

Monthly Business Review

OF THE FEDERAL RESERVE BANK OF DALLAS

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DISTRICT SUMMARY

The general business and industrial situation in the Eleventh District continued generally favorable during March and the first half of April. Employment and payrolls in Texas increased during March and were considerably higher than a year ago. Daily average sales at department stores during March were larger than in any corresponding month since 1929, and distribution of commodities through wholesale channels increased seasonally, exceeding that of a year ago by 4 per cent. Daily average output of petroleum was close to the all-time peak established in August, 1937, and refinery operations continued at a much higher level than a year ago. The total value of construction contracts awarded in March was considerably smaller than that a month earlier and a year ago, but privately-financed building showed increases over both comparative months. Consumption of cotton at textile mills in Texas declined somewhat from the high level maintained throughout the first seven months of the current season. The outlook for the agricultural and livestock industries showed a noticeable improvement following the heavy and widespread rains during the first half of April.

BUSINESS

Sales at department stores in principal cities of the Eleventh District expanded by much more than the average seasonal amount in March, reflecting increases in employment and payrolls and the prevalence of weather conditions conducive to consumer purchases of spring merchandise. Daily average sales were 21 per cent greater than in February and exceeded those of March last year by 12 per cent. The sharp expansion in department store trade was due in part to Easter buying; yet, after allowance is made for the early date of Easter this year, as well as for average seasonal changes, the index of sales rose 5 points to 112 per cent of the 1923-1925 average. This figure compares with 105 per cent in March, 1939, and is about equal to the high level attained in December, 1939, and in January, 1940. On an adjusted basis, trade during the first half of April was moderately higher than in the corresponding period of 1939.

From the accompanying chart, it will be noted that department store sales, on an adjusted basis, have fluctuated mostly between 100 and 110 per cent of the 1923-1925 average since the middle of 1936. In each of the past two years, sales have shown a noticeable downward trend in the late winter and in the early spring months. This year, however, the adjusted index averaged 111 per cent of the 1923-1925 average during the first quarter, which was about the same as in that period of 1929 and higher than that for any intervening quarter.

After a noticeable increase during the latter part of 1939, this bank's seasonally adjusted index of inventories at reporting department stores fluctuated within a narrow range during the first quarter of 1940. At the close of March the value of inventories was 6 per cent greater than a year earlier and above that for any corresponding date in recent years. This increase, however, corresponds with a similar expansion in sales during the first quarter.

The rate of collections during March on open accounts outstanding at the beginning of the month was about the same as that a month earlier and a year ago; whereas, collections on instalment accounts showed a substantial increase over both comparative months.

The demand for merchandise at 80 reporting wholesale firms in eight lines of trade operating in the Eleventh District exceeded that of a month earlier and a year ago by about 4 per cent. The increase over the preceding month was smaller than ordinarily occurs at that season and the gain as compared with the corresponding month a year earlier was the smallest recorded since July, 1939. A contraction in the distribution of drugs, including liquors, was chiefly responsible for the less favorable showing. The business of machinery and equipment firms was seasonally smaller than a month earlier, but sales in most other reporting lines of trade equalled or exceeded those in both comparative months. Aggregate stocks of merchandise at reporting wholesale firms showed a very moderate increase in March and at the close of the month the value of inventories was only 4 per cent greater than a year earlier. The latter increase is considerably smaller than that recorded for a similar comparison in each of the preceding five months. The rate of collections on outstanding accounts during March was seasonally higher than in February, but 3 per cent less than in March, 1939.

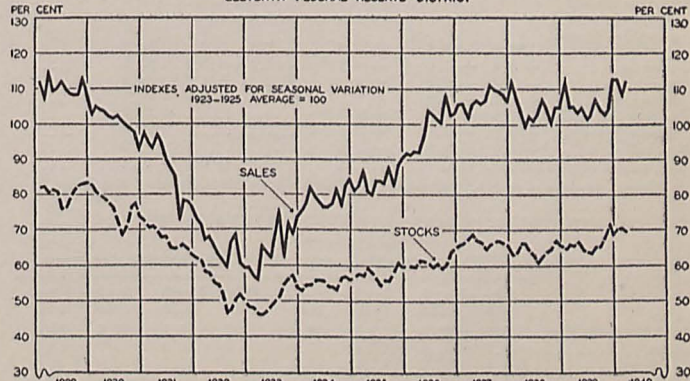
Employment and payrolls at Texas establishments showed further gains in March, and the expansion was fairly general over the State. The data compiled by the Bureau of Business Research of the University of Texas indicate that increases of 4.2 per cent in employment and 5.8 per cent in payrolls occurred in March as compared with the corresponding month of 1939. Among manufacturing industries, the gains over a year ago in both employment and payrolls were especially large at factories producing food, forest, and iron and steel products.

According to the data compiled by Dun & Bradstreet, the number and liabilities of commercial failures during the first quarter of 1940 were sharply lower than in that period of 1939 and, with the exception of 1937, they were the lowest for any corresponding period in the twenty-five years for which data are available. In March there were 22 failures with liabilities aggregating \$167,000.

AGRICULTURE

Agricultural conditions in the Eleventh District showed a further improvement during March and heavy, general rains during the first half of April supplied the top-soil with needed moisture and partially corrected the deficiency in sub-soil moisture. Although the cold wave during the second week of April retarded plant growth and resulted in some

DEPARTMENT STORE SALES AND STOCKS
ELEVENTH FEDERAL RESERVE DISTRICT



damage to crops, the improved moisture situation is conducive to rapid recovery of crops that escaped serious injury and will permit replanting of others. Farmers have made good progress with field work; planting of corn is nearing completion and seeding of cotton has advanced northward to central Texas. Recent rains have stimulated the growth of cotton in south Texas, where progress had been slow due to a moisture deficiency.

Although the Texas wheat crop has shown considerable improvement since the beginning of 1940 in consequence of the betterment in moisture conditions, the indicated production, as reported by the United States Department of Agriculture, is the smallest in several years. The low prospective yield is accounted for largely by the drouth that prevailed during the fall of 1939. A substantial amount of seed did not sprout until after the January snows, and that portion of the crop apparently did not respond quickly to the subsequent improvement in moisture conditions. The rains in the first half of April are expected to stimulate the growth of wheat. The prospective production in Texas on April 1 was placed at 20,770,000 bushels, which is the lowest since 1936 when only 18,927,000 bushels were harvested, and compares with a production of 27,650,000 bushels in 1939 and a ten-year, 1929-1938, average production of 32,958,000 bushels. Growing conditions in the Northwest High Plains have been much better than in other wheat growing areas of Texas and that section is expected to produce 62 per cent of the State's total, as against an average of about 52 per cent. The indicated production of wheat in Oklahoma is less than one-half of the 1939 yield and 46 per cent smaller than the ten-year average harvest.

The condition of peaches in Texas on April 1 was below that on the corresponding date last year and the April freeze apparently caused some damage to tender fruit. Nevertheless, prospects are generally favorable for a good yield. The condition of early Irish potatoes is about average for this season. The outlook for spring truck crops in south Texas showed a noticeable improvement during March, as heavy rains relieved the prolonged moisture deficiency in that area.

Livestock ranges in the Eleventh District showed more than the usual seasonal improvement during March, and

although their condition was spotted at the beginning of April, ranges in most areas had about overcome the damaging effects of the extremely low temperatures that prevailed last January. During the latter part of March rains broke the prolonged drouth in portions of south Texas and aided the growth of range vegetation. Ranges throughout the district are showing rapid improvement since the heavy, general rains during the first half of April. Livestock came through the winter in good flesh, due in large part to heavy supplemental feeding, and on April 1 their condition averaged about normal for that season of the year. Sheep and lambs were mending rapidly at the close of March and cattle were in good condition to take on flesh with the improvement in ranges. According to the Department of Agriculture, spring calf and lamb crops are large. Shipments of sheep and lambs are expected to be heavier this spring than in the comparable period of 1939, and although the demand for cattle and calves is strong, reports indicate that there is a tendency to withhold animals from the market; in consequence, spring shipments may be smaller than the heavy marketings in the spring of 1939.

Information compiled by the Department of Agriculture shows that average prices received by farmers in Texas for most classes of livestock evidenced an appreciable upturn during the three months ended March 15. At the close of the period the quotations for cattle, calves, sheep and lambs ranged from 7 to 16 per cent higher than three months earlier, and while prices for beef animals were about the same as those prevailing a year ago, the market for sheep and lambs was noticeably higher. On the other hand, prices of hogs during that period dropped to the lowest level since the summer of 1934. Between March 15 and April 15 prices of cattle, calves and sheep at the Fort Worth market showed little net change but quotations for spring lambs declined sharply due in part to heavy marketings. Hog prices continued downward until the second week of April when the market rose about 6 per cent to the level prevailing at the middle of last January.

The annual survey made by the United States Department of Agriculture covering the number of acres that farmers intend to plant for the production of principal summer crops, except cotton, indicates a shift in the acreage to be seeded to various crops produced in the Eleventh District. The acreage which farmers intend to plant to corn, barley, tame hay and most commercial food crops during 1940 is smaller than in 1939, but substantial increases are indicated for the seedings of oats, grain sorghums and rice. Total acreage to be planted is moderately higher than 1939 seedings and is about 5 per cent, or 1,000,000 acres, in excess of the 1929-1938 average. Including the acreage planted to wheat in the fall of 1939, total acreage of principal crops other than cotton to be placed in cultivation during 1940 in the five states wholly or partially included in the Eleventh District

WHOLESALE AND RETAIL TRADE STATISTICS

| | Percentage change in: | | | Ratio Mar. collections to accounts outstanding March 1 | |
|---|-----------------------|------------|-----------------------------------|--|------------|
| | Net sales | | | Stocks* | |
| | Mar., 1940 from 1939 | Feb., 1940 | Jan. 1 to Mar. 31, 1940 from 1939 | Mar., 1940 from 1939 | Feb., 1940 |
| Retail trade: | | | | | |
| Department stores: | | | | | |
| Total 11th Dist.. | + 7.7 | +25.8 | + 6.0 | + 5.9 | + 5.4 |
| Dallas..... | + 6.5 | +13.1 | + 6.4 | + .2 | + 5.1 |
| Fort Worth..... | +16.5 | +36.3 | +10.5 | + 8.1 | + 4.4 |
| Houston..... | +12.2 | +32.9 | + 5.8 | + 9.8 | + 6.2 |
| San Antonio..... | + 4.4 | +27.8 | + 5.6 | + 9.6 | + 6.8 |
| Other cities..... | + 3.3 | +39.2 | + 2.8 | +11.6 | + 5.0 |
| Independent stores:† | | | | | |
| Arizona..... | + 4.9 | ..... | + 7.8 | ..... | ..... |
| Oklahoma..... | + 3.2 | +25.1 | + .6 | ..... | ..... |
| New Mexico..... | + 6.1 | ..... | + 7.4 | ..... | ..... |
| Texas..... | + 8.5 | +26.0 | + 6.7 | ..... | ..... |
| Wholesale trade:† | | | | | |
| Machinery, eqpt & supplies (except electrical)..... | +23.1 | -15.8 | +32.0 | - 7.1 | + 2.9 |
| Groceries..... | + 1.4 | + 7.0 | + 6.1 | + 7.1 | - 3.2 |
| Drugs..... | - 2.6 | - 2.2 | + 8.4 | + 4.2 | + 1.7 |
| Hardware..... | + 8.7 | + 9.9 | + 6.9 | + 5.7 | + 2.0 |
| Electrical supplies..... | + 7.9 | + 7.6 | +10.0 | ..... | ..... |
| Tobacco & prod's..... | + 2.8 | + 3.8 | + 1.1 | ..... | ..... |
| Surgical eqpt..... | +10.7 | + 6.9 | - 7.4 | ..... | ..... |
| Automotive suppl's No chg. | + 5.0 | ..... | ..... | + 6.7 | + 6.7 |

*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—March 1940 | Stocks—March 1939 | Sales—March 1940 | Stocks—March 1939 |
| Total Eleventh Dist.. | 112.3 | 105.3 | 69.2 | 66.0 |
| Dallas..... | 111.7 | 104.5 | 71.4 | 72.0 |
| Fort Worth..... | 122.4 | 102.2 | 64.9 | 59.4 |
| Houston..... | 112.8 | 99.7 | 53.0 | 49.7 |
| San Antonio..... | 99.1 | 95.3 | 56.7 | 51.3 |

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

| | January, 1940 | | Total receipts | |
|-----------------|----------------------|------------|---------------------|--------------|
| | Receipts from: Crops | Livestock* | Government payments | January 1940 |
| Arizona..... | 3,372 | 1,645 | 458 | 5,475 |
| Louisiana..... | 3,374 | 2,306 | 955 | 6,635 |
| New Mexico..... | 1,293 | 1,440 | 873 | 3,606 |
| Oklahoma..... | 3,199 | 6,600 | 4,950 | 14,749 |
| Texas..... | 9,329 | 11,120 | 19,115 | 39,564 |
| Total..... | 20,567 | 23,111 | 26,351 | 70,029 |

*Includes receipts from the sale of livestock and livestock products.
SOURCE: United States Department of Agriculture.

FORT WORTH LIVESTOCK RECEIPTS (Number)

| | March 1940 | March 1939 | Change over year | February 1940 | Change over month |
|-------------|------------|------------|------------------|---------------|-------------------|
| Cattle..... | 36,147 | 42,312 | -6,165 | 30,530 | + 5,617 |
| Calves..... | 22,704 | 19,386 | +3,318 | 18,445 | + 4,259 |
| Hogs..... | 43,416 | 39,411 | +4,005 | 37,937 | + 5,479 |
| Sheep..... | 49,088 | 55,352 | -6,264 | 29,604 | +19,484 |

is estimated at 30,400,000 acres, which is 3 per cent greater than in 1939 and 4 per cent in excess of the ten-year average.

FINANCE

Reserve deposits of member banks in the Eleventh District, which had averaged about \$216,000,000 during the first half of March, declined sharply in the subsequent two weeks as member banks withdrew reserves to meet the decline in their deposits occasioned by the quarterly income tax payments. During the period reserves declined to a low of \$205,000,000 and the daily average for the last half of March amounted to approximately \$210,000,000 which was the lowest for any semi-monthly period since last October. Excess reserves showed an average decline of \$5,000,000 during the final two weeks of March and the daily average of \$77,100,000 for that period was the lowest recorded thus far in 1940. Discounts for member banks showed a further seasonal increase between March 15 and April 15, but continued in small volume. The total of \$274,000 at the middle of April was \$116,000 smaller than on that date last year. Holdings of United States Government securities by the Federal Reserve Bank of Dallas showed a net increase of \$650,000 during the month ended April 15, reflecting a reallocation on April 1 of the System's investment account among the Reserve banks. Total earning assets of this bank on April 15 were \$764,000 higher than a month earlier, but \$7,500,000 smaller than on that date last year. Federal Reserve notes of this bank in actual circulation showed a further seasonal decline between the middle of March and the middle of April, but the total of \$79,500,000 on April 15 was \$3,700,000 greater than a year ago.

Total loans at weekly reporting member banks in leading cities of the Eleventh District continued downward during the four weeks ended April 10, but at a much slower rate than during the first ten weeks of 1940. Loans for commercial, industrial and agricultural purposes declined further by \$1,500,000, but this decrease was partially offset by an expansion in loans to brokers and dealers in securities; the aggregate of other classes of loans showed little net change during the period. Total loans on April 10 were only \$770,000 smaller than four weeks earlier and \$20,700,000 greater than on the corresponding date last year. Investments of these banks in direct and guaranteed obligations of the United States Government were reduced further by \$2,800,000 between March 13 and April 10 and on the latter date they were moderately smaller than a year earlier. The latter decline contrasts with a further sharp increase during the past year in holdings of United States Government securities at banks at 101 leading cities of the United States. Investments of reporting banks in this district in securities other than direct and guaranteed Government obligations were increased \$1,500,000 during the four-week period to a level \$5,500,000 greater than a year ago. On April 10 total loans and investments were \$2,100,000 smaller than four weeks earlier, but \$25,400,000 greater than a year ago.

Total deposits at reporting banks declined sharply during the four-week period. Adjusted demand deposits were reduced \$10,250,000 due in part to the withdrawal of funds for income tax payments, and interbank deposits were reduced \$9,300,000. In order to meet the withdrawal of deposits these banks reduced their reserves with the Federal Reserve Bank by \$8,300,000 and their balances with other domestic commercial banks by \$8,900,000.

INDUSTRY

Following a substantial increase in February, the value of construction contracts awarded in the Eleventh District declined 16 per cent in March and the total was 13 per cent under that in the corresponding month last year. The decline was due chiefly to a further contraction in awards for heavy

engineering projects, which include public works and public utility construction. Contracts awarded for this class of construction have shown a sharp downward trend during the past three months, the value of awards in March being only about one-fifth the December, 1939, total. The decline is accounted for chiefly by a reduction in awards for publicly-financed projects. Residential building was in about the same volume as in the preceding month and was 5 per cent

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

| | April 15, 1940 | April 15, 1939 | March 15, 1940 |
|--|-------------------|-------------------|-------------------|
| Total cash reserves..... | \$249,569 | \$225,101 | \$249,959 |
| Discounts for member banks..... | 274 | 390 | 131 |
| Other bills discounted..... | 30 | None | 60 |
| Industrial advances..... | 482 | 613 | 481 |
| Bills bought in the open market..... | None | 16 | None |
| United States Government securities..... | 95,012 | 102,282 | 94,362 |
| Total earning assets..... | 95,798 | 103,301 | 95,034 |
| Member bank reserve deposits..... | 212,978 | 185,027 | 219,002 |
| Federal Reserve notes in actual circulation..... | 79,542 | 75,808 | 80,064 |

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

| | April 10, 1940 | April 12, 1939 | March 13, 1940 |
|---|-------------------|-------------------|-------------------|
| Total loans and investments..... | \$530,143 | \$504,774 | \$532,227 |
| Total loans..... | 269,795 | 249,081 | 270,566 |
| Commercial, industrial and agricultural loans..... | 178,027 | 164,389 | 179,521 |
| Open market paper..... | 1,759 | 1,247 | 1,812 |
| Loans to brokers and dealers in securities..... | 4,396 | 2,790 | 3,642 |
| Other loans for purchasing or carrying securities..... | 13,401 | 14,331 | 13,303 |
| Real estate loans..... | 22,264 | 20,151 | 22,234 |
| Loans to banks..... | 433 | 265 | 235 |
| All other loans..... | 49,510 | 45,908 | 49,819 |
| United States Government direct obligations..... | 151,223 | 153,816 | 152,901 |
| Obligations fully guaranteed by United States Govt..... | 49,874 | 48,151 | 51,036 |
| Other securities..... | 59,251 | 53,726 | 57,724 |
| Reserves with Federal Reserve Bank..... | 132,254 | 116,504 | 140,532 |
| Balances with domestic banks..... | 292,088 | 238,931 | 301,021 |
| Demand deposits—adjusted*..... | 473,439 | 436,142 | 453,687 |
| Time deposits..... | 136,016 | 136,214 | 136,593 |
| United States Government deposits..... | 31,093 | 34,402 | 31,117 |
| Interbank deposits..... | 263,161 | 205,821 | 272,484 |
| 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 |
| March, 1938..... | \$1,096,362 | \$218,188 | \$601,354 | \$121,102 | \$495,008 | \$ 97,086 | |
| March, 1939..... | 1,181,914 | 228,585 | 672,905 | 128,122 | 508,919 | 100,463 | |
| 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 | 564,592 | 104,035 | |
| February, 1940..... | 1,355,474 | 234,306 | 785,130 | 129,055 | 570,344 | 105,251 | |
| March, 1940..... | 1,350,015 | 235,036 | 782,012 | 129,589 | 568,003 | 105,447 | |

DEBITS TO INDIVIDUAL ACCOUNTS (In thousands of dollars)

| | March 1940 | March 1939 | Pctg. change over year | February 1940 | Pctg. change over month |
|--------------------|---------------|---------------|---------------------------|------------------|----------------------------|
| Abilene..... | \$ 8,517 | \$ 8,905 | + 4.4 | \$ 8,068 | + 5.6 |
| Austin..... | 35,185 | 35,063 | + .3 | 31,392 | +12.1 |
| Beaumont..... | 23,780 | 24,156 | - 1.6 | 23,242 | + 2.3 |
| Corsicana..... | 3,329 | 3,265 | + 2.0 | 3,357 | - .8 |
| Dallas..... | 263,377 | 246,851 | + 6.7 | 246,780 | + 6.7 |
| El Paso..... | 33,249 | 31,544 | + 5.4 | 29,231 | +13.7 |
| Fort Worth..... | 80,971 | 76,737 | + 5.5 | 71,651 | +13.0 |
| Galveston..... | 28,078 | 26,265 | + 6.9 | 30,075 | - 6.6 |
| Houston..... | 251,008 | 226,117 | +11.0 | 227,069 | +10.5 |
| Port Arthur..... | 9,599 | 9,116 | + 5.3 | 9,175 | + 4.6 |
| Roswell..... | 4,467 | 3,831 | +16.6 | 3,953 | +13.0 |
| San Antonio..... | 72,100 | 71,141 | + 1.3 | 66,023 | + 9.2 |
| Shreveport..... | 45,376 | 41,558 | + 9.2 | 42,964 | + 5.6 |
| Texarkana*..... | 8,244 | 8,219 | + .3 | 6,813 | +21.0 |
| Tucson..... | 13,022 | 13,223 | - 1.5 | 11,368 | +14.5 |
| Tyler..... | 12,410 | 11,651 | + 6.5 | 11,081 | +12.0 |
| Waco..... | 14,722 | 13,758 | + 7.0 | 14,424 | + 2.1 |
| Wichita Falls..... | 16,608 | 14,688 | +13.1 | 16,420 | + 1.1 |
| Total..... | \$924,042 | \$866,088 | + 6.7 | \$853,086 | + 8.3 |

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

SAVINGS DEPOSITS

| | | March 31, 1940 | | Percentage change in savings deposits from | |
|--------------------|---------------------------------|------------------------------------|----------------------------------|---|----------------------|
| | Number of reporting banks | Number of savings depositors | Amount of savings deposits | March 31, 1939 | February 29, 1940 |
| Beaumont..... | 3 | 9,845 | \$ 3,983,592 | +1.6 | + .8 |
| Dallas..... | 8 | 89,715 | 26,233,252 | -3.2 | - .4 |
| El Paso..... | 2 | 18,071 | 8,254,786 | +1.5 | - .6 |
| Fort Worth..... | 3 | 35,946 | 13,018,401 | -5.6 | - .7 |
| Galveston..... | 4 | 19,022 | 12,387,550 | +1.6 | +1.4 |
| Houston..... | 10 | 77,248 | 31,156,180 | +5.0 | + .2 |
| Port Arthur..... | 2 | 5,831 | 3,193,791 | -9.7 | + .5 |
| San Antonio..... | 5 | 22,944 | 17,799,940 | -6.4 | - .5 |
| Shreveport..... | 3 | 25,167 | 12,177,134 | +5.1 | +1.1 |
| Waco..... | 3 | 8,301 | 4,617,556 | + .3 | - .6 |
| Wichita Falls..... | 3 | 7,322 | 3,668,402 | -4.4 | - .9 |
| All other..... | 69 | 61,233 | 30,312,631 | +1.7 | - .2 |
| Total..... | 115 | 380,695 | \$166,803,221 | + .1 | - .02 |

lower than that in the corresponding month of 1939. The construction of one-family dwellings for owner-occupancy increased considerably in March and was in larger volume than a year ago. Virtually all residential construction during March was privately-financed. Awards for non-residential building were in comparatively heavy volume during March, though a decline occurred as compared with the preceding month. During the first quarter of 1940 non-residential building was the only class of construction work to register an increase over that in the corresponding period of 1939. Other types of building activity showed declines for the quarter ranging from 4 per cent for residential building to 31 per cent for public utility construction. Total building activity during the three-month period was 7 per cent smaller than in the initial quarter of 1939, but much higher than in the corresponding quarter of any other recent year.

Daily average production of crude petroleum in the United States increased sharply further in March. The expansion is accounted for largely by a marked increase in output in the Eleventh District occasioned by an increase of production allowables in Texas. In this district, as well as in the United States, output was in excess of the utilization of crude oil, with a consequent increase in petroleum inventories; nevertheless, crude oil stocks at the close of March were still much lower than those on the corresponding date in 1939.

Crude oil runs to refinery stills, which increased slightly from February to March, were 9 per cent higher than in March, 1939, and only moderately below the record high established last October. As a result of the expansion in refinery operations, production of gasoline exceeded consumption by a wide margin, causing inventories to register new all-time highs in each succeeding week. At the close of March gasoline stocks aggregated 101,000,000 barrels, which was 16 per cent greater than on that date last year and considerably above estimated working requirements. Although the expanding inventories of motor fuel during the past several months have depressed prices of that product, the heavy demand for heating and fuel oils at satisfactory prices has been a compensating factor. Crude oil prices have remained generally firm, but reports indicate that in recent weeks some companies have reduced their takings of crude petroleum in a few fields.

Drilling activity in both the Eleventh District and the United States was increased sharply in March and the number of wells completed exceeded that of a year ago by a substantial margin. During the first quarter of 1940 well com-

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

| | March 1940 | March 1939 | February 1940 | January 1 to March 31 1940 | January 1 to March 31 1939 |
|----------------------------|---------------|---------------|------------------|-------------------------------|-------------------------------|
| Eleventh District—total... | \$ 13,945 | \$ 16,021 | \$ 16,603 | \$ 45,892 | \$ 49,264 |
| Residential..... | 6,637 | 7,001 | 6,615 | 17,618 | 18,395 |
| All other..... | 7,308 | 9,020 | 9,988 | 28,274 | 30,869 |
| United States*—total..... | 272,178 | 300,661 | 200,574 | 668,943 | 772,531 |
| Residential..... | 121,708 | 125,225 | 74,858 | 273,966 | 284,408 |
| All other..... | 150,470 | 175,436 | 125,716 | 394,977 | 488,123 |

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

| | March, 1940 | | Percentage change valuation from | | Jan. 1 to Mar. 31, 1940 | | Percentage change valuation from 1939 |
|---------------------|-------------|-----------|-------------------------------------|------------|-------------------------|------------|--|
| | No. | Valuation | Mar., 1939 | Feb., 1940 | No. | Valuation | |
| | | | | | | | |
| Abilene..... | 46 | \$ 44,387 | -18.8 | + 69.7 | 83 | \$ 135,482 | - 7.7 |
| Amarillo..... | 95 | 267,118 | +11.6 | + 93.9 | 189 | 537,656 | + 2.1 |
| Austin..... | 294 | 1,107,825 | + 6.4 | + 47.7 | 843 | 2,341,322 | - 9.4 |
| Beaumont..... | 138 | 120,522 | -28.0 | - 6.2 | 310 | 327,710 | - 9.4 |
| Corpus Christi..... | 255 | 567,562 | - 1.1 | - 59.6 | 639 | 3,285,314 | + 87.9 |
| Dallas*..... | 789 | 1,083,791 | -24.5 | - 4.1 | 1,745 | 3,086,151 | -26.3 |
| El Paso..... | 104 | 212,561 | +43.1 | + 22.4 | 264 | 522,000 | - 1.5 |
| Fort Worth..... | 305 | 483,076 | +19.7 | - 2.2 | 680 | 1,261,091 | -32.7 |
| Galveston..... | 160 | 222,882 | +38.6 | + 45.6 | 408 | 711,552 | +74.3 |
| Houston..... | 556 | 1,865,680 | -37.9 | + 24.2 | 1,389 | 7,033,855 | + 2.6 |
| Port Arthur..... | 171 | 143,084 | +63.1 | + 63.5 | 350 | 295,877 | + 8.3 |
| San Antonio..... | 775 | 716,280 | +78.8 | + 65.7 | 1,732 | 1,585,733 | +10.8 |
| Shreveport..... | 248 | 537,972 | +94.0 | + 92.3 | 494 | 1,125,263 | -18.8 |
| Waco..... | 72 | 126,124 | + 7.5 | + 54.9 | 188 | 360,480 | -30.2 |
| Wichita Falls..... | 57 | 112,764 | + 2.9 | +162.3 | 119 | 244,381 | + 6.7 |

*Includes Highland Park and University Park.

pletions in this district averaged about the same as in the corresponding period of 1938, but elsewhere in the United States operations averaged 20 per cent greater.

Cotton mill activity in the United States slackened further in March, extending the decline that set in after the turn of the year. Although cotton consumption is usually at a seasonal peak in March, the 626,000 bales utilized in March this year was 6 per cent smaller than in the preceding month and the lowest since last September. Consumption was also 4 per cent smaller than in March last year, which represents the first year-to-year decline in eighteen months. Nevertheless, total utilization of cotton during the first eight months of the 1939-1940 season was the largest for any corresponding period of record. Purchases of cotton goods during March continued considerably below output but since the beginning of April there have been intermittent buying waves, and according to trade reports, mill sales have been equivalent to six or eight weeks output at the current rate of production. Coincident with the improved demand, prices have strengthened and increases have been effected on some constructions. Supplies of raw cotton at mills continued to decline during March but total stocks of 1,596,000 bales on hand at the end of the month were 181,000 bales, or 13 per cent, larger than on the corresponding date last year. Supplies at the end of March were equivalent to about two and one-half months' production at the current rate.

Foreign takings of American cotton declined further during March. Exports dropped to 434,000 bales, which was 42 per cent smaller than in the preceding month. However, foreign shipments were 31 per cent larger than in March last year and above the average for that month during the preceding five years. All major importing countries participated in the decline from the preceding month, and while shipments to Japan were sharply smaller than in the corresponding month of 1939, exports to the United Kingdom, France, and Italy continued much higher than a year ago. Canadian takings were also much greater than in March last year.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

| | Texas | | United States | |
|---|-------------------------------------|-------------|-------------------------------------|---------------|
| | August 1 to March 31 This season | Last season | August 1 to March 31 This season | Last season |
| Cottonseed received at mills (tons)..... | 894,152 | 986,889 | 3,973,035 | 4,026,653 |
| Cottonseed crushed (tons)..... | 914,764 | 1,065,751 | 3,777,306 | 3,840,523 |
| Cottonseed on hand March 31 (tons)..... | 34,456 | 103,211 | 316,355 | 518,740 |
| Production of products: | | | | |
| Crude oil (pounds)..... | 266,238,498 | 314,147,548 | 1,192,906,740 | 1,198,700,924 |
| Cake and meal (tons)..... | 438,992 | 501,768 | 1,705,095 | 1,729,897 |
| Hulls (tons)..... | 234,361 | 284,549 | 953,688 | 996,892 |
| Linters (running bales)..... | 212,644 | 236,759 | 963,661 | 951,435 |
| Stocks on hand March 31: | | | | |
| Crude oil (pounds)..... | 26,460,047 | 38,437,434 | 68,419,521 | 117,326,378 |
| Cake and meal (tons)..... | 51,080 | 46,370 | 175,769 | 195,092 |
| Hulls (tons)..... | 32,163 | 58,840 | 81,545 | 125,235 |
| Linters (running bales)..... | 97,214 | 157,070 | 316,783 | 581,604 |

SOURCE: Bureau of Census.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON

| | March 1940 | March 1939 | February 1940 | August 1 to March 31 This season | Last season |
|-------------------------------|---------------|---------------|------------------|-------------------------------------|-------------|
| Consumption at: | | | | | |
| Texas mills..... | 10,507 | 10,961 | 11,451 | 92,960 | 82,501 |
| United States mills..... | 626,331 | 649,940 | 662,659 | 5,380,835 | 4,609,360 |
| U.S. stocks—end of month: | | | | | |
| In consuming establmts..... | 1,595,722 | 1,414,541 | 1,701,510 | ..... | ..... |
| Public stg. & compresses..... | 11,404,298 | 13,477,548 | 12,157,074 | ..... | ..... |
| Exports from U. S. to: | | | | | |
| United Kingdom..... | 110,795 | 31,595 | 192,631 | 1,636,723 | 350,858 |
| France..... | 51,080 | 15,575 | 130,230 | 668,984 | 319,657 |
| Italy..... | 57,288 | 31,500 | 74,404 | 442,420 | 229,021 |
| Germany..... | None | 29,850 | None | 18,992 | 255,857 |
| Other Europe..... | 62,430 | 60,766 | 102,307 | 980,262 | 628,126 |
| Japan..... | 74,480 | 126,089 | 91,990 | 749,660 | 720,403 |
| All other countries..... | 77,769 | 34,695 | 155,118 | 853,312 | 281,951 |
| Total exports..... | 433,842 | 330,070 | 746,680 | 5,350,353 | 2,785,873 |

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

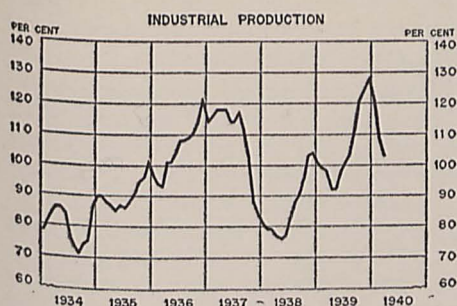
| | March 1940 | March 1939 | February 1940 | August 1 to March 31 This season | Last season |
|---------------------------|---------------|---------------|------------------|-------------------------------------|-------------|
| Receipts..... | 248,977 | 53,669 | 335,919 | 3,617,418 | 1,922,485 |
| Exports..... | 281,269 | 227,220 | 416,989 | 3,096,460 | 1,904,616 |
| Stocks, end of month..... | 1,457,794 | 1,218,669 | 1,495,844 | ..... | ..... |

MONTHLY BUSINESS REVIEW

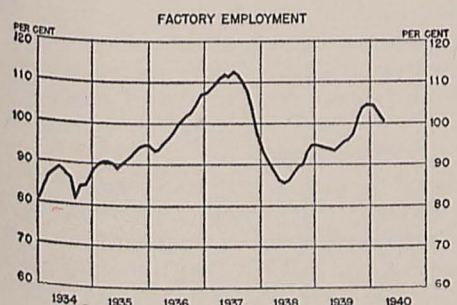
MAY 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

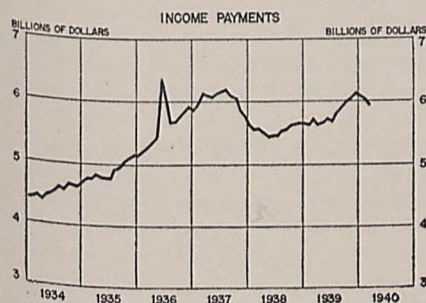
(Compiled by the Board of Governors of the Federal Reserve System)



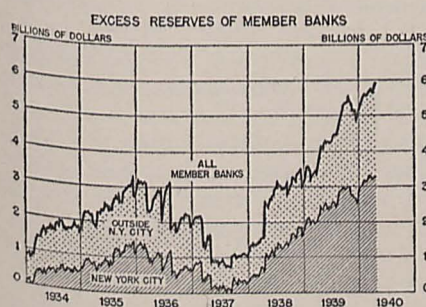
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to March, 1940.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to March, 1940.



U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January, 1934 to March, 1940



Wednesday figures partly estimated, January 3, 1934 to April 10, 1940.

Industrial activity continued to decline during March but at a somewhat slower rate than in the preceding two months, and in the first half of April there was little further decrease. Wholesale prices of basic commodities decreased somewhat in the latter half of March but recovered by the middle of April. Distribution of commodities to domestic consumers continued in large volume, and exports were at the high levels reached last December.

PRODUCTION

The Board's index of industrial production, which is adjusted for usual seasonal variations and for the number of working days, was 103 in March compared with 109 in February. The decline reflected chiefly a further reduction in output of steel and considerable decreases in activity at cotton and woolen textile mills.

Steel ingot production declined from an average of 69 per cent of capacity in February to an average of 64 per cent in March. In the first half of April output was at around 61 per cent of capacity. Automobile production in March and the first half of April was maintained at the high rate prevailing during January and February but did not show the increase customary at this season. Retail sales of automobiles continued in large volume, and dealers' stocks of new cars declined somewhat from the high level reached earlier. In the machinery industries activity showed some decline from the high rate of other recent months, while at aircraft factories and shipyards activity continued at peak levels. Output of lumber and plate glass advanced seasonally in March.

In the woolen textile industry, where activity had been declining from the high level reached last November, there was a further sharp reduction in March. Activity at cotton textile mills also declined considerably but remained at a somewhat higher level than prevailed a year ago. Shoe production likewise declined considerably in March. At silk mills activity remained at an exceptionally low level, while rayon production was large.

Mineral production was maintained in large volume in March. There was some further reduction in output of bituminous coal, but output of anthracite increased, following a sharp decline in February. Crude petroleum production continued at record levels.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased considerably in March, as is usual at this season. The increase was principally in awards for private work, which in March approximately equalled those in the corresponding period last year. Public awards increased somewhat, following declines in January and February, but were in smaller volume than a year ago. Private residential building rose by about the usual seasonal amount.

DISTRIBUTION

Sales of general merchandise at department and variety stores and by mail-order houses increased by about the usual seasonal amount from February to March, with allowance for the earlier date of Easter this year. In the first week of April sales at department stores were at a higher level than in March.

Freight-car loadings showed little change from February to March, although a rise is usual between these months. Shipments of miscellaneous freight showed considerably less than the usual seasonal increase, and there was some further decline in loadings of coal.

FOREIGN TRADE

Exports of United States merchandise in March continued near the high level reached last December. Agricultural exports, principally cotton, decreased from February to March, while there were substantial increases in shipments of commercial vehicles and in metal working, agricultural, and other types of machinery.

During March, the country's monetary gold stock increased by \$256,000,000. In the first two weeks of April the rate of gold inflow was accelerated, acquisitions in this period amounting to \$145,000,000.

COMMODITY PRICES

Prices of a number of basic agricultural and industrial commodities, which had declined in the latter part of March, advanced during the second week in April. Prices of certain finished steel products, on the other hand, were reduced, and prices of most other commodities showed little change.

GOVERNMENT SECURITY MARKET

Prices of Treasury bonds moved sharply upward during March and the first few days of April to a new high level since last summer. On April 9, however, on receipt of news of the expansion of war activities in Europe, a decline of about one point occurred in long-term bonds. Subsequently the market recovered part of the loss. The yield on the 1960-65 Treasury bonds was 2.31 per cent on April 15, compared with a low of 2.26 per cent on April 2.

BANK CREDIT

Reflecting continued heavy gold imports, excess reserves of member banks increased during the four weeks ending April 10 to a record high level of \$5,950,000,000. Total loans and investments at banks in 101 leading cities, which had shown little net change during March, increased in the first two weeks of April, reflecting purchases of United States Government obligations.