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DISTRICT SUMMARY

Distribution of merchandise to consumers in the Eleventh District increased by more than the average seasonal amount in May, and operations in most manufacturing industries were well sustained. Employment and payrolls increased in May and were appreciably higher than a year ago. Retail sales at department stores were much higher than in the preceding month and closely approximated those in May, 1939. Distribution of merchandise through wholesale channels was above that in either comparative month. Activity at cotton textile mills increased sharply in May, and the volume of cotton consumed was larger than the monthly average for the first nine months of the current season. Daily average production of crude petroleum was reduced moderately in May from the high level obtaining in the preceding two months, but refinery operations expanded further to a near record level. The value of construction contracts awarded declined 24 per cent from April to May, chiefly as a result of the smaller volume of awards for publicly-financed projects, and the total was 4 per cent smaller than in May last year. Physical conditions in the agricultural and livestock industries were improved materially by heavy, general rains during May and the first half of June. In some sections, however, excessive rainfall has damaged crops to some extent and has interfered with field work.

BUSINESS

Department store trade in principal cities of the Eleventh District was very active during the first half of May, but consumer buying slackened in the latter part of the month, reflecting to some extent the concern of the public over developments abroad. Nevertheless, aggregate sales increased 11 per cent from April to May, which was more than the average seasonal gain, and were slightly above those in the corresponding month last year. In consequence of the larger-than-seasonal expansion in business, this bank's adjusted index of department store sales rose from 103 per cent of the 1923-1925 average in April to 105 in May. During the first five months of 1940, distribution of merchandise averaged 3 per cent higher than in the corresponding period of 1939. According to figures of 13 weekly reporting department stores, sales during the first half of June were about 5 per cent larger than in that period last year.

Stocks of merchandise at department stores were reduced by more than the customary seasonal amount in May, but at the close of the month inventories were still 6 per cent greater than on that date a year earlier. The rate of collections during May on open and instalment accounts outstanding at the beginning of the month, which averaged 40 and 15 per cent, respectively, was about the same as that a month earlier and a year ago.

The business of reporting wholesale firms in seven lines of trade in the Eleventh District increased about 2 per cent from April to May, and exceeded that of a year ago by 6 per cent. Increases over both comparative months were recorded in the sales of groceries, machinery and equipment, electrical supplies and surgical equipment. The distribution of drugs was higher than in the preceding month and about the same as that in May, 1939. Combined sales for all reporting firms during the first five months of the current year were about 8 per cent higher than in that period last year. Although sales in most of the reporting lines of trade were larger during the first five months of the current year than in the comparable period of 1939, the outstanding development was the gain of 31 per cent in the sales of machinery and equipment. Inventories at reporting firms, which had shown an increase in each of the preceding four months, were reduced by about 2 per cent in May, but they remained at a considerably higher level than a year ago. Collections during May were at a 3 per cent slower rate than in either the preceding month or the corresponding month of 1939.

Employment and payrolls in Texas, which had shown an upward trend during the preceding three months, expanded further in May and continued at higher levels than a year ago. According to the Bureau of Business Research of the University of Texas, the number employed during May was 2 per cent higher than a year earlier and payrolls were up 4 per cent. The most pronounced gains have occurred at manufacturing establishments producing food, forest, and iron and steel products. In non-manufacturing trades noticeable increases over May, 1939, have taken place at quarries, public utilities, and wholesale and retail trade establishments.

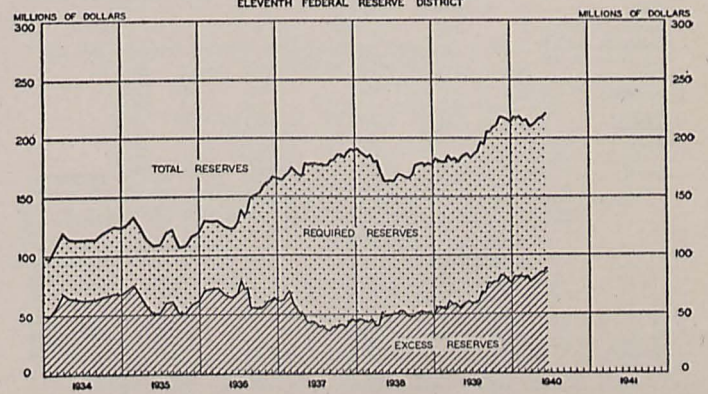
Liabilities of commercial failures in the Eleventh District, which had been comparatively small in the first four months of 1940, rose to the highest level of the year in May. The expansion was due to a substantial increase in the average indebtedness of defaulting firms, as the number of failures showed little change. Dun & Bradstreet reported 24 insolvencies during the month, having a total indebtedness of \$316,000.

AGRICULTURE

The outlook for the agricultural and livestock industries in the Eleventh District was improved further by heavy, general rains during May and the first half of June. Moisture conditions are now generally good in virtually all sections of the district. The persistence of cool nights has retarded growth of summer crops and washing rains in some areas during recent weeks have caused crop damage and will necessitate considerable replanting. As a result of the drouth earlier in the year and the cool weather during the spring, summer crops generally are later than usual, but with the appearance of warm, dry weather plants should overcome very rapidly the handicap of a late start. Seeding operations are nearing completion in most sections. In recent weeks, the cultivation of crops has been delayed because of wet soil, though fields generally were clean prior to the widespread rains in June. Cotton is in fair to good condition but plants are mostly small in the northern half of the district. Insect infestation is apparent in south and south-central Texas. Damage to plants and bolls has been light thus far, but hot, dry weather is needed to check insect activity and to prevent migration of insects to other areas.

According to the Department of Agriculture, the wheat crop in Texas and Oklahoma showed a further improvement

MEMBER BANK RESERVES
ELEVENTH FEDERAL RESERVE DISTRICT



during May but in New Mexico and Arizona estimated yields were reduced. Indicated production of wheat in Texas on June 1 was placed at 26,463,000 bushels, which is nearly 300,000 bushels higher than the May 1 forecast, but still 1,200,000 bushels under the 1939 harvest. In Oklahoma, production prospects showed a marked increase. The June 1 forecast of 38,514,000 bushels was nearly one-fourth higher than that a month earlier, but still far below the 1939 harvest and the ten-year average production. The deterioration of wheat in Arizona and New Mexico was substantial during May, prospective production in the latter state on June 1 being only 1,736,000 bushels, as compared with a May 1 forecast of 2,480,000 bushels. In all states included in the Eleventh District some damage has resulted from rust and cutworms. The Texas oat crop showed a further improvement during May, and on June 1 conditions were considerably higher than on the corresponding date last year. Harvesting of grain crops in Texas and Oklahoma made good progress early in June, but was retarded by widespread rains in the second and third weeks of the month.

The Texas corn crop is in fairly good condition, but warm, dry weather is needed to stimulate growth. The hay crop is progressing satisfactorily and its condition on June 1 was above the average for that date. The prospective production of peaches in Texas at the beginning of June totaled 1,593,000 bushels, which was almost 400,000 bushels below the 1939 harvest but 33 per cent greater than the 1929-1938 average yield. General rains during May improved the condition of citrus trees in the Rio Grande Valley of Texas and while the condition of oranges and grapefruit on June 1 was below that of a year ago, the fruit is reported to be sizing well. Commercial vegetable crops are making generally good progress; harvesting of tomatoes and Irish potatoes in east Texas became general early in June.

Livestock and their ranges showed a further improvement throughout the Eleventh District during May, and conditions on June 1 were substantially above those a year ago and higher than the ten-year average for that date. Range feeds have made good growth and prospects for summer grazing are favorable in virtually all areas except in portions of south Texas and in local areas elsewhere. As a result of the betterment in range conditions, livestock have improved rapidly and are now in good flesh. According to the Department of Agriculture, cattle ranges generally are lightly stocked because of

the heavy sales during 1939, but since breeding stock was retained, the calf prospects are better than a year ago. A good demand for cattle continues at prices higher than those obtaining a year ago but sales and contracts for future delivery have been light. Thus far this year, shipments of cattle have averaged nearly one-fourth smaller than in the corresponding period of 1939. Movements of cattle and calves to northern feed lots and pastures have also been small, reflecting the favorable range conditions. On the other hand, marketings of sheep and lambs were very heavy in May, and total sales for the year to date are well above those of a year ago.

Prices received by farmers in the Eleventh District for some principal farm products declined sharply in May, following the intensification and spread of the European war, and most markets affected remained at the lower level during the first half of June. Pronounced declines occurred in the prices of wheat, barley, oats and some classes of livestock. Wool prices were very irregular but little net change was recorded during the six-week period. Between May 1 and May 18 raw cotton prices declined to the lowest levels since last November, but the market recovered most of the loss in the subsequent three weeks. Despite recent declines, prices of most agricultural products continue at a higher level than a year ago.

Cash income received by farmers in the Eleventh District during March was about 12 per cent smaller than that in the preceding month and the corresponding month last year, reflecting chiefly a marked reduction in Government benefit payments, which were smaller than in any other month in more than a year. Excluding Government payments, farm income was 15 per cent greater than in the previous month and only 4 per cent below that of a year ago. Despite the contraction in total income during March, aggregate receipts in the first quarter of 1940 were 16 per cent greater than in that period of 1939, but the increase was due entirely to the exceptionally heavy disbursement of funds by the Federal Government during the initial two months of 1940. Receipts from the sale of crops and livestock and livestock products during the first three months of the current year averaged 4 per cent smaller than in the corresponding period of 1939.

FINANCE

Member banks in the Eleventh District shifted a considerable volume of idle funds to the Federal Reserve Bank of Dallas during May and the first half of June, and as a result their reserve balances reached a new peak at \$228,400,000 on June 13. Since required reserves did not show a corresponding increase, daily average excess reserves of member banks also rose to a new high level. Excess reserves have shown an upward trend since the middle of 1937 and in the first two weeks of June this year they averaged approximately \$90,000,000, or about double the volume three years ago. Total reserves of member banks are now about 68 per cent in excess of requirements. Total earning assets of the Federal Reserve Bank of Dallas showed virtually no change between May 15 and June

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:			Ratio May collections to accounts outstanding May 1	
	Net sales		Stocks*	Regular	Installment
	May, 1940 from May, 1939	April, 1940	Jan. 1 to May 31, 1940 from 1939	May, 1940 from May, 1939	April, 1940
Retail trade:					
Department stores:					
Total 11th Dist.:	+ .4	+10.9	+ 3.2	+ 6.0	- 7.9
Dallas.....	+ .7	+ 5.6	+ 3.8	+ 3.5	- 4.6
Fort Worth.....	- 3.2	+32.9	+ 3.4	+11.1	- 6.3
Houston.....	+ 3.4	+11.8	+ 2.3	+ 8.6	- 6.2
San Antonio.....	+ 5.3	+ 7.9	+ 5.4	+ 4.5	-21.3
Other cities.....	- 1.3	+11.8	+ .8	+ 7.4	- 6.4
Independent stores:†					
Arizona.....	+ 6.1	.....	+ 8.5	.....	.....
Oklahoma.....	+ .6	+ 5.4	+ 2.5	.....	.....
New Mexico.....	- 1.7	.....	+ 5.4	.....	.....
Texas.....	- .5	+ 4.4	+ 5.1	.....	.....
Wholesale trade:‡					
Machinery, eqp't & supplies (except electrical).....	+17.3	+11.0	+30.7	- 2.7	- 1.7
Groceries.....	+ 7.7	+ .9	+ 7.1	+ 9.4	- 1.6
Drugs.....	- .4	+ 2.4	+ 8.1	+ 1.0	- 2.1
Hardware.....	+ 1.0	- 1.2	+ 4.7	+ 6.5	- 3.0
Electrical supplies.....	+26.0	+31.3	+ 7.2	.....	.....
Tobacco & prod's.....	- 8.6	- 4.7	- 1.1	.....	.....
Surgical eqp't.....	+ 2.9	+ 2.9	.....	+11.1	+ 2.9

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	With seasonal adjustment				Without seasonal adjustment			
	Sales—May 1940	May 1939	Stocks—May 1940	May 1939	Sales—May 1940	May 1939	Stocks—May 1940	May 1939
Total Eleventh Dist.	105.0	104.7	67.8	64.4	105.0	104.7	68.5	65.0
Dallas.....	110.9	111.1	69.9	67.8	107.6	107.8	71.3	69.2
Fort Worth.....	118.5	121.3	68.3	61.4	118.5	121.3	69.0	62.0
Houston.....	105.8	101.3	52.5	51.2	105.8	101.3	53.5	52.2
San Antonio.....	93.7	88.6	49.3	47.0	99.3	93.9	48.8	46.5

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

	March, 1940			Total receipts		
	Receipts from:	Government payments	March 1940	March 1939	Jan. 1 to March 1940	Mar. 31 1939
	Crops	Livestock*				
Arizona.....	\$ 3,450	\$ 1,710	\$ 65	\$ 5,225	\$ 5,480	\$ 14,288
Louisiana.....	3,383	2,183	2,852	8,418	8,893	21,432
New Mexico.....	360	1,650	527	2,537	1,870	9,217
Oklahoma.....	2,790	5,350	4,055	12,195	12,260	40,320
Texas.....	9,651	13,820	2,192	25,663	33,358	99,812
Total...	\$19,634	\$24,713	\$9,691	\$54,038	\$61,861	\$185,242

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

LIVESTOCK RECEIPTS

	Fort Worth			San Antonio	
	May 1940	May 1939	April 1940	May 1940	April 1940
Cattle.....	44,669	65,265	36,384	16,795	19,707
Calves.....	26,946	29,119	19,174	21,074	31,828
Hogs.....	38,984	35,430	36,162	8,422	15,076
Sheep.....	315,716	211,210	146,318	6,427	6,075

15. A moderate increase in holdings of United States Government securities was offset by declines in discounts and in industrial advances. Federal Reserve notes of this bank in actual circulation increased slightly during the month ended June 15, and on that date circulation, totaling \$79,200,000, was \$3,400,000 larger than a year ago.

Loans and investments at weekly reporting member banks in leading cities of the Eleventh District increased moderately during the four weeks ended June 12, reflecting an expansion of \$2,300,000 in holdings of direct and guaranteed obligations of the United States Government. The increase in holdings of Government securities followed a net liquidation of more than \$20,000,000 during the preceding five months. Although total loans at these banks showed a further net reduction of \$663,000 during the four-week period, there was a moderate increase in advances during the second week of June. In comparison with a year ago, total loans on June 12 were \$13,600,000 greater; whereas, investments were down \$2,000,000.

Total deposits at reporting banks showed little change between May 15 and June 12, since increases in adjusted demand, time and United States Government deposits were offset by a sharp contraction in interbank deposits. During the past seven months aggregate deposits at these banks have fluctuated within comparatively narrow limits around \$910,000,000, but the total on June 12 was \$84,600,000 greater than on the same date of 1939. Reporting banks shifted a substantial volume of idle funds from their balances with other domestic commercial banks to the Federal Reserve Bank during the four-week period, and as a consequence their reserves maintained at the Reserve bank rose to an all-time peak of \$150,000,000.

Debits to individual accounts at banks in eighteen cities of the Eleventh District, which had averaged 10 per cent higher than a year ago during the first four months of 1940, increased contra-seasonally in May and the expansion over the corresponding month of 1939 widened to 14 per cent. Thus far this year charges to depositors' accounts have been the largest for any comparable period in ten years.

INDUSTRY

Following a marked increase in April, the value of construction contracts awarded in the Eleventh District declined in May to the average level that existed during the first quarter of 1940, and the total for the month was 4 per cent smaller than in the corresponding month of 1939. All classes of construction work except non-residential building participated in the contraction from April to May and reflected chiefly a reduction in awards for publicly-financed projects. In comparison with a year ago, there were sharp reductions in the value of residential building and public utilities construction, but these declines were partly counterbalanced by a larger volume of non-residential building and public works construction. During the first five months of 1940, increases in non-residential and public works construction nearly offset declines in the other classes of building activity, with the result that the total value of contracts awarded during the period was only 3 per cent below that in the comparable period of 1939. Thus far in 1940 privately-financed construction has averaged 58 per cent of the total, which is approximately the same ratio as that recorded in the first five months of 1939.

After increasing to a new all-time peak in March, daily average production of crude petroleum in the United States reflected a moderate decline during the subsequent two months due entirely to a contraction in output in the Eleventh District. Nevertheless, production in this district, as well as in the United States, was at a higher rate during May than in that month last year and continued considerably in excess of consumption even though there was a noticeable increase in crude oil runs to refinery stills. Output of crude oil has exceeded the amount utilized in each of the past seven months,

with the result that inventories have increased sharply. The excess of production of crude oil over consumption during recent months is attributable chiefly to a relaxation in production allowables in Mid-Continent states, particularly Texas, and to the expanded output in Illinois. Production allowables in Texas for June, July and August were reduced considerably in order to bring production in closer alignment with estimated demand, but the effects of the readjustment will be partially offset by the completion of new wells.

Refinery operations increased further during May. Daily

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

	June 15, 1940	June 15, 1939	May 15, 1940
Total cash reserves.....	\$241,363	\$236,818	\$246,759
Discounts for member banks.....	316	305	335
Other bills discounted.....	None	None	40
Industrial advances.....	473	591	476
Bills bought in the open market.....	None	16	None
United States Government securities.....	95,281	102,282	95,234
Total earning assets.....	96,070	103,194	96,075
Member bank reserve deposits.....	224,017	187,742	213,494
Federal Reserve notes in actual circulation.....	79,244	75,849	78,714

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

	June 12, 1940	June 14, 1939	May 15, 1940
Total loans and investments.....	\$523,183	\$511,524	\$522,036
Total loans.....	266,698	253,051	267,361
Commercial, industrial and agricultural loans.....	174,977	165,476	175,433
Open market paper.....	1,638	1,160	2,356
Loans to brokers and dealers in securities.....	3,918	4,400	2,346
Other loans for purchasing or carrying securities.....	13,329	14,837	13,352
Real estate loans.....	22,089	20,953	22,243
Loans to banks.....	778	392	591
All other loans.....	49,969	45,833	50,860
United States Government direct obligations.....	151,510	158,964	150,389
Obligations fully guaranteed by United States Govt.....	47,129	41,765	45,940
Other securities.....	57,846	57,744	58,346
Reserves with Federal Reserve Bank.....	149,982	120,656	135,180
Balances with domestic banks.....	297,147	251,265	314,628
Demand deposits—adjusted*.....	491,372	451,843	479,482
Time deposits.....	137,212	136,491	136,541
United States Government deposits.....	31,398	33,480	30,824
Interbank deposits.....	259,340	212,876	272,461
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
May, 1938.....	\$1,073,302	\$219,459	\$599,164	\$121,153	\$474,138	\$ 98,306
May, 1939.....	1,182,997	231,079	680,641	128,498	502,356	102,581
January, 1940.....	1,340,235	233,470	775,043	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
April, 1940.....	1,340,972	232,409	777,099	128,764	563,873	103,645
May, 1940.....	1,346,733	234,567	784,003	129,060	562,730	105,507

DEBITS TO INDIVIDUAL ACCOUNTS
(In thousands of dollars)

	May 1940	May 1939	Pctg. change over year	April 1940	Pctg. change over month
	Abilene.....	\$ 8,467	\$ 8,359	+ 1.3	\$ 8,649	+ 2.1
Austin.....	38,520	34,979	+10.1	36,493	+ 5.6
Beaumont.....	24,630	23,343	+ 5.5	24,345	+ 1.2
Corsicana.....	3,213	2,770	+16.0	3,342	+ 3.9
Dallas.....	259,083	230,726	+12.3	257,803	+ .5
El Paso.....	29,435	27,767	+ 6.0	29,864	+ 1.4
Fort Worth.....	87,556	77,523	+12.9	81,802	+ 7.0
Galveston.....	25,899	21,729	+19.2	24,961	+ 3.8
Houston.....	250,270	208,470	+20.1	239,356	+ 4.6
Port Arthur.....	9,506	8,819	+ 7.8	9,519	+ .1
Roswell.....	4,401	4,215	+ 4.4	4,199	+ 4.8
San Antonio.....	80,411	74,140	+ 8.5	71,847	+11.9
Shreveport.....	48,412	41,976	+15.3	46,236	+ 4.7
Texarkana*.....	7,164	6,481	+10.5	7,251	+ 1.2
Tucson.....	14,282	12,996	+ 9.9	12,622	+13.2
Tyler.....	11,683	11,296	+ 3.4	11,686	+ .03
Waco.....	13,507	12,530	+ 7.8	13,795	+ 2.1
Wichita Falls.....	18,373	14,478	+26.9	17,327	+ 6.0
Total.....	\$934,812	\$822,597	+13.6	\$901,097	+ 3.7

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

SAVINGS DEPOSITS

	May 31, 1940			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	May 31, 1939	April 30, 1940
Beaumont.....	3	9,657	\$ 3,972,448	+ 2.0	+ .5
Dallas.....	8	89,800	26,405,102	+ 3.5	+ .4
El Paso.....	2	18,208	8,118,705	+ 1.2	+ .1
Fort Worth.....	3	35,622	13,014,766	+ 7.1	+ .3
Galveston.....	4	19,075	11,957,970	+ .8	+ 2.9
Houston.....	10	77,173	31,462,289	+ 4.7	+ .6
Port Arthur.....	2	6,871	3,178,808	+ 8.6	+ 1.5
San Antonio.....	5	22,707	17,325,779	+ 6.2	+ .1
Shreveport.....	3	25,226	12,309,868	+ 7.6	+ .5
Waco.....	3	8,293	4,625,873	+ 2.2	+ .04
Wichita Falls.....	3	7,392	3,689,016	+ 5.8	+ .7
All other.....	69	61,692	30,676,469	+ 1.9	+ .7
Total.....	115	381,016	\$167,237,693	+ .2	+ .1

average crude oil runs to stills in the United States rose to an all-time peak, and in this district refinery runs were only fractionally below the record high established in July, 1939. Despite the gain in refinery operations, stocks of gasoline declined in May, reflecting the seasonal increase in demand for motor fuel. The reduction in inventories was very small, however, and on June 1 supplies in the United States were still one-fifth greater than a year ago and in Texas they were nearly 50 per cent higher. Trade reports indicate that refiners generally are effecting reductions in the yield of gasoline from crude oil in an effort to stimulate the downward trend in stocks of motor fuel and at the same time to build up more rapidly inventories of heating and fuel oils.

Prices of crude oil and refined products were adjusted in widely separated areas of the United States during May and the first half of June. In Illinois and Indiana crude oil prices were increased; whereas, downward revisions were effected in Pennsylvania and California. In the latter state gasoline prices declined also, the average reduction being about 2 cents per gallon. According to trade reports the market for gasoline in other sections of the United States continued weak, reflecting the heavy inventories. In the Mid-Continent area, some refiners have reduced quotations on lubricants and fuel oils.

Drilling operations in the Eleventh District and the United States increased seasonally from April to May, and the number of wells completed averaged about one-fifth higher than in May last year.

The seasonally adjusted index of domestic cotton consumption, as computed by the Board of Governors of the Federal Reserve System, increased slightly during May, following a substantial decline during the preceding four months. The index rose 3 points to 116 per cent of the 1923-1925 average, which compares with a peak of 145 per cent recorded last December and 110 per cent in May, 1939. The volume of cotton consumed during the month amounted to 636,500 bales, bringing total consumption for the first ten months of

the current season to 6,591,000 bales. Mill sales of cotton goods and yarn continued below output during May, but trade reports indicate that demand showed a marked increase during the second week of June, which reduced stocks and augmented the backlog of unfilled orders which had declined considerably in the preceding two months. The orders placed apparently covered a wide variety of constructions and a substantial volume of purchases was made for immediate or nearby delivery. Coincident with the expansion in sales, prices of cotton fabrics and yarn increased considerably. Stocks of raw cotton at consuming establishments were reduced further by 11 per cent in May, but at the close of the month they were still 12 per cent higher than a year earlier. Supplies of cotton in public storage and compresses on May 31 were nearly one-fifth smaller than a year ago.

Cotton exports from the United States declined sharply further in May. Shipments amounted to only 226,500 bales, which compares with 344,600 bales in April and 142,600 bales in May, 1939. Although the increase over a year ago was substantial, it was much smaller than the average gain for the season to date. During the period from August 1, 1939, to May 31 this year, exports totaled 5,921,000 bales, which represents an increase of 91 per cent over that in the corresponding period of the preceding season. There was a noticeable falling off in cotton exports following the extension of the European war to the Low Countries and to France, and the Department of Agriculture reports that a further contraction in foreign shipments is probable since the outbreak of hostilities in the Mediterranean area.

Operating schedules at cottonseed oil mills in Texas have been reduced in recent months to a level far below those of a year ago. During May the crushing of seed and the production of products were 75 per cent smaller than in May, 1939, and operations during the first ten months of the current season averaged nearly one-fifth smaller than in the corresponding period of the preceding season. Mill stocks of cottonseed on May 31 were 55 per cent lower than a year earlier and inventories of cottonseed products ranged from 20 to 73 per cent smaller.

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	May		April		January 1 to May 31	
	1940	1939	1940	1939	1940	1939
Eleventh District—total...	\$ 15,347	\$ 15,977	\$ 20,154 [†]	\$ 81,393	\$ 83,532	
Residential.....	6,094	8,002	6,771 [†]	30,483	34,696	
All other.....	9,253	7,975	13,383	50,910	48,836	
United States—total.....	328,914	308,487	300,504	1,298,361	1,411,048	
Residential.....	145,912	133,818	135,420	555,298	532,631	
All other.....	183,002	174,669	165,084	743,063	878,417	

*37 states east of the Rocky Mountains.

[†]Revised.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	May, 1940		Percentage change valuation from		Jan. 1 to May 31, 1940		Percentage change valuation from	
	No.	Valuation	May, 1939	Apr., 1940	No.	Valuation	1939	1939
Abilene.....	26	\$ 38,593	-29.8	-36.1	139	\$ 234,465	-21.2	
Amarillo.....	112	387,642	-7.9	+61.5	387	1,165,383	-19.7	
Austin.....	388	1,007,033	+57.9	+83.4	1,565	3,897,422	+5	
Beaumont.....	173	147,973	+20.0	+21.2	614	597,777	+3	
Corpus Christi.....	169	228,556	-29.4	-30.3	1,011	3,841,773	+68.7	
Dallas*.....	610	1,235,706	+24.6	+1	3,064	5,556,381	-9.2	
El Paso.....	104	248,132	+68.9	-30.4	477	1,126,534	+32.0	
Fort Worth.....	261	444,544	-17.4	-1.1	1,230	2,155,092	-23.8	
Galveston.....	165	85,024	-36.3	-36.5	718	930,426	+43.4	
Houston.....	602	1,608,270	-31.8	-5.6	2,591	10,346,455	-17.3	
Port Arthur.....	154	106,621	+42.3	-10.5	655	521,611	+26.2	
San Antonio.....	800	527,976	+37.3	-9.8	3,441	2,698,901	+28.8	
Shreveport.....	203	534,453	-45.6	+22.0	998	2,097,661	-21.8	
Waco.....	112	119,893	-31.0	+13.4	375	586,072	-29.1	
Wichita Falls.....	38	63,395	-45.3	-64.7	228	487,272	+20.5	
Total.....	3,917	\$6,783,811	-9.1	+2.7	17,493	\$36,243,225	-4.1	

*Includes Highland Park and University Park.

CRUDE OIL PRODUCTION

	May, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	May, 1939	April, 1940
North Texas.....	5,616,950	181,192	+25,198	-535
West Texas.....	8,909,100	287,390	+39,396	-15,666
East Texas.....	14,346,100	462,778	-46,442	-19,773
South Texas.....	7,371,750	237,798	-5,252	-13,779
Texas Coastal.....	7,496,450	241,821	+17,574	-9,756
Total Texas.....	43,740,350	1,410,979	+30,474	-59,509
New Mexico.....	3,312,000	106,839	+ 939	-5,078
North Louisiana.....	2,170,700	70,022	-4,034	+ 939
Total District.....	49,223,050	1,587,840	+27,079	-63,648

SOURCE: Estimated from American Petroleum Institute weekly reports.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to May 31 This season	Last season	August 1 to May 31 This season	Last season
Cottonseed received at mills (tons).....	905,508	1,014,392	4,030,699	4,162,381
Cottonseed crushed (tons).....	943,237	1,157,681	4,054,502	4,300,746
Cottonseed on hand May 31 (tons).....	17,339	38,784	96,823	194,245
Production of products:				
Crude oil (pounds).....	275,635,995	343,816,761	1,291,731,560	1,352,463,550
Cake and meal (tons).....	453,765	548,897	1,836,315	1,944,893
Hulls (tons).....	242,311	307,702	1,028,281	1,115,605
Linters (running bales).....	220,727	257,613	1,046,176	1,069,615
Stocks on hand May 31:				
Crude oil (pounds).....	12,645,039	21,750,233	35,692,315	87,987,172
Cake and meal (tons).....	31,980	40,017	129,637	172,968
Hulls (tons).....	11,549	42,643	46,004	113,420
Linters (running bales).....	66,608	155,820	245,304	580,280

SOURCE: Bureau of Census.

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

	Houston		Galveston	
	May 1940	May 1939	April 1940	August 1 to May 31 This season
Receipts.....	91,694	35,509	93,738	3,802,850
Exports.....	186,746	110,015	195,995	3,429,201
Stocks, end of month.....	1,326,523	1,041,111	1,376,601	2,131,344

CONSUMPTION, STOCKS AND EXPORTS OF COTTON

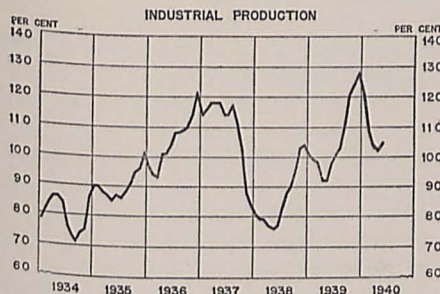
	Consumption		Stocks		Exports	
	May 1940	May 1939	April 1940	August 1 to May 31 This season	Last season	May 31
Consumption at:						
Texas mills.....	12,309	11,182	10,790	116,059	102,923	
United States mills.....	636,467	606,090	623,893	6,591,195	5,758,637	
U.S. stocks—end of month:						
In consuming estab'nts.....	1,314,105	1,175,357	1,469,617			
Public stg. & compresses.....	10,087,027	12,422,259	10,743,002			
Exports from U. S. to:						
United Kingdom.....	72,400	12,822	111,655	1,820,778	883,702	
France.....	10,151	5,453	33,016	712,151	331,897	
Italy.....	46,342	9,222	47,494	536,256	251,567	
Germany.....	None	20,822	None	18,992	292,031	
Other Europe.....	16,922	20,330	42,340	1,039,494	679,330	
Japan.....	33,634	40,590	54,314	837,608	817,323	
All other countries.....	47,020	33,338	55,790	956,152	350,885	
Total exports.....	226,469	142,577	344,609	5,921,431	3,106,675	

MONTHLY BUSINESS REVIEW

JULY 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 May, 1940.

Industrial activity increased considerably in May and the first half of June, while prices of commodities and securities declined sharply in the middle of May and fluctuated near the lower levels after that time. Distribution of commodities to consumers was maintained at levels prevailing earlier this year.

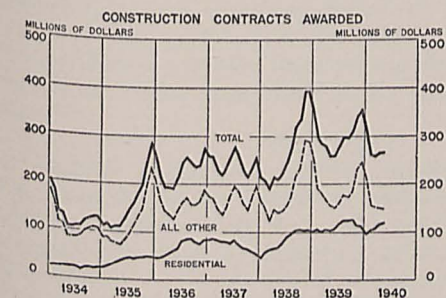
PRODUCTION

Volume of industrial production increased in May and the Board's seasonally adjusted index advanced from 102 to 105. The rise in May reflected chiefly sharp increases in activity at steel mills and woolen mills. Steel production in May was at about 71 per cent of capacity, as compared with 60 in April, and by the third week of June activity had risen further to 88 per cent. Lumber production also increased. In the automobile industry, where output had been at a high rate in the first four months of the year, dealers' stocks were in large volume and production was curtailed in May and the first half of June. Retail sales of automobiles continued at a high level during most of May, although in the middle of the month a temporary sharp reduction was reported.

In the woolen textile industry activity in May rose sharply from the low level reached in April. At cotton mills activity was maintained at about the rate prevailing in March and April and was somewhat lower than in the early months of the year. Rayon production continued large, while mill takings of raw silk declined to the lowest level in nearly twenty years. In other industries producing nondurable manufactures activity generally showed little change from April to May.

Coal production in May continued at a high level for this time of the year, reflecting in part increased exports and unusually large shipments of coal to Upper Lake ports. Iron ore shipments down the Lakes were also large for this season. Petroleum production in May declined somewhat from the high rate maintained in March and April.

Value of construction contract awards increased further in May, according to figures of the F. W. Dodge Corporation, reflecting principally continued growth of private building. Private residential contracts rose to the highest level in the past 10 years. Awards for commercial buildings advanced somewhat further while those for factory construction continued at about the level reached in April. Both were considerably larger than a year ago. Contracts for public construction increased slightly in May but were about one-sixth lower than a year earlier.



Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for April and May and estimate for June.

DISTRIBUTION

Department store sales in May declined from the level prevailing in the past three months, while sales at variety stores and mail-order houses were largely maintained at earlier levels. In the first week of June department store sales increased considerably.

Volume of railroad freight traffic increased in May, reflecting larger shipments of miscellaneous merchandise, coal, and forest products. Loadings of grains declined.

FOREIGN TRADE

Total exports of United States merchandise showed little change from April to May. Increases were reported in shipments to Canada and Australia and to Italy and Finland, while exports to other European nations showed declines. Exports of industrial machinery in May declined somewhat from the high level reached in April, while exports of steel, copper, chemicals, and commercial vehicles increased, following declines in the previous month. Coal shipments, largely to Canada, rose to the highest level in recent years. Cotton exports continued to decline from the high level of last winter.

The monetary gold stock of the United States increased by \$439,000,000 in May and by \$250,000,000 in the first two weeks of June.

COMMODITY PRICES

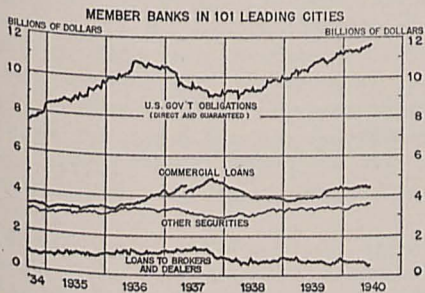
Following a general decline in basic commodity prices around the middle of May, prices of industrial materials, particularly steel scrap, zinc, tin, and wool, advanced and by the middle of June were in some instances above the levels of early May. Raw cotton prices also increased, and in the second week of June prices of cotton gray goods likewise advanced as sales of these goods were in exceptionally large volume. Prices of a number of foodstuffs continued to decline.

BANK CREDIT

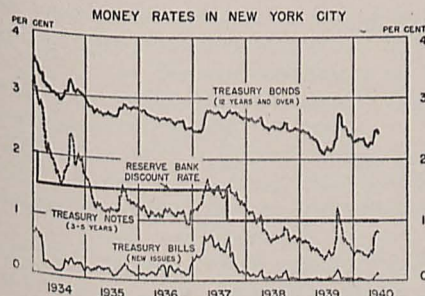
Total loans and investments at reporting member banks in 101 leading cities showed little net change during the four weeks ending June 5. Holdings of United States Government obligations increased further at New York City banks, while loans to security brokers and dealers declined considerably. Deposits and reserves of member banks continued to increase sharply as a result mainly of heavy gold imports.

GOVERNMENT SECURITY MARKET

Prices of Government securities held relatively steady during the latter part of May and the first part of June, after a reaction at the time of the invasion of Belgium and Holland. Subsequently prices increased sharply, and on June 15 the yield on the 1960-1965 bonds was 2.40 per cent, compared with 2.52 per cent on June 10 and 2.26 per cent at this year's peak in prices on April 2.



Wednesday figures, September 5, 1934 to June 12, 1940. Commercial loans based on new classification beginning May 19, 1937.



For weeks ending January 6, 1934 to June 15, 1940.