

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

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

Volume of industrial production and factory employment increased from January to February by an amount smaller than is usual at this season. Improvement in the banking situation during February and the first three weeks of March was reflected in a decline in bank suspensions and a return flow of currency from the public to the banks.

Production and employment - Output of industrial products increased less than seasonally in February and the Board's index, which makes allowance for the usual seasonal variations, declined from 71 per cent of the 1923-1925 average to 70 per cent. Activity in the steel industry during February and the first three weeks of March showed little change from the January rate, although ordinarily substantial increases are reported at this time of year. Automobile production continued in small volume, showing none of the usual seasonal expansion, and the number of cars produced in the three-month period ending in February was about 35 per cent less than in the corresponding period a year ago. In the lumber industry, output declined further, contrary to seasonal tendency. Activity at cotton mills and shoe factories increased by more than the seasonal amount and was at about the same level as in the corresponding month last year.

Volume of employment at factories increased in February by somewhat less

than the usual seasonal amount. In the iron and steel, automobile and machinery industries the number employed showed an increase smaller than is usual in this month, and at lumber mills a continued decline in employment was reported. At establishments producing fabrics, wearing apparel, and shoes volume of employment increased by more than the seasonal amount.

Daily average value of total building contracts awarded, as reported by the F. W. Dodge Corporation, showed little change in February and the first half of March, and for the period between the first of January and the middle of March the value of contracts was 65 per cent less than a year ago, reflecting continued declines in residential building as well as in other types of construction; part of the decrease in the value of awards reflects reductions in building costs.

Distribution - Carloadings of merchandise and of miscellaneous freight showed none of the usual seasonal increase in February, while sales at department stores remained unchanged, as is usual at this season.

Wholesale prices - Wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined further from 67 per cent of the 1926 average for January to 66 per cent for February. Between the first week of February and the third week of March, there were increases in the prices of cotton, livestock, and meats, while prices of grains, nonferrous metals and imported raw materials including silk, sugar, and rubber declined considerably.

Bank credit - In the banking situation the important developments in February and the first half of March were a considerable reduction in the number of bank suspensions and a return flow of currency from the public to

the banks. The country's stock of monetary gold declined in February but increased somewhat in the first half of March. Member bank reserve balances, after decreasing almost continuously since last summer, showed a slight increase for the first two weeks in March. Purchases of United States Government obligations by the Federal reserve banks beginning in March were accompanied by a considerable decline in member bank indebtedness to the reserve banks.

Loans and investments of member banks in leading cities continued to decline until the middle of March when there was a substantial increase, owing largely to the banks' purchases of United States Government securities, issued on March 15. Demand and time deposits of these banks decreased further during February but showed little change in the first half of March.

Open market rates on acceptances and commercial paper declined during February and the first half of March. During this period yields on Treasury and other high grade bonds decreased to the lowest point since early December, but after the middle of the month yields on high grade corporate bonds increased somewhat.