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DISTRICT SUMMARY

Developments in business and industry in the Eleventh Federal Reserve District during 1942 and the early part of 1943 reflected generally efforts to meet the requirements of the war program. Department store sales rose to new high levels during 1942, while inventories, which had been rising for about two years, have been falling off steadily since July. Throughout the year weather conditions on the whole were favorable to successful agricultural operations, and production of most major crops in Texas exceeded that in the preceding year by substantial margins. As the result of higher prices for a larger volume of production, cash farm income in the district was almost a third larger than in 1941. The war production program stimulated industrial development in the district and there was a further expansion in industrial facilities. The volume of construction contracts awarded during 1942 was the largest of record. Production of crude petroleum in the district was curtailed during the year but stocks rose by almost one-fourth, reflecting difficulties in transporting petroleum and petroleum products to the Eastern Seaboard.

During December consumer buying in virtually all lines of trade was in heavy volume. Department store sales increased sharply from November to December and were 22 per cent larger than in December, 1941. Industrial operations continued at a high level. Weather conditions were generally favorable to the development of crops and livestock during December and early January, but the severe cold wave which swept over the district during the third week of January caused an undetermined amount of damage to grain and truck crops and some losses of livestock.

BUSINESS

Several features distinguished consumer buying at department stores in this district during 1942. Reflecting steadily rising money incomes, especially among groups who normally spend a large proportion of current earnings, aggregate sales rose to record levels. Sales of durable goods, which were unusually heavy during 1941, were in much smaller volume in 1942, whereas sales of a wide range of soft goods established new peaks. In general, this shift reflected growing shortages of durable goods rather than changes in consumer preferences. Finally, there was a marked change in the method of payment for goods. Cash sales constituted a larger proportion of total sales than formerly, while further restrictions on instalment credit contributed to a substantial reduction in accounts receivable.

During the early part of the year buying was stimulated by anticipated shortages in many lines of goods, by fears of higher prices and the extension of restrictions on consumer instalment credit. This type of buying subsided during the second quarter when both the general maximum price control order and the amendments to Regulation W, applicable to instalment credit, became effective. During the latter half of the year sales again advanced and at the end of the year were at the highest level of record. Although there were wide month-to-month fluctuations, sales of mechanical refrigerators, stoves, mechanical washers, furniture and other types of household appliances were well below those in 1941, whereas marked increases occurred in sales of virtually all types of piece goods, ready-to-wear apparel, women's and misses' ready-to-wear, men's and boys' clothing and in most basement store departments.

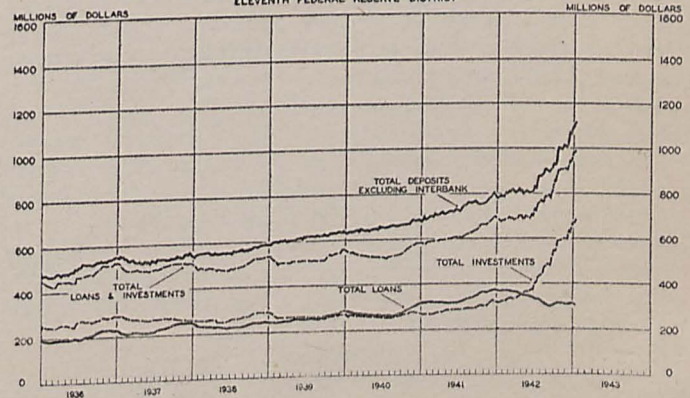
During 1941 and the first quarter of 1942 cash sales ac-

counted for about one-third of total sales at department stores, but during the remainder of 1942 averaged almost one-half of total sales. The growing importance of cash sales is further emphasized by the fact that the increase of 14 per cent in total sales during 1942 was accounted for entirely by the much larger volume of cash sales. Partly because of the amendments to Regulation W and partly because of larger incomes, consumers tended to place their credit accounts on a current basis during 1942. Collections on regular accounts outstanding at the first of the month increased from an average of about 40 per cent during 1941 to more than 60 per cent during the last quarter of 1942. Collections on instalment accounts, which during recent years had averaged slightly less than 15 per cent, rose to 27 per cent by the end of 1942. Consequently, the volume of accounts outstanding declined substantially during the year.

Inventories at reporting department stores in the district followed an upward trend from the fall of 1940 through the first half of 1942, and this bank's seasonally adjusted index of department store stocks rose to 114 per cent of the 1923-1925 average in July, 1942. The increase in inventories was brought about partly by the general increase in business activity, and further accumulations were apparently due to fears of shortages, higher prices and slower deliveries. The general price control order, which became effective during May, removed one incentive for inventory accumulation but the problem of shortages and slower deliveries continued. During the last six months of the year, particularly the last quarter, unusually large sales of irreplaceable goods had the effect of greatly reducing inventories. The decline was more than is usual at this time of the year with the result that this bank's adjusted index of department store stocks dropped to 87 per cent of the 1923-1925 average at the end of December. It is probable that some further decreases in inventories will occur during 1943, in view of the continued heavy demand for merchandise and the recently announced War Production Board order controlling wholesale and retail inventories. At the end of 1942, outstanding orders, a less reliable indicator than formerly, were more than twice as large as those a year earlier.

According to data reported by the Department of Commerce, sales at most types of independent retail stores in Texas during 1942 were generally higher than those in 1941. At reporting food stores, a higher level of sales became evident in the first quarter and throughout the year averaged 25 per cent above those in 1941. A similar increase occurred in sales at apparel

REPORTING MEMBER BANKS IN LEADING CITIES
ELEVENTH FEDERAL RESERVE DISTRICT



stores, with pronounced gains in sales of family clothing stores and shoe stores. Although jewelry store sales fell off somewhat during the second quarter of the year, they recovered later and averaged about 30 per cent above those in 1941. In the lumber, building and hardware groups, sales during the first half of 1942 were substantially greater than in the corresponding period of 1941, but during the latter part of the year sales began to fall off, reflecting mainly shortages in supplies of hardware and farm implements. The principal factor responsible for a smaller average net gain at all types of stores during 1942 was the virtual cessation of business in the automobile and allied groups. In general, the trends in sales of independent stores in Texas apply also to those in Oklahoma, Arizona and New Mexico, although the gains were somewhat smaller.

PRICE TRENDS

The effectiveness of the Office of Price Administration's program to stabilize living costs in this district is illustrated by a review of the trend of living costs of wage earners. The weighted cost of living index of the National Industrial Conference Board, which covers six categories of goods and services consumed by wage earners and lower salaried workers, increased 8.8 per cent in Houston and 10.4 per cent in Dallas from July, 1941 to March, 1942. From March to November, 1942, the index rose 2.9 per cent in Houston and 3.4 per cent in Dallas. Between November, 1941 and November, 1942, the cost of living index rose 6.4 per cent in Houston and 7.0 per cent in Dallas. Substantial increases in the costs of food, clothing and housefurnishings were experienced in both cities between November, 1941 and November, 1942, but during the twelve months the increase in the cost of housing was moderate, and the cost of fuel and light remained constant in Houston and declined in Dallas.

Between November, 1941 and November, 1942, the index of wholesale prices in the United States rose 8.4 per cent, reflecting substantial increases in the prices of farm products, foods, and raw materials. More moderate increases occurred during the period in the wholesale price indexes of manufactured and semi-manufactured products. The upward trend of wholesale prices was considerably less pronounced during the months after the General Maximum Price Regulation was applied. In the eight-month period ended March, 1942, the wholesale commodity price index increased 9.9 per cent, while in the eight-month period from March to November, 1942, the index increased only 2.8 per cent. Substantial increases in both periods were experienced in foods, which increased 13.5 per cent in the former period and 7.7 per cent in the latter, and in raw materials, which increased 14.1 per cent and 5.8 per cent, respectively.

BUSINESS BIRTHS AND DEATHS

According to the data compiled by Dun and Bradstreet, Incorporated, the number of mercantile establishments in the Eleventh District decreased by approximately 5,700 between January and October, 1942. At the end of October there were 112,404 mercantile establishments operating in this district, as compared with 118,133 on December 31, 1941, and 117,990 on October 31, 1941. During the ten-month period ended October, 1942, there were 11,332 business births and 17,061 business deaths in this district. Business deaths during the period were no greater than in comparable periods of preceding years, but business births were substantially fewer. The majority of the business deaths were liquidations involving no loss to creditors; bankruptcies were exceedingly few and on the average imposed smaller losses upon creditors than in recent years. The national experience with business births and deaths during the first ten months of 1942 was similar to the experience in this district. Business deaths in the nation exceeded business births by 69,165, but business deaths were not appreciably greater than in comparable periods of recent years.

AGRICULTURE

Weather conditions in the Eleventh District were favorable

to successful agricultural operations throughout most of 1942. Soil preparation and early seeding operations progressed rapidly during the first two months of the year, and although inadequate precipitation retarded crop growth and field work in March, heavy rains during April relieved the moisture deficiency and stimulated seed germination. Continuous and widespread rains in May delayed field work to some extent and floods caused substantial crop damage in some areas, but conditions were excellent for the successful maturing of wheat, the progress of cotton planting in northwest Texas and New Mexico, and cultivation of cotton in the southern portion of the district. Favorable weather conditions which prevailed in most sections of the district during the summer improved crops, and the intermittent rains which delayed harvesting operations during the fall caused little damage to most crops. Insect infestation, which developed early in the spring and continued to some extent throughout the summer, accounted for a reduction in the yield of oats and some other small grains, but did not reduce the production of row crops appreciably. Livestock ranges, which deteriorated sharply during the first quarter of 1942, showed a marked recovery following the heavy precipitation in the spring, and livestock in most areas mended rapidly and remained in good condition through the late summer and autumn due to excellent pasturage and ample supplementary feed supplies.

Production of most major crops in Texas in 1942 exceeded production in the preceding year by substantial margins. The area in cotton cultivation in Texas on July 1 was estimated at 8,525,000 acres, or 5 per cent greater than a year earlier, and cotton acreage in cultivation was also greater in Louisiana, Oklahoma, New Mexico and Arizona. On August 1 the condition of the cotton crop in this district was somewhat better than on the same date in 1941. Further improvement occurred during August and the September 1 estimate of the Texas crop was increased to 3,484,000 bales. However, tropical storms late in August which damaged the crop in south Texas and leaf worm infestation in many sections of the State, together with weather damage and delay in harvesting during October and November, reduced prospective production. In consequence, the December 1 estimate of the Texas cotton crop was set at 3,113,000 bales, with an indicated per acre yield of 187 pounds from 8,015,000

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in:			
		Net sales		Stocks†	
		December, 1941	Nov., 1942	December, 1941	Nov., 1942
Retail trade:					
Department stores:					
Total 11th Dist.	45	+23	+52	+7	-24
Dallas	7	+23	+50	+9	-24
Fort Worth	4	+24	+62	+15	+18
Houston	7	+17	+48	+15	-24
San Antonio	4	+35	+47	+23	-34
Shreveport	3	-1	+42	+9	...
Other cities	20	+22	+42	+17	-20
Retail furniture:					
Total 11th Dist.	66	+19	+35	...	-10
Dallas	6	+28	+29	...	+2
Fort Worth	3	+35	+52	...	+9
Houston	3	+12	+62	...	+14
San Antonio	3	+15	+38	...	+12
Independent stores:*					
Arizona . . . . .	...	...	...	...	...
New Mexico . . . . .	...	...	...	...	...
Oklahoma	392	+7	+29	+2	...
Texas	898	+10	+30	+5	...
Wholesale trade:*					
Automotive supplies . . . . .	...	...	...	...	...
Drugs (incl. liquors) . . . . .	...	...	...	...	...
Electrical goods . . . . .	...	...	...	...	...
Groceries . . . . .	...	...	...	...	...
Hardware . . . . .	...	...	...	...	...
Surgical eqpt. . . . .	...	...	...	...	...
Tobacco & products . . . . .	...	...	...	...	...

*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)

	December 1942	December 1941	November 1942	October 1942
Sales (daily average):				
Without seasonal adjustment	222	191	170
With seasonal adjustment	128	171	150
Stocks (end of month):				
Without seasonal adjustment	77	100	105
With seasonal adjustment	88	89	93

acres. Production and per acre yield, although substantially below the estimates issued earlier in the season were still considerably greater than in 1941, when 2,652,000 bales, or 165 pounds per acre, were harvested from 7,717,000 acres. The cotton crop, as usual, had the highest value of any single crop produced in the State, the value of lint cotton being \$275,500,000 as compared with \$215,072,000 in 1941, and the value of cottonseed being \$61,116,000 as compared with \$55,838,000 in 1941.

An outstanding feature of the agricultural experience during 1942 was the phenomenal expansion of the Texas peanut crop, the production of which totaled 510,000,000 pounds as compared with 156,040,000 pounds in 1941; the value of the crop amounted to \$23,970,000 as compared with \$6,398,000 in 1941. Production of corn in Texas, which amounted to 78,561,000 bushels, exceeded the 1941 harvest by 4,686,000 bushels and ranked as the State's second most important crop in dollar value. The 75 per cent expansion of wheat production in Texas, from 27,186,000 bushels in 1941 to 47,438,000 bushels in 1942, contributed to an increase in the total value of the crop of nearly 97 per cent from \$25,827,000 in 1941 to \$50,759,000 in 1942. Vegetables and fruits were likewise more profitable crops in 1942 than in 1941. The value of Texas field crops, fruits and nuts, and truck crops was estimated at \$665,000,000 in 1942 as compared with \$523,000,000 in 1941.

Prices of most Texas farm products increased substantially during 1942, with meat and dairy products experiencing uniformly large increases. On December 15, the price of hogs was 33 per cent greater than a year earlier, the price of beef cattle and lambs was approximately 19 per cent higher and the price of sheep and veal calves was up 15 per cent and 16 per cent, respectively. The price of butterfat was 29 per cent above that of December 15, 1941, and the wholesale price of milk was up 20 per cent. Cotton and corn prices were also substantially higher, the price of cotton increasing 16 per cent during the year and that of corn 26 per cent. The prices of other major Texas farm products increased more moderately but on December 15, 1942 were from 5 per cent to 9 per cent greater than a year earlier.

Higher prices for farm products and the large volume of production resulted in substantially greater cash incomes to farmers in this district during the first 10 months of 1942 than were received in comparable periods of preceding years. Cash farm income in Texas during the first 10 months of 1942 totaled \$734,312,000 as compared with \$561,694,000 during the first 10 months of 1941, an increase of 31 per cent. Cash income from livestock and livestock products accounted for 52 per cent of the total Texas cash farm income in the first 10 months of 1942 as compared with 44 per cent of total cash income in the first 10 months of 1941. Income from crops in Texas was 12 per cent greater than during the comparable period of 1941 and 71 per cent above the cash income from crops realized during the first 10 months of 1940, while cash income from livestock and livestock products was up 54 per cent from 1941 and

double that in the same period of 1940.

Farm production goals for 1943 recently released by the United States Department of Agriculture War Board, indicate moderate to substantial reductions of the acreage of most major Texas field crops in 1943. Proposed 1943 cotton acreage for the State of 7,940,000 acres is about 2,000,000 acres smaller than the allotment for 1942, and compares with 8,525,000 acres in cotton cultivation on July 1, 1942, and 8,015,000 acres harvested last year. The 1943 acreage goals in Texas for oats, barley, rye, rice and alfalfa seed are substantially smaller than actual acreage planted in the respective crops in 1942. However, the 1943 acreage goals for grain sorghums, flaxseed, soybeans and peanuts are considerably larger than the acreage planted in 1942. Goals for other crops are approximately the same as 1942 production.

In contrast, 1943 goals for production of livestock and dairy products in Texas are appreciably larger than 1942 production, with the exception of the goal for marketing and slaughter of sheep and lambs, which is set at 79 per cent of 1942 production. The Texas milk production goal for 1943 is placed at 4,540,000,000 pounds, as compared with 4,361,000,000 pounds produced in 1942; poultry production is set at 224,892,000 pounds, as compared with 194,980,000 pounds in 1942; and the egg production goal of 262,671,000 dozen compares with 235,892,000 dozen produced in 1942. Goals for marketing and slaughter of cattle and calves in Texas in 1943 are placed at 3,513,000 animals, 166,000 more than in 1942.

Attainment of the goals will depend to a great extent upon weather conditions and the availability of farm labor. Scarcity

	Unit	Texas		Five States*			
		1942	1941	1930-39 average	1942	1941	1930-39 average
Cotton	Bales	3,113	2,652	3,686	4,747	3,970	5,374
Corn	Bushels	78,561	73,875	75,964	142,792	131,103	131,614
Winter wheat	Bushels	47,438	27,186	31,360	109,881†	78,604†	82,066†
Oats	Bushels	11,210	37,975	37,521	39,476	67,825	66,391
Barley	Bushels	4,818	8,775	2,415	18,111†	20,008†	5,828†
Rice	Bushels	15,498	11,590	10,590	41,256†	31,990†	29,157†
Broomcorn	Tons	3,300	4,200	3,660	22,000*	26,400*	23,660*
Grain sorghums	Bushels	59,675	57,976	27,678	75,557	72,966	37,937
Sorghums for forage	Tons	4,603	5,752	3,108	6,402	7,960	4,341
Tame hay	Tons	1,441	1,330	793	4,282	4,089	2,562
Wild hay	Tons	220	221	226	550	741	697
Peanuts	Pounds	510,000	156,040	86,458	697,640‡	205,165‡	108,076‡
Irish potatoes	Bushels	5,301	6,039	3,312	10,967	11,205	9,042
Sweet potatoes	Bushels	3,825	5,400	4,726	10,433‡	12,420‡	12,783‡
Peaches	Bushels	1,610	2,475	1,201	2,582	3,760	2,002
Oranges	Boxes	2,900	2,850	2,650	3,940§	3,702§	3,431§
Grapefruit	Boxes	16,600	14,500	13,650	19,255†	17,950†	16,300†
Pecans	Pounds	9,600	22,100	24,270	21,500‡	58,300‡	46,370‡

*Texas, Oklahoma, New Mexico, Arizona, Louisiana. †Texas, Oklahoma, New Mexico, Arizona. ‡Texas and Louisiana. §Texas, Oklahoma, New Mexico. ¶Texas, Oklahoma, Louisiana.

SOURCE: United States Department of Agriculture.

VALUE OF TEXAS CROPS

Crop	Value of crop (Thousands of dollars)		Per cent of total	
	1942*	1941	1942*	1941
Corn	\$ 69,919	\$ 53,929	10.5	10.3
Wheat	50,759	25,827	7.6	5.0
Rice	24,487	16,921	3.7	3.2
Other grains, excluding sorghums	9,328	19,184	1.4	3.7
Sorghums, all kinds	67,429	69,841	10.1	13.3
Peanuts, for nuts	23,970	6,398	3.6	1.2
Cotton lint	275,500	215,072	41.4	41.1
Cottonseed	61,116	55,838	9.2	10.7
Vegetables and fruits	59,135	40,987	8.9	7.8
Other crops	23,813	19,161	3.6	3.7

Total value of field crops, fruits and nuts, and truck crops..... \$665,456 \$523,158 100.0 100.0

*Preliminary.

SOURCE: United States Department of Agriculture.

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

	October, 1942		Total receipts	
	Receipts from Crops	Livestock*	October 1941	Jan. 1 to Oct. 31 1941
Arizona	2,748	5,525	8,273	8,821
Louisiana	25,129	3,809	28,938	19,313
New Mexico	7,294	16,437	23,731	14,783
Oklahoma	28,686	21,704	50,390	35,857
Texas	89,171	54,853	144,024	92,984
Total	153,028	102,328	255,356	171,758

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	Dec. 1942	Dec. 1941	Nov. 1942	Dec. 1942	Dec. 1941	Nov. 1942
Cattle	53,568	55,142	91,602	21,527	17,602	37,488
Calves	32,845	38,496	69,762	29,010	27,334	56,003
Hogs	89,486	58,190	55,693	12,986	13,300	11,733
Sheep	113,782	34,942	144,879	32,753	7,520	27,712

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundredweight)

	Fort Worth			San Antonio		
	Dec. 1942	Dec. 1941	Nov. 1942	Dec. 1942	Dec. 1941	Nov. 1942
Beef steers	\$14.15	\$12.00	\$15.00	\$13.50	\$10.50	\$13.00
Stocker steers	13.00	11.25	12.50			13.50
Heifers and yearlings	14.25	12.50	14.25	13.75	11.25	10.00
Butcher cows	11.00	8.25	11.00	11.00	8.00	10.00
Calves	13.25	11.00	13.00	13.00	11.50	12.65
Hogs	15.00	11.35	14.35	14.25	11.00	14.00
Lambs	14.75	12.00	14.00	11.50	11.00	

of farm machinery may also become a limiting factor on attainment of crop goals. The War Production Board has announced that the farm machinery industry would be included in the program of industrial concentration, with production of new farm machinery during 1943 reduced to a level substantially below that in 1940, although repair parts are to be produced at the rate of 167 per cent of 1940 output. In November, the Department of Agriculture announced that farm machinery and equipment would be rationed, but Texas quotas are reported to be adequate to meet essential needs. Consideration will be given to the supply of labor, the type of crops and the availability of used machinery and equipment when the county ration quotas are established.

Dry weather in December retarded the development of growing truck crops and delayed the planting of spring commercial vegetable crops, but rains of several days' duration in the first half of January brought about a considerable improvement in prospects. Frosts in December did material damage to the tender crops remaining for harvest in the Lower Valley. The damage done to truck crops by the sudden cold wave which occurred after the middle of January has not yet been fully appraised.

Approximately 3,491,000 acres of winter wheat were seeded in Texas in the fall of 1942, as compared with 3,423,000 acres in 1941 and the 1930-1939 average of 4,745,000 acres, and the December 1 condition of the crop indicated a production appreciably larger than in 1942. Harvesting of unpicked cotton in the western portion of the district was delayed by unfavorable weather in December and early January, and the grade of cotton remaining in the fields was lowered.

Livestock ranges are in generally good condition throughout the district, except in the dry areas in South Texas and in southeastern Arizona. Winter wheat has provided good grazing in North Texas, Oklahoma and eastern New Mexico, and hay and grain are plentiful in most sections of the district. Despite some shrinkage in December, livestock are in generally good flesh. Marketings of livestock continued heavy during November and were substantially above those in that month of 1941. The spring and fall Texas pig crops for 1942 totaled 3,315,000 head, which was 44 per cent above the 1941 pig crop and 58 per cent above the 1931-1940 average. On the basis of stated intention, it is estimated that the 1943 spring crop will exceed the record 1942 spring crop by about 30 per cent.

FINANCE

A survey of banking statistics in the Eleventh Federal Reserve District during 1942 reveals the following pronounced tendencies. Reserve balances of member banks rose to successive new peaks during the year and although required reserves also expanded, excess reserves increased at a faster rate. The deposits of member banks continued to expand at an accelerated rate, a tendency which has been in evidence since the middle of 1933. Loans, which had risen to an all time peak at the end of 1941, fell off sharply during the first nine months of 1942 and increased seasonally during the last quarter. Although the increase in investments during 1941 was up to that time the largest for any twelve-month period of record, it was moderate in comparison with the increase during 1942. The volume of Federal Reserve notes of this bank in actual circulation almost doubled during 1942 and at the end of the year was more than three times the average circulation in the last half of 1939. While these tendencies prevailed generally throughout the year, they gained greatly in momentum during the last six months of 1942.

After remaining generally stable during the first five months of the year, the reserve balances of member banks rose sharply in each succeeding month, reaching a new high of \$500,000,000 early in January, 1943, as compared with approximately \$300,000,000 at the end of 1941. It is significant that 90 per cent of the increase during 1942 occurred during the last six months. Due mainly to an expansion in customer deposits at member banks, required reserves rose about 50 per cent during 1942.

CONDITION OF THE FEDERAL RESERVE BANK (Thousands of dollars)

	Jan. 15, 1943	Jan. 15, 1942	Dec. 15, 1942
Total cash reserves	\$559,534	\$415,238	\$515,135
Discounts for member banks	None	87	38
Industrial advances	29	247	131
United States Government securities	219,352	87,845	230,964
All other investments	90	None	145
Total earning assets	219,471	88,179	231,278
Member bank reserve deposits	497,507	316,891	485,746
Federal Reserve notes in actual circulation	244,890	133,213	241,769

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

	Jan. 13, 1943	Jan. 14, 1942	Dec. 16, 1942
Total loans and investments	\$990,607	\$678,089	\$944,033
Total loans	299,723	362,400	306,275
Commercial, industrial and agricultural loans	217,331	253,926	224,937
Open market paper	728	1,754	401
Loans to brokers and dealers in securities	1,618	6,894	2,985
Other loans for purchasing or carrying securities	14,122	12,989	10,980
Real estate loans	19,450	21,997	20,187
Loans to banks	114	196	134
All other loans	46,360	64,644	46,651
Total investments	690,884	315,689	637,758
United States Treasury bills	73,428	33,181	67,465
United States Treasury Certificates of Indebtedness	126,022	None	81,375
United States Treasury notes	110,404	42,655	106,251
United States Government bonds	287,200	138,896	284,129
Obligations guaranteed by United States Gov't	35,199	39,401	39,840
Other securities	58,631	61,556	58,718
Reserves with Federal Reserve Bank	315,130	194,547	303,389
Balances with domestic banks*	805,784	303,630	312,748
Demand deposits—adjusted†	865,785	624,012	850,329
Time deposits	133,689	131,204	131,219
United States Government deposits	122,848	37,407	93,616
Interbank deposits*	439,376	332,904	434,892
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)

	—Pctg. change from—			Total year		Percentage change from 1941
	Dec., 1942	Dec., 1941	Nov., 1942	1942	1941	
Abilene	\$ 18,406	+ 12	+ 5	\$ 179,171	\$ 163,194	+10
Amarillo	44,749	..	- 1	..	..	..
Austin	91,805	+103	+36	682,006	451,971	+51
Beaumont	54,565	+ 37	+27	458,554	370,965	+24
Corpus Christi	43,005	..	+10	..	..	..
Corsicana	7,908	+ 37	+42	60,645	51,078	+19
Dallas	508,007	+ 8	+22	4,822,391	4,076,379	+18
El Paso	63,310	+ 18	+ 8	586,395	522,669	+12
Fort Worth	188,255	+ 17	+22	1,617,733	1,274,074	+27
Galveston	42,854	- 8	+23	427,055	370,223	+15
Houston	519,690	+ 26	+30	4,544,859	3,756,237	+21
Laredo	10,447	..	+12	..	..	..
Lubbock	24,776	..	- 4	..	..	..
Monroe, La	18,544	+ 6	..	..	..	..
Port Arthur	19,083	+ 27	+19	187,916	135,566	+30
Roswell, N. M.	7,583	+ 25	- 7	76,670	59,977	+28
San Angelo	14,943	..	+ 6	..	..	..
San Antonio	139,653	+ 20	+25	1,308,822	1,107,280	+18
Shreveport, La	66,906	- 10	+ 7	754,331	660,961	+14
Texarkana	17,264	+ 32	+17	245,099	145,153	+60
Tucson, Ariz.	23,033	+ 33	+ 3	244,598	179,805	+36
Tyler	16,286	+ 2	+14	163,157	161,696	+ 1
Waco	29,275	+ 29	+14	286,960	209,531	+37
Wichita Falls	27,404	- 33	+20	251,699	259,773	- 3
Total—18 cities	\$1,841,327	+ 16	+23	\$16,898,091	\$13,956,472	+21
Total—24 cities	1,997,791	..	+21	..	..	..

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

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

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
December, 1940	\$1,474,217	\$237,308	\$ 841,903	\$131,622	\$ 632,314	\$105,686
December, 1941	1,803,330	236,819	1,028,881	131,948	774,449	104,871
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	100,194
October, 1942	2,243,675	225,791	1,269,835	125,667	973,840	100,124
November, 1942	2,420,463	228,284	1,363,582	127,231	1,056,881	101,053
December, 1942	2,532,830	227,967	1,409,302	128,431	1,123,528	99,536

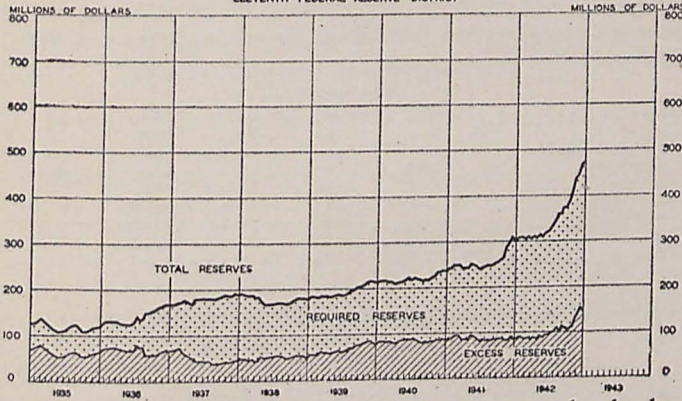
SAVINGS DEPOSITS

	Number of reporting banks	December 31, 1942		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Dec. 31, 1941	Nov. 30, 1942
Beaumont	3	10,712	\$ 4,513,998	+ 4.0	+ 1.4
Dallas	8	90,720	27,643,846	+ 4.8	+ 2.8
El Paso	2	18,676	7,877,255	+ 5.5	+ 4.1
Fort Worth	3	32,828	13,050,551	+ 2.6	+ .1
Galveston	4	18,389	11,016,440	- 1.6	+ .9
Houston	10	73,703	33,495,433	+ 2.3	+ 1.6
Lubbock	3	1,159	553,001	- 2.1	+ 7.0
Port Arthur	2	5,032	2,962,810	- 1.7	-.03
San Antonio	5	23,684	19,447,168	+ 6.8	+ 3.8
Shreveport, La.	3	24,338	11,706,013	- 2.9	+ .8
Waco	3	7,344	4,463,241	+ 4.1	+ 2.7
Wichita Falls	3	6,690	3,497,585	+ .6	+ 1.1
All other	59	49,645	27,693,936	- .8	+ 1.3
Total	108	363,420	\$107,921,277	+ 2.2	+ 1.9

Average excess reserves rose to a new peak of \$153,000,000 during December, and balances with correspondents were also at a record level.

Gross deposits at weekly reporting member banks in the Eleventh District increased \$405,000,000 during 1942, but about one-fourth of the increase was in United States Government deposits arising out of the December Treasury financing. Adjusted demand deposits, which had risen to \$848,000,000 on November 25, declined \$27,000,000 during December in sympathy with the trend in other sections of the country, but the total on December 30 was \$220,000,000 higher than a year earlier. Thus, adjusted demand deposits of weekly reporting member banks in this district increased about 35 per cent during 1942, compared with an average increase of 20 per cent at all weekly reporting member banks in 101 leading cities in the United States.

MEMBER BANK RESERVES
ELEVENTH FEDERAL RESERVE DISTRICT



In this district, loans at 33 weekly reporting member banks, which had risen to a twelve year peak at the end of 1941, declined almost continuously to September 16 when the total amounted to \$297,650,000. Although there was a seasonal increase in loans during the last quarter of the year, total loans of \$312,050,000 on December 30 were \$61,783,000 smaller than a year earlier. Corresponding with the trend at all reporting banks in the United States, most of the decline during 1942 occurred in commercial, industrial and agricultural loans, and in "all other" loans, which include personal and instalment loans.

Loans of weekly reporting banks in this district normally constitute a larger proportion of total earning assets than in many other sections of the country. Thus, at the end of 1941 total loans of weekly reporting banks in this district were somewhat larger in volume than total investments. During 1942, however, this relationship was reversed, and at the end of the year total investments were more than twice as large as total loans. On December 30, 1942, total investments amounted to \$676,000,000, representing an increase of \$363,000,000 during the year as compared with the previous record increase of \$51,000,000 in 1941. As in other sections of the United States, the increase in investments of weekly reporting banks in this district during 1942 was accounted for entirely by increased holdings of direct obligations of the United States Government, whereas holdings of Government guaranteed obligations and non-governmental securities declined. During 1942 weekly reporting member banks in this district increased their holdings of direct Government obligations by \$366,000,000 divided among the various types of Government securities approximately as follows: Treasury bills and Treasury Certificates of Indebtedness, 42 per cent; Treasury notes, 18 per cent; and Treasury bonds, 40 per cent; whereas at weekly reporting member banks in 101 leading cities throughout the United States the increase in holdings was divided 57 per cent, 12 per cent, and 31 per cent, respectively.

Final figures on the December Victory Fund drive show that

the Treasury raised a total of \$12,906,000,000, which was about 43 per cent above the goal of \$9,000,000,000 set by the Secretary of the Treasury. The outstanding success of the drive is indicated not only by the huge amount raised, but also by the fact that \$7,834,000,000 was received from sources other than commercial banks. In this district subscriptions aggregated \$404,000,000, of which \$342,652,000 was allotted to investors. Allotments to nonbank investors amounted to \$140,822,000, while those to banks totaled \$201,830,000.

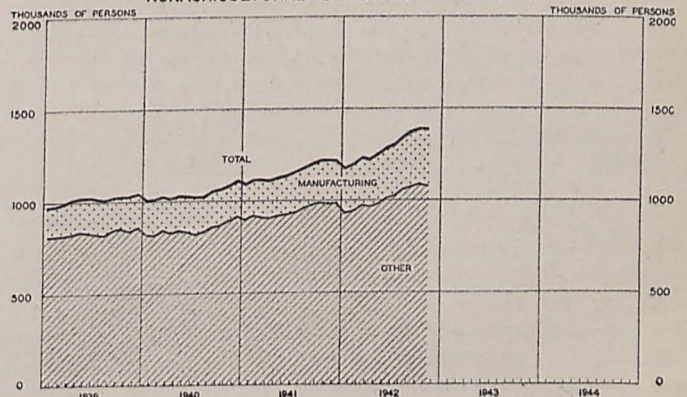
INDUSTRY

The war production program gave impetus to the industrial development of the Eleventh District in 1942. One steel plant was brought into operation and construction of another was begun. Shipbuilding facilities were expanded, construction of ships was greatly increased, and the expansion of several aircraft manufacturing establishments, as well as the entrance into production of ordnance plants, brought about a substantial increase in the production of war material in this district. Numerous manufacturing enterprises, including both large and small plants, converted successfully to war production during the year and are now prime or sub-contractors producing items used in ordnance, aircraft construction and shipbuilding.

An important industrial development of the year was the further expansion of the chemical industry in this district. War demands for large quantities of chemicals have stimulated rapid progress in the utilization of petroleum and natural gases as sources of chemical compounds. Chemical plants now operating in this district are synthesizing a diversified list of products from petroleum, including components of synthetic rubber, super fuels, anti-freeze compounds, ammonia, acetylene, toluol and synthetic alcohol, all of which are highly important in the prosecution of the war. Several ammonia plants were constructed in this district during the year, and construction was begun or projected on the eighteen plants which will manufacture the basic materials of synthetic rubber in Texas. The aviation gasoline producing capacity of the district was also considerably expanded during 1942, and other chemical plants in the district which are producing essential war materials were enlarged.

Employment increased in Texas during 1942 both in industry and in trade, and in November, 1942, the number of persons engaged in nonagricultural pursuits was 14 per cent greater than in November, 1941. In November there were 312,000 workers in Texas manufacturing enterprises and 1,077,000 persons in other nonagricultural establishments, representing increases of 74,000 and 96,000, respectively, as compared with November, 1941. Thus, manufacturing employment increased approximately 31 per cent and all other nonagricultural employment increased 10 per cent during the twelve month period ended November, 1942. During the same period, employment in manufacturing establishments in the United States increased about 14 per cent, and employment in all other nonagricultural establishments increased fractionally.

NONAGRICULTURAL EMPLOYMENT IN TEXAS



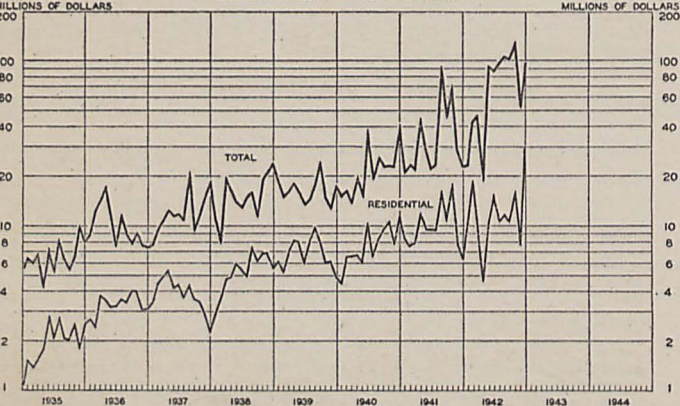
The influx of workers into the war production centers of this district depleted the supply of residential vacancies in those cities during 1942. Recent surveys of occupancy indicate that less than 2 per cent of the dwelling units are vacant in Corpus Christi, Houston, Dallas, Fort Worth, Beaumont, Galveston and Orange. In November the vacancy rate in Houston was estimated at .9 per cent and in Orange the rate was .8 per cent in August. Vacancy rates of 1.0 per cent for Corpus Christi in November, 1.1 per cent for Fort Worth in August, and 1.9 per cent for Dallas in September were reported. In contrast, 5 per cent or more of the dwelling units in Houston, Dallas and Fort Worth were vacant in April, 1940, and 2.3 per cent or more were vacant in those cities in December, 1941. The minimum tolerable level of vacancies is estimated at .5 per cent to .8 per cent of dwelling units.

The value of construction contracts awarded in the Eleventh District during 1942 was more than twice as great as the preceding annual record established in 1941. In the first quarter of 1942, awards totaled somewhat less than in either the third or fourth quarters of 1941, but in May, 1942, the value of awards increased substantially and thereafter established a new high level for each particular month until in October the all-time peak of \$128,901,000 was attained, an amount in excess of the total value of awards in each of the years from 1932 through 1936, and almost as great as the 1928-1937 annual average. Although the value of awards declined considerably in November, it was nevertheless greater than in the same month of 1941, and in December the value of awards increased substantially to set an all-time record for the month. Expanding defense contracts for all types of construction were the principal factors in the expansion of construction activity in this district during 1942. An intensification of defense housing construction offset the decline in private residential construction which followed the War Production Board's limitation on private building issued in April, 1942. In December the value of residential awards was almost 75 per cent greater than in any preceding month of record, reflecting the large amount of defense housing which was undertaken in the district. From May through September, awards for public works and utilities were particularly heavy, and from July through November awards for industrial manufacturing buildings were greater than in any comparable period of record.

The accompanying ratio chart of construction in the Eleventh District emphasizes the rapid rate of increase in the value of total construction awards during 1942. The absolute magnitude of the value of residential and all other construction awards is illustrated by the table of monthly awards presented elsewhere in this issue.

CONSTRUCTION CONTRACTS AWARDED

ELEVENTH FEDERAL RESERVE DISTRICT



The large volume of plant construction in 1942 stimulated activity at Texas Portland cement mills. Production of cement was consistently greater during each month in 1942 than in the

same months of all preceding years of record, and exceeded 1,000,000 barrels in each of the last eight months of the year, reaching an all-time peak of 1,146,000 barrels in July and declining only slightly thereafter. In the period May to August, shipments exceeded production in spite of the substantial increases in output, and by August stocks had fallen to the lowest level since August, 1928. Although stocks were partially replenished during the following months, the total of 478,000 barrels at the end of November was still only about 50 per cent of November shipments. During 1942, production at pine mills was maintained at levels somewhat below those of shipments. As a result, stocks at the mills were further reduced, and at the end of 1942 were approximately 40 per cent smaller than a year earlier.

The petroleum industry found it necessary to effect adjustments of considerable magnitude in its operations during 1942. Daily average production in the Eleventh District, which reached an all-time peak in February, declined sharply in the following two months because of the inability to deliver petroleum to the important Eastern markets through the established

VALUE OF CONSTRUCTION CONTRACTS AWARDED
(Thousands of dollars)

	December 1942	December 1941	November 1942	Jan. 1 to Dec. 31 1942	1941
Eleventh District—total...	97,458	22,977	53,728 ^r	898,542	446,943
Residential.....	29,682	6,391	7,772	155,822	123,682
All other.....	67,776	16,161	45,956	742,720	323,261
United States*—total.....	708,716	431,626	654,184	8,255,061	6,007,474
Residential.....	189,652	104,276	156,654	1,817,733	1,953,801
All other.....	549,064	327,350	497,530	6,437,328	4,053,673

*37 States east of Rocky Mountains.

^r—Revised.

SOURCE: F. W. Dodge Corporation.

VALUE OF CONSTRUCTION CONTRACTS AWARDED—ELEVENTH DISTRICT
(Thousands of dollars)

Month	Total awards		Residential awards		All other awards	
	1942	1941	1942	1941	1942	1941
January.....	\$ 23,209	\$ 20,768	\$ 10,105	\$ 8,448	\$ 13,104	\$ 12,320
February.....	42,981	23,581	18,564	7,565	24,417	16,016
March.....	46,934	21,774	10,780	7,916	36,154	13,858
April.....	18,687	45,234	4,459	12,240	14,228	32,994
May.....	94,143	29,215	10,213	9,522	83,930	19,693
June.....	86,877	21,831	15,403	9,456	71,474	12,375
July.....	98,350	23,138	10,441	9,312	87,909	13,826
August.....	105,720	93,599	11,908	16,476	93,812	77,123
September.....	101,554	46,261	10,431	10,391	91,123	35,870
October.....	128,901	70,101	16,064	18,021	112,837	52,080
November.....	53,728	28,464	7,772	7,974	45,956	20,490
December.....	97,458	22,977	29,682	6,361	67,776	16,616
Year.....	\$895,542	\$446,943	\$ 155,822	\$123,682	\$ 742,720	\$323,261

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	December, 1942		Percentage change valuation from		Jan. 1 to Dec. 31, 1942		Percentage change valuation from 1941
	No.	Valuation	Dec., 1941	Nov., 1942	No.	Valuation	
Abilene.....	15	\$ 3,380	- 93	+ 93	301	\$ 1,206,168	- 3
Amarillo.....	24	43,795	- 73	- 81	473	955,757	- 65
Austin.....	75	33,748	- 90	+ 139	1,056	1,587,223	- 71
Beaumont.....	130	30,935	- 71	+ 14	1,899	2,436,220	+ 11
Corpus Christi.....	75	1,048,692	+543	+1054	1,496	10,439,287	- 13
Dallas.....	375	277,172	- 82	- 29	7,493	6,561,908	- 62
El Paso.....	48	62,355	- 67	- 49	670	2,608,645	- 16
Fort Worth.....	231	775,545	- 95	+ 424	3,099	11,018,898	- 47
Galveston.....	48	11,355	- 87	- 44	1,148	2,330,910	- 56
Houston.....	74	61,890	- 94	- 69	2,566	11,291,910	- 41
Lubbock.....	56	7,862	- 95	- 31	1,122	2,068,876	- 40
Port Arthur.....	42	11,620	- 62	+ 32	812	361,035	- 69
San Antonio.....	633	419,693	+ 2	+ 21	9,583	4,872,476	- 37
Shreveport, La.....	22	14,910	- 94	+ 47	1,030	2,026,927	- 42
Waco.....	35	66,300	+ 3	- 53	668	1,350,877	- 66
Wichita Falls.....	7	2,539	- 99	- 96	344	641,007	- 85
Total.....	1,890	\$2,871,791	- 86	+ 58	33,760	\$61,868,124	- 45

PORTLAND CEMENT STATISTICS—TEXAS MILLS
(Thousands of barrels)

	Production		Shipments		Stocks (end of month)	
	1942	1941	1942	1941	1942	1941
January.....	850	654	847	793	742	764
February.....	878	637	811	628	809	773
March.....	976	742	973	707	811	808
April.....	949	798	921	779	839	827
May.....	1,015	832	1,152	895	702	764
June.....	1,045	806	1,321	791	427	779
July.....	1,146	877	1,324	914	250	702
August.....	1,103	976	1,136	975	216	704
September.....	1,036	930	900	885	353	749
October.....	1,076	859	1,007	782	422	825
November.....	1,021	779	965	850	478	754
December.....	.....	829	.....	844	.....	739
Total.....	.....	9,679	.....	9,843	.....	.....

channels. In April daily average production was 31 per cent under the February peak of 1,767,175 barrels, and was smaller than in any preceding month since August, 1939. Rapid progress was made in expanding railroad tank car deliveries to the East Coast. Receipts of petroleum and petroleum products by railroad tank cars on the East Coast, which averaged 323,775 barrels daily during the week ended February 28, 1942, rose to an average of 856,710 barrels daily in the week ended September 19. During the last three months of the year, however, railroad tank car deliveries to the East Coast were limited by mechanical breakdowns of tank cars and by unfavorable weather conditions, and throughout the four weeks ended December 26, tank car deliveries to the Eastern Seaboard averaged only 737,000 barrels daily. Some progress was also made during the summer and fall in reversing pipe lines to provide increased flow of petroleum from the district into the Middle West and East. As improvement in the petroleum transportation situation occurred, petroleum production in this district was expanded. In August, daily average production rose to 1,571,244 barrels and was maintained approximately at that level in the remaining four months of the year.

In spite of the substantial curtailment of petroleum production after February, stocks of crude petroleum in this district increased throughout the period and on January 2, 1943, were 23 per cent greater than on January 3, 1942. Other producing areas in the United States which were closer to the marketing areas have been unable to expand production sufficiently to meet demands, and stocks have declined materially. As a result, the petroleum industry now faces a situation in which crude petroleum inventories outside the Eleventh District are close to minimum working levels.

A substantial increase in the demand for crude petroleum is expected to occur during 1943, and since it appears that the areas in the United States which are in the best position to support an expansion of production without seriously reducing the ultimate productivity of the oil reservoir are the Gulf Coastal district and the West Texas and New Mexico Permian basin, it is likely that production will be increased in this district as facilities for transporting the petroleum are provided. The War Emergency Pipe Line, which will come into operation in February, will at first require 120,000 to 150,000 barrels daily and is expected to carry 300,000 barrels daily by mid-spring, practically all of which will be gathered in this district. However, the demand for petroleum to supply the line will be partially offset by a reduction in shipments of petroleum from the district via tank car, for when the line is completed, tank cars which have been operating between the Gulf Coast and the Eastern Seaboard will be transferred to the Illinois-New York run. If they are returned to the former run when the authorized extension of the pipe line from Illinois to New York is completed, a substantial increase of production in this district may be required.

Adjustment in refinery operations was necessitated during 1942 by enlarged demands for fuel oils and curtailed use of gasoline. During the four weeks ended November 21, 1942, gasoline accounted for 38.7 per cent of total United States refinery yields, as compared with 44.2 per cent in 1941. Kerosene likewise accounted for a smaller portion of refinery output but the refinery output of distillate fuels and residual fuels increased in relative importance. Further restriction of the proportion of gasoline output is anticipated during the first quarter of 1943, accompanied by relative increases in the production of fuel oils and kerosene. Such changes involve a shift of refinery output from products of relatively high value to products of relatively low value.

Limitations on the use of scarce materials in drilling which were imposed by the War Production Board during 1942 resulted in a substantial reduction in well completions in this district and in the United States. Drilling activity in the Eleventh

District declined steadily throughout 1942 and during the last quarter was about 50 per cent below the level of the first quarter of the year and only about one-third as large as that in the last quarter of 1941. During 1942, 5,968 wells were completed in the Eleventh District as compared with 11,534 wells completed in 1941, a decline of approximately 48 per cent. Approximately 62 per cent of the wells completed in this district during 1942 were oil wells and 31 per cent were dry holes, as compared with 72 per cent oil wells and 23 per cent dry holes in 1941. Only 28 per cent of the wells completed in the United States during 1942 were drilled in this district, as compared with approximately 36 per cent in 1941. Drilling activity in this district in December, 1942, as measured by completions, was 65 per cent below that in December, 1941. Well completions outside this district during December were 29 per cent fewer than in the corresponding month of 1941.

Domestic cotton mill facilities were employed intensively on Government orders during December and the first half of January, and a steady demand absorbed cotton offerings. According to the Bureau of the Census, United States cotton mill consumption totaled 935,511 bales in December as compared with 913,038 bales in November, and 888,379 bales in December, 1941. Consumption totaled 4,712,000 bales during the five months, August through December, as compared with 4,443,000 bales during the same period of 1941.

The 946,842 tons of cottonseed received at Texas mills during the August 1 to December 31, 1942 season was 12 per cent above receipts during the same period of 1941 and greater than during any comparable period since 1937. Operations at Texas and United States cottonseed oil mills during the period were maintained about 20 per cent above the level of 1941. Mill stocks of crude cottonseed oil, cake, meal and hulls were substantially smaller on December 31, 1942, than a year previous, and cottonseed on hand was slightly smaller, but stocks of linters were considerably larger.

CRUDE OIL PRODUCTION—(Barrels)

	December, 1942		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Dec., 1941	Nov., 1942
North Texas.....	7,150,650	230,666	- 1,887	+3,243
West Texas.....	6,466,550	208,598	- 93,454	-3,394
East Texas.....	14,205,700	458,248	- 14,536	+7,775
South Texas.....	5,418,450	174,789	- 50,396	+1,452
Texas Coastal.....	9,703,500	313,016	+ 9,827	+ 186
Total Texas.....	42,944,850	1,385,317	-150,446	+9,262
North Louisiana.....	2,854,850	92,092	+ 10,103	-3,820
New Mexico.....	2,923,250	94,299	- 24,020	-3,461
Total District.....	48,722,950	1,571,708	-164,363	+1,981

SOURCE: Estimated from American Petroleum Institute weekly reports.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	December 1942	December 1941	November 1942	August 1 to December 31 This season	August 1 to December 31 Last season
Consumption at:					
Texas mills.....	21,350	19,830	21,048	106,178	96,608
United States mills.....	935,511	888,379	913,038	4,712,277	4,443,185
U.S. stocks—end of month:					
In consuming estab'm'ts.	2,567,186	2,395,386	2,440,684		
Public stg. & compresses.	13,576,030	13,709,883	13,637,120		

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to December 31 This season	December 31 Last season	August 1 to December 31 This season	December 31 Last season
Cottonseed received at mills (tons).....	946,842	844,692	4,049,431	3,446,607
Cottonseed crushed (tons).....	693,273	581,581	2,726,984	2,286,477
Cottonseed on hand Dec. 31: (tons).....	286,524	290,305	1,401,218	1,290,659
Production of products:				
Crude oil (thousand lbs.).....	200,747	168,626	840,854	704,522
Cake and meal (tons).....	308,937	258,642	1,205,051	999,547
Hulls (tons).....	170,545	150,604	656,097	572,819
Linters (running bales).....	206,903	158,427	817,670	663,107
Stocks on hand Dec. 31:				
Crude oil (thousand lbs.).....	16,252	18,839	51,740	57,939
Cake and meal (tons).....	41,083	132,339	92,672	380,593
Hulls (tons).....	22,622	118,430	49,456	248,481
Linters (running bales).....	64,791	45,772	222,636	142,112

SOURCE: United States Bureau of Census.

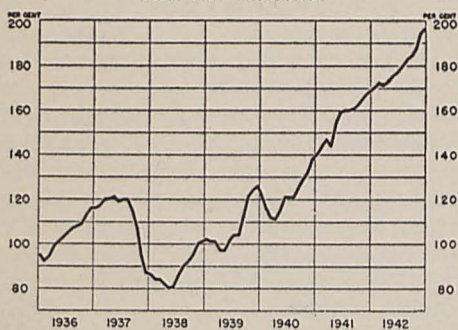
MONTHLY BUSINESS REVIEW

FEBRUARY 1, 1943

NATIONAL SUMMARY OF BUSINESS CONDITIONS

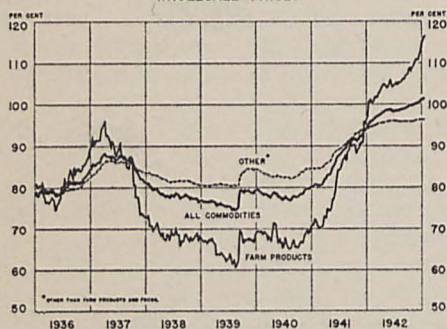
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



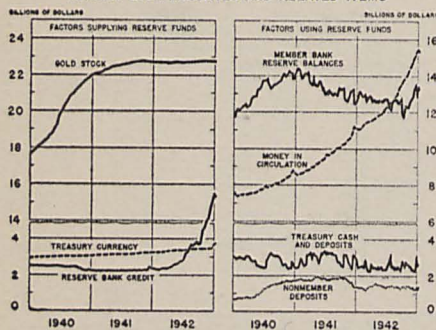
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for December, 1942.

WHOLESALE PRICES



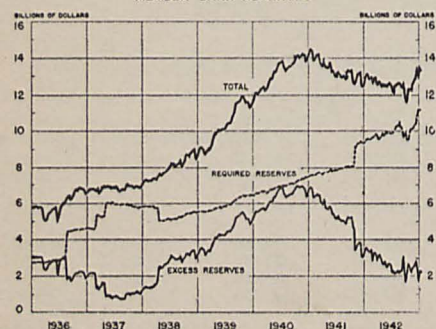
Bureau of Labor Statistics' weekly indexes, 1926 average = 100. Latest figures shown are for week ending January 16, 1943.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.

MEMBER BANK RESERVES



Wednesday figures. Latest figures shown are for January 13, 1943.

Industrial activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

PRODUCTION

Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of nondurable goods was only 4 per cent larger and mineral output was somewhat lower.

Steel production in December and the first half of January averaged 97 per cent of capacity, down slightly from the October and November levels. Total steel production for the year showed a 4 per cent increase over 1941 while the output of steel plate, important in shipbuilding and tank production, rose 90 per cent over the previous year. This increase over a year ago was largely obtained by conversion of existing facilities. Output of lumber, and stone, clay and glass production in December showed larger declines than are usual at this time of year.

Output of nondurable goods showed little change from November to December. Textile production continued at the high level which has prevailed for the past year and a half. Meat packing increased sharply, reflecting exceptionally large hog slaughter and output of most other manufactured foods was maintained at a high level.

Mineral production was lower in December, reflecting a decline in coal output from the peak reached in November. Bituminous coal production in 1942 was the second largest in the history of the industry, averaging 13 per cent greater than 1941. Crude petroleum production in December continued at the level of earlier months and for the entire year was slightly lower than 1941, reflecting transportation shortages. In the first half of January production of bituminous coal and petroleum was maintained, but a number of anthracite mines were closed by an industrial dispute.

Value of construction contracts awarded in December, according to the F. W. Dodge Corporation, was somewhat higher than in November. Contracts for apartment-type buildings for housing war workers continued to rise and public works increased sharply, while awards for manufacturing buildings declined further.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

DISTRIBUTION

Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

Freight carloadings declined about the usual seasonal amount in December, and the Board's adjusted index remained at 134 per cent of the 1935-39 average. Grain, livestock, and miscellaneous loadings rose somewhat on a seasonally adjusted basis, while coal and other products declined slightly.

COMMODITY PRICES

Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

From mid-November to mid-December retail food prices advanced 1.6 points to about 133 per cent of the 1935-39 average. Further increases in these prices are indicated in January as a result of advances permitted recently in maximum levels for such items as flour, milk, and poultry.

BANK CREDIT

Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

Reflecting largely purchases of the 7/8 per cent certificates of indebtedness delivered in the week of December 30, holdings of direct and guaranteed Government obligations at reporting member banks in 101 cities increased by 1.8 billion dollars to 28 billion over the four weeks ending January 13. New York City banks took 640 million of the 1.5 billion dollars of certificates sold to reporting banks. Commercial loans in New York City declined by 90 million dollars; outside New York there was little change. Loans to brokers and dealers rose sharply in December during the Victory Fund campaign, but declined correspondingly in the following weeks. Other loans continued to decline.

UNITED STATES GOVERNMENT SECURITY PRICES

Subsequent to the close of the Victory Fund drive in December prices of United States Government securities increased. Long-term taxable bonds are yielding 2.32 per cent on the average, and long-term partially tax-exempt bonds 2.06 per cent.