

MONTHLY REVIEW

Of Industrial and Financial Conditions in the New England District

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FEDERAL RESERVE BANK OF BOSTON

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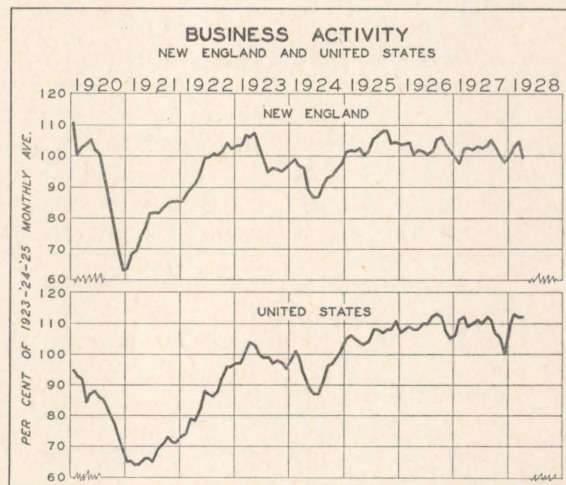
THE SITUATION

During the first quarter of 1928 industrial conditions in New England were improving, and the Index of New England Business Activity increased from 100.0 in January to 103.1 in February, and advanced further in March to 104.8. This rate of activity was not sustained, however, and the Index in April receded materially to 99.3. Business activity in New England during recent weeks, therefore, as measured by this index, has been slightly less than during the average month of 1923-24-25. The level of industrial activity in April was nearly $3\frac{1}{2}$ per cent less than that of the corresponding month a year ago, whereas during January, February and March there was greater activity this year than during the first quarter of 1927. The level of wholesale commodity prices increased between March 15 and April 15 from 96.0 to 97.4 per cent of the 1926 average, and the larger price advances were in the farm products, foods, hides, and leather products groups. Consumption of raw cotton by New England mills during April fell off materially from that of the previous three months' average. In fact, the amount of cotton consumed in New England during April was less than in any month since July, 1926. The consumption of cotton by all mills in the United States was about 15 per cent less in April than during the corresponding month a year ago, and was less than in any

month since August, 1926. Production of fine cotton goods in April was about 50 per cent of the volume produced in April last year, but the strike in New Bedford affects this situation. The average daily consumption of raw wool by New England mills in April was less than in any month since August, 1926. Boot and shoe production was curtailed as usual in April, although in this

district the decrease was by considerably more than the usual seasonal reduction. The rate of operations during March, however, was unusually high, so that, despite the decline from March to April, the level of activity during recent weeks has been approximately the same as a year ago. A smaller number of workers was employed by Massachusetts factories during April than in March. Declines in employment from a

year ago have been reported in textile machinery and cotton goods factories, and in foundries and machine shops, while, silk, jewelry, and rubber footwear manufacturers report improvement in employment. April construction in New England was larger than in any previous April, and for the four months ending April 30, new building in this district exceeded the same period a year ago by about 16 per cent. Sales of New England department stores in April compared unfavorably with those of April a year ago, a decline of 11.8 per cent having been reported.



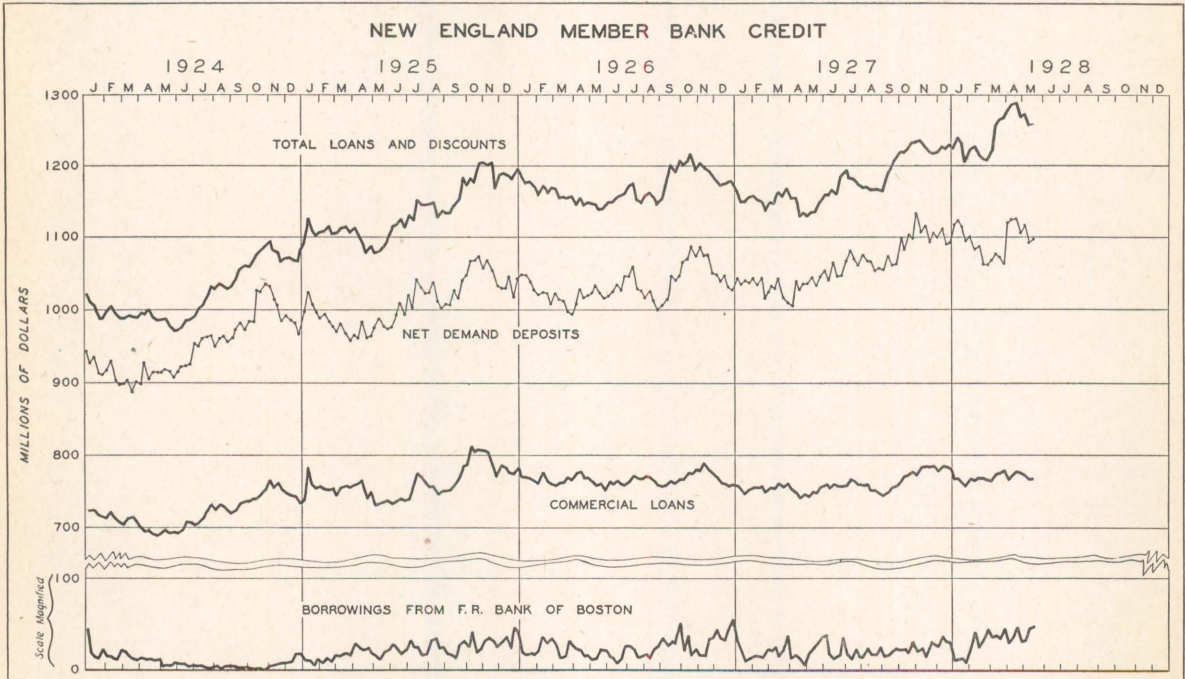
During the first three months of 1928 the index of New England business activity was higher than in the corresponding months a year ago, but in April this condition was reversed, and there was a substantial recession in the index in April as compared with March.

MONEY AND BANKING

Money rates in the New York market strengthened considerably during the three weeks ending May 19. Quotations for brokers' prime commercial paper, four to six months' maturity, advanced from $4\frac{1}{2}$ per cent to $4\frac{1}{2}$ - $4\frac{3}{4}$ per cent during this period, while time money secured by mixed collateral rose one-quarter of one per cent to $5\frac{1}{4}$ per cent, and the rate on bankers' acceptances, 90-day bills, increased from $3\frac{7}{8}$ to $3\frac{7}{8}$ -4 per cent. The weekly average rate on call money during the weeks ending May 5, 12, and 19 was 5.25, 5.67, and 5.67, respectively. During the week ending May 21 a year ago the prevailing rates were: commercial paper, $4\frac{1}{4}$ per cent, time money, $4\frac{3}{8}$ per cent, bankers' acceptances, $3\frac{5}{8}$ per cent, and call money, 4.16 per cent. The level of money rates at the middle of May was distinctly higher than that of the corresponding period a year ago. On May 25 the rediscount rate of nine Federal reserve banks was $4\frac{1}{2}$ per cent, and of three banks was four per cent. The rediscount rates of the Federal Reserve Banks of Philadelphia, New York, and Cleveland were raised from four to $4\frac{1}{2}$ per cent, effective May 17, May 18, and May 25, respectively.

Total loans and investments of reporting New England member banks, which were at a new high level on April 18, had declined on May 16 by more than \$32,000,000. The total loans and

investments of reporting member banks of the entire country, however, increased during this period by about \$211,000,000. Collateral loans of reporting New England member banks declined between April 18 and May 16 by \$21,511,000 (Boston, —\$21,715,000; eight outside cities, +\$204,000). Commercial loans were reduced by \$9,483,000 (Boston, —\$9,774,000; eight outside cities, +\$291,000), and holdings of security investments decreased by \$1,334,000 (Boston, —\$4,130,000; eight outside cities, +\$2,796,000). Collateral loans of reporting member banks of the entire country increased substantially during this four-week period, by \$185,000,000, and holdings of security investments increased about \$36,000,000, while commercial loans were reduced by about \$10,000,000. Because of the predominance in the volume of transactions in Boston as compared with eight other New England cities, the condition of the New England reporting member banks is affected principally by changes in conditions in Boston banks. Between April 18 and May 16 there were increases in collateral loans, commercial loans, and holdings of security investments of reporting member banks in eight important New England cities outside of Boston, yet the combined figures of reporting member banks of New England declined not only in total loans and investments but in each of the three



Total loans and discounts of reporting New England member banks advanced materially between the last of February and the middle of April to a new high point, but between April 18 and May 16 there was a reduction, although on the latter date the level was still higher, with the exception of March and April, than during any previous period.

items comprising the total. During the 12 months ending May 16, the following changes occurred in the condition of the reporting New England member banks:

	Actual change in dollars	Percentage change
Collateral Loans	+\$100,682	+25.8%
Security Investments	+69,742	+13.8
Commercial Loans	+22,806	+ 3.1
Total Loans and Investments	+193,230	+11.8

Total loans and investments of reporting member banks of the entire country increased about \$2,100,000,000 between May 18, 1927 and May 16, 1928, of which \$1,224,000,000 was in collateral loans, \$622,000,000 in security investments, and \$255,000,000 in commercial loans, increases of 21.1, 10.3, and 2.9 per cent, respectively. The expansion of member bank credit, therefore, of both reporting member banks of the country as a whole and reporting New England member banks has been relatively similar during the past 12 months.

Total deposits of reporting member banks of the Federal reserve system increased about \$1,409,000,000 between May 11, 1927, and May 9, 1928, an increase of 7.2 per cent. The per cent of reserve to deposits of reporting member banks, which was 8.6 on May 11, 1927, was 8.6 again on May 9, 1928.

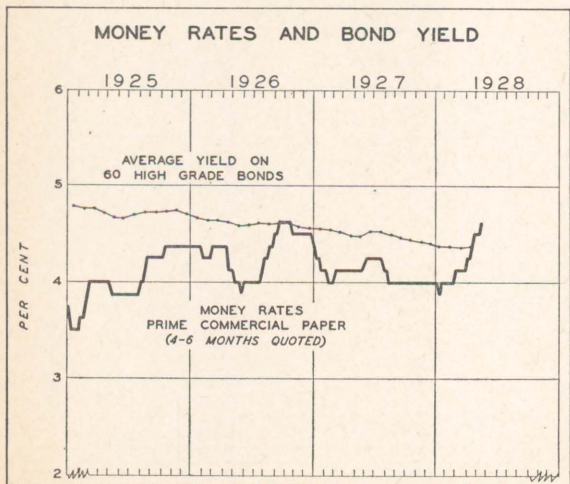
Total bills and securities, or total earning assets, of the Federal Reserve Bank of Boston decreased by \$31,986,000 between April 18 and May 16. Loans to member banks increased during this period by \$1,166,000, but acceptances purchased in the open market declined by \$27,361,000, and holdings of Government securities were reduced by \$5,791,000. During the two months ending May 16 there was little change in the volume of Federal reserve notes in circulation in this district.

The reserve ratio of the Federal Reserve Bank of Boston was 67.3 per cent on May 16, which was 11.5 per cent lower than the ratio on May 18, 1927. Total cash reserves on May 16 were about \$185,000,000, and on May 18, 1927, were about \$221,000,000.

Between April 18 and May 16 total bills and securities of all Federal reserve banks combined increased about \$104,000,000. Holdings of acceptances purchased in the open market, however, declined about \$4,000,000, and holdings of Government securities were reduced by about \$79,000,000. This decrease of \$83,000,000, due to the reduction in the holdings of acceptances purchased in the open market and Government securities, was more than offset by a substantial increase of \$187,000,000 in loans to member banks, with the result that total bills and securities increased between April 18 and May 16 by about \$104,000,000. The changes in condition of all Federal reserve banks combined between May 16, 1928, and May 18, 1927, are given in the following table:

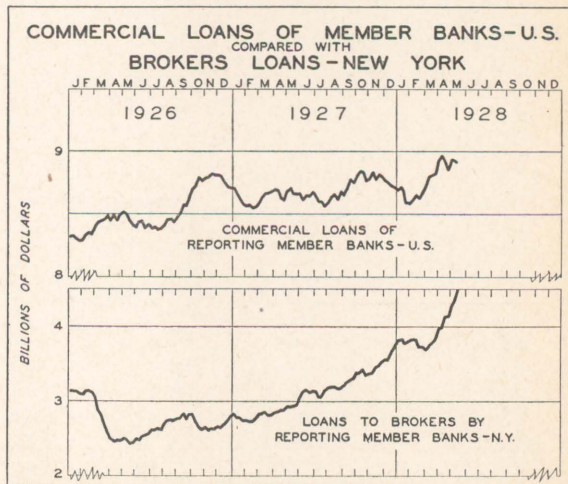
	1928 May 16 (in millions of dollars)	1927 May 18 (in millions of dollars)	Change
Loans to Member Banks	\$ 807	\$ 458	+\$349
Acceptance Holdings	347	225	+ 122
Government Securities	262	269	- 7
Total Bills and Securities	1,416	952	+ 464
Total Cash Reserves	2,802	3,223	- 421
Reserve Ratio	69.7%	79.3%	- 9.6%
Federal Reserve Notes in Circulation	1,583	1,711	- 128
Total Deposits	2,434	2,353	+ 81

Loans to brokers by reporting New York member banks on May 16 were \$4,502,000,000, and on May 18, 1927, were \$2,931,000,000. In the 12 months ending May 16 this year there had been an increase of \$1,571,000,000, or 53.6 per cent.



In March there was a slight drop in the average bond yield, and in April a slight increase, so that the April average bond yield corresponded with that of both January and February. Money rates have continued to strengthen, and during the middle of May practically all rates were higher than those of the corresponding period a year ago.

Sources of data—Fraser Standard Statistics Company, Inc., and Federal Reserve Bank of St. Louis



Commercial loans of reporting member banks of the entire country advanced between the first of February and the second week in April, but have since shown a slight decline. Loans to brokers of reporting New York member banks on May 16 were the highest ever recorded, and during the 12 months ending May 16 had increased by \$1,571,000,000, an increase of 53.6 per cent.

NEW ENGLAND MARKETS

NEW ENGLAND BUSINESS ACTIVITY INDEX
Per Cent of 1923-24-25 Average

	1928	1927	1926
January	100.0	99.5	103.8
February	103.1	97.6	104.1
March	104.8r	102.5	104.3
April	99.3p	102.6	100.2
May	r. revised	p. preliminary	102.3

The New England Business Activity Index declined five per cent between March and April, and for the first time this year it was below the corresponding period of 1927. Declines in the adjusted figures of carloadings, building, cotton consumption, wool consumption, shoe production, and employment were responsible for the reduction in business activity. Check transactions in April in most New England cities were larger than in April, 1927. Sales of new automobiles in this district for the first four months this year were nine per cent larger than in the corresponding period last year, while the total United States production of passenger cars for the same period was 5.5 per cent ahead of last year.

Boston:—With the exception of building activity, business and industry were lower in April than a year ago. Retail trade has been considerably below 1927, and carloadings, employment and postal receipts have declined.

Bridgeport:—Building has been active. A slight increase from March was reported in employment, and in the metal products factories the number on payrolls was larger than a year ago.

Brockton:—Shoe shipments in April were about the same as in March, but a sharp decline the first three weeks in May was reported. Employment has declined seasonally.

Fall River:—Some improvement in employment was reported in April, partly due to more active building. The coarse goods market is slow.

Receipts of raw cotton continued considerably less than last season.

Hartford:—More active building, a larger volume of carloadings, and an exceptionally large volume of check payments point to active business and industry.

Lynn:—The seasonal decline in shoe production resulted in a smaller number employed in April than in March. Trade, however, has been improving. Building has been more active than a year ago.

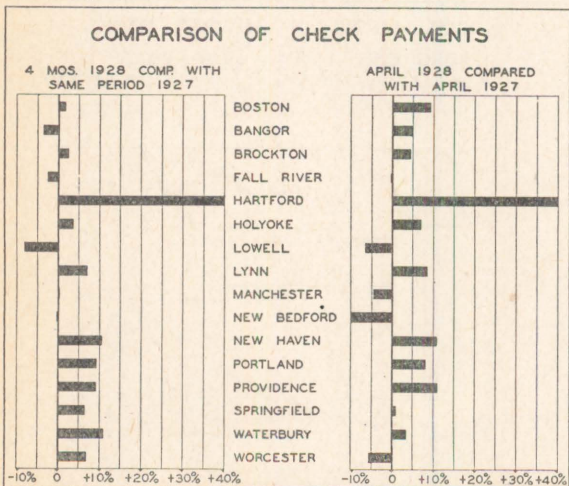
New Bedford:—The sharp reduction in April check payments shows the effect the textile strike is having on general trade activity. Little influence has been felt as yet in the market for fine cotton goods, although the trading has been very light.

New Haven:—Department store sales declined in April, and were less than a year ago. Business is fair, and industrial output compares favorably with a year ago. Check payments continue to expand.

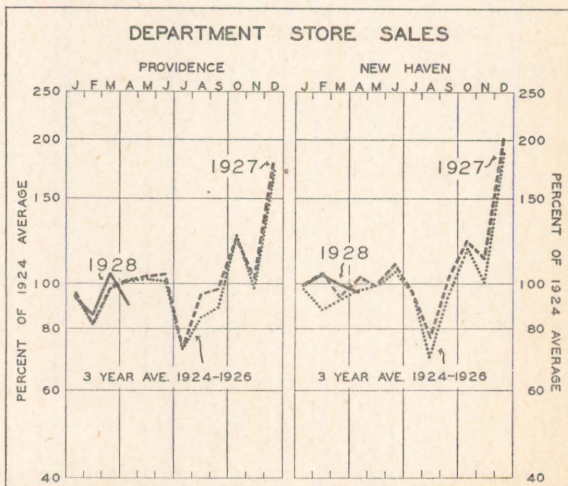
Portland:—Building is active, and provides employment for the local supply of craftsmen. Business, as indicated by check transactions, is fairly active.

Providence:—There was evidently little change between March and April in the industrial situation in Providence or in neighboring cities. A slight reduction in employment in jewelry and textile establishments was offset by increases in the metal trades and rubber factories.

Worcester:—The April volume of check payments was below April last year, although for the first four months this year they have been larger than a year ago. Industry is apparently operating less actively than in 1927.



In the majority of New England cities check payments in April were larger than a year ago. Decreases were reported in Fall River, Lowell, Manchester, New Bedford, and Worcester.



Sales in Providence and New Haven department stores are representative of the decline in retail trade in April as compared with April a year ago that has occurred throughout the district.

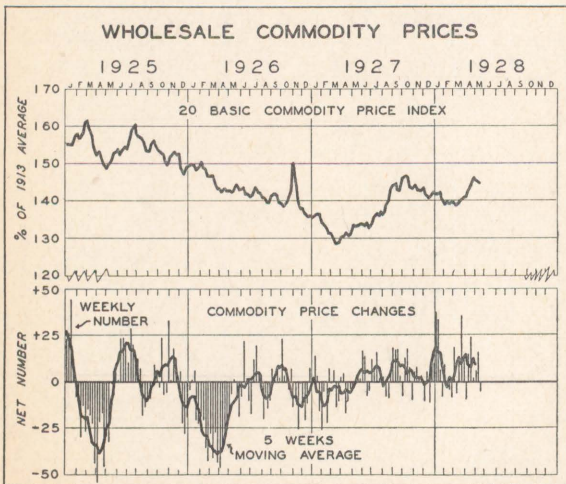
COMMODITY PRICES AND INDUSTRIAL CONDITIONS

Wholesale Commodity Prices:—The level of wholesale commodity prices, as measured by the "All Commodities" index of the Bureau of Labor Statistics, increased rather sharply between March 15 and April 15 from 96.0 to 97.4 per cent of the 1926 average. Farm products, foods, hides, and leather products increased substantially over March, the first mentioned rising four per cent to 107.6 per cent of the 1926 average. Increases were also reported in the building materials and chemicals and drugs groups, while the house furnishings and miscellaneous groups declined. The commodity price decline that began in the summer of 1925 was halted about a year ago, after the "All Commodities" index had dropped over 10 per cent. Since April last year, the wholesale price level has risen four per cent, most of this increase having taken place between June 15 and October 15. Between October 15 and March 15, however, prices were irregularly declining, but since March 15 this loss has been more than recovered. The improvement from April, 1927, has been due almost entirely to strength in the prices of farm products, which in this period have risen 14 per cent, while non-agricultural commodities have increased less than two per cent.

Employment:—The number of workers employed by Massachusetts factories in April declined two per cent from March. A considerable part of this decline was of a seasonal nature, although in most industries the number employed was below April, 1927. Substantial declines in employment from a year ago have taken place in textile machinery and cotton goods factories and

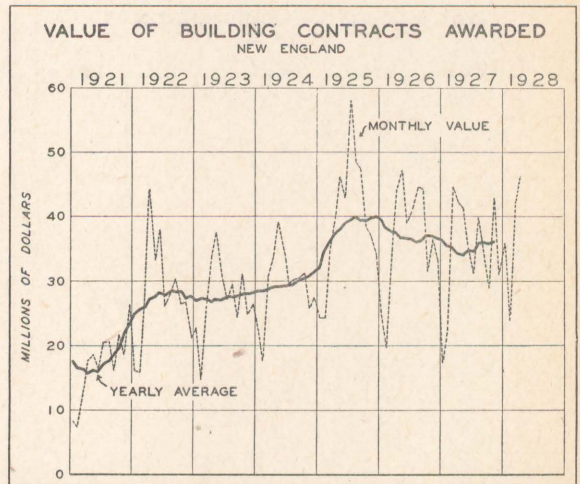
in foundries and machine shops, while silk, jewelry, and rubber footwear manufacturers report considerable improvement in employment. A relatively much smaller number of workers was employed in April in establishments operating on a normal full-time schedule than in March or in April a year ago. The average weekly wage in April declined to the lowest point since July last year, and the aggregate weekly earnings were 4.2 per cent less than in March. The number of workers on the payrolls in Connecticut industrial centers was about the same as a year ago, especially in the metal concerns. Employment in selected Rhode Island establishments showed little change from March.

Building:—The volume of new construction in April continued the tendency to expand that has been in evidence since the first of the year. In the United States the value of new building contracts awarded in April was the largest in any month so far recorded by the F. W. Dodge Corporation, and in New England the April construction was larger than in any previous April. For the four months ending April 30, new building in this district exceeded the same period last year by approximately 16 per cent. Vermont, Connecticut, and Massachusetts reported the most active building programs, in comparison with a year ago, the first two showing large increases, while Massachusetts reported about the same volume as last year. All the major classifications of building, including residential construction, were larger than a year ago, but an increase of nearly \$5,000,000 in the value of public works and utility building was respon-



Although a slight reaction has taken place in the 20 Basic Commodity Price Index, it is still higher than at the first of this year. In Dun's list of prices, advances continued to exceed declines.

Sources of data—Federal Reserve Bank of New York and Dun's Review.



Building contracts awarded during the first four months of this year established a new high record for that period. The 12 months' total, however, is still considerably below the high point reached in 1925.

Source of data—F. W. Dodge Corporation.

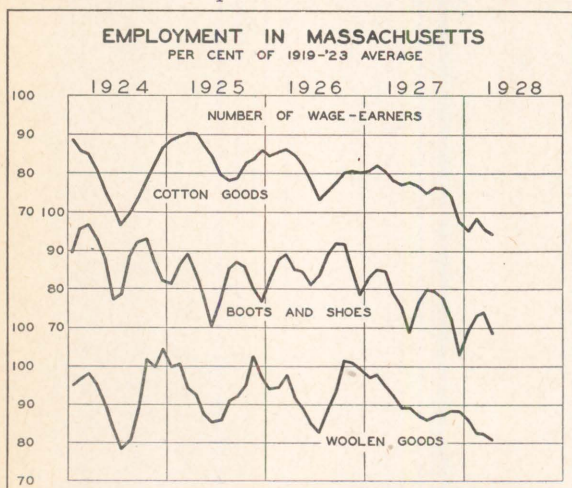
sible for the increase in the total between March and April.

Boots and Shoes:—Shoe production was curtailed as usual in April, although in this district the decrease was by considerably more than the normal seasonal reduction. As previously pointed out in this Review, however, the spring peak this year was higher than usual, and shoe factories in this district have been operating at a relatively more active rate than those in other parts of the country. The net result, notwithstanding the large decline from March to April, is a scale of operations approximately on a par with a year ago. The decline in production outside of New England, while not as large as in this district, was sufficient to reduce the level of activity to a point well below a year ago.

Metals:—April operations in the iron and steel industry continue to expand. Steel production was at a new high level, and, although pig iron production on a daily average basis was higher than in the preceding month, it was seven per cent lower than in April, 1927. Towards the end of the month orders were distinctly less than a month earlier, and the decline of 460,000 tons in the unfilled orders of the United States Steel Corporation forecast the reduction in steel operations that has taken place so far in May. The seasonal decline in the steel industry, now a month later than usual, is not expected to carry the level of operations as low as a year ago, but at the present time the automotive is the only one of the large industries that is buying in sizable quantities. Numerous small orders have not prevented weakening in prices of both finished steel and pig iron. Consumers are buying only for immediate requirements. Machine tool or-

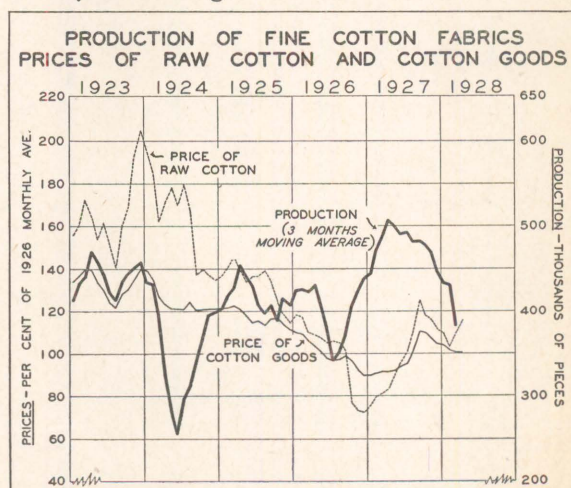
ders continue to expand, and automobile production in April was slightly larger than in March or in April, 1927. Nonferrous metals, especially copper, have been stronger. Foreign demand has been large, and recently domestic consumption has improved.

Textiles:—Further reductions in wool consumption, cotton consumption, and fine goods production were responsible for a sharp decline in the index of textile activity from 96.0 to 82.8 percent of the 1923-25 average, in spite of further improvement in silk mill operations. In comparison with general business, which also declined between March and April, the textile industries, with the exception of the silk mills, are operating on a much lower plane. Cotton consumption in April was lower than in any month since July, 1926, and, after making allowances for seasonal conditions, it declined to the level of last December. The production of fine goods in April was about 50 per cent of the volume produced in April last year, due to the strike begun in the middle of that month in New Bedford. Trading, however, has been unaffected. With the supply of goods large enough to meet the light demand, prices have shown practically no change. Coarse goods markets have been even slower than in the preceding months. Wool consumption for the second consecutive month was below the corresponding period of last year. Trading, however, has been more active, with prices of many grades still rising. Manufacturers have had difficulty in maintaining goods prices on a parity with the rising raw material costs. Since December the New England silk mills have been increasing their operations, and employment and mill activity are the highest on record.



The seasonal improvement in employment this spring was less than usual, and the number employed in three of the leading industries in Massachusetts is now lower than a year ago.

Source of data—Massachusetts Department of Labor and Industries.



A sharp decline has taken place in the production of fine cotton fabrics. A considerable part of this decline had occurred before the New Bedford strike. Prices of raw cotton and cotton goods are slightly higher than at the first of the year.

Sources of data—Fairchild Publications and New Bedford Fine Cotton Goods Exchange

RETAIL AND WHOLESALE TRADE

Sales of reporting New England department stores in April were about 12 per cent less than during April a year ago, about four per cent less than in April 1926, and six per cent less than in April, 1925. All of the six New England states showed substantial decreases, with New Hampshire stores reporting the largest decline and Maine department stores the smallest. During the first four months of 1928, only the Maine stores showed an increase as compared with a similar period of 1927, sales of all New England department stores being five per cent less for the January through April period this year than in 1927.

SALES CONDITIONS

	1927 = 100				January through April			
	Month of April							
	1925	1926	1927	1928	1925	1926	1927	1928
Connecticut Department Stores	94	95	100	91	95	96	100	99
Maine Department Stores	78	85	100	97	90	91	100	106
Massachusetts Department Stores	96	93	100	88	92	95	100	94
New Hampshire Department Stores	83	83	100	78	91	91	100	89
Rhode Island Department Stores	98	94	100	87	100	100	100	98
Vermont Department Stores	97	87	100	88	99	94	100	99
Boston Department Stores	96	93	100	89	92	96	100	93
Boston Women's Apparel Shops	93	93	100	93	86	89	100	96
New Haven Department Stores	95	94	100	92	94	94	100	99
Providence Department Stores	98	94	100	88	100	100	100	99
New England Department Stores	94	92	100	88	93	96	100	95
New England Wholesale Grocery Concerns	105	105	100	95	106	101	100	96
New England Wholesale Shoe Concerns	99	91	100	86	102	98	100	97

Credit conditions, as indicated by the percentage of open accounts outstanding at the first of April collected during April, compare unfavorably this year with conditions during the previous three years. Although the percentage collected during April by New England department stores declined slightly from the corresponding period a year ago, Providence department stores show an increase of better than four per cent. The Boston women's apparel shops also reported a slight gain, while the Boston department stores showed a decrease of two per cent.

CREDIT CONDITIONS

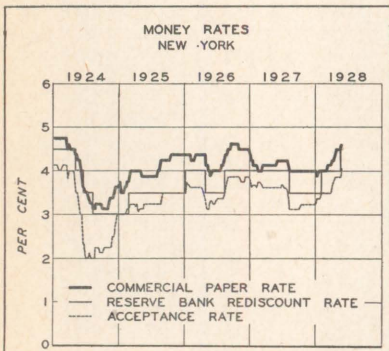
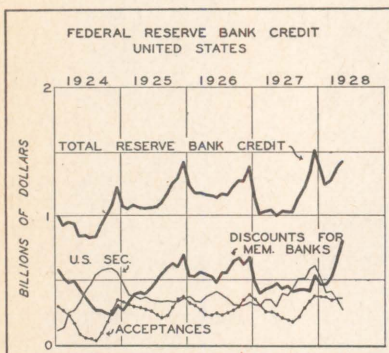
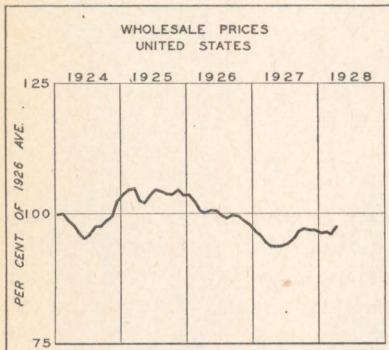
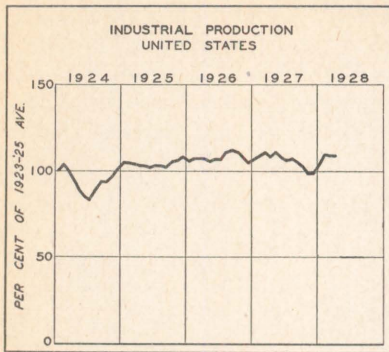
Percentage of Open Accounts Outstanding at the First of April
Collected during April

	1925	1926	1927	1928
Boston Department Stores	52.7%	52.1%	50.6%	48.6%
Boston Women's Apparel Shops	53.5	51.0	49.2	50.7
New Haven Department Stores	55.8	53.8	56.0	53.8
Providence Department Stores	48.2	48.2	43.3	47.6
New England Department Stores	49.0	48.9	46.9	46.5
New England Wholesale Grocery Concerns	69.4	75.4	71.1	70.0
New England Wholesale Shoe Concerns	36.6	37.3	39.4	33.3

SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

	1927 = 100				January through April			
	Month of April							
	1925	1926	1927	1928	1925	1926	1927	1928
Silk and Velvet Dress Goods	129	118	100	89	111	110	100	88
Woolen Dress Goods	155	111	100	84	160	123	100	90
Cotton Dress Goods	138	116	100	97	127	114	100	92
Silverwear and Jewelry	86	94	100	90	79	88	100	96
Men's Clothing	100	92	100	88	95	99	100	94
Men's Furnishings	89	87	100	94	86	94	100	100
Boys' Wear	90	75	100	76	94	97	100	93
Women's Ready-to-Wear	119	108	100	90	105	98	100	94
Misses' Ready-to-Wear	98	88	100	86	82	87	100	96
Juniors' and Girls' Ready-to-Wear	80	72	100	88	84	88	100	104
Millinery	92	92	100	89	97	93	100	90
Women's and Children's Gloves	79	85	100	82	87	96	100	94
Corsets and Brassieres	108	99	100	91	105	100	100	95
Women's and Children's Hosiery	78	76	100	88	81	83	100	102
Knit Underwear, inc. Glove Silk	85	86	100	89	88	95	100	97
Silk and Muslin Underwear	107	105	100	88	101	102	100	90
Women's and Children's Shoes	90	90	100	91	93	97	100	97
Furniture	95	91	100	92	90	97	100	100

SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES



The volume of industrial production continued large during April, reflecting chiefly increased output in metal industries, while activity in industries producing food and clothing decreased. Wholesale and retail trade also declined. The general level of wholesale commodity prices increased in April, reflecting advances in farm products.

There were large exports of gold in April and May, member bank loans and their borrowings at the reserve banks continued to increase, and money rates showed further advances.

Production:—Production of manufactures remained in about the same volume in April as in March, while output of minerals declined slightly, owing chiefly to a decrease in production of bituminous coal. Daily average output of iron and steel, copper, and zinc increased in April, but since the first of May there has been some curtailment in steel mill activity. Automobile production was maintained in large volume during April, and, according to preliminary reports, also during the first half of May. Textile mill activity, output of boots and shoes, and meat production showed substantial declines during April. The volume of factory employment declined slightly, reflecting chiefly decreases in the food, leather, and textile industries. Building contracts awarded in April exceeded those for any previous month, and awards during the first three weeks of May continued in unusually large volume.

Trade:—Sales by department stores and by wholesale firms in most lines of trade declined in April, and were in smaller volume than a year ago. Average daily sales of department stores, after allowance is made for the earlier date of Easter and the usual seasonal changes, were smaller in April than in March, and were also smaller than in April a year ago. This decrease was due largely to unfavorable weather conditions. Stocks of department stores, after adjustment for seasonal changes, were in about the same volume as in March, and slightly smaller than a year ago. Freight carloadings showed an increase between the beginning of April and the middle of May, but for most classes of commodities continued smaller than a year ago.

Prices:—The general level of wholesale commodity prices, as indicated by the index of the Bureau of Labor Statistics, increased from 96 per cent of the 1926 average in March to 97.4 per cent in April. This increase reflected sharp advances in the prices of grains, cotton, livestock, and hide and leather products. Rubber prices continued to decline, and most of the other groups of commodities showed little change. During the first three weeks of May there were decreases in the prices of grains, flour, sheep, and hogs, and increases in copper, zinc, and rubber.

Bank Credit:—At member banks loans largely for commercial and industrial purposes, following a rapid increase during February and March, have shown little change since the early part of April. Loans on securities continued to increase, and total loans and investments of reporting member banks in the middle of May were larger than at any previous time.

The outward movement of gold continued in May, the decline in monetary gold stock during the four weeks ending May 23 being nearly \$90,000,000. This loss of gold together with further sales of United States securities by the reserve banks, was reflected in an increase of nearly \$140,000,000 in member bank borrowing at the reserve banks.

There were further advances in open market money rates during May, and discount rates at the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, and Dallas were raised from four to 4½ per cent.