

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Monday, September 26, 1938.

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

Industrial activity increased considerably in August and advanced further in September. Factory employment and payrolls also showed a substantial rise in August, and distribution of commodities to consumers increased seasonally.

Production

Volume of industrial production showed a further considerable increase in August, and the Board's seasonally adjusted index rose from 83 to 88 percent of the 1923-1925 average. In manufacturing, increases in output were general except in the automobile industry where there was a sharp seasonal decline as plants were closed for inventory taking and for preparation for the shift to new model production. At steel mills, where activity had risen considerably in July, there was a further advance in August and production was at an average rate of 42 percent of capacity as compared with 35 percent in the previous month. Output of lumber and plate glass also increased. In the textile industry the sharp advance that had been under way since early summer continued. Mill consumption of wool and cotton increased further, and deliveries of rayon

were maintained at the high level reached in July. Shoe production showed a further increase and activity at meat-packing establishments showed less than the usual seasonal decline. Production of bituminous coal and crude petroleum increased somewhat further.

In the first three weeks of September steel ingot production continued to increase, while automobile production remained at the low level reached in August. Output of crude petroleum was reduced, as wells in Texas were closed on both Saturdays and Sundays, whereas in August only Sunday closings had been required.

Value of construction contracts awarded in 37 Eastern States increased considerably in August, according to figures of the F. W. Dodge Corporation. The increase was in publicly-financed projects and reflected partly the expansion of the Public Works Administration program and the award of the first contract for the slum clearance projects of the United States Housing Authority. Awards for private residential building continued at about the same rate as in July and were close to the level reached in the spring of 1937. Commercial building, which had increased in July owing to the award of a contract for a large office building, declined in August to about the level of other recent months.

Employment

Factory employment and payrolls showed a marked rise from the middle of July to the middle of August, while in nonmanufacturing industries employment showed little change. The number employed at factories producing durable goods increased for the first time since the summer of

1937 and in the nondurable goods industries, where employment had increased in July, there was a further rise. Most leading industries reported increases in the number of workers.

Distribution

Distribution of commodities to consumers increased seasonally from July to August. Department store sales showed about the usual rise and mail order sales increased, while variety store sales declined. In the first half of September sales at department stores increased more than seasonally.

Freight-car loadings increased somewhat further in August, reflecting chiefly larger shipments of miscellaneous freight.

Commodity prices

Prices of silk and rubber showed some advance from the middle of August to the third week of September and there were also increases at the end of the period in nonferrous metals. Wheat prices fluctuated considerably but showed little net change in this period. Prices of cotton and wool declined somewhat, and there were further decreases in prices of some finished industrial products.

Bank credit

A heavy inflow of gold from abroad during the five weeks ending September 21 resulted in an increase of over \$500,000,000 in the monetary gold stock. Member bank reserves were increased by Treasury payments for gold acquired but were sharply reduced in the last week of the period by payments to the Treasury for cash purchases of new securities and quarterly income tax collections. As a consequence of these transactions,

excess reserves, which had increased to \$3,130,000,000, were reduced to \$2,740,000,000 on September 21.

Total loans and investments of reporting member banks in leading cities increased sharply during August and the first three weeks of September, reflecting chiefly an increase in holdings of United States Government obligations. Balances held in New York City for foreign banks showed a substantial increase.

Money rates and bond yields

The average yield on long-term Treasury bonds increased in September from the low point reached at the end of August. The average rate on new issues of Treasury bills increased to 0.11 percent, compared with 0.05 percent. Yields on high-grade corporate bonds increased slightly.