



Season's Greetings

Monthly Review

Federal Reserve Bank of Boston

December 1954

ANNUAL REVIEW OF NEW ENGLAND BUSINESS:

Business Improves after Mild Recession

Reduction of inventories and lower defense expenditures contributed to a generally lower volume of business activity in New England during 1954. Production fell and unemployment rose during the first part of the year. New England manufacturers began receiving an improved volume of orders by March, however. Reduction of stocks to fill orders held back production in most lines during the spring and summer, but activity stepped up in the fall.

Residential and nonresidential construction boomed in 1954 and helped offset declines in some manufacturing industries. Total employment in New England during 1954 was only slightly below that of the preceding year. After-tax income of individuals remained high and retail trade continued strong. As the year progressed, consumers showed less of an urge to save and a greater willingness to spend. They spent carefully, however, and were price conscious. Prices of most goods and services remained quite stable throughout 1954.

MANY LINES of business in New England suffered small declines in 1954. But, when all reports are in, the year will probably be recorded as our second most prosperous one, exceeded only by 1953.

Activity generally receded during the first part of 1954, leveled off with the coming of spring, and remained relatively stable during the summer. Many businessmen adjusted their inventory positions and took steps to improve their products and efficiency during the year. Following an increased volume of new orders, business picked up in the autumn. Sentiment improved markedly as signs of improvement became more widespread.

The downward trend of **new orders** received by New England manufacturers ended during the first quarter of 1954. By the third quarter, they were enjoying a rising volume of orders. New orders exceeded production in some lines, leading to some expansion of order backlogs. Ordering policy continued to be short-term, reflecting

confidence in price stability. Competition in most markets kept prices of the important industrial materials from rising.

Inventory liquidation which was well under way by the end of 1953 continued until autumn of this year despite improvement in new orders. Many manufacturers reduced stocks as they filled orders. No substantial amount of selling for the sole purpose of clearing stocks was apparent during the year, as both prices and sales were maintained at late-1953 levels. In the third quarter the inventory picture responded to increased demand. The cutbacks shifted from raw materials and goods-in-process to finished goods, and manufacturers started to rebuild stocks for production purposes.

Stability characterized the **price** structure during the past year. The average levels of both wholesale and consumer prices remained within one per cent of the averages for 1953. The sensitive basic commodity index rose slightly during the first part of the year but declined each month after April. Wholesale prices generally followed this trend, although month-to-month changes were fractional.

Consumer prices receded mildly during the year, although many price concessions granted to buyers are not shown by the averages. By October the index of consumers' prices reached the lowest point since June 1953, but the monthly declines have been so small that this figure was less than one per cent below the all-time peak reached in October 1953. Food prices continued downward and transportation costs fell below a year ago but costs of rents and services continued upward.

New England received less support from defense business in 1954 than in 1953. After a gradual decline through the last half of 1953, nonsecret **defense contracts** received by New England prime contractors

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FEDERAL RESERVE BANK OF BOSTON

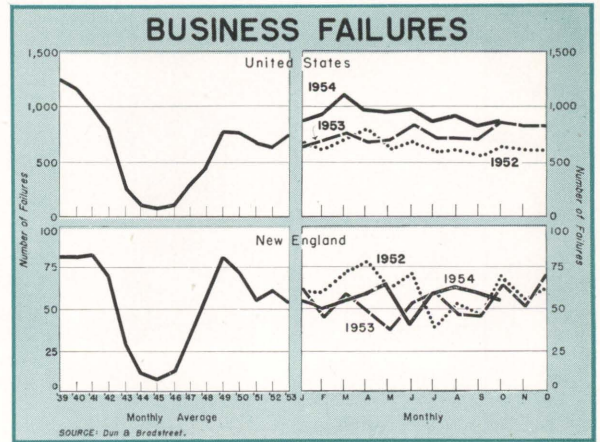
increased to an estimated \$133 million in the first quarter of 1954. After sagging to \$79 million in the second quarter, early fiscal year spending caused them to rise to \$139 million in the third quarter, a level slightly higher than a year ago. Nonsecret contracts let in the fourth quarter were estimated at \$75 million.

New England's transportation equipment industry received the largest volume of announced defense contracts during 1954. The textile industry obtained a very small amount except during the third quarter. Ordnance contracts, which became small in volume during the first half, rose in the third quarter to the second largest category and led the groups in the fourth quarter.

Industrial production declined slightly in the first quarter of 1954, leveled off in the spring and summer, and advanced slowly in the fall. The Federal Reserve Board's seasonally adjusted index of industrial production in the nation exhibited remarkable stability through September, fluctuating only within a range of two index points. It rose abruptly in the fourth quarter, reflecting expanded auto and steel production.

Freight carloadings of New England railroads showed the effect of the decline in business activity. They have run below levels of the preceding year every month since September 1953, but displayed an improved trend this fall. The number of business failures in 1954 also reflected the recession, but New England's record here was better than that of the nation as shown in an accompanying chart. Measured by output of electricity, however, New England did not fare as well as the country as a whole. Electric energy production in New England ran below levels of a year-ago in some months of 1954, while it exceeded 1953 levels in every month of the year in the United States.

Weekly reporting member banks in New England had large amounts of reserves for credit expansion during 1954 and bank credit continued to expand. Banks increased both loans and investments. Contrary to the experience in the nation, business loans at New England banks increased during the first half of 1954 chiefly as a result of public utility borrowings. Beginning in late September, trade, textile and food firms made moderate seasonal increases in borrowings. Metal manufacturers made net reductions in loans during the year, reflecting the continued liquidation of durable-goods inventories. Chemical and rubber companies made small continuous increases in borrowings.



In mid-December business loans were three per cent higher than at mid-year and were six per cent above the level of a year ago. Part of the increase during the fall resulted from purchases of the November offering of CCC certificates covering crop loans.

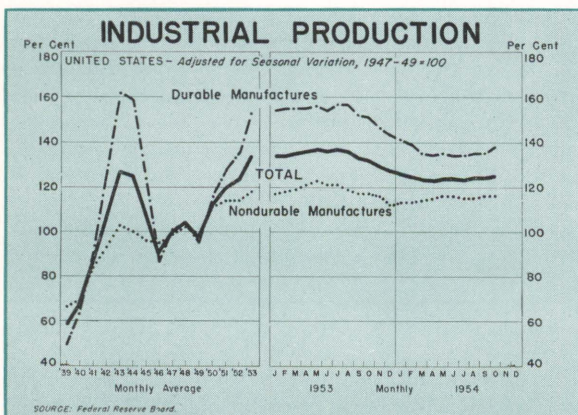
Reflecting the policy of active ease in money markets during 1954, the Federal Reserve banks reduced the discount rate from 2 to 1½ early in February and to 1¼ during the early spring. Between June 24 and August 1 about \$60 million of reserves were released to New England banks through reductions in required reserves. In mid-March the rate on prime business loans at leading commercial banks was reduced from 3¼ to 3 per cent. Since then rates on business loans have changed little.

Employment Stabilizes

After dropping noticeably from 1953 levels during the first quarter, total nonagricultural employment in New England remained fairly stable throughout the rest of the year. The general level of employment was somewhat more than three per cent below that of 1953. Manufacturing concerns were chiefly responsible for the drop in employment, with the sharpest reductions felt by durable-goods producers. The primary and fabricated metals, machinery and textile industries suffered the largest declines. Employment in these industries from January to October ran between 10 and 20 per cent below 1953 levels. The third quarter, however, revealed a leveling in the trend of manufacturing employment, and a mild seasonal pick-up occurred in non-durable-goods employment in the autumn.

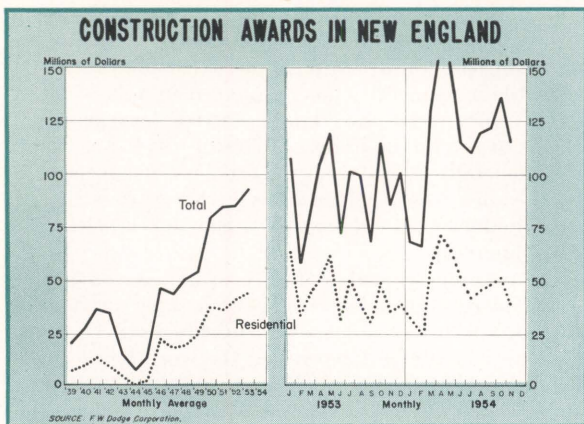
Nonmanufacturing employment ran consistently higher in 1954 than in any other year, rising during the first six months and retaining the level of the June peak well into the fall. Contract construction, government and service were its strongest categories.

Although insured unemployment during the year reached the highest level since 1950, total claims, after moving upward from the fourth quarter of 1953 to a peak in May, decreased over 32 per cent by November. The level at the end of November, however, was still 29 per cent above that of a year ago. Initial claims in October were at the lowest point in twelve months, having fallen 30 per cent since April. Despite a slight seasonal rise in November, initial claims for that month were at the same level last year.



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A downward trend in average **weekly hours and earnings** of New England production workers, evident in late 1953, continued into the second quarter of 1954 in most of the region. Weekly earnings reached their low for the year in April and May in all states of the region except Vermont where the low point was not reached until July. By mid-year, seasonal expansion in soft-goods lines, coupled with improvement in some durables, resulted in some lengthening of hours and increases in weekly earnings. The improvement continued through the end of the year in Connecticut and Vermont. In Maine, New Hampshire and Rhode Island, however, where the slowdown in activity was felt earlier than in the rest of New England, hours and earnings either about equaled or exceeded year-ago levels in October. Average hourly earnings continued upward to an all-time high but the year-to-year gain was much smaller than in recent years.

New Englanders continued to display a strong urge to save during 1954. Although **savings** increased in New England during the first ten months of 1954, the gains, as indicated by deposits at mutual savings banks and sales of life insurance, were smaller than in 1953. An accompanying article reviews 1954 savings trends in New England.

Retail trade was one of the brighter spots in the New England economy during 1954. Many retail trade lines fared relatively better in the region than in the nation. Automobile sales through the end of September, as measured by car registrations, were slightly ahead of those for last year in New England while, for the country as a whole, similar registrations were five per cent lower than in 1953. New England department stores also did better. They reported a year-to-year gain of two per cent in dollar sales for the first eleven months of the year. Nationally, sales for the period were two per cent behind 1953. During most of 1954 the basement store sections of district department stores recorded better year-to-year comparisons than did the main store departments, indicating that, while New Englanders were willing to spend, they shopped for good values. The seasonally adjusted index of district department store sales hit low points in March and May. After that, sales rose almost continuously. The index for November was the highest in the past two years.

The volume of **consumer credit** outstanding at New England banks, small loan companies and credit unions

expanded only slowly early in the year, and by the third quarter appeared to have leveled off. New credit extended by these institutions recorded year-to-year declines during most of the year while repayments increased in volume. By the third quarter, repayments on old debts were equaling the new credit extensions.

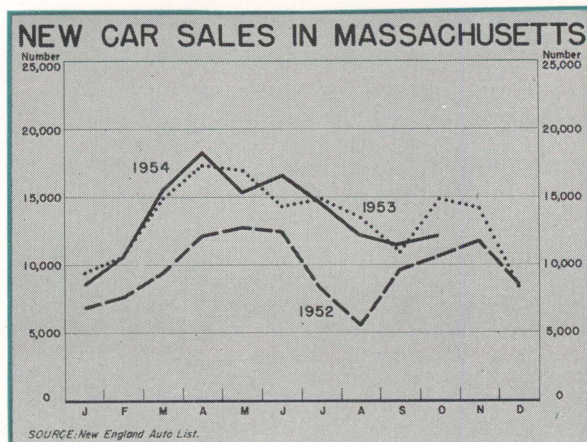
New England's resort proprietors generally reported a disappointing year, as most months brought weather unfavorable to the **vacation lodging business**. The year started with most ski resorts failing to equal previous year's figures due to the lateness of the snow build-up. Summer business fell behind 1953 performance as rainy and cool weather adversely affected most of the season. New England's 1954 summer tourists exhibited greater mobility and increased demand for modern accommodations and recreational facilities at reasonable prices. The two hurricanes in August and September and the damage they did to foliage, hurt lodging business in September and October. For the ten-month period ending with October, New England's lodging hosts reported occupancy figures five per cent smaller than for the corresponding period of 1953, while dollar receipts dropped three per cent.

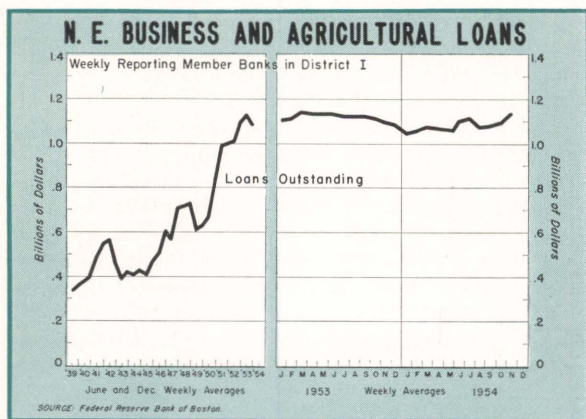
Construction in New England forged ahead on all major fronts during 1954. At the end of November the valuation of all construction contract awards stood at \$1.3 billion, 28 per cent above the valuation of contracts awarded during the first eleven months of 1953, according to F. W. Dodge reports. Public works, up 85 per cent to \$224 million, and utilities, up 53 per cent to \$79 million, made the greatest percentage gains.

Increased awards for the construction of hospitals, public buildings, churches and schools were the main reason for a 31 per cent increase over last year in the value of contracts for nonresidential building. Of all major types of nonresidential buildings, only those for social and recreational use declined. Contracts for manufacturing buildings rose 34 per cent.

The value of contracts awarded for residential buildings registered a nine per cent advance. Of the 44,000 dwelling units provided, 29,000 were one-family houses built for sale or rent. This represents 29 per cent more than the number of speculatively-built houses for which contracts were let during the first eleven months of 1953.

An ample supply of funds and a liberalized mortgage insurance program supported the high level of construc-





tion activity. New extensions of **real estate credit** exceeded the volume of repayments during 1954. The Housing Act of 1954 allowed longer maturities and smaller down payments on FHA-insured residential mortgages for both new and existing houses. VA mortgages accounted for most of this year's increase in housing starts and in the proportion of no-down-payment loans. Interest rates on local conventional and federally-aided mortgages continued to soften. Banks have maintained a high degree of selectivity.

Gross agricultural income in New England continued to decline during 1954. Abnormal weather, low prices for poultry products throughout the year and low potato prices, especially in the spring, were largely responsible for the drop. Gross income from dairying was also below 1953 levels throughout most of the year.

Farm costs in New England also fell in 1954. Lower costs of labor, seed, fertilizer, feed and farm supplies offset lower prices received for some farm products. Dairy economists estimate that net income from dairying was about the same in 1954 as it was in 1953. Substantially lower poultry and potato prices, however, caused a drop in net incomes from these products.

Durable-Goods Industries Recede

New England's **electrical machinery** industry contracted operations almost steadily between April 1953 and July 1954 because of completion of defense contracts, lack of new orders and sizable inventories of radio and television sets and equipment. In August employment in this industry began a rise that continued through October. The improvement occurred mainly in the electronics division, where increased consumer demand developed for television sets in the spring and government defense orders stepped up after mid-year. Heavy electrical machinery production continued sluggish, although wire and cable firms experienced a temporary pickup in business as the result of hurricane damage to power lines.

Nonelectrical machinery firms in New England reduced operations progressively in each of the first three quarters of 1954. Employment in October was at a low point for the year. No pickup in orders had appeared by November.

New England's machine tool industry continued in a slump during the first three quarters. By October staffs were believed to be at about their low point for the

year. Two of New England's larger firms are building new plants and several concerns have adopted new marketing programs and have increased sales forces.

Textile machinery makers remained in a slump that began nearly three years ago because of depressed conditions in the textile industry. During 1954 their foundries generally operated at 50 per cent of capacity or less. Leading New England firms have been diversifying their product lines, adding new items unrelated to the textile industry.

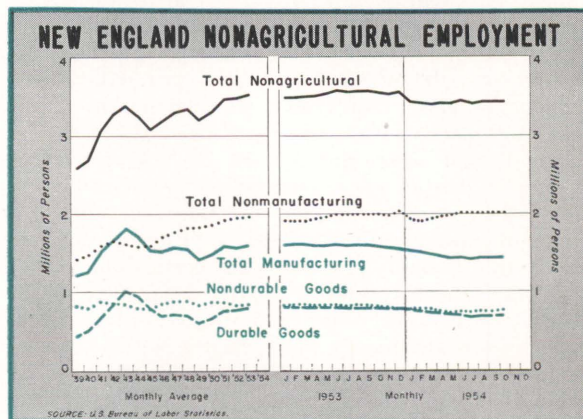
The **primary metals** industry also displayed declining tendencies during each of the first three quarters of 1954. Employment contracted steadily until October, when an increase of 2,300 raised the work force to the highest level since March. Foundry business was poor throughout the year and no indication of recovery had appeared by November. The fabricated metals group also suffered a slow decline during 1954.

New England's steel mills have not been bolstered as much by expanding automobile output as have mills in the mid-West. One of New England's older-type open-hearth furnaces is scheduled to shut down permanently on January 1, 1955.

The three major segments of New England's **transportation equipment** industry, shipbuilding, aircraft and automobile assemblies, did not follow identical patterns in the business adjustment. Employment in shipbuilding turned downward in September 1953, while aircraft continued upward. These cuts in shipyard employment resulted from completion and stretch-out of government contracts and the lack of sufficient other new business to maintain forces. Aircraft employment started to decline in February 1954. No definite signs of an upturn in these industries had appeared by October. Changes in operations at the region's automobile assembly plants were insignificant, consisting mainly of seasonal changes associated with vacations and model changeovers.

Completion of government contracts for **ordnance** items and lack of new orders caused employment at New England ordnance plants to decline by 24 per cent from the peak in July 1953 to August 1954. The drop leveled off in September and October, but no considerable upturn in activity occurred.

New England factories making clocks, watches and controlling **instruments** curtailed operations during 1954. A moderate seasonal increase in employment de-



veloped during August and September in plants making clocks and watches for the Christmas trade. But this was followed by a decline in October as civilian business approached its seasonal peak and government contracts were completed.

New England softwood **lumber** producers derived some market benefits in mid-year from the diminished supply of West Coast lumber caused by a prolonged strike in that region. The local 1954 market did not, however, fully reflect the vigor of the construction program because it was offset by reduced demand for lumber used in shipping containers.

Furniture manufacturers bought sparingly, but the resulting slowness of the hardwood lumber market was insufficient to cause a price break.

The market for New England **furniture** manufacturers slowed progressively during the first half of 1954 as consumer demand fell off, retailers cut inventories and defense orders declined. After mid-year the volume of manufacturers' orders increased and overtime work schedules were resumed. Producers' sales of wood furniture during 1954 are expected to equal or exceed sales during 1953.

Strong Demand for Most Soft Goods

The decline in **textile** mill activity, which started during the first half of 1953 and accelerated during the last half of that year, continued through 1954 although at a much slower rate during the past few months. All segments of the industry suffered. A number of mills closed permanently.

Throughout 1954 employment in the New England textile industry was below year-ago levels. While some pickup took place during the summer months, further losses were experienced in September and October. The October employment level was the lowest in many years, down 16 per cent from the same month of 1953. Nationally, October employment in the textile industry was seven per cent below a year ago, after registering a small gain over September.

By fall, many textile sources felt that the bottom of the industry's recession had been reached. Demand for some cotton and synthetic fabrics increased during November and finishing plants reported a good volume of orders for spring and summer lines. Inventories are reported to be in excellent condition and improved orders are expected to be quickly reflected in output.

Operations of New England **garment** shops during the first half of 1954 were below the high levels prevailing a year ago. After vacation shutdowns, activity increased and manufacturers reached their fall seasonal peak in October with production close to last year's level. The trend in needle-trades employment in New England was upward in the last half of 1954 with September and October levels higher than in any previous months of 1954. It still was about two per cent below the comparable months of last year. Continued cautious buying by retailers was still reflected back by garment manufacturers to their textile sources as all levels sought to avoid building up inventories.

Shoe production in New England during the first ten months of 1954 was 2.3 per cent ahead of output in the same period of last year. Since mid-summer, production has run well above year-ago levels. Nationally, output

in the same period of 1954 was 3.9 per cent under 1953 levels, but in August, September and October the number of shoes turned out exceeded year-ago levels for the first time this year. Women's shoe producers enjoyed the greatest improvement although the November seasonal lull affected them more than producers of men's and children's footwear.

Some tanneries and shoe-finding manufacturers reported a quickening of tempo in late October and November as shoe firms placed orders for new season materials. Leather buying was close, however, because of price weaknesses.

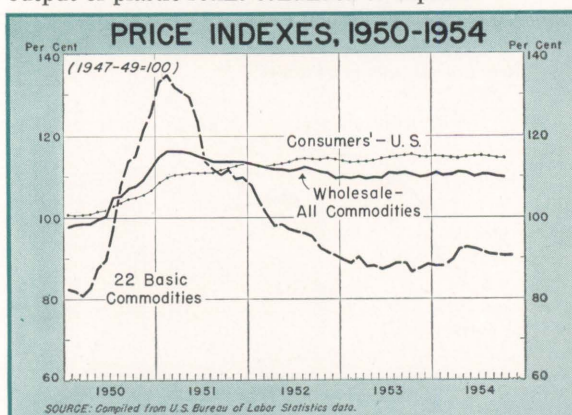
Activity in the region's **rubber** products plants stepped up during the second half of 1954 in contrast to a contraction during late 1953 and the early months of 1954. The improvement centered principally in civilian lines. Government orders have about run out and there are no immediate prospects for a substantial volume of replacement.

The New England **jewelry** industry enjoyed a good volume of business throughout the year. It reached its usual pre-Christmas peak in October as plants extended hours and added to their staffs in order to complete orders for holiday selling. Seasonal gains boosted industry employment in October to a new all-time high. In previous months of 1954, the level of employment was slightly under the comparable months of 1953. Weekly hours, however, have been higher than a year ago since July. More aggressive merchandising methods have permitted the industry not only to increase its volume but also to reduce somewhat the seasonal pattern of its operations. Even as plants continued to push production of Christmas merchandise, they were also showing spring lines to buyers.

With minor exceptions, **paper** manufacturers maintained production schedules above 1953 levels in spite of some tendency toward piecemeal purchasing policies.

After holding paperboard production four to five per cent below 1953 levels during most of this year, demand showed signs of increasing strength during the closing months. Wood pulp supplies remained ample but not excessive during the year.

The New England **chemical** industry was one of the most stable of all manufacturing groups during 1954 because of the wide diversity of markets it serves and because it had few defense contracts. Industrial demand from the metal-working industries fell slightly, but output of plastic resins continued to expand.



Consumption and Savings Well Maintained

NEW ENGLANDERS maintained their consumption and increased savings during 1954, in spite of increased unemployment in a number of industries. This apparently paradoxical behavior is traceable to higher income after taxes, due to a reduction of income taxes effective at the beginning of 1954.

Wearing apparel and other soft goods were generally more in demand this year than last. Among consumer durables, television sets sold better in 1954 than in 1953 while major household appliances continued in low demand this year. Sales of new cars were good early in the year but tapered off prior to model changeovers.

New England Better National Retail Performance

Yankee retailers have worked hard to live up to their reputations as good merchants during 1954, and their efforts have been rewarded by relatively better sales totals in New England than in the nation as a whole. An instance of this is seen in the sales of automobiles. Nationally, new car registrations during the first nine months of 1954 were five per cent lower than during the corresponding period of 1953. Here in New England similar registrations were slightly greater than those of the 1953 period. Sales by motor vehicle dealers in the Boston metropolitan area for the period were up seven per cent and in Providence up 14 per cent over the year-ago period. October data indicated a sharp drop in new car registrations. Increased efforts by dealers to sell their new cars inevitably pulled some strength from the used car market. Used car sales in New England during 1954 have been well below 1953 levels.

New England's department stores have also recorded better year-to-year sales comparisons than have those of the nation as a whole. Through November, sales by this type of store in this region have exceeded year-earlier figures by two per cent. For the country as a whole, sales were two per cent lower than during the corresponding period of 1953. The seasonally adjusted index of sales in New England fell beneath year-earlier indexes only in March, April and May. Since then, the index has risen continuously except during August. In October it reached its highest value since October 1952.

While total store sales so far this year have led year-ago figures by two per cent, individual departmental behavior has been somewhat varied and not uniformly good. Downstairs or basement store sales have exceeded year-earlier figures nearly every month this year and at the end of October cumulative totals were four per cent larger than at the end of October 1953. This performance may be indicative of increased price-consciousness on the part of consumers.

Among the major main store departmental groups bettering year-ago figures were the miscellaneous group of departments (including toys, sporting goods, luggage and candy) with a gain of about three per cent, men's and boys' wear departments and the small wares group of departments (including laces, notions, toilet articles, silverware and jewelry, and books and magazines) with gains just under three per cent, women's and misses' apparel with a gain of about one per cent and women's and misses' accessories just slightly ahead.

Some of the largest gains among the individual departments were in those selling items affected by the reductions in excise tax rates made early in the year. By the end of October, year-to-year sales gains of eight per cent had been recorded by furs, 15 per cent by fine jewelry and watches and nine per cent by luggage. The increasing number of children was a factor in gains of eight per cent in sales of girls' and teen-age wear, of two per cent in infants' wear, three per cent in boys' wear and nine per cent in toys and games.

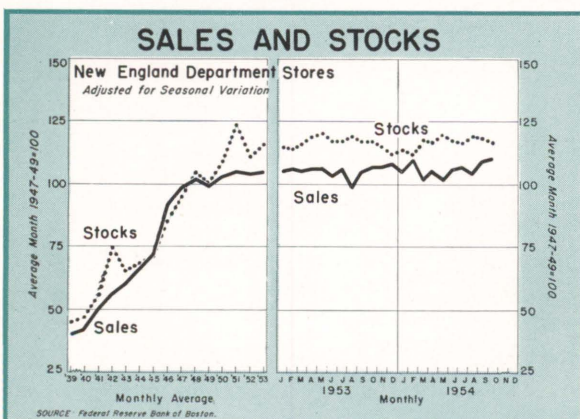
Two major groups fell slightly behind year-ago performance. These were the piece goods and household textiles and the homefurnishings departments. Major household appliance sales lagged 14 per cent behind 1953 figures, and furniture and bedding sales were off over four per cent. Television, radio and phonograph department sales suffered a setback in October. However, cumulative sales for the first ten months of 1954 were three per cent above year-ago figures.

As one might expect from the relatively better sales performance of the soft-goods departments as opposed to those selling durable goods, New England consumers have made greater use of charge account facilities than they have of instalment financing so far this year. At the end of October, charge accounts receivable at district department stores were four per cent larger than a year ago, while instalment accounts receivable were up only two per cent. Some of the latter increase may be due to expanded use of revolving credit accounts which are not limited in use to purchases of durable goods.

New England consumers paid off more of their debts to banks, small loan companies and credit unions during most months of this year than was the case last year. They also did not request as much new credit as they did last year. By the third quarter, repayments were equaling requests for new credit and the total volume outstanding had stopped expanding.

Liquid Savings Continue Rise

The general financial position of New Englanders appears to have been well maintained during 1954.



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Money income was generally stable and with prices little changed and taxes lower real income was improved. Additions to savings in 1954 were substantial and appear to be more broadly distributed among income groups. During the first six months of 1954 New Englanders added about \$559 million to their total liquid savings¹ compared to an increase of \$471 million in the same period of 1953. Total savings in New England reached approximately \$17,521 million by mid-1954.

Per capita liquid savings in New England rose from \$1,759 in December 1953 to approximately \$1,795 at the end of June 1954. If the rate of savings remained steady during the second half of the year, the per capita figure at the end of 1954 would be about \$1,844. Although the rate-of-savings growth has been more rapid in the nation in recent years, New England per capita figures continue to exceed national figures. At the end of June savings per capita were \$545 above the comparable figure for the nation.

New Englanders continued to show a marked preference for savings accounts. Of this form of saving, more than 60 per cent represented deposits at mutual savings banks and comprised the largest aggregate of savings in the region. Time deposits at commercial banks, savings and loan associations, and cooperative banks made up the balance. The concentration of mutual savings banks in the region and improved rates of return relative to return on time deposits at commercial banks and on savings bonds were factors leading to further increases in these deposits.

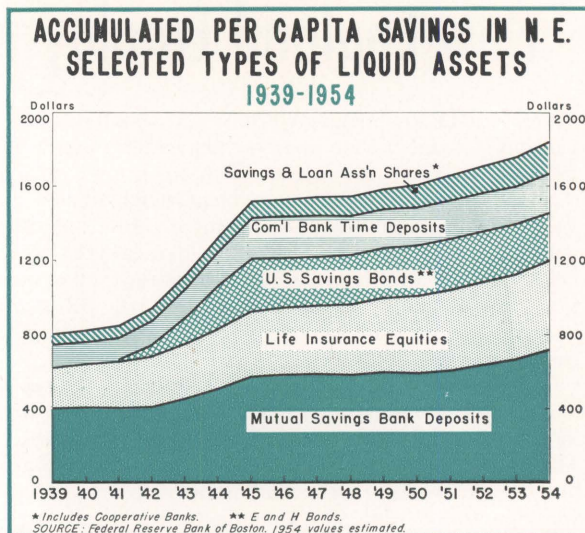
Per capita deposits held by mutual savings banks amounted to \$686 at the end of June 1954 as compared with \$669 at the end of 1953. Per capita time deposits at commercial banks in New England were little changed from 1953 levels. At the end of June they amounted to about \$207.

Nationally, savings accounts hold second place in investors' preferences. Savings deposits in the nation are concentrated in commercial banks and savings and loan associations since there are 31 states which do not have mutual savings banks. Country-wide per capita holdings of time deposits at commercial banks rose from \$278 in December 1953 to \$285 in June 1954.

In both New England and the nation share accounts at savings and loan associations and cooperative banks have shown the fastest rate of growth of any of the savings forms. At the end of 1953, per capita shares were \$160 in New England and \$145 in the United States. It is estimated that by mid-1954 these shares had reached \$173 in New England and \$156 in the nation.

In New England the second largest share of savings is in life insurance equities. New Englanders had about \$466 per person in these equities at the end of June and are expected to hold about \$480 at year's end. At the end of 1953 they held \$459. In the nation this form of savings holds first place and per capita equities were \$410 at the end of 1953 and rose to \$418 at mid-year 1954.

Series E and H United States savings bonds claim the



third largest share of savings in both New England and the United States. Redemptions of Series E bonds in New England have exceeded sales during the first ten months of 1954 and it is expected that this pattern will continue for the rest of the year. On the other hand, sales of Series H bonds have been well above redemptions. Investors seem to be indicating a preference for the current income H bond as opposed to the appreciation type E bond, and some of the increase in sales of H bonds has been at the expense of savings accounts. The combination of high sales of H bonds and the growing accumulation of interest on Series E bonds as many persons hold these bonds for an additional ten-year period has maintained a stable figure for the outstanding of savings bonds in New England. In June 1954 per capita holdings of savings bonds in the region were \$263, having declined from \$268 in December 1953. In the nation, sales of both E and H bonds have exceeded redemptions by a small margin. Per capita holdings of these bonds were \$233 in mid-1954 as compared with \$232 at the end of 1953.

New England consumers held their ground steadfastly during 1954, not yielding to fear of a continued business drop into depression. Part of their confidence may be traced to an improved unemployment record. Insured unemployment during 1954 in New England, although increasing about as much from 1953 levels as it did in the nation, reached a peak only half as high as in the 1949 recession. In the nation the 1949 unemployment peaks were nearly matched in April, May and June of this year. Another reason why New England consumers were better able to exceed 1953 spending lies in the fact that they were more cautious during the early months of 1953 when retail sales in the nation were at their postwar peak.

Strength in New England consumer spending during 1954 has not been achieved by reductions in levels of saving. In fact, New Englanders have continued to add to their stock of accumulated savings. Together with the sustained flow of income, these savings will continue to backstop the solid support to New England business provided by the rising level of retail sales.

¹Liquid savings, as used in this article, include deposits in mutual savings banks, time deposits in commercial banks, savings capital in savings and loan associations and cooperative banks, E and H United States savings bonds and life insurance equities. Postal savings deposits have been omitted.

New England Employment Trends Strengthen

MORE PEOPLE were employed in New England in October and November than in any of the earlier months of 1954 except June and August. The downtrend in the region's non-agricultural employment which started in July 1953 and reached its low point in March of this year now seems to be reversed. Employment continues below the high levels set in 1953 but, allowing for fluctuations caused mainly by seasonal factors, the job outlook for the region's workers is brighter than during the early months of 1954.

The continued expansion of employment in the non-manufacturing industries partially offset the losses suffered in manufacturing during the first half of the year. Throughout 1954 combined monthly employment totals for the nonmanufacturing industries have exceeded year-ago totals while the manufacturing totals have been consistently below 1953 levels. In November New England nonfarm employment was three per cent under a year ago with an 8.2 per cent decline in manufacturing more than counterbalancing an increase of one per cent in nonfactory jobs.

Nonmanufacturing industries in New England were stronger than in the nation in the past year. The industries which reduced employment were off less than nationally and those showing improvement were up more than in the country as a whole. Only contract construction and transportation and public utility employment were below year-ago levels in the region in October.

Manufacturing employment in New England has picked up some since mid-summer with the improvement in the hard-goods industries stronger than in the soft-goods industries. Seasonal influences were partly responsible but in some industries the improvement has been more than was to be expected from this cause. Work-force expansion in apparel, rubber products and miscellaneous manufacturing among the nondurables and in electrical machinery and fabricated metals among the durable industries have been strong in recent months. However, as the year's end drew near, employ-

ment was still being reduced in such major industries as machinery, transportation equipment and textiles.

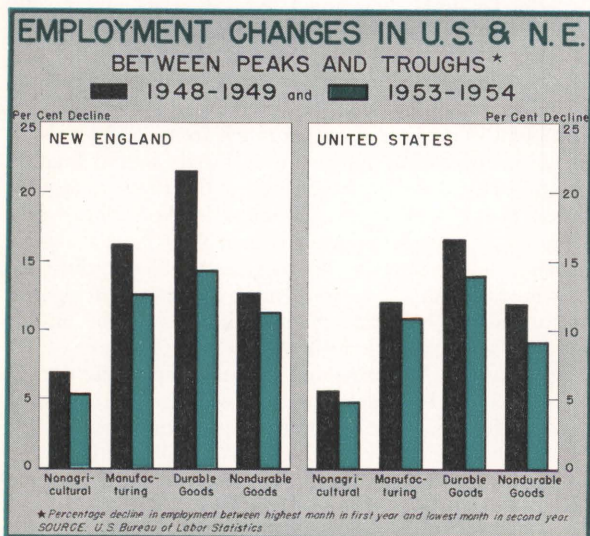
Over the past year the cutbacks in employment by the region's durable-goods industries were about triple the losses in nondurables both relatively and in actual numbers. Durable goods employment in November was 12.1 per cent under a year ago while nondurable goods employment was down 4.2 per cent. By late fall the level of employment was close to early 1954 totals in the nondurables but was well under the spring level in the durables.

Even though adjustments are still incomplete in some of the region's manufacturing industries, enough others have either stabilized at new lower levels or have shown definite enough signs of improvement to indicate that the employment level in New England has probably reached a post-Korean low point and should show further improvement in coming months. In view of this, it is interesting to compare the region's employment experience during the 1953-54 period with its experience during the 1948-49 recession. As the accompanying chart illustrates, when the decline in employment is measured from the highest month to the lowest month of each of the two periods, the recent dip was less severe than in the 1948-49 period both nationally and in New England. Contraction of manufacturing employment, especially in the durable goods industries, was chiefly responsible for the reduction in total employment from peak levels in both periods.

The soft-goods industries were more responsible for the reduction in regional employment during the 1953-54 recession than in the earlier period. The drop in soft-goods employment during the recent recession was 90 per cent of its earlier decline. The recent drop in durable-goods employment was only 67 per cent of its 1948-49 decline. The severe contraction in the region's textile industry has been the principal factor in determining the trend of nondurable-goods industry employment in recent years.

The continued growth in importance of the region's hard-goods industries has resulted in a New England pattern of change much more similar to that of the United States during the 1953-54 period than in the earlier recession. In 1948-49 the region's durable-goods industries contracted 30 per cent more than their national counterparts. In the 1953-54 recession the regional and national declines in durable goods employment were virtually identical. This increased similarity of employment changes was partially offset by the region's nondurable-goods industries which showed greater weakness than their national counterparts during the 1953-54 recession.

Comparisons of patterns of employment change should not obscure the fact that total employment in both the region and nation continues at very high levels. Except in the New England nondurable-goods category, employment was substantially higher in the high and low months of the 1953-54 period than it was in the comparable months of the earlier recession period in both the United States and New England.



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