

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Friday, August 27, 1937.

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

Total volume of industrial production and distribution of commodities to consumers showed little change from June to July, when allowance is made for the usual summer declines.

Production and employment

The Board's seasonally adjusted index of industrial production was 114 percent of the 1923-1925 average in July, the same as in June and 4 points lower than in March, April, and May. At steel mills, where output in June had been curtailed by strikes, activity increased considerably in the early part of July and was maintained at the higher level between the middle of July and the third week of August. Lumber production also increased in July, while output of plate glass showed a substantial decrease. Automobile assemblies declined seasonally. Output of non-durable manufactures decreased considerably, owing largely to a marked decline in activity at cotton and woolen textile mills. Meat packing also declined, while flour milling and sugar refining increased. At mines, output of anthracite was reduced in July, while output of most other minerals showed little change.

Construction contracts awarded, as reported by the F. W. Dodge Corporation, were maintained in July at the level reached in June. Non-residential

construction expanded further, reflecting principally a large volume of awards for iron and steel plants and for railroad projects. Residential building showed a seasonal decline.

Factory employment increased somewhat from the middle of June to the middle of July, when a decline is usual, and factory payrolls decreased less than seasonally. The largest increases in employment were in the steel industry and in the food industries, particularly at canning factories. Other manufacturing industries as a group showed somewhat less than the usual seasonal decline.

Agriculture

A cotton crop of 15,593,000 bales, representing an increase of 3,200,000 bales over last season, was forecast by the Department of Agriculture on the basis of August 1 conditions. Official estimates indicate that other major crops will be considerably larger than last season and about equal to the average for 1928-1932. Preliminary estimates by the Department of Agriculture indicate that cash farm income, including Government payments, will total \$9,000,000,000 for the calendar year 1937, an increase of 14 percent over 1936.

Distribution

Distribution of commodities to consumers in July continued at the level of other recent months, when allowance is made for the usual summer decline. Sales at department stores and variety stores showed slightly less than the seasonal decrease in July, while mail order sales declined somewhat more than seasonally. Freight-car loadings increased, reflecting in part larger

shipments of grains and forest products.

Commodity prices

From the middle of July to the third week of August prices of grains and cotton declined substantially, while livestock and meats showed a further increase. Automobile prices were raised by most producers, carpet prices advanced, and there were increases in several industrial raw materials, including hides, zinc, lead, and steel scrap. Cotton goods and rubber declined somewhat.

Bank credit

From the middle of July to August 4, excess reserves of member banks were sharply reduced from \$960,000,000 to \$700,000,000, but subsequently they increased to \$780,000,000 on August 18. These changes in member bank reserves reflected principally fluctuations in the volume of Treasury deposits at Federal Reserve banks, together with a seasonal increase in money in circulation. Excess reserves at New York City banks declined from \$230,000,000 to about \$40,000,000 and subsequently increased to \$130,000,000.

Total loans and investments of reporting member banks increased somewhat during the four weeks ending August 18, reflecting principally an increase of \$150,000,000 in commercial loans offset in part by a further decline in holdings of United States Government obligations, principally at New York City banks. The growth in commercial loans occurred both in New York City and in other cities and included the purchase by banks of a large portion of the \$60,000,000 of 9-month notes sold by the Commodity Credit Corporation on August 2.

United States Government deposits at reporting banks increased during the period, reflecting purchases by banks of Treasury bills on a book-credit basis. Bankers' balances and other demand deposits showed further declines at New York City banks.

Money rates

Rates on Treasury bills declined slightly after the middle of July, and open-market yields on Treasury notes and bonds also declined until early in August, but later there was a rise in yields. In the latter part of August discount rates were reduced from 2 percent to 1 1/2 percent at the Federal Reserve banks of Atlanta, Chicago, and Minneapolis. The 2 percent rates had been in effect since early in 1935.