BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Friday, March 25, 1938.

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

Volume of manufacturing production showed little change from January to February, while output of minerals declined further. Awards for residential building increased somewhat in February and rose considerably in the first half of March.

Production

The Board's seasonally adjusted index of industrial production, which includes both manufacturing and mining, was 79 percent of the 1923-1925 average in February as compared with 80 percent in January. The decline in the total index was accounted for chiefly by a reduction in output of minerals, particularly of crude petroleum. Steel ingot production showed about the usual seasonal increase and averaged 32 percent of capacity in February. Automobile production decreased slightly further, and output of plate glass continued to decline. Lumber production rose seasonally. In the first three weeks of March activity at steel mills and automobile factories was at about the same average rate as in February. In the nondurable goods industries there were moderate increases in output in February at textile mills and shoe factories, where production has recently been at low levels, while at meat-packing establishments activity declined.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a sharp decline from January to February, reflecting chiefly a marked reduction in awards for publicly-financed projects. Contracts for residential building increased moderately. In the first half of March there was a considerable further increase reported for residential building and awards for other construction also increased.

Employment

Factory employment and payrolls increased by somewhat less than the usual seasonal amount between the middle of January and the middle of February. The Board's seasonally adjusted index of factory employment was at 83 percent of the 1923-1925 average in February as compared with 84 in January. In the durable goods industries decreases were general in February, though not so large as in preceding months. Employment in non-durable goods industries increased somewhat following a period of rapid decline. Employment in trade, at mines, on the railroads, and in the construction and public utility industries decreased somewhat from the January level.

Distribution

Value of department store sales, as measured by the Board's seasonally adjusted index, declined from 90 percent of the 1923-1925 average in January to 88 percent in February, and in the first three weeks of March there was a further decrease. Sales at variety stores and mail order houses in February showed somewhat less than the usual seasonal increase.

Freight-car loadings decreased further in February, reflecting chiefly reduced shipments of coal and grain, and showed a seasonal increase in the first two weeks of March. The current level of carloadings is about 25 percent less than a year ago.

Commodity prices

The general level of wholesale commodity prices, as measured by the Bureau of Labor Statistics' index, showed little change from the middle of February to the third week of March. There were seasonal increases in prices of livestock and meats, while prices of such basic commodities as wheat, cotton, rubber, zinc, and bituminous coal declined.

Bank credit

Excess reserves of member banks increased during the first three weeks of March to over $1,500,000,000, the highest level since last April. The bulk of the increase occurred at New York City banks, which in the third week of the month held over $700,000,000 of excess reserves.

During February and the first half of March, there was little net change in deposits and in total loans and investments at reporting member banks in 101 leading cities. Holdings of United States Government obligations declined at banks in New York but increased in Chicago. Commercial loans, which had decreased sharply in the four preceding months, showed a further moderate decline.

Money rates and bond yields

Conditions in the short-term money market continued easy in March. Rates on Treasury bills were slightly lower and prime commercial paper was quoted at a range of from 3/4 to 1 percent as against the flat 1 percent rate which had prevailed since a year ago. Yields on Treasury bonds and notes, after declining for the past six months, advanced slightly around the middle of March. Yields on corporate bonds also advanced in March, reflecting principally declines in prices of railroad bonds.