

NEW ENGLAND BUSINESS REVIEW

MARCH
1968



Commercial Bank Tax Swaps

A study of commercial banks' security trades for tax gains shows that the Nation's largest banks engage in these operations most aggressively. Even they, however, appear to be constrained by the impact of losses on their net-worth positions.

Shifting Capital Outlays

New plant and equipment expenditures are being redistributed across the region. These shifts result from manufacturing relocation as well as from different rates of modernization. This latter rate appears low for Massachusetts firms.

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Commercial Bank Tax Swaps

TAX swaps are security trades that commercial banks (as well as other financial institutions) can undertake to reduce their Federal tax liabilities. These transactions are profitable mainly because the law provides different treatment for net capital gains than it does for net capital losses. Capital gains are realized when banks sell securities at higher-than-purchase prices, while capital losses are taken when banks sell securities below cost. Net capital gains (on securities held for 6 months or longer) are taxed at 25 percent. Net capital losses are deductible from ordinary income which for large banks is taxed at a 48 percent rate. By swapping their security holdings so that book values rise and fall with the interest rate cycle, knowledgeable commercial bankers can reduce taxes substantially and increase after-tax profits over a period of years.

To determine the extent to which commercial banks engage in tax trading, a detailed statistical analysis was made of the 1966 capital gains and losses on securities at 47 large commercial banks located in 27 states throughout the country. This study was limited to large banks — those with more than \$200 million of total deposits because

banks of this size have a strong incentive to engage in tax swaps. On the other hand, small banks have little incentive for engaging in these operations since the first \$25,000 of bank income is taxed at a 22 percent rate. The year 1966 was especially interesting because security prices fell dramatically and book losses were particularly severe. Two major highlights of the analysis were:

1. The Nation's very largest banks — those with over \$1 billion in deposits — generally exploited opportunities for tax swapping much more energetically than banks with deposits ranging from \$200 to \$999 million. Apparently, a very large securities portfolio is required to generate sufficient tax savings to cover the costs of implementing a policy of aggressive tax trading.
2. The stronger a bank's net worth and

This article is based on a technical supplement, "Is There a Predilected Lock-In Effect?" by Professor Edward J. Kane of Boston College. Copies of the supplement will be available soon on request from this Bank's Research Department.

Professor Kane has written numerous articles on monetary theory and policy, including one with Professor Burton G. Malkiel of Princeton University: "The Tax Law and the Locked-In Effect," *National Tax Journal*, December 1963, Vol. XVI, No. 4, pp. 389-396.

operating income positions, the more willing it was to realize capital losses. Banks with less favorable financial ratios were found to take less advantage of the tax-trading laws. This finding provides some support for the notion of a "lock-in effect," which is part of a popular postwar economic theory that attempted to explain how monetary policy could curtail economic activity without causing dramatic rises in long-term interest rates. According to this theory, bankers are unwilling to provide funds for loans by selling securities at losses for fear they would reflect unfavorably on management competence. This study shows that in 1966 at least the reluctance of bank management to take losses was related to the strength of the bank's capital position.

The Two-Way Option

The tax advantages arising from the different treatment for capital gains and losses are subject to two legal restrictions. First, it is not possible in any one year to write security losses off against ordinary income and simultaneously to apply the lower rate to capital gains. All capital losses must be subtracted from all capital gains to obtain the *net* amount of gains or losses for a given year. Thus, to take full advantage of opportunities for tax saving, a bank must plan in advance to concentrate its losses and gains in separate years. If gains are taken in a "loss year" or losses in a "gain year," tax advantages are wasted. Second, tax write-offs are not allowed for the sale and repurchase of "substantially identical" securities within a 30-day period. On the other hand, if a bank sells a large volume of securities when bond prices are depressed and then waits 30 days before buying back the same securities, bond prices may rebound in the interim. In this situation, the banks would

be paying a higher price for securities and their potential capital gains would be reduced. To avoid this possibility, banks usually do not wait 30 days but immediately acquire securities of a type allowable as "different" by the Internal Revenue Service. Although bankers feel that the IRS has been generous in its allowances, management of a portfolio for maximum tax benefits still involves technical problems. These together with the treacherous planning problems of insuring that gains and losses occur in different years require the attention of senior management, adding considerably to bank cost.

Despite the complexities involved, there is a strong case for using swaps to realize losses roughly as they accrue. For example, suppose that bond prices decline one year, but in the next successive year they recover fully. Imagine a bank whose net operating income in each year is \$225,000 and whose book losses on securities holdings in the first year amount to \$100,000. If the bank does no tax swapping at all, it will pay Federal taxes amounting to:

22 percent of the first \$25,000	\$ 5,500
plus	
48 percent of \$200,000	<u>\$ 96,000</u>
Total	\$101,500

If the bank realized all its book losses in the first year, however, its taxable income would be \$125,000, and its taxes \$53,500.

Then if it realized \$100,000 in gains during the second year, its tax for that year would be \$101,500 on its regular income of \$225,000 + \$25,000 in capital gains for a total of \$126,500. Thus, the gross tax saving over the 2 years consists of \$23,000 in tax liabilities forgiven completely. $[(2 \times \$101,500) - (\$53,500 + \$126,500)]$

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This, of course, represents “gross” profit only. To calculate the net profit, information is needed on how much it costs the bank to execute the swaps and to plan the portfolio correctly.

The Cost of Planning Tax Swaps

While everyone knows that interest rates rise and fall with economic activity, predicting the precise path of bond prices is a difficult task. Moreover, to maximize tax savings, the timing of gains and losses is of paramount importance. The portfolio must be maneuvered so that virtually no gains are taken in a loss year and no losses in a gain year.

Maturing bonds are a particular problem. If purchased below par value, they will provide an unavoidable gain in the year when they mature. If purchased above par, their maturity will mean a loss. If plans are made to hold securities until maturity, there are substantial risks that gains at maturity will be achieved in a loss year, and vice versa. Decisions may even include questions of whether to by-pass profitable opportunities because raising additional funds by securities sales would waste the tax advantage. In short, necessary planning to take maximum advantage of the two-way tax option is far from costless. An efficient, highly specialized and well-trained staff is a basic requirement and the portfolios of many banks are too small to justify this cost.

Data from the 47 sample banks studied suggest that the most aggressive tax trading takes place at the very largest commercial banks, those with deposits in excess of \$1 billion. At the beginning of 1966, the 21 sample banks in this size class, had unrealized losses averaging less than .2 of 1 percent of the par value of their

U. S. Government Securities portfolio. In contrast, the 26 sample banks with deposits between \$200 and \$999 million had unrealized losses averaging over .6 of 1 percent. This shows that during 1965 the largest banks were able to realize a greater share of available losses. During 1966, the largest banks were able to generate total losses equal to 2.5 percent of their U. S. Government portfolios while the smaller banks averaged only about 1 percent. As these comparisons show, the largest banks were far more aggressive than the smaller banks in taking tax losses.

Restraints on Loss-Taking

Banks generally wish to maintain a fairly steady growth in their published figures for earnings and capital. Selling securities at prices below their book values may prevent them from achieving this goal if security losses are large and if, as a result, net income falls below the level of the previous year. If a bank attempts to maximize profits over a period of years by taking security losses for tax swap purposes, it runs the risk of appearing less sound in relation to its competitors in the current year. Thus, some banks limit their volume of swaps in a loss year in order to avoid revealing declines in earnings or capital ratios.

Larger banks are often more concerned about preserving the appearance of their financial statements than small banks. Large banks have a greater proportion of depositors whose deposits exceed the \$15,000 F.D.I.C. insurance limit. These depositors may become concerned about the uninsured portion of their deposits, if there is any question about the bank's financial position. Moreover, large banks have large corporate customers whose need for credit may strain the banks' legal limit on maximum

loans to one borrower. If a bank lets its capital account decline — or even fail to keep pace with customer and deposit growth — it runs the risk of having to deny a critical loan request that could otherwise have been filled completely. Thus, on two counts a decline in bank earnings or capital ratios increases the likelihood of unfavorable shifts in large depositor accounts.

Statistical tests based on data from the sample study of 47 banks show that in 1966 capital accounts were an important restraining factor in the securities sales of commercial banks. Numerous statistical tests were used in an attempt to explain variations in net losses on securities sales at individual banks by differences in net-worth positions, expected future interest rates, maturity preferences, deposit size and other portfolio characteristics, and operating-earnings levels. In every case the tests showed that other things being equal, the stronger the net-worth position of a bank, the larger were its net losses in 1966.

Impact on Lending

The study did not uncover any direct evidence of what impact the reluctance to take security losses had on banks' lending policies. It must be recognized that although the desire to maintain net worth may restrain a bank from selling securities, loan expansion is not necessarily limited. Most banks are willing to take *some* capital losses. Also maturing securities may generate loanable funds. Finally banks can raise funds by other means, particularly through sale of certificates of deposit.

Even though alternative sources of funds might have been available for most banks, the observed reluctance to realize capital losses in

1966 probably did exert a constraining influence on the lending behavior of at least a few of the Nation's larger banks.

Policy Implications

Do tax swaps tend to obstruct policy in periods of monetary restraint? In theory at least, they enable banks to make tax savings by selling securities at a loss and encourage them to acquire loanable funds during such periods. Such action would weaken the effectiveness of restraint policies. Yet, the study has shown that in addition to tax savings, banks also considered their net-worth and earnings positions before selling securities. Thus, even though tax swaps may not be a major obstacle to policies of monetary restraint, such policies would function more effectively if tax swaps were not allowed.

Other issues that arise from studies of tax swaps concern tax policy. Does this provision in the tax law benefit the economy as much as it costs? Certainly it does provide some benefits. Among them are the following:

1. In financial crises when bond prices fall sharply, the provision for writing off capital losses against ordinary income softens the impact on banks of bond-liquidation losses (especially through loss-carryback and carry-forward provisions). Thus banks are enabled to maintain and rebuild their net-worth positions.
2. The cushioning of the impact of financial crises gives banks more operating confidence in general. As a result, they are probably encouraged to take somewhat riskier loan and investment positions than they would otherwise.
3. It helps bank earnings.

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These benefits are not achieved without costs, however. First, Federal tax revenues are lost — which is why commercial banks engage in security swaps. Second, while swaps help bank earnings, this study shows that the largest banks benefit much more than smaller banks. Third, with simpler tax provisions, resources now devoted to security swaps could be employed in more productive pursuits.

One proposal for tax reform would eliminate low tax rates on security capital gains for financial institutions. This would simplify portfolio management and reduce inequities between large and small banks. Capital gains would be handled as ordinary income and taxed at the same rate. In essence, security portfolios of banks would be treated as stock-in-trade, and any gains and losses would be handled in the same way as inventory gains and losses of manufacturing and trade establishments. This would encourage banks to take losses roughly as they occur but to defer taking gains as long as possible.

This reform would maintain the full offset for security losses to protect financial institutions in the event of crises. Since such a tax system would simplify portfolio management, it would improve the competitive position of small banks in relation to large ones. At the same time, tax revenues would be increased at the expense of banks' net income.

Commercial banks, however, already pay higher taxes on retained earnings than such competing financial institutions as mutual savings banks and savings and loan associations. If the capital gains provision were eliminated, some readjustment would be needed to prevent deterioration in the competitive position of commercial banks. This could be accomplished by adjusting the treatment of tax-exempt transfers to loan-loss reserves at different types of financial institutions. At the present time the permissible level of reserves (as a percentage of loans) is much lower for commercial banks than it is for most of their competitors.

Shifting Capital Outlays

by Edwin F. Estle

A CONSIDERABLE relocation of manufacturing activity is occurring within New England. Employment, as shown in earlier studies by this Bank, is shifting among the six states of the region.¹ Capital outlays for new plant and equipment are also being redistributed across the region. An examination of these shifts in capital outlays gives some explanation for the employment shifts that have occurred, as well as some indication of where employment is likely to increase in the future.

New England manufacturers' expenditures for new plant and machines have been advancing rapidly in recent years. Outlays over the past 5 years have averaged half again as much as in the previous 5-year period. Moreover, the amount spent per employee shows virtually the same rate of gain.

At the same time, the distribution of these outlays among the New England states has changed. Massachusetts' share of the regional total, as shown in the accompanying chart, fell, while those of Maine and Connecticut increased. During the 1958-1962 period Massachusetts' manufacturers accounted for 46 percent of New England's total capital outlays. Over the last 5 years, in contrast, Massa-

SOURCE OF DATA

The capital outlay data come from two sources: for the years 1958-1965 from the U. S. Department of Commerce, *Censuses and Surveys of Manufactures*, and for 1966 and 1967 from this Bank's capital expenditure survey. The same results in regard to redistribution would have obtained if only the Commerce figures had been used, and a comparison had been made between 1958-1961 and 1962-1965. In the comparisons that follow, the latter data and time periods were used, since the Bank's sample for smaller geographical areas is limited.

To avoid distortions caused by exceptionally large or small outlays in a single year, the averages of two 5-year periods were compared rather than the beginning or terminal year.

chusetts' capital outlays accounted for only 41 percent of the regional total, a decline of over one-tenth in their share. Meanwhile, Connecticut's share advanced a twentieth and Maine's a third.

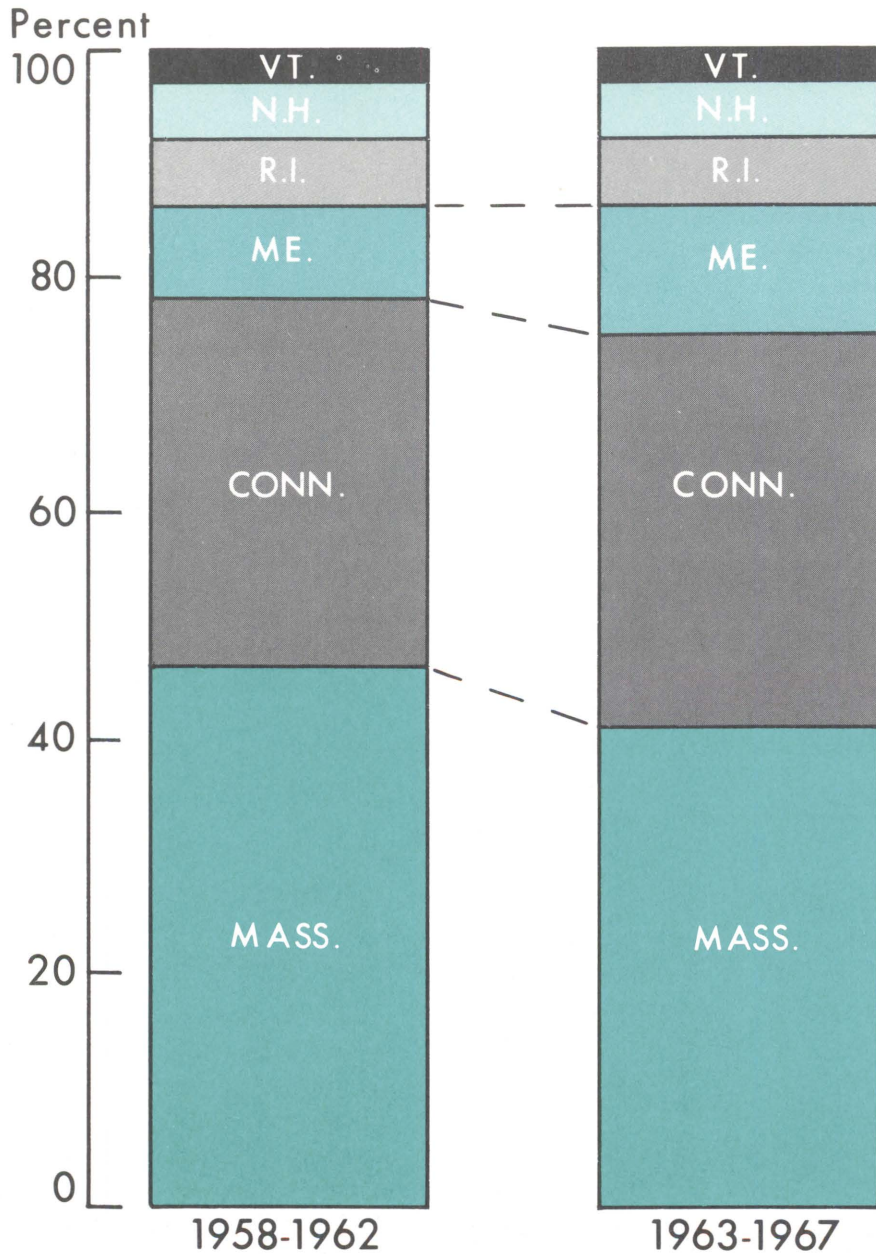
Location of the Shifts

In general, the redistribution of capital spending parallels the changes in employment location found in the earlier studies.

Maine's increased share of the region's capital outlays came not only in its heavy capital-using paper industry, but also in such industries as food, textiles, and shoes. In the latter industry its proportion of the regional total rose by almost half between the 1958-1961 period and that of 1962-1965. This, of course, reflects the shift of the shoe industry into Maine

¹*New England Business Review*, "The Region's Roving Industries," June 1967 and "Manufacturing Employment Changes in New England — 1947-1967," October 1967.

**DISTRIBUTION OF CAPITAL SPENDING
IN NEW ENGLAND BY STATE**



as found in the earlier study of employment changes. Some of Maine's increase in share in these industries was offset by a decline of almost one-fifth in its fraction of the transportation equipment, principally shipbuilding, industry between the two periods.

Connecticut, on the other hand, shows an increase of more than a tenth in its share of the aircraft and shipbuilding industries. It also accounted for a greater fraction of the region's outlays in such industries as nonferrous rolling mills, communication equipment, and medical instruments in the 1962-1965 period than it did in the previous 4-year span. However, the state at the same time lost a considerable proportion of the outlays in the paper industry, down a fourth, and in the rubber industry, off a fifth.

The shift of capital outlays out of Massachusetts occurred in a wide range of its manufacturing industries. They include, in addition to shoes, transportation equipment other than motor vehicles and parts, and electronic components, such industries as food, textiles, furniture, steel and nonferrous rolling mills, and instruments. However, some slight gains in share were recorded in the paper mills, fabricated metals, and metalworking and industrial machinery industries.

Even though the other New England states show no change in their total share of regional capital outlays, they do show substantial shifts in their shares of individual industries. Rhode Island, for instance, shows a gain in its share of outlays in both the primary metals and nonelectrical machinery industries. In the latter industry Rhode Island accounted for 14 percent of the region's total spending over the 1958-1961 period, while in the next 4 years its

proportion jumped to 23 percent. Vermont also gained in its share of the nonelectrical machinery industry between these two periods, registering a gain of over two-fifths, largely in metalworking machinery. At the same time, however, it experienced a loss of almost three-fifths in its share of the paper industry. New Hampshire, on the other hand, increased its proportion of the paper industry by about the same relative amount.

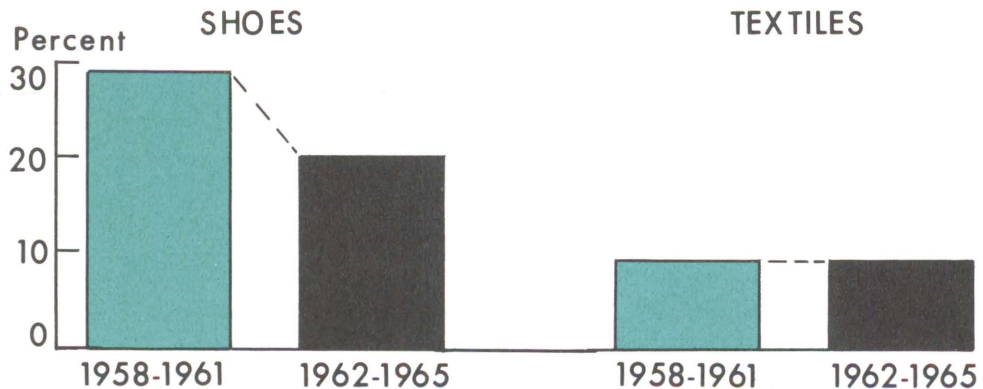
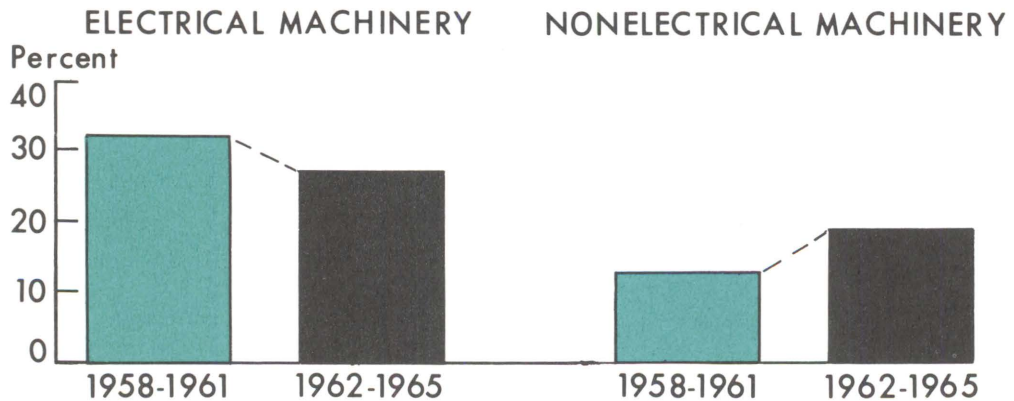
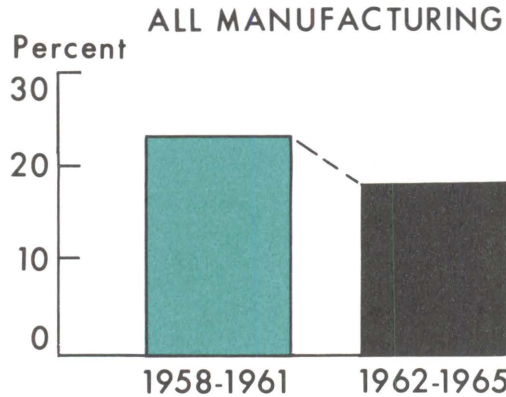
Thus, a considerable shifting of capital outlays among the six New England states has been occurring in recent years. The extent of this redistribution becomes even more evident when data at the metropolitan area and county level are examined.

Metropolitan Areas

The greatest loss of share within Massachusetts has occurred in the Boston Standard Metropolitan Statistical Area (Boston SMSA). Boston's fraction fell by more than a fifth between the 1958-1961 and 1962-1965 periods, with large declines occurring in the electrical machinery, shoe, and transportation equipment industries. The relocation of these industries was clearly evident in the employment studies, and stemmed, particularly in the shoe and electronic components industries, in large part from the attraction of lower wage levels and greater labor availability in other areas. Boston has lost half of its share of the region's capital outlays in the transportation equipment industry. They have shifted to Connecticut, primarily Hartford and New Haven counties.

Boston is not the only SMSA in Massachusetts to show a decline in share. The Springfield-Chicopee-Holyoke area has expe-

**BOSTON SMSA PROPORTION
OF NEW ENGLAND'S CAPITAL SPENDING**



rienced an 8 percent loss in its regional share, with industries such as textiles, chemicals, and rubber contributing to the decline.

However, not all the SMSA's in Massachusetts have experienced a declining proportion. Brockton's share has advanced even though its shoe industry has been declining. Three other SMSA's have also shown increases over the period.

Collectively, 10 of the largest SMSA's in Massachusetts show a decline in their share of outlays, about an 8 percent fall, while 6 SMSA's in Connecticut show some increase, as do 4 SMSA's scattered among three other states.

Counties

An examination of capital expenditures by county shows that not only are shifts going on among metropolitan areas, but that changes are also occurring in nonmetropolitan areas.

Among the top five counties within New England that show gains in capital spending shares, two — Aroostook and Oxford — are in Maine. Hartford County in Connecticut leads all counties, with Worcester and Plymouth Counties in Massachusetts rounding out the top five.

The largest absolute loss in share, 2.3 percentage points, is found in Middlesex County, Massachusetts, while the largest relative loss, 46 percent, occurs in Suffolk County, Massachusetts. The next three largest declines in shares come in Connecticut — Fairfield, Litchfield, and New London Counties.

The shift in capital spending has been, therefore, widespread across the region. Much

of it has been to further the locational changes of manufacturing activity that have been going on in the region. Some of it also reflects the differential pace at which areas have modernized their existing plant and equipment. The substantial shift from Massachusetts into other states of the region warrants further investigation.

Possible Causes of the Shift

The shift from Massachusetts could reflect many things. For example, Massachusetts manufacturing could be becoming more concentrated in industries which are more labor intensive, that is, using less capital and more labor per unit of output. One measure of the degree of labor intensity is to compute the amount of payroll per dollar of value added in an industry. The higher this ratio, the more labor intensive is the industry. By this measure Massachusetts is found to be slightly more capital intensive than the rest of the region. Massachusetts' payroll in all manufacturing is 54.24 percent of value added, whereas for the rest of New England it is 55.04 percent.

A second measure of the degree of labor intensity is the amount of value added in manufacture in relation to man-hours of production workers. This ratio will be higher, the more capital intensive is the industry. That is, a worker using a substantial amount of capital should be able to produce more value of output than if he produces most of the product by use of his hands. Again Massachusetts is found to be slightly more capital intensive than the rest of New England. The value added per man-hour in Massachusetts is \$6.75, compared to \$6.32 in the remainder of the region.

**Capital Spending Per Employee
(\$)**

	<u>Total Spending</u>			
	<u>1958- 1961</u>	<u>1962- 1965</u>	<u>Dollar Change</u>	<u>Rank of Change</u>
Maine	\$496	\$724	+228	1
Vermont	438	618	+180	2
Rhode Island	303	415	+112	3
New Hampshire .	315	412	+ 97	4
Connecticut	454	541	+ 87	5
Massachusetts ..	374	435	+ 61	6

	<u>Machinery Expenditures</u>			
	<u>1958- 1961</u>	<u>1962- 1965</u>	<u>Dollar Change</u>	<u>Rank of Change</u>
Maine	\$365	\$612	+247	1
Vermont	322	542	+220	2
Rhode Island	236	330	+ 94	3
New Hampshire .	258	344	+ 86	4
Connecticut	332	413	+ 83	5
Massachusetts ..	291	347	+ 56	6

	<u>Plant Expenditures</u>			
	<u>1958- 1961</u>	<u>1962- 1965</u>	<u>Dollar Change</u>	<u>Rank of Change</u>
Maine	\$131	\$112	-19	5
Vermont	116	76	-40	6
Rhode Island	67	85	+18	1
New Hampshire .	57	68	+11	2
Connecticut	122	128	+ 6	3
Massachusetts ..	83	88	+ 5	4

Another possibility is that Massachusetts' manufacturing already has a more modern stock of capital with which to work. This cause must also be rejected. A survey by this Bank in 1959 showed that plant and equipment in manufacturing in Massachusetts was somewhat older than that for the region as a whole. For example, the proportion of machinery installed before 1946 in New England was 24 percent, while in Massachusetts it was 32 percent.

A third possibility is that manufacturers are failing to provide workers with the capital

needed to maintain and raise productivity, at least relative to firms in other areas. To determine this it is necessary to relate capital outlays to the amount of employment.

Outlays Per Employee

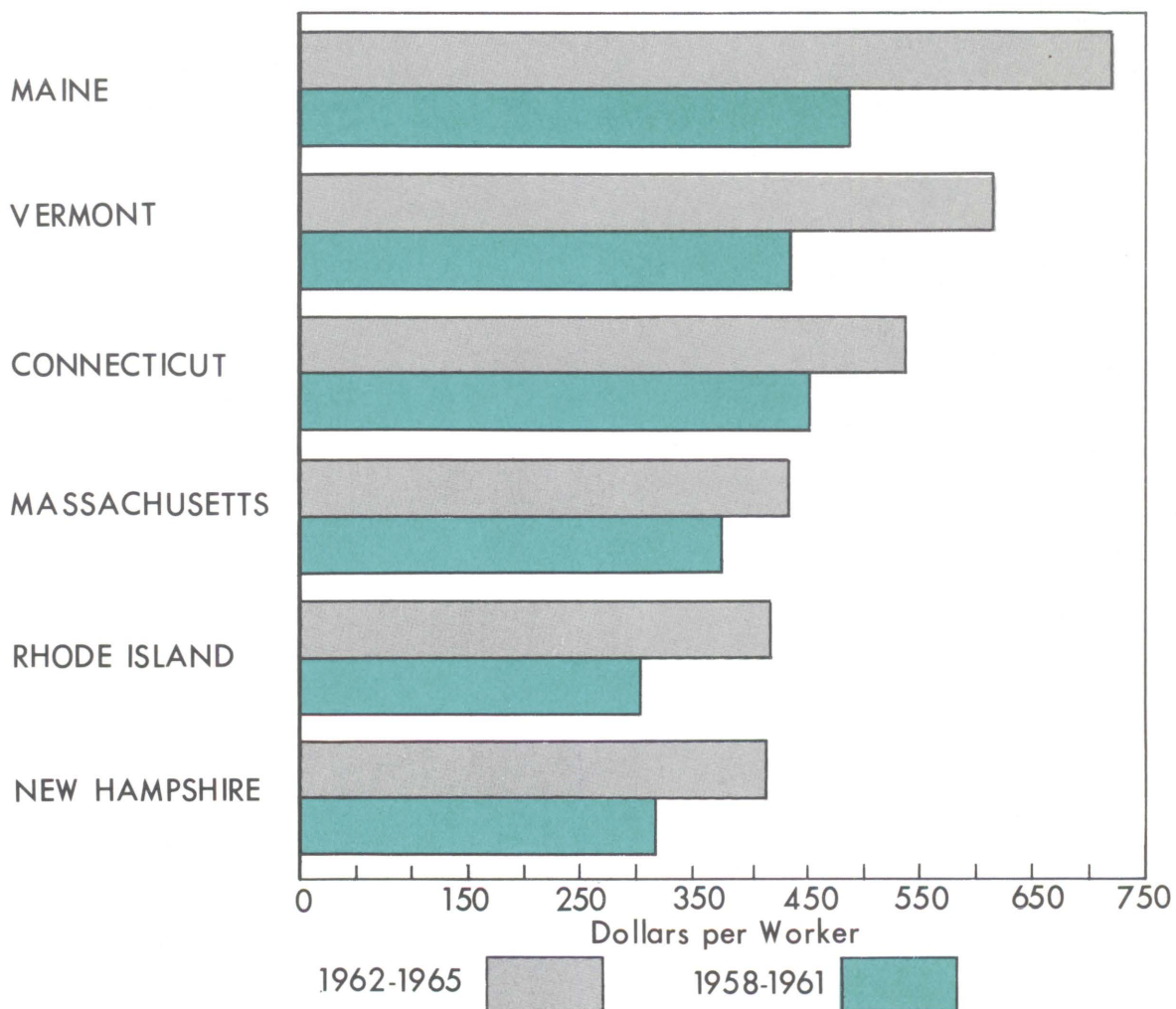
A comparison of the average amount spent for new plant and equipment per employee in the 1962-1965 period, with that in the 1958-1961 time span, shows that Massachusetts lagged behind the other states. It increased the average outlay by only \$61 between the two periods, or \$26 less than the next lowest state, Connecticut. Moreover, the relative level of spending per employee in Massachusetts had also fallen. In the earlier period its level was at 94 percent of the regional average, while in the later period it was down to 89 percent.

The amounts spent for new plant compared more favorably with the other states than total spending. Massachusetts ranked fourth in its increase in expenditures for new plant per employee with an increase of \$5 for each worker. The category in which it lagged was new machines and equipment per worker. These advanced \$56 over the period, \$27 less than the next lowest state, Connecticut.

Addition of 1966 and estimated 1967 outlays from this Bank's survey only improves the picture slightly for Massachusetts. It then ranks fourth in the increase in spending per employee when the 1963-1967 period is compared with that of 1958-1962. In plant outlays per employee it ranks second, while moving up to fourth place in increases in machinery outlays per worker.

Data by industry on the division of outlays between plant and equipment are available

CAPITAL EXPENDITURES PER MANUFACTURING WORKER Average 1958-1961 Compared with 1962-1965



only for 2 years, 1958 and 1963, in this period. However, they show that Massachusetts trails in machinery outlays per employee in a number of important industries. In its major industry, electrical machinery, the increase in outlays per employee between these two points in time was less than in both Connecticut and New Hampshire. Moreover, it ranked no higher than second among the states in any of the 19 industries, and ranked as low as fifth in such industries as apparel, paper, primary metals, and chemicals.

Clearly, Massachusetts is lagging in machinery outlays per employee, even though its industrial composition is relatively more capital intensive and its machinery relatively older than in the rest of the region.

The reason for this lag is as yet unclear. Taxes on new machinery do not appear to be a deterrent since a 5-year exemption is given to purchases of machines with a useful life of

more than 8 years. Further study is needed, therefore, to find the cause.

A Cause of Slower Employment Growth?

A study of employment changes from 1947 to 1967 found that Massachusetts grew more slowly than the other states despite its concentration of activity in growth industries. Moreover, it found that Massachusetts' share of regional employment had declined largely in the period since 1957. Some of this decline may be a reflection of the state's relatively slow growth in capital spending in recent years. Investment in manufacturing industries is a prerequisite for the creation of new jobs and for higher productivity. Failure to keep abreast of the newest technology can only lead to a loss of competitive position, lower profits, and a slower growth in wage levels. Not only firms in Massachusetts, but those in all of the New England states need to be ever cognizant of these possibilities.

Here's New England -

MANUFACTURING INDEXES (seasonally adjusted) 1957-59 = 100	NEW ENGLAND			UNITED STATES		
	pJan. '68	Dec. '67	Jan. '67	Jan. '68	Dec. '67	Jan. '67
All Manufacturing	145	147	151	163	164	160
Nonelectrical Machinery	158	156	178	181	180	191
Electrical Machinery	172	180	174	186	186	190
Transportation Equipment	174	164	164	176	178	163
<i>Textiles, Apparel, Leather</i>	105	109	107	143	146	140
Textiles	101	106	102	148	152	141
Apparel	117	123	119	n.a.	151	150
Leather and Shoes	102	104	104	n.a.	115	108
Paper	140	141	140	n.a.	157	148
	<u>Percent Change From:</u>			<u>Percent Change From:</u>		
BANKING AND CREDIT	Jan. '68	Dec. '67	Jan. '67	Jan. '68	Dec. '67	Jan. '67
Commercial and Industrial Loans (\$ millions) (Weekly Reporting Member Banks)	2,811	+10	0	65,618	+ 8	+ 1
Deposits (\$ millions) (Weekly Reporting Member Banks)	8,431	+18	+ 2	200,855	+11	+ 1
Check Payments (\$ billions) (Selected Metropolitan Areas)*	293.8	+ 1	+21	4,046.0	+ 4	+14
Consumer Installment Credit Outstanding (index, seas. adj. 1957-59 = 100)	185.7	0	+ 5	229.4	+ 1	+ 5
DEPARTMENT STORE SALES (index, seas. adj. 1957-59 = 100)	133	- 7	- 6	n.a.	n.a.	n.a.
EMPLOYMENT, PRICES, MAN-HOURS & EARNINGS						
Nonagricultural Employment (thousands)	4,234	- 3	+ 1	66,111	- 1	+ 3
Insured Unemployment (thousands) (excl. R.R. and temporary programs)	130	+38	+17	1,656	+57	+ 5
Consumer Prices (index, 1957-59 = 100) (Boston)	121.7	+ 1	+ 3	118.6	0	+ 3
Production-Worker Man-Hours (index, 1957-59 = 100)	104.4	0	- 4	116.3	0	- 2
Weekly Earnings in Manufacturing (\$) (Mass.)	109.25	- 4	+ 2	118.08	- 1	+ 4
OTHER INDICATORS						
<i>Total Construction Contract Awards** (\$ thous.)</i>	242,738	-16	+47	3,989,274	-10	+26
Residential	78,904	-19	+35	1,527,271	- 9	+57
Nonresidential	111,017	-15	+38	1,494,262	-11	+13
Public Works and Utilities	52,817	-15	+101	967,741	-12	+11
Electrical Energy Production (4 weeks ending Jan. 27) (index, seas. adj. 1957-59 = 100)	194	+ 5	+13	200	+ 5	+11
Business Failures (number)	54	-31	-27	844	+ 2	-29
New Business Incorporations (number)	1,199	+ 7	- 2	20,438	+17	+ 9
*Seasonally adjusted annual rate						
**3-mos. moving averages — Nov., Dec., Jan.						
	p = preliminary			n.a. = not available		

