

## F E D E R A L R E S E R V E B O A R D

## 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 distribution of commodities was in larger volume in December than in November, and the volume of retail trade was larger than in any previous month. Wholesale prices declined to the level prevailing last spring, which was the low point for the year.

Production.- The Federal Reserve Board's index of production in basic industries advanced 6 per cent in December to the highest level in ten months. The rise in this index has been nearly continuous since last August, when the volume of production was at the low point for 1925. In December the production of iron and steel and bituminous coal and factory consumption of cotton increased considerably, and the production of lumber, cement, and copper was maintained at relatively high levels. The volume of factory employment and pay rolls, after increasing during the late summer and autumn months, continued practically unchanged in November and December, with increases in some important industries offsetting seasonal declines in others. Building contracts awarded during December were the largest recorded for that month and exceeded in value those awarded in November, although a seasonal decrease in building activity usually occurs at that time of the year.

Trade.- Sales at department stores, chain stores, and mail order houses in December indicated the largest volume of Christmas trade on record. Trade at wholesale declined seasonally, but continued larger than last year. Stocks at department stores showed less than the usual decline in December and were 4 per cent

larger at the end of 1925 than a year earlier. Freight car loadings continued large during December with shipments of merchandise and miscellaneous commodities, coke and coal particularly heavy.

Prices.- The general level of prices, as measured by the wholesale price index of the Bureau of Labor Statistics, declined by about 1 per cent in December and was at the end of the year somewhat lower than a year earlier. The average of wholesale prices for the year 1925 as a whole, however, was the highest in five years and the changes in the price level during the year were smaller than in any year in more than a decade. Among agricultural commodities, the prices of livestock and dairy products declined in December, while grain prices advanced. Among non-agricultural commodities the principal declines were in the prices of cotton goods, paper, and rubber, while somewhat higher prices were shown for silk, coal and lumber. In the first three weeks of January quotations on hogs, coke, and hardwood lumber advanced, while prices of corn, cattle, and rubber declined.

Bank credit.- Changes in the demand for currency have been the principal factor influencing the volume of reserve bank credit in use since the middle of November. During the five weeks between November 18 and December 23 the reserve banks paid out into domestic circulation a net amount of about \$320,000,000 of currency in the form of gold and gold certificates, Federal reserve notes, and other kinds of money, and during the following four weeks the return flow of currency from circulation amounted to about \$430,000,000. These currency movements were reflected in corresponding changes in the volume of reserve bank discounts for member banks.

At member banks in leading cities total loans and investments, which had increased almost continuously during 1925, reached the highest level on record at the end of December, but declined by about \$200,000,000 during the first two weeks of the new year. Both the increase in bank loans in the latter part of December and the decline after the turn of the year were largely in loans on securities,

particularly at member banks in New York City. These changes in the demand for loans at member banks were related both to the changes in customers' currency requirements and to end-of-year disbursements by many industrial and financial institutions.

Conditions in the money market, which had become firmer in the last half of December, were easier in January. Rates on bankers' acceptances increased following the advance in the buying rate of the New York Federal Reserve Bank effective January 8, while rates on commercial paper showed little change during the period.