

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 during October exceeded the previous all-time peak established in August. The daily average production of crude petroleum increased slightly during October, but was 5 per cent lower than in the same month last year. Although drilling activity was slightly higher in October, the rate of well completions was only about one-third of that in October, 1941. Production of cottonseed products at Texas mills increased seasonally during October and was somewhat higher than last year. Consumer purchases at reporting department stores increased by less than the usual seasonal amount during October, but were 31 per cent higher than a year earlier. Similar increases occurred in retail furniture sales. Loans of weekly reporting member banks increased for the second consecutive month, but were still substantially below those last year. The rate of increase in member bank holdings of United States Government securities increased sharply. Intermittent rains delayed harvesting operations during October and the early part of November, but caused little damage to most crops.

BUSINESS

The value of consumer purchases at reporting department stores in the Eleventh District increased 10 per cent from September to October and was 31 per cent above that in October, 1941. Sales of all types of piece goods, small wares, ready-to-wear accessories, women's and misses' ready-to-wear, as well as sales in basement departments, were well above those of last year. On the other hand, sales of furniture and some items of house furnishings and household appliances were smaller than a year ago. Total sales increased by less than the usual seasonal amount from September to October; consequently, this bank's adjusted index of department store sales declined further to 150 per cent of the 1923-1925 average, but was still 37 points above that in October last year.

The ratio of cash sales to total sales was slightly higher during October and was considerably above that of a year earlier. The ratio of collections on both regular and instalment accounts outstanding at the first of the month rose during October to the highest level of record, the respective ratios being 61 per cent and 25 per cent.

The dollar value of inventories at reporting department stores in this district increased slightly during October and was 3 per cent above that on October 31, 1941. The increase, however, was less than is usual at this time of the year, with the result that this bank's seasonally adjusted index of department store stocks declined for the third consecutive month, and at the end of October stood at 93 per cent of the 1923-1925 average. The value of outstanding orders increased further during October and at the end of the month was 30 per cent above that on the corresponding date last year.

Reports from 82 representative retail furniture firms in this district indicate that total sales increased about 16 per cent from September to October and were 22 per cent above those in October, 1941. The ratio of cash sales to total sales increased slightly from September to October and was considerably higher than in October last year. Accounts receivable continued to decline, and at the end of October were one-third smaller than a year earlier, whereas collections were correspondingly greater. During recent months inventories have shown only small net changes, and at the end of October were 10 per cent above those of a year ago.

The demand for merchandise at reporting wholesale trade

firms in this district fell off about 4 per cent from September to October, but was still 6 per cent above that in October, 1941. Most of the decline during the month occurred in sales of groceries and hardware, although sales of automotive supplies, surgical equipment and electrical goods also experienced declines. These declines, however, were offset in part by increases in the demand for drugs, tobacco and miscellaneous lines. The value of inventories at reporting wholesale establishments, which has shown a moderately downward trend since last April, continued to fall off during October, and at the end of the month was about 12 per cent lower than a year earlier.

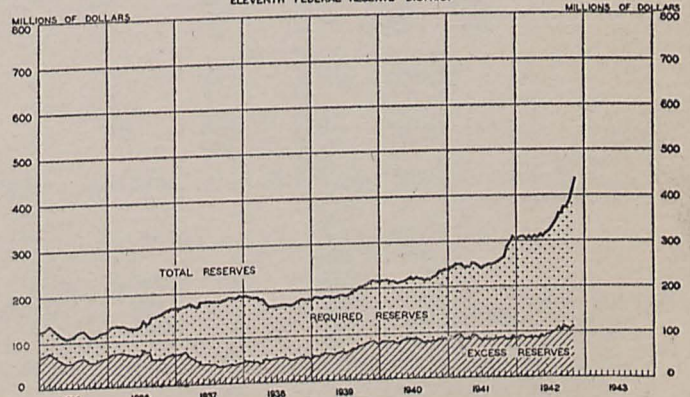
According to Dun and Bradstreet, Incorporated, there were 9 business failures in the Eleventh District during October, the same as in September, as compared with 12 in October, 1941. Although the number of failures in both September and October this year was the same, the indebtedness of defaulting firms declined sharply from \$462,000 in September to \$84,000 in October.

AGRICULTURE

Harvesting operations were delayed by intermittent rains throughout most of the Eleventh District during October and the early part of November. However, little damage was caused to most crops. Grain and forage crops, fall sown small grains, pastures and truck crops were benefited by the improved moisture situation. In its November 1 report, the Department of Agriculture decreased earlier estimates of the district's corn, cotton, rice and peanut crops, but production of all major crops except cotton, oats and pecans is expected to exceed the respective 1930-1939 averages, and the harvest of only oats, barley, and pecans is likely to be substantially smaller than in 1941.

Weather damage and delay in harvesting reduced the yield of cotton, particularly in northwest Texas. The November 1 estimate of the Texas cotton crop was 3,223,000 bales, or 180,000 bales smaller than the October 1 estimate. The indicated Texas crop for 1942 is 14 per cent below the 1930-1939 average production, but 22 per cent greater than the 2,652,000 bales harvested in 1941. The indicated per acre yield on November 1 of 190 pounds also represents a decline from the 201 pounds per acre forecast a month earlier, but is still substantially above the per acre yield of 165 pounds in 1941 and the ten-year (1930-1939) average per acre yield of 154 pounds. Ginnings in Texas prior to November 1 totaled 2,162,000 running bales, or 70 per cent of indicated production, as compared with 1,498,000 bales, or 59 per cent of estimated production prior to the same date last year. The Louisiana cotton crop is expected

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to be almost double that of 1941, and estimated production in New Mexico, Arizona and Oklahoma is well above actual production last year. A crop of 13,329,000 bales of cotton is forecast for the United States as compared with a production of 10,744,000 bales last year. The per acre yield of 275 pounds indicated for the current year is substantially higher than the yield of 232 pounds per acre in 1941. Through October, the Commodity Credit Corporation had made loans on more than 450,000 bales of 1942 cotton, of which 60 per cent was produced in Texas. As of the same date last year, loans had been made on approximately 400,000 bales of United States cotton.

As the harvesting of the Texas corn crop neared completion, it became evident that production would be somewhat smaller than the earlier forecast. The November 1 estimate of 81,270,000 bushels was 2,709,000 bushels below that a month earlier and compares with the 1941 yield of 73,875,000 bushels and the 1930-1939 average harvest of 75,964,000 bushels. The corn yield per acre is approximately the same as in 1941 and slightly below the ten-year average yield. Anticipated production of corn in Louisiana and Oklahoma is somewhat greater than in 1941. The United States crop is now estimated at 3,185,000,000 bushels which, if realized, will exceed the previous record established in 1920 by 115,000,000 bushels, and will be 19 per cent above the 1941 crop. A record crop of grain sorghums is indicated for Texas. The November 1 estimate of 82,118,000 bushels compares with 79,724,000 bushels produced in 1941 and the 1930-1939 average production of only 44,854,000 bushels. Harvesting of the crop in northwest Texas has been delayed by the shortage of labor.

Progress with the harvesting and threshing of the Texas rice crop which permitted a more accurate appraisal of August storm damage resulted in an 11 per cent reduction in the estimate for the current year. Estimated 1942 production of 17,472,000 bushels, however, is well above last year's crop of 13,600,000 bushels and 65 per cent greater than the 1930-1939 average. The November 1 estimate of the Texas peanut crop reflected further weather damage, but the expected production of 556,500,000 pounds is still by far the largest crop on record and exceeds 1941 production by approximately 400,000,000 pounds. Texas acreage in peanuts this year is more

than three times that in 1941, and the yield per acre is somewhat larger than last year. The indicated production of pecans in Texas was reduced further during October, the November 1 estimate being 8,800,000 pounds as compared with 10,350,000 pounds on October 1 and a harvest of 22,100,000 pounds in 1941. Texas truck crops made rapid progress during October as a result of favorable weather which prevailed throughout the month, and were only slightly retarded by light frosts and a brief cool spell which occurred in some sections of the State during the first half of November. Truck crop prospects are much better in Texas than in other vegetable producing sections of the country, where weather conditions have been somewhat unfavorable to crop development. The 1942-1943 Texas citrus crop showed some improvement during October. The estimated grapefruit harvest of 16,200,000 boxes exceeds production last season by 1,700,000 boxes, or by approximately 12 per cent.

Livestock in this district are entering the winter season in good-to-excellent condition. Sheep and lambs are in good flesh, and cattle and calves are carrying good weight and finish. Above average range conditions, excellent wheat pastures and abundant feed supplies assure ample feed and forage for the winter season throughout most sections of the district. A heavy movement of cattle to north and northwest Texas has continued throughout the season to utilize grain pastures and the abundant feed supplies. Marketings of cattle and calves in Texas were 27 per cent greater in September than in the same month of last year and total sheep and lamb marketings during September exceeded the total of September, 1941, by 55 per cent. Marketings of Texas cattle and calves prior to October 1 were 30 per cent greater than the total marketings of the same period of last year and were only 2 per cent below the record for the period established in 1937. Reports indicate that ranchmen are culling herds but are holding good heifers and ewe lambs for replacements.

FINANCE

During the early part of the current year customer deposits at member banks in this district declined seasonally, but since April there has been a marked expansion. The rapid rise in deposits during recent months reflected the large marketings of farm products at high prices and the net Government expenditures in this area. The month-to-month increase in deposits was particularly large after June, with the result that the combined gross demand and time deposits of all member banks in the Eleventh District averaged \$2,469,000,000 during October. That amount is \$386,000,000 above the June average and compares with a net increase of only \$43,000,000 during the first half of the year.

During the first half of this year reserve balances of all member banks in the Eleventh Federal Reserve District showed a net increase of \$18,500,000 and since June the month-to-month expansion in reserve balances has been at a sharply increased rate. Thus, from July through October the average increase for each month has been substantially greater than the entire net increase for the first six months of the year. This trend continued through the first half of November when average reserve balances of \$435,064,000 were \$52,000,000 higher than the average for the same part of the preceding month, and \$118,000,000 above those during the first half of June. On November 15 reserve balances of all member banks were at a new peak of \$452,126,000.

Due mainly to an expansion in customer deposits at member banks, a large part of the expansion in reserve balances has been absorbed by increases in required reserves. Thus, from July through October required reserves increased at the rate of about \$18,000,000 a month, while excess reserves expanded at the rate of \$4,500,000 a month. It is estimated that excess reserves were at a new peak during the first half of November.

Federal Reserve notes of this bank in actual circulation showed a net increase of about \$24,000,000 during the first six

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in:				Stocks†	
		Net sales		Jan. 1 to Oct. 31, 1942 from 1941	October, 1942 from		
		October, 1942 from 1941	Sept., 1942		October, 1941	Sept., 1942	
Department stores:							
Total 11th Dist.	48	+31	+10	+11	+3	+1	
Dallas.....	7	+29	+12	+4	+3	+2	
Fort Worth.....	4	+28	+12	+12	+15	+1	
Houston.....	7	+28	+4	+11	+1	+8	
San Antonio.....	5	+43	+8	+20	+5	+1	
Shreveport.....	3	+16	+14	+13	....	....
Other cities.....	22	+35	+14	+13	+5	+1	
Retail furniture:							
Total 11th District. 82	82	+22	+16	....	+10	+1
Dallas.....	8	+27	+9	....	+31	+13
Fort Worth.....	3	+17	+12	....	+11	+2
Houston.....	12	+15	+17	....	+1	+4
San Antonio.....	6	+25	+16	....	+16	+4
Independent stores:*							
Arizona.....	196	+25	+11	+13	....	....
New Mexico.....	145	+12	+12	+1	....	....
Oklahoma.....	450	+16	+12	+1	....	....
Texas.....	1,020	+16	+6	+4	....	....
Wholesale trade:*							
Automotive supplies	3	-30	-4	....	....	....
Drugs (incl. liquors).....	11	+35	+9	+24	+2	+3	
Electrical goods.....	5	-26	-9	-15	....	....
Groceries.....	31	+20	-6	+17	-9	+4	
Hardware.....	15	-15	-7	+7	-16	-4	
Surgical exp't.....	4	-7	-5	+10	....	....
Tobacco & products.....	3	-13	+15	-2	....	....

*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)

	October 1942	October 1941	September 1942	August 1942
Sales (daily average):				
Without seasonal adjustment	170	127	171	127
With seasonal adjustment	150	113	154	165
Stocks (end of month):				
Without seasonal adjustment	105	100	104	107
With seasonal adjustment	93	89	95	105

months of this year, or an average monthly increase of \$4,000,000. Due in part to seasonal factors, the rate of expansion increased sharply from July through October. During those four months there was a net expansion of \$54,000,000, or an average monthly rate of \$13,500,000. During the first half of November the average circulation of Federal Reserve notes of this bank was at a new high level of \$228,070,000, which amount was \$19,000,000 higher than the average for the first half of October and more than \$100,000,000 greater than in the corresponding period last year.

Total loans and investments of 33 weekly reporting member banks in the Eleventh District amounted to \$906,978,000 on November 11, which was \$56,230,000 greater than a month earlier and \$248,500,000 above the level on the corresponding date last year. These increases reflect principally purchases of United States Government securities in connection with the financing of the war effort. Total investments during the four weeks ended November 11 rose \$53,453,000 to a new high of \$595,149,000.

In April the Treasury began to increase substantially the volume of short term Government securities, consisting of Treasury bills and Treasury Certificates of Indebtedness. Purchases of these offerings by reporting member banks in this district, between April 8 and September 23, increased their net holdings of Treasury bills by \$37,500,000 and Treasury Certificates of Indebtedness by \$89,100,000. The remainder of the increase in holdings of direct obligations of the United States Government during that period consisted almost entirely of United States Treasury bonds, while holdings of Treasury notes increased only \$1,374,000. Since the latter part of September the Treasury has offered a wider variety of issues designed to meet the needs of commercial banks, with the result that there has been a marked change in the types of Treasury securities purchased by reporting member banks. Between September 23 and November 11, reporting member banks continued to increase their holdings of Treasury bonds, but holdings of Treasury bills and Treasury Certificates of Indebtedness showed a net decline of \$7,600,000. On the other hand, holdings of Treasury notes increased \$64,875,000 and holdings of Treasury bonds increased \$32,142,000 during the seven weeks ended November 11. Thus, during the four and one-half months prior to September 23, about two-thirds of the increase in reporting member bank holdings of direct obligations of the United States Government consisted of Treasury bills and Treasury Certificates of Indebtedness, while holdings of Treasury notes were about unchanged. Between September 23 and November 11 holdings of Treasury bills and Treasury Certificates of Indebtedness have fallen off slightly, whereas two-thirds of the large increase in holdings of United States Government securities has been accounted for by an expansion in the holdings of Treasury notes, and the remainder by increased holdings of Treasury bonds.

The loans of 33 weekly reporting member banks in this district continued the slight recovery which began in the latter part of September. On November 11 total loans of \$311,829,000 were \$2,780,000 higher than on October 14, but were \$43,260,000 less than on the corresponding date last year. For the second consecutive month commercial, industrial and agricultural loans accounted for a large part of the increase, although there was also a sizable increase in loans to brokers and dealers in securities. Other classes of loans showed only small net changes during the four-week period.

INDUSTRY

The value of construction contracts awarded in the Eleventh District during October, which amounted to \$129,000,000, exceeded the previous all-time peak established last August and was more than 25 per cent greater than the September awards, of \$101,600,000. The continued heavy awards for Government-financed manufacturing facilities during October

CONDITION OF THE FEDERAL RESERVE BANK (Thousands of dollars)

	Nov. 15, 1942	Nov. 15, 1941	Oct. 15, 1942
Total cash reserves.....	\$526,673	\$408,831	\$500,038
Discounts for member banks.....	30	314	191
Industrial advances.....	133	273	134
United States Government securities.....	179,436	76,551	150,076
All other investments.....	145	None	145
Total earning assets.....	179,744	77,138	150,546
Member bank reserve deposits.....	452,126	297,873	401,350
Federal Reserve notes in actual circulation.....	228,594	126,917	211,959
Commitments to make industrial advances.....	None	23	None

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

	Nov. 11, 1942	Nov. 12, 1941	Oct. 14, 1942
Total loans and investments.....	\$906,978	\$658,492	\$850,748
Total loans.....	311,829	355,058	309,052
Commercial, industrial and agricultural loans.....	228,279	244,608	225,710
Open market paper.....	612	1,654	1,072
Loans to brokers and dealers in securities.....	3,314	5,483	2,375
Other loans for purchasing or carrying securities.....	11,656	13,921	12,067
Real estate loans.....	20,182	23,362	20,028
Loans to banks.....	226	443	241
All other loans.....	47,560	65,714	47,559
Total investments.....	595,149	303,407	541,696
United States Treasury bills.....	68,875	38,803	79,176
United States Treasury Certificates of Indebtedness.....	82,866	None	79,187
United States Treasury notes.....	108,000	40,741	73,919
United States Government bonds.....	237,783	124,116	211,196
Obligations guaranteed by United States Gov't.....	37,936	38,651	38,685
Other securities.....	59,689	61,096	59,533
Reserves with Federal Reserve Bank.....	278,765	184,026	262,612
Balances with domestic banks.....	286,141	303,229	271,888
Demand deposits—adjusted.....	807,493	613,057	776,956
Time deposits.....	130,088	132,460	128,948
United States Government deposits.....	61,283	21,166	34,201
Interbank deposits.....	423,322	327,690	396,166
Borrowings from Federal Reserve Bank.....	None	None	None

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

†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 (Thousands of dollars)

	October 1942	October 1941	Pctg. change over year	September 1942	Pctg. change over month
Abilene.....	\$ 20,843	\$ 18,447	+13	\$ 14,977	+39
Amarillo.....	44,938	.....	.....	45,714	-2
Austin.....	64,934	43,985	+48	53,785	+21
Beaumont.....	42,320	32,932	+29	37,508	+13
Corpus Christi.....	37,957	.....	.....	37,317	+2
Corsicana.....	6,822	5,690	+20	5,262	+30
Dallas.....	469,239	423,238	+11	421,188	+11
El Paso.....	61,113	46,189	+11	46,035	+10
Fort Worth.....	157,671	128,079	+23	143,029	+10
Galveston.....	50,367	31,025	+62	32,439	+65
Houston.....	429,033	362,294	+18	374,502	+15
Laredo.....	9,351	.....	.....	8,695	+8
Lubbock.....	20,089	.....	.....	15,514	+29
Monroe, La.....	18,298	.....	.....	17,284	+6
Port Arthur.....	16,649	12,412	+34	16,698	+1
Roswell, N. M.....	6,480	5,475	+18	5,355	+21
San Angelo.....	17,120	.....	.....	17,558	-2
San Antonio.....	149,213	102,676	+45	105,328	+42
Shreveport, La.....	68,698	64,697	+6	61,313	+12
Texarkana.....	15,590	16,973	-8	14,249	+9
Tucson, Ariz.....	23,862	16,163	+48	22,948	+4
Tyler.....	14,606	15,013	-3	13,711	+7
Waco.....	29,945	21,978	+36	26,253	+14
Wichita Falls.....	21,489	26,230	-18	22,357	-4
Total—18 cities.....	\$1,638,874	\$1,373,496	+19	\$1,417,587	+16
Total—24 cities.....	1,786,627	.....	.....	1,559,619	+15

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

†New reporting center; data prior to May, 1942, not available.

‡Less than one-half of one per cent.

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

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
October, 1940.....	\$1,408,515	\$233,323	\$ 814,555	\$128,295	\$593,960	\$105,023
October, 1941.....	1,662,466	237,667	962,113	132,050	700,353	105,617
June, 1942.....	1,856,567	226,503	1,058,847	127,416	797,720	99,087
July, 1942.....	1,914,513	226,947	1,095,607	127,615	818,906	99,332
August, 1942.....	1,985,128	226,916	1,137,687	127,231	847,441	99,685
September, 1942.....	2,055,183	227,472	1,166,232	127,368	888,951	100,104
October, 1942.....	2,243,675	225,791	1,269,835	125,667	973,840	100,124

SAVINGS DEPOSITS

	October 31, 1942			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	October 31, 1941	Sept. 30, 1942
Beaumont.....	3	10,840	\$ 4,368,769	+ 1.9	+ 2.4
Dallas.....	8	89,056	26,460,857	+ .8	+ 1.8
El Paso.....	2	18,448	7,376,317	+ .02	+ 1.2
Fort Worth.....	3	32,495	12,880,142	+ .3	+ 1.3
Galveston.....	4	18,288	10,876,777	+ 5.4	+ .3
Houston.....	10	74,521	32,601,229	- .2	+ .1
Lubbock.....	3	1,326	597,548	+ 6.1	+ 2.1
Port Arthur.....	2	5,170	3,108,771	+ 2.7	+ 4.9
San Antonio.....	5	23,421	18,334,090	+ 2.2	+ 1.3
Shreveport, La.....	3	24,905	11,658,181	- 3.4	- 3.4
Waco.....	3	7,400	4,259,241	- 2.5	+ 2.1
Wichita Falls.....	3	6,599	3,440,501	- .01	+ 1.4
All other.....	62	51,484	27,756,889	- 3.8	+ 1.1
Total.....	111	363,953	\$163,719,812	- .9	+ .6

indicate that a further expansion of war production in this district is in prospect. The volume of public works and the volume of utilities construction increased substantially over September, and were somewhat greater than in October of last year. Awards for residential building, nearly all of which now represents defense housing, increased over the preceding month and were only 11 per cent under the near record total in the same month of 1941. The War Production Board recently placed construction machinery and equipment under allocations control and specified forty-eight items of heavy machinery and equipment which hereafter may be produced only for military uses. Further restrictions were placed upon private residential construction, and some Federal awards were withdrawn.

Production of Portland cement at Texas mills in September exceeded 1,000,000 barrels for the fifth consecutive month, but was somewhat smaller than production in August. During September, shipments of cement from Texas mills declined more than 20 per cent from those in August. Stocks of cement at Texas mills, which had dropped sharply during the preceding four months, were partially replenished during September, but they were still more than 50 per cent smaller than stocks of a year ago. Production of lumber during October continued on a smaller scale than shipments, bringing about a further decline in mill stocks. The volume of unfilled orders at the mills has declined from the peak reached earlier this year, but at the end of October was still substantially greater than at the same time last year.

Floods, breakdowns, train wrecks, and diversion of tank-cars to other services have retarded rail movement of petroleum and petroleum products to the East Coast since September. During the two week period ended October 24, tank-car deliveries of petroleum to the East Coast averaged less than 800,000 barrels per day, and were about 47,000 barrels below the level of daily deliveries during the comparable period of the preceding month.

The petroleum supply situation on the Eastern Seaboard became more critical during October and November as a result of the decline in petroleum receipts and expanding military requirements for petroleum products. The basic passenger car gasoline ration was therefore reduced from four to three gallons per week in the sixteen eastern states, effective November 22. Delays in the delivery of registration forms and ration books to local ration boards necessitated the postponement of the effective date of gasoline rationing in the remaining states from November 22 to December 1.

Early in November, the War Production Board approved extension of the War Emergency "big inch" pipe line from Illinois to New York. The section of the line extending from Longview, Texas, to Illinois which will provide for the transportation of 300,000 barrels of petroleum daily is expected to be in operation shortly after the first of the year. Readjustment of pipe line facilities now under way will provide the emergency line with petroleum from such widely separated points in the district as West Texas and the Corpus Christi area. The Texas Railroad Commission has announced adoption of a policy which will allow East Texas producers to transfer to other wells on the same lease the allowable of wells which are not eligible for pumping equipment under present regulations of the War Production Board.

The daily average production of crude petroleum in the Eleventh District was 2 per cent greater during October than during the preceding month, but was 5 per cent below the level of October, 1941. During the month, daily average production increased in all sections of the district except North Louisiana and the Texas Coastal area, where very slight declines were experienced. Daily average production outside the district dropped slightly from September to October and was 4 per cent below production in October, 1941. Stocks of crude petroleum in the district continued to accumulate and at the end of the month were 22 per cent greater than at the same time

last year, while stocks of crude petroleum outside of the district continued their downward trend with a decline of 4 per cent during October, and at the end of the month were 16 per cent smaller than at the end of October, 1941. National stocks of fuel oil rose slightly but at the end of October were 18 per cent below the level of last year.

Drilling activity in the district was 3 per cent greater in October than in September, but the rate of well completions was 64 per cent below the rate set in October, 1941. Drilling activity outside of the district declined 8 per cent from the September rate and was 33 per cent below that during the same month of last year. The rate of drilling activity in this district during the first ten months of this year was only about half of that during the same period of 1941. In the United States the rate of drilling declined about one-third.

Cotton consumption at United States mills increased less than seasonally during October but set a new record for the amount of cotton utilized during that month. According to the Bureau of the Census, consumption of cotton at mills was 972,490 bales compared with 966,149 bales consumed in September and 955,657 bales consumed in October, 1941. Inventories of raw cotton in consuming establishments increased seasonally during October and at the end of the month totaled 2,117,902 bales, which compares with the previous all-time peak for that date of 1,993,293 bales set last year. Current mill stocks now represent slightly more than a two month's supply in relation to mill consumption. United States stocks of cotton in public storage and compresses increased almost 3,000,000 bales during October, but were 5 per cent smaller than at the end of October, 1941.

The average price of middling 15/16-inch staple at the ten spot markets continued a moderate upward trend during the last half of October and was 19.48 cents per pound on November 5. Thereafter, prices declined slightly, and on November 14, the ten spot market average was 19.34 cents per pound, as compared with 18.91 cents on October 15, and 16.39 cents per pound on November 15, 1941.

Ginnings of cotton prior to November 1 were substantially greater than in 1941, both in Texas and in the United States, and receipts of cottonseed at cottonseed oil mills were correspondingly larger. Production of cottonseed products at Texas mills in October was approximately 50 per cent greater than during September and somewhat greater than in October, 1941. Shipments of products from Texas mills during the first quarter of the current season have exceeded shipments during the comparable period of 1941 by 40 per cent or more. Operations at United States mills have also increased substantially.

BUILDING PERMITS

	October, 1942		Percentage change valuation from		Jan. 1 to Oct. 31, 1942		Percentage change valuation from 1941
	No.	Valuation	Oct., 1941	Sept., 1942	No.	Valuation	
Abilene.....	10	\$ 6,195	-94	-45	278	\$ 1,201,038	+11
Amarillo.....	34	57,225	-76	+67	366	684,032	-70
Austin.....	101	26,333	-92	+55	924	1,539,342	-67
Beaumont.....	143	77,588	-62	+84	1,610	2,458,153	+22
Corpus Christi.....	105	127,913	-77	+129	1,345	9,299,735	-19
Dallas.....	548	238,084	-91	+25	6,012	5,895,025	-58
El Paso.....	45	470,300	+3	+948	547	2,424,523	-10
Fort Worth.....	251	341,012	+54	+149	2,678	10,095,416	+74
Houston.....	116	168,036	-90	+172	2,368	11,033,216	-35
Lubbock.....	120	19,430	-86	+39	1,000	2,049,605	-27
Port Arthur.....	61	7,796	-95	-39	717	340,614	-69
San Antonio.....	909	277,651	-58	+53	8,202	4,106,319	-40
Shreveport, La.....	71	100,692	-55	+42	957	2,001,891	-34
Waco.....	57	124,871	-20	+65	583	1,144,681	-70
Wichita Falls.....	34	64,903	-92	+27	316	552,859	-52
Total.....	2,605	\$2,108,979	-77	+110	28,512	\$54,836,449	-33

VALUE OF CONSTRUCTION CONTRACTS AWARDED (Thousands of dollars)

	October 1942	October 1941	September 1942	January 1 to October 1942	1941
Eleventh District—total...	\$128,901	\$ 70,101	\$101,554*	\$ 747,356	\$ 395,502
Residential.....	16,064	8,021	10,431	118,368	109,347
All other.....	112,837	62,080	91,123*	628,988	286,155
United States*—total.....	780,396	606,349	723,216	6,892,161	5,117,228
Residential.....	161,206	171,772	126,708	1,501,427	1,733,057
All other.....	619,190	434,577	596,508	5,390,734	3,384,171

*37 States east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

r-Revised.

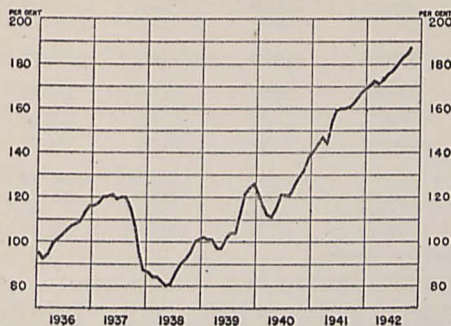
MONTHLY BUSINESS REVIEW

DECEMBER 1, 1942

NATIONAL SUMMARY OF BUSINESS CONDITIONS

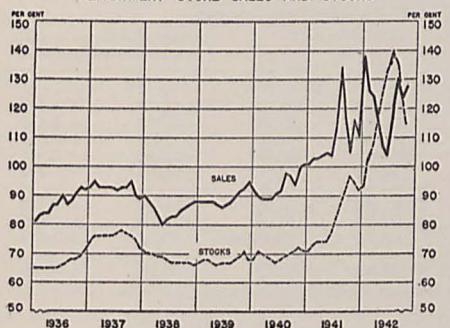
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



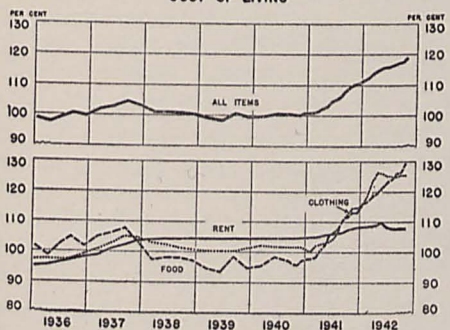
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for October 1942.

DEPARTMENT STORE SALES AND STOCKS



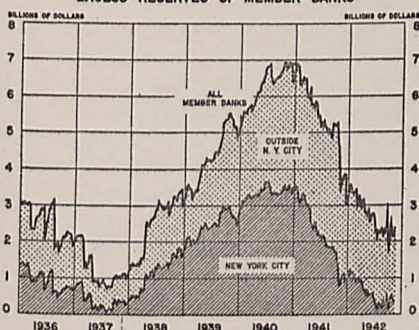
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for October 1942.

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 October 1942.

EXCESS RESERVES OF MEMBER BANKS



Wednesday figures, partly estimated. Latest figures shown are for November 11, 1942.

Industrial output expanded further in October and the first half of November. Retail food prices continued to advance while prices of other commodities generally showed little change. Distribution of commodities to consumers was maintained in large volume.

PRODUCTION

Industrial production continued to advance in October and the Board's seasonally adjusted index rose three points to 188 per cent of the 1935-1939 average. Gains in armament production accounted for most of the increase, and it is estimated that currently well over 50 per cent of total industrial output is for war purposes. In lines producing durable manufactures, approximately 80 per cent of output now consists of products essential to the war effort.

Steel output reached a new high level in October as production expanded to 100 per cent of rated capacity. In the first half of November output declined slightly to around 99 per cent, reflecting some shutdowns for furnace repairs, according to trade reports. Activity in industries producing nondurable goods declined less than seasonally in October. Production of foods, especially canning, was unusually large for this time of year and output of textiles continued at a high level. Mineral production, which usually increases in October, declined slightly this year owing chiefly to a decrease in coal production which had been maintained in large volume throughout the summer.

Value of construction contracts awarded in October increased somewhat over that of September, according to reports of the F. W. Dodge Corporation. Publicly-financed projects continued to account for over 90 per cent of total awards.

The Department of Commerce estimates that, in the third quarter of 1942, expenditures for new construction amounted to 4.2 billion dollars, of which 3.5 billion came from public funds. For the first nine months of this year the corresponding figures were 10.2 and 7.7 billion dollars. Construction of military and naval facilities and of industrial buildings accounted for the bulk of the expenditures.

DISTRIBUTION

Department store sales increased in October and the Board's seasonally adjusted index rose to 129 per cent of the 1923-1925 average as compared with 123 in September and 130 in August. In the first half of November sales increased further and were 17 per cent larger than in the corresponding period last year, reflecting in part price advances of about 10 per cent.

Railroad shipments of freight were maintained in large volume during October and declined seasonally in the first half of November.

COMMODITY PRICES

Retail food prices continued to advance sharply from the middle of September to the middle of October and further increases are indicated in November. Prices of most other goods and services increased slightly in this period. In the early part of October maximum price controls were established for a number of additional foods. Maximum price levels for many other food products have been raised, however, and the Office of Price Administration reports on the basis of a recent survey that in numerous instances sellers are not complying fully with the regulations now in effect.

BANK CREDIT

Excess reserves of member banks were 2.5 billion dollars in the middle of November, a somewhat higher level than generally prevailed in the preceding four months. At New York City banks excess reserves amounted to about 500 million dollars.

Additions to member bank reserve balances during the four weeks ending November 18 were the net result of an increase of 500 million dollars in Reserve Bank holdings of Government obligations, which approximately covered the continued heavy currency drain, and a decrease of 200 million in Treasury balances at the Reserve Banks.

Holdings of Government securities by reporting banks in 101 cities increased by 1.9 billion dollars to 24 billion during the four weeks ending November 11. Almost half of the increase occurred at New York City banks. There were substantial increases in holdings of Treasury notes, bonds, and certificates, and a smaller increase in Treasury bills, while holdings of guaranteed obligations declined. These changes reflected new offerings and retirements by the Treasury during the period.

Commercial and industrial loans at reporting member banks in leading cities increased somewhat during the first two weeks of November. Brokers' loans in New York City increased around Government financing dates, but subsequently declined.

UNITED STATES GOVERNMENT SECURITY PRICES

Prices of United States Government securities were steady in the four weeks ending November 18. Long-term taxable bonds yielded 2.32 per cent, and 3-month Treasury bills sold at a yield of 0.37 per cent.

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

	August, 1942		Total receipts			
	Receipts from:		August	August	Jan. 1 to August 31	
	Crops	Livestock*	1942	1941	1942	1941
Arizona.....	1,294	1,849	3,143	2,011	61,035	46,871
Louisiana.....	4,944	3,869	8,813	5,384	72,035	54,342
New Mexico.....	1,894	2,601	4,495	4,133	32,914	25,292
Oklahoma.....	15,228	23,055	38,283	30,044	195,179	129,926
Texas.....	54,403	36,434	90,837	82,507	473,230	360,587
Total.....	77,763	67,808	145,571	124,079	834,393	617,018

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	October 1942	October 1941	Sept. 1942	October 1942	October 1941	Sept. 1942
Cattle.....	101,259	65,256	95,984	31,450	16,067	24,461
Calves.....	65,942	64,617	60,909	44,896	28,817	35,369
Hogs.....	46,844	33,178	56,307	11,346	14,607	13,268
Sheep.....	220,036	42,250	218,004	37,229	11,908	31,946

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundredweight)

	Fort Worth			San Antonio		
	October 1942	October 1941	Sept. 1942	October 1942	October 1941	Sept. 1942
Beef steers.....	\$14.00	\$12.00	\$13.75	\$12.50	\$10.40	\$12.50
Stocker steers.....	12.00	10.50	12.00	.....	.....	.....
Heifers and yearlings.....	14.65	12.00	14.75	13.25	11.25	13.25
Butcher Cows.....	10.75	8.00	10.25	9.75	7.50	9.75
Calves.....	12.75	10.50	13.00	12.50	11.00	13.00
Hogs.....	15.00	11.20	15.00	14.65	10.75	14.25
Lambs.....	13.50	11.00	14.00	12.00	9.00	10.50

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to October 31	August 1 to October 31	August 1 to October 31	August 1 to October 31
	This season	Last season	This season	Last season
Cottonseed received at mills (tons).....	639,666	492,294	2,877,106	2,416,578
Cottonseed crushed (tons).....	351,880	270,042	1,361,163	1,199,669
Cottonseed on hand Oct. 31 (tons).....	323,145	249,446	1,597,871	1,347,438
Production of products:				
Crude oil (thousand lbs.).....	104,028	78,220	422,869	372,905
Cake and meal (tons).....	156,485	122,150	595,791	522,419
Hulls (tons).....	87,902	68,441	329,718	302,623
Linters (running bales).....	103,246	74,394	402,357	344,364
Stocks on hand October 31:				
Crude oil (thousand lbs.).....	20,233	19,106	59,785	62,217
Cake and meal (tons).....	63,085	96,454	134,136	293,161
Hulls (tons).....	38,330	92,309	74,943	213,852
Linters (running bales).....	37,121	42,039	100,601	124,424

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	October 1942	October 1941	September 1942	August 1 to October 31	August 1 to October 31
	This season	Last season	This season	This season	Last season
Consumption at:					
Texas mills.....	21,904	19,893	21,669	63,780	60,441
United States mills.....	972,490	955,657	966,149	2,863,728	2,705,663
U.S. stocks—end of month:					
In consuming establm'ts.	2,117,902	1,993,595	1,812,204	.....	.....
Public stg. & compresses.	12,674,414	13,318,190	9,724,038	.....	.....

CRUDE OIL PRODUCTION—(Barrels)

	October, 1942		Increase or decrease in daily average production from	
	Total production	Daily avg. production	October, 1941	Sept., 1942
North Texas.....	7,072,800	228,155	+12,915	+ 6,080
West Texas.....	6,422,000	207,161	— 69,076	+ 4,453
East Texas.....	13,840,300	446,461	+ 1,521	+20,755
South Texas.....	5,058,900	163,190	— 51,183	+ 2,340
Texas Coastal.....	9,631,000	310,678	+23,815	— 310
Total Texas.....	42,025,000	1,355,645	— 82,008	+33,318
North Louisiana.....	3,034,500	97,887	+17,347	— 436
New Mexico.....	3,064,300	98,848	—16,797	+ 1,676
Total district.....	48,123,800	1,552,380	— 81,458	+34,558

SOURCE: Estimated from American Petroleum Institute weekly reports.