

# MONTHLY BUSINESS REVIEW

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## DISTRICT SUMMARY

Preliminary data for January indicate substantial increases in operations among the various branches of industry producing products used directly or indirectly in the war program. Production of crude petroleum increased to a new all-time high level, and the output of refined products rose to a peak one-third greater than in January, 1941. Further progress was evidenced in connection with the construction of additional army cantonments and industrial plants for the production of war materials. The value of construction contracts awarded in January was moderately higher than a month earlier and 13 per cent greater than a year ago. The demand for lumber increased by an amount much greater than is ordinarily experienced in January, and shipments expanded sharply, notwithstanding a moderate curtailment in production. Output of linters at cottonseed oil mills in Texas was slightly greater than in January, 1941, whereas, the production of other cottonseed products was smaller. The Government restrictions instituted with respect to the distribution of certain products and public reaction to prospective shortages in some commodities apparently precipitated an exceptionally heavy consumer demand for a wide range of goods, necessitating heavy replacement orders by retail merchants. Consumer purchases during January at reporting department stores in this district were the highest of record for that month, and the distribution of merchandise through wholesale trade channels exceeded that in January, 1941, by 23 per cent.

## BUSINESS

Consumer buying at retail trade establishments in this district, as well as in the United States as a whole, was unusually heavy during January. The announcement of plans to ration automobiles and tires, and public statements to the effect that shortages might develop in certain commodities, set off a wave of anticipatory buying similar to that which developed last summer after silk stocks in this country were impounded. While the buying appears to have been heaviest in certain imported commodities, particularly foods, reports indicate that it was substantial in a wide range of merchandise. At reporting department stores in this district sales of piece goods, ready-to-wear accessories, and men's and women's wearing apparel were much greater than a year ago, and total sales at reporting firms averaged 28 per cent greater than in January, 1941. This bank's seasonally adjusted index of department store sales rose from 128 per cent of the 1923-1925 average in December to 161 per cent in January. The latter figure compares with a peak of 166 per cent recorded in August last year. Preliminary data indicate that during the first half of February the gain in department store sales as compared with a year ago amounted to only 9 per cent, which was much smaller than the figure recorded for a similar comparison for the initial month of 1942.

Inventories of merchandise at reporting department stores were increased counterseasonally in January, and this bank's seasonally adjusted index rose 6 points to 94 per cent of the 1923-1925 average, the highest level reached in over fifteen years. In comparison with a year ago, the value of inventories on January 31 was about one-third greater. The value of merchandise orders outstanding at the close of January was 50 per cent greater than a month earlier and a year ago.

The distribution of merchandise through wholesale trade channels in this district increased 6 per cent from December to January, reflecting chiefly heavy replacement orders by retail grocers for the purpose of replenishing depleted stocks

caused by the heavy consumer purchases. The dollar value of sales at reporting wholesale grocery firms was one-fifth larger than in December and 32 per cent greater than in January a year ago. In comparison with January, 1941, aggregate sales in all reporting lines of trade averaged 23 per cent greater, notwithstanding moderate declines from a year ago in the distribution of machinery and electrical supplies. The value of stocks on hand January 31 at reporting wholesale firms was about the same as that a month earlier, but 20 per cent greater than a year ago.

The number of business failures in the Eleventh District during January was the smallest of record for that month and liabilities of defaulting firms were less than one-half the total in January a year ago. Dun and Bradstreet reported 10 business insolvencies in this district during the month with a total indebtedness of \$117,000.

## AGRICULTURE

Weather conditions during the last half of January were generally favorable for field work in most sections of the Eleventh District, with the result that farmers made good progress in the preparation of soil for spring planting. On the other hand, low temperatures early in the month and subsequent dry weather accompanied by insect activity in some localities damaged small grains to some extent and retarded crop growth. Despite these handicaps, reports indicate that the condition of winter wheat and oats in Texas is still generally good, with prospects for above-average yields. Although additional rains are needed to replenish surface moisture and prevent soil blowing throughout most of west and northwest Texas, a good subsoil season obtains in virtually all sections of the district.

Following a brief period of low temperatures early in January, which apparently did little damage to growing truck crops in south Texas, prevailing weather conditions in that area were favorable to the growth and seeding of spring vegetable crops. In the irrigated sections of the Lower Rio Grande Valley, early seeded crops have made rapid progress, and according to the Department of Agriculture, physical conditions are favorable for early seeding of several important cash crops in the dry-land areas. Rains during the first half of February partially relieved a moisture deficiency in the northern portion of the truck growing area, and other dry-land sections appear to have an ample supply of moisture for crop development.

The indicated production of oranges in Texas from the 1941 bloom was reduced 200,000 boxes in January to a total of 2,900,000 boxes, which compares with a harvest of 2,750,000 boxes from the 1940 bloom. The prospective production of grapefruit remained unchanged at 15,100,000 boxes. Carlot shipments of citrus fruit and vegetable crops from the commercial producing areas in south Texas prior to February 15 this year totaled 17,231 cars, as against 12,783 cars to the same date a year earlier. Although the gain in shipments was accounted for primarily by a pronounced increase in the movement of grapefruit and oranges, shipments of vegetables, which had been retarded earlier in the season because of slow maturation of crops, registered an increase of 923 cars or 16 per cent.

The condition of livestock ranges in Texas declined further in January as a result of sub-normal rainfall and low temperatures, which caused some damage to range feed and retarded the growth of weeds and grasses. Nevertheless, range conditions on February 1 were well above the average for

that date and according to the Department of Agriculture, ranges were still furnishing vegetation for winter grazing. Livestock ranges in New Mexico and Arizona remained in generally good condition during the opening month of 1942. Although some shrinkage in weight was evidenced during January, livestock in this district appear to be going through the winter in good flesh. Supplemental feeding during the cold wave early in January restricted death losses, and the mild, open weather prevailing during the remainder of the month enabled range animals to regain some lost weight.

According to the Department of Agriculture, the number of livestock on feed in Texas at the beginning of 1942 was considerably larger than a year earlier. This development reflects chiefly the generally favorable condition of pastures and small grain fields and the ample supply of supplemental feeds available in most areas. The number of cattle being fed for market on January 1 totaled 185,000 head as against 168,000 head a year earlier. Sheep and lambs on feed at the beginning of the year numbered 210,000 head, which was about one-fifth greater than a year earlier, as well as the ten-year, 1932-1941, average.

### FINANCE

Total loans and investments at weekly reporting member banks in leading cities of the Eleventh District showed a net decline of \$2,900,000 during the first six weeks of 1942, notwithstanding a substantial increase in security holdings. Total loans at reporting banks declined \$13,448,000 during the six-week period, which was nearly \$1,500,000 greater than the 1931-1940 average decline for that period. Although the contraction in loans since the turn of the year has been substantial, it is significant to note that the decline occurred largely in loans to brokers and dealers in securities, in other loans for security trading, and in "all other" loans, which include personal and instalment loans. Loans for commercial, industrial and agricultural purposes, which totaled \$255,000,000 on February 11, were only \$955,000 below those at the close of 1941. The sustained demand for this class of loan, which ordinarily declines substantially after the turn of the year, reflects to a considerable extent the stimulating effects of the war effort on the demand for funds to finance production, distribution, and additions to plant facilities.

The increase in investments at reporting banks between December 31, 1941, and February 11 this year, amounted to \$10,500,000, reflecting additions to holdings of corporate and

municipal securities as well as a substantial increase in holdings of Government obligations. Although total investments of these banks on February 11 were slightly below the all-time peak established on December 17, 1941, they were \$56,300,000 greater than a year earlier.

Savings deposits at 113 reporting banks in this district, which ordinarily show little change during the initial month of the year, declined by about \$5,000,000 during January, which doubtless reflects in part deposit withdrawals for investment in United States Defense bonds and stamps.

Daily average reserves of member banks in this district fluctuated within relatively narrow limits during the first six weeks of 1942 at levels only moderately below the all-time peak established during the first half of December, 1941. At the same time, required and excess reserves showed comparatively little net change. The comparative stability thus far this year in member bank reserve balances maintained at the Federal Reserve Bank of Dallas contrasts with substantial increases during the corresponding period of 1941, at which time commercial bank deposits were increased very sharply. During January this year the daily average of combined net demand and time deposits at all member banks in the Eleventh District declined \$12,000,000 as compared with the last half of December. Although total reserve balances of member banks showed a marked increase during the year ended February 15, 1942, the net gain during that period was more than counterbalanced by the increase in required reserves, resulting from an expansion in deposits at member banks and the increase in reserve requirements, which became effective on November 1, 1941. In consequence, daily average excess reserves during the first half of February were somewhat smaller than the all-time peak of \$95,300,000 established in the corresponding period of 1941.

The return flow of Federal Reserve notes of this bank from circulation following the year-end holidays was much smaller than usual. During the period from 1935 to 1940, the average decrease in the amount of this bank's notes in actual circulation from the high point reached in December to the low point in the following January was \$7,340,000. In the past two years, the decreases have been less than one-half that amount even though the total amount of this bank's notes in circulation has increased sharply since the middle of 1940. After reaching a peak of \$136,100,000 on December 23, 1941, the note circulation of this bank subsequently declined seasonally to \$132,900,000 on January 23 this year, and then resumed an upward trend, reaching a new peak at \$138,400,000 on February 4.

### INDUSTRY

The total value of construction contracts awarded in this district during January was sustained by a marked increase in residential building, which more than offset the declines in the value of awards for other classes of construction work. The value of contracts let for residential building in January was

#### WHOLESALE AND RETAIL TRADE STATISTICS

Retail Trade: Department stores: Total 11th District..... Dallas..... Fort Worth..... Houston..... San Antonio..... Shreveport..... Other cities.....	Number of reporting firms	Percentage change in:			
		Net sales		Stocks†	
		January, 1941	December, 1941	January, 1941	December, 1941
		+28	-46	+33	+1
		+19	-45	+29	+1
		+33	-49	+28	-11
		+34	-43	+43	-10
		+37	-43	+32	+23
		+44	-52	.....	.....
		+27	-48	+44	+3
Independent stores:* Arizona..... New Mexico..... Oklahoma..... Texas.....	238 186 512 1,110	+11 +1 +11 +10	-24 -29 -37 -35	..... ..... ..... .....	..... ..... ..... .....
Wholesale Trade:* Machinery, eqpt. & supplies..... Automotive supplies..... Drugs (incl. liquors)..... Electrical supplies..... Groceries..... Hardware..... Surgical equipment..... Tobacco & products.....	4 4 10 5 28 12 4 4	-3 +10 +13 -9 +32 +34 +43 +5	-3 -12 -13 -29 +21 +6 +5 -20	..... ..... +15 ..... +32 +14 +5 .....	..... ..... -8 ..... +2 +1 No Chg. .....

\*Compiled by United States Bureau of Census.

†Stocks at close of month.

‡Less than half of one per cent.

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

	January 1942	December, 1941	November, 1941	January, 1941
Sales (daily average):				
Without seasonal adjustment.....	122	222	150	96
With seasonal adjustment.....	101	128	134	126
Stocks (end of month):				
Without seasonal adjustment.....	82	77	101	63
With seasonal adjustment.....	94	88	90	72

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

	November, 1941			Total receipts			
	Receipts from:		Government payments	Nov., 1941	Nov., 1940	Jan. 1 to Nov. 30 1941	1940
	Crops	Livestock*					
Arizona.....	5,120	6,786	212	12,118	8,681	73,645	52,825
Louisiana.....	21,383	2,859	1,825	20,067	17,831	126,550	104,369
New Mexico.....	4,000	10,259	312	15,171	12,243	62,312	54,175
Oklahoma.....	15,545	11,390	981	30,916	25,185	245,647	185,705
Texas.....	50,526	30,931	6,387	87,844	65,199	701,586	531,930
Total.....	100,174	62,225	9,717	172,116	120,139	1,209,749	929,004

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

SOURCE: United States Department of Agriculture.

#### LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	Jan., 1942	Jan., 1941	Dec., 1941	Jan., 1942	Jan., 1941	Dec., 1941
Cattle.....	45,682	39,521	55,142	16,967	15,726	17,602
Calves.....	24,691	24,952	38,496	25,829	20,721	27,334
Hogs.....	64,913	67,438	58,190	12,908	15,993	13,300
Sheep.....	43,766	26,223	34,942	9,290	6,908	7,520

59 per cent greater than in the preceding month and 20 per cent higher than the total for January a year ago. Awards for nonresidential building, which include commercial and manufacturing structures, dropped further in January to the lowest level since June, 1941. Reports indicate, however, that several large nonresidential projects are in the active planning stage. Engineering construction evidenced a substantial decline as compared with December; nevertheless, the value of awards for public works construction was 14 per cent larger than a year earlier and awards for public utilities construction were nearly three times the January, 1941, volume. Although privately-financed construction in January was much smaller than a year ago, it was well sustained as compared with the preceding month. Publicly-financed work, on the other hand, showed a substantial increase over both the previous month and the corresponding month a year earlier, reflecting the acceleration of work on defense projects.

Following seasonal declines during the two preceding months, mill shipments of lumber showed a pronounced increase in January, and the volume of unfilled orders on hand rose by about 37 per cent during the first six weeks of 1942 to a level one-fourth higher than on February 15, 1941.

Operations in the petroleum industry are reflecting to an increasing extent adjustments to changing conditions and requirements brought about by the expanding war program. Production of crude petroleum in the Eleventh District was increased further in January in accordance with the recommendation of the National Petroleum Coördinator, and the output of refined products expanded sharply, reflecting an appreciable increase in the rate of refinery operations. Crude oil production was at a new peak of 1,748,000 barrels daily, which was 22 per cent in excess of that a year earlier, and crude oil runs to refinery stills averaged about 1,440,000 barrels daily, or more than one-third higher than a year ago. The expansion in operations in this district contrasted with declines in activity for the United States as a whole. Production of crude petroleum in Illinois was reduced substantially during January and output in Kansas, Oklahoma and California was moderately smaller. Refinery operations outside the Eleventh District were curtailed rather sharply to a level 5 per cent lower than in January, 1941.

Transportation difficulties caused by the loss of oil tankers through enemy submarine activity and the diversion of other tankers from civilian to military use are restricting the movement of crude oil and refined products from the Gulf Coast to the heavy consuming areas in the East. This situation, together with expanded production in the Eleventh District, resulted in substantial increases in inventories of petroleum and petroleum products in this district during January. Stocks of crude oil rose by about 5 per cent, and gains in inventories of gasoline and fuel oils were even more pronounced. The maldistribution of petroleum products is causing a serious drain in the East on stocks of heavy fuel oils vital to industrial and military operations. In consequence, the National Petroleum Coördinator has requested oil companies to divert, whenever possible, tankers and other transportation facilities from the movement of gasoline to the movement of fuel oil. Inventories of fuel oil on the East Coast declined 3,747,000 barrels, or 30 per cent, during the six weeks ended February 7 this year, whereas stocks in this district increased by about 1,000,000 barrels during that period to a level 17 per cent higher than a year ago.

Drilling operations in this district and in the United States showed a noticeable decline in January reflecting to a considerable extent adjustments in operations to conform with regulations issued by the Office of Production Management on December 23, 1941, which established priority ratings on the purchase of materials essential to drilling and producing operations. The regulation is designed to aid the petroleum industry

in the development of the Nation's petroleum resources with a minimum use of critical materials essential to the prosecution of the war. The order provides that materials will be made available for all necessary and constructive operations, including repair, maintenance, research and exploratory purposes, and also for new wells in areas where operators conform with certain spacing regulations, as announced on December 23, 1941, and amended February 17, 1942, which require that not more than one well shall be drilled on each 40 acres of producing land. The order emphasizes the necessity of increased search for and discovery of new reserves of petroleum.

During January, the daily average number of wells completed in this district was 15 per cent fewer than in December,

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

	Feb. 15, 1942	Feb. 15, 1941	Jan. 15, 1942
Total cash reserves.....	\$410,999	\$311,696	\$415,238
Discounts for member banks.....	87	None	87
Industrial advances.....	246	278	247
United States Government securities.....	87,391	86,834	87,545
Total earning assets.....	87,724	87,112	88,179
Member bank reserve deposits.....	317,310	256,005	316,891
Federal Reserve notes in actual circulation.....	136,492	97,225	133,213

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

	Feb. 11, 1942	Feb. 12, 1941	Jan. 14, 1942
Total loans and investments.....	\$684,243	\$589,238	\$678,089
Total loans.....	380,335	321,677	362,400
Commercial, industrial and agricultural loans.....	255,027	222,975	253,926
Open market paper.....	2,333	1,413	1,754
Loans to brokers and dealers in securities.....	4,051	4,076	6,894
Other loans for purchasing or carrying securities.....	12,882	12,186	12,989
Real estate loans.....	21,617	22,509	21,997
Loans to banks.....	327	688	196
All other loans.....	64,148	57,232	64,644
United States Government direct obligations.....	221,005	166,872	214,732
Obligations fully guaranteed by United States Govt.....	39,123	33,855	39,401
Other securities.....	63,730	61,834	61,556
Reserves with Federal Reserve Bank.....	192,157	159,837	194,547
Balances with domestic banks.....	301,110	291,896	303,630
Demand deposits—adjusted*.....	635,416	542,989	624,012
Time deposits.....	130,131	136,957	131,204
United States Government deposits.....	35,187	22,787	37,407
Interbank deposits.....	325,942	289,715	332,904
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)

	January, 1942	January, 1941	Pctg. change over year	December, 1941	Pctg. change over month
Abilene.....	\$ 15,072	\$ 11,552	+ 30	\$ 16,485	— 9
Austin.....	47,752	38,416	+ 24	45,293	+ 5
Beaumont.....	37,163	27,136	+ 37	39,893	— 7
Corpuscular.....	5,022	4,310	+ 17	5,793	— 13
Dallas.....	397,888	304,493	+ 31	471,787	— 16
El Paso.....	50,909	49,534	+ 3	53,846	— 5
Fort Worth.....	123,521	100,418	+ 23	160,712	— 23
Galveston.....	37,011	26,790	+ 38	46,589	— 21
Houston.....	371,392	280,528	+ 32	412,229	— 10
Port Arthur.....	14,197	10,919	+ 30	14,987	— 5
Roswell.....	5,351	4,855	+ 10	6,046	— 11
San Antonio.....	97,038	84,667	+ 15	116,789	— 17
Shreveport.....	69,994	53,227	+ 32	74,372	— 6
Texarkana*.....	22,304	10,002	+ 123	25,362	— 12
Tucson.....	17,595	14,360	+ 23	17,325	+ 2
Tyler.....	15,151	14,438	+ 5	16,605	— 9
Waco.....	21,644	15,896	+ 36	22,642	— 4
Wichita Falls.....	24,280	17,650	+ 38	40,763	— 40
Total.....	\$1,373,284	\$1,069,181	+ 28	\$1,587,518	— 13

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

SAVINGS DEPOSITS

	January, 31, 1942			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Jan. 31, 1941	Dec. 31, 1941
Beaumont.....	3	10,381	4,258,989	— .6	— 1.9
Dallas.....	8	91,105	25,415,390	— 4.7	— 3.7
El Paso.....	2	18,761	7,114,844	— 15.4	— 4.7
Fort Worth.....	3	33,707	12,546,596	— 4.3	— 1.4
Galveston.....	4	18,509	10,945,613	— 9.5	— 2.2
Houston.....	10	75,759	31,555,914	— 2.2	— 3.5
Lubbock.....	2	1,361	555,344	+ 4.1	— 1.7
Port Arthur.....	2	5,532	2,962,623	— 8.4	— 1.7
San Antonio.....	5	22,690	17,605,253	— 1.9	— 3.3
Shreveport.....	3	25,911	12,007,787	— 1.6	— 1.1
Waco.....	3	7,458	4,112,396	— 9.4	— 4.0
Wichita Falls.....	3	7,306	3,386,754	— 7.0	— 2.6
All other.....	64	54,619	27,802,182	— 8.2	— 3.3
Total.....	113	373,099	\$160,299,685	— 5.3	— 3.0

and the number of completions in the United States was down 12 per cent. Despite the decline in January, the rate at which new wells were completed remained at a considerably higher level than a year ago when operations were noticeably restricted. Further evidence of the priority regulations on drilling activity is indicated by a sharp decline in the number of drilling rigs in operation; on February 1, the number of rigs in operation in this district was 22 per cent smaller than a month earlier and the decline for the United States as a whole was 17 per cent.

The daily average rate of cotton consumption in the United States rose to a new all-time peak in January, following a moderate contraction in December, 1941. There were 945,900 bales of cotton consumed during the month, which was the highest of record for that month and 12 per cent greater than in January, 1941. The production of cotton textiles for military purposes showed a pronounced increase in January, and at the same time mill deliveries of cloth and yarn for civilian purposes declined. Reports indicate that Governmental and essential civilian orders for cotton textiles nearly doubled in January. During the first half of the 1941-1942 cotton season, domestic mills consumed 5,386,400 bales of cotton, or at an average rate of 897,730 bales monthly. If this rate should be maintained during the remainder of the season, consumption for the twelve-month period would approximate 10,700,000 bales, which will exceed the previous maximum established in the 1940-1941 season by about 11 per cent, or 1,000,000 bales. Moreover, the Department of Agriculture has estimated that cotton consumption might approximate 11,500,000 bales this season. Consuming establishments continued to build up inventories of raw cotton during January. At the month-end stocks were 4 per cent above the December 31 peak and one-third greater than a year earlier. Stocks of cotton in public storage and compresses on January 31, which include Government loan stocks, were reduced 856,000 bales in January to a level 12 per cent smaller than a year earlier. According to the Department of Agriculture, the domestic carry-over of cotton on August 1, 1942, will probably be much smaller than at the beginning of the current season in view of the prospects for a continued high level of domestic cotton consumption.

During the first four weeks of 1942, spot cotton prices in the United States increased sharply, reflecting chiefly heavy purchases by consuming establishments and the stimulating effects of certain provisions in the price-control bill which was before Congress at that time. On January 27, the average price of cotton at ten spot markets was slightly above 20

## BUILDING PERMITS

	January, 1942		Pctg. change valuation from	
	Number	Valuation	January, 1941	Dec., 1941
Abilene.....	52	98,375	+ 31	+ 96
Amarillo.....	19	46,775	- 73	- 71
Austin.....	135	249,221	- 36	- 24
Beaumont.....	144	167,642	- 45	+ 57
Corpus Christi.....	132	361,640	- 70	+122
Dallas.....	538	2,433,784	+132	+ 62
El Paso.....	81	122,627	- 45	- 36
Fort Worth.....	232	493,207	- 2	- 97
Galveston.....	117	189,287	+ 70	+119
Houston.....	510	1,480,535	- 26	+ 42
Lubbock.....	117	184,685	- 13	+ 18
Port Arthur.....	90	64,555	- 24	+108
San Antonio.....	780	576,144	- 47	+ 40
Shreveport.....	98	273,083	- 16	+ 12
Waco.....	66	77,463	- 53	+ 21
Wichita Falls.....	23	24,757	- 57	- 97
Total.....	3,134	6,843,780	- 14	- 66

VALUE OF CONSTRUCTION CONTRACTS AWARDED  
(In thousands of dollars)

	January, 1942		December, 1941	
	1942	1941	1941	1941
Eleventh District—total.....	23,412	20,768	22,877r	
Residential.....	10,105	8,448	6,361	
All other.....	13,307	12,320	16,516r	
United States*—total.....	316,846	305,205	431,626	
Residential.....	102,758	111,306	104,276	
All other.....	214,088	193,899	327,350	

\*37 States east of the Rocky Mountains

r—Revised;

SOURCE: F. W. Dodge Corporation.

cents per pound, or about 2¼ cents per pound higher than one month earlier. Subsequently, the market declined 1.3 cents per pound due apparently to Governmental pronouncements regarding the use of Government-owned commodities to maintain market quotations at parity prices. Approximately one-half of this decline was recovered during the first half of February, with prices averaging 19.42 cents per pound on February 18, or 1.65 cents per pound higher than on December 31, 1941.

On the whole, operations at cottonseed oil mills in the United States during the first half of the 1941-1942 season were at a somewhat slower rate than in the corresponding period a year earlier. Receipts and crushings of cottonseed and the production of crude oil, cake and meal, and hulls during the six-month period averaged about 5 per cent smaller than in the comparable period a year earlier. In contrast with the curtailment in these operations, output of linters was increased 5 per cent due to a pronounced increase in demand arising from military requirements. Mill stocks of linters increased at a much slower rate than usual during the first half of the current season and on January 31 this year, inventories averaged 42 per cent smaller than on that date a year earlier. The demand for cottonseed hulls has likewise shown an appreciable increase thus far this year over that a year earlier, whereas, shipments of cottonseed oil and cake and meal have been smaller. Although inventories of cottonseed oil rose by about the average seasonal amount between July 31, 1941, and January 31 this year mill stocks on the latter date were 38 per cent smaller than a year earlier.

Following a substantial year-end decline, the movement of goods and commodities produced in the Southwest, as evidenced by total freight-car loadings, showed a pronounced upward trend during the initial month of 1942. In the final week of January the volume of freight-car loadings reached the highest level for any similar period since October, 1937, and for the month as a whole the total closely approximated that in December, 1941, and was 16 per cent greater than in the corresponding month a year earlier.

## STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to January 31		August 1 to January 31	
	This season	Last season	This season	Last season
Cottonseed received at mills (tons).....	906,499	998,833	3,667,298	3,917,030
Cottonseed crushed (tons).....	712,158	805,382	2,760,401	2,879,899
Cottonseed on hand Jan. 31 (tons).....	221,535	209,248	1,037,426	1,075,973
Production of products:				
Crude oil (thousand lbs.)....	206,127	243,519	851,218	917,768
Cake and meal (tons).....	315,880	374,316	1,206,894	1,279,558
Hulls (tons).....	184,978	205,207	689,177	721,464
Linters (running bales).....	195,264	196,999	806,576	767,446
Stocks on hand Jan. 31:				
Crude oil (thousand lbs.)....	22,716	33,635	56,936	91,474
Cake and meal (tons).....	126,583	70,781	370,564	215,841
Hulls (tons).....	111,975	92,793	229,735	197,244
Linters (running bales).....	47,520	76,441	145,481	251,302

SOURCE: Bureau of Census.

## DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	January, 1942	January, 1941	December, 1941	August 1 to January 31 This season	August 1 to January 31 Last season
	Consumption at:				
Texas mills.....	21,036	20,373	19,830	117,644	110,555
United States mills.....	945,909	844,839	887,326	5,386,363	4,423,446
U.S. stocks—end of month:					
In consuming estab'nts.....	2,495,186	1,878,231	2,393,782		
Pub. stg. & compresses.....	12,857,321	14,672,545	13,713,773		

## CRUDE OIL PRODUCTION—(Barrels)

	January, 1942		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Jan., 1941	Dec., 1941
North Texas.....	7,200,500	232,274	+ 31,150	- 279
West Texas.....	9,483,000	305,903	+ 97,308	+ 3,851
East Texas.....	14,623,050	471,712	+ 41,739	+ 1,072
South Texas.....	7,094,500	228,855	+ 43,208	+ 3,670
Texas Coastal.....	9,562,950	308,482	+ 72,677	+ 5,293
Total Texas.....	47,964,000	1,547,226	+286,082	+11,463
New Mexico.....	3,687,150	118,940	+ 18,105	+ 621
North Louisiana.....	2,541,450	81,982	+ 13,024	- 7
Total District.....	54,192,600	1,748,148	+317,211	+12,077

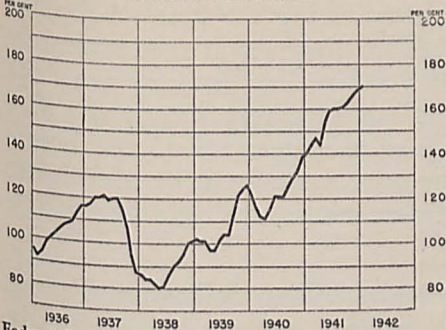
SOURCE: American Petroleum Institute Weekly reports.

MARCH 1, 1942

NATIONAL SUMMARY OF BUSINESS CONDITIONS

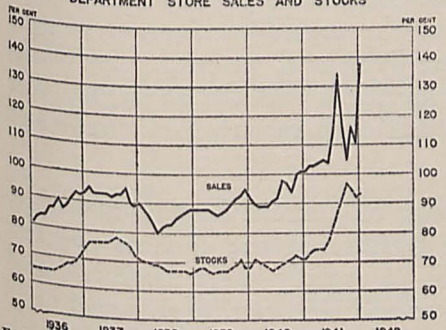
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



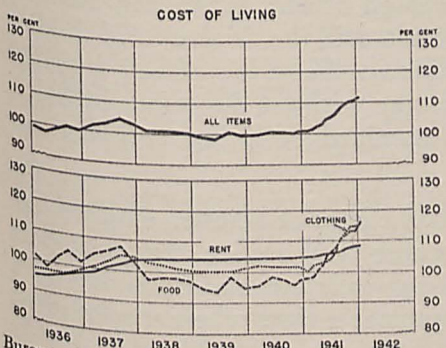
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for January, 1942.

DEPARTMENT STORE SALES AND STOCKS



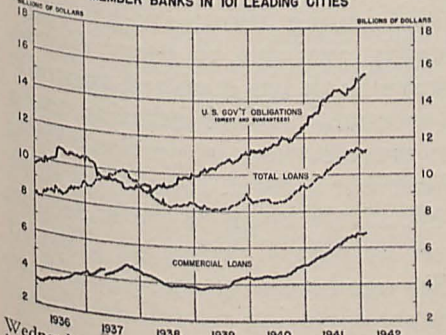
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for January, 1942.

COST OF LIVING



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September, 1940, monthly thereafter. Latest figures shown are for January, 1942.

MEMBER BANKS IN 101 LEADING CITIES



Wednesday figures. Commercial loans, which include industrial and agricultural loans, represent prior to May 19, 1937 so-called "Other loans" as then reported. Latest figures shown are for February 11, 1942.

Industrial activity rose further in January and the first half of February, reflecting continued sharp advances in output of military products. Retail trade was unusually active and prices, particularly of unregulated commodities, advanced.

PRODUCTION

Volume of industrial production increased in January, although usually there is some decline at this season, and the Board's adjusted index rose further to 170 per cent of the 1935-39 average. Continued rapid increases in activity were reported in the machinery and armament industries and production of chemicals likewise rose sharply. Activity at cotton textile mills reached a new high level, following some decline in December. In the meatpacking industry, where activity had risen to record levels in December, there was a further advance in January and output of most other manufactured food products was maintained in large volume for this time of year.

Production of steel and nonferrous metals continued near capacity in January and lumber production, which usually declines at this season, was sustained. In the automobile industry output of passenger cars and light trucks continued at about the December rate; in February, however, production of cars and trucks for civilian use was halted and the plants were shut down for conversion to armament production. Coal production increased in January, following a decline in December when demand was curtailed somewhat by unusually warm weather, and output of crude petroleum was maintained at record levels.

Value of construction contracts awarded in January was some two-fifths below the level of the last quarter of 1941, according to figures of the F. W. Dodge Corporation. Declines were reported in all classes of construction; the decrease in residential building being usual at this season.

Total awards in January were slightly larger than last year, but public projects accounted for a much larger proportion of the total than a year ago.

DISTRIBUTION

In January retail trade was stimulated considerably by widespread anticipatory buying of many products resulting from announcements that distribution of new tires and tubes, new automobiles, and sugar would henceforth be rationed and that the amount of materials available for use in various other goods would be restricted. Sales at department stores, variety stores, and general merchandise stores declined much less than is usual after the Christmas season, while sales of tires and tubes were restricted to essential uses and sales of automobiles ceased pending the establishment of a rationing system. In the first half of February department store sales decreased somewhat from the high level reached in mid-January.

Total carloadings of revenue freight, which usually decline in January, showed little change this year and the Board's seasonally adjusted index advanced from 137 to 140 per cent of the 1935-39 average. Loadings of grain and forest products rose to unusually high levels for this time of year and coal shipments also increased, following a decline in December. Shipments of miscellaneous freight, which include most manufactured products, declined less than seasonally.

COMMODITY PRICES

Prices of commodities and services continued to advance sharply in January and the first half of February. The Emergency Price Control Act of 1942 became a law on January 30 and former Federal maximum price schedules—approximately 100 in number—remained in effect under its terms. About one-half of these schedules were issued following the United States' entry into the war. In this period, price controls were extended to a number of finished consumers' goods and covered mainly items for which output for civilian use had been sharply curtailed or prohibited by Federal order. Retail prices of foods and textile products, which are not subject to direct control, showed exceptionally large increases from December 15 to January 15 and, according to preliminary indications, have continued to advance since that time.

BANK CREDIT

Since the beginning of the year loans and investments at banks in leading cities have increased, reflecting purchases of Government securities by city banks outside New York and increases in commercial loans by banks in New York. Demand deposits and currency in circulation have risen sharply. Member bank reserves have shown little change in recent weeks, and excess reserves have continued close to 3½ billion dollars.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government bonds declined somewhat in the first half of February, following little change during the previous month, while prices of short-term securities, which had risen in January, were steady.

## DEFENSE SAVINGS BONDS



Sales of Defense Savings bonds in the United States rose from \$536,000,000 in December to \$1,074,000,000 in January, and on the basis of sales during the first 14 days of February, it appears that total sales during this short month may reach approximately \$800,000,000 which would be larger than in any month other than January since the securities were placed on the market May 1, 1941. That sustained response on the part of the public is indeed very gratifying, but in the words of the Secretary of the Treasury: "Everything that civilians can do to help win the war, must be done at a faster pace and with more intensive effort from now on—and that means, among other things, greater purchases of Defense bonds."

The President has called upon this nation to expend 56 billion dollars on the war effort during the fiscal year ending June 30, 1943, so that guns, tanks, airplanes, ships and munitions in adequate volume may be available to successfully combat enemy aggression and to preserve the freedom of democratic nations. A very large proportion of the money expended will constitute wage and salary payments to individual citizens and it is their duty to set aside sizable sums each payday for investment in Defense Savings bonds. Millions of men are being drawn into the armed services at meager salaries to fight the battle on the front lines, perhaps to sacrifice their lives, and we must give them support to the fullest measure of our strength. Compared with their sacrifices and the aggregate war expenditures, purchases of even a billion dollars of Defense Savings bonds each month look small and inadequate.

Those are vital reasons why each individual should use every dollar of current income available, after meeting essential needs, to buy Defense Savings bonds, yet the welfare of the civilian population demands such a course. The chief concern of the Government is to rapidly shift materials and human resources to military use without causing ruinous price advances and that can be achieved only if citizens deliberately learn to spend much less money than in the days before Pearl Harbor. To assure ultimate victory, vast and increasing quantities of war materials must be produced and that means progressively fewer goods for civilian consumption. If we attempt to use all of our expanding incomes in the purchase of that decreasing supply of goods, the inevitable result will be higher and higher prices of the things we do buy, or in other words, a progressive decline in the value of our incomes in terms of goods and services. The crux of our problem is to win the war without disastrous inflation—a process that destroys fixed incomes, devours savings, lowers the standard of living and disrupts business and industry.

The importance of a vast program for savings out of current income cannot be over-emphasized. The Secretary of the Treasury and others are strongly advocating it because they realize the great part it must play in helping to finance the huge war costs, to prevent ruinous inflation and to build up a large backlog of savings for the purpose of satisfying postponed demands at a time when employment for war is being shifted to employment for peace.

The Secretary of the Treasury in authorizing the Federal Reserve banks to qualify financial institutions, numerous corporations and others as issuing agents for Series E Defense Savings bonds has made possible an effective method of distributing these securities. The qualified issuing agents are performing a vital service for the Government and are providing facilities readily available to every citizen desiring to purchase Defense Savings bonds. Thus far, this Federal Reserve bank has qualified approximately 1,200 issuing agents, but there are others who can and should so qualify. Much remains to be done in the matter of bringing to the attention of the public and to wage earners in particular the necessity of making substantial and regular purchases of bonds out of current income. Employers have a definite responsibility in that regard. It is incumbent upon them to effectively bring to the attention of their employees the vital need for such a course of action and to set up payroll deduction plans to stimulate and facilitate regular and systematic purchases of Defense Savings bonds by every employee whether his savings be large or small. Increasing numbers of businesses are operating payroll deduction plans with effective results and other employers, who have not already done so, should inaugurate such a plan immediately so that every wage earner in the nation may MAKE PAY DAY BOND DAY.