

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 July and the first half of August, will appear in the September issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

In July industrial activity, seasonally adjusted, rose sharply and was close to the level reached last December. Prices of some industrial materials increased in recent weeks while those for agricultural products continued to decline.

Production

The Board's index of industrial production, according to preliminary returns, advanced to 102 percent of the 1923-1925 average in July as compared with 98 in June and 92 in April and May. The advance in July reflected chiefly a considerable further increase in output of iron and steel, which usually declines at this season. Steel ingot production rose from an average rate of 52 percent of capacity in June to 57 percent in July and in the first three weeks of August was maintained around 60 percent which for the month would represent about the usual seasonal increase. Lumber production showed little change in July, although a decline is usual.

In the automobile industry output showed a sharp seasonal curtailment during July and the first half of August, reflecting

preparations for the shift to new model production which will be made about a month earlier this year than in other recent years. Retail sales of new cars continued in excess of production and dealers' stocks were greatly reduced. Plate glass production declined sharply in July, following a substantial increase in June.

Changes in output of nondurable manufactures in July were largely of a seasonal nature. At cotton textile mills and meat-packing establishments activity showed somewhat less than the usual declines and at sugar refineries output increased from the low level reached in June. Flour production continued in substantial volume.

Mineral production expanded further in July as output of bituminous coal continued to increase and petroleum production, which had been reduced in June, rose sharply. On August 14 the Texas Railroad Commission ordered a shutdown of most Texas oil wells for 15 days, beginning August 15, and subsequently similar shutdowns were ordered in several other important oil producing States.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in July, owing principally to a small rise in contracts for public projects. Awards for residential work, both public and private, were practically unchanged from the June total.

#### Employment

Factory employment, which usually declines in July, was

maintained this year at about the June level and payrolls showed a less than seasonal decrease, according to reports from a number of leading industrial States.

#### Distribution

Sales at department and variety stores in July showed about the customary seasonal decline. In the first half of August department store sales increased.

Freight-car loadings increased further from June to July. Loadings of coal continued to expand and shipments of miscellaneous freight, which usually decline at this season, showed little change.

#### Commodity prices

Prices of most farm products and foods declined from the beginning of July to the middle of August. Some industrial materials, principally steel scrap, nonferrous metals, and textile fabrics, showed advances in this period, while crude petroleum prices were reduced.

#### Agriculture

On August 1 prospects for major crops were about the same as a month earlier, according to the Department of Agriculture. The first official estimate on cotton indicated a crop of 11,400,000 bales, somewhat smaller than last year's crop and 2,400,000 bales less than the 1928-1937 average. World carryover of American cotton, however, was estimated to have been somewhat larger on August 1 than the record volume of a year ago.

Bank credit

Total loans and investments of member banks in 101 leading cities increased substantially during the four weeks ending August 9, reflecting chiefly increases in holdings of United States Government obligations and the purchase by New York banks of a large share of a new issue of New York State short-term notes. Commercial loans continued to increase at New York banks but declined at banks in 100 other leading cities as corn and cotton loans that were approaching maturity were taken over by the Commodity Credit Corporation in accordance with a standing agreement. Deposits at reporting banks remained at high levels.

Excess reserves of member banks increased further to new high levels in the latter part of July and the first half of August, owing principally to gold imports and net Treasury disbursements, partly offset by a reduction in Federal Reserve bank holdings of Treasury bills.

Money rates

The average rate on new issues of 90-day Treasury bills has increased slightly in recent weeks and on August 10 was 0.032 percent. Prices of Treasury bonds showed little change from the middle of July to the middle of August.