

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Wednesday, May 25, 1938.

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

Industrial production declined in April, reflecting chiefly reduced activity in the cotton textile and lumber industries. Distribution of commodities increased less than seasonally but continued to be somewhat in excess of production. Commodity prices showed a further decrease.

Production

In April volume of industrial production, as measured by the Board's seasonally adjusted index, was at 77 percent of the 1923-1925 average as compared with the level of about 79 percent maintained during the first quarter of the year. The decline reflected, chiefly, considerable reductions in output at cotton textile mills and lumber mills, where there had been moderate increases in production in March. In most other manufacturing industries changes in activity were largely seasonal in character. Output at steel mills continued at around 33 percent of capacity and in the automobile industry showed little change, amounting in April to about 40 percent of the volume of a year ago. In the first three weeks of May production of steel and automobiles was at a lower rate than in April. At mines there was a considerable decline in output of anthracite in April,

while bituminous coal production showed somewhat less than the usual seasonal decrease. Crude petroleum production continued in large volume.

Value of construction contracts awarded, which had increased considerably in March, showed little change in April, according to figures of the F. W. Dodge Corporation. Awards usually increase somewhat further in April. In the first four months of this year private residential building was about one fourth less than in the corresponding period last year, while other private work, particularly industrial and utility construction, was only about one half as large as a year ago. Awards for public projects were somewhat larger than last year.

Employment

Factory employment and payrolls declined from the middle of March to the middle of April, and the Board's seasonally adjusted index of employment was at 79 percent of the 1923-1925 average as compared with 82 in March and 84 at the beginning of the year. The number employed at automobile factories declined sharply and there were further substantial decreases in the steel and machinery industries and at railroad repair shops. Smaller declines were reported in most other manufacturing industries. Employment at mines and on the railroads also decreased, while in trade there was some increase in the number employed, reflecting partly increased business at the Easter season.

Distribution

Distribution of commodities to consumers showed less than the usual seasonal rise in April. The Board's adjusted index of department store sales was 83 in April compared with 86 in March and 90 at the beginning of the year, and figures for the first half of May indicate a further decrease.

Freight-car loadings also declined from March to April, reflecting largely reduced shipments of miscellaneous freight, and were about 30 percent less than in April 1937.

Commodity prices

Wholesale prices of industrial commodities continued to decline from the middle of April to the third week of May and prices of agricultural products also decreased somewhat further. Steel scrap, copper, and rayon showed considerable declines and there were reductions in prices of some finished industrial products. It was announced that prices of most finished steel products would be unchanged for third quarter delivery.

Bank credit

Total loans and investments of reporting member banks in 101 leading cities showed little change during April and the first half of May. Holdings of United States Government obligations increased somewhat, while holdings of other securities and loans declined. Adjusted demand deposits in leading cities increased during the period as a result of expenditures by the Treasury from its balances with the Reserve banks. Interbank deposits also increased substantially.

Member bank reserves increased further, reflecting principally Treasury disbursements from its deposits at the Reserve banks, including retirement of \$50,000,000 of Treasury bills each week.

Money rates and bond yields

Yields on Government securities declined slightly further in the four weeks ending May 21 to an average for longer-term Treasury bonds of 2.28 percent. The average yield on 3- to 5-year Treasury notes declined to a new low of 0.73 percent. The rate on three-month Treasury bills continued at record low levels, and other open-market money rates remained unchanged.