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*Mr. Kearschner*

# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

Volume 23

OCTOBER 1, 1940

Number 9



WALTER J. CUMMINGS, CLASS A DIRECTOR

## THIS MONTH

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## **Walter J. Cummings, Class A Director**

One of the Class A directors of this bank, who represent the member bank interests on its Board, is Mr. Walter J. Cummings. Not only is Mr. Cummings prominent in civic and business affairs in Chicago, but also he is Chairman of the Board of the largest bank in this area and fifth largest in the country, with deposits of \$1,324,000,000 at the beginning of this year.

Born in Springfield, Illinois, Mr. Cummings obtained his early education in the public schools of Chicago, and later received his LL.D. degree from both Loyola and Drake Universities. His first position after leaving school was as a clerk in the old Illinois Trust & Savings Bank of Chicago, since merged into the bank whose Chairman he now is. Mr. Cummings entered the manufacturing business in 1904 when he joined his brother in the McGuire-Cummings Manufacturing Company, a car-building concern, later the Cummings Car and Coach Company of which he became President.

Mr. Cummings, who has been a Class A director of the Federal Reserve Bank of Chicago since January 1937, has been Chairman of the Board of the Continental Illinois National Bank and Trust Company of Chicago since February 1934. He is also a director of the Texas Corporation, The Maryland Casualty Company, the Commonwealth Edison Company, American Car & Foundry Company, and Cummings Car and Coach Company. In addition, he is co-receiver of the Chicago Railways Company and a trustee of the Chicago, Milwaukee, St. Paul, and Pacific Railroad Company. Mr. Cummings was executive assistant to the Secretary of the Treasury from March 1933 through January 31, 1934, and was the first Chairman of the Board of the Federal Deposit Insurance Corporation—from September 7, 1933, through January 31, 1934.

Among his many activities, Mr. Cummings is a member of the administrative council of Loyola University, a member of the advisory council to Cook County Hospital in Chicago, a trustee of the Chicago Community Trust and of the Field Museum of Natural History, and on the executive committee of the Associated Catholic Charities of Chicago.

## District Summary of Business Conditions

**R**APID expansion of the national defense program over recent weeks has closely affected many phases of district business activity. The Seventh district, with its large industrial capacity as well as interior position, is favorably situated for defense work, and many firms in the area have received substantial orders under the program. This has been in addition to the usual fall increase in industrial output and has followed summer months which did not experience their usual decline. Consumer buying of commodities at retail has shown notable expansion, advancing considerably more than seasonally in most lines. Although unfavorable conditions persist in some agricultural areas, breaking of near-drought conditions has materially improved district pastures and corn fields.

**Industry**—Because of the substantially increased volume of defense orders as well as widespread industrial demand, steel mills in the Chicago district have maintained practical capacity operations. In the last week of September, ingot output in the district was at 96 per cent of capacity; despite high production, there has been a gradual growth in order backlogs. In practically all steel lines except tin plate, there has been a large volume of business in recent weeks. Production of pig iron likewise has continued at an unusually high level. At district steel casting plants, new business during August increased for the fifth consecutive month, but orders at malleable casting foundries were down somewhat. There was a seasonally rising trend in output and orders received by district stove and furnace manufacturers, and activity in the industry was considerably greater than last year, new business being as much as 42 per cent larger than in August 1939. Operations in the machine tool industry continued at close to capacity.

Although full-scale production in the automobile industry is not expected until October, assemblies of 1941 models have advanced at a rapid rate, and September as a whole was considerably above the 1939 month. In addition to swinging into new-model production, many automobile companies have participated in heavy defense orders.

Shipments by district furniture manufacturers rose sharply during August, following the July shows, and new business continued in excellent volume, being 17 per cent greater than in August 1939. At paper mills, there was little month-to-month change in production, but volume of new orders advanced somewhat over July. Operations of soft coal mines in the area increased better than seasonally in August and were 23 per cent heavier than last year. Consumption of gasoline apparently failed to show a seasonal increase in August and, with production maintained at a high rate, refinery stocks of gasoline were built up further.

Again the highest for the period since 1929, total construction contracts in August increased 7 per cent over July. Residential building continued in good volume, being 5 per cent heavier than last year, while total contracts awarded were up 19 per cent over a year ago, reflecting substantial increases in non-residential building and in heavy engineering projects.

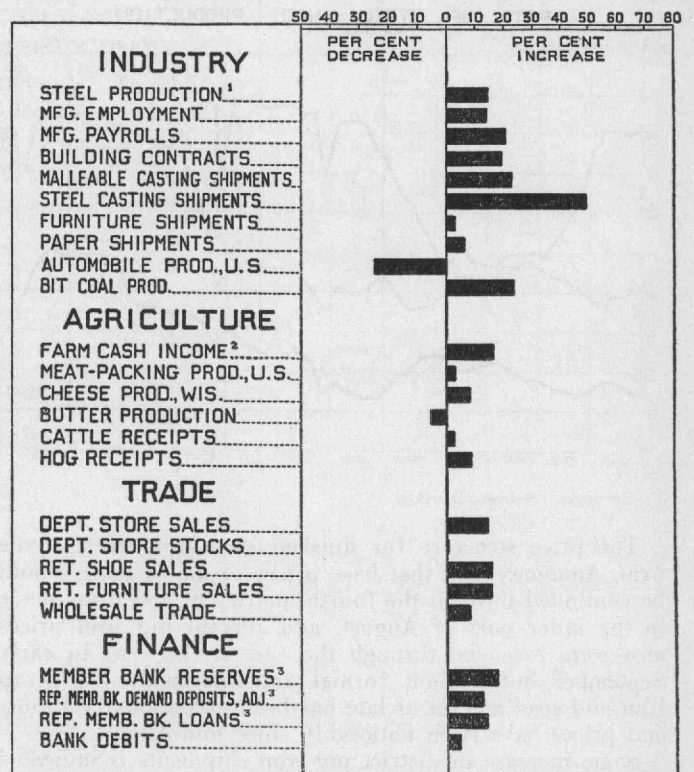
Following the set-back suffered in July, accounted for by seasonal declines in automobile production, the level of employment and payrolls advanced in August to that reached in June. Employment in the metals group showed further notable expansion and that in the automobile industry increased seasonally. As a result of the substantial gains in activity in most manufacturing industries, the manufacturing group as a whole recorded a gain of 15 per cent in number

of employees and of 22 per cent in wages paid in comparison with August 1939. Employment data for September, when available, will undoubtedly show further marked increases over the district.

**Merchandising**—Reflecting a sustained level of consumer purchasing power, retail trade in the district showed unusually large gains for August. There were notably better than seasonal increases over July in department store sales and in the retail shoe trade, while sales in practically all reporting retail lines were well over 1939 levels. Total sales of department stores were up 14 per cent over August 1939, while furniture sales showed a gain of 15 per cent and the shoe trade one of 16 per cent over last year. Although there was little increase from July to August, wholesale distribution of commodities was 8 per cent higher than last year.

**Agriculture**—With record yields of excellent quality grain in several States, the oats crop has turned out considerably better than had been expected earlier. Prospects for corn, though still unfavorable in Indiana and parts of Illinois, have greatly improved since the breaking of the drought over many sections of the district. In accordance with usual trend, meat-packing production declined slightly during August but was 3 per cent higher than last year, while distribution of meat products showed even greater year-to-year increases. The marked improvement in pastures over many major milk-producing areas has brought about a slackening in the seasonal decline in production

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



1. Ingot rate, Chicago district for week ending September 28. 2. July data as of September 18.

of dairy products which has been unusually high for the period.

**Credit and Finance**—During the four weeks ended September 18, reporting member banks decreased their

holdings of securities by 69 million dollars, but loans at these banks were up 24 millions. The latter increase continued an upward trend in loan volume which has been evident since the first of the year. Prices of high-grade bonds have remained firm.

## Industrial Activity

**Steel and Steel Products**—An increasing volume of defense orders and generally good industrial demand have caused steel producers of the Chicago district to continue their operations at practical capacity. In the last week of September, the rate of steel ingot production in this area averaged 96 per cent of capacity, around or above which rate output has been maintained for the past three months, except for weeks containing holidays. Despite this effort to prevent large backlogs of orders, there has been a gradual growth in such backlogs since the first of September. Although deliveries on a number of products are obtainable within two to four weeks, those on certain items are extended from six to eight weeks. Hot rolled carbon bars are quite prominent in current demand, as well as the wider plates, structural shapes, and, recently, sheets. Several large orders for rails have been placed by the railroads, one such order coming from South America. Buying of steel by the automotive industry and its suppliers, farm implement manufacturers, truck builders, drop forgers, and those firms engaged on defense projects has been especially active, but demand for steel products has in general been well diversified both as to source and to product. Tin plate mills furnish one of the few exceptions in this respect. August orders for machine tools were equal to or better than the July volume; an increasingly greater proportion of machine tool buying is for defense purposes, but the major part of it still represents miscellaneous industrial needs.

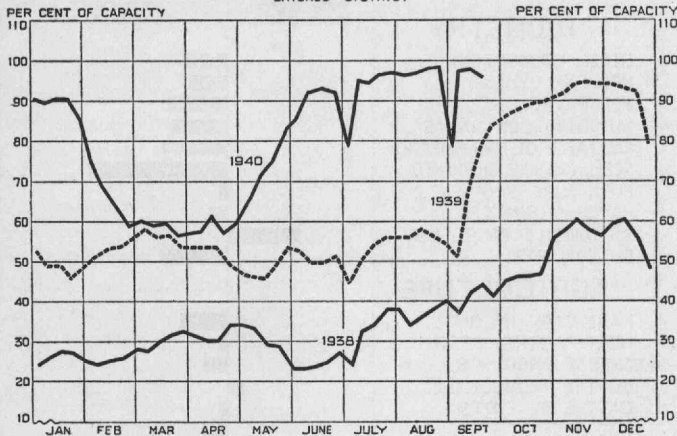
level on a daily average basis, rising 3 per cent further over the period and being the highest for any other month since August 1929.

The aggregate tonnage of orders booked by reporting Seventh district steel casting foundries increased in August for the fifth successive month. The gain, however, was much smaller than in the earlier periods, and dollar value of orders was slightly less than in July. Incoming business of malleable casting foundries fell off in August, after having recorded gains in the four preceding months. Production of both types of castings was accelerated to a much greater extent than shipments during August; the latter as well as production of steel castings remained under the volume of new orders received. Although considerable expansion in casting foundry activity took place last August, current levels continued well above those of a year ago.

### STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	August 1940 Per Cent Change from	
	July 1940	August 1939
<b>Steel Castings:</b>		
Orders booked (tons).....	+ 6.5	+138.6
Orders booked (dollars).....	- 0.8	+99.2
Shipments (tons).....	+ 4.4	+49.0
Shipments (dollars).....	+ 6.9	+46.3
Production (tons).....	+15.9	+49.9
<b>Malleable Castings:</b>		
Orders booked (tons).....	-13.6	+15.6
Orders booked (dollars).....	-11.1	+14.4
Shipments (tons).....	+15.5	+22.6
Shipments (dollars).....	+15.6	+22.4
Production (tons).....	+33.6	+29.1

### RATE OF STEEL INGOT PRODUCTION CHICAGO DISTRICT



By weeks. Source: Iron Age.

The price structure for finished steel products is quite firm. Announcement that base prices of major items would be continued through the fourth quarter of 1940 was made in the latter part of August, and current pig iron prices also were extended through the end of the year in early September but without formal announcement. The scrap iron and steel market of late has been exceptionally strong, and prices have risen noticeably since mid-August.

Some increase in district pig iron shipments is indicated for September over August. Illinois and Indiana production of pig iron in August was at 168 per cent of the 1935-39

In accordance with custom, manufacturers of stoves and furnaces in this area raised their rate of operations and output in August. Production was expanded 10 per cent and factory shipments 25 per cent over the July levels. The volume of new business received during the month also increased seasonally by close to 30 per cent. All comparisons with 1939 volumes continued favorable in August, gains amounting to 42 per cent in orders, 15 per cent in shipments, and 7 per cent in production. For the year through August, shipments of stoves and furnaces by reporting district firms totaled 21 per cent heavier than for the same eight months of 1939.

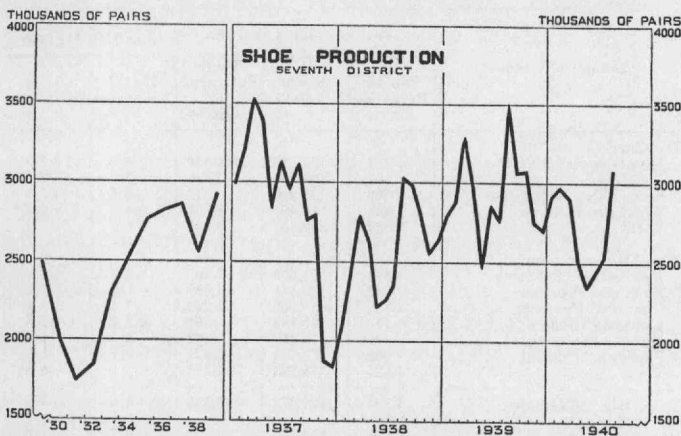
**Automobiles**—Placement by the Government with Detroit area automobile manufacturers of large orders for airplane engines, machine guns, and tanks is involving the building of new plants and the acquisition of heavy amounts of new machinery, tools, and equipment. The Government will have title to certain of the plants and machinery, and the plants in such cases will be operated by the companies for the Government. Great Britain, also, has placed a \$125,000,000 order for airplane engines with a Detroit automobile manufacturer.

The assembly of 1941 model passenger automobiles advanced rapidly through September, but full-scale production probably will not be reached before October. The output of new models began after the middle of August and increased just gradually until the early part of September. Consequently, August production was very light in the aggregate. Passenger automobiles manufactured in the period numbered only 46,823 and truck output amounted to

29,050 units. These volumes were each almost 25 per cent under those of last August. September production will show a sharp expansion and will be sizably greater than in the 1939 month; October should continue these trends. Executives of major automobile concerns expect domestic sales of 1941 model automobiles to exceed those of the 1940 model year by a moderate percentage. Present field stocks of cars are considered to be in close to normal condition for the beginning of the new-model season. August sales of passenger automobiles over the country are reported as having declined about seasonally from July, on a daily average and dollar value basis. Although sales of used cars have been satisfactory, inventories remain relatively heavy.

The clean-up of 1940 model automobile stocks by Seventh district retail dealers proceeded through August. Because these stocks were liquidated somewhat earlier this year than last and pending the introduction of 1941 models, sales totaled rather light in the period. As compared with July, the number of cars sold was about one third smaller, and it exceeded the year-ago volume by only 2 per cent. New-car stocks were reduced more than half during August in this area to a level 5 per cent under that of last year. Sales of used cars were good in the period, numbering better than 35 per cent above those in the same 1939 month. As a consequence, used-car inventories were reduced substantially from the close of July to August 31 but showed a 15 per cent increase over a year earlier at the time.

**Shoe Production**—August shoe production in the Seventh district registered the usual seasonal increase for the month, with output totaling about 20 per cent larger than in July. Production for the year to date has averaged 8 per cent lower than in 1939; the year-to-year decline in August alone amounted to somewhat more than this, or 12 per cent. The rate of production in 1939, however, was the highest on record, exceeding the pre-depression year of 1929 by as much as 17 per cent, or considerably more than can be accounted for by a growth in population alone. If the remainder of 1940 continues at the level held so far relative to 1939, the annual output will be somewhat smaller than in any of the three years, 1937-39. However, district manufacturers report a normal civilian demand and anticipate that the needs of the national defense program will expand output somewhat above what would usually be expected.



Monthly averages for years 1929 through 1939; monthly totals, January 1937 through August 1940. Source: Bureau of the Census.

**Furniture**—As is seasonally expected in August, following the midsummer shows, shipments from Seventh district furniture factories rose sharply in the month this year—by one fourth—over the July volume. Only a slight increase

was recorded over last August when shipments were accelerated to a much greater extent than in the current period. Incoming business totaled about the same for August as for July and exceeded that of the corresponding 1939 month by 17 per cent. With shipments less than new business, there was a continued growth over the period in unfilled orders, the volume on hand August 31 being 13 per cent larger than a month previous and 16 per cent above a year ago. Operations were raised 7 points in August to 77 per cent of capacity.

**Paper and Pulp**—After declining for three consecutive months, bookings of new orders by district paper manufacturers rose during August above July, measured both on a tonnage and on a value basis. Shipments, however, receded against a practically unchanged level of production, with the result that inventories expanded over the period. Output of pulp increased rather sharply in August.

Prices of finished paper products over the first eight months of the current year have, on the whole, been substantially higher than a year earlier. Wisconsin paper manufacturers are reported to be enjoying their best year since 1920, the current status of the industry being attributed more to the price factor than to tonnage increases. Another factor stimulating domestic production has been the curtailed volume of imports from Canada; producers in that country have been sending larger proportions of their output to Great Britain than heretofore.

**PAPER AND PULP INDUSTRY SEVENTH DISTRICT**

	August 1940 Per Cent Change from	
	July 1940	August 1939
<b>Paper:</b>		
Orders booked (tons).....	+ 6.3	- 3.3
Orders booked (dollars).....	+ 9.7	+11.7
Shipments (tons).....	- 3.2	+ 5.7
Shipments (dollars).....	- 1.4	+17.6
Production (tons).....	+ 0.1	+ 0.8
Stocks at end of month (tons).....	+ 5.9	+ 8.6
<b>Pulp:</b>		
Production (tons).....	+12.0	+17.4
Stock at end of month (tons).....	+11.5	+34.7

**Building**—Construction contracts awarded during August in the Seventh district were again the highest for the period since 1929. The August contract volume registered a further slight increase over July, and the margin of gain over a year ago widened. Residential building continued on the upgrade, especially in one-family dwellings for owner occupancy, but the greater proportion of the current gains was occasioned by a larger volume of public funds allotted to the construction of public buildings, hospitals, and institutions. Awards for industrial buildings totaled \$500,000, or 12 per cent above July, but this increase was more than offset by a decline of \$1,500,000 in contracts let for commercial buildings. The aggregate gain over a year ago amounted to about \$10,000,000, practically all of which was in construction for private ownership; \$7,500,000 thereof was in residential and the remainder in non-residential awards. Public financing of residential building, represented mainly by funds expended by the United States

**BUILDING CONTRACTS AWARDED SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
August 1940.....	\$ 62,485,000	\$ 28,480,000
Change from July 1940.....	+6.7%	+3.4%
Change from August 1939.....	+19.2%	+5.2%
First eight months of 1940.....	\$400,035,000	\$171,986,000
Change from same period in 1939.....	+7.9%	+17.6%

Data furnished by the F. W. Dodge Corporation.

Housing Administration, was about \$5,500,000 lower than a year ago. This decline, however, was counteracted by increases in non-residential building and in heavy engineering projects classified as public works, each of which showed a gain of approximately \$3,000,000 in publicly-financed projects.

The market for building materials was reported as strong during August, some dealers ascribing this situation to the influence of the national defense program. Wholesale price indexes compiled by the United States Bureau of Labor Statistics showed an increase of 1½ per cent between the first week of August and early September, with the current level approximately 4½ per cent higher than September last year. August sales increases over the unusually active month of July were of moderate proportions, wholesale lumber trade gaining about 5 per cent and cement shipments 7 per cent. Retail lumber yards reported practically no change in total dollar sales but a slight loss in lumber sales alone, and brick yards showed some decline in shipments from the level maintained a month earlier. As compared with a year ago, increases in sales were minor and considerably smaller than those recorded a month earlier.

**Coal Production**—Even after allowance for the sharp expansion which usually occurs between July and August, Seventh district output of soft coal increased about 8 per cent on a daily average basis over the period this year. Production was 23 per cent greater than in the same 1939 month—about the same margin of increase as shown in July. For the last four months, coal has been mined in quantities appreciably greater than a year earlier. However, this period covers the seasonally low point of the year, and cumulative output for the first eight months of 1940 has been but 10 per cent higher than in the same 1939 period.

**Petroleum Refining**—Estimated daily average consumption of gasoline during August in the Seventh district area declined slightly from the rate maintained a month previous, whereas a rising trend is normally expected over this period. Consequently, refinery stocks of gasoline at the end of August were nearly one third higher than a year earlier, the margin having widened from 23 per cent on July 31. Daily runs of crude petroleum to refinery stills in the local area were at about the same rate during August as in July, while output of gasoline receded slightly. Daily average crude oil production in the Illinois fields continued the decline that had been evident for over two months.

**Railroad Freight Carloadings**—During August about 8 per cent fewer freight cars were loaded daily by railroads operating in the Chicago industrial area, the decline being contrary to the normal trend at this season. An increase continued to be shown over 1939, although the favorable margin fell from around 20 per cent in June and July to 8 per cent in August. The local experience was contrary to that of all Class A railroads in the United States, whose aggregate loadings recorded an increase from July to August.

**Defense Contracts**—Between mid-June and September 21, it is estimated that the Army and Navy have awarded about 7.4 billion dollars in contracts. Data have been secured from tabulations of the Office of Government Reports and from various unofficial sources. Of the above total, about \$5,300,000,000 was for new Navy ships, dock construction, etc. Of the balance—roughly \$2,100,000,000—over one fifth of the contracts were let in the Seventh district. Awards covered a great diversity of products, ranging from adhesive plaster to locomotive cranes. In addition, a contract was awarded to the Manitowoc Shipbuilding Com-

pany, Manitowoc, Wisconsin, for construction of ten submarines. No cost was given in the Government report, but unofficial sources estimated the size of the contract at more than \$60,000,000. A few of the largest awards to district firms have been grouped to give the following, approximate, descriptive data:

Smokeless Powder Plant.....	\$ 25,000,000
*Smokeless Powder.....	43,000,000
Machine Guns.....	61,000,000
Plant alterations in connection with above machine gun order.....	20,000,000
Engines: Airplane.....	62,000,000
*Other.....	26,000,000
Tank Plant.....	20,000,000
Tanks.....	33,500,000
*Trucks and Tractors.....	71,000,000
*Ammunition and related items.....	9,000,000
**Submarines.....	60,000,000

\*More than one contract included in total

\*\*Estimated

## Employment and Payrolls

Seventh district manufacturing payrolls as a whole recovered in August from the fairly sharp set-back suffered in July. The number of wage earners actually employed as well as the wage disbursements made by manufacturers in the district during the week of August 15 returned to practically the same level as in the corresponding week two months earlier. Among the various industry groups, however, there was a wide divergence of performance. Metals and products, exclusive of vehicles, expanding more sharply than at any time since last October, continued a trend that has been upward for the past four months. The vehicles group, with the largest percentage gain recorded by any of the main industry groups during August, nevertheless failed to reach the level held prior to the July decline. Food products, in which the seasonal trend is up through July, showed some decline in August. Rubber products, which had held steady a month earlier, curtailed wage payments sharply in the current month. In most of the reporting groups, however, the level of employment and of payrolls was moderately higher than that prevailing two months previously.

All manufacturing industry groups with the exception of textiles and leather products employed a larger number of workers this August than a year ago. The increases ranged from less than one per cent in the food products group to

### EMPLOYMENT AND PAYROLLS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of August 15, 1940			Per Cent Change from July 15, 1940	
	No. of Reporting Firms	No. of Employees	Wage Payments ('000 Omitted)	No. of Employees	Wage Payments
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,764	465,143	\$14,456	+4.6	+8.3
Vehicles.....	397	293,366	10,810	+9.6	+22.0
Stone, Clay, and Glass.....	269	21,240	545	+0.7	+3.9
Wood Products.....	452	48,404	1,057	+5.3	+9.6
Total.....	2,882	828,153	26,868	+6.2	+13.4
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	373	61,605	1,207	+5.1	+9.7
Food and Products.....	1,046	120,184	2,953	-1.5	-4.6
Chemical Products.....	310	39,609	1,219	+1.1	+1.6
Leather Products.....	170	27,182	591	+2.3	+6.8
Rubber Products.....	31	18,380	442	+4.3	-13.4
Paper and Printing.....	695	78,265	2,274	+0.6	-0.9
Total.....	2,625	345,225	8,686	+1.0	-0.8
<b>Total Mfg., 10 Groups.....</b>	<b>5,507</b>	<b>1,173,378</b>	<b>35,554</b>	<b>+4.6</b>	<b>+9.6</b>
Merchandising.....	5,373	139,374	3,103	-0.1	-1.0
Public Utilities.....	1,116	103,136	3,492	+0.1	+0.3
Coal Mining.....	50	7,143	173	+4.0	+8.1
Construction.....	746	13,692	463	+4.0	+4.5
<b>Total Non-Mfg., 4 Groups.....</b>	<b>7,285</b>	<b>263,345</b>	<b>7,231</b>	<b>+0.3</b>	<b>+0.2</b>
<b>Total, 14 Groups.....</b>	<b>12,792</b>	<b>1,436,723</b>	<b>42,785</b>	<b>+3.8</b>	<b>+7.9</b>

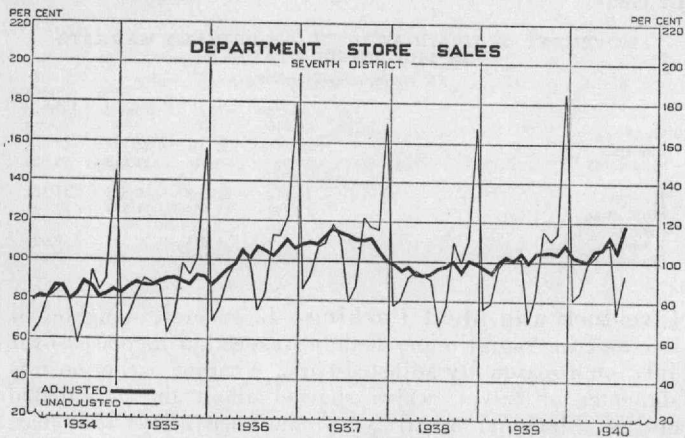
<sup>1</sup>Other than vehicles.

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

23 per cent for metals, with an average of 15 per cent in the aggregate. In the amount of wage disbursements, chemicals and rubber products, as well as the textiles and leather goods groups, showed minor declines from a year earlier, none of them as high as 5 per cent, while increases ranged from less than 5 per cent in the food products industries to as much as 34 per cent for the metals group. The aggregate year-to-year gain in wage payments amounted to 22 per cent. Non-manufacturing industries contributed little to the August expansion, a moderate decline in the large merchandising group being sufficient to offset the greater part of the increases contributed by other non-manufacturing divisions. These groups as a whole employed about 3 per cent more workers than in August 1939, and were paying out approximately 4 per cent more in wage payments. The principal variation from this trend was in the coal-mining industry where the number of workers as well as wage payments was 12 per cent less than a year ago.

### Merchandising Trends

**Department Store Trade**—An exceptionally good volume of business was done during August by department stores in the Seventh Federal Reserve district. A rise in aggregate sales of 32½ per cent over the preceding month was the highest for the period on this bank's records (since 1923). The gain of 14 per cent over last August was the heaviest in the year-to-year comparison since May 1939; in July sales had increased 9 per cent over a year earlier. The fact that there were five Saturdays in August this year exerted some influence on the total volume of trade. Nevertheless, on a seasonally adjusted basis, daily average sales gained 12 per cent over a month previous and 13 per cent over a year ago.



Indexes of daily average sales of department stores in the Seventh district, with and without adjustment for seasonal variation, 1935-1939 average = 100. By months, January 1934 through August, 1940.

In the first half of September, the total dollar volume sold by the larger department stores of the district exceeded that of the corresponding 1939 period by as much as 21½ per cent. Special promotional sales held in the first week of the period this year and more favorable weather than last year in the second week of it had considerable effect on the size of this increase, although the relatively high level of consumer purchasing power also was influential.

At the end of August department store inventories were approximately the same in size, on a dollar basis, as a year ago. They rose 7 per cent over the close of July. Stock turnover in the first eight months of 1940 numbered 2.96 times, as compared with 2.87 times in the corresponding 1939 period.

### DEPARTMENT STORE TRADE IN AUGUST 1940

Locality	Per Cent Change August 1940 from August 1939		Per Cent Change First Eight Months 1940 from Same Period 1939	Ratio of August Collections to Accounts Outstanding End of July	
	Net Sales	Stocks End of Month	Net Sales	1940	1939
Chicago.....	+10.8	- 1.4	+ 6.1	45.1	38.3
Detroit.....	+18.1	+ 2.5	+ 9.3	43.0	41.5
Fort Wayne.....	+12.0	....	+ 8.9	....	....
Grand Rapids.....	+16.3	....	+10.7	....	....
Indianapolis.....	+14.2	+12.8	+ 8.1	34.4	35.1
Milwaukee.....	+15.2	- 4.5	+ 6.7	36.5	36.3
Other Cities*.....	+19.4	+ 2.0	+ 9.2	30.5	28.6
7th District.....	+14.2	+ 0.2	+ 7.4	39.7	36.4

\*Include Fort Wayne and Grand Rapids.

**Retail Shoes**—In line with the favorable showing made by department store trade in August, sales of shoes at retail in the district recorded unusually large gains over both a month earlier and a year ago. Department store sales of shoes were responsible for the size of the increases—37 and 16 per cent in the respective comparisons—as dealer business rose less than one per cent over the July volume and exceeded that of last August by only 4 per cent. Although shoe stocks were built up almost 20 per cent in the current period, they totaled more than 6 per cent lighter on August 31 than in 1939 at the same time.

**Retail Furniture**—August sales of furniture and housefurnishings in this district showed less than the usual seasonal increase over those of July. The aggregate dollar volume sold by reporting dealers and department stores rose only 13 per cent in the period, whereas the average gain for August in the preceding ten years was 25 per cent. However, sales continued much better than a year ago, totaling 15 per cent larger than for last August. In both the monthly and yearly comparisons, department store sales of furniture and housefurnishings increased to a considerably greater extent than did dealer sales. Inventories, which were 4 per cent higher on August 31 than at the end of July, remained at a level about 6 per cent above that of a year earlier.

### SALES OF INDEPENDENT RETAIL STORES

(As compiled by the Bureau of the Census)

	Per Cent Change August 1940 from August 1939				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+12.6	+15.0	+13.4	+20.3	+11.6
Apparel Group.....	+16.8	+19.6	+18.3	+26.6	+23.6
Drug Stores.....	+ 7.3	+10.0	+ 3.0	+11.2	+ 7.1
Eating and Drinking Places.....	+ 4.8	+ 8.9	....	+ 6.7	+ 6.1
Food Group.....	+ 6.7	+ 8.2	+ 6.4	+ 9.7	+ 4.6
Furniture-Household-Radio Group.....	+17.9	+20.4	+10.7	+38.6	+14.6
Hardware Stores.....	+ 8.6	+10.4	- 1.0	+ 8.8	+10.3
Jewelry Stores.....	+28.7	+17.8	....	....	+22.1
Lumber and Building Materials.....	+11.2	+16.3	- 7.0	+14.8	+ 3.3
Motor Vehicle Dealers.....	+15.0	+39.0	+12.4	+28.2	+13.0

\*Includes classifications other than those listed.

**Wholesale Trade**—Although Seventh district distribution of commodities at wholesale did not maintain during August the sizable gains over a year ago shown in July, it nevertheless was 8 per cent heavier in the aggregate than in the 1939 month, according to data furnished by the Bureau of the Census. Little change took place in total sales volume between July and August this year. In this month-to-month comparison, wholesale trade in electrical goods and meats declined, while that in drugs, groceries, paper, and miscellaneous products increased, the last-named, substantially. Inventory trends varied among the reporting groups. Wholesale stocks of meats, hardware, and paper were up considerably over a year ago; in other lines percentage changes

ranged from fractional decreases to moderate increases. As a whole, inventories averaged 8 per cent heavier at the end of August than last year at the same time and one per cent above those of a month previous.

#### WHOLESALE TRADE IN AUGUST 1940

Commodity	Per Cent Change from Same Month Last Year			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+ 2.4	+ 2.7	+ 6.8	+ 5.6
Electrical Goods.....	+19.2	+ 0.3	+23.3	+20.7
Groceries.....	+ 2.1	+ 3.4	+ 5.8	+ 3.7
Hardware.....	+17.0	+14.1	+20.6	+20.2
Meats and Meat Products.....	+ 8.7	+20.8	+16.7	+ 4.5
Paper and Its Products.....	+ 1.8	+11.8	+ 8.3	+ 0.3
Tobacco and Its Products.....	+ 3.8	- 0.2	+ 7.6	+ 9.5
Miscellaneous.....	+ 9.7	+ 7.5	+15.6	+11.0

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

### The Agricultural Situation

**Crops**—Indicated yields of oats in the Seventh Federal Reserve district, as of September 1, showed a remarkable improvement of 44 million bushels over the forecasts of a month earlier. In Indiana and Illinois record yields per acre were secured and the Iowa crop was of good size. In general, quality was excellent, and test weights were well above average in important producing areas.

Termination of drought conditions during early August raised Seventh district corn prospects 17 million bushels over the period and likewise improved the outlook for soy beans and most other late crops. However, corn prospects over the corn belt have seldom been so uneven as they were on September 1. In Iowa, where the drought was broken earlier, production estimates improved by 31 million bushels, while in Indiana deterioration of growing corn during August was the greatest of any corn-belt State. Extreme variations in the corn crop outlook are in considerable contrast with those of last year when uniformly good prospects obtained. With maturities considerably later than last year, continuation of favorable September weather conditions into early October is necessary to prevent much soft corn and to bring about the best possible harvest of soy beans. In the third week of September only about two thirds of the corn and one third of the soy beans had reached full maturity. Last year practically all corn was out of frost danger by that time.

#### CROP PRODUCTION

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

	Seventh District			United States		
	Forecast 1940	Final 1939	Average 1929-38	Forecast 1940	Final 1939	Average 1929-38
Corn.....	887,578	1,132,703	849,234	2,207,186	2,619,137	2,299,342
Oats.....	516,038	359,529	435,287	1,206,901	937,215	1,024,852
Barley.....	48,387a	47,199a	45,079a	304,955	276,298	225,486
Soy Beans.....	68,029b	69,612b	21,514b	85,509	87,409	27,318
All Wheat.....	63,371	58,683	62,426	783,560	754,971	754,685
Buckwheat.....	672a	629a	805a	5,707	5,739	7,617
Potatoes (White).....	47,396	46,211	50,703	383,172	364,016	366,949
Sugar Beets <sup>1</sup> .....	1,082c	1,033c	792c	10,649	10,773	8,937
Cabbage <sup>1</sup> .....	237a	167a	205a	1,254	1,137	1,134
Tomatoes for Market.....	1,205d	1,255d	1,275d	23,095	24,782	19,584
Tomatoes for Canning <sup>1</sup> .....	396d	460d	365d	1,811	1,997	1,533
Sweet Corn for Canning <sup>1</sup> .....	296a	280a	318a	704	661	676
Green Peas for Canning <sup>1</sup> .....	128a	72a	98a	302	198	204
Commercial Apples.....	10,814a	17,741a	12,291a*	114,830	143,085	121,755*
Tame Hay <sup>1</sup> .....	20,540	17,426	15,360	84,125	75,726	69,650

The estimates for rye and dry beans in the Seventh district area were unchanged from a month previous and those for onions, peaches, and pears showed only a minor change.

\*1934-38 average. <sup>1</sup>In thousands of tons. a—Five States including Seventh Federal Reserve district. b—Illinois, Iowa and Indiana. c—Michigan. d—Indiana, Illinois, Michigan, and Iowa.

**Grain Marketing**—The wheat market over recent weeks has been characterized by substantial gains in cash prices for the grain. On September 23, No. 2 hard winter wheat for current delivery at Chicago sold at around 82 cents, a

rise of over 20 cents from the season's lows in August. Futures quotations also showed gains over the period, but speculation was retarded during the intensification of aerial warfare in England. There developed an actual scarcity of cash wheat, as farmers pursued a holding policy and a large proportion of arrivals continued to go into storage. Millers were at times forced to avail themselves of the protection afforded by their futures contracts and took a large portion of the tenders on September deliveries.

The world statistical position remains bearish, were it not for the uncertainties of the European conflict. World stocks continue unusually large, though maldistributed. The Bureau of Agricultural Economics has estimated, on the basis of scanty information available this year, that current world supplies are about 100 million bushels less than last year's record high stocks of 5,445 million bushels. Crops are indicated as about 275 million bushels lower, but the carryover from last year was 215 millions higher.

With weather conditions in September generally favorable for the new crop, farmers have in the past few weeks marketed their old corn more liberally. This was finally reflected in some weakening in cash premiums for corn, but prices in the first half of the month were unusually steady, as a result of the stabilizing effect of the 1939 loan program. On September 12, the Secretary of Agriculture announced that no marketing quota would be effective on 1940 corn, as September 1 conditions indicated a supply somewhat below the level at which a quota would be effective. If the price of corn on November 15 is below 75 per cent of parity price (which on August 15 was 81½ cents), a loan rate will be available to all eligible producers at 75 per cent of parity prices as of the November date. On the basis of August parity price, the loan rate would be about 61 cents.

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

(In thousands of bushels)

	August 1940	July 1940	August 1939	August 1930-39 Avg.
	Wheat:			
Receipts.....	46,264	103,804	44,728	47,803
Shipments.....	19,962	30,816	23,343	25,023
Corn:				
Receipts.....	19,142	22,508	9,877	15,504
Shipments.....	11,968	15,458	11,550	10,067
Oats:				
Receipts.....	13,612	4,294	19,501	19,921
Shipments.....	7,018	3,106	7,821	7,285

**Livestock and Meat Packing**—In general, slaughter of livestock in August under Federal inspection increased over July, on a seasonally adjusted basis. A minor exception was slaughter of calves, which showed about the anticipated decline. Slaughter of all types continued above last year. Receipts at public stockyards in the United States either showed little change or else declined, again after allowance for the normal trend at this time of year, as did shipments of animals to feeder lots. Hog prices, after rising through August, weakened subsequently; a decline of about 40 cents per hundredweight was recorded at Chicago in the first three weeks of September. Quotations for beef steers were stronger over the period.

Reflecting strong domestic demand and some further buying by Government agencies, tonnage of packing-house commodities sold in the United States rose more than seasonally in August to the highest level since January. Furthermore, these sales were about one fifth larger than current production which was considerably higher than average for August but the smallest of any month since September 1939. Inventories at the beginning of September were nearly 40 per cent heavier than a year ago, though showing



a substantial decline from August 1. Prices of lard, dry salt fat backs, utility beef, and light-weight hams were lower in August than a month earlier but, with a rise in quotations for most other items, dollar sales increased to a somewhat lesser extent over July than did the tonnage sold. Payrolls in the industry at the close of August and production in the first half of September remained above the corresponding period of 1939.

#### MEAT PACKING—UNITED STATES

Per Cent Change in August 1940 from

	July 1940	August 1939	August 1930-39 Avg.
Tonnage produced.....	- 4.8	+ 3.0	+ 7.7
Tonnage sold.....	+ 5.4	+ 7.1	+18.0
Dollar sales.....	+ 1.6	+ 5.0	+11.5
Inventories, end of month.....	-18.2	+39.1	+11.0

August shipments for export were relatively light until the closing weeks of the month. New business with the United Kingdom and continental Europe remained practically at a standstill. Although Switzerland was in the market for some animal products, it was impossible to obtain navicerts for these shipments. No further buying on the part of the British Government was reported. Trade with Porto Rico was of disappointing proportions during August; that with most other parts of Latin America, however, continued on a level with July. Some of the lethargy in foreign trade was attributed to a general reluctance on the part of buyers to meet offering prices maintained on a parity with Chicago.

#### LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
<b>Yards in Seventh District:</b>				
August 1940.....	183	475	190	51
August 1939.....	183	460	241	58
<b>Federally Inspected Slaughter:</b>				
<b>United States:</b>				
August 1940.....	842	3,045	1,489	432
July 1940.....	822	3,219	1,448	457
August 1939.....	823	2,792	1,457	414

#### AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended Sept. 21, 1940	August 1940	Months of July 1940	August 1939
Native Beef Steers (average).....	\$11.40	\$10.60	\$10.05	\$ 9.20
Fat Cows and Heifers.....	8.60	8.45	7.65	7.35
Calves.....	11.00	9.75	8.75	9.50
Hogs (bulk of sales).....	6.35	6.35	5.95	5.60
Lambs.....	9.05	9.30	9.65	8.60

**Dairy Products**—A marked improvement in pasture conditions over many sections of important milk-producing areas has contributed to a slackening in the usual seasonal declines in output of dairy products. By September 1, pastures in Iowa, Michigan, and Wisconsin had greatly improved over the poor conditions prevailing a month earlier; production of milk per cow in these States was at record or near-record levels for the date. In sharp contrast, Indiana and central Illinois suffered further declines in pastures and milk flow per cow failed to exceed last year's output. For the United States as a whole, milk production per cow on September 1 was at the highest level for the date in the 16 years of record.

As a whole United States production of dairy products during August was higher than last year; butter manufacture was fractionally lower than in August 1939, while American cheese output was about 6 per cent higher. In the Seventh district reports from major creameries indicate a somewhat greater year-to-year decline in butter output, but production of American cheese in Wisconsin was up 9 per cent.

## MONTHLY BUSINESS INDEXES

Data refer to Seventh district and are not adjusted for seasonal variation unless otherwise indicated.  
1935-39 average = 100

	Aug. 1940	July 1940	June 1940	Aug. 1939	July 1939	June 1939
<b>Manufacturing Industries:</b>						
<b>Durable Goods:</b>						
Employment.....	108	102	109	89	88	93
Payrolls.....	122	109	120	94	87	96
<b>Non-Durable Goods:</b>						
Employment.....	104	103	99	101	97	95
Payrolls.....	108	108	105	106	103	101
<b>Total:</b>						
Employment.....	107	103	106	94	91	94
Payrolls.....	117	109	115	98	92	98
<b>Pig Iron Production:*</b>						
Illinois and Indiana.....	168	164	158	107	94	90
<b>Automobile Production—(U. S.):</b>						
Passenger Cars.....	18	65	109	24	58	94
Trucks.....	49	106	99	65	99	106
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	129	121	109	88	71	90
In Tons.....	109	105	92	73	63	76
Malleable—In Dollars.....	117	101	94	96	70	92
In Tons.....	108	93	86	88	66	86
<b>Railroad Freight Carloadings:*</b>						
Originating in Chicago Industrial Area....	109	118	113	101	98	97
<b>Stoves and Furnaces:</b>						
Shipments.....	122	103	105	100	68	93
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	142	144	86	119	88	127
Shipments in Dollars.....	123	96	102	123	89	85
<b>Paper Manufacturing:*</b>						
Tonnage Production.....	111	116	115	110	103	105
<b>Petroleum Refining—(Indiana, Illinois, Kentucky area):*</b>						
Crude Runs to Stills.....	146	146	147	119	118	120
Gasoline Production.....	140	143	141	119	116	120
<b>Bituminous Coal Production:*</b>						
Illinois, Indiana, Iowa, and Michigan.....	94	76	73	76	63	50
<b>Building Contracts Awarded:</b>						
Residential.....	229	222	209	218	170	158
Total.....	159	149	144	133	137	119
<b>Meat Packing—(U. S.):</b>						
Production.....	107	111	117	103	103	108
Sales Tonnage.....	125	118	115	116	108	109
Sales in Dollars.....	101	99	98	96	99	99
<b>Dairy Products:*</b>						
Creamery Butter Production.....	115	125	142	117	123	144
American Cheese Production—(Wisconsin).....	128	158	189	113	134	171
<b>Department Store Net Sales:*</b>						
Chicago.....	93	73	113	85	69	107
Detroit.....	86	71	103	74	67	94
Indianapolis.....	102	83	116	91	75	101
Milwaukee.....	98	76	109	86	72	99
Other Cities.....	100	74	104	87	71	96
Seventh District—Unadjusted.....	93	74	109	83	69	101
Adjusted.....	118	105	113	105	99	105

\*Daily average basis.

## Credit and Finance

**Reporting Member Banks**—Seventh district member banks which report weekly to this bank decreased their holdings of securities by 69 million dollars in the four weeks ended September 18. Loans, however, rose 24 millions, 11 millions in the commercial, industrial, and agricultural classification. "All other," or miscellaneous, loans rose 7 million dollars. Total loans of these banks have increased steadily since the first of the year, the net 1940 gain amounting to about 87 million dollars, of which nearly 40 millions has come since the start of the national defense program. Demand deposits rose irregularly, the net increase over the four weeks amounting to 35 million dollars or a little over one per cent.

**Securities Markets**—Bond trading over recent weeks has continued in the same lethargic state prevalent for several months past. Firm prices on extremely small volume remained in the high grade market. Medium grade securities, particularly speculative rails, have shown slightly more activity in a generally upward direction, in coordination with stock market trend. Little activity was noted in the new issue market during the first three weeks of September. The Dow Chemical Company issue for 15 million dollars and a few small offerings, corporate and municipal, represented about the only activity in this field. The Dow Chemical Com-

pany issue was the first publicly offered since recent liberalization of S.E.C. regulations, which permits modification of the twenty-day waiting period.

During August, long-term corporate bonds offered for new capital totaled the highest in nearly two years. Fifteen millions out of the 25-million dollar Celanese Corporation of America issue was allocated for addition to the company's general fund. The Southern Pacific Railroad offered nearly 12 million dollars of Equipment Trust Certificates, the proceeds from which are to be used for purchase of new equipment.

Of greater significance to the bond market than the current events described above was the recent release by the Treasury Department of proposed budget plans for the fiscal year 1940-41. The budget summary is described in the September issue of the Federal Reserve Bulletin, a brief resume of which description follows.

Prior to the recent passage by Congress of the Selective Service Act, administration of which will doubtless add to the anticipated Treasury deficit for the fiscal year 1940-41, it was estimated that normal Government expenditures would be about \$7,100,000,000, while national defense expenditures would total in the neighborhood of 5 billions. The estimate of normal expenditures for the current year is down about 400 millions, or 5 per cent, from the previous fiscal year. Estimated receipts of \$6,400,000,000 are about one billion dollars higher than those realized in 1939-40, due to increased taxes under the Revenue Act of 1940, and also to the fact that taxes will be levied against a higher level of national income. These figures imply a deficit of 5,700 million dollars. Toward this, about 2.7 billions will be provided by sales of Savings Bonds, receipts in the old-age insurance and unemployment trust funds, repayment of capital by Government corporations, etc. In addition \$630,000,000 already has been raised by sales of bonds during July. Therefore, from 2 to 2½ billion dollars will have to be raised from the money market during the current fiscal year through issuance of new Treasury securities.

## Current Events

### Five State Banks Join System

Between mid-August and September 24, five more State banks have joined the Federal Reserve System in the Seventh district, raising to 294 the total number of such banks. The five are:

Greenfield Banking Company, Greenfield, Indiana  
 Old Farmers & Merchants State Bank, Hillsdale, Illinois  
 State Bank of Nappanee, Nappanee, Indiana  
 The Dexter Savings Bank, Dexter, Michigan  
 The Farmers & Merchants State Bank, Logansport, Ind.

Total Federal Reserve membership in this district (national and State banks) has increased from 804 at the start of the year to 833.

### Attend Meetings in East

President George J. Schaller and Vice President Clifford S. Young of this bank attended the sixty-sixth annual convention of the American Bankers Association at Atlantic City, New Jersey, on September 22-26. While in the East, Mr. Schaller also attended the Conference of Presidents of the Federal Reserve Banks, held in Washington on September 27. Prior to the A.B.A. convention, Mr. Young had visited the thirty-ninth annual convention of the National Association of Supervisors of State Banks, which was held on September 17-20 in Richmond, Virginia.

## Selected Seventh District Banking Data

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

(Amounts in millions)

	Change from		
	Sept. 18, 1940	Aug. 21, 1940	Sept. 20, 1939
Total bills and securities	\$259	\$-1	\$-46
U. S. Government securities direct and guaranteed:			
Bills	0	0	-29
Notes	118	-2	-15
Bonds	140	0	0
Total Government securities	258	-2	-46
Total reserves	2,944	+40	+437
Member bank reserve deposits	1,851	+75	+276
All other deposits	163	-39	+39
Federal Reserve notes in circulation	1,161	+12	+131
Ratio of total reserves to deposit and Federal Reserve note liability combined	92.7%	+0.2*	+2.7*

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Change from		
	Sept. 18, 1940	Aug. 21, 1940	Sept. 20, 1939
<b>ASSETS</b>			
Loans and investments—total	\$3,435	\$-45	\$+274
Loans—total	987	+24	+117
Commercial, industrial, and agricultural loans	596	+11	+88
Open-market paper	42	+3	+8
Loans to brokers and dealers in securities	28	+2	-5
Other loans for purchasing or carrying securities	68	-1	-8
Real estate loans	125	+2	+19
Loans to banks	0	0	0
Other loans	128	+7	+15
U. S. Treasury bills	270	-41	+139
U. S. Treasury notes	303	0	-130
U. S. Treasury bonds	1,018	-29	+66
Obligations fully guaranteed by U. S. Government	312	0	+22
Other securities	545	+1	+60
Cash reserves, other than items in process of collection	2,239	+101	+307
<b>LIABILITIES</b>			
Demand deposits—adjusted	2,875	+35	+313
Time deposits	972	+2	+39
Inter-bank deposits	1,344	+14	+201
U. S. Government deposits	138	0	+28
Turnover velocity of demand deposits (annual rate)	Sept. 1-18 1940 17.73	August 1940 16.13	September 1939 20.29

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	August 1940	Per Cent Change from August 1939	First Eight Months of 1940	Per Cent Change from Same Period of 1939
Chicago	\$2,812	-1.2	\$24,101	+7.1
Des Moines	92	+5.8	768	+8.8
Detroit	931	+16.8	7,851	+18.1
Fort Wayne	32	+8.1	282	+8.7
Grand Rapids	60	+9.9	463	+15.4
Indianapolis	203	+9.0	1,705	+10.9
Milwaukee	256	-0.7	2,169	+7.4
Peoria	56	+8.7	479	+13.0
South Bend	41	+17.5	346	+22.4
32 smaller cities	526	+14.4	4,153	+12.8
Total 41 cities	5,009	+4.2	42,297	+9.9

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

ITEMS HANDLED	Average for Each Banking Day during	
	August 1940	August 1939
Commercial checks	464,000	465,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)	1,774	1,857
Paper currency received and counted	1,321,000	939,000
Coins received and counted	412,000	578,000
Wire and other transfers of funds (Inter- and intra-district)	426	435
Securities in and out of safekeeping	754	903
Coupons cut from securities in safekeeping	1,118	1,233
<b>DOLLAR AMOUNTS</b>		
Commercial checks	92,788,000	82,301,000
Non-cash collections (Bills, notes, bonds, coupons, etc.)	2,284,000	2,595,000
Paper currency received and counted	4,972,000	4,238,000
Coins received and counted	60,806	58,121
Wire and other transfers of funds (Inter- and intra-district)	54,924,000	50,523,000
Securities in and out of safekeeping	7,449,000	17,230,000
Value of securities held in safekeeping at end of month	988,000,000	1,093,000,000

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### DETROIT BRANCH

#### DIRECTORS

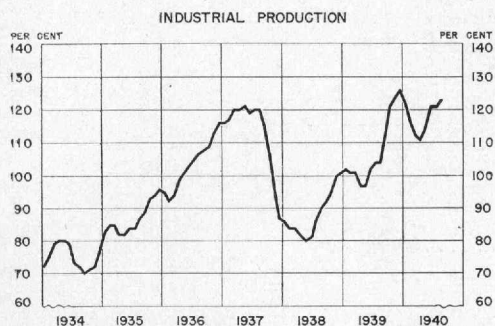
JAMES E. DAVIDSON. . . . . Bay City, Mich.	WALTER S. McLUCAS. . . . . Detroit, Mich.
JOSEPH M. DODGE. . . . . Detroit, Mich.	HARRY L. PIERSON. . . . . Detroit, Mich.
A. C. MARSHALL. . . . . Detroit, Mich.	L. WHITNEY WATKINS. . . . . Manchester, Mich.

#### OFFICERS

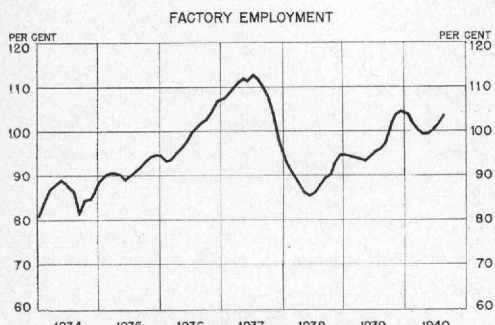
H. J. CHALFONT. . . . . <i>Cashier</i>	H. L. DIEHL. . . . . <i>Assistant Cashier</i>
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# National Summary of Business Conditions

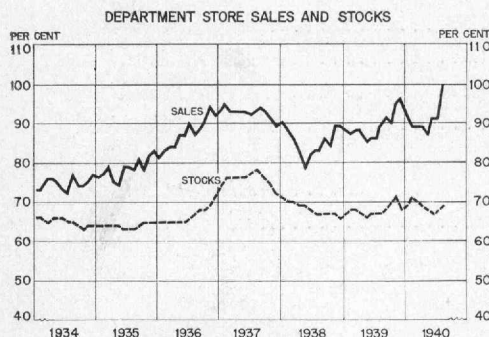
(By the Board of Governors of the Federal Reserve System)



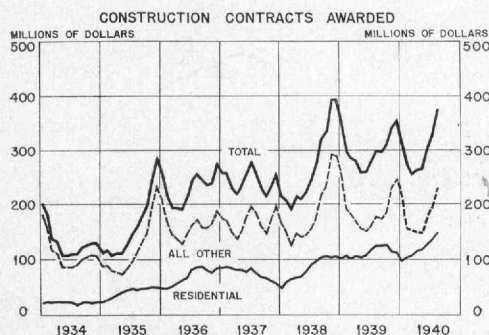
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January 1934 to August 1940.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1934 to August 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 July and August and estimate for September.

**PRODUCTION** and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.

**Industrial Production**—The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month followed by a sharp advance in the first two weeks of September as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally, following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

Value of new construction work undertaken in August was at about the same level as in July, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

**Distribution**—Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September department store sales continued to increase.

Freight-car loadings advanced from July to August when little change is usual. Shipments of coal and miscellaneous freight increased while loadings of grain showed more than a seasonal decline.

**Commodity Prices**—Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September and owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced and several new models of automobiles were announced at advanced prices.

**Agriculture**—Production prospects for most major crops increased during August, according to the Department of Agriculture. On the basis of September 1 conditions the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including Government payments, will be about \$8,900,000,000 for the calendar year 1940 as compared with \$8,540,000,000 last year.

**Bank Credit**—Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ending September 11, while their holdings of investments showed little change.

**United States Government Security Prices**—United States Government security prices increased in the last half of August and the first week in September and were steady in the second week in September.