

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 August and September, as will appear in the forthcoming issue of the Federal Reserve Bulletin and the monthly reports of the Federal reserve banks.

Production in basic industries increased somewhat in August as compared with July, but the increase was less than is usual at this season, with the consequence that the Board's index of industrial production, which makes allowance for usual seasonal changes, showed a decline. Wholesale prices declined slightly. Credit extended by member banks increased between the middle of August and the middle of September, reflecting chiefly a growth in commercial loans.

Production--During the month of August there was a reduction in the output of iron and steel and copper, and a slight decline in the production of automobiles. Meatpacking establishments were also somewhat less active during the month, while seasonal increases were reported in the production of textiles and shoes, coal and cement, flour and sugar, and petroleum output continued to expand. A slight increase in the number of workers employed in factories was accompanied by a substantial increase in payrolls. This increase was especially notable in industries manufacturing products for the autumn retail trade, such as clothing and furniture.

For the first two weeks of September reports indicate further decline in steel operations; reduction in lumber output resulting in part from the Labor Day holiday; and a continued seasonal rise in coal production.

In the construction industry contracts awarded in August were 25 per cent less than in July, reflecting a sharp decline in the residential group as well as in contracts for public works and utilities which were unusually large in July. As com-

pared with last year contracts were 5 per cent lower in August, but in the first two weeks of September they were in approximately the same volume as in 1928.

The September report of the Department of Agriculture indicates a corn crop of 2,456,000,000 bushels, 13 per cent less than in 1928 and 11 per cent under the five-year average. The estimated wheat crop of 786,900,000 bushels is substantially below last year, but only slightly less than the five-year average. Cotton production, estimated on August 1 at 15,543,000 bales, is now expected to total 14,825,000 bales, slightly above last year.

Distribution--Freight-car loadings increased seasonally in August, as a consequence of larger shipments of all classes of freight except grains, which moved in smaller volume than in July, when shipments of wheat were unusually large. In comparison with 1928 total car loadings showed an increase of 5 per cent.

Sales of department stores in leading cities were larger than in July and about 5 per cent above the total of August 1928.

Prices--Wholesale prices showed a slight downward movement in August, according to the index of the United States Bureau of Labor Statistics. This reflected chiefly declines in the prices of farm products, especially grains and flour, and livestock and meats. Woolens and worsteds also decreased in price, while silk and rayon materials were higher. There was a decline in prices of iron and steel and automobiles, and a further decrease in prices of petroleum and its products, especially gasoline. Coal prices advanced during the month.

In the middle of September the prices of grains, beef, raw sugar, silk, and coal were higher than at the end of August, while prices of hogs, pork, and cotton were somewhat lower.

Bank credit--Between the middle of August and the middle of September there was a further rapid increase in loans for commercial and agricultural purposes at member banks in leading cities. Security loans also increased, while investments continued

to decline.

During the first half of September the volume of reserve bank credit outstanding was about \$120,000,000 larger than in the middle of the year. The increase was for the most part in the reserve banks' acceptance holdings and reflected chiefly growth in the demand for currency, partly seasonal in character. Discounts for member banks, following the increase over the holiday period early in September, declined at the time of the Treasury financial operations around the middle of the month, and on September 18 were at a lower level than at any time since last June.

Open market rates on prime commercial paper increased from a range of $6-6\frac{1}{4}$ to a prevailing level of $6\frac{1}{4}$ during the first week in September, while acceptance rates remained unchanged.