

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning papers,
Monday, November 18, 1940

The following summary of general business and financial conditions in the United States, based upon statistics for October and the first half of November, will appear in the December issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial output rose sharply in October and the first half of November and prices of basic commodities advanced further. New orders both for defense purposes and for civilian needs continued in large volume.

Production

Volume of industrial production, as measured by the Board's seasonally adjusted index, rose further in October to about 128 per cent of the 1935-1939 average as compared with 125 in September and 126 at the peak reached last December.

Increases in output were marked in the automobile and textile industries. In the rayon industry, where production in September had been curtailed by a strike, activity increased considerably and cotton textile mills were also more active. Mill sales of cotton goods have been large since the middle of August, reflecting increased civilian and military demand, and have been in excess of production during most of this period. At wool textile mills, where activity had risen sharply

in September, there was a further increase in October. Backlogs of orders in this industry are now of considerable size owing to a large volume of orders received during the past two months, particularly from the Government. Automobile production rose to about 500,000 cars and trucks, the largest monthly total since the spring of 1937, and retail sales of both new and used automobiles were reported to be large for this time of year.

In the steel and machinery industries activity continued at a high rate in October. In the first half of November steel ingot production advanced slightly further and was at about 96 per cent of capacity. This high rate of output is expected to be maintained for some time to come, according to trade reports, as new orders for steel have continued large. Lumber production, which had risen sharply since mid-summer, declined less than seasonally in October. New orders for lumber were somewhat below the high rate of August and September but remained above production, reflecting in part continued Government demands.

Bituminous coal production declined sharply in October but in the first half of November showed some increase. In this industry output had been maintained in large volume during the summer owing in part to considerable stocking of coal in anticipation of higher prices. Anthracite production also declined in the first half of October but rose sharply in the latter part of the month owing in part to seasonal influences. Crude petroleum production, which had been curtailed during most of the summer, increased further in October.

Value of construction contract awards increased in October, following a decline in the previous month, according to figures of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Changes in the amount of contract awards in recent months have reflected principally fluctuations in contracts for public projects. Awards for private construction have shown about the usual seasonal changes, following a sharp rise in July and August.

Distribution

In October department store sales declined considerably from the advanced level of the two preceding months, while sales at variety stores, which also had been large in August and September, increased seasonally. In the early part of November department store sales increased somewhat.

Total loadings of revenue freight in October were maintained at about the level reached in September. Shipments of miscellaneous merchandise increased further, while loadings of coal showed a sharp decrease. In the first week of November freight-car loadings declined by less than the usual seasonal amount.

Wholesale commodity prices

Prices of basic commodities continued to advance from the middle of October to the middle of November, with the chief increases in industrial materials, particularly lead, hides, wool, and textile yarns. The general index of wholesale commodity prices rose further by about 1 per cent in this period, reflecting increases in prices

of some finished goods as well as of materials.

Bank credit

Total loans and investments at reporting member banks in 101 leading cities have increased substantially since the end of September. Commercial loans showed sizable increases both in New York City and in other leading cities. Following reductions during August and September, holdings of United States Government obligations at these banks also increased. Federal Reserve System holdings of Government obligations were reduced by \$180,000,000 between September 25 and November 13.

United States Government security prices

After rising moderately during the latter part of October prices of United States Government securities advanced sharply in the early part of November. The quotation on the 1960-65 bonds reached a new high level at about 110-1/4, and the yield on this issue declined to 2.12 per cent compared with 2.25 per cent in October and 2.26 per cent in June 1939 and again in April 1940. The average yield on 3 to 5 year Treasury notes declined to less than 3/8 of 1 per cent.