

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

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The following is a summary of general business and financial conditions throughout the several Federal Reserve Districts during the month of August, as contained in the forthcoming issue of the Federal Reserve Bulletin.

The outstanding feature of the month has been the inherent soundness which the general business situation has manifested in the face of the difficulties which have been encountered. This has been shown by the continuance of activity at a relatively high level despite labor disturbances, in particular those in the coal and transportation industries, and despite the fact that some recession of activity is normally to be expected at this season of the year. Prices of important commodities continued their upward tendency during July, the index number of the Federal Reserve Board for that month being 165, or 4 points greater than the June figure. During August, however, conflicting tendencies in price movements were apparent. The excellent agricultural prospects provide an encouraging outlook for the fall trade. Furthermore, increase of demand for certain commodities to compensate for restricted output or delay in placing orders owing to uncertainty, is also in prospect. Even so, business must necessarily proceed under handicaps for some time to come, as a result of fuel shortage and transportation difficulties.

Manufacturing activity in general has been maintained at a high level during both July and August. In those industries, such

as automobiles and building construction, in which seasonal recession is shown, activity is still far in excess of a year ago, Cotton manufacturing likewise shows some decrease, but wool machinery on August 1 showed greater activity than on July 1. The output of the nonferrous metals other than copper has also increased, and prices have advanced, in particular in the case of zinc. The fuel shortage and traffic congestion, however, have resulted in some decrease of activity in the iron and steel industry, particularly since the opening of August. Bituminous coal production has increased steadily during the present month, and, with the resumption of operations, output may shortly attain maximum levels. Pending the settlement of labor difficulties, anthracite production continues almost negligible. Petroleum output increased somewhat in July, and stocks show further accumulation.

The labor situation showed considerable improvement during August. The bituminous coal strike has been settled in many fields and the majority of the New England cotton mill workers have returned to the factories. Shortages are reported in various industries, in particular in the western copper mines. Reflecting this situation, wage increases have been granted for certain classes of labor. The only important disturbances still existing are those in transportation and the anthracite coal industry, in both of which negotiations for settlement have been actively proceeding.

Agricultural prospects on the whole continue very satisfactory. There was a notable improvement in the condition of the

corn crop during July, and the Spring wheat crop promises to be unusually large. It is impossible as yet to estimate definitely the final yield of the cotton crop, but the weevil damage has been less than anticipated. The prospects for the tobacco crop are exceptionally good, and most of the other crops are considerably above the average.

Wholesale trade suffered a decline during July as compared with June in all lines except dry goods, which was more active because of fall buying in all districts except those most affected by labor difficulties. Recessions in groceries, hardware, boots and shoes, and drugs were largely seasonal. Most lines were in a better position than a year ago, especially hardware. Retail trade, however, was slightly smaller than last year, although larger in New England and on the Pacific Coast.

Financially few new developments occurred during the month. The Federal Reserve Banks of Kansas City and Minneapolis each reduced their discount rate to $4\frac{1}{2}\%$. None of the Federal Reserve Banks now have rates in excess of that figure. Both Federal Reserve and Member Bank portfolios show little change. The rapid decline of the mark has been the outstanding feature of the foreign exchanges, francs and lire remaining practically constant and sterling showing some increase until recently. In foreign trade, the value of both imports and exports showed a decline from the June figures to approximately the same level as in May.