

MONTHLY REVIEW OF BUSINESS AND INDUSTRIAL CONDITIONS

IN THE

ELEVENTH FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF DALLAS

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CREDIT EXPANSION OUTSIDE THE FEDERAL RESERVE BANKS

The loans and investments of all member banks throughout the country, which measure the current public demand for credit, are not much below what they were at the height of credit expansion in 1920. The recent statement of the Comptroller of the Currency covering all member banks, both city and country, permits the following comparisons: Total loans and investments, November 15, 1920, \$26,108,000,000; December 31, 1921, \$23,630,000,000; December 29, 1922, \$25,749,000,000. Demand and time deposits, November 15, 1920, \$20,924,000,000; December 31, 1921, \$19,627,000,000; December 29, 1922, \$22,460,000,000. In 1920 reserve bank credit was largely used.

In 1920, the lending power of the reserve banks was used almost to the legal limit, and on November 12th of that year the reserve ratio of all twelve Federal reserve banks stood at 44 per cent. Indeed, during the whole of 1922, the reserve ratio was high and varied little from week to week. In 1923, reserve bank credit is little used. It will be seen from the foregoing that the reserve ratio is not under present conditions an accurate measure of the amount of bank credit in use. Its steadiness at a high level during 1922 was mainly the result of large imports of gold. In 1920, the gold in the country was about a billion dollars less than it is at present, and in order to supply the demands for credit and currency prevailing in that period the member banks drew heavily upon the Federal reserve banks. The immense volume of gold which has since come here from foreign countries has enabled the banks during the past year to satisfy the increased credit demands without increasing the amount of reserve bank credit in use.

PRESENT CREDIT INCREASE BASED ON INCREASED GOLD

Almost all of the gold which comes in finds its way in natural course into the reserves of the Federal reserve banks, and thereupon becomes the basis for potential increase of bank deposits. This is because the banks are obligated by law to hold in reserve only a portion of their deposits. Member banks keep all of their reserves with the Federal reserve banks, on the average about one dollar of reserve to every ten dollars deposits. When additional gold is lodged with a reserve bank and is not used to pay debt owing to the reserve bank, it becomes the potential reserve for bank deposits of several times its face amount. The banks create these additional deposits when they make loans to customers or buy securities, the proceeds of which are deposited with them or with other banks. In 1922 gold imports amounted to \$238,000,000; while the loans and investments of all member banks throughout the country increased \$2,100,000,000 and their deposits increased \$2,800,000,000, or, roughly, ten times the amount of the additional gold.

THE EXTENT OF PRESENT INCREASE OF CREDIT

The volume of bank deposits is now larger than ever before and the volume of bank loans and investments not much if any below the former maximum. The productive and distributing activity of the country is very near its capacity. It has already overtaxed our ordinary transportation facilities and in many departments of industry it has caused a shortage of labor, also the general level of commodity prices has risen about 11 per cent in a year.

That this activity could have developed to such an extent without placing a strain upon the credit facilities of whole banking systems is in itself an indication of the ample supply of credit available for use.

ABSENCE OF THE NATURAL CORRECTIVE: FREE GOLD MOVEMENTS

One of the natural regulators or correctives to a too rapid increase of bank credit is not now in operation, the United States being the only great nation of the world which is on a free gold basis. In ordinary times there is a delicate adjustment in international economic relations which causes the tide of gold to ebb and flow and so prevents an excessive accumulation in any one country. At such times a rapid increase of credit in any country, coupled with a rise in commodity prices, results in a falling off in its exports, an increase in its imports and ultimately in an outward flow of gold. Such an outward flow tends to reduce the amount of credit available for use, and is ordinarily followed by a decline in prices and ultimately by a stimulation of export trade. At this time and for many months past this corrective has been absent because of financial disorganization abroad, and on monthly balance the gold flow has been only one way, namely to the United States, to purchase goods and pay debts, and for other pur-

poses. In the absence of this automatic international corrective moderation of the volume of bank credit called into use in this country is effected largely as a result of domestic influences, of which the economical use of bank credit by borrowers may be one of the most important in preventing a too rapid increase in the credit volume. In 1918-1920 the use of bank credit was not only uneconomical but excessive and was accompanied by a speculative bidding up of prices without corresponding increases in the production and consumption of goods as well as by an increase in the cost of living without a corresponding increase in the general standard of living.

THE ACCOMMODATION OF CREDIT TO COMMERCE AND BUSINESS

It is clear that commerce and business are best accommodated, as the Federal Reserve Act contemplates, by a volume of credit responsive to the changes in the physical volume of production and trade. It is also clear that nothing accommodates commerce and business less than a volume of credit fluctuating without reference to the needs of industry and agriculture. The more nearly the volume of credit, by economical use, remains commensurate with the legitimate needs of business, the better are accommodated not only commerce and business, but the welfare of every citizen.

DISTRICT SUMMARY

THE SITUATION AT A GLANCE Eleventh Federal Reserve District

	February	January	Inc. or Dec.
Bank debits to individual accounts (at 13 cities).....	\$595,416,000	\$732,751,000	Dec. 18.7%
Department store sales.....			Dec. 9.3%
Reserve Bank loans to member banks at end of month.....	16,913,248	16,819,855	Inc. .6%
Reserve Bank ratio at end of month.....	50%	56.7%	Dec. 6.7 points
Building permit valuations at larger centers.....	7,067,294	6,562,229	Inc. 7.7%
Commercial failures (Number).....	91	117	Dec. 22.2%
Commercial failures (Liabilities).....	2,104,596	1,524,107	Inc. 38.1%
Oil production (barrels).....	10,363,280	12,030,430	Dec. 13.9%
Lumber orders at pine mills (per cent of normal production)	84%	136%	Dec. 52 points

The momentum attained by business in this district during January was well maintained last month, despite deterrent factors of a seasonal character. The volume of public spending reflected by charges to depositors' accounts was slightly below that of the preceding month, but by eliminating the difference incident to January tax payments and the extra number of business days in that month, the

February record reveals no let-up in the district's business and industrial activity.

Weather and market conditions during the past six weeks have conduced to the encouragement of both livestock and agricultural interests. February rains and snows were followed by an even greater abundance of moisture in March, and the primary producers who were despondent over the outlook in

January as a result of the prolonged drouth are now in much better spirits.

With the gradual rise in the tide of business and industrial activity (including early preparations for the 1923 crop), there is a marked tendency toward a more active demand for funds.

Building statistics for the month just passed would seem to indicate that the distribution of lumber, though temporarily checked by the rapid advance of prices, has not yet reached the peak movement foreshadowed by the consumer demand, as February building permits exceeded in value even those of the longer month of January by 7.7 per cent. Notwithstanding this increase in building permits, however, orders booked by Eleventh District pine mills in February were equivalent to only 84 per cent of the mills' normal monthly production, as against 136 per cent in January.

AGRICULTURE

A marked change for the better has occurred during the past month in the drought-stricken agricultural areas of Arizona, New Mexico and the Texas Panhandle, which, until recently, had not received their share of the winter rainfall. From the Panhandle wheat belt come reports that the winter wheat crop has been brought to life by recent rains which, though not as heavy in that section as elsewhere in Texas, provided sufficient moisture to save much of the crop that was thought lost, and a fair yield is now confidently expected. Fall-sown oats have also been greatly benefited by recent precipitation. The outlook, therefore, for the district's small grain production this year has assumed a distinctly brighter aspect than was apparent thirty days ago.

Breaking of the fields for the cotton crop has been practically completed, except in a few localities where operations were delayed by wet weather. The seeding of corn is now general throughout a large section of Texas.

The state of Texas has experienced an unusually protracted period of cold weather, the average temperatures in this state for the past sixty days having been exceptionally low for this latitude. Along the Gulf Coast and in the Rio Grande Valley considerable damage to truck and fruit has been inflicted by recent severe cold waves. In the northern counties there has been some injury to fruit, due to premature budding, but as a general rule the protracted period of uniformly low temperatures has prevented the early budding of fruit, and producers are now hopeful of securing a normal peach crop, which is something the state of Texas has not had for several years.

The February business mortality rate disclosed the usual seasonal increase in the volume of liabilities of failed concerns, but scored a 22 per cent decrease in the number of failures as compared with the January record.

The employment situation in this section displayed no definite trend or change in the month under review. A surplus of unskilled labor still remains a factor in the larger centers. There is a prospective demand for the services of an increased number of textile operatives following the recent completion of plans for constructing a number of new cotton mills, of large capacity, in North Texas.

Wholesale distributors of clothing, dry goods and millinery report a healthy volume of pre-Easter business. In fact all lines of trade present evidences of activity in marked contrast with the uncertain and hesitant trend of the movement that characterized the distribution of goods a year ago.

The supply of corn and oats held on Texas farms March 1, 1923, is estimated at 34,374,000 bushels of corn and 5,689,000 bushels of oats, the corn supply being the smallest on hand at this season of the year since 1919. The short corn crop raised last year placed many Texas farmers under the necessity of buying feed to supplement their home-grown supply, and this feature of the situation, as well as the upward trend in the cost of farm labor, will tend to make the 1923 cotton crop a more expensive one than those of 1921 and 1922. On the other hand, the higher prices commanded by last year's cotton helped to materially improve the farmers' financial condition, and despite the increased cost of producing the new crop they will be in position to produce it with comparatively little financial assistance from the banks.

Cotton Movements

Cotton receipts at the port of Galveston declined 38 per cent in February, as compared with the preceding month, while exports from that point were maintained at about the same volume as in January. Stocks on hand declined 21 per cent, while stocks at all United States ports on February 28th were 31 per cent smaller than at the end of January.

COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	February 1923	February 1922	Aug. 1st to Feb. 28th This Season	Last Season
Gross Receipts.....	116,335	136,951	2,188,639	1,929,178
Exports.....	190,375	155,283	1,973,713	1,857,568
Stocks, Feb. 28th.....			279,661	314,297

SEASON'S RECEIPTS, EXPORTS, AND STOCKS AT ALL UNITED STATES PORTS

	This Season	Last Season
Receipts since Aug. 1, 1922....	4,938,258	4,327,210
Exports: Great Britain	1,144,359	995,187
France	498,410	461,581
Continent	1,483,109	1,544,420
Japan-China	394,207	720,513
Mexico	13,315	1,000
Total foreign ports	3,533,400	3,722,701
Stocks at all U. S. ports, Feb. 28th.....	764,806	1,111,623

GALVESTON STOCK STATEMENT

	Feb. 28, 1923	Feb. 28, 1922
For Great Britain.....	16,529	4,915
For France.....	4,500	12,820
For other foreign ports.....	47,710	22,591
For coastwise ports.....	5,000	1,000
In compresses.....	205,922	272,971
Total	279,661	314,297

LIVESTOCK

Range Conditions Excellent For the first time in many months reports from Southwestern ranges show all sections of the district in good physical condition. The long drouth in New Mexico has at last been broken, and spring grass assured by adequate rainfall in that state. The greening of ranges has become general in West Texas and the Panhandle, while in the sheep-producing section surrounding San Angelo the growth of weeds and grass not only insures the early conditioning of sheep for the spring movement to the slaughter markets, but also ushers in the lambing season under ideal conditions. Observers see in the present situation a promising outlook for the 1923 production of wool and mohair in this district.

Movements and Prices February witnessed a very moderate movement of cattle and hogs, and an extremely light marketing of sheep. Depleted supplies at the Fort Worth market were in part attributable to the heavy rains of recent weeks and the improvement in range conditions. Cattle trades on the ranges in the western end of the district reflected a brisk demand by northern feeders. The supply in New Mexico, however, indicates an unusually light "spring delivery" this year, as improved grazing conditions have arrested forced sales in that state, and the movement of cattle

during April, May and June is not expected to exceed 60 per cent of the average movement for those months during the past four years.

The appended table of February "top prices" at the Fort Worth market discloses substantial gains during the month in the value of all classes of livestock except stocker steers and swine. The unusually light volume of February supplies accounts for the upward trend of the market.

FORT WORTH LIVESTOCK RECEIPTS.

	February 1923	January 1923	Gain or Loss	February 1922	Gain or Loss
Cattle	35,592	60,992	L 25,400	37,062	L 1,470
Calves	7,483	18,295	L 10,812	8,952	L 1,469
Hogs	42,760	41,547	G 1,213	68,882	L 26,122
Sheep	5,944	12,316	L 6,372	42,675	L 36,731

COMPARATIVE TOP LIVESTOCK PRICES

	February 1923	January 1923	February 1922
Beef steers	\$ 8.75	\$ 8.00	\$ 7.50
Stocker steers	7.30	8.75	6.00
Butcher cows	5.50	5.25	5.25
Stocker cows	4.00	3.50	3.75
Calves	9.00	7.00	7.50
Hogs	8.50	8.75	10.45
Sheep	9.00	8.50	8.00
Lambs	14.50	14.25	14.00

WHOLESALE TRADE

Distribution in wholesale channels remained active throughout the month but there was some recession from the large volume of sales made during January. The pronounced increase in sales of all lines of trade as compared with February a year ago gives evidence of the extent to which business has recovered. Wholesalers are very optimistic over the present outlook not only because of the increased volume of business but also because of strengthened sentiment

among the retailers. The most significant development within the past year has been the change in the retailers' attitude toward forward orders. It will be remembered that a year ago the volume of forward orders was negligible, but this year there is a growing tendency toward the placement of forward commitments to cover the anticipated consumer demand rather than buying on a hand-to-mouth basis. The upward movement of prices in practi-

cally all lines of trade has had varying effects in the different lines. While reports indicate that the increased prices have had a tendency to restrict buying in some lines, the steadily advancing market has had the opposite effect in other lines.

An important development in the trade situation is the fact that the shortage of goods in some lines is becoming more and more pronounced. Factories as a whole are now running at or near capacity and in some cases are experiencing difficulty in filling orders.

Dry Goods.

Following the unusually large distribution in January the sales of ten dry goods firms reflected a decline of 12.5 per cent during February. However, February sales were 18.8 per cent greater than during February, 1922, and for the first two months of the year there were 37.9 per cent larger than during the corresponding period a year ago. Some dealers report that while sales were good they did not come up to the volume which was expected early in the month. It is to be noted that the greater volume of sales has been made with 7.8 per cent less stocks than were carried a year ago, indicating that the jobbers are turning their stocks faster than was the case last year.

A marked contrast is noted in conditions this year as compared with conditions prevailing during the first part of last year. At that time retailers were following a conservative merchandising policy and were for the most part buying on a hand-to-mouth basis and in cases where future orders were placed they represented nearby needs. This year retailers as a general rule have been placing forward orders to cover the prospective demand.

Dry goods prices have made further advances in sympathy with the increasing prices paid for raw materials and the rising labor costs. While reports indicate that the increased prices have not restricted buying of retailers to any great extent, the retail sales are reported to be slow.

Farm Implements

The farm implement trade, which has shown a marked improvement since early fall, quieted down to some extent during February. While sales were 33.0 per cent less than January sales, they were 81.4 per cent larger than February, 1922, sales. The heavy rains and cold weather accounted for a portion of the decline, but some dealers report that a larger distribution could have been obtained if the implements had been available. It is to be noted that

stocks carried at the close of February were 18.7 per cent below those at the close of February a year ago, despite the increased prices and increased sales. The distributors have been at a disadvantage this year as retailers have been restricting orders to immediate requirements, thus making it necessary for the distributor to fill orders on short notice. This has not only caused sporadic buying from some quarters, but has made it difficult for distributors to fill all orders promptly. On account of the low sales during 1921 and 1922, the factories were more concerned about disposing of the large stock than in production. The result has been that stocks were reduced to a low point at the time when the accelerated demand began to make itself felt. Consequently the higher cost of raw materials and increased labor cost has made necessary the rising prices for the finished product.

Hardware

While the February sales of eleven hardware firms showed a reaction from the large January distribution, they were 30.5 per cent greater than during February a year ago. There appears to be a good demand for all hardware items. Garden tools, radio materials, and builders' hardware have been particularly active. Dealers report that some items have been hard to get, due partly to the low mill stocks and partly to the poor deliveries. As a general rule retailers' stocks are low and somewhat broken, and they have been placing substantial orders for future delivery to overcome these difficulties. Prices have shown a steady upward movement for several months, partly because of advances in steel and other raw materials and manufacturing costs, and partly because of the fact that the mills have not been able to supply the demand.

Furniture

The wholesale furniture trade experienced a further decline of 4.6 per cent in sales during February, representing merely the customary slowing down at this season of the year. It is to be noted that February sales were 29.3 per cent larger than sales during February, 1922, and sales for the first two months of the year were 22.2 per cent larger than the corresponding period a year ago, which reflects the broadening demand in the trade. The main strength of the demand has come from the great activity in the building industry. The anticipated building program for the present year indicates a larger potential demand for furniture of all kinds. Forward commitments are becoming more numerous, due chiefly

to the advancing market. This upward trend of the market has resulted from the increasing costs of raw material and the scarcity of labor.

Drugs

While the February reports from eight drug firms disclose a reduction of 14.7 per cent in sales as compared with the previous month, sales were 6.7 per cent larger than during February a year ago. Merchants are buying in a larger volume to supply immediate requirements, but forward buying has not reached the same proportions in the drug trade as in some other lines. While retailers are less hesitant about placing forward orders than they were a year ago, they are slow in making forward commitments in large quantities. Prices have continued firm with some items showing advances. Dealers generally are very optimistic over present conditions and state that there are

good prospects for increased business during the present year.

Groceries

Sustained activity was registered in the wholesale grocery trade during February when the net sales of thirteen firms were four-tenths of one per cent larger than in the longer month of January, and 15.7 per cent greater than during February a year ago. For the first two months of the year sales were 17.7 per cent greater than for the corresponding period in 1922. Reports indicate that the early March business is holding well up to the record set during the first two months. Prices continued firm and advances have been made on some items. The price of sugar, which jumped to the ten cent level early in February, showed continued strength throughout the month and by the middle of March had reached a new high mark.

CONDITION OF WHOLESALE TRADE DURING FEBRUARY, 1923
Percentage of Increase or Decrease in

	—Net Sales— February, 1923 compared with		—Net Sales— January 1 to date compared with same period last year	—Stocks— February, 1923 compared with	
	February 1922	January 1923		February 1922	January 1923
Groceries	+ 15.7	+ .4	+ 17.7	+ 17.7	+ .8
Dry Goods	+ 18.8	— 12.5	+ 37.9	— 7.8	+ 5.1
Hardware	+ 30.5	— 3.6	+ 35.4	+ 10.3	+ 6.5
Farm Implements.....	+ 81.4	— 33.0	+ 133.3	— 18.7	+ .3
Furniture	+ 29.3	— 4.6	+ 22.2	.....	.....
Drugs	+ 6.7	— 14.7	+ 13.3	none	+ 3.2

RETAIL TRADE

The normal decline in department store business due to the short month occurred during February when the net sales of twenty-two firms registered a decline of 9.3 per cent as compared with January sales. However, the February sales of these firms were 0.8 per cent greater than during February a year ago, indicating that the consumer demand is holding up fairly well despite the general rise in the level of prices. Sales for the first two months of the year were 5.4 per cent greater than during the corresponding period last year. While unfavorable weather conditions retarded sales to some extent during February, March sales are expected to show good gains due to the early Easter.

Stocks on hand at the close of February were practically the same as at the close of February a year ago. However, they were 10.1 per cent greater than

at the close of January. This was due to the receipts of spring goods placed in stock during the month. The ratio of stocks to sales for the first two months of the year was 478.0 per cent, which compares to 510.1 per cent for the same period in 1922, reflecting the better turnover of stocks which is being obtained by department stores this year.

The ratio of outstanding orders at the close of February to last year's purchases showed a slight decline, being 9.2 per cent as compared to 9.6 per cent at the close of January.

Collections during February reflected the normal slowing down at this season of the year. The ratio of February collections to accounts receivable on February 1st was 38.2 per cent, as compared to 41.6 per cent during January. This ratio compares to 36.3 per cent during February, 1922.

BUSINESS OF DEPARTMENT STORES

Total Sales—	Dallas	Ft. Worth	Houston	All Other	Total District
Feb., 1923, compared with Feb., 1922.....	+ 4.3	+ 2.7	— 5.9	+ 1.0	+ 0.8
Feb., 1923, compared with Jan., 1923.....	— 6.9	+ 1.8	— 8.3	— 18.6	— 9.3
Jan. 1st to date compared with same period last year..	+ 13.1	+ 6.4	— 6.1	+ 3.8	+ 5.4
Credit Sales—					
Feb., 1923, compared with Feb., 1922.....	+ 8.4	+ 15.3	+ 6.9	+ 7.8	+ 8.7
Feb., 1923, compared with Jan., 1923.....	— 2.0	+ 5.3	— 8.8	— 18.8	— 6.9
Jan 1st to date compared with same period last year..	+ 21.7	+ 20.0	+ 7.2	+ 9.0	+ 15.2
Stocks—					
Feb., 1923, compared with Feb., 1922.....	+ 5.1	+ 9.4	— 8.2	— 2.4	+ 1.0
Feb., 1923, compared with Jan., 1923.....	+ 14.6	+ 9.9	+ 6.3	+ 6.7	+ 10.1
Ratio of stocks to sales.....	475.6	579.0	461.5	7.3	478.0
Ratio of outstanding orders to last year's purchases.....	10.7	8.9	6.4	445.3	9.2
Ratio of February collections to Accounts Receivable, due and outstanding Feb. 1, 1923.....	34.5	37.0	40.9	45.2	38.2

FINANCIAL

Due chiefly to the short month, charges to depositors' accounts showed a decrease of 18.7 per cent as compared to the previous month. However, they were 11.6 per cent greater than February, 1922, reflecting the increased trade activity. The total

volume of debits to individual accounts during February amounted to \$595,416,000, as compared to \$732,751,000 during January, and \$533,371,000 during February, 1922.

CHARGES TO DEPOSITORS' ACCOUNTS

	February, 1923	January, 1923	February, 1922
Albuquerque	\$8,389,000	\$ 9,514,000	\$ 7,003,000
Austin	15,006,000	17,337,000	10,550,000
Beaumont	15,220,000	18,334,000	14,498,000
Dallas	159,058,000	193,256,000	131,028,000
El Paso	28,543,000	31,993,000	27,061,000
Fort Worth	105,992,000	122,250,000	125,653,000
Galveston	73,963,000	96,206,000	50,398,000
Houston	99,384,000	133,571,000	90,361,000
San Antonio.....	26,826,000	31,287,000	22,824,000
Shreveport	29,428,000	41,614,000	28,086,000
Texarkana	10,948,000	9,073,000	6,451,000
Tucson	6,475,000	8,744,000	6,859,000
Waco	16,184,000	19,572,000	12,649,000
Totals, Eleventh District	\$595,416,000	\$732,751,000	\$533,371,000

Acceptance Market

The volume of acceptances executed by banks of this district and outstanding at the end of February reflected a sharp decrease as compared with those outstanding at the close of January. The total amount outstanding on February 28th was \$2,325,415.71, as compared to \$3,372,576.05 on January 31st, showing a net reduction of \$1,047,160.34. The volume of outstanding acceptances based on domestic shipments and storage of goods showed but little change,

having increased from \$1,091,731.16 on January 31st to \$1,118,426.27 on February 28th. The large reduction was made in the volume executed against import and export transactions. The volume of this class of acceptances outstanding declined from \$2,280,844.89 on January 31st to \$1,206,989.44 on February 28th. The Federal Reserve Bank increased its holdings of bankers' acceptances from \$21,291,096.82 on January 31st to \$21,402,438.25 on February 28th.

Condition of Reserve City Banks

Reports from reserve city banks as of February 28th, disclose an increase in loans of \$2,676,000 as compared to January 31st, indicating

that advances are being made to take care of increased business activity. The extent of the increase in the demand for bank credit during the past year is shown by the fact that loans on February 28, 1923, were \$215,851,000 as compared to \$191,107,000 on March 1, 1922, or a net increase of \$24,744,000. The net demand deposits of these banks increased \$7,527,000 during February and \$46,123,000 since March 1, 1922. The banks are now withdrawing their surplus funds from the Federal Reserve Bank to offset the increased borrowings. The reserves of

these banks with the Federal Reserve Bank decreased from \$27,580,000 on January 31st to \$25,700,000 on February 28th, or a reduction of \$1,880,000 during the month. Investments in United States securities increased from \$53,304,000 on January 31st to \$54,656,000 on February 28th, and show an increase of \$10,046,000 over March 1, 1922. Bills payable and rediscounts with the Federal Reserve Bank decreased \$1,300,000 during the month. The ratio of loans to deposits on February 28th was 87 per cent, as compared to 89 per cent on January 31st, and 95 per cent on March 1, 1922. Deposits would probably have risen even higher but for a slight dislocation of public funds which followed the enactment in Texas of a new state depository law.

CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	February 28, 1923	January 31, 1923	March 1, 1922
1. Number of reporting banks.....	52	52	53
2. U. S. securities owned.....	\$ 54,656,000	\$ 53,304,000	\$ 44,610,000
3. All other stocks, bonds, and securities owned.....	9,017,000	8,291,000	8,877,000
4. Loans secured by U. S. Government obligations.....	7,852,000	5,712,000	5,466,000
5. Loans secured by stocks and bonds other than U. S. Government obligations.....	52,392,000	49,213,000	40,192,000
6. All other loans.....	207,999,000	207,463,000	185,641,000
7. Net demand deposits.....	247,213,000	239,686,000	201,090,000
8. Time deposits.....	74,762,000	72,638,000	62,493,000
9. Reserve with Federal Reserve Bank.....	25,700,000	27,580,000	21,508,000
10. Bills payable and rediscounts with Federal Reserve Bank.....	3,071,000	4,371,000	5,448,000
11. Percentage of loans (*) to net demand deposits.....	87%	89%	95%

*Loans include only items 4 and 6.

Operations of the Federal Reserve Bank

The loans of the Federal Reserve Bank to member banks fluctuated within narrow limits during the month and on February 28th they were only \$93,383.45 larger than on January 31st. However, on the 15th of March these loans had risen to \$18,825,869.15, or an increase of \$1,912,620.98. This increased demand for funds, which has come largely from banks outside reserve cities, developed as a result of the withdrawal of public funds and the deposits of farmers who are now using their surplus funds to finance farm operations. Notes of farmers who have borrowed to finance the forthcoming crop have not to any great extent made their appearance at the Federal Reserve Bank.

The total volume of bills held by this bank increased from \$38,110,951.54 on January 31st to \$38,315,686.42 on February 28th, distributed as follows:

Member banks' collateral notes secured by United States Government obligations.....	\$ 1,299,000.00
Rediscounts and all other loans to member banks.....	15,614,248.17
Open market purchases (Bankers' acceptances).....	21,402,438.25
Total bills held.....	\$38,315,686.42

The volume of Federal reserve notes in actual circulation continued to decline during February, the seasonal shrinkage in the demand for currency causing our circulation to fall from \$32,679,520 on January 31st to \$30,799,920 on February 28th, representing a contraction of \$1,879,600. It is interesting to note that while our loans to member banks on February 28, 1923, were \$22,020,880.78 less than on February 28, 1922, our Federal reserve note circulation on the former date was \$1,234,270 greater than on the latter date. Following the withdrawal of funds by local depositors the member banks have been gradually withdrawing their surplus reserves at the Federal Reserve Bank. The reserve deposits decreased from \$54,967,663.98 on January 31st to \$52,625,537.46 on February 28th.

Discount Rates

The discount rates at commercial banks for the cities listed below were practically the same during

February as during the previous month.

The "high," "low," and "customary" rates prevailing at these centers are listed below.

FEBRUARY DISCOUNT RATES

	Dallas			El Paso			Ft. Worth			Houston			San Antonio			Waco		
	H	L	C	H	L	C	H	L	C	H	L	C	H	L	C	H	L	C
Prime commercial paper:																		
Customers' 30 to 90 days.....	7	4½	5½	10	6	8	8	5	6	7	5	6	8	4½	6½	8	6	7½
Customers' 4 to 6 months.....	7	5	6	10	8	8	8	5	6	7	5	6	8	4½	6½	8	6	7½
Open market 30 to 90 days.....	6	5	6	5½	4	4½	5	4	4½	....	....	....	....	....	....	6	4½	5
Open market 4 to 6 months.....	6	5	6	10	8	8	5	4	4½	....	....	....	....	....	....	5½	4½	5
Interbank loans.....	7	4½	5½	9	6	8	6	6	6	5	4½	4½	8	6	6	7	6	6½
Collateral loans, demand.....	8	6	7	10	8	8	8	6	8	7	5	6	8	6	7	8	6	8
Collateral loans, 3 months.....	8	6	7	10	8	8	8	6	8	7	5	6	8	6	7	8	6	8
Collateral loans, 3 to 6 months.....	8	6	7½	10	8	8	8	6	8	....	....	....	8	6	7	8	6	8
Cattle loans.....	8	7	7½	10	8	8	8	8	8	7	6	7	8	6	7½	8	8	8
Loans secured by warehouse receipts, Bs-L, etc.	8	5	7	10	8	8	8	5	7	7	6	7	8	6	7½	8	7	7½
Loans secured by government securities.....	8	4½	6	10	8	8	10	6	8	5	4½	5	8	6	6	8	4½	8

Savings
Deposits

Reports from 112 banks operating savings departments show savings deposits on February 28th to be 1.7

per cent larger than those on January 31st, and 17.7 per cent greater than those on February 28th a year ago.

SAVINGS DEPOSITS

	Number of Reporting Banks	February 28, 1923	February 28, 1922	Inc. or Dec.	January 31, 1923	Inc. or Dec.
Beaumont.....	3	1,216,764	1,050,631	+15.8	1,181,708	+ 3.0
Dallas.....	7	11,902,224	8,553,161	+39.2	11,682,933	+ 1.9
El Paso.....	4	6,591,414	6,057,630	+ 8.8	6,601,868	— .2
Fort Worth.....	3	3,355,285	2,993,421	+12.1	3,343,536	+ .4
Galveston.....	3	6,387,949	6,018,080	+ 6.1	6,393,715	— .1
Houston.....	5	12,947,219	11,514,460	+12.4	12,487,699	+ 3.7
San Antonio.....	6	9,218,949	8,594,528	+ 7.3	9,111,087	+ 1.2
Shreveport.....	5	8,530,428	6,410,319	+33.1	8,537,731	— .1
Waco.....	5	2,157,189	1,498,262	+44.0	2,056,470	+ 2.9
Wichita Falls.....	4	2,373,361	2,665,492	—11.0	2,473,827	— 4.1
All others.....	67	18,349,161	15,173,204	+20.9	17,783,917	+ 3.2
Total.....	112	83,029,943	70,529,188	+17.7	81,654,491	+ 1.7

FAILURES

The number of commercial failures in this district, which has been gradually receding since February, 1922, showed a further improvement during the past month. There was a slight increase in the number of failures during December and January, reflecting the weeding out of firms which were not able to withstand the midwinter dullness. The February report compiled by R. G. Dun and Company

shows 91 failures with liabilities amounting to \$2,104,596, as compared to 117 failures in January involving a total indebtedness of \$1,524,107. As compared with the corresponding month of 1922 the February record shows a decrease of 56 per cent in the number of failures and 64.3 per cent in the aggregate liabilities of defaulting firms.

COMMERCIAL FAILURES

Districts:	All Federal Reserve Districts			
	February, 1923		February, 1922	
	Number	Liabilities	Number	Liabilities
Boston	150	4,637,721	206	6,235,271
New York	262	8,883,288	300	24,202,858
Philadelphia	58	1,024,670	93	2,436,402
Cleveland	121	6,293,852	235	4,627,038
Richmond	109	2,452,891	213	4,761,744
Atlanta	135	4,029,704	270	5,331,050
Chicago	195	3,081,365	288	7,876,931
St. Louis	81	1,008,734	167	4,653,231
Minneapolis	72	2,217,789	97	2,300,814
Kansas City	89	1,154,384	99	2,006,480
DALLAS	91	2,104,596	207	5,889,143
San Francisco	145	3,738,945	156	2,287,431
Total	1,508	40,627,939	2,331	72,608,393

PETROLEUM

There was a general decline in the output of crude oil in all fields of the Eleventh Federal Reserve District during the past month. This was due in part to the short month and in part to the weather conditions, which retarded drilling operations and prevented the completion of new wells with sufficient new production to offset the decline in old wells. This district's output for the month amounted to 10,363,280 barrels, as compared to the January production of 12,030,430 barrels. Texas production showed a decline from 9,480,390 barrels in January to 8,158,960 barrels in February, or a net loss of 14,427 barrels in the daily average output. The yield of the Louisiana field dropped from 2,550,070 barrels in January to 2,204,320 barrels in February.

The Texas Gulf Coast field, which has been increasing each month since November, declined in February and accounted for the larger part of the loss in Texas production. The output in February amounted to 2,841,310 barrels as against 3,466,440 barrels in January, thus reflecting a decrease of 10,346 barrels in the daily average production. This decline began early in the month and continued its downward tendency throughout the month. The decreased output is largely attributable to the Hull field, where there was a decline in the new production added and where the daily average yield for February amounted to 23,114 barrels as against 34,264 barrels in January.

The North Texas district again suffered a loss in production as compared to the previous month. The daily average yield for February amounted to 63,019 barrels as compared to 65,949 barrels during January. The several fields shared proportionately in the decline, each field registering a slight loss in production. The Electra field decrease was 812 barrels, the Young County 1,826 barrels, and the Burkburnett field 843 barrels.

The Central-West Texas district reflected only a

slight loss, 861 barrels, in the daily average production. The daily average output of the Mexia-Currie section amounted to 62,146 barrels during February, which is a slight gain over the daily average run during the previous month. The Stephens County, Ranger-Eastland County, and the Moran-Shackelford County fields all reflected a decreased output.

The output of the Haynesville (La.) field, which has been steadily declining since September, reflected a further loss during February, when the daily average yield of that field amounted to 35,924 barrels as compared to 40,577 barrels during January. This steady decline in production is due to the fact that drilling in the field has practically ceased and there is not enough new production being added to offset the decline in the old wells. This field has been a large factor in the state's production for some time.

Drilling
Results

Drilling operations were retarded during the first two weeks of February on account of the heavy rains and the cold wave prevailing at that time, with the result that there were fewer completions in February than during the previous month. There were 348 wells completed during the month, including 239 producers as compared to 373 completions during January including 242 producers. While there were only three fewer producers completed, the new production added in February amounted to only 26,708 barrels as against 45,252 barrels added during January. This was due to the fact that some fields where large initial production had been previously obtained from new wells showed a low initial production in February. February completions in Texas fields numbered only 317 wells as against 346 during January, and there were 13 fewer producers. The initial flow of producing wells dropped from 44,192 barrels in January to 25,223 in February.

The Texas Coastal district suffered the largest

decline in initial yield. The new production added during February amounted to only 8,278 barrels as compared to 27,215 barrels for the previous month. This decrease resulted largely from operations in the Hull field, where the initial yield from new wells decreased from 16,500 barrels in January to 4,480 barrels during February, despite the fact that there were eleven producers completed in February as against ten in January. The outstanding development in the Gulf Coast field was the discovery of a third producing sand in the Big Creek field.

The North Texas area reflected less activity during February than during the previous month. There were 105 completions, including 73 producers with an initial production of 6,922 barrels, which compares to 130 completions during January of which 85 were successful adding 9,707 barrels of new production. The Burkburnett fields completed 10 wells during February, of which 8 were producers with 867 barrels of new production as against 1,084 barrels obtained from 7 producers during January. The Electra field completed 47 wells in February as compared with 55 wells in January and 38 proved successful in each month, but the initial flow of these wells in February amounted to 3,341 barrels as against 4,348 barrels during January, showing a loss of 1,007 barrels. Young County completed four fewer wells in February than in January, and one less producer, but the initial production slumped from 1,125 barrels in January to 405 barrels in February.

In the Central-West Texas fields fewer producing wells were completed during February than during the previous month, but there was a sharp increase in initial production with practically all fields participating in the increase. There were 102 completions of which 59 were successful, adding 6,780 barrels of new production during February, as compared to 97 completions in January including 61 producers with an initial flow of 4,147 barrels. The Stephens County field scored 20 completions in February, including 11 producers with a flush production of 3,835 barrels, as compared to 13 completions in January with an added yield of 1,740 barrels. Developments in the Southern part of the county attracted considerable interest early in February, when a 1,200-barrel well was brought in. In the Eastland, Ranger

and Pioneer districts, fewer wells were completed but there was a larger amount of new production added. There were only 6 wells completed in the Mexia-Currie district and but little new production was added. The Corsicana deep test well, which was brought in last month, ceased to flow shortly afterwards, and has not yet been cleaned out. However, other developments are going forward.

In the miscellaneous fields 34 wells were completed, all of which were producers and added 3,073 barrels of new production, as compared to 36 producers completed during the previous month yielding an initial output of 2,855 barrels.

The Louisiana fields scored 31 completions with 27 producers of oil and gas in February, as compared to 27 in January including 17 producers, and there was a gain of 460 barrels in initial production. The 4 producers completed in the Haynesville field yielded an initial flow of 475 barrels as compared to 80 barrels obtained from 2 producers completed in January.

Crude Oil Prices

Further advances were posted at the various fields of the district during the past month. An increase of ten cents per barrel was put into effect during the latter part of February on Mexia, Currie, North Texas, and all Louisiana oils, and a five cent advance on Corsicana oil. On March 15th the posted price for Texas Coastal oil was advanced from \$1.50 per barrel to \$1.75 per barrel. During the greater part of February North Texas spot crude purchased by the independent refineries brought a premium of 35 cents per barrel, but during the last week of the month on account of the weak gasoline and kerosene market, which resulted in a curtailment of refinery operations, spot crude was offered in quantities at a premium of 25 cents per barrel. Due to a further accumulation of oil and the disappearance of competition among the independent refiners the premium on spot crude had been reduced to ten to twenty cents per barrel during the second week of March. A contract for 25,000 barrels of Currie crude 41 gravity or above was closed at \$2.97 per barrel about the middle of March, which brings the premium on this oil to 37 cents per barrel above the posted price.

CRUDE OIL PRICES

Texas	March 8,	March 8,	Louisiana	March 8,	March 8,
	1923	1922		1923	1922
Corsicana light	\$1.50	\$1.30	Caddo (39 gravity and above).....	\$2.40	\$2.00
Corsicana heavy .....	.90	.75	Bull Bayou (38 gravity and above).....	2.00	1.90
Texas Coastal	1.50	1.25	Homer (39 gravity and above)	2.40	2.00
Mexia	2.20	1.25	Haynesville (39 gravity and above).....	2.40	2.00
Currie (41 gravity and above).....	2.60	.....	De Soto Crude	2.20	2.00
North Texas (41 gravity and above).....	2.60	*			

*1922 prices for North Texas oil are not comparable with 1923 prices, due to the fact that this oil was not purchased on a gravity basis to December, 1922. North Texas crude on March 8, 1922, was selling for \$2.00 per barrel.

OIL PRODUCTION

Field:	February		January		Increase or Decrease	
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Avg.
North Texas.....	1,764,525	63,019	2,044,420	65,949	Dec. 279,895	Dec. 2,930
Central-West Texas.....	3,309,075	118,181	3,690,300	119,042	Dec. 381,225	Dec. 861
Texas Coastal.....	2,841,310	101,475	3,466,440	111,821	Dec. 625,130	Dec. 10,346
Miscellaneous fields.....	244,050	8,716	279,200	9,006	Dec. 35,150	Dec. 290
Totals, Texas.....	8,158,960	291,391	9,480,360	305,818	Dec. 1,321,400	Dec. 14,427
North Louisiana.....	2,204,320	78,726	2,550,070	82,260	Dec. 345,750	Dec. 3,534
Totals, 11th District.....	10,363,280	370,117	12,030,430	388,078	Dec. 1,667,150	Dec. 17,961

FEBRUARY DRILLING RESULTS

Field	Completions	Producers	Failures	Initial Production
North Texas.....	105	73	32	6,922
Central-West Texas.....	102	59	43	6,780
Texas Coastal.....	40	33	7	8,278
Miscellaneous fields.....	34	34	....	3,073
Texas Wildcats.....	36	13	23	170
Totals, Texas.....	317	212	105	25,223
North Louisiana.....	31	27*	4	1,485
February totals, districts.....	348	239	109	26,708
January totals, districts.....	373	242	131	45,252

*Includes 15 Gas Wells.

(Oil statistics compiled by The Oil Weekly, Houston, Texas.)

LUMBER

The February production rate of Eleventh District pine mills showed a sharp decline as compared to the previous month. The output in February was 25 per cent below normal production as compared to one per cent above normal in January. February shipments were 11 per cent above production, as compared to 9 per cent in January. While the volume of orders received at mills were well above production, there was a considerable decline as compared to the previous month. February orders were 16 per cent below normal production as compared to the January record of 36 per cent above normal production. Unfilled orders continued to accumulate, due to the fact that purchases are being made faster than shipments. The unfilled orders on the books of 42 mills on February 28th amounted to 116,675,916 feet as compared to 114,131,654 feet on the books of 39 mills on January 31st. Stocks continued to dwindle, being 14 per cent below normal on February 28th as against 12 per cent below normal on January 31st.

With the demand heavy for all grades of lumber and with the supply small, prices continued to advance during the month, and the close of February found them considerably above those of January 31st. However, prices reacted to some extent shortly after March 1st, as a result of the weakened demand which became evident early in the month.

FEBRUARY PINE MILL STATISTICS

Number of reporting mills.....	42
Production.....	78,461,960 feet
Shipments.....	86,782,805 feet
Orders.....	87,220,285 feet
Unfilled orders, February 28th.....	116,675,916 feet
Normal production.....	104,184,432 feet
Stocks, February 28th.....	258,931,995 feet
Normal stocks.....	298,915,275 feet
Shipments above production.....	8,320,845 feet=11%
Actual production below normal.....	25,722,472 feet=25%
Orders below normal production.....	16,964,147 feet=16%
Stocks below normal.....	39,983,280 feet=14%

BUILDING

The record of building permit valuation for February reflected unusual activity despite unfavorable weather conditions. The valuation of permits issued at the eleven principal cities of the district not only show an increase of 7.7 per cent over the January

valuation, but also reflect a gain of 53.6 per cent over February a year ago. The aggregate value of permits issued during the month amounted to \$7,067,294 as compared to \$6,562,229 during January, and \$4,599,936 during February, 1922.

BUILDING PERMITS

	February, 1923		January, 1923		Inc. or Dec.	February, 1922		Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation	
Austin.....	35	557,975	65	134,090	+316.1	24	65,940	+ 746.2
Beaumont.....	134	319,133	124	157,670	+102.4	70	89,580	+ 256.3
Dallas.....	453	1,750,495	467	2,809,800	- 31.7	353	1,617,010	+ 4.3
El Paso.....	77	177,270	101	302,610	- 41.4	88	216,327	- 18.1
Fort Worth.....	237	550,369	315	857,787	- 35.8	152	259,156	+ 112.4
Galveston.....	287	111,562	301	165,699	- 32.7	340	374,879	- 70.2
Houston.....	484	1,675,051	519	705,483	+137.4	536	946,002	+ 77.1
Port Arthur.....	123	695,680	146	170,214	+308.7	88	58,277	+1,091.7
San Antonio.....	262	624,220	346	590,705	+ 5.7	331	454,500	+ 37.3
Shreveport.....	230	355,265	316	524,403	- 32.3	220	396,395	- 10.4
Waco.....	39	150,274	63	143,768	+ 4.5	47	121,870	+ 23.8
Total.....	2,361	7,067,294	2,763	6,562,229	+ 7.7	2,249	4,599,936	+ 53.6

SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled by the Federal Reserve Board as of March 26, 1923.)

Continued active business is indicated by the maintenance of a high rate of industrial production, increases in freight traffic and employment, and a large volume of retail and wholesale trade.

PRODUCTION: The Federal Reserve Board's index of production in basis industries for February was at the same high level as in January. The index number for these industries is now approximately equal to the highest point reached in the past. Since the low point in July, 1921, there has been an increase of 61 per cent. The volume of new building projected in February was exceptionally large for the season, particularly in western districts. Railroad freight shipments have been increasing and the car shortage, which was somewhat relieved in December and January, became more marked in recent weeks.

A continued increase in industrial employment has been accompanied by further advances in wage rates in a number of industries. Many New England woolen mills announced a wage increase of 12½ per cent effective April 30th. A shortage of women workers has been reported in the textile industries, and there is a shortage of unskilled labor in many industrial centers.

TRADE: Wholesale and retail distribution of goods continued at a high level during February. Sales of both wholesale and retail concerns reporting to the Federal reserve banks were well above those of a year ago, but the increase was relatively more pronounced in wholesale trade. Mail order and chain store business was almost as large in February as in January, despite the shorter month, and sales of five and ten cent stores were actually larger than in January.

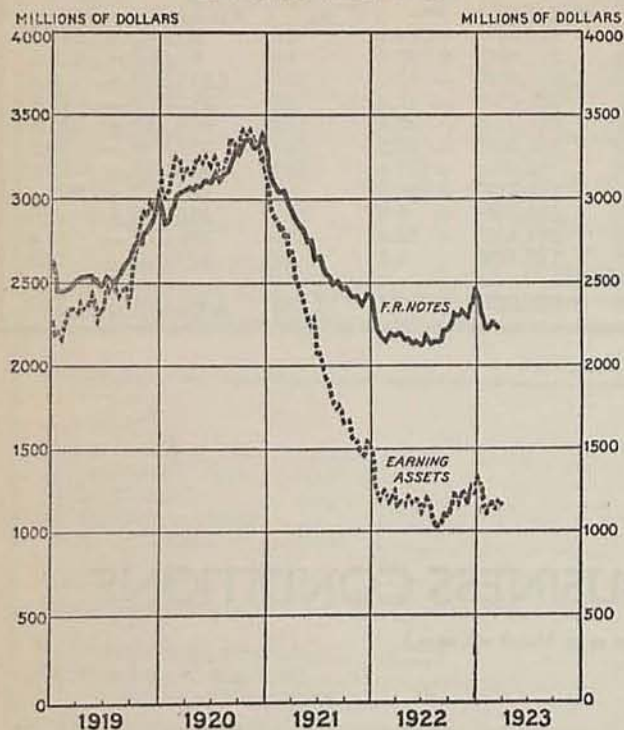
WHOLESALE PRICES: The Bureau of Labor Statistics' index of wholesale prices advanced slightly during February. Prices of metals, building materials, and clothing increased, while prices of fuels and farm products declined. Building materials and metals during the past year have advanced more than any other groups of commodities and are now about 25 per cent higher than in March, 1922.

BANK CREDIT: Recent increases in industrial and commercial activity have been reflected in a larger volume of loans by member banks for commercial purposes, especially in the New York, Chicago, and San Francisco Districts. Loans of this character by reporting member banks are now approximately \$500,000,000 larger than at the end of December. This increase has been accompanied by a reduction in holdings of investments, so that there has been only a moderate net increase in total loans and investments.

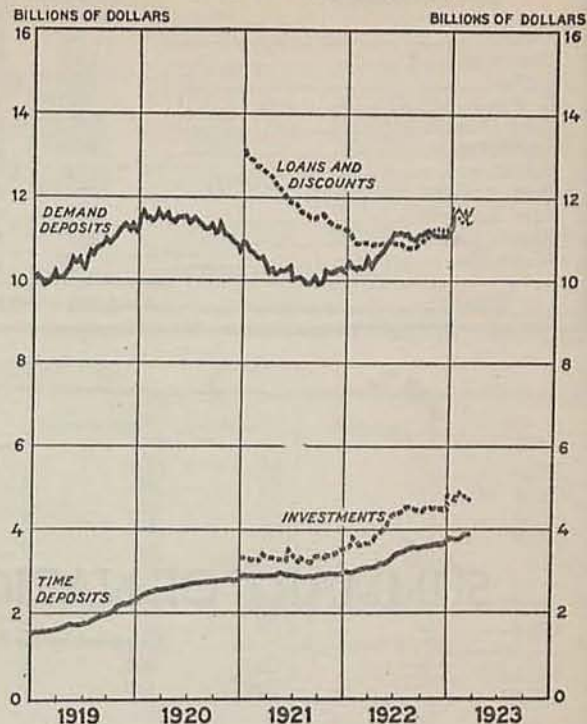
The larger demand for funds has not led to any increase during the past month in the total volume of credit extended by the reserve banks. Total earning assets and loans to member banks on March 21st were approximately the same as four weeks earlier. Borrowings by member banks in the interior increased, particularly in the Chicago District, but borrowings by member banks in the New York District decreased. Since the end of February there has been a small decline in the volume of Federal reserve note circulation, which is now at approximately the same level as six months ago. Other forms of currency in circulation, however, have recently increased.

The market rates on commercial paper advanced further to a range of 5 to 5¼ per cent, and the rate on bankers' acceptances remained steady at about 4 per cent. There has been a slight increase in the yield of short term treasury certificates as well as of government and other high grade bonds.

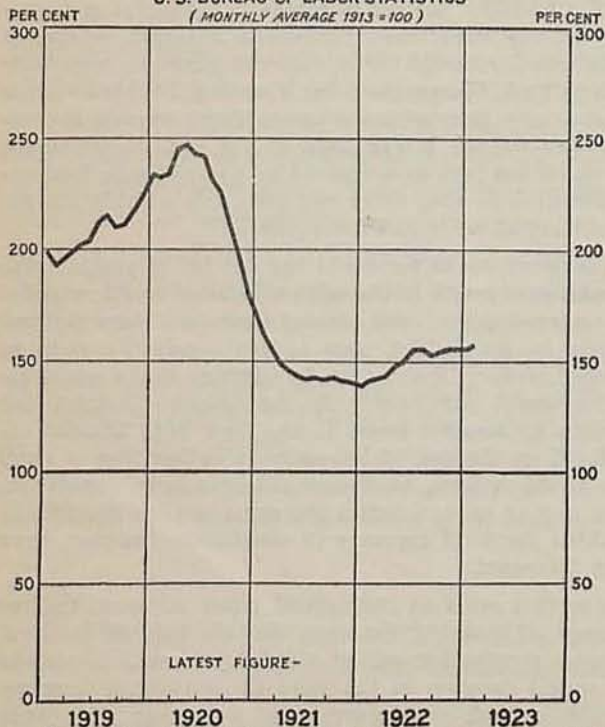
BANK CREDIT ALL FEDERAL RESERVE BANKS



BANK CREDIT 800 MEMBER BANKS IN LEADING CITIES



PRICES INDEX NUMBERS OF WHOLESALE PRICES U. S. BUREAU OF LABOR STATISTICS (MONTHLY AVERAGE 1913 = 100)



Note: Base Adopted by United States Bureau of Labor Statistics

INDEX OF PRODUCTION IN BASIC INDUSTRIES COMBINATION OF 22 INDIVIDUAL SERIES CORRECTED FOR SEASONAL VARIATION (1919 = 100)

