

MONTHLY REVIEW

Of Industrial and Financial Conditions in the New England District

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FEDERAL RESERVE BANK OF BOSTON

VOL. XV

BOSTON, MASS., MARCH 1, 1933

NO. 3

THE SITUATION

Industrial activity in New England during the first month of 1933 was curtailed by more than customary seasonal changes in most of the principal industries from the level prevailing at the close of 1932. The recession between December and January was evident not only in the volume of production, but was also shown in employment, payrolls, and several measures of distribution, notably in retail trade.

Production of boots and shoes in this district during January was slightly greater than in the corresponding month a year ago, and was about 39 per cent larger than in December. Most of the increase between December and January was seasonal in character, but an increase of about six per cent was recorded over the average change between these months for the past several years.

During January the amount of raw cotton consumed by New England mills was 62,066 bales, as compared with 63,150 bales in January, 1932, 81,469 bales in January, 1931, and 105,934 bales in January, 1930. During May, June, and July, 1932, however, the volume was at levels lower than 37,000 bales. Consumption of raw wool by mills in this district during January this year was approximately 20,440,000 pounds, a volume slightly greater than in the corresponding month of either of the two preceding years.

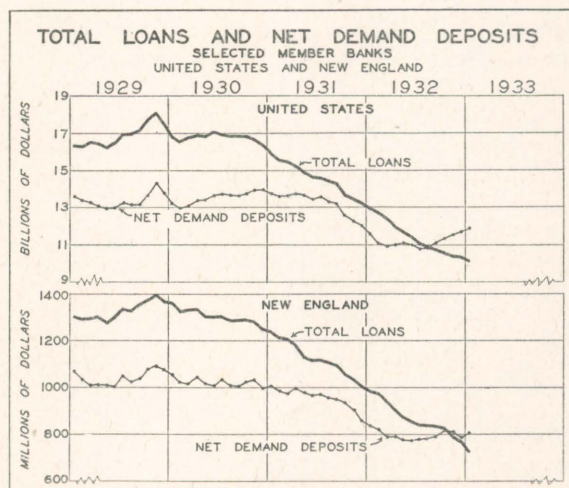
The value of new construction contracts awarded during January in New England was

about 33 per cent lower than in the corresponding month a year ago, and was also substantially less than in December. The volume (square feet) of residential building contracts awarded in this district during January, as well as the volume of commercial and industrial awards, was the smallest ever recorded, when customary seasonal changes had been allowed for.

Between December and January a decrease of 1.7 per cent was recorded in the number of persons employed in manufacturing establishments in Massachusetts and a decline of 5.3 per cent in aggregate weekly payrolls. These decreases were greater than usually occur because of seasonal influences. Average weekly earnings per person employed in these manufacturing establishments amounted to \$16.42 in January, as compared with \$17.03 in December. A large in-

crease took place in the number of workers employed in the boot and shoe industry and a considerable decrease in foundries and machine shops; both of these changes were largely of seasonal character.

Net sales of reporting New England retail establishments during January were 26.7 per cent less than in the corresponding month a year ago. New Hampshire stores reported the most severe decrease, about 35 per cent, while in Maine and Connecticut the decline amounted to a little more than 15 per cent.



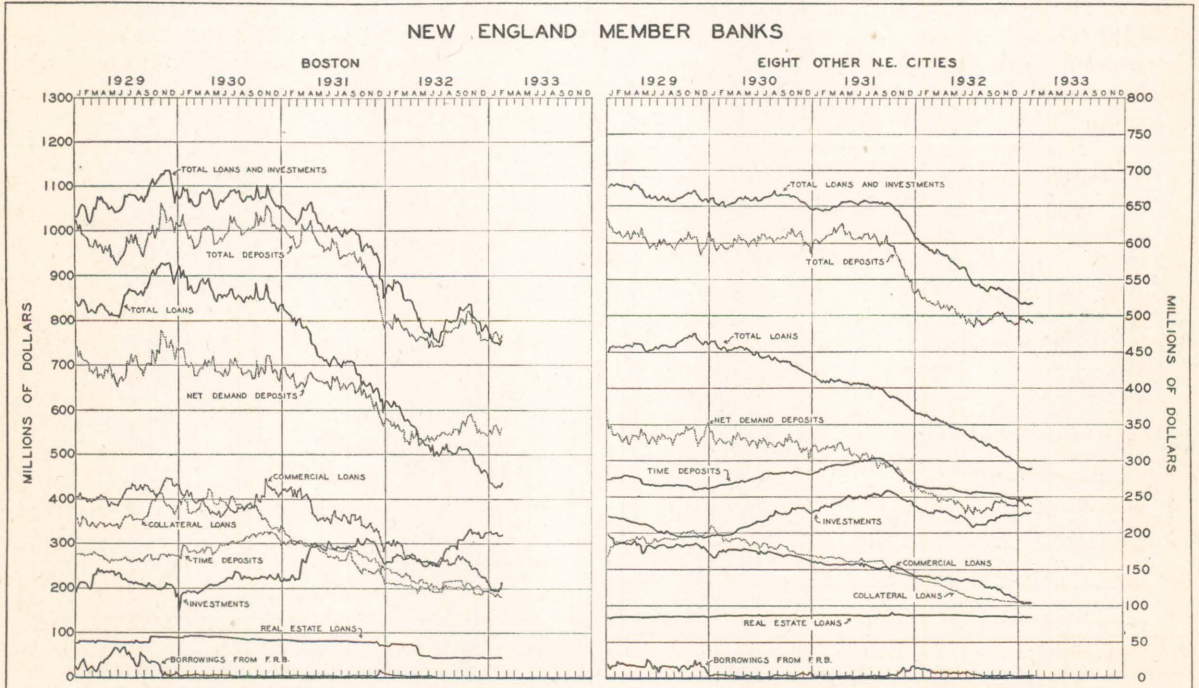
The trend of total loans in New England, as well as in the entire country, has been downward for more than two years. Net demand deposits, however, have increased during recent months.

MONEY AND BANKING

In the Boston money market rates for open market paper of all descriptions became perceptibly stronger during the third week of February. Two increases in the rate for bankers' acceptances occurred in rapid succession, bringing the asking rate for the 90-day maturity to $\frac{5}{8}$ of one per cent on February 20, the highest yield for this class of paper since October 11. A firmer undertone was also discernible in the market for brokers' prime commercial paper. Although no quotable change took place in this class of security, the proportion of sales made on a $1\frac{1}{4}$ per cent basis was much smaller than was the case earlier in the month. The most noticeable strength was evident in the yields on United States Government obligations. After the middle of February prices for all classes of Government securities were definitely weak. For several months United States Treasury bills, Certificates of Indebtedness, and notes maturing within less than 90 days had been selling at a premium in excess of yield. On February 23, on the other hand, the price of such Certificates of Indebtedness had fallen so sharply that the yield to maturity was .20 per cent for the certificates due on May 2, 1933, and .37 per cent for those due on June 15, 1933. Similarly, the yield on the most recent issue of Treasury bills, dated February 23 and due May 24, 1933, which was issued at an average yield of .16 per cent, had risen to a yield of .25 per cent in the open market on February 23.

Between January 4 and February 21 total deposits, including Government deposits, of Boston reporting member banks declined \$2,664,000. Net demand deposits had increased \$13,926,000 during this period, but the increase was more than offset by a decrease of \$7,924,000 in time deposits and of \$8,666,000 in Government deposits. During January there was relatively little change in any of the three classifications comprising total deposits, but in February the week-to-week changes became more pronounced. Net demand deposits on February 8 stood at \$546,010,000, and by February 21 had increased to \$570,880,000. While total deposits on February 8 were \$754,821,000, by February 21 these deposits amounted to \$764,710,000. During the seven-week period ending February 21 total loans and investments of Boston reporting member banks declined \$1,971,000; collateral loans were reduced by \$16,890,000, and holdings of security investments decreased \$8,147,000. Commercial loans, on the other hand were expanded by \$22,984,000. The increase in commercial loans, however, occurred during February, with an increase of \$28,028,000 in this item taking place between February 1 and February 21.

Total deposits in member banks in eight New England cities outside of Boston fell \$9,294,000 between January 4 and February 21. Differing from the changes in condition in the Boston member banks, net demand deposits of the re-



porting outside member banks decreased \$10,932,000 during this seven-week period, while time deposits increased \$4,009,000. Commercial loans in outside banks did not follow the trend in Boston banks, but decreased \$1,033,000 between January 4 and February 21. Collateral loans were reduced by \$2,150,000. Holdings of security investments by outside member banks were \$3,982,000 higher on February 21 than on January 4. Total loans and investments of these banks, therefore, were \$360,000 larger on February 4 than they had been seven weeks earlier.

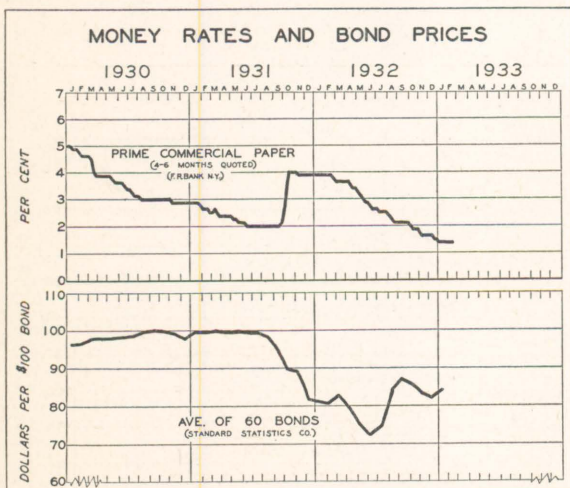
In the combined figures of the Boston and other reporting New England member banks total deposits, including Government deposits, were \$11,958,000 less on February 21 than on January 4. Time deposits had decreased \$3,915,000 during this period, and Government deposits likewise declined, while net demand deposits increased \$2,994,000. Although total loans and investments in the New England member banks decreased only \$1,611,000 during the seven weeks ending February 21, two of the four principal parts comprising this item had changed materially. A decline of \$19,040,000 in collateral loans was more than offset by an increase of \$21,951,000 in commercial loans. Relatively small changes occurred in real estate loans, which declined \$357,000, and in holdings of security investments, which were reduced \$4,165,000 during this period.

On February 21 the volume of total earning assets of the Federal Reserve Bank of Boston was \$1,311,000 larger than on January 4. Holdings of Government securities during this period were reduced \$3,556,000, but an increase of \$4,440,000 in holdings of acceptances purchased in the open

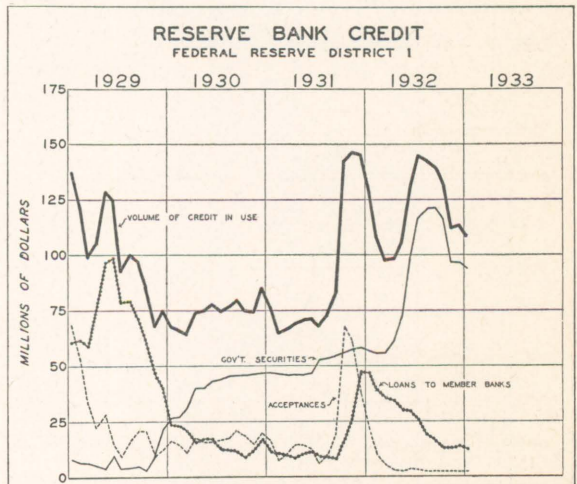
market more than offset this decrease in Government securities, in addition to which loans to member banks increased \$427,000. Total reserves on February 21 were in larger volume by \$10,242,000 than on January 4. Total deposits had likewise shown an increase during this period, amounting to \$19,342,000. The volume of notes of the Federal Reserve Bank of Boston in circulation decreased \$3,241,000 between January 4 and February 21.

Total earning assets of all Federal reserve banks combined were \$200,000,000 larger on February 21 than on January 4. Loans to member banks had expanded by \$76,000,000 during this period, and holdings of acceptances purchased in the open market had risen \$141,000,000. Holdings of Government securities, on the other hand, had been reduced by \$17,000,000. Total reserves and total deposits of all Federal reserve banks combined decreased by \$48,000,000 and \$188,000,000, respectively. The volume of Federal reserve notes in circulation in all Federal reserve districts was \$2,738,000,000 on January 4, and during the following seven weeks increased to a total of \$3,000,000,000 on February 21. The reserve ratio of all Federal reserve banks combined on February 21 was 61.2 per cent, as compared with 63.0 per cent on January 4.

Savings on deposit in the selected mutual savings banks which report monthly to the Federal Reserve Bank of Boston rose on January 31 to the highest level recorded since last June, a distinctly favorable factor in the banking situation. Increases over the preceding month's totals on deposit in these mutual savings banks occurred in every New England state with the exception of Vermont.



Since the beginning of the fourth quarter of 1931 the rate on prime commercial paper has been steadily declining. The last two months have shown some increase in bond prices.
Sources of data—Federal Reserve Bank of New York and Standard Statistics Company, Inc.



The downward sweep of reserve bank credit during the last half of 1932 was the result principally of the reduction in holdings of Government securities.

NEW ENGLAND INDUSTRIAL CONDITIONS

Carloadings:—The total volume of carloadings originating in New England during the first five weeks of 1933 was 114,737 cars, compared with 155,767 cars in 1932, a decrease of 15.4 per cent. This decline is approximately the same as that recorded during the same period of last year, when compared with the opening weeks of 1931. The movement in the total number of freight carloadings in January this year followed the usual seasonal course, although the volume of carloadings was more than 40 per cent smaller than in 1928. In the past three years, however, the normal seasonal movements have been dominated by the downward sweep of industrial activity, with a resultant reduction in freight shipments. Consequently, during the second and third quarters the volume of total carloadings during the past three years has shown a tendency toward stability, instead of rising to a peak, and in the first and fourth quarters the tendency has been to drift toward a lower volume of loadings. The seasonally adjusted index of merchandise, l.c.l., and miscellaneous carloadings declined during January, offsetting to a considerable degree the 12 per cent rise recorded in December. At the present time merchandise, l.c.l., and miscellaneous carloadings are about seven per cent above the low point of July, 1932.

Building:—The January value of all new construction contracts awarded was \$5,006,000, a decrease of 17.1 per cent from December and 33.2 per cent from January, 1932. The value of January contract awards this year was only about 14.3 per cent of the total for January, 1928, the peak year in construction in New England.

The value of commercial and factory contracts awarded during January was larger than in December, particularly the value of factory build-

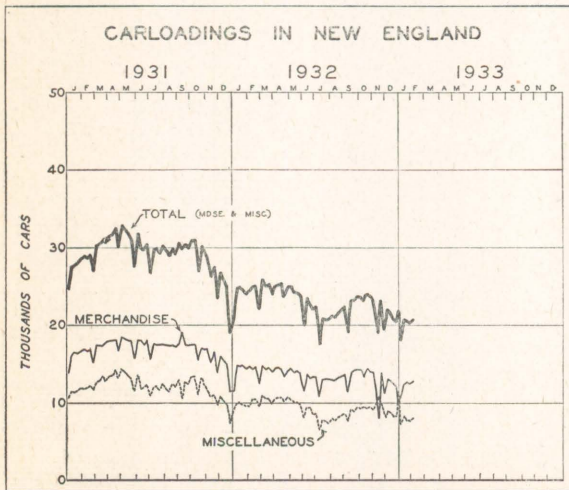
ing, which was exactly twice the amount awarded in December. New residential contracts awarded were somewhat less in January than in the preceding month, and the value of public works and utilities contracts awarded was nearly 50 per cent less during January than in December.

The seasonally adjusted indices for the volume of new residential and commercial and factory building (on a square-foot basis) did not indicate that any improvement occurred during January over the extremely low volume of construction recorded in December.

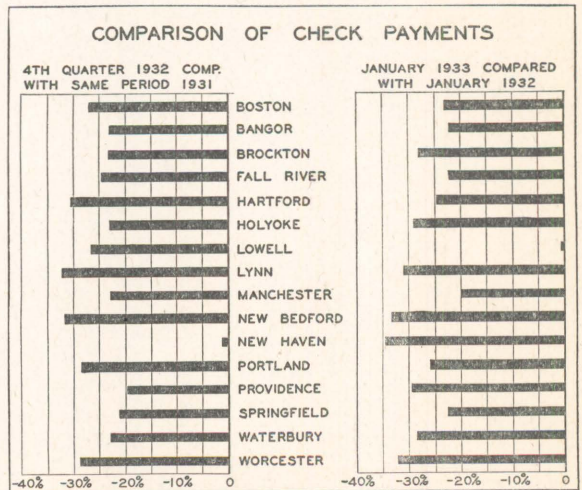
On a daily average basis the changes in the three principal classes of construction, residential, non-residential, and public works and utilities, between December and January showed that the declines in residential and public works and utilities contract awards more than offset the increase in non-residential building. Reports for the first half of February indicate that the same tendency prevails, with the daily average value of new contracts for non-residential building increasing (now more than twice the January amount and the largest daily average since November), while residential and public works and utilities contracts are decreasing in daily average value. Public works and utilities contracts are lower at present than for any period since February, 1932.

Among the principal New England cities, gains in construction contracts were shown between December and January in Portland, Boston, Cambridge, Lawrence, Lynn, Somerville, Fall River, Worcester, Providence, Bridgeport, Hartford, and Waterbury. Gains over January, 1932, were reported for Cambridge, Lawrence, Springfield, Worcester, and Waterbury.

Employment:—The number of employees in



The tendency in merchandise, l.c.l., and miscellaneous carloadings during 1932, as compared with 1931, was largely a sideways movement, although resisting a gradual declining volume of loadings. Source of data—American Railway Association.



The slight differences in the volume of check payments in Lowell during January, 1933, and 1932, and for New Haven during the last quarter of 1932 compared with 1931, was due principally to the small volume in the preceding year.

2377 identical New England manufacturing establishments during January was 355,618, a decline of 2.1 per cent from the preceding month and 9.7 per cent from January, 1932. The payroll disbursements of these establishments declined in larger proportions, with the total of \$5,628,384 for the middle week of January showing a reduction of 7.1 per cent from the December amount, and a shrinkage of 25.9 per cent compared with the disbursement for the middle week of January, 1932.

The total number of wage-earners employed in 1099 representative manufacturing establishments reporting to the Massachusetts Department of Labor and Industries was 151,600 for the week ending near January 15, 1933, a decrease of 2683 employees, or 1.7 per cent, compared with the number employed in these same establishments during the corresponding week in December, 1932. The amount of the combined weekly payrolls for all manufacturing establishments reporting was \$2,489,307 in January, a decrease of \$138,555, or 5.3 per cent, from the December amount.

The averages of the percentage changes in January of each of the seven years from 1926 through 1932, as compared with the preceding December, were a decrease of 1.3 per cent in employment and a decrease of 0.8 per cent in the amount paid in wages. It is therefore apparent that the current December-to-January decreases were at least partly seasonal.

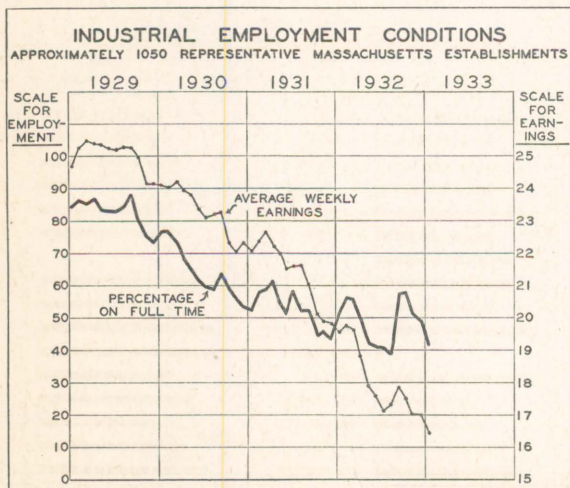
Although a marked seasonal gain occurred in boot and shoe manufacturing throughout the state, this was more than offset by decreases in most of the other industries. Large contributing factors in the January decline were curtailments in the manufacture of rubber footwear, confectionery, woolen and worsted goods, and foundry and machine-shop products, much of the reduction being seasonal.

The average weekly earnings per person were \$16.42 in January and \$17.03 in December, a decrease of \$0.61 per person, or 3.6 per cent.

The 93 establishments reporting in the boot and shoe industry together showed general seasonal increase of 30.8 per cent in employment and 43.0 per cent in the amount paid in wages, while the per capita earnings of those employed increased \$1.13. In the 65 foundries and machine shops employment decreased 11.6 per cent, and the payroll decreased 15.6 per cent. In none of the other major industries did the changes in employment exceed five per cent.

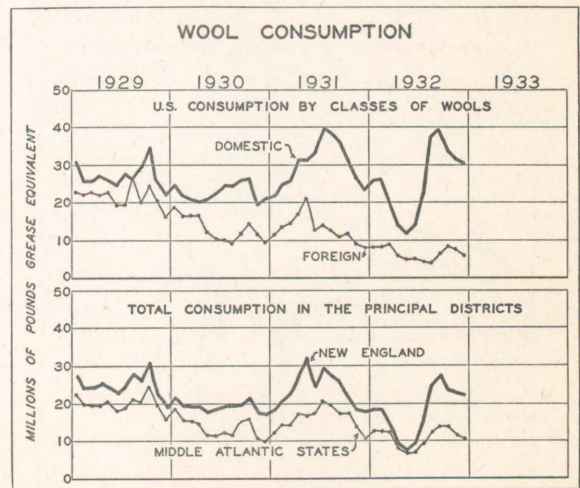
Principally as a result of seasonal improvement in the boot and shoe industry, increases of 33.6 per cent in employment and 39.4 per cent in wages paid were reported by the Brockton establishments; in Lowell increases of 18.1 per cent in employment and 15.2 per cent in wages were reported, and there were increases of 12.4 per cent in employment and 6.6 per cent in wages paid in Lynn. The percentage increase in wages in Lynn would have been much greater, had the wages paid in other manufacturing industries not shown a marked decrease, due to part-time employment.

In Rhode Island 3.6 per cent more workers were employed in the 219 selected manufacturing establishments reporting to the Commissioner of Labor at the end of January than were employed by the same plants at the end of December. These establishments had 1.7 per cent fewer employed than at the same period of January, 1932, and 14.7 per cent less than in January, 1931. Although part-time schedules continued in the majority of plants reporting, many were on full-time schedules. Resumption of operations after the year-end curtailment, and in some cases complete shutdowns, resulted in increased numbers being employed in practically all groups, with the



While the percentage of persons employed on full-time operations has ranged between 40 and 60 per cent during the past two years, average weekly earnings per person have continued downward, with only seasonal interruptions.

Source of data—Massachusetts Department of Labor and Industries.



After a sharp drop in the spread between the amount of raw wool consumed in New England and in the Middle Atlantic states during the second quarter of 1932, a substantial increase has occurred in the New England consumption.

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

exception of silk and woollens. Increased numbers were reported employed in Providence, Pawtucket, Lincoln, Westerly, West Warwick, and in each of the five counties, while fewer workers were reported in Woonsocket, Central Falls, Cranston, Cumberland, East Providence, North and South Kingstown, North Providence, and Richmond. The large increase in Cumberland over the same periods of 1931 and 1932 was partly due to transfer of activities from one plant to another of the same concern.

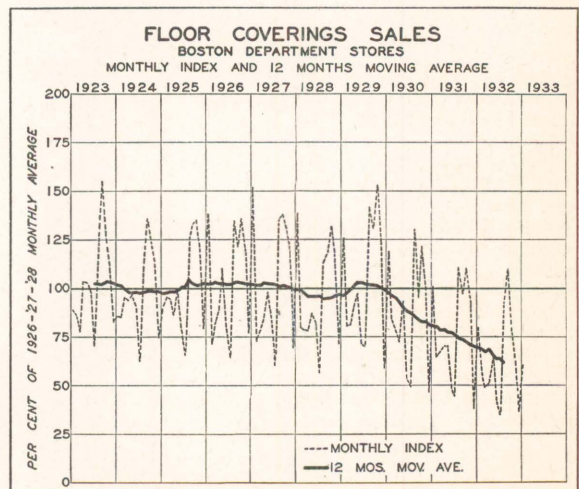
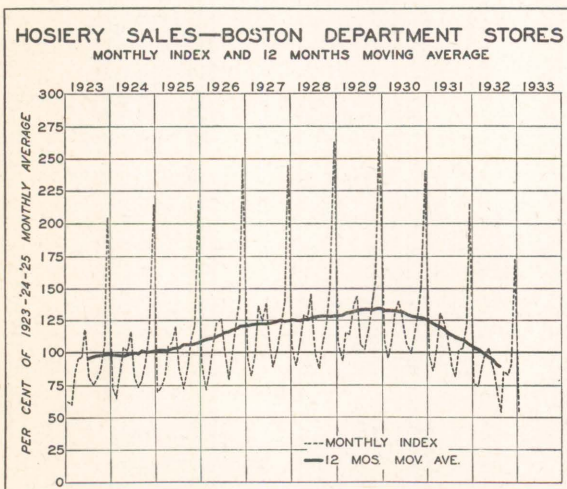
Boots and Shoes:—Total estimated boot and shoe production for this district during January was 7,955,000 pairs, an increase of 38.7 per cent over December and a gain of 1.8 per cent over January, 1932. This slight increase in January over the same month a year ago was not quite sufficient to compensate for the difference in the number of workings days. As a result, when reduced to a daily average basis, the January, 1932, average showed a daily rate of 1300 pairs higher than in January this year. Furthermore, the apparently large rise of 38.7 per cent in the volume of boot and shoe output between December and January consisted almost entirely of a normal seasonal movement. A study of the December-to-January changes in the number of shoes produced during the past six years indicates that the average rise in the output of shoes during January as compared with the preceding month has been 28.6 per cent. Allowing for the influence of the first two years of the depression, 1930 and 1931, it is evident that the January rise in production has been growing larger each year. However, the present increase in shoe production represents, after seasonal allowances have been made, a rise of approximately six per cent over the adjusted index for December.

The Department of Commerce reports for 1932

show that, of a total of 313,289,854 pairs of shoes produced in the United States, with 74,492,771 pairs of men's shoes and 113,943,757 pairs of women's shoes comprising the two principal classes, three New England states,—Maine, New Hampshire, and Massachusetts,—produced a total of 112,420,508 pairs, comprising principally 26,406,462 pairs of men's and 57,673,691 pairs of women's shoes.

Textiles:—Textile activity in New England during January was not equal to seasonal expectations, except in certain of the cotton establishments, where a larger volume of raw cotton was consumed than was reported for December. The increase in cotton consumption was even larger than anticipated, with the seasonally adjusted index of raw cotton consumed rising more than three per cent over the preceding month. At present the rate of cotton consumption is 66 per cent greater than in the early summer of 1932. The number of spindles active during January rose 30,000, with the average spindle hours per spindle equalling the rate recorded in November, 1932.

The number of pounds, grease equivalent, of raw wool consumed in New England woolen and worsted mills during January was 20,440,000 pounds, a reduction of 9.6 per cent from the December total and a gain of 12.7 per cent over January, 1932. January was the fourth month in which the volume of raw wool consumed was less than in the preceding month but greater than in the corresponding month of the preceding year. The seasonally adjusted index of wool consumption for January declined almost eight per cent from December, but was larger than for January, 1931, or 1932. The present rate of raw wool consumption is 131 per cent greater than in May, 1932.



RETAIL TRADE

During January this year representative retail stores in this district reported a volume of sales 28 per cent smaller than in the corresponding month in 1932. The most marked decline, amounting to 35 per cent, took place in the New Hampshire stores, while the smallest reduction, 15 per cent, occurred in the stores in Maine.

The proportion of regular accounts outstanding at the first of January collected during the month by the group of reporting New England stores was somewhat higher than in January, 1931 and 1932, although lower than in January, 1930. The rate of collections in the Boston stores in January was more favorable than in the same month of the three preceding years.

Among the departments listed, sales of men's clothing in January showed the greatest reduction when compared with sales in January a year ago, with a decline of 37 per cent, and sales of silk and velvet dress goods decreased 36 per cent. The most favorable comparisons with sales in January, 1932, were shown in the silk and velvet dress goods and silk and muslin underwear departments, with decreases of 15 and 19 per cent, respectively.

SALES CONDITIONS

1932 = 100

	1930	Month of January		
		1931	1932	1933
Connecticut Department Stores.....	136	128	100	84
Maine Department Stores.....	120	115	100	85
Massachusetts Department Stores.....	151	137	100	71
New Hampshire Department Stores.....	126	123	100	65
Rhode Island Department Stores.....	145	125	100	73
Vermont Department Stores.....	124	125	100	70
Boston Department Stores.....	156	139	100	71
New Haven Department Stores.....	136	128	100	85
Providence Department Stores.....	144	125	100	73
New England Department Stores.....	150	135	100	72

CREDIT CONDITIONS

Percentage of Regular Charge Accounts Outstanding at the First of January
Collected during January

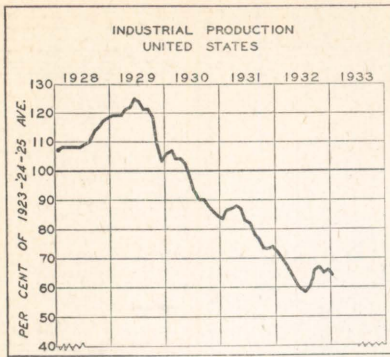
	1930	1931	1932	1933
Boston Department Stores.....	47.3%	44.4%	45.6%	47.5%
Providence Department Stores.....	50.5	48.2	47.5	44.7
New England Department Stores.....	48.9	45.5	45.7	46.5

SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

1932 = 100

	1930	Month of January		
		1931	1932	1933
Silk and Velvet Dress Goods.....	176	149	100	64
Woolen Dress Goods.....	161	135	100	85
Cotton Dress Goods.....	207	172	100	73
Jewelry.....	132	130	100	68
Men's Clothing.....	161	149	100	63
Men's Furnishings.....	158	145	100	70
Boys' Wear.....	146	139	100	71
Women's, Misses' and Juniors' Ready-to-Wear.....	152	149	100	68
Women's, Misses' and Juniors' Accessories.....	130	120	100	74
Millinery.....	118	119	100	69
Women's and Children's Gloves.....	148	145	100	69
Corsets and Brassieres.....	124	118	100	76
Women's and Children's Hosiery.....	147	127	100	70
Knit Underwear, including Glove Silk.....	154	139	100	73
Silk and Muslin Underwear.....	117	116	100	81
Women's and Children's Shoes.....	116	111	100	73
Furniture.....	154	120	100	69

SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES

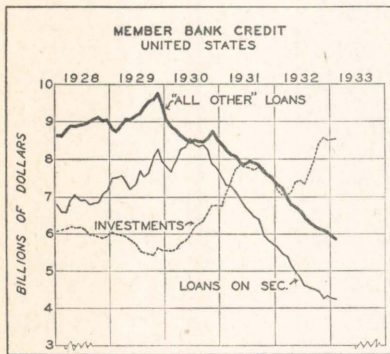


Volume of industrial production increased in January by less than the usual seasonal amount, and factory employment and payrolls continued to decline. Prices of commodities at wholesale, which declined further in January, showed relatively little change in the first three weeks of February.

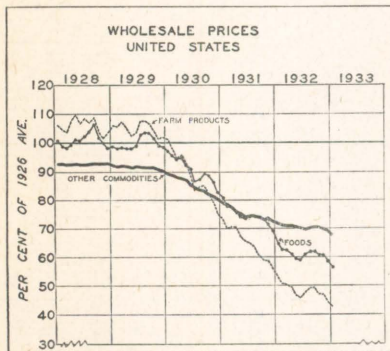
Production and Employment:—Industrial activity, as measured by the Board's index, which makes allowance for usual seasonal changes, declined from 66 per cent of the 1923-1925 average in December to 64 per cent in January, which compares with a low level of 58 per cent last July. Output of coal declined considerably, contrary to the usual seasonal tendency. Increases in activity in the cotton and silk industries were somewhat less than seasonal in amount, and there was a slight decline in production at woolen mills. Output of shoes increased seasonally. Activity in the steel industry showed a seasonal increase during January and little change during the first three weeks of February. Automobile production, which had increased substantially in December, showed a further slight increase in January.

Factory employment declined between the middle of December and the middle of January by considerably more than the seasonal amount. Decreases were reported in most lines except in the cotton, wool, and silk industries, where employment showed little change, and in the automobile and shoe industries, where employment increased. Construction contracts awarded were in about the same volume in January as in December, according to the F. W. Dodge Corporation; in the first half of February the value of awards showed a decline.

Distribution:—Volume of freight traffic was somewhat smaller in January than in December, reflecting a reduction in shipments of coal. Sales by department stores decreased after Christmas by more than the usual seasonal amount.



Wholesale Prices:—The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, declined further from 62.6 per cent of the 1926 average in December to 61.0 per cent in January, reflecting substantial reductions in the prices of crude petroleum, gasoline, textiles, and dairy and poultry products. Prevailing prices for wheat, cotton, and hogs in January and the first three weeks of February were somewhat above the low levels reached in December.



Bank Credit:—Between January 4 and February 21 there was an increase of \$319,000,000 in the demand for currency, accompanying banking disturbances in different parts of the country, and a decrease of \$64,000,000 in the country's stock of monetary gold. These demands were met by member banks in part by the use of their balances at the reserve banks, which declined by \$243,000,000 during the period, but continued to be considerably above legal requirements. Reserve bank holdings of United States securities declined by \$88,000,000 between January 4 and February 1, but increased by \$70,000,000 during the following three weeks. Between January 4 and February 21 their holdings of acceptances increased by \$141,000,000, and discounts for member banks increased by \$76,000,000.

Loans and investments of reporting member banks in leading cities declined by about \$100,000,000 during the five weeks ending February 15. The banks' net demand deposits declined by \$390,000,000, reflecting largely reductions in bankers' balances, and time deposits showed a decrease of \$93,000,000 for the period.

Money rates in the open market were slightly firmer during the first half of February. Open market rates on 90-day bankers' acceptances, which had been one-quarter of one per cent, had increased to $\frac{5}{8}$ of one per cent by February 20. Rates on prime commercial paper and on Stock Exchange loans remained unchanged. The minimum buying rate on bills at the Federal Reserve Banks of Boston, New York, and Chicago was reduced from one to one-half of one per cent.

