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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Thursday, January 28, 1937.

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

The Board's index of industrial production showed a sharp advance in December after allowance is made for the usual seasonal changes. There was a marked expansion in employment and payrolls and retail trade continued at high levels.

Production and employment

Actual volume of industrial production showed little change from November to December, at a time when a sharp seasonal decline is usual, and the Board's adjusted index advanced from 114 to 121 percent of the 1923-1925 average. There was a further rise in activity at textile mills to the highest level on record and output of other nondurable manufactures was maintained. Declines in production of steel and lumber were smaller in December than are usual in that month. At automobile factories there was a marked increase in output. In the first three weeks of January activity at steel mills increased somewhat, but there was a decline in assemblies of automobiles as a result of shutdowns occasioned by strikes. Coal production declined seasonally from

November to December, while output of crude petroleum increased, contrary to seasonal tendency.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, showed a seasonal decrease in December.

Factory employment expanded further between the middle of November and the middle of December, contrary to the usual seasonal movement. Increases were general among the durable goods industries, with the largest advances at plants producing automobiles and machinery. In the nondurable goods industries there were marked increases in the number employed at textile mills and at shoe factories. Reflecting principally the higher level of employment and advances in wage rates, factory payrolls increased sharply in December, particularly at steel mills and in the textile industries. In retail trade, employment rose more than seasonally and in most other non-agricultural pursuits there were increases, when allowance is made for seasonal changes.

Distribution

Retail sales in December increased seasonally at department stores and by more than the usual seasonal amount at variety stores and mail order houses serving rural areas.

Freight-car loadings showed a smaller decrease than is usual in December, and the Board's seasonally adjusted index advanced further.

Commodity prices

Wholesale prices, for both industrial and agricultural commodities, continued to advance in the second half of December and the first half

of January. There were marked increases in prices of industrial raw materials, particularly nonferrous metals, lumber, hides, and wool, and prices of a number of finished goods, such as steel products, paper, and textiles also advanced. Since the middle of January there has been a decline in prices of commodities traded in on the organized exchanges.

Bank credit

Loans and investments of reporting member banks in leading cities declined in the first three weeks of January, as a result of reductions in commercial loans and in loans to brokers. The decrease in loans reflected in part the retirement of notes issued by the Commodity Credit Corporation last July and in part repayment of other loans, which had increased sharply in preceding weeks. Holdings of Government obligations declined further at New York City banks but increased at banks in other leading cities. Demand deposits decreased at the turn of the year, but thereafter increased somewhat, reflecting chiefly the return of currency from holiday use.

The rate on 90-day bankers' acceptances was raised $\frac{1}{16}$ of 1 percent on January 13 and now stands at $\frac{1}{4}$ of 1 percent. Market discount rates on Treasury bills have also increased, with bills offered in the week ending January 16 selling at a discount of over $\frac{1}{3}$ of 1 percent, as compared with a rate of about $\frac{1}{10}$ of 1 percent early in December.

Excess reserves of member banks increased from \$1,880,000,000 to \$2,130,000,000 in the four weeks ending January 20, reflecting largely the post-holiday return flow of currency from circulation.