

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

Volume 28, No. 1

Dallas, Texas, March 1, 1943

This copy is released for publication in morning papers—

Mar. 4

WAR SAVINGS BONDS

The voluntary War Savings Bond Program, inaugurated by the Treasury in May, 1941, assumed new significance after the entrance of this country into the war in December, 1941. Steps were taken immediately to pledge more employees to participate in payroll savings plans and to increase the deductions to 10 per cent or more of current income. At the same time, vigorous efforts were made to bring about a more widespread adoption of payroll savings plans by employers and to induce more financial institutions and business concerns to qualify as issuing agents for Series E War Savings bonds. Later the Secretary of the Treasury announced that monthly quotas would be set with the objective of raising an average of \$1,000,000,000 monthly through the sale of Series E, F and G War Savings bonds.

The results of the vigorous efforts made during 1942 are revealed in the following comparisons. During December, 1941, 700,000 persons in 10,000 plants actually participating in payroll savings plans invested \$5,000,000, or 4.1 per cent of current income, in Series E bonds. During December, 1942, 20,000,000 persons in 168,000 plants, in addition to 5,000,000 others in Governmental agencies and in the armed forces, in all parts of the nation were actually participating in regular payroll savings plans and during that month invested \$370,000,000, or 8.7 per cent of their payrolls, in Series E War Savings bonds. A further indication of the extent of the distribution of these bonds is found in the fact that from May, 1941, through December, 1942, 150,000,000 of these bonds were sold to individuals. Sales of Series E, F, and G War Savings bonds, which averaged \$320,000,000 during the last eight months of 1941, averaged \$760,000,000 during 1942.

Up to the present, redemptions of War Savings bonds have been relatively small. Aggregate sales of the three series of bonds between May, 1941, and the end of January, 1943, amounted to \$13,000,000,000, of which \$8,000,000,000 consisted of Series E War Savings bonds. During that period redemptions of all three series amounted to \$325,000,000, or about 2.5 per cent of sales. Thus, at the end of January, 97.5 per cent of all War Savings bonds sold by the Treasury were still outstanding in the hands of the public.

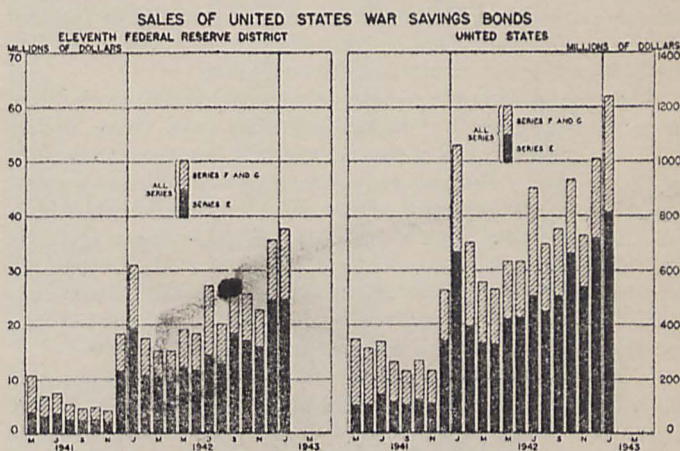
As was to be expected, the ratio of redemptions to sales has been somewhat higher among the smaller denomination bonds than among larger denominations, and the ratio has been higher for Series E bonds than for Series F and G. About 5.0 per cent of the total sales of the \$25.00 denomination Series E bonds has been redeemed, as compared with 2.5 per cent of the \$1,000 bonds, and average redemptions of all Series E bonds of 3.6 per cent. Redemptions of Series F and G bonds have amounted to 1.0 per cent.

As revealed in the accompanying chart, sales of War Savings bonds in this district have followed the same general trends as those in other sections of the country. Between May, 1941, and the end of January, 1943, aggregate sales of the three series in this district amounted to somewhat more than \$375,000,000. Redemption figures by Federal Reserve districts, though not as reliable as those for the country as a whole, indicate that redemptions in this district have been similar to those in other parts of the nation.

In summarizing the program to date, it may be noted that 25,000,000 persons are now participating in regular payroll savings plans and are investing almost 9 per cent of their income in War Savings bonds. The general trend of sales during recent months has been sharply upward and during December, 1942,

and January, 1943, sales of War Savings bonds exceeded \$1,000,000,000 per month.

The results achieved in 1942 are encouraging, yet sales should be raised to a higher level in 1943. The tremendous cost of the war makes it necessary that everyone render maximum assistance in financing it, and the purchase of War Savings bonds provides the most convenient means for wage earners to do their part. In order to increase sales during the current year, intensive efforts should be made to increase the number of persons participating in payroll savings plans and to raise deductions to 10 per cent or more of current income, and at the same time attempt to make regular sales to all those individuals who do not have access to payroll savings plans. The increase in sales of War Savings bonds will also assist in controlling inflation. The huge Government expenditures are increasing individual incomes at the same time that the volume of goods available for civilian consumption is declining. The large and growing surplus of purchasing power is exerting inflationary pressures upon prices and such pressures will become stronger as surplus purchasing power expands further. To the extent that an intensification of the campaign to sell War Savings bonds is successful in diverting surplus purchasing power from the market places to the purchase of Government securities, the dangers of inflation will be minimized.



DISTRICT SUMMARY

The seasonal decline in consumer buying at department stores in the Eleventh District during January was followed by a sharp increase after the announcement of shoe rationing early in February. The increase in total sales was brought about to a considerable extent by heavy purchases of clothing. The number of commercial failures and the liabilities of defaulting firms during January were the smallest for any month in the past 25 years. Loans at thirty-three weekly reporting member banks continued their downward trend during January and the early part of February, and on February 10 were 20 per cent below those of a year earlier. The principal increase in holdings of United States Government securities by weekly reporting banks consisted of additional holdings of Treasury bills. Despite the cancellation of several non-war projects, construction activity in the district continued at a relatively high level during January. The petroleum transportation situation improved considerably after the completion of the war emergency pipe line to Norris City, Illinois, and the beginning of shipments of petroleum products through the pipe line across northern Florida. Deliveries by railroad tank car likewise in-

creased. Crude oil production during January was slightly below that in December and drilling activity was lower than during any other month in the past six years.

BUSINESS

As is usual at this time of the year, consumer buying at reporting department stores in this district fell sharply during January. In the leading cities of the district, sales were only slightly more than half of those during December. As compared with a year earlier, however, sales at reporting department stores in the district were 19 per cent larger. Unusually large increases occurred in sales of women's and misses' ready-to-wear, while sales of women's and children's shoes increased more than 65 per cent. Sales in all basement store departments during January were greater than those during the same month of 1942 with the most notable increases occurring in girls', juniors' and infants' wear. Increases also occurred in men's and boys' wear, most types of piece goods, small wares, ready-to-wear accessories, and numerous miscellaneous lines. Sales of many types of house furnishings continued the downward trend which has been in evidence during recent months and reflects mainly inability to replace scarce merchandise. Sales of mechanical refrigerators, stoves, household appliances, housewares and oriental rugs showed the largest declines.

Although sales during February are normally small, the unexpected announcement of shoe rationing on the seventh of the month touched off a wave of scare buying in all parts of the district. The buying was further stimulated by other announcements in connection with food rationing and consumers apparently interpreted these statements as forerunners of rationing in other lines. In addition to the official pronouncements, a flood of baseless rumors of pending rationing programs originating in schools and industrial plants, and a widespread range of fanciful "inside tips," reminiscent of the stock market boom in the late twenties, all served to increase the confusion.

The upsurge of buying was concentrated initially in clothing, particularly women's clothing, including suits, coats, underwear, housedresses, and millinery, and to a lesser extent in piece goods, children's clothing and such items as handbags, jewelry, and hosiery. The increased sales in these lines apparently stimulated sales in other types of merchandise and within a few days the buying spree had engulfed most lines of trade. Despite the announcement of shoe rationing, shoe sales in most stores continued at the high level prevailing during January, and in many instances the dollar value of sales actually increased.

It is worthy of special note that beginning with shoes, and spreading later to most types of purchases, there was a definite trend away from inexpensive merchandise and a large increase in higher priced goods. Basement store sales in many lines fell off considerably as the usual basement store customers shifted to the main store to buy better-quality merchandise. The buying appears to have been out of all proportion to past experience, both in quantity and in price lines, and continued for two weeks despite official assurances that clothing supplies were ample and that rationing of clothing was not contemplated in the near future.

The buying wave in this area must be attributed to rationing and rumors of rationing rather than to a reflection of increased consumer buying power. Although larger money incomes made such buying possible, an increase in purchasing power occurs over a considerable period of time and does not advance by such leaps and bounds. Thus the buying wave must be explained as a temporary phenomenon induced largely by a sudden public awareness of widespread shortages and the feeling that only a limited time remained in which to make a final purchase before rationing or before stocks were depleted.

The effect of the buying wave on department store stocks is as yet undetermined. At the end of January stocks were slightly below those of a year earlier, while outstanding orders

were almost double those at the end of January, 1942. Although total sales during January were 19 per cent above those of a year earlier, credit sales increased only 1 per cent, the remainder of the increase being accounted for by additional cash sales. The ratio of collections on regular accounts at the first of the month continued to be above 60 per cent during January and the ratio of collections on instalment accounts outstanding remained at the high level of other recent months.

During 1942 both the number of commercial failures and the liabilities of defaulting firms were smaller than in any other year in the past quarter of a century. According to data compiled by Dun and Bradstreet, Incorporated, commercial failures during January this year were so small as to be almost negligible. There were only three commercial failures and the liabilities of these firms amounted to \$18,000.

AGRICULTURE

Rainfall in much of the Eleventh District was light during the first six weeks of 1943. Current reports indicate that in north and central Texas there is a deficiency in both surface and sub-soil moisture, which has affected adversely the growth of small grains and may retard spring planting operations unless relief is obtained in the near future. Although moisture supplies appear to be adequate for current needs in most other areas of the district, general rains would be beneficial. Available reports indicate that the severe cold wave in January and the subsequent dry weather caused considerable injury to the oat crop, but the wheat crop in northwest Texas, which had developed a good root growth, suffered relatively little damage. Although there were general rains in south Texas early in January, the benefits to commercial vegetable crops were partially offset by the late January freezes. The greatest damage occurred in the Coastal Bend section where there were substantial losses of beets, cabbage, radishes and turnips. In the Lower Valley the damage was principally to the potato and tomato crops.

The Secretary of Agriculture recently urged farmers to plant as much of their 1943 cotton acreage allotment as possible after meeting the special war crop goals, but requested that no farmer exceed his allotment. The cotton acreage allotment for Texas during 1943 is nearly 20 per cent below that for 1942, but if all farmers should plant their full allotments, the cotton acreage this year would be only about 7 per cent below the planted acreage in 1942.

Cattle and sheep in the Eleventh District came through January in fair to good flesh and are in approximately as good condition as a year ago. Death losses during the cold wave late in January were light, but considerable shrinkage occurred in some areas. Most ranges have a good supply of cured grass, and wheat pastures are providing excellent grazing, but heavy supplementary feeding has been necessary in some areas. Feed shortages have developed in eastern counties of Texas, and cottonseed cake and meal are reported to be scarce in several sections, but grain and forage feeds are still plentiful in northwest Texas. Marketings of Texas cattle and calves during December, 1942, were 183,000 head as compared with 184,000 head in December, 1941. During December, 1942, 184,000 head of Texas sheep and lambs were shipped, as compared with 84,000 head shipped in December, 1941. Receipts of cattle, calves and hogs at representative Texas markets were on the average comparatively light during January and the first half of February in spite of broad demand for livestock. The number of Texas sheep and lambs in feed lots and on wheat pastures was substantially larger on January 1, 1943, than a year earlier and considerably greater than the 1933-1942 average. The abundant supply of feed has induced a large number of farmers to increase feeding, but many commercial feeders are reported to have curtailed operations because of shortage of experienced labor. The number of Texas cattle on feed for market on January 1, 1943, was estimated to be slightly greater than a year earlier.

Average farm prices received in Texas rose moderately from December 15, 1942, to January 15, 1943, the most pronounced increases occurring in prices of grains, hogs, beef cattle and veal calves. Prices of cottonseed, soybeans and eggs declined slightly during the period and prices of peanuts, milk, sheep and lambs remained unchanged. Prevailing prices of Texas livestock and livestock products on January 15, 1943, were substantially higher than parity prices, while prices of most grains, some truck crops and peanuts were from 10 to 20 per cent below parity.

According to the Department of Agriculture, farm employment in the United States on February 1, 1943, was at the lowest level of record for that date. In the West South Central area, which includes most of the Eleventh District, the farm labor supply in January was approximately 20 per cent smaller than in January, 1942, and 44 per cent below the 1935-1939 average, whereas farm labor demand in the area was estimated to be nearly as great as in January, 1942, and over 15 per cent higher than the 1935-1939 average.

FINANCE

The reserve balances of member banks in the Eleventh Federal Reserve District, which rose to a new high level of \$500,000,000 during the early part of January, fell off thereafter, and during the first half of February, averaged approximately \$480,000,000. As a result of the decline in reserve balances and a small increase in customer deposits, excess reserves declined \$9,000,000 during the latter half of January. Gross deposits at thirty-three weekly reporting member banks in the Eleventh District declined \$15,000,000 during the four weeks ended February 10. Treasury calls during that period reduced United States Government deposits by \$29,000,000. Balances with domestic banks declined \$13,750,000 while adjusted demand deposits increased \$12,250,000.

Total loans and investments of thirty-three weekly reporting member banks in this district continued to increase during January and the early part of February. Moderate increases occurred during each week of the current year, and on January 27 total loans and investments for the first time exceeded a billion dollars. The gain was accounted for entirely by increased investments, since loans continued to decline.

On February 10, 1943, total loans of thirty-three weekly reporting banks of \$287,500,000 were \$12,000,000 below those four weeks earlier and 20 per cent smaller than on the corresponding date last year. During the past year declines have occurred in all major classifications of loans.

During the four weeks ended February 10, weekly reporting banks continued to increase their investments. During that period total investments increased \$38,500,000 to a total of \$729,500,000. Except for one issue of certificates of indebtedness, which was mainly for refunding purposes, there were no major Treasury offerings during January and February. Changes in bank holdings of Government securities reflected largely portfolio adjustments by individual banks. Between January 13 and February 10, weekly reporting banks increased their holdings of Treasury bills by \$24,000,000, and their holdings of United States Government bonds by \$12,000,000, while holdings of Treasury certificates of indebtedness and notes showed small net declines. Holdings of securities guaranteed by the United States Government, which had followed a generally downward trend during the past year and a half, increased \$11,000,000 and there was a small increase in holdings of non-governmental securities.

Although there is normally a return flow of currency to this bank following the year-end holidays, currency in circulation continued to expand during January. Nevertheless, the average increase of about \$4,000,000 in Federal Reserve notes of this bank in actual circulation during January was less than half as large as the average monthly increase during 1942. During the latter part of January and the early part of February circulation increased sharply, rising to a new peak of \$260,731,000 on February 3.

CONDITION OF THE FEDERAL RESERVE BANK (Thousands of dollars)

	Feb. 15, 1943	Feb. 15, 1942	Jan. 15, 1943
Total cash reserves.....	\$580,515	\$410,999	\$559,534
Discounts for member banks.....	125	87	None
Industrial advances.....	29	246	29
United States Government securities.....	193,710	87,391	219,532
All other investments.....	120	None	90
Total earning assets.....	193,984	87,724	219,471
Member bank reserve deposits.....	480,507	317,310	497,507
Federal Reserve notes in actual circulation.....	259,485	136,492	244,890

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

	Feb. 10, 1943	Feb. 11, 1942	Jan. 13, 1943
Total loans and investments.....	\$1,016,913	\$684,243	\$990,607
Total loans.....	287,495	360,385	299,723
Commercial, industrial and agricultural loans.....	209,943	255,027	217,331
Open market paper.....	1,087	2,333	728
Loans to brokers and dealers in securities.....	1,379	4,051	1,618
Other loans for purchasing or carrying securities.....	12,239	12,882	14,122
Real estate loans.....	19,218	21,617	19,450
Loans to banks.....	110	327	114
All other loans.....	43,519	64,148	46,360
Total investments.....	729,418	323,858	690,884
United States Treasury bills.....	97,494	32,877	73,428
United States Treasury Certificates of Indebtedness.....	123,202	None	126,022
United States Treasury notes.....	104,033	41,475	110,404
United States Government bonds.....	299,504	146,653	287,200
Obligations guaranteed by United States Gov't.....	46,215	39,123	35,199
Other securities.....	58,970	63,730	58,631
Reserves with Federal Reserve Bank.....	287,527	192,157	315,130
Balances with domestic banks.....	292,031	301,119	305,784
Demand deposits—adjusted.....	878,035	635,416	865,785
Time deposits.....	136,668	130,131	133,689
United States Government deposits.....	93,961	35,187	122,848
Interbank deposits.....	438,119	325,942	439,378
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)

	January 1943	January 1942	Pctg. change over year	December 1942	Pctg. change over month
Abilene.....	\$ 16,809	\$ 15,072	+12	\$ 18,406	— 9
Amarillo.....	39,898	—	—	44,749	—11
Austin.....	62,705	47,752	+31	91,805	—32
Beaumont.....	48,932	37,163	+32	54,565	—10
Corpus Christi.....	41,059	—	—	43,005	— 5
Corpus Christi.....	7,333	5,022	+46	7,908	— 7
Dallas.....	421,033	397,888	+ 6	508,007	—17
El Paso.....	54,051	50,909	+ 6	63,310	—15
Fort Worth.....	155,680	123,521	+26	188,295	—17
Galveston.....	35,051	37,011	— 5	42,854	—18
Houston.....	418,229	371,392	+13	519,690	—20
Laredo.....	9,853	—	—	10,447	— 6
Lubbock.....	23,901	—	—	24,776	— 4
Monroe, La.....	17,012	—	—	18,544	— 8
Port Arthur.....	19,370	14,197	+36	19,083	+ 2
Roswell, N. M.....	7,300	5,351	+36	7,583	— 4
San Angelo.....	12,796	—	—	14,943	—14
San Antonio.....	109,580	97,038	+13	139,653	—22
Shreveport, La.....	68,960	69,994	— 1	66,906	+ 3
Texarkana.....	15,070	22,304	—32	17,264	—13
Tucson, Ariz.....	22,289	17,595	+27	23,033	— 3
Tyler.....	14,534	15,151	— 4	16,286	—11
Waco.....	24,272	21,644	+12	29,275	—17
Wichita Falls.....	20,549	24,280	—15	27,404	—25
Total—18 cities.....	\$1,521,747	\$1,373,284	+11	\$1,841,327	—17
Total—24 cities.....	1,666,266	—	—	1,997,791	—17

*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
January, 1941.....	\$1,495,852	\$239,594	\$ 856,234	\$133,199	\$ 639,618	\$106,395	
January, 1942.....	1,801,210	231,871	1,026,567	128,427	774,643	103,444	
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	
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	
January, 1943.....	2,643,213	227,933	1,468,181	130,904	1,175,032	97,029	

SAVINGS DEPOSITS

January 31, 1943			Percentage change in savings deposits from		
Number of reporting banks	Number of savings depositors	Amount of savings deposits	Jan. 31, 1942	Dec. 31, 1942	
Beaumont.....	3	10,636	\$ 4,390,341	+ 3.1	— 2.7
Dallas.....	8	91,505	28,163,432	+ 10.8	+ 1.9
El Paso.....	2	18,822	8,035,089	+12.9	+ 2.0
Fort Worth.....	3	32,853	13,481,021	+ 7.4	+ 3.3
Galveston.....	4	17,628	11,179,060	+ 2.1	+ 1.5
Houston.....	10	73,670	33,794,413	+ 7.0	+ .9
Lubbock.....	2	992	470,654	+23.5	+ .6
Port Arthur.....	2	5,153	2,962,244	— .01	— .01
San Antonio.....	5	24,181	19,627,111	+11.5	+ .9
Shreveport, La.....	3	25,542	11,989,377	— .2	+ 1.2
Waco.....	3	7,346	4,589,977	+11.6	+ 2.8
Wichita Falls.....	3	6,774	3,393,821	+ .2	— 3.0
All other.....	60	49,519	27,439,175	+ 1.6	— 1.0
Total.....	108	364,621	\$169,515,715	+ 6.4	+ .9

INDUSTRY

In spite of the cancellation of several non-war projects, construction activity in the Eleventh District continued at a relatively high level during January, 1943. The value of construction awards in this district during the month amounted to \$78,000,000, and was approximately three times as great as the preceding record for the month of January set in 1942. The total of awards for residential building in this district during January, essentially all of which was for defense housing, exceeded \$25,000,000 and was more than 150 per cent greater than in the same month of 1942, although it was 14 per cent below the all-time peak of awards for residential building set in December, 1942. Awards for nonresidential building, for public works and for utilities during January were likewise below the respective amounts in December, 1942, but were substantially greater than during January, 1942.

An appreciable improvement in the petroleum transportation situation occurred during January and the first half of February. Receipts of petroleum and petroleum products by railroad tank cars on the East Coast increased substantially during January, averaging 814,000 barrels daily during the five-week period ended February 6, 1943, as compared with 745,000 barrels during the five weeks ended January 2, 1943. The completion of the War Emergency Pipe Line in the second week of February made possible the inauguration during the following week of volume deliveries to the Norris City, Illinois, terminus for transshipment by railroad tank cars to the East Coast. Initial shipments of petroleum products through the 8-inch line across northern Florida began early in February, thus making possible delivery of petroleum products via the Intracoastal Canal from the lower Texas Coast to Pennsylvania. Other pipe lines which will contribute to a greater volume of deliveries of Texas petroleum to the Eastern market have also recently been completed.

Crude oil production in the Eleventh District during January, which averaged 1,521,897 barrels daily, was 3 per cent below the daily average of the preceding month and 13 per cent lower than in January, 1942. Daily average crude oil production outside this district likewise declined from December to January. Crude oil stocks continued to accumulate in this district and to decline in other areas. In the Eleventh District, crude oil stocks as of January 30 were 18 per cent greater than on the com-

parable date last year, and fractionally greater than at the beginning of the year, whereas outside of this district stocks were 22 per cent below the level of the comparable date last year and slightly lower than at the beginning of 1943.

Drilling activity, as measured by the daily average number of well completions, was at a lower level in the Eleventh District and in the United States during January than during any preceding month in the last six years, and in this district was about 60 per cent below the level of activity during January, 1942. Approximately 40 per cent of the wells completed in this district during January, 1943 represented dry holes, whereas dry holes accounted for 31 per cent of wells completed during 1942 and 23 per cent of wells completed during 1941.

Cotton textile mills in the United States continued to operate during January at close to capacity, turning out materials primarily against the heavy backlog of Government and lend-lease orders. Due to the large requirements for war purposes, deliveries of goods to the civilian trade have been greatly curtailed. Operations at cotton mills in New England have recently been hampered by scarcity of trained workers and by shortages of fuel oil, but activity in the industry as a whole has been consistently maintained at a high level. Consumption during the six-month period ended January, 1943, totaled 5,628,000 bales as compared with 5,391,000 bales during the same period of the preceding season. If the rate of consumption which prevailed the first six months of the season is maintained through July, United States consumption of cotton during the 1942-1943 season will exceed the record consumption of 11,200,000 bales set last season.

The Bureau of the Census reported that 12,100,000 running bales of the 1942 cotton crop had been ginned in the United States prior to January 16, 1943, as compared with 10,225,000 bales of 1941 cotton ginned prior to the comparable date of 1942. Approximately 2,856,000 running bales of Texas cotton had been ginned prior to January 16, 1943, as compared with 2,465,000 bales ginned prior to the comparable date in 1942.

The average price of middling 15/16-inch staple cotton at the ten spot markets increased moderately during December and January, and on January 22, 1943, was 21.63 cents per pound, or 1.16 cents above the 1942 high. Thereafter, the average ten spot market price declined slightly, and on February 15, 1943, was 20.53 cents per pound, as compared with 20.41 cents on January 15, 1943, and 19.31 cents on February 14, 1942.

Reflecting the increase in cotton production in 1942, the re-

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in:			
		Net sales		Stocks†	
		January, 1943 from January, 1942	Dec., 1942 from Jan. 31, 1943	January, 1943 from January, 1942	Dec., 1942 from Jan. 31, 1943
Retail trade:					
Department stores:					
Total 11th Dist.	46	+19	-47	....	-3
Dallas.....	7	+21	-46	....	-1
Fort Worth.....	4	+18	-49	....	-13
Houston.....	7	+6	-48	....	-11
San Antonio.....	4	+31	-44	....	+25
Shreveport.....	3	-13	-58	....	-17
Other cities.....	21	+31	-46	....	-5
Retail furniture:					
Total 11th Dist.	72	+7	-38	....	-8
Dallas.....	8	+27	-31	....	....
Fort Worth.....	3	+44	-38	....	....
Houston.....	6	-8	-47	....	....
San Antonio.....	4	+2	-39	....	....
Independent stores:					
Oklahoma.....	399	+21	-34	....	....
Texas.....	973	+17	-37	....	....
Wholesale trade:					
Machinery, eqpt & supplies.....	4	-61	+103	....	....
Drugs (incl. liquors).....	8	+29	-12	....	-12
Electrical goods.....	3	-36	+41	....	....
Groceries.....	32	+6	+4	....	-13
Hardware.....	14	+18	+10	....	-24
Surgical eqpt.....	4	-6	-4	....	-3
Tobacco & products.....	4	+12	-9	....	....

*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)

	January 1943	January 1942	December 1942	November 1942
Sales (daily average):				
Without seasonal adjustment.....	155	122	280	191
With seasonal adjustment.....	204	161	162	171
Stocks (end of month):				
Without seasonal adjustment.....	83	84r	76	100
With seasonal adjustment.....	95	95r	87	89

r-Revised.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	January 1943	January 1942	December 1942	January 1943	January 1942	December 1942
Cattle.....	42,562	45,682	53,568	15,645	16,967	21,527
Calves.....	17,904	24,691	32,845	19,187	25,829	29,010
Hogs.....	95,361	64,913	89,486	12,462	12,908	12,986
Sheep.....	76,319	43,766	113,782	28,298	9,290	32,753

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundredweight)

	Fort Worth			San Antonio		
	January 1943	January 1942	December 1942	January 1943	January 1942	December 1942
Beef steers.....	\$14.75	\$12.50	\$14.15	\$12.75	\$11.50	\$13.50
Stocker steers.....	13.00	11.50	13.00	....	....	....
Heifers and yearlings.....	15.00	12.50	14.25	13.75	12.25	13.75
Butcher cows.....	11.50	8.85	11.00	12.00	8.75	12.50
Calves.....	14.00	11.50	13.25	13.50	11.50	13.00
Hogs.....	15.15	11.75	15.00	14.50	11.50	14.25
Lambs.....	15.00	12.25	14.75	12.50	10.50	11.50

CRUDE OIL PRODUCTION—(Barrels)

	January, 1943		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Jan., 1942	Dec., 1942
North Texas.....	6,976,850	225,080	-7,214	-5,606
West Texas.....	6,234,200	201,103	-104,800	-7,495
East Texas.....	13,346,500	430,532	-41,180	-27,716
South Texas.....	5,183,800	167,220	-61,635	-7,569
Texas Coastal.....	9,584,400	309,174	+692	-3,842
Total Texas.....	41,325,750	1,333,089	-214,137	-52,228
North Louisiana.....	2,852,400	92,013	+10,031	-79
New Mexico.....	3,000,650	96,795	-22,145	+2,496
Total District.....	47,178,800	1,521,897	-226,251	-49,811

SOURCE: Estimated from American Petroleum Institute weekly reports.

ceipts of cottonseed at both Texas and United States cottonseed oil mills during the first half of the 1942-1943 season were substantially in excess of those in the corresponding period of the preceding season. At Texas mills, the receipts of cottonseed showed an increase of 8 per cent, while crushings were 13 per cent larger. Despite the increased production of cottonseed products, mill stocks of crude cottonseed oil, cake and meal and hulls on January 31 were sharply lower than a year earlier.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to January 31 This season	Last season	August 1 to January 31 This season	Last season
Cottonseed received at mills (tons).....	980,947	906,932	4,227,544	3,667,963
Cottonseed crushed (tons).....	809,032	713,206	3,255,402	2,761,987
Cottonseed on hand Jan. 31 (tons).....	204,870	220,920	1,049,405	1,036,505
Production of products:				
Crude oil (thousand lbs.).....	234,967	206,335	1,006,678	851,179
Cake and meal (tons).....	362,513	316,225	1,440,003	1,206,799
Hulls (tons).....	203,929	185,083	788,752	688,894
Linters (running bales).....	242,670	195,420	979,223	806,525
Stocks on hand January 31:				
Crude oil (thousand lbs.).....	14,136	23,070	54,644	57,062
Cake and meal (tons).....	22,563	125,658	75,866	369,734
Hulls (tons).....	15,809	111,975	37,647	229,553
Linters (running bales).....	72,361	47,434	271,378	146,406

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	January 1943	January 1942	December 1942	August 1 to January 31 This season	Last season
Consumption at:					
Texas mills.....	20,778	21,036	21,350	126,956	117,644
United States mills.....	916,479	947,539	935,511	5,627,756	5,390,724
U.S. stocks—end of month:					
In consuming establs'ts.....	2,506,639	2,497,795	2,567,186		
Public stg. & compresses.....	13,069,379	12,857,476	13,576,030		

BUILDING PERMITS

	January, 1943		Percentage change valuation from	
	Number	Valuation	Jan., 1942	Dec., 1942
Abilene.....	13	\$ 4,005	-96	+ 18
Amarillo.....	41	83,010	+77	+ 90
Austin.....	58	13,372	-95	- 60
Beaumont.....	83	18,827	-89	- 39
Corpus Christi.....	88	139,509	-62	- 87
Dallas.....	285	160,591	-93	- 42
El Paso.....	39	40,639	-67	- 35
Fort Worth.....	160	183,961	-63	- 76
Galveston.....	42	15,421	-92	+ 36
Houston.....	60	125,565	-92	+103
Lubbock.....	63	12,695	-93	+ 61
Port Arthur.....	31	5,646	-91	- 51
San Antonio.....	453	126,404	-78	- 70
Shreveport, La.....	29	6,203	-98	- 58
Waco.....	25	45,550	-41	- 31
Wichita Falls.....	17	6,054	-76	+138
Total.....	1,487	\$986,452	-86	- 66

VALUE OF CONSTRUCTION CONTRACTS AWARDED
(Thousands of dollars)

	January 1943	January 1942	December 1942
Eleventh District—total.....	\$ 77,924	\$ 23,209	\$ 94,422
Residential.....	25,519	10,105	29,682
All other.....	52,405	13,104	64,740
United States*—total.....	350,661	316,846	708,716
Residential.....	110,813	102,758	159,652
All other.....	239,848	214,088	549,064

*37 States east of Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

THE EFFECT OF THE WAR UPON NONAGRICULTURAL EMPLOYMENT IN TEXAS

The conversion of our economy from the production of goods for civilians to the production of goods for war is requiring a rapid expansion of the labor force at the same time that the nation is increasing the size of its armed forces. As a result, labor shortages are developing which may limit further expansion of production and jeopardize the maintenance of the civilian economy. During 1943, the extent to which various areas of the country can expand their participation in the war effort will depend in large part upon the facility with which they can meet the increasing demands for manpower. With that consideration in mind, this report reviews the trend of nonagricultural employment in Texas since the beginning of the war in Europe, and appraises the State's capacity to supply additional workers during 1943.

When the National Defense Program was initiated in June, 1940, there were approximately 4,470,000 potential employables in Texas, less than one-half of whom were employed. The labor

reserve of some 2,330,000 persons which could be called upon to supply additional manpower in an emergency consisted of 1,410,000 housewives, 450,000 students 14 years old or older, 200,000 unemployed persons who were seeking work, 120,000 workers engaged in public emergency work, and 150,000 other adult non-workers who reported no status but were probably employable. The number of persons who were in a position to join the working force without making substantial adjustments in their plans and mode of life probably did not exceed 350,000. Most of the 2,140,000 persons who were employed were engaged in agriculture or trade. Less than 10 per cent of the effective working force was employed in manufacturing plants as compared with 15 per cent engaged in mining, public utilities or construction, 45 per cent in distributive or service enterprises, and approximately 30 per cent in agriculture or allied activities.

A review of employment trends between September, 1939, and December, 1942, reveals, in part, the magnitude of the war program in the State, although it does not picture the mass migrations of workers from one section to another, the large scale upgrading of employees and the rapid shifts between jobs which occurred as the facilities for war industries and for the armed forces were constructed and as the working forces of war industries were recruited and trained. In the period from September, 1939, to June, 1940, nonagricultural activity was not appreciably affected by the war in Europe. The rise in business and industrial activity that took place immediately after the outbreak of the European war reflected largely the effects of forward buying in anticipation of rising prices and the widespread belief that purchases in this country by belligerent nations would be greatly expanded. It appears that the increase in the output of manufactured goods was accomplished primarily through an extension of the hours worked by existing personnel. The slight acceleration in hiring rates at manufacturing plants which occurred during the period was counteracted by a decline in other nonagricultural employment. When the National Defense Program was initiated in June, 1940, there were 184,000 wage and salaried workers in Texas manufacturing plants and 842,000 persons were employed in all other non-agricultural establishments, as compared with 181,000 and 849,000 in the respective categories in September, 1939.

During the six months from June, 1940, to December, 1940, a large number of Federally-financed construction projects were initiated in the State; textile plants, garment manufacturers and producers of miscellaneous products were given sizable defense contracts, and a few awards for production of ordnance and special fuels were received. All told, approximately \$115,000,000 of national defense contracts were awarded in Texas during the six-month period. The increased flow of Federal money expanded civilian purchasing power and stimulated employment in consumer goods industries, in the distributive trades, and in private construction. In consequence, employment in Texas increased relatively uniformly in all phases of activity, and in December, 1940, there were 196,000 workers in manufacturing enterprises in the State, and approximately 900,000 workers in all other nonagricultural establishments, exclusive of about 20,000 temporary workers who were employed in retail establishments during the Christmas season.

Defense contracting was accelerated considerably during 1941. National defense contracts in excess of \$545,000,000 were awarded in Texas during the first eight months of the year, of which approximately \$175,000,000 was for construction, \$67,000,000 for shipbuilding, \$231,000,000 for aircraft fabrication, and \$54,000,000 for ordnance manufacture. These figures are exclusive of contracts let in other states covering work to be completed at manufacturing establishments in Texas. Employment in almost all fields expanded rapidly, and by December, 1941, there were 1,222,000 persons employed in the nonagricultural establishments of the State, of whom 241,000 were in manufacturing. Thus between June, 1940, and our en-

trance into the war, the working force in the manufacturing enterprises of Texas had increased 31 per cent, and total non-agricultural employment, including manufacturing, had expanded 19 per cent.

During the period from December, 1941, to December, 1942, construction activity was increased further, and as numerous large war plants were completed and staffed at the same time that existing plants were expanding their output, manufacturing employment increased very rapidly. Concurrently, employment in most trades held up and in some instances increased. In December, 1942, nonagricultural employment in the State, exclusive of employment on relief projects, was 1,410,000, or 37 per cent greater than in September, 1939, and approximately 321,000 persons were working in Texas manufacturing plants as compared with 181,000 thus employed in September, 1939, an increase of 78 per cent. During the period, manufacturing increased in relative importance as a source of employment, accounting for approximately 23 per cent of total employment in nonagricultural establishments in December, 1942, as compared with less than 18 per cent in September, 1939.

The greatest gains in employment in Texas between June, 1940, and December, 1942, occurred in four industries—construction, aircraft manufacture, shipbuilding and ordnance. Construction activity increased very little from September, 1939, to June, 1940, but thereafter expanded rapidly. According to the F. W. Dodge Corporation, approximately \$190,000,000 of national defense contracts were awarded in Texas during 1941, and in 1942 they were further increased, reaching a peak in excess of \$115,000,000 for the month of October, and totaling more than \$750,000,000 during the year. Employment on Federal construction projects other than relief projects expanded from 34,000 in November, 1940, to 124,000 in June, 1942, and total employment in the construction trades was undoubtedly much greater at the peak of construction in October, 1942, than in June, 1940, when it was approximately 110,000.

Substantial awards for the manufacture of aircraft, ships and ordnance materials were not received in Texas until 1941, but the three industries expanded their working forces rapidly thereafter and in December, 1942, employed more than 122,000 persons, as compared with 2,000 or less at the beginning of the National Defense Program.

Texas metal working plants also expanded employment rapidly as they accepted contracts for production of projectiles, ship and aircraft parts and orders for other materials. Between June, 1940, and December, 1942, employment in foundries and machine shops and in structural and ornamental iron works increased more than 50 per cent. The employment trends in other manufacturing establishments were not uniform, but practically all categories experienced increases. Texas meat packing plants expanded activities to meet the demand for increased quantities of processed meats and in December, 1942, employed 72 per cent more workers than in June, 1940. Employment in the building materials industries lagged behind construction activity in 1940, but increased in 1941 and 1942. Employment at petroleum refineries responded to increased civilian demand for petroleum products during 1941 and to increased war demands during 1942, and was approximately 9 per cent greater in December, 1942, than in June, 1940. The only major industrial division of the State that employed fewer workers in December, 1942, than in June, 1940, was the crude petroleum production and distribution industry, which found it necessary to curtail operations in 1942 when submarine warfare and diversion of the ocean tanker fleet from the Atlantic coastal run reduced the delivery of Texas petroleum to the important markets on the Eastern Seaboard. The industry was employing 18 per cent fewer workers in December, 1942, than in June, 1940.

The expansion of purchasing power which was brought about by the large volume of war expenditures in the State increased the demand for consumer goods and services and stimulated activity in the distributive trades. Employment in wholesale and retail establishments in Texas was subject to the usual seasonal fluctuations during 1941 and 1942, but average employment in the trades was at a higher level in those years than in 1939 and 1940.

The occurrence of a substantial increase in nonagricultural employment in Texas at the same time that men were being taken from the effective working force of the State by the armed forces, brought about a heavy drain upon the labor reservoir. Between the outbreak of war in Europe and December, 1942, Texas nonagricultural establishments expanded their working force by 380,000 persons and in the same period the armed services took approximately 300,000 employed or employable males in the State. It is estimated, therefore, that between 600,000 and 680,000 persons were transferred from the labor reserve of the State and surrounding states into nonagricultural employment during the period from September, 1939, to December, 1942. Between 10 and 15 per cent of the persons added to the non-agricultural working force apparently was diverted from Texas farms and ranches, for approximately 70,000 fewer persons participated in the Texas harvest in the fall of 1942 than in the harvests of 1940 and 1941. Net immigration from other states, a second source of labor for Texas industries, may have exceeded 2,000 per month during 1942, but it is improbable that net immigration furnished more than 10 per cent of the workers added to Texas employment rolls during the three-year period ended December, 1942.

By far the largest portion of those who were added to the working force of nonagricultural establishments in Texas during the first three years of the war was drawn from the labor reserve of the State. Unemployment compensation rolls declined 75 per cent from August, 1940, to August, 1942, and the number of persons employed on the Federal emergency work programs declined from 118,000 in June, 1940, to 56,000 in September, 1942. About 15 per cent of those added to the working force since January, 1942, was apparently drawn from the unemployed or workers on Federal relief projects. Altogether, however, less than one-half of the workers added to the working force of Texas nonagricultural establishments between September, 1939, and December, 1942, was drawn from agriculture, from the ranks of the unemployed, and from the relief rolls. The majority of the new workers apparently came from two groups: the students and the housewives. By December, 1942, it is probable that more than 250,000 women who were housewives in June, 1940, had been drawn into Texas industry or trade. In the retail and distributive trades, women were placed in positions customarily reserved for men, and in 1942 were employed in many capacities in manufacturing establishments. In some of the larger war production plants in the State, women comprised 50 per cent or more of the total working force in December, 1942. Their manual dexterity and patience with detail fitted them excellently for many tasks in aircraft fabrication and ordnance manufacture, and in those fields they assumed progressively more important positions.

The labor supply appears to have been relatively plentiful in Texas from the summer of 1940 to the summer of 1942, and as a result, training for new jobs, construction of new facilities, servicing of increased consumer demands and expansion of the output of manufactured goods were all carried on together without creating a general labor shortage in the State. A major part of the surplus effective labor of the area was gradually absorbed into industry during 1941, however, and most of the remainder was absorbed in 1942 by the rapid expansion of employment in manufacturing establishments and the heavy withdrawals of manpower by the armed forces.

The crest of war employment has not yet been reached in Texas. The six important war industries of the State—ordnance, shipbuilding, aircraft manufacture, iron and steel manufacturing and fabrication, chemical manufacturing, and machine tool construction—are expected to add more than 88,000 new workers to their forces between December, 1942, and June, 1943, and an additional 40,000 by the end of 1943. It is estimated that at peak requirements these six industries will employ approximately 267,000 workers, or almost twice the number employed by them in December, 1942.

If Texas furnishes its proportionate share of the indicated increase in the armed services, 200,000 or more men may be withdrawn from the civilian population of the State during 1943. In order to maintain employment in Texas at current levels in all lines and at the same time meet the manpower needs of the war industries and the armed forces, it would probably be necessary, therefore, to obtain about 330,000 persons from the two groups in Texas which still exist as a reservoir of labor, the housewives and the students. It is improbable, however, that so heavy a withdrawal from the reservoir will be necessary, for the expansion of the working force of the war industries will be facilitated during the coming months by release of labor by establishments serving civilian needs. As the supply of consumer goods is further depleted, some of the workers now engaged in wholesale and retail trade in the State will probably seek employment in war plants, and a number of salesmen, solicitors and domestic servants will shift employment. The peak of activity in the construction industry was apparently reached in Texas in October, 1942. The F. W. Dodge Corporation has estimated that construction contract awards in the 37 states east of the Rocky Mountains during 1943 will be about 50 per cent below the level of 1942. If a similar decline in construction activity should occur in Texas, a substantial number of construction workers would be released for work in war industries.

It is also possible that a more efficient utilization of labor will reduce the demand for new employees. A reduction of labor turnover, for example, would substantially increase the effectiveness of the labor force. The separation rate in Texas manufacturing industries, that is, the percentage of workmen who terminate their employment during a specific month, rose from 1.98 in April, 1940, to 5.60 in January, 1942, and probably reached a much higher level before the end of that year. The largest portion of the increase in the separation rate was attributable to the increase in the quit rate, or the percentage of workmen who voluntarily resigned during a given month. If the average period between jobs is fifteen days and the average period of readjustment on the job is the same, a monthly turnover rate of 5 per cent immobilizes 10 per cent of the employed labor force. It is apparent that a reduction in the high turnover rate could increase the effectiveness of the labor force of the State in future months.

There is also the possibility that the unit productivity of labor will increase as workmen become more experienced in their newly acquired skills. The shift of workmen to new localities and to new trades has not been conducive to high productivity; but the readjustment has now been made by a large number of workers and they should soon become more proficient at their new tasks. As management gains in experience, the labor force of individual plants will also be employed more effectively, and of technological improvements may be introduced which will permit increased specialization of labor and reduction of the labor-time necessary to produce a given output.

If shortages of laborers should become acute, the effective labor force of the State could also be used more intensively by increasing the standard number of hours worked per week, unless the gain were offset by increases in absenteeism.

An absolute shortage of labor power does not appear imminent in Texas in spite of heavy demands which are likely to be

placed upon the labor force in 1943. An apparent labor reservoir of substantially more than 1,000,000 students and housewives remains in the State. However, some serious problems may arise in supplying the estimated maximum needs for an additional 330,000 workers in 1943. Most of the potential workers available in the reservoir are untrained and the housewives who comprise the majority of the reservoir are particularly immobile, since they are reticent to accept work which requires them to leave their families. In order to utilize many of the workers in the reservoir it would be necessary to provide training with pay, facilities for the care of children and inducements attractive enough to justify drastic readjustments in their mode of living. Moreover, the labor reserve includes a large number of people who cannot be easily assimilated in the working force. Even though these problems should be solved, it will be difficult to provide workers at the places where they are most needed, and there are localities in Texas in which labor shortages may become acute during coming months. Such local shortages can be alleviated or removed only if adequate housing for immigrants, efficient transportation, and effective training and recruitment of labor are provided rapidly. As production of intricate war goods is expanded, shortages of specific skills are also to be expected, and can be met only by intensive utilization of the training facilities which exist in and out of the plants. Nevertheless, from the point of view of the labor situation, Texas is in a relatively favorable position in comparison with some of the highly industrialized areas. The manpower situation presents many difficult problems but no insurmountable barriers to further increases in Texas' participation in the war effort during 1943.

PERCENTAGE CHANGES IN CATEGORIES OF TEXAS NONAGRICULTURAL EMPLOYMENT DURING SELECTED PERIODS, 1940-1942

Classification	1940	1941	1942	Jan., 1940-Dec., 1942
Manufacturing.....	+ 5.9	+23.0	+33.2	+71.7
Petroleum refining.....	+ 6.4	+ 9.2	+ 2.0	+18.9
Cement.....	-33.0	+43.4	- 0.1	- 7.3
Saw mills.....	+47.8	+ 4.3	- 6.5	+33.9
Planing mills.....	- 9.7	- 7.7	+ 1.7	-11.6
Foundries and machine shops.....	+11.6	+37.4	N.A.	N.A.
Structural and ornamental iron works.....	+38.9	+19.9	+ 9.2	+84.4
Meat packing.....	+31.0	+15.3	+29.0	+91.1
Other nonagricultural employment.....	+ 7.1	+ 6.7	+11.0	+33.3
Crude petroleum production.....	- 5.8	+ 3.1	-15.3	-17.7
Retail trade.....	+28.2	+ 6.5	+ 4.6	+42.8
Wholesale trade.....	+ 6.8	+11.0	- 5.2	+12.5
Total nonagricultural employment.....	+ 6.9	+ 9.6	+15.4	+40.4
Nonagricultural employment by city:				
Dallas.....	+14.0	+ 9.5	+ 2.9*	+28.5†
El Paso.....	+14.3	+16.6	- 2.4*	+30.0†
Fort Worth.....	+17.9	+16.4	+ 3.3*	+41.7†
Houston.....	+ 1.4	+18.0	+ 5.0*	+25.6†
San Antonio.....	+ 4.2	+ 5.1	+ 8.1*	+18.4†

N.A.—Not available. *Jan.-Nov., 1942. †Jan. 1940-Nov., 1942.

SOURCE: U. S. Department of Labor, B. L. S., and Texas Bureau of Business Research.

Note: Nonagricultural employment includes all wage and salaried workers in nonagricultural establishments, and excludes self-employed persons, unpaid family workers, domestics in private homes, vessel employees, public emergency employees and personnel in the armed forces. Manufacturing employment includes all employees working on the premises of manufacturing establishments, sales, distribution and central administrative office employees, and employees of auxiliary units maintained by manufacturing plants. Employees of Government-owned establishments (navy yards, arsenals, etc.) and proprietors of unincorporated businesses are excluded.

NONAGRICULTURAL EMPLOYMENT IN TEXAS IN SUCCEEDING DECEMBERS, 1939-1942—(Number of workers in thousands)

	Total nonagricultural		Manufacturing		Other than manufacturing	
	No. of workers	Pctg. change over year	No. of workers	Pctg. change over year	No. of workers	Pctg. change over year
December, 1939.....	1,043		185		858	
December, 1940.....	1,115	+ 6.9	196	+ 5.9	919	+ 7.1
December, 1941.....	1,222	+ 9.6	241	+23.0	981	+ 6.7
December, 1942.....	1,410*	+15.4*	321*	+33.2*	1,089*	+11.0*

SOURCE: U. S. Department of Labor, B. L. S.

*Preliminary.

NONAGRICULTURAL EMPLOYMENT IN TEXAS, SELECTED DATES, 1939-1942 (Number of workers in thousands)

	Total nonagricultural		Manufacturing		Other than manufacturing	
	No. of workers	Pctg. change over preceding date	No. of workers	Pctg. change over preceding date	No. of workers	Pctg. change over preceding date
September, 1939.....	1,030		181		849	
June, 1940.....	1,026	- 0.4	184	+ 1.7	842	- 0.8
December, 1940.....	1,115	+ 8.7	196	+ 6.5	919	+ 9.1
December, 1941.....	1,222	+ 9.6	241	+23.0	981	+ 6.8
December, 1942.....	1,410*	+15.4*	321*	+33.2*	1,089*	+11.0*

*Preliminary. †Less than .5 per cent.

SOURCE: U. S. Department of Labor, B. L. S.

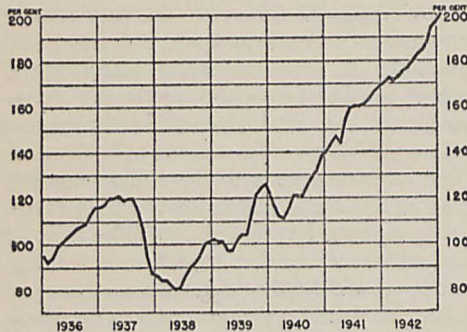
MONTHLY BUSINESS REVIEW

MARCH 1, 1943

NATIONAL SUMMARY OF BUSINESS CONDITIONS

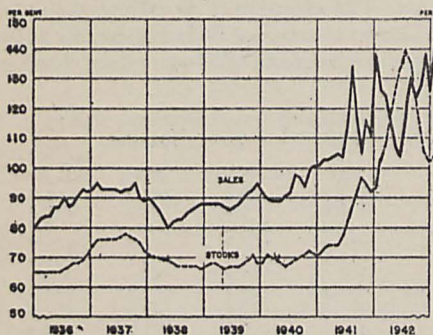
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



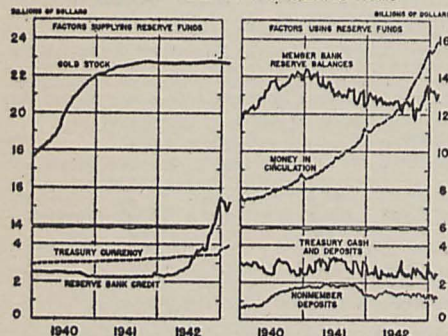
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for January, 1943.

DEPARTMENT STORE SALES AND STOCKS



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for January, 1943.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for February 17, 1943.

Industrial activity rose further in January and the first half of February. Retail sales continued in large volume in January and were at an exceptionally high level early in February.

PRODUCTION

Volume of industrial production showed another marked gain in January reaching a level of 200 per cent of the 1935-1939 average, according to the Board's adjusted index, compared with 197 in December. The increase reflected largely a growth in activity in the munitions industry, including production of chemicals for war purposes.

Activity at shipyards and in aircraft and machinery plants continued to expand sharply. Deliveries of completed merchant ships in January were somewhat less than in December but were still at the high level of over 1 million deadweight tons. Total iron and steel production rose to the level of last November, but was still slightly below the October peak, and electric steel output, important for munitions manufacturing, reached a record level $5\frac{1}{2}$ times as large as in the 1935-1939 period. Operations at steel mills were near capacity during the first three weeks of February.

Nondurable manufactures, as a group, continued to show little change. Production of meats under Federal inspection, except beef, declined sharply from the high level in December. Output of most other foods was maintained; production for military and lend-lease needs, particularly of highly processed foods, rose further and there was a corresponding decline in output of these products for civilians. Newspaper consumption declined in January as a result partly of a Federal order restricting newspaper use.

Mineral production declined slightly in January, reflecting a small reduction in output of crude petroleum. Output at coal and metal mines showed little change. Anthracite production in the first half of January was reduced by an industrial dispute, but for the month of January as a whole, output was only 3 per cent lower than in December.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, was much smaller in January than in other recent months, but was still slightly higher than a year ago. Reductions occurred in all types of public awards, which now account for most of the total. A decline has been indicated for some time as a result of actions of the War Production Board designed to limit construction activity to projects that are essential. On October 23, 1942, it had established a committee to review proposals for new construction; through February 12, work on projects estimated to cost 1.3 billion dollars was stopped either by the War Production Board or by the Government agencies initiating them.

DISTRIBUTION

Distribution of commodities to consumers was in large volume in January and the first half of February. Retail sales of merchandise declined less than seasonally in January and rose sharply in the first half of February when a buying wave developed, particularly in clothing. At department stores, sales increased considerably in the first week of February and then reached an exceptionally high level during the second week, stimulated partly by the announcement of shoe rationing.

Freight carloadings declined somewhat less than seasonally in January and the adjusted index increased 1 per cent. Miscellaneous loadings accounted for most of the rise. Substantial increases in loadings of most types of commodities occurred in the first two weeks of February.

COMMODITY PRICES

The average level of wholesale commodity prices continued to advance in January and the early part of February. Prices of most farm products showed further increases. Maximum wholesale and retail prices were raised for a number of miscellaneous commodities including coal, while reductions were effected in maximum prices for some items like rayon tops and waste.

Retail prices of foods continued to rise from mid-December to mid-January with increases largely in meats, dairy products, and processed fruits and vegetables.

BANK CREDIT

Excess reserves of member banks declined from an average level of about 2.2 billion dollars in the last half of January to 1.6 billion early in February, but increased somewhat around the middle of the month. Increases in currency in circulation continued to be the major factor responsible for the decline, although substantial fluctuations occurred in Treasury balances and Reserve Bank credit. Most of the decline in excess funds was at banks in New York City and Chicago, where reserves have recently been close to legal minimum requirements. Over the five-week period ending February 17, the currency drain amounted to 520 million dollars, bringing total currency in circulation to 15.8 billion on February 17.

Holdings of Government obligations at reporting banks in leading cities outside New York and Chicago increased by 640 million dollars over the five-week period ending February 17. At banks in New York and Chicago, holdings of Government securities declined by 360 million, principally through sales to the Reserve Banks for the purpose of restoring reserves. Government deposits at banks were reduced in the period, while other deposits increased.

UNITED STATES GOVERNMENT SECURITY PRICES

Following a rise in the first half of January, prices of United States Government securities have been steady.