

Monthly Business Review

OF THE FEDERAL RESERVE BANK OF DALLAS

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DISTRICT SUMMARY

Trade and industry in the Eleventh District expanded further in December, and the level of activity was higher than in the closing month of 1938. Consumer buying at department stores was exceptionally heavy during December and in the first two weeks of January, 1940, sales averaged about 5 per cent higher than in the corresponding period last year. Distribution of commodities through wholesale channels was well sustained in December, as heavy consumer buying necessitated substantial fill-in orders by retailers. Construction activity increased sharply in December, following substantial declines in the preceding two months. Petroleum production rose to a level near the all-time peak recorded in August, 1937, and refinery operations in Texas exceeded those of a year ago by a wide margin. The outlook for the agricultural and livestock industries showed an improvement in December and the first half of January, as widespread rains or snow partially relieved the severe moisture deficiency. Extremely low temperatures in the third week of January, however, damaged grain and truck crops and caused a shrinkage in livestock. After reaching the highest level of record at the middle of December, total loans and investments at weekly reporting member banks declined moderately in the subsequent four weeks, but on January 10, 1940, they were still \$26,000,000 greater than a year earlier.

During 1939 an improvement occurred in virtually all phases of business and industry in the Eleventh District. Although the expansion was not as pronounced as in the United States as a whole, due largely to the very moderate recession in this district during 1938 as compared with that for the entire country, the general level of activity was nearly as high as in 1937.

BUSINESS

Stimulated by the largest volume of Christmas trade in more than a decade, department store sales in the Eleventh District increased by considerably more than the average seasonal amount in December. This bank's seasonally adjusted index of sales rose to 113 per cent of the 1923-25 average, which is the highest for that month since 1928, and compares with 105 per cent for December, 1938. On a daily average basis, the value of merchandise sold in December this year was 7 per cent greater than a year ago.

Total dollar sales at department stores in this district during 1939 were fractionally higher than in 1938 and only about 2 per cent lower than in 1937, the year in which department store trade was at its post-depression high. When allowance is made for the lower level of prices prevailing in 1939, it appears that the physical volume of goods sold during the year was somewhat larger than in 1937.

Department store inventories, after adjustment for average seasonal changes, showed a moderate downward trend during the first seven months of 1939, but in the subsequent four months when sales were slowed down by unseasonably high temperatures stocks rose sharply. In December, however,

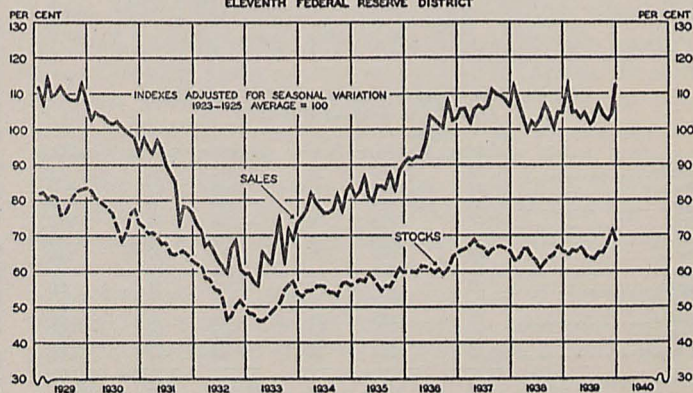
heavy consumer buying enabled merchants to reduce inventories by considerably more than the average seasonal amount for that month. Although inventories on hand at the close of 1939 were still 5 per cent higher than at the end of 1938, they are comparatively low in relation to the current volume of sales. The stock turnover at reporting firms during 1939 averaged 3.63 times, or approximately the same as the average for the preceding three years. The turnover of inventories at department stores in each of the past four years has been considerably higher than in the years prior to 1936. In recent years department stores, through increased operating efficiency, have been able to expand sales considerably with only a moderate increase in stocks.

The rate of collections on outstanding accounts during 1939 was practically the same as that in the preceding year, averaging about 40 per cent monthly on open accounts and about 15 per cent on instalment accounts.

Distribution of commodities to consumers through independent retail establishments other than department stores expanded by about 4 per cent during 1939, the expansion being most pronounced in centers having a population of 2,500 to 50,000. In Texas increases in sales were recorded at stores in most reporting lines of trade, but the most outstanding gains occurred in the distribution of durable goods, including automobiles, furniture, lumber, hardware and farm implements. Sales of dry goods and general merchandise were also somewhat larger than in 1938.

The expansion in consumer buying, together with an increase in the volume of inventories carried by retailers, resulted in a substantial gain in the business of wholesale trade firms in the Eleventh District during 1939. In the first quarter of the year the value of sales was about the same as that in the corresponding period of 1938, but there was a noticeable improvement during the remainder of the year. Buying was particularly heavy following the outbreak of war early in September when widespread speculative purchases were made in anticipation of rising prices. Although the rate of expansion declined somewhat in the fourth quarter, business was well sustained by numerous fill-in orders to meet the expanding consumer demand. Distribution of

DEPARTMENT STORE SALES AND STOCKS
ELEVENTH FEDERAL RESERVE DISTRICT



automotive supplies, electrical goods, hardware and surgical equipment increased sharply as compared with 1933, and the demand for non-durable goods expanded moderately.

Employment and payrolls in Texas, after declining somewhat in January, 1939, showed an upward trend during the remainder of the year. According to data compiled by the Bureau of Business Research of the University of Texas, employment during December averaged 2 per cent higher than a year earlier and payrolls were up 4 per cent. Among the State's manufacturing industries, noticeable increases in employment and payrolls occurred at those producing cotton textiles, forest products and iron and steel products.

The number and liabilities of commercial failures in the Eleventh District increased further in 1939 to the highest levels in several years. In comparison with the preceding year, the number of bankruptcies increased by about one-fourth and the indebtedness of defaulting firms was more than 50 per cent greater, reflecting a substantial increase in their average liability. It should be noted that although the bankruptcy record in 1939 was less favorable than in other recent years, it was still far better than in any of the fourteen years prior to 1934. According to Dun & Bradstreet, 322 commercial establishments failed in 1939, with aggregate liabilities totaling \$4,415,000. In December, 1939, there were 17 insolvencies, owing \$243,000.

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:			Ratio Dec. collections to accounts outstanding December 1	
	Net sales		Stocks*		
	Dec., 1939 from 1938	Nov., 1939	Dec. 31, 1939 from 1938	Dec., 1939 from 1938	Nov., 1939
Retail trade:					
Department stores:					
Total 11th Dist.	+ 2.5	+66.9	+ .7	+ 5.1	-24.2
Dallas	+ 5.1	+60.3	+ .9	+ .6	-23.6
Fort Worth	+ .8	+95.4	+ .5	+10.5	-24.4
Houston	+ 1.3	+56.9	+ .3	+21.1	-20.5
San Antonio	+ 4.9	+64.6	+ .1	+ .9	-27.7
Other cities	+ .4	+73.9	+ 1.5	+ 8.5	-24.4
Independent stores:†					
Arizona	+ 6.1		+ 3.5		
Oklahoma	+ 1.5	+40.9	+ .4		
New Mexico	+ 4.4		+ 3.8		
Texas	+ 3.6	+33.5	+ 4.6		
Wholesale trade:†					
Machinery, eqpt & supplies (except electrical)	+107.2	-11.6	+ 6.1		
Dry goods	-15.6	-23.7	+ 4.8	+27.2	- .7
Groceries	+ .6	- .7	+ 3.6	+10.5	-11.9
Drugs	+ .9	+ 2.6	+ 2.6	+ 2.0	-5.5
Hardware	+ 6.9	-11.6	+14.6	+ 9.9	+ 2.4
Electrical supplies	+28.2	+ 8.3			
Tobacco & prod's	+ 6.5	-12.2	+ 1.7		
Surgical eqpt.	+ 6.8	-28.6		+12.5	-8.7

*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—Dec. 1939	Sales—Dec. 1938	Stocks—Dec. 1939	Stocks—Dec. 1938	Sales—Dec. 1939	Sales—Dec. 1938	Stocks—Dec. 1939	Stocks—Dec. 1938
Total Eleventh Dist.	112.8	105.1	68.9	66.0	195.1	181.8	59.9	57.4
Dallas	127.4	116.3	69.0	69.4	203.9	186.1	60.7	61.1
Fort Worth	129.5	124.8	73.4	65.7	229.3	220.9	60.2	53.9
Houston	116.4	109.9	51.4	43.8	190.9	180.2	47.8	40.7
San Antonio	107.4	97.9	49.7	48.9	166.5	151.7	44.2	43.5

COMMERCIAL FAILURES IN ELEVENTH DISTRICT (Liabilities in thousands of dollars)

	1939		1938		1937	
	Number	Liabilities	Number	Liabilities	Number	Liabilities
January	35	\$ 754	25	\$ 217	11	\$ 42
February	34	333	25	245	18	218
March	35	368	19	305	9	129
April	31	414	28	254	16	344
May	26	370	21	414	13	84
June	30	265	15	160	17	105
July	24	223	14	129	16	87
August	23	340	19	197	14	74
September	21	257	16	203	9	281
October	22	555	21	316	19	205
November	24	293	36	338	21	380
December	17	243	16	95	19	168
Total	322	\$4,415	255	\$2,873	182	\$2,117

AGRICULTURE

The outlook for the agricultural and livestock industries improved considerably during the latter part of December and the first half of January. Rain or snow was received in virtually all areas of the district, and while there is still a deficiency in subsoil moisture in many sections, conditions are now more favorable than for several months. Snow in north and northwest Texas apparently protected wheat and oats against early January freezes, and the moisture was conducive to plant growth. Nevertheless, the condition of wheat, which was the lowest in fifteen years prior to the December rains, is still far below normal as a result of poor growing conditions last fall. According to the Department of Agriculture, the area seeded to winter wheat in Texas during the fall of 1939 totaled 4,154,000 acres which was 6 per cent greater than in 1938, but much smaller than in 1937 and less than the 1927-1936 average. The condition of commercial vegetable crops in south Texas showed an improvement in December, and reports indicate that little or no damage occurred from the low temperatures that prevailed over the major portion of the district early in January.

The Department of Agriculture has announced that cotton acreage allotments for Texas have been placed at 9,917,000 acres for 1940, as compared with 10,139,000 acres in 1939. It was pointed out that a substantial part of the 1940 reduction will be offset by an increase in the acreage allotted to individual farmers under the minimum allotment provisions of the Agricultural Adjustment Act.

Prospects for winter range feed and late winter grazing on grain pastures were improved by the rains and snow in December and early January. The average condition of livestock ranges in this district on January 1 was about normal. Livestock were apparently in good condition to withstand the recent cold weather and the Department of Agriculture reported that in view of the generally ample supply of feed for winter needs in most areas and the improved outlook for winter grazing, livestock should go through the winter in good flesh. Cattle on feed in Texas on January 1, 1940, was estimated at 144,000 head, which is the same as that a year earlier, but 4 per cent smaller than on January 1, 1938. Reflecting improved range conditions, the number of cattle on feed in Arizona at the beginning of 1940 was one-fourth greater than a year ago.

Moisture deficiency over the major portion of the Eleventh District during 1939 had an adverse effect upon crops during the growing season with the result that production of most principal crops was smaller than in 1938 and in a majority of cases was also below the 1928-1937 average harvest. Per acre yields of most field crops were below those of 1938 and the ten-year average. In the case of cotton, corn and wheat, however, the smaller production was accounted for by a reduction in the area harvested. Cotton production in this district during 1939 totaled 3,612,000 bales, which was 5 per cent less than in 1938 and nearly one-fourth smaller than the 1928-1937 average. This decline was due almost entirely to a smaller production in Texas, where the acreage harvested was the smallest since 1905. The acreage of corn, wheat and oats harvested in Texas during 1939 was also below that in the preceding year. Although the decline in the acreage of these crops was offset in part by increases in the acreages of some minor crops, the total area harvested during 1939 was still about 900,000 acres less than in the preceding year and 3,700,000 acres smaller than the ten-year average.

Although the 1939 production of agricultural commodities in Texas was smaller than in 1938, the increase in average prices of farm products was a compensating factor. The department of Agriculture estimated the farm value of all crops produced in Texas during 1939 at \$315,000,000, which represents an increase of 5 per cent over the value of agricultural products harvested in 1938. The increased value, however, was attributable to those crops raised chiefly for non-commercial purposes, as the value of commercial or cash crops, including cotton, rice, wheat, peanuts, fruits, nuts, and truck crops, was moderately smaller than in 1938. With the exception of oats, the value of feed and forage crops produced in 1939 was greater than a year ago.

Reflecting the lower value of commercial crops produced in 1939, cash farm income in this district from the sale of principal farm crops during the first eleven months of the year averaged 13 per cent smaller than in the corresponding period of 1938. The major portion of the decline is accounted for by a reduction in income from the sale of cotton and wheat, due to the smaller production as well as the fact that the bulk of the crops was marketed by farmers prior to the advance in the prices of these commodities.

CROP PRODUCTION (Thousands of units)

Crop	Unit	Texas			Eleventh District†		
		1939	1938	1928-1937 average	1939	1938	1928-1937 average
Cotton.....	Bales	2,830	3,086	4,077	4,394	4,617	5,911
Cottonseed.....	Tons	1,258	1,373	1,816	1,953	2,054	2,632
Corn.....	Bushels	73,376	75,648	75,962	126,744	140,559	135,402
Wheat (all).....	Bushels	27,650	35,046	32,038	91,853	100,541	82,760
Oats.....	Bushels	28,750	36,920	34,245	52,396	66,637	61,058
Barley.....	Bushels	2,955	2,365	2,518	10,285	6,757	4,659
Rice.....	Bushels	13,988	13,668	9,215	13,988*	13,668*	9,215*
Grain sorghums.....	Bushels	38,115	46,951	47,741	53,199	63,744	65,104
Tame hay.....	Tons	1,022	1,012	700	2,924	2,926	2,413
Wild hay.....	Tons	257	285	208	779	859	681
Peanuts.....	Pounds	129,480	117,000	73,876	151,190	142,000	96,401
Irish potatoes.....	Bushels	2,666	2,950	3,361	7,713	8,913	9,174
Sweet potatoes.....	Bushels	3,780	4,350	4,630	11,660	12,750	12,327
Broomcorn.....	Tons	2.2	4.0	3.3	17.5	22.9	25.5
Pumpkins.....	Pounds	19,000	23,000	25,120	34,093	28,500	42,752
Oranges.....	Boxes	2,650	2,815	677	2,650*	2,815*	677*
Grapefruit.....	Boxes	15,200	15,070	3,538	15,200*	15,070*	3,538*

†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. *Texas only.

SOURCE: United States Department of Agriculture.

CASH FARM INCOME FROM SALE OF PRINCIPAL FARM PRODUCTS AND GOVERNMENT BENEFIT PAYMENTS (In thousands of dollars)

	November, 1939			Total receipts			
	Receipts from		Government payments	November 1939	November 1938	Jan. 1 to Nov. 30 1939	1938
Arizona.....	Crops	\$ 3,658	\$ 6,034	\$ 471	\$ 10,163	\$ 6,229	\$ 46,979
Louisiana.....		18,258	2,266	1,629	22,153	24,170	108,364
New Mexico.....		2,317	11,653	144	14,114	8,314	48,754
Oklahoma.....		7,999	7,369	2,151	17,519	17,951	161,501
Texas.....		12,867	19,508	6,560	38,935	61,355	469,548
Total.....		\$45,099	\$46,830	\$10,955	\$102,884	\$118,019	\$835,146
							\$811,213

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

SOURCE: United States Department of Agriculture.

FORT WORTH LIVESTOCK RECEIPTS (Number)

	December 1939	December 1938	Change over year	November 1939	Change over month
Cattle.....	34,813	50,962	-16,149	54,420	-19,607
Calves.....	23,502	33,617	-10,115	44,937	-21,435
Hogs.....	31,108	23,566	+ 7,542	25,669	+ 5,439
Sheep.....	24,492	36,816	-12,324	38,010	-13,518

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

	December 1939	December 1938	November 1939
Beef steers.....	\$9.50	\$9.50	\$9.25
Stocker steers.....	8.50	8.40	8.50
Heifers and yearlings.....	10.00	9.50	10.00
Butcher cows.....	6.75	6.25	6.25
Calves.....	8.75	8.25	8.75
Stocking calves.....	9.50	9.50	9.50
Hogs.....	6.35	7.60	6.70
Lamb.....	8.00	7.75	8.25

In contrast with the decline in income from marketings of agricultural commodities in 1939, livestock growers in this district again experienced a profitable year. Calf and lamb crops were large and the production of wool was near the record output in 1938. Moreover, prices of livestock and livestock products during 1939 averaged somewhat higher than in 1938. The market for wool and mohair advanced sharply in September and October to the highest level in recent years and despite some irregularity since that time, prices have continued at comparatively high levels. Ranchmen disposed of most of the 1939 clips, as well as a substantial volume of wool and mohair carried over from 1938. Marketings of cattle and calves during 1939 exceeded those of a year ago by a substantial margin and shipments of sheep and lambs continued heavy despite some decline from the record marketings of 1938. The growing importance of the livestock industry in this district is indicated by the fact that cash income from the sale of livestock and livestock products during the first eleven months of 1939 rose to the highest level for any similar period for which data are available, exceeding that in the first eleven months of 1938 by 9 per cent. Larger receipts from the sale of cattle, calves, wool and mohair, and poultry products were chiefly responsible for the expansion in income from this source during the past year.

Although the expansion in cash income during the first eleven months of 1939 from the sale of livestock and livestock products was substantial, it was insufficient to counterbalance the decline in receipts from the sale of farm crops, with the result that combined receipts were 3 per cent smaller than in the corresponding period of 1938. This contraction was more than offset, however, by a marked increase in Government benefit payments to farmers for their compliance with provisions of the Agricultural Adjustment Act. Between January 1 and November 30, 1939, the Federal Government disbursed \$154,000,000 to farmers in the five states attached to the Eleventh District, which was much greater than in the corresponding period of any preceding year, exceeding that in the first eleven months of 1938 by 44 per cent. In consequence of this expansion, farm income from all sources during the first eleven months of 1939 exceeded that in the corresponding eleven months of 1938 by 3 per cent.

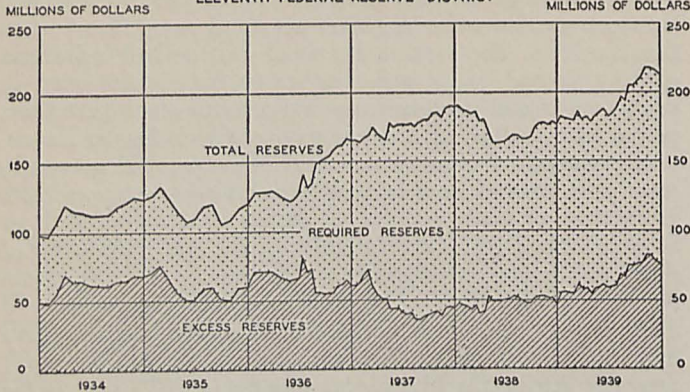
FINANCE

The growth in deposits at member banks in the Eleventh District during 1939, which was at a much faster rate than the expansion in loans and investments, resulted in a sharp expansion of member bank reserve balances at the Federal Reserve Bank of Dallas and a marked increase in balances carried with correspondent banks. The increase in reserve balances was particularly noticeable after the middle of the year, and on several occasions during the fall, total reserve balances made successive new high records. Reserve balances during the year averaged about \$194,000,000, which was nearly \$20,000,000 higher than the average for 1938. There has been a further growth in these balances since the turn of the year, the total rising to \$228,087,000 on January 12, or about \$3,250,000 higher than the previous record established on November 25, 1939. Excess reserves of member banks also rose to a new high level in 1939. The peak was reached in the first half of November at \$33,000,000, a figure which amounted to approximately 62 per cent of required reserves. In December member banks in this district were carrying \$475,000,000 with correspond-

ent banks, which was about \$90,000,000 higher than a year earlier and more than double the current volume of reserve balances.

MEMBER BANK RESERVES

ELEVENTH FEDERAL RESERVE DISTRICT



Total earning assets of the Federal Reserve Bank of Dallas were reduced \$12,600,000 during the year ended January 15, 1940, reflecting chiefly this bank's pro rata share of a net reduction in the System's holdings of United States Government securities. Member bank borrowings from this bank were in small volume throughout 1939. The peak was reached early in August at only \$451,000; thereafter, borrowings followed a downward trend, being completely liquidated early in January, 1940. Industrial advances were reduced further in 1939, totaling \$487,000 at the middle of January, 1940, as compared with \$771,000 a year earlier.

Federal Reserve notes of this bank in actual circulation, which amounted to \$81,376,000 on January 1, 1939, showed an irregular decline during the first half of the year, reaching the year's low at about \$75,000,000. There was a gradual expansion during subsequent months and the seasonal peak was recorded on December 23 at \$86,142,000. Since that time the return flow of currency from circulation in this district has been in substantial volume with the result that our note circulation had declined to \$81,386,000 by January 15, 1940. This amount was \$2,600,000 greater than on the corresponding date of 1939.

The higher level of business and industrial activity in the Eleventh District during the past year resulted in an increased demand for credit at weekly reporting member banks in leading cities. Total loans showed a counter-to-seasonal increase during the spring and summer and this gain was followed by a sharp seasonal expansion during the remainder of the year. The increase over the year amounted to \$41,000,000, and total loans outstanding at the close of the year were the largest since December, 1931, but about \$100,000,000 below the 1929 high. The decrease from 1929 reflects in large part the smaller volume of loans on securities. Although the major portion of the expansion in loans during the past year was utilized for commercial, industrial and agricultural purposes, nearly all types of loans showed an increase. In contrast with the expansion in loans, holdings of investment securities were reduced sharply, reflecting a liquidation in direct obligations of the United States Government. The major portion of the contraction took place in the first six weeks of the year, and was apparently effected to take advantage of the appreciation that had occurred in security prices. Moderate increases in holdings of Government guaranteed obligations and of other securities partially offset the decline in holdings of Government direct

CONDITION OF THE FEDERAL RESERVE BANK

(In thousands of dollars)

	Jan. 15, 1940	Jan. 15, 1939	Dec. 15, 1939
Total cash reserves.....	\$256,177	\$210,032	\$260,098
Discounts for member banks	4	26	4
Other bills discounted.....	151	None	140
Industrial advances.....	487	771	506
Bills bought in the open market.....	None	16	None
United States Government securities.....	94,362	106,814	90,875
Total earning assets.....	55,004	107,627	91,525
Member bank reserve deposits.....	222,741	184,579	215,606
Federal Reserve notes in actual circulation.....	81,386	78,741	83,290
Commitments to make industrial advances.....	None	46	None

CONDITION STATISTICS OF MEMBER BANKS IN LEADING CITIES

(In thousands of dollars)

	Jan. 10, 1940	Jan. 11, 1939	Dec. 13, 1939
Total loans and investments.....	\$548,172	\$522,092	\$560,005
Total loans.....	283,965	242,485	285,551
Commercial, industrial and agricultural loans.....	188,170	159,079	190,191
Open market paper.....	1,749	967	1,858
Loans to brokers and dealers in securities.....	3,033	2,949	5,163
Other loans for purchasing or carrying securities.....	14,145	13,239	14,036
Real estate loans.....	22,416	20,003	21,635
Loans to banks.....	236	208	246
All other loans.....	54,216	46,040	52,422
United States Government direct obligations.....	153,132	179,806	164,368
Obligations fully guaranteed by United States Govt.....	63,596	43,395	52,209
Other securities.....	57,479	56,406	57,877
Reserves with Federal Reserve Bank.....	138,522	115,258	138,860
Balances with domestic banks.....	261,903	218,641	264,231
Demand deposits—adjusted*.....	459,494	428,658	472,833
Time deposits.....	137,122	133,466	135,504
United States Government deposits.....	32,689	35,892	33,375
Interbank deposits.....	270,659	208,785	272,431
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, 1937.....	\$1,117,735	\$211,810	\$607,769	\$116,993	\$509,966	\$94,817
December, 1938.....	1,189,670	223,336	665,072	123,655	524,598	99,681
August, 1939.....	1,208,731	232,308	701,997	128,122	506,734	104,186
September, 1939.....	1,255,634	231,820	729,653	128,084	525,981	103,736
October, 1939.....	1,305,705	231,363	760,455	127,567	545,250	103,796
November, 1939.....	1,340,118	232,340	777,045	128,081	563,073	104,259
December, 1939.....	1,344,386	234,145	777,931	130,299	566,455	103,846

DEBITS TO INDIVIDUAL ACCOUNTS

(In thousands of dollars)

	December 1939	Pctg. change from December 1938	November 1939	Total year 1939	1938	Percentage change from 1938
Abilene.....	\$ 9,917	+ .7	+19.5	\$ 102,845	\$ 102,285	+ .5
Austin.....	39,330	+11.3	+34.5	410,405	377,427	+ 8.7
Beaumont.....	26,738	+ 4.9	+ 9.1	278,766	278,960	— .1
Corsicana.....	4,220	+ 9.0	+27.3	39,780	39,186	+ 1.5
Dallas.....	326,097	+13.6	+28.4	2,992,939	2,824,286	+ 6.0
El Paso.....	35,877	+10.2	+12.8	349,032	317,377	+10.0
Fort Worth.....	104,386	+ 7.3	+25.7	973,336	974,451	— .1
Galveston.....	29,689	+ 3.4	+ .8	302,216	321,473	— 6.0
Houston.....	283,263	+11.2	+18.4	2,729,307	2,533,651	+ 7.7
Port Arthur.....	10,723	+ 8.6	+14.6	109,301	109,031	+ .2
Roswell.....	5,639	+ .7	+ 3.5	52,816	51,953	+ 1.7
San Antonio.....	78,508	+ 5.1	+19.0	830,718	787,403	+ 5.6
Shreveport.....	54,966	+ 1.4	+20.4	522,484	524,169	— .3
Texarkana*.....	9,328	+ 6.4	+27.7	87,896	86,440	+ 1.7
Tucson.....	13,159	+ 3.7	+ 9.2	139,359	134,987	+ 3.2
Tyler.....	13,621	+ 2.4	+16.2	137,473	142,865	— 3.8
Waco.....	16,926	+ .4	+22.5	166,227	158,635	+ 4.8
Wichita Falls.....	17,997	+ 2.5	+38.1	174,836	193,273	— 9.5
Total.....	\$1,080,394	+ 9.1	+21.7	\$10,400,236	\$9,957,852	+ 4.4

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

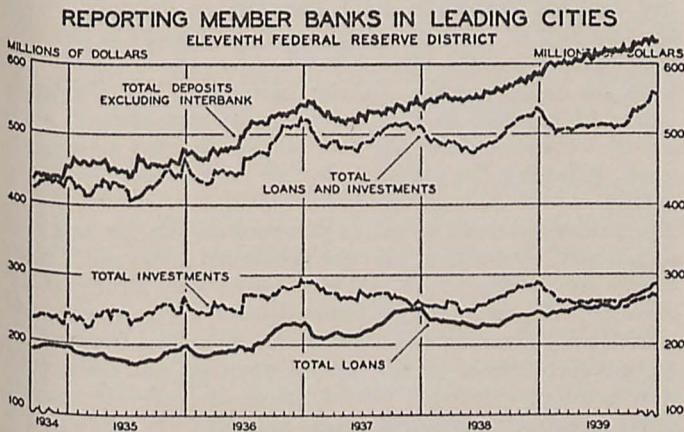
SAVINGS DEPOSITS

	December 31, 1939		Percentage change in savings deposits from	
	Number of reporting banks	Amount of savings deposits	Dec. 31, 1938	Nov. 30, 1939
Beaumont.....	3	\$ 9,840	+ 3,921,836	+ .9
Dallas.....	8	89,097	26,695,421	+ 1.7
El Paso.....	2	17,657	8,483,018	+ 5.0
Fort Worth.....	3	36,101	13,268,345	— 3.0
Galveston.....	4	18,777	12,135,307	+ 1.7
Houston.....	10	74,720	30,993,140	+ 4.7
Port Arthur.....	2	5,657	3,111,426	+10.7
San Antonio.....	5	22,828	18,194,861	— 3.8
Shreveport.....	3	24,899	11,933,360	+ 4.1
Waco.....	3	8,309	4,760,955	+ 7.0
Wichita Falls.....	3	7,568	3,794,801	— 1.5
All other.....	69	58,613	30,148,655	+ 1.8
Total.....	115	374,066	\$167,441,124	+ 1.2

obligations, but total investments at the close of 1939 were still \$27,000,000 less than at the end of 1938.

Despite the contraction in security holdings during 1939, total loans and investments near the end of the year were at the highest level of record. As compared with 1929, security holdings at the end of 1939 were \$156,000,000 larger, and this expansion in investments more than offset the \$100,000,000 decrease in loans during the ten-year period.

Deposits at reporting banks continued the sharp upward trend in 1939 that had been in evidence during the preceding five years. The expansion was much greater than that in loans and investments, with the result that the volume of idle funds at these banks showed a further sharp increase. The increase in deposits totaled \$97,000,000, which is accounted for by additions to adjusted demand and interbank deposits both of which rose to new all-time peaks during the year. Reserves of these banks carried with the Federal Reserve Bank of Dallas were increased \$21,000,000 during the year and balances with other domestic commercial banks were expanded by \$59,000,000.



Deposits at all member banks in the Eleventh District also showed a further sharp upward trend during 1939. The seasonal decline during the spring was very small and in the last half of 1939, the combined average of gross demand and time deposits established a new all-time peak in each succeeding month. During December total deposits averaged \$1,579,000,000 which was \$166,000,000 greater than in that month of 1938. The increase in deposits during 1939 was double that in the preceding year.

Debits to individual accounts at banks in eighteen cities of the Eleventh District were maintained at a level 9 per cent higher than a year ago during December, and exceeded those for any corresponding month since 1929. During the past year, charges to depositors' accounts averaged 4 per cent greater than in 1938 and although the aggregate was approximately 3 per cent smaller than in 1937, the total during the final quarter of 1939 was 4 per cent greater than in that period of 1937.

INDUSTRY

Construction contracts awarded in the Eleventh District during December showed a pronounced increase over those in the preceding month, reflecting an expansion in awards for heavy engineering projects. The value of awards for this type of building, which includes public works and public utility construction, was only 4 per cent below the heavy volume in December, 1938, and exceeded that for any other month during 1939. Residential building declined consider-

ably in December, due in part to seasonal factors, and for the third consecutive month was smaller than in the corresponding month of the previous year.

During 1939, the aggregate value of construction contracts awarded in this district was the largest since 1930, exceeding that in 1938 by about 6 per cent. The increase during the year was accounted for chiefly by an expansion in privately-financed construction, which registered a substantial increase in each of the major types of building activity. The construction of publicly-financed residential buildings showed a marked expansion, as a result of awards for several large slum-clearance projects under the United States Housing Authority, but this expansion was more than counterbalanced by declines in awards for the construction of publicly-financed non-residential and engineering projects.

Among the several types of building activity, the most pronounced increases during 1939 occurred in residential and public utility construction. The value of contracts awarded for residential building rose to the highest level in more than ten years and exceeded that in 1938 by 27 per cent. The construction of single-family dwellings for owner occupancy showed only a moderate expansion during the year, but there were substantial increases in speculative building and in slum-clearance projects. The value of apartment houses constructed in 1939 was more than double that in 1938, but the value of contracts for dormitories and hotels was only a small percentage of the preceding year's total. Public utility construction in this district increased sharply in 1939, following several years in which this type of building had been at a low level. The expansion oc-

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	December 1939	December 1938	November 1939	January 1 to December 31 1939	1938
Eleventh District—total...	\$ 17,603	\$ 23,816	\$ 12,672	\$ 199,110	\$ 187,523
Residential.....	4,762	5,527	6,186	83,434	65,739
All other.....	12,841	18,289	6,486	115,676	121,784
United States*—total.....	354,098	389,439	299,847	3,550,543	3,196,928
Residential.....	88,681	91,539	116,588	1,334,272	985,787
All other.....	265,417	297,900	183,259	2,216,271	2,211,141

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	December, 1939		Percentage change valuation from		Jan. 1 to Dec. 31, 1939		Percentage change valuation from 1938	
	No.	Valuation	Dec., 1938	Nov., 1939	No.	Valuation		
Abilene.....	10	\$ 16,980	-52.6	-41.2	285	\$ 577,560	-	-26.8
Amarillo.....	31	106,865	-89.9	-40.9	713	2,634,476	-	-18.1
Austin.....	188	275,898	-60.8	-20.0	3,117	7,178,716	-	+16.5
Beaumont.....	83	85,401	+18.0	-73.6	1,660	1,714,346	-	+35.8
Corpus Christi.....	121	178,204	+12.9	-86.9	1,879	6,597,478	-	+114.2
Dallas*.....	483	623,040	-53.0	-9.9	7,123	12,843,889	-	+4.0
El Paso.....	69	161,205	+16.3	+16.9	1,143	2,573,035	-	+46.7
Fort Worth.....	158	403,092	-31.2	-1.1	2,771	7,116,824	-	+24.3
Galveston.....	122	107,071	-72.7	+44.4	1,789	1,436,009	-	-49.1
Houston.....	364	1,940,045	+28.0	+39.8	6,024	25,373,545	-	+1.3
Port Arthur.....	94	69,821	-38.5	-42.5	1,531	1,143,917	-	-24.3
San Antonio.....	461	461,898	+12.9	-56.3	4,800	8,421,256	-	+80.1
Shreveport.....	122	269,409	+6	-3.5	1,801	5,868,396	-	+24.6
Waco.....	33	57,296	-32.8	-4.8	751	1,496,104	-	+3.5
Wichita Falls.....	34	263,407	-21.7	+134.1	538	1,280,944	-	+4.2
Total.....	2,373	\$5,019,632	-29.9	-23.5	35,925	\$86,256,495	-	+15.0

*Includes Highland Park and University Park.

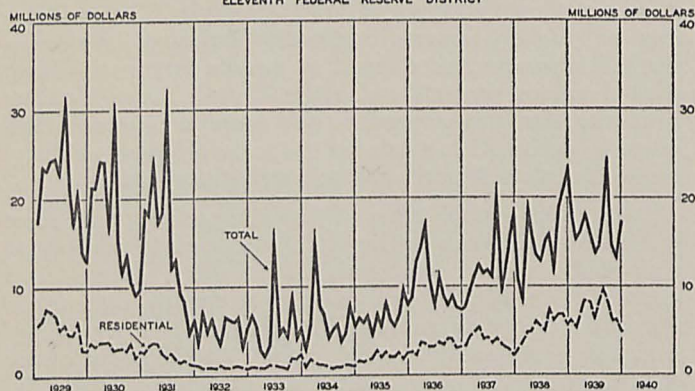
PORTLAND CEMENT STATISTICS—TEXAS MILLS (In thousands of barrels)

	Production		Shipments		Stocks (end of month)	
	1939	1938	1939	1938	1939	1938
January.....	673	334	628	530	826	752
February.....	571	444	545	532	852	664
March.....	499	664	697	646	655	681
April.....	720	751	665	580	709	853
May.....	772	717	686	612	795	958
June.....	537	611	644	664	698	905
July.....	667	630	535	507	820	1,027
August.....	485	390	582	579	722	838
September.....	685	624	585	601	822	862
October.....	704	536	568	650	958	748
November.....	478	648	554	636	882	759
December.....	547	605	518	584	911	781
Total.....	7,338	6,954	7,207	7,121

SOURCE: United States Bureau of Mines.

curred chiefly in electric light and power projects and in pipe lines. In the non-residential field, the construction of virtually all types of buildings for commercial and manufacturing purposes increased moderately over the year. A sharp reduction in the value of street and highway improvements was chiefly responsible for a 22 per cent decline in public works construction.

CONSTRUCTION CONTRACTS AWARDED ELEVENTH FEDERAL RESERVE DISTRICT



The valuation of building permits issued at fifteen principal cities in the Eleventh District expanded further in 1939 to the highest level in ten years, exceeding that in 1938 by 15 per cent. Eleven of the reporting cities participated in the expansion over 1938. The most pronounced gains occurred at Beaumont, Corpus Christi, El Paso, Fort Worth, San Antonio and Shreveport. The value of permits issued at Houston and Dallas was only moderately higher than in 1938; nevertheless, the aggregate for these two cities represented nearly one-half of the total for all reporting cities.

The expansion in building activity during 1939 resulted in a further increase in the operations of allied industries. The production and shipments of Portland cement from Texas mills closely approximated the peak levels attained in 1929, and operations at southern pine mills showed an expansion of 5 per cent over those in 1938. The demand for lumber during 1939 exceeded production by about 5 per cent, with the result that mill stocks were reduced by a corresponding amount. Unfilled orders for lumber on the books of mills at the close of 1939 were 14 per cent greater than a year earlier.

Crude oil production in the Eleventh District and the United States continued to expand in December. Daily average production in the nation as a whole rose to the highest level of record, and output in this district was only 4 per cent under the all-time peak recorded in August, 1937. Refinery operations in the United States declined further in December, but production of gasoline continued in excess of consumption and stocks showed a further sharp expansion.

Operations in the petroleum industry during 1939 were maintained at a high level. Production of crude oil in both the Eleventh District and the United States was greater than in 1938, but was lower than the record output in 1937. Crude oil runs to refinery stills during 1939 showed an increase of 7 per cent, as compared with 1938, reaching the highest level of record. As the demand for crude oil was in excess of production, there was a further sharp decline in above-ground stocks of crude oil, which were reduced approximately 35,000,000 barrels during the year. The major portion of the decline occurred in the last half of August when most of the wells in the mid-continent area were shut down.

At the close of 1939 crude oil inventories were 13 per cent smaller than a year earlier and only moderately above the 17-year low recorded on October 21, 1939.

Preliminary reports indicate that the demand for petroleum products was likewise in record volume during 1939, the average exceeding that of a year ago by about 7 per cent. Export demand was 3 per cent greater, and the domestic demand was up 8 per cent. The most significant increases occurred in the distribution of gas and fuel oils and lubricants. The consumption of these products was much greater than production, and as a consequence, stocks on hand at the close of 1939 were considerably smaller than a year earlier. Although the demand for gasoline was the largest in the history of the industry, averaging about 5 per cent greater than in 1938, production expanded by a larger amount, causing stocks to rise to an unusually high level. At the close of the year gasoline inventories were 13 per cent greater than a year earlier, and the highest of record for that season of the year.

The average price of gasoline in the United States, which had declined sharply in 1938, increased moderately during the first half of 1939 and remained fairly steady in the subsequent four months when consumption was at an all-time high for those months. During November and December prices of gasoline in the mid-continent area showed a renewed weakness, declining fractionally in each succeeding week, reflecting the seasonal decline in demand, the heavy output and the consequent rapid accumulation of inventories. The downward trend in prices persisted during the first half of January, as stocks of gasoline continued to expand. Prices of gas and fuel oils and lubricants were very strong at the close of 1939, reflecting the heavy demand for these products occasioned in part by the high rate of industrial production, the increased use of oil for heating purposes and the expansion in foreign demand. Posted prices of crude oil at most fields remained unchanged during most of 1939, but upward adjustments at some fields were made in the latter part of the year.

Drilling activity, which normally declines in December, showed a sharp increase in the closing month of 1939, completions being at the highest level of record for that month. More numerous completions were reported for a majority of states, indicating that the increase was fairly general. For the year as a whole, drilling activity in the Eleventh District was 21 per cent lower than in 1938, but a noticeable expansion in some other sections of the United States, particularly Illinois, Michigan and Indiana, partially offset this decline, with the result that total completions in the United States were only 3 per cent smaller. In comparison with 1937, when drilling activity was at its peak, total completions in the United States during the past year were 17 per cent smaller, while in this district the decrease was about 36 per cent.

Cotton mill activity in the United States, after adjustment for seasonal variations, showed a further expansion in December. There were 653,000 bales of cotton consumed during the month, which represents a smaller-than-average decline from that in November, and as a consequence, the Board of Governors' seasonally adjusted index of cotton consumption increased further to an all-time high level. When allowance is made for customary seasonal changes in activity, operations at domestic cotton mills showed an almost uninterrupted expansion during the final eight months of 1939, the index of cotton consumption having risen 38 per cent

during the period, or from 105 per cent of the 1923-1925 average in April to 145 per cent in December. The latter figure compares with an index of 120 per cent in December, 1938. During the initial five months of the current season there were 3,300,000 bales of cotton consumed in the United States, as compared with 2,800,000 bales in the corresponding period last season. Coincident with the expansion in cotton consumption, mill margins showed a substantial increase, reflecting chiefly an expansion in prices of finished products. According to the Department of Agriculture, mill margins rose from a low in 1939 of 9.33 cents per pound in May to the year's peak of 15.83 cents per pound in October. Although margins fell off somewhat in the final two months of the year, due chiefly to the increase in prices of raw cotton, they averaged 13.06 cents per pound in December, which was 22 per cent above that a year ago and 4 per cent higher than the 1928-1937 average for that month. Following a substantial increase during the first half of December, manufacturers' sales of textile products apparently declined somewhat in the subsequent two weeks. Consuming establishments continued to make heavy purchases of raw cotton in December. Stocks on hand at the close of the month were the largest for any month-end since April, 1937, and exceeded those of a year ago by 9 per cent. Inventories of raw cotton in public storage and compresses were reduced by much more than the average seasonal amount in December, and at the year-end they were 5 per cent smaller than at the close of 1938.

Operations at cotton textile mills in Texas have followed a trend in close conformity with that for all such mills in the United States. Consumption of cotton was maintained at a higher rate than a year earlier throughout most of 1939, and between August 1 and December 31 it increased to the highest level in several years. The aggregate amount of cotton consumed during the year averaged about 7 per cent above that in 1938, and the expansion thus far in the 1939-1940 season has amounted to approximately 13 per cent over that in the corresponding five months last season.

Following a sharp decline in November, exports of American cotton resumed their upward trend in December, due in part to increased freight space available in ocean-going vessels. Shipments amounted to 807,000 bales during December, which was 38 per cent larger than in the preceding month and more than twice as great as in the corresponding month last year. During the first five months of the 1939-1940 season, exports of cotton amounted to 3,143,000 bales, which was nearly two-thirds greater than in that period of the preceding season and about equal to the volume of shipments in the initial five months of the 1937-1938 season. Although increased exports to Great Britain, which have been augmented by deliveries under the barter agreement, accounted for more than one-half of the expansion in shipments over the preceding season, movements to virtually all major importing Continental European countries, except Germany, and to some other countries have exceeded those of a year ago. On the other hand, shipments to Japan thus far this season have averaged 8 per cent smaller than in the corresponding five months last season.

Exports of cotton from the ports of Houston and Galveston during the first five months of the 1939-1940 season were

the largest for any corresponding period since 1933, exceeding those in that period last season by 54 per cent. Between August 1 and December 31, 1939, shipments amounted to approximately 1,900,000 bales, which represented 60 per cent of the total cotton exports from the United States.

Following the sharp increase in November and the first half of December, domestic prices of raw cotton showed relatively little net change in the subsequent four weeks. On January 15 the price of cotton, middling, 15/16-inch staple, at the ten designated spot markets was 23 per cent above that at the beginning of November and 26 per cent higher than a year ago. The higher level of cotton prices has resulted in numerous requests for the release of cotton from the Government loan stock. Many producers who had borrowed from the Commodity Credit Corporation on their 1938-1939 cotton have retired their loans and sold the cotton in the open market.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON

	(Bales)				
	December 1939	December 1938	November 1939	August 1 to December 31 This season	December 31 Last season
Consumption at:					
Texas mills	11,049	8,991	12,800	58,175	51,377
United States mills. . .	652,695	565,627	718,721	3,311,702	2,798,708
U.S. stocks—end of month:					
In consuming estab' mts.	1,859,664	1,700,877	1,782,949
Public stg. & compresses.	14,581,642	15,339,729	15,484,508
Exports from U. S. to:					
United Kingdom	162,873	51,232	158,364	953,598	243,993
France	67,451	32,179	49,378	309,364	273,043
Italy	93,761	36,786	30,819	243,201	151,093
Germany	None	24,614	None	27,522	168,736
Other Europe	169,825	73,688	124,594	709,058	426,685
Japan	123,932	112,837	116,707	422,171	457,397
All other countries. . .	188,878	36,707	103,782	478,481	181,420
Total exports	806,720	368,043	583,644	3,143,395	1,902,367

COTTON CONSUMPTION AT TEXAS MILLS

	1939	1938	1937
January	10,378	8,737	10,612
February	9,785	8,964	10,558
March	10,961	10,551	12,642
April	9,240	9,356	12,362
May	11,182	10,622	11,864
June	10,355	10,248	11,728
July	9,182	10,731	11,141
August	11,062	11,529	10,483
September	11,115	10,878	10,912
October	12,149	10,092	9,435
November	12,800	9,887	8,757
December	11,049	8,991	9,517
Total	129,258	120,586	130,011

CRUDE OIL PRODUCTION

	(Barrels)		Increase or decrease in daily average production from	
	December, 1939		Dec., 1938	
	Total production	Daily avg. production	Dec., 1938	Nov., 1939
North Texas	5,242,450	169,111	+ 28,442	+ 6,538
West Texas	8,835,150	285,005	+ 46,812	+ 23,295
East Texas	16,966,200	547,297	+ 65,450	+ 38,974
South Texas	7,030,050	226,776	+ 10,453	+ 19,993
Texas Coastal	7,627,750	246,056	+ 29,612	+ 23,643
Total Texas	45,701,600	1,474,245	+159,863	+112,443
New Mexico	3,382,600	109,116	+ 9,869	+ 8,466
North Louisiana	2,150,650	69,376	+ 1,345	+ 1,863
Total District	51,234,850	1,652,737	+168,387	+122,772

SOURCE: The Oil Weekly, Houston, Texas.

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

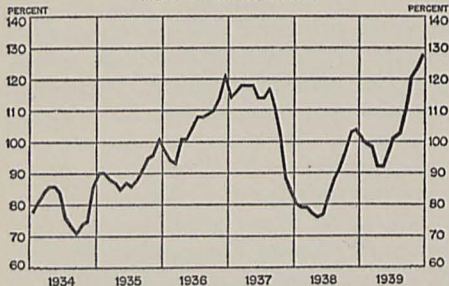
	December 1939	December 1938	November 1939	August 1 to December 31 This season	December 31 Last season
Receipts	471,859	174,993	541,267	2,700,880	1,710,980
Exports	455,738	303,740	350,357	1,894,851	1,231,761
Stocks, end of month	1,762,632	1,694,331	1,752,323

FEBRUARY 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

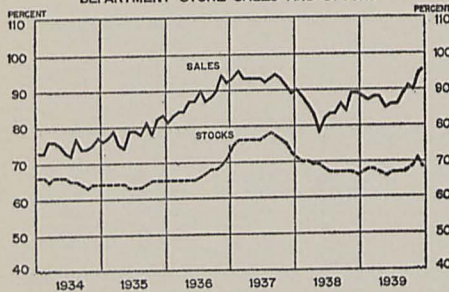
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



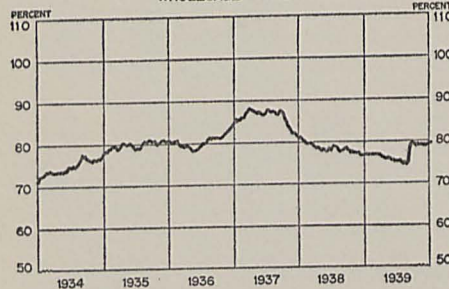
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to December, 1939.

DEPARTMENT STORE SALES AND STOCKS



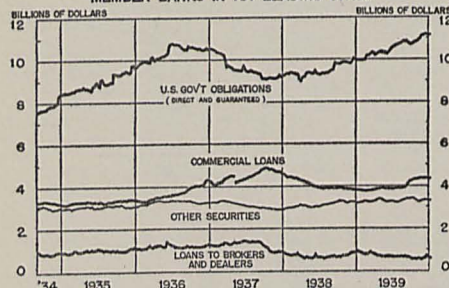
Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to December, 1939.

WHOLESALE PRICES



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending January 13, 1940.

MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to January 10, 1940. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other loans" as then reported.

Industrial activity, after a rapid rise in recent months, declined less than seasonally in December. In the first half of January activity did not show the usual seasonal increase. Distribution of commodities to consumers was maintained in large volume.

PRODUCTION

Industrial output decreased in December, but by a smaller amount than is usual at this season, with the consequence that the Board's index, which allows for usual seasonal variations, advanced further from 124 to 128 per cent of the 1923-1925 average. As in other recent months, the rise in the index continued to reflect mainly increased activity in industries producing durable goods. Automobile production rose sharply in December owing to the reopening of plants of one large producer which had been closed for almost two months. Plate glass production also increased. At steel mills activity was maintained near the high level that prevailed in October and November; fourth quarter production of steel ingots was greater than in any other three-month period on record. Output of zinc and deliveries of tin continued to increase in December, and lumber production declined less than seasonally.

In the nondurable goods industries, where production had been at high levels throughout the autumn, changes in output in December were largely seasonal in character. At woolen textile mills, however, there was a considerable reduction in activity, and activity at silk mills declined to a low level, reflecting in part continued high prices of raw silk. Output of crude petroleum continued at a high rate in December, while coal production was reduced, following a large volume of output in the two preceding months.

In the first half of January steel ingot production was at a somewhat lower level than in December, while automobile assemblies were maintained at about the same high rate as in the previous month.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in December, owing to the inclusion in the December figures of a large amount for a dam under construction by the Tennessee Valley Authority. Contracts for private building, both residential and nonresidential, declined seasonally.

EMPLOYMENT

According to reports from leading industrial states, factory employment decreased less than seasonally in December and payrolls showed a further advance.

DISTRIBUTION

Distribution of commodities to consumers increased further in December. Sales at variety stores showed about the usual sharp rise and sales at department stores and mail-order houses increased more than seasonally.

Freight-car loadings declined by more than the usual seasonal amount from November to December, reflecting chiefly a further reduction in coal shipments and a decrease in loadings of ore, which had been at a high level in the previous month.

COMMODITY PRICES

Prices of wheat, which had advanced sharply early in December and continued at the higher level during the rest of the month, declined considerably in the first half of January. Smaller decreases occurred in some other commodities, including hides, tin, and zinc. Prices of most other basic commodities, such as cotton, wool, lead, and steel scrap, showed little change.

GOVERNMENT SECURITY MARKET

Prices of United States Government securities continued to advance during December and were steady during the first two weeks of January.

BANK CREDIT

Total loans and investments of reporting member banks in 101 leading cities declined in the four weeks ending January 10, following an increase during the first half of December. These changes reflected largely a temporary rise and a subsequent decline in loans to security brokers and dealers in connection with the Government's flotation of a new issue of bonds. Total holdings of United States Government obligations at city banks showed little net change during the period.

As a result chiefly of further increases in gold stocks as well as the post-holiday return of currency from circulation, excess reserves of member banks increased sharply in the four weeks ending January 10.