# MONTHLY REVIEW

OF

## Business and Industrial Conditions in the New England District

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FEDERAL RESERVE BANK OF BOSTON

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## THE SITUATION

The industrial situation in this district is unsatisfactory and its confusing unevenness makes it difficult for business men to be consistently optimistic about the immediate future. Strictly speaking there has not been any recent change for the worse, but only a continuation of uneven liquidation. Some lines of industry, such as textiles, are quite busy, while others—steel and iron, for example — are dull. Similar examples of disproportionate price declines can be given. This unevenness in the process of readjustment may cast a shadow of pessimism over business for some time. Nevertheless, there will probably continue to be certain lines of industry operating at satisfactory capacity. New England is, perhaps, as well situated in this respect as any other section of the country. Our textile industry, particularly the woolen and worsted sections has shown a remarkable recovery from the depression of midwinter, and during June operations were at the rate of 75 to 95 per cent. of full capacity. The cotton goods section has not fared quite as well, but even here present production is not far from 75 per cent. of full capacity. The boot and shoe manufacturers in New England increased operations in June nearly 25 per cent. over May, a very respectable gain, and this industry was running during June at about 60 per cent. of full capacity, with operations being continually expanded.

It must be admitted, however, that, although New England's major industries are faring well, this district has also suffered from the unevenness of the readjustment previously mentioned. The metal trades, which are large factors in the industrial life of the district, are probably suffering from the depression as much now as at any time, though they have not on the whole reduced wages more than 12½ per cent. from their peak; — the cost of living, as shown by the Massachusetts Commission on the Necessaries of Life, has declined more than this, and wholesale prices are down more than 40 per cent. The paper industry in New England is also passing through a quiet period. There has been a strike in progress since May 1, affecting manufacturers of newsprint, but in the past month this has been settled in a number of the smaller mills and the largest single producer has attempted to reopen its mills with a compromised reduction in the rate of pay of about 20 per cent.

In making a survey of the industrial situation at this time, one must not lose sight of the fact that this is the vacation season and that for industry to be slack in the summer is normally to be expected. This year many firms are shutting down for longer periods than was the custom during the years of business prosperity, a condition which gives an exaggerated impression of the amount of unemployment at this time. Retail trade also is usually 30 or 40 per cent. less during the summer months of July and August than during the spring months of April, May and June.

During June the New England department stores made a very satisfactory showing, the sales of eight such stores in Boston increasing 2.5 per cent. over May, this being but 1.5 per cent. below the business of June, 1920, while 16 department stores located in other New England cities did nearly 5 per cent. more business in June than in May, although 8.5 per cent. less than in June, 1920, (measured in terms of the number of dollars' worth of goods sold). When it is considered that retail prices on the whole have declined as much as 20 per cent. in the past year, it must be acknowledged that the physical volume of goods being sold to consumers by the department stores, not only in New England, but throughout the country, surpasses this year the totals for corresponding months a year ago. As has been pointed out before, it is fundamental that the surplus stocks of goods throughout the world must be reduced before there can be a return of prosperity and the sooner stocks of manufactured goods are transferred from the warehouses and merchants' shelves to the hands of the ultimate consumer, the sooner wholesalers and manufacturers will have to replenish their stores of finished products by putting raw materials through manufacturing processes.

The physical volume of building construction in this district for which contracts have already been awarded has improved considerably this spring, but during June showed at least a temporary recession. The cost of building has remained fairly steady since the last of May. Inasmuch as the volume of construction usually increases as cold weather ends, the improvement that has taken place so far this year has not been unusual, and it is yet too early to know whether or not the building industry has definitely turned the corner.

The outstanding feature of the Boston financial situation is the recent reduction in the rediscount rate by the Boston Federal Reserve Bank, effective July 21, 1921, liquidation in this district having gone so far that the directors of this bank considered that it was no longer necessary to maintain a rate of 6 per cent. The rediscount rate on all classes of paper and maturities was accordingly reduced to 5½ per cent. Similar action taken by the Reserve Banks at New York, Philadelphia and San Francisco was at the same time approved by the Federal Reserve Board. While the reserve ratio of the Boston bank during the month had steadily increased until the adjusted ratio had averaged over 80 per cent., the reserve system as a whole had shown a similar improvement, standing at an average of over 60 per cent.

Just as we have seen the accumulation in this country of a surplus of commodities, particularly raw materials, above the domestic consumptive demand, a surplus which cannot find its way to a market either here or abroad until the trade depression which prevails all over the world finds relief, so we are also now observing the accumulation in the Federal Reserve System of a growing amount of reserve credit caused by liquidation of loans and the extraordinary influx of gold into this country. When, therefore, the time comes that not only the physical reconstruction of the war devastated countries of Europe, but the relief of the world in general from present conditions of industrial depression has progressed to the point where we may be reasonably assured of the stability of governments and of the economic structure of the nations, the United States should be in an exceedingly favorable position to supply the foreign credits necessary to bring about a satisfactory revival of industry.

Commodity prices in the United States continued their decline during June. However, it should be noted that Bradstreet's index, which is compiled by adding the wholesale prices of a pound of each of 96 commodities, and which is often considered by economists as an index which forecasts the movement of prices rather than indicating the status at any one time, moved contrary to other standard indices during June. This increase amounted to only 1 per cent., not a very large one to be sure, but important, inasmuch as it was the first increase since early in 1920. The index of commodity prices compiled by the United States Department of Labor is generally held to be the one showing best the prevailing situation, and is compiled by scientifically proportioning the prices of 327 commodities according to the importance of each. This index has declined over 45 per cent. from its highest level, and during June was but 48 per cent. above the 1913 average. Commodity prices in foreign countries are, with the exception of Germany and Japan, still declining. In no case has the decline been as extended as in this country.

The cost of living in Massachusetts as shown by the Massachusetts Commission on the Necessaries of Life, decreased during June. This Commission estimated that between July, 1920, when the cost of living was the highest, and June, 1921, it had declined 21.4 per cent. The cost of food, clothing and sundries all were slightly less in June than in May, while the cost of shelter and fuel showed practically no change.

## MONEY AND BANKING

The appearance of investment funds in the open market following the mid-year coupon and dividend disbursements resulted in considerable activity with rising prices among first-grade investment securities, in contrast to the relative stagnation in the stock market. In the larger money markets, on the other hand, a strong cross current, due to the usual seasonal passing of funds westward at this time of year, has been in evidence, being reflected in a stronger call money rate in New York, which rose from the 5 per cent. rate prevailing at the end of June to 6 per cent. in the middle of July.

Absence of the usual offering of Treasury Certificates by the government, payments on subscriptions to the American Telephone and Telegraph Company stock, and the continued dullness in general commercial business, have brought a further easing in the local money market, some of the larger Boston banks going out of debt with the Reserve Bank for the first time in many months. Brokers' demand loans, which have been for several months at 7 per cent., were marked down to 6 per cent. early in the month.

Bankers' acceptances are selling at one-half per cent. below the prices ranging last month and the highest grade of commercial paper (note brokers'), of which there appears to be a rather limited supply, is selling at from one-quarter to one-half per cent. lower than last month. Six months bankers' acceptances have sold as low as 5½ per cent., this rate being affected by the Reserve Board's ruling making acceptances of maturities longer than three months eligible for purchase by the Federal Reserve Banks.

The reduction by the Federal Reserve Bank of Boston on July 21 of the rediscount rate on all classes of paper and maturities to 5½ per cent., followed by the Reserve Banks of New York, Philadelphia and San Francisco, is evidence of the improved condition of the general financial situation.

Money rates in the open market at Boston on June 15 were as follows:

| | | |
|---|---|---|
| Commercial Banks to Customers, | 6 to 7 | per cent. |
| Brokers' Call Money, | 6 | per cent. |
| 90-Day Prime Bankers' Acceptances, unendorsed, | 5¼ to 5⅜ | per cent. |
| Commercial Paper (note brokers') | 6¼ to 7 | per cent. |
| Year Collateral Loans | 6½ to 7 | per cent. |

*Federal Reserve Bank of Boston.* Loan contraction at the Federal Reserve Bank of Boston has again set in after the temporary but sharp upturn in June. Total bills on July 20, hovering around $80,000,000, were lower than at any time in over three years and $156,000,000 (70 per cent.) below the peak reached on September 3, 1920. Liquidation during the first half of July was general in all classes of loans, contraction in those based on commercial paper amounting to 24 per cent., those secured by government war obligations 10 per cent., and open market acceptance transactions 17 per cent. During the same fortnight this bank's rediscounting for other Federal Reserve Banks doubled as the result of crop financing requirements in the Southwest. Coincident with this sharp liquidation of loans the Federal Reserve Bank of Boston experienced an almost unprecedented inflow of gold, which, during the first half of July, added nearly $28,000,000 to the reserve account, or $3,000,000 more than the entire net increase in gold during the first half of the current year. This flood of gold, taken in conjunction with very small increases in Federal Reserve Notes in actual circulation and Total Deposits, resulted in a combined ratio of 79.2 per cent. on July 14, the highest since the early days of the bank.

*Member Banks.* The sharp reduction in loans to member banks noted above was much more marked in the case of Boston banks, which cut down their total rediscounting and borrowing 35 per cent. ($20,299,000) during the first half of July, than for banks in certain of the larger cities in this district outside of Boston, where the contraction amounted to only 22 per cent. ($2,497,000). Loans to Boston banks on July 13 represented 81 per cent. of the total. Meanwhile total loans made by these member banks to their customers declined nearly 3 per cent. in Boston and 1 per cent. outside, while total deposits increased 2 per cent. both in Boston and outside, and total reserves, including Cash in Vault, increased 5 per cent. for each.

*Debits to Individual Accounts.* Debits to Individual Accounts should be a more complete measure of business activity than are bank clearings, since they include all checks drawn and cashed in the same bank, and other checks which for any reason do not pass through a clearing house. Consequently the following table, showing the per cent. of change in the last two months in Debits to Individual Accounts of 112 banks in 14 New England clearing house cities, is considerably more inclusive than mere clearing figures. The significant feature brought out by this tabulation is the fact that it is the larger centers which show the greater relative stagnation in business, while the textile cities, broadly speaking, appear to have turned the corner toward greater activity.

Debits to Individual Accounts

| Increases: | July 7-13 | May 5-11 | %Change |
|---|---|---|---|
| Hartford | $22,276 | $19,289 | +15.5 |
| New Bedford | 5,987 | 5,327 | +12.4 |
| Bangor | 4,093 | 3,668 | +11.6 |
| New Haven | 17,198 | 16,544 | + 4.0 |
| Lowell | 4,496 | 4,336 | + 3.7 |
| Holyoke | 2,930 | 2,847 | + 3.0 |
| Portland | 7,309 | 7,140 | + 2.4 |
| Manchester | 4,559 | 4,465 | + 2.1 |
| Fall River | 5,542 | 5,464 | + 1.4 |
| Springfield | 12,800 | 12,769 | + .2 |
| Decreases: | | | |
| Boston | $295,258 | $309,765 | — 4.7 |
| Waterbury | 5,188 | 5,430 | — 4.5 |
| Providence | 30,043 | 31,181 | — 3.6 |
| Worcester | 14,259 | 14,373 | — .8 |

*U. S. Treasury Operations.* While the peak of the floating debt was reached April 30, 1919, the highest point in the gross debt was not reached until four months later. On June 30, 1921, our gross debt was at the lowest point reached since the peak, having declined nearly 8 per cent. The floating debt also took a sharp drop in June, due to the issue of $311,191,600 Treasury Notes, which more than offset the apparent decline of $121,000,000 of Certificates of Indebtedness which they replaced. During the month of June $108,000,000 of Victory Notes and $36,000,000 of Liberty Bonds were redeemed.

During June the Federal Government received about $553,000,000 on account of June payments of income taxes as compared with $735,000,000 in the same month last year. For the fiscal year ending June 30 all taxes yielded $4,594,000, of which income and profits taxes represented 70 per cent. The State of New York produced nearly one-quarter of the total, while Massachusetts was sixth in the list, producing $259,-000,000, or less than 6 per cent. of the total. The states leading Massachusetts were, in order, —New York, Pennsylvania, Illinois, Ohio and Michigan.

*Bankers' Acceptances.* The acceptance market may be described as quiet but steady. The excellent demand for bills which prevailed at the close of the period of the last report, June 20, did not continue, although there was a fair demand for acceptances up to within a few days of July 1. Notwithstanding the small demand that has since existed, more bills were sold in this district than were made. Dealers anticipated that July disbursements would cause a slackening in demand in New York, influenced by higher call money rates. After the first of the month investment buying again developed, money became somewhat easier and bills moved reasonably well. As the month advanced toward the 15th sales slackened considerably and dealers' holdings increased somewhat, but owing to the small number of bills being made, there was no large volume in their portfolios.

Undoubtedly the open market on Certificates of Indebtedness competes with the acceptance market, but the scarcity of certificates and the fact that all issues are now selling at a premium has, at least in some instances, reacted to the benefit of the acceptance market. Instances are known of banks advising customers to buy short time bills to mature about the time the new certificate issues are anticipated and this advice has undoubtedly been followed.

Some six months bills based on importation of burlap were sold to dealers at 5⅝ per cent. and were offered to investors at 5½ per cent., evidencing the opinion that six months money at 5½ per cent. for this class of investment was a satisfactory rate.

Buying rates for about two weeks previous to July 23 were very generally 5⅜ per cent. for 90-day bills, although there has been some buying at 5½ per cent.

# RETAIL TRADE

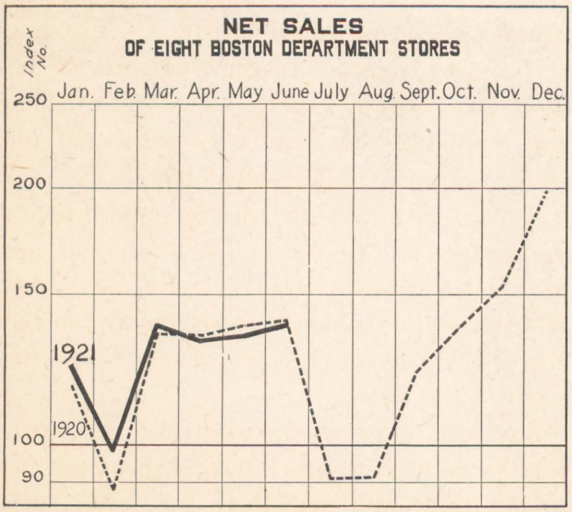
Retail trade in New England during the month of June maintained the remarkable showing that has existed all of this year. Merchants in almost all lines of business report that the volume of their sales each month of this year has been larger than in the corresponding month a year ago and that these net sales, when measured in terms of dollars rather than pieces, were very nearly equal to 1920 values. The eight Boston department stores, for instance, which regularly report to the Federal Reserve Bank of Boston, sold 1.5 per cent. less goods during June, measured in dollars, than in June, 1920. Sixteen department stores located in other New England cities sold 8.5 per cent. less goods, measured on the same basis. An encouraging factor in the situation is that, for both the stores in Boston and in other New England cities, June was a better month than May, Boston sales being 2.5 per cent. larger and department stores in other cities selling 4.7 per cent. more. The stocks of goods carried by these representative merchants continue to remain at a level about 17 per cent. below the amount maintained a year ago, and stocks on hand declined slightly during June.

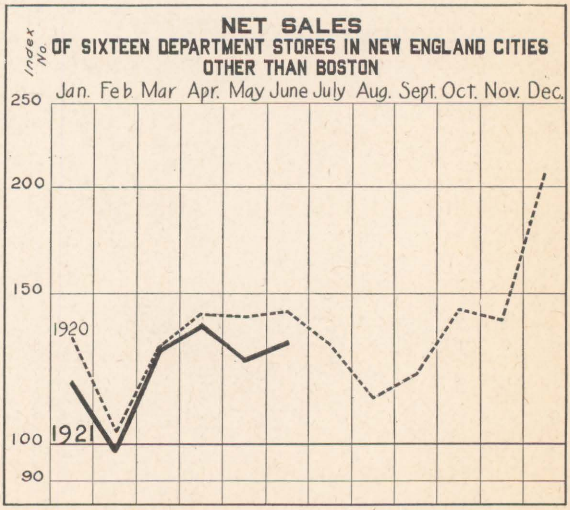
Since the first of July the volume of retail business has undoubtedly declined, an occurrence which is perfectly natural during the summer months. However, the extremely hot weather prevailing has acted as a considerable stimulant for sales of certain seasonable lines.

Retail prices on the whole experienced a further, although slight, decline during the month of June, largely due to the desire of merchants to clean up as much of their left over spring goods as possible.

Merchants report that it is becoming increasingly difficult to sell high priced goods. Notions, bathing suits, summer fabrics and furniture seem to be selling well, paper patterns extremely well, while linens, gloves, floor coverings, women's coats and suits, kitchen furnishings, and especially phonographs, apparently are selling poorly. Outstanding orders for merchandise for six Boston department stores have been increasing for several months, and on July 1 amounted to 6.9 per cent. of the cost of their total purchases during 1920. The opposite tendency is shown by the stores located in other New England cities where outstanding orders have been decreasing and on July 1 were only 5.5 per cent. of their 1920 purchases.

| | Net Sales During June 1921 Compared with:— | | Net Sales During Jan. thru June 1921 compared with 1920 | Stocks at Retail June 30, 1921 Compared with:— | | Ratio of Stocks to Net Sales During:— | |
|---|---|---|---|---|---|---|---|
| | June 1920 | May 1921 | | June 30, 1920 | May 31, 1921 | June 1921 | Jan. thru June 1921 |
| 8 Boston Stores | — 1.5% | +2.5% | +1.5% | —16.6% | — 3.4% | 2.54 | 2.83 |
| 16 Outside Stores | — 8.5% | +4.7% | —7.1% | —17.1% | —5.8% | 3.75 | 4.16 |
| Total | — 3.1% | +2.9% | — .5% | —16.8% | —4.1% | 2.80 | 3.12 |



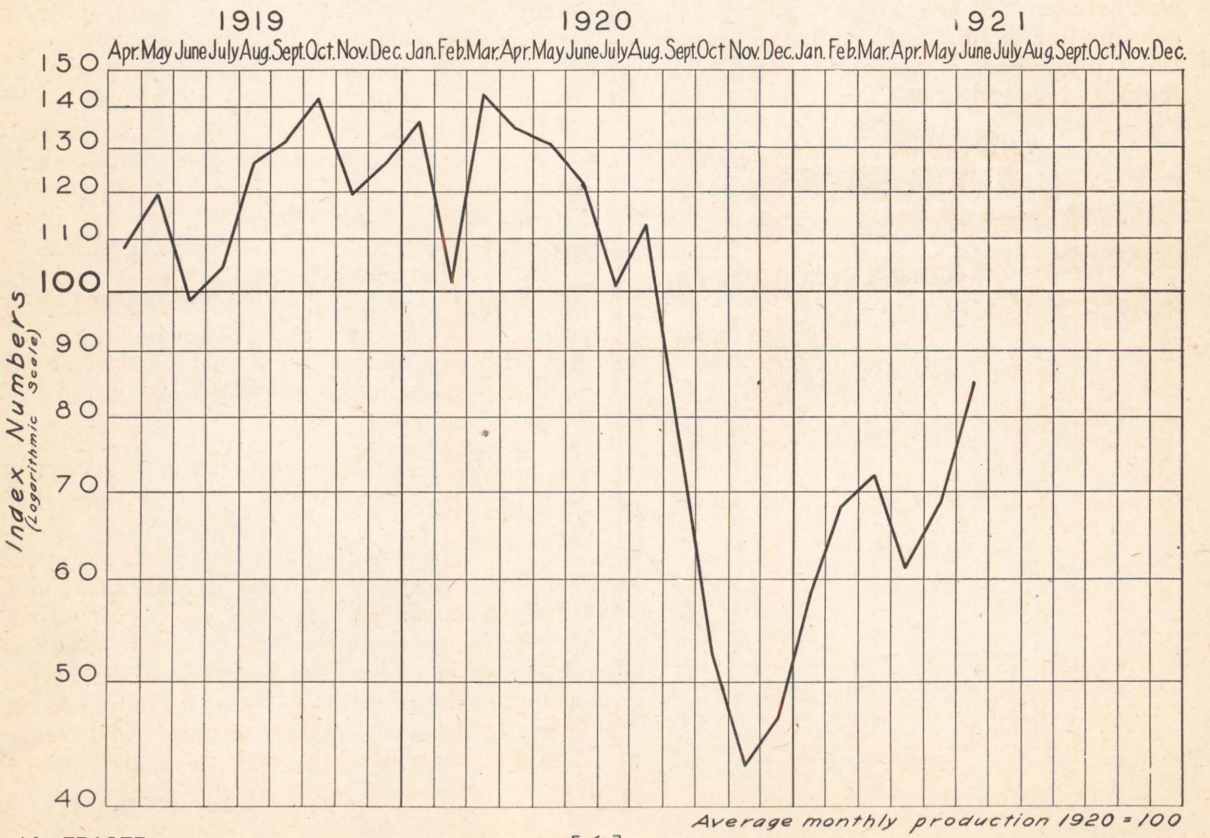
The production of boots and shoes in New England during June was such as to emphasize the recovery that this industry has experienced since its worst period last winter. Eight representative New England manufacturers who regularly report their production to the Boston Federal Reserve Bank may be considered to be a good sample of the status of the industry in this district. The number of pairs of shoes made by these concerns during June was more than twice the amount manufactured last November — their dullest month. In fact, June production was about 24 per cent. higher than that of May. To be sure even this was 15 per cent. below the average monthly production during 1920, and possibly but slightly in excess of 60 per cent. of maximum capacity. The chart below portrays the recovery that this industry has experienced. The depression seemed to affect the larger factories more than the smaller, but June saw a decided recovery in production by the large concerns. One of the major factories reports that although June production amounted to 60 per cent. of the possible maximum, it was cutting on an 80 per cent. basis on the first of July. As a general rule, both the unfilled orders on the books of these companies and the finished stocks on hand at the end of June showed little or no change over the condition prevailing at the close of May. Stocks of finished shoes held by the manufacturers are probably not excessive. However their unfilled orders also are not large.

The Department of Commerce has just issued a comparison of the production of boots and shoes in the United States during 1914 and 1919. An analysis of these statistics shows that in 1914 Massachusetts produced 39 per cent. of all the boots and shoes made in the United States, whereas in 1919 this proportion had dropped down to 37 per cent. New Hampshire similarly fell from a proportion of 9 per cent. in 1914 to 8 per cent. five years later, while Maine fell from 5 per cent. to 4 per cent. between those two periods. One notable change in the trend of Massachusetts' production is that while the production of men's shoes declined relative to the total production in the United States, the production of women's shoes increased.

The leather markets are fairly quiet and prices on the whole have remained firm. The hide market has been subject to fluctuations because of the possibility of Congress placing a tariff on raw hides.

**BOOT AND SHOE PRODUCTION**

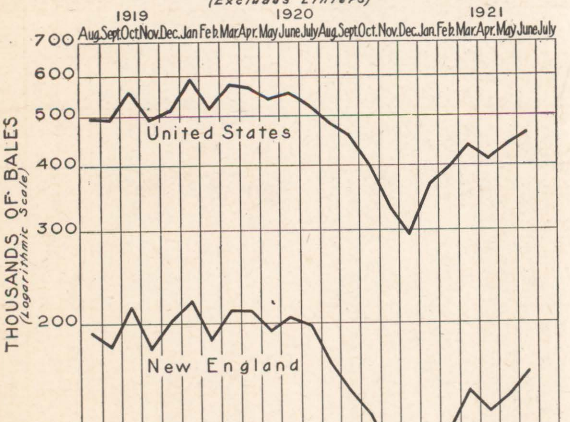
**BY EIGHT NEW ENGLAND MANUFACTURERS**



**Cotton** On July 1 the United States Department of Agriculture estimated that the cotton crop to be harvested this autumn would amount to 8,433,000 bales, a decrease of nearly 5,000,000 bales from the total reached in 1920. This decrease is accounted for by two factors, first a curtailment from 37,000,000 to 26,500,000 in acreage planted, and secondly, growing conditions so unfavorable that on June 25 the condition of the crop was but 69.2 per cent. While this reflects a slight improvement over the previous month it falls considerably below the June 25 average for the past ten years of 78.8 per cent. The present forecast indicates a yield of 152 pounds per acre; the highest figure attained in recent years was 211 pounds per acre in 1911. Taking this latter figure as a practical maximum that can be expected, a crop of over 11,000,000 bales is impossible, and considering present growing conditions, together with the probable result of greatly curtailed use of fertilizer, the July 1st estimate of the Department of Agriculture is probably not far from indicating the size of crop that will actually be harvested.

There has been a moderate recovery from the low price of 10.85c. a pound for spot cotton reached during the latter part of June, and the price range during the first three weeks of July was between 12 and 12.85c. a pound. Cotton consumption in June totaled 461,656 bales; while this represents an increase of 22,000 bales over the May figure, it is still 17 per cent. below that of a year ago. Activity in New England accounted for almost all of the increase and the New England total of 162,000 bales is larger than that of any month since August, 1920, and represents 81 per cent. of the average June consumption in this district for the past five years.

**RAW COTTON CONSUMED**
**NEW ENGLAND — UNITED STATES**
*(Excludes Linters)*




*(Department of Commerce)*

Exports of cotton during recent weeks have been heavy though the seasonal total remains about 17 per cent. below that of last year. In like manner exports of cotton goods have bulked larger than for some time, especially in the case of brown sheetings and drills to China and India. Prospects for an improvement in Oriental trade look brighter as crop conditions in India are favorable and the value of silver, the medium of exchange in the Far East, has been increasing.

Cotton consumption figures indicate an increase of activity in textile manufacturing unquestionably above that to be found in most industries. Competition is so keen, however, that profits are not keeping pace with the volume of business and fear is felt that the lower wage scale maintained in Southern mills endangers the stability of that prevailing in New England.

Recovery in the yarn market has been hindered by the constant appearance of forced offerings from secondary hands sufficient in volume to enable consumers to fill their immediate needs at much lower figures than most spinners will consider. Though the larger tire companies have enough yarn to meet their requirements for some time to come, a number of smaller independent companies are buying in moderate amounts for immediate delivery.

Fabrics whose uses are primarily industrial, such as ducks, remain in relatively the weakest position. The bulk of business, except for fabrics such as ginghams, which have attained strong popularity, is either spot or confined to deliveries that do not extend beyond the immediate future. While individual orders are small when contrasted with those of previous seasons, the rapidity with which they are repeated indicates that the product is passing into immediate consumption.

**Wool and Woolen and Worsteds** The Boston wool market has been very quiet during July and prices have been weak. Mills are not desirous of purchasing much raw material at this particular time although recently they have been fairly heavy purchasers from the western growers. Prices, while not declining at the rate they were last fall, are nevertheless, on the whole, sinking lower each month. Prices of tops, (semi-manufactured wool), have also been weak, although by the middle of July they were practically no lower than prices prevailing during the first of April and middle of May, levels which have proved to be the lowest reached by tops thus far during the period of deflation. Worsted weaving yarns, although not strong, probably have not receded further than the lowest prices made earlier during this year. Prices for raw wool are about the same now as they were during the first of 1916; tops have had nearly as drastic a readjustment and are down approximately to the prices prevailing during the last part of 1916, while prices of weaving yarns have only receded to the level prevailing during the middle of 1917. This is, of course, natural, inasmuch as the wages of textile labor have not dropped as sharply as has the price of raw wool, for while there must be a certain amount of labor expended producing raw wool, there is an increasing amount used in the production of tops and a still larger amount used in the spinning of yarns.

The woolen and worsted industry has had a rather remarkable comeback from the depths of the depression of last winter. In fact the wool combing machinery in the United States was run at 96 per cent. of capacity during June. The activity of other woolen and worsted machinery (excepting carpet and rug looms) ranged from 74 per cent. capacity operation upward during that same month.

**Paper**

The paper industry is undergoing that period of quiet which seems to be an inevitable accompaniment of readjustment in all lines of business. In the newsprint field a number of mills have settled the strike which has been in progress since May 1 on the basis of arbitration, but the largest producer, whose operations in New England are on a considerable scale, has not yet come to terms with its employees, who refuse to accept the proposed reduction of about 20 per cent. in rates of pay. According to the Federal Trade Commission, the domestic production of all newsprints during June was 26 per cent. below the average for that month during the past three years. The June output, however, was slightly larger than that of May. The paper mills shipped more newsprint than they produced so that the manufacturers' stocks at the end of June were less than at the beginning.

In volume of business transacted the newsprint market is most nearly normal. Next in order come those lines that stand nearest the ultimate consumer. Conditions in the paper board markets and among makers of products which serve as containers for the output of other industries, are extremely dull and show no improvement.

Prices during July have shown little decline except in grades whose use is primarily industrial. News roll continues to be quoted at 5c. a pound in the spot market, with medium fine book paper at 7¾c. and ledger writing at 16c. per pound. Paperboard, both chip and straw, which had increased in price during May and June to $40 a ton yielded most of its advance early in July and is quoted at $30 and $35 respectively.

Among raw materials sulphite, which enters largely into the production of paper, decreased in price early in July from 5¾c. to 5¼c. per pound, with prevailing quotations nominal, and on July 15 wood pulp was selling at a level 25 per cent. below that of the first of the month. The price of old paper, on the other hand, at last shows an improvement, Number 1 mixture having increased from $3.00 on July 1 to $3.50 per hundred pounds on July 15.

Analyses of newspaper and magazine advertising indicate a falling off in the volume of each. In the case of newspapers the decrease as compared with a year ago is relatively small. In the magazine field, however, a survey of the May and June issues of publications having nation wide circulation showed that advertising lineage averaged 40 per cent. less and in a very considerable number of cases ran from 50 to 75 per cent. less than last year. This indicates, of course, a substantially smaller demand for paper from these sources.

**Metal Trades**

A survey conducted by the Federal Reserve Bank of Boston during July indicates that the metal working industry of New England is operating at approximately one-third capacity with rather more firms below this average than above. There are occasional instances of full time operation, but these are offset by the number of firms closed down because of lack of orders. The condition is spotty and it is impossible to draw a clear line of demarcation between the situation in different states or in different branches of the industry. Possibly the most activity exists at present among companies making tools and supplies for the building trades, though one manufacturer plainly states that the gains in orders are not coming from New England, but from other sections of the country. A manufacturer of tanks and pumps reports the past six months as the best in his history and states that that particular line of business has suffered relatively little. Producers of machinery are dependent upon the recovery of business in the particular industries using their product and are suffering from the considerable quantity of second hand machinery on the market that must be absorbed before substantial orders can be expected. Companies whose product is diversified are manufacturing on relatively a more stable schedule and are not suffering the extreme dullness found in particular lines.

The quantity of orders on hand is extremely small, and the firm with a volume of advanced business equivalent to whole time operation for even a week or two is the exception. The typical condition is well stated by the treasurer of a Connecticut concern who says that "with one or two exceptions in so far as specialties are concerned it is difficult to keep production down to orders." In cases where manufacturing is on a basis as low as 25 per cent. capacity the report comes that "even this is putting some goods in stock for which we have no definite orders."

The cancellation evil is largely, though not entirely, a thing of the past, but companies have frequently been asked to suspend shipments of goods ordered until business conditions improve. The following statements from the treasurers of two Connecticut concerns are typical: "Our unfilled orders represent about three months' production, but practically all these orders are old ones," and "We have on our books a large volume of business which has been manufactured and is now being held in our shipping rooms as our customers have held up orders." Wage reductions have occurred in the case of about 90 per cent. of the firms reporting. The majority of the reductions range between 10 and 20 per cent.; it is impossible to state the definite average, but a fair estimate would probably be about 12½ per cent. There are indirect changes which will affect wages, however, chief among which are the abolition in a number of cases of higher rates for overtime than ordinary employment, the elimination of bonus payments and the inauguration of "task and bonus" payments based upon output. In a number of cases salaries have also been reduced.

The price situation in the steel industry is considered one of the greatest difficulties confronting manufacturers in the metal industry, and, as one correspondent states, it is impossible to "look for improvement until steel prices are sufficiently stabilized so that customers feel reasonably assured that the bottom has been reached, at least temporarily."

Stocks of finished goods held by jobbers and dealers are not considered large and in many instances very small orders are received from jobbers to be shipped direct to their customers. In spite of this, buying continues on a hand-to mouth basis and while "there is considerable activity in inquiries and estimating, it is almost impossible in spite of the most determined efforts to persuade any one actually to purchase." Though opinion is practically unanimous that conditions are as bad as will be encountered, still there are but few who expect other than a slow period of gradual recovery.

**Transportation** Carloadings of freight in the United States for the four weeks ending July 9 aggregated 2,970,000 — a decrease of 81,000 from the total of the preceding four weeks. This decline, after an almost unbroken series of increases beginning with April, forces the conclusion that the volume of railroad traffic is not at this time giving a clear indication of a continued upward trend of trade.

The volume of freight handled in New England during July showed no improvement over that of recent months; in fact, loaded cars passing the strategic gateway of one of the leading carriers during the first 18 days of the month showed a decrease of approximately 7 per cent. as compared with the same period in June. The depression in the metal working industry, together with smaller purchases of raw material by manufacturers, are especially embarrassing the railways.

Financial results of the New England railroads, (excluding the Boston and Albany Railroad, whose returns are filed with those of the New York Central Railroad) for the first five months of 1921, while showing an improvement over those of last year, are still discouraging. After meeting operating expenses, taxes and rentals, the balance available for fixed charges, dividends or reinvestment in property was represented by a deficit of $14,500,000 in 1920 and $10,600,000 in 1921. The best showing made this year was that in May, when the deficit amounted to slightly less than $100,000.

Maintenance has been reduced to a bare minimum, though additional employees have been hired for roadway work since July 1 when the reduction in wages prescribed by the Railroad Labor Board became effective. Nowhere is the amount of deferred maintenance that is accumulating, and which must be met before a normal volume of traffic can be handled, revealed more clearly than by statistics showing the per cent. of freight cars unserviceable.

*Per cent. unserviceable to total freight cars on line in New England.*

| | 1921 | 1920 |
|---|---|---|
| January | 12.4% | 7.2% |
| February | 13.6% | 6.8% |
| March | 14.8% | 7.1% |
| April | 17.1% | 6.7% |

There are at least 12,000 more cars unserviceable in New England than would be the case did the finances of the carriers permit car repairs to proceed at their normal rate. The per cent. of unserviceable to total freight cars in the United States increased from 8.7 per cent. in January, 1921, to 12.3 per cent. in April, 1921, but high as these averages are, they are considerably below those prevailing in New England.

Lowered costs are now being reflected in the expense accounts of the carriers; as an extreme illustration the average monthly cost of coal per ton consumed by one New England railway has decreased from a peak of slightly over $12.00 last autumn to less than $7.00 in June, and the average for all New England carriers has shown a steady though far more moderate decline since February.

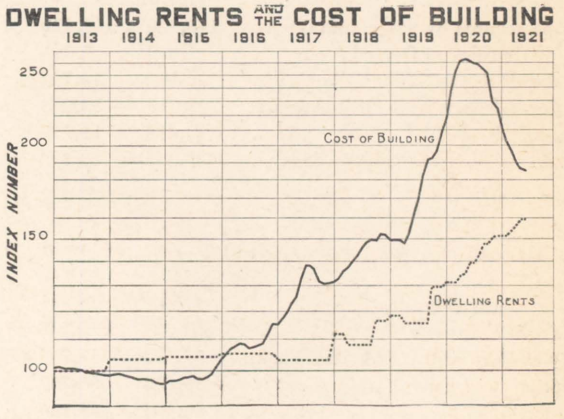
**Labor** It is rather difficult to make an accurate survey of the employment situation at this time because of the large number of factories having vacations, some of the usual length, but many of them extended. As a general proposition it may be said that the building trades and metal industries of New England are decidedly dull and are hiring very few new workers, while the textile industry, although active, is calling for only a few new employees, their forces having been largely re-employed.

Reports from the Massachusetts Public Employment Offices are not particularly encouraging; Boston reports that during the first half of July the demand for help showed a decrease as compared with the same period in June, and of course a much sharper slump when compared with July, 1920. The demand has been from a widely scattered field of industries. A few calls are noted for machinists for production work, a line of business that has been very quiet with them for many months; these orders may be the beginning of renewed activity in the metal trades. The call for house painters, which was good during June, almost disappeared in July. In Worcester, a city prominent for its metal industries, the demand for help during the first of July showed a falling off of about 10 per cent. compared with a month earlier and was about 30 per cent. lower than a year ago. Both the metal and building trades are reported as exceedingly dull, while a few of the smaller textile mills continue to furnish about the only opportunity for the placement of skilled workers, and even there the demand was not as urgent as during the previous month.

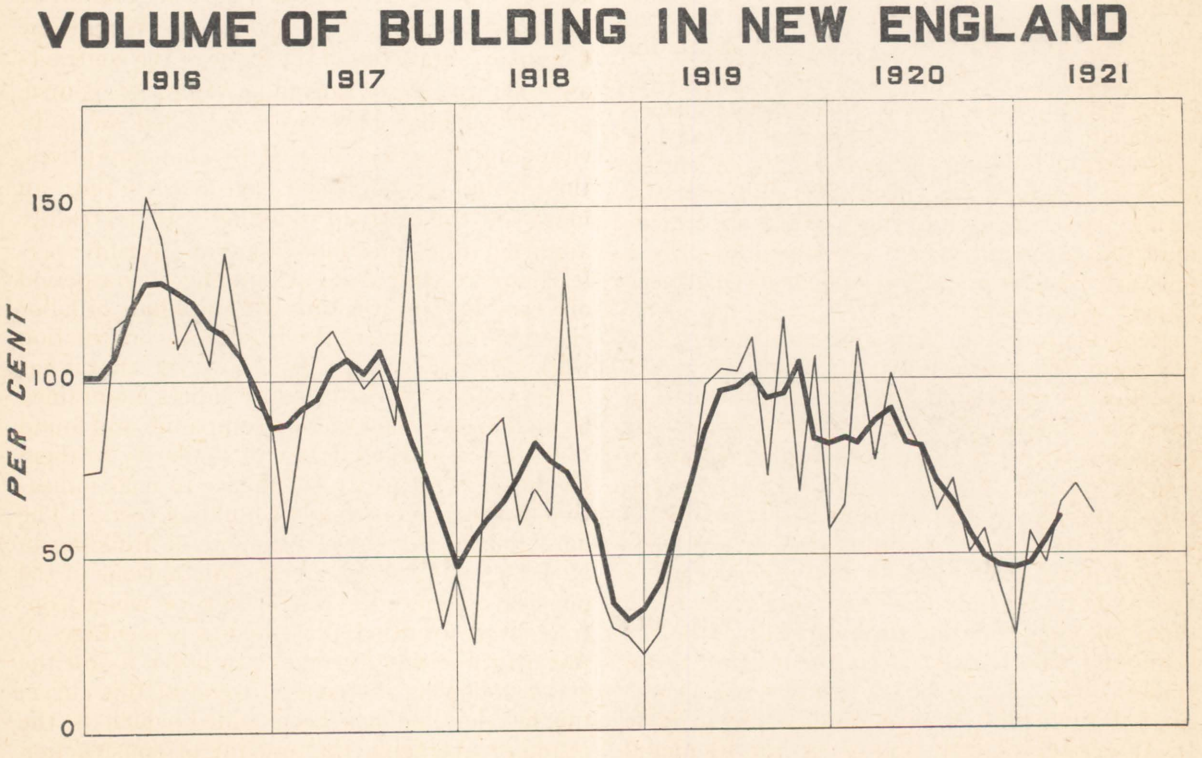
The Springfield Office reports that during the period from June 16 to July 15, 10,086 persons applied for work, while only 1,078 were asked for by employers. The daily average number of applicants for employment during that period was 403 as compared with 382 during the previous four weeks, while the daily average number of persons called for by employers was 43 as compared with 44 during the previous corresponding period. The first two weeks in July were considerably poorer than the last two weeks of June. That office reports that the demand for farm hands and general labor has fallen off. The same is true of the building and metal trades.

**Building** A study of the building situation in New England has been made by the Federal Reserve Bank of Boston and the facts developed are presented below. In order to ascertain the physical volume of construction, the well known F. W. Dodge Company's statistics of the value of the contracts awarded in New England, which, of course, are on a dollar basis, were adjusted so as to eliminate the effect caused by changing prices, this being accomplished by constructing an index of the cost of building. It is readily admitted that this index cannot measure perfectly the relative costs of building over a period of years, because the amount and kinds of labor entering into different classes of construction work vary widely;—the fact, however, that it has been carefully checked against indices maintained by well known construction companies and found to possess a marked degree of similarity to them would seem to justify confidence in it as indicative of the general trend of building costs. The light line in the chart, "Volume of Building in New England," represents the fluctuations in the physical volume of construction for which contracts were awarded, presented as percentages of the 1913 monthly average. In order to aid the eye in following the general trend of this curve, the heavier line has been added which is the result of averaging the amount of construction contracted for during any five months period and plotting that result as the value for the middle month of the five months averaged. The continually declining volume of building in New England throughout the years 1916, 1917 and 1918 — the later war years, — may be accounted for on the one hand by the constantly mounting costs of building which during these three years increased nearly 50 per cent.; and on the other hand by the patriotic desire to curtail as much as possible non-essential construction. Following the Armistice, much of the work delayed because of the latter cause, was started, causing a considerable increase in the amount of building. This improvement lasted until the summer of 1920, when the world-wide industrial depression set in which, of course, curtailed building operations regardless of the shortage of certain classes of buildings, such as dwellings. Following the extreme dullness of mid-winter, 1920-1921, building operations picked up fairly well, but this may have been only the usual seasonal occurrence, somewhat more pronounced than the corresponding upturn of the preceding year. It is too early to feel assured on this evidence that this upturn in the volume of building construction will be definite and continuous.

The companion chart, "Dwelling Rents and Cost of Building," gives an approximate comparison of the vital factors entering into the volume of construction. The cost of building index is the one used in deflating the larger chart on the volume of construction, while the index




of dwelling rents is that compiled by the Massachusetts Commission on the Necessaries of Life. The fact that since the beginning of 1916 building costs have increased at a much faster rate than the promised return on the investment, has without question indefinitely postponed the construction of many new projects.



# Condition of Selected Member Banks

(In Thousands of Dollars)

| ASSETS | Banks in Boston July 13, '21 | June 15, '21 | Jan. 7, '21 | Change since Jan. 7, '21 | Banks in Portland, Fall River, New Bedford, Springfield, Worcester, Providence, Hartford and New Haven July 13, '21 | June 15, '21 | Jan. 7, '21 | Change since Jan. 7, '21 |
|---|---|---|---|---|---|---|---|---|
| Commercial Loans and Investments, | $515,467 | $524,505 | $597,054 | — 81,587 | $301,387 | $302,561 | $306,684 | — 5,297 |
| Loans Secured by U. S. obligations, | 33,577 | 37,538 | 62,991 | — 29,414 | 16,033 | 16,904 | 17,455 | — 1,422 |
| Loans Secured by Stocks and Bonds, | 146,320 | 149,471 | 147,343 | — 1,023 | 69,343 | 69,304 | 70,120 | — 777 |
| U. S. Certificates Owned | 1,608 | 7,263 | 6,898 | — 5,290 | 4,445 | 5,888 | 12,251 | — 7,806 |
| Other U. S. Obligations Owned | 11,080 | 16,731 | 10,154 | + 926 | 42,520 | 44,371 | 39,443 | + 3,077 |
| **Total Loans and Investments,** | **708,052** | **735,508** | **824,440** | **—117,244** | **433,728** | **439,028** | **445,953** | **— 12,225** |
| Cash in Vaults | 12,298 | 12,797 | 15,964 | — 3,666 | 14,076 | 13,628 | 14,389 | — 313 |
| Reserve at Federal Reserve Bank | 59,555 | 63,397 | 63,992 | — 4,437 | 21,976 | 23,626 | 24,904 | — 2,928 |
| LIABILITIES | | | | | | | | |
| Net Demand Deposits | 567,910 | 574,481 | 604,974 | — 37,064 | 244,233 | 242,231 | 266,316 | — 22,083 |
| Time Deposits | 69,515 | 69,737 | 68,753 | + 762 | 139,027 | 140,176 | 135,243 | + 3,784 |
| Government Deposits | 13,607 | 24,901 | 6,526 | + 7,081 | 6,535 | 11,673 | 3,783 | + 2,752 |
| **Total Deposits** | **651,032** | **669,119** | **680,253** | **— 29,221** | **389,795** | **394,080** | **405,342** | **— 15,547** |
| Money Borrowed at Fed. Res. Bank, | 37,722 | 54,755 | 115,324 | — 77,602 | 8,668 | 10,745 | 8,670 | — 2 |
| Capital | 56,200 | 56,200 | 55,937 | + 263 | 31,350 | 31,350 | 31,350 | 000 |
| Surplus | 62,136 | 62,136 | 61,899 | + 237 | 29,750 | 29,750 | 32,950 | — 3,200 |
| Undivided Profits | 22,465 | 23,684 | 19,162 | + 3,303 | 16,684 | 17,489 | 15,293 | + 1,391 |
| Ratio of Borrowings to Total Loans, | 5.33% | 7.44% | 13.98% | — 8.65% | 2.00% | 2.45% | 1.94% | + .06% |

# Condition of Federal Reserve Bank of Boston

(In Thousands of Dollars)

## RESOURCES

| | July 20, '21 | June 15, '21 | July 23, '20 |
|---|---|---|---|
| Gold Reserve against F. R. Notes, | $215,585 | $198,259 | $145,618 |
| Gold Reserve against Deposits, | 46,854 | 38,366 | 69,553 |
| **Total Gold** | **262,439** | **236,625** | **215,171** |
| Legal Tender and Silver | 16,374 | 18,464 | 7,364 |
| **Total Cash Reserves** | **278,813** | **255,089** | **222,535** |
| Discounts secured by U. S. Sec., | 32,843 | 37,547 | 78,845 |
| Discounts—Commercial Paper, | 41,891 | 53,934 | 65,883 |
| Bankers' Acceptances purchased, | 5,750 | 10,051 | 31,622 |
| U.S. Sec. against F.R. Bk. Notes | 18,936 | 18,936 | 21,436 |
| Other U. S. Securities owned | 555 | 18,903 | 5,273 |
| **Total Earning Assets** | **99,975** | **139,371** | **203,059** |
| Uncollected items | 48,243 | 59,823 | 61,767 |
| Other resources | 4,979 | 4,948 | 2,868 |
| **Total Resources** | **432,010** | **459,231** | **490,229** |

## LIABILITIES

| | July 20, '21 | June 15, '21 | July 23, '20 |
|---|---|---|---|
| Capital | $7,911 | $7,911 | $7,532 |
| Surplus | 18,690 | 17,826 | 12,351 |
| Deposits: | | | |
| Government | 2,479 | 107 | 876 |
| Member Bank Reserves | 106,387 | 117,907 | 122,033 |
| All other | 1,081 | 1,483 | 2,164 |
| **Total Deposits** | **109,947** | **119,497** | **125,073** |
| Federal Reserve Notes | 245,906 | 251,032 | 282,284 |
| Federal Reserve Bank Notes | 8,559 | 10,856 | 13,709 |
| Collection Items | 40,058 | 50,312 | 47,230 |
| All other liabilities | 939 | 1,7?7 | 2,050 |
| **Total Liabilities** | **432,010** | **459,231** | **490,229** |
| Reserve Ratio | 78.4% | 68.9% | 54.6% |
| Loans to other Fed. Res. Banks, | 18,291 | 7,408 | 36,495 |

# OFFICERS

CHARLES A. MORSS
*Governor*

FREDERIC H. CURTISS
*Chairman and Federal Reserve Agent*

CHESTER C. BULLEN
*Deputy Governor*

WILLIAM W. PADDOCK
*Deputy Governor*

WILLIAM WILLETT
*Cashier*

CHARLES F. GETTEMY
*Assistant Federal Reserve Agent*

*Assistant Cashiers*

FRANK W. CHASE, ELLIS G. HULT, WILLIAM N. KENYON, ERNEST M. LEAVITT, HARRY A. SAUNDERS, L. WALLACE SWEETSER