

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 April and May, as contained in the forthcoming issue of the Federal Reserve Bulletin.

There was a slight decline in the activity of industry and trade in April, and a further reduction in the general price level. Commercial demand for bank credit continued large and the volume of security loans, after a rapid decline since the turn of the year, remained at a constant level.

Production.-

Production in basic industries, according to the Federal Reserve Board's index, decreased 1 per cent in April, slight increases in production of lumber and pig iron being more than offset by declines in output in other industries. Particularly large recessions were shown in the production of steel ingots and in textile mill activity. Automobile production, not included in the index, continued in large volume. Factory employment and pay rolls declined slightly in April, particularly in the food, tobacco, textile, and boot and shoe industries. The value of building contracts awarded during April was smaller than in March and practically the same as in April of last year. Awards for the first two weeks in May, however, showed increases as compared with the same weeks in 1925.

Reports by the Department of Agriculture indicate that up to the first of May 68 per cent of spring plowing and 56 per cent of sowing and planting was completed, compared with about 83 per cent and 66 per cent last year. On the

basis of the condition of winter wheat on May 1, a yield of 549,000,000 bushels is forecast compared with a final yield of 398,000,000 bushels in 1925.

Trade.-

The volume of wholesale trade in April was seasonally smaller than in March for all lines except meats. Compared with a year ago, sales of groceries, meats and drugs were larger in April, while sales of drygoods, shoes and hardware were smaller. Department store sales increased less than usual and were somewhat smaller than a year ago. Sales of mail order houses were slightly smaller than in March, but continued to be larger than in the corresponding month of 1925. There was some decrease in the stocks of merchandise held by wholesale firms during the month, and inventories of department stores showed less than the usual seasonal increase, though they were larger than a year ago. Weekly freight car loadings decreased in the early part of April but later increased, and the volume of shipments for the month of April as a whole and for the first two weeks in May was larger than in the corresponding periods of any previous year.

Prices.-

Wholesale commodity prices, according to the Bureau of Labor Statistics index, declined slightly from March to April. Increases in the farm products and foods groups, which had been declining for several months, were more than offset by decreases in other groups. The greatest declines were in the prices of clothing materials. In the first three weeks of May prices of wheat, cattle, sheep, cotton goods, pig iron, bricks, and rubber declined, while those of hogs, raw silk, and crude petroleum increased.

Bank Credit.-

Commercial demand for bank credit at member banks in leading cities

continued in large volume between the middle of April and the middle of May. Liquidation of security loans, which had been rapid since the beginning of the year, did not continue after the middle of April and the volume of these loans remained fairly constant at a level about \$450,000,000 below the peak at the end of 1925. There was some addition to the banks' investments and the total of their loans and investments was about \$1,000,000,000 larger than at the same period of last year.

Withdrawals of funds from New York were reflected in an increase between the middle of April and the middle of May in borrowings by member banks from the Federal Reserve Bank of New York, while borrowings at most of the other reserve banks declined. Open-market holdings of the reserve banks remained fairly constant during the period and there was little change in the total volume of reserve bank credit outstanding.

Money rates late in April reached the lowest level for a year, but in May conditions in the money market became somewhat firmer.