

# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

Volume 24

APRIL 1, 1941

Number 3

FEDERAL RESERVE BANK  
OF ST. LOUIS

1941 APR 2 AM 9 27

RECEIVED  
STATISTICAL DIVISION

## THIS MONTH

---

District Summary

Industrial Activity

Employment and Payrolls

Trade Trends

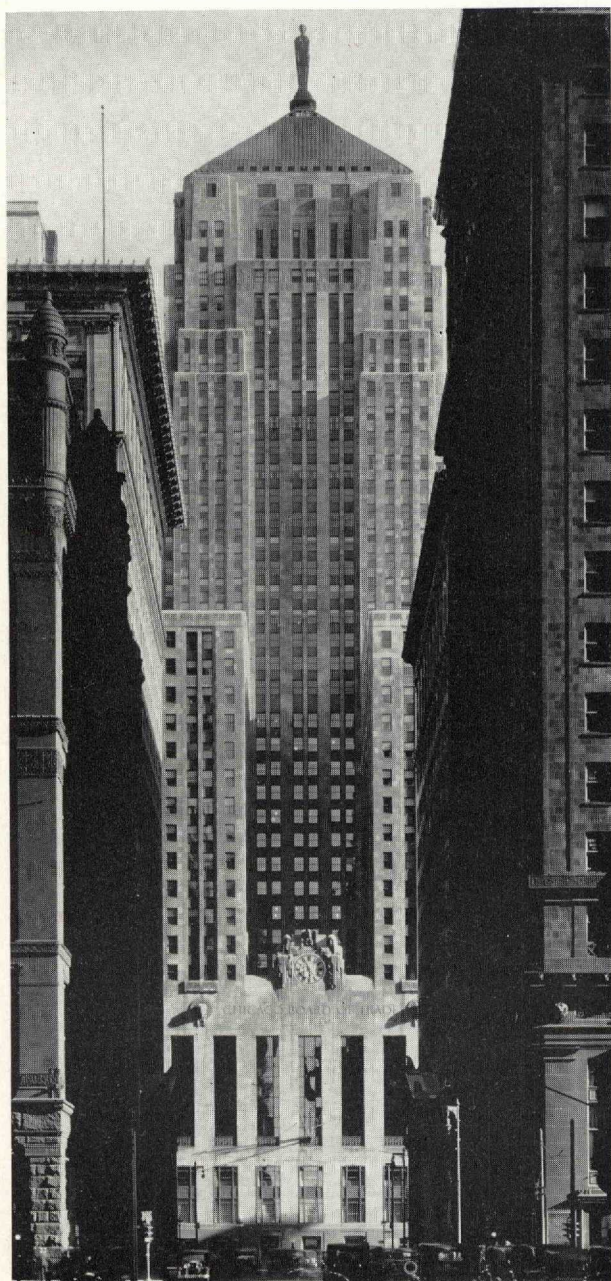
The Agricultural Situation

Credit and Finance

Current Events

National Summary

---



Courtesy Board of Trade Observatory

LA SALLE STREET AND BOARD OF TRADE

## **Defense Contract Service Established**

Field offices of the Office of Production Management have been opened in the Federal Reserve Bank of Chicago and its branch in Detroit to facilitate the production of defense equipment and supplies especially through subcontracting. Each field office is under the direction of a District Coordinator, a District Manager, and a Federal Reserve Defense Contract Officer. Similar offices have been authorized for the other eleven Federal Reserve districts.

Financial and contract advisory service will be handled through these offices. The coordinators will have adequate staffs consisting of technical, engineering, and financial assistants who will provide prime contractors, subcontractors, and potential contractors with every possible aid. It will be one of the functions of this service to supply each contractor with a source of information reasonably close to his own plant.

The Office of Production Management, through the establishment of these Field Offices, hopes to stimulate the subcontracting of defense orders, thus utilizing every available manufacturing facility. This should spread the defense load geographically and minimize the housing problem. Many other social problems that would be aggravated by an excessive centralization of defense work may be held to a minimum through subcontracting.

The Field Offices will work in close cooperation with the regular Army and Navy field representatives and offices of other branches of the defense program.

The following have been appointed to serve at the head office in Chicago in the capacities indicated: W. Homer Hartz, District Coordinator; Thomas S. McEwan, District Manager; and A. L. Olson, Federal Reserve Defense Contract Officer. Those who will serve at the Detroit office are: Clarence W. Avery, District Coordinator; Warren H. Clarke, District Manager; and H. J. Chalfont, Federal Reserve Defense Contract Officer.

The Chicago office is located in Room 553 at 230 South La Salle Street. The Detroit office is in Room 406 at 160 Fort Street.

Any inquiries relating to either direct or subcontracting for defense materials should be directed to the District Managers assigned in the respective territories. Inquiries concerning the financing of defense contracts should be referred to the Federal Reserve Defense Contract Officers.



## District Summary of Business Conditions

**SEVENTH** district business activity is maintaining the high level reached following the sharp expansion of the second half of 1940. As the defense effort comes more and more to dominate the business outlook, manufacturing output, particularly among the heavy industries, is expanding even further. Prices of most commodities have been quite firm; to some extent higher prices have been brought about by anticipatory buying or by bottleneck situations engendered by the defense program or by the international situation. The new highs established in the level of manufacturing employment and payrolls are being reflected in an unusually well sustained flow of goods to ultimate consumers. As might be expected, farmers' income has not expanded so sharply as that of industrial workers, although farmers have been receiving higher payments for their products than last year.

**Industry**—During February there was a continuation of the expansion shown almost without interruption since last summer in employment and payrolls in district manufacturing plants. Manufacturing employment was up about one per cent and payrolls 4 per cent for the month; this expansion would have been greater had it not been for labor disputes in several important plants. The level of employment in manufacturing industries as a whole was about 16 per cent higher than last year, while payrolls were 26 per cent greater in this comparison.

Reflecting a continuation of the extremely heavy buying of steel products in February and early March, district steel mills pushed operating rates as high as 101½ per cent in the third week of March. Practically all steel products have been in strong demand, and delivery schedules have lengthened further for some products to the second half of the year. Operations of district castings plants continued high, although orders have declined in recent months from the particularly heavy volume reached in December. Shipments of district stove and furnace manufacturers have increased. Following successful showings in January, February shipments of furniture manufacturers in the district increased sharply and were substantially greater than last year.

Activity in the automobile industry has continued at record levels. Despite excellent retail demand, stocks of automobiles at retail have been built up to unprecedented heights. Some fear has been expressed of overselling the market for automobiles, but, with unusually heavy stocks on hand in early March, future consumer demand can be more easily supplied if the industry has to devote increasing proportions of its capacity to the defense effort.

There was a decline in total building contracts awarded during February, although awards for residential building rose sharply for the month. Building contracts as a whole were about 32 per cent greater than February 1940, while residential contracts showed a year-to-year increase of 71 per cent. District paper mills continued to operate at an unusually high level. The daily rate of production of bituminous coal in the area expanded slightly, while operations of petroleum refineries were at a slightly lower rate. Furniture manufacturers operated their plants in February at a level about 10 per cent greater than in 1940.

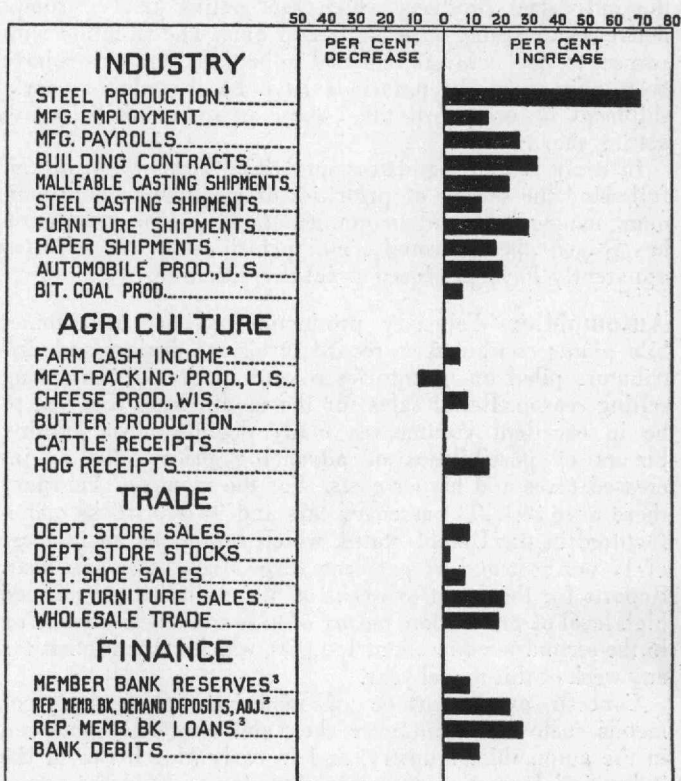
**Trade**—Consumer buying, as indicated by sales of the several retail lines reporting to this bank, has continued at an unusually high level. Department store trade in February, on a daily average basis, was 14 per cent higher than last year. Sales by district apparel stores, as well as by

retail shoe stores, showed a somewhat smaller increase, while sales of furniture and housefurnishings have had even more marked gains. Stocks of commodities at retail have shown little tendency to pile up, being in general only slightly higher than last year. Wholesale trade in the district has continued its upward trend, and for February was about 19 per cent greater than last year.

**Agriculture**—With slaughter supplies of hogs continuing much lower, meat-packing production has declined further from the unusually high level reached in the early winter months. Inventories of packing-house products have been built up to record heights, despite the recent decline in production. Production of dairy products has continued particularly heavy, output of American cheese in Wisconsin being about 8 per cent higher than last year. Price trends in major district farm products have continued mixed. Hog prices are down from their January high, and prices of slaughter cattle declined fairly steadily after January. The grain markets for the most part have been firm. Prices of many edible commodities have been affected by possibilities of heavy Government buying for export to Europe.

**Credit and Finance**—Commercial loans of weekly reporting member banks continued to expand throughout February and the first half of March. District member banks also added heavily to their security portfolios over this period, while demand deposits also increased substantially. Following extended declines, prices of Government bonds increased after mid-February.

### SEVENTH DISTRICT BUSINESS ACTIVITY FEBRUARY 1941 COMPARED WITH FEBRUARY 1940



1. Ingot rate, Chicago district, week ending March 22. 2. January data. 3. As of March 19.

## Industrial Activity

**Steel**—Throughout February and extending into March, increasing pressure was placed on Seventh district steel mills, as the flood of incoming business continued unabated. The rate of new orders increased in February over the practically record month of January and was even higher in early March, so that district mills reported mounting backlogs and further lengthening of deliveries. Mill operations are straining at capacity; the rate reported by Iron Age for the Chicago district hit 101½ per cent of capacity in the third week of March. Although the Dunn report indicated about enough capacity for the defense effort and civilian needs, there has been considerable congestion of orders, and pressure for deliveries from all types of consumers has continued. Mills to a great extent have been allocating shipments to customers on the basis of past purchases, as some manufacturers, even of consumers goods, are reported to have sought two or three times the usual amount purchased even in their best years. Many steel warehousemen are following the same practice with their customers. Steel companies have endeavored to utilize every method to curb excess buying and to discourage specifications that might slow up rolling processes. By the third week of March, there was evidently some tempering of the buying wave, as delivery promises generally did not lengthen further.

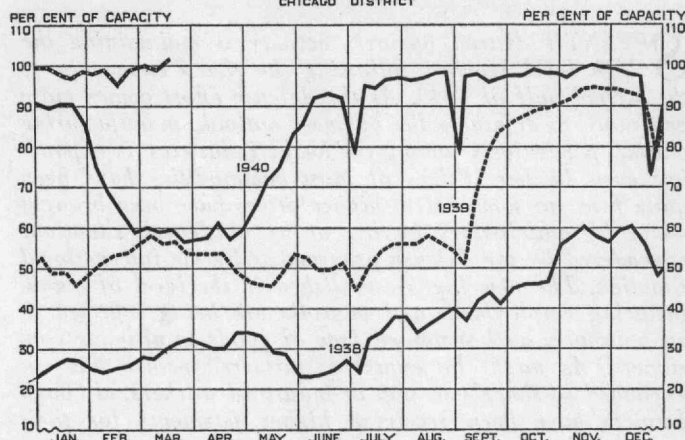
Buying of sheets and strip has been one of the particularly heavy items, with automobile companies continuing to purchase strongly and implement manufacturers also taking good tonnages. Large orders for plate have been placed by railroad car makers, and there have been sizable orders for plates in this district to be shipped East for the construction of cruisers. Tin plate buying this year has been much earlier than usual. Steel warehousemen have endeavored to build up their own stocks without great success. About the only steel products which are getting fairly prompt deliveries are pipe, wire, bolts and nuts. The situation with respect to steel scrap is reported to be tight, and prices have been quite firm. Preparations have been made for early shipment of ore down the Lakes, as some ore piles are getting short.

In early March mandatory priorities were set on nickel, following the setting of priorities of machine tools, aluminum, magnesium, and neoprene. Machine tool production has forged ahead strongly, and priorities in this industry apparently have produced a calmer situation.

**Automobiles**—February production activity at automobile plants continued at record levels, as dealers and distributors piled up inventories in anticipation of the spring selling season. Retail sales for the month were reported to be in excellent volume, as many dealers were warning buyers of possibilities of advancing prices, due to increased taxes and higher costs. For the month of February there were 394,483 passenger cars and 91,040 trucks manufactured in the United States, which represents an increase of 17 per cent and 37 per cent, respectively, over last year. Reports for the first two weeks of March indicate continued high level of production, output of cars and trucks advancing in the second week to about 131,000, which is the highest for any week of this model year.

Concern over shortage of materials, particularly of metals such as aluminum, nickel, and zinc, has continued in the automobile industry, and in early March two of the industries' largest plants were shut down one day because of lack of aluminum and nickel parts. Some manufacturers are reported to have begun installation of cast iron alloy

## RATE OF STEEL INGOT PRODUCTION



By weeks. Source: Iron Age.

pistons in engines, supplanting aluminum which has been used up until now. There has probably been considerable over-buying of nickel in some quarters, and it is felt that the nickel situation might ease through diminution of demand from steel companies who have been using large quantities recently. Labor disputes at several plants have been deterring factors.

**Miscellaneous Manufactures**—Shipments of steel and malleable castings from Seventh district foundries continued about as heavy in February as during the preceding month, with the expansion over year-ago volumes increasing further. There has been some decline in the volume of new orders received for steel castings since the unusually heavy volumes of last December. Orders for malleable castings continued to show a moderate expansion, similar to the gains recorded in each of the two preceding months. Orders and production as well as shipments showed heavier

## STEEL AND MALLEABLE CASTINGS SEVENTH DISTRICT

	January 1941	February 1941 Per Cent Change from January 1940	February 1940
<b>Steel Castings:</b>			
Orders booked (tons).....	-32	+131	
Orders booked (dollars).....	-27	+131	
Shipments (tons).....	+4	+13	
Shipments (dollars).....	+7	+31	
Production (tons).....	-4	+53	
<b>Malleable Castings:</b>			
Orders booked (tons).....	+8	+168	
Orders booked (dollars).....	+7	+162	
Shipments (tons).....	-2	+21	
Shipments (dollars).....	-2	+27	
Production (tons).....	-9	+36	

increases over year-ago volumes than was the case a month earlier.

Stove and furnace factories increased shipments materially during February, recovering from the sharp decline that was experienced in this item the preceding month. Orders continued at the high level reached in January, and production was stepped up sufficiently to prevent a decline in inventories. Stove and furnace stocks in manufacturers' hands were lower than a year ago by over 20 per cent, a somewhat larger difference than that recorded at the close of January.

Orders booked by furniture manufacturers of the Seventh district declined 17 per cent in February from the high



volume reached in January. This decline was considerably smaller than that which occurred after the closing of the Chicago furniture shows last year, and the increase over last year's volume rose to 65 per cent from the 47 per cent of a month earlier. Shipments during the month increased by 32 per cent and despite this there was a further accumulation of unfilled orders. Cancellations of orders were heavier than in January but still below last year's figure. Reporting factories were operating at 87 per cent of capacity during February, which was 11 points of capacity higher than a month earlier and 8 points above last year's rate of operation.

Activity in district paper mills during February continued at an unusually high level. The volume of new orders showed substantial gains over last year, and shipments and production, though declining slightly in the aggregate from January, were also considerably heavier than year-ago volumes. Production of pulp likewise has shown year-to-year gains, though not so substantial as those of paper.

#### PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	February 1941 Per Cent Change from	
	January 1941	February 1940
<b>Paper:</b>		
Orders booked (tons).....	+ 1	+38
Orders booked (dollars).....	+ 5	+46
Shipments (tons).....	- 6	+18
Shipments (dollars).....	- 4	+23
Production (tons).....	- 8	+ 9
Stocks at end of month (tons).....	- 2	+ 1
<b>Pulp:</b>		
Production (tons).....	- 8	+ 5
Stock at end of month (tons).....	-10	- 3

**Building**—Contracts awarded for construction work in the Seventh district totaled less in February than a month previous and also showed a smaller excess over the corresponding volume a year ago than was the case in January. This decline occurred despite a sharp rise in residential building, the awards for which were the highest for the month since the year 1929. Non-residential building declined from the unusually high January volume to a level lower than in any month previous since last March. The greater part of this decline was in awards for the construction of industrial plants. Public works and utilities also contributed substantially to the decrease in total contracts, the awards for this type of construction work being unusually small—about 40 per cent below those of a year ago. Public ownership represented about 10 million dollars, or 23 per cent of the total awards in February, a much smaller proportion than usual in recent months. There was also a slight decline in privately-financed construction, but compared with 1940 February volumes large gains continued to be shown.

Building permits issued during February in 104 cities of the district showed an increase of 20 per cent in number

#### BUILDING CONTRACTS AWARDED SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
February 1941.....	\$43,108,000	\$20,526,000
Change from January 1941.....	-16%	+22%
Change from February 1940.....	+32%	+71%
First two months of 1941.....	\$84,567,000	\$37,426,000
Change from same period in 1940.....	+67%	+75%

Data furnished by the F. W. Dodge Corporation.

of projects and a decrease of 4 per cent in their estimated cost from the preceding month. Compared with permit data for February 1940, current figures showed gains of 22 per cent in number of contemplated projects and 7 per cent in their valuation. There was a wide variation among the cities represented in these returns. Chicago showed a moderate decline in the yearly comparison of estimated valuation of such construction, while Milwaukee registered an increase of more than 100 per cent.

Shipments and deliveries of building materials during February were in somewhat lower volumes than in January. Wholesale dealers of lumber showed a one per cent decrease in dollar sales and a similar decline in board-foot volume. Sales by retail lumber yards showed a definitely downward trend in both dollar and board-foot units. Cement shipments slowed down by 6 per cent during the month, while there was apparently little change in the volume of brick deliveries. Comparisons with year-ago volumes continued to reflect the substantial improvement that has taken place during the past year. Cement shipments were about 50 per cent larger than last February and lumber sales 23 per cent heavier at wholesale and 16 per cent at retail. The wholesale price index of building materials was the same in early March as a month earlier and exceeded the corresponding index last year by a little less than 7 per cent.

**Bituminous Coal Production**—Bituminous coal production in the Seventh district area totaled as usual somewhat lower in February than in January because of the smaller number of working days. The rate of production, however, on a daily basis, was 3 per cent higher than in January and exceeded the corresponding year-ago figure by 4 per cent. For the two months, January and February, there is still a 3 per cent lag in production from a year ago. Stocks held in the Lake Michigan and Lake Superior region at the close of January were down substantially from those of December 31, as well as moderately below those of a year ago.

**Petroleum Refining**—Production of gasoline in the Seventh district territory was at a lower rate in February than in January, while sales also declined and stocks accumulated further. Comparisons with a year ago continued favorable, the accumulation of stocks being below that recorded in February 1940. Runs of crude oil to stills increased during February and averaged 7 per cent larger than last February on a daily basis.

## Employment and Payrolls

Continuing the sharp expansion evident almost without exception since mid-summer 1940, employment and payrolls in manufacturing industries in the Seventh Reserve district advanced further from mid-January to mid-February. The number of men employed, which usually lags somewhat in periods of rapid upswing, showed a gain for the month of one per cent, while wage disbursements expanded by about 4 per cent. These gains were close to the average experience of most previous years for this particular period. Both durable and non-durable goods contributed to the rise, increases in durable goods exceeding substantially gains in the non-durable group.

Although the aggregate of these two manufacturing groups conformed to about the usual seasonal movement, there was a considerably greater than customary diver-

gence in performance among the various industries making up these two major classifications. Industrial disputes in several important plants would have brought about a net decline in total employment and payroll figures had it not been for unusual expansion in many other plants. This condition was especially apparent in the metals industries group, where, among other industries, farm equipment and heavy machinery are classified. This metals industries group, the component companies of which are contributing substantially to the defense program, has shown an expansion of about 40 per cent in payrolls since the low point of last April.

Month-to-month losses in the food products and paper and printing groups were mainly of a seasonal nature and no larger than those generally recorded in February. For all manufacturing industries as a whole, year-to-year comparisons were more favorable and advanced in mid-February to show a gain of 16 per cent in employment and one of 26 per cent in total payrolls.

#### EMPLOYMENT AND PAYROLLS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of February 15, 1941			Per Cent Change from Jan. 15, 1941	
	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> .....	1,719	526,598	\$17,501	+0.9	+3.4
Vehicles.....	410	432,673	17,321	+1.4	+6.8
Stone, Clay, and Glass.....	249	19,592	517	+1.0	+2.2
Wood Products.....	430	50,704	1,217	+1.8	+7.9
<b>Total.....</b>	<b>2,808</b>	<b>1,029,567</b>	<b>36,556</b>	<b>+1.1</b>	<b>+5.1</b>
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	364	66,474	1,385	+3.1	+8.3
Food and Products.....	1,027	103,398	2,740	-2.0	-1.6
Chemical Products.....	302	41,267	1,310	+1.7	+2.6
Leather Products.....	164	28,528	666	+2.8	+7.5
Rubber Products.....	33	16,811	462	-0.0	+0.5
Paper and Printing.....	672	77,984	2,364	-0.7	-1.3
<b>Total.....</b>	<b>2,562</b>	<b>334,462</b>	<b>8,927</b>	<b>+0.2</b>	<b>+1.3</b>
<b>Total Mfg., 10 Groups.....</b>	<b>5,370</b>	<b>1,364,029</b>	<b>45,483</b>	<b>+0.9</b>	<b>+4.3</b>
Merchandising.....	5,084	138,433	3,165	-0.1	+0.2
Public Utilities.....	1,085	103,021	3,500	-0.2	-0.3
Coal Mining.....	46	8,222	247	-0.5	+1.6
Construction.....	697	9,427	325	-6.6	-6.0
<b>Total Non-Mfg., 4 Groups.....</b>	<b>6,912</b>	<b>259,103</b>	<b>7,237</b>	<b>-0.4</b>	<b>-0.3</b>
<b>Total, 14 Groups.....</b>	<b>12,282</b>	<b>1,623,132</b>	<b>\$52,720</b>	<b>+0.7</b>	<b>+3.7</b>

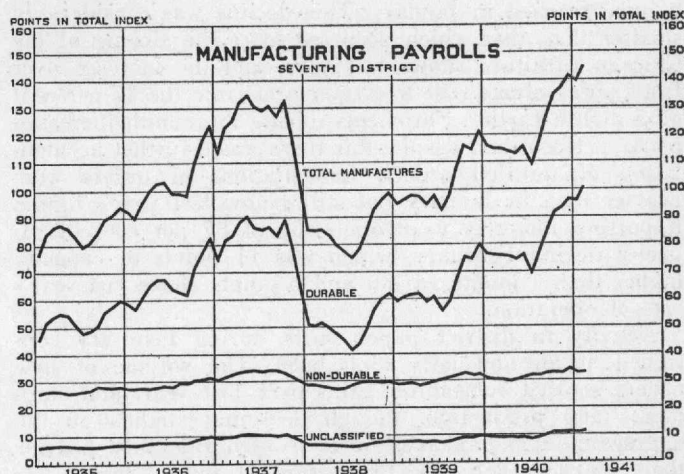
<sup>1</sup>Other than vehicles.

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

The non-manufacturing industries registered a somewhat better than the usual seasonal trend for the January-to-February period, as the fractional declines shown were considerably less than those recorded in most previous years. During the past year the non-manufacturing group has increased by about 18 per cent both in number of workers employed and in wage payments. The merchandising and construction classifications have contributed most substantially to these gains, while the coal mining group has registered practically no change compared with last year.

### Trade Trends

**Department Stores**—District department store sales showed a slightly smaller gain over last year than they did in January, due to one less trading day in February 1941 than in February 1940. On a daily average basis, however, dollar volume for February was about 14 per cent above last year. Cumulative sales by department stores for the first two months of the year were 10 per cent heavier than for the same period of 1940. Of the larger cities in the



Index of manufacturing payrolls by major divisions, without adjustment for seasonal variation, 1935-1939 average for total = 100. Durable manufactures, non-durable manufactures, and unclassified expressed in terms of points in the total index. Data adjusted to Census of Manufactures for Illinois, Indiana, Iowa, Michigan, and Wisconsin through 1937.

district, Detroit continued to show the greatest gain, reflecting increased purchasing power in that area. Flint and Lansing, which are also located in the Michigan industrial area where defense spending has been heavy, reported substantial increases in trade. Likewise, Indianapolis and Fort Wayne in Indiana have shown sizable gains in this segment of retail trade.

Weekly reports from larger stores in the district show an increase of 8 per cent over last year for the first two weeks of March. Best gains by cities were shown by Detroit and Milwaukee.

As indicated by reports from a sample of 41 stores in the district, almost all main departments of department stores had fairly substantial gains over last year during February. Particularly notable were sales of homefurnishings items, those for linens, domestics, and towels showing an increase of 22 per cent and those for furniture being up as much as 25 per cent. Clothing items also have done well, the women's, girls', and infants' apparel and accessory group showing an increase of 9 per cent for the stores reporting, and the men's and boys' wear group one of 13 per cent. Piece goods, which includes dress and coat yard goods of all materials, was the only group to show a decline for the month.

#### DEPARTMENT STORE TRADE IN FEBRUARY 1941

Locality	February 1941 Compared with February 1940 (Per Cent Change)		First Two Months 1941 Compared with First Two Months 1940 (Per Cent Change)
	Net Sales	Stocks End of Month	Net Sales
Chicago.....	+ 4	+ 3	+ 4
Peoria.....	+ 9	..	+13
Fort Wayne.....	+15	- 3	+18
Indianapolis.....	+12	+ 2	+14
Des Moines.....	+ 4	..	+ 2
Sioux City.....	+ 4	..	+ 3
Detroit.....	+19	..	+18
Flint.....	+27	..	+21
Grand Rapids.....	+ 9	..	+ 7
Lansing.....	+23	..	+12
Milwaukee.....	+10	+ 1	+11
Other Cities.....	+12	+ 4	+12
7th District.....	+ 9	+ 2	+10

**Miscellaneous Retail Trade**—Aggregate February sales of reporting apparel stores in this district were 9 per cent above those for February 1940. Cumulative sales for Jan-



uary and February 1941 showed an increase of 10 per cent against the same period a year ago. Stocks of these stores at the close of February were about 5 per cent over the same month a year previous.

February shoe sales by reporting dealers and department stores in the area totaled 7 per cent over February 1940. This increase was approximately the same as reported for January; however, during February department stores recorded a larger increase than did dealers, whereas in January the reverse situation existed. Stock data are available for dealers only, and showed a slight increase over January but were substantially below a year ago.

Retail furniture sales continued to follow the favorable trend of the last four months, although the increase for February over a year previous was a little smaller than that shown for January—21 per cent in February against a 27 per cent increase in January. Cumulative sales for February and January 1941 were 24 per cent over the same period of 1940.

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

	Per Cent Change February 1941 from February 1940				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+10	+14	+8	+17	+7
Apparel Group.....	+4	+8	+8	+10	+7
Drug Stores.....	+0	+3	+4	+9	+4
Eating and Drinking Places.....	+0	+2	+9	+12	+10
Food Group.....	+1	+6	-2	+6	+0
Furniture—Household—Radio Group.....	+10	+18	-2	+30	+6
Hardware Stores.....	+15	+24	-2	+17	+15
Jewelry Stores.....	+25	+21	+18	+30	+27
Lumber and Building Materials.....	+20	+17	+26	+36	+25
Motor Vehicle Dealers.....	+31	+49	+22	+46	+21

\*Includes classifications other than those listed.

**Wholesale Trade**—Wholesale business of most groups in the district reporting to the Bureau of the Census continued its upward trend during February. The total for the district was 19 per cent heavier than in February 1940. Electrical goods showed the largest year-to-year increase—47 per cent. Practically all wholesale lines were carrying heavier inventories; total stocks at the end of February were 6 per cent over February 1940 and 3 per cent over January.

#### WHOLESALE TRADE IN FEBRUARY 1941

Commodity	February 1941 Compared with February 1940 (Per Cent Change)	
	Net Sales	Stocks End of Month
Drugs and Drug Sundries.....	+4	+3
Electrical Goods.....	+47	+16
Groceries.....	+5	+6
Hardware.....	+28	+7
Jewelry.....	+16	+9
Meats and Meat Products.....	+31	+0
Paper and Its Products.....	+6	-1
Tobacco and Its Products.....	-1	+8
Miscellaneous.....	+32	+5

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

### The Agricultural Situation

**Grain Marketing**—Following general declines in January and early February, domestic wheat prices advanced about 8 cents a bushel from mid-February to mid-March. By March 18, the May future reached 88 cents, which was close to the high for the season. At this level wheat prices were at a point where many farmers could redeem their loan stocks, although the Commodity Credit Corporation had taken delivery on only a small amount of wheat in satisfaction of loans. The advance in prices was considerably influenced by possibilities involving pending legisla-

tion which advocates higher loan figures. Strength in surrounding markets, particularly in securities, was an additional factor.

Marketings of wheat have continued light, and buying by flour interests improved somewhat after mid-March. The indicated acreage of spring wheat to be seeded in 1941 is

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

(In thousands of bushels)

	February 1941	January 1941	February 1940	February 1931-40 Avg.
Wheat:				
Receipts.....	8,145	10,342	11,928	12,207
Shipments.....	8,148	10,052	7,426	8,910
Corn:				
Receipts.....	13,945	16,434	13,259	13,468
Shipments.....	7,070	9,009	7,630	7,002
Oats:				
Receipts.....	3,096	3,515	4,840	4,444
Shipments.....	3,112	3,367	4,337	4,306

about 8 per cent less than that seeded last year, and, except for the slightly smaller acreage seeded in 1939, the prospect for 1941 is the lowest for any year since 1924.

There was little net change in corn prices through February and early March, although quotations firmed somewhat in mid-March. Stability in the corn market reflected the 61-cent loan available on corn, as well as the policy of the C.C.C. to make available for sale all Government-held corn at 65 to 69 cents a bushel. Later the selling policy of the C.C.C. was revised slightly, with current offerings at a minimum of 69 cents. The new corn loan has moved rather slowly, and in early March the quantity of 1940 corn sealed was estimated to be considerably less than half the amount sealed last year.

#### PROSPECTIVE PLANTINGS FOR 1941

(In thousands of acres)

	Seventh District <sup>1</sup>			United States		
	1941	1940	Average 1930-39	1941	1940	Average 1930-39
Corn, all.....	24,303	24,332	27,945	87,056	88,143	101,081
Oats.....	13,903	13,424	15,424	37,102	36,237	39,196
Tame hay.....	16,797	16,731	13,624	62,398	61,592	56,102
Beans, dry edible.....	587 <sup>2</sup>	619 <sup>2</sup>	589 <sup>2</sup>	1,855	2,009	1,942
Potatoes.....	543	598	718	2,988	3,104	3,364

<sup>1</sup>Total for Illinois, Indiana, Iowa, Michigan, and Wisconsin.

<sup>2</sup>Michigan and Wisconsin.

The prospective acreage of corn to be planted in 1941 is estimated at less than one per cent below 1940 plantings, while in the Seventh district prospective plantings are almost exactly the same as last year. These corn belt states are opening the 1941 season with abundant supplies of corn in almost all sections, and the acreage allotment in the officially designated corn belt countries is virtually the same as last year.

**Livestock and Meat Packing**—Slaughter supplies of hogs in February continued substantially lower than last year. The total number of hogs on farms at the first of the year was 12 per cent less than the number a year earlier, and slaughter supplies during the rest of the marketing year are expected to total around 15 per cent smaller than the corresponding period last year. The 1941 spring pig crop is still expected to be substantially smaller than that of 1940, but this year's fall pig crop probably will be larger. Inspected slaughter of cattle in February was only slightly higher than last year during February. Prices of cattle declined steadily from mid-February to Mid-March, though continuing well above year-earlier levels.

Production of packing-house commodities in the United States declined further in February from the high point reached in December to a level lower than any month since

# LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District:				
February 1941	171	627	230	61
February 1940	170	748	233	64
Federally Inspected Slaughter, United States:				
February 1941	717	3,725	1,391	384
January 1941	891	4,517	1,625	411
February 1940	715	4,277	1,313	378

# AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended	Months of		
	Mar. 22, 1941	February 1941	January 1941	February 1940
Native Beef Steers (average)	\$10.90	\$11.35	\$11.95	\$ 9.15
Fats Cows and Heifers	9.20	8.75	8.85	7.55
Calves	10.00	11.00	11.00	10.00
Hogs (bulk of sales)	7.75	7.75	7.75	5.15
Lambs	11.05	10.60	10.30	9.40

last September. The tonnage of meat products sold, though showing a smaller month-to-month decrease than slaughter, was somewhat lower than current production, so that there was a further rise in inventories to a new all-time high by the end of February. Foreign trade in meat-packing products continues to constitute only a small portion of total business.

# MEAT PACKING—UNITED STATES

	January 1941	February 1940	1931-40 Avg.
Tonnage produced	-18.0	- 8.4	+11.3
Tonnage sold	-15.9	- 3.3	+11.5
Dollar sales	- 4.9	+19.0	+32.5
Inventories, end of month	+ 4.0	+19.7	+36.5

**Dairy Products**—During February production of milk and dairy products continued at an unusually high level for the season. Daily average production of milk in the United States was about 6 per cent higher than for February last year. For the country as a whole, there are about 2 per cent more milk cows than a year ago, but the principal cause of high milk production has apparently been heavy feeding of grains and high protein concentrates. Prices of dairy products, though low enough to permit heavy consumption, have been high enough to encourage farmers to feed cows more liberally. Production of creamery butter in the United States was about 6 per cent heavier than last year and 19 per cent above average, while that of American cheese showed an increase of 8 per cent over last year and 31 per cent over the 1935-39 average for February. Stocks of cheese continue large and in February showed less than seasonal declines, while cold-storage holdings of creamery butter were lower than last year and represented only about three days' production. Cash prices of butter have been firm, and futures have strengthened considerably since February. The S.M.A. (incorrectly reported in this review last month as the D.P.M.A.) has continued to purchase butter, buying fairly heavy in the New York market. The S.M.A. announced in early March that it contemplated the purchase of quantities of cheese, evaporated milk, dry skimmed milk powder, and eggs.

Butter production in the Seventh district during February was slightly higher than last year, while output of American cheese in Wisconsin showed an increase of about 8 per cent.

# Credit and Finance

Total loans of reporting member banks in 101 cities of the country moved up 381 million dollars from January 29 to March 12, while total investments increased 687 million dollars. During the same period, demand deposits increased

555 million dollars. Reporting member banks in the Seventh Federal Reserve district expanded their loans by 67 million dollars and increased investments by 183 million dollars. Demand deposits moved upward 62 million dollars over the same time.

While this expansion has been taking place, excess reserves of member banks have declined 690 million dollars, reflecting almost entirely an increase in Treasury deposits with the Federal Reserve banks due mainly to income tax payments. Although money in circulation increased 278 million dollars, this factor was offset by an increase of 31 million dollars in Reserve bank credit extended, 225 million dollars in monetary gold stocks, and a reduction of 72 million dollars in nonmember bank and other Federal Reserve deposits.

A similar situation has been evidenced in the position of weekly reporting member banks in Chicago. Commercial, industrial, and agricultural loans increased by 29 million dollars to 522 million dollars in the five weeks ended March 12. Investments moved up 96 million dollars and totaled 1.972 million dollars on the latter date.

March 19, the Treasury offered 500 million dollars of 11- to 13-year 2½ per cent bonds for cash subscription. At the same time it offered holders of 504 million dollars of 1¾ per cent Treasury notes maturing June 15 the right to exchange their notes for the new bonds or for the ¾ per cent Treasury notes maturing March 15, 1943. The re-funding offer provided for an interest adjustment as of March 31, 1941. The ¾ per cent notes were not sold for cash and were an additional issue of the series D-1943 notes originally issued March 15.

Announcement of the Treasury's new savings bond program developed to aid in financing the national defense effort was made by Secretary Morgenthau March 20. Three new issues of United States Savings Bonds—Defense Savings Bonds, Series F Savings Bonds, and Series G Savings Bonds—as well as a new series of specially designed Postal Savings Stamps will go on sale May 1. The Defense Savings Bonds will be similar to the present "Baby Bonds" series and will replace them as a medium of investment for people of small income. The Series F Savings Bonds are intended for larger investors, while the Series G Savings Bonds are designed to meet demand by both large and small investors for a current income bond. Additional details as to these bonds may be had by addressing the Federal Reserve Bank of Chicago.



Weekly figures for reporting member banks in leading cities of the Seventh district, January 5, 1938 to March 19, 1941.



## 1940 Member Bank Operating Ratios

Member banks in the Seventh Federal Reserve district earned slightly less on their total invested capital during 1940 than they did during 1939, notwithstanding the increase in loan volume which took place during the year. Average net addition to profits was 8 per cent of total net worth in 1940, compared with 8.4 per cent in 1939. Stockholders, however, received a slightly larger share of earnings as cash dividends declared averaged 2.5 per cent of total capital in 1940 and 2.2 per cent in 1939. These figures are averages of percentages for all banks, regardless of size, and were revealed in a study of member bank operations just completed by this bank.

For the typical Seventh district member bank, interest and discount on loans accounted for 54.6 per cent of total earnings. In fact, it was more than double the percentage derived from interest and dividends on security portfolios. The largest single item of expense was salaries and wages, the increase in which accounted for all of the decrease in net earnings from operations. The large banks, those with more than 10 million dollars of deposits, continued to show an excess of recoveries over charge-offs.

During the three years that ratio studies of this type have been made by the Federal Reserve Bank of Chicago, different movements are noticeable. Of the total income from current operations, interest and discount on loans produced 46.5 per cent in 1938, 50.5 per cent in 1939, and 54.6 per cent in 1940; interest and dividends on bonds declined from 35.4 per cent in 1938, to 31.3 per cent in 1939, and 27.2 per cent in 1940. Service charges on deposit accounts moved up slightly each year, producing 7.1 per cent of total earnings in 1938, 7.4 per cent in 1939, and 7.6 per cent in 1940. The item, "all other earnings," has shown a corresponding decline.

On the expense side, salaries and wages consumed 29.7 per cent of earnings in 1938, 29.9 per cent in 1939, and 30.9 per cent in 1940. Interest on time and savings deposits has moved lower each year, declining from 18.5 per cent of total earnings in 1938, to 17.6 per cent in 1939, and 16.9 per cent in 1940. While taxes have been slightly higher each year, the item, "all other expenses," has been lower. In fact, the percentage of total earnings left after all expenses have been paid has fluctuated but little. Banks were able to retain, on an average, 27.6 per cent of their gross earnings in 1938 and 1939 and 26.4 per cent in 1940.

Distribution of assets has been changed but slightly. Banks, in all groups, continue to carry approximately 30 per cent of their assets in cash. In 1940, the average of all banks studied showed 34.1 per cent of total assets invested in loans, 30.3 per cent in securities, 1.9 per cent in real estate assets, 33.6 per cent in cash, and .1 per cent in all other assets.

The average rate of return on loans for all banks was 5.2 per cent in 1940 against 5.4 per cent in 1939 and 5.5 per cent in 1938. Net return on loans for all banks was also 5.2 per cent in 1940, due to the fact that recoveries on loans and losses on loans were equal. The average rate of return on investments declined from 2.9 per cent in 1939 to 2.7 per cent in 1940, but profits on securities sold plus recoveries on securities were more than sufficient to wipe out the losses on this type of investment, and in 1940 boosted the net return to 2.9 per cent.

In 1940 the ratio of total capital accounts to total deposits averaged 11.9 per cent, whereas this figure was 12.4

## AVERAGE OPERATING RATIOS OF MEMBER BANKS IN THE SEVENTH FEDERAL RESERVE DISTRICT

(All ratios are expressed in percentages and are averages of the ratios of individual banks in each group, rather than ratios based on aggregate dollar figures)

	1940	1939	1938
Number of banks used in study.....	789	777	762
<b>RATIOS TO TOTAL CURRENT EARNINGS:</b>			
<i>Sources of Earnings</i>			
Interest and discount on loans.....	54.6	50.5	46.5
Interest and dividends on bonds, stocks, etc.....	27.2	31.3	35.4
Service charges on deposit accounts.....	7.6	7.4	7.1
All other earnings.....	10.6	10.8	11.0
Total earnings from current operations.....	100.0	100.0	100.0
<i>Disposition of Earnings</i>			
Salaries and wages.....	30.9	29.9	29.7
Interest on time and savings deposits.....	16.9	17.6	18.5
All other expenses.....	25.8	24.9	24.2
Total current expenses.....	73.6	72.4	72.4
Net earnings from current operations.....	26.4	27.6	27.6
Net charge-offs (or net recoveries (+)).....	.8	.5	5.9
Net addition to profits.....	25.6	27.1	21.7
<b>RATIOS TO TOTAL CAPITAL ACCOUNTS:</b>			
Net earnings from current operations.....	8.6	9.0	9.2
Net charge-offs (or net recoveries (+)).....	.6	.6	2.3
Net addition to profits.....	8.0	8.4	6.9
Cash dividends declared.....	2.5	2.2	2.0
<b>RATIOS TO TOTAL LOANS:</b>			
Interest and discount on loans.....	5.2	5.4	5.5
Net charge-offs (or net recoveries (+)).....	.0	.1	.2
Net return on loans.....	5.2	5.3	5.3
<b>RATIOS TO TOTAL SECURITIES:</b>			
Interest and dividends on bonds, stocks, etc.....	2.7	2.9	3.0
Profits on securities sold.....	.8	1.1	1.0
Net charge-offs (or net recoveries (+)).....	.6	.8	1.1
Net return on securities.....	2.9	3.2	2.9

per cent in 1939. This decline was a natural result of the increase in deposits, particularly among the larger banks. The capital-deposit ratio continued much lower in the larger banks than in the smaller banks.

Copies of the complete survey, with 45 ratios for 13 size groups, may be had by addressing the Federal Reserve Bank of Chicago.

## Current Events

### Aluminum Industry Plans Defense Needs

Leading executives of the aluminum industry in the Seventh Federal Reserve district met with the representatives of the Office of Production Management, March 21, to work out plans for the complete utilization of the industry's capacity in this territory in order to place the plant facilities and man power of this section fully behind the all-out defense program.

The meeting was held at the Federal Reserve Bank of Chicago, which has opened offices for Defense Contract Service. W. Homer Hartz, Regional Coordinator of the Defense Contract Service of the Seventh Federal Reserve district represented the Government, and Col. Fred R. Zimmerman of the Chicago Ordnance District was present to explain the urgent needs of his branch of the service.

### Clifford S. Young Elected President

Announcement of the election of Clifford S. Young to the presidency of the Federal Reserve Bank of Chicago and the reelection of Howard P. Preston as First Vice President was made March 7, by F. J. Lewis, Chairman. Mr. Young succeeds George J. Schaller, who retired February 28.

Mr. Young had been a Vice President and member of the Managing Committee since 1936. He started his career with the Federal Reserve Bank as an examiner in 1921. His next position was that of Acting Assistant Federal Reserve Agent to which he was appointed in 1929. The fol-

lowing year he was made Assistant Federal Reserve Agent. In 1931 he became Acting Secretary of the Board of Directors, and in 1932 his title was again changed to that of Secretary of the Board and Manager of the Bank Examination Department. Before coming to the Federal Reserve Bank, Mr. Young had served in an official capacity for several banks, both before and after his service as a Second Lieutenant in the World War.

## New Member Banks

The list of member banks in the Seventh Federal Reserve district is increasing steadily, the latest figure as of March 24, 1941, reading 869 memberships. Six new banks have joined the System between February 19 and March 24, namely:

Bremen State Bank, Tinley Park, Illinois.  
The Bippus State Bank, Bippus, Indiana.  
Chesterton State Bank, Chesterton, Indiana.  
Iowa Trust & Savings Bank, Estherville, Iowa.  
DeForest-Morrisonville Bank, DeForest, Wisconsin.  
Park Savings Bank, Milwaukee, Wisconsin.

## MONTHLY BUSINESS INDEXES

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

	Feb. 1941	Jan. 1941	Dec. 1940	Feb. 1940	Jan. 1940	Dec. 1939
<b>MANUFACTURING INDUSTRIES</b>						
Durable Goods:						
Employment.....	132	131	130	110	111	114
Payrolls.....	159	152	152	120	120	126
Non-Durable Goods:						
Employment.....	102	102	105	96	96	100
Payrolls.....	113	111	117	103	104	110
Total:						
Employment.....	122	121	122	105	106	109
Payrolls.....	145	140	142	115	116	121
<b>PIG IRON PRODUCTION*</b>						
Illinois and Indiana.....	193	187	184	141	165	161
<b>AUTOMOBILE PRODUCTION—(U. S.)</b>						
Passenger Cars.....	151	157	152	129	139	143
Trucks.....	153	151	146	111	117	132
<b>CASTING FOUNDRIES SHIPMENTS</b>						
Steel—In Dollars.....	209	196	178	160	172	163
In Tons.....	176	169	160	156	171	158
Malleable—In Dollars.....	162	164	167	129	142	143
In Tons.....	148	150	158	123	132	134
<b>STOVES AND FURNACES</b>						
Shipments.....	101	83	113	73	64	87
<b>FURNITURE MANUFACTURING:</b>						
Orders in Dollars.....	160	192	101	97	131	86
Shipments in Dollars.....	142	107	139	110	91	128
<b>PAPER MANUFACTURING*</b>						
Tonnage Production.....	122	115	108	107	106	111
<b>PETROLEUM REFINING</b>						
(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Still.....	149	141	140	139	127	132
Gasoline Production.....	128	134	134	128	122	127
<b>BITUMINOUS COAL PRODUCTION*</b>						
Illinois, Indiana, Iowa, and Michigan.....	139	136	142	130	150	125
<b>BUILDING CONTRACTS AWARDED</b>						
Residential.....	178	146	171	104	82	129
Total.....	110	131	122	83	61	90
<b>MEAT PACKING—(U. S.)</b>						
Production.....	111	135	155	121	148	141
Sales Tonnage.....	105	125	117	109	130	116
Sales in Dollars.....	111	117	106	93	101	99
<b>DEPARTMENT STORE NET SALES*</b>						
Chicago.....	91	88	194	85	84	184
Detroit.....	101	91	203	83	77	179
Indianapolis.....	97	98	218	83	84	197
Milwaukee.....	89	90	198	78	79	180
Other Cities.....	93	85	203	84	79	195
Seventh District—Unadjusted.....	94	89	199	84	81	185
Adjusted.....	112	113	118	100	103	109

\*Daily average basis.

## Selected Seventh District Banking Data

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

(Amounts in millions)

	Mar. 19, 1941	Feb. 19, 1941	Mar. 20, 1940	Change from 1941
Total bills and securities.....	\$245	\$+0	\$-22	
U. S. Government securities direct and guaranteed:				
Notes.....	95	-6	-27	
Bonds.....	150	+6	+5	
Total Government securities.....	245	0	-22	
Total reserves.....	2,932	-44	+470	
Member bank reserve deposits.....	1,583	-159	+131	
All other deposits.....	267	+103	+96	
Federal Reserve notes in circulation.....	1,301	+20	+227	
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	93.0%	-0*	+2*	

\*Number of Points.

### CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Mar. 19, 1941	Feb. 19, 1941	Mar. 20, 1940	Change from 1941
<b>ASSETS</b>				
Loans and investments—total.....	\$3,999	\$+120	\$+620	
Loans—total.....	1,156	+46	+248	
Commercial, industrial, and agricultural loans.....	729	+47	+191	
Open-market paper.....	45	+3	+8	
Loans to brokers and dealers in securities.....	37	-4	+2	
Other loans for purchasing or carrying securities.....	68	0	-4	
Real estate loans.....	132	0	+17	
Loans to banks.....	0	-2	0	
Other loans.....	145	+2	+34	
U. S. Treasury bills.....	515	+63	+161	
U. S. Treasury notes.....	260	-39	-22	
U. S. Treasury bonds.....	1,146	+34	+80	
Obligations fully guaranteed by U. S. Government.....	300	+4	+38	
Other securities.....	622	+12	+115	
Cash reserves, other than items in process of collection.....	1,985	-137	+189	
<b>LIABILITIES</b>				
Demand deposits—adjusted.....	3,084	-25	+576	
Time deposits.....	1,010	+2	+51	
Interbank deposits.....	1,403	0	+163	
U. S. Government deposits.....	124	0	-11	
Turnover velocity of demand deposits (annual rate)....	Mar 1-19, 1941 20.10	Feb. 1941 19.67	Mar. 1940 22.56	

### BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

	February 1941	Per Cent Change from Feb. 1940	First Two Months of 1941	Per Cent Change from Same Period 1940
Chicago.....	\$2,893	+ 8	\$6,315	+ 7
Des Moines.....	90	+ 6	189	+ 4
Detroit.....	1,138	+25	2,388	+22
Fort Wayne.....	32	+10	71	+12
Grand Rapids.....	59	+10	125	+ 7
Indianapolis.....	210	+11	488	+14
Milwaukee.....	287	+ 9	600	+11
Peoria.....	61	+14	127	+16
South Bend.....	47	+25	100	+25
32 smaller cities.....	527	+13	1,123	+14
Total 41 cities.....	5,344	+12	11,522	+11

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

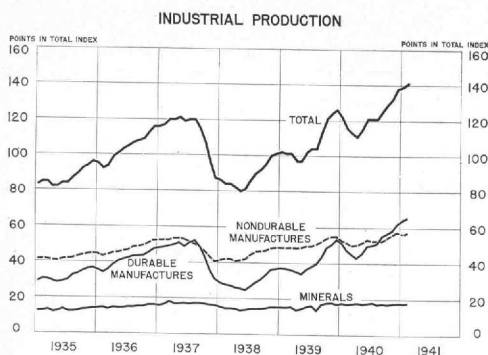
Average for Each Banking Day during February 1941 February 1940

	February 1941	February 1940
<b>ITEMS HANDLED</b>		
Commercial checks.....	544,000	520,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	1,565	2,076
Paper currency received and counted.....	1,307,000	1,306,000
Coins received and counted.....	554,000	517,000
Wire and other transfers of funds (Inter- and intra-district).....	514	498
Securities in and out of safekeeping.....	1,119	1,108
Coupons cut from securities in safekeeping.....	1,412	1,406
<b>DOLLAR AMOUNTS</b>		
Commercial checks.....	116,000,000	98,000,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	2,498,000	2,685,000
Paper currency received and counted.....	5,314,000	5,102,000
Coins received and counted.....	95,000	76,000
Wire and other transfers of funds (Inter- and intra-district).....	80,000,000	65,000,000
Securities in and out of safekeeping.....	19,393,000	24,387,000
Value of securities held in safekeeping at end of month.....	944,000,000	960,000,000



# National Summary of Business Conditions

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



Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to February 1941.



Wednesday figures, January 2, 1935 to March 12, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported.



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to March 15, 1941.



Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August 1939 = 100. Thursday figures, January 3, 1935 to March 13, 1941.

**INDUSTRIAL** activity and employment increased further in February and the first half of March. Buying by producers and consumers continued in large volume, and wholesale commodity prices, particularly of imports, advanced.

**Production**—In February volume of industrial output, on a daily average basis, rose more than seasonally, and the Board's adjusted index advanced from 139 to 141 per cent of the 1935-39 average.

Increases in February, as in other recent months, were largest in the durable goods industries where a large proportion of defense program orders have been placed. Activity continued to rise sharply at machinery plants, aircraft factories, shipyards, and in the railroad equipment industries. Steel production fluctuated around 96 per cent of capacity in January and February and rose to 99 per cent in the first half of March. New orders for steel continued large and, despite the high rate of output, unfilled orders increased further. Many orders have been placed for delivery in the second half of this year, reflecting the prospect of heavy consumption and some uncertainty on the part of steel users regarding future availability of supplies. Output of pig iron, coke, and nonferrous metals was likewise at near-capacity rates in February and unfilled orders for these products, too, were at exceptionally high levels. Demand for lumber continued large owing to a high rate of construction activity and output was sustained in large volume for this time of year. Automobile production increased in February and the first half of March to about the peak rate attained last November. Retail sales of new and used cars advanced to unusually high levels.

In industries manufacturing nondurable goods, activity continued at the record levels reached in the latter part of 1940. There were further increases in the cotton textile, rubber, and chemical industries and activity at woolen mills also increased, following a temporary reduction in January. In most other lines activity was maintained at the high levels of other recent months.

Coal production rose less than seasonally in February but increased considerably in the first half of March when, according to trade reports, there was some inventory accumulation in anticipation of a possible shutdown on April 1 at the expiration of the present contract between the mine operators and the miners' union. Copper and zinc production increased in February and recently domestic supplies of copper have begun to be supplemented by imports from South America. Output of crude petroleum continued at about the rate that had prevailed during the three preceding months.

Value of construction contract awards in February declined somewhat more than seasonally, reflecting decreases in both public and private work, according to reports of the F. W. Dodge Corporation. Awards for public construction, although sharply reduced from the high levels reached in the latter half of 1940, were somewhat above those of a year ago, and awards for private construction were nearly half again as large as in February of last year.

**Distribution**—Distribution of commodities to consumers increased more than seasonally from January to February. Sales at variety stores and by mail-order houses were the largest on record, making allowance for usual seasonal changes, and department store sales were also at a high level.

Freight-car loadings increased by about the usual seasonal amount. Shipments of miscellaneous freight, consisting mostly of manufactured products, showed an increase while loadings of forest products rose less than seasonally and grain shipments declined.

**Wholesale Commodity Prices**—Prices of a number of basic imports rose sharply from the early part of February to the middle of March. Cotton yarns and gray goods and nonferrous metal scrap showed further increases in this period and there were also advances in prices of some other domestic commodities, including lead, wheat, cotton, and oils and fats.

**Bank Credit**—Commercial loans continued to increase at member banks in 101 leading cities in February and the first half of March and these banks also purchased additional Treasury notes and bills issued in connection with the defense program. As a result of the increase in loans and investments, bank deposits showed a further marked advance.

**United States Government Security Prices**—Prices of Government securities increased after February 15, following a sharp decline in the preceding ten weeks. The 1960-65 bonds on March 15 were about  $3\frac{1}{8}$  points above their price on February 15 and about  $1\frac{1}{4}$  points below the all-time peak of December 10. The yield on this issue, which increased from 2.03 per cent at the peak in prices on December 10 to 2.30 per cent on February 15, had declined to 2.14 per cent on March 15.

**SEVENTH FEDERAL**



**RESERVE DISTRICT**

