

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

Industrial activity and factory employment declined substantially from March to April, although usually little change occurs at this season. Purchases of Government securities by the Federal reserve banks have continued during April and the first three weeks of May and there has been a considerable growth in the reserves of member banks.

Production and employment - Volume of industrial production, as measured by the Board's seasonally adjusted index, decreased from 67 per cent of the 1923-1925 average in March to 64 per cent in April. Reductions in activity were reported for many leading industries, with sharp declines at cotton and woolen mills and at bituminous coal mines; in the automobile industry output increased from the low level of March by more than the usual seasonal percentage, and in the steel industry, where activity had declined from early February to the middle of April, production increased somewhat between the middle of April and the third week of May.

The number of wage earners employed at manufacturing establishments declined further between the middle of March and the middle of April and there was a substantial reduction in factory payrolls. Large decreases in employment were reported for the iron and steel, machinery, and textile industries, while the volume of employment in the food and leather industries showed the usual seasonal changes.

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Daily average value of building contracts awarded during April and the first half of May, as reported by the F. W. Dodge Corporation, showed a seasonal increase over the first quarter. A substantial increase was reported for public works and public utilities, while residential building continued at the low level of the first quarter, showing none of the usual seasonal expansion.

Distribution - Freight-car loadings of merchandise showed little change in volume from March to April, continuing at the level prevailing since January, although increases are usual during this period. Sales by department stores increased considerably in April.

Wholesale prices - Wholesale prices of commodities declined from 66 per cent of the 1926 average in March to 65.5 per cent in April, according to the Bureau of Labor Statistics, and in the first three weeks of May further decreases in the prices of many leading commodities were reported. Downward movements in textiles, nonferrous metals, and imported raw materials, as well as in most domestic agricultural products except wheat, were offset in part by increases in the prices of coffee, petroleum, and petroleum products.

Bank credit - Further purchases of U. S. Government securities by the Federal reserve banks were made during April and the first three weeks in May, and on May 18 total holdings were \$1,466,000,000. The funds placed in the market through these purchases between April 6 and May 18 were used to the extent of \$170,000,000 in a further reduction of member bank indebtedness to the reserve banks; and to the extent of \$122,000,000 in meeting a demand for gold from abroad; at the same time member banks accumulated reserve balances considerably in excess of legal requirements. During

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May the demand for currency, which had declined in April, increased somewhat, contrary to usual seasonal movement.

Loans and investments of reporting member banks in leading cities, which has declined continuously until the middle of April, showed little net change between April 13 and May 18. The banks' investments increased by nearly \$300,000,000, chiefly in New York City; while loans declined by about an equal amount. There was also a growth in net demand deposits, which reflected in part an increase in bankers' balances deposited in New York City banks.

Money rates in the open market continued easy. Rates on commercial paper were reduced about one-half per cent to a range of $2\frac{3}{4}$ - 3 per cent for prime names, and the offering rate on 90-day bankers' acceptances, which had advanced to $1\frac{1}{8}$ per cent in the first week of May, declined on May 11 to the previously prevailing rate of $\frac{7}{8}$ of one per cent.