

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

FEDERAL RESERVE BANK
OF ST. LOUIS
1941 AUG 2 AM 8 55
RECEIVED
STATISTICAL DIVISION

AUGUST 1, 1941

District Summary of Business Conditions

With the defense program moving from the blueprint stage to the production line with its consequent increase in employment and payrolls, Seventh district industry has recorded notable increases over a year ago. Steel production, after falling off during the short Fourth of July week, rebounded to 100 per cent of rated capacity the following week. The steel scrap situation which was expected to become acute has not as yet been a serious handicap to production, although mills and foundries have been drawing heavily on supplies, and practically all scrap in the Detroit area was consumed locally. Pig iron production has been going full blast, and there has been a heavy curtailment of sheet in order to expand the production of plates so essential in ship construction and rolling stock for railroads. Emergency allocation of material and equipment for the canning industry, as well as for the repair and maintenance of necessary services, has been made. The allocation of steel, however, is rapidly becoming one of priorities within priorities and urgency ratings dominating the priority list.

Automobile production is so essentially a Seventh district industry that any change affecting it has a vital bearing on this district's industrial activity. Production during the first half of this year exceeded any similar period in the last ten years. Despite this high volume, supplies in dealers' salesrooms and warehouses are being depleted rapidly, and field stocks by the end of June were sufficient for only one month's requirements.

Construction contracts, both in the aggregate and in the residential classification, were larger during the first six months of 1941 than they have been during any comparable period since 1929 when they totaled \$620,000,000. The dollar value for this year was close to half a billion. It is also significant that the residential awards this year contributed approximately the same portion of the total that they did in 1929.

Metal industries alone have accounted for an increase of 370,000 in employment in the Seventh district during the twelve-month period beginning June 1940. This increase in number of workers has not been at the expense of employment in other manufacturing industries. These additional workers have come from the ranks of the unemployed, from WPA projects, from agriculture, and from the supply of new workers coming into the market each year.

A result of the expansion of industrial activity set in motion by the defense program has been an increase in the demand for all forms of consumers' goods. This situation has been particularly marked by a rise in department store sales in those industrial areas most affected by defense activity. Sales at Detroit showed a gain of 21 per cent over June 1940. Flint and Lansing showed gains of 22 per cent and 19 per cent, respectively, while Milwaukee sales increased 13 per cent.

Seventh district agriculture has been sharing in the improved conditions. With the exception of two trading days during June, wheat at the Chicago Board of Trade has sold above a dollar. Hogs reached \$12.00 a hundred pounds on July 17, and for the week of July 20 averaged \$11.05, a gain of \$5.00 over a year ago. Dairy interests in Wisconsin enjoyed an increase in production and sales. Milk and the principal milk products, though not increasing so much as desired by the Department of Agriculture, have registered significant gains over a year ago. Cheese production was up 13 per cent and sales were 45 per cent higher than in June 1940. Butter production, as reported to the Federal Reserve Bank of Chicago by firms in the district, increased 2 per cent over May of this year and by the same amount over June a year ago. Prices fell to 33 cents a pound on July 17 from a high of 37 cents on June 28, which was the highest June price since 1930 and the highest for any month since December 1937.

Commercial, industrial and agricultural loans, holdings of United States Government securities, and adjusted demand deposits of Seventh district weekly reporting member banks continued to rise sharply. Since December 31, 1940, commercial, industrial, and agricultural loans made by reporting member banks in this district increased 32 per cent as compared with an increase of 19 per cent for reporting member banks in 101 leading cities. Demand deposits adjusted of Seventh district reporting member banks have increased by \$477,000,000 since December 31, 1940.

Business Conditions in the Seventh Federal Reserve District

Department Stores—Department store sales in this district during the month of June were 11 per cent higher than in June 1940. There was, however, a 10 per cent decline from May 1941. This is the largest decline from May to June since 1930 and may be explained in part by the fact that the May 1941 sales were greater than in any May since 1930. The 11 per cent gain over June 1940 is a continuation of the upward movement in the year-to-year comparison which has been uninterrupted since March 1939.

As would be expected, the cities located in the industrial areas where defense expenditures have been heavy have shown the largest year-to-year gains. Among the larger cities, Detroit sales showed the largest increase with a gain of 21 per cent over June 1940. Among the other cities, Flint and Lansing recorded gains of 22 and 19 per cent, respectively. Sales in Milwaukee increased by 13 per cent,

than May. Nevertheless, the cumulative sales for the first six months of the year were slightly more than 12 per cent above those of the same period of 1940.

In contrast, retail furniture sales, as reported by dealers and department stores in the district, continued to show a substantial increase of approximately 25 per cent over June 1940. Although a 15 per cent seasonal decline from the May level was reported, the cumulative sales for the first half of the year were 24 per cent higher than those of the corresponding period of the previous year.

Apparel stores in the district also reported a sales increase of 7 per cent over June 1940. Although June 1941 sales were 17 per cent lower than those of the preceding month, the cumulative sales for the first six months of the year were up approximately 11 per cent over the same period of last year. Stocks at the close of June declined 10 per cent from those at the end of May, but were 7 per cent larger than those of June 1940.

DEPARTMENT STORE TRADE IN JUNE 1941

Locality	June 1941 Compared with June 1940 (Per Cent Change)		First Six Months 1941 Compared with First Six Months 1940 (Per Cent Change)
	Net Sales	Stocks End of Month	Net Sales
Chicago.....	+ 4	+ 8	+ 7
Peoria.....	+10	+ 7	+12
Fort Wayne.....	+16	+11	+23
Indianapolis.....	+10	+16	+17
Des Moines.....	+ 8	....	+ 8
Sioux City.....	+11	....	+ 9
Detroit.....	+21	+ 9	+21
Flint.....	+22	....	+26
Grand Rapids.....	+12	....	+13
Lansing.....	+19	....	+25
Milwaukee.....	+13	+14	+17
Other Cities.....	+17	+11	+21
7th District.....	+11	+11	+14

and those in Indianapolis were larger by 10 per cent. In contrast, sales in Chicago stores increased by only 4 per cent over the June 1940 figures.

On the basis of the weekly reports from the larger stores in the district, it is apparent that July sales should also be substantially higher than those for July of last year, as the total sales during the first two weeks were 24 per cent higher than those of the corresponding period of 1940.

It is apparent, moreover, from the reports of a sample of 45 stores, that most of the main departments are sharing to some extent in this increase in sales over those of the preceding year. Housefurnishings have shown the largest increase, with a 27 per cent gain over the sales of June 1940. Other gains are: 18 per cent in total piece goods, 15 per cent in women's ready-to-wear, 14 per cent in small wares, 5 per cent in men's and boys' ready-to-wear, and 4 per cent in ready-to-wear accessories groups. Although a portion of these increases is due to price rises, the major part is due to larger physical volume of sales.

Miscellaneous Retail Trade—Retail sales of shoes, as reported by dealers and department stores in the district, declined by 2 per cent from those of June 1940. Furthermore, a contra-seasonal trend was indicated by the fact that June sales fell 16 per cent below those of May. This is the first time since 1936 that June sales of shoes were lower

Wholesale Trade—Wholesale trade in the Seventh district continued to reflect the increase in retail sales of merchandise. Net sales for those groups reporting to the Bureau of the Census were 32 per cent higher than in June 1940. Collections increased by 31 per cent, while accounts receivable were up by 23 per cent. With the exception of tobacco and tobacco products, all large wholesale groups showed in the general increases in net sales. Meat products increased by the largest percentage, gaining 72 per cent over sales of June of the previous year. Electrical goods, hardware, and jewelry also realized sizable gains over June of the preceding year, with increases of 55 per cent, 46 per cent, and 45 per cent, respectively. Inventories also increased, but by a smaller percentage than that of net sales. For the reporting groups, inventories rose by 23 per cent over the June 1940 level. In this instance, the increases varied from 4 per cent for drugs and drug sundries to 35 per cent for hardware.

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

	June 1941 Compared with June 1940 (Per Cent Change)				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+11	+15	+ 8	+18	+14
Apparel Group.....	+ 4	+ 7	- 1	+11	+ 9
Drug Stores.....	+ 8	+12	+ 6	+16	+12
Eating and Drinking Places.....	+ 6	+12	+ 5	+16	+ 5
Food Group.....	+ 4	+ 6	+ 2	+10	+ 6
Furniture-Household-Radio Group.....	+17	+21	+ 8	+30	+27
Hardware Stores.....	+13	+13	+12	+16	+20
Jewelry Stores.....	+34	+53	+30	+51	+36
Lumber and Building Materials.....	+19	+15	+ 1	+32	+21
Motor Vehicle Dealers.....	+23	+43	+27	+29	+40

*Includes classifications other than those listed.

WHOLESALE TRADE IN JUNE 1941

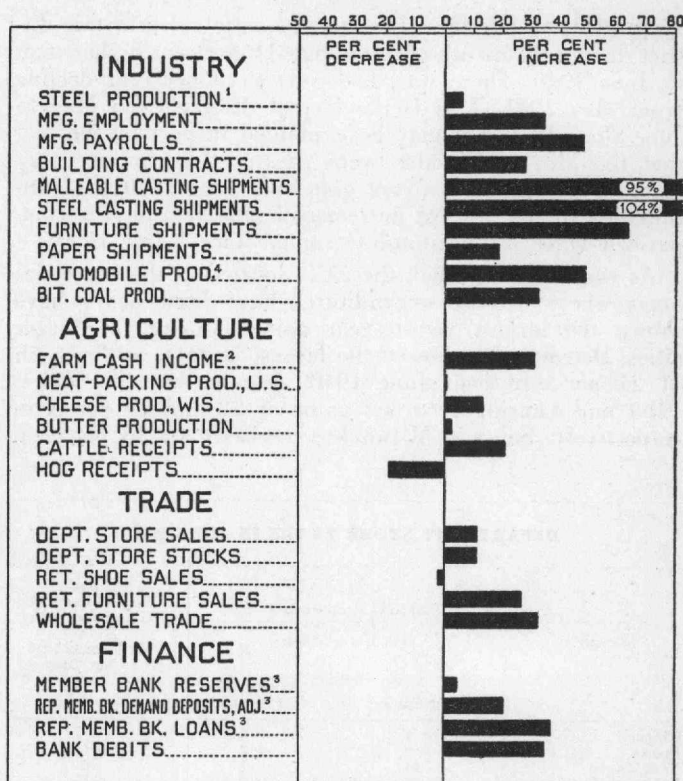
Commodity	June 1941 Compared with June 1940 (Per Cent Change)			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Sundries.....	+17	+ 4	+17	+ 8
Electrical Goods.....	+55	+24	+69	+77
Groceries.....	+ 6	+19	+ 5	+ 9
Hardware.....	+46	+35	+24	+35
Jewelry.....	+45	+21	+29	+78
Meats and Meat Products.....	+72	+32	+27	+89
Paper and Its Products.....	+18	+ 8	+24	+27
Tobacco and Its Products.....	- 2	+31	+ 4	+ 5
Miscellaneous.....	+38	+11	+26	+33
7th District.....	+32	+23	+25	+31

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

Industrial Activity

Steel—Steel mill operations in the Chicago area were maintained throughout June at levels above rated capacity, and the customary decline in the week of July 4 was followed by a rapid recovery. The prevailing high rate in the Detroit area was sharply curtailed in the week of July 15 by labor difficulties at one of the steel plants. Pig iron production continued at full blast, and the daily average output in June averaged one per cent higher than in May. Mills and foundries were drawing heavily on supplies of iron and steel scrap, and dealers reported difficulties in obtaining additional supplies. Practically all scrap produced in the Detroit area was consumed locally. Steel companies have been curtailing sheet-strip production on a large scale in order to permit an expanded production of plates. This has served not only to meet the increasing demands of shipbuilders and the railroad equipment industry which have been given high preference ratings by the Priorities Division, but has been in line with the Government's suggestion that such civilian goods as automobiles, refrigerators, and others, depending on the supply of sheet and strip, be severely curtailed. Mills are tightening on commercial shipments which are being deferred, even when booked ahead of defense orders. Bookings carrying preferential ratings are increasing steadily and constitute, according to various trade reviews, from 60 to 70 per cent of all steel orders. One priority rating is of no avail so long as another of a higher order remains unfilled. Mills are uncertain as to what orders should be filled first. Farm equipment manufacturers are asking for preferential treatment. Warehouse operators report need of governmental assistance in obtaining replacements. The Office of Production Management has issued a preference list of defense contractors, in order that the distribution of machine tools be made according to the urgency of the need. The Office of Price Administration and Civilian Supply is endeavoring to determine the proportion between defense and civilian demands. This office issued two important orders during the early part of July. One was for an emergency allocation of material and equipment needed by the canning industry in handling this year's crop of fruit and vegetables. The other gave priority status to materials required for the repair and maintenance of industries and services whose

SEVENTH DISTRICT BUSINESS ACTIVITY JUNE 1941 COMPARED WITH JUNE 1940



1. Ingot rate, Chicago district, week ending July 19. 2. May data. 3. As of July 16. 4. Automobile production, United States and Canada.

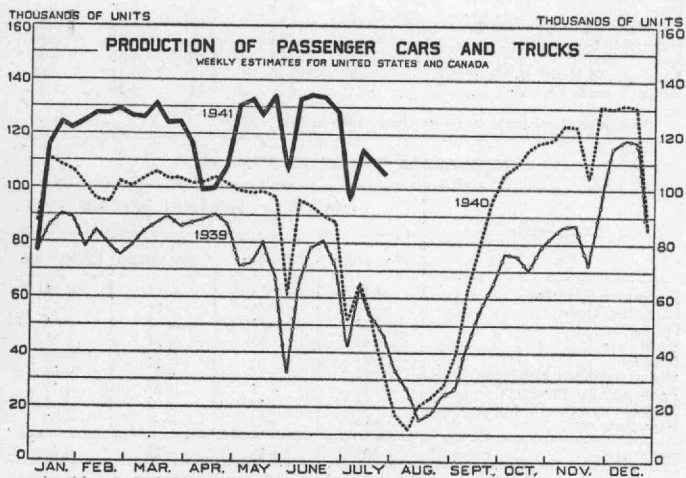
continued operations are essential. Such material is allocated prior to other civilian needs and even prior to defense needs if so decided by the Office of Production Management.

Automobiles—The supply of automobiles in dealers' salesrooms and warehouses is being depleted rapidly. It is estimated that automobile field stocks at the end of June represented less than a month's requirements. Retail volume during May was the highest on record, and sales of automobiles in June declined because dealers were unable to meet requests for cars. The high levels of automobile production since the first of the year were insufficient to supply the increased demand for cars this spring and at the same time provide adequate field stocks.

Weekly production of passenger cars and trucks in the United States and Canada for the week ending July 26 was 105,635 units, about 30,000 less than the largest weekly output in 1941. Most of this decline was due to a production pause by a few producers for changeover to 1942 models. Many manufacturers will continue present models throughout July. Production of passenger cars in the United States during the first half of this year exceeded any similar period in the last ten years, while more trucks were manufactured than in any first six-month period in history.

Estimated passenger car and truck assemblies in the United States totaled 514,000 in June, a decrease of one per cent from May, but an increase of 49 per cent over June 1940.

Used-car stocks are large due to recent trade-ins on the sizable volume of new cars sold. Considering the present trends of the industry, these stocks, instead of being a



Data furnished by Ward's Reports, Inc.

source of concern to dealers, will become of increasing importance in meeting the demands of the public. Manufacturers and dealers are checking inventories of automobile replacement parts to insure an ample supply to keep older cars in proper operating condition.

The increasing volume of defense contracts awarded the automobile industry during the past year will require labor and materials in excess of previous estimates. Many armament contracts previously awarded have been doubled, and in a few instances they have been tripled.

Miscellaneous Manufactures—Operations in practically all reporting Seventh district industries continued at the same high level in June that was attained in May, and showed heavy increases over the corresponding levels of a year ago. In steel and malleable casting foundries, shipments were practically twice as large as last June, and orders reflected an even greater expansion. While shipments of stoves and furnaces continued at the May level, new business registered the customary seasonal decline. Inventories in this industry were somewhat lower than in either the preceding month or a year earlier. Orders booked for furniture fell below the unusually high volume recorded in May, but were larger than the present high volume of shipments established last month. Changes in the paper and pulp industry of the district were of minor proportion, except in stocks of paper which declined as much as 20 per cent from May 31, and also were that much below the corresponding volume of a year ago. Pulp inventories were lower than last year by close to 30 per cent, but showed no appreciable change during the month of June.

**STEEL AND MALLEABLE CASTINGS
SEVENTH DISTRICT**

	June 1941	
	May 1941	June 1940
Steel Castings:		
Orders booked (tons).....	- 2	+208
Orders booked (dollars).....	- 3	+257
Shipments (tons).....	+ 2	+104
Shipments (dollars).....	+10	+151
Production (tons).....	+ 3	+115
Malleable Castings:		
Orders booked (tons).....	+ 3	+128
Orders booked (dollars).....	+ 4	+137
Shipments (tons).....	- 1	+ 95
Shipments (dollars).....	*	+104
Production (tons).....	+ 1	+ 73

*Decrease of less than one per cent.

**PAPER AND PULP INDUSTRY
SEVENTH DISTRICT**

	June 1941	
	May 1941	June 1940
Paper:		
Orders booked (tons).....	- 1	+33
Orders booked (dollars).....	- 3	+44
Shipments (tons).....	+ 5	+18
Shipments (dollars).....	+ 5	+27
Production (tons).....	- 4	+18
Stocks at end of month (tons).....	-18	-20
Pulp:		
Production (tons).....	+ 1	+20
Stock at end of month (tons).....	+ 3	-29

Building—Due mainly to a curtailment of \$3,500,000 in heavy engineering projects and a \$1,000,000 reduction in the nonresidential classification, contracts awarded during June for construction projects in the Seventh district fell slightly below the high figure of a month earlier. The loss in nonresidential awards took place despite the fact that fully 40 per cent were financed through public expenditures, chiefly in connection with the Government's defense program. The Government's expenditure of \$5,000,000 for residential awards accounted for the entire increase in this type of construction in June and more than offset a moderate decline in awards financed by private interests.

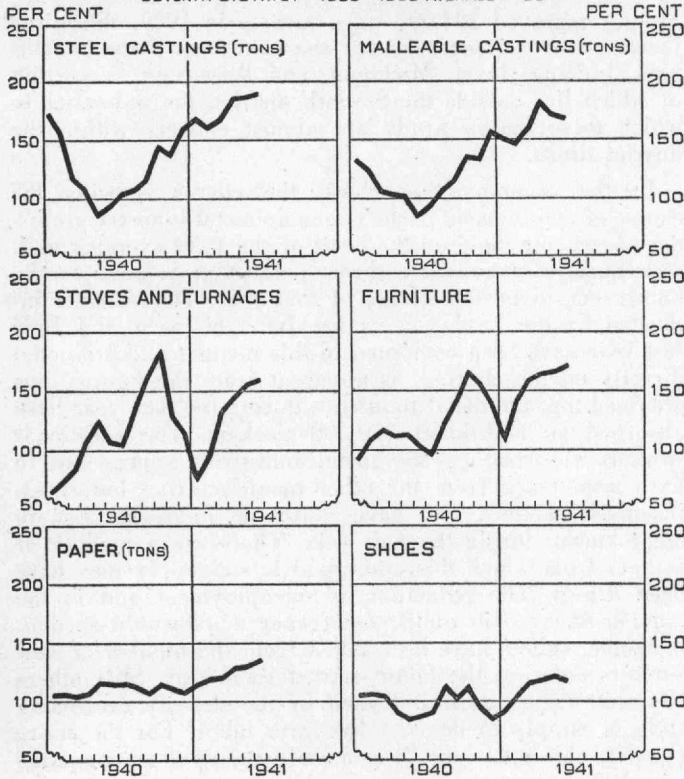
Both the aggregate contracts and the residential awards during the first six months of 1941 were the largest for any such corresponding period since 1929, when the total was \$620,000,000. The dollar value for this year was close to half a billion. It is also significant that the residential awards this year contributed approximately the same portion of the total as they did in 1929.

Permits issued in 103 reporting cities of the district during June indicated a decline of approximately 5 per cent in number as well as in valuation. Chicago, Indianapolis, and Milwaukee showed substantial declines, which were largely offset by the heavy gains recorded for the cities of Detroit and Des Moines. Exclusive of these five cities, the rest of the reporting cities as a group showed a decline of one per cent in the estimated cost of building for which permits were issued. Yearly figures, however, continued to reflect the expansion which has taken place, for the number of permits and the estimated cost of new construction were 20 per cent and 45 per cent higher, respectively, than in June 1940.

Sales of building materials continued to increase during June, as reports indicated aggregate gains of about 15 per cent in lumber, 10 per cent in brick deliveries, and about 15 per cent in cement shipments. A large brick manufacturing concern states that the demand for brick is stronger than at any time since 1930. A prominent lumber dealer

SHIPMENTS BY SELECTED INDUSTRIES

SEVENTH DISTRICT 1935-1939 AVERAGE = 100



**BUILDING CONTRACTS AWARDED
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
June 1941.....	\$72,219,000	\$34,635,000
Change from May 1941.....	-6%	+5%
Change from June 1940.....	+27%	+43%
First six months of 1941.....	\$447,493,000	\$168,318,000
Change from same period of 1940.....	+60%	+40%

Data furnished by the F. W. Dodge Corporation.

reports that advancing prices and delayed shipments prevail in the wholesale market because of the heavy demand on the part of the Government for lumber and other materials. The United States wholesale price index for building materials stood at a level of 102 on July 12, as against 100 a month earlier, and 92 a year ago, denoting increases of 2 and 11 per cent, respectively, over the two earlier periods.

Employment and Payrolls

Employment and payrolls in the manufacturing industries of the Seventh district showed a continued expansion from May into June, and by the middle of the latter month had reached levels that were higher than any previously recorded. The expansion was similar to that which has been in progress during practically the entire past year, in that it was predominantly the result of an increasing activity within the durable goods industries. Non-durable goods industries, however, have continued as previously to share substantially in the general expansion. The rising demand for labor during the past year has been closely related to the large volume of defense contracts that has been awarded by the Government since June 1940. These contracts have drawn heavily on the production of raw materials, as well as on semi-finished and finished products, and the effect has been especially marked in the iron and steel industries, where operations have virtually reached a capacity level.

A figure as to the actual number of wage earners that are at the present time employed in the metal industries has

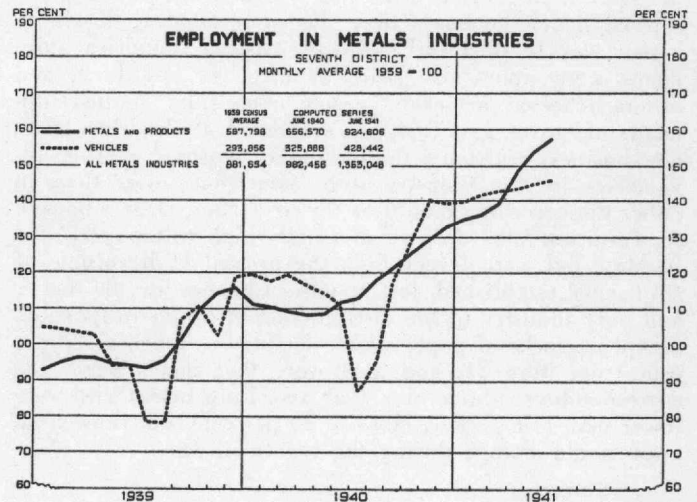
**EMPLOYMENT AND PAYROLLS—SEVENTH FEDERAL
RESERVE DISTRICT**

Industrial Group	Week June 15, 1941			Per Cent Change from May 15, 1941	
	No. of Reporting Firms	No. of Employes	Wage Payments ('000 Omitted)	No. of Employes	Wage Payments
DURABLE GOODS:					
Metals and Products ¹	1,821	597,710	\$21,853	+2.3	+5.0
Vehicles.....	395	440,802	20,733	+0.7	+13.9
Stone, Clay, and Glass.....	258	23,145	708	+3.5	+8.2
Wood Products.....	452	58,869	1,546	+3.8	+6.2
Total.....	2,926	1,120,526	44,840	+1.7	+9.0
NON-DURABLE GOODS:					
Textiles and Products.....	412	73,228	1,589	+0.5	+5.2
Food and Products.....	992	122,250	3,451	+7.5	+7.0
Chemical Products.....	303	40,892	1,397	+1.2	+3.5
Leather Products.....	178	32,549	811	+4.8	+7.9
Rubber Products.....	32	22,372	779	+0.7	+2.6
Paper and Printing.....	708	85,001	2,753	-0.4	+3.3
Total.....	2,625	376,292	10,780	+3.0	+5.0
Total Mfg., 10 Groups.....	5,551	1,496,818	55,620	+2.0	+8.2
Merchandising.....	5,163	154,500	3,634	+3.4	+5.1
Public Utilities.....	1,117	110,858	3,859	+1.3	+0.5
Coal Mining.....	50	7,199	221	-3.6	+0.5
Construction.....	410	7,978	335	+8.3	+12.3
Total Non-Mfg., 4 Groups.....	6,740	280,535	8,049	+2.5	+3.0
Total, 14 Groups.....	12,291	1,777,353	\$63,669	+2.1	+7.5

¹Other than vehicles.

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

been arrived at by carrying the latest available Census data forward by means of the month-to-month percentage changes which have been reported by a fairly representative sample of these industries within the district. According to the *United States Census of Manufactures of 1939*, there was in that year, in the five States that comprise the Seventh district, an average number of 245,000 wage earners employed in the manufacture of iron and steel and their products, 289,000 in the manufacture of all machinery except that of transportation equipment which is classified separately, and 54,000 in nonferrous metal industries, making a combined total of 588,000 for the group, "Metals and Products, Exclusive of Vehicles." The transportation equipment industries in the Census, corresponding to the district "Vehicles"



group, employed 294,000 wage earners in 1939. While the Census figures quoted are for the combined States of Illinois, Indiana, Iowa, Michigan, and Wisconsin, a portion of which lies outside the Seventh district, the industries to which these figures apply are almost entirely within the district limits.

In the accompanying chart, the curves showing the course of employment in the two main metal industry groups have been computed on the basis of the 1939 averages and, consequently, represent a direct percentage relation to the known employment volumes of that year. The volumes indicated by the levels shown for June this year and June last year have been computed in this manner and are noted directly on the chart. It is apparent from the figures thus obtained that the metal industries during the past year have absorbed an additional 370,000 workers. The additional workers absorbed by the metal industries appear not to have been taken from the other manufacturing industries, inasmuch as they, too, have shown an aggregate rise in employment during the past year. There are a number of sources from which this additional labor supply may have been drawn. The reduction in unemployment and in the number engaged in public emergency work would account for some. Others have been taken from the number of new workers entering the labor market each year. Still others have left farms, as is indicated by the steadily decreasing ratio of supply to demand for farm labor. For the entire country, this ratio was 71 per cent on July 1 as compared with 102 per cent a year ago.

Employment in manufacturing industries, though important, comprises but one third of the total of the non-agricultural employment. Two thirds is found in such occupations as: mining; construction; trade; transportation and public utilities; finance, service, and miscellaneous; and Federal, State, and local Government. There has been some change in the ratio of manufacturing employment to other non-agricultural employment as a result of the defense expansion, but it is not appreciably higher.

Cost of Living

The Bureau of Labor Statistics' index of the cost of living of wage earners and lower-salaried workers in large cities in the United States, with average costs in 1935-39 as 100,

PERCENTAGE CHANGE FROM MARCH 15 TO JUNE 15, 1941 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS

City	All Items	Food	Clothing	Rent	Fuel, Electricity, Furnishings and Ice	House Furnishings	Miscellaneous
Average: 34 Large Cities...	+3.4	+7.6 ^a	+1.2	+0.7	+0.7	+3.6	+1.4
Chicago.....	+3.3	+7.6	+1.4	+1.1	-0.1	+2.4	+0.8
Detroit.....	+4.2	+8.7	+0.6	+1.4	+3.7	+3.6	+2.9
Indianapolis.....	+3.3	+7.8	+0.8	+2.1	-0.1	+5.8	+0.9
Milwaukee.....	+4.1	+10.6	+0.6	+0.4	+0.7	+4.3	+1.4

^aBased on data for 54 cities.
Data furnished by the Bureau of Labor Statistics.

PERCENTAGE CHANGE FROM MAY 15 TO JUNE 15, 1941 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS

City	All Items	Food	Clothing	Rent	Fuel, Electricity, Furnishings and Ice	House Furnishings	Miscellaneous
Average: 20 Large Cities...	+1.7	+3.7 ^a	+0.5	+0.1	+0.3 ^a	+2.0	+0.8
Chicago.....	+1.6	+3.8	+0.6	+0.1	+0.1	+1.0	+0.4
Detroit.....	+2.8	+6.3	+0.4	+0.5	+2.1	+2.7	+1.9

¹Based on data for 51 cities.

²Based on data for 34 cities.

³No change.

Data furnished by the Bureau of Labor Statistics.

stood at 104.6 on June 15, as compared with 101.2 on March 15. This represents an increase of 3.4 per cent in the cost of living during the three-month period. The cost of food increased 7.6 per cent, and the cost of housefurnishings increased 3.6 per cent.

The cost of living in Chicago rose 1.6 per cent from May 15 to June 15, with an increase of 3.8 per cent in food costs. The cost of living in Detroit rose 2.8 per cent in the same period, with an increase of 6.3 per cent in the cost of food. The cost of living in Indianapolis and in Milwaukee rose 3.3 per cent and 4.1 per cent, respectively, from March 15 to June 15.

The Agricultural Situation

Grain Marketing—For the first time in the history of the Chicago Board of Trade, shippers were asked on July 18 not to send any more grain to this market unless they had made previous arrangements for storage. This action was taken in preference to an absolute embargo which was threatened in the middle of July. With an estimated production of more than 910,000,000 bushels and a carryover of unusual proportions—just short of 400,000,000 bushels—the storage of wheat at terminal markets is becoming a problem.

Receipts at primary interior markets of the country during June rose 61 per cent over the previous month, 229 per cent over the same month a year ago, and exceeded the ten-year average by 122 per cent. Shipments from the same markets increased, but not sufficiently to offset the rise in receipts.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	June 1941	May 1941	June 1940	June 1931-40 Avg.
Wheat:				
Receipts.....	50,413	31,396	15,309	22,668
Shipments.....	27,395	17,464	13,436	15,127
Corn:				
Receipts.....	18,692	25,852	24,162	17,980
Shipments.....	18,756	22,599	13,960	12,801
Oats:				
Receipts.....	3,479	3,850	1,873	4,492
Shipments.....	3,230	3,049	2,651	4,700

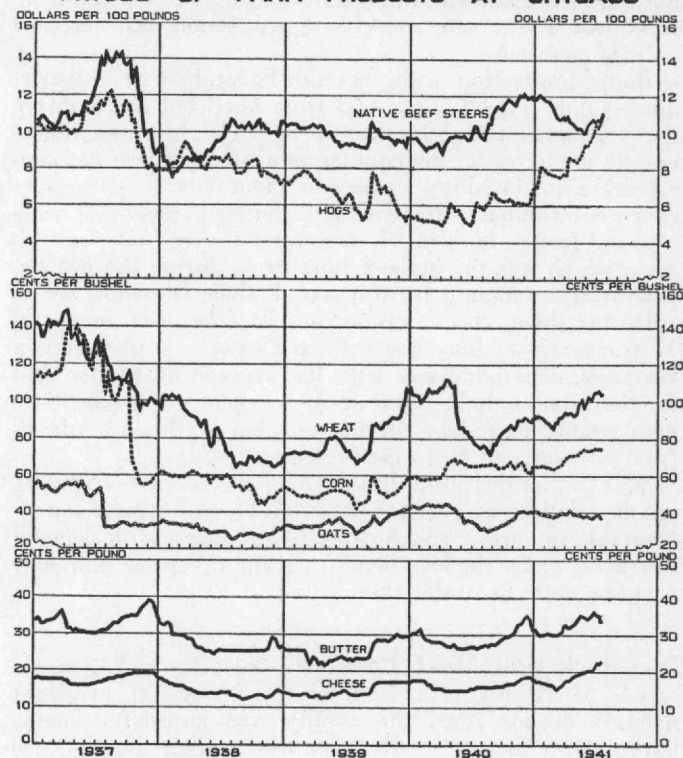
For the month of June, shipments were up 57 per cent over May, 104 per cent over June a year ago, and 81 per cent above the ten-year average for that month.

For the week ending July 12, the visible supply of wheat, which includes stocks of grain in public and private warehouses at principal points of accumulation in the United States and in transit by water, rose 40 per cent over the same period a year ago and was 32 per cent above the visible supply for the week ending June 14. The increase over the ten-year average was 70 per cent.

Although wheat prices have remained firm throughout June and the early part of July, they have ranged below the basic loan price for the 1941 crop. With the exception of two trading days since June 16, wheat at Chicago has closed above \$1.00.

While the spread between wheat prices in the United States and those in other countries has remained less than the import duty of 42 cents per bushel on imports for consumption, recent price advances have made it important that import quotas be placed to protect the domestic markets. For the year beginning May 28, 1941, the quotas as reported by the United States Department of Agriculture are as fol-

PRICES OF FARM PRODUCTS AT CHICAGO



By weeks, 1937 through July 19, 1941.

lows: from Canada 795,000 bushels of wheat and 3,815,000 pounds of wheat products; and from thirteen other countries combined 5,000 bushels of wheat and 185,000 pounds of wheat products. These quotas eliminate the possibility of serious competition from foreign markets.

For the most part, the price of corn has failed to follow the upward price of wheat, and from the middle of June to the middle of July has fluctuated around 73 cents a bushel at Chicago. Weather conditions have been favorable to growth throughout the corn belt, with the exception of a few spots in the Northern and far Western sections. The United States Department of Agriculture's estimate of July 1 was 2,500,000,000 bushels, which would be about 100,000,000 bushels larger than the 1940 crop, and approximately 10 per cent greater than the ten-year average of 1930-39. This is not a particularly large increase, however, for the 1930-39 average included two years of severe drought in each of which the production was approximately 1,500,000,000 bushels.

Receipts at principal primary markets during June fell off 28 per cent from those of May and were 23 per cent below the June 1940 volume. Visible supply for the week ending July 12 was 20 per cent below that of the same date a month previous, but was 72 per cent above the supply for the comparable period a year ago.

Dairy Products—Dairy interests, while not attaining the production increase desired by the United States Department of Agriculture, have been stepping up production considerably, particularly that of evaporated milk and cheese.

Early in June, the Department requested that production of evaporated milk be increased by one fourth and that of cheese by one third. To accomplish this, milk production would have to be increased by approximately 6 per cent. Total production on July 1, however, was only 2 per cent larger than a year earlier. For the country as a whole, production of evaporated milk has increased 28 per cent during June over a year ago, and cheese production has increased only 14 per cent.

Butter production in the Seventh Federal Reserve district during June fell off 2 per cent from May, but increased by the same amount over June a year ago. This followed almost exactly the trend for the country as a whole. There was considerable slowing down in the movement from first receivers which contributed to the decline in butter prices to 33 cents a pound from a high of 37 cents for 92-score butter at Chicago, which was the highest June price during the last ten years and the highest for any month since December 1937.

During June, cheese production in Wisconsin increased 17 per cent over May and was up 13 per cent over June a year ago. This compares with the average of 14 per cent for the country. Sales were up 45 per cent over June 1940, with sizable purchases for the Surplus Marketing Administration contributing to the increase.

With butter prices declining and cheese prices moving up, the relationship between the two is becoming increasingly favorable to cheese, and because of the increase in demand for cheese under the lease-lend program, this price ratio may continue more favorable than usual.

Livestock and Meat Packing—Notwithstanding a decrease of 10 per cent in receipts of hogs at principal markets during June, the supply was unusually heavy, having been exceeded only once during that month since 1934. Bolstered by a brisk demand for practically all pork

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District:				
June 1941.....	314	809	184	81
June 1940.....	261	999	199	86
Federally Inspected Slaughter, United States:				
June 1941.....	867	3,336	1,378	440
May 1941.....	908	4,023	1,551	501
June 1940.....	738	3,886	1,378	437

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	July 19, 1941	June 1941	May 1941	June 1940
Native Beef Steers (average).....	\$11.10	\$10.60	\$10.10	\$ 9.70
Fat Cows and Heifers.....	9.65	9.50	9.25	8.05
Calves.....	11.50	10.50	10.50	8.75
Hogs (bulk of sales).....	11.05	9.80	9.00	5.00
Lambs.....	11.00	11.65	10.20	10.60

MEAT PACKING—UNITED STATES

Per Cent Change in June 1941

	from		
	May 1941	June 1940	June 1931-40 Avg.
Tonnage produced.....	-11	*	+11
Tonnage sold.....	-1	+11	+23
Dollar sales.....	+13	+52	+68
Inventories, end of month.....	-8	+19	+44

*Increase of less than one per cent.

products, hog prices continued to increase throughout June and the first half of July, reaching a top of \$12.00 on July 17. For the week ending July 20 a year ago, the average weekly price of hogs on the Chicago market was \$6.05 compared with \$11.05 for the same week this year. With corn selling about 73 cents a bushel, the present price for hogs makes for a very favorable feeding ratio.

Cattle receipts during June were up approximately 20 per cent over the same month a year ago, totaling 1,149,000 head. This volume has been exceeded only three times during June since 1930. The number of cattle slaughtered during the month decreased slightly from the May volume, but was up 18 per cent over June a year ago, and practically all grades sold on an advancing market. Good beef cattle averaged \$11.10 at Chicago during the week of July 19. This price compares with one of \$10.00 for the same week a year ago.

Although there was a reduction of 11 per cent in estimated production of packing-house products at principal centers of the United States during June, dollar sales for the same period were up 13 per cent over the previous month. This increase in sales volume was caused principally by a rise in prices of pork products which has been sustained for some time. Other meat products have shown increases, but to a lesser degree.

Sales figures sent in by 42 firms reporting to the Federal Reserve Bank of Chicago indicate a June increase of 13 per cent in dollar sales volume for the entire country and a rise of 52 per cent over June a year ago.

Foreign trade in meat products showed slight change in June over May, with the Surplus Marketing Administration being the principal purchaser for shipment to the United Kingdom and Canada. Trade to South American countries continued unchanged on a rather light volume.

The Monetary Situation

Weekly Reporting Member Banks—Continued increases in commercial, industrial, and agricultural loans, in holdings of United States Government securities, and in demand deposits adjusted marked the operations of Seventh

district weekly reporting member banks in the five weeks ended July 16.

Commercial, industrial, and agricultural loans made by reporting member banks in this district rose by \$48,000,000 from June 11 to July 16. The increase in such loans since July 17, 1940 has been \$262,000,000, of which \$212,000,000 has been in the period since December 31, 1940. In the five weeks ended July 16, commercial, industrial, and agricultural loans increased 5.85 per cent in this district as compared with an increase of 3.89 per cent for the weekly reporting member banks in 101 leading cities. Since December 31, 1940, loans of this type made by reporting member banks in this district have increased 32.27 per cent, as compared with an increase of 19.33 per cent for the reporting member banks in 101 leading cities.

Investments held by Seventh district weekly reporting member banks rose by \$3,000,000 in the five weeks ended July 16. Holdings of United States Government securities, direct and guaranteed, increased by \$35,000,000, whereas holdings of other securities declined by \$32,000,000.

Demand deposits adjusted of reporting member banks in this district increased by \$37,000,000 in the five weeks ended July 16. Demand deposits adjusted rose \$562,000,000 since July 17, 1940, and \$477,000,000 of that increase has been since December 31, 1940. There has been little change in time deposits.

SEVENTH DISTRICT REPORTING MEMBER BANKS, SELECTED ITEMS OF CONDITION

(In millions)

	July 16, 1941	June 11, 1941	Change from Dec. 31, 1940	July 17, 1940
ASSETS				
Loans and investments—total.....	\$4,075	\$+64	\$+446	\$+668
Loans—total.....	1,331	+61	+246	+352
Commercial, industrial, and agricultural loans	869	+48	+212	+262
Open-market paper.....	44	-3	+9	+5
Loans to brokers and dealers in securities.....	47	+7	-1	+17
Real estate loans.....	62	-5	-2	-7
Loans to banks.....	136	+2	+3	+16
Other loans.....	0	0	-1	0
Investments—total.....	175	+12	+26	+59
United States Government securities, direct and fully guaranteed—total.....	2,744	+3	+200	+316
Treasury bills.....	2,171	+35	+214	+269
Treasury notes.....	560	+14	+66	+74
Treasury bonds.....	214	-5	-67	-94
Obligations fully guaranteed by U. S. Government.....	1,246	+4	+147	+231
Other securities.....	351	+22	+68	+58
Reserve with Federal Reserve bank.....	573	-32	-14	+47
Cash in vault.....	1,579	+12	+173	+32
Balances with domestic banks.....	82	-3	-1	+6
	620	+5	-62	+78
LIABILITIES				
Demand deposits—adjusted.....	3,439	+37	+477	+562
Time deposits of individuals, partnerships, corporations, states, and political subdivisions.....	999	+3	-3	+28
United States Government deposits.....	136	+2	0	+31
Domestic interbank deposits.....	1,400	+30	+87	+130

BANK DEBITS, SEVENTH DISTRICT

Debits to deposit accounts, except interbank accounts

	June 1941			June 1941	
	June 1941	May 1941	June 1940	May 1941	June 1940
Chicago.....	\$3,812	\$3,489	\$2,914	+9%	+31%
Peoria.....	80	82	54	-2	+25
Detroit.....	1,480	1,374	960	+8	+54
Flint.....	37	36	28	+3	+32
Grand Rapids.....	70	70	56	0	+25
Milwaukee.....	340	320	275	+6	+24
Indianapolis.....	273	271	210	-1	+30
Fort Wayne.....	43	44	34	+2	+26
South Bend.....	57	54	46	+6	+24
Des Moines.....	103	108	91	-5	+13
Sioux City.....	49	48	39	+2	+26
30 smaller cities.....	584	574	469	+2	+25
Total 41 cities.....	6,928	6,470	5,186	+7	+34

RESERVE BALANCES, REQUIRED RESERVES, AND EXCESS RESERVES OF ALL MEMBER BANKS

JUNE 11—JULY 16, 1941

(In millions of dollars)

	Changes in week ended						
	June 11	June 18	June 25	July 2	July 9	July 16	July 16
FACTORS, INCREASES IN WHICH INCREASE RESERVE BALANCES:							
Reserve bank credit outstanding.....	2,249	-8	+8	+24	-24	+45	2,294
Gold stock.....	22,593	+19	+8	+7	+13	+15	22,655
Treasury currency.....	3,138	+4	+6	+2	+2	+5	3,157
FACTORS, INCREASES IN WHICH DECREASE RESERVE BALANCES:							
Currency in circulation.....	9,393	+40	+57	+214	-9	-50	9,645
Treasury cash holdings.....	2,240	+18	+17	+1	+15	+18	2,309
Treasury deposits with Federal Reserve banks.....	941	+83	+57	-244	+202	-190	849
Foreign deposits.....	1,227	+3	+10	-32	-16	-7	1,185
Other deposits.....	582	+43	+26	-39	-48	+43	607
Other Federal Reserve accounts.....	285	+10	0	-6	0	0	289
MEMBER BANK RESERVE BALANCES.....							
BALANCES.....	13,312	-181	-146	+140	-154	+252	13,223
REQUIRED RESERVES.....	7,824	-7	+23	+15	-4	+32	7,883
EXCESS RESERVES.....	5,488	-174	-169	+125	-150	+220	5,340

Member Bank Reserves—Excess reserves of all member banks showed a decline of \$148,000,000 in the five weeks ended July 16. In the same period, member bank reserve balances decreased \$89,000,000, and required reserves increased by \$59,000,000 as a result of the continued growth of net demand deposits. On July 16, excess reserves stood at \$5,340,000,000 as compared with \$6,940,000,000 at the peak last October 23, and member bank reserve balances stood at \$13,223,000,000 as compared with the high of \$14,414,000,000 on January 15 of this year.

Changes in the amount of Reserve bank credit outstanding were due to changes in Federal Reserve float. There were no changes in Federal Reserve holdings of United States Government obligations. Each week saw an increase in the gold stock, but such additions were small as compared with those of 1939 and 1940. Currency in circulation rose from \$9,393,000,000 on June 11 to \$9,645,000,000 on July 16. The outflow of currency of \$214,000,000 in the week ended July 2 associated with the July 4 holiday was followed by return flows of \$9,000,000 and \$50,000,000 in the following two weeks. Treasury cash holdings increased somewhat in each week of the period. Treasury cash holdings include gold against which gold certificates or credits have not been issued. Treasury deposits with Federal Reserve banks remained at a high level but showed sharp fluctuations during the period.

Reserve balances of Seventh district member banks increased by \$12,846,000 in the five weeks ended July 16. This rise in district member bank reserve balances was due chiefly to a gain of \$149,000,000 through commercial transactions with other districts, offset by an increase of \$60,000,000 in the demand for currency in this district and an increase of \$78,000,000 in Treasury cash and deposits in the Federal Reserve Bank of Chicago.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	Change from		
	July 16, 1941	June 18, 1941	July 17, 1940
Total bills and securities.....	\$268	\$+17	\$+8
U. S. Government securities direct and guaranteed:			
Notes.....	100	+6	+27
Bonds.....	167	+10	-19
Total Government securities.....	267	+17	+7
Total reserves.....	3,397	-44	+523
Member bank reserve deposits.....	1,902	+32	+69
All other deposits.....	274	-103	+143
Federal Reserve notes in circulation.....	457	+45	+320
Ratio of total reserves to deposit and Federal Reserve note liability combined.....	93.5%	-0.5*	+0.9*

*Number of points.

VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS FEDERAL RESERVE BANK OF CHICAGO

ITEMS HANDLED	Average for Each Banking Day during	
	June 1941	June 1940
Commercial checks.....	551,000	492,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	2,216	2,169
Paper currency received and counted.....	1,425,000	937,000
Coins received and counted.....	651,000	344,000
Wire and other transfers of funds (Inter- and intra-district).....	544	463
Securities in and out of safekeeping.....	1,182	774
Coupons cut from securities in safekeeping.....	3,135	3,083
DOLLAR AMOUNTS		
Commercial checks.....	133,944,000	95,126,000
Non-cash collections (Bills, notes, bonds, coupons, etc.).....	3,405,000	1,936,000
Paper currency received and counted.....	6,127,000	4,415,000
Coins received and counted.....	67,550	56,524
Wire and other transfers of funds (Inter- and intra-district).....	98,549,000	64,151,000
Securities in and out of safekeeping.....	20,360,000	8,355,000
Value of securities held in safekeeping at end of month.....	1,074,410,000	932,344,000

Defense Savings Bonds—In May, June, and the first 22 days of July, sales of defense savings bonds through the Federal Reserve Bank of Chicago amounted to about \$139,000,000. In that period, sales of Series E bonds amounted to \$35,000,000, sales of Series F bonds to \$21,000,000, and sales of Series G bonds to \$83,000,000. Sales of Series E bonds rose from \$9,000,000 in May to \$11,000,000 in June, and to \$15,000,000 in the first 22 days of July. These figures do not include sales by postoffices or orders in transit from 1,850 issuing agencies in this district.

Security Prices—Government bond prices during June continued to edge upward on a relatively light volume of trading and were approaching their previous highs attained last December. This advance followed a period of small irregular changes from June 3 to June 18. The 2¾ per cent issue of 1960-65 advanced to a new high of 111-22/32 June 26. Up to the middle of July, the average of the four longest maturities had receded about ¾ of a point, but the new taxable issues continued in favor, with the new 2½ per cent 1956-58 issue selling to yield 2.14 against a high of 2.25.

Prices of corporate bonds showed some tendency to firm during June, and by the end of the month the average yield of Aaa bonds in the Moody's averages was 2.75, the lowest average since January 16. High-grade rails were selling to yield 3.09 compared with their high for this year of 3.17. Public utility bonds of Aaa grade were averaging 2.68, not much under the high of 2.78 in January. Industrials also

were close to their March 27 high yield of 2.59, selling on a basis of 2.49.

While the expansion in business activity has failed to affect materially corporate borrowings, it has been accompanied by a considerable increase in Treasury financing. The Treasury borrowed \$3,300,000,000 during the first half of 1941 compared with \$783,700,000 in the opening half of 1940. At the same time, Treasury expenditures increased from \$9,665,000,000 during the 1940 fiscal year to \$12,775,000,000 during the fiscal year just closed.

New Member Banks

A new high in memberships in the Seventh Federal Reserve district was reached when seven banks joined the System between June 20 and July 17. These new banks bring the total to 889 compared with 822 member banks on July 17 one year ago. The additions are:

- The State Bank of Blue Mound, Blue Mound, Illinois
- Citizens State Bank, Clarinda, Iowa
- Cudahy State Bank, Cudahy, Wisconsin
- Security State Bank, Keota, Iowa
- The Commercial Savings Bank, Lohrville, Iowa
- Moline State Trust and Savings Bank, Moline, Illinois
- Bank of Reynolds, Reynolds, Indiana

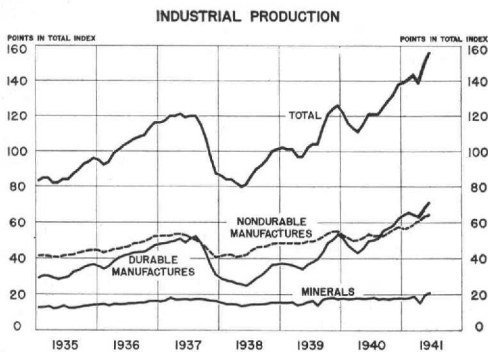
MONTHLY BUSINESS INDEXES

	Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated.					
	June 1941	May 1941	Apr. 1941	June 1940	May 1940	Apr. 1940
1935-39 average = 100						
Manufacturing Industries:						
Durable Goods:						
Employment.....	155	144	140	109	108	108
Payrolls.....	188	184	167	120	117	119
Non-Durable Goods:						
Employment.....	114	108	106	99	96	96
Payrolls.....	128	124	118	105	102	101
Total:						
Employment.....	141	132	129	106	104	104
Payrolls.....	170	166	152	115	113	113
Fig Iron Production:*						
Illinois and Indiana.....	202	200	188	162	134	117
Automobile Production—(U. S. and Canada):						
Passenger Cars and Trucks.....	161	162	146	108	123	135
Casting Foundries Shipments:						
Steel—In Dollars.....	272	247	228	109	106	120
In Tons.....	188	185	184	92	86	109
Malleable—In Dollars.....	191	192	202	94	109	113
In Tons.....	168	171	182	86	101	103
Stoves and Furnaces:						
Shipments.....	159	157	145	105	125	107
Furniture Manufacturing:						
Orders in Dollars.....	196	248	171	87	127	96
Shipments in Dollars.....	170	168	166	104	112	112
Paper Manufacturing:*						
Tonnage Production.....	135	130	129	115	116	107
Petroleum Refining—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Stills.....	145	144	145	147	144	135
Gasoline Production.....	140	134	134	141	141	128
Bituminous Coal Production:*						
Illinois, Indiana, Iowa, and Michigan.....	99	89	21	75	78	85
Building Contracts Awarded:						
Residential.....	300	285	292	209	244	222
Total.....	184	194	181	144	155	155
Meat Packing—(U. S.):						
Production.....	117	132	121	117	120	113
Sales Tonnage.....	127	128	120	115	121	119
Sales in Dollars.....	148	131	122	98	101	98
Department Store Net Sales:*						
Chicago.....	117	119	113	112	105	100
Detroit.....	124	133	125	103	109	105
Indianapolis.....	128	139	140	115	114	109
Milwaukee.....	119	128	128	104	102	107
Other Cities.....	119	126	128	104	110	104
Seventh District—Unadjusted.....	119	125	120	109	107	103
Adjusted.....	123	124	118	112	106	104

*Daily average basis.

National Summary of Business Conditions

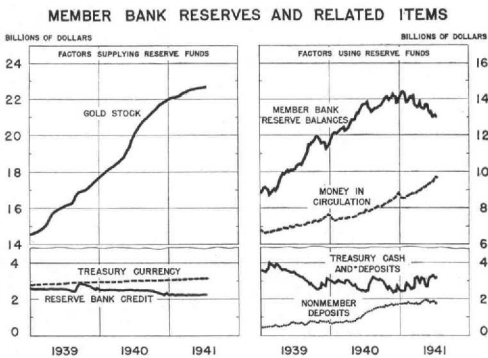
(By the Board of Governors of the Federal Reserve System)



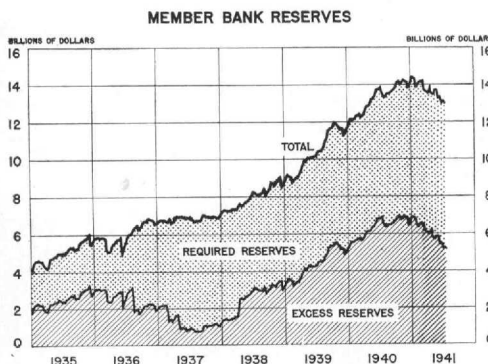
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935, to June 1941.



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending July 12, 1941.



Wednesday figures, January 4, 1939 to July 9, 1941.



Wednesday figures, January 2, 1935 to July 9, 1941. Required and excess reserves, but not the total, are partly estimated.

INDUSTRIAL production increased further in June, continuing the rapid advance that began about a year ago. Commodity prices, both in retail and in wholesale markets, rose considerably between the early part of June and the third week of July.

Production—Reflecting the continued advance in industrial activity at a time when output ordinarily declines, the Board's adjusted index advanced from 150 per cent of the 1935-1939 average in May to 156 in June, and preliminary estimates indicate a further rise in July. The current level compares with 104 before the start of the European war and 111 in the spring of 1940, when the current advance in industrial activity began.

Further increases in output were reported in June for a considerable number of industries, particularly those associated closely with the defense program, and there were no important declines. As in other recent months, activity in the aircraft, shipbuilding, machinery, and railroad equipment industries rose sharply. Automobile production was maintained at the high level of May, owing mostly to unusually large retail sales. Output of iron and steel and nonferrous metals, already close to capacity, did not show an increase to correspond with the rise in output of finished metal products, and official statements indicated growing concern over shortages of numerous materials. Steel ingot production remained close to 99 per cent of capacity during June, but the rate in the middle of July was slightly lower. For the year to date, output of steel has averaged 98 per cent of the rated capacity as of December 1940.

Output of textiles and most other nondurable manufactures in June continued at recent advanced levels, which in some instances represent capacity production. Output of chemicals continued to increase rapidly. Also, there was a sharp rise in rubber consumption, reflecting continued heavy demand for rubber products and the fact that June was the last month before curtailment of rubber consumption by industry was to go into effect and was the month to be used in apportioning July consumption among various manufacturers.

Mineral production increased in June, with a marked rise in output of anthracite, some further increase in output of bituminous coal, and a continued advance in crude petroleum production to a new high level.

Value of construction contract awards in June continued at the high level reached in May and was nearly two-thirds above a year ago, according to figures of the F. W. Dodge Corporation. Awards for public construction again increased sharply, reflecting continued expansion in the volume of defense construction projects. Private residential building contracts declined somewhat more than seasonally, following an increase in May.

Distribution—Sales of general merchandise showed little change from May to June. Department store sales decreased more than seasonally, while rural retail and variety store sales remained at the May level, although a decline is usual at this time of the year. In the early part of July sales at department stores rose somewhat and were 24 per cent higher than a year ago.

Loadings of revenue freight increased further in June, reflecting continued expansion in shipments of coal and miscellaneous merchandise, and by the end of the month were in larger volume than at any time during the seasonal peak last autumn.

Commodity Prices—Wholesale prices of most groups of commodities continued to advance from the early part of June to the middle of July. Prices of foodstuffs showed large increases, and there were substantial advances in prices of a number of industrial raw materials and finished products. Following earlier marked advances, prices of hides and cotton gray goods were reduced by Governmental action. Retail prices for foods and many other commodities have been rising, and in June the cost of living was about 4 per cent higher than four months earlier. Preliminary figures indicate further advances in July.

Bank Credit—Holdings of United States Government securities by member banks in 101 leading cities increased further during June and early July, reflecting in part new offerings by the Treasury. Commercial loans continued to rise sharply.

Notwithstanding the greater volume of bank loans and investments, deposits of city banks declined somewhat over the period, reflecting mainly a growing demand for currency and a building up of Treasury deposits at the Reserve banks. These developments also resulted in a decrease in the volume of excess reserves, which amounted to about \$5,300,000,000 on July 16, compared with \$6,900,000,000 a year earlier.

United States Government Security Prices—United States Government securities advanced further during the latter part of June. Partially tax-exempt 1960-65 bonds on June 26 were at an all-time peak, on a 2.02 yield basis. Since that time they have declined slightly. Taxable bonds generally continued to advance to successive new high levels. Yields on Treasury notes showed little change during the latter part of June and the first half of July.

SEVENTH FEDERAL



RESERVE DISTRICT

