

BUSINESS CONDITIONS

A Review by the Federal Reserve Bank of Chicago



JUNE, 1942

Review of Seventh District Business

Consumer conversion to a war economy highlighted the business picture in the Seventh Federal Reserve District during May as over-all price ceilings were established, the list of consumers' goods banished from the production lines was broadened, and the rationing of sugar brought the war program definitely into every American home. Trade activity declined from the high level of previous months, as anticipatory buying receded and price declines were recorded. Industrial production moved ahead under the pressure of war needs, checking the decline in employment and holding payrolls at the level attained earlier.

The conversion order issued by the War Production Board on April 9 brought the construction industry even more closely into line with the war program. While priority in procuring critical materials had been limited to essential projects since last October, the April order is more stringent in that it requires all construction, with the exception of repairs, maintenance, and low-cost extension, to be authorized by the Government before construction may be started. It also provides that projects already under way may be stopped in case the materials to be used are required for more essential war purposes.

The severe decline that occurred in April in the volume of construction for which contracts were awarded, both in the Seventh Federal Reserve District and in the country as a whole, was due to a decrease in the volume of Federally financed projects, which were responsible for the unusually great volume recorded in February and March. During May such financing again expanded and contributed more than three-fourths of the total valuation in this District, whereas in April it amounted to less than one-half of the total. Privately-financed awards were one-fourth lower than in April and three-fifths less than in May 1941.

Expansion of industrial production reflects the growing output of war materials in quantity more than sufficient to offset the decline in civilian output. Production of many products for civilian use has been sharply reduced either by direct order or by shortages of materials or transportation facilities.

Although steel production in the Chicago area hit a new high during April, still another upward revision of production records was indicated at the end of May. The plants turned out steel at the rate of 105 per cent of capacity during the month, as compared with 104.6 per cent during April. The operating rate for May indicates that some one-and-a-half million tons left the plants in the four-week period. Although the flow of scrap at present is good, it is not great enough to permit the building up of anything like a stock-pile. The mills are still

operating on a very definite hand-to-mouth basis. Scrap consumers are in the unpleasant position of contemplating a repetition of last winter's lean months.

The output of furniture was maintained in large volume. New orders booked by furniture manufacturers in May were on a level with those of March after an increase of 37 per cent in April.

Coal production averaged slightly lower in May than in April but continued to show a heavy gain in comparison with the output of a year ago. Cumulative production for the five months of this year has been approximately 24 per cent ahead of the same period last year.

Crude oil production in the Illinois-Indiana territory continued to show a slight downward trend through April and May. Average production in the four weeks ended May 30 was approximately 2 per cent lower than in the corresponding period of a year ago, whereas runs of crude oil to Seventh District refineries from all fields continued substantially higher than last year. Stocks of gasoline have been declining from the peak of March but remain above those of a year ago by more than 10 per cent.

The upward climb of department store sales was halted during May when a decline in the year-to-year comparison was recorded for the first time since February 1939. Instalment sales were off 37 per cent from the volume attained in May 1941. Charge accounts receded 10 per cent, but cash sales increased 12 per cent. Moreover, there was a contra-seasonal decline in May from April, both in dollar and physical volume.

Effective May 18, retail prices of most commodities were limited to the highest levels reached during March. Similar restrictions on wholesale prices became effective May 11. Wholesale prices of most farm products and basic foods which are exempt from direct control by legislative action showed little change. Further control over retail sales went into effect May 6 with the amendment of Regulation W, which was broadened to include charge accounts, and many types of consumer goods not formerly regulated.

The fractional per cent gains in employment at manufacturing plants of the District during April and May, the first recorded since the decline that started last September with the conversion of production from civilian to war needs, seem to indicate that a point has been reached where losses and gains due to this conversion process practically offset one another. Moderate increases in wage payments in these months reflect a more stabilized condition with regard to overtime and wage-rates, both of which factors had been instrumental in expanding aggregate payrolls during the period of decline in employment.

Victory Fund Committees to Aid Treasury

A concept born of the need of enormous borrowings by the Federal government brought into being, May 14, nation-wide machinery for mobilizing the sales power of the banking and investment industries in support of the Treasury in raising the huge sums necessitated by growing war expenditures. Stemming from Secretary Morgenthau himself, the sales efforts are being effectuated through the twelve Federal Reserve District, State, and regional committees, which will ultimately reach into every city, town, and village of the country.

The rate of war expenditures has more than doubled since Pearl Harbor. They amounted to 3.6 billion dollars in May and only 1.8 billion dollars in December 1941. Such expenditures in the fiscal year 1943 are estimated at 70 billion dollars.

Realizing the tremendous sales effort that would be needed to finance a sizable portion of such expenditures outside of the commercial banks, the Secretary of the Treasury accepted the offer of the investment industry and the commercial banks to join with the Treasury in a nation-wide sales cam-

paign to sell Treasury offerings to corporations and individuals. In announcing the plans for the Victory Fund Committees, Mr. Morgenthau said: "Because the nation's war needs have increased tremendously the money-raising responsibility of the Treasury, the Secretary of the Treasury has accepted the offer of the banking and securities industries to coordinate their efforts in helping to distribute government securities."

The committee that was then formed is directed nationally by the Secretary of the Treasury, the presidents of the twelve Federal Reserve Banks, and Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, who serves as liaison officer between the Treasury and the Federal Reserve Banks.

The president of each of the Federal Reserve Banks is chairman of a district Victory Fund Committee which will coordinate the money-raising ability of the investment securities business and the commercial banks.

Outstanding leaders in the financial community

SALES OF UNITED STATES SAVINGS BONDS SINCE MAY 1, 1941
(In millions of dollars at issue price)

	1941									1942			
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May
Illinois													
Series E.....	7.2	7.5	11.4	10.6	9.5	10.2	8.9	29.8	52.7	27.9	26.6	25.4	.....
F.....	.54	1.7	2.5	1.8	1.5	2.1	1.5	4.9	7.9	.....	.....	.....	.....
G.....	40.0	12.6	12.9	10.9	10.7	9.3	9.0	16.5	32.8	.....	.....	.....	.....
Total.....	52.6	21.8	26.8	23.2	21.6	21.6	19.4	51.2	93.4	.....	.....	.....	52.2
Indiana													
Series E.....	1.8	1.9	2.5	2.1	2.3	2.3	2.5	8.3	12.9	7.7	7.9	7.6	.....
F.....	0.6	0.4	0.7	0.4	0.7	0.6	0.4	1.2	2.2	.....	.....	.....	.....
G.....	3.5	1.7	2.6	1.5	1.3	1.5	1.8	2.9	6.1	.....	.....	.....	.....
Total.....	5.9	4.1	5.8	3.9	4.2	4.4	4.6	12.4	21.2	.....	.....	.....	14.9
Iowa													
Series E.....	1.3	1.4	1.9	1.6	1.5	1.7	1.7	6.1	9.5	5.9	9.9	9.3	.....
F.....	0.9	0.3	0.3	0.3	0.3	0.3	0.2	0.6	1.0	.....	.....	.....	.....
G.....	2.3	1.1	1.0	1.1	0.8	1.1	1.0	2.5	3.7	.....	.....	.....	.....
Total.....	4.5	2.8	3.2	3.0	2.6	3.0	2.9	9.2	14.2	.....	.....	.....	13.9
Michigan													
Series E.....	3.1	5.0	5.1	4.4	4.7	6.0	5.0	16.4	25.8	16.2	15.8	16.2	.....
F.....	2.0	1.0	1.1	1.1	1.0	1.0	0.8	2.5	3.5	.....	.....	.....	.....
G.....	6.8	4.1	4.3	2.8	2.7	2.5	2.1	5.9	7.6	.....	.....	.....	.....
Total.....	12.0	10.1	10.5	8.3	8.4	9.5	7.9	24.8	36.9	.....	.....	.....	26.2
Wisconsin													
Series E.....	2.0	2.6	2.8	2.3	2.4	2.7	2.5	9.0	14.0	7.6	7.5	7.1	.....
F.....	1.2	0.7	0.7	0.4	0.5	0.4	0.4	1.0	4.1	.....	.....	.....	.....
G.....	4.3	2.3	2.2	1.8	1.8	1.6	1.5	4.1	6.7	.....	.....	.....	.....
Total.....	7.6	5.5	5.7	4.4	4.7	4.7	4.4	14.1	24.9	.....	.....	.....	12.3
Five States													
Series E.....	15.4	18.4	23.7	20.9	20.4	22.8	20.6	69.6	114.8	65.2	67.7	65.5	.....
F.....	10.1	4.1	5.2	3.9	3.8	4.3	3.2	10.2	18.7	.....	.....	.....	.....
G.....	56.9	21.7	23.0	18.1	17.3	16.1	15.3	31.9	57.0	.....	.....	.....	.....
Total.....	82.5	44.2	51.9	42.8	41.5	43.3	39.1	111.6	190.5	.....	.....	.....	.....
United States													
Series E.....	100.6	102.5	145.3	117.6	105.2	122.9	109.5	341.1	667.4	398.0	337.6	326.7	421.8
F.....	37.8	28.9	27.4	20.3	18.1	23.0	19.0	33.3	77.6	51.8	41.1	40.0	42.5
G.....	211.4	183.1	169.5	127.7	109.0	124.9	105.0	154.2	315.6	253.4	179.2	163.8	170.1
Total.....	349.8	314.5	342.1	265.6	232.3	270.7	233.5	528.6	1,060.5	703.2	557.9	530.5	634.4

in every principal city have been selected by the Federal Reserve Bank presidents on the district committees. Each district in turn has been subdivided into States and regions for which local committees were likewise appointed, thus breaking the organization down into a dynamic working force which will be in a position to come into direct contact with the purchasers of securities.

Headquarters have been established in the Federal Reserve Bank of each of the districts, and an executive manager has been placed in charge who will direct the selling ability of the financial organizations of his district.

The particular field of operations of these committees will be with buyers of securities not presently reached by the War Savings Staff, whose principal interest is the current income of individuals of comparatively moderate circumstances. The Victory Fund Committees will thus supplement but not supplant the work of the War Savings Staff, which has been particularly charged with the responsibility of selling War Savings Bonds E, F, and G. The Victory Fund Committees, while cooperating in the sale of Series F and G War Savings Bonds, will devote their energies principally to the sale of other Treasury issues such as bills, notes, certificates of indebtedness, non-market "tap" issues, and regular market offerings.

The emphasis of the June campaign was placed on Series F and G War Savings Bonds, as those securities can be bought by corporations and associations as well as individuals, and are purchased with capital funds rather than out of current earnings. For that reason, the membership of the Victory Fund Committees was asked to assist the War Savings Staff in reaching the enlarged quota for June, which was set at 800 million dollars for the entire country and at 138 million dollars for the five States which lie wholly or in part in the Seventh Federal Reserve District. The May quota for the entire country which was set at 600 million dollars, was exceeded by 34 million dollars. Present plans call for raising one billion dollars during July and each month thereafter. The raising of the limit on Series F and G Bonds from 50 thousand dollars to 100 thousand dollars, which may be purchased in any one calendar year by any one person or corporation, will be helpful in meeting the quotas. The Seventh District Victory Fund Committee consists of the following:

**COMPARISON OF ACTUAL SALES OF
WAR SAVINGS BONDS—SERIES E, F, AND G
By States, May 1942, with Quotas Established for May,
June, and July 1942**

(In thousands of dollars at issue price)

	May 1942			June, 1942	July, 1942
	Actual Sales	Quota	Per Cent Actual Sales to Quota	Quota	Quota
Illinois.....	52,227	49,300	105.9	65,409	
Indiana.....	14,910	10,926	136.5	14,876	
Iowa.....	13,870	9,000	154.1	12,000	
Michigan.....	26,240	21,647	121.2	29,783	
Wisconsin.....	12,280	11,977	102.5	16,271	
Five States....	119,527	102,850	116.2	138,339	
United States..	634,356	600,000	105.7	800,000	1,000,000

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Price Advances Since 1939

Substantial rises in prices are common to almost every war period. Rises in the United States since the outbreak of hostilities in late 1939 have been a principal problem of concern to both Government and citizens.

It is a common characteristic of changing price levels that prices of basic prime products move most quickly and rise or fall farthest. Wholesale prices move somewhat more slowly within a narrower range, while retail prices are the most sluggish and have the narrowest amplitude. This behavior has been the pattern for the general rise that has occurred since the fall of 1939.

Because of its central position in this pattern of price behavior, the wholesale price level is usually taken as a rough measure of the extent of price changes. Since this war began, the level of wholesale prices in the United States, as measured by the Bureau of Labor Statistics index of hundreds of commodities, has advanced 32 per cent to May 1942.

Cost of Living

From the beginning of the War in 1939 to April of this year the cost of living in the nation has risen by about 15 per cent, according to the index of the cost of living published by the Bureau of Labor Statistics. Indexes of costs by groups of items show that clothing costs of the average worker have risen by more than one-fourth, rent has advanced nearly 5 per cent, while food costs are up more than 21 per cent for the period. If these rises are considered in terms of required additional expenditures by the "average" worker's family, the figures indicate that half the increased costs have been for food, a little more than one-fifth for clothing, and about 6 per cent for rent.

After nineteen months of increase, the cost of living on June 2 was slightly lower than on May 15. This was the first time that the cost of living index had shown any decrease since November 1940. There was an increase of 0.8 per cent in the cost of living index for wage earners and lower-salaried workers in large cities between April 15 and May 15, but a drop of 0.1 per cent between May 15 and June 2. The net advance in the cost of living from the outbreak of war in Europe to the beginning of June was 17.5 per cent. These cost

of living figures for June 2 are based upon a special survey made by the Bureau of Labor Statistics, in order to ascertain the immediate effect of the General Maximum Price Regulation which became applicable in retail trade on May 18.

Farm Prices

Sharpest rises have occurred in farm prices. The United States Farm Price Index of the United States Department of Agriculture indicates that on May 15, 1942 the level of farm prices was 55 per cent above that of September 1939. Not all groups of farm commodities have enjoyed this rise, while others have exceeded it. Livestock were 62 per cent above the 1939 level, crops (grains) were up 45 per cent, dairy products showed a net rise of 43 per cent, while poultry prices were 31 per cent above the 1939 point. Cotton and cottonseed have more than doubled in the period. Fruit crops are up nearly two-thirds, while truck crops show a rise of nearly 40 per cent.

Prices Paid By Farmers

While farm prices have been showing these rather sharp advances, the increases in farmers' production and living costs have tended to be overlooked by many. Indexes of prices paid by farmers for commodities and services used in living and production do not include wage rates paid to hired farm labor. For April of this year farm wages were 40 per cent above the level paid in the fall of 1939. The level of prices of other items of expense to the farmer has advanced considerably more than the cost of living to urban workers. Items used in family maintenance on the farm were 23 per cent above the 1939 level: foods are up 22 per cent, clothing shows a rise of 33 per cent, furniture and furnishings are 20 per cent above the 1939 level, building materials for the farm home have risen by 18 per cent, while miscellaneous operating expenses are up 8 per cent. Of the increased expenditures for living, 35 per cent is due to higher food costs, 31 per cent to higher clothing costs, with the balance of the burden about equally distributed over such items as furniture and furnishings, household operating expenses, and building upkeep.

Turning to strictly production costs, they too are up nearly one-fourth above the levels of the fall of 1939. The greatest rise for any group is that for

the costs of seeds, which have advanced 51 per cent, while feeds have advanced 37 per cent. Farm building materials costs are up 19 per cent, while fertilizers, equipment, and supplies are up 11 per cent to 12 per cent. Again speaking in terms of the burden added to the costs of production (excluding labor), the bulk of the rise has been in feed costs, since feeds represent a substantial part of agricultural production costs. The rise in building materials costs has likewise contributed substantially to the burden of production expenses.

Parity

Figures for April and May farm prices received and paid by farmers indicate that, taking agriculture as a whole, farm products will buy the same amount of physical goods and services as they did in the pre-World War I period, 1909-1914. That is to say, the ratio of prices received to prices paid by farmers is the same as it was in the early period. This, however, is only an over-all figure, taking all farm-produced commodities and farm cost items (except labor) into consideration. While parity for agricultural prices in general is now at 100 per cent, prices for classifications of agricultural products vary considerably from 100 per cent. Meat animals are 26 per cent above parity, due chiefly to the heavy demand and buying of meat animals for lend-lease shipment and for use in the military services. In a relatively much less favorable situation are the grain producers, whose prices are in general 21 per cent below parity. Producers are selling chickens and eggs at prices which are 13 per cent below the parity level. Fruit growers' prices are 22 per cent short of the parity objective, while truck crops and cotton and cottonseed are each at prices that exceed parity by 5 per cent.

Price Ceilings

The effectiveness of various recent price controls on wholesale prices may be judged in part from the behavior of the Bureau of Labor Statistics daily index of 28 basic commodities traded in upon organized commodity markets. Beginning in August 1939 as 100, the index of the 28 commodities rose to 160 by the end of 1941, from a level of approximately 120 for the beginning of 1941. This was a rise of one-third during the calendar year 1941. By breaking the list of 28 commodities into two groups,

the first consisting of 8 commodities* not under price control, and the second consisting of 20 items** subject to price control, a rough measure of the effects of price control is available. During 1941, the "controlled" group rose above the "uncontrolled" group. As one after another of these 20 commodities was put under control during the year, the rise was checked. By the end of the year, all but lead and zinc were under control. These two were put under control in January of 1942, and since that time the index of this group has remained fairly constant around 162. Meanwhile, the index of the "uncontrolled" items has continued to advance, rising from 163 the last week of December to 183 on May 22.

On May 11, the wholesale price ceilings imposed under the April 28 General Maximum Price Regulation became operative, and on May 18 retail ceilings were required. These ceilings were to be no higher than the maximum price at which the same or closely similar merchandise sold during March 1942. A number of items were excepted from these ceilings. Principal agricultural exceptions were: any raw and unprocessed agricultural commodity, while it remains in substantially its original state; eggs and poultry; all milk products except fluid milk and cream at retail, and ice cream; flour; mutton and lamb; living animals. The exceptions also include books and magazines; domestic ores; stumpage, logs, and pulpwood; used automobiles; securities.

These ceilings are expected to result in a slowing-up of the rates of price rises that have occurred in the past year or so. This general ceiling with other forms of price measures brings under some form of control a very substantial proportion of all prices in the nation. It is estimated that about four-fifths of the commodities in the Bureau of Labor Statistics wholesale price index are included; about three-fourths of the goods and services in the same agency's cost of living index are covered; approximately three-fourths of the items priced in the index of prices paid by farmers are under ceilings; and the commodities processed from about 60 per cent of the farm products used in computing the index of prices received by farmers are under ceiling restrictions. Since not all items are under ceilings, with certain prices and wages excluded, further rises in price levels need not be unexpected, but the effective enforcement of the existing ceilings can be of material help in greatly slowing down the rate of price advances.

*Wheat, flaxseed, barley, corn, butter, hogs, steers, cotton.

**Zinc, copper, lead, scrap steel, hides, print cloth, silk, rubber, sugar, tin, burlap, coffee, cocoa beans, tallow, lard, shellac, rosin, cottonseed oil, and wool tops.

Department Store Sales Decline

The upward climb in the dollar volume of department store sales in the Seventh Federal Reserve District was halted during May when a decline in the year-to-year comparison was recorded for the first time since February 1939. The drop of 7 per cent is all the more significant since retail prices are estimated to be 18 per cent above the level of a year ago. It is obvious that the physical volume of department store sales this May was considerably less than last year. What is less obvious is the cause of the decline. The fact that May this year had one less trading day and that Memorial Day came on a Saturday accounted for some of the shrinkage, but not all. Various other factors were at work.

Instalment sales declined 37 per cent and open book or charge accounts receded 10 per cent. Undoubtedly part of this shrinkage in credit sales has been caused by the regulation of consumer credit. The purpose of the credit controls was to dampen the purchase of consumers' durable goods and act as a curb on inflation and they, no doubt, have had an influence in that direction.

Cash sales have gained 12 per cent thus cushioning the drop in total sales. Customers have more cash to spend and are less inclined to mortgage future income thus boosting cash sales and reducing credit volume. The fact that their total purchases are off must rest on other reasons, as credit normally expands as payrolls increase. The pur-

chasing power is available but apparently is being withheld.

In fact there was a contra-seasonal decline in May from April sales, both in dollar and physical volume. Sales during May fell off 10 per cent from April. Only three times in the last ten years have sales during May been less than they were in April. The ten-year average shows an increase of 3 per cent. This decline has been general throughout the District as all reporting cities, except Detroit, showed substantial decreases, ranging from 2 per cent to 20 per cent in dollar volume.

Scarcity of merchandise is not of sufficient magnitude to be the principal factor as the largest declines were in men's apparel and women's ready-to-wear, but there was a drop of 1 per cent in the housefurnishings classification which includes lines such as electrical appliances affected by restrictions.

In the men's and boys' apparel classification there was a drop of 19 per cent in total dollar sales this May from those recorded in May of 1941. It is particularly significant that every item in this classification showed declines from year ago figures. Men's clothing showed the largest drop with dollar sales off 33 per cent. While this is a sizeable decline, part of it can be accounted for by the fact that there was very heavy forward buying in January when it was quite generally believed that there would be a shortage of woollens and even possible rationing. Although these fears were not justified,

DEPARTMENT AND APPAREL STORE TRADE
SEVENTH FEDERAL RESERVE DISTRICT

Locality	Total Net Sales			Per Cent Change May 1942 from May 1941			Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change May 1942 from		Per Cent Change January through May 1942 from January through May 1941	Per Cent Change May 1942 from May 1941			Per Cent Change May 1942 from		Per Cent Change May 1942 from	
	April 1942	May 1941		Open Book Sales	Instal- ment Sales	Cash & C. O. D. Sales	April 1942	May 1941	April 1942	May 1941
Chicago.....	- 9	- 9	+12	-12	-34	+ 6	+ 9	+73	-16	+84
Peoria.....	-12	-16	+ 9	....	....	....	....	....	....	....
Fort Wayne.....	-12	- 2	+25	....	....	....	+ 9	+70	....	....
Indianapolis.....	-10	- 1	+19	- 7	-39	+19	+ 9	+82	-49	**
Des Moines.....	-10	- 8	+10	....	....	....	....	....	....	....
Sioux City.....	....	....	....	....	(Insufficient data)	....	....	....	....	....
Detroit.....	- 9	*	+21	- 6	-30	+20	*	+60	- 2	+84
Flint.....	- 4	-23	- 8	....	....	....	....	....	....	....
Grand Rapids.....	-20	-13	+ 9	....	....	....	....	....	....	....
Lansing.....	- 2	-14	+ 6	....	....	....	....	....	....	....
Milwaukee.....	-13	- 2	+21	- 9	-32	+12	+ 9	+57	-41	+125
Other Cities.....	-10	-14	+10	- 9	-54	+11	+ 3	+45	- 7	+81
District total.....	-10	- 7	+14	-10	-37	+12	+ 7	+65	-15	+83
Apparel Stores.....	-21	- 7	+21	-16	....	+ 4	+ 3	+57	-23	+99

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

large sales of men's clothing during the early part of the year undoubtedly have played a large part in the decline during May.

Women's and misses ready-to-wear group showed the second largest decline although the drop-off was only 3 per cent. Fur sales, while normally not of large proportions in May, declined much more than seasonally and showed a recession of 28 per cent from the sales of such merchandise in May, 1941. There was, of course, heavy buying of furs in late summer last year to avoid the 10 per cent excise tax which went into effect October 1. Women's and misses coats and suits, and girls' wear were the only two items to show increases in this classification.

Hosiery sales continued in large volume, increasing 45 per cent over year ago figures. This was the largest gain in the ready-to-wear accessories classification and offset declines in other items, resulting in raising the entire group sales to a point where they showed a 5 per cent increase over a year ago. Sales of yard goods were unusually high, registering an increase of 31 per cent, and this gain is in sharp contrast to the decline in women's and misses dresses.

Notwithstanding the fact that major household appliances fell off 53 per cent, the drop in house furnishings was but 1 per cent below the sales of a year ago. The sales of electrical appliances, of course, were restricted by shortages of such items.

Retailers are now feeling the after-effects of the great wave of forward buying during the last year. During August of last year the Seventh Federal Reserve District adjusted index of department store sales reached the all-time high of 153.9 on the basis of the 1935-39 daily average. This forward buying was carried over into September and subsequent months. The January index reached a secondary peak of 153.7 per cent in January of this year. This index has shown a gain each month over the corresponding month of the previous year from March 1940 until it was halted at 123 per cent this May, when it was somewhat lower than it was in May 1941.

With the rationing of sugar and the establishment of price ceilings on most commodities, there has evidently been a lessening of piling-up of purchases by the buying public for future consumption.

Prices as well as sales have been adversely affected. Fairchild's retail price index shows a decline for the first time since July 1, 1938. While the reaction was only 0.2 per cent during May, it followed a gain of 0.8 per cent in April, of 0.5 per cent in March, of 1.5 per cent in February, and 1.8 per cent in January. Each of the major groups showed a decline during May, with the greatest reaction in piece goods and men's apparel. In fact no one item in the Fairchild's index showed a gain during the month, although a number of them remained unchanged.

Under the circumstances stocks on hand have increased more than seasonally and were 65 per cent higher in May than they were a year ago. The ratio of stocks to sales at the end of April (the latest date for which figures are available) was 3.35. At the end of April 1941 the ratio was only 2.45.

Regardless of what has caused the slump in department store sales in this District, it will be interesting to watch whether sales have passed their peak or have merely entered a plateau.

DEPARTMENT STORE SALES BY DEPARTMENTS	
Selected Departments	Per Cent Change May 1942 from May 1941
PIECE GOODS—TOTAL.....	+11
Yard goods, all materials.....	+31
Linens and Towels.....	-3
Domestics—Muslins, Sheetings, etc.	-5
Blankets, Comforters, and Spreads.....	+6
READY-TO-WEAR ACCESSORIES—TOTAL.....	+5
Neckwear and Scarfs.....	+9
Handkerchiefs.....	+10
Millinery.....	-12
Gloves.....	-2
Corsets and Brassieres.....	-10
Hosiery (Women's and Children's).....	+45
Women's Underwear, Slips, and Negligees.....	+3
Infants' Wear.....	+11
Handbags and Small Leather Goods.....	+5
Women's Shoes.....	-1
Children's Shoes.....	+1
WOMEN'S AND MISSES' READY-TO-WEAR—TOTAL.....	-3
Women's and Misses' Coats and Suits.....	+13
Women's and Misses' Dresses.....	-7
Blouses, Skirts, and Sportswear.....	-4
Juniors' Coats, Suits, and Dresses.....	-6
Girls' Wear.....	+3
Aprons, House-dresses, and Uniforms.....	-7
Furs.....	-28
MEN'S AND BOYS' WEAR—TOTAL.....	-19
Men's Clothing.....	-33
Men's Furnishings.....	-8
Men's Hats and Caps.....	-30
Boys' Clothing and Furnishings.....	-4
Men's and Boys' Shoes.....	-10
HOUSEFURNISHINGS—TOTAL.....	-1
Furniture, Beds, Mattresses, and Springs.....	+4
Oriental Rugs.....	+10
Domestic Floor Coverings.....	+26
Draperies, Curtains, and Upholstery.....	+7
Lamps and Shades.....	-3
China and Glassware.....	-3
Major Household Appliances.....	-53
Housewares.....	+6
Pictures and Mirrors.....	+8
Musical Instruments, Radios, and Phonographs.....	+10

RECEIPTS AND SHIPMENTS OF GRAIN

At Interior Primary Markets in the United States
(In thousands of bushels)

	May 1942	May 1941	Per Cent Change May 1942 from May 1941	Ten-Year Average 1932-1941	Per Cent Change May 1942 from Ten-Year Average
WHEAT:					
Receipts.....	17,600	31,396	-43.9	17,879	-1.6
Shipments.....	12,977	17,464	-25.7	15,070	-13.9
CORN:					
Receipts.....	25,497	25,852	-1.4	16,900	+50.9
Shipments.....	16,308	22,599	-27.8	16,051	+1.6
OATS:					
Receipts.....	5,772	3,850	+49.9	5,527	+4.4
Shipments.....	4,704	3,163	+48.7	7,435	-36.7

Source: Daily Trade Bulletin.

SALES OF INDEPENDENT RETAIL STORES SEVENTH FEDERAL RESERVE DISTRICT

	Per Cent Change April 1941 to April 1942				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	+5	+4	+3	+4	+7
Apparel Group.....	+11	+16	+10	+12	+11
Drug Stores.....	+13	+17	+19	+16	+19
Eating and Drinking Places.....	+16	+15	+8	+21	+19
Food Group.....	+17	+23	+15	+21	+21
Furniture-Household-Radio Group.....	+3	-6	-7	+8	+7
Hardware Stores.....	+26	+42	+20	+35	+24
Jewelry Stores.....	+17	+30	+29	+27	+16
Lumber and Building Materials	+29	+18	+16	+7	+27
Motor Vehicle Dealers.....	-81	-78	-74	-69	-76

*Includes classifications other than those listed.

HOG-CORN RATIOS

	May 1942	April 1942	May 1941	May 1940
Illinois.....	17.2	18.0	12.7	9.2
Indiana.....	16.6	17.0	12.3	9.3
Iowa.....	18.2	19.0	14.4	9.5
Michigan.....	15.7	15.9	12.2	8.9
Wisconsin.....	16.0	16.6	13.1	8.5
United States.....	16.3	16.9	12.6	8.5

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

WHOLESALE TRADE SEVENTH FEDERAL RESERVE DISTRICT

Commodity	Per Cent Change April 1941 to April 1942			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries.....	+19	+12	+18	+29
Electrical Goods.....	+17	+20	+14	+34
Groceries.....	+9	+23	+10	+13
Hardware.....	+22	+5	+19	+38
Jewelry.....	-3	+9	-12	+40
Meats and Meat Products.....	+63	+52	+54	+78
Paper and Its Products.....	+1	+35	+14	+13
Tobacco and Its Products.....	+12	+35	+10	+13
Miscellaneous.....	+17	+13	+14	+24
Total.....	+17	+15	+13	+26

Source: Bureau of the Census, United States Department of Commerce.

UNITED STATES FEDERALLY INSPECTED LIVESTOCK SLAUGHTER

(In thousands)

	April 1942	April 1941	Average of 5-year April 1937-41	Per Cent Change April 1941 to April 1942	Per Cent Change April 1942 from 5-year Average	May 1942	May 1941	Five-Year Average May 1937-41	Per Cent Change May 1941 to May 1942	Per Cent Change May 1942 from Five-year Average
Hogs.....	4,196	3,807	3,124	+10	+34	4,320	4,023	3,202	+7	+35
Cattle.....	956	792	759	+21	+26	885	908	807	-2	+10
Calves.....	502	507	507	-1	-1	471	501	514	-6	-8
Lambs and Sheep.....	1,570	1,436	1,355	+9	+16	1,475	1,551	1,457	-5	+1

Source: Agricultural Marketing Administration, United States Department of Agriculture.

DEPARTMENT AND APPAREL STORE TRADE SEVENTH FEDERAL RESERVE DISTRICT

Locality	Total Net Sales			Per Cent Change April 1942 from April 1941			Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change April 1942 from		Per Cent Change January through April 1942 from January through April 1941				Per Cent Change April 1942 from		Per Cent Change April 1942 from	
	March 1942	April 1941					March 1942	April 1941	March 1942	April 1941
Chicago.....	- 4	+ 6	+18	+ 2	-17	+13	+15	+57	- 8	+151
Peoria.....	- 2	+ 2	+16	....	....	....	....	....	....	....
Fort Wayne.....	- 2	+13	+34	....	....	....	....	....	....	....
Indianapolis.....	- 4	+ 9	+25	+ 7	-19	+21	+10	+69	- 6	+121
Des Moines.....	- 3	+ 3	+15	....	....	....	....	....	....	....
Sioux City.....	- 0 *	- 2	+10	....	....	....	....	....	....	....
Detroit.....	- 6	+20	+28	+13	+ 1	+32	+ 6	+58	+ 5	+135
Flint.....	+ 3	- 5	- 2	....	....	....	....	....	....	....
Grand Rapids.....	+12	+ 4	+16	....	....	....	....	....	....	....
Lansing.....	+ 8	+ 2	+14	....	....	....	....	....	....	....
Milwaukee.....	- 3	+14	+28	+10	+20	+18	+11	+55	+14	+138
Other Cities.....	+ 6	+ 2	+20	+ 8	-30	+13	+ 6	+40	+16	+ 83
District total.....	-0 *	+ 9	+21	+ 6	-10	+19	+11	+55	+ 3	+136
Apparel stores.....	-14	+ 9	+29	+ 7	-16	+15	+13	+50	- 2	+119

*Decrease of less than one percent

EMPLOYMENT AND PAYROLLS SEVENTH FEDERAL RESERVE DISTRICT					
Industrial Group	Week of April 15, 1942			Per Cent Change from March 15, 1942	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
DURABLE GOODS:					
Metals and Products ¹	1,871	593,667	\$24,788	-0.2	+0.9
Transportation Equipment.....	393	326,413	16,600	+2.2	+0.8
Stone, Clay, and Glass.....	263	24,003	759	+3.8	+3.2
Wood Products.....	452	59,435	1,676	-2.6	-2.2
Total.....	2,979	1,003,518	43,823	+0.5	+0.8
NON-DURABLE GOODS:					
Textiles and Products.....	419	74,626	1,803	+0.8	+0.5
Food and Products.....	1,005	122,721	3,840	+1.7	+1.9
Chemical Products.....	314	41,971	1,545	-0.1	+0.6
Leather Products.....	176	34,462	961	-0.2	* 0.0
Rubber Products.....	37	17,685	598	-3.9	-6.9
Paper and Printing.....	694	85,554	2,843	-1.6	-2.3
Total.....	2,645	377,019	11,590	+0.1	-0.2
Total Mfg., 10 Groups.....	5,624	1,380,537	55,413	+0.4	+0.6
Merchandising.....	4,877	145,710	3,668	-1.2	+0.3
Public Utilities.....	1,118	109,799	3,985	+1.4	+0.1
Coal Mining.....	46	7,497	258	-0.4	-6.7
Construction.....	703	13,000	573	+14.7	+18.7
Total Non-Mfg., 4 Groups.....	6,744	276,006	8,484	+0.5	+1.1
Total, 14 Groups.....	12,368	1,656,543	63,897	+0.4	+0.6

¹Other than transportation equipment.

*Decrease of less than one percent

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

BUILDING CONTRACTS AWARDED SEVENTH FEDERAL RESERVE DISTRICT		
	Total Contracts	Residential Contracts
April 1942.....	\$58,180,000	\$26,298,000
Change from March 1942.....	-59%	-48%
Change from April 1941.....	-19%	-23%
First four months of 1942.....	\$329,684,000	\$132,198,000
Change from same period of 1941.....	+10%	+31%

Source: F. W. Dodge Corporation.

MONTHLY BUSINESS INDEXES						
Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average=100	April 1942	Mar. 1942	Feb. 1942	April 1941	Mar. 1941	Feb. 1941
Manufacturing Industries:						
Durable Goods:						
Employment.....	144	144	143	140	135	132
Payrolls.....	202	201	195	167	163	159
Non-Durable Goods:						
Employment.....	112	112	114	106	103	102
Payrolls.....	137	137	139	118	115	113
Total:						
Employment.....	133	133	133	129	124	122
Payrolls.....	182	181	178	152	149	145
Pig Iron Production:*						
Illinois and Indiana.....	1/	209	207	188	196	193
Casting Foundries Shipments:						
Steel—In Dollars.....	516	524	449	228	213	195
In Tons.....	249	261	223	184	168	160
Malleable—In Dollars.....	222	211	202	202	176	162
In Tons.....	182	170	164	182	159	148
Furniture Manufacturing:						
Orders in Dollars.....	245	162	141	171	158	161
Shipments in Dollars.....	190	187	170	166	161	143
Paper Manufacturing:*						
Tonnage Production.....	142	143	147	129	120	120
Petroleum Refining—(Indiana, Illinois, Kentucky Area:*						
Crude Runs to Still.....	159	160	165	145	146	147
Gasoline Production.....	140	147	149	134	135	135
Bituminous Coal Production:*						
Illinois, Indiana, Iowa, and Michigan.....	136	132	152	22	152	137
Building Contracts Awarded:						
Residential.....	228	435	312	294	254	178
Total.....	148	357	185	181	333	110
Department Store Net Sales:*						
Chicago.....	121	126	106	112	103	92
Detroit.....	149	148	126	126	118	101
Indianapolis.....	152	160	124	140	123	98
Milwaukee.....	145	150	116	127	114	89
Other Cities.....	136	136	115	128	111	97
Seventh District—Unadjusted.....	133	136	114	120	109	95
Adjusted.....	134	141	135	118	116	113

*Daily average basis.

¹No longer available.

PERCENTAGE INCREASES FROM MAY 15, 1941 TO MAY 15, 1942 IN THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS BY GROUPS OF ITEMS							
City	All Items	Food	Cloth- ing	Rent	Fuel, Elec- tricity, and Ice	House Furnish- ings	Miscel- laneous
Chicago.....	+12.8	+19.4	+22.5	+ 4.9	+ 2.8	+15.3	+ 9.0
Detroit.....	+14.8	+21.4	+23.0	+ 8.6	+ 6.8	+16.7	+10.0
Average:							
Large Cities.....	+12.7	+19.1	+23.2	+ 3.7	+ 3.7	+18.1	+ 8.3

INDEXES OF THE COST OF GOODS PURCHASED BY WAGE EARNERS AND LOWER-SALARIED WORKERS, BY GROUPS OF ITEMS MAY 15, 1942							
Chicago.....	116.6	121.7	123.6	116.2	103.1	121.2	110.4
Detroit.....	118.7	122.2	126.3	119.5	106.6	120.8	113.4
Average:							
Large Cities.....	116.0	121.6	126.5	109.7	104.7	121.5	111.0

Source: Bureau of Labor Statistics.

BANK DEBITS Debits to deposit accounts, except interbank accounts					
	(In thousands of dollars)			Per Cent Change May 1942 from	
	May 1942	April 1942	May 1941	April 1942	May 1941
ILLINOIS:					
Aurora.....	\$ 16,639	\$ 15,510	\$ 15,329	+ 7	+ 9
Bloomington.....	16,862	16,490	14,752	+ 1	+13
Champaign-Urbana.....	17,398	17,198	17,586	+ 1	- 1
Chicago.....	4,194,048	4,038,185	3,489,191	+ 4	+20
Danville.....	13,430	12,749	12,656	+ 5	+ 6
Decatur.....	26,084	27,700	23,794	+ 6	+10
Elgin.....	9,185	10,148	10,911	- 9	-16
Joliet.....	31,177				
Moline.....	13,071	11,745	11,983	+11	+ 9
Peoria.....	73,433	79,995	81,624	- 8	-10
Rockford.....	43,954	44,495	38,089	- 1	+15
Springfield.....	31,564	31,801	30,882	- 1	+ 2
INDIANA:					
Fort Wayne.....	51,508	50,788	44,445	+ 1	+16
Gary.....	24,422	24,619	25,198	- 1	- 3
Hammond.....	12,562	12,104	12,832	+ 4	- 2
Indianapolis.....	337,192	323,715	271,133	+ 4	+24
Lafayette.....	13,481				
Muncie.....	20,257				
South Bend.....	58,821	59,474	54,427	- 1	+ 8
Terre Haute.....	30,438	31,529	29,545	- 3	+ 3
IOWA:					
Burlington.....	13,199				
Cedar Rapids.....	35,829	36,036	32,677	- 1	+10
Clinton.....	8,416	9,201	7,672	- 9	+10
Davenport.....	27,779	28,662	26,847	- 3	+ 3
Des Moines.....	124,615	122,958	107,689	+ 1	+16
Dubuque.....	12,383	13,543	12,245	- 9	+ 1
Mason City.....	13,983	14,030	12,626	- 2	+11
Muscatine.....	4,841	4,951	4,575	+ *	+ 6
Ottumwa.....	15,655				
Sioux City.....	61,672	59,422	48,313	+ 4	+28
Waterloo.....	25,911	30,496	23,176	-15	+12
MICHIGAN:					
Adrian.....	5,798	5,679	5,560	+ 2	+ 4
Battle Creek.....	20,157	19,744	17,238	+ 2	+17
Bay City.....	16,097	17,128	14,598	- 6	+10
Detroit.....	1,529,379	1,511,432	1,373,683	+ 1	+11
Flint.....	36,010	33,780	35,880	+ 7	**
Grand Rapids.....	69,679	70,528	70,228	- 1	- 1
Jackson.....	23,343	23,037	20,567	+ 1	+13
Kalamazoo.....	29,403	30,350	30,576	- 3	- 4
Lansing.....	38,771	38,315	31,050	+ 1	+25
Muskegon.....	26,792				
Port Huron.....	12,646				
Saginaw.....	29,076	28,687	29,540	+ 1	- 2
WISCONSIN:					
Green Bay.....	20,167	22,212	19,208	- 9	+ 5
Madison.....	42,994				
Manitowish.....	10,499	10,247	9,375	+ 2	+12
Milwaukee.....	376,437	380,122	319,762	- 1	+18
Oshkosh.....	11,157	11,694	11,392	- 5	- 2
Racine.....	24,417				
Sheboygan.....	29,027	28,283	21,306	+ 3	+36
TOTAL 41 CENTERS.....	7,530,840	7,358,782	6,470,140	+ 2	+16
TOTAL 50 CENTERS.....	7,731,458				
UNITED STATES:					
274 Centers.....	48,324,000	46,620,000	43,661,000	+ 4	+11

*New reporting centers for which figures were not collected before May 1942.

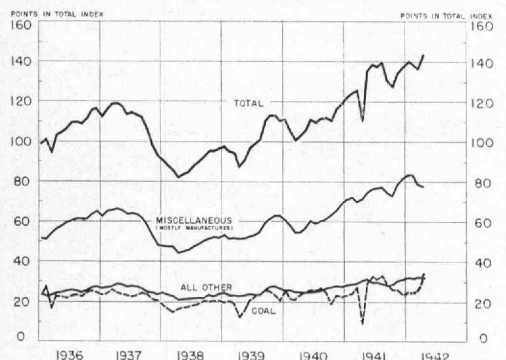
*Decrease of less than one per cent. **Increase of less than one per cent.

INDUSTRIAL PRODUCTION



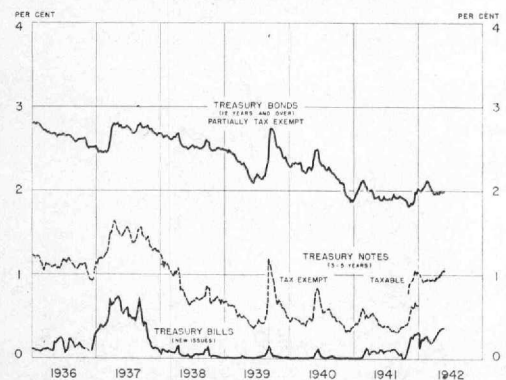
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for April 1942.

FREIGHT-CAR LOADINGS



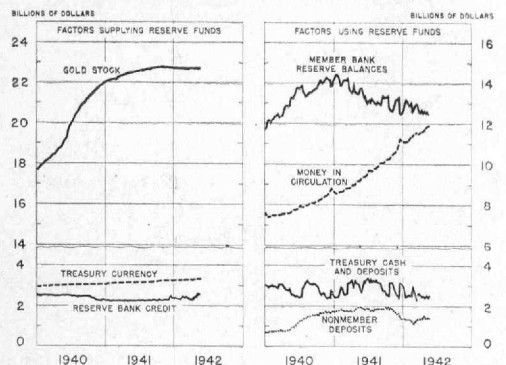
Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for April 1942.

MONEY RATES IN NEW YORK CITY



Weekly averages of daily yields on Treasury notes and bonds and average discount on new issues of Treasury bills offered within week. Latest figures shown are for week ending May 16, 1942.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for May 13, 1942.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

Industrial activity increased in April and the first half of May, reflecting continued advances in armament production. Following an increase in buying during the first quarter, retail trade declined somewhat. Wholesale commodity prices advanced further.

Production—Expansion of industrial production in April was reflected in an advance in the Board's seasonally adjusted index from 172 to 174 per cent of the 1935-39 average. This increase followed upon a period of relative stability during the first quarter of the year, when growing war production was offset by decreased civilian output.

Since the beginning of the year total volume of industrial output has shown little change but there have been marked differences among individual industries. In general output of machinery, chemicals, and armament of all kinds has continued to expand at a rapid rate. There have also been substantial increases in output of electric steel, nonferrous metals, glass containers, wood pulp, and coal. On the other hand, output of many products for civilian use such as automobiles, tires and tubes, wool textiles, electrical appliances, alcoholic beverages, petroleum, and petroleum products has been sharply reduced either by direct order or by shortages of material or transportation facilities. In the month of April crude petroleum and petroleum products were the principal commodities showing a decline in output. Output of furniture, cotton and rayon textiles, manufactured foods, paper products, and tobacco products has been maintained in large volume.

Value of construction contracts awarded in April, as reported by the F. W. Dodge Corporation, was almost one-fifth below the high March total, reflecting a decline in publicly-financed construction. Residential contracts decreased by one-fourth and for the month were at about the same level as last year. Awards for non-residential building increased slightly, mainly because of a 40 per cent increase in awards for factory construction, practically all publicly financed.

In the first four months of 1942, total awards were about one-fourth greater than in the corresponding period last year; public awards more than doubled, while those for private projects were down by about two-fifths. Public awards in this period made up over 70 per cent of the total, compared with about 40 per cent last year.

Distribution—Retail sales declined somewhat in April, following a considerable amount of anticipatory buying during the first quarter of this year. At department stores, dollar sales in April were about 10 per cent below the first quarter average, making allowance for usual seasonal variations, but were 5 per cent above the level prevailing during the latter part of 1941. During the first half of May sales showed a further decrease and were around 6 per cent larger than a year ago in contrast with price increases amounting on the average to about 20 per cent over the year period.

Total freight car loadings increased sharply in April owing chiefly to larger shipments of coal and forest products, and to a sharp rise in iron ore loadings as the Great Lakes shipping season got under way. Shipments of merchandise in less than carload lots, which had begun to decline in March, were reduced sharply further in April, reflecting Government action to increase the average load per car in order to effect fuller utilization of railroad equipment.

Commodity Prices—Beginning on May 11, wholesale prices of most commodities were limited to the highest levels reached during March, according to the general maximum price regulation issued April 28. Effective May 18, retail prices of most commodities were likewise limited. Retail prices of related services will be limited beginning July 1.

About 30 new maximum price schedules for industrial products were issued from the middle of April to the middle of May. Most of these covered wholesale prices of items previously subject to informal or temporary controls. Upward adjustments in maximum prices were allowed for coal, ferromanganese, tires, petroleum products, and a few other items.

Wholesale prices of most farm products and basic foods, which are exempt from direct control, showed little change in this period, following sharp increases earlier in the year.

Bank Credit—During the five weeks ending May 20, Federal Reserve Bank holdings of Government securities increased by about 200 million dollars while currency in circulation rose by 260 million. Member bank deposits increased during the period and required reserves showed a corresponding growth. The net result was a decline of 300 million in excess reserves. Holdings of United States securities at banks in leading cities increased further, while commercial loans declined. Liquidation of loans was concentrated at banks in New York City and in the Kansas City district.

United States Government Security Prices—Prices of U. S. Government bonds declined in the last half of April, but steadied in the first half of May. Rates on current Treasury bill issues rose from about 0.20 per cent in March to 0.36 per cent in May. The Federal Open Market Committee announced on April 30 that Federal Reserve Banks stood ready to purchase all Treasury bills offered at 0.375 per cent.

SEVENTH FEDERAL



RESERVE DISTRICT

