

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 August and September, 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 increased from July to August by considerably more than the usual seasonal amount, reflecting chiefly expansion in activity at textile mills. Wholesale prices advanced during August and the general level prevailing in the first three weeks of September was somewhat higher than in other recent months. There was a further growth in the country's stock of monetary gold and a non-seasonal return flow of currency to the reserve banks.

Production and employment - Industrial output increased substantially in August and the Board's seasonally adjusted index showed an advance from 58 to 60 per cent of the 1923-25 average. Activity at cotton, woolen, silk, and rayon mills increased from the low level of other recent months by considerably more than the usual seasonal amount, and there was also a substantial increase in activity at shoe factories. Output of automobiles, however, declined further and production in the steel and lumber industries showed none of the usual seasonal increase in August. During the first three weeks of September there was a slight advance in steel output.

Employment at factories increased slightly more than is usual at this season. There were large additions to working forces in the textile, clothing, and leather industries, while in the automobile, tire, and

- 2 -

machinery industries and at car-building shops the number employed decreased further. Aggregate wage payments increased less than seasonally.

Building contracts awarded up to September 15, as reported by the F. W. Dodge Corporation, indicate that for the third quarter the total value of contracts will be about the same as for the second quarter, whereas usually awards for the third quarter are smaller. Currently, contracts for public works are a considerably larger part of the total than they were at the beginning of the year and residential contracts are a smaller part.

Department of Agriculture crop estimates based on September 1 conditions indicate little change in prospects during August. Indicated crops of wheat and tobacco are considerably smaller than in other recent years, while the corn crop is the largest since 1925. The cotton crop is estimated at 11,300,000, a decrease of about 6,000,000 bales from the large crop of a year ago.

Distribution - Volume of merchandise and other freight handled by the railroads increased seasonally during August, while during the corresponding period a year ago no increase was reported. Department store sales of merchandise increased from July to August by somewhat less than the usual seasonal amount.

Wholesale prices - Wholesale commodity prices advanced from 64.5 per cent of the 1926 average in July to 65.2 per cent in August, according to the monthly index of the Bureau of Labor Statistics. During August prices of many leading commodities including textile raw materials and finished products, wheat, hides, nonferrous metals, sugar, rubber, and coffee, increased substantially. In the first half of September there were declines

- 3 -

in the prices of many of these commodities, while prices of wool and woolen goods, cattle, and hides advanced.

Bank credit - During recent weeks further growth in monetary gold stock, a return flow of currency from hoards, and new issues of national bank notes have resulted in additions to the reserve funds of member banks. These banks have employed a part of the funds in further reducing their borrowings at the reserve banks, and have accumulated a part as reserve balances, which at the present time are more than \$300,000,000 in excess of required reserves. Reserve bank holdings of United States Government securities and of acceptances remained practically unchanged during the four weeks ending September 14, while the total of reserve bank credit declined by \$43,000,000 through the reduction of discounts for member banks.

Loans and investments of reporting member banks in leading cities showed little change between the middle of August and the middle of September. A further decline of more than \$150,000,000 in loans by banks outside New York City during the past four weeks was offset in large part by continued increase in investment holdings, chiefly at member banks in New York City. There was a considerable growth in deposits of reporting member banks, reflecting in part larger balances held by city banks for the account of other banks.

Money rates in the open market remained unchanged at low levels during August and the first half of September.