FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS X-4300

For Release in Morning Papers,
Friday, March 27, 1925.

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

Production in basic industries declined in February from the high rate of output in January, but continued above the level of a year ago. Notwithstanding a decline in prices of agricultural commodities, the average of wholesale prices rose slightly owing to a further advance in prices of certain other commodities.

Production.

The Federal Reserve Board's index of production in 22 basic industries, which is adjusted to allow for differences in the number of working days and for seasonal variations, declined 3 per cent in February, but continued to be higher than at any time since the peak reached in May, 1923. Average daily output of iron and steel was exceptionally heavy, and copper production per day was the largest since 1918. There was a slight decline in activity in the woolen industry, and more considerable reductions in the output of lumber, cement, bituminous coal, and crude petroleum. Production of automobiles increased 19 per cent in February, the largest monthly increase in nearly two years, but the output was still over 25 per cent smaller than a year ago. Factory employment increased by 2 per cent in February, considerable increases being reported for the automobile, iron and steel, and clothing industries, while the number of workers in the packing and cement industries declined. Earnings of industrial workers in February were larger than in January, reflecting in part the resumption of full-time work after the inventory period.

Reports to the Department of Agriculture of intentions to plant in 1925 indicate that the acreage of practically all grains and of tobacco will be larger, and that of white potatoes smaller than in 1924.

Trade.

Total railroad freight movements continued at approximately the same daily rate in February as in January, and shipments of merchandise increased in recent weeks and were much larger than a year ago. Wholesale and retail sales were smaller during February than a year ago, owing partly to the fact that this year February had one less business day. Department store sales were one per cent smaller in February than in the corresponding month of 1924. Wholesale trade in all lines, except meats and hardware, was less than a year ago, and showed in February about the usual seasonal changes. Sales of groceries, meats, and drugs decreased, while sales of dry goods and shoes increased.

Prices.

The slight rise in the wholesale price index of the Bureau of Labor Statistics was due to advances in the fuel and lighting group, largely in petroleum, and in building materials, while prices of all the other commodity groups declined. In the first three weeks of March prices of hogs, cotton goods, and rubber increased, while prices of many other commodities decreased, the largest decreases being those for wheat and other grains.

Bank credit.

Loans of member banks in principal cities continued to increase between the middle of February and the middle of March and on March 11 were larger than at any time in the past four years. The volume of loans for commercial purposes has been at a high and almost constant level since last autumn, and loans on stocks and bonds, which have increased continuously since the summer of 1924, reached in March the largest amount on record. Increases in loans were accompanied by further reduction in the holdings of securities, particularly at banks in the financial centers.

At the reserve banks demand for credit increased between the end of January and the middle of March, chiefly as the result of the export demand for gold and the growth in domestic currency requirements, with the consequence that earning assets increased. After March 15, however, temporary abundance of funds arising out of Treasury operations resulted in a sharp reduction in member bank borrowings.

Somewhat firmer conditions in the money market in the latter part of February and the early weeks of March were indicated by a rise of the rate on 4-6 months prime commercial paper from 3 3/4 to 4 per cent.