was only 1.99 times as against 2.18 times in the same six months last year.

* * *

The retail shoe trade in June followed trends similar to those in department store trade. Sales of shoes by reporting dealers and department stores expanded 16 per cent over the dollar volume sold during May, whereas the 1928-37 June average shows a slight decline in the comparison. Furthermore, the margin of decrease from last year narrowed to 14 per cent in the current period from 23 per cent in May. Dealers recorded more favorable trends in June than did department stores. Sales in the first six months of 1938 totaled 11 per cent smaller than in the 1937 period. Stocks were reduced 14 per cent during June and at the end of the month aggregated 6 per cent below those of a year ago.

* * *

The decline of 16 per cent in June from May in the retail furniture trade compared with one of 23 per cent in the 1928-37 average and was the smallest for the month in any of the ten years. However, the dollar volume sold remained 30 per cent below a year ago, and in the first half of 1938 sales of furniture and housefurnishings by reporting dealers and department stores totaled 25 per cent under those in the same six months last year. Inventory position continued to improve, as stocks were lowered 7 per cent from the close of May to 16 per cent below June 30, 1937.

MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

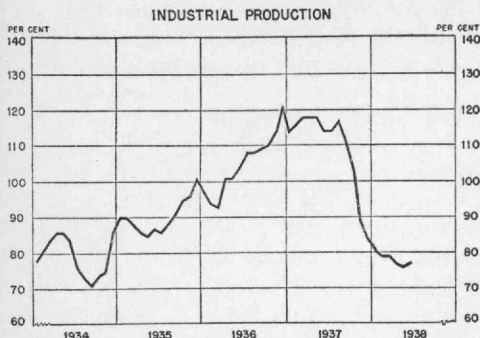
Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh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

	No. of Firms	June 1938	May 1938	April 1938	Mar. 1938	Feb. 1938	Jan. 1938	June 1937	May 1937	Apr. 1937	Mar. 1937	Feb. 1937	Jan. 1937
Meat Packing—(U. S.)—													
les (in dollars).....	45	86	87	82	83	84	89	99	99	95	95	92	101
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	29	27	27	42	30	33	125	109	119	124	104	95
In Tons.....	12	20	19	18	34	22	25	122	108	123	136	114	102
Malleable—In Dollars.....	21	32	34	34	37	36	38	89	80	85	88	74	69
In Tons.....	21	38	40	41	45	43	46	109	102	112	122	103	98
Stoves and Furnaces—													
Shipments (in dollars).....	14	82	94	91	90	64	46	127	152	168	147	99	95
Furniture—													
Orders (in dollars).....	33	43	51	47	56	53	66	68	80	82	96	76	112
Shipments (in dollars).....	33	45	46	54	68	52	37	75	80	92	101	83	67
Output of Butter by Creameries—													
Production.....	59	156	151	101	87	77	78	149	131	90	80	70	72
Sales.....	61	157	138	110	110	100	101	144	123	100	98	90	85
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	69	66	70	63	54	57	72	66	70	72	60	65
Hardware.....	11	83	81	72	73	54	52	112	107	108	101	70	64
Drugs.....	13	73	67	68	76	69	76	85	74	82	86	77	85
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	83	79	82	86	67	69	97	95	93	100	76	78
Detroit.....	6	83	80	94	87	71	74	111	118	117	113	93	88
Indianapolis.....	4	91	95	100	97	75	84	104	110	101	116	82	79
Milwaukee.....	5	83	82	98	95	71	74	98	102	104	105	78	78
Other Cities.....	40	75	77	82	79	62	62	86	91	86	90	67	64
Seventh District—Unadjusted.....	84	82	80	87	86	68	70	99	100	97	102	78	78
Adjusted.....	84	84	79	82	95	85	88	101	99	98	104	97	97
Automobile Production—(U. S.)—													
Passenger Cars.....		47	53	60	59	48	53	140	145	150	138	101	106
Trucks.....		101	99	115	127	125	143	228	243	255	240	179	186
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		46	41	36	34	15	13	57	40	52	52	28	27
Total.....		71	73	53	49	25	28	81	55	69	69	42	64
Pig Iron Production*—													
Illinois and Indiana.....		35	48	52	51	47	49	118	133	130	127	123	120

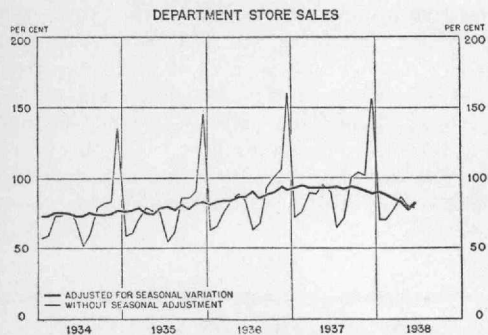
*Average daily production.

National Summary of Business Conditions

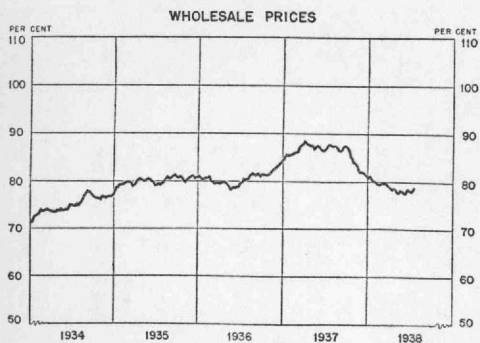
(By the Board of Governors of the Federal Reserve System)



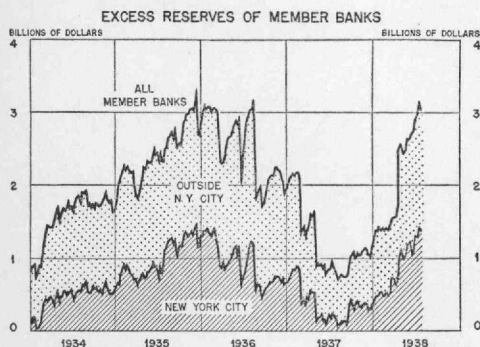
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1938.



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



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



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934, to July 20, 1938.

INDUSTRIAL activity showed little change in June and increased in the first three weeks of July, although there is usually a considerable decline at this season. Prices of most staple commodities advanced sharply in the latter part of June and early July and there were substantial increases in prices of stocks and lower grade bonds.

PRODUCTION

VOLUME of industrial production, as measured by the Board's seasonally adjusted index, was at 77 per cent of the 1923-1925 average in June as compared with 76 in May and an average of 79 in the first quarter of the year. Available data indicate that in July the index will show a considerable rise.

In June activity in the textile industry increased, reflecting chiefly a further rise at woolen mills. Output at cotton and silk mills, which usually declines at this season, showed little change. Shoe production declined, following a considerable increase earlier in the year.

Automobile output decreased further in June; sales of new cars continued in excess of production, however, and stocks were further reduced. Steel production declined seasonally in June, and lumber production showed little change, although some increase is usual. Output of plate glass rose sharply from an exceptionally low level. Coal production remained in small volume in June, while output of crude petroleum, which had been sharply reduced in May, declined somewhat further.

In the first three weeks of July activity at steel mills increased, although there is usually a decline in that period, and in the third week of the month ingot production was estimated at 36 per cent of capacity as compared with an average rate of 28 per cent in June. Crude petroleum output also rose sharply, reflecting chiefly a return to production on a six-day week basis in Texas. Automobile production declined seasonally.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a decline in June, following a considerable increase in May. Changes in both months reflected chiefly fluctuations in awards for publicly-financed construction. Awards for private residential building were maintained in June at about the same daily rate as in May, although there is usually some decline at this season, and were in slightly larger volume than a year ago. Other private construction work remained at recent low levels.

EMPLOYMENT

FACTORY employment and payrolls decreased further from the middle of May to the middle of June. Employment in the automobile, steel, machinery, and clothing industries continued to decline, while at woolen mills there was an increase and in most other manufacturing lines changes were small. In trade employment was reduced, while in other nonmanufacturing industries changes in the number employed were largely seasonal.

AGRICULTURE

ATOTAL wheat crop of 967,000,000 bushels was indicated by July 1 conditions, according to the Department of Agriculture. A crop of this size would be considerably larger than average and a Government program was announced for loans at close to current market prices. Cotton acreage on July 1 was estimated at 26,900,000 acres as compared with 34,500,000 acres last year when, with exceptionally high yield per acre, a record crop was harvested. Production estimates for most other major crops were slightly under the large harvests of last season.

DISTRIBUTION

DISTRIBUTION of commodities to consumers was maintained in June at about the May level, although a decline is usual at this season. Sales at department and variety stores showed little change and mail order sales increased. In the first half of July department store sales decreased less than seasonally.

Freight-car loadings showed little change from May to June and were slightly above the low level of April.

COMMODITY PRICES

PRICES of industrial materials, particularly rubber, hides, nonferrous metals, and steel scrap, showed advances from the middle of June to the third week of July, and there were also increases in prices of livestock and products. Wheat prices declined, following a rise early in June. Prices of iron and steel were reduced and there were also declines in some other industrial products.

BANK CREDIT

EXCESS reserves of member banks increased substantially in June and the first half of July, rising to above \$3,000,000,000, as compared with \$1,730,000,000 just prior to the reduction in reserve requirements the middle of April. The largest gain in excess reserves occurred at city banks through the retirement of Treasury bills and the continued growth of bankers' balances.

Total loans and investments of reporting member banks in 101 leading cities, which had increased sharply in the first week of June, declined during the remainder of June, reflecting largely redemption of Treasury bills held by New York City banks and a decrease in loans to security brokers and dealers. During the first three weeks of July total loans and investments at reporting banks showed little net change.

MONEY RATES

RATES on Treasury bills and notes were slightly firmer in July but continued at exceedingly low levels. Yields on Treasury bonds showed little change.

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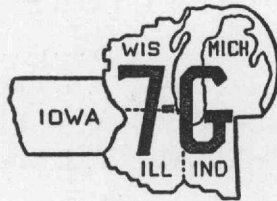
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SEVENTH FEDERAL



RESERVE DISTRICT

