

# MONTHLY REVIEW

*Of Industrial and Financial Conditions in the New England District*  
*By Frederic H. Curtiss, Chairman and Federal Reserve Agent*

FEDERAL RESERVE BANK OF BOSTON

VOL. XVI

BOSTON, MASS., DECEMBER 1, 1932

NO. 12

## THE SITUATION

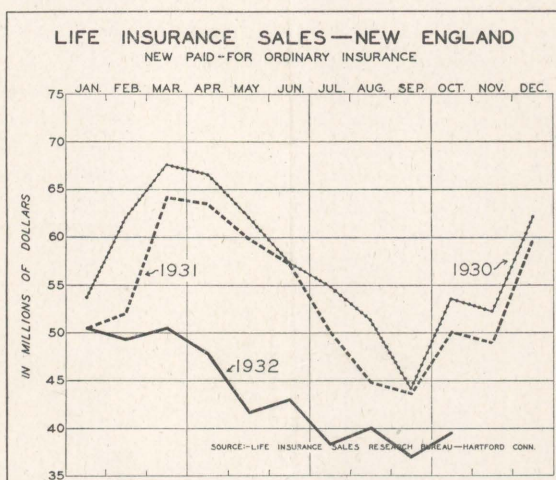
During October a recession from September of slightly more than seasonal character occurred in the level of general industrial activity in New England, although an index of electric power consumed for industrial purposes in this district, compiled by the *Electrical World*, rose between September and October, and carloadings of merchandise and miscellaneous freight were in larger volume during October. Most lines of activity, however, either did not increase as much as usual between September and October, or actually decreased moderately. The volume (square feet) of residential building contracts awarded in this district, which during September had risen to 25.4 per cent of the 1923-24-25 average month, fell off to 22.9 per cent in October, and the volume of commercial and industrial building contracts awarded remained practically unchanged at

15.2 per cent of the 1923-24-25 average. Cotton consumption in New England mills increased in October from the preceding month, but by less than the usual seasonal amount, while consumption of raw wool, which usually increases between September and October, declined noticeably. Wool consumption in this district, however, was considerably greater during August and September than in any other months of the current year. Boot and shoe production in New England, when allowances for seasonal changes had been made, reached a peak for the year in August, and declined slightly in September and also in October; in each

of these three months, however, the volume was greater than in any month during the period from January through July, and in October production was about 23 per cent greater than in the corresponding month of 1931. During the first 10 months of 1932 total boot and shoe production in this district was in practically the same volume as during the similar period last year. In October, as compared with September, an increase of more

than four per cent was recorded in the number of wage-earners employed in manufacturing establishments in Massachusetts, and aggregate payrolls in manufacturing establishments increased 2.6 per cent, although average weekly earnings per person employed declined slightly. Registrations of new automobiles in New England during the first 10 months of 1932 were 43.5 per cent fewer than in the corresponding period last

year, while in October a decrease of 45.7 per cent occurred from October, 1931. The amount of new ordinary life insurance written in this district during October was 21.1 per cent less than in that month last year. The number of commercial failures in New England, as reported by R. G. Dun & Co., for the first 10 months of the current year increased by 27.6 per cent over the similar period last year, but total liabilities were 12.4 per cent less this year. Sales of reporting retail establishments in this district were about 21 per cent less in October than in the corresponding month of 1931.



Although the amount of new ordinary life insurance written in New England during 1932 was less than in either of the two preceding years, the seasonal decline between March and September was less than 1930 and 1931.

Source of data—Life Insurance Sales Research Bureau.

## MONEY AND BANKING

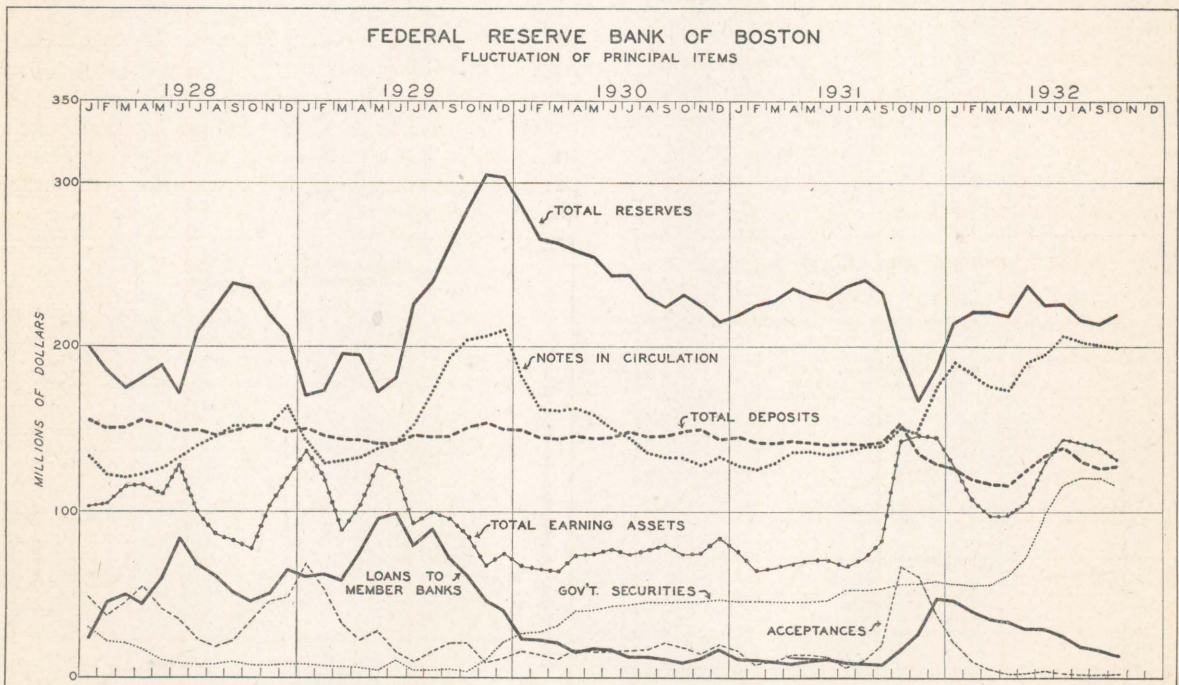
Contrary to the usual seasonal upward trend at this time of year, money rates on November 23 in the Boston money market were either unchanged or easier, as compared with the past several weeks. The asking rate on bankers' prime 90-day acceptances, unchanged at one-half of one per cent, remained at the lowest level since an American acceptance market was first established in 1914. A small but increasing volume of brokers' prime commercial paper was being sold on November 23 at  $1\frac{1}{4}$  per cent, thus creating a new all-time low rate for this class of paper. In October the lowest rate was  $1\frac{1}{2}$  per cent, and the downward tendency toward the  $1\frac{1}{4}$  per cent rate began to gain momentum during the past fortnight. The average yield on the November 23 issue of United States Treasury bills was 0.17 per cent. This is slightly higher than the record low yield of 0.14 per cent on October 19, but lower than for any of the three issues sold between October 19 and November 23. This November 23 offering replaced Treasury bills dated August 24, whose average yield at time of issue was 0.42 per cent.

Between June 8 and October 26 total deposits in the Boston member banks increased over \$82,000,000; by November 16 a continuous and fairly rapid decline had reduced this expansion by some \$27,000,000, bringing the volume of total deposits to \$793,000,000, approximately the level of late September. This contraction, however,

was largely seasonal in character, and not excessive when compared with previous years.

The movement in time deposits during recent months has been rather erratic. From a high volume of over \$219,000,000 reached on September 28, time deposits, with rather wide fluctuations, declined on November 2 to \$202,000,000, and remained substantially unchanged during the following two weeks. On November 2 net demand deposits reached a peak of nearly \$590,000,000, the highest volume recorded for the year to date, and one week later than the peak reached for total deposits as a whole; a decline of \$17,000,000 occurred between November 2 and November 19. While the decrease in total deposits this year agrees rather closely with the average decline during this period for the past four years, the decrease of \$17,000,000 this year in net demand deposits is approximately \$5,000,000 less than the average reduction for the corresponding period of the past four years.

During September the decline in loans and discounts ceased in the Boston banks, but the upturn was only a seasonal interruption in the process of loan liquidation, and in October the decline was resumed. Between September 21 and November 16 total loans and discounts contracted \$40,000,000. Commercial loans during this period declined \$27,000,000 and collateral loans \$13,000,000. Within the past month there



The monthly averages of loans to member banks by the Federal Reserve Bank of Boston declined each month between December, 1931, and October, 1932, while holdings of Government securities more than doubled between March and August.

has been relatively little change in the volume of customers' loans secured by stocks and bonds, the decline being largely confined to contraction in loans to brokers. Despite the decline of \$47,000,000 in collateral loans on November 16 as compared with a year ago, the proportion of this class of loans to total loans and discounts rose from 36 per cent to 40 per cent; on the other hand, the decline of \$95,000,000 in commercial loans during the year maintained the proportion of total loans and discounts substantially unchanged at 51 per cent. Thus, although the declines in the actual volume of these classes of loans were large, the proportionate composition of the total remained little changed during the year.

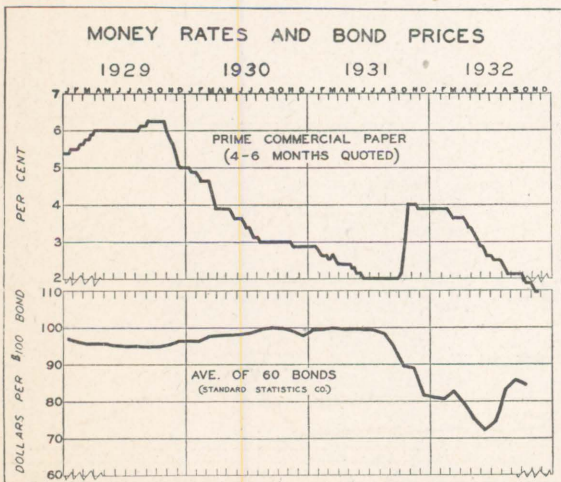
Total holdings of all classes of stocks and bonds by Boston member banks reached a peak of over \$333,000,000 on November 2; during the following week the volume declined \$12,000,000, but this reduction was partially offset by an increase of almost \$4,000,000 during the week of November 16. Most of these fluctuations occurred in holdings of United States Government obligations; holdings of other stocks and bonds declined slowly but steadily throughout the period by about \$5,000,000.

Total deposits in the weekly reporting member banks outside of Boston reached a volume of over \$504,000,000 on November 2. During the week ended November 16 demand deposits showed a small increase, while both commercial and collateral loans continued the downward trend of recent weeks. On November 16 this year collateral loans comprised about 35 per cent of all loans and discounts, as compared with 38 per cent last year; the proportion of commercial loans, on the other hand, was 38 per cent, as

against 40 per cent a year ago. In contrast to the situation in Boston member banks, investment holdings of United States Government obligations rose, while other security investments remained relatively unchanged.

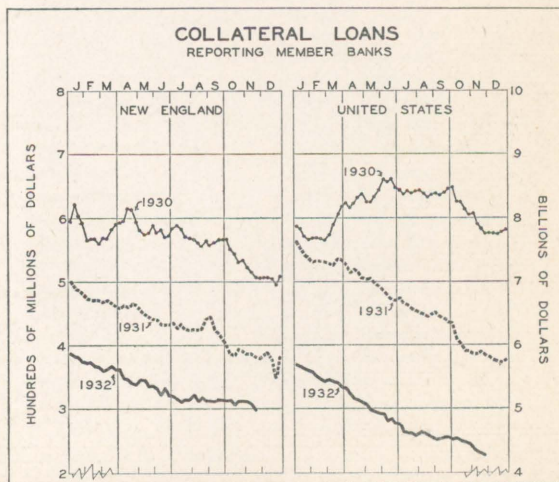
The volume of total bills and securities held by the Federal Reserve Bank of Boston remained substantially unchanged between October 26 and November 16. On the other hand, total cash reserves reached a recent high point early in November, since which time the decline has been fairly marked, amounting in two weeks to \$14,000,000. During the same period total deposits fell \$10,000,000, paralleling the decline in deposits in the member banks.

The steadily declining trend in the volume of Federal reserve notes of the Federal Reserve Bank of Boston, which has been in progress since early in July might indicate a rather rapid reduction in the volume of currency in circulation in this district. The trend of Federal reserve notes alone, however, is not conclusive in this respect. It is complicated by the rather wide changes taking place from time to time in the volume of other currency in circulation, as well as the changes occurring in the volume of national bank notes in circulation. The volume of gold and gold certificates in circulation, like Federal reserve note circulation, has been showing a steadily declining trend in recent months; on the other hand, the volume of national bank notes in circulation has been expanding, as a result of the provisions of the Federal Home Loan Bank Bill, making available additional United States Government obligations as security for national bank notes. New England as a whole, however, has taken much less advantage of this new circulation privilege than has been the case in the rest of the United States.



In November prime commercial paper rates, 4-6 months' maturity, in the New York market, dropped to levels even lower than the unusually low rates which prevailed during the summer of 1931.

Source of data—Federal Reserve Bank of New York.



Collateral loans of New England reporting member banks declined during the first seven months of 1932 at about the same rate as those for the entire country, but have declined only slightly since July.

## NEW ENGLAND INDUSTRIAL CONDITIONS

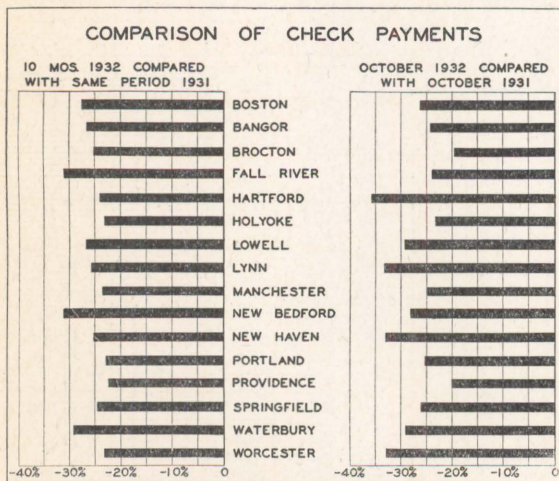
**Electric Power:**—Industrial activity in New England continued to show approximately the same rate of change during October as that which prevailed during the preceding three months. The index of electric power consumed for industrial purposes by representative establishments in eight branches of manufacturing activity, compiled by the *Electrical World*, indicated, after seasonal adjustment, a rise of more than five per cent in October. In the past four months an increase has taken place in the index of electric power consumed for industrial purposes amounting to more than 25 per cent, a monthly rate of increase of approximately six per cent. This percentage of increase per month is about one per cent larger than the rate of improvement evident in the several indices of industrial activity and production. Such indices as electric power production, carloadings, residential building, commercial and industrial building, and consumption of raw cotton and wool in the aggregate gained about five per cent a month from May through September. In October, however, slight declines were recorded in each of these indices, with the exception of carloadings. On the whole there has been a fairly close correlation in both the direction and the magnitude of the movement of the adjusted indices of electric power consumed for industrial purposes and the various production indices in this district during recent months.

**Carloadings:**—The index of merchandise l. c. l. and miscellaneous carloadings, adjusted to seasonal variations, increased in October. The downward trend in the volume of carloadings has been one of the most persistent movements in the depression. Starting from the peak recorded in February,

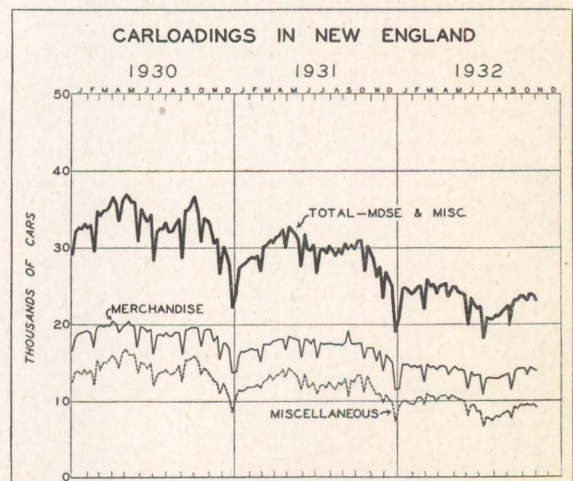
1929, the seasonally adjusted index of merchandise, l.c.l., and miscellaneous carloadings for over 40 months did not record more than seven monthly increases, approximately one monthly increase every six months. In the current year, during the six months from February through July, a constant decline was recorded, carrying the index down to a new low; the past three months, August, September, and October, however, were months during which increases occurred, the first time since the beginning of the downward trend during which any consecutive increases have been recorded.

**Building:**—The total value of new construction contracts awarded in this district during October was 9.1 per cent less than the value of the September awards. This decrease in October followed two months during which moderate increases were recorded. In no instance during the current year has there been a monthly increase over the corresponding month in 1931. The value of new contracts awarded during the first 10 months of 1932 on the whole have amounted to only about 40 per cent of the value of construction undertaken in the same period last year. During October the only increase among the principal classes of construction occurred in the public works and utilities, the group which is dominated by new highway awards. The seasonally adjusted indices for the volume of new residential and commercial and industrial building in October declined, the residential index losing about all the gain noted in September, during which month only a fractional decrease was recorded.

Reports covering the first half of November indicated no improvement in the daily average of new construction contracts awarded, either in the



Only one city (Boston) showed a decline of less than 20 per cent in volume of check payments during October in comparison with the corresponding month a year ago.



With the exception of the Labor Day week, the curves representing total and merchandise, l.c.l., and miscellaneous carloadings have shown a fairly steady upward tendency since the middle of July. Source of data—*American Railway Association*.

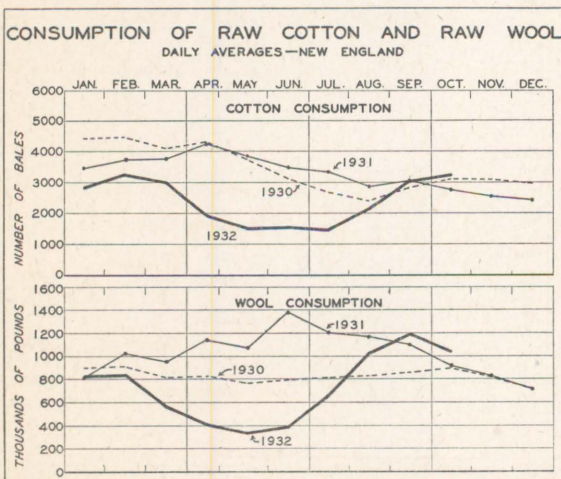
total or in any of the three principal classes.

**Employment:**—The total number of wage-earners employed in 1113 representative manufacturing establishments covered by reports of the Massachusetts Department of Labor and Industries was 166,786 for the week ending near October 15, an increase of 6519 employees, or 4.1 per cent, compared with the number employed in the same establishments during the corresponding week in September. The amount of the combined weekly payroll for all manufacturing establishments reporting showed an increase in October of 2.6 per cent over the September amount. The average weekly earnings per person employed were \$17.57 in October compared with \$17.83 for September. October was the third successive month in which increases in employment and wage payments have been reported since July of this year, the month which marked the lowest point of the industrial depression. The increases in the number employed in all manufacturing industries combined were as follows: August over July, 12.3 per cent; September over August, 9.8 per cent; October over September, 4.1 per cent. Since July the total increase in employment was 28.3 per cent. The increases in the amount of payroll for the three months were as follows: August over July, 13.7 per cent; September over August, 13.2 per cent; October over September, 2.6 per cent. Since July the total increase in the amount of the payrolls was 32.2 per cent, which exceeded somewhat the increase of 28.3 per cent in the number employed, indicating that not only were large numbers added to the working force, but also that many of those employed were working a greater number of hours per week in October than in July. These increases may be considered as a further step in

the recovery from the low point of the depression in July, rather than seasonal, because, on reference to the records for seven prior years, 1925-1931, it was found that the averages of the percentage changes in October, compared with September, were a decrease of less than one-half of one per cent in employment and a decrease of 1.5 per cent in the amount of the payrolls.

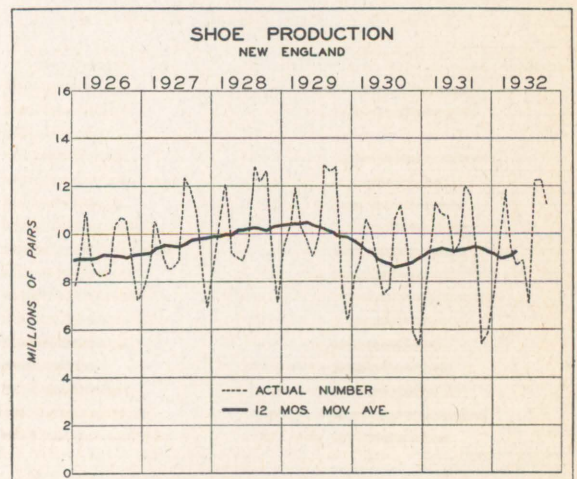
The number of wage-earners employed in the 48 Massachusetts cotton goods establishments reporting showed an increase of 4.7 per cent, and the payroll showed an increase of 4.8 per cent. In the 51 woolen and worsted goods mills the increase in employment was one-half of one per cent, with a decrease of six-tenths of one per cent in the payroll. In the 10 dyeing and finishing plants employment decreased two-tenths of one per cent, and the payroll declined 2.8 per cent. The 98 reporting boot and shoe establishments showed an increase of four per cent in employment and a decrease of one per cent in the payroll. Conditions in this industry were varied, with the establishments in Brockton showing the greatest improvement. Returns from 29 electrical machinery and radio apparatus concerns showed an increase of 9.5 per cent in employment and a decrease in the payroll of 1.1 per cent. The gain in employment was almost wholly due to improvement in radio apparatus manufacturing.

The regular monthly report of the Commissioner of Labor for Rhode Island, covering 219 manufacturing establishments and 33 building and construction concerns, showed that the 219 manufacturing establishments had 52,684 persons employed at the end of October, compared with 53,803 at the end of September and 47,540 at the end of August. The number was 2.1 per cent smaller than at the end of September, but was



Although continuing the rapid rise since July, the consumption of raw cotton in October increased only moderately, while the consumption of raw wool showed a definite falling off from the high point of the year recorded in September.

Source of data—U. S. Department of Commerce.



In October, for the third consecutive month, shoe production in New England showed an improvement over the same month of last year. Although production declined seasonally in October, it was the largest for that month since 1929.

Source of data—U. S. Department of Commerce.

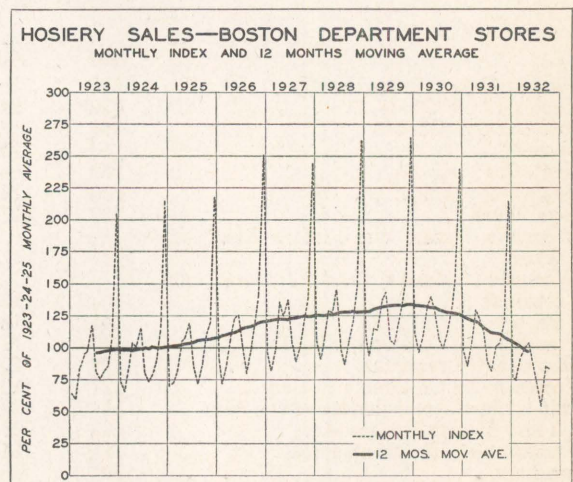
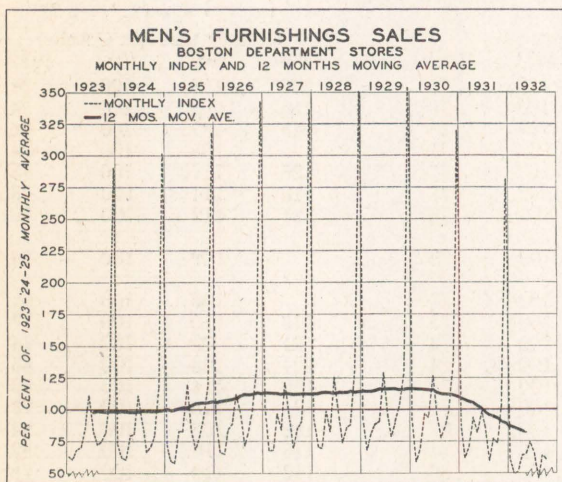
10.8 per cent greater than at the end of August. When compared with the same periods of 1931 and 1930, these establishments had 4.7 per cent fewer persons employed than in 1931 and 17.9 per cent fewer than in 1930. A smaller number of workers was employed in the metal trades, cottons, silks, woolen and worsteds groups, while increased numbers were employed in textile finishing, rubber, and miscellaneous groups; an increase of less than one-tenth of one per cent was reported in the jewelry group. The 120 textile plants of all kinds reported 35,690 workers employed at the end of October, compared with 37,107 at the end of September, a decrease of 3.8 per cent.

While the increases in New England employment and payrolls in the past three months have been largely seasonal in nature, some decrease has taken place in the percentage of deficiency in comparison with the corresponding months of last year. Employment at the end of October was only 10.0 per cent below October, 1931, compared with 30.2 per cent less in July; similarly, the October payrolls were 22.3 per cent less than in October, 1931, compared with a 42.2 per cent shrinkage in July from the same month last year.

**Boots and Shoes:**—The total number of pairs of shoes produced in this district during October was 11,225,000 pairs, a decrease of 8.4 per cent from the preceding month. The October output was 23.5 per cent greater than that for the corresponding month of 1931. The relatively good volume of production during the past three months (August through October) has brought the total output for 1932 to date to within 500,000 pairs of the production recorded in the first 10 months of 1931, a decrease of less than 0.03 per cent. It will be recalled that for the entire year

1931 shoe production in this district amounted to 111,500,000 pairs, the fourth largest annual total since 1922. The normal peak in shoe production occurs in September, but this year the volume of the August output was so large that, after seasonal adjustment, a decrease was recorded in the index of shoe production for September, and a similar decline was noted in the adjusted index for October. Compared with the declines during the same months in the two preceding years, shoe production this year is well sustained.

**Textiles:**—New England textile activity, which has been principally responsible for the improvement in the general industrial situation during the past three or four months, was not equal to seasonal expectations during October. The volume of raw cotton consumed in October amounted to 72,521 bales, which, after seasonal allowances had been made, was 1.6 per cent below the September total. In actual percentage the October index reported a gain of almost 16 per cent over the corresponding month a year ago. The change in the volume of raw wool consumption during October, as compared with the preceding month, was more pronounced than that in raw cotton. While the actual number of bales of cotton consumed in October was greater than in September, the poundage, grease equivalent, of raw wool consumed during October declined about 4,000,000 pounds to a total of 23,420,000 pounds, grease equivalent. This decline, after seasonal allowances had been made, reduced the index of raw wool consumption for October more than 24 per cent from the September index. The October index of wool consumption showed a rate of consumption more than 10 per cent greater than that obtaining during the same month in 1931.



## RETAIL TRADE

The volume of sales in reporting department stores in New England was 22 per cent lower during October than in the corresponding month of 1931, and 33 per cent smaller than in October, 1930. The stores also reported a decrease of 22 per cent in sales for the first 10 months of 1932 compared with 1931 and of 30 per cent compared with 1930. Relatively large declines from October, 1931, occurred in stores in each of the six New England states, ranging from 16 per cent in Maine to 29 per cent in New Hampshire.

Stores in Providence and New Haven collected their regular accounts outstanding at the first of October at a less favorable rate this year than in October of the three preceding years. The Boston stores reported a higher rate of collections than in October, 1929, 1930, and 1931, and in the entire group the percentage of regular accounts collected during October this year was larger than in the same month in 1930 and 1931, although smaller than in October, 1929.

The men's clothing and the silk and muslin underwear departments showed the smallest decrease in sales, amounting to 13 per cent, in comparison with October last year, while the most marked reductions from the corresponding month a year ago continued to be recorded in the cotton dress goods and jewelry departments, with declines of 27 and 29 per cent.

## SALES CONDITIONS

1931 = 100

	Month of October				January through October			
	1929	1930	1931	1932	1929	1930	1931	1932
Connecticut Department Stores.....	111	103	100	73	106	104	100	79
Maine Department Stores.....	116	108	100	84	110	106	100	80
Massachusetts Department Stores.....	123	111	100	78	113	109	100	78
New Hampshire Department Stores.....	120	111	100	71	115	110	100	72
Rhode Island Department Stores.....	121	110	100	82	124	112	100	81
Vermont Department Stores.....	112	105	100	74	114	108	100	76
Boston Department Stores.....	126	114	100	77	112	109	100	78
New Haven Department Stores.....	105	99	100	70	109	105	100	79
Providence Department Stores.....	121	110	100	82	122	111	100	81
New England Department Stores.....	122	111	100	78	113	109	100	78

## CREDIT CONDITIONS

Percentage of Regular Accounts Outstanding at the First of October Collected during October

	1929	1930	1931	1932
Boston Department Stores.....	44.2%	39.1%	43.6%	45.7%
New Haven Department Stores.....	53.8	52.7	49.9	47.8
Providence Department Stores.....	52.9	48.8	46.0	42.1
New England Department Stores.....	46.1	43.5	44.3	44.7

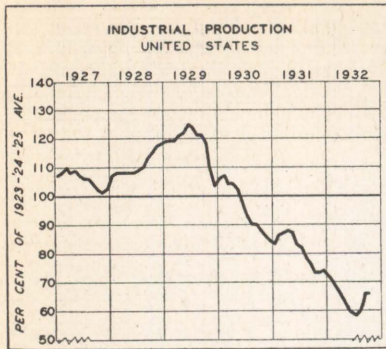
## SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

1931 = 100

	Month of October				January through October			
	1929	1930	1931	1932	1929	1930	1931	1932
Silk and Velvet Dress Goods.....	170	135	100	77	146	128	100	71
Woolen Dress Goods.....	122	94	100	75	116	93	100	74
Cotton Dress Goods.....	166	137	100	73	143	132	100	66
*Jewelry.....	...	125	100	71	...	108	100	74
Men's Clothing.....	163	139	100	87	126	114	100	73
Men's Furnishings.....	138	125	100	78	118	114	100	78
Boys' Wear.....	132	127	100	78	121	112	100	76
*Women's, Misses' and Juniors' Ready-to-Wear.....	...	111	100	76	...	109	100	74
*Women's, Misses' and Juniors' Accessories.....	...	115	100	81	...	108	100	81
Millinery.....	141	118	100	83	115	110	100	77
Women's and Children's Gloves.....	123	119	100	74	91	99	100	74
Corsets and Brassieres.....	114	110	100	84	104	108	100	83
Women's and Children's Hosiery.....	127	119	100	78	120	114	100	82
Knit Underwear, including Glove Silk.....	144	128	100	78	131	115	100	77
Silk and Muslin Underwear.....	113	106	100	87	108	102	100	84
Women's and Children's Shoes.....	117	114	100	81	113	110	100	82
Furniture.....	106	96	100	80	116	110	100	78

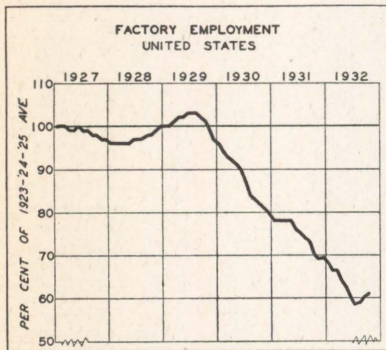
\* Due to a change in the reporting service, identical figures for 1929 are not available for these departments.

## SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES

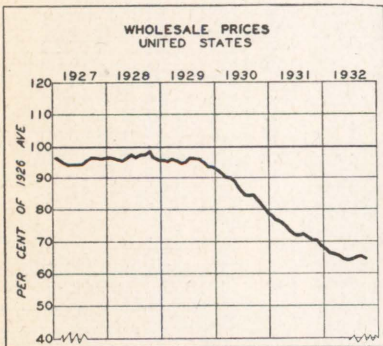


Volume of industrial output, after increasing considerably during August and September, remained unchanged in October. Factory employment and payrolls reported for the middle of the month showed a further increase. During October, as in the last three weeks of September, wholesale commodity prices declined, and in the first three weeks of November the general average was at the level of early summer.

*Production and Employment:*—Industrial production, as measured by the Board's seasonally adjusted index, continued in October at 66 per cent of the 1923-1925 average, as compared with a low level of 58 per cent in July. In the textile industries, which had shown a rapid expansion in August and September, there was a slight decrease in consumption of raw materials, while output of finished products increased somewhat. Shoe production, which also had increased substantially in recent months, showed a seasonal decline. Operations at steel mills expanded from an average of 15 per cent of capacity in September to 19 per cent in October, contrary to seasonal tendency, and, according to trade reports, continued at about this rate through the first three weeks of November. Production of automobiles in October declined further to a new low level. At coal mines activity continued to increase rapidly until the middle of October, but since that time a reduction, largely seasonal in character, has been reported.

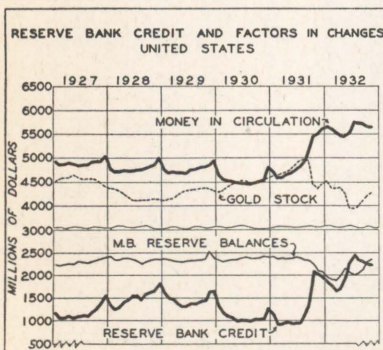


Employment in most manufacturing industries increased between the middle of September and the middle of October, and the Board's seasonally adjusted index of factory employment showed an advance from 60 per cent of the 1923-1925 average to 61 per cent. At textile mills working forces increased by considerably more than the usual seasonal amount, and substantial increases were also reported at steel mills, lumber mills, and car building shops. In the canning and automobile industries there were decreases in employment. Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, continued at low levels during October and the first half of November. The Department of Agriculture estimate of the cotton crop, based on November 1 conditions, was 11,950,000 bales, about 525,000 bales larger than the estimate a month earlier.



*Distribution:*—From September to October the volume of freight traffic increased by more than the usual seasonal amount; after the middle of October carloadings declined, reflecting chiefly seasonal developments. Dollar value of department store sales increased by the usual amount in October.

*Wholesale Prices:*—Wholesale commodity prices, as measured by the monthly index of the Bureau of Labor Statistics, declined from 65 per cent of the 1926 average in September to 64 per cent in October. Weekly figures show declines in the general average from early September through the first week in November, reflecting reductions in the prices of many domestic agricultural products and their manufactures, as well as the prices of steel rails, copper, coffee, rubber, and silk. In the second week of November prices of many leading commodities, including grains, hogs, cotton, silk, zinc, lead, and tin, advanced considerably, but later the prices of these commodities declined.



*Bank Credit:*—Volume of reserve bank credit showed little change for the four-week period ending November 16. Member bank balances at the reserve banks increased further by \$75,000,000, and in the middle of November were about \$475,000,000 in excess of legal reserve requirements. This growth in reserve balances reflected an increase of \$60,000,000 in the stock of gold and the issue of additional national bank notes. Demand for currency showed little change during the four-week period. Loans and investments of reporting member banks in leading cities outside New York City and Chicago declined further between the middle of October and the middle of November, reflecting a further reduction of loans at these banks. In New York City the investments of member banks increased by an amount larger than the decrease in loans, so that total loans and investments of these banks showed a further increase. Money rates in the open market continued at low levels during October and the first half of November. Rates on 90-day bankers' acceptances were unchanged at one-half of one per cent, and rates on prime commercial paper declined from a range of 1½-2 per cent to a range of 1½-1¾ per cent.