New England

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1962 Business Performance: Good Though Erratic

In retrospect, the performance of the 1962 economy may receive a better rating than many analysts are currently according it. Over-all, it has been a good year. As this is written, it appears to be encompassed within the upward phase of a business cycle. It has withstood the severe shocks of a sharp decline in stock market values and the threat of war emanating from the Cuban crisis. It has witnessed the establishment of new records in gross national product, industrial production, construction, employment, incomes, and retail sales.

Yet many analysts are inclined to pass these positive accomplishments by and judge the year's business performance by its apparent deficiencies. Although it has displayed economic growth, it disdained the greater growth rates which their earlier forecasts had prescribed. Its growth pattern within the year was punctuated by pauses and temporary setbacks in certain sectors which periodically stirred up in their minds apprehensions of imminent recession. Accordingly, many labeled the year's performance as sluggish, stagnant, or failing to live up to its potentialities. Regret that growth rates were not greater and steadier is appropriate, but should

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not deny recognition to the many favorable attainments made even with more moderate and somewhat erratic growth rates.

This analysis is oriented essentially to the New England business performance during 1962. It must of necessity suffer from the limitations of incomplete statistical data for the full calendar year, and from the fact that some statistical measurements which are available on a national basis are not comparably available on a regional basis. Summarized by sectors of the economy and by individual industries, it should give the over-all impression of a high level of activity, even though growth rates were in some instances moderate, erratic, or negative, and even though the region's available resources of manpower and productive capacity were not fully utilized.

The influence of the business cycle should not be overlooked in evaluating the significance of changing relationships between 1962 and 1961 statistical measures in some cases. Early 1961 included what is commonly regarded as a mild recessionary trough, and was followed by a period of rapid recovery. In consequence, 12 months' growth rates may appear impressively large when measured backwards from early 1962, but progressively narrower when measured backwards from later months. Such a changing pattern of 12 months' relationships tends to understate real strengths and to magnify weaknesses.

New England ***employment*** statistics can present such a misleading impression. The 3,802,000 nonfarm payroll employees reported for November 1962 exceeded the number reported for any previous November. A similar statement can be made with respect to any previous calendar month of the year. Yet the 12 months' percentage gain measured back from January was 2.3 and it narrowed steadily to 0.5 as of November. This does not truly mean an adverse employment trend in 1962. Seasonally adjusted, employment varied very little during the year, but it was measured against an upward recovery trend in 1961.

There was disparity in employment trends by industries, however. In November, nonmanufacturing employment was still 0.9 percent greater than a year earlier, bolstered by expansion in finance, trade, service, and government categories. Manufacturing employment on the other hand slipped slightly below the total of a year ago. Herein lay further disparity, as the durable goods manufacturing industries averaged a 12 months' gain of 1.3 percent while nondurable goods industries averaged a decline of 1.9 percent.

By states, total nonfarm employment trends continued to be strongest in New Hampshire with a November 12 months' gain of 2.6 percent. Maine and Massachusetts showed practically no change, while Rhode Island experienced a 1.0 percent decline.

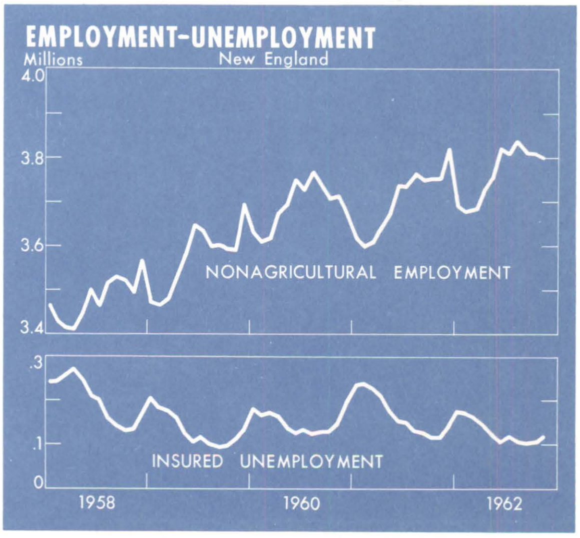
Of the 15 major labor market areas in the District, eight were judged in November to have unemployment rates ranging between 3 and 6 percent of their respective labor forces, and seven to have rates between 6 and 9 percent. This marked a net improvement over December 1961 when there were respectively six and nine areas in these two classes.

Estimated total unemployment in the six states ranged between 5.0 and 5.7 percent of the labor force, on a seasonally adjusted basis, during the first 11 months of 1962. These rates were consistently lower than in corresponding months of 1961, and were generally more favorable than comparable national rates.

Average ***workweeks*** for factory workers were generally longer than a year ago, and during most of the year ranged between 40.6 and 40.9 hours on a seasonally adjusted basis. A drop to 39.8 hours in November, however, yielded the lowest figure since February.

Total ***man-hours*** worked by factory employees reflect the product of manufacturing employment and average weekly hours of work. Seasonally adjusted, they showed little net change during 1962 in contrast to the rather steady expansion during 1961, but remained above the year-earlier level until October.

Production of electric power by New England utilities, adjusted for normal seasonal variations, continued to rise during 1962 at an average annual rate of 6 percent. Electric power used in manufacturing likewise followed a generally upward seasonally adjusted trend. Under the joint influence of this upward trend and the essentially level trend in man-hours of factory labor, this bank's seasonally adjusted index of manufacturing production measured a slight net expansion through August, and then declined. Net changes



in the index over 12 month periods, however, narrowed from 9.5 percent in January to 1.6 percent in November.

Statistical coverage of ***new order flows*** received by New England manufacturers is fragmentary, but likewise suggests improvement over 1961 at narrowing margins. In 10 of the 12 months of 1962 more purchasing agents reported expanding order flows than contracting flows, but the margin narrowed markedly after March. Gains over a year ago in the Associated Industries of Massachusetts index of orders narrowed from 13.2 percent in January to —2.2 percent in November.

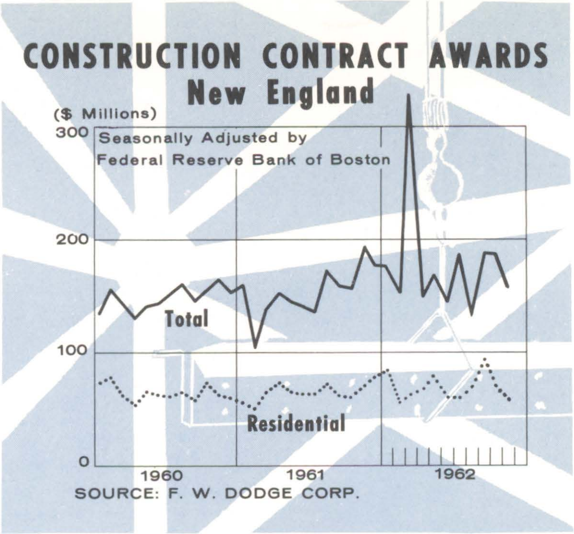
Intensive ***construction*** activity throughout New England on highways, new homes, commercial and industrial buildings, and urban renewal projects is readily apparent. An adequate statistical measure of this current activity, however, is lacking. F. W. Dodge Corporation reported that contracts awarded during the first 11 months of 1962 for forthcoming construction in New England had an aggregate value of $2004 million, a rise of 17 percent over the comparable 1961 amount. This over-all rise includes relative increases of 8 percent for nonresidential buildings, 6 percent for residential buildings, and 69 percent for public works and utilities. It is appropriate to point out, however, that 14 percent of the total value of these contracts can be accounted for by four unusually large projects.

Some concern has been felt for a possible overbuilding of new residential units for rental. It is comforting to note that for the third quarter of 1962 the reported vacancy rate for such units was only 3.8 percent in the area which includes New England, New York, New Jersey, and Pennsylvania, as against a rate of 7.3 percent for the Nation at large.

Capital expenditures by New England manufacturers for new plant and equipment do not appear to have been much disturbed by stock market behavior, international crises, or talk about imminent recession. A survey made by this bank in late August and September revealed that 1962 expenditures for such purposes will probably exceed those of 1961 by 10 percent.

Statistical changes in the ***business population*** of New England present conflicting evidences of trend. As compared with the same 1961 period, new incorporations in the first 11 months of 1962 increased 6.0 percent while the reported number of business failures increased 2.7 percent.

Per capita ***personal income*** in New England is estimated to have averaged $2,542 in 1961, or 12 percent more than the national average. *Business Week* estimates that during the first 10 months of 1962 total personal income was rising at annual rates of 6.0 percent in New England and 6.6



percent in the Nation at large.

New England ***department store sales,*** aided in part by rising personal incomes, set a new record in 1962 about 3 percent above the 1961 level. Here again, a higher rate of gain earlier in the year was somewhat narrowed in later months. And although the 1962 regional rate of gain was less than the national average, New England stores had exceeded the national rate of gain in 1961 over 1960.

Sales by departments generally exceeded 1961 volumes. Stronger gains were recorded in sales of women's and misses' dresses, men's clothing, sportswear, laces and trimmings, silverware and clocks, apron and housedresses, floor coverings and furniture. Sales of major household appliances and television sets slumped over some of the second half of the year. Sales of women's shoes were better than those of men's and children's shoes.

Accounts receivable at department stores at the end of October were 5 percent higher than a year earlier, with the greatest gains in revolving credit accounts. Collection ratios equaled those of a year ago.

Automobile sales benefited particularly from the 1962 pattern of consumer expenditures, and imparted sustaining strength when other segments of the economy seemed about to falter. Registrations of new automobiles in the six New England states through November were 11 percent ahead of the 1961 pace, and dealers at times were unable to meet demands for either 1962 or 1963 model cars from existing stocks.

New England ***vacation business*** operators had another generally good year, although the pattern varied irregularly as the weather acted as a stimulant or a depressant to patronage. An adverse but unmeasured influence on business was the Canadian dollar's drop in exchange value that reduced spending by tourists from the Provinces.

The ski season started slowly but ended up with a 13 percent increase in overnight guests over the previous season. Guest occupancies at resorts during the summer season just about equaled the performance of the record 1961 season. Registrations at boys' and girls' summer camps scored further advances. Measured attendance at miscellaneous types of tourist attractions during the summer season was 7 percent in excess of the comparable 1961 total.

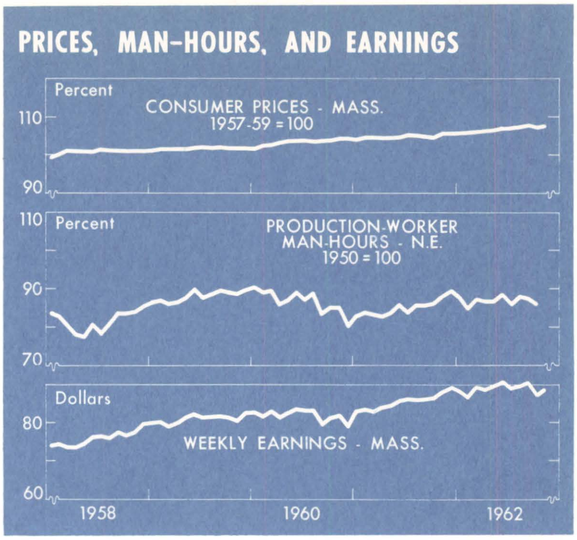
Prices were much more stable than in many recent years. The national wholesale commodity price index, except for September, ranged less than 1 percent above 1957-1959 averages, and the major fluctuations within the year were attributable to farm products and processed foods rather than to industrial raw materials and products. The consumer price index, however, continued in a moderate uptrend, largely under the influence of rising prices for services, and in November was 1.3 percent higher than a year earlier.

Consumer savings expanded substantially despite the increased rate of consumer spending. Weekly reporting member commercial banks in the First Federal Reserve District showed in early December an annual growth rate of 13 percent in savings deposit balances. This growth was enhanced to some extent by revised regulations that raised permissible interest rates which might be paid on such deposits. A representative sample of New England mutual savings banks showed at the end of November an annual growth rate of 9.7 percent in deposit balances. Insured federal savings and loan associations showed a comparable growth rate in share capital.

Credit conditions were fairly steady over most of 1962. At the risk of oversimplification it might be stated that supplies of funds were generally ample, demands moderate, and interest rates relatively stable on balance.

Monetary policy on a national level was still concerned with the maintenance of an environment which would permit a faster expansion of the economy and a fuller utilization of manpower resources than have recently been achieved. At the same time it was anxious to avoid action which might aggravate or prolong our adverse balance of payments and outflow of gold. A condition of relative ease was maintained longer than is usual in periods of cyclical advance, with net free reserves of member banks averaging around $400 million over most of the year.

At weekly reporting member banks in New England, credit outstanding in the form of loans and securities on December 26 was 6.0 percent greater than a year earlier. As security holdings



were slightly reduced, this net credit expansion took place in various types of bank loans which increased 10.3 percent over the year.

Loan demands in general were rather moderate, and were comfortably cared for by an ample supply of available funds. Commercial and industrial loans at weekly reporting member banks expanded by about 2.6 percent during the year, part of which might be considered as making up for an appreciably slower growth in 1961. At the end of October, outstanding balances of consumer instalment credit extended by District lending institutions were about 6 percent greater than a year earlier. New England lenders of real estate credit were able to care for local needs and also to invest for higher yields in capital deficit areas of the country. Real estate mortgage balances held by New England mutual savings banks at the end of November showed a 13.2 percent annual rate of expansion, while those held by insured savings and loan associations measured a 10.4 percent growth rate.

Yields on 3-month Treasury bills rose slightly on balance over the year to a closing rate around 2.9 percent. Yields on longer-term Treasury and corporate issues, on the other hand, had a slight downward tilt over the year. Rates for conventional type mortgages in the New England area ranged between 5 and 6 percent with little change during the year. The prime business loan rate at commercial banks and the discount rate at the Federal Reserve Bank of Boston remained unchanged at 4½ and 3 percent respectively.

New England ***farmers*** fared less well in 1962 than did farmers in the Nation. Their cash income from marketings for the first nine months of 1962 declined about 1 percent compared with an increase of 2 percent nationally. Expenses, regionally, did not decrease proportionately.

This generalized statement of a 1 percent decline masks the situation, however. What is more to the point is that income from potatoes was critically below production costs for 1961-1962 as well as for 1960-1961. It wasn't the 1 percent decline in 1962 that hurt but rather the failure of prices to rebound from the low prices of the previous year.

Blended milk prices for the first 11 months of 1962 averaged 5 cents less per hundredweight than for 1961. Egg prices were below last year in the first half of the year but improved in the summer and fall. Broiler prices have been stronger this fall to a point where they have induced increased production.

With costs holding firm or increasing, 1962 has been a year of cost-price squeeze which has placed pressures upon even the efficient New England farmers.

New England's ***primary and fabricated metals*** operations in early 1962 were much improved from the depressed conditions of a year earlier, but the margin of improvement narrowed as the year progressed. Activity at steel using plants had a special spurt early in the year in anticipation of a threatened labor strike. After the threat had passed, orders and production tapered off as excess accumulations of inventories were worked down again. By fall, work staffs had dropped below year-ago levels, workweeks had been cut about 5 percent, and operations generally had been brought into more stable relationship with prevailing market conditions.

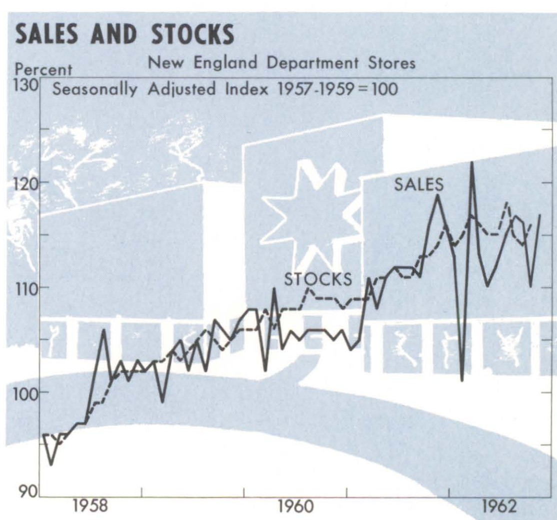
Foundry activity continued to be rather dull except at textile machinery plants. A labor strike closed up a local pipe foundry commencing in August. A fairly busy schedule of operations at copper and brass mills in the early part of the year lost some momentum later as customers slowed down placement of orders and seemed disposed to keep inventories at minimum levels.

The ***electrical machinery*** industry commenced the year with vigor, in keeping with its role as one of New England's major growth industries. During most months through July its expansion of work forces over a year ago exceeded that in any other manufacturing industry. Mounting backlogs of orders were frequently reported during the earlier months. Subsequently the pace of the industry's activities slackened, particularly at plants making electronic components. Competition sharpened, with more frequent reports of price cutting. A few plant closings were announced. In October, total employment at the industry's New England plants slipped below the level of a year, although average workweeks remained relatively long. As the year drew towards its close, continuing expansion and rising profits seemed to be more selectively associated with the more firmly established companies.

The ***nonelectrical machinery*** industry fared relatively well among New England industries in sustaining an improved level of business through the year. October showed a 2.8 percent annual growth rate in employment, compared with an average growth rate of 1.9 percent for the year to date. The October average workweek was 2.9 percent longer than a year ago. Machine tool producers experienced a pickup in business from domestic customers which more than offset a decline in business from abroad, and expect that a further expansion will accrue from revised tax credit and depreciation practices. Textile machinery manufacturers generally report some pickup in orders, with 1962 iron pourings at their foundries 16 percent greater than those of the previous year.

The New England ***transportation equipment*** industry is diverse in composition and often, as in 1962, subject to divergent trends in activity. Total employment in October was slightly more than a year earlier, but within that total a 5.6 percent gain in Connecticut contrasted with a 12 percent decline in Massachusetts. The aircraft component sector of the industry, based primarily in Connecticut, continued to grow under the impetus of substantial orders for engines, parts, and equipment. The large volume of car and truck sales kept the regional automobile assembly plant busy. In the shipbuilding sector of the industry, rapid expansion of operations at the New London nuclear submarine yard contrasted with a sharp decline at the Quincy yard.

Employment at New England ***instrument*** manufacturing plants steadily registered gains over a year ago, measuring 5 percent in October. Other favorable news from individual plants included rising backlogs of orders and decisions to increase productive capacity.



In the region's ***lumber products*** industry, employment was generally less than in 1961, and some mills were closed as Eastern pine failed to remain competitive with prices of western producers. In later months of the year some dealers benefited from gains in construction activity.

Furniture producers were very busy, and hopeful that 1962 might set a record for volume of business. Industry employment held at least equal to 1961 from January onward.

New England's ***textile*** industry continued to struggle against the momentum of long-term downtrend. Following temporary strength early in the year, work staffs slipped increasingly below comparable 1961 totals, reaching a 3.8 percent deficiency in October. Average workweeks held up relatively better. October data also recorded daily average consumption of cotton at New England mills down 20 percent from a year ago, and daily average spindle hours in pure cotton operations down 40 percent. The year saw additional mill closings. Measured in terms of employment, difficulties were generally greater for producers of cotton, woolen, and worsted goods than for those using synthetic fibers. In the face of such gruesome statistics, perseverance and resiliency within the industry merit recognition. A major producer was reported to be operating three shifts five days a week; one Maine mill is doubling its capacity; others are ordering new looms in order to modernize facilities and remain competitive.

For New England ***apparel*** manufacturers 1962 was a good year, but not record setting. Employment averaged close to that of the preceding year, while workweeks were generally somewhat longer. Manufacturers of women's and misses' apparel reported a good volume of business in fall and winter garments with some trading up to more expensive items. Fall and winter lines of men's clothing were also moving well until a significant slowdown appeared in November. It was felt, however, that inventories of these items were not excessive and could be worked off by the end of the year. Advance orders for both women's and men's spring apparel were considered to be normal.

New England ***shoe*** production advanced in 1962 close to about 205 million pairs, but was still below the 1959 record of 215 million. The larger output was supported by both a larger volume of retail sales and the need for expanded retail inventories to care for more shoe styles and new shopping outlets. New England's share of the national output declined slightly, however, due in part to slower sales of women's high-heel dress shoes which are a New England specialty product. Employment was somewhat less than in 1961, except in New Hampshire. Despite a small increase in leather costs, shoe prices were little changed during the year. The unfavorable trends of increasing imports of foreign made shoes and of diminishing exports of domestic shoes persist as a major problem for the industry.

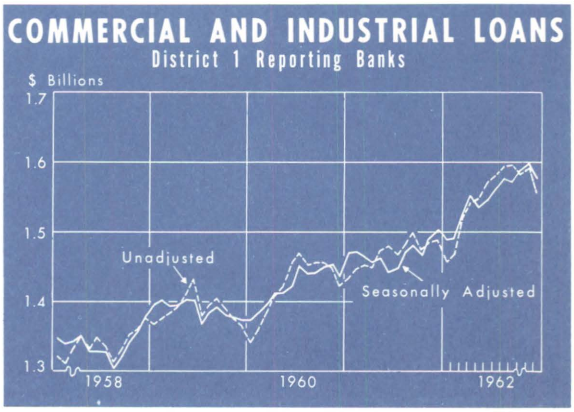
Jewelry manufacturers found 1962 to be a good year for karat gold and gold-filled items and a fair year for better costume jewelry items. Makers of low-priced costume jewelry, however, had yet to find a style item which could match the recent popularity of inexpensive imported beads. New processes and machinery made possible increased production with fewer employees than in 1961. Substantially higher costs of silver, however, tended to narrow profit margins for producers of jewelry and silverware.

New England ***paper*** manufacturers expect their 1962 production and sales to show gains over 1961 slightly less than the currently estimated 8 percent gains on a national basis. October employment was slightly less than that of a year ago. Price increases for some paper products have been limited by competitive factors.

Employment at New England ***chemical*** plants, after running ahead of 1961 during the first half of 1962, slipped increasingly behind after mid-year. As total supplies in the Nation of some chemical products accumulated while demand declined, necessary adjustments in production schedules began to appear at New England plants.

The manufacture of ***rubber and plastic products*** provided one of the fastest growths among New England industries in 1962. Employment ran consistently above 1961, averaging a 5.6 percent gain through October. Expanding utilization of existing productive facilities induced a more than average rise in expenditures for new plant and equipment.

The manufacture of ***food products*** of various types in New England provided for slightly less employment on the average than in 1961, although average weekly hours increased. A much improved sardine pack over the extremely poor 1961 pack benefited the Maine portion of the industry.



Interest Rates on Time Deposits

A year has passed since the Federal Reserve Board of Governors raised the maximum interest payable on time deposits. In this period commercial bank time deposits grew in almost all New England regions. The increase took place almost entirely in banks paying 3 percent or more. In general the higher the rate the banks paid the greater was their increase. Instant interest, convenience of one-stop banking, and other factors, however, were responsible for much of the growth.

In June 1962, time deposits amounted to almost 30 percent of all deposits at commercial banks in New England. Eighty-five percent of total time deposits were savings deposits owned by individuals and nonprofit corporations; the rest consisted largely of certificates of deposit.

Interest Rates on Time Deposits

To find out bank reaction to the rate change, the Boston Federal Reserve Bank has made two surveys of commercial banks in the region. The first survey was made in January and February; the second in October. The results of the first survey were discussed in "Interest Rates Paid on Savings" in the March 1962 issue of the *New England Business Review*.

In the course of the year bankers' opinions on the higher rate have changed their emphasis. The original feeling of alarm that bank assets would deteriorate and lead to failures has changed to one of concern about banks' profitability. Among the comments were the following:

> Competition is acute. It is fortunate that a 4 percent limit is in effect. Higher rates would encourage speculative investment by banks.
>
> This higher rate is one more example of the economies of large operations which squeeze small banks to the wall and make mergers almost inevitable.

Early in 1962 many banks felt competition would force them to raise rates despite their concern over profitability. Preliminary indications show this was not true. From February to October, 9 percent of commercial banking offices raised rates (in addition to the 28 percent that had already done so by February) while only 2 banks, each with 1 office, reduced rates. In all, therefore, only 37 percent of the commercial banking offices actually raised their rates.

Furthermore, increased competition over the course of the year did not force those banks paying under 3 percent to raise their rates. Of the 9 percent that raised their rates after February, only 1 out of 6 had been paying below 3 percent. This proportion for early risers was 1 out of 7.

Growth of Savings Deposits

One interesting feature shown in the survey was the rapid growth of savings in banks with a previously small proportion of time deposits. Some of these banks had never accepted time deposits before; others had kept the department simply as an accommodation — paying noncompetitive rates of 1 and 2 percent.

Among banks with less than 10 percent of their December 1961 deposits in savings, the average growth rate of savings deposits from December 1961 to September 1962 was 17 percent. This was substantially higher than the average over-all rise of 8 percent. Most of these low savings percentage banks, however, were in the greater Boston area where the growth rate of 13 percent was higher than for the region. Even within the Boston area these banks did better than the average and gained 18 percent.

The relation between rates paid and changes in the volume of savings at New England commercial banks was as follows:

Maximum rate paid on savings deposits September 1962 Percent	*Average change in savings deposits Dec. 1961-Sept. 1962* Percent
1, 1½	−6.4
2	−1.8
2½	−0.1
3	7.1
3½	8.5
4	13.5

The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation increased the maximum permissible rates of interest payable by member and insured nonmember banks on savings deposits and certain time deposits, effective January 1, 1962.

Commercial banks are now permitted to pay up to 3½ percent on savings deposits, and on other time deposits and certificates of at least 6 months' term, and up to 4 percent on deposits which have been in the banks for one year or more. The old maximum rate was 3 percent.

Ownership of savings deposits in commercial banks is restricted to individuals and nonprofit institutions. "Other time deposits" owned largely by businesses and governmental units include both open accounts and certificates of deposit. Most of the latter are negotiable instruments.

The relation between rates paid and deposit growth was about as expected. Most banks paying less than 3 percent probably had earlier lost most of the savings money that was subject to transfer. The banks paying 3½ percent had only slightly more inflow than banks with a 3 percent rate. But many 3½ percent banks had either raised their rates recently or were in areas where other banks paid 4 percent.

Growth rates among individual banks varied considerably. But no bank paying less than 3 percent had a substantial growth while only one bank paying 4 percent had a decline, and it had a public relations problem.

Instant Interest

One technique banks used to attract savings and other time deposits was the payment of daily "instant" or "exact days" interest. The following figures show its success:

Banks paying a maximum of:	*Average increase in savings from December 1961 to September 1962*	
	By banks paying semiannually	By banks paying daily interest
3%	6.6	10.8
3½%	6.0	14.5
4%	14.2	29.3

Instant interest adds almost ¼ percent to interest costs. For example, a bank paying 3 percent semiannually generally has a 2.75 to 2.80 percent effective interest cost because deposits withdrawn before the semiannual date earn no interest for the current interest period. On the other hand, daily interest brings the effective rate up to the stated rate. Part of the success of these daily interest banks, however, must also be attributed to favorable locations in areas of high deposit growth.

Daily interest, though unimportant to a long-term saver, is attractive to savers planning to purchase an automobile or a household appliance. It is also a definite inducement to depositors of large investment funds.

The deposit of these funds was an important factor in the growth of commercial banks savings in 1962. Investment funds often go to commercial banks because other thrift institutions have deposit size limits, as do state-chartered commercial banks in Massachusetts and, to a lesser extent, in Connecticut. Instant interest is also a definite attraction because these depositors can withdraw their funds to pursue other investment opportunities. But if the chief alternative liquid asset form — Treasury bills — were to rise to, say, a 3¼ percent yield, banks offering 3 percent would probably have to face large withdrawals.

Local Rates and Savings Deposit Growth

Both local interest rates and growth of savings deposits varied considerably depending on competition, convenience and other factors. The charts showing savings deposits changes by rates paid for three New England regions demonstrate some of these variations.

New Hampshire had the highest proportion of commercial banks in New England paying the maximum rate of 4 percent. Banks paying the maximum averaged 12 percent savings growth in the first nine months of 1962. Banks paying either 3½ or 3 percent had small increases. Although some individual banks in the 3 percent category had large inflows, they were generally banks with no in-town competition.

The New Hampshire banking structure has some unusual features. Among these are the guaranty savings banks. Like mutual savings banks, their payments on savings deposits are considered dividends rather than interest and are thus exempt from the Federal Reserve Board's rate regulations. In general they pay the same rates as mutual savings banks. But they are classified as commercial in banking tabulations, thus raising the average effective rate paid by commercial banks.

Another New Hampshire peculiarity is the joint operation of commercial and savings banks by the same management in the same building. A third of New Hampshire's savings banks have such tie-ins. Consequently the commercial bank partner in the venture has no separate time department. This accounts for the absence of savings in half of New Hampshire's commercial banks.

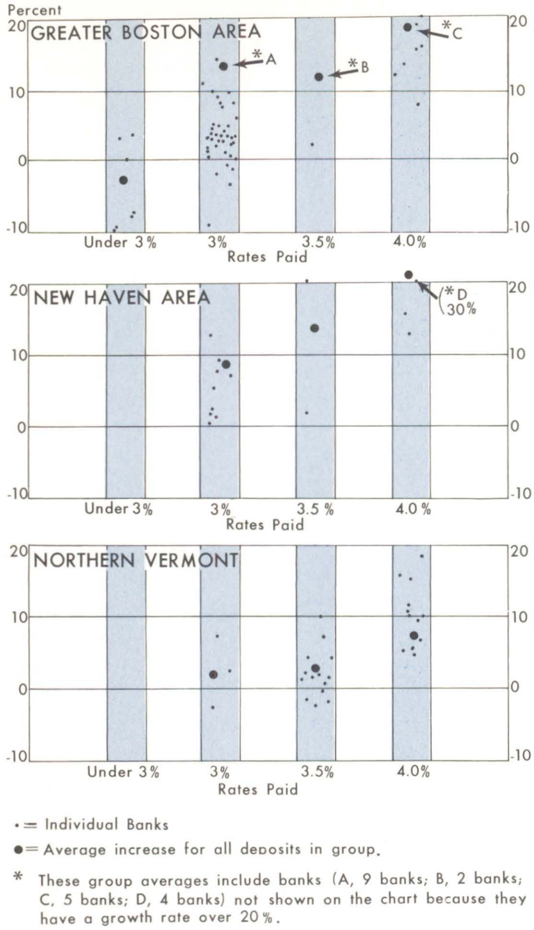
Vermont branch banks are forced to meet the high rate competition of unit banks in their cities and towns.

Rates varied in northern and southern sections. Both large branch bank systems in ***northern Vermont*** pay 3½ percent. Competing banks pay either 3½ or 4 percent. Despite the high proportion of banking offices paying over 3 percent, aggregate savings growth of commercial banks in the region — 5 percent — was appreciably below the New England average of 8 percent. Because of keen competition in the region, banks had probably exploited earlier most of the potential in time deposits.

The two large branching systems in ***southern Vermont*** pay 3 percent on savings; most competitors pay 3½ percent. Only six banking offices in southern Vermont paid a 4 percent rate and these banks had an average growth of 20 percent in savings in the first nine months of 1962.

Maine continued its varied rate pattern. Around Augusta three-fourths of the commercial banks paid 4 percent but savings grew only 7 percent. Portland, on the other hand, with only a third of its banking offices paying over 3 percent

PERCENTAGE GROWTH IN SAVINGS DEPOSITS
OF REPORTING BANKS ACCORDING TO RATES PAID
December, 1961-September, 1962



had an average 8 percent growth in savings at commercial banks. Most Bangor and Aroostook banks paid 3 percent. Savings deposits of commercial banks in Aroostook showed a slight drop from January to September 1962, evidently a result of reduced income levels.

In ***Massachusetts,*** commercial banks savings deposits in the Boston area grew 13 percent in the first nine months of 1962, an expansion exceeded only by New Haven in the New England region. This growth took place despite the 3 percent rate paid by 80 percent of the commercial banks. The few banks (5 percent) paying less than 3 percent lost savings deposits in this period.

Even though 15 percent of the banks paid 4 percent, the greatest growth took place in a few banks paying 3 percent. These banks were either mostly new or newly promoting their time departments. Also, all 3 percent banks offering instant interest had saving rises well above average. A large share of these inflows came from depositors with substantial investment funds.

In western Massachusetts, the Pittsfield region was 1 of the only 2 New England regions that showed a slight decline in savings. The explanation seems to be the aggressiveness of competing thrift institutions.

Growth (6 percent) in the Springfield area probably reflects the attraction of instant interest for investment deposits. Only one of Springfield's banks paid more than 3 percent.

Lack of correlation between high rates and savings growth is apparent in the Worcester-Lowell banks. This region had the highest proportion of commercial banking offices paying over 3 percent. Still the 3 percent banks averaged a higher growth rate. Several of these had new time departments while others capitalized on daily interest. Time deposits in this region had an 11 percent rise, equal to the state average.

Rhode Island banks had a smaller savings deposit rise (3 percent) than banks in any other New England state. Only one bank adopted the 4 percent rate; the rest paid 3 percent. Because most commercial banks did not compete, deposits in mutual savings banks rose at a greater rate than in the other states.

Connecticut banks generally paid more than 3 percent, probably as a result of competition between local and branch banks. The New Haven region had the greatest percentage rise in savings at commercial banks in all 19 New England regions. Not a single responding bank showed a decline in deposits but the higher the rate, the greater the gain. The 3 percent banks averaged a 9 percent growth; the 3½, 14 percent; the 4, 31 percent. The high savings gain was helped by many factors: some reinvigorated time departments, some daily interest, convenient branch locations, growing income levels, and heavy advertising. Mutual savings banks — and there are many in the area — paid 4 percent or more but had only a 7 percent savings growth. The difference seems to be explained by the convenience of one-stop banking.

Conclusion:

From December 1961 to September 1962 commercial bank savings deposits grew in all but two New England regions — Aroostook, Maine and Pittsfield, Massachusetts. This increase took place in banks paying 3 percent or more. Generally, the higher the rate the banks paid the greater was their increase. Competition was particularly keen in Connecticut and Vermont where branch banking functions. Frequently, however, factors other than a rate rise were responsible for much of the growth. Such factors were reinvigoration of time departments, instant interest, convenience of branch locations and of one-stop banking, and investment funds in metropolitan areas.

Reduced Unemployment in 1962

Unemployment in New England declined in 1962 reflecting the region's continued recovery. In November the jobless totaled about 221,800 compared with 235,700 a year earlier and 361,200 when the 1960-1961 recession was most severe. After taking seasonal factors into account the November 1962 rate was 5.7 percent compared with 6.0 percent a year earlier.

The proportion of unemployment differs markedly among the various states. Rhode Island was the only state with a November unemployment level (6.6 percent) higher than that of a year earlier (6.0 percent). The higher level this year resulted in large part from employment declines in the textile and jewelry industries.

On the other hand, unemployment in New Hampshire fell in August 1962 to its lowest point since the end of World War II. Although this low of 2.6 percent increased with the cold weather to 3.3 percent in November, it continues to be lower than that in any other state in the region. The growth of this state's electronics industry plus the continuing development of its resort industry account for the low rate.

Connecticut's unemployment rate in November 1962 compared with the previous year showed a greater improvement than that of any other state in the region. This reflects job expansion in metal manufacturing, particularly in the transportation equipment industry.

New England's economy appears to have performed slightly better than the national economy in the recent recession and recovery. The chart below on the left shows that the region's unemployment rate has been a little lower than the Nation's since the beginning of 1961, although there are some statistical differences between regional and national data. It is also evident from the chart using insured unemployment data that the region suffered less unemployment in the recession of 1960-1961 than it did in the 1958 and 1949 recessions.

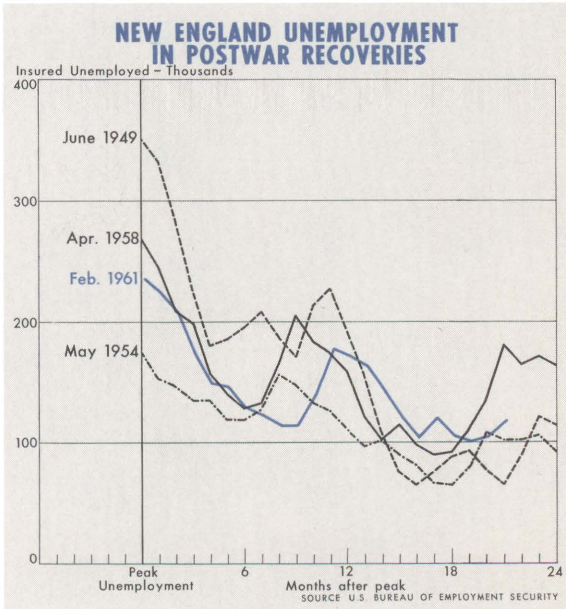
For both the Nation and the region an upward trend in unemployment since 1955 is visible, however. In the expansion of 1962 unemployment has not fallen as low as in previous periods of high economic activity.

In 1962 New England areas that have suffered from persistently high levels of unemployment for a number of years improved. Their unemployment rates have been dropping slowly but surely. The Lawrence-Haverhill area of Massachusetts has been removed from the depressed category as defined by the Federal Government. Four major areas — Fall River, Lowell, New Bedford, all in Massachusetts, and Providence-Pawtucket in Rhode Island — remain in the substantial and persistent unemployment classification. But their unemployment rate dropped from 9.3 percent last year to 8 percent this year. Fall River is the only area with higher unemployment in 1962 than in 1961.

Insured Unemployment

As a result of the generally improved economic situation in 1962, fewer insured workers in New England exhausted their unemployment benefits. The number of those exhausting their benefits in the first 11 months of 1962 was 104,400 compared with 145,500 in the same period of 1961.

SOURCE: U.S. Department of Labor. N.E. State Departments of Employment Security. Seasonal adjustment of New England series by Federal Reserve Bank of Boston.



SOURCE U.S. BUREAU OF EMPLOYMENT SECURITY

The improved economic situation reduced the need for the temporary extension of benefit periods for unemployed workers. This program set up by the Federal Government in 1961 provided additional weeks of compensation to workers whose benefits were exhausted under the regular state insurance programs. This program terminated in mid-1962.

The length of time elapsing between jobs for insured workers also decreased in 1962. In October the proportion of jobless workers collecting benefits for 15 weeks or longer was lower in each of the New England states than in the previous year, except in Maine.

Unemployment of workers covered by insurance declined more sharply than total unemployment during the present recovery period. The number of workers collecting benefits was 102,700 in September 1962 as compared with 237,000 in February 1961.

Recent Rise in Insured Unemployment

In October and November 1962, insured unemployment rose. The November figures show an increase of nearly 6000 claimants over the same month in 1961. This was the first such increase in 14 months and reflected employment declines chiefly in the Massachusetts construction and shoe industries.

Summary

The region's rate of unemployment has remained below year-ago levels throughout 1962. In the first half of the year the rate fell to a low of 5 percent; in the second half, however, the rate rose to 5.6 percent and has remained relatively stable near that level. For the unemployment rate to move downward again, new stimuli to the region's economy may be needed, particularly in view of the growing labor force and the impact of increasing automation.

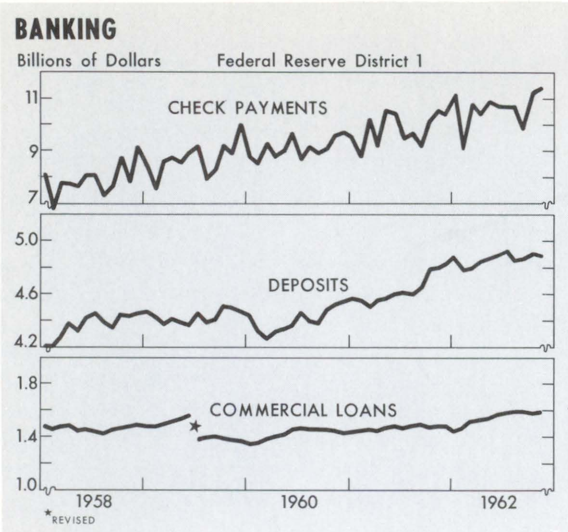
Last-Minute Rush Sets Record

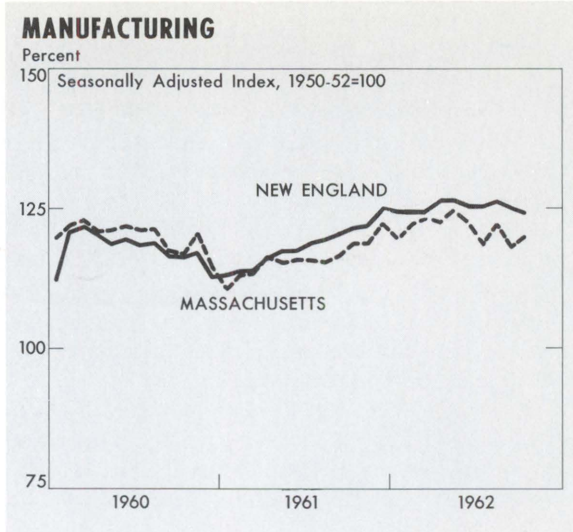
Around the Nation the fabled last-minute rush of Christmas shoppers swamped retail stores the day before Christmas, 1962. Stores had difficulty closing their doors so their employees could spend Christmas Eve at home. Shoppers were buying almost anything in sight, right size or not — "I've got to have something" — being the battle-cry of the day. New England stores experienced an even bigger scramble than stores in other parts of the country. Somewhat inclement shopping weather the Saturday before contributed to the urgency of Monday shopping here in the Northeast. The final spurt of activity was sufficient to send dollar volume of the region's department stores modestly ahead of the record set in the 1961 Christmas shopping season.

Sales started off with a 1 percent increase the week of Thanksgiving, the traditional start of the Christmas shopping season. In the following two weeks, however, sales dropped 8 percent below year-ago levels. Gains of 4 percent developed during the next two weeks as shoppers appeared to recognize the closeness of Santa Claus' expected visit. These gains were not large enough to bring store sales up to 1961 totals. Monday's frantic buying spree did so in many cases. Not all stores were able to post gains and the combined sales of reporting department stores in Quincy and Lowell also fell short of year-earlier marks. For New England, department store sales in the six-week period starting with Thanksgiving week and ending with Christmas week were 2 percent larger than in the comparable 1961 season.

Considerable speculation has centered around the apparent lag in consumer interest in early Christmas shopping. Several theories have appeared, e.g., (1) the earliest possible Thanksgiving, making Christmas seem far away; (2) the unseasonably warm weather in late November and early December; (3) store promotion of Christmas shopping early in November, shifting some buying to before Thanksgiving; (4) consumer confusion about price variation, particularly on brand-name toys and small electrical appliances; (5) the lack of "hot-selling" new items to capture buyers' fancies; (6) the absence of a free spending mood on the part of consumers. Although none of these reasons alone, except the last one, could probably account for the slow sales early in the season, the combination could and probably did. Actually, increases in consumption expenditures were held at a modest level throughout 1962. Hopes for larger gains at Christmas did not materialize.

Not only low- or sale-priced merchandise was sold during the season, however. Buying was careful, but quality seemed more important in many instances than price alone. Manufacturers and merchants will do well to consider this in their future choices of consumer goods to produce and sell, if the modest gains recorded above are to continue or improve.





MANUFACTURING INDEXES (seasonally adjusted)	MASSACHUSETTS (1950–52 = 100) Nov. '62	Oct. '62	Nov. '61	NEW ENGLAND (1950–52 = 100) Nov. '62	Oct. '62	Nov. '61	UNITED STATES (1957–59 = 100) Nov. '62	Oct. '62	Nov. '61
All Manufacturing	117	118	119	124	124	122	120	120	115
Primary Metals	106	106	113	110	110	103	100	99	106
Textiles	43	44	47	65	65	68	n.a.	115	114
Shoes and Leather	113	118	118	122	129	124	n.a.	n.a.	105
Paper	108	107	109	126	126	123	n.a.	119	118

	NEW ENGLAND Nov. '62	Percent Change from: Oct. '62	Percent Change from: Nov. '61	UNITED STATES Nov. '62	Percent Change from: Oct. '62	Percent Change from: Nov. '61
BANKING AND CREDIT						
Commercial and Industrial Loans ($ millions) (Weekly Reporting Member Banks)	1,593	+ 1	+ 7	34,599	+ 1	+ 8
Deposits ($ millions) (Weekly Reporting Member Banks)	4,890	0	+ 2	126,867	0	+ 6
Check Payments ($ millions) (Selected Cities)	11,414	+ 1	+ 8	171,497	— 5	+ 7
Consumer Installment Credit Outstanding (index, seas. adj. 1957 = 100)	126.7	+ 1	+ 7	139.3	+ 1	+11
TRADE						
Department Store Sales (index, seas. adj. 1957-59 = 100)	119	+ 6	— 2	118	+ 7	+ 5
Department Store Stocks (index, seas. adj. 1957-59 = 100)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EMPLOYMENT, PRICES, MAN-HOURS & EARNINGS						
Nonagricultural Employment (thousands)	3,802	0	+ 1	56,206	0	+ 2
Insured Unemployment (thousands) (excl. R. R. and temporary programs)	120	+12	+ 3	1,598	+14	— 3
Consumer Prices (index, 1957-59 = 100)	107.7 (Mass.)	0	+ 2	106.0	0	+ 1
Production-Worker Man-Hours (index, 1950 = 100)	85.9	0	— 2	100.0	— 1	+ 1
Weekly Earnings in Manufacturing ($)	88.92 (Mass.)	+ 2	+ 1	97.36	+ 1	+ 2
OTHER INDICATORS						
Construction Contract Awards ($ thous.) (3-mos. moving averages Sept., Oct., Nov.)						
Total	185,144	— 5	+ 8	3,295,253	— 4	+ 6
Residential	80,240	—10	+14	1,496,650	— 6	+ 7
Public Works	40,339	— 5	+64	619,802	+ 2	+12
Electrical Energy Production (index, seas. adj. 1957-59 = 100)	131	+ 2	+ 7	134	+ 4	+ 6
Business Failures (number)	48	—36	—21	1,216	—14	— 9
New Business Incorporations (number)	751	—27	—16	12,914	—16	— 8

n.a. = not available