

## 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 December and January, as contained in the forthcoming issue of the Federal Reserve Bulletin.

Volume of output of industry decreased further in December to the lowest level in more than a year, and wholesale prices continued to decline. Easier conditions in the money market in January reflected the usual seasonal liquidation after the turn of the year.

Production.- In December, for the third consecutive month, there was a decrease in industrial production, and the Board's new index, with adjustment for seasonal variations, was 105 on the basis of the average for 1923, 1924, and 1925 as 100. This compares with 113 in September, the high point of the year, and with 108 a year ago. The decline since the recent high point has been entirely in the manufacturing industries, as the output of minerals was at a record high level in November and showed only a slight decline in December. By far the greatest recession of recent months has been in the automobile industry, output of passenger cars and trucks in the United States decreasing from 425,000 in August to 165,000 in December. Reduction in the manufacture of automobiles is usual at the end of the year, when plants close for inventory taking and repairs, but in December, 1926, the decline was considerably larger than usual. Production of iron and steel has also been sharply reduced since the middle of autumn, and activity in the woolen and worsted and silk industries has been somewhat curtailed. Production of lumber, cement, and other building materials has reflected the usual winter decrease in demand. Cotton consumption, on the other hand, was larger than in any previous December.

Factory employment and payrolls declined further in December, reflecting de-

creases in nearly all industries except cotton goods, clothing, foundries and machine shops, and printing and publishing.

The value of building contracts awarded in December, as in November, was larger than in the corresponding period a year earlier, but for the first three weeks of January contracts were in smaller volume than during the same weeks of 1926. This decline in January was largely concentrated in the New York and Atlanta Federal reserve districts, where building was unusually active a year ago. Residential contracts were smaller in December than a year earlier in nearly all districts, the increase in the total for the month being in other types of building.

Trade.- Retail sales during the holiday trade in December exceeded all previous records. Sales of department stores were approximately 4 per cent larger than in December of last year, and sales of mail order houses, while slightly smaller than in 1925, were larger than in the corresponding month of any other year. Sales at wholesale, on the other hand, declined in December and were smaller than a year ago in practically all leading lines, except shoes. Merchandise stocks carried by department stores were reduced slightly more than is usual in December and were somewhat smaller at the end of the month than in 1925, and wholesale stocks were also slightly smaller than a year ago.

Freight car loadings showed about the usual seasonal decline in December, with shipments of all groups of commodities, except coal and merchandise in less than car load lots, in smaller volume than a year earlier.

Prices.- Wholesale prices declined further in December, and the Bureau of Labor Statistics index at 147 for that month was at the lowest level since the middle of 1924. Prices of agricultural products, which declined considerably in October and November, increased slightly in December, owing to advances in prices of grains and cattle. In the first three weeks of January there were further increases in grains, and advances also in cotton, hogs, and flour.

Prices of non-agricultural products declined in December owing chiefly to de-

creases in bituminous coal, clothing materials, nonferrous metals, and building materials. In January iron and steel prices were slightly reduced and there were further declines in bituminous coal and nonferrous metals, while prices of cotton goods and coke advanced.

Bank Credit.- At the reserve banks during the four weeks following the peak of the seasonal currency demand, there was a return flow of Federal reserve notes and other cash from circulation amounting in the aggregate to about \$400,000,000. This return flow of currency was in about the same volume as a year ago, and, together with substantial gold imports, was reflected in a reduction of the volume of reserve bank credit in use to a level on January 19 lower than at any time since the summer of 1925.

Loans and investments of member banks in leading cities, after increasing to a record level at the end of the year, declined sharply in January. Commercial loans, which had reached their seasonal peak in November were in the middle of January about \$200,000,000 below the maximum figure but still more than \$300,000,000 above the level of a year ago. Loans on securities of the reporting banks also declined after the turn of the year following a large increase in December and were slightly smaller than in January of last year.

Easier money conditions prevailed in the money market in January, and rates on prime commercial paper declined from  $4\frac{1}{2}$  to  $4\frac{1}{4}$  per cent, and those on bankers' acceptances, from  $3\frac{7}{8}$  to a range of  $3\frac{5}{8}$  -  $3\frac{3}{4}$  per cent.