

MONTHLY REVIEW

Of Industrial and Financial Conditions in the New England District

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FEDERAL RESERVE BANK OF BOSTON

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NO. 1

THE SITUATION

During November the level of general industrial activity in New England declined from October by more than the usual seasonal amount. This decrease was moderate, however, with the aggregate industrial activity in November remaining considerably higher than in the corresponding month of 1932. Department store sales reported by 54 establishments in 28 New England communities were one per cent smaller in November than in the same month a year ago, and for the first 11 months of 1933 were about nine per cent less than in the corresponding period of 1932.

Little change took place in the seasonally adjusted indexes of textile activity between October and November. The amount of raw cotton consumed by New England mills in October was approximately 83,400 bales, and in November was 83,200 bales, as compared with 72,500 and 67,900 bales in the same months in 1932. The volume of raw wool consumed in New England mills declined between October and November, although there is usually a small seasonal increase between these months. In both October and November, 1933, however, the amount of raw wool consumed was greater than in the corresponding months of the preceding year.

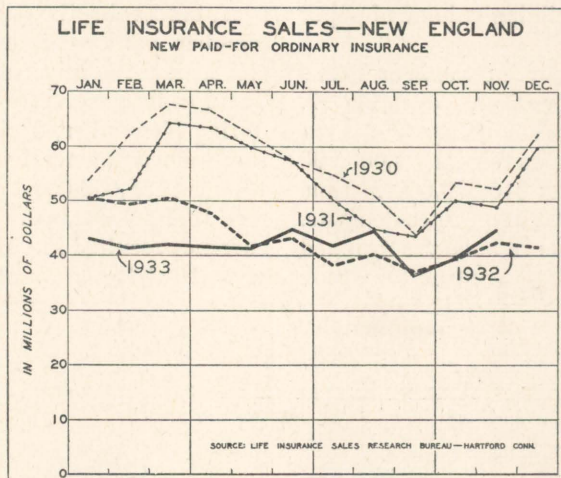
In November a seasonally adjusted index of the volume (square feet) of residential building contracts awarded in this district stood at 25.7 per cent of the 1923-24-25 average, as compared with

29.6 per cent in October. In November, 1932, however, this index was 19.5 per cent. A similar index of the volume of commercial and industrial building in New England was 17.2 per cent in both October and November, 1933, as compared with 11.7 per cent in November, 1932. During November the total value of new building contracts awarded in New England was nearly four per cent higher than the October value, and exceeded that for November, 1932, by more than 80 per cent. The increase was due principally to the public works awards.

According to the Massachusetts Department of Labor and Industries, the number of persons employed in representative Massachusetts manufacturing establishments during November was 4.7 per cent less than the number in October. Aggregate payrolls in these establishments declined

6.3 per cent between October and November, and average weekly earnings per person employed declined 1.7 per cent. A part of these declines was attributable to customary seasonal changes.

A decrease occurred in the number of boots and shoes produced in New England during November, as compared with October, and the volume in November, 1933, was practically the same as in November, 1932. The reduction in the output of boots and shoes in this district was reflected in the Massachusetts employment figures, in which the largest percentage decrease in employment was reported for the shoe industry.



In November a pronounced improvement was noted in the amount of new ordinary life insurance written in New England. This increase of over 13 per cent in the value of new paid-for insurance compares favorably with the November record of the three preceding years. Source of data—Life Insurance Sales Research Bureau.

MONEY AND BANKING

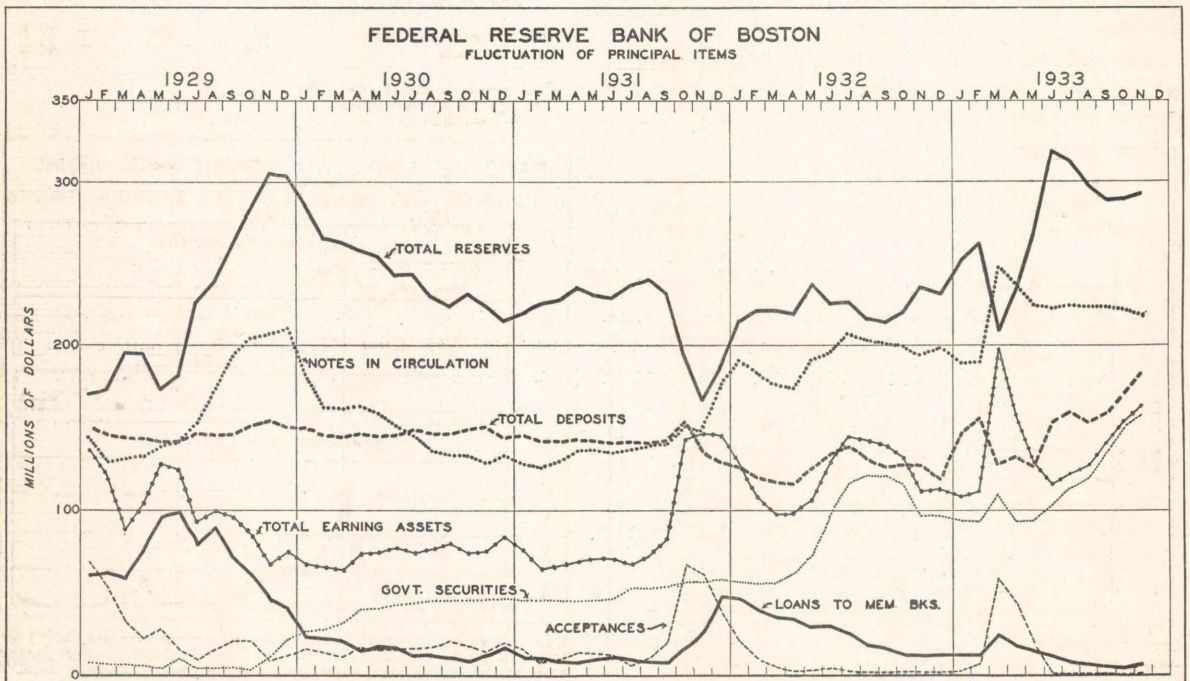
Money rates in the Boston open money market strengthened recently. This upward movement in money rates was led by United States Treasury bills. The most recent issue of these bills, those dated December 20, was sold at an average yield of .74 per cent. This compares with a yield of .10 per cent on October 4, since which date there has been a progressive increase. The current rate of .74 per cent compares with .09 per cent for a similar issue a year ago. A like tendency has been communicated to other parts of the money market. For example, three increases took place in the asking rate for 90-day bankers' acceptances between November 9 and December 1, bringing the rate on the latter date to five-eighths of one per cent which had prevailed during September and October. This rate compares with three-eighths of one per cent, which was in effect in December, 1932. Brokers' commercial paper has also felt the stronger undertone, now being quoted at $1\frac{1}{4}$ - $1\frac{1}{2}$ per cent, with a declining volume of paper moving at the latter rate.

Total deposits of the reporting member banks in Boston stood at \$807,000,000 on November 22. A month later, on December 20, they amounted to only \$777,000,000. Of this decline \$5,000,000 was in net demand deposits; \$16,000,000 in time deposits and \$9,000,000 in United States deposits. During the same period reserve balances dropped \$26,000,000. Relatively less contraction took

place in loans and investments which in the aggregate dropped only \$13,000,000. Commercial loans alone declined about \$12,000,000, while collateral loans, on the other hand, increased \$8,000,000. United States securities declined \$1,000,000 and other bonds and stocks dropped \$7,000,000.

Outside of Boston the trend was not substantially different. Total deposits in the reporting member banks in eight cities dropped from \$496,000,000 to \$493,000,000. Time deposits increased, rising about a million dollars during this period, but the gain in this class of deposits was offset by a \$3,000,000 drop in demand deposits and a \$1,000,000 drop in United States deposits. Loans and discounts during that period dropped \$4,000,000, while total stocks and bonds increased \$1,000,000.

During December there occurred a sharp increase in the total earning assets of the Federal Reserve Bank of Boston due to purchases of acceptances in the open market. Holdings of member bank discounts and of United States Government obligations remained unchanged. Total cash reserves, which reached a high point during November, declined rapidly in December, reaching a comparatively low point on December 13, at \$255,000,000. The following week they rose to \$264,000,000. The seasonal demand for currency resulted in a sharp increase in the volume of Federal Reserve notes outstanding. Member



Total earning assets expanded moderately between October and November, increases occurring in Government securities, loans to member banks, and acceptances. The expansion in the last two items was the first increase in these groups since the first quarter of 1933.

bank reserve deposits fluctuated to a somewhat less degree. The result of these changes in the reserve position of the Federal Reserve Bank of Boston resulted in a reserve ratio of 64.3 per cent on December 20, as compared with 71.7 per cent on November 22.

A group of 61 mutual savings banks located throughout New England report their deposits monthly to the Federal Reserve Bank of Boston. These 61 banks represent about half of the total mutual savings deposits in the district, and are therefore a reasonably good sample of the trend in such deposits. Month by month these mutual savings deposits declined throughout the year, until on November 30 they were at the lowest point since May, 1930. An encouraging factor in the mutual savings bank situation, however, is the substantial gain in the number of accounts on the books. These accounts reached their lowest level in June, 1933, followed by a gradual improvement from month to month. This improvement was due not only to the large number of new accounts opened, but to a substantial reduction in the number of old accounts closed each month.

The contrasts and extremes which characterized the year 1933 are perhaps most clearly indicated in the movement of check payments. The volume of business and financial transactions, as thus measured, reached a peak in July. After July business activity appeared to decline.

The following table shows the principal changes which have taken place in this district over the period of the past twelve months.

FIRST FEDERAL RESERVE DISTRICT
BANK CREDIT SITUATION
(Amounts in Millions of Dollars)

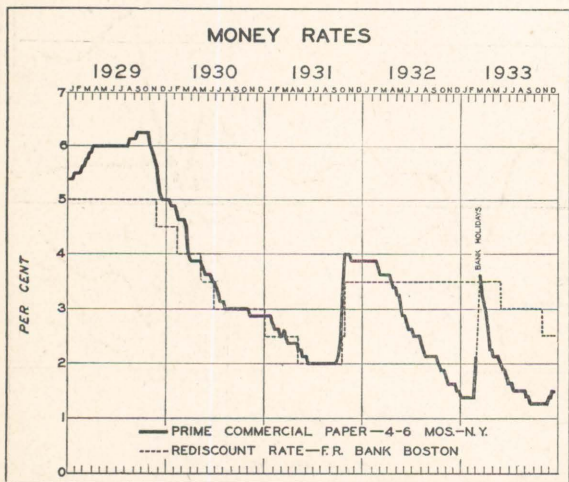
	Dec. 20, 1933	Gain (+) or Loss (-) In One Year	
BOSTON: Member Banks			
Net Demand + U. S. Deposits	\$617	+53	+ 9.4%
Time Deposits	160	-35	- 17.9%
Total Deposits	\$777	+18	+ 2.4
Reserve with F. R. Banks	88	+24	+ 37.5
Percent of Reserve to Deposits	11.3%	+ 2.9%
Commercial Loans	246	+22	+ 9.8
Collateral Loans	184	-13	- 6.6
Real Estate Loans	44	- 2	- 4.3
Bonds and Stocks Owned	308	-16	- 4.9
Total Loans and Investments	782	- 9	- 1.1
Loans to New York Brokers	23	+18	+ 360.0
Loans to Other Brokers	20	- 9	- 31.0
Bank Strain	61.0%	- 5%

		Gain (+) or Loss (-) In One Year	
OUTSIDE: Member Banks in 8 Cities			
Net Demand + U. S. Deposits	248	+ 4	+ 1.6
Time Deposits	245	- 1	- .4
Total Deposits	493	+ 3	+ .6
Reserve with F. R. Bank	40	+16	+ 66.7
Percent of Reserve to Deposits	8.1%	+ .2%
Commercial Loans	101	- 8	- 7.3
Collateral Loans	91	-15	- 14.2
Real Estate Loans	82	- 2	- 2.4
Bonds and Stocks Owned	232	+ 6	+ 2.7
Total Loans and Investments	506	-19	- 3.6
Loans to New York Brokers	1	+ 1
Loans to Other Brokers	2	-
Bank Strain	55.6%	- 5.4%

FEDERAL RESERVE BANK OF BOSTON:

Loans to Member Banks	7	- 8	- 53.3
Acceptance Holdings	27	+25	+1250.0
U. S. Obligations	158	+61	+ 62.9
Total Earning Assets	192	+78	+ 68.4
Total Cash Reserves	264	+29	+ 12.3
Reserve Ratio	64.3%	- 8.6%
Federal Reserve Notes	235	+35	+ 17.5
Total Deposits	176	+54	+ 44.3
Contingent Liability on bills bought for foreign banks	*	- 3

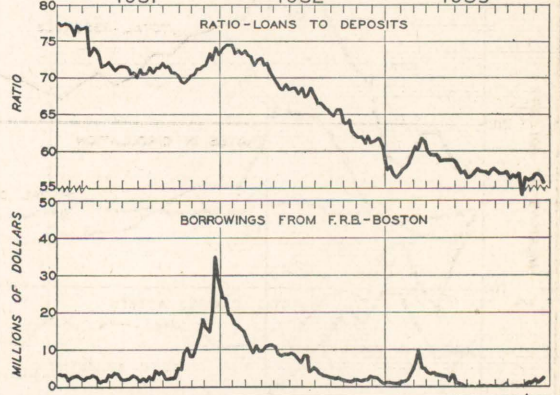
* Less than .5



Since the middle of November there has been a tendency toward higher rates for prime commercial paper, as evidenced by the two increases noted on the chart.

Source of data—Federal Reserve Bank of New York.

RATIO OF LOANS TO DEPOSITS—N.E. BANKS
COMPARED WITH
DISCOUNTS FOR SELECTED N.E. MEMBER BANKS
1931 1932 1933



A further easing occurred in the ratio of loans to deposits during the first two weeks of December in the New England member banks, while at the same time borrowings from the Federal Reserve Bank of Boston were somewhat greater.

NEW ENGLAND INDUSTRIAL CONDITIONS

Carloadings:—During the first nine weeks of the fourth quarter of 1933 total carloadings in this district amounted to 240,343 cars, compared with 217,447 in the corresponding period a year ago. This increase of 10.6 per cent in total carloadings was principally distributed among the following classes of shipments: live stock, coke, forest products, and merchandise, l.c.l., and miscellaneous carloadings. The volume of ore shipments was in approximately the same amount as in 1932, while grain and coal shipments showed a tendency to decline during recent weeks, compared with the same period a year ago.

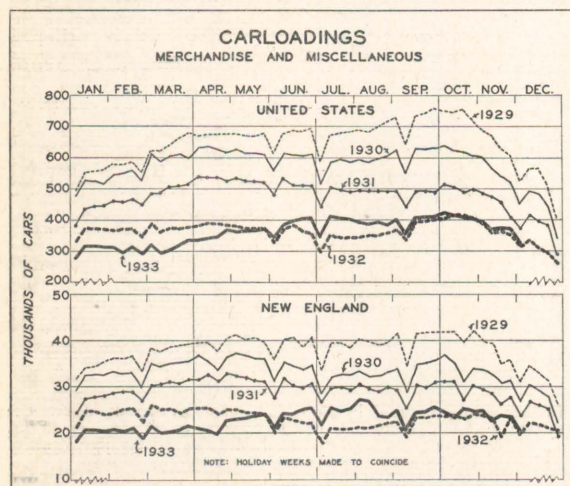
The five-week average of merchandise, l.c.l., and miscellaneous carloadings, which attained a peak for 1933 in August, showed a decline of some 1000 cars per week during September, and increased during October and November. The increase in merchandise, l.c.l., and miscellaneous carloadings during November was contrary to the usual seasonal expectations, since the normal October-to-November tendency in these two classes of freight shipments is to decrease approximately eight per cent. Consequently, the seasonally adjusted index of merchandise, l.c.l., and miscellaneous carloadings showed a gain of 9.3 per cent over that for October, and a gain of about 17 per cent over the adjusted index for November, 1932.

The weekly average for merchandise, l.c.l., and miscellaneous carloadings for November represents an increase over January, 1933, actually the low point in the average number of carloadings during the depression, of 21.7 per cent. It is the first time that the November average of merchandise, l.c.l., and miscellaneous carloadings has exceeded the preceding January average since 1929, despite the fact that January normally represents the low point in the volume of shipments.

Building:—The total value of new construction contracts awarded in New England during November was \$12,292,000, an increase of 3.8 per cent over the October value and 82.4 per cent greater than the value in November, 1932. During the past two months the total value of new contracts has been sustained principally by the amount of new public works construction contracts awarded. In October new public works accounted for 47.9 per cent of the total value, while in November the value of this class of construction comprised 54.5 per cent of all new contracts. While during the three months, September through November, the principal classes of construction showed a greater value of new awards than in the corresponding period a year ago, only public works construction showed a tendency to expand, the other types reflecting the seasonal tendency to decline.

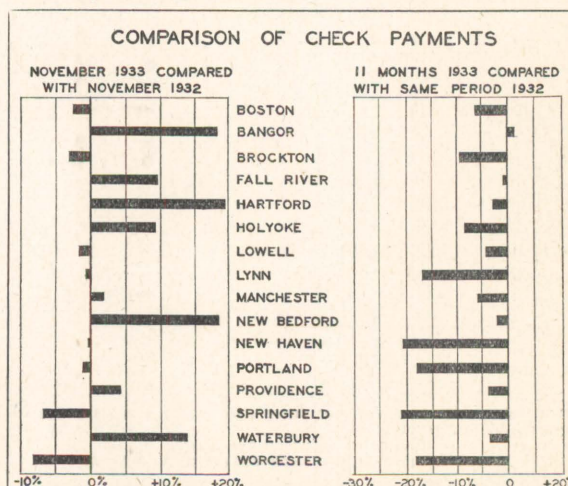
The volume of new residential contracts, on a square-foot basis, after improving steadily between March and September, showed a declining tendency, after seasonal allowances had been made, in October and November. Although improving between March and July, the index of commercial and factory building declined substantially in August, and remained relatively stable through November.

On a daily average basis, the value of new contracts awarded during the first half of December was larger than in any period during the current year, with the exception of August. Among the principal classes of construction the only decrease since November occurred in new residential building. Non-residential building, on a daily average basis, showed the greatest volume of new awards during 1933, while public works and utilities recorded a gain of 52.8 per cent over November in the daily average value of new contracts.



Merchandise, l.c.l., and miscellaneous carloadings in New England during recent weeks, while showing a tendency to confirm the seasonal trends, have not declined as rapidly as in previous years.

Source of data—American Railway Association.



Three cities, Bangor, Hartford, and New Bedford, showed increases of over 18 per cent in the volume of check payments during November, 1933, compared with November, 1932. Only Bangor, however, had a greater volume of check transactions during the first 11 months of 1933 than in the same period of the preceding year.

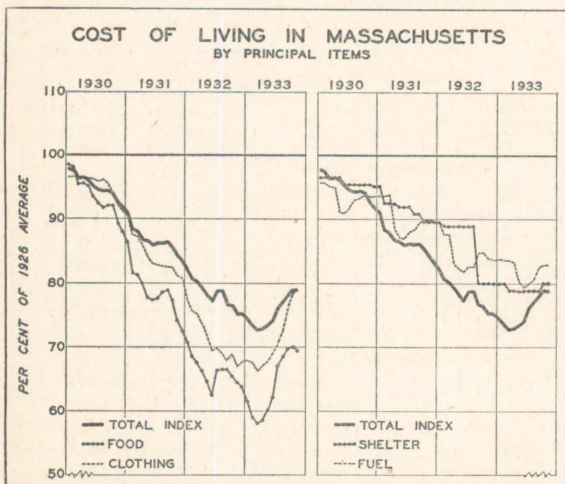
Employment:—For the first time since March employment and payrolls in 2403 industrial manufacturing establishments in New England reported a decrease in November from the preceding monthly totals. This decrease was largely of a seasonal nature, as was reflected by the comparison with November, 1932, indicating that while employment in November, 1933, was 20.9 per cent greater, payrolls were 31.2 per cent above November, 1932. At the middle of October employment was 24.4 per cent greater than in October, 1932, and payrolls were 31.0 per cent higher than for the same month a year ago.

In Massachusetts the total number of wage-earners employed in the 1142 representative manufacturing establishments reporting to the Department of Labor and Industries was 198,339 for the week including or ending nearest November 15, a decrease of 9711 employees, or 4.7 per cent, compared with the number employed in the same establishments during the corresponding week in October. The amount of the combined weekly payrolls for all manufacturing establishments reporting was \$3,625,464 in November, a decline of \$242,362, or 6.3 per cent, from the amount for October. The records show that for the eight years from 1925 through 1932 the averages of the October-to-November changes were a decrease of 2.3 per cent in employment and a decrease of 3.7 per cent in the amount of weekly payrolls. November was the first month to show a decrease in employment after seven months of improvement. The number employed in November this year was greater by 18.7 per cent than in November, 1932. The amount of the payrolls was 28 per cent greater than in November, 1932.

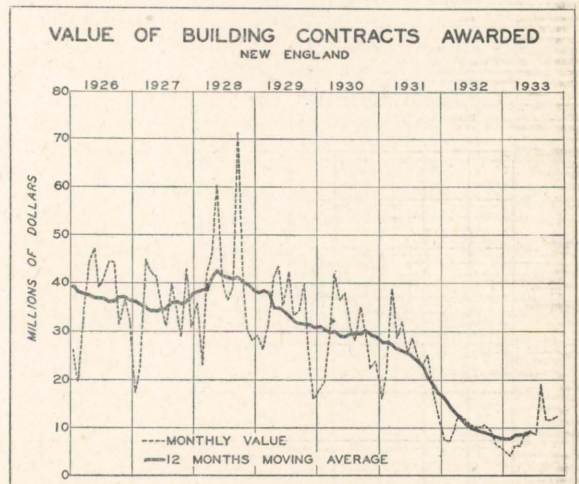
The combined returns for the boot and shoe establishments showed marked decreases both in

employment and in the amount of the payroll, which would have been more marked had not the final settlement of the labor controversy in Brockton resulted in greatly increased production in the factories in that city. The decreases in shoe centers other than Brockton may be attributed to the usual seasonal slack period. In the leather tanneries there were also large decreases due to seasonal factors. Various changes occurred in the cotton goods industry, resulting in slight decreases for the industry as a whole. In the woolen and worsted goods industry large decreases occurred in a number of leading cities, especially Lawrence, so that the industry in the state showed a marked decline in November. In the other major industries the percentage changes were small and varied.

The 219 selected manufacturing plants regularly reporting to the Commissioner of Labor for Rhode Island had 57,799 workers employed at the end of November, compared with 62,744 employed at the end of October and 64,979 employed at the end of September. The same plants had 52,304 employed at the end of the same month a year ago and 52,873 at the end of November, 1931. The numbers employed by these establishments were 10.5 per cent greater than at the end of November, 1932, and 9.3 per cent greater than at the end of November, 1931. Decreased numbers employed were reported in practically all groups, with the exception of cottons. Strikes which continued in the silk group were noticeable in the large percentages of decrease in that group over the two preceding months and the same month of the two preceding years. Fewer workers were reported employed in November by the building construction group, while larger numbers were reported by the other construction group, chiefly engaged in road construction and similar projects.



The changes in the various items comprising the cost of living index for Massachusetts during November were slight, resulting in no appreciable change in the total index. Source of data—Massachusetts Department of Labor and Industries.



The trend in the 12-months' moving average of new building contracts awarded in New England, after remaining steady in April and May, again moved upward in June. Source of data—F. W. Dodge Corporation.

The Manufacturers' Association of Hartford County reported that employment in 84 establishments on December 1 was 78.0 per cent of the January 1, 1929, number, and man-hours operated in terms of the January 1, 1929, rate were 56.2 per cent. The percentages for employment and man-hours on November 1 were 77.6 per cent and 56.8 per cent, respectively.

Boots and Shoes:—Total estimated boot and shoe production for this district in November amounted to 6,850,000 pairs, a decrease of 32.8 per cent from the October output. This decline compared favorably with similar October-to-November changes in the four preceding years, 1929-1932, which showed percentage decreases of 35.8, 39.9, 32.5, and 37.7, respectively. The volume of boot and shoe production in November, 1933, was 1.8 per cent less than in November, 1932. For the first 11 months of 1933 the total production of boots and shoes in New England amounted to 111,076,000 pairs, compared with 106,825,000 pairs in the preceding year, and represented the largest output since the first 11 months of 1929.

The seasonally adjusted index of boot and shoe production decreased in November for the fourth successive month. The decline from the highest level of boot and shoe activity attained in July to the November rate of production was more pronounced because of the high rate of activity prevailing during the three months from May through July, when production averaged more than 30.0 per cent above seasonal expectations.

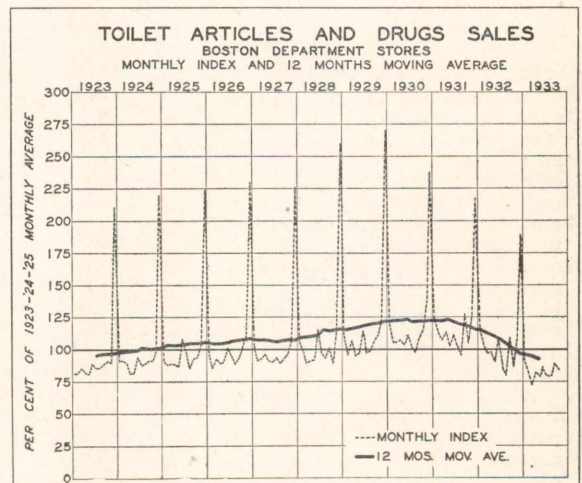
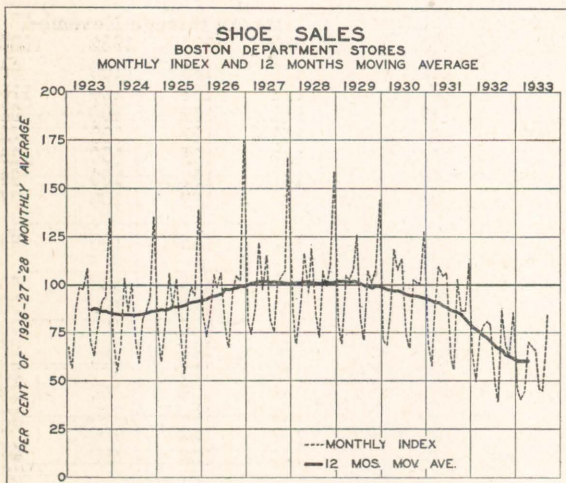
Textiles:—November reports on the consumption of raw cotton and wool and employment in selected textile establishments indicated that the volume of textile production in November was lower than in October. However, after full allowances had been made for seasonal variations, a less pronounced decrease occurred be-

tween October and November, 1933, than was recorded in the month-to-month changes in the three preceding months.

Practically no change took place in the volume of raw cotton consumed during October and November, the amounts being 83,422 and 83,187 bales, respectively. Since the number of working days in October and November was identical, the seasonally adjusted index of cotton consumption showed a variation of less than 0.4 per cent between October and November. The average number of spindle hours operated per spindle active was 7.4 per cent less in November than in the preceding month.

A similar decline was recorded in the volume of raw wool consumption, which was 7.3 per cent smaller in November than in October. Since such a decrease is contrary to seasonal expectations, a decline of 10.3 per cent took place in the adjusted index of wool consumed in November. During the four months between June and October a decline of 44.6 per cent, or over 11 per cent per month, had been recorded in the index of wool consumption.

Employment in 248 selected textile establishments in Massachusetts and Rhode Island reported a reduction of 2.8 per cent in the number employed in November as compared with the preceding month. The only branch of the textile industry to report increased employment in November was the dyeing and finishing group, with a gain of 32.8 per cent over the number employed in October. The largest decline occurred in the silk and rayon establishments, with 19.4 per cent fewer employed in November than in October. Woolen and worsted establishments reported a decrease of 13.8 per cent in the number employed during November in comparison with the previous month.



RETAIL TRADE

Through December 28 dollar sales reports had been received from 478 retail concerns in Massachusetts, covering the period December 1-15, 1933, as compared with the same period in 1932. Of these 478 concerns, 225 reported an increase, 192 reported a decrease, and 61 reported approximately no change. The total dollar sales for the first half of December, 1933, amounted to over \$8,000,000, an increase of 5.2 per cent over the December 1-15, 1932, volume. The table opposite shows detailed data for each of the eight major groups.

RETAIL SALES IN MASSACHUSETTS
Comparison between
December 1-15, 1933, and December 1-15, 1932

GROUP	Total Number Reporting	Number Reporting Increase	Number Reporting Decrease	Number Reporting No Change	Per- centage Change in Dollars
Food.....	58	22	26	10	- 0.8%
General					
Merchandise.....	66	36	24	6	+ 3.1
Automotive.....	50	28	20	2	+16.8
Apparel.....	65	35	21	9	+ 5.0
Furniture and Household... ..	39	20	14	5	+ 0.2
Restaurants and Eating Places	28	5	16	7	- 3.2
Lumber.....	39	18	20	1	+ 0.7
All Other.....	133	61	51	21	+10.1
TOTAL.....	478	225	192	61	+ 5.2

SALES CONDITIONS

1932=100

	Month of November				January through November			
	1930	1931	1932	1933	1930	1931	1932	1933
Connecticut Department Stores.....	139	122	100	96	133	127	100	96
Maine Department Stores.....	133	109	100	96	135	123	100	96
Massachusetts Department Stores.....	146	123	100	89	140	128	100	89
New Hampshire Department Stores.....	141	123	100	92	144	137	100	92
Rhode Island Department Stores.....	140	116	100	96	138	123	100	96
Vermont Department Stores.....	151	127	100	81	143	132	100	81
Boston Department Stores.....	148	125	100	92	141	128	100	87
New Haven Department Stores.....	141	127	100	103	133	127	100	95
Providence Department Stores.....	140	116	100	106	138	123	100	96
New England Department Stores.....	144	122	100	97	141	128	100	90

CREDIT CONDITIONS

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

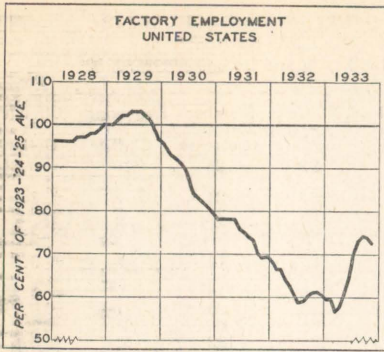
	1930	1931	1932	1933
Boston Department Stores.....	41.1%	43.4%	47.5%	46.1%
New Haven Department Stores.....	53.1	50.2	48.8	48.5
Providence Department Stores.....	46.7	45.6	43.5	44.8
New England Department Stores.....	42.7	43.8	45.2	45.4

SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

1932=100

	Month of November				January through November			
	1930	1931	1932	1933	1930	1931	1932	1933
Silk and Velvet Dress Goods.....	181	127	100	112	178	139	100	86
Woolen Dress Goods.....	120	123	100	140	124	133	100	110
Cotton Dress Goods.....	191	133	100	112	200	152	100	92
Jewelry.....	168	141	100	97	149	137	100	78
Men's Clothing.....	178	132	100	104	157	135	100	96
Men's Furnishings.....	153	116	100	98	147	127	100	89
Boys' Wear.....	158	127	100	98	150	132	100	93
Women's, Misses' and Juniors' Ready- to-Wear.....	144	127	100	97	147	135	100	89
Women's, Misses' and Juniors' Ac- cessories.....	143	119	100	100	135	123	100	89
Millinery.....	126	115	100	104	141	128	100	90
Women's and Children's Gloves.....	154	123	100	101	138	135	100	90
Corsets and Brassieres.....	132	114	100	97	130	119	100	91
Women's and Children's Hosiery.....	160	125	100	107	142	123	100	85
Knit Underwear, including Glove Silk.....	148	120	100	106	149	128	100	92
Silk and Muslin Underwear.....	140	118	100	92	123	119	100	89
Women's and Children's Shoes.....	152	122	100	101	135	122	100	91
Furniture.....	140	127	100	78	141	128	100	91

SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES

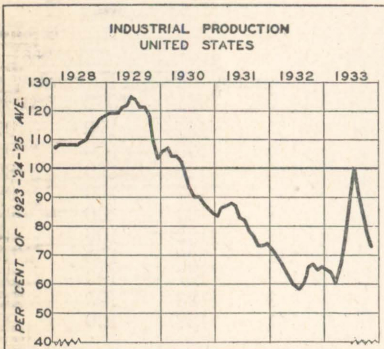


Total volume of industrial production, after declining further during October, showed little change during November and the first half of December. The amount of construction undertaken continued to increase, reflecting an expansion of public works.

Production and Employment:—Output of basic commodities, as measured by the Federal Reserve Board's seasonally adjusted index, was 73 for November, on the basis of the 1923-1925 average as 100, compared with 77 for October. This total for the month reflects the maintenance during November, with allowance for usual seasonal changes, of the level reached at the end of October, after a continuous decline during the preceding three months. Activity at steel mills, after declining from 44 per cent of capacity in the early part of October to 25 per cent in the early part of November, subsequently increased to a rate of 34 per cent in the third week of December. Output of automobiles, which was curtailed sharply in November in preparation for new models, also increased somewhat in the early part of December. Consumption of cotton by domestic mills was in somewhat smaller volume in November than in the preceding month, and activity at woolen mills decreased. At shoe factories production showed a decline larger than is usual at this season.

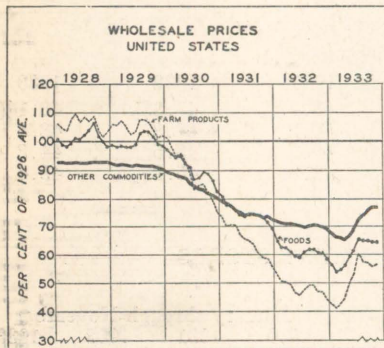
Volume of employment and payrolls declined from the middle of October to the middle of November by somewhat more than the usual seasonal amount. The Board's seasonally adjusted index of factory employment for November was 72, as compared with 74 in October and 57 at the low point in March.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed a further substantial increase in November. This increase, at a season when construction contracts usually decline, reflects a growth in the volume of public works.



Distribution:—Shipments of commodities by rail decreased in November, as compared with October by an amount somewhat smaller than is usual at this season. Sales of merchandise at department stores declined, contrary to seasonal tendency, while sales by variety stores showed little change.

Wholesale Prices:—Wholesale commodity prices, as measured by the weekly index of the Bureau of Labor Statistics, advanced from 70.9 per cent of the 1926 average in the first week of November to 71.7 per cent in the third week and then declined to 70.9 per cent in the week ending December 9. These movements reflected chiefly changes in the prices of farm products and foods. Prices of hogs declined considerably after the middle of November, owing partly to seasonal factors.



Foreign Exchange:—The value of the dollar in the foreign exchange market advanced from a low point of 59 per cent of its gold parity on November 16 to about 64 per cent for the period from November 27 to December 20.

Bank Credit:—Between November 15 and December 20 there was the usual seasonal increase of about \$195,000,000 in the demand for currency by the public. This currency demand was met largely through the purchase of \$100,000,000 of acceptances by the Federal reserve banks and the issuance of additional bank notes by the national banks. Reserve balances of member banks showed little change for the period, and continued to be at a level of about \$800,000,000 above legal requirements.

Total loans and investments of reporting member banks in leading cities declined by \$160,000,000 between November 15 and December 13, reflecting chiefly sales of acceptances to the reserve banks and a reduction in holdings of investments other than United States Government securities. Loans on securities, chiefly to brokers in New York City, increased by \$40,000,000, while all other loans, which include holdings of acceptances, declined by \$125,000,000.

Short term money rates advanced slightly during the period.

