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

Industrial production declined in November for the fifth consecutive month and was below the level of last year. Retail sales at department stores continued in larger volume than a year ago. Wholesale commodity prices moved downward in November and the first half of December.

Production and employment -- Production in basic industries decreased by 9 per cent in November, according to the Board's index, and was 5 per cent lower than a year ago. The decline in production, which began in midsummer, was restricted prior to November largely to industries in which the expansion during the earlier part of the year had been exceptionally rapid, particularly iron and steel, automobiles, and related industries. The same industries showed the largest reductions in November, but there were declines also in the copper, cotton and wool textiles, and shoe industries, and, in smaller degree, in silk textiles and coal. Production of crude petroleum was also curtailed. Volume of building contracts awarded during the month continued to be considerably smaller than in the corresponding period of 1928.

Employment in factories was also reduced during November to a level slightly below a year ago, and there was a somewhat larger decrease in factory payrolls. The decline in employment since mid-summer, however, has been relatively smaller than that in the physical volume of production. Employment was in smaller volume than in November a year ago in the automobile, iron and steel, lumber, and rubber products industries, and larger in the machinery, textiles, paper and printing, leather, and chemicals industries.

Distribution -- Distribution of commodities, as measured by freight-car loadings, was in smaller volume in November than in October, reflecting larger-than-seasonal decreases in most classes of freight. Miscellaneous freight in less-than-carload lots, however, which includes chiefly commodities for retail trade, showed the usual seasonal change.

Department store sales in leading cities during the month were about one per cent larger than last year. Increased sales were reported in four agricultural districts -- Richmond, Kansas City, Dallas, and San Francisco. In certain of the large industrial districts -- Boston, New York, Chicago, and Cleveland -- sales were approximately the same as in November 1928.

Wholesale prices -- Wholesale prices were at a lower level in November than in October and continued to decline during the first half of December. The downward movement, which had previously involved principally commodities with organized exchanges, became general during the latter part of the period.

<u>Bank credit</u> -- Liquidation of bank credit, which had begun early in November, continued throughout that month and the first two weeks of December, and on December 11 total loans and investments of reporting member banks were at about the same level as on October 23, prior to the increase caused by the withdrawal of funds by non-banking lenders. At member banks in New York City loans were somewhat larger and investments considerably larger on December 11 than on October 23, while at reporting banks outside New York loans on securities, all other loans, and investments were smaller than on that date.

Reserve bank credit outstanding was also reduced during November and the first two weeks of December, largely in consequence of reduction in balances of member banks at the reserve banks, which accompanied the liquidation of member bank credit. The decrease in reserve balances released reserve funds in more than sufficient volume to meet the export demand for gold amounting to $65,000,000 during the period, as well as the seasonal currency requirements. Between November 6 and December 18, United States security holdings of the reserve banks increased considerably, while their holdings of acceptances declined somewhat, and there was a reduction of $250,000,000 in the indebtedness of member banks.

Money rates in the open market continued to decline and the discount rate, which had previously been reduced at five reserve banks, was lowered at the Kansas City Bank from 5 to 4½ per cent.