FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS X-4101

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The following is a summary of general business and financial conditions throughout the several Federal Reserve Districts, based upon statistics for the months of May and June, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Production of basic commodities and factory employment showed unusually large declines in May and were considerably below the level of a year ago. Purchases at wholesale and retail also declined during the month and were somewhat below last year's volume. Commercial loans at member banks decreased and there was a further decline in money rates.

PRODUCTION:

The Federal Reserve Board's index of production in basic industries, adjusted to allow for seasonal variations, declined about 10 per cent in May to a point about 18 per cent below the peak reached a year ago. Particularly marked decreases were shown for production of iron and steel and mill consumption of cotton. Output of anthracite, cement, and tobacco products, on the other hand, was slightly larger than in April. Factory employment declined 4 per cent in May, the number of employees being reduced in almost all reporting industries. The largest reduction of working forces occurred in the textile, metal, automobile, and leather industries. The value of building contracts awarded in May was 13 per cent less than the month before and for the first time since the beginning of the year fell below the corresponding month in 1923.

The Department of Agriculture forecasts as of June 1 indicated smaller yields of wheat, oats, and barley as compared with the harvests of 1923. The condition of the cotton crop on May 25 was 5 per cent lower than a year ago and 7 per cent below the average condition for the past ten years.

TRADE:

Railroad shipments showed a slight increase in May, but were 8 per cent smaller than a year ago. Car loadings of all classes of freight, with the exception of grain and livestock, were smaller than in May 1923.

Wholesale trade decreased slightly in May and was 6 per cent less than in May, 1923. Sales of dry goods, shoes, and hardware were much smaller than a year ago, while drug sales were slightly larger. Retail trade at department stores and mail order houses declined during May more than is usual at that season and was smaller than last year. Department store stocks were 4 per cent smaller in May than in April and 3 per cent larger than a year earlier.

PRICES:

Wholesale prices, as measured by the index of the Bureau of Labor Statistics, declined 1 per cent during May to a level about 8 per cent below the high point reached in the spring of 1923. Prices of all commodity groups, with the exception of food, declined in May. During the first half of June quotations on wheat, corn, rye, and silk increased, while prices of hogs, beef, cotton, and lumber declined.

BANK CREDIT:

Decreased demand for credit for current business requirements between the middle of May and the middle of June was reflected in a smaller volume of borrowing for commercial purposes at member banks in leading cities. Further purchases of corporate securities by these banks and larger loans on stocks and bonds, however, resulted in an increase for the month in their total loans and investments. There was an unusually large increase in net demand deposits of these banks, which carried the total of these deposits to the highest figure on record.

At the Federal reserve banks between May 21 and June 18 there was a further decline in discounts for member banks and in acceptances purchased in the open market. Government security holdings, on the other hand, increased and total earning assets were somewhat larger than a month ago.

The prevailing ease in the money market was reflected in a further decline from 4 1/4 to 3 1/2 - 3 3/4 per cent in rates on prime commercial paper in New York. The June 15 issue of six-month Treasury certificates bore a rate of 2 3/4 per cent, compared with 4 per cent on a similar offering last December.

Discount rates at the Federal reserve banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, and San Francisco were reduced from 4 1/2 to 4 per cent during June, and the rates in Boston, New York, and Philadelphia were reduced to 3 1/2 per cent.