



# Federal Reserve Bank OF BOSTON

## Business and Money Conditions in the New England District

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This report is compiled about the twentieth of each month and is published for the information of member banks and others who have assisted in its preparation

BOSTON, MASS., May 26, 1919

Manufacturers and merchants in practically all lines are doing a large business, and buyers who withheld orders awaiting lower prices are now purchasing heavily before costs advance further.

The removal of further Government restrictions has gone a long way toward substantiating the belief that the price level will be no lower until production is sufficient to fill the cavity in inventories of manufactured goods created during hostilities.

That the readjustment is more rapid than was anticipated is reflected in the stock market, which is more active than it has been for many months, with prices advancing.

Following the cessation of hostilities, Japan has experienced a reaction even more severe than that at one time prophesied for the United States. The far-reaching effect of this must be considered in an industrial district like New England lest sight be lost of the fact that operations are now on an inflated basis which cannot be maintained indefinitely.

With the removal of stabilization measures, foreign exchange rates have fallen rapidly and exporters are apprehensive lest this raise a barrier against our newly acquired foreign trade.

An important exception to the return to "business as usual" is found in the building and allied trades. Houses to rent are scarce, and in many localities it is practically impossible to secure a residence at any price. Many families are being compelled to purchase homes to secure a suitable place in which to live. Shore and country property is in good demand, and it is expected that in the fall, when people return to the cities, rental conditions will be even worse. In spite of this, however, there are but few houses being built, and until prices for old houses reach the present replacement value confidence is not likely to be sufficient to start a building boom.

**Labor** There is a scarcity of skilled help in practically all lines. Unskilled labor is not so scarce, but is well employed. Wages remain high, but the increased cost and the

higher scale of living to which workmen have become accustomed during the war is having the effect on many of finding their remuneration insufficient for their requirements, which is causing considerable unrest. Strikes are in progress in several places. The trouble at Lawrence is at last subsiding and workmen are returning to the mills.

**Money** Rates remain practically the same as they were last month, but money is somewhat freer. It is yet too early to see the effect of payments for the Victory Liberty Loan, although it is expected that there will be less borrowing on account of this loan than in the cases of previous ones. Money on call is  $5\frac{1}{2}$  per cent. Time money is  $5\frac{1}{4}$  per cent. to  $5\frac{1}{2}$  per cent., the former rate being for short periods. Commercial paper is from 5 per cent. to  $5\frac{1}{4}$  per cent., with the latter rate ruling. Prime bankers' 90-day acceptances are quoted  $4\frac{3}{16}$  per cent. endorsed and  $4\frac{5}{16}$  per cent. unendorsed.

**Wool** The amount of wool sold at the Government auctions has varied according to the quality offered. Fine wools are in good demand and bring high prices whenever offered. The price of the new clip in the Western States has already advanced about ten cents over a month ago. Dealers are again returning to the practice of buying wool for their own account to be sold later to the mills. This would not be done unless there was a decided trend of opinion that wool will rule at or above present prices.

A large part of the unusual demand for fine wools is due to the fact that this year both the light and heavy weight goods are being made from the same quality of wool. Frequently light weight goods are made from medium grades of wool. This has caused a double drain on the world's supply of fine wools, sending the prices up.

Mills are running almost up to normal capacity on orders that were received very late in the season. Already orders for the next season are being received so that there will be no let-up

for several months. Some mills could profitably use more employees if they were obtainable.

**Cotton** A most decided improvement in the cotton market has occurred in the last month. More cotton is being used both in this country and Europe. Here in New England the demand is largely for long staple. Apparently mills working on Government contracts which required ordinary cotton had no supply of the higher grade and therefore had to buy heavily to cover orders when resuming their regular line of production. In addition, continued demand for goods made from fine cotton has tended to increase the price of the best grades quite materially.

Mills which a month ago were reluctant about taking advance business at the then prevailing level, now that prices have advanced are booking orders well into the fall. The demand is for the finer grade goods, and mills have advanced the prices of these lines until in some cases they exceed the war levels. With the new schedules of a working week of forty-eight hours in effect, the maximum output of mills in this district has been much curtailed. In some places there is beginning to be felt a slight labor shortage for the fancy weaves, which tends to make mills rather cautious about booking their entire capacity.

**Dry Goods** Retailers report a large volume of sales in all lines of dry goods. Difficulty is being experienced in replenishing stocks where excessive caution had been previously exercised. This has resulted in a tendency to place orders for fall delivery somewhat earlier than usual, agreeing to take the goods as soon as they can be turned out. Another incentive to the placing of early orders has been the general tendency of prices to increase.

Wholesalers who carried large stocks during the opening months of this year gradually allowed these to be reduced until they reached such a low point that they were unable to fill the late orders received from retailers. They have now booked many more forward orders for fall delivery than is customary in May.

**Leather and Shoes** With a strong continued demand for shoes and increasing costs of materials, manufacturers are now in the process of marking up prices for fall deliveries.

At present the outlook is for advances of twenty-five cents to fifty cents a pair to the retailers. The public will probably be faced with even larger increases, due to the fact that many dealers, fearing to curtail their sales, absorbed a large part of the last advance in the hope that it would be only temporary.

Production continues on a full capacity basis,

with plenty of future orders coming along to insure continued operation on the same basis. Reports of good collections are prevalent and manufacturers are having no difficulty in finding funds to carry their higher priced leather.

Hides and leather have not stopped advancing and bring almost any price asked by the dealers. This state of affairs is likely to last as long as both domestic manufacturers and foreign buyers are in the market for leather. All the world's hides that are known to exist are already purchased, and such exporting nations as the Scandinavian countries are in this market for leather. Removal of shipping restrictions will not bring any substantial relief.

**Lumber and Building Operations** A marked increase in the amount of lumber sold in this district has been noted. Retailers who anticipated being able to hold off from making purchases until prices fell have been forced into the market at an advanced level.

Lumber from the Pacific coast is not competing with New England lumber as the demand for building material in the Middle West is above normal and readily absorbs all surplus supplies. Southern mill operators have not been able to send as much lumber to this district as they had anticipated, due to the fact that labor conditions at their mills have permitted operating at only 60 per cent. of capacity. These factors have left the New England market to the local mills, with a result that prices have advanced at frequent intervals as supplies have been reduced or exhausted.

Reports from the leading cities of building permits issued in April indicate a decided increase in value over the previous month. Boston shows a decline of \$500,000 in the value of permits, while the number of permits issued increases by 100 per cent. There seems to be some decrease in the value of alterations to be undertaken, both compared with the previous month and year.

**Crops** Plowing, due to the open winter and spring, was done somewhat earlier than usual. The cold April with its frosts retarded the planting of tender crops and to some extent checked growth in the meadows and pastures. These frosts caused some losses of lambs on the newer farms where adequate provision for shelter has not yet been made. The hay acreage is still below normal, due to the increase of land under tillage during the war.

**Exports and Imports** Domestic exports for the month of April were larger than for any month since 1913, amounting to \$32,700,000. This was \$10,000,000 more than for the previous month. Imports

at \$27,100,000 were almost double those of any of the preceding months of this year.

The following synopses from reports of bankers outline local conditions in representative cities.

**Portland, Me.** Wholesale business is holding up and collections are satisfactory. Retail dealers report largely increased sales over a year ago. There is no unusual condition in regard to employment. The local rate for money is  $5\frac{1}{2}$  per cent., which is shaded in exceptional cases.

**Brattleboro, Vt.** The readjustment period has passed in a very satisfactory manner. There has been a revival of business activity locally, and employment is readily obtainable. Factories report a good demand for their output, but skilled workmen are hard to secure. Retailers are enjoying a good trade. Local banks are able to care for the local credit demands in a satisfactory manner.

**Burlington, Vt.** Retail merchants are doing a good business. Labor is fully employed at high wages. Rents are high, with insufficient housing capacity, but no inclination to build.

**Manchester, N. H.** Business conditions have shown a decided improvement in the past month or two. The textile and shoe industries are running on practically full time and skilled labor seems to be well employed. General trade is good and the supply of money is sufficient to meet local demands.

**Brockton, Mass.** Business locally, both manufacturing and retail, is apparently very prosperous and appears likely to continue so for some time to come. Labor in the shoe trade is well employed with no serious disagreements in sight. Money is comparatively easy with rates from  $5\frac{1}{2}$  per cent. to 6 per cent. Prices for the goods produced in this city remain high.

**Fall River, Mass.** Cotton business is in a satisfactory condition, there being a good demand for goods at fair prices. Retail business is rather slow. There is little building, and some mechanics are out of employment. The mills are short of help and employees are agitating for another increase in wages. Money is in fair supply with only a moderate demand.

**Worcester, Mass.** Labor conditions are fair with the percentage of unemployment not large. Retail trade is excellent, and some manufacturers are having better business than during the war, this being particularly true of the carpet mills. There is not much local demand for money.

**Springfield, Mass.** Local retail dealers report a fair trade. Paper mills have been short of orders for several months, but conditions are now improving. There is no special surplus of unemployed and labor conditions are fairly satisfactory, although there is some unrest in various lines. Money is in good supply considering the Government financing, and banks are caring for the legitimate needs of their customers.

**Providence, R. I.** The jewelry business is booming. The cotton, silk, woolen, and worsted businesses are particularly good. The building trades are dull with a surplus of labor. Skilled labor in many manufacturing lines is scarce, but there is some excess of unskilled help. Retail trade is unprecedentedly large. Money rates are from  $5\frac{1}{2}$  per cent. to 6 per cent.

**Pawtucket, R. I.** Textile conditions have shown a marked improvement during the past month. In nearly every line increased orders and a tendency toward advancing prices are reported. In metal lines, however, manufacturers report extreme dullness. Retail trade is holding strong. Bank deposits, both savings and commercial, have increased largely since the first of the year.

**Hartford, Conn.** Manufacturers in some lines are doing a very good business. In others it is only fair, but is picking up. Retailers are having good trade. There is very little unemployment, with conditions good and a growing scarcity of skilled labor. The local demand for money is moderate, with the banks well loaned up.

**New Haven, Conn.** Factories are fairly busy and there is very little unemployment. There is apparently not much complaint of lack of business. Retail stores are busy and sales are up to normal, in some cases surpassing those of the corresponding period in 1918. The money market is considered fairly easy, with 6 per cent. the prevailing rate. People feel confident of the future and believe they can look forward to a period of greatly increased prosperity.

### Sales of Certificates of Indebtedness

#### In Anticipation of the Victory Liberty Loan

	Subscriptions	Quotas	Per Cent. of Quota Subscribed
Connecticut . . .	\$68,589,000	\$66,600,000	103
Rhode Island . . .	43,905,500	43,900,000	100
Massachusetts . . .	319,901,000	324,100,000	98
New Hampshire . . .	15,433,000	17,900,000	86
Maine . . .	18,930,000	22,200,000	85
Vermont . . .	9,034,000	14,500,000	60
<b>Total . . .</b>	<b>\$475,792,500</b>	<b>\$489,200,000</b>	<b>97</b>

### Boston Clearing House figures compare as follows:

(In Thousands of Dollars)

	May 17, '19	Apr. 18, '19	May 18, '18
Number of Banks	11	11	11
Capital	\$34,200	\$34,200	\$33,200
Circulation	4,739	4,712	4,968
Loans and Discounts	550,565	542,177	503,733
Demand Deposits	426,147	434,696	464,336
Due to Banks	127,916	115,577	129,078
Time Deposits	11,967	12,347	16,179
Exchanges for Clearing	17,335	17,103	18,434
Due from Banks	68,755	67,543	86,649
Cash and Reserve with			
Federal Reserve Bank,	62,545	64,575	61,022
Excess Reserve and Cash,	15,389	17,642	11,704
Exchanges for week	337,621	260,492*	317,154

\*Week of five days.

### Clearing House Banks in the larger cities in this district

Report the following as the total charges to their depositors' accounts:

(In Thousands of Dollars)

	Four Weeks Ending May 21, '19	Four Weeks Ending Apr. 16, '19
Bangor, Me.	\$13,987	\$11,437
Fall River, Mass.	34,262	27,178
Hartford, Conn.	92,932	86,267
Holyoke, Mass.	13,175	12,987
Lowell, Mass.	21,496	18,892
New Bedford, Mass.	28,401	23,894
New Haven, Conn.	66,849	69,432
Providence, R. I.	137,781	115,173
Springfield, Mass.	52,114	57,800
Waterbury, Conn.	27,070	27,121
Worcester, Mass.	65,443	61,896
<b>Total outside of Boston</b>	<b>\$553,510</b>	<b>\$512,077</b>
Boston	1,784,837	1,682,699
<b>Total all Cities</b>	<b>\$2,338,347</b>	<b>\$2,194,776</b>

### Condition of Forty-two Selected Member Banks

ON MAY 16, 1919

With Comparative Totals for April 18, 1919, and May 17, 1918

(In Thousands of Dollars)

	Twenty-three Banks outside of Boston				Nineteen Banks in Boston			
	May 16 1919	April 18 1919	May 17 1918	% Change in year	May 16 1919	April 18 1919	May 17 1918	% Change in year
U. S. Bonds and Notes	\$19,569	\$19,081	\$15,972	+ 22.5	\$16,456	\$12,031	\$16,293	+ 1.0
U. S. Certificates	44,828	41,962	8,049	+456.9	69,512	71,556	21,040	+230.3
Loans secured by U. S. obligations,	15,049	17,768	9,596	+ 56.8	60,924	65,557	50,627	+ 20.3
Other loans and investments	221,022	221,423	225,723	- 2.0	460,539	545,283	567,102	- 18.7
Reserve F. R. B.	14,726	13,826	13,785	+ 6.8	46,033	49,023	52,779	- 7.6
Net Demand Deposits	166,886	177,330	161,616	+ 3.2	461,777	527,220	504,506	- 9.2
Time Deposits	71,816	72,218	70,871	+ 1.3	29,937	35,430	26,146	+ 14.4
Gov. Deposits	7,908	13,140	16,081	-103.3	26,513	38,458	98,274	- 73.0

### Statement of Condition of the Federal Reserve Bank of Boston

(In Thousands of Dollars)

#### RESOURCES

	May 23, '19	Apr. 18, '19	May 24, '18
Gold Reserve against F. R. Notes,	\$71,257	\$71,027	\$65,163
Gold Reserve against Deposits,	42,289	45,276	67,481
<b>Total Gold</b>	<b>113,546</b>	<b>116,303</b>	<b>132,644</b>
Legal Tender and Silver	7,716	6,371	2,709
<b>Total Reserves</b>	<b>120,262</b>	<b>122,674</b>	<b>135,353</b>
Discounts secured by U. S. Sec.,	144,102	148,618	31,241
Discounts — Commercial Paper	5,199	5,864	10,036
Bankers Acct. bought in open market,	15,859	6,402	22,314
U. S. Sec. pledged to secure circulation,	16,916	16,416	1,421
Other U. S. Securities owned	556	539	616
<b>Total Earning Assets</b>	<b>182,632</b>	<b>177,839</b>	<b>65,628</b>
Uncollected Items	57,948	62,349	26,252
Other Resources	2,059	1,904	
<b>Total Resources</b>	<b>363,901</b>	<b>364,766</b>	<b>227,293</b>

#### LIABILITIES

	May 23, '19	Apr. 18, '19	May 24, '18
F. R. Notes Net	\$169,647	\$174,092	\$102,898
F. R. Bank Notes Net,	16,466	15,396	
Due Treasury U. S.,	9,605	17,501	11,728
Due Members Net.	103,744	95,906	87,830
Collection Items, etc.,	51,920	49,464	17,734
<b>Gross Deposits,</b>	<b>165,269</b>	<b>162,871</b>	<b>117,292</b>
Capital	6,849	6,784	6,466
Surplus	2,996	2,996	75
All other Liabilities,	2,674	2,627	502
<b>Total Liabilities,</b>	<b>363,901</b>	<b>364,766</b>	<b>227,233</b>

### OFFICERS

CHARLES A. MORSS

*Governor*

CHARLES E. SPENCER, Jr.

*Deputy Governor*

FRANK W. CHASE  
WILLIAM N. KENYON

CHESTER C. BULLEN  
*Deputy Governor and Cashier*

*Assistant Cashiers*

ERNEST M. LEAVITT  
HARRY A. SAUNDERS

FREDERIC H. CURTISS  
*Chairman and Federal Reserve Agent*

RUSSELL B. SPEAR  
*Assistant Federal Reserve Agent*

L. WALLACE SWEETSER  
WILLIAM WILLETT