

F E D E R A L R E S E R V E B O A R D

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 January, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Production and prices remained relatively constant in December while trade and credit showed the usual increases in the holiday season followed by declines in January.

The index of production in basic industries, after rising rapidly since last August, showed a slight recession in December, though production was maintained at a level near the peak of 1920. The output of pig iron and coal continued to increase, but the production of certain other commodities particularly of cotton textiles and flour, showed decline. In southern districts the building industry continued active and in parts of the country much new construction was projected.

Railroad traffic continued heavier than a year ago, though the seasonal decline in car loadings and the reduction in bad order cars partially relieved freight congestion.

Employment in industrial establishments made a further advance in December, accompanied by wage increases in certain industries. Some shortage of labor in the eastern districts was still reported, but in Pacific states a substantial surplus of unskilled labor was indicated.

The general level of wholesale prices remained unchanged in December. Among various groups of commodities the price tendencies of recent months were continued. The prices of farm products, cloth, chemicals and housefurnishings registered further increases, while fuel and metal prices continued to decline.

During January a number of basic commodities advanced in price, and cotton, rubber and lead rose to the highest points since 1920.

Wholesale trade in most reporting lines showed a seasonal decline in December, but was considerably larger than a year ago. Farm implement dealers, however, reported larger sales than in November, and more than doubled their December, 1921, business. Retail sales of reporting stores during December reached the largest volume in the last 4 years.

Dividend and interest payments and the disbursement of Government funds in connection with the redemption of Victory notes and War Savings Certificates, together with the usual decline in the demand for currency after the holiday season, were attended by a large increase in the volume of new security issues and by somewhat easier money conditions. Open market commercial paper rates in

financial centers which were $4\frac{1}{2}$ to $4\frac{3}{4}$ per cent in December, declined to $4\frac{1}{4}$ and $4\frac{1}{2}$ per cent, respectively, in January.

Member banks in leading cities reported an increase in demand deposits, an important factor in which ^{was} the usual seasonal flow of funds from country districts to financial centers. While the volume of loans on stocks and bonds decreased in the first two weeks in January there was a somewhat larger increase in the investments owned by the banks.

At the Federal Reserve Banks the principal change between December 20 and January 24 was a reduction of \$230,000,000 in Federal reserve note circulation caused by the seasonal decline in currency requirements. Reserves increased \$65,000,000 while earning assets declined \$171,000,000. These changes are similar to developments in the same period a year ago, although the decline in earning assets was less than last year.