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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Sunday, February 28, 1937.

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

Industrial activity, adjusted for seasonal changes, showed a decline in January following a rapid rise in November and December. Distribution of commodities to consumers declined more than seasonally.

Production and employment

Volume of industrial production, which usually increases at this time of year, declined from December to January, and the Board's seasonally adjusted index was 115 percent of the 1923-1925 average as compared with 121 in December and 114 in November. Steel production increased, though by less than the usual seasonal amount, and was larger in January than at any other time during the recovery period. In the first three weeks of February output of steel increased somewhat further. Output of automobiles was curtailed by strikes in January and the first half of February but after the strikes were settled production rose sharply. At lumber mills there was a considerable decrease in activity in January, reflecting in part the effects of unusually cold weather in the Western lumber regions. Production of plate glass declined further in January but toward the end of the month the strikes which had

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restricted output since October were settled. At textile mills activity declined from the exceptionally high level reached in December, and in the meatpacking industry there was also a decrease, while output at shoe factories increased. Mineral production was smaller in January than in December, reflecting a reduction in output of coal. There was a further rise in output of crude petroleum.

Value of construction contracts awarded showed a considerable rise in January, according to figures of the F. W. Dodge Corporation, and was substantially larger than a year ago. The most marked increases over December were in factory building, which recently has been in larger volume than at any time since 1930, and in residential building. The increase in residential building was largely in publicly-financed apartment construction.

Factory employment and payrolls showed about the usual seasonal decline between the middle of December and the middle of January. Among the durable goods industries there were increases in employment at blast furnaces and steel mills and at foundries and machine shops, while in the automobile industry there was a considerable decline. In industries producing nondurable goods employment declined by less than the usual seasonal amount, with increases at textile mills and in the chemical industries, and seasonal reductions in working forces in most other lines.

Distribution

Department store sales showed the usual seasonal decrease in January, while sales at variety stores and mail order houses declined considerably more than is usual. Car loadings of revenue freight also

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declined in January, reflecting in part the effects of floods. There were substantial declines in shipments of forest products, coal, and miscellaneous freight.

Commodity prices

The general level of wholesale commodity prices, which, according to the Bureau of Labor Statistics, had advanced more than 5 percent from the end of October to the middle of January, showed little change from the middle of January to the third week of February. Prices of agricultural commodities declined slightly, while industrial commodities as a group continued to advance. There were substantial increases in nonferrous metals, lumber, and petroleum and smaller increases in a wide variety of finished products, while prices of glass and certain cotton textiles declined, following rapid increases in other recent months.

Bank credit

Total loans and investments of weekly reporting member banks in leading cities declined somewhat further during the four weeks ending February 17, reflecting principally a decrease in holdings of United States Government obligations. Commercial loans, following a seasonal decline in January, increased at reporting banks outside New York City and remained practically unchanged in New York.

On January 31 the Board of Governors raised reserve requirements for member banks by 33 1/3 percent, half of the increase to become effective on March 1 and half on May 1. This action completes the use of the Board's authority under the law to raise reserve requirements.

Excess reserves of member banks showed little change in the five

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weeks ending February 24; there was a further substantial increase at New York City banks and a small decline at banks elsewhere.

The rate on bankers' acceptances was raised 1/16 of 1 percent on February 1, following a similar increase on January 16. Market yields on short and medium-term Treasury obligations also increased slightly in January and the early part of February, while yields on long-term Government bonds showed little change.

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