

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

Activity in business and in most phases of industry increased substantially during August and was at a considerably higher level than a year earlier. Department store sales exceeded those of August last year by 13 per cent, and the margin of gain was maintained at approximately the same rate during the first half of September. Distribution through wholesale channels increased seasonally from July to August and was 7 per cent larger than in August, 1939. Employment and payrolls in Texas were maintained at a higher level than a year ago. The value of construction contracts awarded greatly exceeded that in either July this year or August last year, and textile mill activity was at the highest level in recent years. Petroleum production showed a further slight decline from that in the preceding month but was much larger than the restricted output in August last year. Refinery operations, however, were considerably lower than in either comparative month. Prospective production of most agricultural products was increased substantially during August as a result of generally satisfactory moisture conditions and favorable weather for crop development.

BUSINESS

Distribution of merchandise through reporting department stores in the Eleventh District showed a marked increase during August, following a smaller than seasonal decline in July. On a seasonally adjusted basis, department store sales rose to a point near the all-time peak. This bank's adjusted index of sales stood at 122 per cent of the 1923-1925 average in August, which is about 14 points higher than in the preceding month and the corresponding month of 1939. The dollar volume of sales during August was 29 per cent greater than in July and 13 per cent above the generally active business in August last year. Consumer buying continued heavy during the first half of September, as is indicated by the fact that sales at weekly reporting department stores averaged 12 per cent higher than in the same period of 1939. Factors contributing to the large volume of sales since the beginning of August include: (1) extensive price reduction sales on summer merchandise, (2) lower-than-average temperatures, which stimulated the demand for fall goods, and (3) higher consumer purchasing power, resulting from increased employment and payrolls.

Department store inventories were increased by about the average seasonal amount in August, and the value of stocks on hand at the close of the month was practically the same as that of a year ago. On the other hand, the physical volume of inventories is apparently smaller than a year ago, since the index of retail prices of merchandise handled by department stores, as compiled by Fairchild Publications, has risen about 4 per cent over the year. Moreover, in relation to the current volume of sales, department store inventories are proportionately much smaller than a year earlier. The rate of collections on open accounts outstanding at the beginning of the month declined by considerably less than the usual seasonal amount from July to August and exceeded that in August, 1939, by 8 per cent.

The business of 85 reporting wholesale firms operating in eight lines of trade in this district expanded seasonally from July to August, and sales in the latter month averaged 7 per

cent greater than in August, 1939. With the exception of a contraction in the business of surgical equipment firms, the expansion in sales over both comparative months was general among the several reporting lines of trade. Increases over a year ago were especially pronounced in the distribution of automotive supplies and machinery and equipment. During the first eight months of 1940, sales averaged 6 per cent higher than in the corresponding period of 1939. Stocks of merchandise were increased moderately in most of the reporting branches of trade during August, and at the month-end were 9 per cent greater than on that date last year. Collections increased seasonally in August and exceeded those of a year ago by 3 per cent. In relation to the volume of accounts outstanding, collections during August were at about the same rate as in July, but considerably lower than in August last year, reflecting in part the effects of the smaller volume of cotton ginned and marketed in August this year.

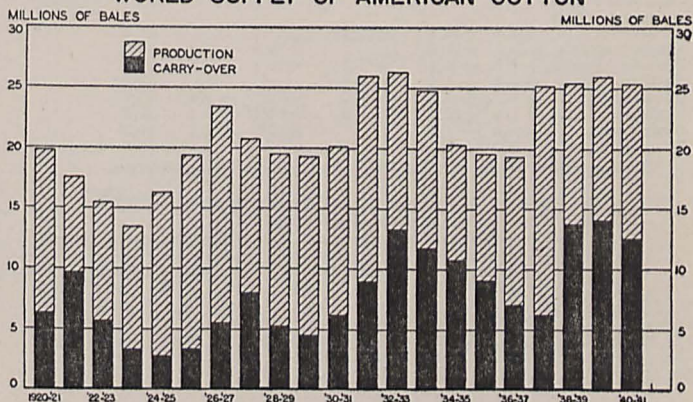
According to the Bureau of Business Research of the University of Texas, employment in Texas showed little change from July to August but payrolls evidenced a further moderate increase. In comparison with August, 1939, the number employed was up 2 per cent and payrolls were 4 per cent higher. The United States Bureau of Labor Statistics reports that the number employed in non-agricultural trades in Texas increased by about 20,000 persons between January and July, 1940.

The number of commercial failures in the Eleventh District declined moderately in August and liabilities of defaulting firms were much smaller than in the preceding month. In comparison with the corresponding month of 1939, however, the number and liabilities of insolvent firms continued higher. Dun & Bradstreet reported 34 bankruptcies during August, owing a total of \$384,000.

AGRICULTURE

The condition of agricultural crops and livestock ranges in most sections of the Eleventh District showed a noticeable improvement during August. Heavy general rains that fell over wide areas of the district during the month relieved the drouth situation in most of northwest Texas, New Mexico and southeastern Arizona and were also very beneficial to crops in other areas. In consequence of the betterment in physical conditions, the prospective production of most growing crops increased substantially; on September 1 the indi-

WORLD SUPPLY OF AMERICAN COTTON



cated harvests were above those in 1939 and with the exception of cotton, broomcorn, and Irish and sweet potatoes, were higher than the 1929-1938 average production. In the case of some crops, the increases in production as compared with 1939 are accounted for in part by the larger acreage for harvest, but the per acre yields for all major crops are equal to or are larger than in 1939. The generally light rainfall and the open weather thus far in September have been very favorable for harvesting operations, but additional moisture would be beneficial for the maturing crops and is needed in many areas for the fall seeding of small grains.

The favorable weather conditions during August resulted in an increase of 17 per cent in the prospective production of cotton in this district. The September 1 forecast was placed at 4,127,000 bales, which is nearly 500,000 bales higher than the 1939 harvest. In Texas, production prospects at the beginning of September were higher than a month earlier in all sections of the State except in the south-central and extreme southern portions of the State where drouth and insect infestation caused some damage. The most pronounced gain occurred in northwest Texas, where growing conditions during August were exceptionally favorable for the development of the crop. According to the Department of Agriculture, the indicated production of cotton in Texas rose 586,000 bales during the month to a total of 3,479,000 bales, which is 22 per cent greater than the 1939 harvest. The estimate indicates an average yield of 190 pounds per acre as compared with 160 pounds in 1939 and a ten-year average per acre yield of 149 pounds. Prospective production also increased in Louisiana and Oklahoma. In the latter State production prospects are 41 per cent greater than the 1939 harvest. Estimated production in Louisiana, however, is nearly one-third smaller than in 1939 due to the severe damage to the crop caused by floods during June and July and by insect activity. In the United States, the forecast was increased 1,343,000 bales during August to a total of 12,772,000 bales, which is 8 per cent higher than production in 1939. The harvesting of cotton is much later than usual throughout most of the cotton belt. Ginnings in Texas prior to September 1 amounted to only 439,000 bales, or about one-half those in the same period last year.

There was also a substantial increase during August in the indicated production of feed crops, particularly corn, grain sorghums, and hay. Both production and per acre yields are considerably larger than those for 1939 and the ten-year average. Peanut production in Texas is the largest of record and Texas pecan production is the largest since the record crop of 1935. The Texas pecan crop this year constitutes about 46 per cent of total production in the United States as compared with only 30 per cent last year.

The Texas rice crop was damaged by a tropical storm early in August, but subsequent weather conditions were favorable and the crop showed a noticeable recovery. The September 1 estimate of 15,132,000 bushels, although 4 per cent lower than a month earlier, is 8 per cent greater than the 1939 harvest and the highest for any year of record. The condition of citrus crops in Texas continued considerably below that of a year ago.

The improvement in livestock ranges during August was fairly general over the district, and conditions on September 1 were the highest for that date in several years. In the former dry areas of west and northwest Texas range conditions were much improved by August rains, and heavy showers during the latter part of the month temporarily relieved the moisture deficiency in portions of east and southeast Texas. The outlook for fall and winter range feed at the beginning of September was considerably better than a month earlier in most sections of the district, and the large prospective production of feed crops this year indicates that supplies of supplemental feeds will be ample during the coming winter. The condition of livestock continues very satisfactory, reflecting the favorable range conditions. On the whole, cattle increased in weight during August, while sheep lost some flesh, due to the harmful effects of needle grass and stomach worms. The Department of Agriculture reported that contracting of cattle and calves for fall delivery was active in August and that prospects indicated fairly heavy shipments to feed lots in September and October. The demand for sheep and lambs continued active during August but contracting for future delivery was small.

The demand for Texas wool increased considerably during August and the first half of September. The market was generally strong and prices received for some lots were at the season's peak. Warehouse supplies of Texas wool are reported to be diminishing rapidly as buyers are making heavy purchases in anticipation of a substantial increase over that of a year ago in the demand for woolen products due largely to Government requirements for defense purposes.

During the first half of 1940 cash income of farmers in the five states wholly or partially included in the Eleventh District was moderately higher than in the corresponding period of 1939. Receipts from the sale of farm crops averaged 12 per cent greater than a year ago and income from marketings of livestock and livestock products was up about 2 per cent. The increased income reflected chiefly the higher average prices received for farm products. In contrast with higher income from the sale of crops and livestock, Government benefit payments to farmers in this district during the first six months of 1940 averaged 10 per cent smaller than in that period of 1939. This contraction largely offset the increase in receipts from the sale of products, with the result that income from all sources during the six-month period was only 2 per cent higher than in the initial half of 1939. In comparison with the first six months of 1938, income this year averaged 4 per cent greater, but it was 6 per cent smaller than in 1937, when farm income was at the highest level since 1929.

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:			Ratio Aug. collections to accounts outstanding August 1			
	Net sales		*Stocks	Regular			
	Aug., 1940 from Aug., 1939	July, 1940	Aug., 1940 from Aug., 1939	July, 1940	Instalment		
Retail trade:							
Department stores:							
Total 11th Dist.	+12.8	+28.7	+ 4.1	+ .3	+11.4	39.4	13.6
Dallas	+10.3	+34.5	+ 3.9	+ .4	+12.8	41.0	15.9
Fort Worth	+13.3	+23.6	+ 4.1	+ 6.9	+ 5.0	37.4	11.3
Houston	+ 8.3	+23.6	+ 2.3	- 3.4	+22.1	37.5	.. . .
San Antonio	+29.0	+32.2	+10.0	-.02	+ 7.1	41.9	11.2
Other cities	+ 6.8	+22.2	+ .8	- 1.3	+11.7	37.5	16.3
Independent stores:†							
Arizona . . . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .	.. . . .
Oklahoma	+10.7	+ 5.5	+ 3.2	.. . . .	.. . . .	.. . . .	.. . . .
New Mexico	+ .4	.. . . .	+ 2.2	.. . . .	.. . . .	.. . . .	.. . . .
Texas	+11.4	+11.2	+ 4.0	.. . . .	.. . . .	.. . . .	.. . . .
Wholesale trade:‡							
Machinery, eqp't & supplies (except electrical)	+19.9	+18.4	+23.4	.. . . .	.. . . .	45.4	.. . .
Automotive suppl's	+46.6	+11.8	.. . . .	-19.0	+ 4.1	63.3	.. . .
Drugs (incl. liqu'rs)	+ 7.1	+ 6.8	+ 7.5	+14.1	+ 2.9	70.9	.. . .
Electrical supplies	+ 6.2	+ 4.6	+ 2.4	.. . . .	.. . . .	76.2	.. . .
Groceries	+ 6.7	+ 5.8	+ 5.7	+ 4.1	+ 1.1	80.7	.. . .
Hardware	+ 7.9	+14.6	+ 4.0	+12.7	0.0	63.3	.. . .
Surgical eqp't	-16.4	- 1.8	.. . . .	+16.9	+ 2.7	49.2	.. . .
Tobacco & prod's	0.0	+ 3.8	- .8	.. . . .	.. . . .	86.8	.. . .

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1923-25 average=100)

With seasonal adjustment Without seasonal adjustment

	Sales—August		Stocks—August		Sales—August		Stocks—August	
	1940	1939	1940	1939	1940	1939	1940	1939
Total Eleventh Dist.	121.8	107.4	65.7	65.1	93.8	82.7	67.0	66.4
Dallas	137.4	124.2	66.3	66.3	98.9	89.4	69.0	68.9
Fort Worth	141.3	122.4	64.2	60.0	100.3	86.9	65.5	61.2
Houston	127.5	120.1	46.2	45.6	88.0	82.9	47.1	46.5
San Antonio	144.1	109.2	55.9	57.0	102.3	77.5	55.3	56.4

FINANCE

The reserve balances of member banks in the Eleventh District, which had shown a sharp decline between mid-July and the latter part of August, increased considerably during the first half of September. This increase reflected largely the seasonal expansion in deposits resulting from the movement and marketing of crops and the shifting of a portion of surplus funds to the Federal Reserve Bank. As a consequence of the increase in reserve balances, daily average excess reserves are estimated to have risen by about \$4,000,000 during the period, but the average was about 8 per cent below the all-time peak recorded in the first half of July. Total earning assets of this bank declined moderately between August 15 and September 15, reflecting reductions in discounts for member banks and in holdings of United States Government securities. On the latter date, this bank's participation in the System's investment account was \$10,000,000 smaller than on the corresponding date last year. Federal Reserve notes of this bank continued to expand seasonally; the total of \$85,300,000 outstanding at the middle of September was \$2,900,000 higher than a month earlier and \$4,600,000 greater than on that date last year.

Total loans and investments at weekly reporting member banks in leading cities of the Eleventh District increased further between August 14 and September 11, reflecting chiefly a rising demand for commercial, industrial and agricultural loans. This class of loans expanded \$3,800,000 during the period, which accounts for 82 per cent of the total increase in loans and investments. Total loans at these banks amounted to \$272,500,000 on September 11, which was nearly \$12,000,000 greater than on the comparable date in 1939. Following a noticeable increase in July, as a result of purchases of newly issued direct and guaranteed obligations of the United States Government, investment holdings at these banks showed little change during August and the first half of September. Total holdings of investments on September 11 were \$8,300,000 greater than a year earlier.

After declining in July to the lowest level in about nine months, total deposits at reporting banks increased slightly between August 14 and September 11 due principally to an expansion in interbank deposits, which had followed a sharp downward trend since the first of the year. Reserves of these banks carried with the Federal Reserve Bank of Dallas were reduced \$4,900,000 during the four-week period, and the total on September 11 was \$6,500,000 smaller than a year earlier.

INDUSTRY

Expenditures in connection with the National Defense Program are having an increasingly favorable effect upon business and industry in the Eleventh District, although the participation of this district in contracts awarded thus far has been relatively small in comparison with that of some other districts. Prior to September 1, Government contracts totaling approximately \$36,500,000 had been released in Texas. The awards thus far have been principally for construction projects, although some manufacturing establishments have received sizable orders for products produced in this district.

Building activity in the Eleventh District, as measured by the value of construction contracts awarded, continued heavy in August, reflecting chiefly the letting of several large contracts for privately-financed manufacturing plants and for publicly-financed projects. The value of awards was much greater than in the preceding month and the corresponding month of 1939, and with the exception of June, was the highest for any month in recent years. The expansion over July this year and August, 1939, is attributable largely to

heavier awards for non-residential and public works construction. Residential building expanded 29 per cent from July to August due chiefly to an increase in awards for United States Housing Authority projects, but this type of construc-

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

	Sept. 15, 1940	Sept. 15, 1939	Aug. 15, 1940
Total cash reserves	\$273,972	\$248,772	\$270,795
Discounts for member banks	697	237	862
Other bills discounted	9	59	None
Industrial advances	461	545	463
Bills bought in the open market	None	16	None
United States Government securities	94,972	105,013	95,344
Total earning assets	96,138	105,870	96,699
Member bank reserve deposits	220,951	211,625	211,954
Federal Reserve notes in actual circulation	85,321	80,723	82,400
Commitments to make industrial advances	4	None	None

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

	Sept. 11, 1940	Sept. 13, 1939	Aug. 14, 1940
Total loans and investments	\$532,212	\$511,936	\$527,626
Total loans	272,491	260,534	268,404
Commercial, industrial and agricultural loans	179,755	171,628	176,000
Open market paper	2,074	1,623	2,302
Loans to brokers and dealers in securities	2,049	2,814	2,853
Other loans for purchasing or carrying securities	13,634	13,929	13,472
Real estate loans	23,121	21,462	23,004
Loans to banks	1,030	441	999
All other loans	50,828	48,337	49,774
United States Government direct obligations	153,886	142,864	153,194
Obligations fully guaranteed by United States Govt.	48,206	52,639	48,166
Other securities	57,629	55,899	57,862
Reserves with Federal Reserve Bank	135,745	142,269	140,600
Balances with domestic banks	287,780	265,701	284,714
Demand deposits—adjusted*	490,613	465,497	490,145
Time deposits	134,904	135,167	135,559
United States Government deposits	31,851	30,309	31,708
Interbank deposits	249,055	241,003	245,636
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)

	August 1940	August 1939	Pctg. change over year	July 1940	Pctg. change over month
Abilene	\$ 7,885	\$ 7,607	+ 3.7	\$ 7,818	+ .9
Austin	34,543	32,373	+ 6.7	31,900	+ 8.3
Beaumont	21,835	20,969	+ 4.1	23,300	- 6.3
Corsicana	3,136	3,142	- .2	2,810	+11.6
Dallas	227,847	241,709	- 5.7	244,214	- 6.7
El Paso	26,218	24,678	+ 6.2	26,720	- 1.9
Fort Worth	74,594	74,967	- .5	80,347	- 7.2
Galveston	23,416	23,189	+ 1.0	24,948	- 6.1
Houston	230,152	214,064	+ 7.5	247,614	- 7.1
Port Arthur	9,890	8,874	+11.4	9,242	+ 7.0
Roswell	3,829	3,868	- 1.0	4,689	-18.3
San Antonio	70,021	65,317	+ 7.2	71,964	- 2.7
Shreveport	41,152	43,068	- 4.4	45,032	- 8.6
Texarkana*	6,916	6,191	+11.7	6,617	+ 4.5
Tucson	10,329	9,697	+ 6.5	11,292	- 8.5
Tyler	10,853	10,713	+ 1.3	10,922	- 6
Waco	13,561	12,759	+ 6.3	12,639	+ 7.3
Wichita Falls	15,153	14,014	+ 8.1	16,061	- 5.7
Total	\$831,330	\$817,199	+ 1.7	\$878,129	- 5.3

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

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
August, 1938	\$1,092,082	\$222,104	\$617,125	\$123,057	\$474,957	\$ 99,047
August, 1939	1,208,731	232,308	701,997	128,122	506,734	104,186
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
June, 1940	1,332,591	235,311	782,025	129,216	560,566	106,095
July, 1940	1,332,356	234,758	778,481	129,001	553,905	105,757
August, 1940	1,315,554	234,123	768,031	128,963	547,523	105,160

SAVINGS DEPOSITS

	Number of reporting banks	August 31, 1940		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	August 31, 1939	July 31, 1940
Beaumont	3	9,774	\$ 4,078,728	+ 6.1	+ 1.6
Dallas	8	90,327	26,505,009	- .1	+ .2
El Paso	2	18,384	8,184,615	- .5	- .3
Fort Worth	3	35,264	12,899,567	- 5.8	- .9
Galveston	4	19,101	12,292,403	+ 1.1	No chg.
Houston	10	77,385	31,551,521	+ 3.2	- .02
Port Arthur	2	5,977	3,267,479	+ 7.4	- .3
San Antonio	5	22,851	17,784,409	- 2.0	+ .01
Shreveport	3	25,188	12,327,619	+ 3.9	- .5
Waco	3	8,200	4,615,292	+ .1	- .2
Wichita Falls	3	7,263	3,647,480	- 5.4	+ .1
All others	69	61,455	30,635,375	+ 1.9	- .3
Total	115	381,169	\$167,789,497	+ .7	- .1

tion remained at a lower level than a year ago. Since the first of June the total value of construction contracts awarded in this district has aggregated about \$83,200,000, which greatly exceeds that for any three-month period of record. Although awards in June were augmented by one large local contract incident to the National Defense Program, awards in July and August included several large contracts that were widely distributed over the district. During the first eight months of 1940, the value of contracts awarded for residential building averaged 4 per cent lower than in the comparable period of 1939, but the volume of non-residential, public works and utilities construction averaged 53 per cent higher. The value of awards for commercial and manufacturing buildings in Texas during the first eight months of 1940 aggregated approximately \$30,000,000, or more than double the volume in the same period of 1939.

The valuation of building permits issued at fifteen principal cities in this district also showed a pronounced increase during the past two months. In August the total amounted to \$9,453,000, which was the highest for any month thus far this year and more than 50 per cent greater than in the corresponding month of 1939. Eleven of the fifteen reporting cities participated in the expansion over August last year. During the first eight months of 1940 the value of permits issued averaged 7 per cent higher than the heavy volume in that period of 1939.

Petroleum output in the Eleventh District showed a further slight decline from July to August and production elsewhere in the United States decreased about 4 per cent due chiefly to a sharp contraction in output in Illinois. In the latter State daily average production declined from a peak of 517,000 barrels in the week ended June 29 to 378,000 barrels in the final week of August. Daily average production in the United States during August this year was about 28 per cent higher than in August last year when producing wells in the Mid-Continent states were shut down for a period of two weeks.

Reflecting chiefly a noticeable curtailment in the Eleventh District, crude oil runs to refinery stills in the United States declined further in August and were at a level only slightly higher than a year ago. During the past two months the reduction in petroleum output, the curtailment in refinery operations, and the heavy consumption of gasoline and certain other refined products have brought about an improvement in the statistical position of the industry. Above-ground stocks of crude oil, which had risen at an average rate of about 900,000 barrels weekly between October 28, 1939, and June 30, 1940, showed virtually no net change during the subsequent ten weeks. Stocks of heating oil, which expanded seasonally during the summer, are now 19 per cent higher than a year ago, providing a large backlog with which to meet the increased demand during the winter months. Inventories of residual fuel oil have also increased seasonally but they have continued below those of a year ago. Although gasoline stocks were reduced by nearly 11,000,000 barrels between July 1 and September 7, or at a rate about 22 per cent higher than in the corresponding period of 1939, they are still 17 per cent in excess of the heavy supplies at this season last year.

Prices of crude oil were adjusted in some areas of the United States during August. A 15-cent per barrel reduction was effected in Pennsylvania but moderate increases were posted in Illinois and Michigan. In the Mid-Continent area markets were generally steady except for a decline in the price of lubricants and an increase in the prices of natural gasoline.

Drilling activity in this district and the United States, as

measured by the daily average number of wells completed, declined in August, but continued at a considerably higher rate than a year ago.

Activity at cotton textile mills in the United States expanded further in August, as the commercial demand for cotton products was augmented by Government orders for National Defense and relief purposes. The volume of cotton consumed amounted to 654,500 bales, which was 4 per cent higher than in August, 1939, and the highest of record for that month. On a seasonally adjusted basis cotton mill activity during August was only moderately below the all-time peak recorded last December. The demand for cotton goods was apparently heavy in a wide variety of constructions, including drills, duck, industrial fabrics and unfinished cotton cloth. Reflecting the recent decline in raw cotton prices and a strengthening in prices of cotton goods, mill margins expanded by about 5 per cent in July and August, following a noticeable downward trend during the preceding eight months. Inventories of raw cotton at consuming establishments were reduced seasonally in August, but at the close of the month they were 13 per cent greater than the small stocks on hand at that time last year.

The consumption of cotton at processing establishments in Texas increased sharply from July to August, exceeding that in the corresponding month of 1939 by 38 per cent. Moreover, the 15,200 bales of cotton consumed at these mills during August was considerably higher than the total for any other month in recent years. According to late reports, operations were well sustained during the first half of September.

In accordance with earlier expectations, exports of American cotton have declined to a very low level since the entrance of Italy into the European war and the surrender of France. Shipments to Continental Europe have virtually ceased and movements to England and Japan have declined sharply. Total exports during August amounted to only 64,700 bales, which compares with a total of 214,500 bales in August, 1939. According to the Department of Agriculture, cotton mill activity in Great Britain has declined considerably from the high level prevailing in other recent months. In that country, Government orders for cotton products have continued heavy, but export demand and domestic civilian demand for cotton goods have shown a noticeable contraction. The decrease in exports of cotton to Japan reflects the effects of several factors, including rising costs of production, the accumulation of above normal stocks of raw cotton and finished products, a decline in the export demand for cotton textiles, foreign exchange restrictions, and the legal requirement that cotton goods manufactured for sale in the Japanese Empire contain a mixture of domestic fibers.

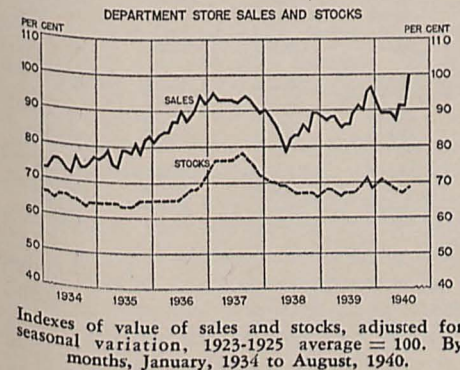
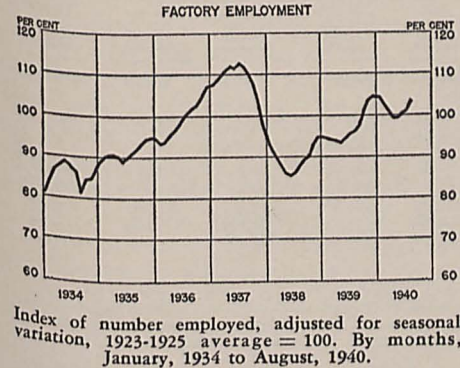
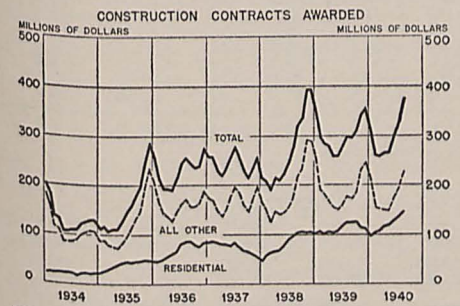
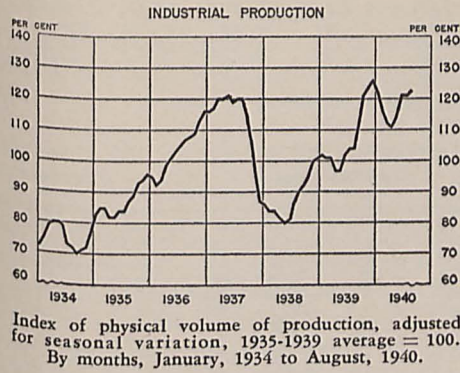
On the basis of the carryover from the 1939-1940 season and the September 1 estimate of production in 1940, the domestic supply of American cotton for the 1940-1941 season is nearly 1,500,000 bales smaller than the heavy volume in the preceding season. The decline is accounted for by a reduction of 2,437,000 bales in the domestic carryover, which more than offsets the indicated increase in production. The prospective world supply of American cotton, which totals 25,417,000 bales, or about double the 1929-1938 average annual world consumption of American cotton, comprises a carryover of 12,645,000 bales and an estimated production of 12,772,000 bales. The decrease of only 500,000 bales in the world supply of American cotton reflects a sharp increase in foreign stocks of American cotton during the past season. The volume of cotton in Government loan stocks on July 31 this year totaled 8,733,000 bales, which was about one-fifth smaller than a year earlier.

MONTHLY BUSINESS REVIEW

OCTOBER 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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



Production and employment in August showed a further rise from the level maintained in June and July and distribution to consumers also increased. Prices of industrial materials were somewhat higher in the middle of September than a month earlier.

INDUSTRIAL PRODUCTION

The Federal Reserve index of industrial production is estimated at 123 in August as compared with 121 in June and July and 111, the low point for the year, in April. This rise has reflected chiefly the direct and indirect effects of the defense program on industries producing durable goods and textiles. Steel production rose further in August as new orders for steel continued in large volume, and for the month as a whole mills operated at 90 per cent of capacity. Following a temporary decline over the Labor Day week, the rate of output advanced to 93 per cent of capacity in the third week of September. In most branches of the machinery industries activity showed a continued expansion in August and there were further sharp increases in shipbuilding and the manufacture of aircraft. With the growth in production of finished durable goods, consumption of nonferrous metals advanced to the highest levels since last winter.

Output of automobiles was in small volume in August owing to the seasonal change-over to 1941 model cars. The low point in production was reached early in August; there was a gradual rise later in that month followed by a sharp advance in the first two weeks of September as most companies began volume production on new models. Lumber production, which had declined in July, rose considerably in August.

Textile mill activity continued to increase in August and was at the highest level since last January. Cotton consumption advanced considerably further and silk deliveries rose from the small volume of recent months. Activity at wool textile mills increased seasonally, following a sharp rise in July, while at rayon mills activity showed a less than seasonal increase but continued at a high level.

Mining of bituminous coal in August was maintained in large volume for the season, while production of anthracite declined. Output of crude petroleum declined somewhat further.

Value of new construction work undertaken in August was at about the same level as in July, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. The volume of contracts for public projects continued unusually large and the amount of new private work started was larger than in July. Residential building was at the highest level in recent years, on a seasonally adjusted basis, reflecting further increases in both private and public contracts.

DISTRIBUTION

Distribution of commodities to consumers increased considerably from July to August. Sales at department stores and by mail order houses showed a sharp rise and there was a less than seasonal decline in variety store sales. In the early part of September department store sales continued to increase.

Freight-car loadings advanced from July to August when little change is usual. Shipments of coal and miscellaneous freight increased while loadings of grain showed more than a seasonal decline.

COMMODITY PRICES

Prices of several industrial materials, including copper, zinc, steel scrap, lumber, hides, and print cloth, advanced somewhat from the middle of August to the middle of September and, owing partly to seasonal developments, prices of foodstuffs were also higher. Prices of most other commodities showed little change in this period, although some paper items were reduced and several new models of automobiles were announced at advanced prices.

AGRICULTURE

Production prospects for most major crops increased during August, according to the Department of Agriculture. On the basis of September 1 conditions the cotton crop was estimated at 12,772,000 bales, about 1,340,000 bales more than was indicated at the beginning of August. Preliminary estimates by the Department indicate that cash farm income, including Government payments, will be about \$8,900,000,000 for the calendar year 1940 as compared with \$8,540,000,000 last year.

BANK CREDIT

Commercial loans increased somewhat at banks in New York City and in 100 other leading cities during the four weeks ending September 11, while their holdings of investments showed little change.

UNITED STATE GOVERNMENT SECURITY PRICES

United States Government security prices increased in the last half of August and the first week in September and were steady in the second week in September.

MONTHLY BUSINESS REVIEW

CROP PRODUCTION
(In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Sept. 1, 1940	1939	Estimated Sept. 1, 1940	1939
Cotton	Bales	3,479	2,846	4,127	3,631
Corn	Bushels	94,107	73,376	108,034	87,166
Wheat	Bushels	26,270	27,650	26,999	28,703
Oats	Bushels	34,375	28,750	37,658	31,319
Barley	Bushels	3,632	2,955	10,564*	10,285*
Rice	Bushels	15,132	13,988	15,132†	13,998†
Grain sorghums	Bushels	55,767	38,115	78,132*	53,199*
Tame hay	Tons	1,224	1,022	1,637	1,430
Peanuts	Pounds	166,950	129,480	201,325‡	151,190‡
Irish potatoes	Bushels	3,102	2,666	3,813	3,349
Sweet potatoes	Bushels	4,428	3,780	11,438‡	11,660‡
Pecans	Pounds	34,840	19,000	55,672‡	36,104‡
Broomcorn	Tons	3,800	2,200	23,300§	17,500§

*Texas, Oklahoma, New Mexico and Arizona. †Texas. ‡Texas, Oklahoma, New Mexico. §Texas, Oklahoma and Louisiana. 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)

	Receipts from:		Total receipts				
	Crops	Livestock*	Government payments	June 1940	June 1939	Jan. 1 to June 30 1940	June 30 1939
Arizona	\$ 1,770	\$ 1,373	\$ 253	\$ 3,396	\$ 3,043	\$ 27,557	\$ 26,209
Louisiana	4,574	1,990	2,742	9,306	6,078	49,098	45,028
New Mexico	294	1,553	149	2,096	2,765	17,489	14,198
Oklahoma	3,109	6,352	1,536	10,977	17,583	73,385	77,474
Texas	9,972	18,425	1,085	29,482	37,555	205,215	203,130
Total	\$19,719	\$29,773	\$5,765	\$55,257	\$67,024	\$372,744	\$366,039

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

LIVESTOCK RECEIPTS
(Number)

	Fort Worth			San Antonio		
	August 1940	August 1939	July 1940	August 1940	August 1939	July 1940
Cattle	45,087	46,538	47,492	10,603	10,973	10,752
Calves	37,726	40,235	26,276	17,129	30,187	16,624
Hogs	30,293	20,577	25,298	11,411	13,713	5,435
Sheep	57,279	45,697	96,867	6,890	10,756	7,779

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundredweight)

	Fort Worth			San Antonio		
	August 1940	August 1939	July 1940	August 1940	August 1939	July 1940
Beef Steers	\$10.60	\$ 8.65	\$10.00	\$ 8.25	\$ 8.50	\$ 8.50
Stocker steers	9.25	7.50	9.50	7.00	7.00	7.50
Heifers and yearlings	10.00	9.50	10.25	9.00	9.50	10.00
Butcher cows	6.50	6.10	6.75	6.00	5.50	6.00
Calves	9.00	8.50	9.75	9.00	8.50	9.50
Hogs	7.35	6.55	6.90	6.75	6.50	7.00
Lambs	8.00	7.50	9.00	7.50	7.10	8.25

CRUDE OIL PRODUCTION—(Barrels)

	August, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	August, 1939	July, 1940
North Texas	4,881,850	157,479	+ 61,981	+ 6,839
West Texas	6,873,400	221,723	+ 47,017	+ 4,621
East Texas	13,828,250	446,072	+159,512	-16,767
South Texas	5,523,500	178,177	+ 34,006	- 2,691
Texas Coastal	5,819,650	187,731	+ 35,023	+ 183
Total Texas	36,926,650	1,191,182	+337,539	- 7,815
New Mexico	3,135,800	101,155	+ 38,689	- 3,748
North Louisiana	2,001,750	64,573	+ 11,315	- 1,253
Total District	42,064,200	1,356,910	+387,543	-12,816

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED
(In thousands of dollars)

	August 1940	August 1939	July 1940	Jan. 1 to Aug. 31 1940	Jan. 1 to Aug. 31 1939
Eleventh District—total	\$ 26,242	\$ 17,337	\$ 19,011	\$ 164,609	\$ 129,662
Residential	8,409	9,753	6,516	56,136	58,573
All other	17,833	8,084	12,495	108,473	71,089
United States*—total	414,941	312,328	398,673	2,436,701	2,311,575
Residential	152,988	127,163	140,430	983,990	881,020
All other	261,953	185,165	258,243	1,452,711	1,430,555

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	August, 1940		Percentage change valuation from		Jan. 1 to Aug. 31, 1940		Percentage change valuation from 1939	
	No.	Valuation	Aug., 1939	July, 1940	No.	Valuation	Aug. 1939	July 1939
Abilene	10	\$ 128,763	+ 77.9	+143.5	207	\$ 472,208	+ 6.6	
Amarillo	85	286,690	+ 14.9	+ 61.3	623	1,813,165	+ 4.7	
Austin	216	341,902	- 38.8	- 28.6	2,259	5,162,174	- 0.6	
Beaumont	178	99,378	- 33.5	- 48.6	1,039	1,050,388	+ 2.7	
Corpus Christi	241	1,060,497	+173.2	+ 35.5	1,627	5,933,879	+71.1	
Dallas*	1,006	1,455,738	+ 35.6	+ 12.2	5,276	9,787,905	+ 6.6	
El Paso	95	967,242	+580.4	+325.0	734	2,455,331	+01.5	
Fort Worth	302	400,827	+ 4.9	- 8.2	2,032	3,304,586	+20.1	
Galveston	160	348,259	+254.4	+179.2	1,180	1,563,320	+55.3	
Houston	599	2,900,135	+ 74.0	+ 39.7	4,053	16,512,760	+ 5.9	
Port Arthur	383	102,530	- 21.5	+ 28.5	1,307	803,133	+ 7.9	
San Antonio	600	686,291	+ 21.5	+ 16.9	5,378	4,652,411	+35.4	
Shreveport	154	484,080	+ 32.5	- 19.8	1,464	3,454,789	- 0.2	
Waco	60	79,559	- 30.6	- 88.1	559	1,458,347	+21.8	
Wichita Falls	48	110,985	+ 4.5	+ 17.1	369	813,935	+25.7	
Total	4,137	\$9,452,876	+ 55.9	+ 16.4	28,107	\$59,258,331	+ 6.9	

*Includes Highland Park and University Park.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON—(Bales)

	August 1940	August 1939	July 1940	August 1 to August 31 This season	August 1 to August 31 Last season
Consumption at:					
Texas mills	15,213	11,062	12,497	15,213	11,062
United States mills	654,503	630,667	597,850	654,503	630,667
U.S. stocks—end of month:					
In consuming estab'mts.	737,961	653,087	973,542		
Public stg. & compresses	9,120,291	11,829,439	9,122,178		
Exports from U. S. to:					
United Kingdom	46,611	72,426	42,125	46,611	72,426
France	None	32,737	None	None	32,737
Italy	None	13,071	None	None	13,071
Germany	None	18,276	None	None	18,276
Other Europe	None	36,449	8,947	None	36,449
Japan	5,596	27,986	42,143	5,596	27,986
All other countries	12,536	13,596	27,173	12,536	13,596
Total exports	64,743	214,541	120,388	64,743	214,541

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

	August 1940	August 1939	July 1940	August 1 to August 31 This season	August 1 to August 31 Last season
Receipts	203,939	225,808	62,911	203,939	225,808
Exports (for gn & coastwise)	73,163	118,695	33,950	73,163	118,695
Stocks, end of month	1,352,366	1,098,689	1,235,465		

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to August 31 This season	Last season	August 1 to August 31 This season	Last season
Cottonseed received at mills (tons)	93,876	137,858	124,570	233,006
Cottonseed crushed (tons)	48,956	73,659	77,217	155,299
Cottonseed on hand Aug. 31 (tons)	60,647	119,267	86,249	198,333
Production of products:				
Crude oil (pounds)	14,305,837	19,805,223	23,157,666	46,503,451
Cake and meal (tons)	24,065	33,200	36,303	70,224
Hulls (tons)	11,614	17,804	19,239	40,410
Linters (running bales)	10,772	14,488	18,072	34,768
Stocks on hand August 31:				
Crude oil (pounds)	7,858,389	10,687,521	16,949,613	48,736,853
Cake and meal (tons)	19,560	30,220	57,539	98,440
Hulls (tons)	9,300	31,509	18,182	71,631
Linters (running bales)	37,895	122,112	85,876	425,149

SOURCE: Bureau of Census.