

FEDERAL RESERVE BOARD

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

Production and employment in December continued the increase which began in the autumn and wholesale prices advanced further to the highest level for the year. Railroad shipments of goods continued in large volume and trade, both at wholesale and retail, was larger than a year ago.

Production. - The index of production in basic industries advanced about 10 per cent in December to a point 25 per cent higher than last summer but was still below the level of the opening months of 1924. Practically all of the 22 industries included in the index shared in the advance and the increases were particularly large in iron and steel, cotton manufacturing, coal mining, and meat packing. Among the industries not represented in the index the output of automobiles declined in December and was the smallest for any month in more than two years. Increased industrial activity was accompanied by an advance of about 2 per cent in factory employment, with larger increases in the metal and textile industries, and by a growth of nearly 5 per cent in total factory payrolls. Volume of building, as measured by contracts awarded, was less in December than in November, but continued unusually large for the season of the year.

Trade. - Distribution of goods was greater in December than in the same month of 1923, as indicated by larger railroad shipments and an increase in the volume of wholesale and retail trade. Christmas trade at department stores was greater

than in the previous year, and sales by mail order houses and chain stores were the largest on record. Wholesale trade was seasonally less than in November but in practically all lines was larger than a year ago. Marketing of agricultural products was greater than for the corresponding month of any recent year.

Prices. - A further advance of more than 2 per cent in the Bureau of Labor Statistics index of wholesale prices carried the average in December 8 per cent above the low point of June and to the highest level since April, 1923. Prices of all groups of commodities were higher, the principal increases being in farm products and foods. In the first half of January prices of grains, wool, coal, and metals increased further, while sugar, dairy products, silk, coke, and rubber declined.

Bank Credit. - At the Federal reserve banks the rapid return flow of currency after the holiday trade resulted, during the four weeks ending January 21, in a reduction of earning assets about equal to that for the same season a year earlier. The net outflow of currency from the reserve banks during the month preceding Christmas amounted to more than \$200,000,000, and the return flow after the Christmas peak, reflected both in the increase in reserves and in the decline of Federal reserve note circulation, was in excess of \$300,000,000. Fluctuations in the earning assets of the reserve banks during the past two months have reflected chiefly these seasonal changes in the demand for currency. The decline in discounts brought their total on January 21 to a smaller volume than at any time in 1924, and acceptances also showed a seasonal decrease. Holdings of United States securities, which have declined for more than two months, were about \$175,000,000 below the level of last autumn and in about the same amount as at the middle of 1924. Net exports

of gold, which gave rise to a demand for reserve bank credit, amounted to \$30,000,000 in December and were in larger volume during the first three weeks in January.

The growth of demand deposits at member banks in leading cities during the three weeks ending in the middle of January, which has been greater than the increase in their total loans and investments, has reflected the return of currency from circulation. In the same period there was some increase in commercial loans and a continued growth in loans secured by stocks and bonds. Holdings of investment securities have decreased somewhat since the middle of November, particularly at the banks in New York City.

Firmer conditions in the money market in December and the first few days in January were followed later in the month by declines in rates on commercial paper to 3 1/2 per cent.