

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in Morning Papers,
Wednesday, November 27, 1929.

The following is a summary of general business and financial conditions throughout the several Federal Reserve Districts, based upon statistics for the months of October and November, as will appear in the forthcoming issue of the Federal Reserve Bulletin and the monthly reports of the Federal reserve banks.

Industrial production declined further in October, and there was also a decrease in factory employment. As compared with a year ago, industrial activity continued to be at a higher level, and distribution of commodities to the consumer was sustained. Bank credit outstanding increased rapidly in the latter part of October, when security prices declined abruptly and there was a large liquidation of brokers' loans by nonbanking lenders. In the first three weeks of November further liquidation of brokers' loans was reflected in a reduction of security loans of member banks. Money rates declined throughout the period.

Production--Production in basic industries, which had declined for several months from the high level reached in midsummer, showed a further reduction in October. The Board's index of industrial production decreased from 121 in September to 117 in October, a level to be compared with 114 in October of last year.

The decline in production reflected chiefly further decreases in output of steel and automobiles. Daily average output of shoes, leather, and flour also declined, while production of cotton and wool textiles increased. Preliminary

reports for the first half of November indicate further reduction in output of steel and automobiles, and a decrease in cotton textiles.

Total output of minerals showed little change. Production of coal ^{output} increased, and copper/was somewhat larger, while daily output of crude petroleum declined slightly for the month of October and was further curtailed in November.

Volume of construction, as measured by building contracts awarded, changed little between September and October and declined in the early part of November.

Distribution--Shipments of freight by rail decreased slightly in October and the first two weeks in November, on an average daily basis. Department store sales continued as in other recent months to be approximately 3 per cent larger than a year ago.

Wholesale prices--The general level of wholesale prices showed little change during the first three weeks of October, but in the last week of the month declined considerably. The decline reflected chiefly price reductions of commodities with organized exchanges, which were influenced by the course of security prices. During the first three weeks of November prices for most of these commodities recovered from their lowest levels. Certain prices, particularly those of petroleum, iron and steel, and coal, showed little change during the period.

Bank credit--Following the growth of \$1,200,000,000 in security loans by New York City banks during the week ending October 30, when loans to brokers by out-of-town banks and nonbanking lenders were withdrawn in even larger volume, there was a liquidation of these loans, accompanying the decline in brokers' loans during the first three weeks of November. All other loans increased and there was also a growth in the banks' investments.

Reserve bank credit, after increasing by \$310,000,000 in the last week of October, declined by about \$120,000,000 in the following three weeks. On November 20 discounts for member banks were about \$100,000,000 larger than four weeks earlier, and holdings of United States securities were \$190,000,000 larger, while the banks' portfolio of acceptances declined by \$100,000,000.

Money rates in New York declined rapidly during October and the first three weeks in November. Open-market rates on prime commercial paper declined from $6\frac{1}{4}$ per cent on October 22 to $5\frac{1}{2}$ - $5\frac{3}{4}$ per cent on November 20; during the same period rates on 90-day bankers' acceptances declined from $5\frac{1}{8}$ per cent to $3\frac{7}{8}$ per cent; rates on call loans were 6 per cent during most of this period, but declined to 5 per cent in the third week of November. Rates on time loans also declined.

The discount rate of the Federal Reserve Bank of New York was lowered from 6 to 5 per cent, effective November 1, and to $4\frac{1}{2}$ per cent, effective November 15, and the discount rates of the Federal Reserve Banks of Boston and Chicago were lowered from 5 to $4\frac{1}{2}$ per cent effective November 21 and November 23.