

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

The effects of war-time restrictions in certain lines of activity and shortages in transportation facilities for the movement of some industrial products became increasingly apparent in the operations of some of the principal branches of industry in the Eleventh District during April. The daily average production of crude petroleum was curtailed sharply further, and drilling of new oil wells continued the downward trend that has been in progress since last September. The restrictions placed upon non-essential building and a smaller volume of awards for the construction of war projects resulted in a pronounced decline in the value of new construction started during April. On the other hand, the demand for building materials, including lumber and cement, particularly for war purposes, continued heavy. The value of consumer purchases at reporting department stores in this district was maintained at about the level attained in March, and the value of merchandise distributed through wholesale channels was nearly one-fifth higher than in April, 1941. The heavy and widespread rains during April and the first half of May retarded farming operations in some areas, but greatly improved the outlook for livestock ranges and for crop production.

BUSINESS

The dollar volume of consumer buying at department stores in this district continued at a high level during April. The value of sales at reporting stores was about the same as in March and was 7 per cent higher than in April last year. The percentage gain in sales as compared with a year earlier was smaller in April than during the first quarter of the year, apparently reflecting in part the effect upon sales of the earlier date of Easter this year. This bank's adjusted index of department store sales, which makes allowance for seasonal factors and the variable date of Easter, was 132 per cent of the 1923-1925 average in April as compared with 133 per cent in March and 118 per cent in April, 1941. During the first quarter of 1942, the increase in the dollar volume of sales was about offset by the higher retail prices of goods handled by department stores, indicating that the physical volume of goods sold was about the same in the two periods. In April, however, it appears that the physical volume of distribution was considerably smaller than in that month of 1941. On April 1, the index of retail prices, compiled by *Fairchild Publications*, was 19 per cent higher than on the corresponding date of 1941. During the first half of May the dollar value of sales at weekly reporting stores was about 4 per cent smaller than in the comparable period last year.

The value of merchandise inventories at reporting department stores increased further during April, and at the month-end was 40 per cent greater than a year earlier. The value of merchandise orders outstanding on April 30 was 29 per cent smaller than a month earlier, but 69 per cent larger than on that date in 1941.

Total sales of reporting wholesale firms in eight lines of trade in this district showed little change from March to April, as increases in sales of drugs, electrical supplies, hardware, surgical equipment, and tobacco were counterbalanced by declines in the distribution of groceries and machinery. The increase of 18 per cent in sales during April this year as com-

pared with those during April last year closely approximated the average year-to-year gain for the first four months of 1942. Inventories of merchandise at reporting wholesale firms were reduced slightly during April.

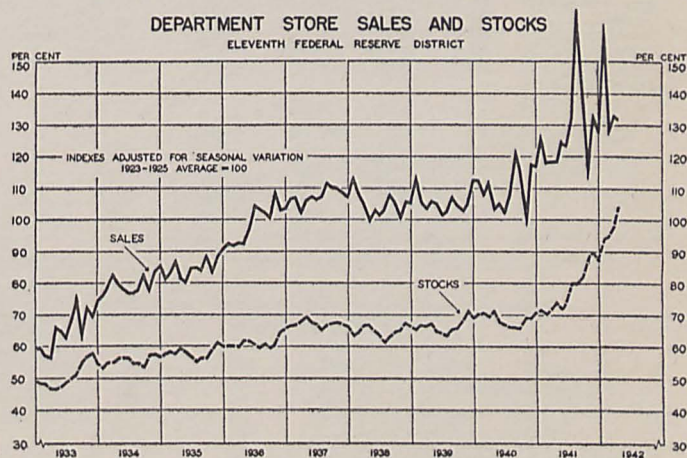
According to data compiled by the Bureau of Business Research of the University of Texas, employment in Texas was about the same in April as in March, but payrolls showed a further increase of about 2 per cent. In comparison with April, 1941, employment was 16 per cent higher and payrolls were up 41 per cent. The most pronounced decreases in employment from March to April occurred at confectionery establishments, cotton oil mills, cement plants, and in the production of crude petroleum.

The number and liabilities of business failures among manufacturing, trade, construction, and commercial service establishments in this district increased considerably during April and exceeded by substantial margins the respective totals for the corresponding month a year earlier. Dun and Bradstreet reported 31 insolvencies during the month, with liabilities aggregating \$252,000.

AGRICULTURE

Weather conditions during April and the first half of May had varying effects upon agricultural conditions in the Eleventh District. Widespread rains relieved the moisture deficiency in most areas, checked insect activity, and stimulated the growth of crops. On the other hand, field work was seriously delayed in some sections, particularly in the eastern half of the district, and floods caused considerable damage and loss of crops in many lowland areas. In north and east Texas and in northern Louisiana, planting and cultivation of summer crops were seriously retarded and many fields became foul with weeds. In most other areas, however, farmers were able to make satisfactory progress with field work. The corn crop, although later than usual in some areas, has made satisfactory growth. Planting of cotton has extended into northwest Texas, while chopping of cotton is well under way in south Texas. Reflecting the strong demand for and urgent need of domestic vegetable oils, as a result of the loss of important foreign sources of supply, farmers in this district have increased substantially the acreage planted to peanuts. According to the Department of Agriculture, seeding of peanuts is going forward in virtually all adapted areas of Texas,

DEPARTMENT STORE SALES AND STOCKS
ELEVENTH FEDERAL RESERVE DISTRICT



and good stands are reported in the southern portion of the State.

Physical conditions during April continued almost ideal for the growth and development of wheat in the heavy producing area of northwest Texas. The May 1 production forecast of the Department of Agriculture for the State was placed at 45,802,000 bushels, which, if realized, will be the second largest crop of record and 18,616,000 bushels in excess of the 1941 harvest. The estimated acreage abandonment is 18 per cent of the total area seeded to wheat in the fall of 1941, which compares with 33 per cent for 1941. Most of the acreage abandonment this year occurred in north and central Texas where the wheat crop was severely damaged by insects and drouth. The indicated per acre yield on the 2,955,000 acres remaining for harvest on May 1 was placed at 15.5 bushels, which compares with a yield of 10.4 bushels last year. Further evidence of the damaging effects of greenbugs and drouth is revealed by the condition of oats in Texas on May 1, which was placed at 39 per cent of normal as against 81 per cent on the corresponding date last year. The prospective production of wheat in Oklahoma was forecast at 54,800,000 bushels on May 1, which compares with a 1941 harvest of 48,610,000 bushels. The indicated production of 4,170,000 bushels for New Mexico is 73 per cent higher than the 1941 harvest.

Although adverse weather prevailed during the blooming season, conditions since that time have been generally favorable for the growth of peaches in Texas. The 1941 production forecast was placed at 2,100,000 bushels on May 1, which compares with 2,475,000 bushels harvested in 1941. The 1930-1939 average production is only 1,200,000 bushels.

Livestock ranges in this district, which had deteriorated considerably during the first quarter of the year, showed a marked improvement in April and the first half of May as a result of the heavy and widespread rains throughout most of the district. In contrast with the favorable situation prevailing in most sections, drouth conditions still prevail in some southwestern counties of Texas. In that area there is little range forage, cattle are thin, and ranchers have either continued

supplemental feeding or have shipped stock to other areas for pasturing. More rain would also be beneficial to the Trans-Pecos area of Texas and in scattered localities elsewhere.

Since the betterment in range conditions, livestock have made more than average gains for this season. Cattle generally are in vigorous condition, with many grass-fat cattle available for marketing. The calf crop, which is better than average, has made good growth. An active demand prevails for all classes of cattle. Sheep and lambs are now making satisfactory progress, following a slow start due to the prolonged drouth and poor range conditions in the sheep growing territory earlier in the year. Sheep shearing, although later than usual, has made satisfactory progress. Marketings of cattle and calves for the first quarter of 1942 totaled 421,000 head, the second largest movement of record for that period, as compared with 351,000 head in the corresponding quarter of 1941. The market movement of sheep and lambs for the quarter was 353,000 head as compared with 242,000 head a year earlier. The March movement of 160,000 head was the largest of record for that month.

FINANCE

United States Treasury financing during the first half of May included an issue of 2 per cent Treasury Bonds of 1949-1951 in the amount of \$1,250,000,000, which was offered for subscription to all investors, and a new so-called "tap" issue of 2½ per cent registered Treasury Bonds of 1962-1967, which was offered for subscription to investors other than commercial banks with demand deposits. Subscriptions to the latter issue were allotted in full and investors in this district purchased a total of \$19,339,700 of such securities. Subscriptions by investors in this district to the 2 per cent Treasury Bonds of 1949-1951 amounted to \$84,688,500, against which allotments of \$35,329,800 were made. Beginning with the issue dated May 13, the Treasury bill offerings were raised from \$150,000,000 weekly to \$250,000,000 weekly. On April 30 the Federal Open Market Committee directed the Federal Reserve banks to purchase for the System Open Market Account all Treasury bills that might be offered to them on a discount basis at a rate of ⅓ of 1 per cent per annum.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in:				
		Net sales		Stocks†		
		April, 1942 from April, 1941	March, 1942	Jan. 1, to Apr. 30, 1942 from 1941	April, 1942 from April, 1941	
Retail trade:						
Department stores:						
Total 11th Dist.	47	+ 7	- 1	+15	+40	+ 7
Dallas.	7	- 1	- 8	+ 9	+27	+ 3
Fort Worth.	4	+ 7	- 6	+18	+47	+18
Houston.	7	+ 7	+ 5	+16	+46	+ 7
San Antonio.	4	+24	+ 3	+24	+56	+18
Shreveport.	3	+11	+ 5	+22	.....	.....
Other cities.	22	+ 8	+ 5	+13	+47	+ 3
Independent stores:*						
Arizona.	239	+11	- 1	+15	.....	.....
New Mexico.	171	+ 1	+ 6	- 1	.....	.....
Oklahoma.	517	- 5	- 3	+ 4	.....	.....
Texas.	1,119	+ 2	- 1	+ 5	.....	.....
Wholesale trade:*						
Machinery, eqp't. & supplies.	4	-12	-27	+ 3	.....	.....
Automotive supplies	3	-13	No chg.	No chg.	.....	.....
Drugs (incl. liquors).	10	+19	+ 2	+14	+20	-10
Electrical supplies. .	3	+49	+61	- 1	.....	.....
Groceries.	30	+17	- 4	+24	+26	- 4
Hardware.	14	+25	+ 5	+26	+ 4	- 2
Surgical eqp't.	5	+37	+25	+27	+16	+ 1
Tobacco & products.	4	- 1	+10	- 2	.....	.....

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

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

	April 1942	March 1942	February 1942	April 1941
Sales (daily average):				
Without seasonal adjustment.	128	129	108	117
With seasonal adjustment.	132	133	127	118
Stocks (end of month):				
Without seasonal adjustment.	108	101	91	77
With seasonal adjustment.	104	98	95	74

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

	February, 1942					
	Receipts from:		Government payments	Total receipts		
	Crops	Livestock*		February 1942	February 1941	Jan. 1 to Feb. 28 1942
Arizona.	4,335	3,561	272	8,168	3,982	19,458
Louisiana.	6,052	5,246	307	11,605	6,533	24,371
New Mexico.	1,655	1,541	392	3,588	3,159	7,999
Oklahoma.	4,714	9,822	3,028	17,564	16,109	38,237
Texas.	19,828	20,296	3,735	43,859	34,866	103,644
Total.	36,584	40,466	7,734	84,784	64,649	193,709

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	April 1942	April 1941	March 1942	April 1942	April 1941	March 1942
Cattle.	78,702	37,153	49,868	17,012	19,083	17,736
Calves.	17,996	18,844	19,835	15,678	15,547	18,183
Hogs.	62,750	49,040	60,626	11,819	12,265	13,419
Sheep.	83,202	87,719	77,967	8,870	8,172	9,951

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

	Fort Worth			San Antonio		
	April 1942	April 1941	March 1942	April 1942	April 1941	March 1942
Beef steers.	\$13.00	\$11.00	\$12.50	\$13.00	\$10.25	\$11.25
Stocker steers.	13.00	11.25	12.00	.....	10.00	12.00
Heifers and yearlings.	13.25	11.35	12.85	13.00	10.00	9.25
Butcher cows.	9.50	8.00	9.25	9.50	7.50	9.25
Calves.	13.50	11.50	12.50	13.50	10.50	12.00
Hogs.	14.60	8.75	13.65	14.10	8.50	13.15
Lambs.	12.75	11.35	13.00	10.50	8.25	11.25

The total earning assets of the Federal Reserve Bank of Dallas rose approximately \$7,100,000 between April 15 and May 15, reflecting chiefly this bank's participation in the net increase during the period in holdings of United States Government securities by the System's Open Market Account. The reserve balances of member banks in this district have continued to show wide fluctuations, reflecting largely the effects of Treasury operations. Although reserve balances declined approximately \$31,000,000 between April 14 and April 21, subsequent increases raised the total to a new all-time peak of \$327,600,000 on May 14. However, on the following day when payments were effected for the allotments to the new issue of 2 per cent Treasury bonds, dated May 15, 1942, total reserve balances declined to \$315,000,000. The demand for currency in this district has continued unabated. The actual circulation of Federal Reserve notes of this bank totaled \$147,700,000 on May 15, which was \$5,300,000 higher than a month earlier and \$46,700,000 higher than a year ago.

Reflecting chiefly a substantial decrease in loans, the principal earning assets of weekly reporting member banks in leading cities of the Eleventh District declined \$10,600,000 between April 15 and May 13. The contraction in loans was accounted for by declines in advances for commercial, industrial and agricultural purposes and in "all other" loans, including personal and instalment loans. Since the beginning of 1942, total loans at these banks have shown a net decline of \$28,900,000, as compared with a contraction of only \$3,500,000 during the corresponding period a year earlier. The larger decline during the current year reflected decreases in commercial and industrial loans, in loans on securities, and in personal and instalment loans. Investments of reporting banks were reduced \$1,200,000 during the four-week period, reflecting liquidations of Government direct obligations and municipal and corporate securities. Despite the decline that took place between April 15 and May 13 in the principal earning assets of these banks, total loans and investments on the latter date were still \$93,100,000 greater than a year earlier.

Total deposits at reporting banks declined \$8,600,000 during the four-week period, due to a pronounced reduction in United States Government deposits which more than offset increases in adjusted demand and interbank deposits.

INDUSTRY

Construction activity in this district declined sharply from March to April, reflecting in part the limitations placed upon non-essential building and in part a smaller volume of awards for the construction of war projects. The value of contracts awarded during April, amounting to \$18,750,000, was about 60 per cent lower than in either the preceding month or the corresponding month of 1941, and the smallest for any month since the inauguration of the National defense program in June, 1940. The decline in the value of awards occurred in each of the principal classes of construction work, including residential, non-residential and engineering, and in both publicly and privately financed projects. Despite the marked decline in the value of construction contracts awarded during April, total awards during the first four months of 1942 were 18 per cent higher than in the corresponding period a year earlier.

The demand for lumber at pine mills in this district continued to expand in April when unfilled orders and shipments from mills reached the highest levels in recent months. On the other hand, production of lumber declined, apparently being held down to some extent by a shortage of logs. Mill stocks of lumber have continued to decline, with reports indicating that

the supplies are inadequate to meet the heavy demand. To partially relieve this situation, the Government has made substantial purchases of lumber from retail yards. Operations

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

	May 15, 1942	May 15, 1941	April 15, 1942
Total cash reserves	\$417,235	\$341,539	\$410,122
Discounts for member banks	246	43	147
Industrial advances	212	277	230
United States Government securities	96,020	88,046	89,027
Total earning assets	96,478	88,366	89,404
Member bank reserve deposits	315,236	258,407	307,934
Federal Reserve notes in actual circulation	147,717	101,066	142,441

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

	May 13, 1942	May 14, 1941	April 15, 1942
Total loans and investments	\$691,612	\$598,494	\$702,208
Total loans	344,959	315,223	354,383
Commercial, industrial and agricultural loans	244,688	213,156	251,599
Open market paper	3,210	2,410	3,204
Loans to brokers and dealers in securities	3,276	3,059	3,977
Other loans for purchasing or carrying securities	12,591	11,805	12,438
Real estate loans	21,832	23,486	21,787
Loans to banks	288	458	277
All other loans	59,074	60,849	61,101
United States Government direct obligations	244,908	178,330	245,737
Obligations fully guaranteed by United States Gov't.	37,744	43,401	37,746
Other securities	64,001	61,540	64,342
Reserves with Federal Reserve Bank	200,831	162,298	190,781
Balances with domestic banks	301,640	310,102	310,205
Demand deposits—adjusted*	650,820	561,343	642,285
Time deposits	130,423	136,304	150,473
United States Government deposits	29,280	28,783	52,176
Interbank deposits	332,141	294,606	326,314
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)

	April 1942	April 1941	Pctg. change over year	March 1942	Pctg. change over month
Abilene	\$ 13,170	\$ 12,698	+ 4	\$ 12,636	+ 4
Austin	42,020	37,947	+ 11	62,514	- 33
Beaumont	33,591	30,169	+ 11	33,917	- 1
Corsicana	4,547	3,811	+ 19	4,736	- 4
Dallas	360,953	311,555	+ 16	367,002	- 2
El Paso	43,813	39,165	+ 12	46,495	- 6
Fort Worth	109,049	92,441	+ 18	119,960	- 9
Galveston	32,192	29,277	+ 10	33,469	- 4
Houston	343,953	274,955	+ 25	344,537	- 1
Port Arthur	14,936	10,295	+ 45	14,245	+ 5
Roswell	6,237	5,217	+ 20	6,176	+ 1
San Antonio	97,984	83,996	+ 17	98,989	- 1
Shreveport	58,807	50,757	+ 16	62,134	- 5
Texarkana*	26,921	9,834	+ 174	29,171	- 8
Tucson	17,413	15,609	+ 12	17,337	+ 1
Tyler	12,708	12,468	+ 2	12,398	+ 3
Waco	19,760	15,267	+ 29	21,104	- 6
Wichita Falls	18,779	18,080	+ 4	19,988	- 6
Total	\$1,256,833	\$1,053,541	+ 19	\$1,306,808	- 4

*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District. †Indicates change of less than one-half of one per cent.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS
(Average of daily figures—in thousands of dollars)

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
April, 1940	\$1,340,972	\$232,409	\$ 777,099	\$128,764	\$563,873	\$103,645
April, 1941	1,541,825	243,942	891,686	135,990	650,139	107,952
December, 1941	1,803,330	236,819	1,028,881	131,948	774,449	104,871
January, 1942	1,801,210	231,871	1,026,567	128,427	774,643	103,444
February, 1942	1,805,645	227,543	1,034,477	126,499	771,168	101,044
March, 1942	1,804,123	227,091	1,036,318	126,307	767,805	100,784
April, 1942	1,803,410	227,515	1,033,595	127,278	769,815	100,237

SAVINGS DEPOSITS

	April 30, 1942			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	April 30, 1941	March 31, 1942
Beaumont	3	10,363	\$ 4,197,142	- 2.5	- 1.0
Dallas	8	89,961	24,992,264	- 7.0	- 0.0
El Paso	2	18,241	6,758,581	- 20.3	- .5
Fort Worth	3	33,108	12,322,643	- 6.5	- 1.1
Galveston	4	18,174	10,638,192	- 11.9	- 1.5
Houston	10	74,464	30,978,158	- 5.4	+ .5
Lubbock	1	1,373	544,223	- 1.7	- .1
Port Arthur	2	5,411	3,026,594	- 7.2	+ .7
San Antonio	5	22,863	17,391,495	- 3.6	- .1
Shreveport	3	26,574	11,988,334	- 2.3	+ 1.1
Waco	3	7,307	4,106,182	- 9.2	+ 1.1
Wichita Falls	3	7,097	3,333,223	- 6.9	- .1
All other	63	53,106	27,107,634	- 9.7	- .8
Total	112	368,042	\$157,384,665	- 7.4	- .2

at cement mills in Texas have been at exceptionally high levels. During the first four months of 1942, production of cement exceeded the previous peak established in that period of 1941 by nearly one-third and shipments were 22 per cent higher.

Consumption of cotton in the United States during April reached a new peak of 999,000 bales, which compares with 967,000 bales in March and 921,000 bales in April, 1941. Total consumption during the first nine months of the current season amounted to 8,245,000 bales, representing an increase of 18 per cent over that during the corresponding period of the preceding season. Stocks of cotton at consuming establishments on April 30 were slightly smaller than the record supply held at the end of the previous month, but were still 36 per cent larger than a year earlier.

On April 21, the War Production Board directed the cotton textile industry to convert within 30 to 60 days a substantial part of its capacity from civilian to military or more essential constructions. Under that order the production of bag sheetings and bag osnaburgs, which are needed in the war program or for industrial purposes, will be greatly increased. Steps had already been taken to expand the output of some other essential constructions. The new program, which calls for a shift from the lighter to heavier weight constructions, will require greater quantities of cotton per yard of fabric produced, further stimulating the consumption of cotton. According to the War Production Board, plans now being worked out call for the production of 14 billion square yards of cloth during the calendar year 1942 and 15 billion square yards in 1943. These amounts would compare with slightly more than 9 billion square yards of cloth produced in 1939.

The General Maximum Price Regulation Order, announced by the Office of Price Administration on April 28, together with the amendments relating to cotton yarns and textiles, placed absolute price ceilings on all cotton products, eliminating the previous fixed relationship under which price ceilings for cotton goods varied with the price of cotton.

Although the movement of petroleum and petroleum products by railroad tank cars has continued to increase, it has

only partially relieved the transportation difficulties resulting from the virtual withdrawal of ocean tankers from the service of moving such products for civilian consumption. The effect of shortages in transportation facilities is reflected in the rationing of gasoline along the East Coast and in states in the northwestern part of the United States, and in the curtailment of operations in the petroleum industry in the Southwest, particularly Texas. The daily average output of crude oil in the Eleventh District during April was reduced 16 per cent below that in March and was 18 per cent lower than that in April, 1941. Elsewhere in the United States daily average production increased slightly from March to April and was 6 per cent higher than in the corresponding month last year. Although daily average production in this district during April was about one-third lower than in January this year, stocks of crude petroleum increased approximately 10,000,000 barrels between January 31 and May 2.

Refinery operations in the United States were curtailed further in April, when crude oil runs to refinery stills were at the lowest level since August, 1940. Inventories of principal petroleum products likewise declined. While stocks of gasoline and heating oil on May 2 were above those on the same date last year, those of industrial fuel oils were 16 per cent smaller than a year ago.

The rate of well completions in this district showed a further noticeable decline in April, but there was a moderate increase elsewhere in the United States. In comparison with April, 1941, well completions in both this district and the United States reflected a decline of about 45 per cent. The number of drilling rigs in operation in the Eleventh District at the beginning of May was 17 per cent fewer than a month earlier.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to April 30 This season	Last season	August 1 to April 30 This season	Last season
Cottonseed received at mills (tons).....	953,693	1,071,442	3,884,609	4,375,024
Cottonseed crushed (tons).....	925,438	1,038,477	3,714,546	4,012,583
Cottonseed on hand April 30 (tons).....	55,449	48,712	300,592	401,283
Production of products:				
Crude oil (thousand lbs.)....	266,991	318,474	1,154,258	1,290,667
Cake and meal (tons).....	405,201	485,999	1,620,649	1,780,804
Hulls (tons).....	240,596	263,395	921,032	1,008,316
Linters (running bales).....	252,458	257,606	1,094,459	1,090,789
Stocks on hand April 30:				
Crude oil (thousand lbs.)....	5,571	17,919	19,663	47,563
Cake and meal (tons).....	76,407	58,816	311,403	256,406
Hulls (tons).....	54,611	85,775	124,998	199,241
Linters (running bales).....	31,249	63,566	95,308	256,292

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	Consumption at:			U.S. stocks—end of month:	
	April 1942	April 1941	March 1942	August 1 to April 30 This season	Last season
Texas mills.....	22,481	23,491	22,567	181,520	174,571
United States mills.....	998,754	920,950	966,631	8,245,493	6,992,591
In consuming estab'nts.....	2,631,859	1,935,365	2,651,614		
Public stg. & compresses.....	10,396,962	12,369,867	11,352,967		

CRUDE OIL PRODUCTION—(Barrels)

	April, 1942		Increase or decrease in daily average production from	
	Total production	Daily avg. production	April, 1941	March, 1942
North Texas.....	6,630,450	221,015	+ 12,623	— 7,780
West Texas.....	5,389,800	179,660	— 49,095	— 30,303
East Texas.....	8,732,200	291,073	— 137,824	— 98,195
South Texas.....	4,375,950	145,865	— 48,622	— 36,677
Texas Coastal.....	6,636,000	221,200	— 30,731	— 36,606
Total Texas.....	31,764,400	1,058,813	— 253,649	— 209,561
New Mexico.....	2,362,000	78,733	— 30,109	— 12,917
North Louisiana.....	2,382,750	79,425	+ 8,752	+ 1,565
Total district.....	36,509,150	1,216,971	— 275,006	— 224,043

SOURCE: American Petroleum Institute weekly reports.

BUILDING PERMITS

	April, 1942		Percentage change valuation from		Jan. 1 to Apr. 30, 1942		Percentage change valuation from 1941	
	No.	Valuation	Apr., 1941	Mar., 1942	No.	Valuation	No.	Valuation
Abilene.....	24	\$ 445,811	+522	+427	170	\$ 730,465	+ 57	
Amarillo.....	36	108,600	— 63	— 41	157	432,811	— 49	
Austin.....	107	153,541	— 69	— 66	489	1,138,488	— 46	
Beaumont.....	173	196,423	— 22	— 20	686	928,360	+ 16	
Corpus Christi.....	166	1,003,061	— 49	+282	618	2,816,500	— 49	
Dallas.....	625	432,088	— 62	— 35	2,723	4,430,718	+ 5	
El Paso.....	79	117,739	— 56	— 87	294	1,250,156	+ 27	
Fort Worth.....	269	3,229,198	+567	+287	1,153	5,004,219	+162	
Galveston.....	121	53,221	— 84	— 78	458	633,559	— 44	
Houston.....	295	547,050	— 60	— 63	1,620	4,914,685	— 31	
Lubbock.....	84	45,858	— 88	— 95	539	1,645,890	+ 39	
Port Arthur.....	85	37,104	— 61	— 17	276	215,410	— 40	
San Antonio.....	819	386,987	— 14	— 50	3,296	2,466,785	+ 3	
Shreveport.....	133	261,582	+ 9	— 37	462	1,134,220	+ 1	
Waco.....	72	179,887	— 87	+ 4	292	649,596	— 66	
Wichita Falls.....	43	93,047	— 46	— 35	154	317,298	— 38	
Total.....	3,131	\$7,291,197	— 22	— 6	13,387	\$28,709,160	— 12	

†Indicates change of less than one-half of one per cent.

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	April 1942		April 1941		March 1942		Jan. 1 to April 30 1942	
	No.	Valuation	No.	Valuation	No.	Valuation	No.	Valuation
Eleventh District—total...	\$ 18,753	\$ 45,234	\$ 46,934r	\$ 131,877	\$ 111,357			
Residential.....	4,525	12,240	10,780r	43,974	36,169			
All other.....	14,228	32,994	36,154	87,903	75,188			
United States*—total.....	498,742	406,675	610,799	1,859,944	1,399,126			
Residential.....	162,097	166,462	219,276	652,145	542,086			
All other.....	336,645	240,213	391,523	1,207,799	857,040			

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

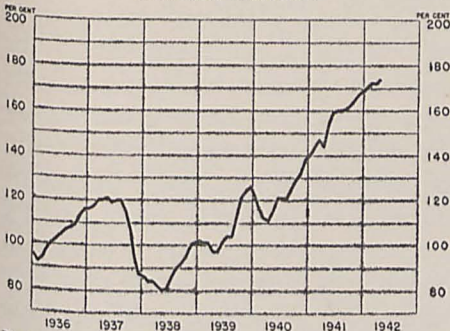
MONTHLY BUSINESS REVIEW

JUNE 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 April, 1942.

Industrial activity increased in April and the first half of May reflecting continued advances in armament production. Following an increase in buying during the first quarter, retail trade declined somewhat. Wholesale commodity prices advanced further.

PRODUCTION

Expansion of industrial production in April was reflected in an advance in the Board's seasonally adjusted index from 172 to 174 per cent of the 1935-39 average. This increase followed upon a period of relative stability during the first quarter of the year, when growing war production was offset by decreased civilian output.

Since the beginning of the year total volume of industrial output has shown little change but there have been marked differences among individual industries. In general output of machinery, chemicals, and armament of all kinds has continued to expand at a rapid rate. There have also been substantial increases in output of electric steel, nonferrous metals, glass containers, wood pulp, and coal. On the other hand, output of many products for civilian use such as automobiles, tires and tubes, wool textiles, electrical appliances, alcoholic beverages, petroleum, and petroleum products has been sharply reduced either by direct order or by shortages of material or transportation facilities. In the month of April crude petroleum and petroleum products were the principal commodities showing a decline in output. Output of furniture, cotton and rayon textiles, manufactured foods, paper products, and tobacco products has been maintained in large volume.

Value of construction contracts awarded in April, as reported by the F. W. Dodge Corporation, was almost one-fifth below the high March total, reflecting a decline in publicly financed construction. Residential contracts decreased by one-fourth and for the month were at about the same level as last year. Awards for non-residential building increased slightly, mainly because of a 40 per cent increase in awards for factory construction, practically all publicly financed.

In the first four months of 1942, total awards were about one-fourth greater than in the corresponding period last year; public awards more than doubled, while those for private projects were down by about two-fifths. Public awards in this period made up over 70 per cent of the total, compared with about 40 per cent last year.

DISTRIBUTION

Retail sales declined somewhat in April, following a considerable amount of anticipatory buying during the first quarter of this year. At department stores, dollar sales in April were about 10 per cent below the first quarter average, making allowance for usual seasonal variations, but were 5 per cent above the level prevailing during the latter part of 1941. During the first half of May sales showed a further decrease and were around 6 per cent larger than a year ago in contrast with price increases amounting on the average to about 20 per cent over the year period.

Total freight car loadings increased sharply in April owing chiefly to larger shipments of coal and forest products, and to a sharp rise in iron ore loadings as the Great Lakes shipping season got underway. Shipments of merchandise in less than carload lots, which had begun to decline in March, were reduced sharply further in April, reflecting Government action to increase the average load per car in order to effect fuller utilization of railroad equipment.

COMMODITY PRICES

Beginning on May 11, wholesale prices of most commodities were limited to the highest levels reached during March, according to the general maximum price regulation issued April 28. Effective May 18, retail prices of most commodities were likewise limited. Retail prices of related services will be limited beginning July 1.

About 30 new maximum price schedules for industrial products were issued from the middle of April to the middle of May. Most of these covered wholesale prices of items previously subject to informal or temporary controls. Upward adjustments in maximum prices were allowed for coal, ferromanganese, tires, petroleum products, and a few other items.

Wholesale prices of most farm products and basic foods, which are exempt from direct control, showed little change in this period, following sharp increases earlier in the year.

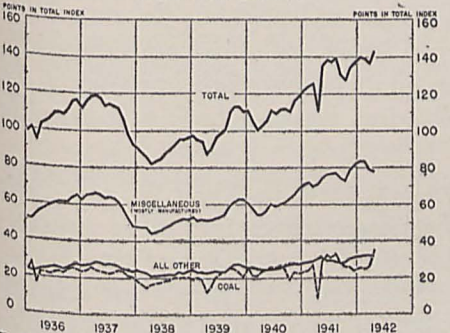
BANK CREDIT

During the five weeks ending May 20 Federal Reserve Bank holdings of Government securities increased by about 200 million dollars, while currency in circulation rose by 260 million. Member bank deposits increased during the period and required reserves showed a corresponding growth. The net result was a decline of 300 million in excess reserves. Holdings of United States securities at banks in leading cities increased further, while commercial loans declined. Liquidation of loans was concentrated at banks in New York City and in the Kansas City district.

UNITED STATES GOVERNMENT SECURITY PRICES

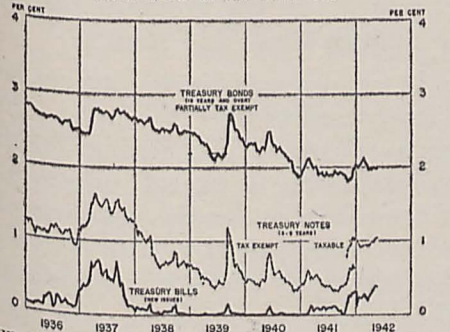
Prices of U. S. Government bonds declined in the last half of April, but steadied in the first half of May. Rates on current Treasury bill issues rose from about 0.20 per cent in March to 0.36 per cent in May. The Federal Open Market Committee announced on April 30 that Federal Reserve Banks stood ready to purchase all Treasury bills offered at 0.375 per cent.

FREIGHT-CAR LOADINGS



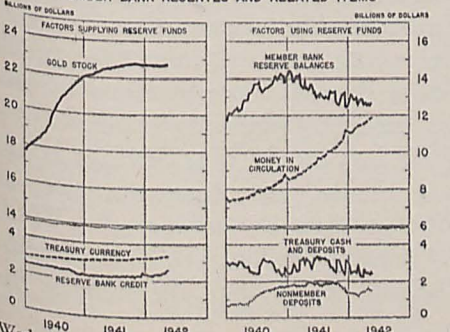
Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for April, 1942.

MONEY RATES IN NEW YORK CITY



Weekly averages of daily yields on Treasury notes and bonds and average discount on new issues of Treasury bills offered within week. Latest figures shown are for week ending May 16, 1942.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for May 13, 1942.

BATTLE FRONTS AND HOME FRONTS

The long heralded spring offensives are under way. Intensive action is taking place on battle fronts in widely separated areas, and in the critical months ahead increasing quantities of war materials will be needed to equip and support the expanding fighting forces in the ever-widening spheres of activity. Industry is making rapid strides in meeting the tremendous goals set by the President early in January this year, and reports from official quarters indicate that in many instances actual output is exceeding previous expectations. In fact, the Director of the Budget, in issuing revised estimates of war expenditures for the fiscal years ending June 30, 1942 and 1943, stated that the remarkable acceleration of war production had necessitated upward revisions in probable expenditures. It is now estimated that war expenditures alone will amount to \$70,000,000,000 during the fiscal year ending June



30, 1943, an amount which is about eight times total Government expenditures during the fiscal year ended June 30, 1940, the year preceding the inauguration of the defense program. It is needless to say that the financing of such huge expenditures constitutes a great financial problem, and that it is vital that every measure possible be taken to carry out the financing on a basis that will preserve the soundness of our economic system. Taxes have already been increased and additional levies are under consideration, yet it is apparent that a large proportion of total expenditures must be financed through borrowing. In that, individuals throughout the nation can make an important contribution by purchasing increasing amounts of War Savings bonds and stamps.

In the first year that War Savings bonds and stamps were on sale, May 1, 1941 to April 30, 1942, the Treasury sold to the public a total of approximately \$5,400,000,000 of such securities, including approximately \$3,400,000,000 during the five months following Pearl Harbor. On May 1 this year, the Secretary of the Treasury outlined a new and enlarged program for the sale of War Savings bonds and stamps. That program calls for total sales of \$600,000,000 in May, \$800,000,000 in June, and \$1,000,000,000 in July and each month thereafter. Quotas for the sale of War Savings bonds and stamps are being set up for every county and parish in the United States. Sales during the first half of May suggest that the goal for that month will be met or exceeded, but it is important to remember that the goals for future months can be met only through increased buying by those who are now participating in the program and by enlisting the cooperation of the millions who are not now buying War Savings bonds and stamps.

The realization of the goals set by the Secretary of the Treasury will require coordinated action on the part of all institutions and individuals. Financial institutions and corporations have the important function of providing the means by which individuals may make their purchases of War Savings bonds and stamps as conveniently as possible. Many businesses have already established a payroll allotment plan, whereby their employees can save regularly specified amounts of their salaries for the purchase of War Savings bonds and stamps. Some of these concerns have qualified as issuing agents so that individual purchasers may receive their bonds quickly and conveniently. Other businesses who are in a position to do so, should seriously consider inaugurating those services for the benefit of employees and the country at large. These facilities for the saving of funds and the distribution of securities are essential to enable individuals to make maximum contributions.

The general plan of the Treasury contemplates that each individual should invest 10 per cent of his income in War Saving bonds and stamps. While each individual may not be able to meet that goal immediately because of individual circumstances, he should make arrangements to do at least that much as soon as possible. To make sure of contributing his part, each individual should inaugurate an investment program which can be adhered to without interruption. Then, by carefully planning expenditures, he should be able to divert from time to time additional amounts of his income to War Savings bonds and stamps. In the months ahead when fewer civilian goods will be available, increasing amounts of expanded incomes should be used to help finance the war. Every individual cannot serve on BATTLE FRONTS, but he can make his contribution on the HOME FRONT. He has a challenge to do his utmost in making PAY DAY stand out as BOND DAY for the purpose of helping to finance the steadily increasing flow of war materials to the fighting forces.