

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

Industrial activity and distribution of commodities continued in large volume in August at a level higher than a year ago. The general level of wholesale prices receded further in August, reflecting price declines for agricultural commodities.

PRODUCTION: - The index of production in basic industries, which is adjusted for the usual seasonal variations, declined slightly in August, but this decline was accounted for by the fact that there were five Sundays in August as against four in July. Textile mill activity and production of steel ingots, zinc, and petroleum increased, while the output of pig iron, lumber, coal, copper, cement, and sugar was smaller than the month before. Automobile production increased considerably in August and was larger than in any month since April. Factory employment and pay rolls, after declining in July, increased in August, as is usual at this season of the year. Building activity, as measured by contract awards in 37 states east of the Rocky Mountains, was in larger volume in August than in July or in any other previous month with the exception of August, 1925. In eastern and southeastern states the volume of building was smaller in August than a year ago, while in the middle west contracts awarded were larger. Contracts for residential structures were smaller than last year, while those for industrial buildings and for public works and public utilities were substantially larger.

Crop conditions improved in August, according to a statement by the Department of Agriculture. September forecasts of yields of corn, barley, hay, tobacco, and most fruit and vegetable crops were above those made in August, while expected yields of oats and spring wheat were slightly less. A cotton crop of 15,810,000 bales was indicated on the basis of the condition of the crop at the middle of September. The crop, however, is later than last year and ginnings up to September 16 amounted to only 2,511,000 bales, compared with 4,282,000 bales prior to September 16, 1925.

TRADE:

Volume of wholesale trade and of sales at department stores increased in August and retail sales were larger than a year ago. Stocks of dry goods and shoes carried by wholesale firms were smaller at the end of August than last year, while those of groceries and hardware were larger. Inventories of department stores increased in preparation for autumn trade, but this increase was less than is usual at this season and at the end of the month stocks were smaller than a year ago. Freight car loadings in August continued higher than in the corresponding months of previous years and for the weeks of August 28 and September 4 exceeded all previous weekly records. Loadings of grain continued large and shipments of merchandise in less-than-car-load lots, miscellaneous commodities, ore, and coke were considerably larger than in the corresponding period of previous years.

PRICES:

Wholesale commodity prices, according to the index of the Bureau of Labor Statistics, declined by over 1 per cent in August, reflecting largely price decreases for grains, livestock, and meat products. Prices of clothing materials, fuels, and metals increased between July and August, while prices

of cotton, wool, sugar, building materials, and rubber showed little change. In the first half of September prices of grains, cattle, sugar, bituminous coal, and coke advanced, while prices of raw cotton, silver, and bricks declined.

BANK CREDIT:

Increased demand for bank credit in connection with the harvesting and marketing of crops and autumn trade, together with an increase in loans on securities, was reflected in a considerable growth between the middle of August and the middle of September in loans of member banks in leading cities. The banks' holdings of investments also increased, though there was a decrease in investments at banks in New York City, and total loans and investments on September 15 were larger than at any previous time.

The volume of reserve bank credit increased by about \$90,000,000 between August 18 and September 22, partly in response to seasonal demands for currency. Discounts for member banks rose in September to the highest figure for the year, and acceptance holdings also increased, while United States securities declined by about \$55,000,000.

Money rates continued to rise in September. Rates on commercial paper advanced by one-fourth per cent to 4 1/2 - 4 3/4 per cent, and rates on security loans also averaged higher than in August.