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OF THE FEDERAL RESERVE BANK OF DALLAS

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DISTRICT SUMMARY

The decline in business and industry in the Eleventh District during the last quarter of 1937 and the first half of 1938 was moderate in comparison with that for the country as a whole and in consequence the improvement in the last quarter of 1938 was much less marked. Nevertheless, in many phases of business and industry operations during the closing month of 1938 were on a scale nearly as large as those in the corresponding period of the preceding year. The outstanding development during the year was the marked expansion in construction activity. The value of contracts awarded was about one-fourth greater than in 1937 and the largest for any year since 1930. On the other hand, the agricultural interests of the district were affected adversely by the continued low level of prices for farm products, combined with the restricted production of the district's major cash crop.

BUSINESS

The demand for merchandise at department stores in principal cities of the Eleventh District showed a seasonal increase of 60 per cent from November to December and the dollar value of sales in the latter month was only 2 per cent under the heavy volume in December, 1937. The adjusted index of department store sales computed by this bank stood at 105.1 per cent of the 1923-1925 average for December, which is about the same as the figure for the preceding month and compares with 106.4 per cent for December, 1937.

Total sales at reporting department stores during 1938 were 2.6 per cent less than in the preceding year, but in view of the lower level of retail prices prevailing in 1938, it is probable that the physical volume of goods sold was larger than in 1937. When allowance is made for seasonal factors, sales declined sharply during the early part of the year, reaching the low point of the year in April. In the following four months a substantial recovery occurred, but unseasonable weather, together with other factors, brought a sharp reversal of the trend in September and October. The improvement in buying during November and December, although substantial, was insufficient to offset the decrease in business in the preceding two months; in consequence, the adjusted index of department store sales was lower in December than in August.

Department stores in this district apparently followed conservative buying policies during 1938, with the result that the value of inventories averaged lower than in 1937. At the close of the year, stocks held by reporting firms were about 2 per cent smaller than a year earlier. The rate of stock turnover, as measured by the ratio of total sales to average end-of-month stocks, was 3.67 in 1938 as compared with 3.59 in 1937. The rate of collections on accounts outstanding was lower during 1938 than in the preceding year.

Sales of independent retail firms generally held up well during the early part of the year but subsequently declined to a level substantially lower than a year earlier. In Novem-

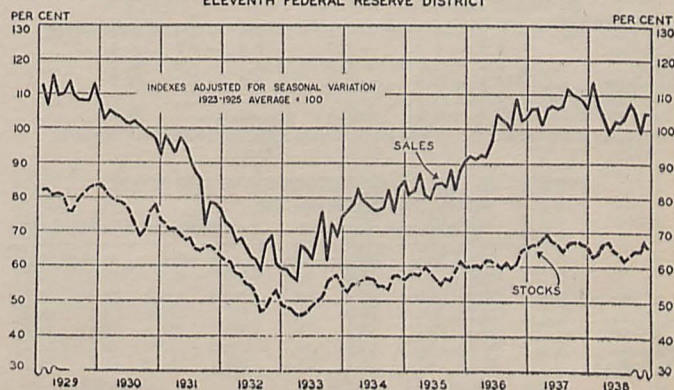
ber and December, however, there was a noticeable expansion in buying with the result that aggregate sales in December were moderately larger than in that month of 1937. Among the principal lines represented in the compilation, the decrease in buying during 1938 was most pronounced at stores handling the more durable types of merchandise, but in some of these lines a marked recovery had occurred by the end of the year.

Wholesale trade in this district was at a substantially lower level than in the preceding year during most of 1938, but a considerable improvement occurred toward the close of the year. The reduction in the volume of business at wholesale during 1938 is traceable largely to the excess stocks held by retailers at the beginning of the year and the smaller volume of retail sales, particularly in cities with a population of less than 50,000 where a substantial proportion of sales represents purchases by rural customers. By the latter part of 1938 retail inventories had been reduced to a low level and as the improvement in consumer demand manifested itself, retailers found it necessary to place substantial fill-in orders to replenish depleted stocks. The combined sales of firms in this district reporting to the Department of Commerce were about as large in December, 1938, as in the corresponding month of the preceding year.

According to the data compiled by the Bureau of Business Research of the University of Texas, employment and payrolls in Texas were maintained at a fairly steady level throughout the year. In comparison with 1937 employment averaged 8 per cent lower and payrolls were down 5 per cent.

The number and liabilities of commercial failures in the Eleventh District declined sharply from November to December following substantial increases in the preceding four months. Dun & Bradstreet reported 16 insolvencies during the month having an indebtedness of only \$95,000, the amount of liabilities being the lowest recorded for any month in more than a year. Although the number of insolvencies and the aggregate indebtedness involved during 1938 were higher than in the preceding year, they continued at a comparatively low level.

DEPARTMENT STORE SALES AND STOCKS
ELEVENTH FEDERAL RESERVE DISTRICT



AGRICULTURE

The outlook for the agricultural and livestock industries in the Eleventh District was greatly improved by the widespread rains which fell during the latter part of December and the first half of January. As a result of the extended drouth during the fall, small grains and range vegetation made poor growth, but since the rains small grains are greening and are developing a good root system which will be conducive to rapid plant growth during the spring. The betterment in moisture conditions has also stimulated the growth of winter weeds on ranges. The supply of stock water which had been depleted in many areas has been replenished. In some sections, however, the precipitation was insufficient to supply adequate subsoil moisture; additional rainfall would be beneficial in virtually all areas.

Production of principal crops, with the exception of cotton, during 1938 was about equal to or greater than the ten-year average and was nearly as large as the 1937 harvest. Per acre yields, on the whole, were above the average. Cotton production was 40 per cent lower than in 1937 and 20 per cent below the ten-year average. The per acre yield, while lower than in 1937, was considerably above the average. The principal factor accounting for the smaller cotton crop was the 25 per cent reduction in acreage. In Texas, where the area harvested was the smallest since 1905, the acreage diverted from cotton was only partially utilized in the production of other crops with the result that the total acreage harvested in the State was more than two million acres smaller than in 1937.

The low level of prices for agricultural products has been a major factor in holding down farm income. The Department of Agriculture estimated that the farm value of principal crops produced in Texas in 1938 totaled only \$310,000,000, which represents a 33 per cent decline from the value of crops harvested in 1937. Although virtually all crops shared in the decline, more than two-thirds of the decrease was due to the lower value of cotton and cottonseed.

Physical conditions in the livestock industry during the greater portion of the year were generally favorable; the calf and lamb crops were large and the production of wool was in record volume. Marketings of sheep were the highest of record and shipments of cattle were about as large as the volume of 1937. Although the condition of ranges declined sharply in the latter part of the year as a result of the widespread drouth, livestock were maintained in generally good flesh by the available supply of dry feed. Prices of livestock during 1938, although averaging lower than in 1937, were generally satisfactory. In the latter part of the year there was a strong demand for stockers and feeders and heavy shipments were made at improved prices.

According to the estimates of the Department of Agriculture, cash farm income derived from the sale of principal farm products in the five states attached to this district was 8 per cent lower in the first eleven months of 1938 than in the corresponding period of 1937. During the period receipts from the marketings of livestock and livestock products averaged 2 per cent higher than in the preceding year, reflecting the heavy marketings of meat animals and the increased pro-

CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas			Eleventh District†		
		1938	1937	1927-1936 average	1938	1937	1927-1936 average
Corn (all)	Bushels	75,648	72,048	78,002	140,559	131,128	141,034
Wheat (all)	Bushels	35,046	41,690	29,984	97,148	111,281	77,372
Oats	Bushels	36,920	30,432	34,971	66,637	60,008	60,906
Barley	Bushels	2,363	1,766	2,612	6,757	4,541	4,615
Rice	Bushels	13,005	13,000	8,710	33,753	33,680	26,751
Grain sorghums (all)	Bushels	46,951	52,336	49,458	63,744	71,758	67,158
Tame hay (all)	Tons	1,012	831	671	2,921	2,681	2,375
Broomeoru	Pounds	4,400	4,600	2,970	23,100	28,600	24,970
Peanuts (for nuts)	Pounds	133,650	100,760	96,778	157,110	115,785	126,281
Cotton	Bales	3,125	5,154	3,997	4,662	7,507	5,771
Cottonseed	Tons	1,391	2,294	1,780	2,075	3,340	2,569
Potatoes (Irish)	Bushels	2,950	3,456	3,001	8,915	9,292	9,072
Potatoes (sweet)	Bushels	4,350	3,744	4,748	12,750	11,504	12,540
Pecans	Pounds	19,845	27,000	23,380	25,345	40,009	40,227
Oranges	Boxes	2,200	1,440	540	2,200	1,440	540
Grapefruit	Boxes	15,000	11,800	2,410	15,000	11,800	2,410
Fruit*	Bushels	1,495	1,974	1,703	3,506	5,620	4,091

*Apples, peaches and pears.

†Eleventh District figures represent the combined totals for the five states wholly or partially attached to the Eleventh District, i. e., Texas, Louisiana, Oklahoma, New Mexico and Arizona.

SOURCE: United States Department of Agriculture.

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:				Ratio Dec. collections to accounts outstanding Dec. 1	
	Net Sales		Stocks*		Regular	
	Dec., 1938 from Dec., 1937	Nov., 1938	Jan. 1 to Dec. 31, 1938, from 1937	Dec., 1938 from Dec., 1937	Nov., 1938	Installment
Department stores:						
Total 11th Dist.:	- 1.8	+60.2	- 2.6	- 2.0	-23.9	42.1
Dallas:	- 4.5	+51.9	- 4.3	+ 0.9	-20.7	40.5
Fort Worth:	+ 3.0	+89.6	+ 1.1	- 9.5	-23.7	38.3
Houston:	+ 1.3	+48.5	+ 0.3	-10.4	-26.4	44.7
San Antonio:	- 3.2	+57.8	- 1.2	- 2.0	-27.6	46.7
Other cities:	- 1.9	+71.2	- 5.3	+ 1.6	-26.0	41.6
Independent stores:†						
Arizona:	- 0.5	+22.0	.....	.....	.....	.....
Oklahoma:	+ 1.4	+41.5	.....	.....	.....	.....
New Mexico:	+ 0.9	+14.0	.....	.....	.....	.....
Texas:	+ 0.3	+34.8	.....	.....	.....	.....
Wholesale trade:†						
Dry goods:	- 2.6	-34.0	- 9.3	- 8.9	- 4.9	44.0
Groceries:	- 6.2	- 3.1	- 6.0	- 2.3	- 9.7	93.5
Drugs:	+ 5.4	+21.6	+ 0.3	- 8.7	- 8.0	67.9
Hardware:	+13.4	-11.6	- 3.4	- 5.2	- 7.3	64.3
Electrical supplies:	- 1.5	- 1.5	- 9.0	.....	.....	.....
Tobacco & prod's:	+10.1	+ 9.7	+10.5	.....	.....	84.9

*Stocks at close of month. †Compiled by United States Department of Commerce.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	(1923-25 average=100)							
	With seasonal adjustment				Without seasonal adjustment			
	Sales—1938	Dec.—1937	Stocks—1938	Dec.—1937	Sales—1938	Dec.—1937	Stocks—1938	Dec.—1937
Total Eleventh Dist.:	105.1	106.4	66.0	66.1	181.8	184.0	57.4	57.5
Dallas:	116.3	120.6	69.4	68.8	188.1	192.9	61.1	60.5
Fort Worth:	124.8	121.1	65.7	72.4	220.9	214.4	53.9	59.4
Houston:	109.9	98.7	43.8	42.7	180.2	161.9	40.7	39.7
San Antonio:	97.9	99.9	48.9	52.4	151.7	154.8	43.5	46.6

CASH FARM INCOME FROM SALE OF PRINCIPAL FARM PRODUCTS AND GOVERNMENT BENEFIT PAYMENTS

	(In thousands of dollars)					
	November, 1938			Total receipts		
	Receipts from:	Crops	Livestock*	Gov't payments	Nov., 1938	Nov., 1937
Arizona:	\$ 2,185	\$ 3,342	\$ 702	\$ 6,229	\$ 6,906	\$ 43,688
Louisiana:	18,490	2,334	3,346	24,170	24,517	104,867
New Mexico:	2,295	5,859	160	8,314	11,001	37,417
Oklahoma:	8,161	5,939	3,851	17,951	14,107	158,585
Texas:	33,217	18,248	9,890	61,355	59,945	466,656
Total:	\$64,348	\$35,722	\$17,949	\$118,019	\$116,476	\$811,213

*Includes receipts from the sale of livestock and livestock products.

SOURCE: United States Department of Agriculture.

FORT WORTH LIVESTOCK RECEIPTS

	(Number)		Change over year	November 1938	Change over month
	December 1938	December 1937			
Cattle:	50,814	58,903	-8,089	67,097	-16,283
Calves:	33,685	32,716	+ 969	53,226	-19,541
Hogs:	23,491	19,990	+3,501	18,908	+ 4,883
Sheep:	36,265	26,523	+9,742	59,117	-22,852

COMPARATIVE TOP LIVESTOCK PRICES

	(Dollars per hundredweight)		
	December 1938	December 1937	November 1938
Beef steers:	\$9.50	\$8.25	\$9.50
Stocker steers:	8.40	7.10	7.75
Heifers and yearlings:	9.50	8.75	9.50
Butcher cows:	6.25	5.50	5.50
Calves:	8.25	8.00	8.00
Hogs:	7.60	8.10	8.20
Lambs:	7.75	8.25	8.00

duction of dairy and miscellaneous products. On the other hand, income from the sale of crops was lower by about 15 per cent. Although receipts during the forepart of the year were maintained at a level close to that of the preceding year, due to the substantial marketings of products carried over from the 1937 harvest, the year-to-year comparisons were very unfavorable after the middle of 1938. The lower income from the sale of crops, however, was partially counterbalanced by Government benefit payments, which in 1938 were nearly double those in 1937. Total cash farm income, including Government benefit payments, was only about 2 per cent lower during the first eleven months of 1938 than in the same period of 1937.

FINANCE

Total earning assets of the Federal Reserve Bank of Dallas rose \$12,554,000 between December 15 and January 15, and the total on the latter date was \$6,771,000 greater than a year ago. The increase over the month was due to an expansion in investments occasioned by a redistribution of the System's holdings of United States Government obligations among the Reserve banks. Discounts for member banks were in small volume throughout the past year. The seasonal peak was reached late in August at only \$689,000 and subsequent liquidation reduced the total of outstanding loans to \$24,000 at the end of the year. Industrial advances showed a slight increase during the month ended January 15, 1939, after having declined moderately from month to month throughout most of 1938. The amount of Federal Reserve notes in actual circulation during 1938 was at a lower level than in 1937, due in part to an expansion in the circulation of United States Treasury currency. The return flow of Federal Reserve notes from circulation following the Christmas holiday was smaller than is usual at this season but total circulation on January 15, 1939, was still \$4,270,000 less than a year earlier.

The reserve balances of member banks, which had risen to an all-time high level at the close of 1937, declined sharply in the first four months of 1938. Although these balances increased somewhat in subsequent months, the total at the end of the year was substantially lower than a year earlier. Excess reserves increased considerably at the middle of April following the reduction in reserve requirements and then fluctuated around the \$50,000,000 level during the remainder of the year.

Total loans and investments of weekly reporting member banks in leading cities of the Eleventh District, after having declined substantially in the first five months of 1938,

showed an almost uninterrupted increase during the remainder of the year. In the closing weeks of the year the total reached the highest level of record and at the year-end was

CONDITION OF THE FEDERAL RESERVE BANK
(In thousands of dollars)

	Jan. 15, 1939	Jan. 15, 1938	Dec. 15, 1938
Total cash reserves	\$210,032	\$197,734	\$214,310
Discounts for member banks	26	132	62
Industrial advances	771	941	737
Bills bought in the open market	16	16	16
United States Government securities	106,814	99,767	94,258
Total earning assets	107,627	100,856	95,073
Member bank reserve deposits	184,579	191,456	174,873
Federal Reserve notes in actual circulation	78,741	83,011	81,461
Commitments to make industrial advances	46	269	50

CONDITION STATISTICS OF MEMBER BANKS IN LEADING CITIES
(In thousands of dollars)

	Jan. 11, 1939	Jan. 15, 1938	Dec. 14, 1938
Total loans and investments	\$522,092	\$496,169	\$530,540
Total loans	242,485	241,805	244,544
Commercial, industrial and agricultural loans	159,079	154,228	160,487
Open market paper	967	2,663	1,215
Loans to brokers and dealers in securities	2,949	2,905	2,568
Other loans for purchasing or carrying securities	13,239	14,906	13,406
Real estate loans	20,003	20,438	20,616
Loans to banks	208	162	193
All other loans	46,040	46,503	46,059
United States Government direct obligations	179,806	174,610	188,189
Obligations fully guaranteed by United States Govt.	43,395	29,440	42,286
Other securities	56,406	50,314	55,521
Reserves with Federal Reserve Bank	115,258	117,320	108,973
Balances with domestic banks	218,641	170,146	222,935
Demand deposits—adjusted*	426,058	396,672	427,826
Time deposits	133,466	128,231	132,662
United States Government deposits	35,892	21,820	30,997
Interbank deposits	208,785	181,590	218,824
Borrowings from Federal Reserve Bank	None	None	None

*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS
(Average of daily figures—in thousands of dollars)

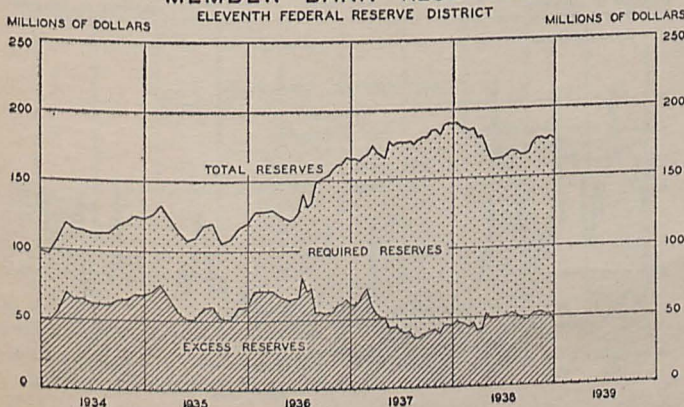
	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
December, 1938	\$1,108,410	\$200,898	\$632,243	\$110,280	\$476,167	\$90,618
December, 1937	1,117,735	211,810	607,769	118,993	509,966	94,817
August, 1938	1,092,082	222,104	617,125	123,057	474,957	90,047
September, 1938	1,112,496	222,693	631,147	122,954	481,340	90,739
October, 1938	1,157,991	224,045	655,665	124,155	502,326	90,890
November, 1938	1,188,469	222,920	667,021	122,980	521,448	90,940
December, 1938	1,189,670	223,336	665,072	123,655	524,598	99,651

DEBITS TO INDIVIDUAL ACCOUNTS
(In thousands of dollars)

City	December 1938	Pctg. change from		Total year		Pctg. change from 1937
		December 1937	November 1938	1938	1937	
Abilene	\$ 9,848	+ 8.7	+ 6.0	\$ 102,285	\$ 109,182	+ 6.3
Austin	35,348	+ 3.8	+13.3	377,427	358,370	+ 5.3
Beaumont	25,493	+ 4.8	+14.0	278,960	307,455	+ 9.3
Corsicana	3,871	+ 1.9	+20.6	39,186	43,954	+10.8
Dallas	287,065	+ 2.3	+27.1	2,824,286	3,068,656	+ 8.0
El Paso	32,566	+ 1.8	+ 9.7	317,877	335,721	+ 5.5
Fort Worth	97,241	+ 7.9	+21.4	974,451	1,096,269	+11.1
Galveston	30,746	+ 8.8	+16.7	321,473	356,088	+ 9.7
Houston	254,688	+ 2.7	+20.7	2,533,651	2,667,184	+ 5.0
Port Arthur	9,870	+ 4.2	+10.5	106,031	112,445	+ 3.0
Roswell	5,681	+31.2	+14.6	51,953	43,426	+19.6
San Antonio	74,706	+ 1.1	+18.0	787,403	835,402	+ 5.7
Shreveport	54,184	+ 1.0	+34.3	524,169	571,164	+ 8.2
Texarkana*	8,771	+ 4.1	+ 7.0	86,440	98,569	+12.3
Tucson	12,695	+ 1.1	+ 7.0	134,987	143,144	+ 5.7
Tyler	13,303	+13.3	+25.5	142,865	175,385	+18.5
Waco	16,999	+ 3.6	+27.3	158,635	177,311	+10.5
Wichita Falls	17,557	+ 6.8	+20.6	193,273	190,704	+ 1.3
Total	\$990,632	- 1.2	+21.6	\$9,957,852	\$10,690,459	+ 6.9

*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District.

MEMBER BANK RESERVES

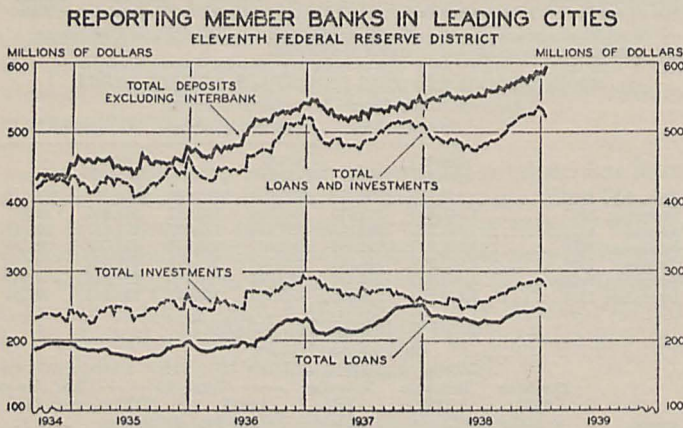


SAVINGS DEPOSITS

City	Number of reporting banks	December 31, 1938		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Dec. 31, 1937	Nov. 30, 1938
Beaumont	3	9,782	\$ 3,929,112	+ 5.3	+ 2.5
Dallas	8	88,624	27,145,339	+ 2.8	+ 1.6
El Paso	2	16,496	8,077,594	+ 2.9	+ 1.9
Fort Worth	3	38,790	13,674,584	+ 4.1	+ 1.4
Galveston	4	18,456	11,927,007	+ 6.8	+ .8
Houston	10	72,551	29,066,974	+ 3.2	+ .9
Port Arthur	2	6,147	2,802,858	+16.9	+ 1.5
San Antonio	5	24,818	18,907,515	+10.1	+ 2.1
Shreveport	3	24,665	11,482,601	+ 3.9	0.0
Waco	3	8,319	4,451,125	+ 3.3	+ 5.7
Wichita Falls	3	7,380	3,850,836	+12.8	+ 1.0
All other	70	58,581	20,045,945	+ 3.2	+ .4
Total	116	374,609	\$165,481,490	+ 4.2	+ .9

\$26,000,000 above that at the close of 1937. The principal factor in the expansion was the increase by these reporting banks of \$45,000,000 in investments during the last eight months of the year which raised the total to about the level prevailing at the end of 1936. Loans increased seasonally in the last four months of the year but the year-end total was about \$6,500,000 lower than a year earlier. It is significant, however, that commercial, industrial and agricultural loans were slightly higher than at the close of 1937; whereas, all other classes of loans were lower. During the first two weeks of 1939, there was a decline in both loans and investments.

Following a seasonal decline during the first quarter of 1938, total deposits at reporting banks rose sharply in subsequent months and on December 14 were at a record high level. Although the usual year-end decline occurred in the final two weeks of December, deposits at the close of 1938 were \$67,000,000 greater than a year earlier. All classes of deposits participated in the increase over the year but major increases occurred in adjusted demand and interbank deposits. Despite the sharp increase in deposits the reserve balances maintained by these banks with the Federal Reserve Bank were reduced slightly during the year; whereas, their balances with other domestic banks were increased \$47,000,000.



Gross deposits at all member banks in the district during 1938 followed the same general trend as those at weekly reporting member banks. The daily average of combined gross demand and time deposits rose to a record total of \$1,413,000,000 in December which was about \$83,500,000 larger than in the final month of 1937.

Debts to individual accounts at banks in eighteen cities of the Eleventh District showed a decline of 7 per cent as compared with 1937, but were larger than in any other year since 1930. During the first seven months of the year the decrease from the preceding year became larger in each succeeding month. After July, however, there was a narrowing of the spread between debts in the two years and by December the decrease from the corresponding month of the preceding year was only about 1 per cent, the smallest recorded during the year.

INDUSTRY

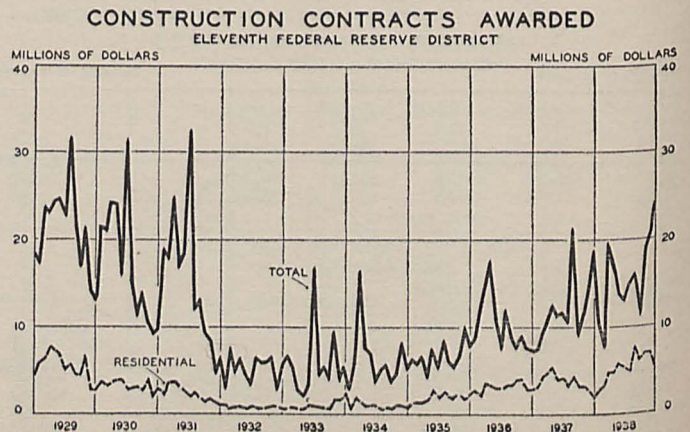
Construction activity in the Eleventh District continued to expand in December, the aggregate value of contracts awarded being 13 per cent above that in November, and 25 per cent greater than in December last year. Activity in all classes of construction work was maintained at a compar-

tively high level, but the increase over both the preceding month and the corresponding month last year was due chiefly to a sharp expansion in awards for public utility projects.

During 1938 construction activity in this district was an important sustaining factor in business generally. The aggregate value of contracts awarded was 24 per cent greater than in 1937 and the highest for any year since 1930. Although the year's volume was augmented considerably by a large number of publicly-financed projects, this expansion was accompanied by an increase in awards for privately-financed construction. The outstanding development in the building industry during 1938 was the sharp increase in residential construction, which, on a seasonally adjusted basis, rose steadily throughout the year; the total for the year was 41 per cent in excess of that in 1937 and was nearly as large as the 1929 volume. The major portion of residential building represented the construction of privately-financed single-family dwellings. Home construction generally, however, was greatly stimulated during the year by the attractive financing arrangements made available through the Federal Housing Administration and the lower construction costs. Non-residential construction during 1938 exceeded that of a year earlier by about 8 per cent, reflecting increases in commercial, educational and public buildings. Public utility construction continued in relatively small volume, but the expansion in December more than offset earlier declines, with the result that the total for 1938 was approximately 9 per cent greater than in 1937. Public works construction during the past year was about one-third larger than in 1937, due chiefly to heavy awards for the construction of streets and highways.

The valuation of building permits issued at fourteen principal cities in the Eleventh District during 1938 rose to the highest level since 1929. The aggregate value, which amounted to approximately \$75,000,000, was about one-fifth larger than the 1937 total. Although ten of the reporting cities showed increases in the value of permits issued as compared with 1937, the sharp expansion in building activity at Houston, Texas, was responsible for about 50 per cent of the gain shown for all reporting cities.

The heavy volume of construction was reflected in the operations of allied industries. Production of cement at Texas mills during the first eleven months of 1938 was about the same as in the corresponding period of 1937, but the demand for this product, as measured by shipments, exceeded production with the result that mills were able to reduce stocks to a level considerably lower than a year ago. Al-



though production and shipments of lumber from mills were apparently smaller than in the preceding year, there was a noticeable improvement in demand during the last half of the year. This expansion in demand enabled mills to reduce the heavy volume of inventories accumulated earlier and to increase production schedules.

Daily average production of crude oil in both the Eleventh District and the United States reflected a moderate decline from November to December, due almost entirely to more conservative production schedules in Texas. Output was also about 4 per cent smaller than in December, 1937. Refinery operations in the United States showed a further decline during December, and they were approximately 3 per cent less than in the corresponding month last year.

Physical operations in the petroleum industry during 1938 were below the record levels established in the preceding year, but were higher than in any year prior to 1937. Production of crude oil in the United States was about 5 per cent less than in 1937; refinery operations showed a decline of 2 per cent; and well completions were 17 per cent smaller. Comparisons for the Eleventh District were similar to those for the United States. The domestic use and exports of crude oil exceeded production and imports during 1938, with the result that withdrawals from storage reduced year-end stocks to the lowest level in 17 years. Despite extensive drilling activity, which augmented the potential output of crude oil, production was held down during the past year by the conservative proration schedules maintained in some of the

major producing states. This was particularly true in Texas where production was restricted to either a five- or six-day week during most of the year. The total demand for motor fuel in 1938 was slightly larger than in 1937, the increase being due chiefly to the expansion in exports as domestic consumption showed little change. The demand for fuel oil was considerably below that in the preceding year, reflecting the lower level of industrial activity prevailing during the greater part of 1938.

The petroleum industry entered 1938 with unusually heavy stocks of refined products as a result of excessive operations in the preceding year. In the spring of 1938 inventories of gasoline reached an all-time peak, and supplies of gas and fuel oil, which declined much less than seasonally during the winter of 1937-1938, rose steadily throughout most of the year, establishing a new high level in each succeeding week from March to the middle of November. The heavy seasonal demand for motor fuel during the past summer, together with restricted refinery operations caused a substantial reduction in supplies of gasoline, and the increase in stocks during the last quarter of the year was smaller than is usual during that period. In consequence, year-end inventories were lower than a year earlier. Although supplies of gas and fuel oil were reduced considerably in the last six weeks of 1938, year-end stocks were almost one-fourth larger than at the close of 1937.

The downward trend in the value of refined products which set in during the latter part of 1937 continued during most of 1938. Posted prices for crude petroleum, except in a few fields, remained unchanged until October when they were reduced about 20 per cent. Trade reports indicate that

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	December 1938	December 1937	November 1938	Total year	
	1938	1937	1938	1938	1937
Eleventh District—total...	\$ 23,816	\$ 19,007	\$ 21,034	\$ 187,523	\$ 151,660
Residential.....	5,527	2,185	6,999	65,739	48,638
All other.....	18,289	16,822	14,035	121,784	105,022
United States*—total.....	359,439	209,450	301,679	3,200,262	2,913,060
Residential.....	91,539	43,479	95,253	985,787	905,293
All other.....	297,900	165,971	206,426	2,214,475	2,007,767

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	December, 1938		Percentage change valuation from		Total 1938		Percentage change valuation from 1937	
	No.	Valuation	Dec., 1937	Nov., 1938	No.	Valuation	1937	1937
Amarillo.....	47	\$1,058,364	↑	+183.5	579	\$ 3,215,399	+172.9	
Austin.....	146	703,083	+374.4	+36.5	2,412	6,164,275	+59.4	
Beaumont.....	83	72,376	-83.0	+3.2	1,528	1,262,566	-12.6	
Corpus Christi.....	69	157,910	-78.5	-67.9	1,523	3,079,468	-19.8	
Dallas.....	469	1,325,040	+51.0	+14.1	7,725	12,351,751	+7.7	
El Paso.....	48	138,662	-10.5	+57.3	946	1,753,404	+11.0	
Fort Worth.....	191	585,564	+47.1	+107.0	2,638	5,723,695	-14.7	
Galveston.....	100	391,556	-16.9	+47.1	1,830	2,820,063	-29.5	
Houston.....	338	1,515,398	-3.1	-9.8	5,458	25,044,048	+34.0	
Port Arthur.....	84	113,475	+199.3	+65.1	1,585	1,510,214	+68.4	
San Antonio.....	222	409,078	9.0	+117.4	3,245	4,676,681	+3.1	
Shreveport.....	103	267,912	+151.0	-26.6	1,717	4,709,611	+65.2	
Waco.....	30	85,200	+321.2	-14.2	603	1,445,423	+23.4	
Wichita Falls.....	39	330,468	↑	+297.7	618	1,228,903	+292.5	
Total.....	1,969	\$7,160,086	+32.3	+24.9	32,407	\$74,985,501	+19.9	

*Includes Highland Park and University Park. †Increase over one thousand per cent.

CRUDE OIL PRODUCTION

(Barrels)

	December, 1938		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Dec., 1937	Nov., 1938
North Texas.....	4,360,750	140,669	-3,665	+229
West Texas.....	7,384,000	238,193	+13,359	-6,965
East Texas.....	14,937,250	481,847	-58,571	-7,026
South Texas.....	7,354,100	237,229	-8,040	+1,346
Texas Coastal.....	6,709,750	216,444	+22,623	-2,170
Total Texas.....	40,745,850	1,314,382	-34,294	-14,586
New Mexico.....	3,076,650	99,247	-8,093	-7,841
North Louisiana.....	2,192,350	70,721	-4,842	-1,309
Total District.....	46,014,850	1,484,350	-47,229	-23,736

SOURCE: The Oil Weekly, Houston, Texas.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to December 31		August 1 to December 31	
	This season	Last season	This season	Last season
Cottonseed received at mills (tons).....	914,908	1,455,079	3,648,458	5,242,405
Cottonseed crushed (tons).....	717,014	1,042,861	2,628,164	3,612,784
Cottonseed on hand Dec. 31 (tons).....	379,967	435,090	1,352,904	1,671,696
Production of products:				
Crude oil (pounds).....	206,850,956	301,322,266	808,824,827	1,092,903,305
Cake and meal (tons).....	331,797	482,390	1,173,073	1,605,813
Hulls (tons).....	190,810	272,046	680,974	923,756
Linters (running bales).....	155,260	213,288	636,807	820,019
Stocks on hand Dec. 31:				
Crude oil (pounds).....	36,460,711	25,173,083	103,825,625	82,661,646
Cake and meal (tons).....	94,946	74,022	313,348	194,224
Hulls (tons).....	79,749	53,406	180,279	122,490
Linters (running bales).....	131,635	102,358	535,258	399,217

SOURCE: Bureau of Census.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON

	(Bales)			
	December 1938	December 1937	November 1938	August 1 to December 31 This season
Consumption at:				
Texas Mills.....	8,991	9,517	9,887	51,377
United States Mills.....	565,307	432,328	596,289	2,799,817
U.S. stocks—end of month:				
In consuming estab'nts.....	1,697,089	1,714,596	1,714,264	.....
Public stg. & compresses.....	15,331,332	11,891,409	15,577,526	.....
Exports from U. S. to:				
United Kingdom.....	49,530	244,443	71,963	242,291
France.....	32,229	126,113	65,190	273,093
Italy.....	36,807	61,641	33,475	151,114
Germany.....	24,910	105,221	33,956	169,032
Other Europe.....	72,199	99,375	105,664	425,196
Japan.....	109,449	36,014	120,956	454,009
All other countries.....	35,902	78,194	49,584	181,019
Total exports.....	361,026	751,001	480,788	1,895,754

RECEIPTS, EXPORTS, AND STOCKS OF COTTON AT THE PORTS OF HOUSTON AND GALVESTON—(Bales)

	December 1938		December 1937	
	1938	1937	1938	1937
Receipts.....	172,730	393,768	289,006	1,708,697
Exports.....	303,740	381,144	274,506	1,231,761
Stocks, end of month.....	1,694,331	1,772,857	1,826,939	.....

the undertone of the gasoline market at the close of the year was weak and that crude oil from some areas was being purchased at less than the regular posted prices.

Cotton mill activity in the United States declined less than seasonally from November to December with the result that the adjusted index of cotton consumption, computed by the Board of Governors of the Federal Reserve System, rose further to 120 per cent of the 1923-1925 average. At this level mill activity was above that for any other month since September, 1937. As compared with December last year consumption was 31 per cent larger. There were 565,307 bales consumed during the month, which compares with 596,289 bales in November, and 432,328 bales in December, 1937. Cotton consumption during the first five months of the current season totaled 2,799,817 bales which represents an increase of 6 per cent over that in the corresponding period last season. Mills reduced their purchases of raw cotton during December, and as a consequence year-end stocks at consuming establishments showed a counter-to-seasonal decline

from the preceding month and were 1 per cent less than at the close of 1937.

The rate of cotton consumption at mills in Texas during the current season has been in close conformity with that in the United States, total consumption being 5 per cent larger than in the first five months of the 1937-1938 season.

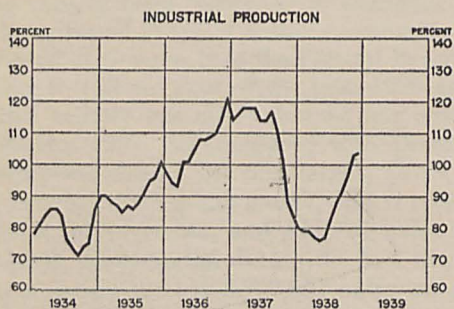
On a seasonally adjusted basis exports of cotton from the United States continued at the lowest level in years. Shipments during December totaled only 361,026 bales which is one-fourth smaller than a month earlier and less than one-half that in December, 1937. During the first five months of the current season, exports were 41 per cent lower than in the same period of the preceding season. The sharp decline in exports during the current season is attributable to a reduction in stocks of American cotton held abroad, the increase in the proportion of foreign grown cotton utilized by mills outside the United States, and the poor demand for cotton textile products in several of the major cotton consuming countries.

MONTHLY BUSINESS REVIEW

FEBRUARY 1, 1939

NATIONAL SUMMARY OF BUSINESS CONDITIONS

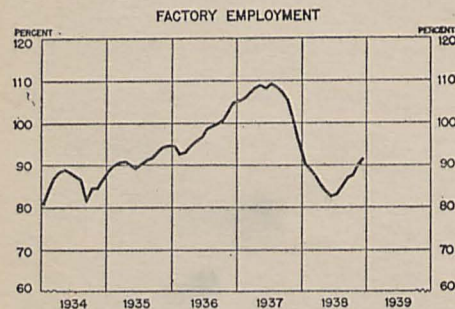
(Compiled by the Board of Governors of the Federal Reserve System)



Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to December, 1938.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending January 14, 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to December, 1938.



Wednesday figures of estimated excess reserves for all member banks and for selected New York City banks, January 3, 1934 to January 18, 1939.

Volume of industrial production declined seasonally in December and showed little change in the first three weeks of January, when an increase is usual. Wholesale commodity prices were steady. Employment and payrolls increased further in December, and retail sales showed more than the usual seasonal rise.

PRODUCTION

In December volume of industrial production declined by about the usual seasonal amount and the Board's adjusted index was at 104 per cent of the 1923-1925 average, which is about the level reached in November following an exceptionally rapid advance after the middle of the year. Changes in output in most lines in December were largely seasonal. In the steel industry, however, production showed a greater than seasonal decline, and averaged 54 per cent of capacity in December as compared with 61 per cent in November. Lumber production showed little change from November to December, although usually there is a decline, and at textile mills and shoe factories activity declined less than seasonally. At meat-packing establishments there was a reduction in output.

Automobile production increased somewhat further in December. In the fourth quarter of 1938 production and sales of the new model cars were in about the same volume as in 1937. Dealers' stocks of new cars increased seasonally in this period but at the year-end were much below the high level of a year earlier.

Value of construction contracts awarded increased considerably from November to December, according to F. W. Dodge Corporation figures for 37 eastern states. The increase reflected principally a further rise in contracts awarded for Public Works Administration projects, which accounted for most of the sharp increase in awards that occurred in the last half of 1938. Contracts for private residential building decreased less than seasonally in December, while other private construction showed little change and remained at a low level.

EMPLOYMENT

Employment and payrolls rose further between the middle of November and the middle of December. In most manufacturing lines the number employed continued to increase, when allowance is made for the usual seasonal changes, and in the automobile and machinery industries the rise was considerable. Employment and payrolls in trade increased more than is usual in the holiday season, and in the construction industry employment showed much less than the usual seasonal decline.

DISTRIBUTION

Distribution of commodities increased more than seasonally in December. Sales at department stores showed the usual sharp expansion prior to Christmas and sales at variety stores and mail-order sales showed a more than seasonal rise.

Freight-car loadings declined seasonally from November to December, reflecting largely the customary decrease at this time of year in shipments of miscellaneous freight.

BANK CREDIT

As the result of the post-holiday return of money from circulation, together with Treasury disbursements from its balances with the Reserve banks, and gold imports, excess reserves of member banks increased nearly \$600,000,000 in the four weeks ending January 18 to a new high level of \$3,560,000,000. A large part of the increase occurred at New York City banks.

Total loans and investments of reporting member banks in 101 leading cities, which increased substantially in the first three weeks of December, declined in the following four weeks. There was some decline in loans and a reduction in holdings of United States Government obligations, reflecting in part distribution to the public of new securities purchased by banks in December. Deposits declined somewhat in the latter part of December but increased in January.

MONEY RATES AND BOND YIELDS

Average yields on United States Government securities declined slightly in December and the first three weeks of January. For three consecutive weeks the entire new issue of 91-day Treasury bills sold on or slightly above a no-yield basis. Commercial paper rates declined slightly in January while other open-market money rates continued unchanged.