

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

Production in basic industries and factory employment declined further in May, while wholesale prices advanced slightly for the first time in seven months. The volume of trade at wholesale and at retail increased partly as the result of more favorable weather conditions.

Production.-

Activity in most lines of industry was smaller in May than in April. The reduction was reflected in a decreased volume of output as well as in a decline in the number of factory workers and in total wage payments. The largest declines occurred in the textile, leather and shoes, and iron and steel industries. Production of automobiles continued large in May. In the lumber, cement, brick and glass industries activity was maintained and there were seasonal increases in the output of certain food products. The volume of building contracts awarded declined further in May but continued larger than in May of last year. Figures for the first three weeks of June indicate further decreases and the volume of contracts awarded was smaller in that period than in the corresponding weeks of 1925. Recent declines in contracts as compared with last year have been particularly large in middle western and southeastern districts.

Reports by the Department of Agriculture indicate that the composite

condition of crops on June 1 was 8 per cent below the average condition on that date for the past ten years, and somewhat lower than the average condition a year ago. On the basis of the June 1 condition the estimated yield of winter wheat was 543,000,000 bushels as compared with an estimate of 549,000,000 bushels made a month earlier and a final yield of 398,000,000 bushels in 1925.

Trade.-

With more favorable weather in May than in the preceding month the volume of wholesale and retail trade increased and was larger than in May of last year. Department store sales exceeded those of earlier months of this year, and total sales for the first five months were larger than for the corresponding period of any preceding year. Merchandise stocks carried by wholesale firms were slightly smaller at the end of May than a month earlier. Stocks of groceries, hardware, and drugs were larger than a year ago, but those of meats, dry goods, and shoes were smaller. Stocks at department stores declined more than usual in May and were only slightly larger at the end of the month than a year ago. Railroad freight shipments increased and in May and in the first two weeks of June were above those of the same weeks of previous years. Shipments of miscellaneous commodities were especially large.

Prices.-

The general level of wholesale commodity prices, according to the index of the Bureau of Labor Statistics, rose slightly in May for the first time since last August. Price advances were shown both for agricultural and non-agricultural commodities. Among the principal advances were those in the prices of gasoline, livestock and meat, while prices of grains and cotton declined. In the first three weeks of June prices of grains, livestock, silk,

and nonferrous metals advanced, while those of sugar, cotton, cotton goods, and pig iron declined.

Bank Credit.-

Growth in loans on securities and commercial loans carried total loans and investments of reporting member banks in leading cities in the middle of June to a new high point above the total reached at the close of last year. The large reduction in the volume of loans on securities by New York City banks since the beginning of the year has been more than offset in the total of loans and investments of all reporting banks by increases in commercial loans and in investments of banks both in New York City and outside.

At the reserve banks changes in the volume of credit outstanding during the month ending June 23 reflected chiefly the financial operations of the United States Treasury around the middle of June. The temporary abundance of funds caused by the redemption of maturing United States obligations on June 15 caused a sharp decline in borrowings of member banks, particularly in New York City. As checks in payment of income taxes were cleared and collected, however, borrowings at the reserve banks rose to their previous level.

Money rates in general showed little change during the month. Rates on call and time loans were slightly lower around the middle of June, but in the third week were higher than in the latter part of May. Rates on acceptances and on commercial paper remained practically unchanged.