

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, based upon statistics for the months of June and July, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Production of basic commodities and factory employment showed further large declines during June. Trade, both at wholesale and retail, also decreased during the month and was in smaller volume than a year ago.

PRODUCTION:

The Federal Reserve Board's index of production in basic industries, adjusted to allow for seasonal variations, declined about 9 per cent in June to a point 22 per cent below the level of the first two months of the year. Iron and steel and cotton manufacturing industries continued to show the most marked curtailment of activity, and decreases were general in other industries. Factory employment decreased 3 per cent in June, the metal, automobile, textile, and leather industries reporting the largest reductions in forces. Value of building contracts awarded in June was 8 per cent smaller than in May, though 4 per cent larger than in June of last year.

Condition of the corn crop on July 1, as reported by the Department of Agriculture, was the lowest on record for that date and indicated a probable yield about 500,000,000 bushels less than last year. Condition of the cotton crop was reported less satisfactory than a month earlier, while forecasts for wheat and oats were larger than in June.

TRADE:

Railroad shipments decreased in June and were about 15 per cent less than a year ago, owing to smaller loadings of all classes of freight except grain and livestock. Wholesale trade showed a further slight decline in June and was 11 per cent smaller than a year ago. Sales of hardware, drugs, shoes, and dry goods decreased, while sales of groceries and meat increased slightly. Sales of department stores and chain stores showed more than the usual seasonal decrease during June and were smaller than last year. Mail order sales in June showed less than the usual seasonal decline and were larger than a year ago. Department stores further reduced their stocks of merchandise and slightly increased their outstanding orders.

PRICES:

Wholesale prices, as measured by the index of the Bureau of Labor Statistics, declined more than one per cent in June to a level 5 per cent below the high point for this year. Prices of all groups of commodities, except clothing, showed declines and decreases were particularly large for building materials. During the first three weeks of July quotations on wheat, corn, and hogs advanced sharply, while prices of sugar, cotton goods, and iron and steel products were lower.

BANK CREDIT:

Commercial loans at member banks in leading cities during June and the first two weeks of July remained at a relatively constant level, considerably below the peak reached in April, while investment holdings and loans secured by stocks and bonds increased rapidly and carried total loans and investments to the high point for the year. Demand deposits, owing partly to

the growth of bankers' balances at financial centers, advanced to a record level.

At the reserve banks there was a continued decline in discounts and an increase in purchases of government securities in the open market. As a consequence, total earning assets in the middle of July were only slightly less than at the beginning of June. Member bank reserve balances increased rapidly, reflecting a return flow of currency from circulation and further imports of gold; total deposits at the reserve banks on July 16 were larger than at any time since the organization of the system.

Money rates in July were comparatively steady but continued to show a somewhat easier tendency. Discount rates at the Federal Reserve Banks of Kansas City and Dallas were reduced during July from  $4 \frac{1}{2}$  to 4 per cent.