

# MONTHLY BUSINESS REVIEW

## of the FEDERAL RESERVE BANK of Dallas

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### DISTRICT SUMMARY

The output of some important manufactures in this district leveled off in October at the advanced rate previously attained, while mineral production increased and construction activity was in record proportions. Consumer purchases at department stores declined contraseasonally in October and the adjusted index of sales fell to the lowest level recorded thus far this year. The distribution of commodities through wholesale channels declined seasonally in October but was 20 per cent greater than in October last year. Total freight-car loadings in the Southwest District during October averaged about 7 per cent higher than a month earlier and a year ago. Augmented by the letting of additional large contracts for national defense projects, the value of construction contracts awarded in this district during October was 50 per cent greater than in September and three times that in October a year ago. Petroleum production rose to the highest level of the year in October, whereas, the production of refined products, as measured by crude oil runs to refinery stills, showed little change from that in the preceding month. Lumber production declined somewhat further in October, but shipments remained at about the September level. Total loans at weekly reporting member banks in this district showed a moderate net decline during the four weeks ended November 12, following a marked upward trend during the preceding three and one-half months.

### BUSINESS

The dollar value of consumer purchases at reporting department stores in the Eleventh District declined from September to October, whereas, an increase ordinarily occurs in that period. The decrease appears to have been due in considerable part to consumer reaction from the heavy anticipatory buying in the preceding three months and to the unseasonably warm weather prevailing during October, which retarded the movement of seasonal merchandise. Reflecting the latter situation, some stores have featured extensive price reduction sales to promote the distribution of fall and winter merchandise. Despite the decline from the preceding month, October sales were 13 per cent higher than in that month of 1940. It is probable, however, that a major portion of the increase over October last year was due to higher prices of merchandise sold. Retail prices of items handled by department stores, as computed by *Fairchild Publications*, have advanced substantially in recent months, and on October 1 averaged 13 per cent higher than a year earlier. The increase in prices over a year ago has been fairly general among the various types of goods sold by department stores. Preliminary reports indicate that sales during the first half of November averaged only 10 per cent higher than in the corresponding period last year.

Inventories of merchandise at reporting department stores were increased sharply in October, and at the month-end their value exceeded that of a year ago by 27 per cent. This bank's seasonally adjusted index of department store stocks has shown a marked upward trend during the past year, increasing from 69 per cent of the 1923-1925 average for October, 1940, to 89 per cent for October this year. This increase reflected in substantial part deliveries against outstanding orders, which declined considerably during October.

The distribution of merchandise through reporting wholesale firms in this district evidenced a moderate seasonal decline from September to October, but sales were about one-fifth greater

than in the corresponding month of 1940. The latter gain closely approximates the average year-to-year increase recorded for the first ten months of 1941. All lines of trade participated in the gain over a year ago, the increases ranging from 1 per cent for tobacco and tobacco products to 85 per cent for electrical supplies. A general increase in inventories took place during the month, and on October 31 the aggregate value of stocks at reporting firms was about 20 per cent greater than a year earlier. The increase in stocks over the year is in close alignment with the average gain in sales.

Employment in manufacturing establishments in Texas, as reported by the Bureau of Business Research of the University of Texas, showed little net change from September to October, reflecting in part a leveling off in industrial output. On the other hand, employment in certain non-manufacturing lines increased appreciably, with the result that the total number of persons employed in non-agricultural businesses expanded further by 2 per cent to a level 16 per cent higher than a year ago. Payrolls likewise increased during October and as compared with that month in 1940, were up about one-third.

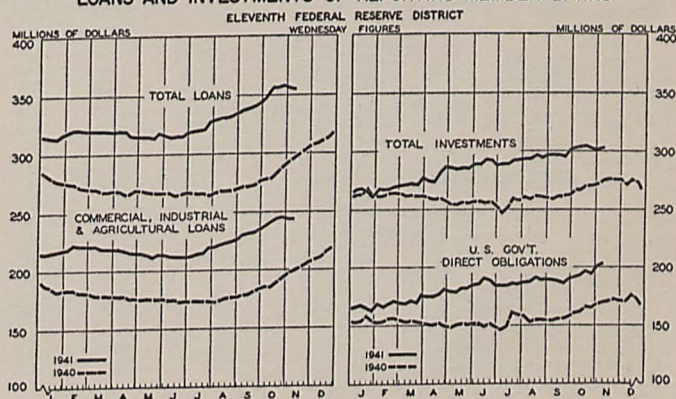
The number and liabilities of business failures in this district remained small in October. Dun and Bradstreet reported twelve insolvencies with a total indebtedness of only \$72,000.

### AGRICULTURE

Weather conditions prevailing during October continued mostly unfavorable to crop growth and farming operations in the Eleventh District. Excessive rainfall caused further damage to late maturing crops, including cotton, corn, rice, and grain sorghums; and wet fields restricted harvesting operations and the planting of small grain crops. Despite adverse weather conditions during much of the crop growing and harvesting seasons this year, the indicated production on November 1 of all field and orchard crops except cotton, corn and pecans was above the 1930-1939 average harvest, and in the case of grain sorghums, Irish and sweet potatoes and citrus fruit, prospective production is well above that in 1940. Although more favorable weather during the first half of November enabled farmers to make generally good progress with harvesting operations and field work, activity in some areas was held up in varying degrees by shortages of farm labor.

Seeding of winter oats and wheat in some sections of Texas, particularly the heavy wheat producing area of northwest Texas, was retarded to a considerable extent during September and October by intermittent rainfall and by the growth of

### LOANS AND INVESTMENTS OF REPORTING MEMBER BANKS





weeds and volunteer grain, which hampered land preparation. Early sown grains have made good growth as a result of the excellent moisture conditions. Further progress with seeding of small grain was made during the second week of November where fields had dried out sufficiently to permit farm work.

The prospective production of cotton in Texas and Louisiana was reduced further during October and excessive rains lowered the quality of cotton remaining for harvest. The estimate for Texas was reduced 29,000 bales and the November 1 forecast of 2,771,000 bales compares with the 1940 harvest of 3,234,000 bales. The production forecast for Louisiana was lowered further by 4 per cent to 320,000 bales, the smallest since 1921. Ginnings of cotton in Texas prior to November 1 were much smaller than in other recent years, totaling 1,498,000 running bales as against 2,550,000 bales prior to the same date in 1940. The Department of Agriculture estimated that cotton production in west and northwest Texas, where cotton matures later than elsewhere in the State, will produce about 56 per cent of the State's crop in 1941 as compared with an average of about one-third during the past ten years. This fact, together with the smaller total production, largely accounts for the lower ginnings thus far this year.

Cotton is being pledged for Government loans at a much slower rate this year than was the case in 1940. The Commodity Credit Corporation reported that a total of 425,500 bales of the 1941 crop had been placed in loan stocks through November 1, as against approximately 1,250,000 bales to the same date in 1940.

Livestock ranges in the Eleventh District continued in good to excellent condition during October, though range grass is becoming rank and sappy due to the prolonged period of wet weather; moreover, in some areas, cured grass is rotting. Wheat pastures are the best in several years, but grazing has been limited due to wet, soggy fields. The condition of livestock is also well above the average for this season. This situation, together with the abundant supply of supplemental feed in most areas, should enable animals to better withstand adverse weather conditions during winter months. Marketings of both cattle and sheep have been much smaller than a year ago. In September, shipments of sheep from Texas totaled 330,000 head, as against 573,000 head in that month of 1940.

#### WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade: Department stores: Total 11th Dist. .... Dallas ..... Fort Worth ..... Houston ..... San Antonio ..... Shreveport ..... Other cities ..... Independent stores: Arizona ..... New Mexico ..... Oklahoma ..... Texas ..... Wholesale trade: Machinery, eqpt. & supplies ..... Automotive supplies ..... Drugs (incl. liquors) ..... Electrical supplies ..... Groceries ..... Hardware ..... Surgical equipment ..... Tobacco & products .....	Number of reporting firms	Percentage change in:				Stocks†	
		Net sales		Jan. 1 to Oct. 31, 1941		October, 1941 from	
		October, 1941 from 1940	Sept., 1941	from 1940	from 1940	October, 1941 from 1940	Sept., 1941
	46	+13	-5	+19	+27	+12	
	7	+10	-11	+17	+23	+12	
	4	+20	+1	+20	+20	+15	
	7	+12	-5	+15	+24	+17	
	5	+15	-6	+25	+33	+13	
	3	+28	+16	+20	.....	.....	
	20	+13	-2	+18	+37	+7	
	257	+19	+7	+20	.....	.....	
	184	-3	-4	+11	.....	.....	
	524	+5	-4	+15	.....	.....	
	1,099	+7	-1	+18	.....	.....	
	4	+34	+23	+48	.....	.....	
	3	+13	-15	.....	.....	.....	
	12	+11	-8	+13	+13	+8	
	7	+85	-4	.....	+24	+17	
	37	+12	-5	+13	+34	+7	
	15	+21	-2	+33	+14	+3	
	5	+39	+9	.....	+1	+1	
	5	+1	-4	.....	.....	.....	

\*Compiled by United States Bureau of Census.

†Stocks at close of month.

#### INDEXES OF DEPARTMENT STORE SALES AND STOCKS (1923-1925 average = 100)

	October 1941	September 1941	August 1941	October 1940
Sales (daily average):				
Without seasonal adjustment.....	127	151	128	111
With seasonal adjustment.....	113	136	166	99
Stocks (end of month):				
Without seasonal adjustment.....	100	90r	81	78
With seasonal adjustment.....	89	82r	80	69

r—Revised.

## FINANCE

Member bank reserve balances maintained at the Federal Reserve Bank of Dallas, which had declined sharply on October 20 due in substantial part to payments for purchases of the new issue of 2½ per cent Treasury bonds, increased very rapidly during the subsequent three weeks. On November 15 reserve balances were at a peak of \$297,900,000, or \$34,800,000 greater than a month earlier. Available data indicate that the funds used in building up reserve balances were obtained in large part from increasing deposits at member banks. During the first half of November, total reserve balances of member banks in this district averaged \$26,000,000 greater than in the last half of October, or approximately the same amount as the net increase in required reserves resulting from the higher reserve requirements that became effective on November 1. Thus, excess reserves, which averaged \$87,800,000 during the final half of October, appear to have declined only moderately during the first half of November.

Federal Reserve notes of this bank in actual circulation have continued to expand during the past thirty days. On November 17 a new high of \$128,000,000 was recorded, which was \$5,700,000 higher than a month earlier and \$35,100,000 greater than a year ago. Although the increase over the month was much smaller than that recorded in the preceding month, it was more in line with seasonal expectations.

Although loans at weekly reporting member banks in this district continued to rise during October and apparently reached a seasonal peak of \$358,100,000 on October 29, the

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

	August, 1941		Government payments	Total receipts		Jan. 1 to Aug. 31, 1941	Aug. 31, 1940
	Crops	Livestock*		August 1941	August 1940		
Arizona.....	719	1,292	629	2,640	2,392	48,772	33,891
Louisiana.....	2,529	2,855	353	5,737	7,253	65,982	59,924
New Mexico.....	2,107	2,026	370	4,503	2,937	27,986	23,967
Oklahoma.....	17,236	12,808	1,371	31,415	15,662	146,188	116,045
Texas.....	61,788	20,721	2,209	84,716	44,566	400,020	284,356
Total.....	84,377	39,702	4,932	129,011	72,810	688,948	517,183

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

SOURCE: United States Department of Agriculture.

#### CROP PRODUCTION (In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Nov. 1, 1941	Production 1940	Estimated Nov. 1, 1941	Production 1940
Cotton.....	Bales	2,771	3,234	3,277	3,869
Corn.....	Bushels	69,480	90,324	83,307	105,113
Winter wheat.....	Bushels	35,420	29,355	36,105	29,957
Oats.....	Bushels	36,100	37,125	39,314	40,507
Barley.....	Bushels	7,884	3,825	16,945*	11,033*
Rice.....	Bushels	14,080	16,005	14,080†	16,005†
Grain sorghums.....	Bushels	67,127	46,397	92,739*	67,687*
Peanuts.....	Tons	1,269	1,341	1,771	1,781
Tree nuts.....	Pounds	168,000	179,200	213,335‡	235,780‡
Potatoes, Irish.....	Bushels	6,076	3,200	6,863	3,949
Potatoes, sweet.....	Bushels	5,580	4,335	13,503‡	10,233‡
Pecans.....	Pounds	21,390	41,000	54,640‡	67,744‡
Grapefruit.....	Boxes	15,100	13,800	15,100‡	13,800‡
Oranges.....	Boxes	3,100	2,750	3,100‡	2,750‡

\*Oklahoma, Texas, New Mexico and Arizona. †Texas only. ‡Louisiana, Oklahoma and Texas. Other data for Eleventh District derived from estimates by states.

SOURCE: United States Department of Agriculture.

#### LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	October 1941	October 1940	Sept. 1941	October 1941	October 1940	Sept. 1941
Cattle.....	65,256	58,621	72,714	16,067	16,267	18,025
Calves.....	64,617	57,051	51,518	28,817	30,516	25,978
Hogs.....	33,178	37,300	28,574	14,607	17,196	13,291
Sheep.....	42,250	63,570	52,982	11,908	11,103	9,179

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

	Fort Worth			San Antonio		
	October 1941	October 1940	Sept. 1941	October 1941	October 1940	Sept. 1941
Beef steers.....	\$12.00	\$10.75	\$12.00	\$10.40	\$ 8.25	\$10.40
Stocker steers.....	10.50	9.25	11.00	.....	.....	11.25
Heifers and yearlings.....	12.00	11.00	12.25	11.25	10.25	7.75
Butcher cows.....	8.00	6.50	8.50	7.50	6.00	11.00
Calves.....	10.50	8.75	11.00	11.00	9.00	11.65
Hogs.....	11.20	6.60	12.00	10.75	6.40	8.50
Lambs.....	11.00	8.25	11.75	9.00	7.50	.....



decline during the two weeks ended November 12 reduced total advances to a level \$1,155,000 below that four weeks earlier. Loans for commercial, industrial and agricultural purposes showed a further net increase of \$2,800,000 between October 15 and November 12, but this gain was more than offset by declines in most other types of loans, particularly "all other" loans. The latter type of advances, which include personal and instalment loans, declined \$3,400,000 during the four weeks to about the same level as at the beginning of September. Total loans on November 12 amounted to \$355,100,000, which was still \$59,500,000 greater than on the corresponding date last year. Investments of these banks showed a net decline of \$857,000 between October 15 and November 12. An increase of \$10,300,000 in holdings of Government direct obligations was largely counterbalanced by a decline of \$9,900,000 in holdings of Government guaranteed obligations. These changes represented chiefly participation of reporting banks in the offering of Treasury bonds dated October 20, 1941, and the exchange of Government guaranteed obligations for Government direct securities. Holdings of corporate and municipal securities were reduced \$1,300,000 over the four-week period.

Gross deposits at reporting banks rose further by \$22,000,000 during the four weeks ended November 12, reflecting substantial increases in interbank and United States Government deposits; interbank deposits, totaling \$328,000,000 on November 12, were the highest of record and \$44,000,000 above a year ago. These banks utilized the funds derived from the increase in deposits to build up their reserves with the Federal Reserve Bank by \$16,500,000 and their balances with correspondents by \$7,800,000.

Debits to individual accounts at banks in eighteen cities of the Eleventh District increased further during October to an all-time peak of \$1,373,500,000. This total exceeded by 15 per cent the previous high established in October, 1929, and was 38 per cent greater than in the corresponding month last year.

### INDUSTRY

Following similar developments in August and September, the letting of construction contracts for national defense projects dominated activity in the building industry in this district during October. The aggregate value of contracts awarded during the month approximated \$71,000,000, which was three times the total in October, 1940. Awards during October were fairly well distributed among the principal types of construction work; however, residential and non-residential building, including commercial and manufacturing structures, and public utilities construction registered the greatest gains over the preceding month. During the past three months, the value of construction contracts awarded in the Eleventh District totaled \$211,000,000, which was 14 per cent greater than the aggregate value of contracts let during the first seven months of 1941. The extent to which national defense projects have accounted for the unprecedented volume of construction work started in recent months is indicated by the fact that nearly two-thirds of total awards in August and September represented such projects financed by the Government.

Petroleum production in the Eleventh District increased to the highest level of the current year during October, and output in the United States exceeded 4,000,000 barrels daily for the first time in the history of the industry. In comparison with October last year production was up 10 per cent in this district and 13 per cent in the United States. A further increase in daily average crude oil production is anticipated during November, as production allowables were raised in some heavy producing states, including Texas, New Mexico and Louisiana. The United States Bureau of Mines estimated that

demand for crude oil in November would be about 1.5 per cent larger than in October.

The utilization of crude oil produced in this district, which had been in excess of production during the preceding three

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

	Nov. 15, 1941	Nov. 15, 1940	October 15, 1941
Total cash reserves.....	\$408,831	\$294,414	\$367,277
Discounts for member banks.....	314	58	574
Other bills discounted.....	None	24	None
Industrial advances.....	273	222	284
United States Government securities.....	76,551	80,923	76,551
Total earning assets.....	77,138	87,227	77,409
Member bank reserve deposits.....	297,873	236,350	233,090
Federal Reserve notes in actual circulation.....	126,917	92,665	122,373

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

	Nov. 12, 1941	Nov. 13, 1940	October 15, 1941
Total loans and investments.....	\$658,492	\$571,216	\$660,504
Total loans.....	355,085	295,595	356,240
Commercial, industrial and agricultural loans.....	244,608	199,064	241,813
Open market paper.....	1,554	1,611	1,803
Loans to brokers and dealers in securities.....	5,483	2,836	5,334
Other loans for purchasing or carrying securities.....	13,921	13,348	14,101
Real estate loans.....	23,362	23,523	23,607
Loans to banks.....	443	504	495
All other loans.....	65,714	54,709	69,087
United States Government direct obligations.....	203,660	170,533	193,387
Obligations fully guaranteed by United States Govt.....	38,651	45,387	48,511
Other securities.....	61,096	59,701	62,366
Reserves with Federal Reserve Bank.....	184,026	151,705	167,481
Balances with domestic banks.....	308,229	291,251	295,405
Demand deposits—adjusted*.....	613,057	515,309	609,167
Time deposits.....	132,460	133,877	133,007
United States Government deposits.....	21,166	32,386	13,058
Interbank deposits.....	327,690	283,636	316,977
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)

	October 1941	October 1940	Pctg. change over year	September 1941	Pctg. change over month
Abitene.....	\$ 18,447	\$ 10,788	+71	\$ 11,919	+55
Austin.....	43,985	33,575	+31	34,635	+27
Beaumont.....	32,932	24,912	+32	31,343	+5
Corcoran.....	5,690	4,882	+17	4,974	+14
Dallas.....	423,238	293,501	+44	342,143	+24
El Paso.....	46,189	33,482	+38	36,647	+17
Fort Worth.....	128,079	87,898	+46	106,703	+20
Galveston.....	31,025	29,588	+5	29,062	+7
Houston.....	362,294	265,575	+36	308,736	+17
Port Arthur.....	12,412	10,324	+20	11,378	+9
Roswell.....	5,475	5,758	-5	4,037	+36
San Antonio.....	102,676	78,126	+31	91,457	+12
Shreveport.....	64,697	46,691	+39	54,188	+19
Texas.....	16,973	9,064	+87	13,280	+28
Texas.....	16,163	13,354	+21	13,556	+19
Tucson.....	15,013	13,594	+10	13,368	+12
Tyler.....	21,978	16,748	+31	18,991	+16
Waco.....	26,230	17,831	+47	22,084	+19
Wichita Falls.....					
Total.....	\$1,373,496	\$995,691	+38	\$1,151,461	+19

\*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)

		(Average of daily figures—in thousands of dollars)					
		Combined total		Reserve city banks		Country banks	
		Gross demand	Time	Gross demand	Time	Gross demand	Time
October, 1939.....		\$1,305,705	\$231,363	\$760,455	\$127,567	\$545,250	\$103,796
October, 1940.....		1,408,515	233,323	814,555	128,295	593,960	105,028
June, 1941.....		1,554,471	242,439	908,083	135,810	645,788	106,629
July, 1941.....		1,555,000	239,153	912,591	133,588	642,409	105,565
August, 1941.....		1,567,402	238,939	921,863	133,758	645,539	105,181
September, 1941.....		1,618,651	237,509	950,967	132,164	667,684	105,345
October, 1941.....		1,662,466	237,667	962,113	132,050	700,353	105,617

### SAVINGS DEPOSITS

SAVINGS DEPOSITS			Percentage change in savings deposits from		
		October 31, 1941			
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	October 31, 1940	Sept. 30, 1941
Beaumont.....	3	10,552	\$ 4,288,186	+ 4.5	+ .3
Dallas.....	8	92,292	26,263,080	+ .04	+ .5
El Paso.....	2	19,123	7,374,250	+ 10.8	+ 2.3
Fort Worth.....	3	34,589	12,844,329	+ 1.0	+ .4
Galveston.....	4	18,938	11,500,130	+ 5.7	+ 1.1
Houston.....	10	78,166	32,066,171	+ 3.1	+ .5
Lubbock.....	3	1,543	563,359	+ 2.0	+ 1.7
Port Arthur.....	2	6,072	3,114,404	+ 7.4	+ 1.0
San Antonio.....	5	23,062	17,846,710	+ .4	+ .6
Shreveport.....	3	26,410	12,176,698	+ 1.2	+ .2
Waco.....	3	7,715	4,368,893	+ 5.8	+ .5
Wichita Falls.....	3	7,161	3,441,091	+ 5.9	+ 1.1
All others.....	65	57,653	28,857,213	+ 3.9	+ .2
Total.....	114	383,276	\$165,304,464	- 1.6	+ .3



months, closely approximated output in October, and as a consequence above-ground stocks of crude petroleum showed little net change during the month. Nevertheless, inventories on November 1 were still 5 per cent smaller than on that date a year earlier and 8 per cent below the amount in storage at the end of June. Stocks of crude oil in the United States continued downward in October, and at the month-end were about 20,000,000 barrels smaller than a year earlier.

Refinery operations in the Eleventh District remained fairly steady during September and October, following a marked upward trend during the preceding five months. Crude oil runs to refinery stills during October in both this district and the United States averaged about 15 per cent greater than in that month of 1940.

Drilling activity during October in the Eleventh District and the United States was maintained near the advanced level reached in September and was at a much higher rate than in the corresponding month of 1940.

Significant developments in the domestic cotton textile industry during October included the establishment of flexible ceiling prices on a wide range of cotton products, heavy sales of cotton textiles, and the establishment of a new peak in cotton consumption. During October, processing establishments consumed 953,600 bales of cotton, exceeding the previous record in July by about 25,000 bales. Cotton consumption during the first quarter of the current season was nearly one-third higher than in that period last season. The uncertainties in the cotton textile price situation that had existed for several weeks, causing mills to follow a cautious sales policy, were partially clarified in October when the Office of Price Administration established flexible ceiling prices for some cotton products based on the average prices of raw cotton at the ten spot markets. Revised price schedules now in effect apply to approximately two-thirds of all primary cotton textiles and similar revisions for other constructions are under consideration. Mill sales of cotton textiles, particularly those affected by the new price system, increased sharply during the latter part of October, as Government buying was augmented by a large volume of commercial orders. Mill purchases of raw cotton showed a sharp seasonal gain in October, and at the month-end stocks were nearly 50 per cent greater than on that date last year.

Exports of cotton from the United States aggregated 161,700 bales in October. Although foreign shipments of cotton

are still abnormally low, the volume exported during the first quarter of the current season was appreciably higher than in the corresponding period of 1940, reflecting to a considerable extent the effects of the lease-lend program and the improved competitive position of American cotton in certain foreign markets as a result of Federal subsidy programs.

Following a substantial decline between September 15 and October 15, spot cotton prices fluctuated within comparatively narrow limits during the subsequent thirty days. On November 15 the price of cotton, middling, 15/16-inch staple, at the ten spot markets averaged 16.39 cents per pound, which was about the same as that a month earlier but 8 per cent below the 1941 peak recorded on September 9.

Operations at cottonseed oil mills in Texas were greatly restricted during the first three months of the current season by the small mill supplies of cottonseed, which reflected the reduced production of cotton in Texas this year, as well as the lateness of the crop. Receipts and crushings of cottonseed and the production of products were the smallest for that period in over twenty years and about one-fourth smaller than in the first quarter of the previous season. Shipments of products were likewise much smaller than a year earlier. In contrast with the restricted operations at Texas mills, receipts of cottonseed at all mills in the United States during the quarter were 13 per cent greater than a year earlier and crushings of cottonseed and production and shipments of products were appreciably higher than in the initial quarter of the 1940-1941 season. At Texas and United States mills, stocks of cottonseed oil and linters on October 31 were much smaller than on that date last year, whereas, inventories of cake and meal and hulls were sharply higher.

#### STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to October 31 This season	Last season	August 1 to October 31 This season	Last season
Cottonseed received at mills (tons).....	488,326	622,397	2,409,039	2,131,122
Cottonseed crushed (tons).....	268,324	361,225	1,196,068	1,130,993
Cottonseed on hand October 31 (tons).....	247,196	277,584	1,343,500	1,039,636
Production of products:				
Crude oil (pounds).....	77,754,000	107,330,000	371,816,000	359,042,000
Cake and meal (tons).....	121,313	168,709	521,936	504,162
Hulls (tons).....	67,969	93,251	302,739	282,453
Linters (running bales).....	73,868	85,732	343,280	286,559
Stocks on hand October 31:				
Crude oil (pounds).....	18,987,000	20,232,000	62,032,000	97,528,000
Cake and meal (tons).....	95,507	152,161	291,815	129,769
Hulls (tons).....	91,796	53,687	213,138	104,586
Linters (running bales).....	41,587	57,984	123,920	177,165

SOURCE: Bureau of Census.

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

##### HOUSTON AND GALVESTON—(Bales)

	October 1941	October 1940	September 1941	August 1 to October 31 This season	Last season
Receipts.....	250,492	346,684	142,046	494,947	868,043
Exports (foreign and coast wise).....	76,301	123,099	60,533	200,992	296,888
Stocks, end of month.....	1,903,190	1,859,976	1,798,996		

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

	October 1941	October 1940	September 1941	August 1 to October 31 This season	Last season
Consumption at:					
Texas mills.....	19,893	15,772	20,315	60,441	47,191
United States mills.....	953,600	770,832	875,682	2,703,395	2,059,955
U.S. stocks—end of month:					
In consuming estab'nts.....	1,993,293	1,355,460	1,636,521		
Public stg. & compresses.....	13,342,123	13,836,566	11,523,702		
Total exports.....	161,668	194,700	189,215	429,399	350,680

#### CRUDE OIL PRODUCTION—(Barrels)

	October 1941	Increase or decrease in daily average production from	
	Total production	Daily avg. production	
North Texas.....	5,710,150	184,198	— 8,341
West Texas.....	9,525,650	307,279	+ 12,426
East Texas.....	13,793,150	444,940	+ 20,467
South Texas.....	6,645,550	214,373	— 3,059
Texas Coastal.....	8,892,750	286,863	+ 61,720
Total Texas.....	44,567,250	1,437,653	+117,993
New Mexico.....	3,585,000	115,645	+ 14,966
North Louisiana.....	2,496,750	80,540	+ 14,246
Total District.....	50,649,000	1,633,838	+147,205

SOURCE: Estimated from American Petroleum Institute weekly reports.

#### BUILDING PERMITS

	Percentage change valuation from				Percentage change valuation from 1940			
	October, 1941	Oct., 1940	Sept., 1941	Jan. 1 to Oct. 31, 1941	October, 1941	October, 1940	September, 1941	January 1 to October 31, 1940
No. Valuation	No.	Valuation	No.	Valuation	No.	Valuation	No.	Valuation
Abilene.....	33 \$ 104,630	+ 70	+ 10	446 \$ 1,088,883	+ 92			
Amarillo.....	74 237,585	+ 57	— 5	727 2,318,270	+ 6			
Austin.....	170 340,042	— 33	— 22	1,859 4,650,610	— 22			
Beaumont.....	168 205,977	+ 63	+ 38	1,450 1,999,134	+ 55			
Corpus Christi.....	161 564,344	+ 25	+ 35	2,263 11,512,457	+ 52			
Dallas.....	959 2,778,473	+139	+148	8,007 14,057,097	+ 12			
El Paso.....	88 458,124	+239	+215	1,208 2,693,665	— 3			
Fort Worth.....	313 739,444	+ 44	+ 91	2,889 5,815,360	+ 37			
Galveston.....	230 656,482	+456	+397	2,056 4,446,201	+145			
Houston.....	488 1,645,065	— 14	+ 10	4,705 16,995,180	— 15			
Lubbock.....	105 138,384	— 68	— 47	1,366 2,818,479	— 28			
Port Arthur.....	132 143,655	+ 39	+ 26	1,199 1,088,824	+ 8			
San Antonio.....	1,043 659,363	— 44	— 54	7,658 6,892,438	+ 10			
Shreveport.....	105 222,373	— 16	— 31	1,211 3,038,168	— 28			
Waco.....	74 156,812	— 81	— 1	714 3,848,998	+ 62			
Wichita Falls.....	63 810,059	+201	+223	651 3,186,036	+160			
Total.....	4,206 \$9,860,812	+ 20	+ 38	38,409 \$86,444,800	+ 11			

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	October 1941	October 1940	September 1941	January 1 to October 31 1941	January 1 to October 31 1940
Eleventh District—total...	\$ 70,790	\$ 22,798	\$ 46,261	\$ 396,191	\$ 209,971
Residential.....	18,021	10,560	10,391	109,347	76,341
All other.....	52,769	12,238	35,870	286,844	133,630
United States*—total.....	606,349	383,069	623,292	5,117,228	3,167,421
Residential.....	171,772	148,469	175,713	1,733,057	1,284,831
All other.....	434,577	234,600	447,579	3,384,171	1,882,590

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.



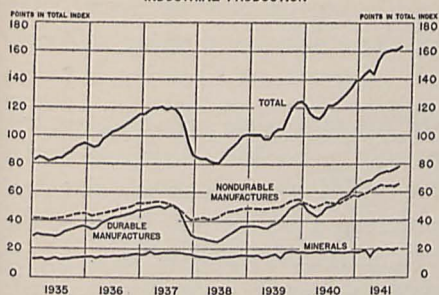
# MONTHLY BUSINESS REVIEW

DECEMBER 1, 1941

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

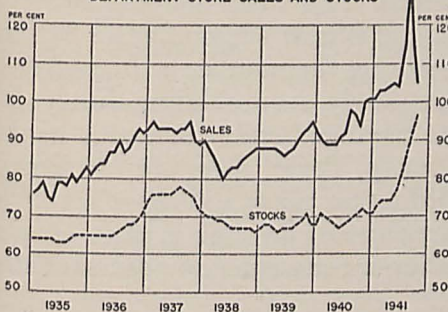
(Compiled by the Board of Governors of the Federal Reserve System)

### INDUSTRIAL PRODUCTION



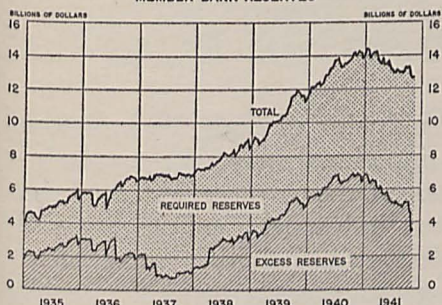
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January, 1935 to October, 1941.

### DEPARTMENT STORE SALES AND STOCKS



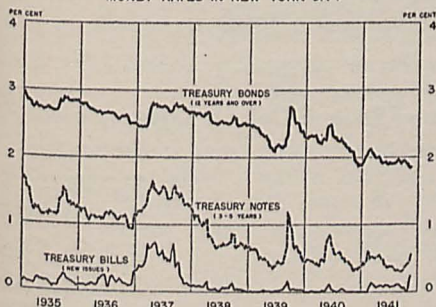
Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. By months, January, 1935 to October, 1941.

### MEMBER BANK RESERVES



Wednesday figures, January 2, 1935 to November 12, 1941. Required and excess reserves, but not the total, are partly estimated.

### 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 November 15, 1941.

Industrial activity continued to increase in October and the first half of November and there was some further advance in prices of industrial materials and finished products. Distribution of commodities to consumers declined in this period following an unusually large volume of trade in the preceding three months.

### PRODUCTION

Volume of industrial production increased further in October and the Board's seasonally adjusted index advanced from 161 to 164 per cent of the 1935-39 average. Increases in activity occurred mainly in industries producing machinery, armament, and other durable manufactures required under the defense program. In the meatpacking industry activity also advanced considerably and output of other manufactured food products, which has been unusually large in recent months, declined less than seasonally.

Automobile production increased during October and in the first half of November was sustained at about the rate reached at the beginning of the month. Production in October approximated the quota permitted for the month, whereas in August and September output had been considerably below the quotas set, owing in part to delays incident to the changeover to new model production and to difficulties in obtaining certain materials. Since the beginning of the model year production has been substantially in excess of retail sales and dealers' stocks have risen sharply. Output of cars and trucks in October was about one-fourth smaller than in October last year; in the industry as a whole, however, activity, as measured by manhours worked, was about the same as a year ago, apparently reflecting a shift to armament production.

In most other manufacturing industries output in October was maintained at or near the rates prevailing in other recent months. At cotton mills activity increased, following some reduction in the previous month, while at wool mills there was a slight decline from the peak reached in September. Steel production rose to an average rate of about 99 per cent of capacity during October but declined slightly in the first half of November.

Coal production declined somewhat in October and early November, while output of crude petroleum increased further to new record levels. Iron ore shipments down the Lakes were maintained at a high rate and through the end of October amounted to 71,600,000 gross tons, a larger volume than had previously been transported in any complete shipping season.

Value of construction contract awards decreased slightly in October, according to figures of the F. W. Dodge Corporation. Declines in awards for publicly-financed work were partly offset in the total by an increase in privately-financed projects. Awards for residential building showed little change, although an increase is customary in this month. Contract awards in October continued in larger volume than a year ago. Total awards were 60 per cent larger, reflecting increases of 13 per cent in private construction and of 112 per cent in public work.

### DISTRIBUTION

Distribution of commodities to consumers declined in October following an unusually large volume of trade in the preceding three months. During the third quarter sales had been stimulated considerably by several factors, notably apprehension that there might be shortages and higher prices of many consumers' goods later on, as well as desire to avoid stricter instalment credit terms, effective September 1, and higher taxes on many products effective October 1.

Railroad freight-car loadings declined somewhat from September to October, owing principally to decreased shipments of grain products and coal. Shipments of livestock increased and ore loadings showed less than the usual seasonal decline.

### COMMODITY PRICES

Prices of agricultural commodities, which had declined from the early part of September to the middle of October, have advanced somewhat since that time and prices of industrial commodities have increased further. Recent advances for industrial raw materials and finished products have been more restricted than in earlier periods, reflecting partly an extension of Federal maximum price action particularly to petroleum products and to selected metal, chemical, and textile products.

Prices in retail markets have continued to advance sharply. In September the cost of living as measured by the Bureau of Labor Statistics' index, increased 2 points to 108 per cent of the 1935-39 average and was 7 per cent above the level of last March. Since September retail food prices, which usually decline at this season, have increased further and preliminary data indicate that retail prices of other commodities have continued to rise.

### BANK CREDIT

Total loans and investments at reporting member banks rose further during October and the first two weeks in November. Holdings of United States Government securities increased and commercial loans continued to advance.

Excess reserves of member banks declined from 4.7 billion dollars to 3.5 billion on November 1, reflecting the increase in reserve requirements previously announced by the Board to be effective on that date.

### UNITED STATES GOVERNMENT SECURITY MARKET

Long-term Treasury bonds declined slightly in price during the early part of November, following a relatively sharp increase after the middle of September to a record high level around November 1. Yields on short-term issues have firmed since early in September, the yield on Treasury notes of December, 1945, advancing from 0.62 per cent on September 15 to 0.83 on November 15, and the bill rate rising to 0.258 percent.



## DEFENSE SAVINGS BONDS

Sales of Series E Defense Savings bonds in the Eleventh Federal Reserve District, including sales by qualified issuing agencies, i. e., commercial banks, building and loan associations, loan and savings associations, and credit unions, and by the Federal Reserve Bank of Dallas, but not including sales by post offices, aggregated \$17,683,799 during the period from May 1 to October 31, inclusive. The number of bonds issued during that period totaled 193,325. From the table shown below, it may be noted that sales reached a peak during July at \$3,949,556 and then declined during the subsequent three months. Sales during October were only about one-half those during July.

In the Eleventh Federal Reserve District, 786 institutions have qualified as issuing agencies for the sale of Defense Savings bonds. This number includes about 70 per cent of the banking institutions in the district and a sizable number of other financial institutions, including building and loan associations, loan and savings associations, and credit unions. These institutions are rendering a public service by making Series E Defense Savings bonds readily available for purchase by their customers and others. Those financial institutions which have not qualified as issuing agencies are urged to do so in order that the sale of Defense Savings bonds may be facilitated to the greatest possible extent.

Since the inauguration of the sale of Defense Savings bonds on May 1 this year, many industrial corporations and financial organizations have adopted voluntary payroll deduction plans to assist their employees in accumulating funds regularly for the purchase of such bonds. This bank adopted such a plan during May, with the result that a large percentage of its employees is now accumulating funds regularly for that purpose. While very little information is available regarding the number of firms having payroll deduction plans and on the number of employees who are regularly accumulating funds, it may be pointed out that several firms are making purchases of Defense Savings bonds from this bank each month for the account of their employees. Moreover, in Dallas County, Texas, there are 150 firms in which each one of their 5,000 employees is participating in payroll deduction plans and there are 100 firms where an average of one-third of their 13,000 employees is participating in such a plan. Many other concerns, whose home offices are located in other districts, are awaiting information on central office plans before instituting them locally.

The voluntary payroll deduction plans already instituted will contribute increasingly to the sale of Defense Savings bonds, yet it is important that all other concerns should give serious consideration to the inauguration of similar plans in order that every individual, through an organized and systematic plan, may have the privilege and opportunity of contributing his or her share toward the financing of the defense program.

The operation of payroll deduction plans is desirable from the standpoint of both the individual and the Government. This method provides the means by which each individual may save regularly a portion of his or her salary for investment in interest bearing obligations of the Government. Such savings will not only lessen the demand for civilian goods at a time when industrial facilities are fully employed and are unable to meet the unprecedented demand for both defense and civilian requirements, but will also create a backlog of purchasing power for use in unusual circumstances or in that period when the curtailment of defense demands may lead to decreased production and unemployment. At the same time, the collective savings of the people throughout the country will contribute significantly to the financing of the huge program for defense against aggressor nations and will assist in combating inflationary developments that are induced by a situation in which the demand for goods in excess of the available supply causes a substantial rise in prices of goods.

### Sales of Series E Defense Savings Bonds

#### Number of Bonds

#### Amount

1941

May	31,997	\$ 3,883,125
June	29,709	2,850,206
July	38,549	3,949,556
August	30,643	2,602,331
September	31,514	2,387,100
October	30,913	2,011,481
Total six months	193,325	17,683,799