

Monthly Business Review

OF THE FEDERAL RESERVE BANK OF DALLAS

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DISTRICT SUMMARY

In the Eleventh District, industrial activity increased during February and distribution of merchandise at wholesale and retail continued in large volume. Daily average sales at department stores were 2 per cent greater than in the corresponding month last year, and the volume of wholesale trade exceeded that of a year ago by the widest margin for any month since last September when business was stimulated by widespread speculative buying. Activity in the building industry showed a noticeable increase, reflecting an expansion in privately-financed construction. The daily average production of petroleum, which had been reduced considerably in January, was expanded in February to a level 4 per cent higher than a year ago. Refinery operations increased further, and were at a much higher level than in the corresponding month last year. Agricultural conditions have shown a noticeable improvement since the January freezes.

BUSINESS

The large consumer buying power resulting from higher levels of employment and payrolls continues to be reflected in the distribution of merchandise at department stores in principal cities of the Eleventh District. Although daily average sales during February at reporting firms showed less than the average seasonal expansion over those in the preceding month, they were 2 per cent greater than in February, 1939, and were as large or larger than in any corresponding month in ten years. This bank's adjusted index of sales stood at 107 per cent of the 1923-1925 average in February, as compared with 113 in the preceding month and 105 in February last year. Total sales during the first two months of the current year exceeded those in the corresponding period last year by 5 per cent. Stimulated by the early date of Easter this year, department store trade showed a sharp increase during the first two weeks of March.

Inventories of merchandise at reporting firms were increased by about the average seasonal amount in February, with the result that the adjusted index of stocks on hand at the close of February showed virtually no change from that a month earlier. The dollar value of inventories on February 29 was 7 per cent higher than a year ago.

The rate of collections on both open and instalment accounts continued above that a year ago.

Distribution of merchandise through wholesale trade channels in the Eleventh District continued at a comparatively high level in February. Aggregate sales for the month at 76 reporting wholesale firms in eight lines of trade were only slightly smaller than in the preceding month and exceeded those in the corresponding month of 1939 by 12 per cent. This gain was, with one exception, the largest for any similar comparison in recent years, and reports show that increases were fairly general among the several lines of trade. The most significant increases over a year ago occurred in the distribution of drugs, electrical supplies, groceries and machinery and equipment. Total sales during the first two months of 1940 were 11 per cent greater than in that period last year. The value of inventories at reporting wholesale trade firms showed little change during February, but continued considerably higher than a year ago.

Collections on outstanding accounts were maintained at about the same rate as in the corresponding month last year.

According to the data compiled by the Bureau of Business Research of the University of Texas, employment and payrolls at Texas establishments, which had declined in January, increased fractionally in February. As compared with February last year, there were increases of 3.4 per cent in employment and of 3.9 per cent in payrolls.

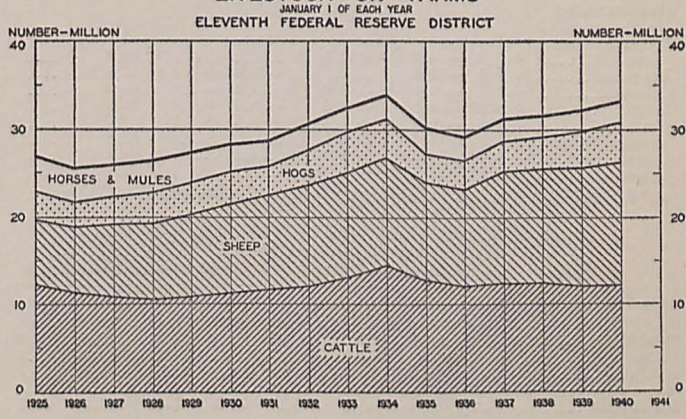
According to Dun & Bradstreet, the number and liabilities of commercial failures in the Eleventh District during February continued at a much lower level than a year ago. In fact, the indebtedness of the 23 defaulting firms, which totaled \$200,000, was below that for any corresponding month for which data are available.

AGRICULTURE

Agricultural conditions in the Eleventh District showed a noticeable improvement during February and the first half of March. Fairly general rains provided much needed moisture which, together with the milder temperatures, aided in the recovery of crops that were damaged by the January freezes and left the soil in generally good condition for spring plowing and planting operations. The persistence of cool nights during February, however, had a retarding effect on crop growth. Moisture conditions are now more favorable than at any time in recent months, with surface moisture in most areas adequate to give spring crops and range vegetation a good start. Subsoil moisture, however, is still deficient over a large portion of the district, particularly in south Texas and in considerable areas of the central part of the State. Farmers have made good progress with plowing and seeding operations. The planting of corn has extended into central Texas and the seeding of cotton is well advanced in the southern part of the State.

Small grains are making fair to good progress, but the condition of the crops for the district as a whole continues below normal. The Texas oat crop has shown an appreciable recovery since the January freezes, and it appears that damage from the low temperatures will be much less than had been anticipated earlier. The winter wheat crop in the northwest portion of the Texas Panhandle is in good condition, and the condition of the crop elsewhere in the district, although somewhat spotty, is showing improvement.

LIVESTOCK ON FARMS



Commercial vegetable crops in south Texas were aided by the February rains, but little tonnage is expected from those crops damaged severely by the January freezes. Additional moisture is urgently needed in the non-irrigated areas of this section to replenish subsoil moisture and to sustain the growth of spring crops. The indicated production of citrus fruit in Texas remains the same as that on February 1, which was nearly one-fifth smaller than the estimated production prior to the damage sustained in January. Although citrus trees are recovering rapidly from the freezes, the 1940 bloom is expected to be about thirty days later than usual.

Livestock ranges in the Eleventh District showed a moderate improvement during February in consequence of the betterment in moisture conditions, but the recovery was insufficient to overcome the damage resulting from the January freezes since the cool nights retarded the growth of range feeds. Nevertheless, the outlook for spring ranges is generally good, as weather and moisture conditions in most areas of the district are now favorable for rapid growth of grass and weeds. The condition of livestock showed little change during February, except for a noticeable shrinkage in cattle along the Gulf Coast caused by unfavorable weather. According to the Department of Agriculture, cattle and sheep are in condition to take on flesh rapidly with an improvement in range feeds. Some additional losses of young calves have occurred, but prospects are favorable for large calf and lamb crops.

The inventory of livestock on farms at the beginning of 1940 in the five states wholly or partially included in the Eleventh District showed an increase of 3 per cent over that a year earlier and exceeded the 1929-1938 average by 9 per cent. The gain as compared with the preceding year was due to the increased supply of hogs, sheep and goats, which more than counterbalanced the smaller supply of other classes of livestock. Production of hogs, which had shown a noticeable upward trend in the preceding four years, increased sharply further in 1939, exceeding the number slaughtered and marketed by a wide margin. In consequence, the number of hogs on farms at the beginning of

1940 was nearly one-fourth larger than a year earlier. The production of lambs in 1939 was substantially lower than in the preceding year but a decline in marketings was responsible for a further increase of 2 per cent in the sheep population. In Texas, marketings of sheep and lambs during 1939 were about 15 per cent smaller than in 1938. In the cattle division of the livestock industry, lower production combined with heavier shipments to markets and to feed lots and pastures caused a further decline in the number of cattle and calves on farms. Reflecting a continuation of the trend toward mechanical farming, the number of horses and mules on farms declined further by 3 per cent in 1939 and at the beginning of the current year the number was 18 per cent less than the 1929-1938 average.

Production of wool in the Eleventh District during 1939 amounted to 100,200,000 pounds, which was 2 per cent less than the record growth in 1938 but above that for any preceding year. A lighter weight per fleece, caused by a slow development of sheep in the spring of 1939, was responsible for the decline in production during the past year. The number of sheep shorn in 1939 showed a moderate increase over that a year earlier. Despite the contraction in output, cash income from the sale of wool was 12 per cent higher than in 1938, reflecting an average increase of 14 per cent in local market prices. Production of shorn wool in the United States during the past year recorded a new high at 377,400,000 pounds, which was 2 per cent higher than the 1938 growth.

Mohair production in this district increased 12 per cent in 1939 to 17,700,000 pounds, and cash income from this source was more than 50 per cent greater than in the preceding year. The 1939 clip in the Eleventh District represented about 95 per cent of all mohair produced in the United States, which aggregated 18,700,000 pounds.

FINANCE

Daily average reserves of member banks maintained at the Federal Reserve Bank of Dallas declined about \$2,000,000 during February and remained at the lower level during the first half of March. In the latter period, reserves averaged about \$30,000,000 higher than in the corresponding period

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:				Ratio Feb. collections to accounts outstanding February 1		
	Net sales		Stocks*		Regular	Instalment	
	Feb., 1940 from Feb., 1939	Jan. 1 to Feb. 29, 1940 from 1939	Feb., 1940 from Feb., 1939	Jan., 1940			
Retail trade:							
Department stores:							
Total 11th Dist.	+ 6.6	+ .5	+ 4.9	+ 7.3	+12.6	39.5	15.4
Dallas	+ 7.5	+ 4.2	+ 6.3	+ 2.3	+13.0	40.3	16.6
Fort Worth	+ 8.3	+ 7.5	+ 6.6	+ 3.7	+ 9.5	35.6	11.6
Houston	+ 1.1	- 5.9	+ 2.1	+17.4	+21.2	37.8	.. . .
San Antonio	+11.9	+ 1.3	+ 6.0	+ 7.2	+ 6.8	42.9	14.4
Other cities	+ 4.1	- 6.1	+ 2.6	+13.6	+13.9	39.4	15.4
Independent stores:†							
Arizona	+14.4	.. . .	+12.7	.. . .	.. . .	.. . .	.. . .
Oklahoma	+ 6.9	+ 3.3	+ 2.6	.. . .	.. . .	.. . .	.. . .
New Mexico	+12.7	.. . .	+ 9.8	.. . .	.. . .	.. . .	.. . .
Texas	+ 9.8	+ 2.1	+ 6.9	.. . .	.. . .	.. . .	.. . .
Wholesale trade:‡							
Machinery, eqpt & electrical (except electrical)	+41.6	- 4.0	+37.9	.. . .	.. . .	25.2	.. . .
Dry goods	+ 5.0	-12.6	.. . .	+23.0	+ 3.0	37.9	.. . .
Groceries	+ 9.6	+ 3.5	+ 8.2	+13.3	- .6	91.0	.. . .
Drugs	+16.9	- 3.5	+16.2	+ 2.4	+ 1.7	76.5	.. . .
Hardware	+ 5.6	- 9.4	+ 5.6	+ 8.5	+ 1.7	67.1	.. . .
Electrical supplies	+11.2	+19.7	+12.4	.. . .	.. . .	85.9	.. . .
Tobacco & prod's.	+ 4.4	+11.7	0.0	.. . .	.. . .	84.8	.. . .
Surgical eqpt.	-11.1	+33.3	-17.0	.. . .	.. . .	55.2	.. . .

*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—Feb.		Stocks—Feb.		Sales—Feb.		Stocks—Feb.	
	1940	1939	1940	1939	1940	1939	1940	1939
Total Eleventh Dist.	107.3	104.8	70.3	66.6	91.2	89.1	67.5	63.9
Dallas	119.2	114.3	71.5	70.3	104.9	100.6	68.6	67.5
Fort Worth	110.5	106.4	64.6	61.9	91.7	88.3	62.0	59.4
Houston	101.2	104.5	54.3	49.2	86.0	88.8	50.5	45.8
San Antonio	98.2	91.0	55.6	52.8	81.5	75.5	56.2	53.3

NUMBER AND VALUE OF LIVESTOCK ON FARMS AS OF JANUARY 1, 1939 AND 1940—(000's omitted)

	Texas				Eleventh District†			
	No. head		Total value		No. head		Total value	
	1940	1939	1940	1939	1940	1939	1940	1939
Horses and colts	679	679	\$ 34,850	\$ 36,871	1,359	1,384	\$ 70,440	\$ 76,407
Mules and mule colts	659	687	53,347	59,212	1,052	1,092	89,997	98,187
All cattle and calves	6,677	6,955	199,782	179,348	12,229	12,353	374,502	336,132
Milk cows*	1,443	1,458	54,834	52,488	2,618	2,615	103,353	99,151
Hogs, including pigs	2,293	1,820	13,090	14,319	4,674	3,807	25,077	28,795
All sheep and lambs	10,069	9,856	49,413	43,946	13,905	13,650	70,187	62,171
Goats and kids	3,300	3,142	10,560	8,798	‡3,300	‡3,142	‡10,560	‡8,798
Total	23,677	23,139	\$361,042	\$342,494	36,519	35,428	\$640,713	\$610,490

*Cows and heifers two years old and over kept for milk; number and value included in "all cattle and calves." †Eleventh District figures represent combined totals for the five states wholly or partially included in the Eleventh District. ‡Texas only.

SOURCE: United States Department of Agriculture.

FORT WORTH LIVESTOCK RECEIPTS

	(Number)			January 1940	Change over month
	February 1940	February 1939	Change over year		
Cattle	29,520	33,584	-4,064	41,459	-11,939
Calves	18,455	21,095	-2,640	23,475	-5,020
Hogs	37,837	30,662	+7,175	40,654	-2,817
Sheep	29,630	33,614	-3,984	38,750	-9,120

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

	February 1940	February 1939	January 1940
Beef steers	\$ 9.25	\$10.25	\$ 9.35
Stocking steers	9.00	8.75	8.50
Heifers and yearlings	10.00	11.00	10.00
Butcher cows	6.50	6.50	6.50
Calves	8.50	9.00	8.50
Hogs	5.50	8.10	8.50
Lambs	8.75	8.50	8.50

last year. Since the beginning of 1940 excess reserves have averaged about 60 per cent of required reserves. Total earning assets of the Federal Reserve Bank of Dallas showed little change between February 15 and March 15. Federal Reserve notes of this bank in actual circulation showed a further seasonal decline during the past month, but the total outstanding on March 15 was \$3,900,000 higher than a year ago.

The seasonal liquidation of loans that had been in evidence during the first six weeks of 1940 at weekly reporting member banks in leading cities of the Eleventh District continued during the four weeks ended March 13 but at a slower rate. In the latter period loans were reduced \$4,600,000, making a total contraction of \$16,200,000 since the beginning of 1940. Although the decline in loans thus far this year contrasts with a moderate increase during the corresponding period of 1939, the total of \$270,600,000 on March 13 was still \$23,900,000 greater than a year ago. Investments of these banks showed little net change during the four-week period. Total loans and investments of \$532,200,000 on March 13 were \$4,900,000 less than four weeks earlier, but \$26,100,000 greater than on the corresponding date last year.

Adjusted demand deposits at reporting banks expanded further between February 14 and March 13, but this increase was more than counterbalanced by a sharp contraction in interbank deposits. Total deposits at the middle of March were \$106,200,000 greater than a year earlier.

Charges to depositors' accounts at banks in principal cities of the Eleventh District declined less than seasonally from January to February and the increase over the corresponding month last year widened to 12 per cent. In the preceding four months, debits averaged about 9 per cent higher than in the same period of the previous year. The dollar volume of debits during February was the largest for that month since 1929.

INDUSTRY

Construction activity in the Eleventh District, as measured by the value of contracts awarded, rose 8 per cent from January to February, reflecting marked increases in residential and non-residential building. Moreover, the total value of awards was the largest for any February in several years, exceeding that in the corresponding month of 1939 by 11 per cent. Residential building, which had shown a downward trend in the preceding four months, increased to a point 52 per cent higher than in January and 28 per cent above that in February last year. The expansion in residential building reflects chiefly the letting of contracts for United States Housing Authority projects and an increase in speculative building. Non-residential building continued to expand during February due principally to the larger awards for manufacturing buildings. Total non-residential building was about 44 per cent greater than in February last year. In contrast with the rise in residential and non-residential building during February, public works and utilities construction, which consists in large part of publicly-financed projects, declined sharply, being about one-third smaller than in February a year ago. During the first two months of 1940 privately-financed construction constituted 55 per cent of the total, which compares with about 50 per cent in the comparable period of 1939.

Production of crude petroleum in the Eleventh District and in the United States expanded 3 per cent from January to February and continued at a higher level than a year ago. A further increase in output was recorded during the first two weeks of March in consequence of higher production

allowables in several major producing states. In Texas the allowable was more than 160,000 barrels daily above the estimated demand for Texas crude oil as computed by the

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

	March 15, 1940	March 15, 1939	Feb. 15, 1940
Total cash reserves	\$249,959	\$230,925	\$248,535
Discounts for member banks	131	319	69
Other bills discounted	60	None	151
Industrial advances	481	601	483
Bills bought in the open market	None	16	None
United States Government securities	94,362	108,419	94,362
Total earning assets	95,034	107,355	95,065
Member bank reserve deposits	219,002	183,096	217,582
Federal Reserve notes in actual circulation	80,064	76,206	80,431
Commitments to make industrial advances	None	44	None

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

	March 13, 1940	March 15, 1939	Feb. 14, 1940
Total loans and investments	\$532,227	\$506,151	\$537,126
Total loans	270,566	246,644	275,186
Commercial, industrial and agricultural loans	179,521	161,778	182,522
Open market paper	1,812	921	2,040
Loans to brokers and dealers in securities	3,642	3,313	2,892
Other loans for purchasing or carrying securities	13,303	14,239	13,993
Real estate loans	22,234	19,844	21,921
Loans to banks	235	273	245
All other loans	49,819	46,276	51,602
United States Government direct obligations	152,901	159,745	153,107
Obligations fully guaranteed by United States Govt.	51,036	47,594	51,936
Other securities	67,724	52,168	59,873
Reserves with Federal Reserve Bank	140,532	111,054	141,473
Balances with domestic banks	301,021	248,868	294,248
Demand deposits—adjusted*	483,887	438,788	474,822
Time deposits	136,593	130,469	135,788
United States Government deposits	31,117	34,385	31,016
Interbank deposits	272,484	208,036	282,547
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 the 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
February, 1938	\$1,113,919	\$216,344	\$606,222	\$119,587	\$507,697	\$ 96,757
February, 1939	1,193,160	225,328	674,977	124,975	518,183	100,353
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
January, 1940	1,340,235	233,470	775,643	129,435	574,592	104,035
February, 1940	1,355,474	234,306	785,130	129,055	570,344	105,251

DEBITS TO INDIVIDUAL ACCOUNTS
(In thousands of dollars)

	February 1940	February 1939	Pctg. change over year	January 1940	Pctg. change over month
Abilene	\$ 8,068	\$ 7,320	+10.2	\$ 9,050	-10.9
Austin	31,392	31,077	- 9	36,684	-14.4
Beaumont	23,242	22,565	+ 3.0	25,202	- 8.0
Corsicana	3,357	3,210	+ 4.6	3,546	- 5.3
Dallas	246,780	215,529	+14.5	277,437	-11.1
El Paso	29,231	28,651	+ 1.9	31,518	- 7.3
Fort Worth	71,651	67,544	+ 6.1	89,184	-19.7
Galveston	30,075	22,876	+31.5	28,396	+ 5.9
Houston	227,069	199,348	+13.9	257,517	-11.8
Port Arthur	9,175	8,060	+13.8	9,773	- 6.1
Roswell	3,953	3,391	+16.6	4,255	- 7.1
San Antonio	66,023	60,474	+ 9.2	70,445	- 6.3
Shreveport	42,964	39,285	+ 9.4	47,817	-10.1
Texarkana*	6,813	6,245	+ 9.1	7,272	- 6.3
Tucson	11,368	11,386	- 0.2	12,353	- 8.0
Tyler	11,081	9,680	+14.5	12,166	- 8.9
Waco	14,424	12,835	+12.4	13,996	+ 3.1
Wichita Falls	16,420	13,198	+24.4	16,057	+ 2.3
Total	\$853,086	\$763,304	+11.8	\$952,728	-10.5

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

SAVINGS DEPOSITS

	Number of reporting banks	February 29, 1940		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Feb. 28, 1939	Jan. 31, 1940
Beaumont	3	9,955	\$ 3,951,279	+ .6	+ .6
Dallas	8	89,565	26,335,635	-2.6	- .3
El Paso	2	17,985	5,306,700	+2.1	- .2
Fort Worth	3	35,957	13,106,337	-4.8	- .7
Galveston	4	18,959	12,220,646	+1.6	+ .4
Houston	10	77,310	31,100,435	+5.0	+ .4
Port Arthur	2	5,815	3,142,551	+8.1	+1.2
San Antonio	2	22,916	17,896,151	-5.6	- .1
Shreveport	3	25,993	12,040,806	+4.6	+ .1
Waco	3	8,316	4,644,739	- .3	-1.2
Wichita Falls	3	7,278	3,700,798	-3.8	-1.0
All other	69	60,921	30,364,264	+2.7	+ .1
Total	115	380,070	\$166,810,341	+ .5	0.0

United States Bureau of Mines. Daily average production in the United States during the first half of March was at an all-time peak, exceeding the estimated demand by about 10 per cent. Stocks of crude oil in the Eleventh District and the United States rose 2 per cent in February and trade reports indicate that a further gain has occurred since the first of March. Inventories of crude oil have increased substantially since last October, but they are still much smaller than a year ago.

Refinery operations in the United States during February, as measured by crude oil runs to stills, continued at about the January rate and exceeded those of a year ago by about 11 per cent. Production of gasoline was substantially in excess of consumption, with the result that stocks of motor fuel increased sharply further to a new all-time high on March 2. On that date, they were 15 per cent greater than the heavy supply at that time last year. Inventories of heating oil were reduced further in February, but stocks of fuel oil have shown little change since the beginning of 1940.

Drilling activity during February in both the Eleventh District and the United States was at a much lower rate than in January. In comparison with a year ago, operations in this district showed a noticeable curtailment, but for the United States they were only moderately smaller.

Domestic consumption of cotton was maintained at a high rate during February notwithstanding a decline of 9 per cent from the volume consumed in the preceding month. The 663,000 bales processed in February was only slightly lower than the all-time high for that month recorded in February, 1937, and was 18 per cent greater than the amount utilized in the corresponding month last year. Mill sales of cotton goods continued below output during February, but there was some improvement in buying during the first half of March. Prices of cotton goods declined further and mill margins, which have shown a downward trend in recent months, receded to a level 23 per cent below the 1939 peak recorded last October. Stocks of raw cotton in consuming establishments were reduced further by 4 per cent during February and the supply in public storage and compresses declined 8 per cent.

The movement of American cotton into export channels during February was 27 per cent smaller than in January, but it was sharply higher than the average shipments for

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	February		January		January 1 to February 29	
	1940	1939	1940	1939	1940	1939
Eleventh District—total...	\$ 16,603	\$ 15,022	\$ 15,344	\$ 31,947	\$ 33,243	
Residential.....	6,615	5,167	4,366	10,981	11,894	
All other.....	9,988	9,855	10,978	20,966	21,849	
United States*—total.....	200,574	220,197	196,191	396,765	471,870	
Residential.....	74,858	79,020	77,400	152,258	159,183	
All other.....	125,716	141,177	118,791	244,507	312,687	

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	February, 1940		Percentage change valuation from		Jan. 1 to Feb. 29, 1940		Percentage change valuation from 1939	
	No.	Valuation	Feb., 1939	Jan., 1940	No.	Valuation	1939	1939
Abilene.....	18	\$ 26,160	+118.2	-59.7	37	\$ 91,095	- 1.1	
Amarillo.....	47	137,791	+ 19.3	+ 3.8	94	270,538	- 5.9	
Austin.....	258	750,229	+ 7.3	+55.2	549	1,233,497	-20.0	
Beaumont.....	97	128,488	+25.2	+63.3	172	207,188	+ 6.5	
Corpus Christi..	192	1,405,942	+597.3	+ 7.2	384	2,717,752	+130.3	
Dallas.....	525	1,129,982	+11.2	+29.5	956	2,002,360	-27.1	
El Paso.....	102	173,722	+23.4	+28.0	160	309,439	-18.9	
Fort Worth.....	220	494,902	+55.6	+74.8	375	778,015	+47.1	
Galveston.....	146	153,080	+ 36.9	-54.4	248	488,670	+97.5	
Houston.....	432	1,502,470	+17.2	-50.0	833	5,168,175	+34.1	
Port Arthur.....	109	87,535	+85.6	+34.1	179	152,793	-17.6	
San Antonio.....	521	432,371	+31.4	- 1.1	957	869,453	- 9.2	
Shreveport.....	119	279,736	-64.3	- 9.0	246	587,291	-47.0	
Waco.....	45	81,413	-16.3	-46.8	116	234,356	-41.3	
Wichita Falls..	34	42,987	-29.0	-51.5	62	131,017	+10.2	
Total.....	2,865	\$6,826,808	- 1.5	-18.9	5,368	\$15,242,239	+ 3.2	

*Includes Highland Park and University Park.

that month and nearly three times the small movement in February last year. Cumulative exports of cotton during the first seven months of the current season amounted to 4,917,000 bales, which was twice the volume shipped in the comparable period of the previous season and about equal to the 1929-1938 average for that period. Reports indicate that cotton mill activity in most foreign countries continues at a high rate.

In contrast with a moderate increase in operations at all mills in the United States, the rate of activity at cottonseed crushing establishments in Texas during the first seven months of the 1939-1940 season was somewhat lower than that in the corresponding period of the preceding season. Although the demand for all products except linters has been smaller this season, the reduction in physical output of mills is accounted for chiefly by a smaller supply of cottonseed, the estimated tonnage from the 1939 cotton crop being 8 per cent less than that a year earlier. Mill stocks of cottonseed and cottonseed products at the close of February were sharply lower than a year earlier. During the first half of the current season, domestic exports of crude and refined cottonseed oil and linters showed a marked increase over the respective totals for the comparable period of the preceding season.

CRUDE OIL PRODUCTION

	February, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Feb., 1939	Jan., 1940
	North Texas.....	5,075,700	175,024	+30,265	+13,455
West Texas.....	7,680,550	264,847	+22,749	- 3,085
East Texas.....	14,349,550	494,812	+17,267	+20,099
South Texas.....	6,376,200	219,869	-31,520	+11,725
Texas Coastal.....	6,715,100	231,555	+12,823	+ 2,832
Total Texas.....	40,197,100	1,386,107	+51,584	+45,026
New Mexico.....	3,215,150	110,867	+ 8,962	+ 6,667
North Louisiana.....	1,989,950	68,619	- 2,208	- 31
Total District.....	45,402,200	1,565,593	+58,338	+51,662

SOURCE: *The Oil Weekly*, Houston, Texas.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to February 29 This season	February 29 Last season	August 1 to February 29 This season	February 29 Last season
Cottonseed received at mills (tons).....	884,718	967,164	3,886,211	3,908,290
Cottonseed crushed (tons).....	865,868	959,899	3,485,047	3,451,543
Cottonseed on hand Feb. 29 (tons).....	73,918	189,338	521,790	789,357
Production of products:				
Crude oil (pounds).....	250,461,341	281,383,921	1,095,202,827	1,072,021,615
Cake and meal (tons).....	412,504	448,260	1,567,429	1,552,726
Hulls (tons).....	223,791	255,764	881,879	891,989
Linters (running bales).....	200,282	210,804	885,440	850,389
Stocks on hand February 29:				
Crude oil (pounds).....	25,102,170	42,815,515	79,652,434	121,278,013
Cake and meal (tons).....	61,369	62,789	200,173	244,479
Hulls (tons).....	43,884	67,878	105,026	140,011
Linters (running bales).....	96,829	152,912	322,562	564,936

SOURCE: Bureau of Census.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON (Bales)

	February 1940	February 1939	January 1940	August 1 to February 29 This season	February 29 Last season
	Consumption at:				
Texas mills.....	11,451	9,785	12,827	82,453	71,540
United States mills.....	662,659	562,580	730,143	4,704,504	3,959,420
U.S. stocks—end of month:					
In consuming estab'mts.....	1,701,510	1,559,417	1,776,931	.....	.....
Public stg. & compresses.....	12,157,074	14,134,827	13,206,819	.....	.....
Exports from U. S. to:					
United Kingdom.....	192,631	33,805	379,699	1,525,928	319,263
France.....	130,230	10,348	178,310	617,904	304,082
Italy.....	74,404	24,392	67,527	385,132	197,521
Germany.....	None	25,872	None	18,992	226,007
Other Europe.....	102,307	80,979	106,917	917,832	567,360
Japan.....	91,990	65,963	161,019	675,180	594,314
All other countries.....	155,118	22,563	133,156	775,543	247,256
Total exports.....	746,680	263,922	1,026,628	4,916,511	2,455,803

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

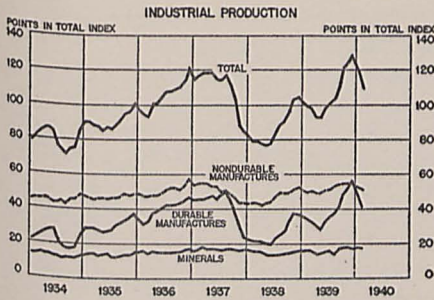
	February 1940	February 1939	January 1940	August 1 to February 29 This season	February 29 Last season
	Receipts.....	335,919	52,579	331,642	3,368,441	1,868,816
Exports.....	416,989	208,332	503,351	2,815,191	1,677,396
Stocks, end of month.....	1,495,844	1,397,323	1,586,136	.....	.....

MONTHLY BUSINESS REVIEW

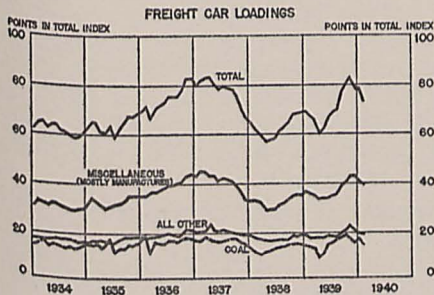
APRIL 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

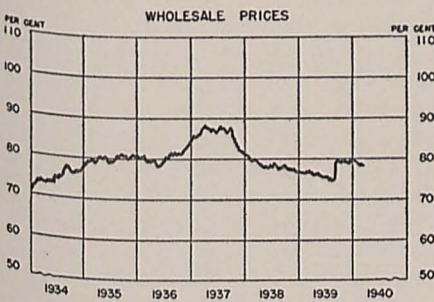
(Compiled by the Board of Governors of the Federal Reserve System)



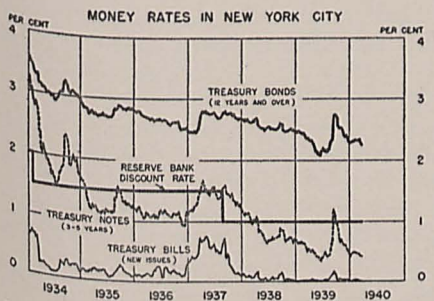
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January, 1934, to February, 1940.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January, 1934, to February, 1940.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending March 9, 1940.



For weeks ending January 6, 1934, to March 16, 1940.

Industrial activity showed a further sharp decline in February and a less marked reduction in the first half of March. Wholesale commodity prices generally were steady, following some decline in January and early February.

PRODUCTION

In February the Board's seasonally adjusted index of industrial production was 109 per cent of the 1923-1925 average as compared with 119 in January and 128 in December. A further decline at a slower rate is indicated for March on the basis of data now available. In August, 1939, the month prior to the outbreak of war, the index was 103.

Steel production, which had risen sharply in the latter part of 1939 and then decreased considerably in January, showed a further marked reduction in February to 69 per cent of capacity. In the first half of March output was steady at a rate of about 65 per cent. Plate glass production declined further in February and output of lumber, which had dropped sharply in January, showed less than the usual seasonal rise. Automobile production in February was maintained at the high level prevailing in January. Dealers' stocks of new cars rose to high levels in this period, notwithstanding the fact that retail sales of cars were in large volume for this time of the year. In the first half of March output of automobiles showed less than the customary sharp increase. In some industries not included directly in the Board's production index, particularly the machinery, aircraft, and rayon industries, activity continued at high levels.

Changes in output of non-durable goods were largely seasonal in February except at textile mills and sugar refineries. At cotton textile mills activity declined somewhat from the high levels prevailing since early last autumn. Activity at woolen mills, which had decreased considerably in December and January, declined further in February and output of silk products was reduced to an exceptionally low level. Sugar refining showed less than the sharp rise usual at this season.

Mineral production declined in February, owing chiefly to the considerable reduction in output of anthracite. Bituminous coal production declined somewhat, following a rise in January, while output of crude petroleum increased to new high levels.

Value of construction contract awards in February showed little change from the January total, reflecting a further decrease in contracts for public construction and a contraseasonal increase in private contracts, according to figures of the F. W. Dodge Corporation. The increase in private residential awards nearly equalled the decline that occurred in the previous month when severe storms curtailed building operations in many areas.

DISTRIBUTION

Retail distribution of general merchandise showed little change from January to February and remained somewhat below the high level of the latter part of last year, with due allowance for seasonal changes. Sales at variety stores and mail-order houses showed about the usual seasonal rise in February, while at department stores, where some increase is also usual at this time of year, sales remained at about the January level.

Freight-car loadings declined considerably from January to February, reflecting for the most part a sharp reduction in coal shipments and some further decrease in loadings of miscellaneous freight.

FOREIGN TRADE

Exports of United States merchandise in February declined less than seasonally from the high levels reached in December and January. The principal decreases were in shipments of cotton, copper, and aircraft, which had been exceptionally large in previous months. Exports to Japan fell sharply and there were declines also in shipments to the United Kingdom, the Netherlands, and Russia, while exports to Belgium and the Scandinavian countries increased.

There has been little change in the rate of gold inflow. The monetary gold stock increased by \$246,000,000 in February and by \$109,000,000 in the first two weeks of March.

COMMODITY PRICES

Prices of nonferrous metals advanced from the middle of February to the middle of March, while steel scrap and textile materials declined somewhat further. Most other commodities showed little change and in the week ending March 9 the general index of the Bureau of Labor Statistics was at 78.3 per cent of the 1926 average as compared with 78.5 a month earlier.

GOVERNMENT SECURITY MARKET

Following a relatively steady market during February, prices of long-term Treasury bonds increased sharply after the announcement by the Treasury early in March that its operations during that month would be limited to the issuance of a five-year note to refund a note maturing next June.

BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities rose during the six weeks ending March 13, largely as a result of increases in investments at New York City banks. Following a reduction during January, commercial loans increased, mostly at banks in cities outside New York. Bank reserves and deposits continued to increase during the period.