

# 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. XV

BOSTON, MASS., FEBRUARY 1, 1933

NO. 2

## THE SITUATION

Between 1931 and 1932 industrial activity in New England decreased about 25 per cent, but during the last six months of 1932 some measure of stability was evident in many industries, while in the final half of 1931 a constant contraction had taken place in physical production. When allowances for customary seasonal changes had been made, business activity in this district during December was lower than in any month since July, but exceeded the levels of May, June, and July.

The building industry in New England during 1932 continued the downward trend of 1931. The volume of commercial and industrial building contracts awarded dropped from 9,783,000 square feet in 1930 to 5,307,000 square feet in 1931, and in 1932 amounted to only 2,251,000 square feet. The decline in two years was 77.0 per cent. A similar condition prevailed in residential contracts awarded in this district, with a decline from 23,383,000 square feet in 1930 to 9,634,000 square feet in 1932, a decrease of 58.8 per cent. The value of total building contracts awarded in New England during 1931 was more than \$295,000,000, compared with about \$114,000,000 in 1932, and the total value decreased 61.4 per cent, therefore, between 1931 and 1932.

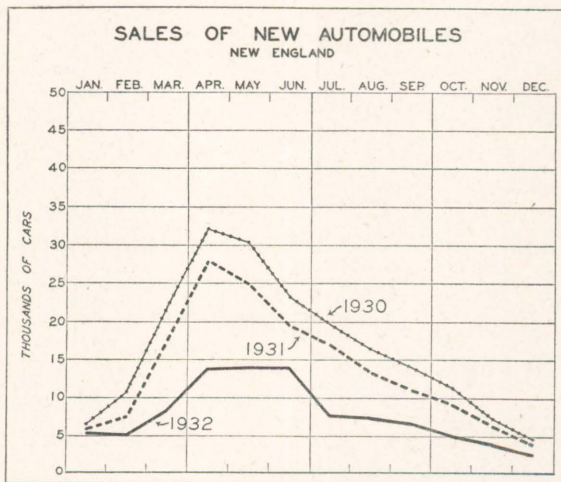
The textile industry in this district operated at lower levels during 1932 than in 1931, and each month on an average about 56,700 bales of raw cotton were used by mills in manufacturing pro-

cesses. The average monthly consumption for 1926-27-28 was around 128,000 bales. Woolen and worsted mills in this district consumed during 1932 an average of 17,630,000 pounds of raw wool, compared with 22,250,000 pounds for the average month of 1926-27-28.

Although total New England production of boots and shoes during December was about 18 per cent lower than in November and about five per cent less than for December a year ago, during the entire year 1932 production was about 112,400,000 pairs, an increase of 1.2 per cent having occurred over 1931 production of 111,060,000 pairs. The 1931 volume was nearly six per cent greater than that of 1930.

In December, according to the Department of Labor and Industries, the average number of persons employed in manufacturing establishments in Massachusetts was 3.8 per cent less than in November. The average weekly payroll also decreased by 3.8 per cent between November and December, and therefore the average weekly earnings per person employed remained unchanged at \$17.03. In Rhode Island a decrease of 4.7 per cent was reported between November and December in the number of workers in manufacturing plants.

The volume of new life insurance declined 19.0 per cent, new car registrations decreased 43.0 per cent, and sales of New England reporting retail establishments were 20.0 per cent smaller in 1932 than in the preceding year.



Sales of new automobiles in New England were lower in every month of 1932 than in the corresponding months of the two preceding years. Source of data—Direct Mail Service, Inc.



## MONEY AND BANKING

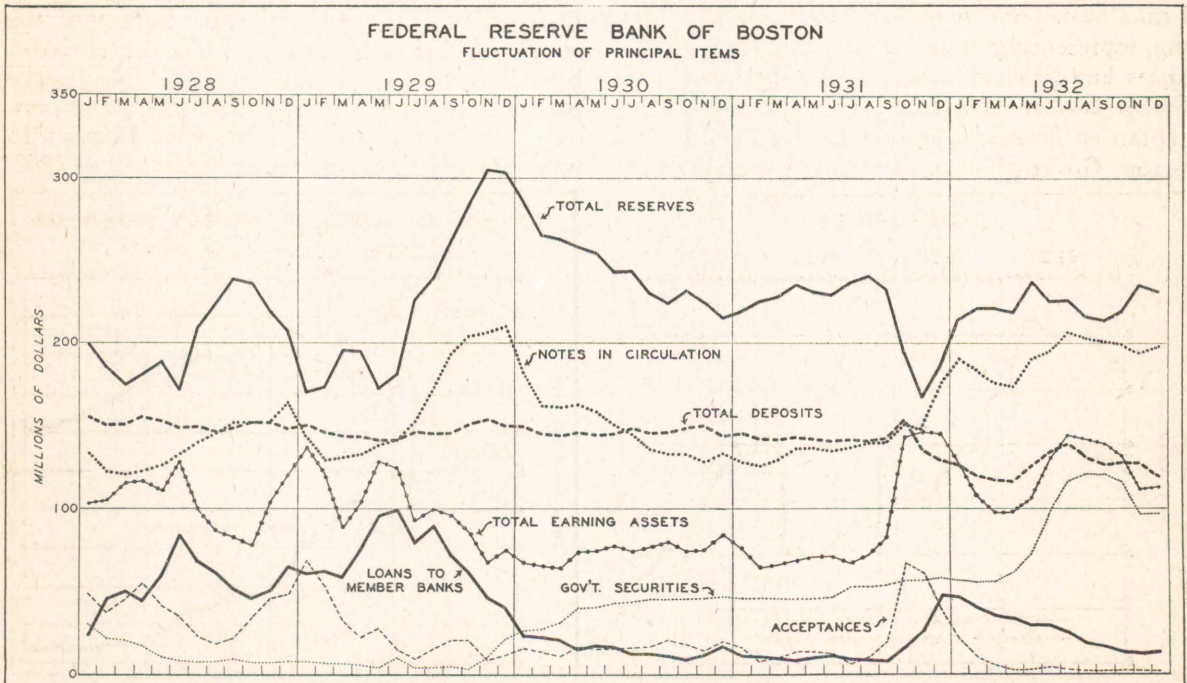
Rates in the Boston money market on January 24 showed rather divergent tendencies as compared with a month earlier. Acceptance rates were down, United States Treasury bill rates were slightly up, and brokers' prime commercial paper was unchanged. The asking rate on bankers' prime 90-day acceptances was reduced to one-quarter of one per cent on January 23; this compared with three-eighths of one per cent, which had been in effect since December 5, 1932. On the other hand, an issue of United States Treasury bills, dated January 25, sold at a price to give an average return of 0.18 per cent, compared with the lowest yield recorded of 0.09 per cent for the issue of December 28. The rate on brokers' prime commercial paper on January 23 was  $1\frac{1}{4}$  per cent, unchanged during the past month.

Following the sharp decline between October 26 and December 7 total deposits of Boston banks remained at approximately \$760,000,000 for more than a month. During the week ending January 18, there was an increase of \$19,000,000 in net demand deposits. Time deposits throughout the period from October to January followed a substantially similar course to that of net demand deposits, except that during the week ending January 18 there was no upward movement. Furthermore, the general movement of deposits in the reporting member banks outside of Boston followed about the same

course as net demand and time deposits in the Boston banks, except that outside of Boston the expansion in deposits during the week ending January 18 was in time deposits rather than in demand deposits.

As a result of the stabilization in the volume of deposits, both in Boston and outside, which took place in December, together with the expansion during the middle of January, the position of the reporting member banks has steadily become easier, since loan liquidation has proceeded at about the same rate as during the last quarter of 1932.

Commercial loans both in Boston banks and in the outside reporting banks are at the lowest level recorded since comparable statistics became available in 1921. Collateral loans also reached a new low level on January 18 both in the Boston member banks and in the outside reporting member banks. Total loans and discounts of all kinds are therefore at exceedingly low levels, comparable for the most part with those of 10 or more years ago. The supply of loanable funds, on the other hand, represented by total deposits, is at the level of 1924. As a result there is a surplus of loanable funds in member banks, which accounts for the large increase in reserve deposits in the Federal reserve bank. Not only are excess reserves being maintained at a high level, but also stocks and bonds. During January the Boston banks liquidated a small part



Loans to member banks by the Federal Reserve Bank of Boston after the first quarter of 1932 remained at unusually low levels. Holdings of acceptances purchased in the open market declined steadily during the year. Holdings of Government securities, however, were increased.



of their United States security holdings, while banks outside of Boston continued to increase them.

Reports made by the Boston member banks in response to the quarterly call for condition have recently become available. Some significant trends are discernible in these reports. For example, the volume of open market purchases of acceptances and brokers' commercial paper held by the Boston member banks are both substantially lower than at the date of the previous call on September 30; with few exceptions these outside purchases of the Boston member banks represent the lowest aggregates since before the break in the stock market in October, 1929. Not only are the holdings of acceptances and brokers' commercial paper in the aggregate relatively low, as compared with three months ago, but they are also low in terms of percentages of available funds thus invested. On December 31, 1932, the Boston member banks held only six per cent of their net deposits invested in the form of acceptances and brokers' commercial paper, compared with over seven per cent on September 30, 1932.

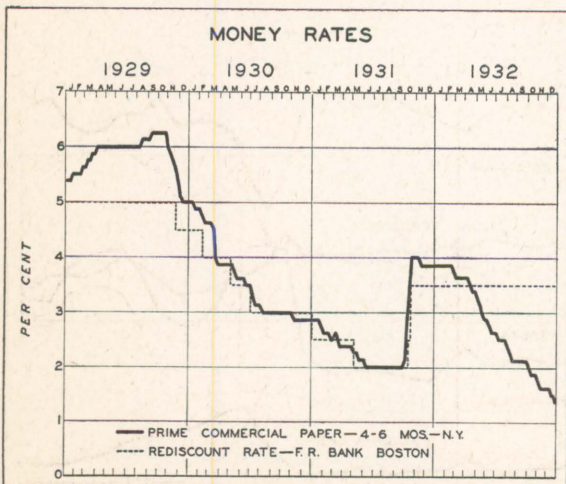
On the other hand, the Boston member banks had been purchasing United States Government obligations in the open market to an increasing degree, so that on December 31 they held 25 per cent of their net deposits so invested, by far the largest proportion ever held. Thus, in the aggregate open market operations of the member banks have been increasing rather than decreasing, representing in part a changing from acceptances and brokers' commercial paper to United States Government securities. Holdings of acceptances, brokers' commercial paper, and United States Government obligations combined were

higher than on any previous date, both in terms of dollars and in percentages of deposits.

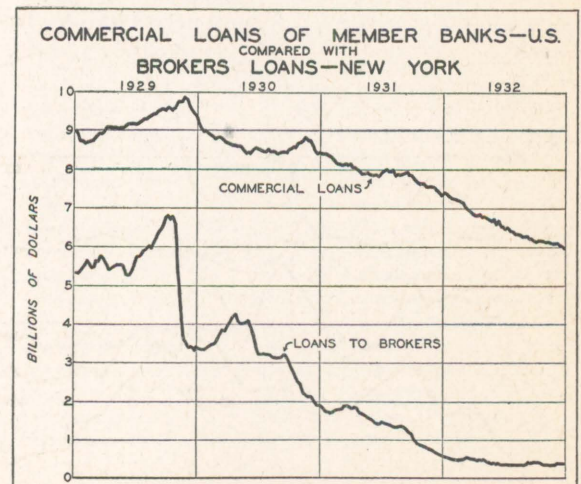
Some of the changes in the deposits of member banks, as shown in the quarterly condition call for December 31, 1932, are also significant. Balances due to correspondent banks were at the highest figure ever recorded, as were also balances due from banks outside of Boston, being carried there for the account of the Boston member banks. Most of the decline in time deposits during recent years has occurred in savings deposits in the Boston member banks. Savings deposits on December 31, 1932, were slightly under \$100,000,000, the lowest figure since 1924.

Between December 21 and January 18 total earning assets of the Federal Reserve Bank of Boston declined about \$7,000,000. Although this is a small seasonal decline for this time of year, nevertheless, in view of the almost complete lack of year-end seasonal expansion in 1932, such a decline is probably considerable. During the same four-week period loans to all member banks declined \$3,000,000. Since Boston member banks have been entirely out of debt since June, 1932, this decline was entirely confined to the outside member banks, whose aggregate borrowings on January 18 amounted to only \$12,000,000. No change has occurred in acceptance holdings during this period. Open market investments in United States securities, on the other hand, were reduced \$4,000,000.

Total cash reserves of the Federal Reserve Bank of Boston rose over \$16,000,000 between December 21 and January 18. Reflecting the rising trend of total deposits in the Boston member banks, their reserve deposits with the reserve bank rose some \$24,000,000 during the same period. The volume of total deposits on January 18 was at the highest level since the summer of 1932.



Quotations for brokers' prime commercial paper, four to six months' maturity, in New York declined steadily throughout 1932, and at the end of the year were 1½ per cent.  
Source of data—Federal Reserve Bank of New York.



The seasonal increase in commercial loans which usually occurs each autumn did not take place in 1931 or 1932, and there has been a persistent decrease since the third quarter of 1931.



NEW ENGLAND INDUSTRIAL CONDITIONS

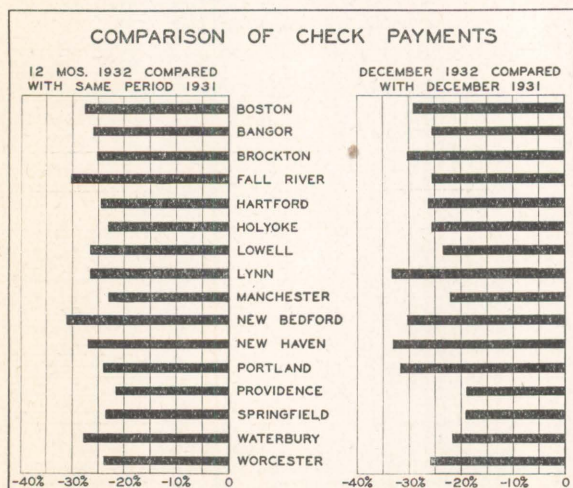
**Electric Power:**—Industrial activity in New England during 1932, according to the index of electric power consumed for industrial purposes compiled by the *Electrical World*, decreased about 19 per cent from the preceding year. During the first half of 1932 the general level of industrial production recorded a tendency toward a lower rate of output. In midsummer, however, a change in the movement was evident, with the seasonally adjusted monthly index of electric power consumed for industrial purposes showing increased manufacturing activity from July through October. A noticeable decline occurred in November, followed by a more moderate decrease in December. At present, however, the rate of electric power consumption, after seasonal adjustment, is only three per cent above the low record established in June, 1932. In the eight industrial groups, the following closed the year 1932 with higher rates of electric power consumption than in 1931: the chemical and allied products group showed a higher volume of consumption in December, but less for the entire year; the leather and leather goods industry showed particular improvement in the last quarter; and the rubber and rubber goods establishments showed a larger volume of electric power consumed throughout 1932 than during the preceding year.

**Carloadings:**—The volume of total freight carloadings in New England during the past year was almost 20 per cent less than in 1931. This was the fourth year during which carloadings recorded a contraction, with the number of cars loaded in 1932 approximately 900,000 fewer than in the peak year, 1928. The greatest decreases in total carloadings during 1932 occurred during

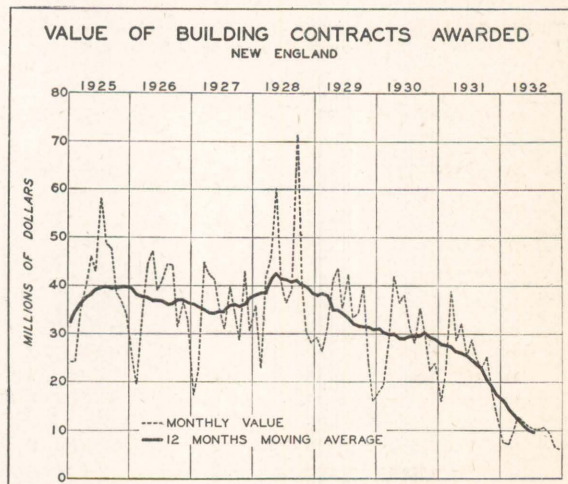
the second and third quarters, with a moderate recovery in the number of cars loaded during the last quarter.

Merchandise, l.c.l., and miscellaneous carloadings, which comprise nearly 90 per cent of the total loadings originating in New England, were more than 22 per cent lower in 1932 than in the preceding year. In the seasonally adjusted monthly index a definite change took place between the first and second half of 1932. In January the adjusted index registered an increase, the first in three months. This slight gain in January was followed by six successive monthly declines in the seasonally adjusted figures. In August the adjusted index turned upward, this movement continuing for three months. During November, however, a slight lapse occurred, but this decline was more than compensated for by the seven per cent rise in the December index. This increase and the one recorded in the call for workers at three Massachusetts public employment offices were the only evidences of strength in any adjusted indices during the closing month of 1932.

**Building:**—The total value of new construction contracts awarded in New England during 1932 was 61.4 per cent less than in 1931. Among the three principal classes of construction the greatest decrease occurred in public works and utilities, which declined 63.7 per cent in 1932; this decline, however, was preceded by a rise of 19.4 per cent in the total value of this type of construction during 1931 over 1930. The value of residential building was 55.7 per cent lower in 1932 than in 1931, but this group regained its traditional position of comprising at least one-third of the total construction awards. Non-



For the entire year 1932 check payments in the 16 cities shown above averaged nearly 25 per cent below the total value for 1931.



The downward trend in the 12-months' moving average of total building contracts awarded in New England has now been in force for more than four years.

Source of data—F. W. Dodge Corporation.



residential building was 43.8 per cent smaller in 1932 than in the preceding year.

In December no improvement occurred in the value of new contracts awarded, with the total 9.5 per cent less than in November and 53 per cent below the December total in 1931. Declines were recorded in all classes of construction except industrial building, which increased moderately. The seasonally adjusted indices of residential building (the number of square feet of new contracts awarded) was two per cent lower in December than in the preceding month, while a similar index for commercial and factory building declined about three points. Both indices are now showing subnormal rates of construction compared with the 1923-24-25 averages.

The building reports covering the first three weeks of 1933 gave no indication that the opening month of the current year would reflect any improvement in the rate of building construction in either the total value or in any of the three principal classifications.

**Employment:**—The average number of persons employed in identical New England manufacturing establishments during 1932 was 24.2 per cent less than in the preceding year. The average weekly wage per person employed by these firms decreased 16.4 per cent. These figures compare with the decrease of 19.1 per cent in Massachusetts employment last year and a decline of 15.5 per cent in average weekly wages in 1932 from the 1931 average.

The total number of wage earners employed in 1101 representative manufacturing establishments covered by reports to the Massachusetts Department of Labor and Industries was 152,032 for the week ending near December 15, a decrease of 5996 employees or 3.8 per cent, compared with

the number employed in the same establishments during the corresponding week in November. The amount of the combined weekly payroll for all manufacturing establishments reporting was \$2,586,127 in December, a decrease of \$102,302, or 3.8 per cent, from the November amount.

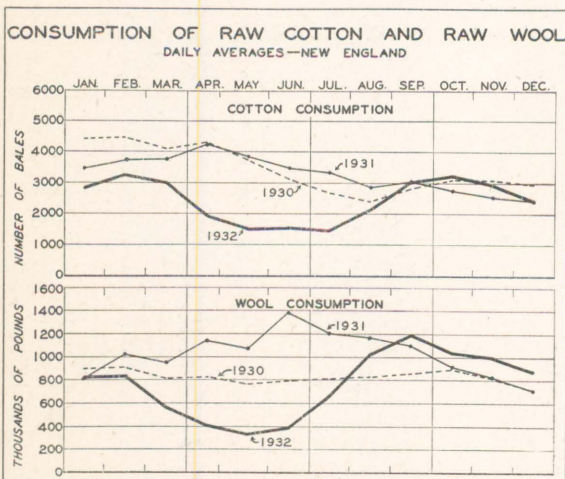
The records for seven preceding years, 1925-1931, showed that the averages of the percentage changes in December compared with November for all industries combined were a decrease of 2.5 per cent in employment and a decrease of two per cent in the amount of the payroll. It is therefore apparent that the November-to-December declines in employment and amount of payroll this year were at least partly seasonal. A large contributing factor in the decline in December was the marked curtailment in boot and shoe manufacturing in several cities and some curtailment in the manufacture of men's clothing, radio apparatus and supplies, and the tanning of leather.

The average weekly earnings per person employed remained unchanged at \$17.01.

The 94 establishments reporting in the boot and shoe industry showed a further decrease of 15.4 per cent in employment and a decrease of 16.8 per cent in the amount paid in wages. These net decreases resulted from varying changes in the different localities, in some of which there was a marked curtailment and in others an improvement.

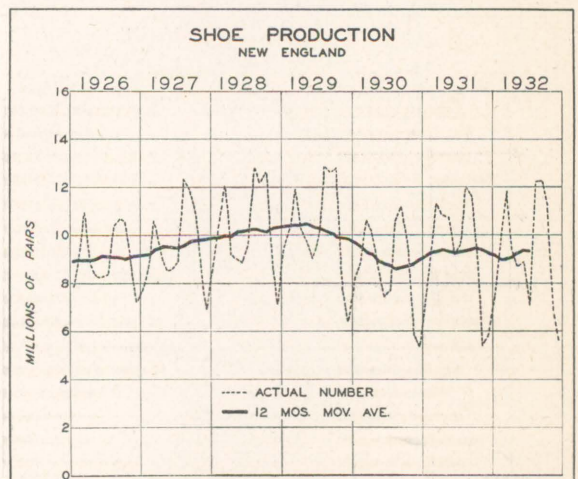
In the 25 leather tanning, currying and finishing establishments employment decreased 11.3 per cent, the payroll decreased 16.3 per cent, and the per capita earnings decreased \$1.17.

In Rhode Island the monthly survey covering 219 selected manufacturing establishments throughout the state showed 4.7 per cent fewer



The improvement in the consumption of raw cotton and wool during the third quarter of 1932 was not entirely offset by the decline during the fourth quarter.

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



The relative resistance in the volume of shoe production is shown by the somewhat irregular upward trend in the 12-months' moving average since 1930.

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



workers employed at the end of December than at the close of the preceding month. The total number employed by these establishments was 49,867 at the end of December, compared with 52,304 at the end of November. Although the total number employed was smaller than at the end of November, it was 3.1 per cent greater than the number employed during the same period in December, 1931, an increase of 1520. Decreased numbers were reported in practically all groups, with the exception of the silk industry, where an increase of 6.8 per cent was reported.

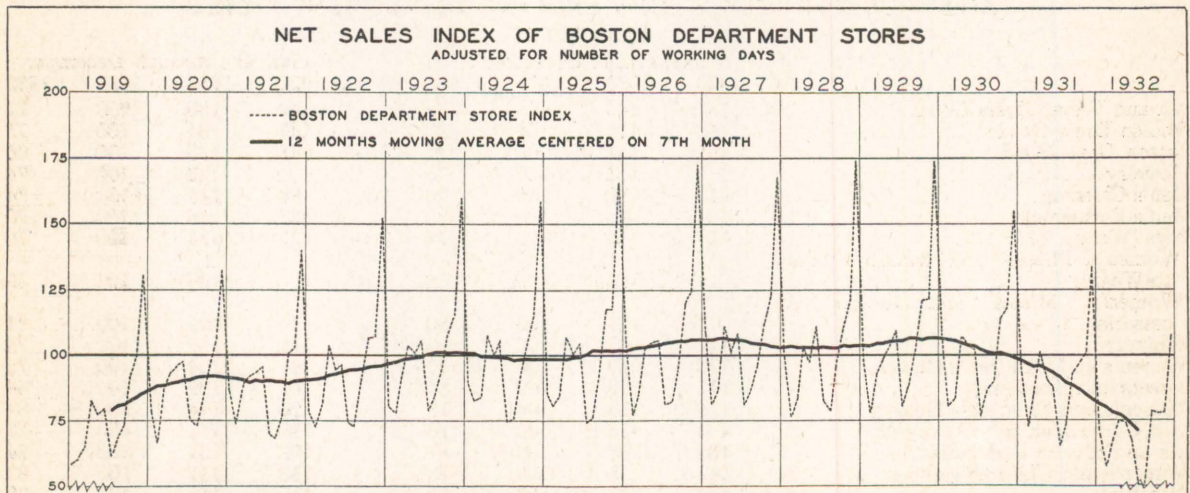
**Boots and Shoes:**—Estimated boot and shoe production during December in this district was 18.4 per cent less than in November and 4.9 per cent below the corresponding month of 1931. December was the first in five months during which the output of boots and shoes fell below the same period of the preceding year. As a result of this strength during most of the third and fourth quarters of 1932, combined with the exceptionally large excess of output during the first quarter compared with that period in 1931, the record for the year 1932 was 1.2 per cent greater than for 1931. This was the second successive year during which shoe production increased, with the 1932 gain being the only increase recorded among the available production series in this district. As the record of shoe production in its present form extends over a period of only 10 years, the 1932 total output, which is estimated at 112,418,000 pairs, was exceeded in only four years, 1923 and 1927 through 1929. The month-to-month changes, as shown by the seasonally adjusted index of shoe production, indicate that the 1932 output varied more than in 1931, which apparently

followed the regular movement of gradual increase and decline. The year 1932 closed at a slightly lower level of production than that recorded in December, 1931.

**Textiles:**—During December New England textile establishments continued the downward movement in the volume of production which had been in force since the beginning of the fourth quarter of 1932. The largest decline in textile activity during 1932 occurred in the percentage of broad silk looms active, which showed a decrease of 33.3 per cent compared with the 1931 average. The seasonally adjusted monthly indices for 1932 showed that silk machinery activity, after declining almost steadily through the first seven months of 1932, recovered somewhat irregularly, with the November and December indices averaging about the same rate of activity as at the close of 1931.

The volume of raw cotton consumed by New England mills during 1932 was 26.1 per cent less than in 1931, with a corresponding reduction of 7.2 per cent in the average number of spindles in place, and a 23.1 per cent decline in average spindles active. The greatest decline in cotton consumption occurred during the early summer months, after which some improvement was noted in the seasonally adjusted indices.

The 24.2 per cent decline in the amount of raw wool consumed by the woolen and worsted manufacturing establishments more than offset the large increase of 21.6 per cent in 1931. The rate of wool consumption during the fourth quarter of 1932, however, was considerably higher than during the same period in either 1931 or 1930, with the adjusted index for December of 83.4 per cent of the 1923-24-25 monthly average higher than in the three preceding years.





## RETAIL TRADE

Representative retail stores in this district reported a decrease of 20 per cent in the dollar volume of their sales during December, 1932, in comparison with the corresponding month in 1931. Declines were recorded by stores in each of the six New England states, ranging from 16 per cent in Maine to 23 per cent in New Hampshire. For the year 1932 dollar sales of reporting New England department stores were about 21 per cent smaller than for 1931, with the greatest decrease, amounting to 27 per cent, occurring in New Hampshire, and the smallest, 18 per cent, in Maine. Stores in Boston and New Haven showed a decline of 22 per cent in sales during 1932 compared with the preceding year, while in Providence stores the decrease was 19 per cent.

Regular accounts outstanding at the first of December were collected by the Boston stores at a rate somewhat higher than in the corresponding month of 1929, 1930, and 1931, but the New Haven and Providence stores reported a lower rate of collections for December than for the same month of the three preceding years.

The most favorable comparison with sales in December, 1931, was shown in December last year by the millinery departments of the reporting stores, with a reduction of eight per cent, while the most marked decline compared with December a year ago occurred in the cotton dress goods departments, amounting to 29 per cent. For the entire year 1932 cotton dress goods also showed the greatest decrease in sales, 34 per cent, while the smallest reduction, amounting to 16 per cent, was recorded in the corsets and brassieres and silk underwear departments.

## SALES CONDITIONS

1931 = 100

	Month of December				January through December			
	1929	1930	1931	1932	1929	1930	1931	1932
Connecticut Department Stores.....	118	110	100	79	111	106	100	79
Maine Department Stores.....	111	108	100	84	112	109	100	82
Massachusetts Department Stores.....	124	115	100	80	115	110	100	78
New Hampshire Department Stores.....	120	119	100	77	117	111	100	73
Rhode Island Department Stores.....	120	109	100	80	124	112	100	81
Vermont Department Stores.....	113	108	100	78	115	109	100	76
Boston Department Stores.....	126	116	100	80	116	111	100	78
New Haven Department Stores.....	115	106	100	77	112	106	100	78
Providence Department Stores.....	118	108	100	80	122	111	100	81
New England Department Stores.....	124	114	100	80	115	110	100	79

## CREDIT CONDITIONS

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

	1929	1930	1931	1932
Boston Department Stores.....	36.6%	37.6%	40.4%	42.4%
New Haven Department Stores.....	51.9	53.4	50.2	47.1
Providence Department Stores.....	46.8	43.6	43.0	40.8
New England Department Stores.....	39.5	39.6	41.4	42.2

## SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

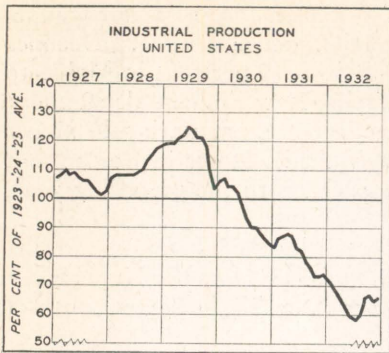
1931 = 100

	Month of December				January through December			
	1929	1930	1931	1932	1929	1930	1931	1932
Silk and Velvet Dress Goods.....	161	149	100	72	147	130	100	72
Woolen Dress Goods.....	143	116	100	80	117	94	100	75
Cotton Dress Goods.....	161	149	100	71	145	133	100	66
*Jewelry.....	...	125	100	75	...	112	100	74
Men's Clothing.....	142	119	100	76	86	116	100	74
Men's Furnishings.....	124	116	100	81	121	116	100	79
Boys' Wear.....	118	114	100	78	122	114	100	76
*Women's, Misses' and Juniors' Ready-to-Wear.....	...	115	100	78	...	109	100	75
*Women's, Misses' and Juniors' Accessories.....	...	114	100	80	...	109	100	81
Millinery.....	111	102	100	92	116	110	100	79
Women's and Children's Gloves.....	126	116	100	77	101	104	100	75
Corsets and Brassieres.....	112	109	100	83	107	109	100	84
Women's and Children's Hosiery.....	115	110	100	78	120	114	100	81
Knit Underwear, inc. Glove Silk.....	133	118	100	73	133	116	100	77
Silk and Muslin Underwear.....	108	105	100	87	108	104	100	84
Women's and Children's Shoes.....	122	115	100	78	116	111	100	82
Furniture.....	130	110	100	81	119	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 production declined in December by slightly less than the usual seasonal amount, while factory employment and payrolls showed a decrease somewhat larger than is usual at this season. The general level of wholesale commodity prices, after declining in December, showed relatively little change in the first half of January.

*Production and Employment:*—In December the Board's seasonally adjusted index of industrial output showed an increase from 65 per cent of the 1923-1925 average to 66 per cent, the level prevailing in September and October. There was a substantial increase in output of automobiles in connection with the introduction of new models, and lumber production showed a less-than-seasonal decline. In the textile industries there were decreases in output, in accordance with the usual seasonal tendency. Activity at steel mills showed a substantial decline in December, followed by a seasonal increase in the first three weeks of January.

Volume of employment in manufacturing industries decreased from the middle of November to the middle of December by somewhat more than the usual seasonal amount. Working forces were reduced in the clothing, leather, and building material industries, while at automobile factories there was a substantial increase in employment.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined by more than the usual seasonal amount in the fourth quarter, following a non-seasonal increase in the third quarter. Contracts awarded in the first half of January showed an increase, as measured by daily average figures, reflecting the award of large contracts in connection with construction of a bridge at New Orleans.

*Distribution:*—Freight traffic decreased in December by an amount somewhat smaller than is usual at this season. Sales by department stores increased by somewhat less than the usual seasonal amount, and were smaller than a year ago by 23 per cent, reflecting in part a decline in prices.

*Foreign Trade:*—Value of exports in December was smaller than in December, 1931, by about one-fourth. For the year as a whole the decline was about one-third, reflecting decreases ranging in the first 11 months from eight per cent for crude materials to 45 per cent for finished manufactures. Value of imports into this country during 1932 was smaller than in 1931 by 37 per cent.

*Wholesale Prices:*—Wholesale prices of many leading commodities, including non-agricultural as well as agricultural products, declined from November to December, and the monthly index of the Bureau of Labor Statistics showed a decrease from 63.9 per cent of the 1926 average to 62.6 per cent as compared with 68.6 per cent a year ago. In the first half of January wheat prices advanced from the low levels reached at the end of December, and cotton prices also increased somewhat, while prices of silk, rubber, and gasoline declined considerably.

*Bank Credit:*—In the four weeks from December 21 to January 18 the stock of monetary gold increased by \$80,000,000, and there was a seasonal decline of \$130,000,000 in the volume of money in circulation, a considerably smaller decline than usual reflecting a smaller-than-usual increase for the holiday trade in December and some withdrawal of funds accompanying bank suspensions in the middle of January. The reserve funds arising from these two sources were absorbed in part by a reduction of member bank borrowings at the Federal reserve banks and through a decline of \$73,000,000 between January 4 and January 18 in the reserve banks' holdings of United States Government securities.

Member banks' reserve balances, however, increased further during the four-week period by about \$100,000,000 to a level \$575,000,000 higher than a year ago. Excess reserves of member banks, which have been in substantial volume for several months, also increased during the period.

Volume of member bank credit continued to decline during December and the first part of January. From the middle of December to January 11 total loans and investments of reporting member banks in leading cities declined by \$165,000,000 to a level about \$350,000,000 above the low point of last summer. The decline was entirely in the banks' loans, while investments showed relatively little change. Money rates in the open market continued at low levels.

