

# MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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## DISTRICT SUMMARY

Department store sales in the Eleventh District during May were 40 per cent above those last year. At the end of the month department store inventories were 19 per cent below those on the corresponding date in 1942. There were no commercial failures in the district during May. Widespread rains during the month improved crop prospects in most sections of Texas. Between May 12 and June 9, total loans of 33 weekly reporting banks in the district showed little net change but these banks increased their holdings of Government securities by \$26,000,000 during that period. Substantial increases in production of crude oil occurred during May in most sections of the Eleventh District, and on a daily average basis was at the highest level of record for the month of May. Drilling activity in the district increased somewhat but remained considerably below the low level of last year.

## BUSINESS

Consumer buying at reporting department stores in the Eleventh Federal Reserve District which, during the first four months of the current year, had averaged about 40 per cent above last year, continued at about the same level during May. As has been the case during other recent months, the increased demand was widespread and occurred in almost all reporting centers in the district. There was a continuous heavy demand for all types of piece goods, small wares, ready-to-wear accessories, women's and misses' ready-to-wear and men's and boys' wear. Although total sales of house furnishings showed a somewhat smaller gain than in most other departments, they were still 29 per cent above those in May, 1942. Large increases in sales of some types of house furnishings were more than sufficient to offset declines in sales of mechanical refrigerators, washers, cleaners and housewares. Reflecting the tendency toward purchases of higher quality merchandise, sales in basement departments showed relatively smaller percentage gains than did corresponding departments in the main store. Weekly reports from a smaller number of firms indicate that during the second week in June, total sales were 81 per cent larger than those in the corresponding week of 1942. The large volume of buying was due in part to unusually heavy purchases in anticipation of the expiration of the first shoe ration stamp which in turn apparently stimulated purchases of many other types of goods.

Cash sales continued to account for a larger proportion of total sales than formerly. For example, during the first five months of the current year, total net sales averaged 40 per cent above those last year, whereas credit sales averaged only 20 per cent above those in 1942. The ratio of collections on regular accounts outstanding at the first of the month amounted to 63 per cent during May, or about the same as in April. Collections on instalment accounts amounted to 28 per cent. Department store inventories continued to decline moderately during May and at the end of the month were 19 per cent below those on the corresponding date in 1942.

The demand for merchandise at reporting wholesale trade firms in the Eleventh District fell off slightly during May, but was still 13 per cent above that during May, 1942. Declines in sales of electrical goods and hardware were more than offset by substantial increases in sales of wholesale grocery firms, drug firms and tobacco firms. There was little net change in the inventory position of reporting wholesale firms during May, but at the end of the month stocks were 15 per cent below those

on the corresponding date last year. Stocks of all types of wholesale trade firms showed declines over the year, except that stocks of drug firms showed an increase of 23 per cent.

For the first time since records first became available in 1916, there were no commercial failures in the Eleventh District during May. According to reports from Dun and Bradstreet, Incorporated, there have been only 10 commercial failures in the district during the first five months this year while the liabilities of defaulting firms have amounted to only \$79,000.

## AGRICULTURE

Crop prospects in the United States declined during May and were a little less promising on June 1 than at the same time in any of the last three years, according to the June 1 crop report of the United States Department of Agriculture. Floods in May inundated 4,000,000 acres in the Middle West and on one-third of that acreage it is too late to replant the same crops which were destroyed. In portions of the West and Southwest moisture deficiency reduced crop expectancies. In most other areas, however, weather conditions prevailed which favored satisfactory progress of crops. Success of replanting operations in the flooded areas and favorable weather during the growing season can do much to offset the effects of the adverse conditions this spring, particularly if frosts are later than usual next fall. Otherwise, acreage harvested in the United States may be somewhat smaller this year than in 1942 and yields in many areas may be substantially lower than the unusually high yields of last year.

Widespread rains in May improved crop prospects in many sections of Texas; but in the northeast and north central counties excessive moisture delayed field work and in the Lower Valley and parts of east Texas heavy rains did some damage to crops. Droughty conditions continued during May in southwest Texas and the western portions of the district, and ranges, pastures and non-irrigated crops in those sections need rains urgently. On June 1, production of wheat in Texas was forecast at 33,170,000 bushels as compared with 47,438,000 bushels produced in 1942. The wheat harvest was somewhat delayed during May in the northern and central counties of the State by excessive moisture, and the maturing crop in the northwest High Plains suffered some damage from hot, drying winds. Improved moisture conditions were favorable, however, to development of wheat in the eastern Panhandle. The wheat harvest progressed in the central areas of Texas and in the Lower Plains during the first two weeks of June with yields somewhat greater than anticipated. Lack of moisture during the winter and early spring and late spring freezes reduced this year's Texas oat crop prospects. Although production is expected to total 22,700,000 bushels this year and will be approximately twice as great as the 1942 crop, which was severely damaged by insects, it will be sharply below the 1932-1941 average production. Corn and sorghum made good progress throughout most of Texas during May and early June and peanuts made fair to excellent growth. The outlook for fruit production remained poor to fair due primarily to damage suffered from late spring freezes, and the pecan crop prospects deteriorated. Field work in the commercial vegetable areas was curtailed by heavy May rains, but the vegetable crops benefited from the improved moisture conditions and harvesting generally is proceeding with few interruptions.

The cotton crop in Texas progressed favorably during May and early June, although frequent rains delayed chopping and

cultivation in many sections and lack of moisture held up planting in the Panhandle. Insect infestation has developed in central, eastern, southern and coastal counties, but it is not yet heavy. Floods and hard rains in northwest Texas and Oklahoma have necessitated extensive replanting of cotton and the cotton crop in those areas will probably be about one month late. In Louisiana the general condition of the cotton crop is good, although the stands in the northern part of the State are poor.

The abundant rainfall in most parts of Texas during May stimulated the growth of range and pasture grass. It has been necessary to continue supplemental feeding in the Trans-Pecos section, where grass is short, but the critical range feed shortage in south Texas has been temporarily relieved by the rains. Moisture is still deficient, however, in New Mexico and Arizona and the condition of ranges has deteriorated further in those states. Cattle and sheep are in good condition in Texas and New Mexico but in only fair condition in Arizona. In Texas, April movement of cattle and calves was 377,000 head as compared with 332,000 head in the same month last year. Shearing of sheep is reported to be well advanced in the State in spite of delays caused by shearing crew shortages and rains. The sheep have been cut badly by inexperienced shearers, increasing the danger of heavy outbreaks of screw worms. Marketings of sheep and lambs in Texas during April totaled 137,000 head as compared with 129,000 head in April, 1942.

The number of workers on farms in the West South Central states on May 1 this year was only fractionally smaller than at the same time last year, according to the United States Department of Agriculture. A slight decline in the number of hired workers on farms was largely offset by an increase in the number of family workers. In April, farm employment in the area increased by approximately 260,000 workers, or by slightly less than during April, 1942. Although local shortages of farm labor have been reported, particularly in the ranching areas, cooperation among farmers and utilization of urban residents as part-time farm workers have apparently helped forestall development of a general farm labor shortage.

Data released by the United States Department of Agriculture indicate that farm wage rates in Texas rose more rapidly during the past year than did the farm prices of the principal agricultural products of the State after lagging somewhat behind increases in farm prices during the preceding two years. Between April, 1942 and April this year, farm wage rates rose 40 per cent. Increases in farm prices between the two dates varied from as little as 5 per cent in the case of hogs to as much as 37 per cent in the case of butterfat. Between April, 1940 and April, 1942, farm wage rates increased 48 per cent, whereas the price of cotton increased 88 per cent, the price of hogs 170 per cent and other farm prices increased variously from 17 per cent to 90 per cent. Farm wage rates in Texas more than doubled during the three-year period between April, 1940 and April, 1943, rising from \$1.25 per day, without board, to \$2.60 per day. The farm prices of cotton, eggs and hogs also increased more than 100 per cent, but the rise in farm prices of the other principal products was somewhat smaller, varying from as little as 40 per cent in the case of wheat to as much as 92 per cent in the case of butterfat.

### FINANCE

The reserve balances of member banks in the Eleventh District, which had declined sharply from the middle of April to the middle of May, decreased further in the last half of May, but the increase in such balances during the first half of June raised the total on the 15th of the month to \$488,500,000, which was approximately \$8,000,000 higher than a month earlier. The daily average of reserve balances during the first half of June amounted to \$479,600,000, which was nearly \$4,000,000 above the average for May. During the period from the end of March to the middle of May, the required reserves of member banks in this district declined approximately \$36,-

### CONDITION OF THE FEDERAL RESERVE BANK

|  | (Thousands of dollars) |               |              |
|--|------------------------|---------------|--------------|
|  | June 15, 1943          | June 15, 1942 | May 15, 1943 |
| Total cash reserves.....                         | \$606,732              | \$409,973     | \$607,033    |
| Discounts for member banks.....                  | 1,450                  | 110           | 225          |
| Industrial advances.....                         | 18                     | 210           | 19           |
| United States Government securities.....         | 227,062                | 99,143        | 195,458      |
| All other investments.....                       | None                   | 14            | None         |
| Total earning assets.....                        | 228,530                | 99,477        | 195,702      |
| Member bank reserve deposits.....                | 488,524                | 318,534       | 480,470      |
| Federal Reserve notes in actual circulation..... | 310,007                | 157,146       | 292,132      |

### CONDITION STATISTICS OF 33 MEMBER BANKS IN LEADING CITIES

|  | (Thousands of dollars) |               |              |
|--|------------------------|---------------|--------------|
|  | June 9, 1943           | June 10, 1942 | May 12, 1943 |
| Total loans and investments.....                       | \$1,201,341            | \$699,028     | \$1,178,441  |
| Total loans.....                                       | 283,911                | 337,638       | 283,849      |
| Commercial, industrial and agricultural loans.....     | 204,292                | 245,080       | 198,849      |
| Loans to brokers and dealers in securities.....        | 1,703                  | 3,442         | 2,406        |
| Other loans for purchasing or carrying securities..... | 15,705                 | 13,213        | 17,914       |
| Real estate loans.....                                 | 18,882                 | 21,471        | 18,737       |
| Loans to banks.....                                    | 126                    | 249           | 151          |
| All other loans.....                                   | 43,203                 | 54,383        | 45,792       |
| Total investments.....                                 | 917,430                | 361,090       | 894,592      |
| U. S. Treasury bills.....                              | 127,775                | 41,968        | 125,125      |
| U. S. Treasury certificates of indebtedness.....       | 209,679                | 11,547        | 196,999      |
| U. S. Treasury notes.....                              | 108,281                | 43,104        | 107,819      |
| U. S. Government bonds.....                            | 307,238                | 166,992       | 357,974      |
| Obligations guaranteed by United States Gov't.....     | 40,672                 | 35,931        | 49,285       |
| Other securities.....                                  | 54,785                 | 61,848        | 57,890       |
| Reserves with Federal Reserve Bank.....                | 282,970                | 194,414       | 278,433      |
| Balances with domestic banks*.....                     | 251,867                | 305,354       | 291,075      |
| Demand deposits—adjusted.....                          | 948,053                | 655,731       | 906,003      |
| Time deposits.....                                     | 142,807                | 131,312       | 139,009      |
| United States Government deposits.....                 | 154,749                | 20,863        | 203,642      |
| Interbank deposits.....                                | 439,929                | 340,019       | 448,976      |
| 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.  
‡Includes open market paper, no longer reported separately.

### DEBITS TO INDIVIDUAL ACCOUNTS

|                      | (Thousands of dollars) |             |                        |             |                         |
|----------------------|------------------------|-------------|------------------------|-------------|-------------------------|
|                      | May 1943               | May 1942    | Pctg. change over year | April 1943  | Pctg. change over month |
| Abilene.....         | \$ 15,499              | \$ 12,956   | + 20                   | \$ 17,489   | -11                     |
| Amarillo.....        | 42,975                 | 28,671      | + 50                   | 44,276      | - 3                     |
| Austin.....          | 92,471                 | 59,145      | + 56                   | 80,829      | +14                     |
| Beaumont.....        | 52,442                 | 35,557      | + 47                   | 59,963      | -13                     |
| Corpus Christi.....  | 41,031                 | 28,902      | + 42                   | 43,730      | - 6                     |
| Corsicana.....       | 9,479                  | 4,015       | +136                   | 7,730       | +23                     |
| Dallas.....          | 427,725                | 375,269     | + 14                   | 484,005     | -12                     |
| El Paso.....         | 51,301                 | 43,653      | + 18                   | 65,503      | -22                     |
| Fort Worth.....      | 176,026                | 118,416     | + 49                   | 182,555     | - 4                     |
| Galveston.....       | 38,735                 | 33,356      | + 10                   | 41,099      | -11                     |
| Houston.....         | 425,219                | 339,487     | + 25                   | 464,138     | - 8                     |
| Laredo.....          | 11,134                 | 7,990       | + 39                   | 11,483      | - 3                     |
| Lubbock.....         | 20,735                 | 18,564      | + 12                   | 29,083      | -29                     |
| Monroe, La.....      | 15,376                 | 11,805      | + 30                   | 16,992      | -10                     |
| Port Arthur.....     | 18,845                 | 15,065      | + 25                   | 20,474      | - 8                     |
| Roswell, N. M.....   | 7,078                  | 6,479       | + 9                    | 8,136       | -13                     |
| San Angelo.....      | 14,286                 | 11,681      | + 22                   | 15,011      | - 5                     |
| San Antonio.....     | 131,384                | 108,141     | + 21                   | 133,991     | - 5                     |
| Shreveport, La.....  | 72,214                 | 57,744      | + 25                   | 69,669      | + 4                     |
| Texarkana*.....      | 14,006                 | 23,476      | - 40                   | 19,235      | -27                     |
| Tucson, Ariz.....    | 25,132                 | 19,090      | + 32                   | 26,061      | - 4                     |
| Tyler.....           | 16,418                 | 11,504      | + 43                   | 18,804      | -13                     |
| Waco.....            | 25,893                 | 22,020      | + 17                   | 31,018      | -17                     |
| Wichita Falls.....   | 20,509                 | 17,933      | + 14                   | 25,778      | -20                     |
| Total—24 cities..... | \$1,763,883            | \$1,410,909 | + 25                   | \$1,922,052 | - 8                     |

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

### 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 |
| May, 1941.....      | \$1,545,384 | \$245,367                                       | \$ 901,377 | \$135,697          | \$ 644,007 | \$109,670     |      |
| May, 1942.....      | 1,820,563   | 227,607   | 1,039,887  | 127,432            | 780,676    | 100,175       |      |
| January, 1943.....  | 2,643,213   | 227,933   | 1,468,181  | 130,904            | 1,175,032  | 97,029        |      |
| February, 1943..... | 2,695,602   | 231,842   | 1,479,333  | 134,674            | 1,126,270  | 97,169        |      |
| March, 1943.....    | 2,693,849   | 232,878   | 1,464,442  | 136,259            | 1,229,407  | 93,620        |      |
| April, 1943.....    | 2,718,086   | 234,791   | 1,482,955  | 138,031            | 1,235,132  | 97,760        |      |
| May, 1943.....      | 2,846,872   | 235,518   | 1,580,606  | 139,352            | 1,266,256  | 96,166        |      |

### SAVINGS DEPOSITS

|                     |     | May 31, 1943              |                              |                            | Percentage change in savings deposits from |                |
|---------------------|-----|---------------------------|------------------------------|----------------------------|--|----------------|
|                     |     | Number of reporting banks | Number of savings depositors | Amount of savings deposits | May 31, 1942                               | April 30, 1943 |
| Beaumont.....       | 3   | 10,710                    | \$ 4,473,143                 | + 7.6                      | + 1.8                                      |                |
| Dallas.....         | 8   | 92,465                    | 29,046,148                   | +10.4                      | + 2.2                                      |                |
| El Paso.....        | 2   | 20,333                    | 8,836,146                    | +30.2                      | + 4.3                                      |                |
| Fort Worth.....     | 3   | 38,663                    | 14,391,547                   | +16.8                      | + 1.9                                      |                |
| Galveston.....      | 4   | 18,145                    | 11,651,986                   | +10.9                      | + 2.1                                      |                |
| Houston.....        | 10  | 76,385                    | 35,635,431                   | +14.7                      | + 2.4                                      |                |
| Lubbock.....        | 2   | 971                       | 460,618                      | +23.3                      | + 2.2                                      |                |
| Port Arthur.....    | 2   | 5,025                     | 3,113,026                    | + 3.3                      | + 1.2                                      |                |
| San Antonio.....    | 5   | 26,712                    | 20,494,451                   | +17.1                      | + 2.9                                      |                |
| Shreveport, La..... | 3   | 25,149                    | 12,138,734                   | + 1.6                      | + 1.3                                      |                |
| Waco.....           | 3   | 7,416                     | 4,774,341                    | +16.2                      | + 1.7                                      |                |
| Wichita Falls.....  | 3   | 6,594                     | 3,394,797                    | + 8                        | + 1.0                                      |                |
| All other.....      | 59  | 49,690                    | 27,954,397                   | + 5.7                      | + 1.0                                      |                |
| Total.....          | 107 | 373,258                   | \$177,264,765                | +13.1                      | + 1.9                                      |                |

000,000, reflecting the exemption of war loan deposits from reserve requirements and the shifting of funds from the accounts of customers to war loan deposit accounts during the course of the Second War Loan drive. During the last half of May, required reserves increased \$12,000,000, reflecting the rise in customer deposits largely as a result of Government expenditures. In the former period, excess reserves of member banks increased approximately \$33,000,000 to an all-time peak of \$157,400,000, but there was a decline of \$26,000,000 during the last half of May due both to the increase in required reserves and the decline in reserve balances of member banks.

Federal Reserve notes of this bank in actual circulation have continued to rise sharply, reaching a new all-time peak of \$312,600,000 early in June. Total Federal Reserve note circulation of \$310,000,000 at the middle of June was \$58,000,000 higher than at the end of 1942, and nearly double that at the middle of June last year.

Total loans of weekly reporting banks in this district showed little net change between May 12 and June 9. Although commercial, industrial and agricultural loans rose \$5,443,000 during the period, this increase was about offset by declines in other classes of loans. Total loans of these banks on June 9 were \$54,000,000 lower than on the corresponding date in 1942. The reporting banks continued to add substantially to their holdings of United States Government securities, the net increase during the four-week period amounting to \$25,900,000. While additions occurred in all classes of Government securities, the principal gains were in holdings of certificates of indebtedness and Government bonds. The reduction of \$3,100,000 in holdings of non-governmental securities partially offset the gain in holdings of Government securities, resulting in a net increase in investments of \$22,800,000.

During the period between May 12 and June 9, net withdrawals of \$50,400,000 were made from Government deposit accounts at reporting banks and interbank deposits declined \$9,000,000. At the same time, their adjusted demand deposits and time deposits rose by \$47,300,000, with the result that these banks had a net decline of only \$12,100,000 in total deposits. These banks added \$4,500,000 to their reserve accounts with the Federal Reserve Bank during the period. To meet the net decline in deposits, and to provide funds for additions to their investment portfolios, these banks reduced their balances with other domestic banks by \$39,200,000.

**INDUSTRY**

The value of construction contracts awarded in the Eleventh District was \$26,500,000 in May this year as compared with \$37,000,000 in the preceding month. A marked decline in the value of awards for residential and utilities construction was only partially counteracted by increases in awards for non-residential building and public works. The total value of awards in May this year was 70 per cent smaller than in the same month last year. During the first five months of this year, however, the value of awards in this district was slightly greater than during the comparable period of 1942, whereas in the 37 states east of the Rocky Mountains awards were 36 per cent smaller.

The War Production Board reports that war facility awards through January, 1943 and war supply contracts and other war allocations through February, 1943 together totaled \$128,500,000,000, of which about \$6,600,000,000 was placed in the five states covered in whole or in part by the Eleventh Federal Reserve District. The data do not include all war expenditures, since supply contracts of less than \$50,000, awards for foodstuffs and some other supplies, small facility awards, and compensation to military personnel and civil service war workers are not included. Nevertheless, they cover a substantial majority of all war expenditures and indicate fairly accurately their geographic distribution.

Supply contracts received in the five southwestern states totaled \$3,400,000,000 and represented 3.5 per cent of the value

of reported supply contracts. Facility awards in the five states totaled \$2,944,000,000 and comprised 11.1 per cent of the reported value of facility awards for the country. War contracts in Texas have exceeded \$4,000,000,000 since the beginning of the National Defense Program in June, 1940, and in the Eleventh District have amounted to somewhat more than \$4,300,000,000, of which \$2,430,000,000 has been for war supplies and \$1,880,000,000 has been for construction of war industrial facilities. Awards for construction of chemical facilities, including synthetic rubber plants and high octane gasoline refineries, have represented approximately 50 per cent of the total value of war industrial facility awards in this district. The major portion of the reported war supply contracts in the district has been for the manufacture of airplanes and parts and for shipbuilding and repairs. Chemical manufacture and shipbuilding are concentrated largely in the North Coastal section of the State and aircraft manufacture is centered primarily in the North Central section. Although these two dominant industrial areas of the district have received the principal portion of war industrial facility and supply contracts, all sections of the district have participated to some extent in the war supply contracting and war industrial construction.

Approximately 415,000 civilians are at present employed at military facilities or in war plants in Texas, and by May, 1944, it is estimated that 75,000 workers will be added to that force. During May, 7,000 additional workers were hired by the principal war industries of the State and employment schedules called for hiring 11,000 more in June. Employment in the industries totaled 285,000 in May this year and is expected to exceed 350,000 in May, 1944. Hiring of women and non-whites has recently been accelerated. Women comprise 20 per cent of the war industrial workers in Texas and non-whites constitute almost 9 per cent of the force. Employment of civilians at military establishments is likewise increasing rapidly in the State. Approximately 5,000 additional civilian workers were employed by such establishments in May and 8,000 more were scheduled to be hired in June. By May, 1944, it is anticipated that military establishments in Texas will employ 140,000 civilians, as compared with 109,000 employed in May this year.

Recruitment of additional workers for war plants and mili-

**MAJOR WAR SUPPLY CONTRACTS AND FACILITY AWARDS\***

(Millions of dollars)

|                                   | Supply contracts through February, 1943† |          |           |          | Facility awards through January, 1943 |                 |          | Grand total supply and facility contracts |
|-----------------------------------|--|----------|-----------|----------|---------------------------------------|-----------------|----------|---|
|                                   | Air-craft                                | Ships    | All other | Total    | Indus-trial                           | Non-Indus-trial | Total    |   |
| Total U. S. \$.....               | \$31,629                                 | \$17,624 | \$48,688  | \$97,941 | \$14,872                              | \$11,618        | \$26,490 | \$124,431                                 |
| Off Continent and Unassigned..... | 2,106                                    | 568      | 7,368     | 10,042   | 787                                   | 2,970           | 3,757    | 13,799                                    |
| Arizona.....                      | 18                                       | .....    | 10        | 28       | 93                                    | 119             | 212      | 240                                       |
| Louisiana.....                    | 68                                       | 212      | 70        | 350      | 320                                   | 247             | 567      | 917                                       |
| New Mexico.....                   | .....                                    | .....    | 1         | 1        | 3                                     | 81              | 84       | 85  |
| Oklahoma.....                     | 546                                      | .....    | 88        | 634      | 186                                   | 234             | 420      | 1,054                                     |
| Texas.....                        | 1,129                                    | 880      | 378       | 2,387    | 866                                   | 795             | 1,661    | 4,048                                     |
| Total five states....             | 1,761                                    | 1,092    | 547       | 3,400    | 1,468                                 | 1,476           | 2,944    | 6,344                                     |

\*By the Army, Navy, Maritime Commission, Treasury and Foreign Purchasing Missions.

†Awards of less than \$50,000 and awards for foodstuffs excluded.

‡U. S. total includes Off Continent and Unassigned.

SOURCE: War Production Board.

**MAJOR WAR SUPPLY CONTRACTS AND ALLOCATIONS**  
JUNE, 1940-February, 1943

(Millions of dollars)

|                                   | Department of Commerce |       |         | Federal Works Agency | War Training Agencies† | Housing Agencies‡ | Total Reported |
|-----------------------------------|------------------------|-------|---------|----------------------|------------------------|-------------------|----------------|
|                                   | Military Agencies*     | CAA   | RFC     |                      |                        |                   |                |
| Total U. S. \$.....               | \$124,431              | \$97  | \$1,094 | \$728                | \$397                  | \$1,742           | \$128,489      |
| Off Continent and Unassigned..... | 13,799                 | ..... | 640     | 43                   | 2                      | 44                | 14,528         |
| Arizona.....                      | 240                    | 2     | 1       | 6                    | 1                      | 14                | 264            |
| Louisiana.....                    | 917                    | 5     | 43      | 17                   | 6                      | 7                 | 995            |
| New Mexico.....                   | 85                     | 3     | +       | 3                    | 1                      | 5                 | 97             |
| Oklahoma.....                     | 1,054                  | 2     | 1       | 9                    | 8                      | 6                 | 1,080          |
| Texas.....                        | 4,048                  | 10    | 6       | 42                   | 18                     | 75                | 4,199          |
| Total five states....             | 6,344                  | 22    | 51      | 77                   | 34                     | 107               | 6,635          |

\*Army, Navy, Maritime Commission, Treasury and Foreign Purchasing Missions.

†The United States Office of Education and the National Youth Administration.

‡The Federal Public Housing Administration operating under the National Housing Agency.

§U. S. Total includes Off Continent and Unassigned.

\*Less than \$500,000.

SOURCE: War Production Board.

tary facilities will require a further transfer of housewives and students to the labor force, some shifting of workers between types of employment and intra-state migration of workers. Small surpluses of labor are reported to exist in a few areas in this district, but the anticipated labor demand in at least 50 centers must be met to a large extent by immigration of workers. According to the War Manpower Commission, the Beaumont-Port Arthur-Orange area of Texas is one of 42 metropolitan centers in the nation in which an acute labor shortage exists. In Texas, the cities of Dallas, Fort Worth, Galveston, Houston and Texarkana are listed as areas of existing or potential labor stringency, and general labor shortages are expected to develop eventually in Abilene, Amarillo, Corpus Christi, El Paso and Waco. The Commission reports, however, that adequate supplies of labor to meet all known future local labor requirements exist in Austin, Lubbock, San Antonio, Wichita Falls, Texas, and Shreveport, Louisiana.

According to the Petroleum Industry War Council, rapid growth in the demand for petroleum and petroleum products arising primarily from increasing military needs may require production of 4,155,000 barrels of crude oil daily in the United States by the last quarter of this year, as compared with 3,880,000 barrels produced daily in the fourth quarter of 1942 and daily average production of 3,989,000 barrels in May this year. Production in Eastern and Middle Western oil fields has recently declined and may decrease further, and other areas outside this district cannot yield appreciably greater quantities of crude oil than at present without diminishing their ultimate recoveries. It seems probable, therefore, that an increase in national production will come largely from an expansion of production in the Eleventh District. Satisfactory progress is being made on the extension of the War Emergency Pipeline to the East Coast and construction of the second line from the Texas Gulf Coast to Indiana. The War Production Board has also approved the construction of a 16-inch line which will provide a Middle Western outlet for west Texas crude oil. As these facilities are completed, increased quantities of petroleum and petroleum products will be moved from this district and production in the district may be expected to increase.

A break in the War Emergency Pipeline and the disruption of tank car movement by floods interfered with deliveries of crude petroleum and its products to the East Coast during the last two weeks of May. Daily average deliveries to the area by railroad tank cars dropped to 885,000 barrels in the week ended May 22, after attaining the all-time peak of 980,000 in the preceding week. During the four-week period ended May 29, however, tank car deliveries to the East Coast averaged 930,000 barrels daily and were only slightly smaller than during the four-week period ended May 1. The petroleum supply situation on the Eastern Seaboard has become more acute and, according to the Petroleum Administration for War, it may become necessary to extend stringent restrictions on civilian consumption of petroleum products to the Middle West in order to increase the quantity of oil which can be moved from that area to the East Coast.

Substantial increases in production of crude oil occurred in May in all sections of the Eleventh District except north Texas, north Louisiana and New Mexico. Production in the district during the month averaged 1,683,000 barrels daily and established an all-time high for the month of May. Daily average production in this district was approximately 7 per cent greater than in the preceding month and more than 24 per cent greater than in May last year. Production outside this district declined slightly and was only 2 per cent greater than in May, 1942. Crude oil stocks continued to increase moderately in the Eleventh District in May while declining fractionally in other areas. On May 29, stocks in this district were approximately 11 per cent larger than on the comparable date last year and stocks outside this district were 14 per cent smaller than a year

earlier. The Petroleum Administration for War authorized increased crude oil runs to 14 refineries on the Gulf Coast during June in order to offset a sharp decline in products inventories in that area. Other refineries on the Gulf Coast were already operating at rates which yield a maximum of war products.

Moderate upward adjustments of crude oil prices in several fields in Texas have recently been allowed by the Office of Price Administration. The ceiling price on crude oil from north and north central Texas was raised 4 cents per barrel in an order which became effective on May 22. On May 28 prices of crude oil produced in the Talco and Sulphur Bluff fields in east central Texas were increased by 5 cents per barrel, and on June 15, maximum prices of Texas Panhandle crude oil were increased 7 cents per barrel. These increases were designed to equalize prices of crude oils of comparable quality.

Drilling activity in the Eleventh District, as measured by daily average well completions, increased 10 per cent in May but was still 22 per cent below the low level of the same month last year. In areas outside this district the trend of recent months was reversed in May when drilling activity declined 9 per cent. Approximately 1,700 wells were completed in this district during the first five months of this year as compared with 3,000 completed during the comparable period of 1942. More than 40 per cent of the wells completed in this district this year have been dry holes, whereas less than 30 per cent of the wells completed during the first five months of 1942 were non-producers. Drilling activity in the Eleventh District may be stimulated to some extent by recent developments. Wildcats completed in west and east Texas indicate the presence of sizable oil reserves and prospecting will probably be intensified in both areas. Shallow well drilling may increase in north and central Texas as a result of a recent authorization by the Petroleum Administrator for War permitting closer spacing patterns for oil wells in those sections.

Consumption of cotton at United States mills in May was slightly smaller than during the same month last year but was substantially greater than in any May preceding 1941. Domestic mill consumption of cotton totaled 9,342,100 bales between August 1, 1942 and May 31, 1943 and established a new high for consumption during the first ten months of a season. Stocks of cotton in consuming establishments in the United States declined 4 per cent in May and at the end of the month were 10 per cent smaller than a year earlier. Stocks in public storage and compresses declined approximately 9 per cent during the month but at the end of the month were almost 3 per cent larger than at the same time last year. The average price of middling 15/16-inch staple cotton at the 10 spot markets continues to fluctuate within a narrow range. On June 15, it was 21.07 cents per pound as compared with 20.87 cents per pound on May 15.

Receipts of cottonseed at Texas mills were substantially greater in May than in the preceding month, when receipts reached the lowest level for that month since 1922, but production and shipment of cottonseed products declined markedly. At the end of May, stocks of linters at Texas mills were more than 200 per cent greater than at the same time last year. Stocks of other cottonseed products, however, were considerably more than 50 per cent smaller than a year earlier. Operations at cottonseed mills in the United States have followed approximately the same pattern as at Texas mills.

VALUE OF CONSTRUCTION CONTRACTS AWARDED  
(Thousands of dollars)

|                            | May 1943  | May 1942  | April 1943  | January 1 to May 31 1943 | 1942       |
|----------------------------|-----------|-----------|-------------|--------------------------|------------|
| Eleventh District—total... | \$ 26,532 | \$ 94,143 | \$ 37,383 r | \$ 232,331               | \$ 225,954 |
| Residential.....           | 7,767     | 10,213    | 8,026 r     | 57,129                   | 54,121     |
| All other.....             | 18,765    | 83,930    | 29,357 r    | 175,202                  | 171,833    |
| United States—total*.....  | 234,426   | 673,517   | 303,371     | 1,621,673                | 2,533,461  |
| Residential.....           | 63,291    | 147,964   | 79,434      | 418,618                  | 800,109    |
| All other.....             | 171,135   | 525,553   | 223,937     | 1,203,055                | 1,733,352  |

\*37 states east of the Rocky Mountains.  
SOURCE: F. W. Dodge Corporation.

r—Revised.

MONTHLY BUSINESS REVIEW

WHOLESALE AND RETAIL TRADE STATISTICS

|                             | Number of reporting firms | Percentage change in: |             |                        |                            |      |
|-----------------------------|---------------------------|-----------------------|-------------|------------------------|----------------------------|------|
|                             |                           | Net sales             |             | Stocks†                |                            |      |
|                             |                           | May, 1943             | April, 1943 | Jan. 1 to May 31, 1943 | May, 1943 from April, 1943 |      |
| <b>Retail trade:</b>        |                           |                       |             |                        |                            |      |
| Total 11th Dist. ....       | 46                        | + 41                  | - 1         | +40                    | -19                        | - 5  |
| Dallas. ....                | 7                         | + 50                  | - 5         | +44                    | -12                        | - 5  |
| Fort Worth. ....            | 4                         | + 34                  | - 3         | +43                    | -26                        | - 2  |
| Houston. ....               | 7                         | + 40                  | + 6         | +32                    | -34                        | -11  |
| San Antonio. ....           | 4                         | + 38                  | + 7         | +44                    | -25                        | -16  |
| Shreveport, La. ....        | 3                         | + 16                  | +10         | +11                    | ....                       | .... |
| Other cities. ....          | 21                        | + 44                  | - 4         | +43                    | -14                        | + 4  |
| <b>Retail furniture:</b>    |                           |                       |             |                        |                            |      |
| Total 11th Dist. ....       | 66                        | + 39                  | + 7         | ....                   | -21                        | - 2  |
| Dallas. ....                | 8                         | +100                  | + 8         | ....                   | -26                        | -10  |
| Fort Worth. ....            | 3                         | + 83                  | - 7         | ....                   | - 3                        | + 9  |
| Houston. ....               | 5                         | + 43                  | +18         | ....                   | -35                        | -14  |
| San Antonio. ....           | 5                         | + 16                  | + 1         | ....                   | -21                        | - 1  |
| <b>Independent stores:*</b> |                           |                       |             |                        |                            |      |
| Arizona. ....               | ....                      | ....                  | ....        | ....                   | ....                       | .... |
| New Mexico. ....            | ....                      | ....                  | ....        | ....                   | ....                       | .... |
| Oklahoma. ....              | 387                       | + 31                  | - 6         | +33                    | ....                       | .... |
| Texas. ....                 | 914                       | + 23                  | - 1         | +32                    | ....                       | .... |
| <b>Wholesale trade:*</b>    |                           |                       |             |                        |                            |      |
| Drugs (exc. liquors). ....  | 3                         | + 14                  | - 8         | +38                    | +23                        | + 2  |
| Electrical supplies. ....   | 3                         | - 65                  | -17         | +35                    | ....                       | .... |
| Groceries. ....             | 33                        | + 35                  | - 3         | +20                    | -15                        | - 4  |
| Hardware. ....              | 13                        | - 11                  | - 7         | -15                    | -20                        | - 1  |
| Surgical eq't. ....         | 5                         | - 1                   | - 9         | - 1                    | - 8                        | - 1  |
| Tobacco & products. ....    | 3                         | + 11                  | + 1         | +12                    | ....                       | .... |

\*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)

|                                   | May 1943 | May 1942 | April 1943 | March 1943 |
|-----------------------------------|----------|----------|------------|------------|
| <b>Sales (daily average):</b>     |          |          |            |            |
| Without seasonal adjustment. .... | 191      | 126r     | 192        | 160        |
| With seasonal adjustment. ....    | 191      | 126r     | 190        | 172        |
| <b>Stocks (end of month):</b>     |          |          |            |            |
| Without seasonal adjustment. .... | 86       | 109r     | 91         | 86         |
| With seasonal adjustment. ....    | 85       | 108r     | 88         | 83         |

r-Revised.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

|   | Texas              |             | United States      |             |
|---|--------------------|-------------|--------------------|-------------|
|   | August 1 to May 31 | Last season | August 1 to May 31 | Last season |
| <b>Cottonseed received at mills (tons).....</b> | 1,011,280          | 952,981     | 4,448,973          | 3,906,742   |
| <b>Cottonseed crushed (tons).....</b>           | 1,016,467          | 945,666     | 4,344,387          | 3,858,509   |
| <b>Cottonseed on hand May 31 (tons).....</b>    | 27,768             | 34,509      | 176,617            | 178,762     |
| <b>Production of products:</b>                  |                    |             |                    |             |
| Crude oil (thousand lbs.)....                   | 292,794            | 271,932     | 1,350,127          | 1,200,474   |
| Cake and meal (tons).....                       | 455,074            | 412,289     | 1,924,270          | 1,681,702   |
| Hulls (tons).....                               | 253,054            | 245,004     | 1,047,858          | 955,475     |
| Linters (running bales)....                     | 300,661            | 256,487     | 1,305,727          | 1,135,805   |
| <b>Stocks on hand May 31:</b>                   |                    |             |                    |             |
| Crude oil (thousand lbs.)....                   | 2,167              | 4,635       | 16,786             | 14,007      |
| Cake and meal (tons).....                       | 5,913              | 65,075      | 36,258             | 286,938     |
| Hulls (tons).....                               | 3,953              | 38,315      | 22,223             | 100,421     |
| Linters (running bales)....                     | 68,981             | 20,906      | 247,262            | 65,968      |

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

|                                  | May 1943  | May 1942  | April 1943 | August 1 to May 31 |             |
|----------------------------------|-----------|-----------|------------|--------------------|-------------|
|                                  |           |           |            | This season        | Last season |
| <b>Consumption at:</b>           |           |           |            |                    |             |
| Texas mills. ....                | 23,515    | 22,528    | 22,993     | 219,829            | 204,048     |
| United States mills. ....        | 901,608   | 957,864   | 938,989    | 9,342,019          | 9,208,031   |
| <b>U.S. stocks—end of month:</b> |           |           |            |                    |             |
| In consuming estab'm'ts. ....    | 2,321,130 | 2,585,492 | 2,420,737  | ....               | ....        |
| Public stg. & compresses. ....   | 9,668,820 | 9,403,090 | 10,596,445 | ....               | ....        |

BUILDING PERMITS

|                      | May, 1943     |                    | Percentage change valuation from |             | Jan. 1 to May 31, 1943 |                     | Percentage change valuation from 1942 |
|----------------------|---------------|--------------------|----------------------------------|-------------|------------------------|---------------------|---------------------------------------|
|                      | No.           | Valuation          | May, 1942                        | Apr., 1943  | No.                    | Valuation           |                                       |
|                      | Abilene. .... | 22                 | \$ 57,131                        | - 83        | +843                   | 98                  |                                       |
| Amarillo. ....       | 69            | 155,958            | +683                             | +216        | 217                    | 356,292             | -21                                   |
| Austin. ....         | 65            | 27,474             | - 87                             | - 25        | 383                    | 143,613             | -89                                   |
| Beaumont. ....       | 113           | 101,593            | - 58                             | + 86        | 526                    | 2,040,277           | +77                                   |
| Corpus Christi. .... | 110           | 148,780            | - 72                             | - 62        | 489                    | 1,047,472           | -69                                   |
| Dallas. ....         | 466           | 216,349            | - 26                             | + 54        | 1,994                  | 804,347             | -83                                   |
| El Paso. ....        | 51            | 47,374             | - 92                             | + 1         | 260                    | 228,578             | -87                                   |
| Fort Worth. ....     | 464           | 1,383,516          | +181                             | +133        | 1,427                  | 2,607,637           | -53                                   |
| Galveston. ....      | 58            | 21,335             | - 98                             | + 47        | 261                    | 289,955             | -82                                   |
| Houston. ....        | 214           | 535,615            | - 90                             | +208        | 622                    | 4,327,360           | -58                                   |
| Lubbock. ....        | 62            | 14,289             | - 93                             | + 29        | 321                    | 69,620              | -96                                   |
| Port Arthur. ....    | 43            | 110,912            | + 72                             | +745        | 219                    | 151,449             | -46                                   |
| San Antonio. ....    | 656           | 190,865            | - 40                             | + 10        | 2,926                  | 801,030             | -71                                   |
| Shreveport, La. .... | 98            | 25,229             | - 80                             | - 21        | 333                    | 127,710             | -90                                   |
| Waco. ....           | 46            | 79,871             | - 2                              | - 55        | 221                    | 376,953             | -48                                   |
| Wichita Falls. ....  | 18            | 13,640             | - 66                             | - 70        | 94                     | 80,494              | -78                                   |
| <b>Total. ....</b>   | <b>2,555</b>  | <b>\$3,129,931</b> | <b>- 69</b>                      | <b>+ 60</b> | <b>10,391</b>          | <b>\$13,536,570</b> | <b>-65</b>                            |

CRUDE OIL PRODUCTION—(Barrels)

|                             | May, 1943         |                       | Increase or decrease in daily average production from |                 |
|-----------------------------|-------------------|-----------------------|---|-----------------|
|                             | Total production  | Daily avg. production | May, 1942   | April, 1943     |
|                             | North Texas. .... | 6,912,250             | 222,976   | - 13,159        |
| West Texas. ....            | 7,020,050         | 226,453               | + 42,866  | + 11,696        |
| East Texas. ....            | 14,320,200        | 461,942               | + 57,865  | + 42,072        |
| South Texas. ....           | 6,600,400         | 212,916               | + 78,803  | + 25,921        |
| Texas Coastal. ....         | 11,603,950        | 374,321               | +127,598  | + 32,456        |
| <b>Total Texas. ....</b>    | <b>46,456,850</b> | <b>1,498,608</b>      | <b>+293,973</b>                                       | <b>+109,206</b> |
| North Louisiana. ....       | 2,698,050         | 87,034                | + 2,619   | + 1,656         |
| New Mexico. ....            | 3,006,400         | 90,981                | + 33,928  | + 219           |
| <b>Total District. ....</b> | <b>52,161,300</b> | <b>1,682,623</b>      | <b>+330,520</b>                                       | <b>+107,769</b> |

SOURCE: Estimated from American Petroleum Institute weekly reports.

CASH FARM INCOME (Thousands of dollars)

|                    | March, 1943          |                 | Total receipts   |                      |
|--------------------|----------------------|-----------------|------------------|----------------------|
|                    | Receipts from: Crops | Livestock*      | March 1943       | Jan. 1 to March 1943 |
| Arizona. ....      | \$13,602             | \$ 2,737        | \$16,339         | \$ 37,309            |
| Louisiana. ....    | 5,091                | 3,793           | 8,884            | 32,482               |
| New Mexico. ....   | 2,481                | 3,509           | 5,990            | 17,196               |
| Oklahoma. ....     | 6,597                | 20,526          | 27,123           | 16,604               |
| Texas. ....        | 27,601               | 52,730          | 80,331           | 43,294               |
| <b>Total. ....</b> | <b>\$55,372</b>      | <b>\$83,295</b> | <b>\$138,667</b> | <b>\$382,505</b>     |

\*Includes receipts from the sale of livestock and livestock products.  
 SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

|              | Fort Worth |          |            | San Antonio |          |            |
|--------------|------------|----------|------------|-------------|----------|------------|
|              | May 1943   | May 1942 | April 1943 | May 1943    | May 1942 | April 1943 |
| Cattle. .... | 56,402     | 52,346   | 117,026    | 16,432      | 17,132   | 19,014     |
| Calves. .... | 18,971     | 15,742   | 11,452     | 19,941      | 18,773   | 11,905     |
| Hogs. ....   | 88,255     | 60,804   | 92,359     | 11,539      | 11,083   | 9,869      |
| Sheep. ....  | 193,344    | 159,355  | 76,391     | 27,710      | 9,299    | 16,994     |

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

|                             | Fort Worth |          |            | San Antonio |          |            |
|-----------------------------|------------|----------|------------|-------------|----------|------------|
|                             | May 1943   | May 1942 | April 1943 | May 1943    | May 1942 | April 1943 |
| Beef steers. ....           | \$16.60    | \$13.50  | \$16.65    | \$13.60     | \$11.50  | \$14.50    |
| Stocker steers. ....        | 16.00      | 12.50    | 16.00      | 14.75       | 12.00    | 15.00      |
| Heifers and yearlings. .... | 16.50      | 13.50    | 16.25      | 14.75       | 12.00    | 15.00      |
| Butcher cows. ....          | 13.25      | 9.50     | 13.25      | 12.50       | 9.25     | 13.50      |
| Calves. ....                | 15.00      | 13.50    | 15.00      | 15.00       | 13.00    | 15.00      |
| Hogs. ....                  | 14.50      | 14.30    | 15.20      | 14.50       | 13.85    | 15.00      |
| Lambs. ....                 | 15.00      | 14.25    | 15.75      | ....        | ....     | ....       |

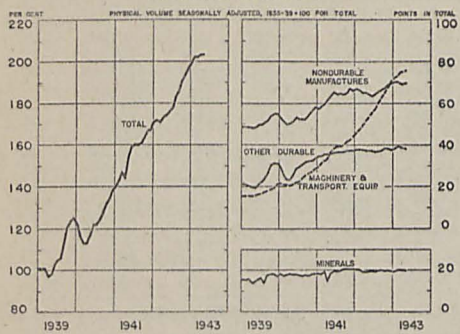
# MONTHLY BUSINESS REVIEW

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## NATIONAL SUMMARY OF BUSINESS CONDITIONS

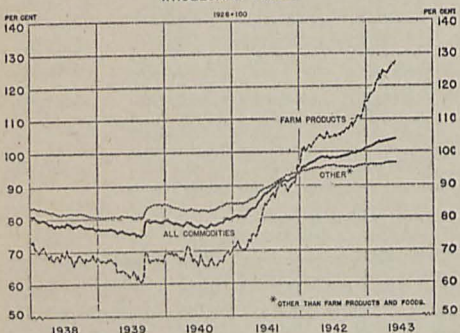
(Compiled by the Board of Governors of the Federal Reserve System)

### INDUSTRIAL PRODUCTION



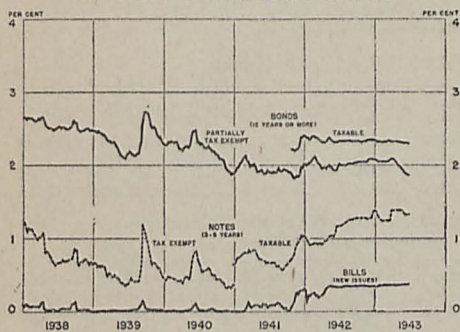
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for May, 1943.

### WHOLESALE PRICES



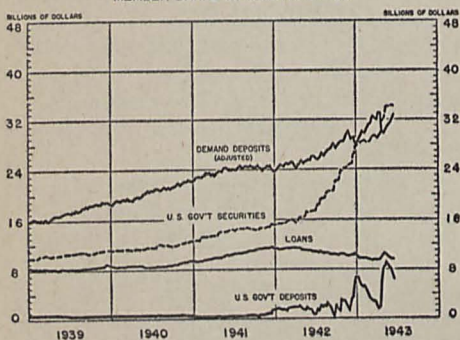
Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending June 12, 1943.

### YIELDS ON U. S. GOVERNMENT SECURITIES



Averages of daily yields on notes and bonds and average discount on bills offered. Bills are tax-exempt prior to March, 1941, taxable thereafter. Weekly figures, latest shown are for week ending June 19, 1943.

### MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities includes direct and guaranteed issues. Wednesday figures, latest shown are for June 16, 1943.

Industrial activity and retail trade were maintained in large volume during May and the early part of June. Retail prices, particularly foods, increased further in May.

### PRODUCTION

Total volume of industrial production, as measured by the Board's seasonally adjusted index, remained in May at the level reached in April. Activity in munitions industries continued to rise, while production of some industrial materials and foods declined slightly. Aircraft factories established a new record in producing 7,000 planes in May.

In most nondurable goods industries there were small increases or little change in activity. Meat production, however, reached a record high level for May reflecting a sharp advance in hog slaughtering. Seasonally adjusted output of other manufactured foods continued to decline. Newsprint consumption showed little change, and publishers' stocks declined further to a 50-day supply on May 31. Consumption for the first five months of 1943 was only 5 per cent below the same period in 1941, whereas a reduction of 10 per cent had been planned.

The temporary stoppage of work in the coal mines at the beginning of May brought production of bituminous coal and anthracite down somewhat for the month. Iron ore shipments on the Great Lakes continued to lag in May behind the corresponding month of 1942.

The value of contracts awarded for construction continued to decline in May, according to reports of the F. W. Dodge Corporation. Total awards were about 65 per cent smaller than in May a year ago.

### DISTRIBUTION

During May the value of sales at department stores decreased more than seasonally, and the Board's adjusted index declined 5 per cent. Sales, however, were about 15 per cent above a year ago, and during the first five months of this year showed an increase of 13 per cent over last year. In general, the greatest percentage increases in sales have occurred in the Western and Southern sections of the country where increases in income payments have been sharper than elsewhere.

Freight-car loadings advanced seasonally in May but declined sharply in the first week in June, as coal shipments dropped 75 per cent from their previous level, and then recovered in the second week of June as coal production was resumed.

### COMMODITY PRICES

Prices of farm products, particularly fruits and vegetables, advanced during May and the early part of June, while wholesale prices of most other commodities showed little change.

Retail food prices showed further advances from the middle of April to the middle of May. On June 10 maximum prices for butter were reduced by 10 per cent and on the 21st of the month retail prices of meats were similarly reduced, with Federal subsidy payments being made to processors.

### AGRICULTURE

Prospects for major crops, according to the Department of Agriculture, declined during May while output of livestock products continued in large volume, as compared with earlier years. Indications are that acreage of crops may not be much below last year but that yields per acre will be reduced from the unusually high level of last season.

### BANK CREDIT

Excess reserves at all member banks declined from 2 billion dollars in early May to 1.5 billion in the latter part of the month and remained at that general level through the first half of June. As the Treasury expended funds out of war loan accounts which require no reserves, the volume of deposits subject to reserve requirements increased and the level of required reserves rose by 600 million dollars in the four weeks ending June 16, while continued growth of money in circulation resulted in a drain on bank reserves of 400 million dollars. These reserve needs were met in part by Treasury expenditures from balances at the Reserve Banks and in part by Federal Reserve purchases of Treasury bills. Reserve Banks continued to reduce their holdings of Treasury bonds and notes in response to a market demand for these issues.

During the four weeks ending June 16, Treasury bill holdings at member banks in 101 leading cities fluctuated widely, reflecting primarily sales and repurchases on option account by New York City banks in adjusting their reserve positions. Holdings of bonds and notes declined somewhat while certificate holdings increased. Loans to brokers and dealers in securities declined sharply during the period, as repayments were made on funds advanced for purchasing or carrying Government securities during the April War Loan Drive. Commercial loans continued to decline.

Government security prices advanced during May following the close of the Second War Loan Drive, but in the early part of June there were small declines.