

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

The value of construction contracts awarded in the Eleventh District rose to a new peak in July and maintained a wide margin of gain over the corresponding month of 1941. The daily average production of crude petroleum, which had increased moderately in May and June, declined during July. Drilling operations decreased further and were sharply lower than in July last year. Cotton consumption at Texas mills continued to expand during July but was about 15 per cent below the high level of July, 1941. Production at plants turning out military equipment and supplies was maintained at a high level but reports indicate that in some instances operations are being retarded by the inability to obtain adequate supplies of raw materials. Consumer buying at department stores during July decreased by a smaller amount than is usual in that month and was 6 per cent larger than in July, 1941, when sales were at a comparatively high level for the summer season. Furniture sales continued to reflect a substantial decline from a year ago. Crop prospects are generally favorable, the August 1 production estimates of the Department of Agriculture for most crops in this district being well above the ten-year average harvest and in most instances higher than the 1941 production.

BUSINESS

Consumer buying at department stores in the Eleventh District, which had evidenced a downward trend during the second quarter of 1942, showed a smaller than seasonal contraction during July, and the value of sales was 6 per cent higher than in that month of 1941. After allowance for seasonal factors, July sales were at a higher level than in any other month of record, except August, 1941 and January, 1942 when intensified demands created by special conditions raised sales to exceptionally high levels. Sales of representative weekly reporting firms during the first half of August this year showed a decline of only 2 per cent from those in the corresponding period of 1941 when business was unusually heavy. The same trends that have been in evidence during recent months continued to be reflected in July business. The proportion of cash sales to total sales has continued to increase. Collections have exceeded credit sales by a substantial margin with the result that the volume of outstanding accounts has dropped to a lower level. The ratio of collections during July on regular accounts outstanding on the first of the month rose to 57 per cent as compared with 52 per cent in June and 42 per cent in July last year. The ratio of July collections on instalment accounts outstanding at the beginning of the month was 19 per cent, which was slightly higher than in June and considerably above that in the corresponding month last year.

Inventories of reporting department stores declined about 2 per cent further during July, but as the decrease was smaller than is usual at this season, the seasonally adjusted index of stocks rose to a new peak of 114 per cent of the 1923-1925 average. The amount of orders outstanding, which had declined sharply during the second quarter of 1942, increased seasonally during July, but at the end of the month was about 15 per cent smaller than the large volume on the corresponding date last year.

During the first seven months of the current year the distribution of merchandise through wholesale trade channels in the Eleventh District was about 15 per cent greater than in the corresponding period last year. Sales by the various types of reporting wholesale firms, as reflected by the operations of 71 firms in seven lines of trade, increased about 6 per cent from June to July

and were about 14 per cent above those in July, 1941. Sales of drugs, groceries and surgical equipment increased somewhat during July and were well above the level of the same month last year, whereas, the distribution of machinery, equipment and supplies, electrical goods, and tobacco and its products was in smaller volume than either June this year or July, 1941. Inventories at reporting wholesale firms, which were unusually large at the beginning of the year, fell off sharply in subsequent months, with the result that at the end of July they were slightly below the level on that date last year.

In line with the trend throughout the country, business failures in the Eleventh District declined further in July and were fewer than in any month in nearly 23 years. There was also a sharp decline in the indebtedness of defaulting firms. According to Dun and Bradstreet, Incorporated, there were eight commercial failures in July and the indebtedness of defaulting firms amounted to only \$33,000.

AGRICULTURE

During July and the first half of August, weather conditions continued to have varying effects upon crop development in the Eleventh District. Moisture conditions were generally favorable for crop growth in most of northwest Texas, but excessive moisture in much of the southern third of the State interfered with the progress of some crops. In most other areas of the district, crops were affected adversely by the lack of moisture. According to the August 1 estimates of the Department of Agriculture, production of most crops in Texas will exceed the ten-year average (1930-1939) and that of principal crops will be larger than the 1941 harvest.

The harvesting of the large Texas wheat crop was completed under favorable conditions. Per acre yields in the principal wheat growing areas were much better than average and the grain was of high quality. The lack of adequate storage facilities and transportation difficulties interfered with the movement and storage of the crop during the harvesting season.

Progress of the Texas corn crop varied considerably from section to section during July but the changes in prospects in the several sections were largely offsetting with the result that the indicated production remained unchanged at 81,270,000 bushels as compared with last year's harvest of 73,875,000 bushels. While some further deterioration in the condition of the crop occurred in the northern part of the State during the first half of August, it was checked by rains around the middle of the month. The acreage planted to grain sorghums was 3 per cent larger than in 1941, but the indicated production on August 1 was 69,152,000 bushels as compared with last year's harvest of 79,724,000 bushels. However, both the per acre yield and the indicated production are well above the respective ten-year averages. The harvesting of hay has proceeded rapidly under generally favorable conditions and an excellent harvest has been obtained in most sections. The production of tame hay in Texas is indicated at 1,617,000 tons as compared with 1,330,000 tons a year ago, reflecting the increased acreage harvested.

In conformity with the Government's program to increase the production of peanuts, farmers in Texas increased the acreage planted to that crop sharply during the current season and the crop has made excellent progress. On August 1 the estimated production was placed at 556,500,000 pounds which is more than three and one-half times production during 1941 and nearly six and one-half times the ten-year average harvest. The per

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acre yield is indicated at 525 pounds as compared with 470 pounds last year.

Reflecting high per acre yields and increased acreage, a record crop of 22,464,000 bushels of rice has been forecast for Texas this year. The indicated harvest is about 65 per cent higher than the small 1941 crop and more than double the ten-year average production. At mid-August harvesting of early fields was in progress and the crop on much additional acreage was approaching maturity.

The Texas pecan crop is the smallest since 1936 and the estimated production of 12,420,000 pounds is substantially below last year's harvest and only about one-half of the ten-year average production.

The Texas cotton crop, although affected adversely by weather conditions in some areas, has made generally satisfactory progress. Rains in portions of north, central and east Texas around the middle of August were beneficial to plants but increased the danger of insect damage. Leafworms, which have caused considerable damage in parts of south Texas, are becoming more numerous in other sections. Harvesting is proceeding rapidly in south Texas and is being gradually extended northward, with first bales being reported in various north and east Texas counties. On August 1 the condition of the crop was better than a year ago in nearly all section of the State and the Department of Agriculture estimated the Texas crop at 3,177,000 bales which compares with 2,652,000 bales produced last year. The per acre yield is indicated at 184 pounds as compared with an average of 165 pounds harvested last year. In Louisiana the per acre yield and total production are more than double last year's poor harvest. Higher per acre yields and larger production are also estimated for Oklahoma, New Mexico and Arizona.

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in:					
		Net sales		Stocks			
		July, 1942 from 1941	July, 1942 from June, 1942	Jan. 1 to July 31, 1942 from 1941	July, 1942 from 1941	July, 1942 from June, 1942	July, 1942 from 1941
Department stores:							
Total 11th Dist....	47	+ 6	- 8	+ 8	+40	- 2	
Dallas.....	7	- 2	- 5	+ 3	+31	- 1	
Fort Worth.....	4	+ 4	- 2	+ 8	+56	- 1	
Houston.....	7	+ 5	-13	+ 9	+57	- 4	
San Antonio.....	4	+19	- 7	+18	+45	- 3	
Shreveport.....	3	+ 5	-13	+16	...	...
Other cities.....	22	+10	-12	+ 8	+36	...	
Independent stores:*							
Arizona.....	231	+ 7	- 5	+11	...	...
New Mexico.....	170	+ †	+ 1	- †	...	...
Oklahoma.....	...	...	...	...	...	...
Texas.....	...	...	...	...	...	...
Wholesale trade:*							
Machinery, eq't & supplies.....	3	-34	-29	...	...	...
Drugs (incl. liquors).....	12	+28	+15	+20	+13	- †	
Electrical supplies.....	5	-29	-8	-8	...	...
Groceries.....	30	+21	+17	+18	-4	-4	
Hardware.....	12	+ 9	- 5	+18	-8	-3	
Surgical eq't.....	5	+11	+ 4	+19	+14	+ 2	
Tobacco & products.....	4	- 4	-10	+ 3	...	...

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

‡Stocks at end of month.

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

	July 1942	June 1942	May 1942	July 1941
Sales (daily average):				
Without seasonal adjustment.....	100	109	126	93
With seasonal adjustment.....	143	123	126	132
Stocks (end of month):				
Without seasonal adjustment.....	104	103	106	73
With seasonal adjustment.....	114	110	105	80

CASH FARM INCOME FROM THE SALE OF PRINCIPAL FARM PRODUCTS
(In thousands of dollars)

	May, 1942		Total receipts		
	Receipts from:	Crops	May 1942	May 1941	Jan. 1 to May 31 1941
Arizona.....	2,948	3,198	6,146	6,687	45,653
Louisiana.....	5,060	3,638	8,608	10,220	51,743
New Mexico.....	1,241	3,403	4,644	3,329	20,418
Oklahoma.....	2,350	15,866	18,216	12,459	86,547
Texas.....	13,495	48,717	62,212	53,470	268,338
Total.....	25,094	74,822	99,916	86,165	472,699
					321,647

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

SOURCE: United States Department of Agriculture.

Improvement in range conditions during July was limited principally to those areas in south and southwest Texas which received heavy rains early in the month. In other parts of the Eleventh District below normal rainfall and high temperatures which depleted surface moisture checked the growth of range feeds. In most of these sections, however, a good crop of grass had already matured and furnished good grazing for livestock. On August 1 ranges in the Edwards Plateau and Trans-Pecos areas of Texas and in much of Arizona and New Mexico were dry and needed rain to make fall feeds.

The condition of livestock has been well sustained. Cattle have made generally satisfactory gains and on the whole are in good flesh. Reports indicate that marketings are generally heavy but ranchmen are showing a tendency to cull old cows from herds and to hold young cows and heifers. Sheep and goats are in about average condition. Contracting of lambs for fall delivery has been less active than usual, reflecting the tendency of ranchmen to hold for higher prices.

The Department of Agriculture estimated the 1942 Texas lamb crop at 4,445,000 head, which was 6 per cent below the record crop of 1941. Although the number of breeding ewes on ranches on January 1, 1942 was the highest of record, the number of lambs docked per hundred ewes was substantially smaller than in 1941. The low percentage this year reflected principally the poor condition of ewes as a result of the severe drought during the first quarter of 1942.

The 1942 production of wool in Texas was estimated at 79,289,000 pounds which was nearly 1,000,000 pounds below the crop of 1941. While the number of sheep shorn in 1942 was slightly larger than in the preceding year, the average weight per fleece was smaller, since the fleeces were cleaner than last year because of the heavy rains during the spring season.

FINANCE

On April 30, 1942, the Federal Open Market Committee directed the twelve Federal Reserve banks to purchase for the System Open Market Account all Treasury bills that may be offered to such banks, on a discount basis at the rate of 3/8 per

CROP PRODUCTION—(In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Aug. 1, 1942	Production 1941	Estimated Aug. 1, 1942	Production 1941
Cotton.....	Bales	3,177	2,652	4,000	3,139
Corn.....	Bushels	81,270	73,875	95,122	87,759
Winter wheat.....	Bushels	47,280	27,186	48,576	28,056
Oats.....	Bushels	11,837	37,975	15,672	41,748
Barley.....	Bushels	4,934	9,750	17,995*	20,983*
Rice.....	Bushels	22,464	13,600	22,464†	13,600†
Broomcorn.....	Tons	3,200	4,400	19,800*	25,800*
Grain sorghums.....	Bushels	69,152	79,724	89,841*	103,161*
Tame hay.....	Tons	1,617	1,330	2,164	1,907
Peanuts.....	Pounds	556,500	156,040	724,250*	202,240*
Potatoes, Irish.....	Bushels	5,520	6,039	6,317	6,760
Potatoes, sweet.....	Bushels	4,800	5,400	11,990*	12,090*
Peaches.....	Bushels	1,610	2,475	2,601*	3,760*
Pecans.....	Pounds	12,420	22,100	26,812*	58,300*

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth		San Antonio	
	July 1942	July 1941	July 1942	July 1941
Cattle.....	76,540	53,918	71,163	53,038
Calves.....	28,352	22,242	23,052	17,786
Hogs.....	44,872	28,928	59,447	8,072
Sheep.....	122,808	88,571	173,980	11,856

COMPARATIVE TOP LIVESTOCK PRICES

	Dollars per hundredweight			
	Fort Worth	July 1942	July 1941	San Antonio
Beef steers.....	\$13.75	\$11.50	\$13.50	\$12.50
Stocker steers.....	12.50	11.00	13.00	12.00
Heifers and yearlings.....	14.00	12.00	13.75	13.50
Butcher cows.....	10.00	8.25	10.25	9.65
Calves.....	12.75	11.25	13.00	11.00
Hogs.....	14.60	11.10	14.25	11.00
Lambs.....	13.00	10.50	13.75	10.00

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cent per annum. That action was supplemented on August 3, 1942, when the Federal Reserve banks were authorized to give the seller of any Treasury bills so offered an option, if desired, to repurchase the bills at the rate of $\frac{3}{8}$ per cent per annum at any time before maturity.

The reserve balances of member banks in the Eleventh District increased sharply after the middle of July, reaching an all-time peak of \$373,600,000 on August 14. Although there was a decline of approximately \$15,000,000 on the following day when settlements were made for purchases of the new issue of Treasury Certificates of Indebtedness, the total on August 15 was \$36,500,000 higher than a month earlier and \$105,000,000 above that on the corresponding date last year. Although the expansion of customer deposits at member banks had the effect of greatly increasing required reserves, average excess reserves during the last half of July were slightly above \$100,000,000, the largest of record, and the average during the first half of August was at an even higher level.

The demand for currency in this district has continued to expand at a substantial rate. Federal Reserve notes of this Bank in actual circulation on August 15 amounted to \$177,000,000 which was \$11,600,000 higher than the total a month earlier and \$67,900,000 above that on the corresponding date last year.

The loans of 33 weekly reporting member banks in this district showed a further contraction of \$10,713,000 during the five weeks ended August 12, and the total of \$314,503,000 on the latter date was nearly \$60,000,000 lower than at the beginning of the year and approximately \$15,800,000 lower than a year earlier. The continued downward trend in loans during the five-week period contrasts with the marked expansion during the corresponding period of 1941. On the other hand, the reporting banks continued to add substantially to their investment holdings. Total investments, which amounted to \$442,510,000 on August 12, were \$43,870,000 larger than five weeks earlier and approximately \$150,000,000 higher than a year ago. During the five-week period the increases in investments occurred chiefly in United States Treasury bills and Treasury bonds. Holdings of Treasury bills were increased each week, bringing total holdings on August 12 to \$65,356,000, which was \$16,260,000 higher than on July 8. The expansion in holdings of Treasury bonds reflected primarily allotments against subscriptions to the new issue dated July 15, but reporting banks made further investments in Treasury bonds in subsequent weeks.

Deposits at reporting banks increased sharply between July 8 and August 12. In that period adjusted demand deposits rose by nearly \$50,000,000 and there were increases of \$22,300,000 in United States Government deposits and of \$6,900,000 in interbank deposits. The increase in deposits was much more pronounced than the expansion in loans and investments with the result that these banks added \$27,000,000 to their reserve balances with the Federal Reserve Bank and \$16,500,000 to their balances with correspondent banks.

INDUSTRY

The value of construction contracts awarded in the Eleventh District during July exceeded the previous all-time peak established in May this year by about 4 per cent. Awards during July, which totaled approximately \$98,400,000 were more than four times those in July last year. As in the previous two months, the high rate of activity reflected almost entirely the letting of contracts for projects connected with the war effort, and included contracts for the construction of oil storage facilities, high octane gasoline plants, synthetic rubber plants, pipe lines, a blast furnace and coke ovens, and a steel manufacturing plant, as well as additions to existing industrial plants. Privately-financed construction, which fell off sharply during May and June after the War Production Board placed restrictions on non-essential building, was at a low level in July. In the latter part of

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

	August 15, 1942	August 15, 1941	July 15, 1942
Total cash reserves.....	\$438,112	\$356,437	\$429,359
Discounts for member banks.....	156	515	10
Industrial advances.....	141	333	208
United States Government securities.....	131,209	85,830	118,024
All other investments.....	43	None	43
Total earning assets.....	131,549	86,678	118,285
Member bank reserve deposits.....	358,799	253,774	322,261
Federal Reserve notes in actual circulation.....	176,994	109,099	165,390

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

	August 12, 1942	August 13, 1941	July 8, 1942
Total loans and investments.....	\$757,013	\$624,077	\$723,856
Total loans.....	314,503	330,346	325,216
Commercial, industrial and agricultural loans.....	225,545	222,419	234,287
Open market paper.....	1,973	2,470	2,974
Loans to brokers and dealers in securities.....	3,325	3,598	2,788
Other loans for purchasing or carrying securities.....	13,540	13,732	12,916
Real estate loans.....	21,119	23,062	21,286
Loans to banks.....	322	616	315
All other loans.....	48,679	64,449	50,650
United States Government direct obligations.....	346,204	187,356	305,514
Obligations fully guaranteed by United States Gov't.....	37,292	46,143	34,846
Other securities.....	59,014	60,232	58,280
Reserves with Federal Reserve Bank.....	233,492	162,377	206,497
Balances with domestic banks.....	281,433	310,732	264,907
Demand deposits—adjusted*.....	714,101	593,190	664,549
Time deposits.....	130,943	133,555	131,484
United States Government deposits.....	49,736	38,344	27,401
Interbank deposits.....	327,934	280,731	321,071
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.

NOTE: Beginning July 8, 1942, reciprocal interbank demand balances reported on net basis.

DEBITS TO INDIVIDUAL ACCOUNTS (In thousands of dollars)

	July 1942	July 1941	Pctg. change over year	June 1942	Pctg. change over month
Abilene.....	\$ 14,174	\$ 12,420	+14	\$ 13,163	+ 8
Amarillo.....	40,532	.....	.....	31,346	+29
Austin.....	45,374	34,338	+32	45,352	+ 1
Beaumont.....	34,718	31,839	+ 9	36,212	- 4
Corsicana.....	4,367	3,755	+16	4,114	+ 6
Corpus Christi†.....	34,991	.....	.....	31,898	+10
Dallas.....	388,716	330,799	+18	368,500	+ 5
El Paso.....	46,012	41,502	+11	44,223	+ 4
Fort Worth.....	134,983	102,823	+31	127,433	+ 6
Galveston.....	36,269	30,664	+18	33,530	+ 8
Houston.....	374,132	320,672	+17	355,192	+ 5
Laredo.....	7,622	.....	.....	7,181	+ 6
Lubbock.....	17,353	.....	.....	17,941	+ 3
Monroe, La.†.....	14,016	.....	.....	15,097	- 7
Port Arthur.....	15,747	11,361	+39	16,440	- 4
Roswell, N. M.	0,981	4,538	+54	7,669	- 9
San Angelo†.....	14,825	.....	.....	14,532	+ 2
San Antonio.....	103,396	91,389	+13	106,098	+ 3
Shreveport, La.....	64,003	51,375	+25	60,921	+ 5
Texarkana*.....	17,150	9,372	+83	22,189	-23
Tucson, Ariz.....	21,407	14,069	+52	22,942	- 7
Tyler.....	13,101	14,427	- 9	13,988	- 6
Waco.....	24,635	16,754	+47	22,477	+10
Wichita Falls.....	19,736	21,700	- 9	18,864	+ 5
Total—18 cities.....	\$1,364,901	\$1,143,706	+19	\$1,319,307	+ 3
Total—24 cities.....	1,494,240	.....	.....	\$1,437,302	+ 4

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

†New reporting center, data for year ago not available. †Less than one-half of one percent.

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	\$	\$	\$
July, 1940.....	\$1,332,886	\$234,758	\$553,905
July, 1941.....	1,555,000	239,153	642,409
March, 1942.....	1,804,123	227,091	767,805
April, 1942.....	1,803,410	227,515	769,815
May, 1942.....	1,820,563	227,607	780,676
June, 1942.....	1,856,567	226,503	797,720
July, 1942.....	1,914,513	226,947	818,906

SAVINGS DEPOSITS

July 31, 1942

Number of reporting banks	Number of savings depositors	Amount of deposits	Percentage change in savings deposits from	
			July 31, 1941	June 30, 1942
Beaumont.....	3	10,498	\$ 4,213,413	-.9
Dallas.....	8	25,553,928	-3.0	+.4
El Paso.....	2	18,176	6,665,960	-6.1
Fort Worth.....	3	32,299	12,427,517	-4.7
Galveston.....	4	18,213	10,646,228	-8.1
Houston.....	10	73,994	31,825,697	-1.9
Lubbock.....	3	1,330	569,535	+2.9
Port Arthur.....	2	5,436	3,145,204	+3.0
San Antonio.....	5	22,092	17,749,245	-3.
Shreveport, La.....	3	24,837	11,955,912	+.04
Waco.....	3	7,323	4,112,669	-6.7
Wichita Falls.....	3	6,686	3,315,807	-3.2
All other.....	62	51,733	27,169,115	-6.4
Total.....	111	362,410	\$159,649,591	-3.4

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the month the War Production Board made slight modifications in restrictions on non-essential building but this action had no perceptible effect on the volume of privately-financed contracts awarded during the month. Publicly-financed construction accounted for about 97 per cent of the total value of contracts awarded in this district during July, which was about the same percentage as in June. In July, 1941, only about 41 per cent of total awards represented publicly-financed projects.

Important developments affecting the petroleum industry during July and the early part of August centered around strenuous efforts to relieve the acute shortage of transportation facilities which has caused a deficiency in both light and heavy fuel oils on the East Coast. To relieve that situation, industrial and household users of fuel oils have been urged to convert to other types of fuel wherever possible; the area affected by the gasoline rationing system has been extended and the basic rationing unit reduced; and numerous steps have been taken to increase the efficiency of existing transportation equipment and to provide additional facilities. Under a new policy instituted on August 1, railroads will concentrate tank cars into solid trains and move them on standard schedules; and 5,000 additional tank cars have been diverted from service in other sections of the country to the movement of petroleum products to the East Coast. The Defense Plant Corporation has agreed to finance the conversion of existing steel dry-cargo vessels into tank barges, as well as the construction of new barges. To facilitate the use of tank trucks for short hauls, the Office of Price Administration extended to September 1 the effective date for price ceilings on transportation by tank trucks other than common carriers. An increased volume of petroleum products is also being transported by Great Lakes oil tankers for shipment to the East Coast via the New York Barge Canal. Further progress has been made in the construction of the 24-inch pipe line from Texas to Illinois and work has already begun on the removal of a pipe line from East Texas for relaying across North Florida.

Maximum prices on gasoline and other petroleum products on the Eastern Seaboard, which had been permitted to rise in June, were reduced on August 5 under an arrangement whereby the Reconstruction Finance Corporation will absorb the abnormal transportation costs involved in moving petroleum products from the Gulf Coast and inland points to the Atlantic Seaboard.

The daily average production of crude petroleum in the Eleventh District, which had increased moderately in May and June, declined 8 per cent in July and was 27 per cent below the

all-time peak reached in February this year. The daily average output in other sections of the country during July was slightly higher than in either June this year or July, 1941.

The downward trend in stocks of crude petroleum in the United States continued during July, while stocks in this district, which had reached the highest level in about four years during June, were maintained at the higher level during the past month.

The rate of drilling activity in this district, which has been declining since September, 1941, fell off about 16 per cent from June to July, and was only about a third of that in July, 1941. For the first seven months of the current year the rate of drilling activity in this district was about 35 per cent below that in the corresponding period last year.

Operations at cottonseed oil mills in Texas and the United States decreased about 10 per cent during the 1941-1942 season, reflecting mainly a smaller supply of seed available for processing. Seed crushing and the manufacturing of products in the United States averaged between 10 and 12 per cent less than in the preceding season, and in Texas these operations fell off about the same amount. Domestic mill shipments of cottonseed oil, and cake and meal for the 12 months ended July 31, 1942 were somewhat less than in the preceding season, whereas, the shipment of hulls increased approximately 12 per cent. Production of linters during the 1941-1942 season was slightly less than in the preceding season, but in consequence of the expanded military requirements shipments increased somewhat, with the result that at the end of July mill stocks were the lowest since 1925. Inventories of cottonseed oil at the close of the past season were the smallest since 1937 and stocks of hulls were less than one-third as large as those last year. Mill stocks of cake and meal, however, showed an increase.

CRUDE OIL PRODUCTION—(Barrels)

	July, 1942	Increase or decrease in daily average production from		
	Total production	Daily avg. production	July, 1941	June, 1942
North Texas.....	6,836,650	220,537	+ 8,200	— 18,251
West Texas.....	5,797,950	187,031	+ 53,659	— 18,534
East Texas.....	10,912,350	352,011	— 60,013	— 69,018
South Texas.....	4,187,050	135,066	+ 60,069	— 5,582
Texas Coastal.....	7,023,850	226,576	— 33,998	— 18,134
Total Texas.....	34,757,850	1,121,221	— 199,539	— 129,519
New Mexico.....	2,091,150	67,456	+ 41,581	+ 6,958
North Louisiana.....	2,921,150	94,231	+ 17,492	+ 5,214
Total district.....	39,770,150	1,282,908	— 223,628	— 117,347

SOURCE: Estimated from American Petroleum Institute weekly reports.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

Consumption at:	July 1942	July 1941	June 1942	August 1 to July 31 This season	Last season
Texas mills.....	25,184	29,607	23,005	252,237	241,668
United States mills....	905,041	929,782	966,940	11,172,328	9,721,703
U.S. stocks—end of month:					
In consuming estab'mts.	2,252,690	1,876,776	2,441,130	.....	.....
Public stg. & compresses.	7,632,193	9,703,976	8,458,912	.....	.....

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED
(In thousands of dollars)

	July 1942	July 1941	June 1942	January 1 to July 31 1941
Eleventh District—total..	\$ 98,350	\$ 23,138	\$ 86,877	\$ 111,181 \$ 185,541
Residential.....	10,441	9,312	15,403	79,965 64,459
All other.....	87,909	13,826	71,474	31,216 121,082
United States*—total....	943,796	577,392	1,190,264	4,667,521 3,064,324
Residential.....	127,382	205,049	185,471	1,112,962 1,154,043
All other.....	816,414	372,343	1,004,793	3,554,559 1,910,281

*37 states east of the Rocky Mountains.

r-Revised.

SOURCE: F. W. Dodge Corporation.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31	This season	August 1 to July 31	Last season
Cottonseed received at mills (tons).....	983,008	1,097,210	3,959,330	4,489,698
Cottonseed crushed (tons).....	974,814	1,085,763	4,008,436	4,398,011
Cottonseed on hand July 31 (tons).....	35,338	27,194	81,423	130,529
Production of products:				
Crude oil (thousand lbs.)....	280,586	333,827	1,249,846	1,425,471
Cake and meal (tons).....	426,202	507,518	1,752,663	1,953,589
Hulls (tons).....	251,652	275,031	991,356	1,107,222
Linters (running bales).....	265,063	269,273	1,183,871	1,207,929
Stocks on hand July 31:				
Crude oil (thousand lbs.)....	1,562	1,791	7,812	8,657
Cake and meal (tons).....	43,586	31,267	192,910	164,444
Hulls (tons).....	15,089	61,313	44,463	151,439
Linters (running bales).....	17,095	28,148	43,463	123,154

SOURCE: United States Bureau of Census.

BUILDING PERMITS

	July, 1942	Percentage change valuation from	Jan. 1 to July 31, 1942	Percentage change valuation from
No.	Valuation	July, 1941	June, 1942	No. Valuation
Abilene.....	20 \$ 70,812	-15	+119	236 \$ 1,179,223
Amarillo.....	44 64,644	-74	+274	261 534,668
Austin.....	70 32,572	-91	-32	679 1,436,450
Beaumont.....	142 54,153	-73	+95	1,222 2,282,016
Corpus Christi.....	126 183,397	-78	-97	945 8,879,214
Dallas.....	662 184,623	-82	-47	4,322 5,257,866
El Paso.....	56 61,974	-82	+285	459 1,895,371
Fort Worth.....	190 118,028	-80	-96	1,851 8,822,557
Galveston.....	98 28,690	-88	+95	756 2,275,381
Houston.....	136 111,720	-93	+22	2,008 10,621,475
Lubbock.....	69 47,118	-76	-52	742 2,001,141
Port Arthur.....	78 17,382	-86	+13	513 312,798
San Antonio.....	724 279,649	-52	-4	5,589 3,354,838
Shreveport, La....	93 299,986	-19	+37	674 1,483,305
Waco.....	49 80,567	-89	+99	421 851,975
Wichita Falls.....	27 44,415	-81	+164	231 419,116
Total.....	2,584 \$ 1,679,730	-78	-85	21,412 \$ 51,607,394

Percentage change valuation from

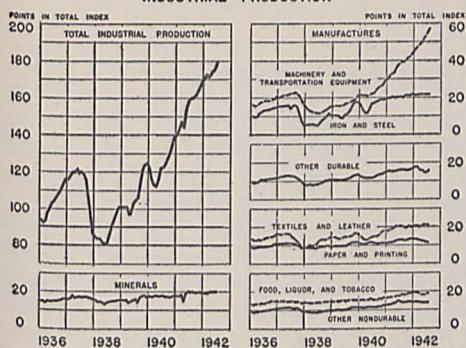
MONTHLY BUSINESS REVIEW

SEPTEMBER 1, 1942

NATIONAL SUMMARY OF BUSINESS CONDITIONS

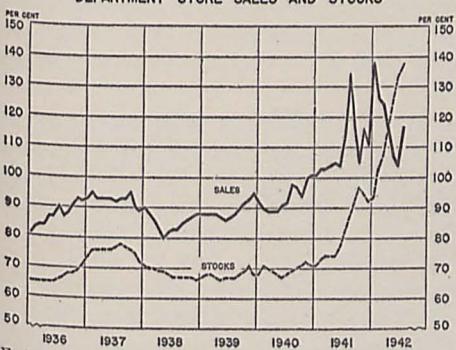
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



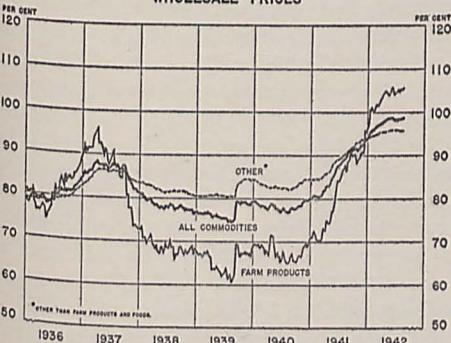
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Sub-groups shown are expressed in terms of points in the total index. Latest figures shown are for July, 1942.

DEPARTMENT STORE SALES AND STOCKS



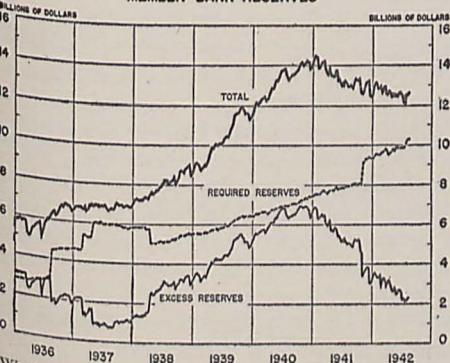
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for July, 1942.

WHOLESALE PRICES



Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown for week ending August 15, 1942.

MEMBER BANK RESERVES



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for August 12, 1942.

Industrial activity increased further in July and the first half of August, reflecting continued growth in output of military products. Retail sales increased during this period, following a decline, on a seasonally adjusted basis, during the first half of the year.

PRODUCTION

Industrial output rose further in July and the Board's seasonally adjusted index advanced from 176 to 180 per cent of the 1935-39 average.

Activity continued to increase in the machinery and transportation equipment industries and in other lines producing war products. Shipbuilding expanded further and 71 merchant vessels were delivered in July. These had an aggregate deadweight tonnage of 790,300 tons—an all-time record for a single month's deliveries. In the automobile industry armament production increased in July to an annual rate of about \$5 billion as compared with a peak year's civilian output of \$4 billion. Iron ore shipments down the Great Lakes reached a new record of 13.4 million gross tons in July and plans were announced for improving rail and harbor facilities so that shipments next season could exceed considerably prospective shipments of 90 million tons or more this year. Last season 80 million tons were shipped.

In most other lines of manufacturing and mining, activity in July was maintained at about the levels prevailing in June. There were reports that some plants were forced to curtail operations owing to lack of certain materials, and further investigations were undertaken to determine present and prospective availability of material supplies.

Value of construction contracts awarded in July showed a reduction of about 20 per cent from the record level reached in June, according to figures of the F. W. Dodge Corporation. Declines were reported for most types of construction; awards for manufacturing buildings, however, increased further and constituted about one-third of total contracts let. As in June, publicly-financed work amounted to over 90 per cent of the total. In the first seven months of this year, awards were about 50 per cent larger than in the corresponding period last year.

DISTRIBUTION

Distribution of commodities to consumers declined less than seasonally in July. The Board's adjusted index of department store sales, which had dropped from a peak of 138 per cent of the 1923-25 average in January to 104 in June, rose to 117 and sales by variety stores and mail-order houses also advanced, after allowance for usual seasonal changes. In the first half of August department store sales increased by more than the usual seasonal amount.

Railroad freight-car loadings increased more than seasonally in July and rose somewhat further in the first half of August. Shipments of miscellaneous merchandise, which include most manufactured products, and of forest products continued to rise. Grain shipments also increased but the rise was less than is usual at this time of year. Loadings of coal declined somewhat from the high level of other recent months.

COMMODITY PRICES

Wholesale and retail food prices advanced further in July and the early part of August, while prices of petroleum products on the East Coast were reduced, and those for most other consumer goods continued to show little change. In raw material markets price declines occurred for cotton, inedible fats and oils, and some scrap items, particularly non-ferrous metals and paper. Demand for materials used more exclusively for war products continued strong and prices of these materials were sustained at ceiling levels.

Federal subsidies were arranged for additional commodities and Government war risk rates on shipments of imported commodities were reduced. These actions were taken to bring about price reductions, as in the case of petroleum products on the East Coast, and to prevent further price increases, particularly for imported commodities. About 30 new maximum price schedules were announced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.

BANK CREDIT

Excess reserves of member banks declined by about 200 million dollars in the four weeks ended August 19. An increase of about 400 million dollars of currency in circulation during this period was paralleled by a corresponding amount of Reserve Bank purchases of Government securities. There was an increase of 300 million dollars in required reserves resulting from a growth in deposits at member banks. Excess reserves in New York and Chicago reached the lowest levels since the third quarter of 1937. Effective August 20 reserve requirements on demand deposits at central reserve city banks were reduced from 26 per cent to 24 per cent by action of the Board of Governors of the Federal Reserve System. This had the effect of converting over 400 million dollars from required to excess reserves.

Member banks in leading cities continued to increase their holdings of United States Government securities, particularly in the week ended August 19, in which delivery of the new 11½ months' 7/8 per cent certificates of indebtedness was made. Loans, which had declined during the second quarter of the year, have recently shown little change.

Adjusted demand deposits continued to increase at reporting banks, although purchases of Government securities, particularly the 2½ per cent Treasury bonds of 1962-67, by investors other than banks temporarily reduced demand deposits of individuals and added to United States Government deposits.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States taxable bonds have shown little change during the past month. Taxable notes of 3- to 5-year maturity are currently yielding 1.26 per cent on the average as compared with 1.20 per cent in July. The rate of discount on new issues of Treasury bills has averaged 0.372 per cent for the past three weeks.

THE UNITED STATES COTTON INDUSTRY—1941-42 SEASON

During the season ended July 31, 1942, the cotton industry in the United States was affected mainly by developments in connection with the war effort. By the end of the season a substantial part of the industry had been converted to war production and new records had been established in the demand for cotton products, in the volume of raw cotton consumed and in cotton mill activity. Other important developments included sharp advances in cotton prices, a greatly increased demand for longer staple cotton, the placing of price ceilings on cotton products, substantial reductions in the amount of cotton owned by the Commodity Credit Corporation and in the amount held under Government loan.

During the 1941-1942 season, activity at domestic cotton mills increased sharply and was limited mainly by the capacity of mills to produce, rather than by the demand for textiles. Throughout the season unfilled orders were in unusually large volume and many mills showed a reluctance to accept new orders for civilian goods, especially for distant delivery. After the United States entered the war, huge Government purchases and other orders with high priority ratings absorbed an increasing proportion of the output of domestic mills. In accordance with orders issued by the War Production Board, many mills converted their plants to the production of goods to meet military and essential civilian requirements and a large part of the total supply of cotton linters was set aside for the chemical industry for use in the production of explosives. In an effort to meet the increased demand for textiles, many mills have been operating seven days per week on a three-shift basis.

In March, 1942 the New York Cotton Exchange estimated that about 65 per cent of total current production of cotton textiles was being absorbed in military and other war uses, as compared with between 10 and 20 per cent for the year preceding the outbreak of war between the United States and Japan. Thus, despite the heavy civilian demand for cotton products growing out of the rapidly expanding individual incomes, the large requirements for military and other essential uses brought about a sharp reduction in the output of cotton goods for civilian consumption. The War Production Board has announced production goals of 14 billion square yards of cloth for the calendar year 1942 and 15 billion yards for the calendar year 1943. Assuming the same yardage per bale as in the calendar year 1941, consumption of raw cotton must reach an even higher level than at present, if these goals are to be achieved.

Reflecting the heavy demand for cotton textiles, cotton consumption exceeded the previous record established in the 1940-1941 season by a substantial margin. The high level of cotton consumption was attributable both to a sharp increase in mill activity and to a shift to heavier weight fabric to meet military requirements. Consumption during July, 1942, amounting to 995,041 bales, was only slightly under the all-time peak of 998,754 bales utilized in April this year and was 7 per cent greater than the amount consumed in July, 1941. During the twelve months ended July, 1942, processing establishments consumed 11,172,328 bales, which was 15 per cent above that of the preceding season and about 80 per cent greater than the ten-year (1930-1939) average. Cotton consumption at Texas mills, which was in exceptionally large volume during the 1940-1941 season, increased still further in the past season, reaching a total of approximately 252,000 bales.

The high specifications which military goods must meet and the expanding output of the cotton textile industry have greatly increased the demand for longer staple and higher grade cotton. To assist in meeting this demand, the Department of Agriculture made direct appeals to farmers to expand the production of longer staple cotton. As a result of those efforts farmers increased their plantings of longer staple cotton this year and it is estimated that the production of American-Egyptian cotton this

season will be about 106,000 bales, as compared with 60,000 bales in the previous season and a ten year (1931-1940) average production of 18,000 bales. Reflecting the increased demand for the higher quality cotton, the grade and staple premiums and discounts on July 24, 1942, were more than twice as wide as those prevailing a year earlier.

On April 28, 1942 the Office of Price Administration broadened its control over cotton textile prices and placed absolute ceilings on all cotton textiles and manufactured textile products with respect to sales by manufacturers, wholesalers and retailers. With certain exceptions, the ceilings were fixed at the highest prices actually existing in March, 1942. Despite advances in prices of raw cotton, mill margins, or the average spread between the price of a pound of raw cotton and the price of its cloth equivalent, which had about doubled during the 1940-1941 season, increased still further during the past season. Monthly averages of mill margins fluctuated within a narrow range of 20 to 20½ cents per pound between August, 1941 and April, 1942. Beginning in the latter part of April the price of raw cotton declined and mill margins increased correspondingly with the result that in June, 1942 they averaged 22.15 cents per pound, which was the highest since records became available in 1925. Although average mill margins declined to 21.27 cents per pound during July, they were still well above those prevailing in that month of 1941.

During the past season, the average price of middling 15/16-inch staple cotton at the ten spot markets fluctuated between 15.39 cents and 20.47 cents per pound. The price rose gradually after August, 1941 and reached 20.47 cents per pound on April 9, 1942, the highest since 1929. After that date the price of cotton declined irregularly, but the price on July 31, which averaged 18.67 cents per pound, was still more than double that prevailing when war broke out in Europe in September, 1939.

In consequence of the higher level of cotton prices prevailing during the season, about 60 per cent of the 2,221,000 bales from the 1941 crop that had been pledged as collateral for Government loans was subsequently redeemed with substantial profits to producers, and in addition the Commodity Credit Corporation sold a sizable volume of its holdings. On July 31 Government-held stocks amounted to only 4,400,000 bales as compared with 6,480,000 bales on July 31, 1941, and 8,733,000 bales on the corresponding date in 1940. On August 9 the Department of Agriculture announced that 1942 loans on cotton produced by farmers cooperating with the program of the Agricultural Adjustment Administration would average 85 per cent of parity, or about 16.02 cents per pound for middling $\frac{7}{8}$ -inch staple, which compares with an average loan rate of 14.82 cents per pound on the 1941 crop for middling 15/16-inch staple and 8.90 cents per pound on the 1940 crop of similar grade and staple.

The Department of Agriculture estimated the domestic carry-over of cotton on July 31, 1942 at 10,590,000 bales, or about 1,576,000 bales less than a year ago and 2,443,000 bales less than the peak carry-over in 1939. Reflecting the high consumption rate cotton mills maintained much larger stocks than usual throughout the season. On July 31 mill stocks were 2,253,000 bales, which was 20 per cent greater than a year ago, and was equivalent to a $2\frac{1}{4}$ months' supply at the current rate of consumption. Stocks in public storage and compresses on July 31 amounted to 7,632,000 bales, as compared with 9,704,000 bales on the same date a year ago. At the end of July commercial interests apparently owned between 40 and 45 per cent of the cotton in public storage and compresses, which was somewhat larger than the proportion thus owned a year ago. On the basis of the carry-over and the August 1 estimate of cotton production this year, it appears that the total supply of cotton during the current season will amount to about 23,400,000 running bales, or about 700,000 bales more than last season.