

FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS

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The following summary of general business and financial conditions in the United States, based upon statistics for the months of December and January, will appear in the forthcoming issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal reserve banks.

Industrial activity declined from November to December by slightly more than the usual seasonal amount, while the volume of factory employment showed about the usual decrease. Wholesale prices declined further.

Production and employment - Volume of industrial output decreased somewhat more than is usual in December and the Board's seasonally adjusted index declined from 72 per cent of the 1923-1925 average in November to 71 per cent in December. Activity in the steel industry decreased from 30 to 24 per cent of capacity for the month, partly as a result of seasonal influences; in the first three weeks of January it showed a seasonal increase. Automobile output increased considerably in December from the extreme low level of the preceding month, and daily average output at shoe factories, which ordinarily declines at this season, showed little change. At textile mills production was curtailed by more than the usual seasonal amount.

Number employed at factories decreased seasonally from the middle of November to the middle of December. In the automobile and shoe industries there were large increases in employment, while in the clothing industries employment declined; in most lines, however, changes were of a seasonal character.

For the year 1931 as a whole the average volume of industrial production was about 16 per cent smaller than in 1930, reflecting large de-

creases in output of steel, automobiles, and building materials, offset in part by slight increases in production of textiles and shoes.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, declined considerably more than is usual from the third to the fourth quarter, and for the year as a whole was 32 per cent smaller than in 1930, reflecting reduced physical volume of construction, as well as lower building costs.

Distribution - Distribution of commodities by rail declined by the usual seasonal amount in December, and department store sales increased by approximately the usual amount.

Foreign trade - Value of foreign trade continued at a low level in December and for the year as a whole exports showed a decline of 37 per cent from 1930 and imports a decline of 32 per cent, reflecting in part the reduction in prices.

Wholesale prices - Wholesale prices of commodities declined from 68 per cent of the 1926 average in November to 66 per cent in December, according to the Bureau of Labor Statistics, reflecting decreases in the prices of many domestic agricultural products, sugar, silk, iron and steel, and petroleum products. During the first half of January prices of hogs, lard, and butter declined further, while prices of cotton, silk, coffee, and copper increased.

Bank credit - Reserve bank credit, which had declined from the middle of October to the middle of December and had increased in the latter part of the month, declined again in the first three weeks in January.

The growth in the latter part of December reflected a somewhat more-

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than-seasonal increase in the demand for currency, partly offset by reductions in member bank reserve balances and in deposits of foreign central banks. In January the return flow of currency was considerably smaller than in other recent years, while member bank reserve balances continued to decline. Acceptance holdings of the reserve banks, which had reached a total of \$780,000,000 in October, have declined through maturing of bills held almost uninterruptedly since that time, and on January 20 totaled \$190,000,000. The banks' portfolio of United States Government securities showed some increase over the level of the early part of December, and discounts for member banks increased substantially.

Loans and investments of member banks in leading cities declined further during December and the first two weeks of January, reflecting reductions in loans on securities, as well as in other loans, and in investments.

In the middle of January buying rates for bankers' acceptances at the Federal reserve banks were reduced and open-market rates on 90-day bills declined first from 3 to $2\frac{7}{8}$ per cent and later to $2\frac{3}{4}$ per cent. Yields of high-grade bonds, after advancing for a period of about four months, declined after the turn of the year, reflecting a rise in bond prices.