

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

Consumer demand for merchandise in the Eleventh District declined by less than the average seasonal amount in July, and sales at reporting department stores were at the highest level for any corresponding month since 1929. Distribution of commodities through wholesale channels exceeded that of a year ago by 6 per cent. Petroleum output showed a further sharp decline, the production rate being 11 per cent lower than in July, 1939. Activity at petroleum refineries reflected little change over the month but continued moderately below that of a year ago. Consumption of cotton at Texas textile mills increased to a level one-third higher than in the comparable month of 1939. Although the value of construction contracts awarded showed a marked decline from the all-time peak recorded in June, private construction increased and the total value of awards was the highest for any July in more than a decade. The agricultural outlook continued generally favorable, with prospective production of most summer crops above the 1939 and ten-year average harvests.

BUSINESS

The mid-summer decline that ordinarily occurs from June to July in the distribution of merchandise to consumers through reporting department stores in this district was much less pronounced than usual this year. This is accounted for in part by the larger-than-average contraction that took place in June. However, the seasonal reduction in consumer purchases from May to July this year was also smaller than the average for that period, with the result that this bank's adjusted index of department store sales rose from 105 per cent of the 1923-1925 average in May to 108 per cent in July. Moreover, daily average sales in the latter month were 5 per cent greater than in the corresponding month of 1939; this gain compares with an average year-to-year increase of only 3 per cent for the first seven months of 1940. Department store business was stimulated during July by the promotion of extensive price reduction sales. According to reports from weekly reporting department stores, trade continued active during the first half of August with sales exceeding those in the corresponding period of 1939 by 11 per cent.

Inventories at reporting firms were again reduced by more than the average seasonal amount and the value of stocks on hand at the end of July was only 4 per cent higher than on that date last year. The rate of collections on regular accounts outstanding increased counter-seasonally in July and exceeded that in July, 1939, by 6 per cent.

Wholesale trade in the Eleventh District, as measured by sales at 88 reporting firms in eight lines of trade, showed a small net expansion from June to July and exceeded that of a year ago by about 6 per cent. Among the individual lines of trade, noticeable increases over July last year were reflected in the sales of machinery and equipment, groceries, automotive supplies and drugs including liquors. The distribution of electrical supplies was the only reporting line of business to register more than a fractional decline as compared with a year ago. The dollar value of inventories on July 31 at reporting firms was 3 per cent higher than a month earlier due chiefly to a sharp increase in stocks at drug firms. In comparison with a year ago, however, all lines of trade except one showed a substantial increase in stocks, the gains ranging from 6 per cent for grocery establishments to 34 per cent for electrical supply dealers. Total collections during July on accounts outstanding at the beginning of the month were at

a considerably lower rate than in the corresponding month last year.

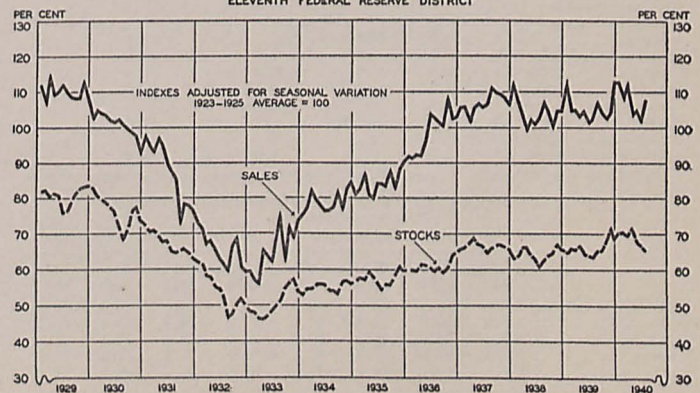
The number of commercial failures in the Eleventh District increased considerably in July, and liabilities of defaulting firms rose sharply to a post-depression high. Dun and Bradstreet reported 38 insolvencies during the month, having an aggregate indebtedness of \$2,320,000. Although there was a noticeable increase in the number of small concerns defaulting during the month, the sharp rise in liabilities was due chiefly to the failure of one large industrial concern.

AGRICULTURE

Agricultural prospects in some sections of the Eleventh District were affected adversely by unfavorable weather during July. In northwest Texas, New Mexico and portions of southeastern Arizona crops suffered from a deficiency in moisture and high temperatures, and in Louisiana extensive damage to crops resulted from excessive rainfall. Despite these unfavorable factors, the outlook for agricultural production in the district as a whole is promising. With the exception of cotton, the prospective harvest of a majority of summer crops is in excess of the 1939 production, and in most cases the indicated yield is above the ten-year, 1929-1938, average production. During the first half of August, heavy rains in west Texas were very beneficial to growing crops, and precipitation in portions of northwest Texas partially relieved the drouth in that area. However, severe storms accompanied by torrential rains caused further damage in Louisiana.

On the basis of acreage in cultivation on July 1 and physical conditions existing at the beginning of August, the prospective production of cotton in the Eleventh District during 1940 is 3 per cent smaller than in 1939. The decline is due entirely to a much smaller indicated harvest in Louisiana where a prolonged period of wet weather damaged plants, prevented cultivation, and caused abandonment of crops in some areas. The condition of the crop in Texas on August 1, as reported by the Department of Agriculture, was above that a year earlier and the ten-year average for that date in virtually all sections except the drouth area of the Texas Panhandle. In that area, however, some relief was provided by rains during the first half of August. The condition of cotton in Oklahoma, New Mexico and Arizona is fair to good, though additional moisture is needed generally. The indicated production of cotton in Texas on August 1 was placed at 2,893,000 bales, which represents a small increase over the 1939 harvest, but is nearly 1,000,000 bales smaller than the 1929-1938 average production. The estimated per acre yield of 159 pounds is about the same as that a year earlier, but 7

DEPARTMENT STORE SALES AND STOCKS
ELEVENTH FEDERAL RESERVE DISTRICT



per cent higher than the ten-year average. In Louisiana, the August 1 estimate of 496,000 bales indicates the smallest harvest since 1934. Only moderate increases over a year ago are forecast for cotton production in New Mexico and Arizona, but in Oklahoma the estimate of 630,000 bales is one-fifth greater than the 1939 harvest. The August 1 forecast for the United States was placed at 11,429,000 bales, which is 3 per cent smaller than the 11,817,000 bales harvested in 1939.

Although the indicated production of corn, oats and tame hay in the Eleventh District was reduced moderately in July, the August 1 forecast for all feed crops is well above the 1939 and ten-year average harvests. The acreage planted to grain sorghums in Texas this year showed a further increase over that a year earlier, and the indicated production is one-fourth higher than in 1939. The prospective production of this crop in Oklahoma is likewise higher than a year ago, but a substantial decline is anticipated for New Mexico. The estimated volume of peanuts to be picked and threshed in Texas and Oklahoma is considerably higher than in 1939 and about double the 1929-1938 average harvest. The increase over a year ago is due chiefly to a higher prospective yield per acre. The Texas pecan crop has been favored with good growing conditions, and production is expected to be sharply higher than in 1939. The condition of citrus trees in Texas showed little change during July, being considerably below that of a year ago.

Following the sharp decline and subsequent recovery that took place between May 1 and June 15, spot cotton prices showed a slow but steady decline during the two months ended August 15. On the latter date, the price of spot cotton, middling, 15/16-inch staple, at ten designated markets averaged 9.97 cents per pound, which compares with an average of 10.77 cents per pound at the middle of June. Although the August 15 price was approximately one-half cent per pound above the 1940 low recorded three months earlier, it was, with the exception of a brief period in May, the lowest since last November. Factors contributing to the decline in cotton prices include the temporary loss of additional foreign markets due to military operations and a recent decline in foreign textile mill activity in those countries having effective access to the American market.

On August 9 the Commodity Credit Corporation announced a loan program covering the 1940 cotton crop. The loan is

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:			Ratio July collections to accounts outstanding July 1	
	Net sales			*Stocks	
	July, 1940 from July, 1939	June, 1940	Jan. 1 to July 31, 1940 from 1939	July, 1940 from July, 1939	June, 1940
Retail trade:					
Department stores:					
Total 11th Dist.:	+ 9.2	-11.6	+ 2.9	+ 4.2	- 5.1
Dallas.....	+10.7	- 3.9	+ 3.0	+ 3.6	- 5.0
Fort Worth.....	+ 5.6	-21.5	+ 2.9	+10.2	- 6.1
Houston.....	+ 7.7	-14.6	+ 1.5	+ 2.1	-18.6
San Antonio.....	+19.1	- 5.3	+ 7.5	+ 6.1	+ 5.7
Other cities.....	+ 1.2	-20.5	+ 0.0	+ 1.7	- 5.3
Independent stores:†					
Arizona.....	+ 6.3	.....	+ 5.7	.....	.....
Oklahoma.....	+ 3.3	- 4.9	+ 1.9	.....	.....
New Mexico.....	+ .9	.....	+ 5.6	.....	.....
Texas.....	+ 5.0	- 4.1	+ 3.8	.....	.....
Wholesale trade:†					
Machinery, eq't & supplies (except electrical).....	+10.5	-23.3	+23.6	.....	.....
Groceries.....	+10.0	+ .6	+ 5.6	+ 5.8	- 6
Drugs.....	+ 7.4	+14.6	+ 7.5	+20.3	+14.1
Hardware.....	- 4	0.0	+ 3.3	+11.7	+ 3.2
Electrical supplies.....	- 7.7	- 3.2	+ 1.8	+33.6	- .9
Tobacco & prod's.....	0.0	- 6.9	- .9	.....	.....
Surgical eq't.....	+ 5.6	+ 7.1	.....	+15.6	+ 5.7
Automotive sup'l's.....	+ 7.8	+12.8	.....	0.0	- 4.1

*Stocks at close of month. †Compiled by United States Bureau of the Census.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	(1923-25 average=100)			
	With seasonal adjustment		Without seasonal adjustment	
	Sales—July 1940	Stocks—July 1939	Sales—July 1940	Stocks—July 1939
Total Eleventh Dist..	108.0	102.6	65.9	63.2
Dallas.....	118.2	110.9	64.4	62.5
Fort Worth.....	112.4	109.9	67.8	60.9
Houston.....	102.7	102.6	42.5	42.2
San Antonio.....	114.4	99.4	64.1	60.8

based on 15/16-inch, middling cotton, with differentials for grade, staple and location varying from 9.90 cents per pound in the eastern part of the cotton belt to 9.16 cents per pound in west Texas and New Mexico. Loans will be available until May 1, 1941, to producers cooperating with the program of the Agricultural Adjustment Administration. The basic loan rate on the 1940 crop is 21 points higher than the rate on the 1939 crop.

Livestock ranges in the Eleventh District deteriorated seasonally in July, but in most sections conditions remained above the ten-year, 1930-1939, average. On August 1 ranges in the western portion of the district showed the adverse effects of the hot, dry weather, and in northwest Texas conditions were becoming serious due to the lack of moisture. The unfavorable situation in these areas was partially relieved by rains during the first half of August, but additional precipitation is needed, particularly in the Texas Panhandle. The condition of livestock continued generally good throughout the district, although stockmen in some of the drier cattle areas resorted to supplemental feeding in order to prevent shrinkage. According to the Department of Agriculture, shipments of cattle and calves were fairly light in July, and marketings this fall are expected to be relatively small. On the other hand, shipments of sheep and lambs picked up in July, with heavy marketings in prospect during the next few months. During the first half of 1940, the movement of cattle and calves from Texas to market and to feed lots was 19 per cent smaller than in the corresponding period of 1939; whereas, shipments of sheep and lambs exceeded those of a year ago by 111,000 head, or by 9 per cent.

A larger number of breeding ewes on ranges, together with generally favorable feed and weather conditions during the past winter and spring, resulted in a record high production of lambs in Texas this year. The Department of Agriculture estimated the 1940 lamb crop at 4,867,000 head, which is one-fifth higher than in 1939 and 6 per cent above the previous record number produced in 1938. The 1940 production of lambs in New Mexico is moderately higher than in 1939, and the Arizona crop is about the same as that a year earlier. Reflecting chiefly the higher production of lambs in Texas, the number docked in the United States increased 3 per cent in 1940 to an all-time peak of 32,729,000 head.

Coincident with the expansion in the number of sheep on ranges, the quantity of wool shorn or to be shorn in Texas during 1940 increased to an all-time peak of 83,648,000

CROP PRODUCTION

(In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Aug. 1, 1940	1939	Estimated Aug. 1, 1940	1939
Cotton.....	Bales	2,893	2,846	3,516	3,631
Corn.....	Bushels	91,630	73,376	105,530	87,166
Wheat.....	Bushels	26,270	27,650	26,999	28,703
Oats.....	Bushels	34,375	28,750	37,631	31,319
Barley.....	Bushels	3,632	2,955	10,546*	10,285*
Grain sorghums.....	Bushels	48,075	38,115	65,478*	53,199*
Tame hay.....	Tons	1,189	1,022	1,606	1,430
Irish potatoes.....	Bushels	3,102	2,666	3,814	3,349
Sweet potatoes.....	Bushels	4,158	3,780	11,703†	11,660†
Rice.....	Bushels	15,714	13,988	15,714†	13,988†
Peanuts.....	Pounds	159,000	129,480	193,375†	151,190†
Pecans.....	Pounds	31,490	19,000	52,814†	36,104†
Peaches.....	Bushels	1,976	1,972	2,989§	3,120§

*Oklahoma, Texas, New Mexico and Arizona. †Louisiana, Oklahoma and Texas. ‡Texas only. §Louisiana, Oklahoma, Texas, New Mexico and Arizona. Other data for 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)

	May, 1940		Government payments		Total receipts	
	Crops	Livestock*	May 1940	May 1939	Jan. 1 to May 31 1940	1939
Arizona.....	1,008	2,240	55	3,303	2,742	24,161
Louisiana.....	5,239	1,887	2,135	9,261	9,836	39,792
New Mexico.....	239	2,415	138	2,792	2,552	15,393
Oklahoma.....	2,861	6,930	1,437	11,228	14,977	62,408
Texas.....	11,024	26,200	2,545	39,769	45,232	175,733
Total...	20,371	39,672	6,310	66,353	75,339	317,487

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

SOURCE: United States Department of Agriculture.

pounds. This quantity is 8 per cent above the 1939 clip and about one-third higher than the 1929-1938 average production. The amount of wool shorn in New Mexico is estimated to be 4 per cent higher than a year ago, while a fractional decline is indicated for Arizona. Wool production in the United States is placed at 388,692,000 pounds, which exceeds the previous record output in 1939 by 3 per cent.

FINANCE

On July 11 the United States Treasury invited cash subscriptions to an issue of 2¼ per cent Treasury bonds, and later in the month the Commodity Credit Corporation asked for subscriptions to a new series of Government guaranteed, ¾ per cent, Corporation notes. Subscriptions to these securities in the Eleventh District aggregated \$143,400,000 for Treasury bonds and \$51,421,000 for the Corporation notes; allotments against these subscriptions totaled \$14,506,000 and \$4,698,000, respectively. Changes in the investment position of banks in this district during the five weeks ended August 14 reflect in a large measure the effects of the distribution of these securities.

Investment holdings at weekly reporting member banks in leading cities, which had followed a downward trend since last December, were expanded \$11,900,000 between July 10 and August 14, representing increases of \$10,400,000 in direct and guaranteed obligations of the United States Government and \$1,500,000 in other securities. On August 14 total investments at reporting banks amounted to \$259,200,000, which was \$1,600,000 higher than a year ago. All classes of loans at these banks except "other" loans, which include personal advances, increased during the five weeks ended August 14, but total loans of \$268,400,000 on that date were only \$1,700,000 higher than five weeks earlier, with loans for commercial, industrial and agricultural purposes accounting for \$1,100,000 of the increase. In comparison with a year ago, total loans outstanding at the middle of August were \$19,200,000 greater.

Government deposits at reporting banks showed a net increase of \$4,606,000 between July 10 and August 14, and adjusted demand deposits rose \$4,595,000, but these increases were more than counterbalanced by declines in interbank and time deposits. In consequence, total deposits on August 14 were \$2,200,000 lower than five weeks earlier and only moderately above the 1940 low point. In order to meet the net decline in deposits and the increase in loans and investments, these banks withdrew \$15,800,000 of their balances maintained at other domestic commercial banks.

Daily average reserves of all member banks carried with the Federal Reserve Bank of Dallas were reduced \$4,900,000 between the middle of July and the middle of August, reflecting in part the cash purchases of investment securities. Simultaneous with this reduction, required reserves of member banks expanded in consequence of an increase in net demand deposits subject to reserve. As a result of these developments daily average excess reserves maintained at the Federal Reserve Bank of Dallas declined approximately \$7,000,000 during the month ended August 15. This decline was relatively small, however, in relation to total excess reserves, which were estimated to have averaged about \$83,000,000 during the first half of August. Member bank borrowing at the Federal Reserve Bank of Dallas between July 15 and August 15 increased by \$526,000 to a total of \$862,000. While discounts for member banks are still in nominal volume, the total at the middle of August was the highest since September, 1937. Federal Reserve notes of this bank in actual circulation increased further during the month ended August 15, and the total of \$82,400,000 outstanding on that date was \$5,100,000 greater than a year ago.

INDUSTRY

Following a sharp increase in June, occasioned by the award-

ing of contracts for a large naval air base, the value of construction contracts awarded in this district showed a marked decline in July. The decrease from June to July, amounting to nearly 50 per cent, reflected a smaller volume of awards in all classes of construction work. However, when the value of awards for the naval air base is excluded from the June total, awards in July were approximately one-fourth higher than in the preceding month. Furthermore, the value of contracts let in July was nearly 30 per cent larger than in that month of 1939 and above that for any corresponding month since 1929. Residential building, which declined 20 per cent, was the only type of construction work that failed to register an increase over that in July last year. This unfavorable comparison is due to the fact that total residential building in July last year was augmented by heavy awards for publicly-financed projects, including United States Housing Authority slum-clearance projects and army barracks. Privately-financed residential awards this July were about 8 per cent higher

CONDITION OF THE FEDERAL RESERVE BANK

(In thousands of dollars)

	Aug. 15, 1940	Aug. 15, 1939	July 15, 1940
Total cash reserves.....	\$270,795	\$243,564	\$251,549
Discounts for member banks.....	862	375	336
Other bills discounted.....	None	59	None
Industrial advances.....	463	552	465
Bills bought in the open market.....	None	16	None
United States Government securities.....	95,344	93,291	95,465
Total earning assets.....	96,669	94,293	96,266
Member bank reserve deposits.....	211,954	195,803	219,829
Federal Reserve notes in actual circulation.....	82,400	77,273	81,631

CONDITION STATISTICS OF MEMBER BANKS IN LEADING CITIES

(In thousands of dollars)

	Aug. 14, 1940	Aug. 16, 1939	July 10, 1940
Total loans and investments.....	\$527,626	\$506,851	\$514,074
Total loans.....	268,404	249,228	266,750
Commercial, industrial and agricultural loans.....	176,000	163,157	174,899
Open market paper.....	2,302	1,641	2,035
Loans to brokers and dealers in securities.....	2,853	3,354	2,372
Other loans for purchasing or carrying securities.....	13,472	13,785	12,896
Real estate loans.....	23,004	21,191	22,211
Loans to banks.....	999	438	626
All other loans.....	49,774	45,662	51,711
United States Government direct obligations.....	153,194	158,017	145,828
Obligations fully guaranteed by United States Govt.....	48,166	45,123	45,176
Other securities.....	57,862	54,483	56,320
Reserves with Federal Reserve Bank.....	140,600	123,871	140,600
Balances with domestic banks.....	284,714	260,080	300,480
Demand deposits—adjusted.....	490,145	455,235	485,550
Time deposits.....	135,569	135,382	136,710
United States Government deposits.....	31,708	31,669	27,102
Interbank deposits.....	245,636	218,663	255,907
Borrowings from Federal Reserve Bank.....	None	None	None

*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

DEBITS TO INDIVIDUAL ACCOUNTS

(In thousands of dollars)

	July 1940	July 1939	Pctg. change over year	June 1940	Pctg. change over month
Abilene.....	\$ 7,818	\$ 7,845	— .3	\$ 7,610	+ 2.7
Austin.....	31,900	32,709	— 2.5	34,618	+ 7.9
Beaumont.....	23,300	22,253	+ 4.7	22,833	+ 2.0
Corpus Christi.....	2,810	2,841	— 1.1	2,843	+ 1.2
Dallas.....	244,214	238,816	+ 2.3	238,522	+ 2.4
El Paso.....	26,720	25,648	+ 4.2	26,847	+ .5
Fort Worth.....	80,347	83,800	— 4.1	80,297	+ 1
Galveston.....	24,948	21,864	+ 14.1	25,585	+ 2.8
Houston.....	247,614	214,484	+ 15.4	226,411	+ 9.4
Port Arthur.....	9,242	8,695	+ 6.3	9,484	+ 2.6
Roswell.....	4,689	4,283	+ 9.5	4,502	+ 4.2
San Antonio.....	71,964	67,706	+ 6.3	73,829	+ 3.0
Shreveport.....	45,032	40,911	+ 10.1	42,480	+ 6.0
Texarkana.....	6,617	6,624	— .1	6,982	+ 5.2
Tucson.....	11,292	9,588	+ 17.8	12,599	+ 8.9
Tyler.....	10,922	10,901	+ .2	11,093	+ 1.5
Waco.....	12,639	12,680	— .3	12,436	+ 1.6
Wichita Falls.....	16,061	14,393	+ 11.6	16,585	+ 3.2
Total.....	\$878,129	\$826,041	+ 6.3	\$855,356	+ 2.7

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

SAVINGS DEPOSITS

July 31, 1940

SAVINGS DEPOSITS			Percentage change in savings deposits from		
		July 31, 1940			
	Number of reporting banks	Number of savings depositories	Amount of savings deposits	July 31, 1939	June 30, 1940
Beaumont.....	3	9,677	\$ 4,015,609	+ 4.3	— .2
Dallas.....	8	90,284	26,454,502	— 1.0	— .9
El Paso.....	2	18,330	8,207,440	— .4	— .2
Fort Worth.....	3	35,468	13,022,989	— 5.9	— .8
Galveston.....	4	19,070	12,293,402	+ 1.4	+ .03
Houston.....	10	77,268	31,558,357	+ 3.8	— .9
Port Arthur.....	2	5,935	3,197,741	+ 8.9	+ 1.7
San Antonio.....	5	22,716	17,780,978	— 2.9	— 1.1
Shreveport.....	3	25,188	12,394,056	+ 4.5	— .6
Waco.....	3	8,267	4,622,949	— 1.0	— 1.5
Wichita Falls.....	3	7,226	3,645,016	— 6.5	— 3.2
All others.....	69	61,291	30,714,669	+ 2.5	— .8
Total.....	115	380,720	\$167,907,708	+ .6	— .8

than in that month of 1939. The value of non-residential building initiated during the month was about double that in July, 1939, and represented principally an increase in private construction. The value of contracts awarded for heavy engineering projects showed an increase of 85 per cent as compared with a year ago due chiefly to an expansion in publicly-financed work.

Extension of the emergency proration order instituted in Texas during the latter part of June to effect a better alignment between production of and demand for crude oil, resulted in a further sharp contraction in petroleum output in the Eleventh District during July. The curtailment in this district was also responsible for a decline of 3 per cent in daily average production for the United States as a whole. In comparison with July, 1939, daily average petroleum output in the Eleventh District was 11 per cent smaller but elsewhere in the United States production was at a rate averaging 13 per cent higher than a year ago and the total for the nation averaged 2 per cent above that in July last year. In consequence of the curtailment in output, stocks of crude oil in this district declined moderately during July, but in the United States inventories witnessed a further small gain.

Following an uninterrupted increase during the first six months of the current year, daily average crude oil runs to refinery stills in the United States declined considerably in July but continued at a 3 per cent higher level than a year ago. In the Eleventh District, refinery operations were maintained at the June rate, but were 3 per cent smaller than in the corresponding month last year. Production of gasoline in the United States declined further in July and as consumption was maintained at a high level inventories of motor fuel declined considerably, but on August 3 stocks were still 17 per cent higher than a year ago. Inventories of heating oil increased seasonally and are drawing nearer to a level adequate to meet the heavy seasonal demand during the winter months. Stocks of fuel oil also increased further during July.

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	July 1940	July 1939	June 1940	January 1 to July 31 1940	1939
Eleventh District—total...	19,011	14,697	37,963†	138,367	111,825
Residential.....	6,516	8,179	10,728†	47,727	48,820
All other.....	12,495	6,518	27,235	90,640	63,005
United States*—total.....	398,673	299,883	324,726	2,021,760	1,999,247
Residential.....	140,430	109,330	135,274	831,002	753,857
All other.....	258,243	190,553	189,452	1,190,758	1,245,390

*37 states east of the Rocky Mountains.
SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	Percentage change valuation from				Percentage change valuation from			
	July, 1940	July, 1939	June, 1940	Jan. 1 to July 31, 1940	July, 1940	July, 1939	June, 1940	Jan. 1 to July 31, 1940
No. Valuation	No. Valuation	No. Valuation	No. Valuation	No. Valuation	No. Valuation	No. Valuation	No. Valuation	No. Valuation
Abilene.....	31 \$ 52,885	+ 54.7	- 5.7	197 \$ 343,445	- 7.3			
Amarillo.....	78 177,760	+ 87.2	- 3.0	538 1,526,475	- 7.6			
Austin.....	268 478,889	- 25.2	+ 7.9	2,043 4,820,272	- 6.4			
Beaumont.....	138 193,174	+ 29.9	+ 20.7	861 951,010	+ 8.9			
Corpus Christi.....	208 782,662	+ 253.3	+ 214.4	1,386 4,873,382	+ 58.2			
Dallas.....	636 1,297,536	+ 64.5	- 12.2	4,270 9,332,187	+ 2.7			
El Paso.....	92 227,595	+ 90.5	+ 69.9	639 1,488,089	+ 30.6			
Fort Worth.....	264 436,610	- 4.0	+ 39.9	1,730 2,903,759	- 22.6			
Galveston.....	150 124,728	+ 3.5	- 30.7	1,020 1,235,061	+ 34.1			
Houston.....	489 2,076,220	+ 55.5	+ 74.5	3,454 13,612,625	- 14.3			
Port Arthur.....	145 79,808	- 4.9	- 10.5	924 700,603	+ 14.1			
San Antonio.....	679 826,210	+ 132.3	+ 87.3	4,778 3,966,120	+ 38.1			
Shreveport.....	158 603,920	+ 145.0	+ 124.4	1,310 2,970,709	- 10.5			
Waco.....	76 609,049	+ 416.5	+ 441.0	499 1,378,788	+ 27.3			
Wichita Falls.....	46 94,758	+ 40.4	- 21.6	321 702,950	+ 29.9			
Total.....	3,458 \$8,121,804	+ 67.7	+ 49.3	23,970 \$49,805,455	+ .9			

*Includes Highland Park and University Park.

CRUDE OIL PRODUCTION—(Barrels)

	July, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	July, 1939	June, 1940
North Texas.....	4,669,850	150,640	- 5,484	- 17,370
West Texas.....	6,730,150	217,102	- 56,779	- 44,478
East Texas.....	14,348,000	462,839	- 17,469	+ 13,623
South Texas.....	5,606,900	180,868	- 47,840	- 47,934
Texas Coastal.....	5,814,000	187,548	- 40,262	- 38,577
Total Texas.....	37,168,900	1,198,997	- 167,334	- 134,736
New Mexico.....	3,252,000	104,903	- 3,845	- 1,099
North Louisiana.....	2,040,600	65,826	- 4,697	- 3,051
Total District.....	42,461,500	1,369,726	- 175,876	- 138,886

SOURCE: Estimated from American Petroleum Institute weekly reports.

Although domestic consumption of petroleum products continues heavy, exports of crude petroleum and refinery products have declined sharply due chiefly to restrictions on exports to combat zones. On July 23 the United States Government added petroleum and petroleum products to the list of commodities subject to the Export-Control Act, under which exports of materials essential to national defense may be restricted or prohibited.

Drilling activity in the Eleventh District and in the United States declined in July. Although the rate of completions in this district was below that of a year ago, in the nation as a whole it was 7 per cent greater than in July last year.

Operations at cottonseed oil mills in the United States showed a further moderate decline during the 1939-1940 season, due largely to a smaller supply of seed. Production of cottonseed products reflected declines ranging from 4 per cent for linters to 9 per cent for hulls. Shipments of cottonseed oil from mills during the past season were approximately the same as those in the preceding season, but shipments of cake and meal and hulls declined about 9 per cent. Sales of linters were substantially higher than in the 1938-1939 season, reflecting in part a sharp increase in exports. Shipments of crude and refined cottonseed oil to foreign countries were also much greater than in the previous season. Mill stocks of cottonseed products were reduced sharply during the past season and in the case of cake and meal and hull supplies on hand at the end of the season were at a level considerably below the ten-year, 1929-1938, average. Inventories of cottonseed at crushing establishments on July 31 were the smallest for that date in four years.

Operations at Portland cement mills in Texas during the first half of 1940 were somewhat smaller than in that period of 1939. Nevertheless, operations during the period were at a high level; production and shipments were, with the exception of 1939, greater than in any corresponding six-month period of record. Activity at southern pine mills during the first six months of 1940 also averaged somewhat below that in the comparable period of 1939. In recent weeks, however, the demand for lumber has shown a substantial increase over that of a year ago and shipments have increased accordingly. The volume of unfilled orders for lumber on the books of southern pine mills at the end of July was nearly one-third larger than a year ago.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31 This season	Last season	August 1 to July 31 This season	Last season
Cottonseed received at mills (tons).....	921,552	1,068,821	4,066,507	4,259,555
Cottonseed crushed (tons).....	960,090	1,194,826	4,148,237	4,470,516
Cottonseed on hand July 31 (tons).....	16,530	55,068	38,896	120,626
Production of products:				
Crude oil (pounds).....	281,231,027	354,127,418	1,324,737,249	1,409,413,537
Cake and meal (tons).....	462,930	566,235	1,880,438	2,023,341
Hulls (tons).....	247,742	317,605	1,054,748	1,161,079
Linters (running bales).....	224,857	265,327	1,073,592	1,113,312
Stocks on hand July 31:				
Crude oil (pounds).....	6,226,974	8,923,230	13,248,158	53,358,547
Cake and meal (tons).....	20,548	25,065	81,858	119,718
Hulls (tons).....	6,195	29,280	22,177	77,087
Linters (running bales).....	43,638	127,329	133,364	479,316

SOURCE: Bureau of Census.

PORTLAND CEMENT STATISTICS—TEXAS MILLS

	(In thousands of barrels)			
	Production		Shipments	
	1940	1939	1940	1939
January.....	445	673	450	628
February.....	477	571	533	545
March.....	589	499	678	607
April.....	713	720	699	655
May.....	758	772	712	686
June.....	672	537	594	644
Total, six months.....	3,654	3,772	3,666	3,865

RECEIPTS, EXPORTS, AND STOCKS OF COTTON AT THE PORTS OF

	HOUSTON AND GALVESTON—(Bales)			
	July 1940	July 1939	June 1940	August 1 to July 31 This season
Receipts.....	62,911	74,715	57,674	3,923,435
Exports.....	83,950	82,277	92,078	3,605,229
Stocks, end of month.....	1,235,465	1,002,366	1,284,743	2,122,144

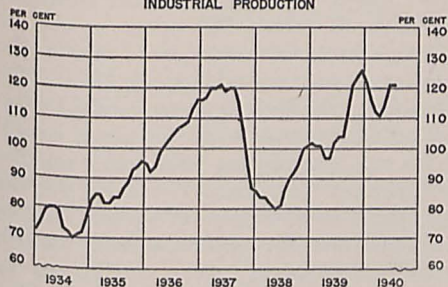
MONTHLY BUSINESS REVIEW

SEPTEMBER 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

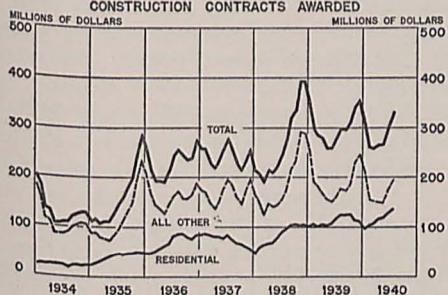
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



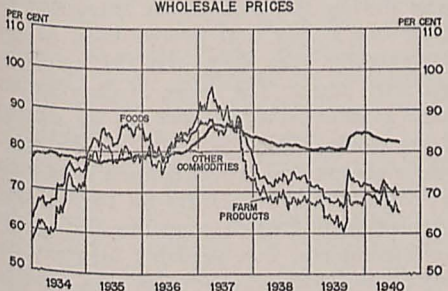
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January, 1934 to July, 1940.

CONSTRUCTION CONTRACTS AWARDED



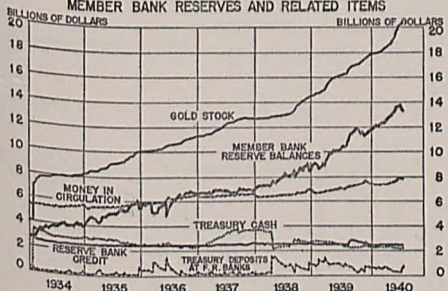
Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for June and July and estimate for August.

WHOLESALE PRICES



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending August 10, 1940.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, January 3, 1934, to August 7, 1940.

Volume of industrial output was steady during July and the first half of August, after a rapid expansion in May and June. Employment continued to increase. Reflecting mainly awards for national defense projects, construction contracts rose to the highest level in ten years. Prices of basic commodities declined somewhat further.

PRODUCTION

In July the Board's revised index of industrial production stood at 121 per cent of the 1935-39 average, according to preliminary data. This is the same as in June and 17 points above the level prevailing a year ago before the outbreak of the war. In most lines activity was maintained at the levels reached in June or increased further.

Steel production in July was at about 85 per cent of capacity and in the first half of August there was an increase to about 90 per cent. Production of pig iron and coke and output of nonferrous metals were also in large volume. In the machinery, shipbuilding, and aircraft industries, where new orders had been large during the first half of the year and a considerable backlog of unfilled orders had accumulated, activity was maintained at high levels in July, although ordinarily there are declines at this season. Lumber production declined sharply early in July but has subsequently increased accompanying a considerable rise in new orders.

In the automobile industry output declined sharply in July and the first half of August as plants were closed to prepare for the shift to new model production. The decline was greater than at this season in other recent years, reflecting the fact that production had been at high levels during the first half of 1940 and large stocks had accumulated. These stocks were reduced considerably in July as production was curtailed and retail sales continued large.

Textile production increased considerably further in July, reflecting chiefly a marked rise in activity at woolen mills where output is still below the levels of a year ago. Production of cotton and rayon textiles was maintained in July and was in larger volume than last summer, while activity at silk mills increased somewhat from the exceptionally low level reached in June. Shoe production increased seasonally, while output of manufactured foods, which in June had been unusually large for that time of year, showed less than the customary increase in July.

Coal production has risen further and shipments of iron ore down the Lakes have continued at near-capacity rates. Petroleum production has been curtailed sharply, however, reflecting partly a continued high level of stocks of petroleum products.

Value of new construction work undertaken increased sharply in July, owing mainly to a further rise in public construction, and was at the highest level in the past decade, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Awards for both residential and nonresidential private building increased somewhat, although some decline is usual at this season.

Increases were most pronounced in the Atlantic, Gulf, and Pacific Coast States, reflecting awards of additional contracts for naval air station and shipyard construction. In the central portions of the country there were generally small increases, although in some areas awards were lower.

DISTRIBUTION

Distribution of commodities to consumers was sustained in July at about the levels prevailing in the first half of the year. Sales at department stores declined more than seasonally, while sales at variety stores showed little change, although a decline is usual in July.

Total freight-car loadings increased seasonally in July. Shipments of grain showed a considerable rise and loadings of coal and coke continued to advance, while shipments of miscellaneous freight, which include most manufactured products, declined by somewhat more than the usual seasonal amount.

COMMODITY PRICES

Prices of basic commodities declined somewhat further from the middle of July to the middle of August, with decreases chiefly in prices of commodities influenced by foreign supplies, such as lead, rubber, cocoa, and coffee. Prices of steel scrap and zinc, on the other hand, advanced somewhat in this period.

AGRICULTURE

Prospects for most crops showed little change in July, according to the Department of Agriculture. Production this year is expected to approximate the 1929-38 average and, considering carry-overs, supplies of most crops will be large. Conditions for wheat and oats improved during July, while the corn crop showed some deterioration. A cotton crop of 11,429,000 bales was indicated for this season as compared with 11,817,000 bales last season.

BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities increased substantially during the five weeks ending August 14, owing mainly to purchases of direct and guaranteed securities newly issued by the United States Government. Sale of these securities caused a large increase in Treasury balances with the Federal Reserve banks. As a result of this temporary development, excess reserves declined by \$450,000,000 in this period despite an increase of over \$500,000,000 in monetary gold stock.

GOVERNMENT SECURITY MARKET

Prices of United States Government securities were relatively steady during July and the early part of August but declined slightly around the middle of August accompanying news of intensification of European warfare. The yield on the 1960-65 bonds increased to 2.39 per cent on August 14 compared with 2.34 per cent on July 1 and 2.26 per cent on April 2 at the year's peak in prices.

UNITED STATES CONSUMPTION AND EXPORTS OF COTTON, 1939-1940 SEASON

The outbreak of war in Europe last September had a pronounced effect upon the world's cotton trade. Some foreign nations found it expedient to replenish depleted stocks of cotton, particularly American, and activity at cotton textile mills in most countries showed a noticeable upturn. In belligerent countries, processing establishments accelerated operations in order to meet the enlarged Government requirements of cotton goods for military purposes. In other countries, heavier internal demand from the civilian population and from governments for defense purposes, together with increased foreign buying of cotton goods, resulted in increased mill activity. In the United States, the outbreak of the war brought heavy buying of cotton goods with the result that cotton mill operations were stepped up sharply, and continued at a high level during the remainder of the year. On a seasonally adjusted basis, the amount processed rose to an all-time peak in December, 1939, and the actual volume of cotton consumed during the first five months of the season was at a record high for that period. Although the rate of consumption declined considerably in the first quarter of 1940, it turned upward again following the intensification of the European War. The expansion in activity in this country last fall was accompanied by higher prices for cotton goods, wider mill margins, and the accumulation of a heavy backlog of orders for future delivery. Since the initial buying movement last September, the demand for cotton textiles has been sporadic, increasing sharply at times and then declining to a low level. Nevertheless, the heavy backlog of orders accumulated during the fall of 1939 and the intermittent buying in subsequent months enabled mills to maintain operations for the season as a whole at a high level. The volume of raw cotton consumed in the United States during the twelve months ended July 31 amounted to 7,746,000 bales. This total exceeds the amount processed in the preceding season by 887,000 bales, and is only moderately smaller than the record consumption of 7,950,000 bales during the 1936-1937 season.

Consumption of cotton in Texas during the past season showed a percentage increase over that in the preceding season commensurate with the gain for the United States as a whole. Moreover, the volume consumed in this State exceeded the total for the 1936-1937 season by 6 per cent.

The operating results of consuming establishments in the United States during the past season appear to have been more profitable than in either of the two preceding seasons. The average margin between the price of a pound of raw cotton and the price of its cloth equivalent increased sharply last fall, and although a downward trend has been in evidence since that time, the spread for the season averaged 21 per cent higher than in the previous season and 4 per cent in excess of the average for the 1937-1938 season.

Exports of American cotton amounted to 6,175,000 bales during the twelve months ended July 31, which was nearly double the small volume shipped in the preceding season and the highest for any corresponding period in six years. Direct shipments to Germany ceased shortly after the outbreak of the war, but exports to all other major importers of American cotton increased during the 1939-1940 season. From the standpoint of volume, exports of cotton to the United Kingdom

showed the most pronounced gain, increasing to the highest level in thirteen years and accounting for nearly one-third of total American exports. Movements to Continental Europe have virtually ceased since the extension of the war to the Mediterranean area and the surrender of France. Nevertheless, shipments to Continental European countries for the entire season exceeded those in the preceding season by a wide margin. During the past season, Spain reentered the American market as a substantial buyer of cotton. Movements to the Far East showed a considerable increase over those a year earlier due chiefly to a marked expansion in takings by China. The heavy exports of cotton from the United States resulted principally from the depleted foreign stocks of American cotton at the beginning of the war, and during subsequent months from the rushing of shipments for current needs and for the accumulation of large stocks as a precaution against further shipping difficulties. The American export subsidy, which improved the competitive position of American cotton in world markets; easier access to our markets; and the sharp increases in cotton mill activity in Great Britain, France and several other European countries were also important factors contributing to the increase in exports. Although total shipments during the past season were much larger than in the preceding season and the heaviest for any season in six years, they were still about 2,000,000 bales smaller than the average during the ten years prior to the 1934-1935 season. The contraction in exports during recent years reflects the decline in foreign utilization of American cotton as a result of the expansion of cotton production in several foreign countries.

Although exports of American cotton to countries on the European Continent are negligible at the present time due to restrictions caused by military operations, movements to Great Britain, Japan and Canada are being fairly well sustained. According to commercial reports, shipments to those countries between the middle of June and August 1 accounted for about nine-tenths of total exports for that period. Cotton mill activity in Great Britain and the Orient has declined considerably in recent weeks.

The combined domestic consumption and exports of cotton from the United States during the past season amounted to 13,921,000 bales, which was 37 per cent greater than in the preceding season and 2,100,000 bales above the 1939 production of cotton in the United States. The excess of distribution over production caused a substantial withdrawal of cotton from Government loan stocks, and, in addition, domestic stocks of "free" cotton in commercial trade channels have been reduced to the lowest level since 1925. Data on the volume of American cotton consumed in foreign countries during the 1939-1940 season are incomplete, but available information indicates that consumption was somewhat smaller than exports from the United States. In consequence, foreign stocks of American cotton at the beginning of the 1940-1941 season were probably considerably larger than a year earlier.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON—(Bales)					
	July 1940	July 1939	June 1940	August 1 to July 31 This season	Last season
Consumption at:					
Texas mills.....	12,497	9,182	10,759	139,315	122,460
United States mills.....	597,850	521,353	556,529	7,745,574	6,858,426
U.S. stocks—end of month:					
In consuming estab' mts.	973,542	862,105	1,160,025	.....	.....
Public stg. & compresses.	9,122,178	11,620,408	9,572,142	.....	.....
Exports from U. S. to:					
United Kingdom.....	42,125	7,815	26,055	1,889,141	401,370
France.....	None	2,892	11,874	724,025	338,023
Italy.....	None	14,913	6,540	542,400	275,943
Germany.....	None	14,699	None	18,992	321,335
Other Europe.....	8,947	24,174	4,264	1,052,705	721,320
Japan.....	42,143	18,755	34,503	914,154	864,278
All other countries.....	27,173	23,283	50,294	1,033,932	404,571
Total exports.....	120,388	106,531	133,530	6,175,349	3,326,840

