

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

FEDERAL RESERVE BANK
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STATISTICAL DIVISION



Employees Who Are Now In Military Training

(For identification, see inside front cover)

Employees Who Are Now In Military Training

Thirty-three employees of the Federal Reserve Bank of Chicago and four from the Detroit Branch have entered the armed forces of the Government during the present preparedness program. Twenty-three have entered the army under the Selective Service Act, twelve are members of the Illinois National Guard, one was a member of the Naval Reserve, and one is a member of the Michigan National Guard. Those now in active service are:

1. Richard Armato
2. Albert L. Beauvais
3. Harley C. Burk
4. Daniel Burnham
5. John A. Chudd
6. LeRoy A. Davis
7. Harry O. Engle
8. Clement E. Globis
9. Robert W. Heinke
10. Charles A. Henderson
11. Fred H. Hoelck
12. Paul W. Johnson
13. Thomas Kennealy
14. Ralph N. Kent
15. Edward H. Koch
16. Theodore H. Kuyper
17. Kenneth P. Laux
18. Herman H. Longfield
19. Bernard V. McDonagh
20. William F. Moehle
21. Albert E. Mommsen
22. Harold R. Noren
23. Frank B. Norris
24. James P. O'Brien
25. John C. Ortman
26. Vernon F. Peterson
27. Roy John Risting
28. Roy H. Sandvik
29. Edward C. Schultz
30. Vincent P. Schumacher
31. Joseph A. Severtsen
32. Laurence M. Sheahan
33. John J. Shimkus
34. Harry H. Tiedemann
35. Willard VonBergen
36. Rhys W. Wagner
37. John G. Zuurbier

Business Conditions in the Seventh Federal Reserve District

Department Stores—Responding to increased activity in business engendered by the defense program and the resulting augmented purchasing power of increased employment and payrolls, department store trade in the Seventh district has continued to show increases in recent months over the corresponding periods of 1940.

Starting at a higher level in January 1941 than it did in January 1940, the volume of trade has increased consistently over the previous year. Based on indexes computed on daily average sales, the difference in January ranged from 5 per cent to 18 per cent for the cities shown in the accompanying chart, with an average of 9 per cent for the district. By the end of May, this difference in level had increased, ranging from 15 per cent to 25 per cent and averaging 18 per cent for the district. These increases were most consistent in Milwaukee; beginning with 13 per cent in January they rose to 14 per cent in February, 17 in March, 20 in April, and 25 in May. Chicago, starting 5 per cent above the January 1940 volume, showed the most even month-to-month expansion during the January to May period, but averaged lower than any of the other cities shown on the chart. Sales in Detroit have registered the largest average monthly increase.

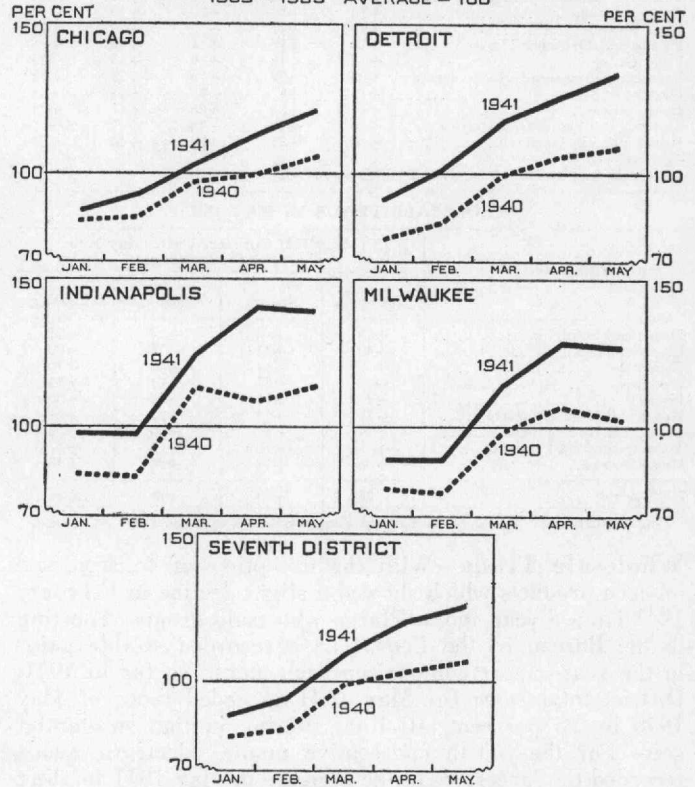
The rise in dollar volume of sales has, to some extent, reflected price advances, but there has also been a sustained increase in the physical volume of goods distributed. All of the principal cities of the district have shown an expansion in retail trade since the defense program was started. The increase has been particularly noticeable throughout 1941. Cumulative sales for the period of January through May, as shown in the table below, recorded increases of 27 per cent in Lansing and Flint, 24 per cent in Fort Wayne, and 21 per cent in Detroit. The increase for the district as a whole was 15 per cent.

With an increase of 22 per cent, total sales for May recorded the largest gain in the year-to-year comparison so far in 1941. May sales at Lansing increased 33 per cent over those of a year ago; Detroit sales registered a gain of 28 per cent in this comparison; Milwaukee and Fort Wayne recorded gains of 27 per cent; Flint and Indianapolis increases were 24 per cent. Des Moines and Sioux City stores recorded their largest year-to-year gain since January.

Notwithstanding this increase in the physical volume of goods sold, inventories continued above the level of a year ago, and on May 31 were about equal to those of April 30.

DEPARTMENT STORE SALES

1935 - 1939 AVERAGE = 100



Index numbers based on daily averages.

Miscellaneous Retail Trade—The increase of 21 per cent during May over a year ago shown by apparel stores reporting in this district is approximately the same as that shown by department stores. Cumulative sales for the five months of 1941 were 12 per cent larger than those of the corresponding period of 1940. At the end of the month, stocks were only 2 per cent above a year ago and diminished 6 per cent from the close of April.

Although sales of shoes as reported by dealers and department stores failed to reach the 36 per cent increase shown for April over a year ago, the gain of 24 per cent over May 1940 is a substantial one. Dealers gained a little more than department stores. May sales about equaled those of April, but in that comparison dealers showed a decline whereas department stores registered a slight gain. Sales for the five months of 1941 totaled 14 per cent above the corresponding period of 1940. Dealers' inventories were lower than either a month or a year earlier.

The unusually good business in retail furniture which had prevailed since the beginning of the year, although checked somewhat in April, resumed its more favorable trend in May. Furniture sales in that latter month, as reported by dealers and department stores in the Seventh district, rose 24 per cent over May 1940. Dealers and department stores shared about equally in the gain. In the monthly comparison, an increase of 14 per cent was shown, which is about equal to the ten-year average. Dealers gained 32 per cent over April, but department stores increased only 11 per cent. Sales for the five months of 1941 totaled 24 per cent above the same period a year ago.

DEPARTMENT STORE TRADE IN MAY 1941

Locality	May 1941 Compared with May 1940 (Per Cent Change)		First Five Months 1941 Compared with First Five Months 1940 (Per Cent Change)
	Net Sales	Stocks End of Month	Net Sales
Chicago.....	+14½	+ 7	+ 8½
Peoria.....	+15	+ 7	+12
Fort Wayne.....	+27	....	+24
Indianapolis.....	+24	+11	+19
Des Moines.....	+14½	....	+ 9
Sioux City.....	+14	....	+ 8
Detroit.....	+28	+ 8	+21
Flint.....	+24	....	+27
Grand Rapids.....	+16	+ 1	+13
Lansing.....	+33	....	+27
Milwaukee.....	+27	+ 9	+18
Other Cities.....	+33½	+ 4	+22
7th District.....	+22	+ 7	+15

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

	May 1941 Compared with May 1940 (Per Cent Change)				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*	+22	+26	+22	+23	+24
Apparel Group	+30	+35	+27	+19	+22
Drug Stores	+13	+17	+12	+20	+14
Eating and Drinking Places	+10	+12	+11	+16	+ 8
Food Group	+ 8	+16	+ 9	+16	+15
Furniture-Household-Radio Group	+23	+23	+20	+23	+33
Hardware Stores	+19	+21	+30	+24	+34
Jewelry Stores	+41	+53	+28	+41	+43
Lumber and Building Materials	+ 6	+16	+18	+21	+ 7
Motor Vehicle Dealers	+45	+51	+38	+45	+66

*Includes classifications other than those listed.

WHOLESALE TRADE IN MAY 1941

Commodity	May 1941 Compared with May 1940 (Per Cent Change)			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Sundries	+ 9	+ 8	+11	+11
Electrical Goods	+42	+33	+73	+59
Groceries	+ 9	+14	+12	+10
Hardware	+41	+27	+31	+46
Jewelry	+41	+12	+26	+30
Meats and Meat Products	+27	+29	+17	+21
Paper and Its Products	+24	+10	+23	+35
Tobacco and Its Products	+ 8	+ 9	+ 4	+ 7
Miscellaneous	+38	+12	+25	+36
7th District	+25	+20	+24	+28

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

Wholesale Trade—With the exception of tobacco and tobacco products which showed a slight decline in February 1941 from a year ago, all large wholesale groups reporting to the Bureau of the Census have recorded sizable gains in the year-to-year comparison each month so far in 1941. District total sales for May 1941 exceeded those of May 1940 by 25 per cent, all lines sharing in that substantial gain. For the fourth consecutive month, electrical goods recorded the largest gain, the increase in May 1941 totaling 42 per cent over a year ago. Hardware and jewelry groups followed closely with a gain of 41 per cent each. For the district as a whole, inventories continued their expansion over 1940, and in May 1941 increases ranged from 8 to 33 per cent. At the end of May they totaled only 3 per cent more than a month previous.

Industrial Activity

Steel—Under the pressure of an unprecedented demand for all forms of finished products, the steel industry has been operating at or near-capacity levels, and if the five-month average is continued throughout the year, the industry will have produced approximately 82,000,000 tons of ingot steel. This activity, resulting from the demands of the defense program and civilian needs, has been felt throughout the industry. Shipments of iron ore on the Great Lakes have been stepped up considerably, idle blast furnaces have been placed in operation, consumption of iron and steel scrap has been increased, and plans are being worked out for increasing the use of rolling mill capacity for the production of plates needed in the building of ships and rolling stock for railroads.

Pig iron production, which suffered a setback late in April because of the idleness of the coal mines, was again at a high level in May, the daily average output of the Seventh district exceeding the previous month by 6 per cent and the high figures of March by 2 per cent. Furnaces that have been idle for years were put back in operation. The Carnegie-Illinois Steel Company now has 55 furnaces in blast out of a possible 59. In this district, they have 22 out of 23 in operation. Ore shipments on the Great Lakes were unusually heavy in May, totaling 11,000,000

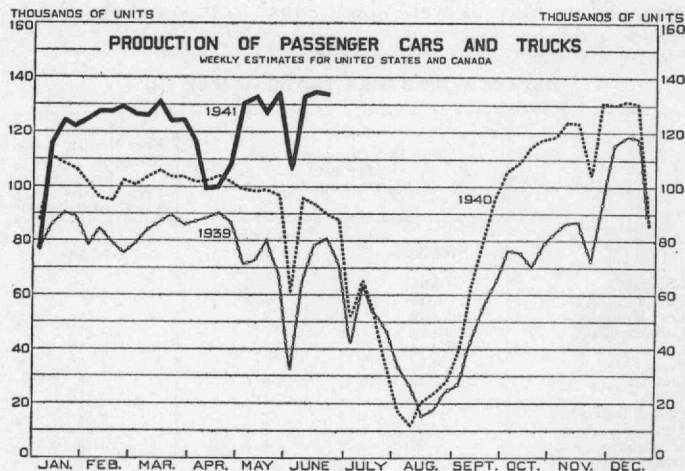
gross tons. This volume exceeded the previous high of 10,800,000 tons recorded in August 1937. During the first four months of this year, consumption of iron and steel scrap in the country as a whole totaled 17,500,000 tons as against 11,700,000 tons the same period last year. There has been an increasing demand for this material during the past month.

The number and tonnage of orders booked by the Chicago mills during May registered a definite decline, as backlogs had mounted to a point where mills were having difficulty in making further commitments for the year. By means of its priorities critical list, which is subject to revision each month, and its inventory control plan, the Priorities Division of the OPM has been seeking to give defense and essential civilian needs first claim on all forms of steel, and has found it necessary to issue a further order that a steel supplier, upon complaint, must make a sworn statement as to why a particular order was rejected or deferred. The situation has been complicated by an extremely heavy demand for plates, a finished steel product required in large volume for shipbuilding, railroad car-building, and other urgent defense projects. In ordinary years, this item constitutes less than 10 per cent of the finished steel production of the country, whereas sheets make up almost 25 per cent. Plans are now under consideration for the curtailment in production of sheet and strip steel, in order to make use of rolling mill capacity for the production of plates.

Automobile Industry—Current demand for automobiles continues at high levels, and manufacturers are finding it increasingly difficult to produce enough cars to insure prompt deliveries. Field stocks have decreased to a point where some dealers are reporting an actual shortage of automobiles.

For the week ending June 21, production of passenger cars and trucks in the United States and Canada was 133,565 units, compared with 134,682 last week which was the highest recorded in the previous four years. Only seven weeks in 1941 showed an output of less than 120,000 cars and trucks per week, 3,016,000 units being produced in the first 25 weeks of this year.

During May, output of 525,000 passenger cars and trucks in the United States represented an increase of 14 per cent from a month previous, and a gain of 34 per cent over a year ago.



Data furnished by Ward's Reports, Inc.

The shutdown of production for changeover to new models may be shorter this year than in previous years, as many preliminary preparations have been made. It has been the practice of some manufacturers in recent years to incorporate certain improvements in vehicles produced in the spring or summer months, and to delay announcing the changes until the new models are presented in the autumn.

Automotive producers will be able to continue operations at capacities through July only. Beginning August 1, reduction schedules will be in effect to permit the industry to release more men and materials for defense needs.

The extent to which the automobile industries have participated in the national armament program during the past year cannot be measured by the actual production of armaments. Factories and arsenals have been erected, new machines and tooling installed, and pilot or working models of airplane engines developed from intensive research work.

According to the latest available reports, output of the Allison Division of General Motors is now 100 airplane engines per week, and a production level of 250 units per week is expected by the end of the year. Last September Packard Motor Car Company contracted to produce 9,000 Rolls-Royce Merlin aircraft engines. New factories for this project are about completed, and 800 motors per month are expected by February 1942. Ford's River Rouge plant is scheduled to open September 1, with an output of 15 Pratt and Whitney, 2000-hp. units per day. This plant is designed for maximum expansion. Buick Division of General Motors, which started construction March 17 of this year, has completed 25 per cent of the steel structure of the main manufacturing building, and by January 1942 a monthly production of 500 Pratt and Whitney, 1200-hp. engines is expected. The Studebaker Corporation has three plants under construction which are designed to produce 1700-hp. Wright Cyclone engines at the rate of 600 per month. First output is scheduled for December of this year. The Chevrolet Division of General Motors is also planning to produce Pratt and Whitney airplane engines. Chrysler Corporation has many defense contracts for aluminum forgings, anti-aircraft guns for the navy, Bofors guns, and a \$20,000,000 tank arsenal. Wyllis is converting its Toledo, Ohio, forging plant to aluminum work. Hudson is constructing a huge naval ordnance plant which will produce anti-aircraft machine guns, gun mounts, and torpedo tubes.

The provision of armored motorized vehicles for the army is taken as a matter of course by the automobile industry, and by July 31 it is estimated that the army will have received about 137,000 such units.

Miscellaneous Manufactures—Operating activity at Seventh district foundries slowed down perceptibly during May, and shipments totaled somewhat lower than in the previous month. Incoming business lost the ground gained in April, and for steel castings was smaller in volume than during either March or April. Although the May business declined from April, it continued well above year-ago volumes. The favorable margin for shipment remained as pronounced as in previous months, while that of new business was considerably reduced.

Operations at stove and furnace manufacturing plants held steady at the level reached in April and maintained the same favorable margin over a year ago as was reported for

**STEEL AND MALLEABLE CASTINGS
SEVENTH DISTRICT**

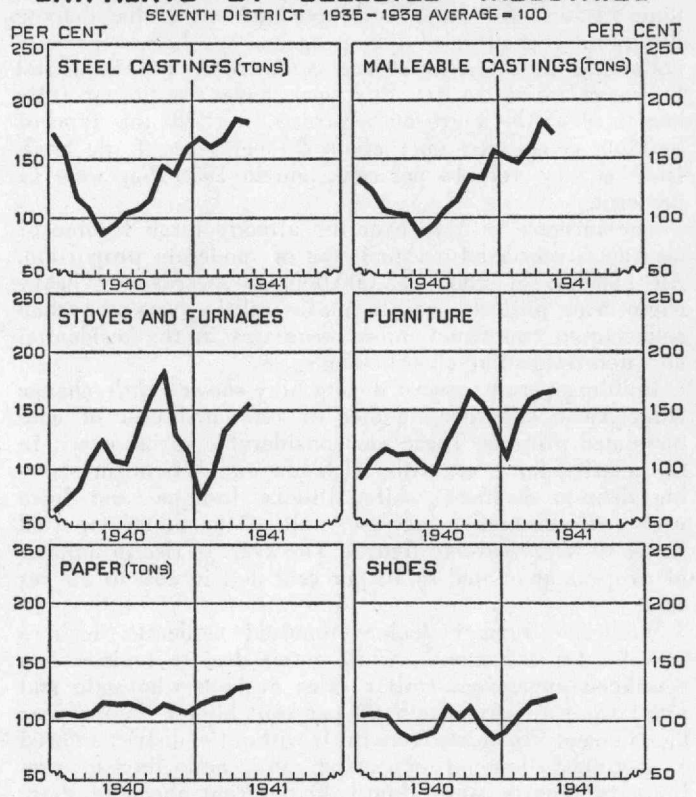
	Per Cent Change from	
	April 1941	May 1941
Steel Castings:		
Orders booked (tons).....	-39	+ 88
Orders booked (dollars).....	-35	+106
Shipments (tons).....	- 2	+ 78
Shipments (dollars).....	- 0	+ 83
Production (tons).....	- 4	+ 86
Malleable Castings:		
Orders booked (tons).....	- 3	+136
Orders booked (dollars).....	- 3	+145
Shipments (tons).....	- 6	+ 70
Shipments (dollars).....	- 5	+ 77
Production (tons).....	-11	+ 79

that month. Shipments continued to gain, the May figure reflecting an increase of 6 per cent from the previous month and 43 per cent from a year ago. Inventories showed little change from a month earlier but were 16 per cent lower than on May 31, 1940.

As a result of the various showings by the Chicago furniture marts early in the month, furniture manufacturers booked an unusually large volume of orders in May, the amount exceeding that of April by almost 50 per cent. Bookings were twice as large as in May a year ago. Shipments remained at the level of a month earlier and unfilled orders showed an accumulation of close to 40 per cent. Cancellations of orders were less than in April and about the same in volume as in May last year.

Shoe production in the district has been rising steadily since last December, with the rate of increase slowing down during the past two months. The level reached in May exceeded that of a year ago by close to 45 per cent.

SHIPMENTS BY SELECTED INDUSTRIES



**PAPER AND PULP INDUSTRY
SEVENTH DISTRICT**

	May 1941	
	Per Cent April 1941	Change from May 1940
Paper:		
Orders booked (tons).....	-4	+20
Orders booked (dollars).....	+3	+37
Shipments (tons).....	+4	+20
Shipments (dollars).....	+8	+27
Production (tons).....	+4	+12
Stocks at end of month (tons).....	+3	-17
Pulp:		
Production (tons).....	+6	+ 8
Stock at end of month (tons).....	-1	-27

Production of paper at district mills for the past three months has been at an increasing rate, the daily average output in May exceeding that of February by 9 per cent. Shipments and orders are approximately one-fifth larger in tonnage volume than last year, while inventories are increasingly lower.

Building—Except for the extremely high March figure which included almost \$90,000,000 of defense contracts, construction awards in the Seventh district during May were higher than those of any other month since June 1930. Residential awards in the five months of this year to date have averaged higher than in any corresponding period

**BUILDING CONTRACTS AWARDED
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
May 1941.....	\$76,218,000	\$32,911,000
Change from April 1941.....	+6%	-3%
Change from May 1940.....	+25%	+17%
First five months of 1941.....	\$375,100,000	\$133,683,000
Change from same period of 1940.....	+69%	+40%

Data furnished by F. W. Dodge Corporation.

since 1929. Much of the increase in this type of building during the past year has been due to the need for cantonments and for other buildings incident to the defense program. The effect of this program has been especially noticeable in the awards for commercial and industrial buildings which so far this year have constituted fully one third of the aggregate contracts. In 1940 this type of building constituted only about 20 per cent of the total. In 1939 they were 14 per cent, and in 1938 they were 11 per cent.

The increase in May over the already large volume of contracts recorded for April was of moderate proportion. An increase of about \$5,000,000 in awards for heavy engineering projects, mainly public utilities, was more than sufficient to counteract minor decreases in the residential and non-residential classifications.

Building permits issued during May showed little change from April in either number or estimated cost of contemplated projects. There was considerable variation within the district, however, with Michigan and Wisconsin showing definite declines, while Illinois, Indiana, and Iowa registered substantial increases. All of the States reported increases over year-ago figures. The average rise in number of projects amounted to 10 per cent and in cost to 25 per cent.

Wholesale lumber dealers reported moderate declines in sales for the month, while retail dealers registered a continued expansion. Dollar sales at both wholesale and retail were approximately 20 per cent higher than a year ago. Cement shipments from mills within the district showed a continued seasonal expansion, and, according to preliminary reports, were almost 40 per cent ahead of those

of a year ago. Brick deliveries continued at the high level reached in April, and reports indicate that there has been some reduction in inventories of this material. Wholesale prices of building materials held steady during the month, and in early June were about 9 per cent higher than in the corresponding week a year ago.

Bituminous Coal Production—Coal mines in the Seventh district area resumed operations on a large scale after the settlement reached between operators and union on May 1. Production was stepped up rapidly during the month and the daily output averaged more than four times as large as the low April volume and 14 per cent larger than the corresponding figure of last year. Notwithstanding the large volume produced during March in anticipation of the shutdown which came in April and the subsequent gain in May, the tonnage produced in the five months to date is approximately 4 per cent below that of the same period a year ago. Stocks in the hands of industrial users and retail dealers of the entire country on May 1, as reported by the Bituminous Coal Division of the United States Department of the Interior, totaled a little less than 37,000,000 tons, or 28 per cent below the 51,000,000 tons held a month earlier.

Petroleum Refining—On a daily average basis, runs of crude oil to stills in the Illinois-Indiana-Kentucky area increased 11 per cent from April to May. Gasoline production showed a similar substantial rise but was insufficient to satisfy the rising volume of consumption, and stocks on hand registered a decline of 7 per cent from a month earlier. The reduction in freight rates from the mid-continent field, which went into effect June 11, has resulted in an additional large volume of trade demand previously held back in anticipation of this reduction.

Employment and Payrolls

The most rapid expansion in employment and payrolls that has been recorded in any yearly comparison since the days of the NRA has taken place in the manufacturing industries in the Seventh Federal Reserve district during the

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

Industrial Group	Week of May 15, 1941			Per Cent Change from April 15, 1941	
	No. of Reporting Firms	No. of Employees	Wage Payments ('000 Omitted)	No. of Employees	Wage Payments
DURABLE GOODS:					
Metals and Products ¹	1,796	564,643	\$20,025	+ 3.5	+ 7.1
Vehicles.....	391	429,643	18,517	+ 1.2	+18.2
Stone, Clay, and Glass.....	258	20,898	595	+ 3.7	+ 7.9
Wood Products.....	452	55,043	1,378	+ 1.1	+ 5.8
Total.....	2,897	1,070,227	40,518	+ 2.5	+11.9
NON-DURABLE GOODS:					
Textiles and Products.....	410	72,777	1,499	- 0.4	+ 0.6
Food and Products.....	1,017	113,292	3,324	+ 4.8	+ 9.6
Chemical Products.....	300	38,686	1,289	+ 2.1	+ 5.6
Leather Products.....	171	29,625	724	- 0.8	+ 3.6
Rubber Products.....	33	23,560	782	+ 0.0	+ 1.5
Paper and Printing.....	710	86,043	2,710	+ 1.5	+ 3.6
Total.....	2,641	363,983	10,228	+ 1.9	+ 5.0
Total Mfg., 10 Groups.....	5,538	1,434,210	50,746	+ 2.3	+10.4
Merchandising.....	5,199	146,363	3,431	+ 0.5	+ 1.1
Public Utilities.....	1,000	107,816	3,805	+ 1.5	+ 3.4
Coal Mining.....	48	7,480	219	+225.5	+431.0
Construction.....	410	7,514	303	+18.6	+15.1
Total Non-Mfg., 4 Groups.....	6,657	269,173	7,758	+ 3.3	+ 5.1
Total, 14 Groups.....	12,195	1,703,383	\$58,504	+ 2.5	+ 9.7

¹Other than vehicles.

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

past year. By the end of May employment showed a gain of approximately 27 per cent over the corresponding period a year ago. Payrolls were up 47 per cent. This gain was all the more striking since it was recorded over a fairly high level, whereas the increase during the first year following the passage of the National Recovery Act, which resulted in a rise of 35 per cent in employment and 50 per cent in payrolls, was from the low level prevailing in June 1933. Durable goods have contributed the greater share of the gains, advancing steadily during the entire period and at a rate that has been three times as rapid as that shown by the non-durable goods industries. Employment in these industries rose as much as 34 per cent, and payrolls 58 per cent. Under the pressure of the present defense program which apparently has not yet reached its full proportions, these industries will absorb an even larger number of workers in the coming months. Some of the workers will have to come from those who are now engaged in public emergency projects and some from those now unemployed. The problem of training new workers has already become an important part of the Government's defense program. Non-durable goods industries also have shown a definite expansion during the past year, but the rise has been marked by considerable fluctuations. Reporting non-manufacturing groups as a whole showed the effects in May of the resumption of coal mining operations, as well as a sharp seasonal rise in the construction industries. Merchandising and public utility concerns, however, shared in the current uptrend.

In the monthly comparison, May indicated a rise in employment and larger payrolls in practically all industries in all sections throughout the Seventh district. The employment rise, while larger than that which generally occurs from April to May, conformed closely to the average of the expansion that has been in continuous progress since last July. The rise in wage payments during May was particularly large, as the result of the settlement of disputes which during the previous month had interrupted the normal operating schedule. This payroll increase was especially noticeable in the vehicle industries. Payrolls in practically all of the reporting industries expanded to a greater degree than employment as increases in wage rates have become widespread in recent months, and there has also been a definite tendency toward longer operating time schedules in several of the reporting industries.

The Agricultural Situation

Voting of marketing quotas for wheat by a substantial majority, approval of loans at 85 per cent of parity for certain crops, supporting of prices by Government purchases in the open market, and predictions of bumper crops have been the outstanding recent developments in agriculture.

The referendum vote by the farmers, establishing marketing quotas for the 1941 crop, was the final step necessary to put into effect the Agricultural Farm Marketing Law providing for loans at 85 per cent of parity. This action was followed immediately by the announcement of a regional basic price for loans at Chicago of \$1.15 a bushel. Government reports predict a combined crop of winter and spring wheat of 910,699,000 bushels. This volume has been exceeded only five times in the history of the country. In 1915, the record wheat crop of 1,008,600 bushels was produced.

Grain Marketing—Receipts of wheat at primary interior markets of the country have been unusually large. During

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	May 1941	April 1941	May 1940	May 1931-40 Avg.
Wheat:				
Receipts.....	31,396	17,106	28,275	17,932
Shipments.....	17,404	11,685	19,267	15,794
Corn:				
Receipts.....	25,852	16,930	12,417	15,402
Shipments.....	22,599	14,229	17,276	15,221
Oats:				
Receipts.....	3,850	4,381	2,966	5,646
Shipments.....	3,049	3,264	4,391	8,062

May, wheat received amounted to 31,396,000 bushels. This was a gain of 84 per cent over April and of 75 per cent over the ten-year average. The visible supply of 119,506,000 bushels on June 14 was over 32,000,000 bushels greater than a year ago, a gain of 37 per cent.

Since the first of June, prices have moved up sharply, and dollar wheat has been the rule during most of the trading sessions. The urgent demand for flour has given strength to the market, and purchases by large bakers have been unusually heavy. The market has apparently discounted the crop estimate and has developed into what traders classify as a "weather market," chiefly because of the heavy rains that have persisted in the Southwest. A sustaining influence also was the report that the CCC proposed to withhold marketing old wheat which it owns through defaulting loans.

While corn prices have followed other grains, the market has moved within narrow limits and has been influenced by the announcement of the Secretary of Agriculture that Government-owned corn would be for sale at a maximum of 75 cents in Chicago. During the latter part of May, there was some fear of drought, but since the first of June, rains have been general throughout the corn belt, interfering with the country movement of grain to market. Subsoil moisture reserves have been created and crop reports are highly favorable. Closing prices at Chicago have ranged around 73 cents a bushel, which, with the exception of 1934, 1935, and 1936, is the highest that has been recorded in the last ten years. Receipts of corn at principal interior markets during May have been 53 per cent above the previous month and 68 per cent above the ten-year average.

Dairy Products—June 4 the Secretary of Agriculture presented the dairy industry with the problem of increasing the production of cheese by one third, the supplies of evaporated milk one fourth, and the available supplies of milk for fluid consumption by at least 3 per cent, in order to meet the needs of the lease-lend act and to maintain sufficient supplies for home requirements.

The total production of American cheddar cheese in the last twelve months, according to the Department of Agriculture, was about 605,000,000 pounds, and the total production of evaporated milk was 58,000,000 cases. The quantity of milk required to increase American cheese production by one third and evaporated milk one fourth is equal to about 3 per cent of the total milk produced in the United States in 1940. If milk production is increased by 6 to 8 per cent the desired increases in milk products can be obtained without diminishing the supplies available for either butter or fluid milk.

This desired milk production is being attained despite the effects of the drought in the Eastern half of the United

States, although the cheese and evaporated milk increases have not been achieved. The increase in milk production, which has been in evidence all spring, has continued through May, and on June 1 was the largest on record for that date. The increase in milk production per cow and the larger number of cows on farms indicated that the total milk production on June 1 was 5 per cent larger than a year earlier.

Price relationships in Wisconsin have been such as to divert milk from butter to cheese and evaporated milk. Production of American cheese in Wisconsin during May increased 32 per cent over the previous month and was 48 per cent above the ten-year average for the month. Sales were up 38 per cent over those of May 1940.

While this increase in American cheese production was being made, butter produced in the district was increased by 29 per cent over the previous month, and for the entire country the increase was 35 per cent.

Government purchases of dairy products continue on a large scale. The Department of Agriculture announced that during May it purchased 16,324,000 pounds of American cheese, 1,000,000 pounds of canned process cheese, 617,800 cases of evaporated milk, 60,000 pounds of dry whole milk, and 528,000 pounds of dry skim milk.

Prices of cheese on the Wisconsin Cheese Exchange remained at 18 cents per pound from May 10 through June 7. This price compares with 16.5 cents a month earlier and 13 cents a year ago. Recent purchases for the Surplus Marketing Administration were made at 21.5 cents. Evapor-

LIVESTOCK SLAUGHTER (In thousands)				
	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District:				
May 1941.....	203	649	221	75
May 1940.....	190	666	212	80
Federally Inspected Slaughter, United States:				
May 1941.....	908	4,023	1,551	501
April 1941.....	792	3,807	1,436	507
May 1940.....	796	3,890	1,420	501

AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)				
	Week Ended June 21, 1941	May 1941	Months of April 1941	May 1940
Native Beef Steers (average).....	\$10.75	\$10.10	\$10.60	\$ 9.80
Fat Cows and Heifers.....	9.60	9.25	9.20	8.30
Calves.....	10.50	10.50	10.00	10.25
Hogs (bulk of sales).....	9.90	9.00	8.35	5.65
Lambs.....	11.35	10.20	10.80	9.65

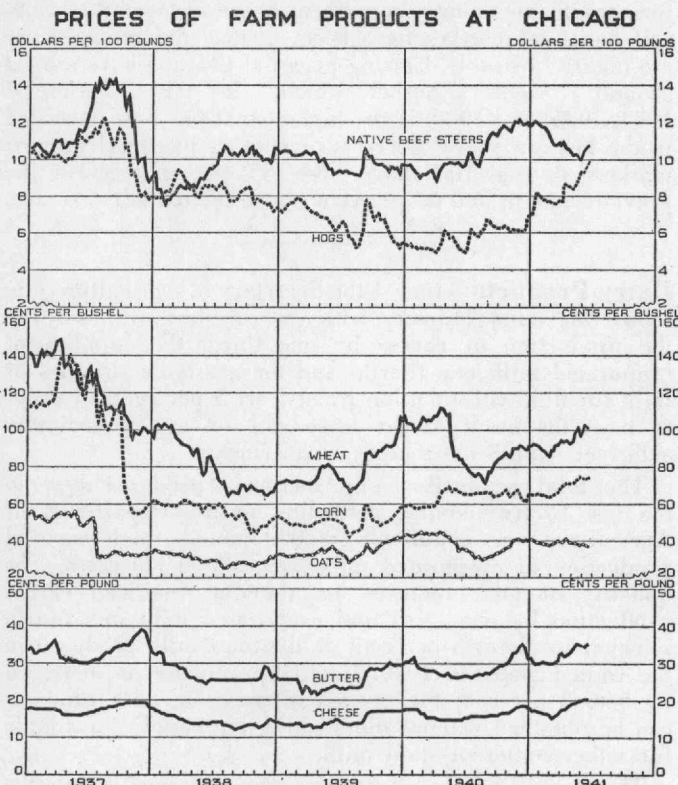
MEAT PACKING—UNITED STATES			
	Per Cent Change in May 1941 from		
	April 1941	May 1940	May 1931-40 Avg.
Tonnage produced.....	+8.5	+ 9.9	+25.1
Tonnage sold.....	+7.9	+ 6.5	+19.8
Dollar sales.....	+7.7	+29.8	+47.8
Inventories, end of month.....	+1.5	+30.0	+50.9

ated milk has been commanding a price which should provide the dairymen with a differential sufficient to divert milk from butter production. Butter prices on the Chicago market, while somewhat irregular, have inclined to firmness. Wholesale quotations for 92-score butter at Chicago declined one cent from mid-May to mid-June, probably influenced by the United States cold-storage report showing holdings in excess of trade estimates. During the last half of May and the first half of June, butter prices were higher than they have been during the corresponding period in the last ten years, fluctuating around 35 cents per pound.

Livestock and Meat Packing—The advance in hog prices which has been more or less steady throughout the year rose sharply in April and May. Prices weakened early in June but strengthened again toward the middle of the month. The average price for the month of May was \$9.00, compared with \$8.35 for April and \$5.65 for May a year ago. Continued heavy purchases of pork products for the Department of Agriculture have contributed to the upward price movement. Cattle slaughter increased sharply in May, indicating an increase in marketings of grainfed cattle. Prices of all grades of slaughter cattle increased somewhat in early June, following the sharp decline in May.

Production of packing-house commodities in the United States increased 9 per cent from April to May and 10 per cent over May 1940. Tonnage sold was up 8 per cent during May, after declining half that much during the previous month. Dollar sales in the Seventh district were up 30 per cent over May a year ago.

Foreign trade in meat products continued to be dominated by purchases under the lease-lend act. Trade with Latin American countries was smaller during May than it was in April. This decrease was due no doubt to exchange conditions.



By weeks, 1937 through June 21, 1941.

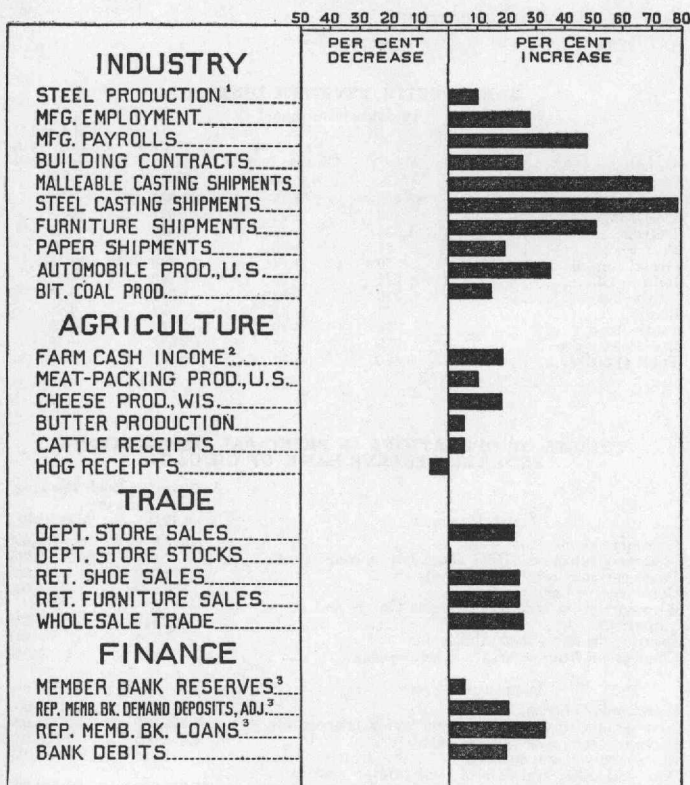
Credit and Finance

Weekly Reporting Member Banks—Commercial, industrial, and agricultural loans of weekly reporting member banks in the Seventh district expanded \$24,000,000 in the four weeks ended June 11, reaching a total of \$821,000,000 which represents a gain of \$242,000,000 over the same period a year ago. Total investments increased even more, registering a gain of \$370,000,000 during the year. Of this increase, \$31,000,000 was recorded during the four weeks beginning May 14 and ending June 11. The principal addition to portfolios consisted of Treasury bills, as holdings of Treasury bonds increased only \$8,000,000 during the four-week period and \$190,000,000 during the year. Demand deposits continued to expand, reaching a high for the year of \$3,402,000,000, a gain of \$144,000,000 during the last two weeks of May and the first two weeks of June.

Member bank reserves in the Seventh district increased \$52,000,000 during the four weeks ended June 11. A sizable gain through commercial transactions with other districts more than offset the increase in Treasury cash and deposits at the Federal Reserve Bank and an increase in the demand for currency.

Treasury Financing—June 2 the Treasury delivered \$662,000,000 of 2½ per cent 15-17 year bonds which had been sold for cash, and exchanged an additional \$788,000,000 for 3½ per cent bonds maturing August 1, 1941. The Treasury also delivered \$924,000 of ¾ per cent Series D notes due 1943 for bonds of the August maturity. Approx-

SEVENTH DISTRICT BUSINESS ACTIVITY MAY 1941 COMPARED WITH MAY 1940



1. Ingot rate, Chicago district, week ending June 21. 2. April data. 3. As of June 18.

MONTHLY BUSINESS INDEXES

Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100	May 1941	Apr. 1941	Mar. 1941	May 1940	Apr. 1940	Mar. 1940
Manufacturing Industries:						
Durable Goods:						
Employment.....	144	140	135	108	108	110
Payrolls.....	184	167	163	117	119	119
Non-Durable Goods:						
Employment.....	108	106	103	96	96	97
Payrolls.....	124	118	115	102	101	102
Total:						
Employment.....	132	129	124	104	104	105
Payrolls.....	166	152	149	113	113	114
Pig Iron Production:*						
Illinois and Indiana.....	200	188	196	134	117	118
Automobile Production—(U. S.):						
Passenger Cars and Trucks.....	164	144	158	122	135	132
Casting Foundries Shipments:						
Steel—In Dollars.....	228	228	213	106	120	128
In Tons.....	181	184	168	86	109	116
Malleable—In Dollars.....	192	202	176	109	113	114
In Tons.....	171	182	159	101	103	105
Stoves and Furnaces:						
Shipments.....	154	145	132	125	107	84
Furniture Manufacturing:						
Orders in Dollars.....	252	168	157	125	95	98
Shipments in Dollars.....	107	163	160	111	111	118
Paper Manufacturing:*						
Tonnage Production.....	130	129	120	116	107	103
Petroleum Refining—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Stills.....	155	140	146	144	135	138
Gasoline Production.....	147	133	135	141	128	129
Bituminous Coal Production:*						
Illinois, Indiana, Iowa, and Michigan.....	89	21	150	78	85	109
Building Contracts Awarded:						
Residential.....	285	292	254	244	222	177
Total.....	194	181	333	155	155	110
Meat Packing—(U. S.):						
Production.....	132	121	121	120	113	116
Sales Tonnage.....	129	120	124	121	119	115
Sales in Dollars.....	131	122	120	101	98	95
Department Store Net Sales:*						
Chicago.....	121	113	103	105	100	97
Detroit.....	133	125	118	109	105	100
Indianapolis.....	139	140	124	114	109	113
Milwaukee.....	128	128	115	102	107	98
Other Cities.....	124	128	109	110	104	101
Seventh District—Unadjusted.....	126	120	109	107	103	99
Adjusted.....	124	118	116	106	104	101

*Daily average basis.

mately \$129,000,000 of the new issue was placed in the Seventh district.

Reporting member banks in 101 leading cities showed an increase of \$142,000,000 in their holdings of Treasury bonds during the period of May 28 to June 4, indicating that there were large purchases of the new bonds by other than commercial banks.

The sale of \$438,230,000 of defense savings bonds and \$3,552,000 of savings stamps during the month of May gave the first test of the appeal these bonds might have for the investing public. This volume would indicate an annual sale of well over five billion dollars.

While it is probably true that the sales for the first month might have been made up largely of accumulated savings which cannot be reinvested, and the figures, therefore, may not represent a true index of monthly sales, there was no special campaign to stimulate sales. It is also true that investors who purchased the full amount allowed by law in any one calendar year cannot make additional purchases until January 1942. Succeeding months will furnish a better indication of what the demand really is.

Series E bonds sold totaled \$114,930,000, Series F \$45,500,000, and Series G \$277,800,000. Sales during the first month were considered satisfactory. Interpreting these sales in terms of military needs, Secretary of the Treasury, Henry Morgenthau, Jr., said that the money received from the sales during May would "pay for four of the giant battle-ships we are building, or enough to pay for the building of twenty cruisers, or one hundred destroyers to guard the ocean lanes."

Bond Prices—After marking time awaiting the new financing announced May 22, Government bond prices advanced slightly with some indication of trading from tax-exempt to taxable issues. Long-term bonds at the middle of June were selling within 26/32 of a point of their high of December 10. The new taxable 2½ per cent bonds due 1956-58 have been in demand since May 23, the first day the issue was traded, and on June 13 were selling to yield 2.21 per cent.

High-grade railroad bonds have not displayed any changes of importance. Medium-grade and speculative rail bonds have moved somewhat lower. The utility bond market has been quiet with prices holding firm. A moderate demand for lower grades has been in evidence. Industrial bonds have been generally higher, and during the first week of June were showing fractional changes which carried the averages up approximately a full point.

Current Events

May 22, Paul C. Hodge, Assistant Counsel of the Federal Reserve Bank of Chicago, spoke before the Central Illinois Conference of the National Association of Bank Auditors and Comptrollers in Springfield, Illinois, on the subject, "United States Defense Bonds."

On the same date, Arthur L. Olson, Assistant Vice President of the Bank, talked on the operations of the Federal Reserve System and defense loans before the Lions Club of Joliet, Illinois.

A. T. Sihler, Assistant Vice President of the Federal Reserve Bank of Chicago, spoke before the Cook County League of Savings and Loan Groups in Chicago, May 23, on savings bonds.

The Federal Reserve System and the present monetary situation was the subject of a talk given, June 9, by Charles B. Dunn, General Counsel of the Bank, at the annual meeting of the National Association of Insecticide and Disinfectant Manufacturers.

Morgenthau Praises Bankers

Secretary of the Treasury, Henry Morgenthau, Jr., in a radio address reporting the sale of defense savings bonds during May, paid a very gracious compliment to the bankers of the country for their part in making these new bonds available to the investing public. "No praise of mine," he said, "can be too high for the willing, helpful cooperation of bankers, great and small, East and West, in getting behind the Treasury's program."

New Member Banks

The increasing number of member banks in the Seventh Federal Reserve district reached a total of 883 on June 19. Five State banks have been admitted to the Reserve System since May 16. The new members are:

State Bank of Arthur, Arthur, Illinois
 The First State Bank, Bourbon, Indiana, Bourbon, Indiana
 Auburn Savings Bank, Auburn, Iowa
 State Bank of Fox Lake, Fox Lake, Wisconsin
 State Bank of Francis Creek, Francis Creek, Wisconsin

Selected Seventh District Banking Data

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Change from		
	June 18, 1941	May 21, 1941	June 19, 1940
Total bills and securities.....	\$251	\$0	\$-20
U. S. Government securities direct and guaranteed:			
Notes.....	94	0	-30
Bonds.....	157	0	+10
Total Government securities.....	251	0	-20
Total reserves.....	3,441	+233	+671
Member bank reserve deposits.....	1,870	+21	+91
All other deposits.....	377	+196	+258
Federal Reserve notes in circulation.....	1,412	+26	+298
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	94.0%	+0.1*	+2.0*

*Number of points.

CONDITION OF REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

ASSETS	Change from		
	June 18, 1941	May 21, 1941	June 19, 1940
Loans and investments—total.....	\$4,000	+\$43	+\$649
Loans—total.....	1,274	+31	+314
Commercial, industrial, and agricultural loans.....	822	+19	+231
Open-market paper.....	46	0	+8
Loans to brokers and dealers in securities.....	42	+7	+14
Other loans for purchasing or carrying securities.....	67	0	-6
Real estate loans.....	134	+1	+15
Loans to banks.....	0	0	0
Other loans.....	163	+4	+52
U. S. Treasury bills.....	368	+53	+91
U. S. Treasury notes.....	218	-2	-98
U. S. Treasury bonds.....	1,230	-12	+220
Obligations fully guaranteed by U. S. Government.....	329	+9	+62
Other securities.....	581	-36	+60
Cash reserves, other than items in process of collection.....	2,255	+16	+112
LIABILITIES			
Demand deposits—adjusted.....	3,357	+43	+571
Time deposits.....	995	-11	+29
Interbank deposits.....	1,389	+7	+126
U. S. Government deposits.....	135	+9	0
Turnover velocity of demand deposits (annual rate).....	June 1-18, 1941	May 1941	June 1940
	20.57	19.01	18.19

BANK DEBITS, SEVENTH DISTRICT

(Amounts in millions)

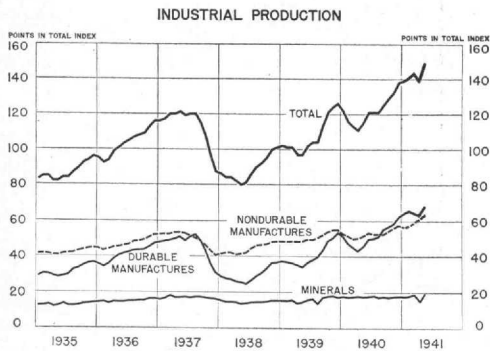
	May 1941	Per Cent Change from May 1940	Per Cent Change from Same Period	
			First Five Months of 1941	1940
Chicago.....	\$3,489	+13	\$17,355	+12
Des Moines.....	108	+12	531	+8
Detroit.....	1,374	+35	6,413	+29
Fort Wayne.....	44	+30	193	+20
Grand Rapids.....	70	+19	330	+13
Indianapolis.....	271	+29	1,290	+22
Milwaukee.....	320	+17	1,568	+15
Peoria.....	82	+31	352	+20
South Bend.....	54	+10	264	+22
32 smaller cities.....	658	+24	3,031	+18
Total 41 cities.....	6,470	+19	31,327	+16

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS FEDERAL RESERVE BANK OF CHICAGO

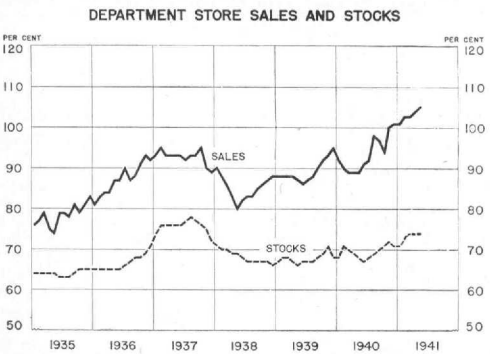
ITEMS HANDLED	Average for Each Banking Day during	
	May 1941	May 1940
Commercial checks.....	542,000	493,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	2,080	2,062
Paper currency received and counted.....	1,276,000	1,174,000
Coins received and counted.....	526,000	355,000
Wire and other transfers of funds (Inter- and intra-district).....	521	478
Securities in and out of safekeeping.....	1,204	941
Coupons cut from securities in safekeeping.....	2,052	1,940
DOLLAR AMOUNTS		
Commercial checks.....	127,678,000	95,114,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	3,025,000	2,794,000
Paper currency received and counted.....	5,404,000	4,992,000
Coins received and counted.....	64,426	39,753
Wire and other transfers of funds (Inter- and intra-district).....	85,012,000	65,726,000
Securities in and out of safekeeping.....	24,475,000	8,202,000
Value of securities held in safekeeping at end of month.....	905,301,000	923,507,000

National Summary of Business Conditions

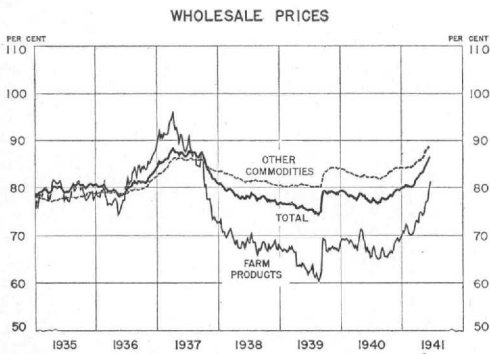
(By the Board of Governors of the Federal Reserve System)



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



Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January 1935 to May 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending June 14, 1941.



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 June 14, 1941.

AFTER a slight decline in April, industrial activity increased sharply in May and the first half of June. Wholesale commodity prices showed a further considerable advance and retail prices also increased. Distribution of commodities to consumers was maintained in large volume.

Production—Volume of industrial output increased sharply in May, following a decline in April, and the Board's seasonally adjusted index rose to 149 per cent of the 1935-1939 average as compared with 140 in April and 143 in March. The decline in April had reflected mainly reduced output of bituminous coal and automobiles occasioned by shutdowns accompanying industrial disputes. These were settled during the month, and in May and the first half of June output in these industries rose to the high levels prevailing earlier.

In a number of other lines, activity increased steadily throughout the spring months, particularly in the machinery, aircraft, and shipbuilding industries. Steel production was maintained at 99 per cent of capacity, except for a short period during late April and early May when output was reduced somewhat owing to a shortage of coal. Output of nonferrous metals also continued near capacity; deliveries of foreign copper in May increased to 49,000 tons, amounting to about one third of total deliveries to domestic consumers. Toward the end of the month, as it became apparent that combined military and civilian need for these metals would soon greatly exceed available supplies, a general preference order covering all iron and steel products was issued by the Priorities Division of the Office of Production Management, and in June mandatory priority controls were established for copper and zinc.

Textile production rose further in May, reflecting increased activity at cotton, wool, and rayon mills. A continued rise in output of manufactured food products was likewise reported, and activity in the chemical and shoe industries was maintained at earlier high levels, although usually there is a considerable decline at this season. Petroleum production increased, and output of anthracite also advanced, following some curtailment in April. Iron ore shipments amounted to 11,000,000 tons in May, a new record level and near the shipping capacity of the present Lake fleet.

Value of construction contract awards rose sharply in May, reflecting increases in both public and private construction, according to F. W. Dodge reports. Awards for private residential and nonresidential building increased more than seasonally, and contracts for defense projects continued in large volume.

Distribution—Distribution of commodities to consumers was sustained at a high level in May. Department store sales showed a further rise, while sales at variety stores declined by slightly more than the usual seasonal amount. Retail sales of new automobiles continued at the high April level, and sales of used cars rose further.

Freight-car loadings increased sharply in May, reflecting a marked rise in coal shipments and a further expansion in loadings of miscellaneous freight. In the first half of June total loadings were maintained at the advanced level of other recent weeks.

Commodity Prices—Wholesale prices of a number of agricultural and industrial commodities showed further increases from the middle of May to the middle of June, and the general index of the Bureau of Labor Statistics advanced two points to 87 per cent of the 1926 average. Federal action to limit price increases was extended to some consumer goods, principally new automobiles, hides, and certain cotton yarns. In retail markets prices of most groups of commodities have advanced, reflecting in part increases in wholesale prices earlier this year.

Bank Credit—Commercial loans at reporting banks in 101 cities continued to rise during the four weeks ending June 11. Bank holdings of United States Government securities increased further, chiefly through the purchase of bills by New York City banks and of bonds by banks in other leading cities. As a result of the expansion in loans and investments, bank deposits continued to increase.

United States Government Security Prices—Following a rise in the latter part of May, Treasury bond prices declined slightly in the first half of June. On June 14 the 1960-65 bonds were $\frac{7}{8}$ of a point below the all-time peak in prices of December 10. Yields on both taxable and tax-exempt 3- to 5-year notes declined slightly from the middle of May to the middle of June.

SEVENTH FEDERAL



RESERVE DISTRICT

