

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 5, 1937

To Chairman Eccles

Subject: _____

From Mr. Goldenweiser 

In connection with your Treasury meeting.

CURRENT COMMENTS IN BRIEF

Excess reserves

Member bank reserve balances, following substantial decreases in the first three weeks of December, increased by \$65,000,000 in the last week of the month and excess reserves rose to \$1,950,000,000 on December 30.

Reporting member banks

During the statement week ended December 30 New York banks reduced their portfolio of Government obligations by \$68,000,000, perhaps partly to establish in connection with tax returns losses sustained during the price decline in December. Reporting member banks in leading cities outside New York increased their holdings of United States Governments by \$19,000,000 during the week. Commercial loans showed little change at New York banks during the week, but increased by an additional \$16,000,000 elsewhere.

The decline in bankers' balances, which set in at the beginning of December, continued. Between December 2 and December 30 \$272,000,000 of bankers' balances were withdrawn from reporting member banks, about half of which was withdrawn from New York banks. Other deposits showed little change in the last half of the month.

Stock market.

The stock market was somewhat more active during the week ending January 2, with sales averaging about 2,000,000 shares per day, but prices continued to fluctuate within narrow limits.

Industry and trade

Preliminary estimates indicate that the Board's seasonally adjusted index of industrial production increased from 114 in November to about 118 in December. The rise in the index during recent months has reflected in part the maintenance of steel production at a high level when in the past a decline has been usual in those months.

Preliminary figures for retail trade indicate a larger dollar volume of Christmas buying than in any year since 1929.

Commodity prices

Commodity prices, which began to advance early in November, rose further in December, reflecting growth in demand for industrial materials, also reduced stocks, and some speculative buying. Part of the demand has been for armament purposes.

The Bureau of Labor Statistics index of wholesale prices advanced from 81 percent of the 1926 average at the end of October to 84 percent at the end of December, reflecting substantial increases in prices of industrial commodities, particularly raw materials, and of farm products and foods.