

Electrical Industry Grows

Roger Babson, Statistician, Analyzes Today the Securities in This Particular Industry

By ROGER W. BABSON
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Wellesley Hills, Mass., December 7—I have just completed a survey of the electrical industry. My findings, summed up in a statement issued today—indicate continued rapid growth for the industry and are of unusual interest to investors owning the securities of these electrical equipment corporations.

The long trend in the growth of the electrical equipment industry is strongly upward. The industry has had a remarkable increase in every item of importance. All companies have, of course, not done equally well, many of the smaller concerns that rushed into the business without experience or financial backing having failed. On the other hand, well managed businesses with competent organizations have thrived.

The basic trend of electrical development is more strongly upward than the basic trend in general business. It is so strong that depressions in general business such as the depressions in 1907, 1914, and 1921 cause only temporary slackening in electrical lines. This strong growth is exemplified by the increasing use of electrical power. Electrical horse-power used in manufacturing increased from 8,835,970 h. p. in 1914 to 16,317,277 h. p. in 1919, and is now estimated to approximate 20,000,000 h. p., or nearly 70 per cent of all the power used in manufacturing. This latter percentage compares with 55 per cent in 1919, and slightly under 40 per cent in 1914. The total output of central stations, which furnish approximately 70 per cent of all the electrical power used in manufacturing, has shown a similar growth. The market for electrical, industrial equipment has kept pace with this development.

Notwithstanding the strong growth in the production and sale of electrical equipment, apparatus, and supplies, all concerns in the industry are not new equally prosperous. Increasing costs this year have apparently tended to neutralize the advantage of larger sales. Moreover, the competition of the larger concerns is apparently hurting many smaller concerns. It is true, however, that some of the smaller concerns catering to the automotive industries are doing well.

The industry has been especially favored with a good broad demand. Orders in connection with the manufacture and operation of automobiles and also with the building boom has been very good. Furthermore, the growing use of electricity in the home and in industry has fostered an attractive market. This tendency is still strong and may do much to support the business during the quieter periods that may be faced next year.

Considering all electrical equipment, apparatus, and supplies as a whole, statistics show that the cost of raw materials used in their manufacture average 45 per cent of the manufacturer's selling price,—direct labor a little over 20 per cent. Inasmuch as this industry uses approximately 175 different raw materials, the trend of costs has a close relationship to the trend in raw commodity price. Costs have, therefore, averaged higher this year than they did in 1922, but copper and many other raw materials have been declining since last April, so that alert executives have had opportunities to buy at somewhat better levels than that represented by the average.

Reports from various quarters indicate that prices of electrical apparatus and supplies have, on the average, shown but little change during recent months. Inasmuch as costs have been higher this year than last, prices might reasonably have also averaged higher. Competitive conditions, however, plus quiet conditions in general business—present activity, as shown on Babson chart is six per cent below normal—have tended to counteract the effect of rising costs and there has been more or less irregularity in prices. This condition is expected to continue.

Considering the situation as a whole, the industry should do a good business in 1924. For the long pull the outlook is stronger. Some day the railroads will electrify on a large

scale. The super-power propositions now awaiting legislative sanction in various states will, when established, bring railroad electrification very near. Moreover, electricity is still in its infancy—great development is probable in many different avenues of use.

Electrical equipment stocks have held well against the declining trend of the stock market since last March. The two leading listed issues in this group, Westinghouse and General Electric, are off but seven per cent from their year's high as against a decline in all industrial stocks of slightly over 13 per cent. This is quite in keeping with the continued activity in building, the growth of radio and normal electric power development.

It is interesting to note, furthermore, that the peak of this group last spring was the highest point ever reached, 36 per cent above the top of the 1919 post-war boom and 29 per cent higher than the 1915 war peak. In other words, the stock market has lent material emphasis to the thought so often expressed that this is an electrical age.

What the future holds for these stocks is, of course, dependent upon the earnings of the industry that they represent. From a very long swing point of view there would seem to be room for still greater earning power and still higher stock prices than have yet developed. Certainly any railroad electrification program adopted on a large scale would mean only one thing, substantial earnings to these properties. For the next few months it is more than likely that electrical equipment issues will turn downward in accordance with the trend of security prices as a whole. They will then, of course, participate in the broad general rise.

FLOATING MINES AT LARGE

Christiana, December 7—Mines scattered over the North Sea during the war continue to be washed up along the Norwegian coasts, and although they have been adrift for four or five years most of them are active.

One mine exploded recently near the Torbjørnskjaer lighthouse and threw a column of water 140 feet in the air, the explosion being heard for many miles.

MONEY HAS ITS DANGERS

Vienna, December 7—Travellers through central and eastern Europe report a general sharpening up of the effort to prevent illicit transport of money in and out of all these states. The frontier revenues have grown more strict, increasing the general embarrassment of travel restrictions.

At Soubotizza, the Serbian mission station on the Hungarian frontier, it is reported that \$100,000 was found recently on one passenger. It was confiscated. Under the Serbian regulations the finder gets one-half.

PRAGUE EXPORTS SUGAR

Prague, December 7—The sugar crop of Czechoslovakia is so good this year that, after meeting local needs to the extent of 320,000 tons, the republic will have 370,000 tons for export.

PRINCE WRITES PLAY

Stockholm, December 7—Prince William of Sweden, second son of

King Gustaf V, who has made a reputation as a big game hunter, a poet and a dramatic critic, is now also a full-fledged dramatist, his first play having been accepted for production by the Swedish Theater in Stockholm.

Prince William's play is entitled "Kinansoni," the word being of African origin and signifying "guide." The scenes are laid in Africa.

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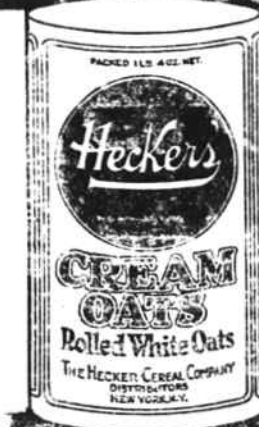
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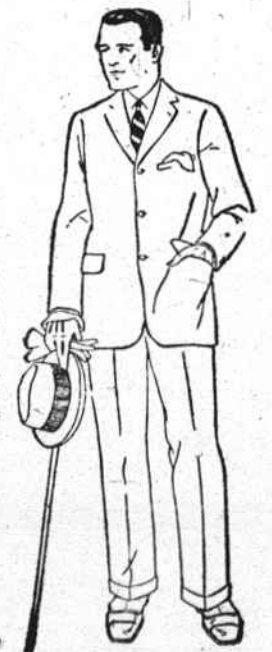
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