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DISTRICT SUMMARY

Trade and industrial activity in the Eleventh District continued at a high level during September, reflecting a heavy commercial demand for products and the letting of additional Governmental contracts for National Defense purposes. Employment and payrolls in Texas increased in September and the gain in payrolls as compared with a year earlier was the largest recorded thus far this year. September department store business was near an all-time peak for that month, daily average sales exceeding those of a year ago by 11 per cent. Wholesale distribution expanded seasonally, and sales in most reporting lines of trade were equal to or above those in September last year. Consumption of cotton at Texas textile mills recorded a new high for recent years and reports indicate that some mills have a backlog of orders that will necessitate capacity operations for several months. Production of crude petroleum and refinery operations expanded sharply, following a curtailment of activity in July and August, and operations closely approximated those of a year ago. Drilling activity continued well above that in 1939. The value of construction contracts awarded was smaller than a month earlier or a year ago, but appreciably higher than the average value of awards during the first nine months of 1940. The outlook for agricultural production continued promising, though rain is needed throughout most of the district.

BUSINESS

Consumer purchases at reporting department stores in principal cities of the Eleventh District continued in heavy volume during September, although a smaller-than-average gain was recorded over the large total of the preceding month. Daily average sales were 11 per cent higher than in the corresponding month of 1939 and on a seasonally adjusted basis were, with the exception of August, at the highest level for any month since March, 1929. It is significant to note that the aggregate volume of sales at reporting firms during July, August and September this year was the highest for which data are available, averaging 2 per cent above the previous peak for that period established in the summer of 1926. This bank's seasonally adjusted index of sales stood at 115 per cent of the 1923-1925 average for September as compared with 104 per cent for September, 1939. Cumulative sales of merchandise during the first nine months of 1940 were likewise the highest in recent years and 4.5 per cent above those in the comparable period of 1939. Sales at weekly reporting department stores indicate that business fell off somewhat in the first half of October and averaged moderately lower than in the corresponding two weeks of 1939.

Inventories at reporting department stores were increased by more than the average seasonal amount in September, but at the close of the month the value of stocks was fractionally smaller than on that date of 1939. Collections during September on open accounts outstanding at the beginning of the month were at about the same rate as in September last year.

The distribution of merchandise through wholesale trade channels in this district increased seasonally from August to September, but averaged about 6 per cent smaller than in the corresponding month of 1939. The decline from a year ago is accounted for chiefly by the smaller distribution of groceries, which evidenced a sharp expansion in September, 1939, when widespread speculative buying occurred following the outbreak of war in Europe. Sales of automotive supplies, hardware, machinery, and surgical equipment in September this

year showed gains over a year ago ranging from 7 to 13 per cent and the distribution of drugs and tobacco closely approximated that in September, 1939. Combined inventories of merchandise at reporting wholesale firms were increased moderately further in September and at the close of the month stocks at firms in a majority of individual lines of trade were above those of a year ago. End-of-month inventories at wholesale grocery establishments, however, were 3 per cent smaller than on September 30, 1939. Collections during September on accounts outstanding at the beginning of the month continued at a much slower rate than in 1939. Thus far this year the rate of collections on accounts outstanding has averaged 3 per cent smaller than that in the first nine months of 1939.

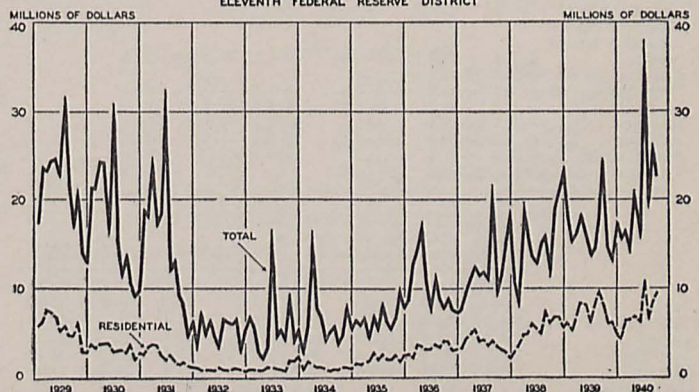
The expanding volume of business and industrial activity in the Eleventh District was reflected in employment and payrolls during September. The Bureau of Business Research of the University of Texas reported an increase of 2 per cent in employment in Texas over both August this year and September, 1939. Payrolls rose 4 per cent from August to September and were 8 per cent higher than in the corresponding month of 1939. At manufacturing establishments, employment during September averaged 6 per cent higher than a year ago and payrolls were up 11 per cent.

The number of commercial failures in the Eleventh District declined considerably in September and liabilities of defaulting firms were at the lowest level in nearly two years. Dun & Bradstreet reported 23 insolvencies during the month owing a total of \$159,000.

AGRICULTURE

Subnormal rainfall during September retarded the growth of late maturing crops in some sections of the Eleventh District, and caused a decline in the prospective production of cotton and grain sorghums. Nevertheless, agricultural prospects in this district continued very favorable. On October 1, the indicated production of most summer crops, including corn, rice, grain sorghums, tame hay and peanuts, was well above that of a year ago and the 1929-1938 average harvest. In the greater part of the district crops were so far advanced that the below-normal rainfall in September had little or no effect upon prospective yields. Harvesting operations made rapid progress during the month. The preparation of soil for seeding of small grains in the wheat-growing section of Texas made generally good progress during September, but planting operations were delayed because of dry soil. In some areas favored with rainfall during the latter part of September and the first half of October, the sowing of wheat was carried

CONSTRUCTION CONTRACTS AWARDED
ELEVENTH FEDERAL RESERVE DISTRICT



forward rapidly and reports indicate that the crop is making good growth. Additional rainfall is needed throughout the wheat-growing territory.

The indicated production of cotton in the Eleventh District on October 1 was placed at 3,997,000 bales which represents a decline of 3 per cent from that a month earlier. The decline is accounted for by a reduction in the prospective yield in northwest Texas and northern Louisiana. In the latter area dry weather caused considerable shedding of bolls. The October 1 production forecast for Texas was placed at 3,390,000 bales, which is 89,000 bales smaller than a month earlier but still considerably above the 2,846,000 bales harvested in 1939. In Louisiana the cotton crop is estimated at only 450,000 bales, which is 40 per cent smaller than the 1939 production. The indicated production of cotton in the United States showed little change during September, the October 1 forecast being 12,741,000 bales, as compared with a harvest of 11,817,000 bales in 1939. Ginning of cotton in Texas prior to October 1 amounted to 1,481,000 bales, as against a total of 1,968,000 bales in the corresponding period last year.

The Texas pecan crop showed a further improvement during September. On October 1 the prospective production amounted to 38,860,000 pounds, or more than double the 1939 harvest. The initial estimates on the production of oranges and grapefruit in Texas from the 1940 blooms are moderately higher than the final harvests from the 1939 blooms.

The condition of livestock ranges in Texas and New Mexico declined in September due to inadequate rainfall. Nevertheless, general range conditions are still favorable in most areas; in fact, conditions on October 1 in Texas and Arizona were above those of a year ago and the ten-year average for that date. Although the dry weather in September caused some deterioration in ranges, it was favorable for the harvesting of feed crops and for the curing of range feeds. Moisture is needed to insure winter wheat pasturage. Livestock are in generally good condition in virtually all areas of the district, and the outlook indicates that cattle and sheep will go into the winter in better-than-average flesh. The demand for livestock was heavy in September, and shipments of sheep from Texas to feeding areas, which had declined in July and August, appear to have risen to an all-time high for the fall marketing season. The Department of Agriculture reports that

prospects point to an increase in the feeding of cattle in Texas this year, but that favorable prices and a strong demand for animals will be limiting factors. The demand for Texas wool continued strong during September and the first half of October, with prices showing further advances.

FINANCE

Total earning assets of the Federal Reserve Bank of Dallas declined \$4,360,000 between September 15 and October 15, reflecting decreases in investments, in discounts for member banks, and in industrial advances. This bank's participation in the Federal Reserve System's holdings of investment securities was reduced \$3,800,000 during the period as a result of a net reduction in the System's holdings of securities and a reallocation of the investment account among the several Reserve banks. Industrial advances declined \$209,000 during the month ended October 15 and discounts for member banks showed a further seasonal contraction of \$350,000. As compared with a year ago, this bank's total earning assets on October 15 were \$7,300,000 smaller. Federal Reserve notes of this bank in actual circulation continued to expand seasonally; the total of \$89,100,000 outstanding at the middle of October was \$3,800,000 greater than a month earlier and \$5,400,000 higher than on the corresponding date of 1939.

Member bank reserve balances carried with the Federal Reserve Bank of Dallas showed a noticeable increase between the middle of September and the middle of October, reaching the record level of \$230,081,000 on October 15. This expansion resulted in a substantial gain in excess reserves, notwithstanding a noticeable increase in required reserves occasioned by an expanding volume of deposits at member banks.

CROP PRODUCTION (In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Oct. 1, 1940	1939	Estimated Oct. 1, 1940	1939
Cotton.....	Bales	3,390	2,846	3,997	3,631
Corn.....	Bushels	94,107	73,376	108,478	87,166
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†	13,988†
Grain sorghums.....	Bushels	53,844	38,115	75,264*	53,199*
Tame hay.....	Tons	1,271	1,022	1,686	1,430
Peanuts.....	Pounds	166,950	129,480	203,805†	151,190†
Irish potatoes.....	Bushels	3,055	2,666	3,763	3,349
Sweet potatoes.....	Bushels	4,428	3,780	11,438‡	11,660‡
Pecans.....	Pounds	38,860	19,000	61,624§	36,104§
Broomcorn.....	Tons	3,800	2,200	23,500†	17,500†

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

	July, 1940		Government payments	Total receipts	
	Crops	Livestock*		July 1940	July 1939
Arizona.....	2,026	1,159	757	3,942	2,816
Louisiana.....	796	2,174	603	3,573	4,557
New Mexico.....	1,504	1,555	482	3,541	3,452
Oklahoma.....	16,075	8,027	696	25,998	22,829
Texas.....	12,440	18,448	3,687	34,575	31,867
Total.....	33,441	31,963	6,225	71,629	65,521
				444,373	431,560

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS (Number)

	Fort Worth			San Antonio		
	Sept. 1940	Sept. 1939	August 1940	Sept. 1940	Sept. 1939	August 1940
Cattle.....	53,551	62,183	45,087	15,621	13,211	10,603
Calves.....	50,376	59,042	37,726	28,634	33,272	17,129
Hogs.....	34,338	29,344	30,293	14,152	13,670	11,411
Sheep.....	62,104	86,827	57,279	13,518	7,657	6,890

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

	Fort Worth			San Antonio		
	Sept. 1940	Sept. 1939	August 1940	Sept. 1940	Sept. 1939	August 1940
Beef steers.....	\$10.75	\$ 9.25	\$10.60	\$ 8.75	\$ 8.25	\$ 8.25
Stocker steers.....	9.25	8.75	9.25	9.00	7.25	7.00
Heifers and yearlings.....	11.00	10.00	10.00	10.00	9.50	9.00
Butcher cows.....	6.75	6.75	6.50	6.00	6.00	6.00
Calves.....	9.00	9.00	9.00	8.00	8.75	9.00
Hogs.....	7.35	8.25	7.35	7.15	8.00	6.75
Lambs.....	8.00	8.50	8.00	7.75	7.50	7.50

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:		Stocks*	Ratio Sept. collections to accounts outstanding September 1	
	Sept., 1940 from Sept., 1939	Aug., 1940		Sept. 30, 1940 from Sept., 1939	Aug., 1940
Retail trade:					
Department stores:					
Total 11th Dist.:	+7.0	+24.7	+4.5	— .4	+8.5
Dallas.....	+7.7	+23.4	+4.4	— 1.0	+10.3
Fort Worth.....	+1.6	+10.4	+3.8	+4.1	+4.2
Houston.....	+7.6	+44.6	+3.0	+ .01	+13.4
San Antonio.....	+14.9	+8.2	+10.7	+4.6	+6.2
Other cities.....	+1.9	+37.6	+ .9	— 4.8	+7.2
Independent stores:†					
Arizona.....	— 1.8	.....	+5.1	.....	.....
New Mexico.....	— 2.7	.....	+3.6	.....	.....
Oklahoma.....	— 1.6	— .9	+1.6	.....	.....
Texas.....	+3.4	+6.8	+5.0	.....	.....
Wholesale trade:‡					
Machinery, eqpt & supplies (except electrical):	+7.8	—33.3	+9.9	— .2	+5.6
Automotive suppl's.....	+13.3	+7.6	.....	+ .7	+4.4
Drugs (incl. liquors).....	— 1.1	+10.2	+7.7	+10.6	+5.2
Electrical supplies.....	— 7.5	— 8.3	+1.1	— 3.1	+5.8
Groceries.....	+14.1	+8.4	+6.1	+7.8	— 4.9
Hardware.....	+7.1	+10.8	+5.0	+16.9	No chg.
Surgical eqpt.....	+13.0	+5.2	.....	.....	.....
Tobacco & prod's.....	No chg.	No chg.	— .7	.....	.....

*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—Sept. 1940	Sept. 1939	Stocks—Sept. 1940	Sept. 1939
Total Eleventh Dist.:	114.8	104.0	65.4	65.7
Dallas.....	129.3	115.9	69.1	69.8
Fort Worth.....	123.3	116.5	61.4	59.1
Houston.....	143.4	131.9	46.3	45.8
San Antonio.....	113.5	94.6	53.9	51.3

Total loans and investments at weekly reporting member banks in leading cities of the Eleventh District expanded further by \$14,100,000 between September 11 and October 9; the total of \$546,350,000 on the latter date was \$32,300,000 greater than the 1940 low recorded on July 10 and \$11,500,000 greater than a year ago. Total loans rose \$6,500,000 during the four-week period, reflecting increases in commercial, industrial and agricultural loans and in personal advances. This increase was occasioned chiefly by the seasonal demand for funds to finance the customary fall movement of goods and commodities and the general expansion in business and industrial activity. Total loans on October 9 were at the highest level for that date since 1931. The investment holdings of reporting banks, which had shown a downward trend during the first half of the year, have been increased substantially since mid-July. This increase has occurred principally in holdings of Government direct obligations but there has been a moderate expansion in holdings of Government guaranteed obligations and of "other" securities. Total investments on October 9 were \$7,600,000 greater than four weeks earlier and \$1,400,000 higher than on the comparable date in 1939. Total deposits at weekly reporting banks expanded \$16,700,000 between September 11 and October 9 due chiefly to a further sharp expansion in inter-bank balances. Adjusted demand deposits on October 9 were only moderately higher than four weeks earlier but they were \$26,600,000 in excess of those a year ago. Reserves of these banks maintained at the Federal Reserve Bank of Dallas were increased \$3,300,000 during the four-week period.

Following a noticeable downward trend from February through August, the daily average of combined gross demand and time deposits at all member banks in this district reflected a sharp seasonal expansion in September. During that month deposits averaged \$1,579,000,000, which was only \$10,000,000 less than the all-time peak established last February and \$92,000,000 higher than the average for September, 1939.

INDUSTRY

Public and private expenditures in connection with the National Defense Program continued as important factors in the expanding volume of business and industrial activity in the Eleventh District. The stimulation has been particularly noticeable in the building industry, since large contracts have been let for the construction of air bases, army encampments, aircraft manufacturing plants, ship-building yards, and housing facilities. There has also been some expansion in petroleum refining facilities due indirectly to the defense program. In addition, several manufacturing establishments have been awarded sizable contracts for various manufactured products. The value of defense contracts awarded in Texas prior to October 1 amounted to approximately \$50,500,000, and reports indicate that several large contracts were awarded early in October.

The value of construction contracts awarded in this district during September was 14 per cent smaller than in the preceding month when awards were augmented by the letting of contracts for a large airplane factory in Dallas and by awards incident to the completion of the construction of the Marshall Ford Dam in Travis County, Texas. The value of September awards was also 8 per cent smaller than the 1939 peak recorded in September last year. Despite the declines as compared with the preceding month and the corresponding month of 1939, the value of awards issued in September was 8 per cent higher than the average for the first nine months of 1940, which is the highest for any similar period since 1929. Residential building showed a pronounced increase in September, reflecting heavy awards for United States Housing Authority projects and army barracks. The total value of construction contracts awarded during the first nine months of 1940 was about one-fifth greater than in the corresponding period of

1939. This expansion is accounted for chiefly by a much greater volume of publicly-financed work.

The production of crude petroleum in the United States, which had been curtailed sharply in July and August, expanded during September due chiefly to a sharp increase in output in Texas. A 90-day proration order issued by the Texas Railroad Commission late in August provided for allowables

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

	October 15, 1940	October 15, 1939	Sept. 15, 1940
Total cash reserves.....	\$286,276	\$242,623	\$273,972
Discounts for member banks.....	347	40	697
Other bills discounted.....	16	96	9
Industrial advances.....	252	534	461
Bills bought in the open market.....	None	16	None
United States Government securities.....	91,164	98,385	94,971
Total earning assets.....	91,179	99,071	96,138
Member bank reserve deposits.....	230,081	211,278	220,951
Federal Reserve notes in actual circulation.....	89,133	83,761	85,321

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

	October 9, 1940	October 11, 1939	Sept. 11, 1940
Total loans and investments.....	\$546,352	\$534,838	\$532,212
Total loans.....	279,036	268,941	272,491
Commercial, industrial and agricultural loans.....	185,462	178,818	179,755
Open market paper.....	1,882	1,718	2,074
Loans to brokers and dealers in securities.....	1,896	2,757	2,049
Other loans for purchasing or carrying securities.....	13,529	13,745	13,634
Real estate loans.....	23,028	21,590	23,121
Loans to banks.....	538	411	1,030
All other loans.....	52,701	49,902	50,828
United States Government direct obligations.....	160,212	154,021	153,886
Obligations fully guaranteed by United States Govt..	48,246	54,744	48,208
Other securities.....	58,558	57,132	57,629
Reserves with Federal Reserve Bank.....	139,016	136,889	135,745
Balances with domestic banks.....	287,580	268,495	287,780
Demand deposits—adjusted*.....	493,414	466,808	490,613
Time deposits.....	135,239	134,956	134,904
United States Government deposits.....	32,018	30,664	31,851
Interbank deposits.....	262,489	258,862	249,055
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)

	September 1940	September 1939	Pctg. change over year	August 1940	Pctg. change over month
Abilene.....	\$ 8,426	\$ 8,884	- 5.2	\$ 7,885	+ 6.9
Austin.....	30,699	38,380	-20.0	34,543	-11.1
Beaumont.....	21,474	21,411	+ .3	21,835	-1.7
Corisicana.....	3,853	4,129	- 6.7	3,136	+22.9
Dallas.....	235,563	250,017	- 5.8	227,847	+ 3.4
El Paso.....	26,281	27,551	- 4.6	26,218	+ .2
Fort Worth.....	72,685	79,065	- 8.1	74,594	- 2.6
Galveston.....	22,348	25,470	-12.3	23,416	- 4.6
Houston.....	235,158	237,861	- 1.1	230,152	+ 2.2
Port Arthur.....	9,085	8,847	+ 2.7	9,890	- 8.1
Roswell.....	4,656	4,029	+15.6	3,829	+21.6
San Antonio.....	70,799	67,762	+ 4.5	70,021	+ 1.1
Shreveport.....	41,115	43,492	- 5.5	41,152	- .1
Texarkana.....	7,603	8,393	- 9.4	6,916	+ 9.9
Tucson.....	10,105	10,623	- 4.9	10,329	- 2.2
Tyler.....	10,790	10,798	- .1	10,853	- .6
Waco.....	14,106	15,594	- 9.5	13,561	+ 4.0
Wichita Falls.....	14,503	13,800	+ 5.1	15,153	- 4.3
Total.....	\$839,249	\$876,106	- 4.2	\$831,330	+ 1.0

*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
September, 1938.....	\$1,112,496	\$222,693	\$631,147	\$122,954	\$481,349	\$ 99,739
September, 1939.....	1,255,634	231,820	729,653	128,084	525,981	103,736
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	106,095
July, 1940.....	1,332,386	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
September, 1940.....	1,346,346	233,023	783,742	128,161	562,604	104,862

SAVINGS DEPOSITS

	September 30, 1940			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Sept. 30, 1939	Aug. 31, 1940
Beaumont.....	3	9,866	\$ 4,103,366	+ 6.2	+ .6
Dallas.....	8	90,293	26,218,280	- .7	+ 1.1
El Paso.....	2	18,466	8,241,115	+ .7	+ .7
Fort Worth.....	3	35,167	12,949,074	- 4.9	- .4
Galveston.....	4	19,102	12,338,032	+ .6	+ .4
Houston.....	10	77,194	31,614,768	+ 3.9	+ .2
Port Arthur.....	2	5,998	3,351,571	+ 6.4	+ 2.6
San Antonio.....	5	22,857	17,721,084	- 1.5	- .4
Shreveport.....	3	25,112	12,375,688	+ 4.2	+ .4
Waco.....	3	8,192	4,631,828	+ .2	+ .4
Wichita Falls.....	3	7,235	3,655,745	- 3.7	+ .2
All others.....	69	61,245	30,698,251	+ 2.1	+ .2
Total.....	115	380,727	\$167,898,802	+ 1.0	No chg.

somewhat higher than in the preceding two months and during September allowables for several individual fields were increased further. Daily average production in Texas during September averaged 2 per cent in excess of demand as estimated by the United States Bureau of Mines. In the Eleventh District, daily average production during September was 11 per cent higher than in August but about the same as in September last year. In other sections of the United States production showed little change from August to September but was 13 per cent greater than in the corresponding month of 1939.

Following declines in July and August, refinery operations in the United States, as measured by crude oil runs to stills, increased during September and were only moderately below the all-time peak established in June. As a result of the increase in refinery operations and a higher yield of gasoline from crude oil, stocks of motor fuel declined by a smaller amount than had been anticipated. At the close of September these stocks totaled about 82,400,000 barrels, which was 16 per cent in excess of the heavy supply at that time last year. Inventories of heating oil showed a further seasonal increase, but supplies of fuel oil showed little change over the month, reflecting the heavy industrial demand for that product. Stocks of crude oil have shown relatively little net change during the past two months.

Completions of new oil wells in the Eleventh District during September were 9 per cent fewer than in August and in the United States they were down 1 per cent. In comparison with September last year, however, drilling activity was up 16 per cent in this district and 21 per cent in the United States.

The rate of activity at cotton textile mills in the United States was maintained at a high level in September. There were 639,300 bales of cotton consumed during the month, which was slightly smaller than in August but 2 per cent

higher than in September last year and the highest for any corresponding month of record. According to reports, mill sales of cotton textiles, particularly unfinished materials and industrial fabrics, exceeded production by a substantial margin, with the consequence that a large backlog of unfilled orders is being accumulated. The heavy demand for textiles, which is attributable to large Governmental orders as well as widespread buying by the trade, has resulted in price advances on a wide range of constructions. These advances, without any material change in raw cotton prices, brought about a further increase in mill margins during September. Domestic consumption of cotton during the first two months of the 1940-1941 season averaged 2.5 per cent higher than the previous record for that period established in the 1927-1928 season. Stocks of raw cotton at consuming establishments and in public storage and compresses increased seasonally in September but remained at a much lower level than a year ago.

Exports of American cotton continued sharply curtailed in September, totaling only 90,555 bales as against 644,300 bales in the corresponding month of 1939. During the first two months of the current season shipments were less than one-fifth the total in that period of 1939 and the smallest for any comparable period in more than 60 years. The military blockade of western Europe and increased competition from foreign-grown cotton in the remaining accessible world markets are the principal factors restricting domestic exports. According to the Department of Agriculture, Spain recently contracted for about 100,000 bales of Brazilian cotton at prices 10 to 15 per cent lower than the existing prices of comparable grades of American cotton.

Spot cotton prices, which had declined from an average of 10.77 cents per pound for middling, 15/16-inch staple, at mid-June to 9.41 cents per pound on September 15, showed relatively narrow fluctuations during the 30-day period ended October 15. The Commodity Credit Corporation reported that 644,000 bales of the 1940 cotton crop had been pledged as collateral for Government loans prior to October 17, of which amount 440,000 bales were in Texas.

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	September 1940	September 1939	August 1940	Jan. 1 to Sept. 30 1940	1939
Eleventh District—total...	\$ 22,564	\$ 24,483	\$ 26,242	\$187,173	\$154,145
Residential.....	9,645	7,894	8,409	65,781	66,667
All other.....	12,919	16,589	17,833	121,392	87,478
United States*—total.....	347,651	323,227	414,941	2,784,352	2,634,802
Residential.....	152,372	129,680	152,988	1,136,362	1,010,700
All other.....	195,279	193,547	261,953	1,647,990	1,624,102

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	September, 1940		Percentage change valuation from		Jan. 1 to Sept. 30, 1940		Percentage change valuation from 1939	
	No.	Valuation	Sept., 1939	Aug., 1940	No.	Valuation		
Abilene.....	16	\$ 30,330	- 37.1	-76.4	223	\$ 502,538	+ 2.3	
Amarillo.....	78	219,294	- 19.4	-23.5	701	2,032,459	- 6.5	
Austin.....	195	810,670	- 10.2	- 9.1	2,454	5,472,844	- 9.6	
Beaumont.....	193	116,639	+ 17.5	+17.4	1,232	1,167,027	+ 4.0	
Corpus Christi..	213	1,181,089	+423.3	+11.4	1,840	7,114,968	+92.6	
Dallas*.....	711	1,626,900	+106.6	+11.8	5,987	11,414,805	+14.5	
El Paso.....	81	200,842	- 77.0	-79.2	815	2,656,173	+23.3	
Fort Worth.....	330	437,784	+ 65.5	+ 9.2	2,362	3,742,370	-14.9	
Galveston.....	143	122,810	+ 3	-67.6	1,323	1,696,130	+49.8	
Houston.....	416	1,589,568	- 37.0	-45.2	4,469	18,102,328	- 9.8	
Port Arthur.....	428	100,267	- 12.9	- 2.2	1,735	903,400	+ 5.1	
San Antonio.....	591	457,400	+ 8.0	-33.4	5,969	5,109,811	+32.4	
Shreveport.....	202	502,326	- 16.5	+ 3.8	1,666	3,957,115	- 7.6	
Waco.....	69	89,424	- 18.6	+12.4	628	1,547,777	+18.4	
Wichita Falls...	42	140,732	- 2.2	+26.8	411	954,601	+20.7	
Total.....	3,708	\$7,116,075	+ 2.5	-24.7	31,815	\$66,374,406	+ 6.4	

*Includes Highland Park and University Park.

CRUDE OIL PRODUCTION—(Barrels)

	September, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Sept., 1939	August, 1940
North Texas.....	5,551,150	185,038	+42,718	+ 27,559
West Texas.....	7,865,300	262,177	-20,410	+ 40,454
East Texas.....	13,901,200	463,373	-21,153	+17,301
South Texas.....	6,622,700	220,757	- 6,220	+42,580
Texas Coastal.....	6,526,650	217,555	-10,618	+ 29,824
Total Texas.....	40,467,000	1,348,900	-15,683	+157,718
New Mexico.....	2,944,200	98,140	+11,050	- 3,015
North Louisiana.....	1,950,200	65,007	+ 1,934	+ 434
Total District.....	45,361,400	1,512,047	- 2,699	+155,137

SOURCE: Compiled from American Petroleum Institute weekly reports.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to September 30 This season	Last season	August 1 to September 30 This season	Last season
Cottonseed received at mills (tons).....	303,107	395,846	723,208	1,365,181
Cottonseed crushed (tons).....	166,729	211,302	429,987	675,263
Cottonseed on hand Sept. 30 (tons).....	152,190	239,612	332,728	810,544
Production of products:				
Crude oil (pounds).....	49,353,755	59,841,220	133,749,617	207,666,511
Cake and meal (tons).....	78,772	100,194	191,623	300,628
Hulls (tons).....	42,408	55,362	108,989	175,412
Linters (running bales).....	38,258	45,009	102,084	156,913
Stock on hand September 30:				
Crude oil (pounds).....	19,127,974	14,477,521	57,591,774	58,439,739
Cake and meal (tons).....	34,145	39,068	95,884	123,222
Hulls (tons).....	26,478	42,925	56,693	103,519
Linters (running bales).....	43,689	129,561	117,427	414,047

SOURCE: United States Bureau of Census.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON—(Bales)

	September 1940	September 1939	August 1940	August 1 to September 30 This season	Last season
Consumption at:					
Texas mills.....	16,206	11,115	15,213	31,419	22,177
United States mills.....	639,252	624,183	654,503	1,293,755	1,254,850
U.S. stocks—end of month:					
In consuming estab'ls.....	788,669	868,150	737,962	.....	.....
Public stg. & compresses.....	10,733,787	14,206,343	9,120,291	.....	.....
Exports from U. S. to:					
United Kingdom.....	78,418	261,557	46,813	125,231	333,983
France.....	None	48,739	None	None	81,476
Italy.....	None	45,663	None	None	58,734
Germany.....	None	416	None	None	18,692
Other Europe.....	1,308	200,677	480	1,788	237,126
Japan.....	4,512	49,152	5,596	10,108	77,138
All other countries.....	6,317	38,124	12,536	18,853	51,720
Total exports.....	90,555	644,328	65,425	155,980	858,869

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

	September 1940	September 1939	August 1940	August 1 to September 30 This season	Last season
Receipts.....	317,420	777,207	203,939	521,359	1,003,015
Exports (for gn & coastwise).....	98,646	381,441	73,163	171,809	500,136
Stocks, end of month.....	1,527,912	1,478,502	1,352,366	.....	.....

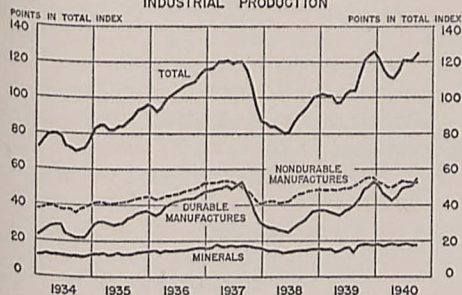
MONTHLY BUSINESS REVIEW

NOVEMBER 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

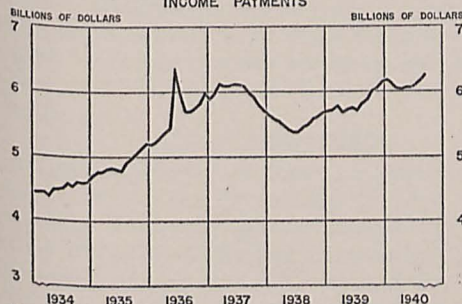
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



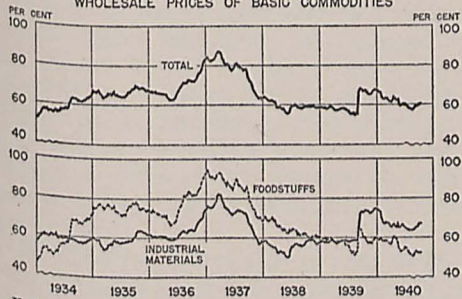
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. Durable manufactures, nondurable manufactures, and minerals expressed in terms of points in the total index. By months, January, 1934 to September, 1940.

INCOME PAYMENTS



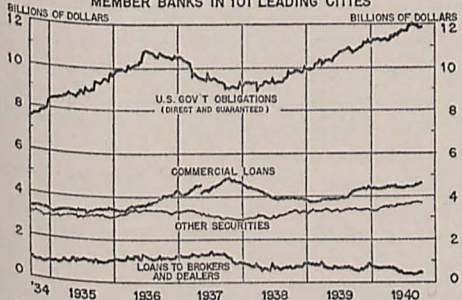
U. S. Department of Commerce estimates of the amount of income payments to individuals, adjusted for seasonal variation. By months, January, 1934 to September, 1940.

WHOLESALE PRICES OF BASIC COMMODITIES



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to October 10, 1940.

MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures, September 5, 1934, to October 9, 1940. Commercial loans based on new classification beginning May 19, 1937.

Volume of industrial production increased sharply in September, owing mainly to a continued rise in output of durable manufactured products, and this month a further increase is indicated. Prices of basic industrial materials advanced in September and the first half of October.

PRODUCTION

The Board's seasonally adjusted index of industrial production, which for three months had been at a level of 121 per cent of the 1935-39 average, advanced to about 125 per cent in September. In the durable goods industries increases in output were general. Steel production rose to 93 per cent of capacity, and in the first half of October the rate was slightly higher as new orders continued in large volume both from domestic and foreign sources. Steel exports amounted to about 20 per cent of ingot-producing capacity in August, the latest month for which data are available, with nearly three quarters of these shipments going to the United Kingdom and Canada. Activity in the machinery, aircraft, and ship-building industries advanced further in September following considerable increases in August, and automobile output increased sharply as volume production of new model cars was rapidly attained. Plants producing railroad cars and locomotives also showed an expansion in activity. Lumber production continued to rise under the impetus of a growing volume of demand for defense program purposes.

Changes in output of nondurable manufactured goods and minerals in September were mixed. At wool textile mills activity advanced sharply further to near the peak reached last autumn, reflecting in part expanding production on Government orders. At cotton mills, however, activity showed less than the usual seasonal rise, following a sharp increase in August, and rayon deliveries declined somewhat owing partly to a strike at plants of one large producer. Shoe production also declined in September. Paper production remained in reduced volume following a high rate of output during the early summer accompanying some inventory accumulation at that time. Output of most metals continued large during September. Crude petroleum production, which had been curtailed sharply during the summer, rose considerably, but coal production, which for several months had been maintained at high levels, showed a smaller increase than is usual at this season.

Value of new construction work started in September was lower than in July and August, according to reports of the F. W. Dodge Corporation and the San Francisco Federal Reserve Bank. The decline occurred chiefly in contracts for defense projects which had been large in the previous two months. Awards for private residential building showed little change from recent high levels. Awards for other private work declined somewhat but continued considerably above the level of a year ago.

DISTRIBUTION

In September and the early part of October department store sales showed somewhat less than the usual seasonal increase from the exceptionally high level reached in August.

Freight-car loadings rose somewhat more than seasonally in September, reflecting to a large extent increased shipments of miscellaneous freight. Loadings of coal, which have been large in recent months, showed less than the usual seasonal rise.

COMMODITY PRICES

Prices of most industrial materials, particularly lumber, steel scrap, nonferrous metals, hides, and wool, continued to advance from the middle of September to the middle of October, and there were also increases in some manufactured products, notably cotton and woolen goods. Wheat prices were higher while prices of most other foodstuffs showed little change.

BANK CREDIT

Commercial loans at reporting member banks in New York and 100 other leading cities continued to increase during the four weeks ending October 9, reflecting in part seasonal demands. Holdings of United States Government obligations decreased further with the result that total loans and investments of these banks showed little change.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government securities advanced in the second half of September and the first week in October, rising close to the high level of the year reached early last April.