

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 July and August, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Production in basic industries turned upward in July after a continuous decline since January. Wholesale prices advanced further and the distribution of commodities continued in large volume.

Production.- The Federal Reserve Board's index of production in basic industries, which makes allowance for usual seasonal variations, advanced by about 2 per cent in July to a point nearly 20 per cent above the low level of a year ago. Increased output was shown for lumber, coal, and cement, cotton consumption declined less than usual at this season, while the output of the iron and steel industry and the activity in the wool industry continued to decrease. In nearly all the industries activity was greater than in July of last year. Among industries not represented in the index the production of automobiles, rubber tires and silk continued to be large. Volume of factory employment and earnings of industrial workers declined further in July, seasonal increases in the clothing, shoe, and meat packing industries being more than offset by decreases in the other industries. Building contracts awarded in July were in only slightly smaller volume than the exceptionally large total reached in June and the total for the first seven months of this year exceeded that for any previous corresponding period.

Estimates by the Department of Agriculture indicated a less favorable condition of all crops combined on August 1 than a month earlier. Expected yields of corn,

wheat, rye, tobacco, and hay were somewhat smaller than in July, while the indicated production of oats, barley, and white potatoes was larger. According to present indications the yields of all principal crops, except corn and barley, will be smaller than last year. The mid-August cotton crop estimate was 13,990,000 bales as compared with a forecast of 13,566,000 bales on August 1.

Trade.- Freight car loadings during July were larger than in June and exceeded those of any previous July, and weekly figures for August indicated a continued large volume of loadings. Sales at department stores showed less than the usual seasonal decline in July and were 3 per cent larger than a year ago, and mail order sales were considerably above those of July, 1924. Wholesale trade continued at the June level and was 6 per cent above the corresponding period a year ago.

Prices.- Wholesale prices advanced further by nearly 2 per cent in July, according to the index of the Bureau of Labor Statistics. Prices of farm products and of miscellaneous commodities rose over 4 per cent, reflecting chiefly increases in livestock and rubber, while in the other commodity groups price changes were relatively small. The general level of prices in July was 9 per cent higher than a year ago, the rise being chiefly in agricultural commodities. In August raw sugar, potatoes, silk, metals, and fuels advanced, while grains, leather, hogs, and rubber declined.

Bank credit.- Demand for commercial credit at member banks in leading cities increased in August and the volume of commercial loans on August 12 was larger than at any time since the middle of May, but still considerably below the level at the beginning of the year. Loans on securities increased between the middle of July and the middle of August, while the banks' investments showed little change for the period.

Discounts for member banks increased at all the reserve banks in recent weeks

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and the total on August 19 was the largest in more than a year and a half. The reserve banks' holdings of securities and bills bought in the open market continued to decline, but total earning assets in the middle of August were near the high point for the year.

During the latter part of July and the first half of August conditions in the money market were somewhat firmer. The prevailing rate on prime commercial paper, which had remained at $3\frac{3}{4}$ to 4 per cent since early in May, advanced in August to $4\frac{1}{4}$ per cent.