

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

Activity in most lines of business and industry in the Eleventh District during April was either maintained close to the advanced level attained during the first quarter of 1941, or showed an improvement. The value of construction contracts awarded rose sharply to the highest level of record due in part to heavy awards for national defense projects. The rate of petroleum production fell off slightly in April, but crude oil runs to refinery stills reached a new peak, reflecting the heavy demand for refined products. Activity at cotton textile mills in Texas continued to expand. Although a seasonal contraction took place in operations at cottonseed oil mills, output and shipments of cottonseed products were substantially larger than the respective totals in April last year. The distribution of merchandise through reporting department stores expanded seasonally in April and exceeded the volume of sales in April last year by a wide margin. Sales at reporting wholesale establishments were about the same as in March and nearly one-fifth larger than a year ago. Although row crops in the eastern half of the district are later than usual, the outlook for agricultural and livestock production is promising throughout most of the district, as physical conditions are generally favorable.

BUSINESS

The April business of reporting department stores in this district, which was augmented by heavy pre-Easter purchases during the early part of the month, was 8 per cent larger than in March and the dollar value of sales was one-fifth greater than in April last year. The gain over the month was seasonal in character and this bank's index of department store sales, which is adjusted for average seasonal changes and the variable date of Easter, remained at 118 per cent of the 1923-1925 average. Department store business during the months of March and April this year, which reflects total Easter purchases, was 12 per cent greater than in the corresponding two months of 1940. During the first half of May, sales at weekly reporting department stores were 18 per cent above those in that period last year.

Merchandise inventories at reporting department stores were increased by more than the average seasonal amount in April, and the adjusted index of stocks rose to the highest level since November, 1930. At the close of April the value of inventories was 3 per cent higher than a year earlier.

Purchases by retailers during April at representative wholesale firms in seven lines of trade operating in the Eleventh District reflected the strong consumer and industrial demand for the products of industry, as well as some tendency on the part of retailers to build up inventories of merchandise. Aggregate sales during April at 71 reporting wholesale firms were nearly one-fifth greater than in the corresponding month of 1940, the largest gain recorded for any similar comparison in recent years. Among the individual lines of trade, substantial increases over a year ago were recorded in the distribution of drugs, groceries, electrical goods, hardware, including industrial supplies, and machinery and equipment. During the first four months of the current year the business of reporting wholesale firms averaged 14 per cent greater than in that period of 1940. Wholesalers continued to build up their respective inventories, and at the close of April the dollar value of stocks at reporting firms was 16 per cent larger than a year earlier.

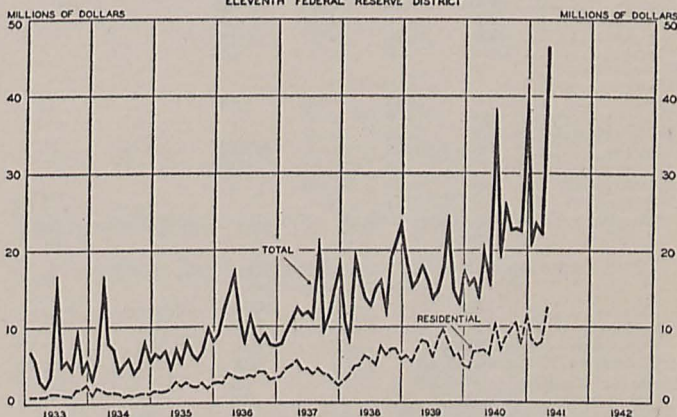
The number of business failures in the Eleventh District declined further during April and liabilities of defaulting firms were the smallest for any month thus far this year and were 9 per cent lower than in April, 1940. According to figures compiled by Dun & Bradstreet, this district had 22 bankruptcies during the month, with liabilities aggregating \$196,000.

AGRICULTURE

Farmers in nearly all sections of the Eleventh District made rapid progress with plowing and planting operations during the first three weeks of April, but heavy rains in the subsequent two weeks brought field work to a virtual standstill, particularly in the eastern half of the district. In the latter area row crops are from one to six weeks late, and the cultivation of crops that are up has been seriously delayed. Moreover, some acreage in north and east Texas intended for planting to corn may be diverted to grain sorghums, due to the lateness of the season. Although the generally cool weather and wet soil this spring have retarded plant growth and field work in the eastern half of the district, the outlook for agricultural production and livestock development in the western half of the district is the best in several years. In northwest Texas, seeding of row crops is expected to begin at about the usual time under almost ideal moisture conditions. The cotton crop is making good progress in south Texas, but considerable replanting will be necessary in central Texas and along the Gulf Coast, due to the damage caused by heavy washing rains. A period of fair weather will enable farmers to make rapid progress in overcoming the handicap of a late start.

The Texas wheat crop responded to favorable physical conditions during April, with the result that prospective production on May 1 showed a marked gain over that a month earlier. According to the Department of Agriculture, the indicated production of wheat rose 6,200,000 bushels in April to a total of 47,614,000 bushels, which, if realized, will be the second largest crop of record. The May 1 estimate of wheat production in Texas compares with a harvest of 29,355,000 bushels in 1940 and with an average production of 31,360,000 bushels during the ten years, 1930-1939. Wheat acreage abandoned in Texas, which is estimated at 22 per cent of the 4,360,000 acres sown last fall, compares with an average abandonment of 33 per

CONSTRUCTION CONTRACTS AWARDED
ELEVENTH FEDERAL RESERVE DISTRICT



cent of seeded acreage during the past ten years. The indicated per acre yield on the area remaining for harvest was placed at 14 bushels on May 1, as against the 1940 and the ten-year average yields of approximately 10 bushels. The estimated production of wheat in Oklahoma showed a small decline between April 1 and May 1 but prospects indicate an above-average harvest. The condition of oats and tame hay in this district on May 1 was well above that a year ago and the ten-year average.

The May 1 condition of peaches in Texas indicated a record harvest of 2,410,000 bushels. A considerable quantity of the 1941 citrus crop is reported to be dropping to the ground; nevertheless, the bloom and set of both oranges and grapefruit were heavy and the production outlook is generally favorable.

Livestock ranges in the Eleventh District continued to improve under favorable moisture conditions during April, and prospects are now favorable for good summer grazing in virtually all areas. In fact, the condition of ranges in Texas at the beginning of May was the best for that date since 1926, and range vegetation is furnishing livestock with complete sustenance in all districts, despite the need for dry weather in east and southeast Texas. Livestock are responding to the favorable range conditions; on May 1 their condition was sharply higher than the average for that date in all sections of the district. According to the Department of Agriculture, the movement of Texas cattle to northern feed lots was smaller than usual during April, due apparently to the excellent range conditions. Sheep shearing in Texas and New Mexico has been retarded by frequent rains, and as a consequence, marketings of yearling lambs have been delayed. However, the excellent condition of sheep and lambs on May 1 indicated that heavy shipments would be made in May and June. The Department of Agriculture reported that fleeces this year are of good staple length and contain less dirt and grease than a year ago.

Prices of cattle and calves on the Fort Worth market showed wide fluctuations during April and the first half of May, but on occasions some grades of animals brought the highest price of the year. The net changes in market quotations for beef animals between April 1 and May 15 were small; prices during that period averaged considerably higher than a year ago. Hog prices ruled strong throughout April and during the second week of May the top price rose to \$8.95 per hundredweight,

the highest recorded since September, 1938. The market for lambs followed an uneven downward course during the six-week period, due largely to seasonal factors, but the net decline in prices appears to have been small.

FINANCE

Following a substantial increase during the first half of April, member bank reserve balances maintained at the Federal Reserve Bank of Dallas declined sharply on April 17, reflecting chiefly cash settlements for purchases of approximately \$14,000,000 of two new issues of Reconstruction Finance Corporation notes that were allotted to buyers in this district. During the remainder of April reserve balances showed little net change, but resumed their upward trend during the first half of May, increasing \$18,000,000 to an all-time peak of \$258,400,000 on May 15. The latter increase resulted in a substantial gain in daily average excess reserves which rose to a level near the record of \$95,300,000 recorded during the first half of February this year. In addition to the heavy volume of available funds on deposit at the Reserve Bank, member banks in this district continued to maintain large balances with correspondent banks. During the first half of April these balances averaged \$544,000,000, which was an all-time peak.

Federal Reserve notes of this bank in actual circulation followed a trend in April similar to that in the preceding three months. A moderate return flow of currency from circulation occurred during the greater part of the month, but this movement was reversed by month-end requirements and on May 5 Federal Reserve note circulation, which totaled \$103,400,000, was at a new peak for the third consecutive month.

The demand for credit at weekly reporting member banks in the Eleventh District showed a further contraction during the five weeks ended May 14. The net decline in loans during the period amounted to about \$5,000,000, due principally to a decrease in advances for commercial, industrial and agricultural purposes. "All other loans," which include personal and instalment loans, continued to expand during April and the first half of May. Although the trend in total loans at reporting banks has been seasonally downward since mid-February, the decrease has been comparatively small for this season, and

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in:				
		Net sales		Stocks		
		April, 1941 from April, 1940	March, 1941	Jan. 1 to Apr. 30, 1941 from 1940	April, 1941 from April, 1940	
Department stores:						
Total 11th Dist.	46	+21	+8	+12	+3	+4
Dallas	7	+17	+6	+9	+5	+3
Fort Worth	4	+27	+6	+13	-6	+9
Houston	7	+21	+15	+10	-3	+3
San Antonio	6	+23	+2	+18	+9	+4
Shreveport	3	+15	+17	+9	.....	.....
Other cities	19	+21	+10	+13	+2	+4
Independent stores*:						
Arizona	254	+21	+7	+11	.....	.....
New Mexico	175	+8	+9	+7	.....	.....
Oklahoma	539	+16	-2	+13	.....	.....
Texas	1,055	+20	+4	+14	.....	.....
Wholesale trade*:						
Machinery, eqpt. & supplies	3	+12	-13	+30	.....	.....
Drugs (incl. liquors)	14	+9	-7	+8	+8	-2
Electrical supplies	4	+48	+7	.....	.....	.....
Groceries	30	+12	-6	+11	+22	+5
Hardware	12	+33	+8	+23	+20	+3
Surgical equipment	5	-12	No chg.	.....	.....	.....
Tobacco & products	3	+1	+11	.....	.....	.....

*Compiled by United States Bureau of Census. †Change less than one-half of one per cent.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1923-1925 average=100)

	April 1941	March 1941	February 1941	April 1940
Sales (daily average):				
Without seasonal adjustment	117	112	100	99
With seasonal adjustment	118	118	118	103
Stocks (end of month):				
Without seasonal adjustment	77	74	67	74
With seasonal adjustment	74	72	70	71

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

(In thousands of dollars)

	February, 1941			Total receipts		
	Receipts from:		Government payments	February 1941	February 1940	Jan. 1 to Feb. 28 1941
	Crops	Livestock*				
Arizona	1,993	1,685	304	3,982	3,588	11,173
Louisiana	3,010	2,471	1,052	6,533	6,552	15,734
New Mexico	737	1,950	472	3,159	3,074	6,831
Oklahoma	3,417	7,600	5,092	16,109	13,376	31,661
Texas	10,233	13,010	11,623	34,866	34,585	78,769
Total	19,390	26,716	18,543	64,649	61,175	144,168

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

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio	March 1941
	April 1941	April 1940	March 1941		
Cattle	37,153	36,384	33,175	19,083	14,884
Calves	18,844	19,174	16,390	15,547	14,307
Hogs	49,040	36,162	53,837	12,265	8,321
Sheep	87,719	146,318	45,439	8,172	6,740

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundredweight)

	Fort Worth			San Antonio	March 1941
	April 1941	April 1940	March 1941		
Beef steers	\$11.00	\$10.00	\$11.50	\$10.25	\$ 8.50
Stocker steers	11.25	10.00	11.00	.....	10.50
Heifers and yearlings	11.35	10.50	11.50	10.00	9.50
Butcher cows	8.00	7.00	7.50	7.50	6.50
Calves	11.50	10.25	10.50	10.50	9.25
Hogs	8.75	6.35	8.00	8.50	6.60
Lambs	11.35	9.50	11.75	8.25	7.50

on May 14 the total was only \$3,500,000 smaller than the 1940 peak recorded in the final week of December and advances were still \$47,900,000 greater than a year ago. Investments at reporting banks were increased further by \$9,400,000 between April 9 and May 14, reflecting substantial increases in holdings of direct and guaranteed obligations of the United States Government. The rise of \$6,200,000 in holdings of Government guaranteed obligations represents chiefly purchases of the new Reconstruction Finance Corporation notes issued during April. Total investments of these banks on May 14 aggregated \$283,300,000 which was only \$3,400,000 below a two-year high recorded on April 30, and \$28,600,000 greater than a year ago.

Gross deposits at reporting banks showed wide fluctuations during the five-week period, but on May 14 they were about equal to the all-time peak established four weeks earlier.

INDUSTRY

A significant development in this district during April was the pronounced gain in construction work, reflecting chiefly sharply increased awards covering projects related directly or indirectly with the National Defense Program. The value of contracts let for new construction during the month, which rose to a record volume of \$46,500,000 was more than double the respective totals for the preceding month and the corresponding month last year. Among the principal classes of construction work, non-residential building showed the largest gain in value due to heavy awards for commercial, manufacturing and educational and science buildings. Nevertheless, residential building expanded sharply to the highest level in recent years. Awards for the construction of national defense housing and slum clearance projects showed a marked gain and awards for private residential construction were maintained at the advanced level attained in March. Public works construction during April closely approximated the heavy volume in April last year, and public utilities construction, which has been in comparatively small volume in recent months, increased sharply to a level six times that in April, 1940. During the first four months of the current year, the value of all construction contracts awarded in this district amounted to \$112,600,000, which was 71 per cent larger than in the same period of 1940 and about one-fourth greater than the previous record for that period established in 1930.

Coincident with the heavy volume of construction work initiated thus far this year, production and shipments of cement at Texas mills have been in record proportions and activity at lumber mills in this district has been considerably higher than a year ago. During April the volume of unfilled orders on the books of reporting lumber mills showed a substantial gain, and at the close of the month the backlog of orders was about double that at the end of April last year.

Developments in the petroleum industry in this district and in the United States during April included the continued strong demand for refined products and further increases in prices of gasoline, kerosene, fuel oil and lubricants. Production of crude oil during the month was in close alignment with demand and above-ground stocks of petroleum showed little change between March 31 and April 30. The rate of crude oil change between March 31 and April 30. The rate of crude oil runs to refinery stills rose to an all-time peak, with the consequent expansion in output of petroleum products, but the heavy demand for products more than absorbed the increased output. On May 3, stocks of gasoline and fuel oil in the United States were about 3 per cent smaller than a month earlier and about 7 per cent lower than a year ago.

Although markets for crude oil continued strong throughout the country, increases in posted prices during April and early in May were confined chiefly to the Appalachian, Cali-

fornia, Illinois and Michigan regions. The advance in wholesale gasoline prices during April averaged about one-half cent per gallon.

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

	May 15, 1941	May 15, 1940	April 15, 1941
Total cash reserves	\$341,539	\$246,759	\$323,408
Discounts for member banks	43	335	53
Other bills discounted	None	30	None
Industrial advances	277	476	277
United States Government securities	88,046	95,234	88,046
Total earning assets	88,366	96,075	88,376
Member bank reserve deposits	258,407	213,494	253,164
Federal Reserve notes in actual circulation	101,066	78,714	99,567

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

	May 14, 1941	May 15, 1940	April 9, 1941
Total loans and investments	\$598,494	\$522,036	\$594,115
Total loans	315,223	267,361	320,235
Commercial, industrial and agricultural loans	213,156	175,433	219,257
Open market paper	2,410	2,356	1,939
Loans to brokers and dealers in securities	3,059	2,346	3,269
Other loans for purchasing or carrying securities	11,805	13,352	11,923
Real estate loans	23,486	22,423	23,814
Loans to banks	458	591	532
All other loans	60,849	50,860	59,501
United States Government direct obligations	178,330	150,389	174,640
Obligations fully guaranteed by United States Govt.	43,401	45,940	37,207
Other securities	61,540	58,346	62,033
Reserves with Federal Reserve Bank	162,298	135,180	149,195
Balances with domestic banks	310,102	314,628	306,451
Demand deposits—adjusted*	561,343	479,482	546,487
Time deposits	136,304	136,541	136,650
United States Government deposits	28,783	30,824	27,653
Interbank deposits	294,606	272,461	289,776
Borrowings from Federal Reserve Bank	None	None	None

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

DEBITS TO INDIVIDUAL ACCOUNTS
(In thousands of dollars)

	April 1941	April 1940	Pctg. change over year	March 1941	Pctg. change over month
Abilene	\$ 12,698	\$ 8,649	+47	\$ 14,297	-11
Austin	37,947	36,493	+4	33,773	+12
Beaumont	30,169	24,345	+24	28,202	+7
Corsicana	3,811	3,342	+14	3,701	+3
Dallas	311,555	257,803	+21	303,792	+3
Dallas	39,165	29,864	+31	44,647	-12
El Paso	92,441	81,802	+13	87,700	+5
Fort Worth	29,277	24,961	+17	28,149	+4
Galveston	274,955	239,356	+15	278,724	-1
Houston	10,295	9,519	+8	9,914	+4
Port Arthur	5,217	4,199	+24	4,579	+14
Roswell	83,996	71,847	+17	84,433	-1
San Antonio	50,757	46,236	+10	52,718	-4
Shreveport	9,334	7,251	+36	8,800	+12
Texarkana*	15,609	12,622	+24	15,342	+2
Tucson	12,468	11,686	+7	11,393	+9
Tyler	15,267	13,795	+11	16,556	-8
Waco	18,080	17,327	+4	17,750	+2
Wichita Falls					
Total	\$1,053,541	\$901,097	+17	\$1,044,470	+1

*Includes 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
April, 1939	\$1,178,066	\$229,697	\$672,316	\$127,813	\$505,750	\$101,884
April, 1940	1,340,972	232,409	777,099	128,764	563,873	103,645
December, 1940	1,474,217	237,808	841,903	131,622	632,314	105,686
January, 1941	1,495,352	239,594	856,234	133,199	639,618	106,395
February, 1941	1,533,864	241,491	876,181	134,206	657,683	107,285
March, 1941	1,529,028	244,006	879,948	136,089	649,080	107,917
April, 1941	1,541,825	243,942	891,686	135,990	650,139	107,952

SAVINGS DEPOSITS

	Number of reporting banks	April 30, 1941		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	April 30, 1940	March 31, 1941
Beaumont	3	10,339	\$ 4,305,018	+ 7.9	+ .4
Dallas	2	92,128	26,862,392	+ 2.2	+ .5
Dallas	8	19,030	8,482,834	+ 4.4	+ .7
El Paso	3	35,074	13,179,923	+ 1.0	+ .4
Fort Worth	4	19,113	12,081,053	- 1.9	+ 1.1
Galveston	10	78,189	32,738,009	+ 4.7	+ .6
Houston	2	5,975	3,259,705	+ 1.0	+ .7
Port Arthur	5	23,503	18,048,909	+ 1.3	+ .2
San Antonio	3	25,512	12,270,209	+ .2	+ .8
Shreveport	3	8,111	4,521,029	- 2.2	+ .04
Waco	3	7,139	3,581,530	- 2.3	+ .8
Wichita Falls	3	62,802	30,681,250	+ .8	- .3
All others	69				
Total	115	387,815	\$170,011,861	+ 1.8	+ .1

Drilling activity showed a substantial increase during April. The daily average number of wells completed in the United States during the month averaged 15 per cent greater than in March; although the rate of completions in this district was 4 per cent smaller than a year ago, it was up 3 per cent in the United States.

Activity at cotton mills in the United States continued to expand in April, and consumption of cotton recorded a new high for the second consecutive month. The United States Bureau of Census reported that a total of 920,000 bales of cotton were utilized during the month, including 45,000 bales distributed by the Surplus Marketing Administration for relief purposes. According to trade reports, mill sales of cotton textiles declined in April, but showed a noticeable upturn early in May. Despite the high rate of output, the backlog of unfilled orders is exceptionally heavy and apparently buyers are experiencing some difficulty in obtaining goods for nearby delivery. Prices of cotton yarn continued to advance during April, and in the first half of May increased quotations were effected on some cotton fabrics, including sheeting and print cloth. Prices of representative cotton textiles are substantially higher than the low levels prevailing a year ago. Mill margins, or the difference between the price of a pound of cotton and its cloth equivalent, rose for the tenth consecutive month in April to the highest level during the fifteen years for which data are available.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	April		March		January 1 to April 30	
	1941	1940	1941	1940	1941	1940
Eleventh District—total...	\$ 46,512	\$ 20,154	\$ 21,774r	\$ 112,635	\$ 66,046	
Residential.....	12,716	6,771	7,916r	36,645	24,389	
All other.....	33,796	13,383	13,858	75,990	41,657	
United States*—total.....	406,675	300,504	479,903	1,462,156	969,447	
Residential.....	166,462	135,420	147,859	542,086	409,386	
All other.....	240,213	165,084	332,044	920,070	560,061	

*37 states east of the Rocky Mountains.

r—Revised.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	April, 1941		Percentage change valuation from		Jan. 1 to Apr. 30, 1941		Percentage change valuation from 1940
	No.	Valuation	Apr., 1940	Mar., 1941	No.	Valuation	
Abilene.....	48	\$ 71,671	+ 19	- 73	211	\$ 463,958	+137
Amarillo.....	97	294,761	+ 23	+ 68	281	841,943	+ 8
Austin.....	168	497,012	+ 9	+ 13	763	2,099,802	- 27
Beaumont.....	158	250,767	+105	+ 65	503	798,086	+ 77
Corpus Christi.....	232	1,981,504	+504	+114	946	5,565,806	+ 54
Dallas.....	815	1,142,093	- 7	+ 7	2,966	4,230,746	- 2
El Paso.....	120	265,321	- 26	+ 27	516	982,530	+ 12
Fort Worth.....	337	484,401	+ 8	- 15	1,070	1,908,781	+ 11
Galveston.....	269	341,118	+155	- 42	784	1,140,940	+ 35
Houston.....	478	1,380,809	- 19	- 47	1,849	7,088,709	- 19
Port Arthur.....	102	94,433	- 21	+ 26	402	360,100	- 13
San Antonio.....	508	449,070	- 23	- 6	2,068	2,387,901	+ 10
Shreveport.....	121	240,200	- 45	- 11	485	1,133,914	- 27
Waco.....	94	1,344,622	+ 462	288	1,900,551	+308	
Wichita Falls.....	75	170,836	- 5	- 16	217	513,549	+ 21
Total.....	3,622	\$9,008,618	+ 36	+ 9	13,349	\$31,415,316	+ 7

*Includes Highland Park and University Park. †Increase over 1,000 per cent.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to April 30 This season	Last season	August 1 to April 30 This season	Last season
Cottonseed received at mills (tons).....	1,072,741	898,517	4,377,579	4,002,481
Cottonseed crushed (tons).....	1,038,740	934,012	4,013,564	3,951,304
Cottonseed on hand April 30 (tons).....	49,748	19,573	402,857	171,803
Production of products:				
Crude oil (pounds).....	318,284,124	273,353,146	1,289,921,534	1,255,284,068
Cake and meal (tons).....	485,687	449,950	1,778,919	1,789,259
Hulls (tons).....	263,599	240,759	1,008,503	1,002,139
Linters (running bales).....	257,459	219,067	1,090,278	1,016,703
Stocks on hand April 30:				
Crude oil (pounds).....	17,947,060	20,275,73	47,965,557	58,622,374
Cake and meal (tons).....	58,871	41,388	256,255	151,995
Hulls (tons).....	85,975	20,453	199,414	63,819
Linters (running bales).....	65,687	93,043	257,983	305,933

SOURCE: Bureau of Census.

Consuming establishments in the United States continued to make heavy purchases of raw cotton during April. At the month-end their stocks amounted to 1,934,000 bales, which was moderately higher than a month earlier and nearly one-third greater than a year ago. As a result of the heavy commercial demand, repossession of cotton from Government loan stocks are proceeding at a rapid rate. Prior to May 5 approximately 1,500,000 bales of the 1940 cotton crop that had been pledged as collateral for Government loans had been repossessed.

During the final week in April and the first half of May, domestic cotton prices increased sharply to the highest level since July, 1937. On May 15 the price of cotton, middling, $\frac{1}{8}$ -inch staple, at the ten designated spot markets averaged 12.59 cents per pound, as against 11.13 cents a month earlier and 9.60 cents a year ago. The recent advance in prices is attributed to the heavy domestic demand for raw cotton and to the prospective legislation which would increase Government loan rates on some principal farm commodities.

No improvement developed in the foreign demand for American cotton during April. Exports aggregated only 74,000 bales which brought total shipments for the season to 904,000 bales. The latter figure compares with shipments of 5,695,000 bales during the first nine months of the 1939-1940 season.

Operations at cottonseed oil mills in Texas and in the United States declined seasonally in April but were maintained at a considerably higher level than in the same month of 1940. Production of products at Texas mills during April was about double that in the corresponding month last year and at all mills in the United States output was nearly two-thirds greater. As compared with a year ago, shipments of cottonseed products from mills have shown a pronounced improvement during the past two months, cottonseed oil and linters showing the most significant gains.

CRUDE OIL PRODUCTION—(Barrels)

	April, 1941		Increase or decrease in daily average production from	
	Total production	Daily avg. production	April, 1940	March, 1941
North Texas.....	5,342,500	178,083	- 3,644	+ 3,030
West Texas.....	7,771,900	259,063	- 43,993	- 8,942
East Texas.....	12,866,900	428,897	- 53,654	- 32,560
South Texas.....	5,834,600	194,487	- 57,090	- 13,747
Texas Coastal.....	7,557,950	251,932	+ 355	- 2,179
Total Texas.....	39,373,850	1,312,462	-158,262	-54,407
New Mexico.....	3,265,250	108,842	- 3,075	+ 2,206
North Louisiana.....	2,120,200	70,673	+ 1,590	+ 431
Total District.....	44,759,300	1,491,977	-159,511	-51,770

SOURCE: Estimated from American Petroleum Institute weekly reports.

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

	April 1941	April 1940	March 1941	August 1 to April 30	
				This season	Last season
Receipts.....	111,064	93,738	98,475	1,790,190	3,711,156
Exports.....	79,287	195,995	104,306	870,343	3,202,455
Stocks, end of month.....	1,882,269	1,376,601	1,909,691		

CONSUMPTION, STOCKS, AND EXPORTS OF COTTON—(Bales)

	April 1941	April 1940	March 1941	August 1 to April 30	
				This season	Last season
Consumption at:					
Texas mills.....	23,491	10,790	21,157	174,571	103,750
United States mills.....	920,142	623,098	854,179	6,995,238	5,953,999
U.S. stocks—end of month:					
In consuming estab'nts.....	1,933,507	1,470,529	1,911,238		
Public stg. & compresses.....	12,374,839	10,732,290	13,243,573		
Exports from U. S. to:					
United Kingdom.....	8,288	111,655	4,362	352,638	1,748,378
France.....	None	33,016	None	None	702,000
Italy.....	None	47,494	None	None	489,914
Germany.....	None	None	None	None	18,992
Other Europe.....	11,071	42,340	26,196	201,309	1,022,572
Japan.....	11,324	54,314	8,185	68,965	803,974
All other countries.....	43,326	55,790	58,549	281,089	909,132
Total exports.....	74,009	344,609	97,292	904,001	5,694,962

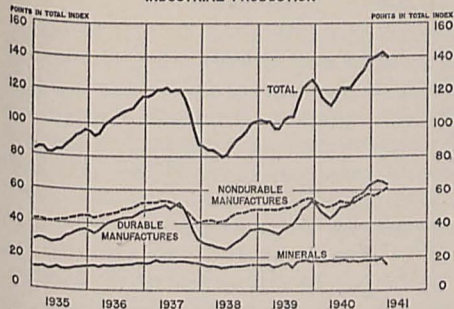
MONTHLY BUSINESS REVIEW

JUNE 1, 1941

NATIONAL SUMMARY OF BUSINESS CONDITIONS

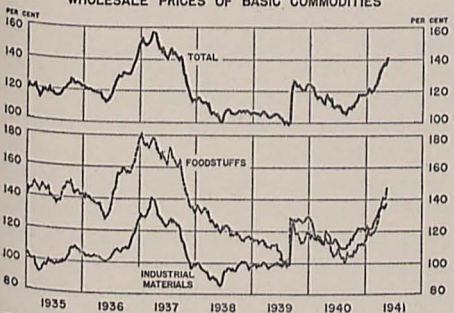
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



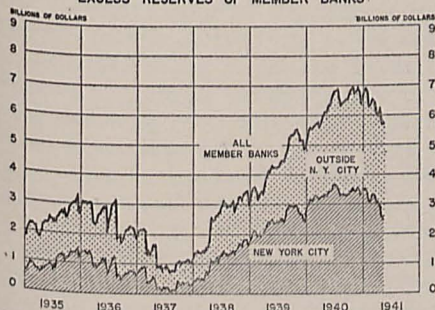
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January, 1935, to April, 1941.

WHOLESALE PRICES OF BASIC COMMODITIES



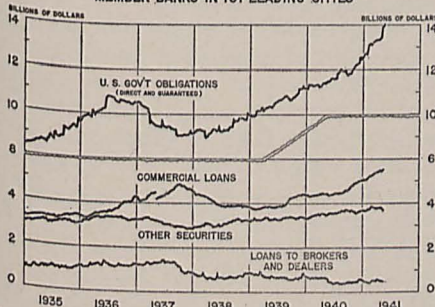
Bureau of Labor Statistics' indexes based on 12 foodstuffs and 16 industrial materials, August, 1939 = 100. Thursday figures, January 3, 1935, to May 8, 1941.

EXCESS RESERVES OF MEMBER BANKS



Wednesday figures, January 2, 1935, to May 7, 1941. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937, so-called "Other Loans" as then reported.

MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures partly estimated, January 2, 1935, to May 7, 1941.

Wholesale commodity prices advanced sharply in April and the first half of May, with the exception principally of metals for which maximum prices had been established. Industrial production declined in April, owing to reduced output of coal and automobiles, but increased rapidly in the first half of May as operations in these industries were resumed.

PRODUCTION

In April the Board's seasonally adjusted index of industrial production declined to 139 per cent of the 1935-1939 average, a drop of 4 points from March. The decline reflected chiefly a sharp reduction in output of bituminous coal, as most mines were closed during the entire month. The mines were reopened on April 30 and in the first half of May coal output increased rapidly.

Automobile production also declined in April, owing to stoppage of work at plants of the Ford Motor Company during an industrial dispute. This was settled about the middle of the month and domestic output has since advanced to a high monthly rate of over 500,000 cars and trucks. Announcement by the Office of Production Management that output in the twelve months ending July 31 would approximate 5,290,000 units indicates that a rate close to that now prevailing should be maintained through July, although there is usually a considerable decline in this period.

Steel production was curtailed somewhat in the latter half of April by shortages of coal and coke and output declined from a level of 100 per cent of capacity to 94 per cent at the month end. Subsequently output increased, reaching 99 per cent by the middle of May.

In most other lines activity continued to increase during April and the first half of May. Machinery production rose further and activity in the aircraft and shipbuilding industries continued to expand rapidly. Consumption of nonferrous metals also advanced, and, as in March, domestic sources of copper were supplemented by large supplies from Latin America. Textile production rose further from the high rate prevailing in March. Consumption of raw cotton in April amounted to 920,000 bales, a new record level, and rayon deliveries also rose to a new peak. At wool textile mills activity was maintained near the high March rate. Continued advances were reported in the chemical, paper, and food industries.

Anthracite production declined considerably in April, owing to a delay by dealers in placing usual spring orders, but increased in the first half of May. Output of crude petroleum showed little change from the March rate, following some increase from the reduced level of the winter months. Iron ore shipments in April amounted to about 7,000,000 tons, an exceptionally large amount for this time of year, and mine output of nonferrous metals continued at near capacity rates.

Value of construction contract awards in April declined somewhat from the high March total, owing principally to a smaller volume of defense plant contracts, according to F. W. Dodge Corporation reports. There was an increase in contracts for publicly financed defense housing, and awards for private residential building rose by about the usual seasonal amount.

DISTRIBUTION

Sales of general merchandise at department and variety stores showed about the usual seasonal rise from March to April, making allowance for the changing date of Easter. Retail sales of new automobiles, which had amounted to 526,000 cars and trucks in March, rose further in April and sales of used cars were at peak levels.

Freight-car loadings declined sharply in April, reflecting a reduction in shipments of coal and coke, but increased in the first half of May when coal mines were reopened. By the middle of the month total loadings had risen to a weekly rate one-fourth higher than in the corresponding period last year and about the same as the seasonal peak reached in the autumn of 1940.

COMMODITY PRICES

Prices of most basic commodities, both domestic and imported, advanced sharply further in the first half of May following a short period of little change during the latter part of April. Price increases were most pronounced for agricultural commodities reflecting in part the prospect of legislation raising Federal loan rates for basic farm crops. Prices of a number of semimanufactured industrial products, including petroleum products, coke, leather, textile yarns and fabrics, and building materials, also advanced. Metal prices, now for the most part subject to Federal control, remained at the maximum levels established earlier.

BANK CREDIT

Bank loans and investments have shown a marked rise since last summer, the increase at reporting banks in 101 leading cities amounting to \$4,000,000,000. In April and early May holdings of investments by these banks increased considerably, mostly at New York City banks, reflecting substantial purchases of newly issued Reconstruction Finance Corporation notes. Increases in commercial loans in this period were somewhat smaller than during the preceding two months.

Excess reserves of member banks were \$5,700,000,000 on May 14. Since January they have declined by about \$1,100,000,000, owing largely to increases in Treasury deposits with the Reserve Banks and in currency in circulation. The decrease has occurred entirely at New York City banks.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government securities, which had risen sharply from April 9 to April 21, subsequently declined irregularly through May 15. On that date the 1960-65 bonds were $\frac{3}{4}$ of a point lower than on April 21 and about $\frac{1}{4}$ points below the all-time peak reached on December 10, 1940. The yield on this issue is currently about 2.09 per cent, compared with 2.03 per cent on December 10.