

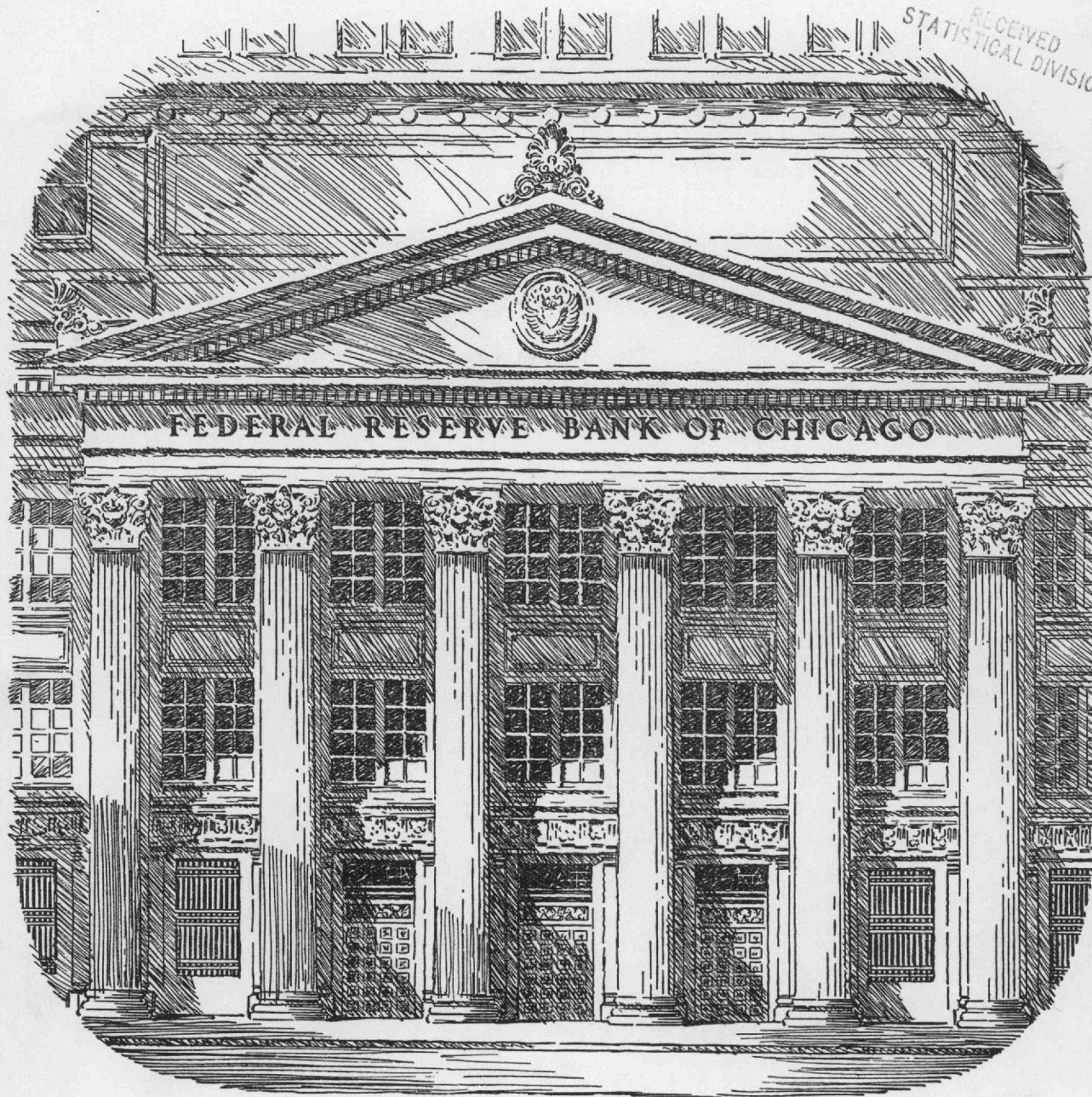


BUSINESS CONDITIONS

FEDERAL RESERVE BANK
OF ST. LOUIS

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DISTRICT SUMMARY

INSTEAD of showing the usual midsummer lull which appears in June, Seventh district business activity in the month this year was well maintained. Declines, where evident, were for the most part less than seasonal in nature, and several phases recorded contraseasonal increases over May. An important reflection of these trends was a gain in industrial employment over a month earlier. Throughout the first half of 1939, the level of industry and trade in the district has been well above the low volumes of the corresponding 1938 period. Some hesitancy developed at times in production phases but, with employment and payrolls held at relatively steady levels and with farm income above a year ago, consumer buying has been good over the six months. Inventories still appear to be in satisfactory position. The volume of building construction has been an especially favorable factor in the district this year, although the June amount showed a small decrease from the month last year. During the first half of 1939, business failures in the area were sharply lower in aggregate liability involved than in the 1938 period, while their number totaled only slightly less.

Industry—Sustained by miscellaneous sources of demand, operations of Chicago district steel mills were averaging 54 per cent of capacity in the third week of July, or 4½ points higher than a month earlier. Aggregate production of automobiles in June showed a non-seasonal gain over May and the largest increase over a year ago so far in 1939; by the middle of July, 1939 model runs were being rapidly completed. Shipments from steel and malleable casting foundries of the Seventh district expanded over the preceding month, as did those from paper mills; incoming business in these industries declined in June. In contrast to the heavier output in most production phases, building construction diminished 8 per cent from the May volume, mostly because of a decrease in residential building, and was 3 per cent under a year ago. However, in the first half of 1939, total construction exceeded that of the same 1938 period by almost one third, with residential building heavier by 80 per cent.

The increases during June in industrial employment and payrolls of the Seventh district were counter to the usual trend for the month. Employment has been well maintained so far this year, and in midsummer remained much larger than in 1938.

Agriculture—Of particular interest in the agricultural situation are the especially favorable district prospects for

corn this year. The crop was well ahead of normal schedule in the third week of July, and the prospective yield per acre was unusually good. The harvesting of small grains showed excellent progress; garden truck was in relatively good condition; and pastures were for the most part very satisfactory. Wheat receipts at interior primary markets of the country totaled in exceptionally large volume during June, but marketings of corn and oats declined. Prices of these grains recorded pronounced weakness over most of June and the first three weeks of July.

Production of packing-house commodities decreased in June from May; that of butter and of Wisconsin cheese expanded, the increase in the latter being considerable because of a substantial diversion of milk from butter to cheese manufacture. Sales of dairy products totaled heavier than a month previous, but those of packing-house commodities recorded a recession in the period. The latter, however, were above a year ago and the 1929-38 average for June. Butter inventories at the end of June again were the largest on record for the date; those of meat products and of cheese remained in better position.

Trade—In accordance with seasonal trend, most lines of retail trade in the Seventh district showed some decline in June from the preceding month, although the decrease in department store sales was only one per cent, that of 19 per cent in the retail furniture trade was smaller than usual for the period, and sales of shoes at retail rose 6 per cent in the total over May. There was a slight gain during June in the aggregate of wholesale trade in the area, and except in groceries it was well above a year earlier. Both the retail and wholesale distribution of commodities in the first half of 1939 exceeded the corresponding 1938 levels. Although margins of decline from a year ago have narrowed, inventories remain smaller than at that time.

Finance—Because of heavier Treasury receipts than disbursements and increased currency circulation over the July 4 holiday, Seventh district member bank reserve balances were \$30 million lower on July 19 than five weeks earlier. Total loans of weekly reporting member banks rose 12 millions and investments 96 millions in this period, and deposits in these banks also gained. Quarterly data on interest rates show that both Chicago and Detroit banks were charging somewhat higher rates on new commercial and industrial loans in mid-June than in the early spring. Underlying conditions in the securities markets have changed little recently.

Manufacturing

Steel and Steel Products—Miscellaneous sources of demand have accounted for most of the recent steel buying in the Chicago district and were responsible for maintaining ingot output at 54 per cent of capacity in the third week of July. This rate represented a rise of 4½ points over that prevailing a month previous and was the highest since the third week in March. Operations throughout the first half of 1939 were considerably above the corresponding 1938 levels but well under those of the first six months in 1937. Business from agricultural machinery firms and the railroads has been light in recent weeks, although some rails are still being rolled, and other than a rather good demand

for reinforcing bars, buying by the construction industry is not heavy. Specifications from the automotive industry for 1940 model requirements have not been in any great volume as yet but are expected to develop in August. Of late there has been a noticeable tendency on the part of steel producers to firm up prices, and concessions are not so common as in June and previously.

* * *

Following a rather substantial increase in May, the aggregate of orders booked by reporting steel casting foundries of the district recorded a decline in June, which trend is contrary to seasonal for the period; and new business of malleable casting foundries was lighter for the second successive month. However, shipments of both types of castings

expanded, and in malleable castings production also increased. Shipments of steel and of malleable castings exceeded incoming business during the current period, although production of steel castings was lighter than either new orders or shipments. As in each previous month of the first half of this year, activity in June showed a highly favorable margin of gain over the low 1938 levels.

**STEEL AND MALLEABLE CASTINGS
SEVENTH DISTRICT**

	June 1939 Per Cent Change from	
	May 1939	June 1938
Steel Castings:		
Orders booked (tons).....	-14.9	+141.9
Orders booked (dollars).....	-7.6	+105.8
Shipments (tons).....	+17.2	+89.5
Shipments (dollars).....	+14.7	+68.7
Production (tons).....	-1.9	+78.7
Malleable Castings:		
Orders booked (tons).....	-11.7	+31.3
Orders booked (dollars).....	-11.4	+20.6
Shipments (tons).....	+4.9	+58.6
Shipments (dollars).....	+4.2	+50.7
Production (tons).....	+6.6	+63.5

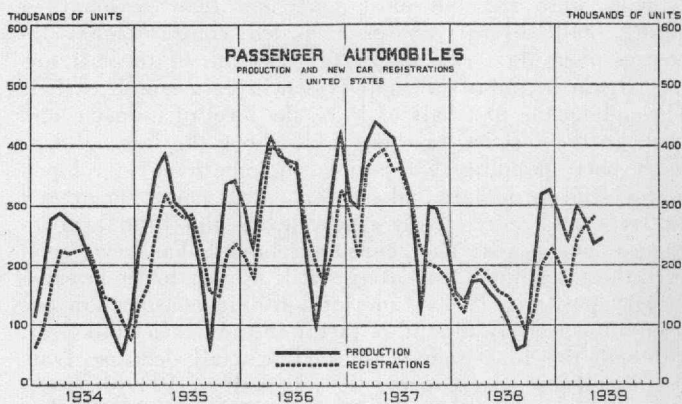
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The decline of 15 per cent in June shipments of Seventh district stove and furnace manufacturers was seasonal in nature, and output continued well above the year-ago level. Operations followed the trend of shipments. New orders also fell off in the period, after increasing sharply in May, and totaled only 2 per cent heavier than in June 1938. There was a small expansion in inventories between the end of May and June 30; they continued somewhat under a year ago.

Automobiles—Sustained by an unusually good demand, by increased schedules in one instance to make up for earlier suspension due to a strike, and by the possibility of further unsettled labor conditions, aggregate June production of automobiles in the United States showed a non-seasonal gain over the preceding month and the heaviest increase over the corresponding 1938 period so far this year. Factory shipments of passenger cars in June numbered 246,704 and those of trucks 63,016, or 4 and 6 per cent greater, respectively, than a month previous and 81 and 65 per cent above a year ago. The June volumes brought United States output for the first six months of 1939 to close to 2,000,000 passenger cars and trucks, which is more than 60 per cent larger than for the first half of 1938; as in 1938, however, the number of units produced was smaller in the second quarter than in the first quarter of the year. Although manufacturers were rapidly completing their 1939 model runs in July, thus causing a considerable reduction in output, it is expected that production for the month as a whole will be in comparatively sizable volume for the period.

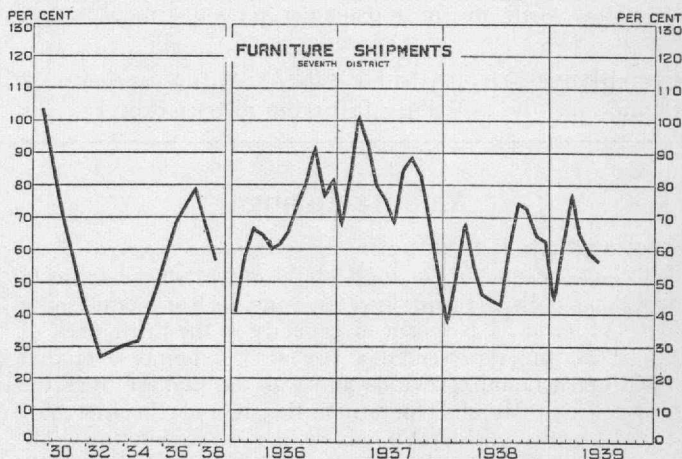
In accordance with seasonal trend, sales of passenger automobiles in the Seventh district tapered off further in June, those at wholesale being approximately 10 per cent and at retail 15 per cent lighter in number than in May. However, favorable margins over a year ago were well maintained, with wholesale distribution almost double that of last June and sales to consumers better than 50 per cent larger. Aggregates for the first six months of this year show retail demand about one third heavier than in the same 1938 period. New-car stocks in dealers' hands continued to diminish during June—by 5 per cent—but at the end of the month exceeded by more than 50 per cent those held on the corresponding year-earlier date by which time, however, they had become relatively light. District trends in the used-car

field remained favorable through June: sales by reporting dealers increased 2 per cent in the period and numbered one fourth above those of last June, while salable cars on hand continued to diminish moderately in volume and were slightly less than a year ago. In the first half of 1939, dealers' sales of used cars recorded a 12 per cent gain over the same six months of 1938.



Number of new passenger automobiles produced and registered each month in the United States. Latest figures: Production, June 1939; Registrations, May 1939. Sources: Production, United States Department of Commerce; Registrations, R. L. Polk & Company.

Furniture—Because the usual midsummer furniture showings were held in June this year, rather than in July, orders booked by Seventh district manufacturers recorded a sharp contraseasonal expansion in the period. However, the gain of 29 per cent over May was much smaller than is usual for the period when the summer marts take place. An exceptionally large gain—88 per cent—was shown over last June, similarly due to the earlier marts this year. Shipments declined 5 per cent in June from the preceding month, or less than seasonally; they totaled 25 per cent above last June and 13 per cent in excess of the ten-year average for the period. As was to be expected in view of the increased bookings and lighter shipments, unfilled orders on hand June 30 rose substantially over a month previous, by 54 per cent, and aggregated 90 per cent larger than a year ago. Although their ratio to incoming business increased from 82 per cent for May to 98 per cent, it was no higher than for June 1938. Operations, at 63 per cent of capacity, were down a little from those prevailing in the preceding two months, though 13 points above the rate of last June.



Index of furniture shipments by reporting manufacturers in the Seventh district, 1923-1925 average = 100. By years, 1929 through 1938; by months, January 1936 through June 1939.

Industrial Employment

A slight gain in the number of workers employed and a more substantial increase in wage payments were recorded by Seventh district industries for June over May, the rise in the latter item being sufficient to offset the decline which took place a month previous. The increases were well distributed among practically all of the principal industrial groups except coal mining where there was a further sharp reduction in both number of workers and in wage payments. Several groups, including the metals industries, showed fractional losses in employment volumes. Vehicles, which were responsible for the greater portion of the May declines, recorded a sizable recovery in wage payments but little change in number employed. Current gains were especially favorable in that the trend is usually downward in June, the average for the past ten years registering a decrease for the period of one per cent in employment and of 2 per cent in payrolls.

Since last December, fluctuations in employment and payroll volumes have been of minor proportions and have practically offset one another from month to month. In the manufacturing industries, current levels are lower than six months earlier by 3 per cent each in employment and payrolls. Non-manufacturing industries show a sharper decline, owing to the seasonal reduction in these groups between December and January. Since January, however, both employment and payrolls in this classification have increased 1½ per cent in the aggregate. Last year at this time the industrial recession begun in October 1937 was approaching a low point, so that June comparisons of current volumes with the corresponding 1938 levels show wider margins of gain, amounting to 14 per cent in employment and 25 per cent in wage payments.

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of June 15, 1939			Change from May 15, 1939	
	Reporting Firms	Wage Earners	Earnings (000 Omitted)	Wage Earners	Earnings
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹	1,772	374,135	10,481	-0.5	+0.4
Vehicles.....	383	308,988	10,322	+0.1	+7.5
Stone, Clay, and Glass.....	290	24,428	626	+0.7	+7.5
Wood Products.....	481	42,693	896	+4.4	+4.5
Total.....	2,926	750,244	22,325	+0.0	+4.0
NON-DURABLE GOODS:					
Textiles and Products.....	406	63,623	1,169	-0.2	+4.0
Food and Products.....	1,020	106,251	2,808	+6.6	+5.7
Chemical Products.....	295	38,150	1,182	-1.1	+5.0
Leather Products.....	168	24,923	526	+1.7	+7.2
Rubber Products.....	34	11,455	270	-0.9	+5.1
Paper and Printing.....	740	74,034	2,142	-0.7	+0.2
Total.....	2,663	318,436	8,097	+1.8	+3.9
Total Mfg., 10 Groups.....	5,589	1,068,680	30,422	+0.5	+3.9
Merchandising²:					
Public Utilities.....	5,517	139,006	3,098	+1.1	+2.1
Coal Mining.....	1,156	100,057	3,335	+1.0	+0.5
Construction.....	79	12,599	227	-26.4	-21.6
	789	11,999	376	+17.2	+19.4
Total Non-Mfg., 4 Groups.....	7,541	263,661	7,036	-0.1	+1.2
Total, 14 Groups.....	13,130	1,332,341	37,458	+0.4	+3.4

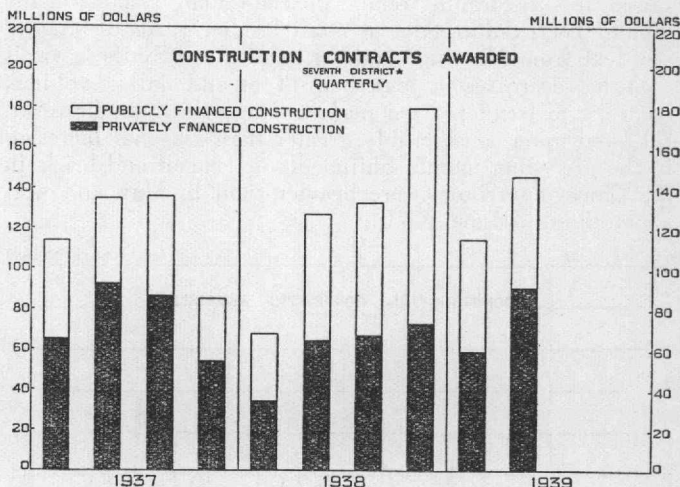
¹Other than Vehicles.

²Illinois, Indiana, and Wisconsin.

Building

Seventh district building contracts awarded in the entire first half of this year were nearly one third again as large as in the corresponding period of 1938. Residential building was 80 per cent heavier than a year ago and constituted

36 per cent of total awards thus far in 1939 as against only 26 per cent a year earlier. One-family dwellings comprised by far the greater part of residential building—about 85 per cent—with only a little more than one third of them constructed for the purpose of rent or sale rather than for owner-occupancy. Over the past two years, construction of one- and two-family residences under the Federal Housing Administration has been principally responsible for the growth in privately-financed residential building, although there is some evidence recently that the construction of such buildings has tapered off in certain parts of the district. Apartment building construction has been at a low level throughout the Seventh district. Only a few Federal Housing units are under way, and the number planned is relatively small. Residential occupancies and rents in most localities have declined during the past year. Building costs are little changed from 1938.



*Data furnished by F. W. Dodge Corporation for the Chicago and Southern Michigan territories which closely approximate the Seventh district area.
By quarter-yearly periods, 1937 through first half of 1939.

Non-residential building in the district during the first six months of 1939 exceeded the same 1938 period by 20 per cent. In this classification the most outstanding change occurred in the amount expended for social and recreational building, which gained 83 per cent. Commercial and industrial construction, which represents exclusively the investment of private funds, recorded a combined gain of 16 per cent. With a continued overabundance of office-building space in most metropolitan areas, prospects for this type of building are considered generally unfavorable. The construction in the first half of this year of buildings devoted to education and science recorded approximately the same increase in actual dollar volume over the first six months of 1938 as did commercial and manufacturing buildings.

Data for the month of June show a moderately smaller amount of contract awards in the Seventh district than in either of the two preceding months. The contraction from the May volume was mainly in residential construction, although public utility awards also failed to maintain the relatively high level reached a month earlier. The fact that total building was under that of a year ago for the first time since last July was due entirely to a smaller volume of public works construction. Public funds financed 35 per cent of all building during June as against nearly 50 per cent last June.

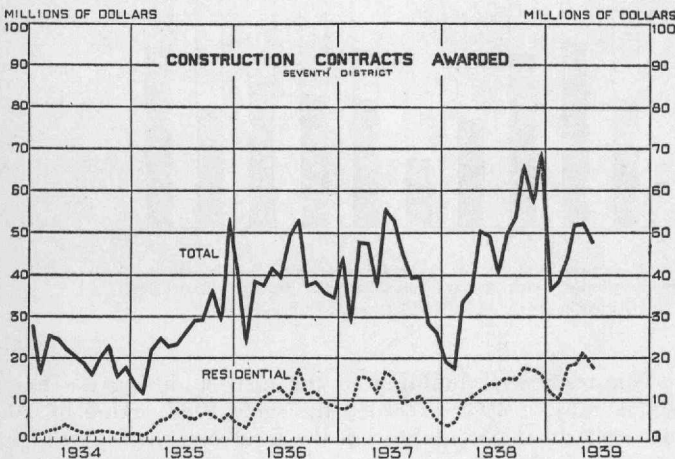
**BUILDING CONTRACTS AWARDED*
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
June 1939.....	\$47,587,000	\$17,520,000
Change from May 1939.....	-8.4%	-17.0%
Change from June 1938.....	-2.6%	+28.6%
First six months of 1939.....	\$269,718,000	\$97,490,000
Change from same period 1938.....	+31.4%	+79.5%

*Data furnished by F. W. Dodge Corporation.

The estimated cost of proposed construction in the district declined slightly in June from May, according to data on building permits issued, although the City of Chicago showed a substantial increase. The margin of gain over a year ago continued large but was somewhat smaller than in a similar comparison for May.

Except for sales of lumber at wholesale, which expanded more than seasonally, demand for building materials followed less favorable trends in June than usual for the month. Total dollar sales at retail lumber yards declined 9 per cent from May, and lumber sales alone by these yards recorded decreases in both board-foot and dollar volume, contrary to trend for the period. These declines, however, followed upon considerably greater than seasonal increases in the preceding month. Shipments of cement and brick in the Chicago territory were heavier than in May and well above those in June 1938.



By months, January 1934 through June 1939. Data furnished by F. W. Dodge Corporation.

Merchandising

Department Store Trade—Because of a 5 per cent increase in the City of Chicago, aggregate sales of Seventh district department stores declined only one per cent during June from May, as against a decrease of 4 per cent in the 1929-38 average for the period. Trade in Indianapolis fell off 8 per cent and that in Detroit 6 per cent, while Milwaukee trade was less by one per cent and the total for stores in smaller cities by 10 per cent than in the preceding month. The increase of 13 per cent over last June was slightly smaller than the 15 per cent gain recorded in the yearly comparison for May, which was the heaviest so far in 1939; and in the two weeks ended July 15, dollar sales of the larger department stores in the district were only 5 per cent greater than in the corresponding two weeks of 1938. Between the end of May and June 30, inventories were reduced about seasonally—6 per cent—but the decrease of 2 per cent from the same 1938 date was the

smallest so far this year. The rate of stock turnover for the first six months of 1939 was rather noticeably greater than in the first half of last year, being 2.15 times as against only 1.95 times a year ago. In each month of this year, collection ratios have shown improvement over those in 1938.

DEPARTMENT STORE TRADE IN JUNE 1939

Locality	Per Cent Change June 1939 from June 1938		Per Cent Change First Six Months 1939 from Same Period 1938	Ratio of June Collections to Accounts Outstanding End of May	
	Net Sales	Stocks End of Month	Net Sales	1939	1938
Chicago.....	+10.4	-2.9	+ 2.2	41.3	37.6
Detroit.....	+20.0	+1.5	+14.3	46.3	40.2
Fort Wayne.....	+11.2	+ 3.5
Indianapolis.....	+11.5	-1.3	+ 8.2	37.6	37.2
Milwaukee.....	+10.8	+0.6	+ 4.2	39.1	38.1
Peoria.....	+ 8.2	- 0.2
Other Cities*.....	+14.6	-2.9	+ 8.2	35.9	32.9
7th District.....	+12.9	-1.8	+ 5.9	40.8	37.8

*Include Fort Wayne and Peoria.

Retail Shoes—Increases recorded by a few firms effected a 6 per cent gain for June over May, in total sales of shoes by dealers and department stores in the Seventh district; the 1929-38 average shows a decrease of one per cent for the period. Sales aggregated 4 per cent larger than in June last year, whereas in May they had been almost 15 per cent heavier than in the same 1938 period. The six months' total recorded a 4 per cent increase over the first half of 1938. Although retail stocks of shoes were reduced 14 per cent during June, at the end of the month they were only one-half per cent lighter than a year ago.

Retail Furniture—Sales of furniture and housefurnishings at retail fell off 19 per cent in June from May, or somewhat less than is usual for the month, and totaled 14 per cent heavier than in the same period last year. In this latter comparison, dealer sales showed a much greater increase than did those of department stores. By the end of June, inventories had diminished 4 per cent from a month previous and were 2 per cent smaller than on June 30, 1938.

Wholesale Trade—With the exception of groceries, where prices are lower than a year ago, practically all wholesale trade groups in the district reporting to the Department of Commerce recorded sales gains in June over the 1938 month. The aggregate for all lines totaled 9 per cent larger than at that time, this increase representing a slight narrowing of the margin of gain over the 1938 level from 11 per cent a month previous. Throughout the first six months of 1939, wholesale trade in this district has shown improvement over the slack business of a year ago. As compared with May this year, a number of the major wholesale lines had heavier sales in June, the gains ranging from less than one

WHOLESALE TRADE IN JUNE 1939*

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Groceries.....	- 2.3	+ 2.6	-1.9	- 2.1
Hardware.....	+10.8	- 1.6	+9.2	+13.3
Drugs & Drug Sundries.....	+ 4.0	- 1.1	+5.5	+ 7.3
Electrical Goods.....	-22.7	+ 0.8	+8.7	+ 9.2
Meats & Meat Products.....	+14.5	+31.9	+4.1	+12.4
Paper & Its Products.....	-25.0	+ 3.2	+6.9	+11.1
Tobacco & Its Products.....	+ 7.1	+18.5	+1.2	+ 8.8
Miscellaneous.....	+15.5	+ 1.2	+2.4	+19.5

*Data furnished by Bureau of the Census, United States Department of Commerce.

to 7 per cent, but the aggregate dollar volume sold increased only one per cent. Wholesale inventories totaled 1½ per cent larger on June 30 than a year earlier and expanded slightly over the end of May.

Agriculture

Crops—Especially favorable prospects are indicated for the 1939 corn crop in the Seventh Federal Reserve district. By the third week in July the crop was ten days to two weeks ahead of normal schedule and in the best condition for the period since 1925; most of the corn was over six feet tall, a considerable portion was in the tasseling stage, and some was growing ears. Practically the entire crop had been "laid by," with fields relatively clean. In some areas, however, deterioration from excessive heat was evidenced in mid-July. The prospective yield per acre is unusually promising, and an important factor in this high yield is the large percentage of acreage in hybrid corn this year. Over the Middle West as a whole, about two fifths of all corn acreage is planted with the hybrid varieties; in Illinois about two thirds and in Iowa about three fourths of the fields are in hybrid corn.

The harvesting of small grains showed the greatest progress in mid-July since 1933. Most of the combining and harvesting of winter wheat had been completed by July 18, and threshing was progressing excellently. Yield and quality ranged between fair and good, according to early threshing returns. The cutting of rye, barley, and oats was well advanced. Although the early oats crop in general was poor, later varieties were better.

Garden truck, greatly improved by recent rains, was in relatively good condition in the third week of July; pastures for the most part were very good; and the outlook for soybeans was excellent. In contrast to the first cuttings, second cuttings of alfalfa and clover were luxuriant.

Estimates by the United States Department of Agriculture show the spring crop of pigs in the Seventh district as over 15 per cent greater than a year ago; the increase for the nation amounted to 20 per cent.

CROP PRODUCTION

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

	Seventh District			United States		
	Forecast 1939	Final 1938	Average 1928-37	Forecast 1939	Final 1938	Average 1928-37
Corn.....	1,000,003	1,038,749	847,142	2,570,795	2,542,238	2,309,674
Oats.....	348,644	430,768	454,618	872,823	1,053,839	1,049,300
Winter Wheat.....	53,833	67,734	56,540	537,767	686,637	560,160
Spring Wheat.....	1,933	1,847	3,227	178,888	244,164	192,792
Barley.....	44,802a	46,964a	48,128a	245,886	252,139	233,021
Rye.....	8,492a	9,942a	7,866a	41,486	55,039	36,330
Potatoes (white).....	50,926	53,457	53,056	366,074	371,617	372,258
Cherries.....	43b	24b	38b	184c	141c	125c
Beans (dry edible)*	3,508b	4,575b	3,885b	11,897	15,268	12,638
Canning Crops:						
Snap Beans¹.....	17d	23d	16d	81	128	76
Green Peas¹.....	66a	131a	97a	185	303	194
All Tame Hay¹.....	16,838	18,379	15,201	72,794	80,299	68,765

¹—In thousands of tons. *In thousands of 100-lb. bags.
a—Five States including Seventh Federal Reserve district. b—Michigan and Wisconsin.
c—Twelve States only. d—Michigan, Indiana, and Wisconsin.

Grains—An exceptionally heavy volume of wheat was received during June at interior primary markets of the United States, due to an unprecedented rush of winter wheat marketing in the Southwest where crops seemed to ripen simultaneously over a much larger area than in any previous year. A large part of receipts went into Government loan, with only a small part of the marketings up for sale. United States visible supplies of wheat showed a very sharp advance from mid-June to mid-July. Marketings of corn declined slightly in June; those of oats also were

lighter. Farm holdings indicated a disappearance of only 377 million bushels over the second quarter of the year in the United States, as against 430 million bushels during the same period of 1938. Corn stocks on farms as of July 1 this year totaled 837,000,000 bushels, which amount is about 30 per cent higher than at the same time last year and well over twice as large as 1928-37 average stocks for the date. Of total United States farm stocks of corn, almost two thirds were held in the five States including the Seventh district. Early in July, the Government offered to renew for a period of one year all corn loans, both on the 1937 and 1938 crops, which fell due on August 1, and to pay storage charges of 6 cents per bushel for that time.

In contrast to trends in May, prices of these three grains recorded pronounced weakness over most of June and the first three weeks of July, and spring advances were eliminated. Wheat markets were under considerable pressure from improved domestic crop prospects, extensive liquidation of July contracts, the excellent condition of the growing crop in Canada, and the heavy marketings of wheat in the Southwest. Cash prices at Chicago of No. 2 hard winter wheat were down about 9 cents from May and fell 6 cents further in the first three weeks of July. Cash quotations for No. 2 yellow corn at Chicago declined 3 cents in June and another 7 cents by July 22, at which time they were approximately 17 cents lower than in July 1938. This market was affected by excellent weather conditions for the growing crop over most of the corn belt. Despite generally unfavorable prospects for the new crop, oats prices by July 22 were down about 7 cents from June 1, the decline being brought about largely by the progressively weaker actions of the other grains.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	June 1939	May 1939	June 1938	June 1928-38 Avg.
Wheat:				
Receipts.....	45,925	25,928	17,153	21,135
Shipments.....	14,830	16,433	14,728	16,353
Corn:				
Receipts.....	17,432	20,490	28,614	17,676
Shipments.....	17,462	20,159	27,891	12,674
Oats:				
Receipts.....	4,577	5,974	3,639	5,418
Shipments.....	5,266	8,889	5,301	5,628

Livestock and Meat Packing—Following a sharp rise in May, receipts of livestock at public stock yards in the United States registered a greater than seasonal decline during June. Those of hogs continued well above year-ago levels, but cattle, calves, and lambs were in lower volume than at that time. Trends in Federally inspected slaughter

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
June 1939.....	175	504	164	72
June 1938.....	178	467	193	73
Federally Inspected Slaughter, United States:				
June 1939.....	778	3,185	1,401	443
May 1939.....	814	3,416	1,392	509
June 1938.....	840	2,110	1,425	579
June 1929-38 average.....	746	3,162	1,384	457

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	July 22, 1939	June 1939	May 1939	June 1938
Native Beef Steers (average).....	\$9.20	\$9.30	\$9.75	\$9.50
Fat Cows and Heifers.....	7.50	7.80	8.30	7.75
Calves.....	9.65	9.15	9.75	8.50
Hogs (bulk of sales).....	5.75	6.35	6.75	8.55
Lambs.....	9.30	9.60	9.50	8.95

rather closely followed those of receipts, except that slaughter of lambs increased slightly over May. A seasonal decline took place during June in shipments of livestock to feed lots, although those of calves continued rather heavy. As may be noted in the accompanying table, most livestock prices have been weak recently, especially for hogs.

Production of packing-house commodities totaled smaller in June than in May, after recording a more than seasonal expansion a month previous and in contrast to an increase for the period in the three preceding years. The sales tonnage, on the other hand, fell off less than is usual for June and slightly exceeded current production. Inventories of lard in the United States continued to accumulate and on July 1 were approximately 7 per cent above the 1934-38 average for the date; on the other hand, stocks of both beef and pork totaled lighter in these comparisons. Despite the decrease in slaughtering-house activity, payroll items rose about 4 per cent further during June, and at the end of the period, employment, hours worked, and wage payments showed a slightly wider margin of gain over the corresponding 1938 period than a month earlier. During the first half of July, production at twenty-seven selected centers remained moderately in excess of a year earlier.

MEAT PACKING—UNITED STATES

	Per Cent Change in June 1939 from		
	May 1939	June 1938	June 1929-38 Avg.
Tonnage produced.....	-3.9	+10.2	+ 4.6
Tonnage sold.....	-2.5	+ 8.2	+ 4.3
Dollar sales.....	-1.1	+ 1.8	+ 5.7
Inventories.....	-1.7	+16.6	-15.9

Dairy Products—As a result of the good to excellent pasture conditions, production of milk in the central States continued relatively heavy in June. Figures on creamery butter make in the Seventh district indicate a seasonal increase of 6 per cent over May; but the total was lower than the high year-ago level by the same percentage. Estimates for butter make in the United States indicate a close to seasonal expansion over May and a level of production about equal to the heavy volume of last June. Seventh district butter sales, after rising sharply in May, failed to increase as much as usual in June and were 3 per cent lighter than in the month last year. Although United States cold-storage holdings of butter gained less than seasonally during June, the July 1 total of 132 million pounds again was the largest on record for the date. Government agencies have reduced their holdings of creamery butter in recent months. However, in late June the Department of Agriculture announced that the Commodity Credit Corporation has approved new loans amounting to \$6,000,000 for buying up to 25 million pounds of butter during the 1939-40 season. These loans will make possible the continuation of the butter price-stabilization program of last year; initial purchases were not made until late July. There was a softening tendency over most of June and early July in butter prices in the central markets, but quotations firmed slightly after mid-July. Consumption of butter in the United States has been unusually high during recent months.

Considerable diversion of milk from butter to cheese production took place in June, since cheese prices were relatively more favorable despite some weakness in quotations during late June and early July. The manufacture of American cheese in Wisconsin expanded 38 per cent over May and was slightly higher than in June 1938. For the first six months of the year, however, it was somewhat less than in the same 1938 period, while sales of cheese from

MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated. 1923-25 average = 100	June 1939	May 1939	April 1939	June 1938	May 1938	April 1938
Manufacturing Industries:						
Employment.....	81	80	83	69	72	74
Payrolls.....	80	77	81	61	63	66
Pig Iron Production:						
Illinois and Indiana.....	76	61	79	35	48	52
Automobile Production—(U.S.):						
Passenger Cars.....	84	81	93	47	53	60
Trucks.....	167	158	170	101	99	114
Casting Foundries Shipments:						
Steel—In Dollars.....	47	41	40	29	27	27
In Tons.....	38	32	31	20	19	18
Malleable—In Dollars.....	48	46	49	32	34	34
In Tons.....	60	57	62	38	40	41
Stoves and Furnaces:						
Shipments.....	130	150	134	114	123	119
Furniture Manufacturing:						
Orders in Dollars.....	86	66	49	46	51	47
Shipments in Dollars.....	56	59	65	44	46	54
Building Contracts Awarded:						
Residential.....	60	72	63	46	41	36
Total.....	70	76	76	71	73	53
Meat Packing—(U.S.):						
Production.....	91	95	81	83	81	77
Sales Tonnage.....	92	95	80	85	85	81
Sales in Dollars.....	88	89	82	86	87	82
Department Store Net Sales:						
Chicago.....	89	84	82	83	79	82
Detroit.....	94	98	101	83	80	94
Indianapolis.....	97	107	107	91	95	100
Milwaukee.....	86	88	98	83	82	98
Other Cities.....	80	88	84	74	77	82
Seventh District—Unadjusted.....	89	89	89	82	80	87
Adjusted.....	91	88	86	84	79	82

primary markets in the State were greater by about 12 per cent. June sales expanded 16 per cent over May and were 9 per cent larger than a year earlier. Between June 1 and July 1, United States inventories of American cheese showed a close to seasonal rise, though remaining well under the 1938 level.

Credit and Finance

Member Bank Reserves—Increased currency circulation and an excess of Treasury receipts over disbursements reduced Seventh district member bank reserves by \$30 million in the five weeks ended July 19. A sharp expansion over the July 4 holiday was responsible for the gain in currency circulation, while Treasury receipts were augmented by heavier sales than redemptions of bills and by income tax collections in the first week of the period. Offsetting considerably the effect of these factors was a continued net gain—91 millions—in the inflow of funds from other districts through commercial and financial transactions. Increased deposits at member banks over the five weeks required heavier reserves, so that estimated excess reserves were reduced 49 millions, or to a greater extent than total reserves.

Weekly Reporting Member Banks—Total loans of Seventh district weekly reporting member banks rose 12 millions and investments 96 millions between June 14 and July 19, the gain in the latter representing a continuance of the expansion in holdings of short-term Treasury securities evident since late April. Deposits in these banks also rose further—by 40 and 10 millions for demand and time deposits, respectively. From the close of 1938 to the end of June there was no significant change in loan volume of the reporting banks, but investments were up 81 millions, due to an increase in holdings of Government-guaranteed and other than Government securities. In this same period demand deposits expanded \$112 million.

Interest Rates—For the third successive month, the average rate earned on total loans and discounts by the larger Chicago banks recorded an increase in June. However, the

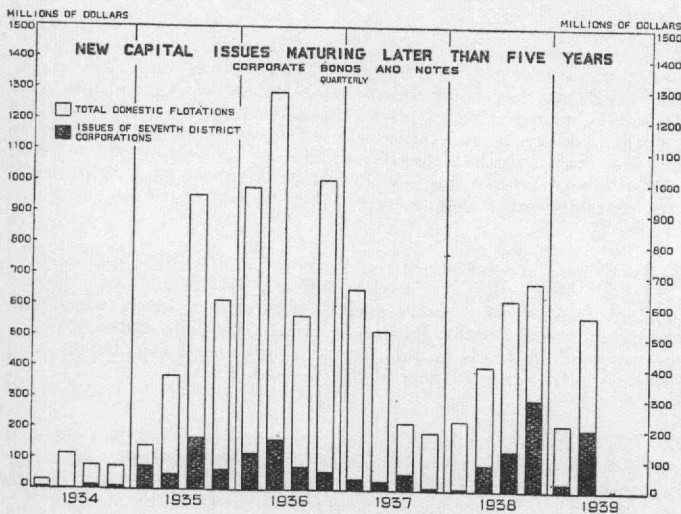
average for selected Detroit banks was sharply lower, being the smallest since its computation was begun late in 1936 and under the corresponding year-ago level for the first time since last September.

Data compiled quarterly on interest rates charged by these banks on new commercial and industrial loans show that the Chicago group was charging somewhat higher rates in mid-June than in the early spring. Furthermore, borrowers were paying nearly one-half per cent more for funds than last fall. The Detroit group of banks reported rates on such loans as about one-third per cent higher than in March but still below the level of September 1938.

Securities Markets—Underlying conditions in the securities markets, as noted by representative Chicago bond houses, have shown little change. Banks appear willing to consider somewhat longer maturities for high-grade bonds than in several months. Also, individual investors are displaying slightly increased interest, centered largely in medium-grade bonds and preferred and common stocks; but institutions continue to be the major buyers of high-grade securities.

Except for a slight hesitation apparent toward the end of June and confined largely to the speculative rails, medium grades followed the stock market in its upward trend in the first half of July. Volume of trading was curtailed in early July by war scares and the July 4 holiday, but it returned to more satisfactory levels in the second week of the month. New issues in the municipal field were in the largest volume during June of any month in several years; prices continued firm. Unlike the situation in the corporate field, such issues have been mostly for new capital rather than for refunding purposes. Most municipal offerings are in serial form and consequently are paid off during the duration of the loan. June long-term corporate bond issues, 92 per cent for refunding, were the heaviest since last October—about 17 per cent of them originated in this district.

Prices of Government securities up to mid-July were irregularly lower than the early June highs, in contrast to trends in the highest-grade corporates. There has been some reaction from the widening of the spread which rose between prices of Treasury bonds and those of highest-grade corporate securities during the spring. New issues of 91-day Treasury bills have continued in July to sell practically at par, although discounts on the first three offerings in July were nominally larger than for the past two months.



Source: The Commercial & Financial Chronicle.

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS

(Amounts in thousands)

	July 19, 1939	Change from	
		June 14, 1939	July 20, 1938
Total bills and securities.....	\$272,543	\$-15,200	\$-6,992
Bills discounted.....	291	+201	+177
Bills bought.....	70	-1	+3
U. S. Treasury bills.....	46,230	-7,165	-24,000
U. S. Treasury notes.....	127,054	-4,651	-627
U. S. Treasury bonds.....	98,424	-3,603	+17,504
Total Government securities.....	271,708	-15,419	-7,123
Total reserves.....	2,224,618	-83,133	-75,490
Member bank reserve deposits.....	1,302,847	-30,244	-14,552
All other deposits.....	160,373	-86,767	+41,906
Federal Reserve notes in circulation.....	997,570	+14,316	+38,801
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	90.4%	+0.4*	+0.7*

*Number of Points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	July 19, 1939	Change from	
		June 14, 1939	July 20, 1938
Loans and investments—total.....	\$3,249	\$+108	\$+407
Loans—total.....	876	+12	+59
Commercial, industrial, and agricultural loans.....	605	+7	+39
Open-market paper.....	33	+2	+2
Loans to brokers and dealers in securities.....	37	-1	+6
Other loans for purchasing or carrying securities.....	82	+2	+3
Real estate loans.....	103	+1	+12
Loans to banks.....	0	-1	-4
Other loans.....	116	+2	+1
U. S. Treasury bills.....	263	+72	
U. S. Treasury notes.....	430	+18	+269
U. S. Treasury bonds.....	924	+11	
Obligations fully guaranteed by U. S. Government	267	-2	+44
Other securities.....	489	-3	+35
LIABILITIES			
Demand deposits—adjusted*.....	2,475	+40	+250
Time deposits.....	927	+10	+50
Borrowings.....	0	0	0

*The annual velocity of demand deposits (unadjusted) in the five weeks ended July 19 was 21.11 times, as compared with 19.69 times in the preceding four weeks and with 19.72 times in the corresponding period of 1938.

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	Per Cent of Increase or Decrease from		
	June 1939	May 1939	June 1938
Chicago.....	\$3,272	+17.5	+13.4
Des Moines.....	88	-10.6	+4.4
Detroit.....	826	-6.4	+17.8
Fort Wayne.....	31	-5.2	+7.4
Grand Rapids.....	52	+2.4	+18.6
Indianapolis.....	194	+0.6	+7.2
Milwaukee.....	263	+4.9	+3.6
Peoria.....	56	-3.2	+7.8
South Bend.....	38	+7.7	+21.4
32 smaller cities.....	488	+3.0	+11.9
Total 41 cities.....	5,298	+9.3	+13.0

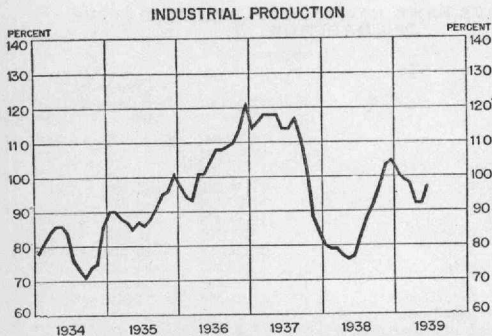
TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

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

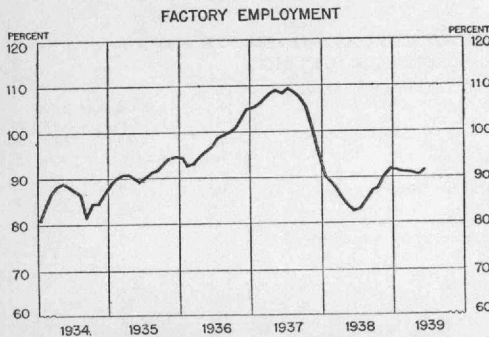
	June 1939	June 1938
Total country and city check clearings:		
Pieces.....	12,933,521	11,102,879
Amount.....	\$2,285,061,125	\$1,939,535,864
Daily average clearings:		
Total items cleared—		
Pieces.....	497,443	427,034
Amount.....	\$87,886,966	\$74,597,526
Items drawn on Chicago—		
Pieces.....	78,706	73,529
Amount.....	\$45,163,000	\$40,203,000
Items drawn on Detroit—		
Pieces.....	18,691	16,524
Amount.....	\$7,882,478	\$7,288,531

National Summary of Business Conditions

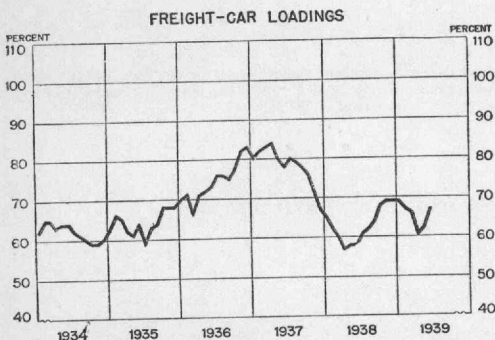
(By the Board of Governors of the Federal Reserve System)



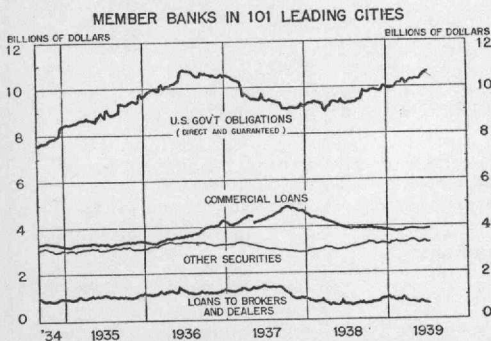
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1939.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to June 1939.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to July 12, 1939. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

OUTPUT of factories and mines increased in June, reflecting chiefly sharp expansion at steel mills and bituminous coal mines. In the first half of July, industrial activity was generally maintained.

Production—The Board's seasonally adjusted index of industrial production advanced to 97 in June as compared with 92 in April and May.

At steel mills output increased from a rate of 45 per cent of capacity in the third week of May to 54 at the end of June and to 56 in the third week of July. Automobile production, which had declined in May, showed some increase in June when a decline is customary. In the first three weeks of July, automobile output was at a lower rate, reflecting in part curtailment preparatory to the changeover to new models. Plate glass production rose considerably in June. Output of lumber, which usually shows some increase over May, was unchanged. Among nondurable goods industries, woolen mills showed increased activity in June, and activity at cotton and silk mills was maintained though declines are usual at this season. Meat packing was lower than in May.

Mineral production increased considerably in June, reflecting a sharp rise in output at bituminous coal mines which had been closed during April and the first half of May. Production of anthracite declined from May to June and there was some reduction in output of petroleum.

Value of construction contracts awarded declined in June, according to F. W. Dodge Corporation figures, reflecting chiefly a greater than seasonal decrease in private residential building. Contracts awarded for public residential construction, principally for United States Housing Authority projects, were maintained at the advanced level reached in May, while public construction other than residential showed a small decline.

Employment—Factory employment and payrolls increased somewhat from the middle of May to the middle of June, according to reports from a number of important industrial States. There was a sharp expansion in employment at bituminous coal mines following the reopening of the mines in the middle of May, and the number employed on the railroads increased more than seasonally from May to June.

Distribution—Department store sales showed a less than seasonal decline from May to June and the Board's adjusted index advanced from 85 to 86, which compares with a level of 88 during the first four months of the year. Sales at variety stores and by mail order houses showed little change.

Freight-car loadings increased more than seasonally in June, reflecting a sharp rise in shipments of coal and smaller increases in shipments of grain and miscellaneous freight.

Commodity Prices—Prices of hides, silk, steel scrap, copper, and some other industrial materials advanced from the middle of June to the third week of July, while some farm products, particularly grains, declined. Prices of most other commodities showed little change.

Agriculture—A total wheat crop of 716,655,000 bushels was indicated on the basis of July 1 conditions, according to the Department of Agriculture. This would be much smaller than last year's large crop and somewhat below the 1928-1937 average. Cotton acreage in cultivation was estimated to be about the same as last year but one third less than the 10-year average. A record tobacco crop is indicated. Most other major crops are expected to approximate last year's harvests and are generally larger than average.

Bank Credit—Total loans and investments of member banks in 101 leading cities continued to increase during the four weeks ending July 12, reflecting largely purchases of United States Government securities. Commercial loans, which had shown little change in recent months, increased slightly. Deposits and reserves at these banks rose to new high levels in July, reflecting continued gold imports and Treasury disbursements from its balances at the Reserve banks.

Money Rates—Prices of United States Government securities, which had declined somewhat during June, recovered part of the loss in July. The longest-term Treasury bonds outstanding showed a yield of 2.31 per cent on July 20, as compared with a record low of 2.26 on June 5. Open-market money rates showed little change.

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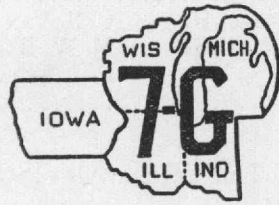
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SEVENTH FEDERAL



RESERVE DISTRICT

