

# Monthly Business Review

OF THE FEDERAL RESERVE BANK OF DALLAS

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## DISTRICT SUMMARY

Business and industry in the Eleventh District showed some improvement during January, after allowance is made for customary seasonal changes. Sales at department stores in principal cities declined less than seasonally from December to January and were nearly as large as a year ago. Sales at independent retail firms were about the same as those in January last year. The value of construction contracts awarded, although one-fourth smaller than the large volume in the preceding month, showed a gain of 73 per cent over January last year. Petroleum production was moderately lower than a year ago. Agricultural and livestock conditions showed a marked improvement following the heavy, general rains which broke the prolonged drouth.

### BUSINESS

Consumer buying at department stores in principal cities of the Eleventh District, which was stimulated by widespread price-reduction sales, was in large volume during January. Sales at reporting firms declined by an amount that was considerably smaller than is usual from December to January, and were only fractionally lower than in January, 1938. The fact that sales this January were nearly as large as a year ago is significant, as business in January, 1938, after allowance for average seasonal changes, was at the highest level since 1929. Preliminary reports from a smaller number of firms indicate that business during the first half of February was moderately lower than in the corresponding period of 1938.

Inventories at reporting firms were reduced further by 2.9 per cent during January, but the aggregate value of stocks on January 31 was 1 per cent higher than on that date last year, due to the larger inventories held by firms located in Dallas. The ratio of collections in January to accounts outstanding at the beginning of the month was seasonally smaller than a month earlier, but about equal to that of a year ago.

The distribution of merchandise through wholesale channels in this district, as measured by sales of reporting firms in eight lines of trade, declined about 3 per cent from December to January, reflecting in part a seasonal decrease in the demand for drugs, tobacco and electrical goods. Buying of dry goods, hardware, and machinery and equipment showed a substantial expansion over the preceding month. The combined sales of reporting firms were fractionally higher than in January last year, which is the first year-to-year increase recorded in more than a year. The increase over the corresponding month last year resulted from the larger sales of dry goods, hardware and tobacco products, which more than counterbalanced the smaller volume of business in other lines. Although stocks of merchandise at reporting firms were increased considerably during January, the total at the close of the month was smaller than on that date in 1938. It should be recalled, however, that stocks in some lines were still at a comparatively high level at the end of January last year. Collections declined seasonally during January but were about 2 per cent larger than a year earlier.

The number of commercial failures in the Eleventh District during January was more than double that in Decem-

ber, and the average indebtedness of defaulting firms was three and one-half times greater. According to Dun and Bradstreet there were 35 insolvencies during the month with liabilities totaling \$754,000. The latter figure is the largest reported for any month in more than three years.

### AGRICULTURE

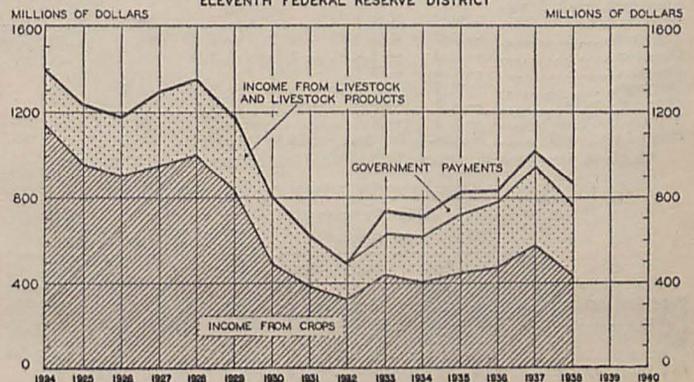
Conditions in the agricultural and livestock industries of the Eleventh District showed much improvement during January, as a result of the widespread rains which relieved the severe drouth that had prevailed in most areas during the latter part of 1938. A good supply of surface moisture is now available in virtually all areas, but in some sections subsoil moisture is still inadequate. Additional rainfall in these areas would be very beneficial. Since the rains farmers have been able to make rapid progress with the preparation of soil for spring planting.

The improvement in moisture conditions was very helpful to small grain crops. In New Mexico and the northern section of the Texas Panhandle the condition of wheat is reported to be the best in several years. The crop is developing a good root system, and prospects are favorable for good yields. In north and west-central Texas wheat has made favorable progress since the rains, but the crop has not yet fully recovered from the prolonged period of dry weather. In portions of these sections the outlook is still uncertain.

Winter vegetable crops in south Texas, which had been adversely affected earlier in the season by the lack of moisture, showed very good progress in January. The condition of most crops on February 1 compared favorably with that a year earlier and the ten-year average for that date. Weather conditions have been favorable for the strawberry crop, and shipments in carload lots are expected to begin early in March. Soil conditions are promising for early planting of spring vegetable crops. The indicated production of oranges in Texas was increased 200,000 boxes on February 1 to a total of 2,400,000 boxes. The estimated production of grapefruit remained unchanged. Carlot shipments of fruits and vegetables from south Texas thus far this season have averaged 12 per cent greater than in the corresponding period last season.

Reflecting the betterment in moisture conditions, livestock ranges in virtually all sections of the Eleventh District showed much improvement in January, and they are now in about average condition. The January rains stimulated the

CASH FARM INCOME  
ELEVENTH FEDERAL RESERVE DISTRICT



growth of weeds and grasses, replenished the supply of stock water, and provided most areas with ample surface moisture. In some sections, however, there is still a deficiency in sub-soil moisture. The Department of Agriculture reported that prospects for spring ranges in this district are considered to be better than average. The mild, open weather and the betterment in range conditions have been favorable to livestock. Losses have been light, and animals were in about average flesh on February 1. Small grains afforded comparatively little grazing prior to the rains with the result that supplemental feeding was necessary in many areas. In Texas the condition of ewes and the progress of early lambs are only fair due to the lack of new feed in many areas. The supply of early grass-fat cattle available for marketing is expected to be smaller than a year ago.

The broad demand for cattle and calves, which had prevailed during the latter part of 1938, was well sustained during January at the Fort Worth livestock market. This demand combined with comparatively light receipts resulted in stronger prices, with some sales bringing the highest price of the current marketing season. During the last half of January beef cattle were selling at prices that averaged about 15 per cent higher than a year ago. In the first two weeks of February the market for cattle declined slightly; whereas, hog prices increased somewhat from the low level prevailing in January. The market for lambs was uneven at times, but prices, which averaged about 10 per cent higher than a year earlier, showed little net change during the first six weeks of the year.

Cash farm income in this district declined more than seasonally from November to December, and the total was 20 per cent lower than in December, 1937. The decrease resulted in considerable part from the sharp decline in receipts from the sale of cotton.

The latest estimate by the Department of Agriculture on cash farm income during 1938 in the five states attached to the Eleventh District shows a less favorable comparison with the preceding year than was indicated earlier. The difference was occasioned by a substantial upward revision in the estimated income in 1937 rather than a reduction in the esti-

mate for 1938. Income from the sale of farm crops during 1938 totaled \$438,000,000, which represents a decline of 25 per cent from the revised estimate for 1937; about two-thirds of this reduction is accounted for by the decline in receipts from the marketings of cotton and cottonseed. Receipts from the sale of livestock and livestock products, which according to earlier estimates, had been maintained at about the record volume of 1937, showed a decline of 13 per cent on the basis of the revised report. Notwithstanding this decline, income from these sources continued at a high level, being considerably greater than the 1928-1937 average. Government benefit payments rose to \$113,000,000 during the past year, which was nearly double the amount received by farmers in 1937. Despite the increase in Government payments, however, total farm income, which aggregated \$878,000,000, was still 14 per cent less than the revised estimate of \$1,021,000,000 for 1937.

## FINANCE

Reserve balances maintained by member banks with the Federal Reserve Bank of Dallas rose considerably in January when reserve city banks shifted a substantial amount of idle funds to the Reserve bank. The expansion in actual reserves was greater than the increase in required reserves resulting from the rise in deposits at member banks, and in consequence excess reserves rose to the highest level since March, 1937. Although excess reserves declined moderately during the first half of February, they were still somewhat

## CASH FARM INCOME IN TEXAS AND THE ELEVENTH DISTRICT

(In thousands of dollars)

Source	Texas		Eleventh District*	
	1938	1937	1938	1937
Cotton.....	\$134,118	\$212,433	\$214,660	\$ 296,126
Cottonseed.....	21,283	32,092	32,842	45,955
All grains†.....	36,355	55,142	93,376	125,034
Corn.....	4,302	6,025	7,726	8,514
Wheat.....	18,837	33,944	55,851	83,702
All vegetables‡.....	15,121	21,282	34,997	45,199
Irish potatoes.....	967	2,846	3,338	6,510
Truck crops.....	13,119	17,480	27,537	34,275
Fruits and nuts.....	11,174	12,280	19,051	23,748
Total all crops.....	\$230,057	\$345,075	\$437,855	\$ 581,952
Livestock§.....	189,638	218,105	328,823	376,743
Government payments.....	68,814	36,010	113,245	62,114
Total farm income.....	\$488,509	\$599,190	\$877,923	\$1,020,809

\*Eleventh District figures represent combined total for the five states wholly or partially attached to Eleventh District. †Includes corn, wheat, oats, barley, rice, grain sorghums and popcorn. ‡Includes Irish and sweet potatoes and truck crops. §Includes receipts from sale of livestock and livestock products.

SOURCE: United States Department of Agriculture.

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

(In thousands of dollars)

	December, 1938		Total receipts	
	Receipts from: Crops	Government Livestock* payments	December 1938	December 1937
Arizona.....	4,557	2,182	159	6,898
Louisiana.....	7,246	3,813	1,373	12,432
New Mexico.....	1,304	3,177	62	4,543
Oklahoma.....	4,621	5,466	766	10,853
Texas.....	9,491	17,639	4,049	31,109
Total.....	27,149	32,277	6,409	65,835

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

SOURCE: United States Department of Agriculture.

## FORT WORTH LIVESTOCK RECEIPTS

(Number)

	January 1939	January 1938	Change over year	December 1938	Change over month
Cattle.....	48,488	53,550	- 5,062	50,814	- 2,326
Calves.....	28,303	26,716	+ 1,647	33,685	- 5,322
Hogs.....	31,035	27,619	+ 3,416	23,491	+ 7,544
Sheep.....	40,229	34,587	+11,642	36,265	+ 9,964

## COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundredweight)

	January 1939	January 1938	December 1938
Beef steers.....	\$10.40	\$7.85	\$9.50
Stocking steers.....	8.75	7.25	8.40
Heifers and yearlings.....	10.25	8.00	9.50
Butcher cows.....	6.75	5.35	6.25
Calves.....	9.00	7.60	8.25
Hogs.....	7.60	8.50	7.60
Lambs.....	8.25	7.60	7.75

## WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:				Ratio Jan. collections to accounts outstanding Jan. 1	
	Net Sales		Stocks*		Regular	Installment
	Jan., 1939 from Jan., 1938	Dec., 1938	Jan., 1939 from Jan., 1938	Dec., 1938		
<b>Retail trade:</b>						
<b>Department stores:</b>						
Total 11th Dist.....	- 1.0	-53.6	+ 1.3	- 2.9	40.8	14.7
Dallas.....	- .1	-50.3	+ 7.0	- 3.3	39.2	17.0
Fort Worth.....	+ 1.1	-64.6	- 6.6	-10.2	37.7	9.5
Houston.....	+ .8	-52.1	- 4.0	-11.9	40.1	.....
San Antonio.....	- 6.7	-47.8	- .1	+15.0	45.1	12.4
Other cities.....	- .5	-56.9	- 1.0	- 3.0	43.7	17.5
<b>Independent stores:†</b>						
Arizona.....	+ 3.6	-21.6	.....	.....	.....	.....
Oklahoma.....	- 2.7	-42.8	.....	.....	.....	.....
New Mexico.....	+ 1.5	-25.4	.....	.....	.....	.....
Texas.....	0.0	-39.9	.....	.....	.....	.....
<b>Wholesale trade:‡</b>						
Machinery, eqpt & supplies (except electrical).....	-34.5	+25.9	.....	.....	23.4	.....
Dry goods.....	+13.7	+51.1	-12.5	+26.8	36.0	.....
Groceries.....	- 2.4	- 1.6	- 2.4	+ 4.8	94.7	.....
Drugs.....	- 1.5	-23.6	- 5.9	- .4	72.6	.....
Hardware.....	+21.7	+ 9.3	- 2.8	+ 8.9	66.7	.....
Electrical supplies.....	- 4.3	-28.3	-24.8	+20.1	.....	.....
Tobacco and products.....	+ 6.9	-27.1	.....	.....	85.1	.....
Surgical equipment.....	No chg.	No chg.	+24.0	+ 6.9	51.0	.....

\*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—Jan. 1939	Jan. 1938	Stocks—Jan. 1939	Jan. 1938	Sales—Jan. 1939	Jan. 1938	Stocks—Jan. 1939	Jan. 1938
Total Eleventh Dist..	113.9	113.8	65.2	63.4	86.6	86.5	56.7	55.2
Dallas.....	108.8	107.7	68.4	63.7	93.6	92.6	59.5	55.4
Fort Worth.....	110.0	108.8	56.3	60.0	81.4	80.5	48.4	51.6
Houston.....	101.0	101.0	47.1	45.3	89.9	89.9	40.5	39.0
San Antonio.....	86.3	92.3	56.6	57.4	78.5	84.0	52.1	52.8

higher than in December. Total earning assets of the Federal Reserve Bank of Dallas showed little change between January 15 and February 15. During the period Federal Reserve notes of this bank in actual circulation evidenced a further seasonal decline of \$1,500,000, and the total at mid-February was \$4,100,000 smaller than on that date last year.

The demand for credit at weekly reporting member banks in leading cities of the Eleventh District has shown a strong resistance to the usual seasonal trend. Although loans ordinarily decline considerably after the first of the year, they have shown a very moderate recession this year. In fact, total loans on February 15 were only \$2,500,000 less than at the close of 1938 and were \$9,600,000 larger than a year earlier. The major portion of the decline occurred in advances for commercial, industrial and agricultural purposes, but the total of these loans on February 15 was \$11,200,000 greater than a year earlier. In contrast with the moderate decline in loans between December 28 and February 15, investment holdings of reporting banks showed the sharpest decline for any similar period in recent years. Although about \$3,700,000 of this decline represented a revision in the method of reporting investments, the remainder of the reduction resulted principally from the liquidation of direct obligations of the United States Government. Holdings of these securities by reporting banks are now at the lowest level since March, 1936. Total investments were reduced \$26,400,000 during the six-week period, which counterbalances nearly 60 per cent of the expansion in investments that occurred during the last eight months of 1938. Despite this sharp decline, however, investment holdings on February 15 were still \$8,600,000 greater than a year ago. Total loans and investments on February 15 were about \$29,000,000 less than at the beginning of the year, but they were \$18,200,000 greater than a year ago.

Reflecting chiefly increases in adjusted demand deposits and in interbank balances, total deposits rose \$17,000,000 during the six weeks, and on February 15 they were \$67,600,000 greater than a year earlier. The funds made available to reporting banks through the expansion in deposits and the decline in loans and investments were transferred to their balances with other domestic commercial banks. These balances were increased \$44,300,000 during the six-week period to a level \$50,000,000 greater than a year ago.

INDUSTRY

The value of construction contracts awarded in the Eleventh District during January was about one-fourth lower than in December, but showed a gain of 73 per cent over January last year and was larger than in the corresponding month of any year since 1931. The decline from the preceding month resulted from the smaller volume of awards for non-residential building and for public utility construction. In these classifications the December awards were in unusually large volume, reflecting the letting of contracts on numerous projects involving Public Works Administration loans and grants. Residential building, which had declined moderately in December, increased 13 per cent in January and was 112 per cent larger than in the initial month of 1938. Contracts awarded for public works projects were at a much higher rate than in either the preceding month or the corresponding month a year ago.

The valuation of building permits issued at fifteen principal cities in this district, which had risen sharply from November to December, increased further in January. The total exceeded the heavy December volume by 9 per cent and was 80 per cent greater than in January, 1938. The expansion was general over the district as is indicated by the fact that eleven cities registered increases over the pre-

ceding month and fourteen cities reported gains over January last year.

Daily average production of crude petroleum during January in both the Eleventh District and the United States

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

	Feb. 15, 1939	Feb. 15, 1938	Jan. 15, 1939
Total cash reserves	\$204,187	\$191,745	\$210,032
Discounts for member banks	176	242	26
Other bills discounted	.....	2	.....
Industrial advances	621	930	771
Bills bought in the open market	16	16	16
United States Government securities	106,419	99,768	106,814
Total earning assets	107,232	100,958	107,627
Member bank reserve deposits	178,503	189,585	184,579
Federal Reserve notes in actual circulation	77,208	81,324	78,741
Commitments to make industrial advances	44	269	46

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

	Feb. 15, 1939	Feb. 16, 1938	Jan. 11, 1939
Total loans and investments	\$506,428	\$488,104	\$522,002
Total loans	243,933	234,334	242,485
Commercial, industrial and agricultural loans	160,243	149,023	159,079
Open market paper	.....	2,329	967
Loans to brokers and dealers in securities	2,943	2,436	2,949
Other loans for purchasing or carrying securities	14,462	14,314	13,239
Real estate loans	19,373	20,429	20,003
Loans to banks	224	249	208
All other loans	45,855	45,549	46,404
United States Government direct obligations	161,185	173,411	179,806
Obligations fully guaranteed by United States Govt.	45,089	29,235	43,395
Other securities	56,221	51,214	56,406
Reserves with Federal Reserve Bank	107,938	110,846	115,258
Balances with domestic banks	249,590	199,626	218,841
Demand deposits—adjusted*	400,472	402,230	426,058
Time deposits	134,499	128,961	133,466
United States Government deposits	35,894	20,704	35,892
Interbank deposits	217,170	190,515	208,785
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
January, 1937	.....	\$1,094,826	\$199,824	\$621,186	\$109,726	\$473,640	\$90,098
January, 1938	.....	1,116,242	215,115	608,648	119,174	507,594	95,941
September, 1938	.....	1,112,496	222,693	631,147	122,954	481,349	99,739
October, 1938	.....	1,157,991	224,045	655,665	124,155	502,326	99,890
November, 1938	.....	1,188,469	222,920	667,021	122,980	521,448	99,940
December, 1938	.....	1,189,670	223,336	665,072	123,655	524,598	99,681
January, 1939	.....	1,192,054	223,081	672,652	123,805	519,402	99,876

DEBITS TO INDIVIDUAL ACCOUNTS  
(In thousands of dollars)

	January 1939	January 1938	Pctg. change over year	December 1938	Pctg. change over month
Abilene	\$ 8,571	\$ 8,390	+ 2.2	9,848	-13.0
Austin	31,487	29,006	+ 8.6	35,348	-10.9
Beaumont	23,106	25,674	-10.0	25,493	-9.4
Corsicana	3,477	3,569	- 2.6	3,871	-10.2
Dallas	246,274	256,064	- 3.8	287,065	-14.2
El Paso	30,220	28,169	+ 7.3	32,566	- 7.2
Fort Worth	53,877	95,753	-12.4	97,241	-13.7
Galveston	28,403	28,284	+ .4	30,746	- 7.6
Houston	230,312	219,168	+ 5.1	254,688	- 9.6
Port Arthur	9,266	9,682	- 4.3	9,870	- 6.1
Roswell	4,164	3,456	+20.5	5,681	-26.7
San Antonio	67,880	68,095	- .3	74,706	- 9.1
Shreveport	45,205	49,421	- 8.5	54,184	-16.6
Texarkana*	7,160	7,822	- 8.5	8,771	-18.4
Tucson	11,905	11,978	- .6	12,695	- 6.2
Tyler	12,143	12,940	- 6.2	13,303	- 8.7
Waco	14,177	14,310	- .9	16,999	-16.6
Wichita Falls	14,149	17,795	-20.5	17,557	-19.4
Total	\$871,776	\$889,576	- 2.0	\$900,632	-12.0

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

SAVINGS DEPOSITS

	Number of reporting banks	January 31, 1939		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Jan. 31, 1938	Dec. 31, 1938
Beaumont	3	9,843	\$ 3,890,750	+ 4.1	- 1.0
Dallas	8	89,111	26,842,148	+ 3.3	- 1.1
El Paso	2	16,587	8,141,934	- .8	+ .8
Fort Worth	3	38,879	13,694,891	+ 5.2	- .1
Galveston	4	18,491	11,984,178	+ 6.3	+ .5
Houston	10	73,923	29,440,216	+ 3.4	- .6
Port Arthur	2	6,283	2,863,255	+13.1	+ 1.8
San Antonio	5	24,291	18,894,628	+10.2	- .1
Shreveport	3	25,001	11,459,538	+ 3.2	- .02
Waco	3	8,338	4,681,854	- 3.4	+ 5.2
Wichita Falls	3	7,430	3,828,024	+12.4	- .6
All other	70	60,420	29,428,992	+ 2.4	- .7
Total	116	378,597	\$165,150,408	+ 4.2	- .2

was fractionally smaller than in December, and continued at a rate about 4 per cent lower than a year ago. The utilization of crude oil was in about the same volume as production, and in consequence stocks showed little change during the month. Inventories in the United States on February 4 were only slightly above the 17-year low recorded on December 10, 1938, and were 11 per cent less than on the corresponding date a year earlier. Refinery operations, which had declined in December, reflected an increase of 3 per cent in January and were about 1 per cent higher than a year ago. Despite this expansion, however, gasoline stocks increased at a more moderate rate than in January last year, reflecting a continuance of the strong consumptive demand for motor fuel that had prevailed during the latter part of 1938. At the close of January inventories of gasoline were about 9 per cent less than a year earlier, but 14 per cent higher than on January 31, 1937. Consumption of gas and fuel oil continued in heavy volume during January, with the result that inventories were reduced further to a level substantially below the all-time peak reached at mid-November. The total on February 4, however, was still 16 per cent greater than a year earlier. Well completions in the Eleventh District during the initial month of 1939 were about one-fourth fewer than a year ago; whereas, the decrease for the United States was only 14 per cent. The smaller decline for the country as a whole was due chiefly to the sharp expansion in drilling activity in Illinois, which partially offset the fewer completions in some of the other principal oil producing states.

Domestic consumption of cotton increased by a smaller amount than is usual from December to January but the rate of consumption in the latter month was maintained at a relatively high level, being 37 per cent greater than in January, 1938, and 7 per cent higher than the 1928-1937 average for that month. The Bureau of Census reported that 591,991 bales of cotton were consumed in January, as compared with 565,307 bales in December, and 433,258 bales in January last year. Total consumption during the first half of the current season was 10 per cent greater than in the corresponding period last season. Stocks of raw cotton at

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	January 1939	January 1938	December 1938
Eleventh District—total.....	18,221	10,546	23,816
Residential.....	6,227	2,944	5,527
All other.....	11,994	7,602	18,289
United States*—total.....	251,673	195,472	389,439
Residential.....	80,163	36,207	91,539
All other.....	171,510	159,265	297,900

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

#### BUILDING PERMITS

	January, 1939		Percentage change valuation from	
	Number	Valuation	Jan., 1938	Dec., 1938
Abilene.....	33	\$ 80,130	+196.0	+123.8
Amarillo.....	112	171,940	+223.7	- 83.8
Austin.....	207	842,641	+ 88.2	+ 19.8
Beaumont.....	155	91,807	+ 13.2	+ 26.8
Corpus Christi.....	115	978,697	+372.6	+519.8
Dallas*.....	600	1,475,614	+ 52.8	+ 11.4
El Paso.....	84	240,699	+381.0	+ 73.6
Fort Worth.....	181	332,094	- 53.9	- 43.3
Galveston.....	134	134,772	+ 10.9	- 65.6
Houston.....	433	2,040,375	+ 74.7	+ 34.6
Port Arthur.....	103	138,325	+ 68.0	+ 21.9
San Antonio.....	202	628,194	+157.2	+ 53.6
Shreveport.....	124	323,427	+194.2	+ 20.7
Waco.....	49	302,107	+653.2	+254.6
Wichita Falls.....	25	58,395	+ 54.4	- 82.6
Total.....	2,557	\$7,839,217	+ 80.0	+ 8.9

\*Includes Highland Park and University Park.

consuming establishments declined further during January, and at the close of the month they were 8 per cent lower than a year earlier.

Exports of American cotton continued at a very low level. Shipments during January aggregated only 289,514 bales, which is less than one-half the average for that month, and compares with 361,026 bales in December and 647,481 bales in January last year. During the first six months of the current season shipments of cotton to all principal destinations, except Japan, were substantially lower than in the first half of the 1937-1938 season. Although exports to Japan were about double the small volume in the same period of the preceding season, they were materially lower than in any other similar period in about 15 years. Total exports from the United States thus far this season have averaged 43 per cent below those in the same period of the preceding season, and the rate of shipments is at the lowest level in about sixty years.

Cotton from the 1938 crop continues to be placed in Government loan stocks in substantial amounts. The Commodity Credit Corporation reported that through February 16 loans had been made on 4,274,000 bales of the 1938 crop, with the result that aggregate Government holdings of cotton now exceed 11,200,000 bales, or nearly one year's supply.

According to the data compiled by the *Rayon Organon*, the world's production of rayon rose to a record level of 1,900,000,000 pounds in 1938. This volume is estimated to be roughly equivalent to about 4,000,000 bales of cotton. Rayon production in the United States in 1938 showed a decline of about 20 per cent from that in 1937, but consumption apparently reached a new all-time record.

#### CRUDE OIL PRODUCTION

	January, 1939		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Jan., 1938	Dec., 1938
	North Texas.....	4,477,400	144,432	+ 5,341
West Texas.....	7,385,500	238,242	+14,389	+ 49
East Texas.....	14,648,700	472,539	-35,485	- 9,308
South Texas.....	7,355,950	237,289	+ 7,223	+ 60
Texas Coastal.....	6,665,050	215,002	+21,594	- 1,442
Total Texas.....	40,532,600	1,307,504	-36,938	- 6,878
New Mexico.....	3,059,650	98,698	- 8,412	- 549
North Louisiana.....	2,217,900	71,545	- 7,635	+ 824
Total District.....	45,810,150	1,477,747	-52,985	- 6,603

SOURCE: The Oil Weekly, Houston, Texas.

#### CONSUMPTION, STOCKS AND EXPORTS OF COTTON

	Bales			
	January 1939	January 1938	December 1938	August 1 to January 31 This season    Last season
Consumption at:				
Texas mills.....	10,378	8,737	8,991	61,755    57,841
United States mills.....	591,991	433,258	565,307	3,391,808    3,077,672
U. S. stocks—end of month:				
In consuming estab'ts.....	1,628,593	1,758,696	1,697,089	.....
Public stg. & compresses.....	14,782,233	11,815,365	15,331,332	.....
Exports from U. S. to:				
United Kingdom.....	41,465	206,884	49,530	285,458    1,195,120
France.....	20,741	76,144	32,229	293,834    614,813
Italy.....	22,036	53,560	36,807	173,150    333,193
Germany.....	31,399	41,741	24,910	200,135    545,368
Other Europe.....	59,646	89,798	72,199	486,260    572,885
Japan.....	70,954	108,584	109,449	528,351    228,565
All other countries.....	43,273	70,770	35,902	225,097    342,363
Total exports.....	289,514	647,481	361,026	2,192,285    3,832,247

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

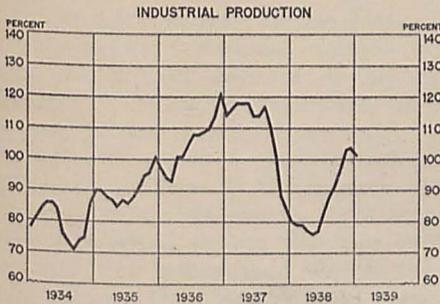
	January		December 1938	August 1 to January 31	
	1939	1938		This season	Last season
Receipts.....	104,540	327,573	172,730	1,813,237	3,253,124
Exports.....	237,303	255,185	303,740	1,469,064	1,909,953
Stocks, end of month.....	1,557,085	1,839,910	1,694,331	.....	.....

# MONTHLY BUSINESS REVIEW

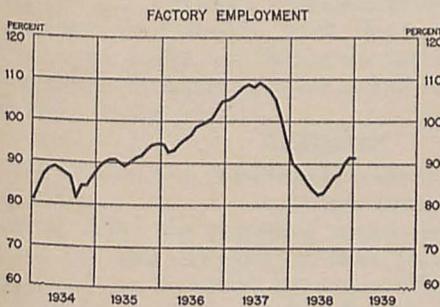
MARCH 1, 1939

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

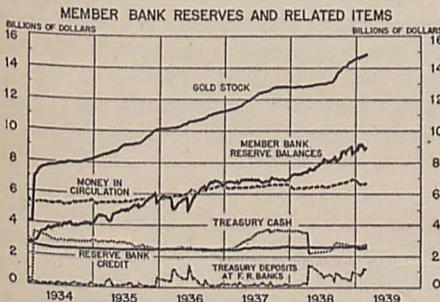
(Compiled by the Board of Governors of the Federal Reserve System)



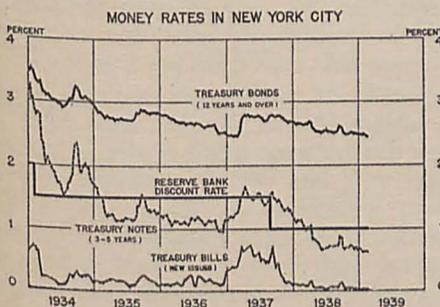
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to January, 1939.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to January, 1939.



Wednesday figures, January 3, 1934, to February 21, 1939.



For weeks ending January 6, 1934, to February 18, 1939.

Industrial production increased less than seasonally in January and the first three weeks of February, following a rapid advance in the latter half of 1938. Wholesale commodity prices continued to show little change.

### PRODUCTION

In January volume of industrial production, as measured by the Board's seasonally adjusted index, was at 101 per cent of the 1923-1925 average as compared with 104 in December. At steel mills, where activity usually increases considerably at this season, output in January and the first three weeks of February was at about the same rate as in December. Automobile production declined seasonally in the first two months of the year as retail sales showed about the usual decrease and dealers' stocks reached adequate levels. Output of cement declined in January, and there was also some reduction in output of lumber and plate glass. In the non-durable goods industries, where production had been at a high level in December, activity increased less than seasonally. Increases at cotton, silk, and tobacco factories were smaller than usual and at woolen mills there was a decline. Shoe production and sugar refining continued in substantial volume, and activity at meat-packing establishments showed little change, following a decline in December. Mineral production increased somewhat in January, reflecting an increase in output of crude petroleum.

Value of construction contracts awarded declined in January, according to F. W. Dodge Corporation figures, owing principally to a reduction in awards for publicly-financed projects, which had been in large volume in December. Contracts for privately-financed residential building continued at the recent advanced level, while awards for private non-residential building remained in small volume.

### EMPLOYMENT

Factory employment and payrolls showed the usual decline between the middle of December and the middle of January. In most individual industries, as well as in the total, changes in the number of employees were of approximately seasonal proportions. In trade, employment declined somewhat more than is usual after Christmas.

### DISTRIBUTION

Sales at department and variety stores and by mail-order houses showed the usual sharp seasonal decline from December to January. In the first two weeks of February department store sales continued at the January level.

Volume of freight-car loadings in January and the first half of February was at about the same rate as in December.

### COMMODITY PRICES

Wholesale commodity prices generally continued to show little change in January and the first three weeks of February. Grain prices declined somewhat, following a rise in December, while prices of hogs increased seasonally. Changes in prices of industrial materials were small.

### BANK CREDIT

Excess reserves of member banks, which reached a record high level of \$3,600,000,000 on January 25, declined somewhat in February. This decline resulted chiefly from a temporary increase in Treasury balances with the Reserve banks representing cash receipts from the sale of the new United States Housing Authority and Reconstruction Finance Corporation notes. Purchases of these notes were also responsible for an increase in total loans and investments of reporting member banks in 101 leading cities, following a decline during January.

### MONEY RATES

Average yields on United States Government securities declined further during the first three weeks of February to about the lowest levels ever reached. New issues of 91-day Treasury bills after selling at par or at a slight premium in late December and early January, were again on a slight discount basis during February. Other open-market rates continued unchanged.