

# MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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## DISTRICT SUMMARY

Business and industrial activity in the Eleventh District failed to keep pace with the expansion that took place during June in the nation as a whole. Employment and payrolls in Texas declined from May to June but remained higher than a year earlier. Petroleum production was reduced further in June, and refinery operations, which showed little change over the month, were at a 2 per cent lower rate than in June, 1939. Consumption of cotton in Texas declined seasonally, but continued at a much higher rate than a year ago. Building activity, as measured by the value of construction contracts awarded, expanded to an all-time peak in June, as a result of awards for a large national defense project. The demand for merchandise at wholesale and retail trade establishments declined sharply, due in part to seasonal factors, but on a daily average basis sales closely approximated those of a year ago. On the whole, conditions in the agricultural and livestock industries showed a further improvement during June, but heavy and frequent rains caused considerable damage to crops in some areas.

## BUSINESS

Consumer buying at department stores in principal cities of the Eleventh District fell off by considerably more than the average seasonal amount from May to June, and this bank's adjusted index of sales declined 3.5 points to 101.5 per cent of the 1923-1925 average. This figure is about the same as that recorded for June, 1939, but below that for any other month thus far this year. The sharp contraction in department store trade in this district during June was in contrast with the situation in the United States where department store sales did not show the usual seasonal decline and were substantially larger than a year ago. The heavy and frequent rains which interfered with shopping and the subnormal temperatures were the principal factors contributing to the smaller volume of buying in this district. Sales at weekly reporting stores during the first three weeks of July were about 10 per cent above those in that period last year. Distribution of merchandise in the Eleventh District during the first six months of 1940 averaged 2 per cent higher than in the corresponding period of 1939.

Inventories of merchandise at reporting firms decreased further in June, due in part to seasonal factors. On a seasonally adjusted basis, stocks on June 30 were at the lowest level for any month-end since last September, but they were still above those at the end of June last year. The rate of stock turnover during the first half of 1940 averaged about 3 per cent lower than in the corresponding period of 1939, reflecting the larger average stocks carried at department stores this year. Thus far this year collections on open and instalment accounts outstanding have been at a slightly higher rate than in the initial six months last year.

Coincident with a decline during June in the business of retail trade establishments in this district, the distribution of merchandise through reporting wholesale firms declined sharply to a level 4 per cent below that of a year ago. The contraction from May to June, which amounted to 9 per cent, was general among reporting lines and was due partly to seasonal influences. The decline from a year ago was the first recorded for that comparison since December, 1938, and was due chiefly to substantial declines in the sale of groceries and surgical equipment. During the first half of 1940 wholesale distribution averaged 6 per cent higher than in the corresponding

period of 1939. Inventories at drug and hardware firms were increased considerably in June, and the value of stocks at all reporting firms on June 30 was 6 per cent higher than on that date last year. Collections continued at a slower rate than a year ago.

The data compiled by the Bureau of Business Research of the University of Texas showed that employment and payrolls in Texas declined from May to June, but continued higher than a year ago. The increases over June last year were 1.1 per cent for employment and 1.6 per cent for payrolls. Employment and payrolls in manufacturing industries as a whole showed larger gains over a year ago than those for all types of establishments.

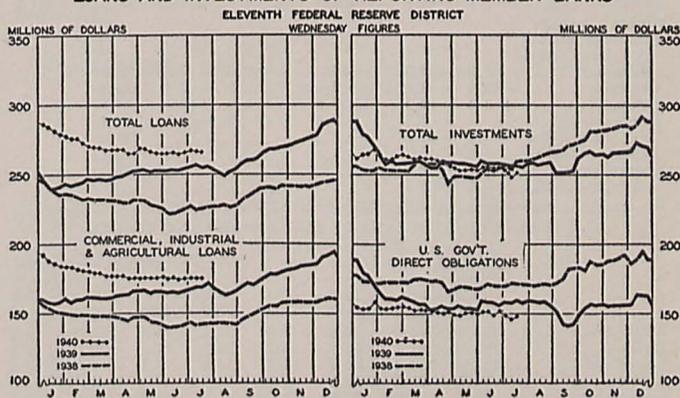
The number of commercial failures in the Eleventh District during June was the smallest for any month thus far this year, and liabilities of defaulting firms declined to the lowest level since December, 1938. According to Dun & Bradstreet, eighteen firms, with liabilities totaling \$166,000, entered bankruptcy in June. During the first half of 1940 the number of failures was nearly one-third smaller than in that period of 1939, and liabilities, totaling \$1,350,000, were with one exception the smallest of any corresponding period for which data are available.

## AGRICULTURE

Heavy and frequent rains, which fell over the major portion of this district during June, were followed by torrential rains in some sections at the end of the month that caused widespread floods and extensive damage to property and crops in the affected areas. Crops in most sections of the district made rapid growth during June and except in the flooded areas are now in fair to good condition. The frequent rains, however, interfered with field work and stimulated the growth of grass and weeds. The July 1 report of the Department of Agriculture indicates that prospective production of feed and food crops is considerably higher than in 1939 and in a majority of cases the indicated yield is above the 1929-1938 average harvest. Moisture conditions are good in most areas of the district.

According to the Department of Agriculture, the area of cotton placed in cultivation in the Eleventh District was expanded in 1940, but continued far below the 1929-1938 average. In Texas there were 8,963,000 acres in cultivation on July 1, which exceeds that of a year ago by 89,000 acres. On the basis of average annual abandonment, the acreage harvested in Texas this year should exceed that of a year ago by about 2 per cent. In states partially included in this district, the percentage increase over 1939 in cotton in culti-

## LOANS AND INVESTMENTS OF REPORTING MEMBER BANKS



vation on July 1 amounted to 3 per cent in Louisiana; 4 per cent in Oklahoma; 14 per cent in New Mexico; and 20 per cent in Arizona. The estimate for the United States was placed at 25,077,000 acres, which is 1.6 per cent higher than a year ago. The cotton crop in this district made fairly good growth during June, but in many areas plants are smaller than usual for this season. Heavy and frequent rains have prevented effective poisoning operations, and insect activity has increased in nearly all sections of the district. Picking of cotton is under way in extreme south Texas.

The indicated production of wheat in Texas on July 1 was fractionally lower than that a month earlier, despite the fact that per acre yields are turning out better than earlier expectations. Untimely rainfall during June delayed harvesting operations in north Texas and damaged uncut as well as shocked grains. In New Mexico and Oklahoma, the wheat crop showed a noticeable improvement during June. In the latter State the estimated production of 54,400,000 bushels on July 1 was 41 per cent greater than the June 1 forecast and 16 per cent higher than the ten-year average harvest. The prospective production of oats in Texas and in the Eleventh District is one-fifth greater than in 1939 and about the same as the ten-year average harvest.

The Texas corn crop made rapid progress during June, and if the July 1 production forecast of 91,600,000 bushels materializes, it will be the largest harvest for any year since 1932. With the exception of New Mexico, the estimated production of corn in states partially included in this district is also considerably higher than in 1939. In the heavy producing states of Louisiana and Oklahoma increases in production of 10 and 31 per cent, respectively, are indicated as compared with the 1939 harvests. The prospective production of tame hay in this district is nearly one-fifth larger than a year ago, reflecting chiefly an indicated record production in Texas. The acreage planted to rice in Texas this year was increased considerably and growing conditions have been very favorable. The July 1 forecast of production was 12 per cent greater than the 1939 harvest.

Heavy rains during June were also very beneficial to the livestock industry in the Eleventh District. In Texas, the condition of livestock and their ranges showed a further improvement and on July 1 was at the highest level for that date since 1928. Conditions in New Mexico and Arizona at the begin-

ning of July were better than a year ago and the ten-year average for that date. The outlook for summer grazing on ranges is very good in virtually all areas except in portions of northwest Texas, and in some sections of New Mexico and southeastern Arizona. These areas are in need of additional rainfall. As a result of the favorable range conditions, most cattle available for marketing this fall will be in slaughter flesh with the result that the movement of cattle to feed lots is expected to be smaller than usual this fall. According to the Department of Agriculture, a good local demand for cattle prevailed in June, but contracting for fall delivery continued light. Shipments of sheep apparently declined somewhat in June from the exceptionally high level attained in May, but reports indicate that a large supply of sheep was available for shipment in July. Marketings of wool were in substantial volume during the first half of June but declined somewhat during the remainder of the month. A noticeable decline in hog production is indicated for this district during 1940. The number of pigs saved from the spring crop and the number of sows to farrow next fall is estimated at about 15 per cent smaller than in 1939.

## FINANCE

The daily average of combined gross demand and time deposits at member banks in the Eleventh District has shown a sharp upward trend in recent years. Although the expansion has usually been interrupted by seasonal declines in the first half of the year, increases in deposits during the last half of the year have more than offset the temporary declines with the result that substantial gains have been registered during each succeeding year since 1933. During the first six months of 1940 total deposits showed little net change contrary to the seasonal decline that ordinarily occurs during that period and the total for June averaged \$151,000,000 greater than in June, 1939. Although time and interbank deposits have contributed substantially to the increase in gross deposits during

### CROP PRODUCTION (In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated July 1, 1940	1939	Estimated July 1, 1940	1939
Winter wheat.....	Bushels	26,270	27,650	27,036	28,703
Corn.....	Bushels	91,630	73,376	107,000	87,166
Oats.....	Bushels	34,375	28,750	37,658	31,319
Barley.....	Bushels	3,632	2,955	10,507*	10,285*
Tame hay.....	Tons	1,283	1,022	1,706	1,430
Irish potatoes.....	Bushels	3,102	2,666	3,813	3,349
Sweet potatoes.....	Bushels	4,158	3,780	11,978†	11,660†
Rice.....	Bushels	15,714	13,988	15,714‡	13,988‡

\*Texas, Oklahoma, New Mexico and Arizona.

†Texas, Oklahoma and Louisiana.

‡Texas only. Other data for the Eleventh District derived from estimates by states.

SOURCE: United States Department of Agriculture.

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

	Receipts from:		Government payments	Total receipts		
	Crops	Livestock*		April 1940	April 1939	Jan. 1 to Apr. 30 1940
Arizona.....	4,227	2,300	43	6,570	6,099	20,858
Louisiana.....	5,423	1,664	1,839	8,926	7,692	30,531
New Mexico.....	743	2,525	116	3,384	2,143	12,601
Oklahoma.....	3,618	5,640	1,602	10,860	12,091	51,180
Texas.....	7,981	22,811	5,360	36,152	36,308	135,964
Total.....	21,992	34,940	8,960	65,892	64,333	251,134

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

SOURCE: United States Department of Agriculture.

### LIVESTOCK RECEIPTS (Number)

	Fort Worth			San Antonio		
	June 1940	June 1939	May 1940	June 1940	June 1939	May 1940
Cattle.....	40,534	53,345	44,669	11,328	11,797	16,795
Calves.....	24,594	33,403	26,946	16,832	24,771	21,074
Hogs.....	28,217	27,169	38,984	6,079	10,443	8,422
Sheep.....	152,896	136,490	315,716	5,294	5,368	6,427

### COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

	Fort Worth			San Antonio		
	June 1940	June 1939	May 1940	June 1940	June 1939	May 1940
Beef steers.....	\$ 9.75	\$10.00	\$10.25	\$ 9.25	\$ 9.25	\$ 9.00
Stocker steers.....	9.50	9.00	9.50	6.50	7.00	7.00
Heifers and yearlings.....	10.25	10.25	11.00	10.00	10.00	10.00
Butcher cows.....	7.25	6.75	7.00	6.50	5.75	6.50
Calves.....	10.00	9.50	10.25	10.00	9.50	5.55
Hogs.....	5.60	7.10	6.20	5.80	7.00	7.00
Lambs.....	9.50	8.50	9.85	7.75	6.25	7.00

### WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:			Ratio June collections to accounts outstanding June 1	
	Net sales		Stocks*	Regular	Installment
	June, 1940 from 1939	Jan. 1 to June 1940 from 1939	June, 1940 from 1939	June, 1940 from 1939	June, 1940 from 1939
<b>Retail trade:</b>					
Department stores:					
Total 11th Dist.:	-3.7	-21.4	+2.1	+4.9	-7.7
Dallas.....	-7.8	-27.3	-2.1	+3.0	-10.6
Fort Worth.....	-1.4	-12.8	+2.5	+11.1	-3.7
Houston.....	-7.4	-21.0	+7	+7.7	-12.8
San Antonio.....	+9.5	-21.0	+6.0	+2.3	+4.0
Other cities.....	-5.1	-18.0	-.1	+5.2	-9.2
Independent stores:†					
Arizona.....	+3.3	.....	+5.9	.....	.....
Oklahoma.....	+2.9	-7.9	+1.7	.....	.....
New Mexico.....	+1.4	.....	+2.0	.....	.....
Texas.....	-3.1	-12.3	+2.9	.....	.....
<b>Wholesale trade:‡</b>					
Machinery, eqp't & supplies (except electrical).....	-2	-13.3	+24.5	-7.6	-7.0
Groceries.....	-12.4	-1.9	+4.8	+12.3	-1.9
Drugs.....	+3.3	-25.1	+7.6	+6.0	+12.2
Hardware.....	+7	-2.7	+3.6	+11.8	+5.6
Electrical supplies.....	-2	-27.8	+5.6	.....	81.0
Tobacco & prod'ns.....	-1.0	+5.1	-1.1	.....	89.1
Surgical eqp't.....	-30.0	-6.7	.....	.....	58.3
Automotive suppl'.....	+3.5	-13.2	.....	.....	.....

\*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—June 1940	June 1939	Stocks—June 1940	June 1939
Total Eleventh Dist.:	101.5	101.0	66.8	64.0
Dallas.....	97.8	101.7	66.1	64.7
Fort Worth.....	117.9	114.1	69.9	62.9
Houston.....	88.3	90.2	49.2	47.2
San Antonio.....	93.2	79.9	58.2	58.3

the past several years, more than two-thirds of the expansion represents a growth in the demand deposits of individuals and corporations. Factors contributing to the latter increase include the heavy distribution of Government funds resulting from loans, grants and relief expenditures, a growth in industrial activity, and an expansion in agricultural income.

The rise in deposits at member banks during recent years has been at a much more rapid rate than the expansion in loans and investments and as funds in excess of the amounts used have accumulated, these banks have built up their balances with correspondent banks and with the Federal Reserve Bank. Thus far this year total reserves carried with the Federal Reserve Bank of Dallas have averaged about \$83,000,000 in excess of requirements, and the current trend of excess reserves is upward. It is estimated that excess reserves averaged about \$90,000,000 during the first half of July.

Total earning assets of the Federal Reserve Bank of Dallas expanded slightly between June 15 and July 15, reflecting small increases in discounts for member banks and in holdings of United States Government securities. Federal Reserve notes of this bank in actual circulation expanded \$2,400,000 during the month ended July 15, and the total outstanding on that date was \$5,000,000 greater than a year ago.

The customary seasonal contraction in the need for commercial bank credit to finance commerce, industry and agriculture was evident at weekly reporting member banks in leading cities of this district during the first six months of 1940, with the result that their loans followed the usual downward trend during that period. The low point of the season was apparently reached on June 19 when total advances amounted to \$264,700,000, or \$24,400,000 under the total at the beginning of the year. In comparison with earlier years, the volume of loans on June 19 was above that for any corresponding date since 1931. Between June 19 and July 10 total loans increased \$2,100,000, one-half of which represented an expansion in commercial loans. Thus far in 1940 loans at reporting banks have been in excess of those on the comparable dates in 1939, but the spread between loans in the two years was reduced from \$42,600,000 at the beginning of the year to \$10,300,000 on July 10. The reduction in the spread is due to the fact that loans reflected an increase during the first half of 1939 which was in contrast with the usual seasonal decline. Investment holdings at reporting banks have followed a downward trend since the early part of December last year. The contraction has been in direct and guaranteed obligations of the United States Government, and the total holdings of these securities on July 10 were at the lowest level in five years. On that date total investments were \$9,800,000 smaller than a year earlier.

Following a counter-to-seasonal increase in May, debits to individual accounts at banks in eighteen cities of the Eleventh District declined sharply in June and were fractionally smaller than in the corresponding month of 1939. The latter comparison contrasts with an average increase of 9 per cent for the first six months of 1940.

**INDUSTRY**

The value of construction contracts awarded in the Eleventh District showed a marked increase during June, as a result of the letting of contracts for one large project in connection with the national defense program. Awards aggregating approximately \$23,000,000 were let during the month for a naval air training base at Corpus Christi, Texas, and in consequence of this action the value of all construction work started during the month rose to an all-time peak of \$39,700,000. This figure is more than two and one-half times that in the preceding month and exceeds that in the corresponding month of 1939 by a similar amount. Awards for all principal classes of construction work were augmented by the letting of contracts for the naval air base. Residential, non-residential and utilities construction were in or near record proportions

and public works construction exceeded that of a month earlier and a year ago by a substantial margin. Excluding contracts awarded for the naval air station, construction activity in this district during June was at a comparatively high level, exceeding that a month earlier and a year ago by 9 and 23 per cent respectively. In the residential field construction of single-family dwellings was higher than in either the preceding month or the corresponding month of 1939, and awards for dormitories increased sharply.

During the first six months of 1940 the cumulative value

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

	July 15, 1940	July 15, 1939	June 15, 1940
Total cash reserves.....	\$251,549	\$230,650	\$241,303
Discounts for member banks.....	336	346	316
Other bills discounted.....	None	59	None
Industrial advances.....	465	567	473
Bills bought in the open market.....	None	16	None
United States Government securities.....	95,465	96,225	95,281
Total earning assets.....	96,286	97,013	96,070
Member bank reserve deposits.....	219,829	185,932	224,017
Federal Reserve notes in actual circulation.....	81,631	76,595	79,244

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

	July 10, 1940	July 12, 1939	June 12, 1940
Total loans and investments.....	\$514,074	\$513,540	\$523,183
Total loans.....	266,750	256,449	266,698
Commercial, industrial and agricultural loans.....	174,899	169,856	174,977
Open market paper.....	2,035	1,652	1,638
Loans to brokers and dealers in securities.....	2,372	5,125	3,918
Other loans for purchasing or carrying securities....	12,896	13,582	13,329
Real estate loans.....	22,211	21,061	22,089
Loans to banks.....	626	346	778
All other loans.....	51,711	44,827	49,669
United States Government direct obligations.....	145,828	158,185	151,510
Obligations fully guaranteed by United States Govt..	45,176	44,078	47,129
Other securities.....	56,320	54,828	57,846
Reserves with Federal Reserve Bank.....	140,600	121,714	149,982
Balances with domestic banks.....	300,480	251,946	297,147
Demand deposits—adjusted*.....	485,550	458,737	491,372
Time deposits.....	136,710	135,207	137,212
United States Government deposits.....	27,102	31,115	31,398
Interbank deposits.....	255,907	214,516	259,340
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
June, 1938.....	\$1,077,586	\$220,991	\$605,323	\$121,945	\$472,263	\$ 99,046	
June, 1939.....	1,193,874	232,582	690,578	129,282	503,296	103,300	
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	105,547	
June, 1940.....	1,342,591	235,311	782,025	129,216	560,566	105,095	

**DEBITS TO INDIVIDUAL ACCOUNTS**

(In thousands of dollars)

	June 1940	June 1939	Pctg. change over year	May 1940	Pctg. change over month
Abilene.....	\$ 7,610	\$ 8,158	- 6.7	\$ 8,467	-10.1
Austin.....	34,618	34,295	+ .9	38,520	-10.1
Beaumont.....	22,833	22,713	+ .5	24,630	- 7.3
Corsicana.....	2,843	2,826	+ .6	3,213	-11.5
Dallas.....	238,522	245,569	- 2.9	259,083	- 7.9
El Paso.....	26,847	25,521	+ 5.2	29,435	- 8.8
Fort Worth.....	80,297	84,088	- 4.5	87,556	- 8.3
Galveston.....	25,585	22,541	+13.5	25,899	- 1.2
Houston.....	226,411	220,186	+ 2.8	250,270	- 9.5
Port Arthur.....	9,484	9,567	- .9	9,506	- .2
Roswell.....	4,502	4,499	+ .1	4,401	+ 2.3
San Antonio.....	73,829	75,392	- 2.1	80,411	- 8.2
Shreveport.....	42,480	41,868	+ 1.5	48,412	-12.3
Texarkana*.....	6,982	6,340	+10.1	7,164	- 2.5
Tucson.....	12,399	11,546	+ 7.4	14,282	-13.2
Tyler.....	11,093	12,221	- 9.2	11,683	- 5.1
Waco.....	12,436	13,474	- 7.7	13,507	- 7.9
Wichita Falls.....	16,585	15,065	+10.1	18,373	- 9.7
Total.....	\$855,356	\$855,869	- .1	\$934,812	- 8.5

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

**SAVINGS DEPOSITS**

	Number of reporting banks	June 30, 1940		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	June 30, 1939	May 31, 1940
Beaumont.....	3	9,636	\$ 4,023,628	+ 2.5	+ 1.3
Dallas.....	2	90,024	26,695,455	- 3.3	+ 1.1
El Paso.....	8	18,289	8,221,898	- 1.5	+ 1.3
Fort Worth.....	3	35,938	13,127,103	- 8.3	+ .9
Galveston.....	4	19,088	12,289,319	+ 1.5	+ 2.8
Houston.....	10	77,425	31,846,367	+ 4.7	+ 1.2
Port Arthur.....	2	5,842	3,145,515	+ 7.6	+ 1.0
San Antonio.....	5	22,738	18,049,760	- 5.9	+ .8
Shreveport.....	3	25,530	12,464,493	+ 6.0	+ 1.3
Waco.....	3	8,287	4,691,108	+ 1.3	+ 1.4
Wichita Falls.....	3	7,228	3,763,831	- 5.4	+ 2.0
All other.....	69	61,556	30,960,878	+ 2.0	+ .9
Total.....	115	381,581	\$169,279,415	- .1	+ 1.2

of contracts awarded was nearly one-fourth greater than that in the comparable period of 1939. Among the several classes of construction work, increases ranged from 6 per cent for residential building to 46 per cent for public utilities construction. Publicly-financed construction increased sharply in June, with the result that the aggregate for the first half of 1940 amounted to about 54 per cent of total construction, which compares with 42 per cent in the first six months of 1939.

Daily average production of crude petroleum in the United States showed little change from May to June, notwithstanding a sharp curtailment in output in the Eleventh District. The reduced production in this district reflected chiefly the effects of the fifteen-day emergency proration order for Texas issued during the latter part of June, and since the emergency order was subsequently extended to September 1, the net production allowable for Texas during July and August is substantially below the daily average output in June. Although petroleum production in this district was reduced in June, daily average output continued slightly above that in the corresponding month of 1939, and in the United States production was at a 9 per cent higher rate than a year ago.

Refinery operations in this district showed little change from May to June, but were at a 2 per cent lower rate than a year ago. On the other hand, daily average crude oil runs to stills in the United States rose to an all-time peak for the second consecutive month and exceeded those of a year ago by 5 per cent. Although gasoline production was maintained at a high level during June and the first half of July, lower yields of that product from crude oil and a heavy demand for motor fuel resulted in large withdrawals from storage. Nevertheless, stocks continue much greater than the excessive inventories of a year ago. Stocks of crude oil, which had shown a steady increase during the seven preceding months, evidenced little change in June. Inventories of heating oil increased further during the month, but stocks of fuel oil

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	June 1940	June 1939	May 1940	January 1 to June 30 1940	1939
Eleventh District—total...	39,699	13,596	15,347	121,092	97,128
Residential .....	12,464	5,945	6,094	42,947	40,641
All other .....	27,235	7,651	9,253	78,145	56,487
United States*—total.....	324,726	288,316	328,914	1,623,072	1,699,364
Residential .....	135,274	111,896	145,912	690,587	644,527
All other .....	189,452	176,420	183,002	932,515	1,054,837

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

#### BUILDING PERMITS

	June, 1940		Percentage change valuation from		Jan. 1 to June 30, 1940		Percentage change valuation from 1939	
	No.	Valuation	June, 1939	May, 1940	No.	Valuation	June, 1939	May, 1940
Abilene.....	27	\$ 56,095	+43.8	+ 45.4	166	\$ 290,560	-13.6	-
Amarillo.....	73	183,332	-17.6	- 52.7	460	1,348,715	-13.4	-
Austin.....	210	443,961	-29.7	- 55.9	1,775	4,341,383	- 3.7	-
Beaumont.....	109	160,059	+24.4	+ 8.2	723	757,836	+ 4.6	-
Corpus Christi..	167	248,947	-57.2	+ 8.9	1,178	4,090,720	+43.1	-
Dallas.....	570	1,478,250	+23.8	+ 19.6	3,634	7,034,631	- 3.8	-
El Paso.....	70	133,960	-19.7	- 46.0	547	1,260,494	+23.6	-
Fort Worth.....	236	312,057	-33.4	- 29.8	1,466	2,467,149	-25.2	-
Galveston.....	152	179,907	+18.6	+111.6	870	1,110,333	+38.7	-
Houston.....	374	1,189,950	-41.5	- 26.0	2,965	11,536,405	-20.7	-
Port Arthur.....	124	99,184	-15.0	- 7.0	779	620,795	+17.1	-
San Antonio.....	658	441,009	+ 4.7	- 16.5	4,099	3,139,910	+24.8	-
Shreveport.....	154	269,128	-30.5	- 49.6	1,152	2,366,789	-22.9	-
Waco.....	48	123,667	- 3.0	+ 3.1	423	709,739	-25.6	-
Wichita Falls...	47	120,920	+74.7	+ 90.7	275	608,192	+28.4	-
Total.....	3,019	\$5,440,426	-19.3	- 19.8	20,512	\$41,683,651	- 6.4	-

\*Includes Highland Park and University Park.

#### CRUDE OIL PRODUCTION

(Barrels)

	June, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	June, 1939	May, 1940
North Texas.....	5,040,300	168,010	+14,130	-13,182
West Texas.....	7,847,400	261,560	+12,940	-25,810
East Texas.....	13,476,500	449,216	-22,969	-13,562
South Texas.....	6,864,050	228,802	+ 3,172	- 8,996
Texas Coastal.....	6,783,750	226,125	+10,740	-15,696
Total Texas.....	40,012,000	1,333,733	+18,013	-77,246
New Mexico.....	3,180,050	106,002	- 1,803	- 837
North Louisiana.....	2,066,300	68,877	- 4,318	- 1,145
Total District.....	45,258,350	1,508,612	+11,892	-79,228

SOURCE: Estimated from American Petroleum Institute weekly reports.

showed virtually no change and on June 30 were 8 per cent smaller than a year earlier.

Around the middle of July some purchasers reduced posted prices for crude petroleum in local areas of Texas from 4 to 28 cents per barrel. Gasoline prices remained generally steady at the low level prevailing in other recent months.

Well completions in this district during the first half of 1940 were 11 per cent higher than in that period of 1939, and in the United States they were 19 per cent greater. Although completions during June in both this district and the nation as a whole were fewer than in the preceding month, the percentage gains over the corresponding month of 1939 closely approximated the respective increases recorded for the first six months of the current year.

Cotton consumption in the United States was well sustained in June, although seasonal factors and a fewer number of working days resulted in declines as compared with the previous month and with the corresponding month in 1939. On a seasonally adjusted basis, the 556,500 bales of cotton utilized during the month, represented a consumption rate slightly higher than that a month earlier and a year ago. Consumption during the first eleven months of the current season totaled 7,148,000 bales, which reflects an increase of 13 per cent over that in the comparable period of the 1938-1939 season. Following the heavy mill sales of cotton cloth and yarn during the second week of June, demand declined considerably, but the heavy backlog of unfilled orders has been a sustaining factor in mill operations. Mill stocks of raw cotton were reduced 12 per cent in June and inventories in public storage and compresses declined to the lowest level since September, 1937. The volume of "free" cotton in domestic trade channels has been reduced to a low level, and according to the Department of Agriculture, this condition was a strong factor in the recovery of cotton prices following the sharp decline in May. Since the middle of June, however, prices have shown a downward trend, apparently reflecting the poor export demand and depressing foreign developments. The average price for middling cotton,  $\frac{1}{16}$ -inch staple, at the ten designated spot markets was 10.26 cents per pound on July 22 as compared with 10.77 cents on June 15 and the 1940 low of 9.39 cents recorded on May 18.

Exports of cotton from the United States showed a further sharp decline during June, due in part to seasonal factors, and shipments were at a level only 18 per cent above the exceptionally small volume in June last year. The decrease from the preceding month was occasioned by declines in shipments to Great Britain and to Continental Europe. There were 133,500 bales exported during the month, which brings total shipments for the season thus far to 6,055,000 bales. This figure is much greater than that in the corresponding eleven months of the preceding season but 7 per cent smaller than the 1929-1938 average shipments for that period.

#### CONSUMPTION, STOCKS AND EXPORTS OF COTTON

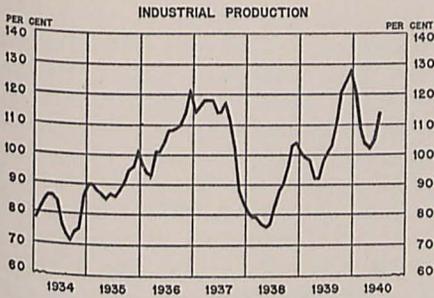
	(Bales)		May 1940	August 1 to June 30 This season	Last season
	June 1940	June 1939			
Consumption at:					
Texas mills.....	10,759	10,355	12,309	126,818	113,278
United States mills.....	556,529	578,436	636,467	7,147,724	6,337,073
U.S. stocks—end of month:					
In consuming estab'nts.....	1,160,025	1,020,609	1,814,105		
Public stg. & compresses.....	9,572,142	11,945,792	10,087,027		
Exports from U. S. to:					
United Kingdom.....	26,055	9,853	72,400	1,847,016	393,555
France.....	11,874	3,234	10,151	724,025	335,131
Italy.....	6,540	9,253	46,342	542,400	261,030
Germany.....	None	14,575	None	18,922	306,636
Other Europe.....	4,264	17,816	16,922	1,043,758	697,146
Japan.....	34,503	28,000	33,634	872,111	845,523
All other countries.....	50,294	30,903	47,020	1,006,739	381,288
Total exports.....	133,530	113,634	226,469	6,054,961	3,220,309
RECEIPTS, EXPORTS, AND STOCKS OF COTTON AT THE PORTS OF HOUSTON AND GALVESTON—(Bales)					
	June 1940	June 1939	May 1940	August 1 to June 30 This season	Last season
Receipts.....	57,674	67,958	91,694	3,860,524	2,047,420
Exports.....	92,078	81,558	136,746	3,521,279	2,212,902
Stocks, end of month.....	1,284,743	1,025,241	1,326,523		

# MONTHLY BUSINESS REVIEW

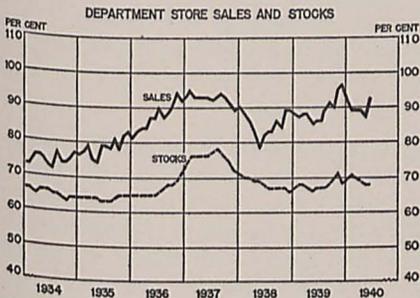
AUGUST 1, 1940

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

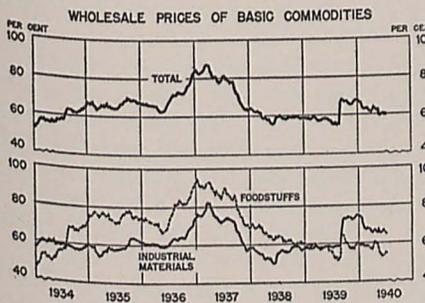
(Compiled by the Board of Governors of the Federal Reserve System)



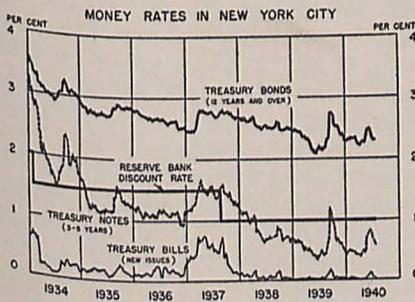
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to June, 1940.



Indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to June, 1940.



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to July 11, 1940.



For weeks ending January 6, 1934 to July 13, 1940.

Volume of industrial production increased rapidly during June and rose somewhat further in the first half of July. Distribution of commodities through retail and wholesale markets and by rail continued active.

### PRODUCTION

The Board's seasonally adjusted index of industrial production advanced from 106 in May to 114 in June. In that month, as in May, increases in activity were most marked in the iron and steel and textile industries where declines earlier in the year had been greatest.

Steel ingot production rose from 60 per cent of capacity at the beginning of May to 87 per cent in the latter part of June and was maintained at about that level in the first three weeks of July. Production of coke and pig iron showed similar sharp increases and iron ore shipments down the Lakes were at near-capacity levels. Demand for steel was general as most domestic steel-consuming industries were operating at high rates. Exports of steel, which had declined in April, rose to earlier high levels in May and June, amounting to about 10 per cent of steel-producing capacity.

Automobile production, which had begun to decline in May, continued to decrease in June and the first half of July reflecting in large part seasonal influences. Retail sales of automobiles were in large volume and dealers' stocks of new and used cars declined from the high levels prevailing earlier.

In the textile industry there was a further sharp advance in activity at woolen mills, and at cotton mills output was reduced less than seasonally. Rayon production was maintained at earlier high levels while at silk mills activity remained near the unusually low rate reached in May.

Coal production continued in large volume during June, but output of crude petroleum declined in the latter part of the month, owing to reduced production in Texas fields.

Value of construction contract awards showed little change from May to June, according to F. W. Dodge Corporation figures for 37 eastern States. Awards for private residential building decreased more than seasonally, following a sharp rise in May, and contracts for private non-residential building also declined. Contracts for public construction increased further in June, owing in part to expansion in the construction of Army and Navy air bases.

### DISTRIBUTION

Department store sales in June were maintained at the May level, although usually there is a considerable decline, and the Board's seasonally adjusted index advanced to 93 as compared with 87 in May and a level of about 89 earlier in the year. Sales at variety stores showed little change from May to June, continuing at the advanced level that has prevailed since the beginning of the year. In the early part of July department store sales declined seasonally from the June level.

Freight-car loadings increased further in June. Shipments of coal and miscellaneous merchandise continued to expand and loadings of coke, which usually decline at this season, showed a substantial rise.

### COMMODITY PRICES

Prices of a number of industrial materials, particularly steel scrap, copper, rubber, and silk, declined from the middle of June to the middle of July. Wheat prices also showed decreases in this period, while prices of livestock and products advanced owing partly to seasonal influences.

### AGRICULTURE

Production of major crops this season, according to the July 1 report of the Department of Agriculture, may be slightly lower than last season. Tobacco production will be sharply reduced from last year, when the crop was unusually large. Domestic supplies of wheat and other field crops as well as of vegetables and fruit are expected to show little change from last season. Indicated hog production this year will be about 10 per cent smaller than last year.

### BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities increased during the five weeks ending July 10, chiefly as a result of increases in holdings of short-term United States Government obligations and in commercial loans. Holdings of United States Government bonds and loans to security brokers and dealers declined.

The monetary gold stock increased by \$885,000,000 in this five-week period, the largest gold acquisition for any corresponding period on record. This inflow of gold was reflected in a growth of \$310,000,000 in foreign bank balances with the Federal Reserve Banks and increased deposits and reserves of member banks. On July 10, excess reserves of member banks amounted to \$6,833,000,000.

### GOVERNMENT SECURITY MARKET

Prices of Government securities, which had advanced sharply in June, showed further increases after July 8 when the Treasury announced a new bond issue for cash subscription. Between June 10 and July 15 the price of the 1960-65 bonds rose about 3 points, and the yield on this issue declined from 2.52 per cent to 2.34 per cent as compared with 2.26 per cent at the year's peak in prices on April 2.