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 January and February, will appear in the forthcoming issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal reserve banks.

In January production of manufactures increased by about the usual seasonal amount, while output of minerals and value of building contracts awarded continued to decline. Wholesale prices declined further during January and early February, but more recently prices of certain leading commodities showed an advance.

Production and employment - Volume of industrial production, which includes both manufactures and minerals, increased from December to January by an amount somewhat smaller than is usual at this time of year, and the Board's seasonally adjusted index declined from 71 per cent of the 1923-1925 average to 70 per cent. In the steel industry there was a seasonal increase in activity during January, followed by a slight decline during the first three weeks of February. Production of automobiles, which usually increases considerably at this season, showed little change in January, following an increase in December. Activity at textile mills increased by more than the usual seasonal amount and at shoe factories there was a seasonal increase in production. Output of coal and petroleum was substantially reduced.

Volume of factory employment declined by more than the usual seasonal amount between the middle of December and the middle of January. Number employed at foundries, car-building shops, clothing factories, and establishments producing building materials declined substantially, while employment in the tobacco

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industry decreased less than is usual at this season, and employment in the woolen goods industry increased, contrary to seasonal tendency.

Total value of building contracts awarded in 37 Eastern States, as reported by the F. W. Dodge Corporation, declined sharply in January, and for the three-month period ending in that month was about one-half of the amount awarded in the corresponding period a year ago. Approximately one-fourth of the decrease was in residential building, and three-fourths in other types of construction.

Distribution - Total freight-car loadings decreased in January, contrary to seasonal tendency, reflecting chiefly smaller shipments of merchandise, miscellaneous freight, and coal. Department store sales declined by about the usual seasonal amount.

Wholesale prices - The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined 2 per cent further from December to January, although prices of some important commodities, such as wheat, showed little change and the price of cotton advanced. During early February prices of certain leading commodities including grains and cotton declined, but later in the month there was some advance in the prices of these commodities.

Bank credit - Volume of reserve bank credit outstanding declined in January and the first half of February. This decrease has reflected a return flow of currency from circulation, which has been smaller than usual this year, together with a continued reduction in member bank reserve balances, offset in part by a demand for reserve bank credit caused by an outward movement of gold amounting to $100,000,000 since the turn of the year. A decline in money in circulation after the first few days in February reflected some return of hoarded currency, accompanying a decrease in bank failures.

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At member banks in leading cities volume of credit continued to decline during January and the first half of February. Between January 13 and February 17, total loans and investments decreased by $550,000,000, representing declines in loans on securities, in other loans and in investments. Deposits of these banks also declined substantially during this period.

Money rates in the open market showed little change. On February 26 the discount rate of the Federal Reserve Bank of New York was reduced from $3\frac{1}{2}$ to 3 per cent, and buying rates on bankers' acceptances of short maturities were reduced from 2 3/4 to 2 5/8 per cent.

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