

# MONTHLY BUSINESS REVIEW

## of the FEDERAL RESERVE BANK of Dallas

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### DISTRICT SUMMARY

Distribution of commodities to consumers in the Eleventh District showed a further gain in May, and industrial output and the production of minerals also increased. Employment and payrolls continued to expand. National defense contracts awarded in Texas prior to May 31 were valued at slightly more than \$500,000,000, including contracts valued at \$173,000,000 which were let in May. Department store trade in May and the first half of June was nearly one-fourth greater than a year ago, and the distribution of merchandise through reporting wholesale firms in this district was 19 per cent higher than in May, 1940. The value of construction contracts awarded during the month was somewhat smaller than the record attained in April, but nearly double that in May last year. Output of crude petroleum rose sharply and refinery operations reached a new all-time peak. Consumption of cotton at textile mills in Texas declined in April, but continued at a much higher rate than a year ago. Weather conditions were generally unfavorable to crops during the final two weeks of May and the first half of June, but conditions in the livestock industry are good to excellent throughout the district.

### BUSINESS

Reflecting to a considerable extent the effects of increased purchasing power, resulting mainly from rising employment and payrolls and higher cash farm income, consumer purchases at retail establishments in this district continued to expand. In May, department store sales rose by more than the average seasonal amount and exceeded the May, 1940 total by 23 per cent. A heavy demand continued during the first half of June, when sales at weekly reporting firms averaged about one-fourth higher than in the corresponding two weeks of 1940. The aggregate value of department stores' sales during the first five months of 1941 was 14 per cent greater than in that period a year earlier. According to the United States Department of Commerce, the distribution of merchandise through retail outlets in Texas other than department stores during the initial five months of the current year averaged 18 per cent greater than in that period of 1940, with the most pronounced gains being recorded in sales at country general, jewelry, automotive, furniture, and lumber and building materials stores. Inventories of merchandise at reporting department stores were reduced 6 per cent in May, but at the month-end value of stocks was still 4 per cent higher than a year ago and orders outstanding on May 31 were nearly double those on that date last year.

Wholesale trade, as reported by 74 firms in eight lines of trade in this district, increased moderately from April to May, and sales were nearly one-fifth greater than in the corresponding month of 1940. Sales in most lines of trade participated in the gain over May last year, with the distribution of durable and semi-durable goods recording the largest gains. During the first five months of 1941 cumulative sales of hardware and machinery were sharply higher than in that period a year earlier, and aggregate sales of all reporting firms averaged about 15 per cent larger. The dollar value of stocks of merchandise at reporting wholesale firms in this district evidenced little change in May, but at the month-end the value of inventories was 20 per cent greater than on that date last year.

Employment and payrolls in Texas, as reported by the Bureau of Business Research of the University of Texas, rose further from April to May. In comparison with a year ago,

increases of 7.9 per cent in employment and of 17.9 per cent in payrolls were reported, reflecting substantial gains in virtually all lines of manufacturing and at trade and service establishments. According to available data, it appears that the number of non-agricultural workers in Texas during May exceeded the 1940 peak, recorded last December, by about 2 per cent.

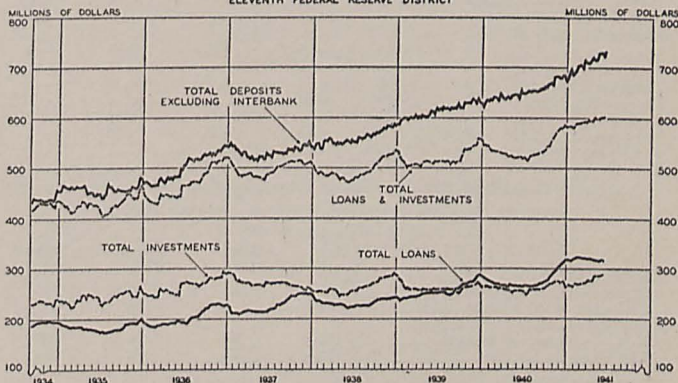
The number and liabilities of business failures among manufacturing, trade, construction, and commercial service establishments in this district increased in May to a level somewhat higher than in the corresponding month last year. Dun & Bradstreet reported 35 insolvencies during the month, with liabilities totaling \$371,000. Thus far this year business failures have been 40 per cent more numerous than in the comparable period of 1940.

### AGRICULTURE

Heavy rains over wide areas of the Eleventh District during May and the first half of June delayed further the planting and cultivation of row crops, damaged small grains and hay, and interfered with the harvesting of wheat, oats, and barley. The prolonged period of wet weather has also increased the danger of crop damage from rust and insect activity. In fact, a considerable amount of wheat has already fallen due to high winds and rust, and the early appearance of boll weevils and fleahoppers in cotton fields has caused farmers to begin poisoning operations much earlier than usual. Despite the unfavorable factors that have affected crop development thus far, the outlook for agricultural production on the whole remains generally good due to the excellent season obtaining in all sections of the district. The prospective production of grain crops is well above the 1930-1939 average. The Texas cotton crop made fairly good progress during May and early June, though washing rains have necessitated considerable replanting. There is urgent need for dry, sunshiny weather to enable farmers to proceed with planting and cultivation of crops and with grain harvesting.

According to the Department of Agriculture, the indicated production of wheat in Texas on June 1 totaled 56,116,000 bushels, but the severe damage from excessive rainfall, high winds and rust during the first half of June reduced the estimate to 45,914,000 bushels on June 16. This figure compares with a ten-year average yield of 31,360,000 bushels, and the record crop of 67,983,000 bushels harvested in 1931. The Oklahoma wheat crop was also affected adversely by heavy rains early in June. Some fields, particularly in the southwestern

REPORTING MEMBER BANKS IN LEADING CITIES  
ELEVENTH FEDERAL RESERVE DISTRICT





portion of the State, are expected to be completely abandoned, and the prospective per acre yield has been reduced generally. The June 16 estimate of 60,156,000 bushels compares with a forecast of 71,296,000 bushels on June 1 and a harvest of 56,332,000 bushels in 1940. The indicated production of wheat in New Mexico is somewhat higher than the 1940 harvest, whereas, in Arizona a much smaller harvest is forecast. The indicated production of oats in Texas was placed at 39,803,000 bushels on June 1, which compares with a 1940 harvest of 37,125,000 bushels. Since much of this crop had been harvested prior to the June rains, the weather damage was not as severe as in the case of wheat. The acreage sown to barley in Texas was greatly increased this year, and the production forecast as of June 1 was placed at 9,450,000 bushels, indicating a record crop.

The Texas corn crop has made fairly good progress under the handicap of a late start and excessive moisture. On June 1 the condition of this crop was placed at 67 per cent of normal, as compared with an average of 72 per cent on the corresponding date last year. The indicated production of peaches in Texas was lowered 149,000 bushels in May; nevertheless, if the June 1 forecast of 2,261,000 bushels is realized it will be the largest peach crop since 1919.

Although widespread precipitation in May and early June was unfavorable to crops, livestock ranges continued to improve throughout the district. Their condition averaged 95 per cent of normal on June 1, which was near the highest figure ever reported by the Department of Agriculture. In some areas the feeding quality of range grass has been lowered by the prolonged period of wet weather, but good summer grazing is virtually assured in most areas. The condition of livestock continued good to excellent during May. Cattle responded to the favorable range conditions, showing substantial gains in weight. Although sheep were in good flesh on June 1, animals were not taking on flesh as rapidly as had been expected earlier, and as a result, marketings of grass-fat yearlings were delayed. Sheep shearing, which had been retarded by unfavorable weather, was nearly completed by June 15. Shipments of cattle from this district during May continued lighter than a year ago, and while demand for fall delivery was active, cattlemen have been hesitant to sell due apparently to excellent range conditions and the possibility of obtaining higher prices at a later date.

#### WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in:				
		Net sales		Stocks		
		May, 1941 from May, 1940	Jan. 1 to May 31, 1941 from 1940	May, 1941 from May, 1940	Jan. 1 to April, 1941	May, 1941 from April, 1941
Department stores:						
Total 11th Dist. ....	45	+23	+10	+14	+4	-6
Dallas.....	7	+19	+7	+11	+5	-4
Fort Worth.....	4	+18	+11	+14	-1	-3
Houston.....	7	+22	+9	+13	+1	-4
San Antonio.....	5	+38	+22	+24	+9	-21
Shreveport.....	3	+17	+12	+11	....	....
Other cities.....	20	+27	+8	+16	+6	-3
Independent stores:						
Arizona.....	256	+23	+10	+14	....	....
New Mexico.....	166	+16	+12	+10	....	....
Oklahoma.....	560	+17	+12	+13	....	....
Texas.....	1,028	+28	+10	+16	....	....
Wholesale trade:						
Machinery, eqpt. & supplies.....	6	+47	-5	+35	+15	+6
Automotive supplies.....	6	+25	-7	....	+15	+1
Drugs (excl. liquors).....	5	+15	+6	+8	+7	-3
Electrical supplies.....	4	+44	+20	....	....	....
Groceries.....	31	+11	+1	+11	+24	....
Hardware.....	13	+28	+5	+24	+26	-1
Surgical equipment.....	4	+37	-6	....	....	....
Tobacco & products.....	5	-4	-1	....	....	....

\*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)

	May 1941	April 1941	March 1941	May 1940
Sales (daily average):				
Without seasonal adjustment.....	125 p	117	112	105
With seasonal adjustment.....	125 p	118	118	105
Stocks (end of month):				
Without seasonal adjustment.....	72 p	77	74	69
With seasonal adjustment.....	72 p	74	72	68
p—Preliminary.				

Cash income of farmers in this district from crop and live-stock marketings averaged 30 per cent higher in the first quarter of the current year than in the corresponding period of 1940. However, Government benefit payments to farmers for compliance with the provisions of the Agricultural Adjustment Administration were 18 per cent smaller than in that period of 1940, with the result that the total income showed an average gain of only 15 per cent.

#### FINANCE

On May 22 the Secretary of the Treasury invited cash subscriptions in the amount of \$600,000,000 to a new issue of 2½ per cent Treasury bonds dated June 2. In addition, holders of the 3¼ per cent Treasury bonds maturing on August 1, 1941, outstanding in the amount of \$834,000,000, were offered the privilege of exchanging these securities for the new issue of 2½ per cent Treasury bonds or for the two-year, ¾ per cent, Treasury notes dated March 15, 1941. In the Eleventh District, cash subscriptions to the 2½ per cent Treasury bonds amounted to \$206,645,000 against which allotments of \$16,545,000 were made. Exchange subscriptions and allotments in this district aggregated \$2,977,000.

Reflecting chiefly purchases of the new issue of 2½ per cent Treasury bonds, holdings of Government direct obligations by weekly reporting member banks in this district rose \$7,700,000 between May 14 and June 11. On the other hand, investments in corporate and municipal securities and in Government guaranteed obligations were reduced considerably during the four-week period, with the result that total investments showed a net gain of only \$4,500,000.

Outstanding loans at weekly reporting member banks showed little net change between May 14 and June 11. Commercial, industrial and agricultural loans declined further by \$2,000,000, but this contraction was about offset by an expansion in "all other" loans, consisting largely of personal and instalment loans. The volume of "all other" loans outstanding is now at the highest level of record, exceeding that of a year ago by \$12,600,000. On June 11, total loans and investments at reporting banks were \$79,000,000 greater than a year earlier.

The total of combined gross demand and time deposits at all member banks in this district showed a substantial gain during the first five months of the current year, contrary to the usual trend at that season. During May, daily average deposits were at an all-time peak, exceeding the total in

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

	March, 1941			Total receipts		
	Receipts from:		Government payments	March 1941	March 1940	Jan. 1 to Mar. 31 1940
	Crops	Livestock*				
Arizona.....	3,642	3,315	124	7,081	5,225	18,254
Louisiana.....	3,332	3,009	1,984	8,325	8,418	24,059
New Mexico.....	495	1,615	381	2,491	2,537	9,322
Oklahoma.....	2,988	8,810	3,488	15,286	12,195	40,947
Texas.....	12,737	15,670	7,292	35,699	25,663	114,468
Total.....	23,194	32,419	13,269	68,882	54,038	213,050

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

#### LIVESTOCK RECEIPTS—(Number)

	Fort Worth		San Antonio	
	May 1941	May 1940	May 1941	May 1940
Cattle.....	47,419	44,669	37,153	22,952
Calves.....	21,816	20,946	18,844	16,706
Hogs.....	49,392	38,934	49,040	12,216
Sheep.....	259,243	315,716	87,719	12,540

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

	Fort Worth		San Antonio	
	May 1941	May 1940	May 1941	May 1940
Beef steers.....	\$10.75	\$10.25	\$11.00	\$9.50
Stocker steers.....	11.00	9.50	11.25	10.00
Heifers and yearlings.....	10.85	11.00	11.35	10.25
Butcher cows.....	8.10	7.00	8.00	7.50
Calves.....	10.50	10.25	11.50	11.00
Hogs.....	9.25	6.20	8.75	9.25
Lambs.....	10.75	9.85	11.35	8.50



December last year by \$79,000,000 and that in the corresponding month of 1940 by \$209,000,000.

After reaching a new all-time peak at \$260,000,000 on May 16, member bank reserves maintained at the Federal Reserve Bank of Dallas followed a noticeable downward trend during the remainder of that month and in the early days of June. Between June 4 and 15, member bank reserves rose by about \$14,000,000, and although daily average balances during the first half of the month were \$4,200,000 smaller than in May, they were \$25,000,000 greater than the average reserve balances in June last year. Excess reserves of member banks in this district, which had averaged about \$95,000,000 during the first half of May, declined considerably in the subsequent thirty days to a level near the low recorded for any semi-monthly period thus far this year.

Federal Reserve notes of this bank in actual circulation reached a new peak at \$105,700,000 on June 4, and although a moderate decline occurred in the following ten days Federal Reserve note circulation on June 15 was \$2,700,000 larger than a month earlier and \$24,500,000 greater than a year ago.

### INDUSTRY

Construction contracts awarded in this district during May amounted to \$29,639,000, which was considerably smaller than the record attained in April, but substantially above the total for any other month this year. The large May total reflected heavy awards for residential, commercial and manufacturing buildings, and engineering projects, a substantial proportion of which was for direct or indirect use in the defense program. The aggregate value of construction contracts let during the initial five months of 1941 was about 75 per cent greater than in the corresponding period of 1940, with all of the principal types of construction work contributing to the gain.

The expanded rate of building activity in this district has resulted in a heavy and sustained demand for building materials. Production and shipments of cement at Texas mills during the initial four months of 1941 were at an all-time peak. Although shipments of lumber have fallen off somewhat from the high level attained last fall as a result of heavy Governmental purchases for the construction of army camps, they have been maintained at the approximate level of lumber production, which has been sustained at the advanced rate established during the final half of 1940.

Significant developments affecting the petroleum industry during May included substantial increases in production and refinery operations, further advances in prices of crude oil and refined products, and the appointment of a Petroleum Coordinator for National Defense. The Coordinator is charged with the duty of fostering (1) economic development, production and utilization of petroleum reserves, (2) the development of new and the effective use of existing transportation and storage facilities, (3) the balancing of refining operations to secure the maximum yields of specific products with full consideration for requirements, and (4) economic drilling operations. The immediate problem facing the petroleum industry is a shortage in transportation facilities for the movement of petroleum and its products from the Gulf Coast to the Atlantic seaboard, rather than the industry's ability to produce the necessary amounts of crude oil and refined products. The deficiency in transportation facilities resulted from the diversion from intercoastal service of 50 ocean-going oil tankers, which represented about one-fifth of the industry's coastal transport facilities. Although the tanker shortage may cause a temporary accumulation of the above-ground stocks of petroleum in the Southwest and a temporary deficiency in the supply of petroleum and petroleum products on the Atlantic coast, means of relieving the situation are under consideration. Suggested remedies include the construction of additional pipe lines from the Southwest to the Atlantic seaboard and a more

efficient use of existing facilities, including pipelines, railroads, river barges, and the remaining oil tankers operating throughout the western hemisphere.

During May daily average petroleum output in this district and elsewhere in the United States expanded sharply, but remained at slightly lower levels than in the corresponding month of 1940. Notwithstanding the increased production,

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

	June 15, 1941	June 15, 1940	May 15, 1941
Total cash reserves.....	\$345,495	\$241,363	\$341,539
Discounts for member banks.....	74	316	43
Other bills discounted.....	None	None	None
Industrial advances.....	276	473	277
United States Government securities.....	88,046	95,281	88,046
Total earning assets.....	88,396	96,070	88,366
Member bank reserve deposits.....	249,222	224,017	258,407
Federal Reserve notes in actual circulation.....	103,763	79,244	101,066

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

	June 11, 1941	June 12, 1940	May 14, 1941
Total loans and investments.....	\$602,209	\$523,183	\$598,494
Total loans.....	314,466	266,698	315,223
Commercial, industrial and agricultural loans.....	211,123	174,977	213,156
Open market paper.....	2,453	1,038	2,410
Loans to brokers and dealers in securities.....	2,888	3,918	3,059
Other loans for purchasing or carrying securities.....	11,831	13,329	11,805
Real estate loans.....	23,116	22,089	23,488
Loans to banks.....	462	778	458
All other loans.....	62,593	49,969	60,849
United States Government direct obligations.....	186,008	151,510	178,330
Obligations fully guaranteed by United States Govt.....	42,393	47,129	43,401
Other securities.....	59,342	57,846	61,540
Reserves with Federal Reserve Bank.....	153,040	149,982	162,298
Balances with domestic banks.....	315,814	297,147	310,102
Demand deposits—adjusted*.....	559,044	491,372	561,343
Time deposits.....	135,853	137,212	136,304
United States Government deposits.....	35,574	31,398	28,733
Interbank deposits.....	288,890	259,340	294,636
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 the process of collection.

### DEBITS TO INDIVIDUAL ACCOUNTS (In thousands of dollars)

	May 1941	May 1940	Pctg. change over year	April 1941	Pctg. change over month
Abilene.....	\$ 13,060	\$ 8,467	+54	\$ 12,698	+ 3
Austin.....	38,832	38,520	+ 1	37,947	+ 2
Beaumont.....	31,627	24,630	+28	30,169	+ 5
Corsicana.....	3,694	3,213	+15	3,811	+ 3
Dallas.....	319,750	259,083	+23	311,555	+ 3
El Paso.....	41,346	29,435	+40	39,165	+ 6
Fort Worth.....	99,813	87,556	+14	92,441	+ 8
Galveston.....	31,010	25,899	+20	29,277	+ 6
Houston.....	307,096	250,270	+23	274,055	+12
Port Arthur.....	11,173	9,506	+18	10,295	+ 9
Roswell.....	4,877	4,401	+11	5,217	+ 7
San Antonio.....	98,698	80,411	+23	83,996	+18
Shreveport.....	54,041	48,412	+12	50,757	+ 6
Texas.....	8,922	7,164	+25	9,834	+ 9
Tucson.....	16,259	14,282	+14	15,009	+ 4
Tyler.....	12,633	11,683	+ 8	12,468	+ 1
Waco.....	16,074	13,507	+19	15,267	+ 6
Wichita Falls.....	19,180	18,733	+ 4	18,080	+ 5
Total.....	\$1,128,085	\$934,812	+21	\$1,053,541	+ 7

\*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	Gross demand	Gross demand
May, 1939.....	\$1,182,997	\$231,079	\$680,641
May, 1940.....	1,346,733	234,567	784,003
January, 1941.....	1,495,852	239,594	856,234
February, 1941.....	1,533,864	241,491	876,181
March, 1941.....	1,529,028	244,006	879,948
April, 1941.....	1,541,825	243,942	891,686
May, 1941.....	1,545,384	245,367	901,377
Total.....	\$1,128,085	\$934,812	\$1,053,541

### SAVINGS DEPOSITS

	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Percentage change in savings deposits from
				May 31, 1940
Beaumont.....	3	10,350	\$ 4,227,162	+ 6.4
Dallas.....	8	91,998	26,808,368	+ 1.5
El Paso.....	2	20,011	8,361,679	+ 3.0
Fort Worth.....	3	34,964	13,152,861	+ 1.1
Galveston.....	4	18,887	11,871,202	+ 1.7
Houston.....	10	78,140	32,696,285	+ 3.9
Port Arthur.....	2	5,974	3,209,188	+ 1.0
San Antonio.....	5	23,393	17,932,385	+ 1.6
Shreveport.....	3	25,420	12,137,880	+ 1.4
Waco.....	3	8,067	4,492,077	+ 2.9
Wichita Falls.....	3	7,124	3,515,436	+ 4.7
All others.....	69	62,649	30,409,550	+ .9
Total.....	115	386,977	\$168,814,073	+ .9



above-ground stocks of crude oil in the nation as a whole declined by about 4,000,000 barrels in May, whereas, petroleum inventories in the Eleventh District increased further by nearly 2,000,000 barrels, reflecting in part the curtailment in shipments of crude oil from this area to the Atlantic seaboard. In recognition of the tightening transportation situation, the Texas Railroad Commission lowered the June crude oil production allowable for Texas by nearly 16,000 barrels daily in an effort to bring about a better alignment between production and consumption. The utilization of crude oil by refiners in this district, as well as in the United States, rose to a new peak in May, the rate exceeding that of a year ago by about 5 per cent. Inventories of gasoline and industrial fuel oil continued to decline as a result of the heavy domestic demand for these products.

The rate of drilling activity in the United States declined moderately from April to May, but operations in the Eleventh District rose 4 per cent to the highest level in nearly a year. In comparison with May last year the number of wells completed in both this district and the nation averaged about 9 per cent fewer.

Prices of crude oil and refined products continued to advance in May. Quotations for crude petroleum were increased from 7 to 10 cents per barrel throughout the Mid-Continent, Illinois, Michigan, and Rocky Mountain regions, and in Pennsylvania an increase of 15 cents per barrel was posted. Crude oil prices now average from 10 to 15 per cent higher than at the beginning of 1941. Prices of virtually all the principal refined products, including gasoline, kerosene, fuel oils and lubricants, shared in the rising markets during May; in the final week of the month the advance in prices of petroleum products was especially pronounced, averaging about 5 per cent.

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	May 1941	May 1940	April 1941	January 1 to May 31 1941	1940
Eleventh District—total...	29,639	15,347	45,234 r	140,996	81,393
Residential.....	9,522	6,094	12,240 r	45,691	30,483
All other.....	20,117	9,253	32,994 r	95,305	50,910
United States*—total.....	548,700	328,914	406,675	2,010,856	1,298,361
Residential.....	201,274	145,912	166,462	743,380	555,298
All other.....	347,426	183,002	240,213	1,267,496	743,063

\*37 states east of the Rocky Mountains.

r-Revised.

SOURCE: F. W. Dodge Corporation.

#### BUILDING PERMITS

	May, 1941		Percentage change valuation from		Jan. 1 to May 31, 1941		Percentage change valuation from 1940	
	No.	Valuation	May, 1940	Apr., 1941	No.	Valuation	No.	Valuation
Abilene.....	47	172,850	+348	+141	258	\$ 636,808	+172	
Amarillo.....	75	318,943	—18	+8	356	1,160,886	—	
Austin.....	162	463,043	—54	+7	925	2,562,845	—34	
Beaumont.....	124	136,087	—8	—46	627	934,173	+56	
Corpus Christi..	218	1,971,807	+763	—	1,164	7,537,613	+96	
Dallas.....	847	1,528,696	+24	+34	3,813	5,759,442	+4	
El Paso.....	150	186,431	—25	—30	666	1,168,961	+4	
Fort Worth.....	332	525,972	+18	+9	1,402	2,432,753	+13	
Galveston.....	275	1,873,689	+*	+449	1,059	3,014,629	+224	
Houston.....	511	1,536,235	—4	+11	2,360	8,624,944	—17	
Port Arthur.....	134	156,205	+47	+65	536	516,305	—1	
San Antonio.....	556	421,189	—20	—6	2,624	2,809,090	+4	
Shreveport.....	118	342,369	—36	+43	603	1,476,283	—30	
Waco.....	55	202,010	+68	—85	343	2,102,561	+259	
Wichita Falls..	71	157,021	+148	—8	288	670,570	+38	
Total.....	3,675	9,992,547	+47	+11	17,024	\$41,407,863	+14	

\*Increase over 1,000 per cent.

†Change less than one-half of one per cent

#### STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to May 31 This season	Last season	August 1 to May 31 This season	Last season
Cottonseed received at mills (tons).....	1,077,161	903,852	4,428,558	4,028,787
Cottonseed crushed (tons).....	1,057,861	941,683	4,198,791	4,052,685
Cottonseed on hand May 31 (tons).....	35,047	17,237	268,609	96,728
Production of products:				
Crude oil (pounds).....	324,737,253	275,635,995	1,356,196,561	1,291,722,061
Cake and meal (tons).....	495,077	453,765	1,865,305	1,836,486
Hulls (tons).....	268,954	242,811	1,056,312	1,029,163
Linters (running bales).....	262,796	220,727	1,146,951	1,040,190
Stocks on hand May 31:				
Crude oil (pounds).....	12,082,376	12,645,039	34,940,764	35,692,315
Cake and meal (tons).....	49,662	31,980	255,028	129,173
Hulls (tons).....	76,717	11,549	195,892	46,043
Linters (running bales).....	52,253	66,608	225,742	245,034

SOURCE: Bureau of Census.

Cotton mill activity in the United States continued in May at the advanced rate established in April, and on a seasonally adjusted basis the volume of cotton consumed recorded a new high for the third consecutive month. During May, cotton consumption amounted to 919,000 bales, which closely approximated the record attained in April and compares with 642,000 bales utilized in May last year. Forward buying of cotton fabrics continued brisk due apparently to the strong consumer demand and advancing prices. On June 7 the United States Bureau of Labor Statistics' index of prices of all textile products, including cotton, wool, silk and rayon, was at the highest level recorded since early in 1930. The Office of Price Administration and Civilian Supply placed a ceiling on combed cotton yarn prices on May 26 at a level somewhat below recent quotations, and following this action the commercial buying of cotton yarns showed some abatement. Mill margins, or the difference between the price of a pound of cotton and its cloth equivalent, continued to advance in May, establishing a new high for the 16-year period for which data are available. Inventories of raw cotton at consuming establishments declined slightly in May, but remained at a much higher level than a year ago.

Spot cotton prices showed a further pronounced increase between the middle of May and the middle of June. The price of cotton, middling, 15/16-inch staple, at ten spot markets averaged 13.75 cents per pound on June 15, as against 12.59 cents a month earlier and 10.06 cents at the beginning of 1941. The recent enactment of legislation providing for Government loans on cotton, corn, wheat, rice and tobacco at 85 per cent of parity prices was an important factor in the advance of cotton prices.

Exports of cotton from the United States continued small in May, totaling only 71,500 bales as against 226,500 bales in May last year. During the first ten months of the current season, foreign shipments of American cotton averaged less than one-sixth the total in the corresponding period of the preceding season.

#### CRUDE OIL PRODUCTION—(Barrels)

	May, 1941		Increase or decrease in daily average production from	
	Total production	Daily avg. production	May, 1940	April, 1941
North Texas.....	5,510,850	177,769	—3,423	—314
West Texas.....	8,718,800	281,252	—6,138	+22,189
East Texas.....	13,890,900	445,190	—17,588	+16,293
South Texas.....	6,396,900	206,352	—31,446	+11,865
Texas Coastal.....	8,434,800	272,090	+30,269	+20,158
Total Texas.....	42,862,250	1,382,653	—28,326	+70,191
New Mexico.....	3,459,950	111,611	+4,772	+2,769
North Louisiana.....	2,251,900	72,642	+2,620	+1,969
Total District.....	48,574,100	1,566,906	—20,934	+74,929

SOURCE: Estimated from American Petroleum Institute weekly reports.

#### CRUDE OIL PRICES—(40 gravity and above)

	May 31, 1941	May 31, 1940	April 30, 1941
North and West Central Texas.....	\$1.18	\$1.03	\$1.08
East Central Texas.....	1.27	1.12	1.17
Texas Gulf Coast.....	1.48	1.28	1.38
West Texas-New Mexico.....	1.12	.95	1.02
North Louisiana.....	1.20	1.05	1.10
East Texas (flat price).....	1.25	1.10	1.15

SOURCE: The Oil Weekly, Houston, Texas.

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

##### HOUSTON AND GALVESTON—(Bales)

	May 1941	May 1940	April 1941	August 1 to May 31 This season	Last season
Receipts.....	158,078	92,585	111,064	1,948,268	3,803,741
Exports.....	93,177	136,656	79,267	963,520	3,429,111
Stocks, end of month.....	1,872,581	1,327,414	1,882,269		

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

	May 1941	May 1940	April 1941	August 1 to May 31 This season	Last season
Consumption at:					
Texas mills.....	17,813	12,309	23,491	192,384	116,059
United States mills.....	918,902	641,636	920,143	7,914,140	6,595,635
U.S. stocks—end of month:					
In consuming estab'nts.....	1,927,939	1,314,792	1,933,507		
Public stg. & compresses.....	11,358,417	10,091,517	12,374,839		
Exports from U. S.*.....	71,539	226,469	74,009	975,540	5,921,431

\*In the interest of national and hemisphere defense, the Department of Commerce has decided to cease publishing detailed statistics concerning the country of destination of cotton exports.



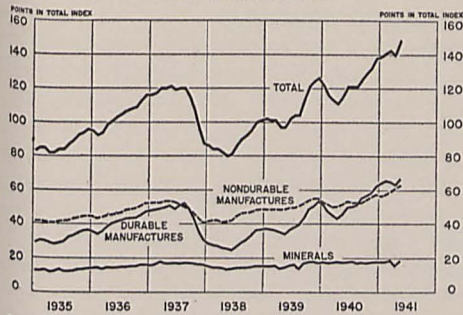
# MONTHLY BUSINESS REVIEW

JULY 1, 1941

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

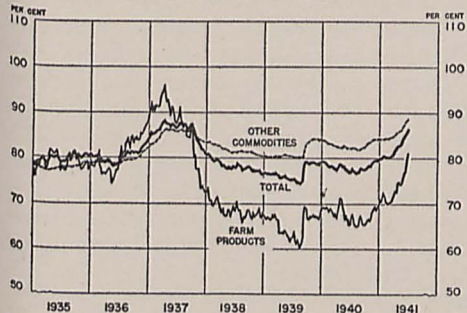
(Compiled by the Board of Governors of the Federal Reserve System)

### INDUSTRIAL PRODUCTION



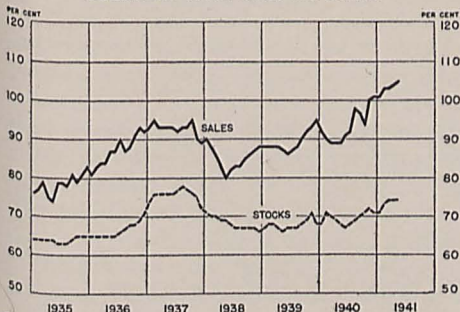
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January, 1935 to May, 1941.

### WHOLESALE PRICES



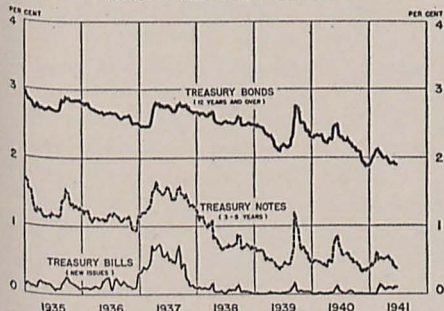
Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to week ending June 14, 1941.

### DEPARTMENT STORE SALES AND STOCKS



Federal Reserve index of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January, 1935 to May, 1941.

### MONEY RATES IN NEW YORK CITY



Weekly averages of daily yields of 3-to-5-year tax exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to June 14, 1941.

After a slight decline in April industrial activity increased sharply in May and the first half of June. Wholesale commodity prices showed a further considerable advance and retail prices also increased. Distribution of commodities to consumers was maintained in large volume.

### PRODUCTION

Volume of industrial output increased sharply in May, following a decline in April, and the Board's seasonally adjusted index rose to 149 per cent of the 1935-1939 average, as compared with 140 in April and 143 in March. The decline in April had reflected mainly reduced output of bituminous coal and automobiles occasioned by shutdowns accompanying industrial disputes. These were settled during the month and in May and the first half of June output in these industries rose to the high levels prevailing earlier.

In a number of other lines activity increased steadily throughout the spring months, particularly in the machinery, aircraft, and shipbuilding industries. Steel production was maintained at 99 per cent of capacity, except for a short period during late April and early May when output was reduced somewhat owing to a shortage of coal. Output of nonferrous metals also continued near capacity; deliveries of foreign copper in May increased to 49,000 tons, amounting to about one-third of total deliveries to domestic consumers. Toward the end of the month, as it became apparent that combined military and civilian need for these metals would soon greatly exceed available supplies, a General Preference Order covering all iron and steel products was issued by the Priorities Division of the Office of Production Management and in June mandatory priority controls were established for copper and zinc.

Textile production rose further in May, reflecting increased activity at cotton, wool, and rayon mills. A continued rise in output of manufactured food products was likewise reported and activity in the chemical and shoe industries was maintained at earlier high levels, although usually there is a considerable decline at this season. Petroleum production increased, and output of anthracite also advanced following some curtailment in April. Iron ore shipments amounted to 11,000,000 tons in May, a new record level and near the shipping capacity of the present Lake fleet.

Value of construction contract awards rose sharply in May, reflecting increases in both public and private construction, according to F. W. Dodge reports. Awards for private residential and nonresidential building increased more than seasonally, and contracts for defense projects continued in large volume.

### DISTRIBUTION

Distribution of commodities to consumers was sustained at a high level in May. Department store sales showed a further rise, while sales at variety stores declined by slightly more than the usual seasonal amount. Retail sales of new automobiles continued at the high April level and sales of used cars rose further.

Freight-car loadings increased sharply in May, reflecting a marked rise in coal shipments and a further expansion in loadings of miscellaneous freight. In the first half of June total loadings were maintained at the advanced level of other recent weeks.

### COMMODITY PRICES

Wholesale prices of a number of agricultural and industrial commodities showed further increases from the middle of May to the middle of June and the general index of the Bureau of Labor Statistics advanced two points to 87 per cent of the 1926 average. Federal action to limit price increases was extended to some consumer goods, principally new automobiles, hides, and certain cotton yarns. In retail markets prices of most groups of commodities have advanced, reflecting in part increases in wholesale prices earlier this year.

### BANK CREDIT

Commercial loans at reporting banks in 101 cities continued to rise during the four weeks ending June 11. Bank holdings of United States Government securities increased further, chiefly through the purchase of bills by New York City banks and of bonds by banks in other leading cities. As a result of the expansion in loans and investments bank deposits continued to increase.

### UNITED STATES GOVERNMENT SECURITY PRICES

Following a rise in the latter part of May Treasury bond prices declined slightly in the first half of June. On June 14 the 1960-65 bonds were  $\frac{7}{8}$  of a point below the all-time peak in prices of December 10. Yields on both taxable and tax-exempt 3- to 5-year notes declined slightly from the middle of May to the middle of June.