



# BUSINESS CONDITIONS

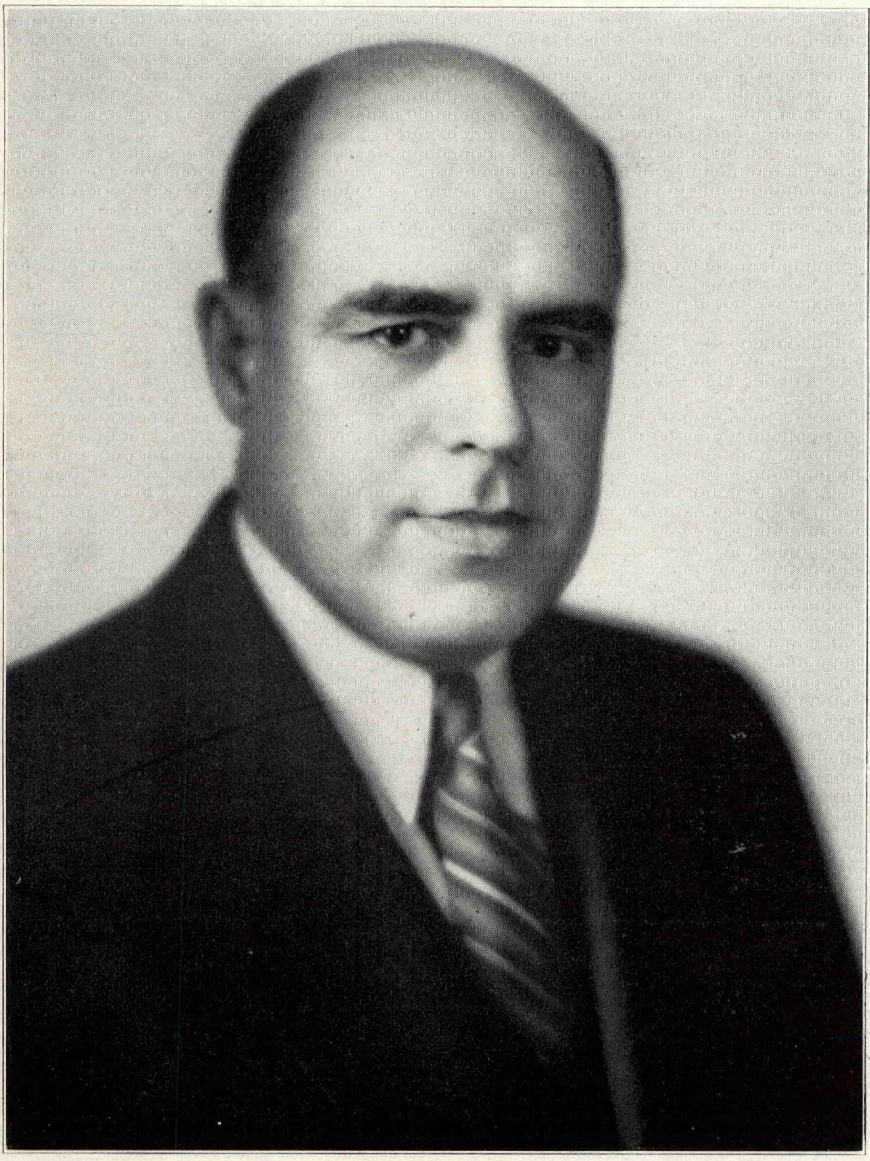
A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

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FEDERAL RESERVE BANK  
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STATISTICAL DIVISION



CLASS C DIRECTOR

## THIS MONTH

- District Summary
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A Service for Member Banks



## **Clifford V. Gregory, Class C Director**

Appointed a Class C director of the Federal Reserve Bank of Chicago by the Board of Governors of the Federal Reserve System on January 1, 1940, Clifford V. Gregory is particularly qualified to render service on the bank's Board to member banks and the public because of his wide experience in agricultural fields.

Mr. Gregory was born in Mason City, Iowa, and was raised on a farm ten miles southwest of that city in Cerro Gordo county. He was graduated from the Animal Husbandry course at Iowa State College and immediately thereafter became an instructor in journalism at Iowa State College. A year later he became editor-in-chief of the *Prairie Farmer*, in which capacity he continued for twenty-six years—until July 1, 1937. During this period, he also was vice president of the *Prairie Farmer* Publishing Company and for the last nine years of the period he was vice president of the Agricultural Broadcasting Company, which operated the well known *Prairie Farmer* station, WLS.

After selling his interest in these two companies in 1937, Mr. Gregory became associate publisher of *Wallace's Farmer and Iowa Homestead*, at Des Moines, Iowa. This publication enjoys a wide circulation in Iowa and adjoining States. Mr. Gregory also is associate publisher of the *Wisconsin Agriculturist & Farmer*, Racine, Wisconsin, which is circulated mostly in Wisconsin.

Mr. Gregory was one of the organizers of the American Farm Bureau Federation and the Illinois Agricultural Association. In 1936 he spent several weeks in Europe as a member of the commission appointed by President Roosevelt to investigate consumer and farm cooperative enterprises in European countries.

Mr. Gregory at present is a member of the Agricultural Advisory Council of the United States Department of Agriculture, of the Iowa advisory committee of the Farm Security Administration, and chairman of the committee that sponsors the annual National Farm Institute at Des Moines. Also, he is a trustee of the Farm Foundation, founded by the late Alexander Legge.

## District Summary of Business Conditions

**VOLUME** of district industrial activity has increased notably following early spring declines. Most marked acceleration has been shown in some of the heavy industries, particularly in primary steel, which is operating at not far from capacity. Automobile production has slackened as this year's model season draws to a close. As yet the nation's rapidly growing armament program has had little direct effect on district industry. However, some closely affected industries, like machine tools, are expanding as fast as limits of plant and personnel will permit.

Consumer buying has held up well, and there has been great improvement over the earlier outlook for major district farm crops. Prices of grains and meat animals are sharply lower than the level obtaining before mid-May, but those of dairy products have held relatively firm.

**Industry**—From 60 per cent of capacity in early May, the operating rate at Chicago district steel mills rose uninterruptedly to 93 per cent by the third week of June. This rate of operations is about as high, from a production standpoint, as can be sustained for any period of time. Demand for steel has been widespread, covering almost the entire list of domestic products. Some of the June demand has been reported to be for the purpose of building up inventories. There has been only a little business received by district mills directly as a result of the war, but the so-called war business is increasing steadily and is expected to expand further as the American rearmament program gets under way.

There were further substantial gains in new orders at steel and malleable castings firms during May, although shipments, particularly of steel castings, declined. Activity at castings plants remained well over year-ago levels. Output of stoves and furnaces expanded further. With incoming business showing additional increases, the machine tools industry continued in May at practically capacity levels, and output is being expanded as rapidly as possible. From 30 to 60 per cent of the current production of machine tools has been for export, this business varying considerably from plant to plant.

A moderate curtailment took place in automobile production during May, and output was reduced further in June as the end of the 1940 model season was approaching. Retail automobile sales held up fairly well in May in the country as a whole, although reports from district automobile dealers indicate considerable decline in this area. Dealers' stocks of cars in the country remained relatively high. Retooling for the new 1941 models is nearly completed, but by late June buying of steel for the new models had not commenced in any volume.

At district furniture factories, new business in May increased by one third over April, and both orders and shipments were about one fourth heavier than last year. Shipments and production at paper mills expanded considerably, but orders booked failed to gain over the heavy volume placed in April.

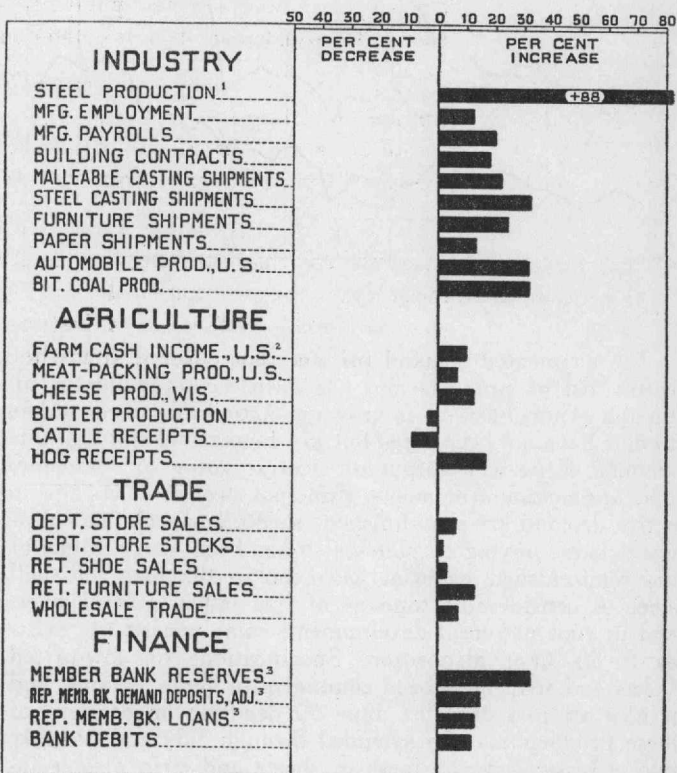
Additional increases were made in district building operations; the most notable showing was made in residential construction, which for the month was one third heavier than in May 1939 and for the five months of this year was 17 per cent greater than in the same period last year. Demand for building materials has shown a somewhat better than seasonal expansion.

Output of district soft coal mines did not decline as much as is usual for May, and daily average production was the highest for the month since 1931. Activity at district petroleum refineries increased to new record levels.

Data on total industrial employment show that there was practically no change in the number of workers employed at district firms from April to May, while wages paid declined fractionally. Year-to-year comparisons continued quite favorable, a gain of 10 per cent in employment and of 18 per cent in earnings being shown.

**Merchandising**—Sales by district department stores for May were 6 per cent heavier than last year, and for the first five months of 1940 showed the same percentage gain. Among the larger cities of the district, Detroit continued to make the best year-to-year showing. At the end of May, department store inventories were only slightly heavier than a year earlier. Reports from the larger stores for the first half of June showed a more substantial gain in sales of 15 per cent, reflecting in part improved weather conditions. After a disappointing April business, retail shoe sales recorded favorable trends in May; sales of furniture at retail increased further and were 12 per cent heavier than last May. Sales of most wholesale lines continued to record favorable comparisons with a year ago, while wholesale stocks were reduced further but were 6 per cent heavier than the corresponding 1939 level.

### SEVENTH DISTRICT BUSINESS ACTIVITY MAY 1940 COMPARED WITH MAY 1939



1. Ingot rate, Chicago district, for week ending June 22. 2. April data. 3. As of June 19.



**Agriculture**—Since May, there has been considerable improvement in the outlook for the corn crop, the district's most important basic farm product. Grain prices have shown general though irregular weakness. Prices of meats and meat animals have also declined considerably and by late June prices of hogs at Chicago had fallen to close to the early April lows.

Production of packing-house products increased in May and totaled 6 per cent over a year ago. Exports of meat products were down considerably in May, but in June there were reports of heavy sales of lard to Britain. Following a

considerably retarded season this last spring, production of dairy products has shown a rapid seasonal increase. Consumer demand has been good and prices have held over year-earlier levels.

**Credit and Finance**—There has been an almost complete cessation of new financing in the bond market following the mid-May invasion of Belgium and Holland. Bond prices were generally firm in late May and most of June, after the sharp mid-May reaction. Demand deposits at weekly reporting member banks in the district have shown irregular increases, reaching a new record high in mid-June.

## Industrial Activity

**Steel and Steel Products**—As orders for large tonnages of steel continue to pour into the offices of Chicago district steel concerns, producers have been compelled to raise their operations to practically capacity levels. In the third week of June, steel ingot output in the area was averaging 93 per cent of capacity, the highest since the early part of December last year and comparing with only 60 per cent at the beginning of May when the steady upward trend in operations began. Despite the currently high level of output, incoming business is exceeding shipments and backlogs on mill books are expanding. Undoubtedly, much of the present buying is for inventory-building purposes.

pleted and that for 1941 models is developing slowly. Manufacturers of industrial and farm tractors and of agricultural implements have been active purchasers of merchant bars. Orders for plates have come from the structural fabricators and tank builders; increased residential building has stimulated demand for pipe; and new business in wire products has been good. Tin-plate mills are operating at near capacity, and this high level of production should be maintained, for both foreign and domestic demand is increasing. The railroads recently have purchased freight cars and rails, and further buying is expected.

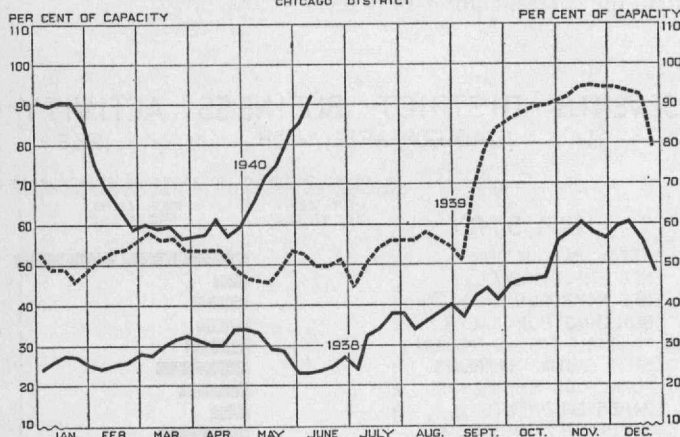
Machine tool companies in this district continue operations at capacity levels, and orders are expanding. Much of the business now on the books is for export, but domestic industries, especially aircraft, also have been active buyers. Some Government orders have been received, although so far few of them are related to the armaments program. Makers of farm and industrial tractors and of agricultural equipment also are producing at or close to capacity. Sales for the year to date have been well above the corresponding 1939 period. Few direct war or armaments orders have yet been received by this industry.

Production and shipments of pig iron during May in the Illinois and Indiana district considerably exceeded the April volumes, and into late June output was running well ahead of May. The Chicago scrap iron and steel market has been strong; the price of No. 1 heavy melting steel in the third week of June was the highest since the early part of October last year.

\* \* \*

Orders received by steel and malleable casting foundries of the Seventh district continued in May to record expansion, considerable in the case of steel castings. Output, on the other hand, failed to be accelerated; in fact, that of steel castings dropped off sharply further during the period. For the first time this year, shipments and production of castings in May were closely in line with the volume of incoming business. All phases of activity in the industry remained above the level of a year earlier.

RATE OF STEEL INgot PRODUCTION  
CHICAGO DISTRICT



By weeks. Source: Iron Age.

The augmented demand for steel has covered almost the entire list of products and has been mostly domestic, although export business is growing. Actual armament orders to date have not been large but are increasing, and a sizable amount of current output of steel is going to companies that are making armaments. Principal steel products now in active demand are semi-finished, sheets and strip, and merchant bars; buying of plates also has been heavy. Much of the semi-finished material has been in the form of shell steel. A considerable tonnage of this latter is for France, and in view of recent developments some uncertainty exists as to its final disposition. Specifications on low-priced sheets and strip have been coming in in large volume, and it now appears that the June 30 deadline on delivery of these products may be extended through July and possibly into August. New business in sheets and strip also is increasing; no great amount is coming from the automobile industry, as buying for 1940 models is practically com-

### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	May 1940 Per Cent Change from	
	April 1940	May 1939
<b>Steel Castings:</b>		
Orders booked (tons).....	+37.2	+ 9.2
Orders booked (dollars).....	+34.4	+22.7
Shipments (tons).....	-21.4	+32.0
Shipments (dollars).....	-11.9	+35.4
Production (tons).....	-19.8	+19.3
<b>Malleable Castings:</b>		
Orders booked (tons).....	+ 9.9	+24.7
Orders booked (dollars).....	+ 8.4	+28.0
Shipments (tons).....	- 1.7	+21.6
Shipments (dollars).....	- 3.6	+22.5
Production (tons).....	+ 0.9	+17.5



Because in certain instances large orders were taken one month earlier this year than last, the aggregate dollar volume of new business booked during May by reporting stove and furnace manufacturers of the district dropped off considerably from April and also was much under a year ago. Shipments, however, continued to expand, by 15 per cent, and a 33 per cent increase over last May brought their volume for the year to date to a level 27 per cent higher than for the same 1939 period. Production rose 6 per cent further in May and was 38 per cent in excess of that in the month last year. Inventories on May 31 totaled moderately heavier than on the same 1939 date.

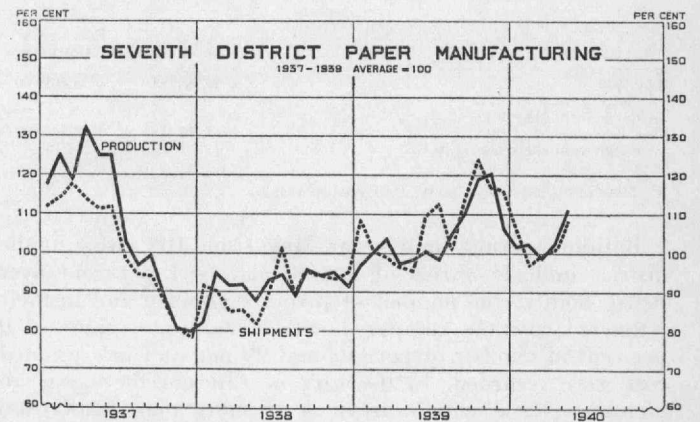
**Automobiles**—Partly in accordance with seasonal trend and partly because dealer stocks of new automobiles remained high, production of automobiles in May was curtailed moderately; it continued, however, well above the 1939 level. In June some further reduction in schedules was made, as companies gradually approached the end of the 1940 model season. May output of 325,676 passenger cars and 65,539 trucks in the United States represented respective decreases of 10 and 7 per cent from a month previous, and gains of 37 and 10 per cent over a year ago. Retail sales in the country held up well during the first ten days of May, then slumped in the second ten days of the period, but recovered again in the last third of the month, so that for May as a whole they showed only a moderate decline from April. There is some uncertainty as to the probable effect of the war and this country's defense program upon production and sales of 1941 model cars; in so far as the former is concerned, it appears that tools and dies for the new cars are nearing completion and that their production will proceed as originally scheduled.

A rather sharp falling-off took place during May in sales of new automobiles by reporting dealers in the Seventh district, following a very good April sales volume. Also, the margin of increase over a year ago was narrowed from around 50 per cent in the preceding month to less than 20 per cent in the current period. Although stocks of new cars in dealers' hands recorded little change on May 31 from the end of April, they exceeded those held at the same time in 1939 by one fifth, whereas a month previous they had no more than equaled the year-earlier level. In contrast to the trend in new-car distribution, sales of used cars in the district expanded somewhat in May and stocks were reduced moderately over the period.

**Furniture**—Trends in the furniture industry of the Seventh district continued favorable in May. As a result of the mid-season showings during the month, reporting manufacturers booked orders that were almost one third heavier in volume than a month previous. New business, furthermore, totaled 27 per cent in excess of May 1939, although new orders at that time also had risen sharply. Factory shipments, which usually decline in May, increased fractionally in the month this year, and were close to 25 per cent larger than a year ago. Both shipments and new orders were considerably greater than average for the period.

Because of the heavier bookings in May, unfilled orders for furniture at the end of the month rose substantially—by 18 per cent—over the close of April, but the relatively large shipments reduced their ratio to incoming business about 10 points during the period to 90 per cent. Factory operations remained steady in May at 78 per cent of capacity, which rate was 10 points above that for May 1939.

**Paper and Pulp**—After a sharp rise in April, which was motivated by apprehensions over future deliveries of Scandinavian supplies, new orders booked by district paper manufacturers receded slightly during May. Nevertheless, plant operations were notably higher, production and shipments both being stepped up to a level one eighth higher than in April. All statistical measurements showed increases over May 1939.



Indexes, without adjustment for seasonal variation, 1937-1939 average = 100.

The accompanying chart indicates shipments and production, both measured in tons, of Seventh district paper manufacturers. It will be noted that shipments by last October had risen above the 1937 peak, but that increases during the past three months have not yet brought 1940 shipments back to last fall's high level.

**PAPER AND PULP INDUSTRY  
SEVENTH DISTRICT**

	May 1940 Per Cent Change from	
	April 1940	May 1939
<b>Paper:</b>		
Orders booked (tons).....	- 1.6	+20.5
Orders booked (dollars).....	- 1.0	+25.1
Shipments (tons).....	+11.8	+12.4
Shipments (dollars).....	+10.4	+21.0
Production (tons).....	+12.7	+12.4
Stocks at end of month (tons).....	+ 4.9	+ 7.4
<b>Pulp:</b>		
Production (tons).....	+ 8.3	+10.4
Stock at end of month (tons).....	+ 5.3	+ 4.0

**Building**—Residential construction as reflected by building contracts awarded during May continued earlier gains. However, the May rise was less rapid than earlier in the season. The new level reached by this type of building was the highest for any month since September 1929. Private homes constructed for owner occupancy were in an increasing ratio over those erected for rent or sale, the former constituting 62 per cent and the latter 28 per cent of the total residential awards, as against corresponding percentages of 56 and 37 in April and of 48 and 36 for the first quarter of the year.

Non-residential awards, following the exceptionally large volume attained in April, declined by 30 per cent during May, but remained by as much as 45 per cent above the year-ago volume. The year-to-year gain was due almost entirely to heavier construction of factories and commercial plants. An advance of \$6,000,000 in the use of public funds for the construction of public works and utilities



took up most of the slack in the monthly comparison resulting from the decline in non-residential awards. Total contracts, increasing very slightly over April, were at the highest level since last September, at which time the monthly total was sharply raised by contracts awarded for the Chicago subway amounting to about \$18,000,000.

**BUILDING CONTRACTS AWARDED  
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
May 1940.....	\$ 61,185,000	\$ 28,201,000
Change from April 1940.....	+ 2.7%	+13.0%
Change from May 1939.....	+17.8%	+33.7%
First five months of 1940.....	\$221,208,000	\$ 93,367,000
Change from same period in 1939.....	- 0.4%	+16.8%

Data furnished by the F. W. Dodge Corporation.

Building permit figures for May from 103 cities in the district indicate a rise of approximately 4 per cent over April, both in the number of projects planned and in their estimated cost. As compared with a year ago, gains of 9 per cent in number of permits and 29 per cent in estimated cost were recorded. In the City of Chicago there was an increase over a month previous of more than \$2,000,000 in the value of proposed construction.

Demand for building materials showed in general a slightly better than seasonal expansion during May and continued well in excess of year-ago volumes. Sales of lumber were sharply above those of last May according to wholesale dealer reports, and moderately so for retail dealers. Recording a close to seasonal gain, shipments of cement from district plants were about 50 per cent heavier in May than in April and approximately equaled those of a year earlier. Brick deliveries registered little change from April, but in most sections of the district were larger than at the time in 1939. Wholesale prices of building materials included in the United States Bureau of Labor Statistics index were lower the early part of June than a month previous by less than one-half per cent.

**Coal Production**—Although the actual amount of coal mined daily in the Seventh district area declined during May from the April rate, the decrease was not so heavy as is normally recorded over the same period. In fact, daily average production was the largest for any May since 1931; the margin of gain over 1939 amounted to more than 30 per cent. United States production of soft coal, which in May generally expands by about 6 per cent over April, this year was increased by a somewhat smaller margin, probably due to the fact that operations during April were already at a high level. The differing seasonal trends for the Seventh district and for the country as a whole arise out of the quality of Illinois coal, which is used largely for heating purposes and to a relatively small extent as an industrial fuel. Demand for heating fuels naturally is lower through the spring and summer months, while industrial operations are less subject to seasonal fluctuations.

**Petroleum Refining**—Daily average petroleum refinery operations in this area increased during May to a level 7 per cent in excess of April. Running an estimated 628,000 barrels daily of crude petroleum to stills, refineries in the Indiana-Illinois-Kentucky area established a new record for volume operations. Contrary to trends in the Seventh district area, refinery runs to stills throughout the nation

as a whole were somewhat lower in May than a month earlier. Gasoline production during May expanded more sharply percentagewise than did crude runs to stills in this area, suggesting a higher gasoline yield per barrel of crude oil.

Gasoline sales, as computed from production data and changes in refinery stocks, were nearly one quarter higher than in May 1939. District consumption of gasoline for the first five months of the year totaled roughly 15 per cent over the corresponding 1939 volume. Nevertheless, inventories continue heavy, as production over this period has risen by about 20 per cent. A slight seasonal decline in gasoline stocks during May left them on June 1 at a level some 25 to 30 per cent higher than a year previous. Refinery stocks of fuel and gas oils rose in May, with the passing of the heavy consumption season.

## Employment and Payrolls

This bank's May data for the Seventh Federal Reserve district indicate that industrial employment showed practically no change from April, while payrolls were down by 7/10 of one per cent. Wage payments in the manufacturing group were lower by 1.4 per cent, principally because of declines in the automobile industry. The number of workers likewise decreased, though not so sharply as did payrolls. Both continued well above a year previous, an encouraging widening in these favorable margins having taken place to 12 per cent in employment and 20 per cent in wage payments. In the non-manufacturing classification, a sharp seasonal upswing was noted for May in the construction industry—of 23 per cent over April in the number of workers and 27 per cent in total wages. Other smaller increases were shown for the stone, clay, and glass group, and for foods and products. Total industrial employment in May was 10 per cent and wage payments 18 per cent higher than a year ago.

**EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL  
RESERVE DISTRICT**

Industrial Group	Week of May 15, 1940			Change from April 15, 1940	
	Reporting Firms No.	Wage Earners No.	Earnings (000 Omitted) \$	Wage Earners %	Earnings %
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,778	435,240	12,961	+ 0.1	+ 1.3
Vehicles.....	400	356,886	12,232	- 1.9	- 6.3
Stone, Clay, and Glass.....	269	19,309	486	+ 3.6	+ 6.3
Wood Products.....	456	45,368	979	- 0.2	- 0.7
Total.....	2,903	856,803	26,658	- 0.7	- 2.3
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	384	64,903	1,163	- 2.2	- 6.2
Food and Products.....	1,051	104,765	2,799	+ 3.3	+ 3.8
Chemical Products.....	306	39,328	1,216	+ 0.5	+ 1.3
Leather Products.....	176	26,280	518	- 1.8	+ 1.1
Rubber Products.....	33	17,979	553	- 2.6	+ 5.1
Paper and Printing.....	707	74,362	2,171	+ 0.5	+ 2.0
Total.....	2,657	327,617	8,420	+ 0.5	+ 1.4
<b>Total Mfg., 10 Groups.....</b>	<b>5,560</b>	<b>1,184,420</b>	<b>35,078</b>	<b>- 0.4</b>	<b>- 1.4</b>
Merchandising.....	5,421	140,512	3,134	+ 0.8	+ 1.5
Public Utilities.....	1,122	103,653	3,527	+ 1.9	+ 2.6
Coal Mining.....	52	7,342	162	- 3.6	- 3.0
Construction.....	734	11,669	383	+23.2	+27.3
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,329</b>	<b>263,176</b>	<b>7,206</b>	<b>+ 1.9</b>	<b>+ 3.1</b>
<b>Total, 14 Groups.....</b>	<b>12,889</b>	<b>1,447,596</b>	<b>42,284</b>	<b>+ 0.0</b>	<b>- 0.7</b>

<sup>1</sup>Other than vehicles.

Data furnished by State agencies of Illinois, Indiana, Michigan, and Wisconsin.



Various unofficial indications show that the general level of district industrial employment and payrolls probably had risen considerably by mid-June, influenced by greatly increased industrial production.

## Merchandising Trends

**Department Store Trade**—The increase of 6 per cent shown during May over a year ago in Seventh district department store trade was identical with that recorded for 1940 to date over the same 1939 period. Detroit, of the larger cities in the district, continued to register the highest gain in sales over a year earlier. As compared with the preceding month, district department stores had a 5 per cent greater dollar volume of business in May. Stores in smaller centers, with a 10 per cent rise in sales, made a better showing over April than did those in the larger cities. Department store trade during the first half of June, partly reflecting good shopping weather, exceeded the corresponding year-ago volume by a substantial amount; business of the larger stores in the area in the two weeks ended June 15 totaled 15 per cent above the same 1939 period.

Department store inventories, for the district as a whole, were maintained in May at a level only slightly above last year and, with the somewhat higher prices prevailing this year, might be considered as about the same as in 1939. It will be noted in the table that stock trends varied among cities in the comparison with a year earlier.

### DEPARTMENT STORE TRADE IN MAY 1940

Locality	Per Cent Change May 1940 from May 1939		Per Cent Change First Five Months 1940 from Same Period 1939	Ratio of May Collections to Accounts Outstanding End of April	
	Net Sales	Stocks End of Month		1940	1939
Chicago.....	+ 5.7	- 2.2	+ 5.5	43.2	40.9
Detroit.....	+ 8.8	+ 5.5	+ 8.2	47.0	46.3
Indianapolis.....	+ 3.0	+14.5	+ 5.2	36.3	37.1
Milwaukee.....	+ 6.0	- 2.5	+ 4.6	38.9	37.2
Other Cities.....	+ 5.4	+ 8.9	+ 6.7	33.0	31.5
7th District.....	+ 6.1	+ 1.6	+ 6.1	40.9	39.5

**Retail Shoes**—Some improvement was noted during May over the unfavorable trends that prevailed a month previous in the retail shoe trade of the Seventh district. Sales of shoes by reporting dealers and department stores expanded 9 per cent in the aggregate over the April volume and recorded a 3 per cent increase over last May; whereas in the preceding month a 13 per cent decline had been shown in the yearly comparison and a rather substantial recession from a month earlier. The retail shoe business for the first five months of 1940 totaled 2 per cent larger than in the same 1939 period. Retail stocks of shoes diminished 5 per cent between the end of April and May 31, and on the latter date were less than 4 per cent above the level of a year ago.

**Retail Furniture**—A further increase of 8 per cent was recorded for May in sales of furniture and housefurnishings by district retail dealers and department stores. Dealer sales rose to a considerably greater extent than did those of department stores—28 against only 3 per cent. As compared with a year ago, the furniture and housefurnishings trade

sold a dollar volume totaling 12 per cent heavier in the current period, which increase though substantial was much smaller than that of 21 per cent shown in April over a year earlier. On May 31 retail inventories in the furniture trade were 2 per cent lighter than at the close of April and 5 per cent heavier than on the same 1939 date.

### SALES OF INDEPENDENT RETAIL STORES (As compiled by the Bureau of the Census)

	Per Cent Change		May 1940 from May 1939		
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*	+ 5.7	+ 5.2	+ 0.7	+ 9.4	+ 3.1
Apparel Group.....	- 3.5	- 1.3	- 6.8	+ 9.0	- 0.6
Drug Stores.....	+ 3.3	+ 3.8	+ 1.5	+ 2.8	+ 1.8
Food Group.....	+ 3.1	+ 2.5	- 0.2	+ 4.0	- 0.5
Furniture and Appliances.....	+17.2	+12.5	+ 0.1	+31.3	+14.3
Hardware Stores.....	+ 4.3	- 3.8	- 6.3	+ 5.0	+ 2.9
Jewelry Stores.....	+11.3	+ 2.9	.....	.....	+15.3
Lumber and Building Materials.....	+15.5	+ 7.3	- 4.7	+19.5	+12.3
Motor Vehicle Dealers.....	+13.5	+17.8	+ 1.9	+25.7	- 8.1
Restaurants.....	+ 6.2	+ 2.4	.....	+ 9.0	+ 5.6

\*Includes classifications other than those listed.

**Wholesale Trade**—Although increases were not so large as in the preceding month, most lines of wholesale trade in the Seventh district continued in May to experience a greater volume of business than in the corresponding month of 1939. May sales of all groups reporting to the Department of Commerce totaled 7 per cent heavier than a year ago, as against an increase of 13 per cent in a similar comparison for April. The majority of groups likewise sold a larger dollar volume of commodities during May than a month previous, an important exception being the wholesale meat trade in which sales dropped off 10 per cent. Because of this decline, the aggregate gain over April in wholesale trade amounted to only one per cent. Stocks showed some further reduction in May—2 per cent—but remained in excess of the year-earlier level by 6 per cent.

### WHOLESALE TRADE IN MAY 1940

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	- 0.4	- 4.2	+ 4.1	+ 1.2
Electrical Goods.....	+ 9.8	+ 3.3	+22.0	+18.5
Groceries.....	+ 4.9	+ 6.4	+ 3.2	+ 4.4
Hardware.....	+13.3	+ 9.8	+11.9	+18.0
Meats and Meat Products.....	+ 5.4	+ 7.3	+28.3	+ 2.2
Paper and Its Products.....	+ 6.3	+ 1.6	+ 8.2	+ 5.7
Tobacco and Its Products.....	+ 9.7	+ 5.4	+10.6	+11.9
Miscellaneous.....	+ 6.5	+ 5.7	+ 8.1	+ 5.7

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

## The Agricultural Situation

**Crops**—With corn planting practically completed by early June and growth ranging from six to twelve inches in many fields, the Seventh district's most important crop has been unofficially estimated at 994 million bushels for 1940. As acreage planted was somewhat smaller than last year, it is no surprise to find this estimate somewhat below the 1,280 million bushels harvested during 1939 in Illinois, Indiana, Iowa, Michigan, and Wisconsin. Condition of the crop has improved considerably since June 1, at which time its status was somewhat below normal. Subsoil moisture continues deficient in many areas; the potential insect menace, while ever present, is probably no more alarming than usual. The United States corn crop is unofficially forecast at around 2½ billion bushels, down slightly from last year.



Although Department of Agriculture estimates indicate below average crops of winter wheat and rye, both for the Seventh district and for the nation as a whole, the improvement in wheat prospects since last December is the sharpest on record. Progress of winter wheat is satisfactory, and some of the grain has begun to turn color. Private estimates anticipate a harvest of spring wheat heavier than the average for several years past.

The 1940 oats crop for the five States including this district is expected to be up sharply from last year's poor harvest. Truck crops are generally in good condition throughout the district, as are hay, pastures, and most fruits. Official June 1 estimates of certain fruit crops are indicated in the accompanying tabulation. Exceptions to the otherwise favorable outlook are apples and peaches, for which growing conditions have been subnormal.

### CROP PRODUCTION

Estimated by the United States Department of Agriculture on June 1 Condition  
(In thousands of bushels, unless otherwise specified)

	Five States Including Seventh District			United States		
	Forecast 1940	Final 1939	Average 1929-38	Forecast 1940	Final 1939	Average 1929-38
Winter Wheat.....	84,108	87,529	89,420	488,858	563,431	571,067
Rye.....	7,352	7,644	8,324	38,640	39,249	38,095
Peaches.....	1,932a	5,048a	3,608a	52,012	60,822	52,723
Pears.....	2,776a	2,688a	2,036a	30,853	31,047	26,333
Strawberries*.....	2,743	2,399	1,236	13,960	13,624	11,176
Cherries**.....	52b	46b	37b	175c	187c	129c

\*In thousands of 24-quart crates. \*\*In thousands of tons.  
a—Michigan, Illinois, Indiana, and Iowa. b—Michigan and Wisconsin.  
c—Twelve of the principal producing States.

**Grain Marketing**—Following the drastic declines in prices of major grains after the German invasion of France in mid-May, it appeared that the market, particularly for wheat, was well liquidated. Wheat prices held above the support levels which were maintained from May 20 through June 13, but news of the defeat of the French armies brought further declines. The rush of selling following the request of the French for an armistice carried prices to new lows for the movement; later prices rallied somewhat.

The wheat crop this year has shown unusual improvement over early poor prospects; indications in June were for a total crop about 50 million bushels higher than current annual domestic disappearance. However, there has been positive danger of black rust infestation, and reports concerning the European crop outlook have been increasingly pessimistic, Italy and Spain being the only countries with even fairly good prospects. Sales of Canadian wheat to Britain have been heavy, and large shipments from the Argentine have reduced the surplus there, so that that country will enter the new crop year with practically no reserves.

Corn prices were irregularly lower, but the tight situation in the cash market continued. Country offerings remained light, and heavy arrivals at Chicago consisted chiefly of Government-owned corn for export.

### MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	May 1940	April 1940	May 1939	May 1930-39 Avg.
<b>Wheat:</b>				
Receipts.....	28,275	29,424	25,928	16,801
Shipments.....	19,267	8,890	16,433	16,302
<b>Corn:</b>				
Receipts.....	12,417	11,958	20,490	15,800
Shipments.....	17,276	10,019	20,159	15,364
<b>Oats:</b>				
Receipts.....	2,966	4,257	5,974	6,409
Shipments.....	4,391	4,430	8,889	8,862

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**Livestock and Meat Packing**—Available statistics indicate that the meat-packing industry of the United States enjoyed a seasonal expansion of activity in May over April. Production and sales both increased, the volume of the latter exceeding production and consequently effecting an inventory reduction of 2 per cent. Notwithstanding lower primary prices for lard, pork loins, and some grades of beef, dollar volume of packing-house sales increased more markedly than did the tonnage amount sold. This same measurement continues to indicate sharply lower prices than received a year previous. In general, activity at packing houses during May exceeded the levels of last year; inventories continued about one third higher, although the margin of excess was narrowed somewhat during May. A part of this stock reduction was due to heavy F.S.C.C. purchases of lard and pork products in late May, in an effort to effect a less unwieldy inventory situation. Nevertheless, stocks of lard and processed pork were heavier on June 1 than a month earlier.

### MEAT PACKING—UNITED STATES

	Per Cent Change in May 1940 from		
	April 1940	May 1939	May 1930-39 Avg.
Tonnage produced.....	+ 5.6	+ 6.2	+14.3
Tonnage sold.....	+ 1.3	+ 8.3	+12.9
Dollar sales.....	+ 3.7	+ 1.3	+11.9
Inventories.....	- 2.0	+32.7	+16.8

May exports of packing-house products were only half the size of April shipments. England and France received practically no American meats or allied products, while small shipments to other European countries consisted almost exclusively of lard. Sales to Cuba were at approximately the April level, while Puerto Rican and Venezuelan purchases exceeded those of a month previous. Prices were about on a parity with Chicago. After the middle of June, Great Britain was reported to be conferring with United States interests over contemplated purchase of 20,000,000 pounds of lard. American imports of animal products in May were lower than during April, according to preliminary reports.

Average prices of livestock at Chicago declined in June, up to the fifteenth of the month, except for lamb quotations which were strong for the first half of the month, though declining later. Chicago hog quotations per hundredweight fell from around \$6.15 late in April to \$4.95 by the third week of June. Total receipts of livestock increased in May as is customary, while the volume of Federally inspected slaughter likewise rose, motivated by seasonal influences.

### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
<b>Yards in Seventh District,</b>				
May 1940.....	190	666	212	80
May 1939.....	209	578	255	88
<b>Federally Inspected Slaughter,</b>				
<b>United States:</b>				
May 1940.....	796	3,890	1,420	501
April 1940.....	774	3,610	1,355	480
May 1939.....	814	3,416	1,392	509

### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	June 22, 1940	May 1940	April 1940	May 1939
Native Beef Steers (average).....	\$ 9.60	\$11.05	\$ 9.40	\$ 9.75
Fat Cows and Heifers.....	8.00	8.30	7.90	8.30
Calves.....	8.50	10.25	9.25	9.75
Hogs (bulk of sales).....	4.95	5.65	5.40	6.75
Lambs.....	10.00	9.65	10.15	9.50

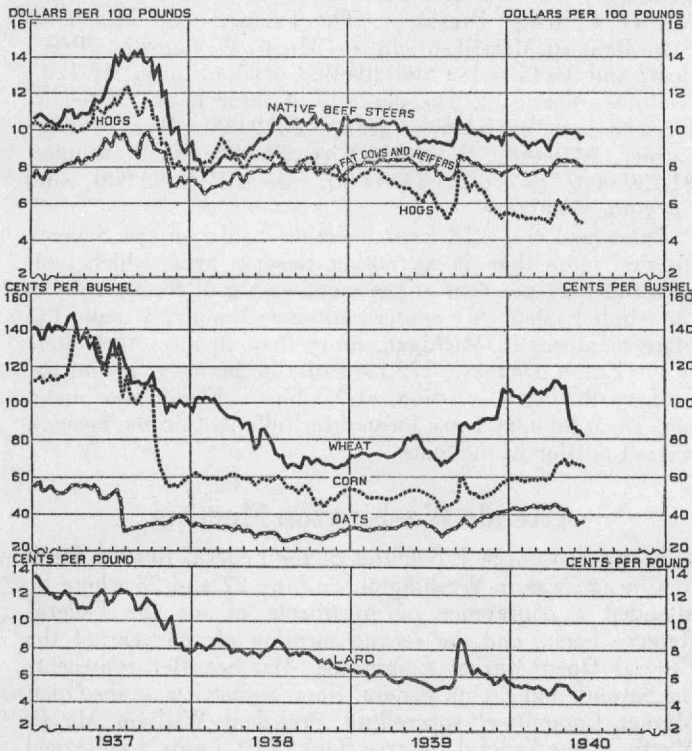
**Dairy Products**—With pastures improving rapidly after an unusually late start this spring, production of milk by June 1 had shown sharp seasonal increases and was quickly approaching the flush period of production. For the country as a whole, as well as in the States of Illinois and Iowa, milk produced exceeded previous high records for the date, but in Wisconsin and Michigan, where pastures provided less sustenance than usual until late in May, milk production failed to show full seasonal expansion. In June pastures improved rapidly in these States.

Reflecting this greatly increased milk flow, butter production at Seventh district creameries expanded by about one third in May, but was around 3 per cent lower than last year, due primarily to the lateness of the season. Figures for the entire country showed similar though somewhat tardy seasonal increases, and by early June production had risen to a high level. Output of American cheese in Wisconsin has also risen seasonally.

A strong consumer demand has greatly benefited prices of butter and cheese this season. The butter market was also partially supported in May and early June by the willingness of the F.S.C.C. to make purchases of this commodity at support levels. On June 20 it was announced that the Government had adopted a price stabilization program for the current season. The program for 1940 will follow last year's plan; the Dairy Products Marketing Association will be authorized to buy and store up to 25 million pounds of surplus butter.

\* \* \*

### PRICES OF FARM PRODUCTS AT CHICAGO



By weeks, 1937 through June 22, 1940.

### Selected Seventh District Banking Data

#### FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	June 19, 1940	Change from May 15, 1940	June 21, 1939
Total bills and securities.....	\$ 271	\$ 0	\$ -17
U. S. Government securities direct and guaranteed:			
Bills.....	0	0	-53
Notes.....	124	0	- 8
Bonds.....	147	0	+45
Total Government securities.....	271	0	-16
Total reserves.....	2,771	+123	-17
Member bank reserve deposits.....	1,779	+70	+432
All other deposits.....	118	+27	-135
Federal Reserve notes in circulation.....	1,114	+21	+131
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	92.0%	+0.2*	+1.8*

\*Number of Points.

\* \* \*

#### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	June 19, 1940	Change from May 15, 1940	June 21, 1939
<b>ASSETS</b>			
Loans and investments—total.....	\$3,351	\$ +12	\$ +216
Loans—total.....	960	+7	+107
Commercial, industrial, and agricultural loans.....	591	+17	+100
Open-market paper.....	38	-1	+9
Loans to brokers and dealers in securities.....	28	-11	-7
Other loans for purchasing or carrying securities.....	73	-2	-8
Real estate loans.....	119	+1	+17
Loans to banks.....	0	0	0
Other loans.....	111	+3	-4
U. S. Treasury bills.....	277	+15	+84
U. S. Treasury notes.....	316	+28	-108
U. S. Treasury bonds.....	1,010	-23	+98
Obligations fully guaranteed by U. S. Government.....	287	-4	-2
Other securities.....	521	-11	+34
Cash reserves, other than items in process of collection.....	2,143	+50	+478
<b>LIABILITIES</b>			
Demand deposits—adjusted.....	2,786	+76	+354
Time deposits.....	966	-1	+42
Inter-bank deposits.....	1,263	-20	+268
U. S. Government deposits.....	135	0	+28

	June 1-19, 1940	May 1940	June 1939
Turnover velocity of demand deposits (annual rate)...	19.33	19.63	21.02

\* \* \*

#### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	May 1940	Per Cent Change from May 1939	First Five Months of 1940	Per Cent Change from Same Period of 1939
Chicago.....	\$3,088	+10.9	\$15,485	+13.8
Des Moines.....	96	-2.0	489	+2.7
Detroit.....	1,014	+15.0	4,978	+18.3
Fort Wayne.....	34	+2.8	161	+8.5
Grand Rapids.....	210	+17.3	291	+20.0
Indianapolis.....	273	+8.7	1,056	+12.1
Milwaukee.....	62	+13.0	1,363	+9.8
Peoria.....	50	+7.7	294	+12.1
South Bend.....	50	+40.6	216	+23.8
32 smaller cities.....	530	+11.8	2,580	+13.0
Total 41 cities.....	5,416	+11.7	26,893	+14.1

\* \* \*

#### VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS FEDERAL RESERVE BANK OF CHICAGO

ITEMS HANDLED	Average for Each Banking Day during	
	May 1940	May 1939
Commercial checks.....	493,000	501,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)..	2,062	2,152
Paper currency received and counted.....	1,174,000	1,055,000
Coins received and counted.....	355,000	384,000
Wire and other transfers of funds (Inter- and intra-district)	478	495
Securities in and out of safekeeping.....	941	1,332
Coupons out from securities in safekeeping.....	1,940	1,884
<b>DOLLAR AMOUNTS</b>		
Commercial checks.....	\$95,114,000	\$86,037,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)..	2,794,000	3,166,000
Paper currency received and counted.....	4,992,000	4,307,000
Coins received and counted.....	39,753	54,484
Wire and other transfers of funds (Inter- and intra-district)	65,726,000	58,282,000
Securities in and out of safekeeping.....	8,202,000	15,253,000
Value of securities held in safekeeping at end of month...	923,507,000	947,858,000



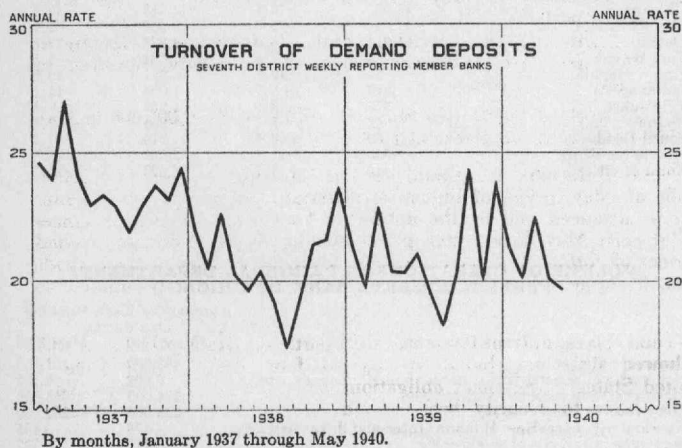
## MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.  
1923-1925 average = 100

	May 1940	April 1940	Mar. 1940	May 1939	April 1939	Mar. 1939
<b>Manufacturing Industries:</b>						
<b>Durable Goods:</b>						
Employment.....	106	107	108	91	95	95
Payrolls.....	104	105	106	83	87	86
<b>Non-Durable Goods:</b>						
Employment.....	102	102	103	99	98	99
Payrolls.....	100	98	100	95	94	96
<b>Total:</b>						
Employment.....	106	106	107	94	96	97
Payrolls.....	103	104	105	86	89	89
<b>Pig Iron Production:</b>						
Illinois and Indiana.....	112	97	98	61	79	85
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	111	124	121	81	93	102
Trucks.....	174	187	188	158	170	192
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	57	70	75	41	40	41
In Tons.....	43	60	65	32	31	32
Malleable—In Dollars.....	56	58	59	46	49	61
In Tons.....	70	71	73	57	62	79
<b>Stoves and Furnaces:</b>						
Shipments.....	203	174	136	150	134	130
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	84	64	65	66	49	64
Shipments in Dollars.....	73	72	76	59	65	76
<b>Building Contracts Awarded:</b>						
Residential.....	96	85	67	72	63	62
Total.....	89	87	64	76	76	64
<b>Meat Packing—(U. S.):</b>						
Production.....	101	96	98	95	81	90
Sales Tonnage.....	102	101	97	95	80	92
Sales in Dollars.....	90	87	85	89	83	85
<b>Department Store Net Sales:</b>						
Chicago.....	87	83	85	84	82	89
Detroit.....	105	106	105	98	101	102
Indianapolis.....	109	108	116	107	107	105
Milwaukee.....	93	100	95	88	98	97
Other Cities.....	92	87	87	88	84	83
Seventh District—Unadjusted.....	93	91	92	89	89	92
Adjusted.....	92	92	94	88	86	98

### Credit and Finance

**Weekly Reporting Member Banks**—Little change was noted between May 15 and June 19 in the total earning assets of district weekly reporting member banks. This total continued to be influenced chiefly by changes in the Treasury bill portfolios of a few large Chicago banks. Demand deposits adjusted moved irregularly higher over this period, reaching a new record level of \$2,816,000,000 on June 12. Cash reserves, principally reserve deposits at the Federal Reserve Bank, rose 50 millions and are now in volume equivalent to about two thirds of total loans and investments.



**Securities Markets**—The bond market over the past six weeks has been characterized by an almost complete lack of normal activity. Since the latter part of May, nominal quotations have been firm, but on the basis of an unusually meager volume of trade. New corporate issues have for all

practical purposes been non-existent since early May. The total volume of such long-term bonds publicly offered in May came to slightly over \$100,000,000, but this was largely due to one big issue early in the month.

Municipal offerings likewise were in restricted volume, although somewhat more activity has been noted since mid-May in this field than in the corporate market. Several small municipal issues have appeared in June, totaling about \$15,000,000 a week. Such small issues, largely for purposes of refunding, public relief, or tax-anticipation, have carried relatively short maturities. Chicago bond men do not expect any near-term large-scale revival of bond market activity, but it is believed that practically any peace terms abroad would provide enough assurance of near-term stability to bring out some additional corporate refundings. It is the general opinion that little corporate bond financing for rearmament purposes would flow through the normal underwriting channels.

Stock prices in general moved slightly higher in late May and early June, following the abrupt declines of mid-May. The Treasury's June 15 financing consisted of refunding the 3 $\frac{3}{8}$  bonds of 1940-43, called as of the above date. A par-for-par exchange was offered for 3 $\frac{1}{4}$ -year one per cent notes. No cash offering of the new notes was made.

### Current Events

#### Seven New State Member Banks

Announcement of admission to membership of seven additional banks has been made since the previous issue of this review. These new members are the Farmers State Bank, in Jesup, Iowa, Mr. W. W. Blasier, President; The Farmers State Bank, in West College Corner, Indiana, Mr. W. Frank Ardery, President; the Farmers' Loan and Trust Company in Columbia City, Indiana, Mr. John E. Gates, President; the State Bank of Kewaunee, Wisconsin, Mr. V. H. Janda, President; The Farmers State Bank in Sweetser, Indiana, Mr. O. C. King, President; The Farmers and Merchants State Bank of Merrill, Michigan, Mr. C. W. Lanshaw, President; and the Corydon State Bank, Corydon, Iowa, Mr. L. C. Niebling, President. The deposits of these banks, listed by locations are as follows: Jesup, \$842,000; West College Corner, \$475,000; Columbia City, \$1,224,000; Kewaunee, \$1,239,000; Sweetser, \$343,000; Merrill, \$282,000; and Corydon, \$540,000.

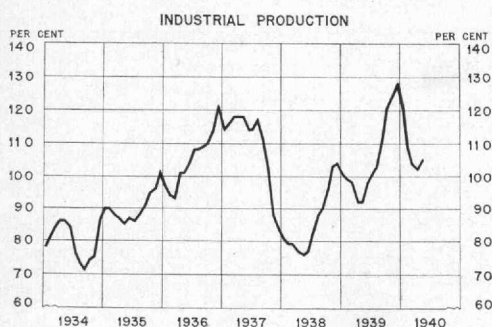
There are now 278 State member banks in the Seventh district, more than in any other Reserve area, which total constitutes 22 per cent of the membership of State banks in the whole System. Six admissions since January 1 make 135 State members in Michigan, more than in any other State in the Union. Of these, 122 banks lie in the lower peninsula, or Seventh district portion, of Michigan. Eleven new members since January 1 are located in Indiana, 9 in the Seventh district portion of the State.

#### Attends Washington Meeting

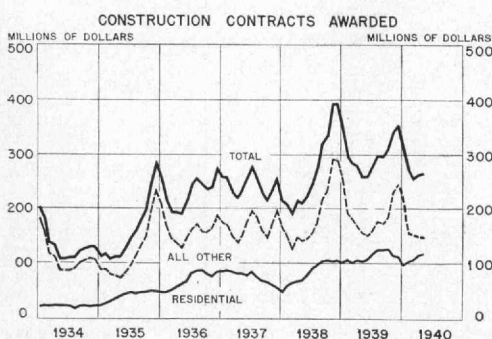
President George J. Schaller of the Federal Reserve Bank of Chicago was in Washington on May 27 and 28 where he attended a conference of presidents of all the Federal Reserve banks and the second meeting of the year of the Federal Open Market Committee. Mr. Schaller represents the Seventh and Eighth Federal Reserve districts on the Open Market Committee, succeeding President William Mc C. Martin of the Federal Reserve Bank of St. Louis, who served last year.

# 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 May 1940.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for April and May and estimate for June.



For weeks ending January 6, 1934 to June 15, 1940.



Wednesday figures, September 5, 1934, to June 12, 1940. Commercial loans based on new classification beginning May 19, 1937.

**INDUSTRIAL** activity increased considerably in May and the first half of June, while prices of commodities and securities declined sharply in the middle of May and fluctuated near the lower levels after that time. Distribution of commodities to consumers was maintained at levels prevailing earlier this year.

**Production**—Volume of industrial production increased in May and the Board's seasonally adjusted index advanced from 102 to 105. The rise in May reflected chiefly sharp increases in activity at steel mills and woolen mills. Steel production in May was at about 71 per cent of capacity, as compared with 60 in April, and by the third week of June activity had risen further to 88 per cent. Lumber production also increased. In the automobile industry, where output had been at a high rate in the first four months of the year, dealers' stocks were in large volume and production was curtailed in May and the first half of June. Retail sales of automobiles continued at a high level during most of May, although in the middle of the month a temporary sharp reduction was reported.

In the woolen textile industry activity in May rose sharply from the low level reached in April. At cotton mills activity was maintained at about the rate prevailing in March and April and was somewhat lower than in the early months of the year. Rayon production continued large, while mill takings of raw silk declined to the lowest level in nearly twenty years. In other industries producing non-durable manufactures activity generally showed little change from April to May.

Coal production in May continued at a high level for this time of the year, reflecting in part increased exports and unusually large shipments of coal to Upper Lake ports. Iron ore shipments down the Lakes were also large for this season. Petroleum production in May declined somewhat from the high rate maintained in March and April.

Value of construction contract awards increased further in May, according to figures of the F. W. Dodge Corporation, reflecting principally continued growth of private building. Private residential contracts rose to the highest level in the past 10 years. Awards for commercial buildings advanced somewhat further while those for factory construction continued at about the level reached in April. Both were considerably larger than a year ago. Contracts for public construction increased slightly in May but were about one-sixth lower than a year earlier.

**Distribution**—Department store sales in May declined from the level prevailing in the past three months, while sales at variety stores and mail-order houses were largely maintained at earlier levels. In the first week of June department store sales increased considerably.

Volume of railroad freight traffic increased in May, reflecting larger shipments of miscellaneous merchandise, coal, and forest products. Loadings of grains declined.

**Foreign Trade**—Total exports of United States merchandise showed little change from April to May. Increases were reported in shipments to Canada and Australia and to Italy and Finland, while exports to other European nations showed declines. Exports of industrial machinery in May declined somewhat from the high level reached in April, while exports of steel, copper, chemicals, and commercial vehicles increased, following declines in the previous month. Coal shipments, largely to Canada, rose to the highest level in recent years. Cotton exports continued to decline from the high level of last winter.

The monetary gold stock of the United States increased by \$439,000,000 in May and by \$250,000,000 in the first two weeks of June.

**Commodity Prices**—Following a general decline in basic commodity prices around the middle of May, prices of industrial materials, particularly steel scrap, zinc, tin, and wool, advanced and by the middle of June were in some instances above the levels of early May. Raw cotton prices also increased, and in the second week of June prices of cotton gray goods likewise advanced as sales of these goods were in exceptionally large volume. Prices of a number of foodstuffs continued to decline.

**Bank Credit**—Total loans and investments at reporting member banks in 101 leading cities showed little net change during the four weeks ending June 5. Holdings of United States Government obligations increased further at New York City banks, while loans to security brokers and dealers declined considerably. Deposits and reserves of member banks continued to increase sharply as a result mainly of heavy gold imports.

**Government Security Market**—Prices of Government securities held relatively steady during the latter part of May and the first part of June, after a reaction at the time of the invasion of Belgium and Holland. Subsequently prices increased sharply, and on June 15 the yield on the 1960-1965 bonds was 2.40 per cent, compared with 2.52 per cent on June 10 and 2.26 per cent at this year's peak in prices on April 2.



## **Non-Cash Collections: A Service for Member Banks**

Of the many services performed without charge by the Federal Reserve banks for their member banks, one of the most important is that of the Non-Cash Collection Department.

This department accepts from member banks for collection and credit when paid any negotiable evidences of indebtedness payable throughout the continental United States. The bulk of the department's work consists of the collection of maturing notes and bills, maturing bonds and coupons, acceptances, bankers' acceptances, certificates of deposit, and drafts with or without securities, bills of lading, or other documents attached.

Upon request the Reserve bank will give the member bank telegraphic advice of payment or non-payment of collection items. This service further provides immediate availability of the proceeds of collections made by other Federal Reserve banks for benefit and use of our member banks. No additional charge is incurred other than the cost for the telegrams, which is at the regular commercial rate.

In addition, a special service rendered by the Collection Department for member banks consists of receiving against payment securities purchased by member banks from banks or brokers, and delivery against payment of securities sold by member banks to banks or brokers. Such purchase or sale must be for the member bank's own investment account.

The Federal Reserve Bank of Chicago makes collections for the member banks promptly and without charge. Any member bank may take advantage of these services rendered by the Collection Department.