

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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 November and the first three weeks of December, will appear in the January issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

In November, volume of industrial production continued to decline sharply, and employment and payrolls also decreased. During the first half of November commodity prices declined further but for the past month they have been steady.

Production and employment

Volume of industrial output, as measured by the Board's seasonally adjusted index, declined from 103 percent of the 1923-1925 average in October to 90 percent in November, reflecting chiefly a sharp reduction in the manufacture of durable goods. There was a further curtailment of activity at steel mills and output for the month was at a rate of 38 percent of capacity, a decline of one-third from October. In the first three weeks of December steel production was at about 28 percent of capacity. Output of lumber and plate glass also declined substantially in November, and automobile production showed considerably less than the usual seasonal increase. Production of nondurable goods, which had decreased by a substantial amount earlier this year, declined further in November, reflecting a continued reduction in output of textiles and shoes, partly offset in the

total by an increase in activity at sugar refineries. Output of minerals, as well as manufactures, declined in November. There were marked decreases in output of bituminous coal and in iron ore shipments, while crude petroleum production continued in large volume.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed little change in November and the first half of December. Awards for privately-financed projects declined, reflecting chiefly a further reduction in residential building, while contracts for publicly-financed work increased.

Employment and payrolls at factories showed an unusually sharp decline between the middle of October and the middle of November, and there were decreases also in the number employed in trade and other nonmanufacturing lines. The Board's seasonally adjusted index of factory employment was at 94 percent of the 1923-1925 average in November as compared with a level of 102 last summer and 96 in November last year. In the steel, machinery, lumber, and textile industries the number employed decreased by substantially more than the usual seasonal amount, and there was some decline at automobile factories, although an increase is usual at this season. There were declines also in the seasonally adjusted indexes for most other lines, except foods and tobacco which showed little change.

Agriculture

Department of Agriculture estimates recently issued indicate that most crops will be about the same size as forecast earlier but that cash farm income will be lower than had been anticipated, largely because of price declines both for crops and livestock. Cash income in 1937 is

expected to be \$8,500,000,000, as compared with \$7,918,000,000 in 1936. The increase over a year ago is due primarily to increased income from marketings of wheat, tobacco, and fruits and to larger Government payments.

Distribution

Distribution of commodities to consumers, which earlier had been maintained, declined slightly in November. There was a slight decline in sales at department stores, and mail order sales decreased considerably, while sales at variety stores showed little change. Preliminary information for the first half of December indicates that department store sales increased by approximately the usual seasonal amount.

Freight-car loadings declined by considerably more than the seasonal amount in November and the Board's adjusted index for that month was 71 percent of the 1923-1925 average as compared with 76 percent in October and an average of 81 percent in the first half of the year. The decline from October to November reflected principally marked decreases in loadings of coal and miscellaneous freight.

Commodity prices

The general level of wholesale commodity prices, which had declined sharply from the latter part of September to the third week of November, has shown little change since that time. Prices of nonferrous metals, leather, wool, textile yarns, and finished cotton goods have declined somewhat further in this period, while steel scrap, hides, rubber, cotton, print cloths, and bituminous coal have recently shown some advance.

Bank credit

Excess reserves of member banks showed a small decline but for the first three weeks of December remained somewhat over \$1,000,000,000. The increase in demand for currency during December has been smaller than usual, reflecting largely the effects of the recent sharp decline in business activity and payrolls.

Total loans and investments of reporting member banks in 101 leading cities increased somewhat during the four weeks ending December 15, reflecting a growth of \$190,000,000 in holdings of United States Government obligations, mostly in New York City. A factor in this increase was the purchase by banks of the December 15 issues of Government securities. Commercial loans, which had begun to decline in October, showed a further reduction.