

# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO



SEPTEMBER 1, 1941

## District Summary of Business Conditions

Although stresses and strains are beginning to appear in the industrial structure because of unequal development as production and trade continue to surge upward, controls are being put into effect in an attempt to avoid serious maladjustments.

Bottlenecks in production which are threatening to create unemployment because of shutdowns of factories unable to get critical materials are being studied, and attention is being given to the rationing of metals so that a sufficient flow may be maintained to keep small industrial units in operation.

Controls will go into effect September 1 to govern the extension of consumer installment credit. The Board of Governors of the Federal Reserve System has issued the initial regulations. These controls are designed to supplement taxation and other measures designed to reduce the pressures of consumer demand, particularly for those goods of which there is or may be a scarcity, relative to the demand, because of defense requirements, and to protect the interest of consumers and prevent prices from being bid up to inflated levels.

Although ingot steel production continues at rated capacity in this district and is approximately 100 percent throughout the country, steel will go under full priority control September 1. Automobile production on 1941 model cars was the largest of any year since 1929, but this industry, in cooperation with Governmental agencies, has agreed upon a curtailment in passenger car production of 26½ per cent during August, September, October, and November, and a monthly adjustment later, so that the 1942 model year output of passenger cars will be curtailed approximately 50 per cent. Volume of construction awards, which ordinarily remains level during July, reached a peak second only to that in March of this year, due principally to an expansion of industrial plants financed to a large extent by public funds. Residential awards were higher than usual, having been carried upward by the industrial expansion in order to meet the housing problems in those areas which have been experiencing the largest increase in defense orders.

Despite seasonal influences, employment in the Seventh District during July was maintained at the high level prevailing in June, although wage payments were off slightly. The principal reduction was in the transportation and equipment industries, where the number employed was down about 4 per cent. Increases in other durable goods industries, however, practically offset this loss. Employment in the food industries showed by far the largest increase, being up 13 per cent.

Increased industrial activity is finding expression in retail trade which is moving upward in both physical volume and dollar amount. In fact, Seventh District retail trade during July showed less tendency to respond to seasonal factors than it has at any time since 1922. Inventories, which ordinarily recede during July, were at the same level as reported during June, but were substantially higher than for July 1940.

Commercial, industrial, and agricultural loans of reporting member banks in the Seventh District increased by \$42,000,000 during July and the first three weeks of August, rising to a new high for the year of \$891,000,000. The banks also increased their holdings of Treasury bonds by \$14,000,000. During the same period, demand deposits adjusted moved up \$67,000,000.

The outpouring of orders for ships, tanks, guns, airplanes, munitions, and supplies has given business a stimulant that is carrying production, employment, payrolls, construction, and trade, to boom proportions.

## The Monetary Situation

**Member Bank Reserves**—The continued existence of an enormous volume of excess reserves remains a problem which becomes more and more significant as huge defense expenditures give impetus to monetary expansion. There has been, however, a substantial decline in excess reserves since January, which stands in sharp contrast to the upward movement in recent years. Excess reserves of all member banks reached a peak of \$6,940,000,000 last October 23. Excess reserves amounted to almost as much, \$6,896,000,000, on January 15 of this year, when member bank reserve balances reached a record high level of \$14,414,000,000. On August 6, excess reserves stood at \$5,020,000,000, and on August 20 at \$5,060,000,000. The decline in excess reserves from January 15 to August 20 amounted to \$1,836,000,000.

Excess reserves of member banks represent the excess of member bank reserve balances (reserve balances actually held by member banks at the Federal Reserve banks) over required reserves (reserves required to be held by member banks against their deposits subject to reserve). The amount of excess reserves of member banks, therefore, is dependent upon the factors that determine the level of member bank reserve balances and the factors that determine the amount of required reserves.

The level of member bank reserve balances depends upon the factors which supply and use member bank reserve funds. The two tables present the net changes from January 15 to August 20 in the factors which supply and use member bank reserve funds, rearranged to show the changes which increased and decreased member bank reserve balances during that period.

The chief changes which have decreased member bank reserve balances from January 15 to August 20 have been the increase in currency in circulation of \$1,298,000,000, the increase in Treasury deposits with the Federal Reserve banks of \$548,000,000, and the increase in Treasury cash holdings of \$182,000,000. The increase in currency in circulation is a continuation of the persistent upward movement in currency holdings of the public. The increase in Treasury deposits with the Federal Reserve banks and the increase in Treasury cash holdings reflect in part the need for a larger Treasury working balance with the present high level of defense expenditures.

**RESERVE BALANCES, REQUIRED RESERVES, AND EXCESS RESERVES OF ALL MEMBER BANKS**  
JANUARY 15 — AUGUST 20, 1941  
(In millions of dollars)

	Jan. 15	July 16	Aug. 20	Change from Jan. 15 to Aug. 20	Change from July 16 to Aug. 20
<b>FACTORS, INCREASES IN WHICH INCREASE RESERVE BALANCES:</b>					
Reserve bank credit outstanding.....	2,254	2,294	2,272	+18	-22
Gold stock.....	22,066	22,655	22,710	+644	+55
Treasury currency.....	3,092	3,157	3,178	+86	+21
<b>FACTORS, INCREASES IN WHICH DECREASE RESERVE BALANCES:</b>					
Currency in circulation.....	8,542	9,645	9,840	+1,298	+195
Treasury cash holdings.....	2,195	2,309	2,377	+182	+68
Treasury deposits with Federal Reserve banks...	237	849	785	+548	-64
Foreign deposits.....	1,230	1,185	1,203	-27	+18
Other deposits.....	512	607	632	+120	+25
Other Federal Reserve accounts.....	283	289	286	+4	-3
<b>MEMBER BANK RESERVE BALANCES.....</b>	<b>14,414</b>	<b>13,223</b>	<b>13,037</b>	<b>-1,377</b>	<b>-186</b>
<b>REQUIRED RESERVES.....</b>	<b>7,518</b>	<b>7,883</b>	<b>7,977</b>	<b>+459</b>	<b>+94</b>
<b>EXCESS RESERVES.....</b>	<b>6,896</b>	<b>5,340</b>	<b>5,060</b>	<b>-1,836</b>	<b>-280</b>

**FACTORS AFFECTING EXCESS RESERVES OF ALL MEMBER BANKS, JANUARY 15, 1941 — AUGUST 20, 1941**  
(In millions of dollars)

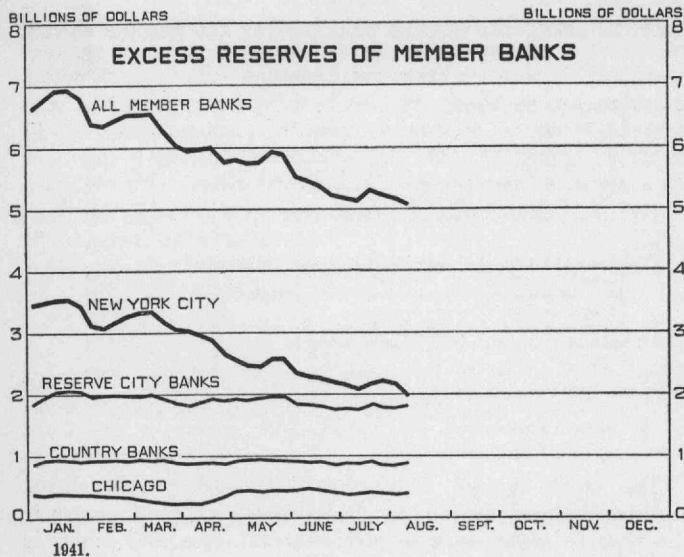
EXCESS RESERVES DECREASED.....	1,836
MEMBER BANK RESERVE BALANCES DECREASED.....	1,377
<b>Changes which increased member bank reserve balances:</b>	
Increase in gold stock.....	644
Increase in Treasury currency.....	86
Decrease in foreign deposits.....	27
Increase in Reserve bank credit outstanding.....	18
	<hr/>
	775
<b>Changes which decreased member bank reserve balances:</b>	
Increase in currency in circulation.....	1,298
Increase in Treasury deposits with Federal Reserve banks.....	548
Increase in Treasury cash holdings.....	182
Increase in other deposits with Federal Reserve banks.....	120
Increase in other Federal Reserve accounts.....	4
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	2,152
REQUIRED RESERVES INCREASED.....	459
Net demand deposits and time deposits increased; no change in reserve requirements.	

The chief change which has increased member bank reserve balances during the period has been the increase in the reported gold stock of \$644,000,000. The gold inflow in 1941, however, has been sharply diminished as compared with the gold inflow in 1939 and 1940. The average weekly increase in gold stock from January 15 to August 20 was \$21,000,000. This contrasts with an average weekly increase in gold stock of \$60,000,000 in 1939 and \$84,000,000 in 1940. The sharp diminution in the gold inflow has been due to several factors, of which the most important have been the virtual exhaustion of the available gold reserves of the United Kingdom and the spread of German control on the Continent, accompanied by extension of the British blockade and the freezing in the United States of the funds of the invading countries. Since January 1941, when liquidation of the United Kingdom's reserves was virtually completed, the United States has been acquiring foreign gold at a rate which is somewhat below the annual rate of foreign gold production.

The amount of required reserves depends upon the member bank reserve requirements set within certain prescribed limits by the Board of Governors of the Federal Reserve System, and upon the level of net demand deposits and time deposits against which the member banks are required to hold reserves. Required reserves of all member banks amounted to \$7,977,000,000 on August 20, as compared with \$7,518,000,000 on January 15. The increase in required reserves of \$459,000,000 during the period has been due to a continued and substantial increase in net demand deposits and a smaller increase in time deposits. The increase in net demand deposits, in turn, has been caused in large part by the expansion in commercial, industrial, and agricultural loans made by member banks and by growth in member bank holdings of Government securities.

It should be noted that the increase in required reserves due to the continued creation of demand deposits by an increase in loans and investments of member banks does not constitute a solution to the problem of the inflationary possibilities of undesirable credit expansion based upon the present large volume of excess reserves. Rather, the decrease in excess reserves due to the increase in required reserves represents a using-up of excess reserves in further additions to deposits at a time when the volume of bank deposits and currency in the hands of the public already stands at the highest level in the history of this country.

In consideration of the reserve position of member banks, attention must be given, not only to excess reserves, but also to balances with correspondent banks and balances due to banks. The large idle balances which many banks hold



with city correspondents may be withdrawn and used to adjust reserve positions. City banks must be prepared to meet withdrawals of such balances due to other banks.

Almost the entire net effect of the decline in member bank reserve balances and in excess reserves has been felt by the Central Reserve New York City banks. Since January the reserves of these banks have been absorbed by an outward movement of funds to other parts of the country, which represents movements of business funds, losses of funds through financial transactions, and losses through Treasury transactions, reflecting sales of new Treasury securities, income tax collections, and other Treasury receipts in the New York District in excess of various Treasury disbursements in that area. The sharp diminution in the gold inflow has been of great significance for the New York City banks, because the gold inflow in recent years has been the major source of increase in reserves of such banks. There has been practically no net movement of balances of banks outside of New York to New York City banks since the beginning of the year.<sup>1</sup>

**Reporting Member Banks**—With the exception of one week in April, commercial, industrial, and agricultural loans of reporting member banks in the Seventh Federal Reserve District, responding to the increased tempo of business, have risen each week throughout the year, reaching a high of \$891,000,000 during the week of August 20. Holdings of open-market paper increased from \$36,000,000 to \$52,000,000 during the same period of time. Investments in United States bonds have increased by \$153,000,000, but holdings of Treasury notes have declined from \$280,000,000 to \$216,000,000. Reserves with the Federal Reserve Bank of Chicago have increased \$166,000,000, and demand deposits adjusted have gone up by \$445,000,000, to a new high for the year of \$3,435,000,000.

**Bond Markets**—Other than the weekly offerings of bills and the continued sale of defense bonds, the only additional financing by the Treasury during August was its new Tax Notes which went on sale the first of that month. The high-grade corporate section remained on an even keel, with railroad issues particularly active. After the middle of the month, the long-term Governments evidenced some weak-

ness, and declines of 1½ points were registered in some issues.

Since the first of the year, public utilities of the Aaa grade have been gaining in strength. The yield on this grade, as reported by Moody's, reached a high of 2.78 at the end of January. Prices have continued to firm since that time, and the yield was 2.65 on August 22.

In the industrial section, prices have been moderately downward. Rail issues have been in favor, probably in anticipation of increased earnings resulting from a measurable gains in revenue freight carloadings.

**Corporate Financing**—New corporate security financing during July was the smallest for that month in the last five years, reaching a total of only \$43,569,000 of new capital issues. Refunding issues of \$86,468,000 were roughly one third of the amount put out in July 1940, and approximately one half of the July 1939 total.

Both refunding and new issues amounted to \$130,569,000, which was also the smallest recorded during the month of July in the last five years.

Long-term bonds and notes of \$30,377,000 accounted for the greater part of all new capital issues, with \$9,825,000 going into preferred stock, and only \$3,367,000 into common stock. Of the stock issues, \$10,433,000 were sold by public utilities.

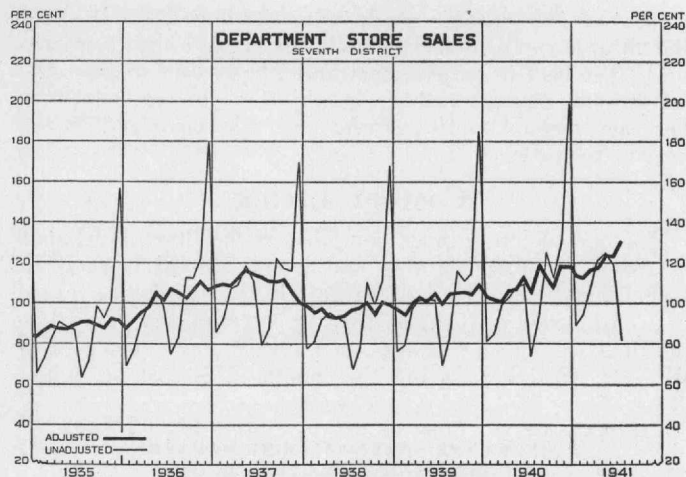
#### BANK DEBITS

Debits to deposit accounts, except interbank accounts

	(In thousands of dollars)			Per Cent Change in July 1941 from	
	July 1941	June 1941	July 1940	June 1941	July 1940
<b>ILLINOIS</b>					
Aurora.....	14,731	15,815	12,272	-7	+20
Bloomington.....	14,321	14,371	12,342	*	+16
Champaign-Urbana.....	16,229	17,162	14,183	-5	+14
Chicago.....	3,638,293	3,812,177	2,890,390	-5	+26
Danville.....	12,156	14,591	9,990	-17	+22
Decatur.....	26,476	26,490	18,914	*	+40
Elgin.....	10,000	11,091	7,917	-10	+26
Moline.....	11,312	12,022	9,297	-6	+22
Peoria.....	78,879	80,420	64,596	-2	+22
Rockford.....	42,643	38,997	28,719	+9	+48
Springfield.....	29,457	31,061	26,645	-5	+11
<b>INDIANA</b>					
Fort Wayne.....	44,008	42,558	34,214	+3	+29
Gary.....	24,310	23,495	19,150	+3	+27
Hammond.....	12,500	11,968	8,904	+4	+40
Indianapolis.....	298,765	272,786	236,021	+10	+27
South Bend.....	57,681	57,449	42,774	**	+35
Terre Haute.....	30,609	30,368	25,550	+1	+20
<b>IOWA</b>					
Cedar Rapids.....	31,396	32,890	25,121	-5	+25
Clinton.....	7,615	7,408	6,113	+3	+25
Davenport.....	27,241	26,163	23,712	+4	+15
Des Moines.....	105,675	103,278	95,707	+2	+10
Dubuque.....	12,589	12,293	10,176	+2	+24
Mason City.....	12,771	12,612	10,383	+1	+23
Muscatine.....	4,370	4,345	3,320	+1	+32
Sioux City.....	52,921	48,783	41,423	+6	+28
Waterloo.....	23,706	23,648	19,272	**	+23
<b>MICHIGAN</b>					
Adrian.....	5,605	5,518	4,074	+2	+38
Battle Creek.....	17,907	17,331	12,450	+3	+44
Bay City.....	15,150	15,012	12,138	+1	+25
Detroit.....	1,480,969	1,479,756	981,296	**	+51
Flint.....	35,873	37,441	27,177	-4	+32
Grand Rapids.....	73,229	70,084	55,292	+4	+32
Jackson.....	21,369	19,952	15,613	+7	+37
Kalamazoo.....	31,620	30,649	25,098	+3	+26
Lansing.....	33,534	32,267	24,039	+5	+41
Saginaw.....	31,985	32,337	25,610	-1	+25
<b>WISCONSIN</b>					
Green Bay.....	20,905	19,606	16,301	+7	+28
Manitowoc.....	10,003	9,286	7,392	+8	+35
Milwaukee.....	338,318	339,623	275,711	*	+23
Oshkosh.....	11,712	11,269	9,017	+4	+30
Sheboygan.....	23,979	23,574	19,778	**	+21
<b>SEVENTH DISTRICT</b>					
41 Cities.....	6,793,112	6,928,241	5,208,091	-2	+30
<b>UNITED STATES</b>					
274 Cities.....	44,808,000	45,942,000	35,950,000	-2	+25

\*Decrease of less than one per cent.  
\*\*Increase of less than one per cent.

<sup>1</sup>Monthly Review of Credit and Business Conditions, Federal Reserve Bank of New York, July 1, 1941, pages 49-50.



Indexes of daily average sales of department stores in the Seventh District, with and without adjustments for seasonal variation, 1935-39 average=100. By months, January 1935 through July 1941.

## Retail and Wholesale Trade

**Department Stores**—The sharp rise in the level of business activity held July department store sales in the Seventh District to the smallest seasonal decline since July 1922 and brought about a 24 per cent increase over a year ago, the largest increase in the year-to-year comparison recorded since the beginning of the continuous upward movement in March 1939. Cumulative sales during the first seven months of the year were 15 per cent larger than for the corresponding period of 1940.

Of the larger cities, Detroit, for the third consecutive month, experienced the largest increase in department store sales over the comparable months of 1940. Milwaukee sales were 28 per cent larger than a year ago; those of Indianapolis were 23 per cent greater; and those of Chicago were 14 per cent higher. Of the other cities, those located in the industrial areas of Michigan and Indiana again reflected the impetus given to business by defense activity. Lansing, with an increase of 41 per cent over July 1940, showed the largest gain, while sales at Fort Wayne and Flint increased by 37 and 36 per cent, respectively.

Sales during the first two weeks of August, as reported by the larger stores, showed an increase of 37 per cent over a year ago. If this rate of increase is continued during the second half of the month, the increase for August will surpass the substantial gain of 24 per cent shown in July.

The dollar volume of department store stocks at the end of July was 17 per cent higher than that of a year ago. This is the largest gain recorded since August 1937. Inventories did not decline during July as is usually the case. Moreover, orders outstanding for merchandise were 28 per cent larger than in June and more than double those of last July.

Although there was a seasonal decline of 23 per cent in sales of apparel stores in the district from the level established during the previous month, the increase of 26 per cent over July 1940 indicated that these stores, too, were sharing in increased volume of consumer purchases. For the year to date, cumulative sales were 13 per cent larger than those for the same period during 1940.

**Miscellaneous Retail Trade**—Sales of miscellaneous lines of retail trade followed the general pattern established by department stores. Seasonal declines in sales during July were smaller than would be expected. Retail shoe sales de-

clined 33 per cent below those of June, whereas the decline for the ten-year average was 41 per cent. Retail furniture sales fell 12 per cent from the June level, against a ten-year average decline of 21 per cent. As compared with a year ago, July shoe sales were 15 per cent higher, and those of retail furniture 32 per cent greater. Cumulative sales for the first seven months of 1940, as compared with the same period in 1941, were 13 per cent higher for shoes and 25 per cent larger for furniture. Stock figures, as reported by dealers, indicate that in both lines inventories were larger than for the previous month or for July 1940.

**Wholesale Trade**—Net sales for reporting wholesalers in the Seventh District increased 38 per cent over those of July 1940. This increase is the largest reported during the first seven months of 1941. Accompanying this rise was an increase in stocks on hand of 19 per cent, and in accounts out-

### DEPARTMENT AND APPAREL STORE TRADE SEVENTH FEDERAL RESERVE DISTRICT

Locality	Net Sales			Stock on Hand (End of Month)	
	Per Cent Change in July 1941 from		Per Cent Change First Seven Months of 1941 from Same Period of 1940	Per Cent Change in July 1941 from	
	June 1941	July 1940		June 1941	July 1940
Chicago.....	-24	+14	+ 8	+2	+14
Peoria.....	-21	+13	+12	-4	+21
Fort Wayne.....	-16	+37	+25	..	..
Indianapolis.....	-14	+23	+18	+9	+32
Des Moines.....	-21	+15	+9	..	..
Sioux City.....	-17	+17	+10	..	..
Detroit.....	-17	+37	+23	-8	+13
Flint.....	- 8	+36	+28	..	..
Grand Rapids.....	-18	+27	+14	..	..
Lansing.....	-13	+41	+27	..	..
Milwaukee.....	-14	+28	+19	+4	+26
Other Cities.....	-15	+29	+22	+1	+20
Total.....	-19	+24	+15	+0	+17
Apparel Stores.....	-23	+26	+13	+7	+28

### SALES OF INDEPENDENT RETAIL STORES SEVENTH FEDERAL RESERVE DISTRICT

	Per Cent Change in July 1941 from July 1940				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+19	+25	+18	+28	+21
Apparel Group.....	+24	+25	+21	+22	+21
Drug Stores.....	+ 7	+18	+12	+17	+ 4
Eating and Drinking Places...	+ 9	+18	+11	+21	+ 4
Food Group.....	+ 9	+14	+10	+14	+12
Furniture—Household—Radio Group.....	+36	+29	+31	+38	+32
Hardware Stores.....	+17	+22	+ 7	+22	+33
Jewelry Stores.....	+35	+56	+32	+58	+41
Lumber and Building Materials	+21	+20	+12	+33	+26
Motor Vehicle Dealers.....	+24	+40	+16	+39	+10

\*Includes classifications other than those listed.  
Data furnished by Bureau of the Census, United States Department of Commerce.

### WHOLESALE TRADE SEVENTH FEDERAL RESERVE DISTRICT

Commodity	Per Cent Change in July 1941 from July 1940			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Sundries.....	+25	+16	+22	+19
Electrical Goods.....	+04	+35	+63	+57
Groceries.....	+18	+17	+14	+11
Hardware.....	+47	+21	+42	+22
Jewelry.....	+49	+20	+52	+22
Meats and Meat Products.....	+78	+43	+91	+94
Paper and Its Products.....	+43	+18	+20	+24
Tobacco and Its Products.....	+17	+17	+ 8	- 4
Miscellaneous.....	+39	+ 7	+43	+33
Total.....	+38	+19	+37	+28

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

standing of 37 per cent. As a result of a larger percentage increase in sales than in inventories, the unadjusted stock-sales ratio decreased to 1.20, which is lower than at any time in the last four years. Although wholesalers' inventories were larger than in July 1940, when considered as a potential supply of goods, these inventories are smaller than formerly in relation to the present level of customer purchases.

## Employment and Payrolls

Despite the seasonal influences which usually slow down manufacturing operations in July, Seventh District industries this year maintained employment at the high level prevailing earlier. Payrolls declined by a smaller percentage than is generally experienced in July. Employment in the transportation equipment industry, comprised largely of automobile companies, showed a curtailment during the month of about 20,000 in the number of workers. This was accompanied by a decline of more than \$2 million in weekly wage payments. The curtailment, however, was more moderate than that recorded for this industry during July in any of the past three years. Payrolls in the metals and machinery industries, after continuous expansion since April 1940, declined slightly in July, although employment continued to rise.

Employment in the non-durable goods industries showed increases that were even heavier than those experienced in recent months. Food products recorded an unusually large seasonal rise, and, except for the rubber goods industry, every major consumers' goods group shared in the monthly expansion.

Employment and payrolls in all of the industrial groups shown in the accompanying table rose during the past year. Durable goods industries at the present time employ 50 per cent more workers than a year ago, while payrolls in these industries are 60 per cent larger, reflecting a rise in wage rates and overtime pay, as well as an increase in employment and in the number of hours worked each week by those

### EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of July 15, 1941			Per Cent Change from June 15, 1941	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup> .....	1,830	607,401	21,328	+1.4	-0.7
Transportation Equipment.....	397	419,761	17,125	-4.3	-14.8
Stone, Clay, and Glass.....	268	25,518	744	+1.8	-3.4
Wood Products.....	457	62,399	1,618	+2.7	+1.4
Total.....	2,952	1,115,079	40,815	-0.7	-7.1
<b>NON-DURABLE GOODS:</b>					
Textiles and Products.....	427	77,700	1,689	+1.5	+2.7
Food and Products.....	1,007	137,947	3,769	+12.8	+9.2
Chemical Products.....	302	39,859	1,382	+1.9	+2.9
Leather Products.....	177	34,094	829	+2.3	*
Rubber Products.....	33	22,908	765	+0.1	-2.6
Paper and Printing.....	700	87,126	2,771	+5.2	+3.1
Total.....	2,646	399,334	11,205	+6.0	+4.3
<b>Total Mfg., 10 Groups.....</b>	<b>5,598</b>	<b>1,514,413</b>	<b>52,020</b>	<b>+1.0</b>	<b>-4.9</b>
Merchandising.....	5,204	150,322	3,590	-1.3	+0.8
Public Utilities.....	999	104,382	3,688	+1.7	+2.4
Coal Mining.....	50	7,443	232	+1.9	+3.0
Construction.....	402	8,163	348	+6.8	+10.7
<b>Total Non-Mfg., 4 Groups.....</b>	<b>6,625</b>	<b>270,310</b>	<b>7,858</b>	<b>+0.1</b>	<b>+2.0</b>
<b>Total, 14 Groups.....</b>	<b>12,223</b>	<b>1,784,723</b>	<b>59,878</b>	<b>+0.8</b>	<b>-4.0</b>

<sup>1</sup>Other than transportation equipment.

\*Increase of less than one per cent.

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

employed. Non-durable goods industries have lagged behind the durable goods industries in this expansion, with increases of 17 per cent in employment and 24 per cent in payrolls. In the non-manufacturing classification, increases over a year ago amount to 10 per cent in employment and 16 per cent in payrolls.

## Cost of Living

The cost of living index compiled by the Bureau of Labor Statistics for wage earners and lower-salaried workers in large cities in the United States, with the 1935-39 average as a base, stood at 105.2 on July 15, as compared with 104.6 on June 15. This represents an increase of 0.6 per cent in the cost of living during the month. The cost of house-

### INDEXES OF THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS, JULY 15, 1941

(Average 1935-39=100)

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Average:							
20 Large Cities	105.2	106.7 <sup>1</sup>	104.2	106.1	102.3 <sup>2</sup>	107.2	103.7
Chicago.....	105.9	107.5	100.7	110.5	101.7	105.5	103.3
Detroit.....	107.0	107.2	105.0	112.1	102.2	109.0	105.0

<sup>1</sup>Based on data for 51 cities.

<sup>2</sup>Based on data for 34 cities.

Data furnished by the Bureau of Labor Statistics.

### PERCENTAGE CHANGE FROM JUNE 15, 1941 TO JULY 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, and Ice	House Furnishings	Miscellaneous
Average:							
20 Large Cities	+0.6	+0.8 <sup>1</sup>	+0.9	+0.3	+0.9 <sup>2</sup>	+1.8	+0.4
Chicago.....	+1.0	+1.6	-0.7	+0.2	+1.3	-0.5	+1.7
Detroit.....	+0.6	+0.2	+1.7	+0.7	+0.3	+2.4	+0.4

<sup>1</sup>Based on data for 51 cities.

<sup>2</sup>Based on data for 34 cities.

Data furnished by the Bureau of Labor Statistics.

furnishings increased 1.8 per cent, and the cost of food and of clothing increased by 0.8 per cent and 0.9 per cent, respectively.

The cost of living for wage earners and lower-salaried workers rose 1.0 per cent in Chicago from June 15 to July 15, and rose 0.6 per cent in Detroit.

## Industrial Activity

**Steel**—Despite a continued fear that a shortage of steel scrap might interfere with production, steel ingot output in the Seventh District remained at the high level established earlier this year. Operations through the first half of August remained steady at 100 per cent of capacity in the Chicago area and at 104½ in the Detroit area. Pig iron production was at about the same rate in July as in June, the increase for the month being slightly less than the amount necessary to compensate an extra day of production. Coke furnaces in blast on August 1 totaled 39, the same number as a month earlier. Since that time, however, the Carnegie-Illinois Steel Corporation has placed another of its stacks in this district back in operation. The Inland Steel Company has plans under way for the construction of an additional blast furnace in the Hammond, Indiana, district, the time necessary for such a project being variously estimated at from ten months to a year. The steel industry has been cooperating

with the Office of Production Management, both by an expansion of facilities and by the conversion of its operating schedules from one product to another. Chicago mills are estimated to be operating at 60 per cent of their normal sheet capacity, the rest having been converted to the production of plates. Some changes also have been made from the production of rods to that of bars.

Chicago mills are reported to have accepted about 15 per cent more business in July than in June. While shipments still reflected non-defense tonnage, new bookings were mainly for defense projects. Orders for large tonnages of reinforcing bars for armament projects were placed on the books. In July, specifications of steel for shipbuilding were being released to the Chicago mills in large volume. Federal construction projects, primarily for defense, were responsible for a large volume of orders for structural steel. Among the new plants for which contracts have been awarded recently are a \$40 million ordnance plant at Marion, Illinois, and a \$20 million plant at Ft. Wayne, Indiana, for the manufacture of equipment for aircraft engines. The Buick Company's \$40 million aircraft engine plant near Chicago is practically completed, and the Packard Company's plant at Detroit is ready for production of airplane engines. A \$50 million ordnance plant at Burlington, Iowa, was officially opened August 1. Tanks, for which contracts were awarded in September 1940, are now on their way from the Hammand, Indiana, plant for shipment to Great Britain. The Chrysler Tank Arsenal at Detroit is also reaching its production stage.

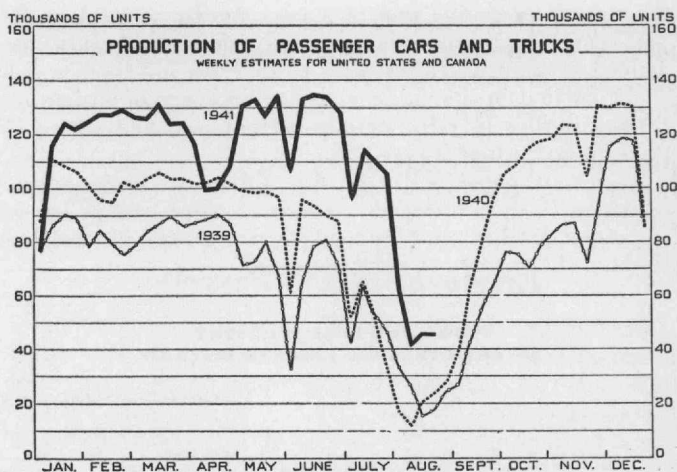
On August 1, the Office of Production Management issued a general preference order, establishing full priority control over pig iron. Under this order producers are to file shipment schedules on dates specified and are to set aside a certain amount of their monthly production as a reserve. The quota for contributions to the reserve pool for the initial month of September amounted to 2 per cent. The pig iron set aside as a reserve will be used for emergency cases that are not taken care of by other provisions in the order. A steel priorities order was issued August 9. Later in August, the Office of Production Management approved a revision of army and navy purchasing regulations in order that armaments orders might be spread more widely.

**Automobiles**—The automobile industry produced more vehicles during the 1941 model year than in any previous year except 1929. Output of passenger cars and trucks averaged in excess of 118,000 units per week from October 1940 through July 1941. This high rate of production was recorded during a period when the industry was engaged in extensive preparations for armament production.

Due to model changeover operations in August, weekly production receded from the previous high levels of this year to about 40,000 or 45,000 units. During the changeover from one model year to the next, weekly output in each of the past ten years has dropped as low as 10,000 to 20,000 units, due to the extent and nature of the changes involved.

Current information concerning 1942 automobiles indicates considerable change in appearance, with longer and lower bodies of modernistic design and ample bright trimmings. Manufacturers, changing from aluminum to cast iron pistons, made compensating improvements which are in many instances effective enough to step up engine power. Fluid drives and automatic transmission control devices will be more in evidence.

Government agencies, in cooperation with automobile manufacturers, agreed on a 26½ per cent reduction from



Data furnished by Ward's Reports, Inc.

a year ago in total passenger car production during August, September, October, and November of this year, and thereafter a gradual curtailment, adjusted monthly for subsequent months, until an output of approximately 50 per cent of the total 1941 model production would be averaged for the 1942 model year. Output of trucks and military vehicles in the 1942 model year was expected to be about 20 per cent larger than in the previous year.

The volume of the quotas after November of this year will depend mainly on the availability of materials.

**Miscellaneous Manufactures**—Casting foundries in the Seventh District booked a smaller tonnage of orders in July than in June. Reports indicate, however, that orders for an undetermined tonnage of castings have been received but have not been included, due to uncertainty as to their fulfillment and that such orders would be included in the near future. Shipments and production showed minor increases during the month, although because of a very large increase in production during July 1940, the year-to-year comparison was less favorable than previously.

Orders for stoves and furnaces accepted during the month of July were in the same volume as a month earlier, but shipments and production were down by 8 and 14 per cent, respectively. Inventories were 5 per cent lower than a month earlier and 22 per cent below those held July 31, 1940. The favorable margin over a year ago continued to be as large as in earlier months, orders being about two and one-half times as great and shipments and operations about 40 per cent larger.

The effect of the exhibits held by furniture manufacturers during July was reflected in a 30 per cent rise in orders—

**STEEL AND MALLEABLE CASTINGS  
SEVENTH FEDERAL RESERVE DISTRICT**

	Per Cent Change in July 1941 from	
	June 1941	July 1940
<b>Steel Castings:</b>		
Orders booked (tons).....	-33	+72
Orders booked (dollars).....	-20	+119
Shipments (tons).....	+3	+83
Shipments (dollars).....	+2	+128
Production (tons).....	+1	+95
<b>Malleable Castings:</b>		
Orders booked (tons).....	-10	+58
Orders booked (dollars).....	-8	+73
Shipments (tons).....	+4	+89
Shipments (dollars).....	+7	+102
Production (tons).....	+2	+82

the volume exceeding that of a year ago by as much as 80 per cent. Shipments, which usually decline in July, remained at about the same level as in June, but there was a slight decline in operating activity. Backlogs of orders increased during July by close to 30 per cent and were 175 per cent larger than a year ago.

Reporting paper mills in the district showed another reduction in inventories as a result of shipments in excess of current production. Shipments during the month declined slightly while orders on hand increased.

**PAPER AND PULP INDUSTRY  
SEVENTH FEDERAL RESERVE DISTRICT**

	Per Cent Change in July 1941 from	
	June 1941	July 1940
<b>Paper:</b>		
Orders booked (tons).....	+12	+71
Orders booked (dollars).....	+11	+88
Shipments (tons).....	-7	+15
Shipments (dollars).....	-4	+24
Production (tons).....	+2	+15
Stocks at end of month (tons).....	-8	-24
<b>Pulp:</b>		
Production (tons).....	-9	+10
Stock at end of month (tons).....	+10	-26

**Construction**—The volume of construction contracts awarded in the Seventh District increased in July after having remained at a fairly steady level during the previous three months. The July expansion, similar to, but smaller than, that of last March, arose directly out of the Government's continued need for industrial plant expansion in connection with the national defense program. The need for additional housing facilities in areas of increasing industrial activity also has served to maintain current awards at an unusually high figure. During the first seven months of 1941, the monthly average value of construction contracts was \$29,758,000 larger than the monthly average value for 1940. Of this increase, \$8,459,000 was for residential construction. Although the bulk of the increase was due to non-residential construction, there has been a substantial increase in residential construction.

**BUILDING CONTRACTS AWARDED  
SEVENTH FEDERAL RESERVE DISTRICT**

Period	Total Contracts	Residential Contracts
July 1941.....	\$97,466,000	\$35,501,000
Change from June 1941.....	+33%	*
Change from July 1940.....	+67%	+39%
First seven months of 1941.....	\$545,853,000	\$204,713,000
Change from same period of 1940.....	+62%	+41%

\*Decrease of less than one per cent.  
Data furnished by the F. W. Dodge Corporation.

**The Agricultural Situation**

**Milk Marketing in the Chicago Area**—Rising costs of feed and labor are facing the dairy farmer in the Chicago marketing area, according to testimony of milk producers given at the recent hearing called by the Department of Agriculture to determine the merits of a request that the price of milk be increased, so that it will yield \$2.50 to \$2.75 per hundred pounds of 3.5 per cent test milk instead of the \$2.14 received for July deliveries.

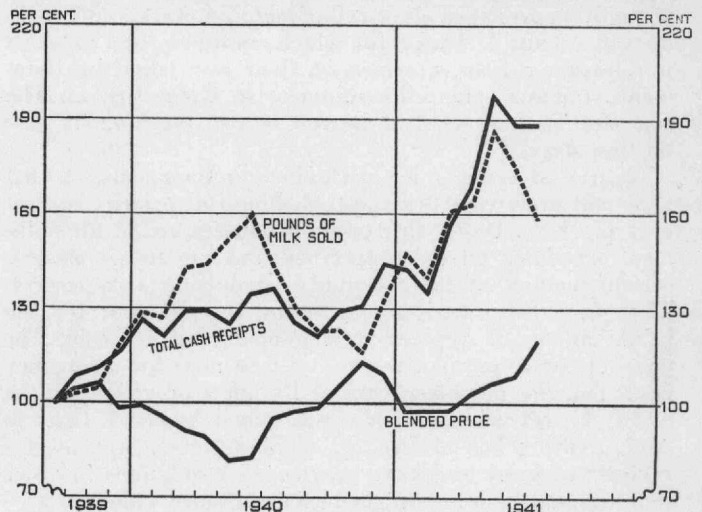
The testimony of dairy farmers would indicate that farm labor is now commanding the highest wages in the last

twenty years, and that costs of some essential feeds have increased as much as 44 per cent in the last year.

The direct cost of producing one hundred pounds of milk at the present time was estimated at \$1.78. This figure includes only feed and labor costs and does not take into account any indirect costs. Moreover, wages were figured at thirty cents per hour, with an allowance of two and one-half hours as the amount required per hundred pounds of milk.

In order to arrive at some indication of the movement in costs which the dairy farmer is paying, the Federal Milk Market Administrator of Chicago sent questionnaires to 2,500 unorganized producers selling milk to Chicago. Tabulations from more than 500 returns revealed that, while wages varied from farm to farm during the same month, a decided increase had taken place in the last year and that the shortage of labor was becoming acute. The average paid, in addition to board and room, was \$55 for July 1941. It was \$38 for July 1940, an increase of 44 per cent. The

**TOTAL CASH RECEIPTS, BLENDED PRICE, AND  
POUNDS OF MILK SOLD IN CHICAGO MARKET AREA**



Compiled from data furnished by Milk Market Administrator, Chicago.

average paid without board and room was \$78 for July 1941 and \$58 for July 1940, an increase of 35 per cent.

Feed costs have also risen sharply according to the returns. Soybean meal, a principal dairy feed of high protein content, sold for \$23.70 a ton during the week of July 30, 1940. During the corresponding week of this year, it sold for \$34.20 a ton, an increase of 44 per cent. Wheat bran increased 17 per cent during the same period, while other feed costs rose from 11 per cent to 29 per cent.

The price received by producers in the seventy mile zone surrounding Chicago during July 1940 was \$1.49 per hundred pounds. The July price this year was \$2.14, an increase of 24 per cent. During July 1941, the producers delivered to the Chicago market 198,000,000 pounds of milk, for which they received \$4,237,335. Had the price received been \$2.50, the minimum asked for, producers would have received \$4,950,000.

In the Chicago marketing area, milk is sold under a marketing agreement known as The Chicago Order, which sets the minimum price which handlers shall be charged for milk they purchase from producers. In order to do this, the milk order provides for the classification of milk according



to the use to which it is put. Each class of milk has a minimum price per hundredweight, which applies to all handlers in the same zone. The zones are determined by mileage from the City Hall in Chicago. The first zone extends for seventy miles. Every fifteen miles beyond that area is considered another zone.

Having established the price for each class of milk, the next step is to determine how much the milk shall cost each handler. This is arrived at simply by multiplying the num-

ber of pounds used in each class by the class price. One handler who used all of his milk as Class I would owe the full Class I price. Another handler might owe for milk in all classes. These amounts are all reported to the Milk Market Administrator in Chicago who totals the various amounts and divides that total by the entire number of pounds used. The result is the blended price which is paid to all producers in the same zone for the same test milk.

An equalization fund is administered by the Market Administrator to effect this equalization in price. Each handler pays into the fund the amount he owes for milk over the blended price. Similarly, each handler draws from the fund the amount he owes for milk less the blended price.

The cash income received by producers under the marketing agreement has risen sharply, reaching a peak of \$4,432,091 in May 1941, compared with \$2,795,170 in May 1940. The total paid producers is arrived at by multiplying the total number of pounds they deliver to the handlers by the blended price, which is the actual amount per hundred pounds received by producers. The movement of these three factors in the milk situation since September 1939 is shown on the accompanying chart. While the curve of total cash receipts does not follow exactly the movement of that for pounds of milk sold because of changes in the blended price, there has been an upward trend in both since September 1939 when the milk marketing agreement went into effect. Deliveries reach their peak in mid-summer and then decline during the fall season. Each month of this year, deliveries have been considerably above the twelve-month average for 1939-40. This larger volume has been brought about by an increase in the daily milk production per farm and by an increase in the number of producers selling in this area.

The daily milk production per farm has increased from the 1939 average of 276 pounds to 399 in 1940 and 416 in June 1941. The daily milk production fluctuates from month to month and by seasons. Each month of 1940 showed an increase over the corresponding month of 1939, and each month of 1941 has shown an increase over the corresponding month of 1940.

The number of producers selling in this market has increased from 15,655 in September 1939 to 17,611 in June 1941. Each month of 1940 increased over the corresponding month of 1939, and this same pattern has been in evidence during 1941, the increases ranging from 4 to 10 per cent.

**Grain Marketing**—Although August estimates indicate that several of the principal crops in the United States will be close to bumper proportions and will exceed the ten-year average in both total production and yield per acre, prices on the principal exchanges have held firm or moved upward. Sentiment of the trade has been buoyed by the announcement that a bill would be introduced in Congress appropriating an additional 5 billion dollars for Lease-Lend, of which 2 billion dollars would be for agricultural products.

The United States Department of Agriculture on August 1 estimated a total corn yield of approximately 2,600,000,000 bushels and that the yield of wheat of all kinds would exceed 950,000,000 bushels.

The combined supply of corn, oats, barley, and hay, the four principal feed grains, is expected to total more than 126,000,000 tons, which is the largest supply in 15 years.

In response to urgent demand from mills following unusually large sales of flour, Chicago futures for wheat during the week of August 15 sold higher than they have since 1937. Although a mid-month estimate for corn indicated a deterioration of 108 million bushels, prices have been held

**BLENDED PRICE PER 100 POUNDS OF MILK IN ZONE 1 UNDER MILK MARKETING AGREEMENT**

Month	First Year	Second Year	Per Cent Change
	(1939)	(1940)	
September.....	1.79	1.76	- 2
October.....	1.87	1.88	+ 1
November.....	1.90	2.02	+ 6
December.....	1.75	1.94	+11
	(1940)	(1941)	
January.....	1.77	1.73	- 2
February.....	1.70	1.73	+ 2
March.....	1.62	1.74	+ 7
April.....	1.60	1.84	+15
May.....	1.46	1.89	+29
June.....	1.49	1.93	+30
July.....	1.70	2.14	+26
August.....	1.73	....	....

Source: Federal Milk Market Administrator, Chicago.

**MONEY WAGES PAID FARM LABORERS BY UNORGANIZED PRODUCERS IN THE CHICAGO, ILLINOIS, MARKETING AREA<sup>1</sup>**

Wages Per Month <sup>2</sup>	NUMBER OF PRODUCERS REPORTING AS PAYING									
	With Room and Board					Without Room and Board				
	July 1940	Jan. 1941	May 1941	June 1941	July 1941	July 1940	Jan. 1941	May 1941	June 1941	July 1941
Less than \$20...	4	11	1	1	..	..	..	..	..	..
\$20 — \$30...	33	51	5	7	5	1	..	..	..	..
\$30 — \$40...	162	100	38	23	17	2	2	..	..	..
\$40 — \$50...	78	68	116	91	73	10	11	3	1	1
\$50 — \$60...	11	32	72	88	103	11	13	9	8	7
\$60 — \$70...	6	6	33	50	49	7	6	9	11	6
\$70 — \$80...	4	5	10	12	22	8	3	10	9	9
\$80 — \$90...	..	..	2	3	5	2	4	6	5	8
\$90 — \$100...	..	..	..	..	1	..	1	4	5	6
\$100 and over...	..	..	..	..	..	..	1	2	4	6

<sup>1</sup>Based on a survey made by the Federal Milk Market Administrator, Chicago.  
<sup>2</sup>Each class interval includes the lower figures but excludes the higher figures.

**INCREASE IN MILK DELIVERED TO THE CHICAGO POOL**  
(In thousands of pounds)

Month	Total Pounds in Pool		Increase in Total Pounds during Second Year		Increase in Total Pounds Due to:			
	First Year	Second Year	Pounds	Per Cent <sup>1</sup>	Increased Production Per Herd		Entrance of New Producers	
	(1939)	(1940)			Pounds	Per Cent <sup>1</sup>	Pounds	Per Cent <sup>1</sup>
September.....	129,426	154,406	24,980	19.3	10,777	8.3	14,203	11.0
October.....	130,159	156,443	26,284	20.2	11,857	9.1	14,427	11.1
November.....	130,805	147,308	16,503	12.6	5,316	4.1	11,187	8.5
December.....	149,155	168,800	19,645	13.2	9,921	6.7	9,724	6.5
	(1940)	(1941)						
January.....	160,711	185,161	24,450	15.2	13,956	8.7	10,494	6.5
February.....	154,428 <sup>2</sup>	175,976	21,548	14.0	11,928	7.7	9,619	6.3
March.....	179,808	203,053	23,245	12.9	11,870	6.6	11,376	6.3
April.....	180,852	205,240	24,388	13.5	14,956	8.3	9,432	5.2
May.....	191,747 <sup>3</sup>	234,026	42,279	22.0 <sup>3</sup>	32,728	17.0 <sup>3</sup>	9,552	5.0
June.....	202,590	219,564	16,974	8.4	8,160	4.0	8,814	4.4

<sup>1</sup>Expressed as a percentage of total pounds of milk during the given month of the first year.

<sup>2</sup>There were 29 days in February 1940 and 28 days in February 1941. To make the figures comparable, the total receipts of milk in 1940 were adjusted to a 28 day month, so that a figure of 154,428,447 pounds was used, instead of 159,943,749 reported elsewhere.

<sup>3</sup>These figures do not accurately portray production conditions because of the May 1940 milk strike.

Source: Handlers' reports to the Federal Milk Market Administrator, Chicago.

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

(In thousands of bushels)

	July 1941	June 1941	July 1940	July 1931-40 Average
<b>Wheat:</b>				
Receipts.....	102,772	50,413	103,804	76,479
Shipments.....	31,271	27,395	30,816	27,662
<b>Corn:</b>				
Receipts.....	22,049	18,692	22,508	19,205
Shipments.....	22,795	18,756	15,458	13,080
<b>Oats:</b>				
Receipts.....	10,662	3,479	4,294	8,392
Shipments.....	4,614	3,230	3,106	4,534

**LIVESTOCK SLAUGHTER**

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
<b>Seventh Federal Reserve District:</b>				
July 1941.....	310	700	256	74
July 1940.....	306	802	259	85
<b>United States, Federally Inspected:</b>				
July 1941.....	968	3,006	1,569	445
June 1941.....	867	3,336	1,378	440
July 1940.....	822	3,219	1,448	457

**AVERAGE PRICES OF LIVESTOCK**

(Per hundred pounds at Chicago)

	Week Ended August 16, 1941	Months of		
		July 1941	June 1941	July 1940
Native Beef Steers (average).....	\$11.75	\$11.10	\$10.60	\$10.05
Fats Cows and Heifers.....	9.50	9.60	9.50	7.65
Calves.....	11.75	11.50	10.50	9.00
Hogs (bulk of sales).....	10.65	10.70	9.80	5.95
Lambs.....	11.00	11.15	11.65	9.65

in check by continued offerings of corn by the Commodity Credit Corporation.

Receipts of wheat at principal interior markets of the country during July rose 104 per cent over June and were 34 per cent over the ten-year average for July. Shipments were up slightly, and the visible supply, which includes grain held in private and public warehouses and in transport by water, was 34 per cent greater than it was in June and 35 per cent greater than it was a year ago. Receipts of corn were approximately twice as large as might have been expected for the month, but shipments were 74 per cent over the ten-year average and 43 per cent greater for the same month a year ago.

**CURRENT EVENTS**

**Mulroney Elected Vice President**

The election of A. J. Mulroney as a vice president of the Federal Reserve Bank of Chicago, effective September 1, was announced August 18 by Frank J. Lewis, Chairman of the Board. Mr. Mulroney resigns as Second Deputy Comptroller of the Currency, to which position he was appointed July 6 of this year. He is well known in the Seventh District, as he was born in Iowa, educated in that State, and was a banker in Chicago before joining the Comptroller's office in 1933, when he was placed in charge of reorganization of all national banks in the Seventh and Ninth Federal Reserve Districts.

**Consumer Credit**

A department for the supervision of installment credit in the Seventh Federal Reserve District has been organized in the Federal Reserve Bank of Chicago and has been placed in general charge of James H. Dillard, Vice President of the bank. Paul C. Hodge, Assistant Counsel, will handle the

legal work, and Clarence T. Laibly, a member of the bank's examination staff, will have supervision over operations. At the Detroit Branch, Harlan J. Chalfont, Managing Director, will be in general charge, and William T. Cameron, Assistant Cashier, will supervise operations under the new regulation.

A booklet known as Regulation W, issued by the Board of Governors of the Federal Reserve System, may be obtained by writing to the Federal Reserve Bank of Chicago or its Detroit Branch. Likewise any inquiry relating to this regulation should be similarly addressed.

**Recent Appointments to Examination Staff**

Franklin C. Keyes and Leland M. Ross, who were appointed by the Board of Governors to the examination staff of the Federal Reserve Bank of Chicago, commenced their duties the first week of August. Mr. Keyes was formerly an examiner for the State of Michigan, and Mr. Ross was an examiner for the Auditor of Public Accounts for the State of Illinois. Harvey J. Wishart, formerly a member of the staff of the Division of Examinations of the Board of Governors in Washington, was appointed assistant examiner at the Chicago Bank.

**New Member Banks**

Three banks were added to the list of members in the Seventh Federal Reserve District between July 18 and August 20. The total number of members is now 893. The new member banks are:

Farmers State Bank of Millbrook, Millbrook, Illinois  
State Bank of Amboy, Amboy, Indiana  
Mondamin Savings Bank, Mondamin, Iowa

**MONTHLY BUSINESS INDEXES**

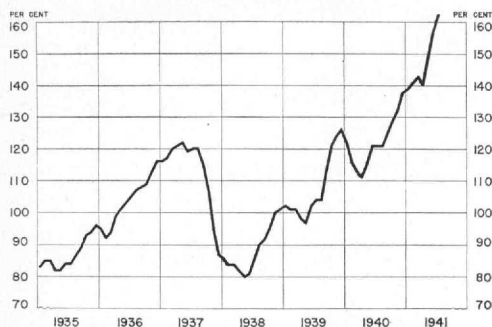
Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average=100	July 1941	June 1941	May 1941	July 1940	June 1940	May 1940
	<b>Manufacturing Industries:</b>					
Durable Goods:						
Employment.....	155	155	144	102	109	108
Payrolls.....	179	188	184	109	120	117
Non-Durable Goods:						
Employment.....	120	114	108	103	99	96
Payrolls.....	134	128	124	108	105	102
Total:						
Employment.....	143	141	132	103	106	104
Payrolls.....	165	170	166	109	115	113
<b>Pig Iron Production:*</b>						
Illinois and Indiana.....	202	202	200	169	162	134
<b>Automobile Production—(U. S. and Canada):</b>						
Passenger Cars and Trucks.....	138	155	155	69	103	117
<b>Casting Foundries Shipments:</b>						
Steel—In Dollars.....	278	272	247	121	109	106
In Tons.....	195	188	185	105	92	86
Malleable—In Dollars.....	202	192	192	101	94	109
In Tons.....	175	169	171	93	86	101
<b>Stoves and Furnaces:</b>						
Shipments.....	146	160	157	103	105	125
<b>Furniture Manufacturing:</b>						
Orders in Dollars.....	257	196	248	145	87	127
Shipments in Dollars.....	168	170	168	97	104	112
<b>Paper Manufacturing:*</b>						
Tonnage Production.....	132	135	130	116	115	116
<b>Petroleum Refining—(Indiana, Illinois, Kentucky Area):*</b>						
Crude Runs to Stills.....	**	145	144	146	147	144
Gasoline Production.....	**	140	134	143	141	141
<b>Bituminous Coal Production:*</b>						
Illinois, Indiana, Iowa, and Michigan.....	84	102	101	77	75	78
<b>Building Contracts Awarded:</b>						
Residential.....	307	300	285	222	209	244
Total.....	248	184	194	149	144	155
<b>Department Store Net Sales:*</b>						
Chicago.....	86	117	119	75	112	105
Detroit.....	97	124	133	73	103	109
Indianapolis.....	106	128	139	86	115	114
Milwaukee.....	98	119	128	77	104	102
Other Cities.....	92	119	126	74	104	110
Seventh District—Unadjusted.....	92	119	125	75	109	107
Adjusted.....	131	123	124	107	112	106

\*Daily average basis.  
\*\*Not available.

# National Summary of Business Conditions

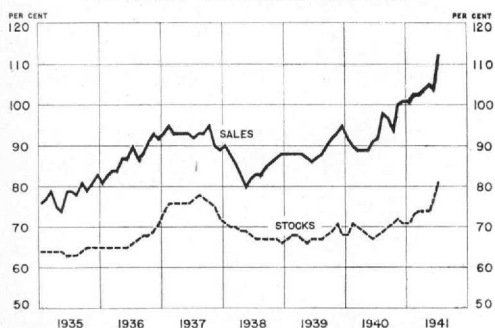
(By the Board of Governors of the Federal Reserve System)

## INDUSTRIAL PRODUCTION



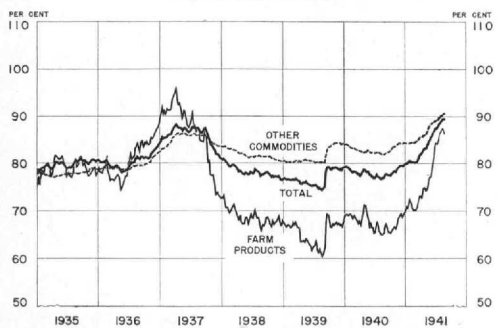
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to July 1941.

## DEPARTMENT STORE SALES AND STOCKS



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

## WHOLESALE PRICES



Bureau of Labor Statistics' indexes, 1926=100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending August 16, 1941.

## MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures, January 2, 1935 to August 13, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported.

**INDUSTRIAL** activity in July and the first half of August was maintained at the high level reached in June. Wholesale commodity prices advanced further and distribution of commodities to consumers was in exceptionally large volume.

**Production**—Volume of industrial output showed little change from June to July. Reductions in activity at automobile factories and steel mills were largely offset in the total by further increases in the machinery, aircraft, shipbuilding, and lumber industries. The Board's adjusted index, which includes allowance for a considerable decline at this season, advanced from 157 to 162 per cent of the 1935-1939 average.

Steel production, which in June had been at about 98 per cent of capacity, declined to 96 per cent in July, owing in part to holiday shutdowns at some mills. In the first half of August, steel output was again at about 98 per cent of capacity. Automobile production in July declined less than usual, but in the first half of August there was a sharp reduction as most plants were closed to prepare for the shift to new model production. Activity in the nonferrous metals industries continued at a high rate. Early in August, copper, pig iron, and all forms of steel were placed under complete mandatory priority control, as it became evident that actual demand for these metals could not be fully met.

In the wool, cotton, and rayon textile industries and at shoe factories, activity in July was maintained at or near the peak levels of other recent months, and production of chemicals rose further. Output of manufactured foods increased less than seasonally from the high level reached in June.

Coal production declined slightly in July but as in June was unusually large for this time of year. Crude petroleum production was maintained at about the high rate that had prevailed in the previous two months.

Value of construction contract awards in July increased further to a level more than two-fifths higher than a year ago, according to F. W. Dodge Corporation reports. The rise reflected chiefly a continued increase in contracts for public construction, mostly defense projects. Private residential building contracts increased somewhat, although there is usually some decline at this season, while awards for other private building declined further from earlier high levels.

**Distribution**—Sales at department stores and in rural areas declined by much less than the usual seasonal amount in July, and variety store sales increased further. In the first half of August, department store sales rose sharply.

Total loadings of revenue freight in July and early August showed little change from the advanced level reached in June. Grain shipments, which had been larger than usual in May and June, increased less than seasonally and loadings of coal declined somewhat.

**Commodity Prices**—The general index of wholesale prices advanced about 2 per cent further from the middle of July to the middle of August, reflecting sharp increases in prices of a number of agricultural and industrial commodities. Federal action to limit price increases was extended to additional basic materials, including burlap, silk, rayon fabrics, rubber, and sugar, and in the early part of August, prices of these commodities in domestic markets showed little change or were reduced. On the other hand, prices for paperboard, automobile tires, and cotton yarns and gray goods were advanced with Federal approval; prices of textile products not under Federal control continued to rise; and there were considerable increases in prices of lumber, other building materials, and chemicals. On August 16, it was announced that for southern pine maximum prices somewhat below recent high levels would become effective on September 5.

**Agriculture**—Agricultural production in 1941 may exceed that in any previous year, according to indications on August 1, and carryovers of major crops are unusually large. Crops of wheat and other leading foodstuffs are expected to be exceptionally large, while substantial declines in production are indicated for the major export crops—cotton and tobacco. Although the cotton crop is estimated at 10,600,000 running bales, or 1,800,000 bales less than last season, total supplies of cotton will be about the same, owing to a larger carryover on August 1. Marketings of livestock and livestock products, except hogs, will be substantially above last year.

**Bank Credit**—Total loans and investments at reporting banks in 101 leading cities rose further during the five weeks ending August 13. Commercial loans continued to increase substantially, while holdings of United States Government obligations showed little change. Bank deposits remained at a high level.

**United States Government Security Prices**—After advancing to the highest levels on record, prices of both taxable and partially tax-exempt Treasury bonds declined somewhat in the first part of August. On August 15, the partially tax-exempt 2¾ per cent 1960-65 bonds yielded 2.06 per cent, compared with the all-time low of 2.02 per cent on July 29. Yields on Treasury notes showed little change in the period.

**SEVENTH FEDERAL**



**RESERVE DISTRICT**

