

# MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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## DISTRICT SUMMARY

Consumer buying at retail establishments continued in large volume during August and the first half of September. Department store sales in August this year were 31 per cent higher than in the corresponding month last year. During the first half of September, sales of a smaller number of weekly reporting stores showed a gain of 37 per cent over those of a year earlier. Daily average production of crude petroleum which had shown an upward trend since last spring rose sharply in August, and further substantial increases are indicated for September and October. Drilling operations have become more active. Although well completions are more numerous than a year ago, they are considerably less than in the corresponding period of 1941. The value of construction contracts awarded in this district increased moderately from July to August but was only about one-sixth of total awards in August last year. The drought and high temperatures which prevailed in most sections of the district during August reduced yields of growing crops and caused substantial deterioration in the condition of ranges and livestock. While rains early in September partially relieved the drought over a considerable portion of the district, rainfall was light in some areas where the drought was most severe. Cotton has opened rapidly and farmers are experiencing considerable difficulty in obtaining sufficient labor to harvest the crop.

## BUSINESS

Total sales at reporting department stores in the Eleventh District continued in heavy volume during August and the first two weeks in September. Sales, which were seasonally lower during June and July, increased 10 per cent during August and were 31 per cent larger than in August, 1942. During the first eight months of the current year total sales averaged 41 per cent above the corresponding part of 1942. The percentage increase in sales over last year continued to be larger in this district than in any other Federal Reserve district. Weekly reports from a smaller number of firms indicate that sales in this district during the first week in September were 25 per cent larger than in the same week of last year, and 49 per cent larger during the second week of the month.

Cash sales constituted about one-half of total sales during August and, continuing the trend of other recent months, increased at a faster rate than credit sales. Credit sales during the first eight months of the year were only 25 per cent larger than those last year, whereas total sales showed an average increase of 41 per cent. Most of the increase in credit sales during August consisted of regular monthly account sales, while the dollar volume of instalment sales was about the same as in August, 1942.

Since October, 1942 the ratio of collections on regular accounts outstanding at the beginning of each month has ranged between 60 and 65 per cent. During August the ratio was 59 per cent. The ratio of collections on instalment accounts during the first eight months of the year has averaged 25 per cent or more each month. During August collections on instalment accounts amounted to 29 per cent of the total outstanding at the beginning of the month.

Department store sales in the Eleventh District have been in unusually heavy volume since last February and as a result, inventories at the end of each month during the first half of the year were smaller than on corresponding dates in 1942. During July and August, however, inventories at reporting department stores showed a tendency to increase and at the end of August were 12 per cent above those at the end of August, 1942.

There were no commercial failures in the Eleventh Federal Reserve District during August. This is the second consecutive month in which no failures have been reported. During the first eight months of the year there were only 11 commercial failures in the district and there has been only one since April. The liabilities of defaulting firms, as reported by Dun and Bradstreet, Incorporated, amounted to \$263,000 during the first eight months of this year, as compared with liabilities of \$1,335,000 during the comparable period of 1942.

## AGRICULTURE

The acreage in cultivation in the United States this year is the largest in ten years. Weather conditions have been somewhat less favorable in many areas than last year, however, and on September 1, it was estimated that total crop production in the nation would be 7 per cent smaller than in 1942, although 4 per cent greater than in any previous season. Total food production this year is expected to be from 4 per cent to 5 per cent greater than the record output in 1942 and approximately 30 per cent above the 1935-1939 average, reflecting the substantial increase in livestock production.

Temperatures were abnormally high and rainfall was scattered and very light during August in all sections of the Eleventh District except Arizona, New Mexico and southeast Texas. The extended dry period favored harvesting operations in Texas, but caused deterioration of crops and ranges in the State, delayed preparation of land for fall crops and retarded wheat seeding operations. There were widespread rains in Texas during the first two weeks of September which partially relieved the drought in central, southern and eastern counties, but northwest Texas and the Trans-Pecos counties, where the drought was more severe, received little rain. The sweet potato crop, late planted peanuts and pastures benefited from the early September rains. Summer crops were too far advanced, however, to be helped materially.

Hot, dry weather in Texas reduced the indicated yield of cotton from 201 pounds per acre on August 1 to 176 pounds per acre on September 1. It is estimated that 7,888,000 acres of cotton will be harvested in the State this year, or 23 per cent less than the average during the 1932-1941 period. A 1943 cotton crop of 2,900,000 bales is indicated in the State, as compared with 3,038,000 bales produced last year and the 1932-1941 average of 3,419,000 bales. The cotton crop in New Mexico and Louisiana is expected to be somewhat larger this year than in 1942 or the 1932-1941 average, but the indicated production in Oklahoma and Arizona is substantially smaller. Picking and ginning of cotton progressed rapidly in Texas in August and was not delayed appreciably by the rains early in September. Despite local shortages of labor on farms and at gins, compresses and warehouses, generally good progress has been made with the picking, ginning and movement of cotton. In Texas, 1,126,000 bales were ginned prior to September 16 as compared with 599,000 bales ginned prior to the same date last year. The cotton ginned in the State prior to September 16 this year was of somewhat higher grade but shorter staple, on the average, than the cotton ginned prior to that date in 1942.

The late corn crop deteriorated in Texas during August, but the per acre yield of corn is expected to exceed the 1942 yield and is only fractionally smaller than the 10-year (1932-1941) average. A Texas corn crop of 83,979,000 bushels was indicated on September 1, as compared with 78,561,000 bushels produced last year and the 1932-1941 average of 77,609,000 bushels. The August drought severely damaged the late sorghum crop in the

northwestern part of the State, but the indicated 1943 grain sorghum crop of 59,475,000 bushels is only slightly smaller than the 1942 production and about 28,000,000 bushels larger than the 1932-1941 average. The indicated 1943 peanut crop in Texas of 423,200,000 pounds is somewhat smaller than the crop of 1942 in spite of a marked increase in the acreage in peanuts, but approximately four times as great as the 1932-1941 average. Indicated 1943 production of wheat and hay in the State is considerably smaller than in 1942, although somewhat larger than the 1932-1941 average. The Irish potato and sweet potato crops are expected to be considerably larger, however, than in 1942 and the 1943 Texas rice crop is expected to total 20,592,000 bushels, as compared with 15,498,000 bushels last year and the 10-year average of 11,324,000 bushels.

Ranges deteriorated during August in all sections of the Eleventh District except Arizona and southeast Texas, where range feed and pasturage improved considerably as a result of heavy rains. The drought became particularly serious during the month in southwest, west and central and extreme south Texas, where shortages of range feed and stock water necessitated hauling of water and feeding of livestock. Rains during the first two weeks of September benefited ranges in the central, southern and eastern counties of Texas, but little or no rain was received in a large part of west Texas where ranges are dry and stock water is scarce. The condition of cattle in this district is good except in some sections of west and southwest Texas where considerable shrinkage has occurred. Marketing of Texas cattle was in somewhat larger volume during August than during preceding months but below the level of August, 1942. Sheep in the Eleventh District are in fair to good condition. Culling of sheep herds continued in Texas during August with heavy movement of old ewes to market. Indicated 1943 wool production in Texas of 77,748,000 pounds is somewhat larger than in 1942 or the 1932-1941 average. Indicated wool production in New Mexico, Arizona and the United States as a whole is somewhat smaller than last year.

Farm prices of meat animals declined moderately in Texas between July 15 and August 15 this year. Farm prices of wheat, oats, barley and feed crops increased slightly and the prices of corn, rice, potatoes and chickens declined. The farm prices of all of the major farm products except rice, potatoes and hogs were substantially higher in the State on August 15 than on the same date last year. Cash farm income from farm marketings during the first six months of 1943 amounted to \$462,000,000 in Texas and to \$779,000,000 in the five states covered in whole or in part by the Eleventh District. Income from livestock and livestock products accounted for 65 per cent of the total in Texas and for 61 per cent in the five states. Cash farm income in Texas during the first six months of this year was almost three times as large as in the comparable period of 1940 and 40 per cent greater than during the same period last year.

#### FINANCE

The reserve balances of all member banks in the Eleventh Federal Reserve District, which stood at \$467,000,000 on August 1, rose to \$494,000,000 on the 15th of the month, and then followed a generally downward trend during the following two weeks. Average reserve balances during August of \$482,000,000 were not significantly different from the average for the first seven months of the current year. During the early part of September, however, reserve balances increased sharply, reaching a new all-time peak of \$541,000,000 on September 11. During the first half of the month reserve balances averaged \$511,000,000, a new high record, and were \$137,000,000 above the comparable period of 1942.

During the last half of August, the demand deposits at member banks in the district, particularly those at reserve city banks, increased rapidly. The increase reflected principally the conversion of Treasury deposits in war loan accounts into customer deposits. During that period required reserves of reserve city

#### CONDITION OF THE FEDERAL RESERVE BANK

	Sept. 15, 1943	Sept. 15, 1942	August 15, 1943
Total cash reserves	\$651,853	\$450,550	\$653,586
Discounts for member banks	127	1,173	50
Industrial advances	18	138	18
United States Government securities	270,310	148,895	231,620
All other investments	None	73	None
Total earning assets	270,455	150,279	231,688
Member bank reserve deposits	507,563	384,159	493,908
Federal Reserve notes in actual circulation	365,277	188,069	340,898

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

	Sept. 8, 1943	Sept. 9, 1942	August 11, 1943
Total loans and investments	\$1,220,731	\$791,419	\$1,230,738
Total loans	281,746	300,336	274,325
Commercial, industrial and agricultural loans	203,117	219,204	199,058
Loans to brokers and dealers in securities	2,150	2,207	1,647
Other loans for purchasing or carrying securities	13,273	11,631	13,626
Real estate loans	19,772	20,576	19,341
Loans to banks	104	276	132
All other loans	43,330	46,942	40,521
Total investments	938,985	490,583	956,413
U. S. Treasury bills	93,508	74,179	114,476
U. S. Treasury certificates of indebtedness	235,979	69,568	230,695
U. S. Treasury notes	146,780	44,797	151,285
U. S. Government bonds	353,971	204,221	351,904
Obligations guaranteed by United States Gov't	56,737	39,602	54,406
Other securities	52,010	58,216	53,647
Reserves with Federal Reserve Bank	313,895	244,739	295,953
Balances with domestic banks	230,501	259,609	238,782
Demand deposits—adjusted*	1,049,254	743,137	1,011,639
Time deposits	150,505	131,734	147,159
United States Government deposits	74,133	21,340	130,080
Interbank deposits	438,437	345,915	424,123
Borrowings from Federal Reserve Bank	None	None	None

\*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

#### DEBITS TO INDIVIDUAL ACCOUNTS

	August 1943	August 1942	Pctg. change over year	July 1943	Pctg. change over month
Abilene	\$ 15,085	\$ 13,841	+ 9	\$ 15,240	— 1
Amarillo	36,781	42,616	-14	45,004	-14
Austin	61,666	61,437	+ †	80,118	-23
Beaumont	51,983	37,458	+39	53,761	- 3
Corpus Christi	43,190	39,013	+11	41,915	+ 3
Corsicana	5,713	4,134	+38	6,135	- 7
Dallas	434,548	397,406	+ 9	446,883	- 3
El Paso	49,466	49,493	- 4	53,298	-11
Fort Worth	177,706	131,565	+35	237,994	-25
Galveston	40,470	34,004	+19	39,010	+ 4
Houston	452,343	372,215	+22	456,831	- 1
Laredo	10,285	8,008	+28	10,951	- 6
Lubbock	19,925	16,241	+23	20,553	- 3
Monroe, La.	15,051	14,345	+ 5	14,488	+ 4
Port Arthur	18,715	15,822	+18	18,959	- 1
Roswell, N. M.	6,949	5,408	+26	7,315	- 5
San Angelo	12,635	13,717	- 8	15,484	-18
San Antonio	126,075	111,560	+13	128,401	- 2
Shreveport, La.	64,467	62,657	+ 3	64,554	- 1
Texarkana*	15,614	15,556	+ †	15,058	+ 4
Tucson, Ariz.	24,063	21,183	+14	31,239	-23
Tyler	17,208	12,704	+35	18,488	- 7
Waco	23,965	25,003	- 4	23,412	+ 2
Wichita Falls	21,570	19,554	+10	23,866	-10
Total—24 cities	\$1,743,473	\$1,525,120	+14	\$1,866,957	- 7

\*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District.  
†Change less than one-half of 1 per cent.

#### GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
August, 1941	\$1,567,402	\$238,939	\$1,921,863	\$133,758	\$ 645,539	\$105,181
August, 1942	1,985,128	226,916	1,137,687	127,231	847,441	99,685
April, 1943	2,718,086	234,791	1,482,955	138,031	1,235,132	96,760
May, 1943	2,846,872	235,518	1,580,606	139,352	1,266,266	96,166
June, 1943	2,876,672	238,040	1,584,550	141,240	1,292,122	96,800
July, 1943	2,874,870	241,780	1,562,343	143,301	1,312,528	98,478
August, 1943	2,925,648	245,390	1,585,376	145,304	1,340,271	100,086

#### SAVINGS DEPOSITS

	Number of reporting banks	August 31, 1943		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	August 31, 1942	July 31, 1943
Beaumont	3	10,976	\$ 4,789,905	+14.4	+ 2.1
Dallas	8	94,823	32,551,848	+26.3	+ 3.3
El Paso	2	21,660	9,811,308	+37.5	+ 3.3
Fort Worth	3	34,093	15,683,229	+24.7	+ 3.3
Galveston	4	19,074	12,379,905	+15.1	+ 2.3
Houston	10	78,339	37,511,515	+15.9	+ 2.3
Lubbock	2	930	468,255	+23.9	+ 1.4
Port Arthur	2	5,127	3,297,848	+ 2.8	+ 1.9
San Antonio	5	28,030	21,568,798	+20.4	+ 1.7
Shreveport, La.	3	26,506	13,078,847	+ 7.8	+ 2.3
Waco	3	7,500	4,803,754	+16.5	+ 1.3
Wichita Falls	3	6,348	3,614,101	+ 7.8	+ 2.1
All other	59	50,447	29,060,642	+ 9.2	+ 1.5
Total	107	383,853	\$188,614,955	+17.5	+ 2.3

banks rose \$10,000,000 and there was an increase of \$5,000,000 at country banks. Although there was a small increase in reserve balances, it was not sufficient to offset the increase in required reserves with the result that average excess reserves of all member banks in the district declined from \$117,750,000 in the first half of August to \$102,500,000 during the latter half of the month. Excess reserves of all member banks during the latter part of August were \$55,000,000 below the all-time peak of excess reserves reached in May this year and were at the lowest level in more than a year.

Total loans of 33 weekly reporting member banks in the Eleventh Federal Reserve District rose \$7,400,000 to a total of \$281,700,000 during the four weeks ended September 8. Commercial, industrial and agricultural loans rose \$4,000,000 and "all other" loans increased \$2,800,000. In addition, there were small increases in loans to brokers and dealers in securities and in real estate loans, offset in part by relatively small declines in "other loans" for security trading and in loans to banks.

During recent months there was a significant change in the holdings of Treasury bills by weekly reporting member banks. For more than a year the Federal Reserve System has followed a policy of encouraging member banks to keep their funds fully invested. In this way it was felt that banks would be able to offset in part the decline in earnings from loans and at the same time would be able to contribute their fair share to the financing of the war effort. It was recognized that if banks kept their funds fully invested, occasions would arise when they would need additional reserves. In an effort to assure banks that additional reserves would be available to them as required, the Federal Reserve System established a fixed buying rate of  $\frac{3}{8}$  of 1 per cent per annum on Treasury bills. Banks which sell Treasury bills to the Federal Reserve banks at a fixed rate also have the option of repurchasing a similar amount of Treasury bills from the Federal Reserve banks at the same rate at any time prior to maturity. Under this arrangement Treasury bills have come to be the equivalent of excess reserves. During the past year the excess reserves of member banks in all parts of the country have been reduced, largely because banks have purchased increasing amounts of new Treasury securities. During recent months many banks in this district and in other parts of the nation have begun to utilize their holdings of Treasury bills as a means of adjusting their reserve positions.

Between the middle of May and September 8, holdings of Treasury bills by the 33 weekly reporting member banks in this district declined \$34,000,000. Principally as a result of the reduction in holdings of Treasury bills, total investments of the weekly reporting member banks in the district declined \$17,400,000 during the four weeks ended September 8. Holdings of other types of securities showed only small net changes during that period. Holdings of Treasury certificates of indebtedness, Treasury bonds and guaranteed securities increased somewhat, while holdings of Treasury notes and nongovernmental securities declined \$4,500,000 and \$1,600,000, respectively.

Gross deposits of weekly reporting member banks amounted to \$1,712,000,000 on September 8, a decline of \$700,000 since August 11. During the four weeks ended September 8, United States Government deposits declined \$56,000,000. On the other hand, adjusted demand deposits increased \$38,000,000 to a new high level of \$1,049,000,000. Interbank deposits also rose \$14,000,000 and there was a small increase in time deposits.

### INDUSTRY

Military needs for petroleum and its products are increasing rapidly and placing unprecedented demands upon the productive capacity of the oil fields of the nation. The Petroleum Industry War Council estimates that the demand for petroleum in the United States may total 4,915,000 barrels daily during the last quarter of this year and may rise to 5,219,000 barrels daily during the last quarter of 1944. Daily average production of crude oil has already increased from the 1942-1943 low of 3,501,000

barrels in April, 1942, to the record high of 4,216,000 barrels in August this year. Further substantial increases in production must come from the Eleventh District since most fields in other areas are apparently already producing virtually at capacity.

Crude oil production in this district, which averaged 1,551,000 barrels daily during the first four months of this year, increased markedly after the first section of the big-inch pipe line was completed in May, attained an all-time peak of 1,904,000 barrels daily in August, and probably exceeded 2,000,000 barrels daily during September. Daily average production in the district may achieve a new peak in October as a result of moderate increases in the production allowables of southwest and coastal Texas fields. On the basis of estimates of the capacity of Texas fields to produce made by the Texas Railroad Commission, it would appear possible to increase production in this district to 2,375,000 barrels daily without resorting to wasteful production practices. If that quantity were produced in this district and production in other areas were maintained at the August level, nearly 4,700,000 barrels of crude oil per day would be produced in the United States. Most of the surplus producing capacity of this district as well as of the entire country is located in west Texas and New Mexico and its utilization will depend upon expansion of transportation facilities. The War Production Board has approved construction of two pipe lines which, when completed, will transport approximately 105,000 barrels of crude oil daily from West Texas to refineries in Texas, Oklahoma and the Middle West. These pipe lines are not expected to reach capacity operations, however, until early next year. Furthermore, many fields outside this district may be unable to maintain production at August levels. On the basis of available information it appears, therefore, that essential petroleum needs may soon be greater than the nation's existing capacity to produce. The Petroleum Industry War Council expects demand to exceed production by 133,000 barrels daily during the last quarter of this year and by 512,000 barrels daily during the last quarter of 1944.

Withdrawals from present stocks of crude petroleum could not offset deficits of that magnitude for an extended period.

### WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in:			Stocks†	
		August, 1943 from August, 1942	July, 1943	Jan. 1 to Aug. 31, 1943 from 1942	August, 1942	July, 1943
<b>Retail trade:</b>						
Department stores:						
Total 11th Dist. . . . .	47	+31	+10	+41	+12	+7
Dallas . . . . .	7	+38	+15	+48	+17	+11
Fort Worth . . . . .	4	+35	+10	+46	-9	+6
Houston . . . . .	7	+31	+11	+35	-14	+3
San Antonio . . . . .	5	+21	+4	+40	+30	+2
Shreveport . . . . .	3	+20	+5	+16	.....	.....
Other cities . . . . .	21	+29	+7	+43	+17	+9
Retail furniture:						
Total 11th Dist. . . . .	61	+20	+5	.....	-21	-1
Dallas . . . . .	8	+18	+5	.....	-30	+3
Fort Worth . . . . .	3	+46	+1	.....	-5	-1
Houston . . . . .	8	+38	+12	.....	-42	-8
San Antonio . . . . .	4	+11	-2	.....	-18	+6
Independent stores:*						
Arizona . . . . .	..	.....	.....	.....	.....	.....
New Mexico . . . . .	..	.....	.....	.....	.....	.....
Oklahoma . . . . .	388	+23	+2	+35	.....	.....
Texas . . . . .	959	+23	+8	+31	.....	.....
<b>Wholesale trade:*</b>						
Machinery, eqpt & supplies . . . . .	4	+15	-5	.....	.....	.....
Drugs (incl. liquors) . . . . .	10	+18	+5	+35	+14	+6
Electrical supplies . . . . .	4	-29	+42	.....	.....	.....
Groceries . . . . .	20	+9	-9	+20	-13	-4
Hardware . . . . .	13	-8	+3	-13	-20	-5
Surgical, hospital & medical eqpt. . . . .	4	+23	-6	+3	+1	+4
Tobacco & products . . . . .	4	+24	+6	+14	.....	.....

\*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)

	August 1943	August 1942	July 1943	June 1943
<b>Sales (daily average):</b>				
Without seasonal adjustment . . . . .	188	127	163	153
With seasonal adjustment . . . . .	244	165	233	206
<b>Stocks (end of month):</b>				
Without seasonal adjustment . . . . .	117	107r	111	91
With seasonal adjustment . . . . .	115	105r	121	97

r-Revised.

Crude petroleum stocks on the East Coast and in other areas outside this district have been partially replenished in recent months but are still below normal levels. In this district, stocks have declined slightly since attaining the 1942-1943 high on May 29 this year. The improved transportation situation in the Atlantic and in the Mediterranean might make increased ocean tanker shipment of petroleum from Mexico, South America and the Near East feasible. Such shipments could ease the domestic petroleum shortage by meeting a part of the military demand, but it seems unsafe to rely upon that eventuality. Intensified drilling in proven producing areas and increased exploratory drilling may be required if the essential demands for petroleum are to be met without resorting to production practices which would reduce the ultimate recovery from reserves. Drilling activity has increased somewhat in this district and in other areas since March this year, but 47 per cent fewer wells were completed in the United States from June through August than during the comparable period in 1941. Wildcatting has been intensified, but the additions to proven reserves resulting from these operations have been insufficient to cover withdrawals from reserves brought about by current production.

Cottonseed receipts at Texas cottonseed mills during August this year, which totaled 161,000 tons, were 47 per cent greater than in the same month last year. Production activities at the mills increased seasonally during the month but were not appreciably above the levels of the same period in 1942. August shipments of linters from Texas cottonseed mills were sub-

## COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to August 31	August 1 to August 31	August 1 to August 31	August 1 to August 31
Cottonseed received at mills (tons)	160,585	109,488	391,421	168,588
Cottonseed crushed (tons)	44,050	43,352	132,574	97,543
Cottonseed on hand Aug. 31 (tons)	161,193	101,495	348,664	152,973
Production of products:				
Crude oil (thousand lbs.)	12,732	12,894	40,010	29,383
Cake and meal (tons)	20,573	19,412	58,978	42,332
Hulls (tons)	10,226	10,342	31,638	24,316
Linters (running bales)	12,818	12,207	39,687	28,256
Stocks on hand August 31:				
Crude oil (thousand lbs.)	5,014	5,543	17,610	13,875
Cake and meal (tons)	9,334	36,887	29,241	133,234
Hulls (tons)	5,747	10,670	19,170	26,308
Linters (running bales)	38,098	23,023	111,807	51,892

SOURCE: United States Bureau of Census.

## DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	August		July	
	1943	1942	1943	1942
Consumption at:				
Texas mills	19,691	20,207	24,319	
United States mills	842,260	924,915	839,705	
U. S. Stocks—end of month:				
In consuming establishments	1,928,808	1,925,118	2,117,343	
Public storage and compresses	8,206,906	7,539,501	7,704,181	

## BUILDING PERMITS

	August, 1943		Percentage change valuation from		Jan. 1 to Aug. 31, 1943		Percentage change valuation from 1942	
	No.	Valuation	Aug., 1942	July, 1943	No.	Valuation	from 1942	from 1942
Abilene	22	\$ 42,968	+904	+267	184	\$ 167,817	-88	-
Amarillo	43	11,700	-80	-69	356	475,473	-20	-
Austin	134	28,107	-53	+48	677	209,003	-8	-
Beaumont	77	24,140	-34	-61	851	2,143,969	-8	-
Corpus Christi	114	83,766	-65	-94	852	2,715,909	-70	-
Dallas	640	755,350	+266	+21	3,684	2,459,976	-55	-
El Paso	49	34,471	+147	-38	391	338,496	-82	-
Fort Worth	412	677,690	-15	+49	2,487	4,618,115	-52	-
Galveston	105	64,797	+107	-78	575	695,249	-70	-
Houston	206	826,275	+354	+127	1,327	6,094,880	-44	-
Lubbock	103	35,717	+137	+14	587	157,782	-92	-
Port Arthur	53	8,503	+17	-48	357	216,227	-32	-
San Antonio	797	256,593	-12	-20	5,152	1,863,417	-49	-
Shreveport, La.	100	69,045	+47	+156	641	256,660	-86	-
Waco	59	41,978	-55	-58	409	600,152	-36	-
Wichita Falls	20	36,315	-24	+111	161	136,608	-71	-
Total	2,934	\$2,997,415	+41	-22	18,691	\$23,149,733	-57	-

VALUE OF CONSTRUCTION CONTRACTS AWARDED  
(Thousands of dollars)

	August 1943		August 1942		July 1943		Jan. 1 to Aug. 31—1943		1942	
	Receipts	Valuation	Receipts	Valuation	Receipts	Valuation	Receipts	Valuation	Receipts	Valuation
Eleventh District—total	\$ 17,537	\$106,042	\$ 14,412	\$ 275,985	\$ 528,913					
Residential	5,065	12,114	3,299	68,513	92,510					
All other	12,472	93,928	11,113	208,472	436,403					
United States*—total	413,791	721,028	183,661	2,448,724	5,388,549					
Residential	67,493	100,551	71,836	619,455	1,213,513					
All other	346,298	620,477	111,825	1,829,269	4,175,036					

\*37 states east of the Rocky Mountains.

r Revised

SOURCE: F. W. Dodge Corporation.

stantially larger this year than in 1942, but shipments of cake and meal and hulls were considerably smaller and shipments of cottonseed oil were fractionally larger.

The potential shortage of labor is becoming an increasingly important factor in many war centers in Texas. Employment in war industries in the State may not be as large at its peak as was anticipated earlier this year, but the rate of increase in employment is to be accelerated, particularly in the aircraft industry, and peak employment may be reached considerably sooner than was previously expected. Production schedules in the industries in the State call for the employment of approximately 65,000 additional workers by January, 1944 of whom 40,000 will be required by the aircraft and shipbuilding industries. The overall supply of labor in Texas is apparently adequate to meet this demand, but the employment of housewives on a large scale and the movement of workers into at least twenty-two war centers in the State will be necessary. Housing shortages in war centers and lack of child care facilities appear to be the principal deterrents to meeting hiring schedules of the war industries.

## CRUDE OIL PRODUCTION—(Barrels)

	August, 1943		Increase or decrease in daily average production from	
	Total production	Daily avg. production	August, 1942	July, 1943
North Texas	7,347,000	237,000	+ 7,316	+ 9,248
West Texas	8,137,600	262,503	+ 38,488	+ 17,822
East Texas	15,544,300	501,429	+ 46,676	+ 4,665
South Texas	7,444,000	240,129	+ 53,987	+ 11,329
Texas Coastal	14,719,700	474,929	+179,331	+ 63,729
Total Texas	53,192,600	1,715,890	+325,798	+106,793
North Louisiana	2,575,150	83,069	-14,075	- 1,923
New Mexico	3,241,850	104,576	+ 20,568	+ 2,807
Total District	59,009,600	1,903,535	+332,291	+107,677

SOURCE: Estimated from American Petroleum Institute weekly reports.

## LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	August 1943	August 1942	July 1943	August 1943	August 1942	July 1943
Cattle	97,106	106,010	65,432	21,270	20,618	14,763
Calves	40,108	45,872	26,646	29,952	31,490	17,696
Hogs	77,545	44,029	84,912	12,185	8,919	9,409
Sheep	406,530	161,840	280,538	63,233	16,370	37,809

## COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundredweight)

	Fort Worth			San Antonio		
	August 1943	August 1942	July 1943	August 1943	August 1942	July 1943
Beef steers	\$13.75	\$13.75	\$15.50	\$12.90	\$12.75	\$14.50
Stocker steers	13.00	12.50	13.50			
Heifers and yearlings	13.50	14.00	15.25	13.00	13.00	14.00
Butcher cows	11.50	10.00	12.25	11.50	10.00	12.00
Calves	13.00	12.75	14.00	13.00	13.00	14.00
Hogs	14.35	14.85	14.50	14.25	14.40	14.25
Lambs	13.50	14.00	14.00			

## CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Sept. 1, 1943	Production 1942	Estimated Sept. 1, 1943	Production 1942
Cotton	Bales	2,900	3,038	3,638	3,745
Corn	Bushels	83,979	78,561	96,909	93,887
Winter wheat	Bushels	35,697	47,438	36,385	49,053
Oats	Bushels	15,804	11,210	19,871	15,111*
Barley	Bushels	3,882	4,818	10,590*	18,111*
Rice	Bushels	29,582	15,498	20,592†	15,498†
Broomcorn	Pounds	4,400	6,600	26,000†	44,000†
Grain sorghums	Bushels	59,475	59,075	72,785*	75,557*
Tame hay	Tons	1,264	1,441	1,794	1,989
Peanuts	Bushels	423,200	430,080	618,300*	589,870*
Potatoes, Irish	Bushels	6,450	5,301	7,549	6,068
Potatoes, sweet	Bushels	6,300	3,825	15,042*	10,433*
Peaches	Bushels	900	1,610	1,392*	2,582*
Pecans	Pounds	21,750	10,300	44,290*	22,200*

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

SOURCE: United States Department of Agriculture.

CASH FARM INCOME  
(Thousands of dollars)

	July, 1943		Total receipts	
	Crops	Livestock*	July 1943	July 1942
Arizona	4,418	2,262	6,680	5,325
Louisiana	2,285	4,660	6,954	4,175
New Mexico	3,084	2,892	5,976	4,948
Oklahoma	17,894	23,733	41,627	49,066
Texas	27,150	42,173	69,323	56,712
Total	54,831	75,729	130,560	120,226
			909,569	688,822

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

SOURCE: United States Department of Agriculture.

**POPULATION CHANGES, 1940-1943**

The marked changes which have occurred in the location of the civilian population since the beginning of the National Defense Program are emphasized by a comparison of population data for April 1, 1940 with Bureau of Census estimates of the civilian population as of March 1, 1943 based on registration for War Ration Book Two. The civilian population of the United States decreased by 3,100,000 persons, or 2.4 per cent, during the period. The civilian population of the five states included in whole or in part in the Eleventh Federal Reserve District declined 2 per cent during the period, reflecting small losses in Louisiana and Texas and marked declines in New Mexico and Oklahoma which more than offset the increase of 15.5 per cent in Arizona.

The number of civilians in metropolitan areas in the United States increased 2.5 per cent in spite of the overall decline in civilian population. The total civilian population in non-metropolitan areas decreased 7 per cent. This shift of population to urban centers was more pronounced in the Eleventh District than in the nation. The civilian population of the 12 metropolitan counties in this district increased by 310,000 persons, or 13 per cent, between April 1, 1940 and March 1, 1943. Caddo Parish, in which Shreveport, Louisiana, is located, was the only metropolitan county in the Eleventh District which experienced a decline in civilian population. The civilian population of the metropolitan counties of Texas increased by 328,000 persons, or 15 per cent, as compared with a decrease of 9 per cent in the civilian population of the 243 non-metropolitan counties of the State.

The four larger cities in Texas accounted for 70 per cent of the increase in the civilian population of the metropolitan counties of the State. The San Antonio area experienced a growth of 96,000 persons, the largest numerical increase, but Corpus Christi had the greatest proportional increase with a growth of 32 per cent.

ESTIMATES OF CIVILIAN POPULATION  
(Thousands of persons)

State	March 1, 1943	May 1, 1942	April 1, 1940	Estimated change between April 1, 1940 and March 1, 1943	
				Number	Per cent
Arizona.....	574	495	497	+ 77	+15.5
Louisiana.....	2,350	2,425	2,359	+ 9	+ 0.4
New Mexico.....	490	521	531	+ 41	+ 7.6
Oklahoma.....	2,103	2,171	2,320	+ 226	+ 9.7
Texas.....	6,337	6,440	6,382	+ 45	+ 0.7
Total five states.....	11,854	12,052	12,098	+ 244	+ 2.0
United States.....	128,231	130,982	131,323	-3,092	- 2.4

SOURCE: United States Bureau of Census. Estimates for March 1, 1943 and May 1, 1942 are based on registrations for Ration Book Two and for Ration Book One, respectively.

ESTIMATED CIVILIAN POPULATION IN METROPOLITAN COUNTIES  
(Thousands of persons)

City and County	March 1, 1943	May 1, 1942	April 1, 1940	Estimated change between April 1, 1940 and March 1, 1943	
				Number	Per cent
<b>Texas</b>					
Amarillo (Potter County).....	58	51	54	+ 4	+ 6.2
Austin (Travis County).....	112	117	111	+ 1	+ 0.9
Beaumont-Port Arthur (Jefferson Co.)	174	159	145	+ 29	+19.8
Corpus Christi (Nueces County).....	122	118	93	+ 29	+31.6
Dallas (Dallas County).....	443	429	398	+ 45	+11.3
El Paso (El Paso County).....	136	135	128	+ 10	+ 8.0
Fort Worth (Tarrant County).....	256	235	226	+ 30	+13.4
Galveston (Galveston County).....	98	87	80	+ 18	+23.2
Houston (Harris County).....	587	553	529	+ 58	+11.0
San Antonio (Bexar County).....	412	352	316	+ 96	+30.5
Waco (McLennan County).....	109	108	102	+ 7	+ 7.3
<b>Louisiana</b>					
Shreveport (Caddo Parish).....	132	156	150	-18	-11.8

SOURCE: United States Bureau of Census. Estimates for March 1, 1943 and May 1, 1942 are based on registrations for Ration Book Two and for Ration Book One, respectively.

**THE COTTON INDUSTRY, 1939-1943**

Since the beginning of the war in Europe, there have been developments which have influenced materially the operations of domestic cotton mills and the experience of cotton producing areas in the United States. Domestic cotton mills have increased their annual consumption of cotton by 4,300,000 bales since the 1938-1939 season thereby more than offsetting the decline in foreign mill consumption of American cotton that has taken

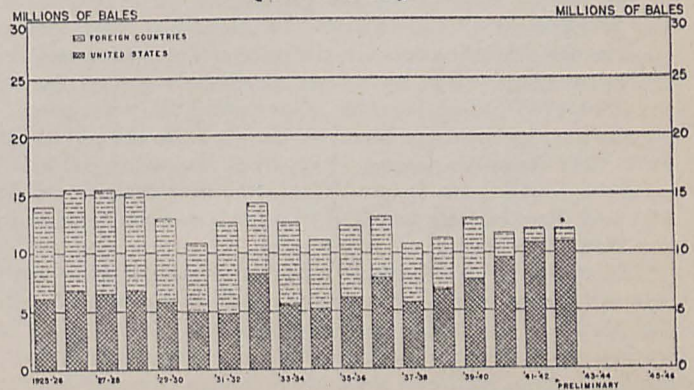
place as a result of the blockade of Europe, the cessation of commerce with Japan and the difficulty of transporting cotton to other parts of the world. Domestic mills have also changed markedly the quality and construction of fabrics produced in order to conform to military requirements and to speed production. Partly as a result of these developments, much larger quantities of longer staple cotton of the better grades have been required, whereas smaller quantities of lower grade and shorter staple cotton have been consumed.

Foreign mill consumption of American cotton averaged 5,400,000 running bales per season during the 1934-1939 period and was, on the average, somewhat less than 1,000,000 bales smaller than domestic mill consumption. In the 1940-1941 season, foreign mill consumption of American cotton declined to 2,291,000 bales and in the 1942-1943 season fell to 1,160,000 bales. After 1939, rising individual incomes stimulated civilian demand for cotton textiles in the United States and Government purchases for military and lend-lease purposes expanded rapidly, with the result that domestic mill consumption of American cotton increased to 9,576,000 bales in the 1940-1941 season and to 11,025,000 bales in the 1942-1943 season.

The change in the character of the market for American cotton was not confined to a diversion of deliveries from foreign to domestic mills. Most cotton mills in the United States are designed to process medium or longer staple cotton of medium grade or better; foreign mills provided the largest market for our shorter staple before the war. One of the effects of the war was, therefore, to increase the demand for the former and curtail the demand for the latter types of cotton. This development benefited cotton producers in areas which are adapted to production of longer staple cotton but was unfavorable to sections, including much of Texas, whose cotton crop is customarily comprised largely of shorter staple cotton. It likewise provided inducements to increase output of longer staple and to take greater care in picking and ginning in order to improve the grade of cotton.

Between August 1, 1942 and July 31, 1943, approximately 70 per cent more cotton was consumed in domestic mills than, on the average, during the five seasons before the war. Shortly after the beginning of the war in Europe, domestic cotton mills changed from the single shift basis to a standard two-shift basis and lengthened the work week from five to six or seven days. It was at first comparatively easy to bring idle machinery into operation and to lengthen the hours of operation of active machines, since supplies of raw cotton were abundant and the reservoir of labor was large. Although military orders were superimposed upon the expanding civilian business of the mills in 1940 and 1941, output was increased rapidly enough to satisfy demands from both sources. Early in 1942, however, it became necessary for the War Production Board to exercise control over the distribution of some cotton fabrics to insure that military and essential civilian needs would be met. Later

AMERICAN COTTON-MILL CONSUMPTION  
(RUNNING BALES)



## MONTHLY BUSINESS REVIEW

in 1942 and early in 1943, mills were directed to convert looms to production of new types of fabrics required by the military services. Fabric qualities were changed by reducing thread counts per inch in order to speed weaving, and 60 per cent or more of the yardage output of the mills was brought under conversion orders which control fabric qualities and their distribution. These actions facilitated capacity operation of the industry. Nevertheless, during the season just ended the mills experienced some difficulty in maintaining operations at maximum levels due to labor shortages and inability to obtain additional machinery and replacements for worn-out equipment.

Throughout the 1941-1942 and 1942-1943 seasons, Government purchases absorbed perhaps 65 per cent of the output of domestic cotton mills. The amount of cotton goods available to civilians was curtailed and was inadequate to satisfy all civilian demands. The tight civilian supply situation eased somewhat toward the end of the 1942-1943 season and in recent months retailers have apparently been able to obtain more prompt deliveries of cotton fabrics. It seems likely, furthermore, that greater quantities of cotton goods will be available to the civilian trade in 1944. It has been announced that contracting for standard cotton fabrics for Army use will be slowed down after October 1 this year and that Army requirements for such items in 1944 will be 50 per cent smaller than in 1943. The potentiality that better quality fabrics may be available at the same or lower prices may cause merchants to exercise greater caution in placing orders for replenishment of depleted inventories of cotton goods at retail and wholesale establishments. The backlog of civilian demand is quite large, however, and activity at domestic mills will probably be sustained at a relatively high level for some time.

The price of raw cotton and the wholesale price of cotton goods were higher, on the average, during the first six months of 1943 than during any comparable period in the preceding ten years. During the 1938-1939 season, the average farm price of cotton was 8.60 cents per pound as compared with the parity price of cotton of 15.66 cents per pound. The average farm price of cotton subsequently increased more rapidly than the prices of the components of the cotton parity price and during the first six months of this year closely approximated the parity price. In April 1943 a program to stabilize raw cotton prices was initiated which provides that Government owned cotton shall be offered for sale by the Commodity Credit Corporation at prices equivalent to the average 10-spot market price on April 7, 1943. On that date, the average 10-spot market price of 15/16-inch middling was 21.38 cents per pound. During July 1943, 15/16-inch middling averaged 21.11 cents per pound on the 10-spot markets, as compared with 9.66 cents per pound during July 1939. By the end of 1941, the wholesale price of cotton goods had increased to 160 per cent of the 1939 average, but price controls were instituted shortly thereafter, and since raw cotton continued to rise in price, mill margins were narrowed. In June this year the wholesale price of cotton goods was 167 per cent of the 1939 average, whereas the average price of cotton on the 10-spot markets was 227 per cent of the 1939 average. Mill margins on 17 constructions of unfinished cloth, which measure the difference between the price of raw cotton and the equivalent cloth prices, have been consistently greater during the 1940-1943 period, however, than during the years preceding the war. Mill margins increased rapidly from the end of the 1938-1939 season to August 1942, when they averaged 22.17 cents per pound, gross weight. Thereafter they declined and in May and June this year averaged 19.69 cents, as compared with the 1938-1939 average of 10.44 cents.

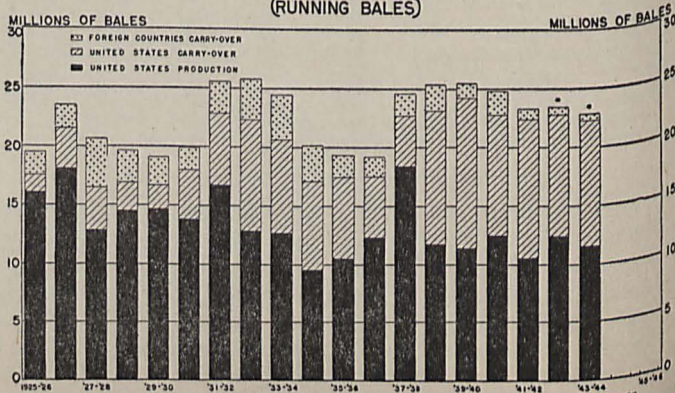
The world supply of cotton, which available estimates indicate will exceed world consumption by about 23,000,000 bales this season, is still nearly as great as in 1937-1938, when it reached an all-time peak. Although foreign production of cotton has declined markedly since 1939, foreign consumption has

also declined, and the world carryover on August 1 this year was 3,000,000 bales larger than on August 1, 1940. Virtually all of this increase is accounted for by the larger carryover in foreign countries. There have been noteworthy changes in the composition as well as in the size and location of cotton stocks. Lower grades and shorter staple cotton comprised a substantially larger part of the carryover of American cotton at the end of the 1942-1943 season than at the end of the seasons preceding the war. The stocks of American cotton customarily consumed by foreign mills are thus larger than before the war, whereas the supply of grades and staple consumed by American mills is smaller.

At the end of the 1941-1942 season the carryover of American cotton in the United States was still large and equalled almost a year's consumption by domestic mills at current levels of activity. Since other agricultural products were in short supply, the Department of Agriculture sought to divert some lands which were devoted to the production of cotton to production of other crops, particularly soybeans and peanuts. The cotton acreage goal for 1943 of 22,500,000 acres, although 810,000 acres smaller than in 1942, was estimated to be adequate to produce enough cotton to meet anticipated demands if properly distributed among grades and staple lengths. In March 1943 it was announced that growers would be permitted to increase their cotton acreage allotments by 10 per cent without penalty. This action was taken to increase production of cottonseed products rather than to expand the production of lint cotton. Acreage in cotton on July 1 this year amounted to only 21,995,000 acres, the smallest in nearly 50 years and considerably below the allotted acreage. Weather conditions have been conducive to relatively large yields of cotton, however, and a 1943 crop of approximately 11,600,000 bales was forecast on September 1, as compared with 12,510,000 running bales produced in 1942 and the 1932-1941 average of 12,255,000 bales. This would indicate a 1943-1944 supply of American cotton of 23,000,000 bales, which is about 600,000 bales smaller than in the preceding season and only slightly smaller than on the average during the 1932-1941 period.

A review of the experience of the American cotton industry since the beginning of the war in Europe reveals significant developments which may influence the industry in the future. A substantial increase in consumption of American cotton by domestic mills has offset the decline in foreign mill consumption of American cotton. Largely as a result of this shift in the market, cotton growers in the United States have been induced to expand production of longer staple cotton. Stocks of American cotton have not been materially reduced, but their composition and location have been changed. Stocks of American cotton in foreign countries at the end of the past season were approximately 75 per cent smaller than before the war and the carryover of American cotton in the United States on August 1

### AMERICAN COTTON-SUPPLY (RUNNING BALES)



this year was composed to a far greater extent than formerly of lower grade and shorter staple cotton, types of cotton which are customarily consumed in foreign markets but which are not well adapted to satisfy domestic mill demand.

The immediate outlook for the American cotton industry is moderately encouraging. Although Government orders at domestic mills are likely to decline, it is probable that domestic mill consumption will be maintained at a relatively high level in the immediate future in response to civilian demands. Foreign demands for American cotton and American cotton goods may expand as the ocean transportation situation improves and it seems probable that they will increase substantially immediately after the war. An increase in foreign mill activity might result in the export of a large part of the shorter staple and lower grade American cotton accumulated since 1939. It would also eventually bring foreign mills into competition with domestic mills.

Domestic mills, however, have gained experience during the war in operating intensively. When the war ends, they should also be in a position to replace equipment depreciated during the war with improved machinery and thereby, to reduce unit costs of production and to improve their competitive position on the international market.

WORLD SUPPLY OF ALL KINDS OF COTTON—1935-1943  
(Thousands of running bales)

Year beginning August 1	Carryover, August 1		Total	World Production	World supply
	In United States	In Foreign Countries			
1935	7,208	7,864	15,072	26,141	41,213
1936	5,409	8,240	13,649	30,729	44,378
1937	4,499	9,196	13,695	36,745	50,440
1938	11,533	11,169	22,702	27,509	50,211
1939	13,033	8,605	21,638	27,326	48,964
1940	10,564	9,708	20,272	28,594	48,866
1941	12,166	9,875	22,041	26,057	48,098
1942*	10,640	11,736	22,376	26,260	48,636
1943*	10,940	12,646	23,586		

SOURCE: United States Bureau of Agricultural Economics.  
\*Preliminary and partly estimated.

MILL CONSUMPTION OF COTTON—1935-1942  
(Thousands of running bales)

Year beginning August 1	American Cotton			All kinds of cotton		
	In United States	In Foreign Countries	Total	In United States	In Foreign Countries	Total
1935	6,221	6,282	12,503	6,351	21,178	27,529
1936	7,768	5,325	13,093	7,950	22,688	30,638
1937	5,616	5,179	10,795	5,748	21,825	27,573
1938	6,730	4,513	11,249	6,858	21,649	28,507
1939	7,655	5,221	12,876	7,784	20,702	28,486
1940	9,576	2,291	11,867	9,722	16,820	26,542
1941	10,974	1,236	12,210	11,170	14,402	25,572
1942*	11,025	1,160	12,185	11,200	13,700	24,900

SOURCE: United States Bureau of Agricultural Economics.  
\*Preliminary and partly estimated.

WORLD SUPPLY OF AMERICAN COTTON—1935-1943  
(Thousand of running bales)

Year beginning August 1	Carryover, August 1		Total	Production	World supply
	In United States	In Foreign Countries			
1935	7,137	1,904	9,041	10,495	19,536
1936	5,336	1,662	6,998	12,375	19,373
1937	4,387	1,848	6,235	18,412	24,647
1938	11,446	2,341	13,787	11,665	25,452
1939	12,956	1,181	14,137	11,418	25,555
1940	10,469	2,073	12,542	12,305	24,847
1941	12,026	771	12,797	10,628	23,425
1942*	10,505	610	11,115	12,510	23,625
1943*	10,840	500	11,340	11,600	22,940

SOURCE: United States Bureau of Agricultural Economics.  
\*Preliminary and partly estimated.

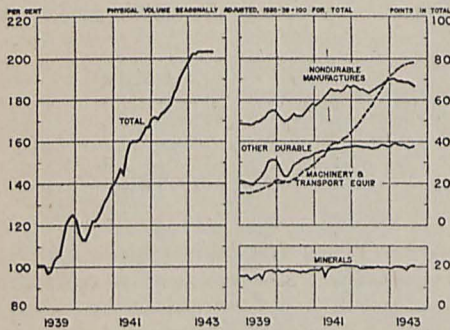
# MONTHLY BUSINESS REVIEW

OCTOBER 1, 1943

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

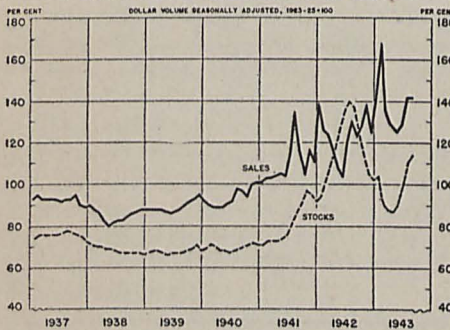
(Compiled by the Board of Governors of the Federal Reserve System)

### INDUSTRIAL PRODUCTION



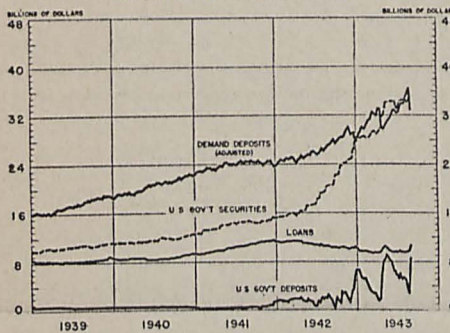
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for August, 1943.

### DEPARTMENT STORE SALES AND STOCKS



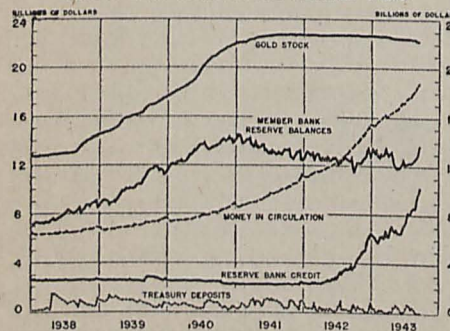
Federal Reserve indexes. Monthly figures, latest shown are for August, 1943.

### MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for September 15, 1943.

### MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for September 15, 1943.

Industrial activity and war expenditures were maintained in August at a high level. Commodity prices showed little change. Retail trade continued in large volume.

### INDUSTRIAL PRODUCTION

Output of manufactures and minerals showed little change in August and the Board's seasonally adjusted total index of industrial production remained at the July level. Production of durable manufactures increased. Output of iron and steel continued to advance and reached the peak levels achieved earlier this year. There were further slight increases in activity at war plants in the transportation equipment industries. Output of other durable products showed little change.

Production of nondurable goods declined in August, reflecting further decreases in output of textile, leather, and food products. Cotton consumption in August was about 15 per cent lower than the same period a year ago and was at the lowest level since the beginning of 1941. Leather output has also declined in recent months and is currently close to prewar levels. Activity at meatpacking plants showed the usual seasonal decline in August but preliminary figures indicate that output was about one-fifth larger than a year ago. Output of most other manufactured foods declined somewhat further. Production of petroleum, coke, and rubber products continued to advance in August while chemical production showed little change. Production of crude petroleum continued to rise and in August was in the largest volume on record. Lake shipments of iron ore likewise reached a record level. Production of coal and metals was maintained in large volume.

### DISTRIBUTION

Department store sales continued large in August and the first half of September. Increases during this period were less than seasonal, however, following maintenance of sales at a comparatively high level during July. For the year to date value of sales at department stores has been about 13 per cent greater than in the corresponding period last year, reflecting in part price increases. Inventories at department stores have increased in recent months and are now somewhat higher than at the beginning of this year, indicating that receipts of new merchandise have been in excess of the value of goods sold.

Total carloadings were maintained in large volume during August and the first half of September. Shipments of grain showed a less than seasonal decline from the peak reached in July and were one-fifth larger than August a year ago.

### COMMODITY PRICES

The general level of wholesale commodity prices continued to show little change in August and the early part of September. Prices of lumber and newsprint were increased, while prices of fruits and vegetables showed further seasonal declines.

In retail food markets prices of apples and fresh vegetables decreased further from mid-July to mid-August. The Bureau of Labor Statistics cost of living index declined one-half of one per cent as decreases in foods were partly offset by small increases in retail prices of other goods and services.

### AGRICULTURE

General crop prospects declined slightly in August according to official reports. The forecast for corn production was raised by 3 per cent to almost 3 billion bushels, while prospects for other feed crops declined. Production of cotton indicated on September 1 was 11.7 million bales as compared with a crop of 12.8 million last season. Milk production in August was estimated to be 2 per cent smaller than output a year ago, while marketings of most other livestock products continued in larger volume than last year.

### BANK CREDIT

In mid-September excess reserves of member banks rose sharply to about 2 billion dollars from the average level of about 1.1 billion which had prevailed in the latter part of August and early in September. This increase was due in part to the fact that the Treasury was making disbursements out of temporary borrowing from Reserve Banks on special certificates in anticipation of tax collections and receipts from the Third War Loan Drive. It also reflected in part a substantial decrease in required reserves at the middle of the month when funds from individual and corporate deposits were transferred to Government loan accounts which are not subject to reserve requirements. During the four weeks ended September 15 the Reserve System holdings of Government securities increased by about 1 billion dollars in addition to the special certificates taken directly from the Treasury. Most of the increase was in the form of Treasury bills sold to the Reserve Banks with sellers retaining the option to repurchase. Over this four-week period currency in circulation increased by about 560 million dollars to a total of 18.8 billion outstanding.