

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

Industrial production declined in July to a level below that of a year ago, while the Department of Labor's index of wholesale prices advanced for the first time since last autumn. Demand for bank credit showed a seasonal increase, but easy conditions prevailed in the money market.

Production.

Output of manufacturers declined in July and was in practically the same volume as a year ago, and the production of minerals, which was further reduced during the month, was at the lowest level since early in 1926, when the anthracite strike was in progress. Iron and steel production in July was in the smallest volume since 1925, and continued at practically the same level during the first three weeks of August. Automobile output for July and the early weeks of August was considerably below that of the corresponding month of last year; production of rubber tires, nonferrous metals and food products and activity of woolen mills were smaller in July than in the preceding month. Cotton consumption was smaller than in June, but continued unusually large for this season of the year. Production of leather, shoes, and lumber increased in July as compared with June. Factory employment and pay rolls showed seasonal decreases in July and were smaller than in any month since 1924. Employment in coal mining has been reduced in recent months, and reports indicate some unemployment in certain of the building trades owing to the decline in the construction of houses. Building contract awards in July and in the first three weeks of August continued larger

than a year ago, the increase reflecting chiefly a growth in awards for engineering projects.

The August 1 cotton report of the Department of Agriculture indicated a production of 13,492,000 bales or 25 per cent less than the record yield of last year. The indicated production of corn, though considerably larger than the expectation in July, was 262,000,000 bushels lower than the harvested crop of 1926. The August estimate of 851,000,000 bushels of wheat indicated an increase of 18,000,000^{bushels}/over the 1926 crop yield.

Trade.

Distribution of merchandise at wholesale and retail showed about the usual seasonal decline in July. Compared with a year ago sales of wholesale firms and department stores were slightly smaller, owing largely to the fact that there was one less business day in July of this year than in July, 1926. Sales of mail order houses and chain stores were somewhat larger than a year ago. Inventories of department stores continued to decline in July and at the end of the month were slightly smaller than a year ago; and wholesale stocks also continued smaller than last year. Shipments of commodities by freight decreased, contrary to the usual seasonal trend, and were smaller in July and in the first two weeks of August than in the same period of last year.

Prices.

The Bureau of Labor Statistics index of wholesale prices advanced slightly in July, reflecting chiefly increases in the prices of corn, livestock, cotton, and leather, while prices of wheat, silk, metals, and building materials declined. Since the latter part of July prices of corn, cotton, and cattle have continued upward and those of wheat, nonferrous metals, and rubber have also advanced, while hogs, lumber and hides have declined.

Bank Credit.

There was an increase in the volume of commercial loans at member banks in leading cities between July 20 and August 17, as is usual at the beginning of the crop-moving season. Loans on securities, as well as commercial loans, increased, while investment holdings declined, and total loans and investments were about \$60,000,000 larger than a month earlier.

Total borrowings of member banks at the reserve banks increased slightly between July 20 and August 24; there was a growth of discounts at the Federal Reserve Bank of New York, partly offset by declines in other districts. There was little change in the system's holdings of acceptances and a growth in the portfolio of United States securities.

Money rates on all classes of paper in the open market declined sharply in August, and were at a lower level than a year ago. Discount rates at eight Federal reserve banks were reduced from 4 to $3\frac{1}{2}$ per cent.