

# MONTHLY BUSINESS REVIEW

## of the FEDERAL RESERVE BANK of Dallas

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### DISTRICT SUMMARY

Weather conditions in the Eleventh Federal Reserve District favored progress of crops and ranges and preparation of soil for spring planting during February and the first half of March. Livestock in most sections of this district came through the winter in fair to good condition. The mild winter also favored progress of citrus fruit and commercial vegetables and near record output of these crops seems assured. The downward trend of the value of construction awards continued in February, but daily average petroleum production and drilling activity increased slightly during the month. Industrial employment remained near the peak attained in the fall of 1943. Consumer buying at department stores increased substantially from January to February and on a daily average basis was about as large as the unusually heavy volume in February 1943. Inventories at department stores increased by less than the usual seasonal amount in February, but were about one-fourth larger than a year earlier.

### BUSINESS

Consumer buying at reporting department stores in this district, which had declined by more than the usual seasonal amount in January, increased sharply during February and closely approximated the unusually heavy volume in February 1943. This was the second consecutive year in which the February sales of department stores showed a marked departure from the pre-war seasonal pattern and the seasonally adjusted index of this bank rose from 206 per cent of the 1935-1939 average in January to 241 per cent in February, which compared with 246 per cent in February 1943. The adjusted indexes of department store sales for February this year and last year were considerably higher than the index for any other month in the history of this bank's series of department store sales, which began in 1919. The daily average of dollar sales during February this year was only 2 per cent below that for February 1943 and 42 per cent below that for December 1943, whereas the average decline from December to February is 48 per cent. During the three weeks ended March 18, sales of weekly reporting department stores were maintained at the February level, whereas a sharp decline occurred in that period last year. In consequence, sales during the three-week period were 25 per cent larger than a year ago. The maintenance of sales reflects to some extent the mild temperatures and spring buying in anticipation of the earlier Easter this year and advance purchases of some merchandise which will be subject to the new or increased excise taxes, which become effective on April 1.

During February, sales in those departments handling merchandise subject to the excise tax were in heavy volume. The February sales of jewelry at reporting firms were 64 per cent larger than in January and 98 per cent greater than those in February last year. Sales of toilet articles and drugs increased 13 per cent from January to February and were 42 per cent above those in the corresponding month last year. Sales of furs increased 38 per cent from January to February and exceeded those in February last year by 17 per cent. Sales of luggage registered a gain of 42 per cent over the preceding month, although they were slightly lower than in February last year.

In February last year, the announcement of shoe rationing induced heavy buying of all types of shoes. Sales of women's and children's shoes during February this year, while 21 per cent greater than in January, were 23 per cent lower than a year earlier. February sales of men's and boys' shoes were 3 per cent lower than in January and 16 per cent lower than in February 1943.

The adjusted index of department store stocks, which increased substantially in January after showing a considerable decline during the last half of 1943, was 101 per cent of the 1923-1925 average at the end of February. This figure compared with 112 per cent in January and 82 per cent in February 1943.

### AGRICULTURE

Gentle rains and mild temperatures contributed to improved range, pasture and small grain prospects and stimulated rapid growth of commercial vegetables and citrus fruit in the Eleventh Federal Reserve District during February and the first half of March. The condition of ranges in Texas improved markedly during February and on March 1 was above the 20-year average. Early range feed prospects are good in all sections of this district except in the southeast coastal counties of Texas, where excessive rainfall during the winter caused deterioration of ranges, and in parts of central west Texas. The mild weather which prevailed in this district during most of the winter season minimized the need for supplementary feeding of livestock, and cattle and sheep were brought through the winter in fairly good condition despite shortages of protein feeds, pasturage and hay. Shrinkage of livestock was not excessive, even during the cold waves in January, and death losses were very light. The mild winter also favored development of citrus fruit and commercial vegetables and near record production of these crops is now virtually assured. By the middle of March, preparation of soil and planting of crops were well advanced in Texas and southern New Mexico and were progressing rapidly in other sections of the Eleventh District.

### LIVESTOCK NUMBERS

The number of meat animals on farms and ranches in the Eleventh Federal Reserve District increased during 1943, despite a record slaughter of animals and on January 1, 1944 was at an all-time peak. Culling of ewes and heavy marketing of lambs reduced the number of sheep in this district during 1943, but cattle and hog numbers were increased. On January 1, 1944, the number of cattle and calves in this district was only slightly smaller than ten years earlier when the preceding peak in the cattle population cycle was reached, and the hog population was the largest of record, reflecting the record pig crop of 1943. The poultry population of this district was also larger on January 1, 1944 than at the same time in any preceding year.

The number of meat animals in the nation as a whole was likewise at an all-time peak on January 1, 1944. The inventory



of hogs was 10,000,000 head larger than at the former peak a year earlier and the inventory of cattle, which in the Eleventh District was somewhat below earlier peaks, was at an all-time high of 82,192,000 head and 8,000,000 head larger than at the peak of the last cycle in cattle numbers reached in 1934. The sheep population of the nation was reduced by about 4,000,000 head during 1943 and on January 1, 1944 was slightly below the 10-year (1933-1942) average.

Despite the increase in livestock numbers during 1943, the aggregate value of livestock in the Eleventh District and in the nation as a whole was smaller on January 1, 1944 than a year earlier. As the accompanying table indicates, the value of cattle and calves in the five states covered in whole or in part by the Eleventh District declined from \$762,000,000 on January 1, 1943 to \$717,000,000 on January 1 this year. The drop in the total value of sheep, lambs and hogs in these states was somewhat more pronounced. The value of cattle in the United States was somewhat greater at the beginning of 1944 than a year earlier, although the average price of beef and veal was slightly lower, but the drop in the value of other meat animals more than offset this increase in cattle values.

#### LIVESTOCK ON FARMS, JANUARY 1, 1943 AND 1944—(Number)

	Texas		Five States*		United States	
	1943	1944	1943	1944	1943	1944
Horses and colts.....	582	588	1,273	1,272	9,675	9,330
Mules and colts.....	455	400	778	707	3,704	3,559
All cattle and calves.....	7,593	7,669	14,300	14,596	79,114	82,192
Milk cows†.....	1,547	1,578	2,937	2,979	27,106	27,607
Hogs, including pigs.....	2,655	3,106	5,172	5,777	73,736	83,756
All sheep and lambs.....	10,829	10,339	14,466	13,723	55,775	51,718
Total above species....	22,114	22,102	35,989	36,075	222,004	230,555
Chickens.....	36,975	38,495	61,960	64,289	540,798	572,460
Turkeys.....	744	848	1,029	1,135	6,704	7,520
Valuation—(Thousands of dollars)						
Horses and colts.....	38,092	35,780	80,386	73,389	773,609	733,911
Mules and colts.....	42,759	36,098	75,167	67,992	472,481	510,122
All cattle and calves.....	403,310	382,982	762,298	717,225	5,502,802	5,647,875
Milk cows†.....	109,837	107,304	210,124	199,700	2,697,652	2,816,357
Hogs, including pigs.....	44,048	36,535	80,769	64,380	1,661,215	1,471,753
All sheep and lambs.....	77,040	61,653	108,988	87,700	539,650	451,267
Total above species....	605,249	553,053	1,107,608	1,010,886	8,949,757	8,814,928
Chickens.....	33,647	38,880	56,393	66,204	561,027	670,809
Turkeys.....	2,753	3,646	3,759	4,841	29,897	39,806
Total farm value, including chickens and turkeys....	641,649	595,579	1,167,760	1,081,731	9,540,681	9,525,543

\*Texas, Arizona, Louisiana, New Mexico, and Oklahoma.

†Cows and heifers 2 years old and over kept for milk, included in "all cattle and calves."

SOURCE: United States Department of Agriculture.

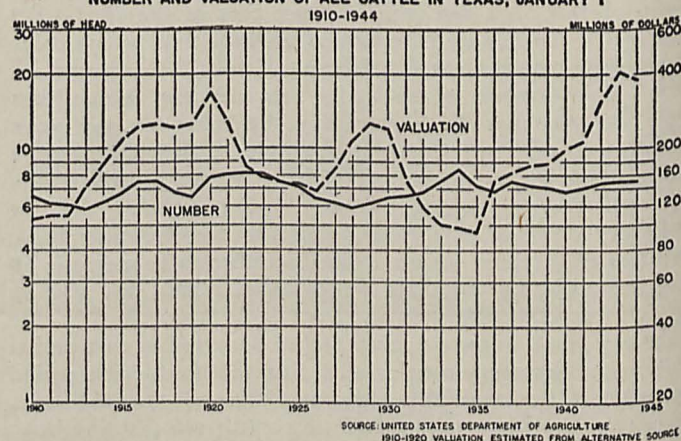
The present position of the livestock industry is causing some concern to those familiar with the conditions which developed in the livestock market after the last war. The general experience of the livestock industry during the past four years has closely paralleled its experience between 1914 and 1918. During both periods, prices of beef rose rapidly at the same time that an upward trend in cattle numbers occurred. Consequently, the aggregate value of cattle on farms rose to new peaks. The prices of other meat animals also increased substantially, and the sheep and hog populations were rapidly expanded. Shortly after the end of the first World War, the foreign and domestic demands for this nation's livestock products declined and the value of the heavy inventories of beef, pork and mutton held by packers and of the large number of animals on farms and ranches dropped precipitously. The possibility that the experience of the livestock industry during the remainder of this war and the immediate postwar period may continue to parallel that of the last war and postwar period is causing some concern on the part of stockmen and financing institutions.

During the past two years, the demand for all types of meat has been the largest in the history of the United States, reflecting the heavy purchases by the military and by the Lend-Lease Authority and the growth in aggregate civilian

consumption which has accompanied the increases in wages and in employment. Livestock inventories in this country do not appear unduly large in relation to the present high level of meat consumption, but there is some question regarding the extent to which the demand for meat and other livestock products will be maintained after the war. In this connection, it should be pointed out that the actual per capita consumption of all meats showed a downward trend from 1911 to 1939, and in 1943, including the consumption by the armed forces, it was still below the 1900-1911 level. Rehabilitation of the people of Europe and the Orient may require export of great quantities of food and large numbers of animals to replenish their herds and the domestic market might be much larger than before the war, if the present high levels of employment and income should be maintained. The capacity of the impoverished nations of Europe and the Orient to expand their imports will be limited by their ability to rehabilitate industry and reopen their export markets, however, and maintenance of the present high levels of domestic employment and income is not assured. Furthermore, after the war the United States must sell its beef and mutton in the international market in competition with other large producers of those products which have also increased their livestock populations during the war.

Strong forces are already operating to reduce livestock numbers. Shrinking feed supplies, which are small relative to the livestock population, and continued rise in the prices of feeds and the contrasting decline of the price of most meat animals have lowered the hog-corn ratio 30 per cent and the beef-corn ratio about 20 per cent; this may induce reduction of livestock inventories and result in marketing at lower weights. Continued heavy movement of livestock to market, which will be required to meet the needs of the military and Lend-Lease and to supply the expanded civilian market, does not

#### NUMBER AND VALUATION OF ALL CATTLE IN TEXAS, JANUARY 1



seem likely to be offset by additions to the livestock population in 1944. The spring lamb and pig crops in the Eleventh District and in the nation as a whole are expected to be considerably smaller than last year. Livestock goals for 1944 also call for reduction of cattle inventories in the United States by about 5,400,000 head. The War Food Administration is seeking to stimulate heavy movement of beef cattle during the spring of this year in order to supply current large demands for beef, to reduce the number of cattle on overcrowded western ranges and to avert a possible glut of the cattle market during the fall of this year, which might develop if range feed should deteriorate rapidly during the summer.

In view of developments during the past few years, together with present and prospective conditions, the following



recommendations to farmers and stockmen would seem to be appropriate: (1) range cattle should be kept to numbers which will not overgraze the pasture; (2) hogs should be finished to lighter weights as the amount of corn needed for a pound of pork rises rapidly after a 200 pound weight is reached; (3) poor producers should be eliminated from dairy herds; (4) poultry flocks should be culled; and (5) feed utilized more efficiently.

## FINANCE

The reserve balances of member banks in this district during February averaged \$513,000,000, which was about the same as in January, but required reserves decreased sharply, reflecting the transfer of customer deposits to United States war loan deposits as a result of the heavy sales of Government securities during the month. In consequence, excess reserves during the last half of February rose \$119,000,000, which was \$21,000,000 higher than in the last half of January, and the largest for any semi-monthly period since the first half of July 1943. Reserve balances rose to a new all-time peak of \$535,000,000 on March 11 and the average for the first half of the month amounted to \$520,000,000 or approximately \$7,000,000 higher than the February average.

The circulation of Federal Reserve notes of this bank increased further during February and the first half of March, but the net expansion during the first two and one-half months of the current year amounted to only \$10,000,000 as compared with approximately \$22,000,000 during the same period last year. The slowing down in the rate of expansion this year probably reflects in part the use of currency accumulated in the hands of the public to make tax payments and to purchase Government securities during the war loan drive.

The loans of weekly reporting member banks in this district declined \$5,293,000 between February 16 and March 15, reflecting largely decreases in loans to brokers and dealers and in loans to others for purchasing or carrying securities. During the preceding four weeks, which corresponded with the Fourth War Loan Drive, these loans secured by Government obligations had increased approximately \$15,000,000, but have declined since the close of the drive as the securities were distributed to the more permanent investors. Commercial, industrial and agricultural loans, which had increased contra-seasonally during the preceding four weeks, showed little net change between February 16 and March 15.

The investments of reporting banks during the four weeks ended March 15 showed a further expansion of approximately \$11,000,000 and there was a substantial change in the composition of holdings. Reflecting the effects of the Treasury's exchange offering for the seven issues of direct and guaranteed obligations, which had matured or were called for redemption, holdings of Treasury notes increased approximately \$24,000,000. Holdings of Treasury bonds also showed a further net increase of \$8,000,000. On the other hand, holdings of Government guaranteed obligations declined approximately \$6,000,000 and holdings of certificates of indebtedness were reduced \$12,000,000.

The aggregate deposits of these banks showed a net decline of approximately \$15,000,000 between February 16 and March 15, as the decline in Government and interbank deposits was only partially offset by the increase in adjusted demand deposits.

## INDUSTRY

During February, industrial activity in the Eleventh Federal Reserve District continued at the relatively stable level

CONDITION OF THE FEDERAL RESERVE BANK  
(Thousands of dollars)

	March 15, 1944	March 15, 1943	February 15, 1944
Total cash reserves.....	\$557,390	\$573,132	\$562,728
Discounts for member banks.....	2,422	125	322
Industrial advances.....	12	29	12
United States Government securities.....	430,324	229,350	427,937
All other investments.....	None	75	None
Total earning assets.....	432,758	229,579	428,271
Member bank reserve deposits.....	527,764	503,388	515,471
Federal Reserve Notes in actual circulation.....	426,240	273,950	413,592

CONDITION STATISTICS OF 33 MEMBER BANKS IN LEADING CITIES  
(Thousands of dollars)

	March 15, 1944	March 17, 1943	February 16, 1944
Total loans and investments.....	\$1,403,029	\$1,040,629	\$1,397,104
Total loans.....	337,898	287,659	343,191
Commercial, industrial, and agricultural loans.....	226,846	210,327	227,029
Loans to brokers and dealers in securities.....	5,276	1,924	5,551r
Other loans for purchasing or carrying securities.....	38,488	13,514	43,717r
Real estate loans.....	18,971	18,867	19,504
Loans to banks.....	109	108	95
All other loans.....	48,208	42,919	47,295
Total investments.....	1,065,131	752,970	1,053,913
U. S. Treasury bills.....	98,072	109,757	99,291
U. S. Treasury certificates of indebtedness.....	267,042	122,659	279,555
U. S. Treasury notes.....	190,404	105,363	166,035
U. S. Government bonds.....	421,183	309,384	413,422
Obligations guaranteed by United States Gov't.....	40,435	47,388	46,538
Other securities.....	47,995	58,419	49,074
Reserves with Federal Reserve Bank.....	298,078	309,220	293,754
Balances with domestic banks.....	207,225	307,339	231,787
Demand deposits—adjusted*.....	1,043,176	942,526	991,205
Time deposits.....	170,705	137,929	168,682
United States Government deposits.....	208,968	65,021	259,129
Interbank deposits.....	429,795	461,650	443,120
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.

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DEBITS TO INDIVIDUAL ACCOUNTS  
(Thousands of dollars)

	February 1944	February 1943	Pctg. change over year	January 1944	Pctg. change over month
Abilene.....	\$ 19,128	\$ 14,715	+30	\$ 17,095	+12
Amarillo.....	40,673	37,171	+9	42,491	+4
Austin.....	79,409	68,910	+15	60,169	+32
Beaumont.....	56,977	44,296	+29	58,676	+3
Corpus Christi.....	43,450	38,263	+14	49,489	+12
Corsicana.....	6,185	5,102	+21	6,935	+11
Dallas.....	546,209	381,831	+43	501,569	+9
El Paso.....	62,053	51,928	+19	61,179	+1
Fort Worth.....	190,510	140,044	+36	225,297	+15
Galveston.....	47,267	37,475	+26	44,308	+7
Houston.....	479,857	373,434	+28	520,935	+8
Laredo.....	11,901	8,903	+34	11,196	+6
Lubbock.....	30,522	21,888	+39	32,036	+5
Monroe, La.....	18,593	13,786	+35	17,660	+5
Port Arthur.....	24,060	18,749	+28	24,316	+1
Roswell, N. M.....	10,580	6,122	+73	8,070	+31
San Angelo.....	12,706	11,023	+15	14,528	+13
San Antonio.....	139,499	116,624	+20	138,220	+1
Shreveport, La.....	78,004	55,855	+40	75,128	+4
Texarkana*.....	18,754	13,288	+41	18,502	+1
Tucson, Ariz.....	27,811	21,729	+28	27,467	+1
Tyler.....	20,729	13,910	+49	20,318	+2
Waco.....	25,010	22,495	+11	27,255	+8
Wichita Falls.....	25,385	21,776	+17	26,899	+6
Total—24 cities.....	\$2,015,272	\$1,539,317	+31	\$2,029,738	+1

\*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
February 1942.....	\$1,805,645	\$227,543	\$1,034,477	\$126,499	\$771,168	\$101,044
February 1943.....	2,695,602	231,842	1,479,333	134,674	1,216,270	97,169
October 1943.....	3,181,242	248,607	1,705,587	148,123	1,475,655	100,483
November 1943.....	3,289,107	255,839	1,750,074	153,980	1,539,034	101,859
December 1943.....	3,285,642	263,522	1,731,939	160,223	1,553,704	103,299
January 1944.....	3,242,366	270,576	1,699,310	165,973	1,543,056	104,603
February 1944.....	3,277,127	274,586	1,698,429	169,105	1,578,698	105,481

## SAVINGS DEPOSITS

	February 29, 1944			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Feb. 28, 1943	Jan. 31, 1944
Beaumont.....	3	11,144	\$ 5,036,018	+14.6	+1.0
Dallas.....	8	96,659	36,955,628	+29.1	+1.8
El Paso.....	2	22,827	11,242,560	+36.0	+2.0
Fort Worth.....	3	34,320	17,565,580	+28.1	+1.5
Galveston.....	4	20,314	13,397,070	+18.3	+1.4
Houston.....	10	81,558	40,622,420	+19.0	+1.0
Lubbock.....	2	873	474,736	+3.4	+2.0
Port Arthur.....	2	5,170	3,508,950	+16.8	+7
San Antonio.....	5	30,242	24,020,245	+20.9	+1.0
Shreveport, La.....	3	27,616	14,438,677	+19.0	+1.9
Waco.....	3	7,722	4,979,207	+7.2	+3
Wichita Falls.....	3	6,520	3,582,056	+4.0	+6
All other.....	58	51,359	30,591,708	+10.6	+7
Total.....	106	396,324	\$206,415,815	+20.3	+1.2



which had been maintained during the preceding three months. Preliminary estimates of employment indicate that there was little change in the number of workers employed in the major war industries during February. Construction activity continued to decline, whereas production of petroleum increased slightly, although it remained below the all-time peak attained in November 1943. Drilling activity also increased during the month.

The value of construction contracts awarded in this district was smaller in February 1944 than in the same month of any year since 1938 and 88 per cent smaller than in February 1943. Completion of major war housing projects in this district during recent months has been reflected by a pronounced decline in awards for residential construction. In February 1944, the value of awards for residential construction was smaller than in any month since December 1937. Awards for construction of industrial facilities, utilities and public works have also declined to a relatively low level in this district during recent months. Surpluses of construction labor are apparently available in several communities, but critical shortages of lumber and limited supplies of many other building materials exist. Until these material shortages become less acute, it is improbable that the limitations upon non-essential construction will be liberalized.

Daily average production of crude oil in the Eleventh District increased fractionally in February but remained below the all-time high reached in November 1943. Since November 1943, crude oil production has receded from its peak in east central, southwest and coastal Texas but has reached a new peak in west Texas. Daily average production outside this district also increased slightly during February, but remained below the level of the same month last year, whereas in the Eleventh District production was approximately 37 per cent greater than in February 1943. Stocks of crude oil in this district con-

#### WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in—				
		Net sales		Jan. 1 to Feb. 29, 1944	Stocks †	
		February 1944 from February	January 1944 from Jan. 1 to Feb. 29, 1944		February 1944 from February	January 1944 from January
Department stores:	firms	1943	1944	from 1943	1943	1944
Total 11th Dist. . . .	48	+ 1	+13	+ 6	+27	+ 1
Dallas . . . . .	7	+ 7	+21	+11	+41	+ 4
Fort Worth . . . . .	4	+ 5	+15	+ 9	+ 6	- 2
Houston . . . . .	7	+ 4	+16	+ 6	+22	+11
San Antonio . . . . .	5	-14	+ 8	- 4	+26	-15
Shreveport, La. . . . .	3	+11	+ 8	+17	+22	+ 6
Other cities . . . . .	22	- 3	+ 3	+ 3	....	....
Retail furniture:						
Total 11th Dist. . . .	63	+3	+19	....	-17	+7
Dallas . . . . .	5	-4	+3	....	-27	+9
El Paso . . . . .	3	+4	+106	....	-26	+4
Fort Worth . . . . .	3	-4	+14	....	....	....
Houston . . . . .	8	+12	+16	....	-31	+3
Independent stores:*						
Oklahoma . . . . .	371	+7	+3	+8	....	....
Texas . . . . .	952	+2	+6	+6	....	....
Wholesale trade:*						
Machinery, eqp't & supplies . . . . .	3	+43	+ 9	....	....	....
Drugs . . . . .	5	+14	- 7	+14	+36	+ 8
Electrical supplies . .	3	-31	-26	....	....	....
Groceries . . . . .	23	+ 6	- 1	+ 7	+16	+ 9
Hardware . . . . .	11	+ 7	+ 1	+ 8	- 9	+ 1
Surgical equipment . .	6	+24	+ 2	+21	- 6	- 3
Tobacco & products . .	3	+26	+25	+18	....	....

\*Compiled by United States Bureau of Census.

†Stocks at end of month.

‡Change less than one-half of one per cent.

#### INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	February 1944	January 1944	December 1943	February 1943
<b>Sales (1935-1939=100):</b>				
Without seasonal adjustment .....	200	177	346	204
With seasonal adjustment .....	241	206	215r	246
<b>Stocks (1923-1925=100):</b>				
Without seasonal adjustment .....	97	98	82	78
With seasonal adjustment .....	101	112	95	82

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#### CASH FARM INCOME

(Thousands of dollars)

	December 1943		Total receipts		
	Receipts from Crops	Livestock*	December 1943	December 1942	Jan. 1 to Dec. 31-1942
Arizona .....	10,853	4,235	15,088	11,989	131,560
Louisiana .....	24,379	5,769	30,148	26,645	230,157
New Mexico .....	4,463	4,600	9,063	10,587	113,330
Oklahoma .....	11,392	19,122	30,514	33,498	384,653
Texas .....	60,753	36,425	97,178	114,023	1,145,319
Total .....	111,840	70,151	181,991	196,742	2,005,019

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

SOURCE: United States Department of Agriculture.

#### LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	February 1944	February 1943	January 1944	February 1944	February 1943	January 1944
Cattle .....	36,824	42,410	46,294	13,837	12,218	16,000
Calves .....	15,334	15,095	28,386	16,300	15,973	19,170
Hogs .....	108,529	78,046	131,943	13,703	11,917	20,662
Sheep .....	35,121	64,225	60,419	11,594	24,055	14,259

#### COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	February 1944	February 1943	January 1944	February 1944	February 1943	January 1944
Beef steers .....	\$15.25	\$15.00	\$14.60	\$14.50	\$13.75	\$12.60
Stocker steers .....	14.00	15.00	12.50	....	....	....
Heifers and yearlings ..	15.00	15.00	14.25	14.50	14.00	14.00
Butcher cows .....	12.00	12.50	11.00	12.00	12.25	11.50
Calves .....	14.25	14.50	13.50	14.25	14.00	13.50
Hogs .....	13.65	15.25	13.65	13.55	14.50	13.55
Lambs .....	15.50	15.25	14.75	14.50	14.00	12.00

#### CRUDE OIL PRODUCTION—(Barrels)

	February 1944		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Feb. 1943	Jan. 1944
North Texas .....	7,005,300	241,562	+ 17,328	+ 3,223
West Texas .....	10,459,450	360,671	+149,367	+ 3,534
East Texas .....	14,546,400	501,600	+ 76,005	+17,426
South Texas .....	8,366,150	288,488	+126,102	+ 4,631
Texas Coastal .....	14,976,600	516,434	+194,788	+ 4,085
Total Texas .....	55,353,900	1,908,755	+563,590	+ 8,399
New Mexico .....	3,275,300	112,942	+ 15,978	+ 44
North Louisiana .....	2,236,750	77,129	- 13,687	- 368
Total District .....	60,865,950	2,098,826	+565,881	+ 7,987

SOURCE: Estimated from American Petroleum Institute weekly reports.

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

	February 1944	February 1943	January 1944	August 1 to February 29 This season	Last season
	1944	1943	1944		
Consumption at:					
Texas mills .....	15,971	20,990	17,006	121,459	147,946
United States mills .....	811,274	879,572	819,489	5,902,170	6,502,880
U. S. stocks—end of month:					
In consuming estab'ments ..	2,351,174	2,522,163	....	....	....
Public stg. & compresses ..	11,518,942	12,349,207	....	....	....

#### COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to February 29 This season	Last season	August 1 to February 29 This season	Last season
Cottonseed received at mills (tons) .....	889,270	997,203	3,818,149	4,333,440
Cottonseed crushed (tons) ..	803,939	896,238	3,237,773	3,653,938
Cottonseed on hand Feb. 29 (tons) .....	130,000	133,920	669,152	756,765
<b>Production of products:</b>				
Crude oil (thousand lbs.) ..	239,881	258,821	1,004,085	1,130,219
Cake and meal (tons) .....	379,752	401,598	1,497,273	1,616,719
Hulls (tons) .....	188,775	221,075	754,628	881,841
Linters (running bales) .....	240,600	267,425	963,871	1,099,758
<b>Stocks on hand Feb. 29:</b>				
Crude oil (thousand lbs.) ..	12,378	11,169	42,472	45,407
Cake and meal (tons) .....	15,639	13,332	69,412	58,507
Hulls (tons) .....	5,411	14,557	19,781	34,472
Linters (running bales) .....	81,522	82,848	296,316	300,407

SOURCE: United States Bureau of Census.



tinued the steady increase of the preceding three months and at the end of February were at an all-time peak of 127,000,000 barrels. Stocks outside this district amounted to only approximately 110,000,000 barrels at the end of February and were 8 per cent smaller than a year earlier.

Drilling activity, as measured by total well completions, was at a much higher level in the Eleventh Federal Reserve District and in the nation as a whole during the first two months of 1944 than during the same period in 1943, although it was below the level of earlier years. Approximately 900 wells were completed in this district during January and February of this year as compared with 650 wells during the comparable period in 1943. Dry wells comprised approximately 40 per cent of total well completions in both periods. Drilling activity in this district during the first two months of 1944 was concentrated in west and gulf coastal Texas.

Cotton consumption at United States textile mills was smaller during February 1944 than during the same month in either of the two preceding years. Shortages of labor at the mills continues as the principal factor curtailing output. Since demand for cotton textiles by the military services and Lend-Lease is expected to be as large in 1944 as in 1943, declines in production will probably be reflected in reduced deliveries of textiles to the civilian trade. Stocks of cotton in public storage and compresses in the United States at the end of February 1944, which totaled 11,519,000 bales, were the smallest for that date since 1938. Stocks of cotton in consuming establishments, although somewhat smaller than at the same time in 1942 or 1943, were a great deal larger than on comparable dates in earlier years. The average 10-spot market price of 15/16-inch

middling cotton increased steadily during the first two weeks of March, reaching a peak of 21.27 cents per pound on March 13, the highest point since May 29, 1943. The price declined somewhat thereafter, and on March 15, 1944, was 21.13 cents per pound in comparison with the mid-February price of 20.77 cents per pound.

BUILDING PERMITS						
February 1944		Percentage change valuation from		Jan. 1 to Feb. 29, 1944		Percentage change valuation from 1943
No.	Valuation	Feb. 1943	Jan. 1944	No.	Valuation	
Abilene.....	15 \$ 7,605	+ 14	- 94	77	\$ 137,805	+ 1
Amarillo.....	29 7,117	- 79	- 90	60	81,017	- 30
Austin.....	89 18,038	- 4	- 43	152	49,566	+ 54
Beaumont.....	154 166,923	- 91	+782	227	185,843	- 90
Corpus Christi.....	105 138,830	+638	+ 37	217	240,505	+ 53
Dallas.....	427 312,789	+107	- 77	1,145	1,680,161	+439
El Paso.....	46 26,646	- 18	- 30	107	64,476	- 12
Fort Worth.....	186 191,709	- 46	- 28	392	456,165	- 16
Galveston.....	127 103,811	+619	- 11	210	220,827	+639
Houston.....	225 438,540	+595	- 10	427	926,740	+391
Lubbock.....	106 32,304	+103	+ 79	171	50,312	+ 76
Port Arthur.....	25 6,340	- 28	- 85	65	48,138	+232
San Antonio.....	650 383,609	+349	+ 42	1,206	653,598	+209
Shreveport, La.....	116 52,912	+ 94	+ 8	198	101,939	+204
Waco.....	94 147,755	+992	+743	131	165,282	+180
Wichita Falls.....	28 17,630	+ 87	- 6	68	36,420	+135
Total.....	2,422 \$2,052,558	- 23	- 33	4,853	\$5,098,794	+ 39

†Indicates change over 1,000 per cent.

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED (Thousands of dollars)

	February 1944	February 1943	January 1944	January 1944	January 1 to February 28 1943
Eleventh District—total...	\$ 9,041	\$ 73,498	\$ 16,822	\$ 25,863	\$152,419
Residential.....	2,223	16,336	4,166	6,389	41,829
All other.....	6,818	57,162	12,656	19,474	110,590
United States*—total.....	137,246	393,517	159,238	296,454	744,178
Residential.....	24,861	93,294	40,997	65,858	204,107
All other.....	112,385	300,223	118,241	230,626	540,071

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

#### OPERATING RATIOS OF MEMBER BANKS FOR 1943

The marked shifts in the operations of member banks in the Eleventh Federal Reserve District, which began in 1942, became more pronounced in 1943. At the end of the year total loans and investments amounted to \$2,392,000,000 which was \$700,000,000 higher than a year earlier. This increase reflected primarily the addition of \$650,000,000 to member banks' holdings of Government securities, although there was a moderate increase in loans.

The total loans of member banks in this district, which had risen sharply in 1940 and 1941, declined during the subsequent eighteen months when there was a general liquidation of loans for non-war purposes and when new borrowing for war purposes was exceeded by repayment on such loans. In the last half of 1943, however, there was a widespread demand for loans for commercial, industrial and agricultural purposes and substantial borrowing for use in purchasing Government securities during the Third War Loan Drive. On December 31, 1943, total loans amounted to \$665,000,000, which was \$66,000,000 higher than a year earlier and slightly in excess of the total at the end of 1941.

As a result of the rapid expansion in holdings of Government securities, the investments of member banks in this district on December 31, 1943 aggregated \$1,727,000,000, constituting 72 per cent of total loans and investments as compared with 65 per cent of the total on December 31, 1942.

The deposits of member banks at the end of 1943 amounted to \$3,556,000,000, which was approximately \$700,000,000 higher than a year earlier, a rise of approximately the same amount as that in loans and investments. The combined cash assets of all member banks showed little net change, but a

noticeable shift occurred among banks in various size groups. While the smaller banks made large purchases of Government securities, the additions to their Government security holdings were smaller than the expansion in deposits, with the result that their cash assets continued to increase. On the other hand, the volume of Government security purchases by the larger banks was in excess of the net increase in deposits.

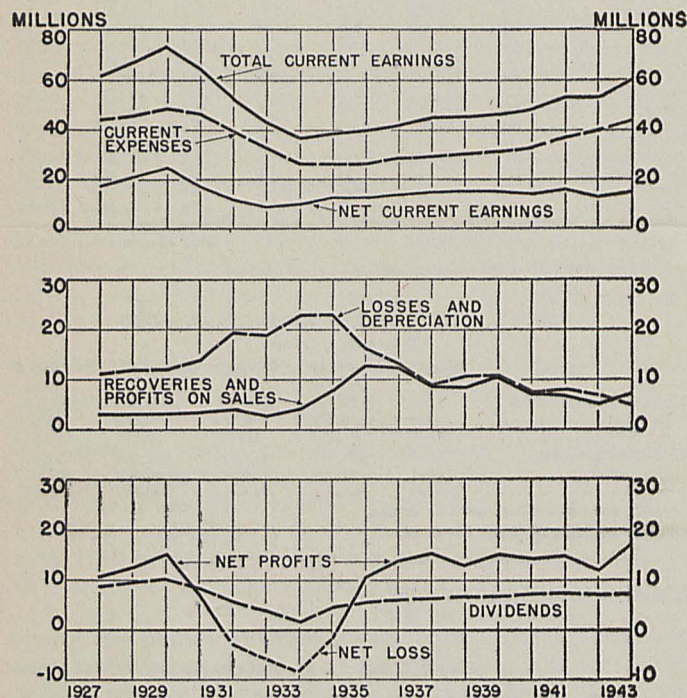
The gross earnings of member banks in this district showed a further substantial increase during 1943. Although expenses, including income taxes, were also higher than in 1942, the increase was not as pronounced as that in earnings. Despite the increase in taxes, net current earnings increased substantially and, with the exception of 1937 and 1941, were at the highest level since 1930. In view of the fact that recoveries exceeded losses by a substantial margin, net profits rose to a new high level.

The substantial changes in the assets and liabilities and in the earnings and expenses of member banks in this district were reflected in the operating ratios statement. During 1943 there was a sharp increase in the proportion of total assets invested in Government securities while there was a noticeable decline in the proportion of other securities and of loans. This trend occurred at banks in all size groups. The cash assets of all member banks averaged 42.5 per cent of total assets during 1943 as compared with 43.6 per cent in 1942, but there were considerable changes at banks in the various size groups. At banks with deposits of less than \$500,000, the proportion of cash assets increased during 1943; at banks with deposits of between \$500,000 and \$10,000,000, the proportion of cash assets declined moderately; while at banks with deposits in excess of \$10,000,000, the proportion of cash assets declined substan-



tially. The proportion to total assets held in cash was largest (44.2 per cent) at the smaller banks and decreased as the size of the bank increased, indicating that the trend toward full investment of available assets was most pronounced at the larger banks.

## EARNINGS AND EXPENSES OF MEMBER BANKS ELEVENTH FEDERAL RESERVE DISTRICT



Although all member banks have greatly increased their holdings of Government securities, the income derived from loans during 1943 still constituted more than 50 per cent of total earnings at banks with deposits of less than \$5,000,000. The proportion ranged from 72.8 per cent at banks with deposits of less than \$500,000 to 34.7 per cent at banks with deposits of

more than \$25,000,000. The proportion of total earnings derived from securities varied from 14.5 per cent at the smaller banks to 44.7 per cent at the larger banks. Although the expenses of most banks increased further in 1943, they constituted a smaller proportion of total earnings than in 1942, since the increase in earnings was greater than that in expenses. The decline in the ratio of expenses to total earnings was most pronounced at banks with deposits of more than \$10,000,000 where the most marked increase in earnings occurred. A significant development during 1943 was the substantial recoveries in loans previously charged off. In the case of every group of banks recoveries exceeded losses, ranging from 1.8 per cent of total earnings for banks with deposits of between \$10,000,000 and \$25,000,000 to 6.7 per cent for banks with deposits of between \$500,000 and \$1,000,000. The average net recoveries for all member banks was 4.6 per cent of total earnings in 1943 as compared with net charge-offs of 0.2 per cent in 1942.

The percentage of net current earnings to total capital accounts was smaller in 1943 than in 1942 at banks with deposits of less than \$2,000,000, but was substantially larger at banks in the higher deposit groups. The increase was especially large at banks with deposits in excess of \$10,000,000.

Reflecting the substantial net recoveries and the increase in net current earnings, net profits after taxes during 1943 were higher than in 1942 at banks in all size groups. The ratio of net profits to total capital accounts ranged from 6.3 per cent at banks with deposits of less than \$500,000 to 10 per cent at banks with deposits of between \$10,000,000 and \$25,000,000. Banks in all size groups continued to follow conservative dividend policies during 1943. Despite the increase in net profits, the banks in a majority of the deposit groups paid a smaller rate of dividends on total capital accounts in 1943 than in the preceding year.

Due to the rapid growth in deposits and the moderate additions to capital accounts, the ratio of total capital accounts to deposits showed a further sizable decline in 1943. The average ratio, which varied inversely with the size of banks, was 17.3 per cent at the smaller banks and 4.9 per cent at the larger banks.

NOTE: Copies of the statement of Operating Ratios of Member Banks in the Eleventh District for 1943 may be obtained upon request.

## FOURTH WAR LOAN DRIVE

The outstanding success of the Fourth War Loan Drive is indicated by the final tabulation which shows that total sales aggregated \$16,730,000,000, which is \$2,730,000,000, or 20 per cent, in excess of the \$14,000,000,000 goal announced prior to the drive. The most encouraging feature of the drive was the attainment of the Treasury's principal objective of selling more than \$3,000,000,000 of Series E war savings bonds to small investors. Moreover, total sales of all classes of securities to individuals were only \$191,000,000 short of the \$5,500,000,000 goal.

Sales of Series E, F and G war savings bonds amounted to approximately 25 per cent of all sales during the Fourth War Loan Drive, whereas they amounted to only one-sixth of total sales during the preceding drive. Sales of tax savings notes, 2¼ per cent and 2½ per cent Treasury bonds were smaller during the current drive than sales of similar issues during the

preceding one, but sales of certificates of indebtedness were substantially larger. The combined sales of those four issues accounted for \$15,010,000,000 of aggregate sales of \$18,313,000,000 during the Third War Loan Drive, whereas they amounted to only \$12,464,000,000 of total sales of \$16,730,000,000 during the Fourth War Loan Drive. The reduction in sales, which was most pronounced in the case of the 2¼ per cent and 2½ per cent Treasury bonds reflected primarily the smaller purchases by insurance companies and savings banks, which sold a much smaller volume of their holdings of outstanding securities in order to enter subscriptions during the current drive. Sales to brokers and dealers were only about one-half of those during the preceding drive, indicating that their purchases were confined largely to amounts needed for the investment of their own funds and for distribution to nonbank customers after the close of the drive.



The sales of the various types of securities during the Third and Fourth War Loan Drives are shown in the following table:

	Third Drive (In millions of dollars)	Fourth Drive (In millions of dollars)
To nonbank investors:		
Series E savings bonds.....	2,472	3,187
Series F and G savings bonds.....	831	1,024
Savings notes.....	2,483	2,232
2½ per cent Treasury bonds.....	3,298	1,920
2 and 2¼ per cent bonds.....	5,109	3,331
Certificates of indebtedness.....	4,120	5,086
Total.....	18,313	16,730

NOTE: Totals in above table do not include securities sold outside the drives to commercial banks and to Government agencies and trust funds.

Sale of securities in Texas, which progressed slowly during the early part of the drive, show a very favorable comparison with the national experience. Aggregate sales in Texas amounted to \$479,496,000, which represents 2.9 per cent of the \$16,730,000,000 of securities sold throughout the nation. In Texas sales of Series E bonds amounted to \$144,845,000, which was 111 per cent of the quota of \$130,000,000. Total sales to individuals were 119 per cent of the quota and sales to all nonbank investors were 121 per cent of the quota. While total sales throughout the nation were 120 per cent of the goal, sales of Series E bonds were only 106 per cent of the quota and total sales to individuals were 97 per cent of the quota. It is significant that Texas ranked second among the states with Series E bond quotas of more than \$100,000,000, and first among the states with quotas for individuals of more than \$200,000,-

000. The amounts of the various types of securities sold in Texas, and the percentage composition of sales in Texas and in the United States are shown in the following table:

	Amount	Texas Per Cent	United States Per Cent
Types of issues:			
Series E savings bonds.....	144,845,000	30.2	19.1
Series F and G savings bonds.....	36,444,000	7.6	6.1
Tax savings notes.....	82,791,000	17.3	13.3
2½ per cent Treasury bonds.....	25,778,000	5.3	11.5
2¼ per cent bonds.....	58,857,000	12.3	19.9
Certificates of indebtedness.....	130,780,000	27.3	30.1
Total.....	479,496,000	100.0	100.0

The composition of sales in Texas differed considerably from that for the nation. Sales of Series E bonds represented 30 per cent of total sales in Texas as compared with only 19 per cent in the nation and the percentage of Series F and G bond sales was slightly larger in Texas than in the nation. Sales of tax savings notes represented 17 per cent in Texas as against only 13 per cent in the nation. Sales of other issues, however, represented a considerably smaller percentage of the total in Texas than in the country as a whole.

During the period of the drive, the Treasury raised nearly \$1,000,000,000 of new money in addition to sales credited to the war loan quotas. These funds were obtained from the sale of more than \$600,000,000 of 2¼ per cent and 2½ per cent Treasury bonds and Series F and G savings bonds which were offered to commercial banks with savings departments, and from the sale of \$350,000,000 of the various new issues to Government trust accounts.

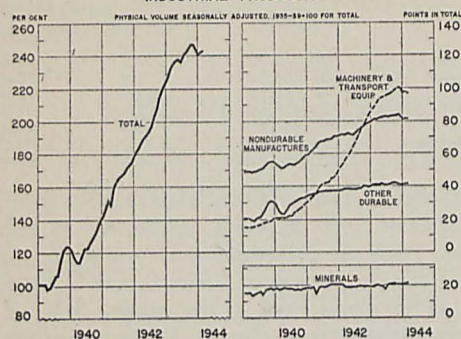


APRIL 1, 1944

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

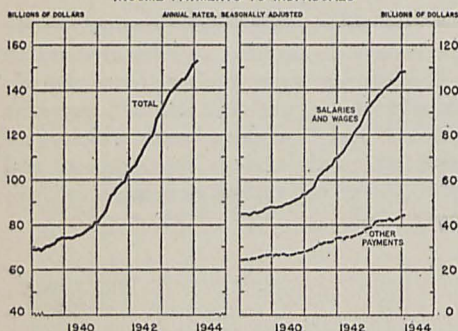
(Compiled by the Board of Governors of the Federal Reserve System)

## INDUSTRIAL PRODUCTION



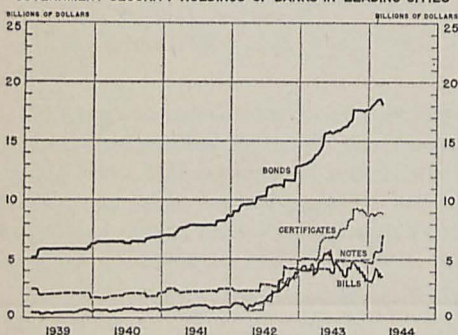
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for February 1944.

## INCOME PAYMENTS TO INDIVIDUALS



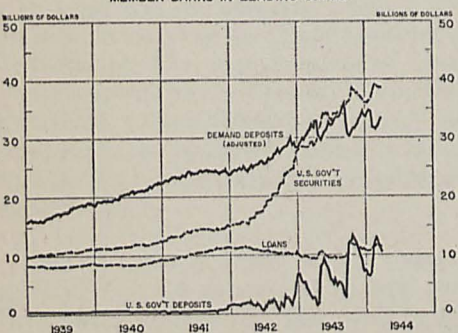
Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for February 1944.

## GOVERNMENT SECURITY HOLDINGS OF BANKS IN LEADING CITIES



Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for March 15, 1944.

## 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 March 15, 1944.

Industrial activity was maintained at a high level in February and the early part of March. Commodity prices and retail sales showed little change.

## INDUSTRIAL PRODUCTION

Output at factories and mines was at about the same rate in February as in January and the Board's seasonally adjusted index advanced 1 point to 243 per cent of the 1935-39 average.

Steel production continued to advance in February and in the first three weeks of March. Output of nonferrous metals showed little change as curtailment of aluminum production offset increases in output of other metals. Magnesium production was ordered curtailed, beginning in March, by approximately 3,000,000 pounds per month or 7 per cent of January output. Activity in the machinery, transportation equipment and other durable goods industries showed little change from January to February.

Output of textile products was maintained at the January level and production of most manufactured food products declined less than is usual at this season. Butter and cheese production continued to increase seasonally in February. The volume of hogs slaughtered under Federal inspection declined 6 per cent from the exceptionally high January level; a much larger decline is usual in this month. Chemical production continued to decline as output of small arms ammunition and explosives was further curtailed.

Fuel production rose slightly in February to a level 10 per cent above the same month last year. Output of bituminous coal and crude petroleum was maintained at a high level, and anthracite coal production increased 19 per cent as a result of a seven-day work week in effect for the month of February.

## DISTRIBUTION

Total retail sales in February continued about as large as in January and exceeded somewhat the volume of a year ago. At department stores sales in February were about 10 per cent smaller than last year when there was a buying wave in clothing. During the first three weeks of March department stores sales exceeded the volume of a year ago, reflecting in part the earlier date of Easter this year.

Freight carloadings, after allowance for seasonal changes, were maintained during February and the first two weeks in March in the unusually large volume reached in December and January.

## COMMODITY PRICES

Prices of cotton and livestock increased somewhat from the middle of February to the middle of March while most other wholesale commodity prices showed little change.

Retail food prices declined 1 per cent from mid-January to mid-February owing chiefly to seasonal decreases in prices of eggs and citrus fruit. Retail prices of most other goods and services advanced slightly.

## BANK CREDIT

During the latter part of February and the first half of March the average level of excess reserves at all member banks fluctuated around one billion dollars. Member bank reserve requirements increased by about 400 million dollars as the result of private deposit expansion which, in turn, was the result of Treasury disbursements from war loan accounts which require no reserves. Money in circulation increased 400 millions and the gold stock declined by 130 millions. Funds to meet these demands were supplied by additions to Reserve Bank security holdings and a temporary decline in Treasury deposits at the Reserve Banks. In the four weeks ended March 15, Government security holdings of the Federal Reserve Banks rose by 720 million dollars, reflecting mainly substantial increases in bill holdings under repurchase option; note and certificate holdings also increased.

At reporting member banks in 101 leading cities Government security holdings declined by 540 million dollars during the four weeks ended March 15. Holdings of notes rose by 1.5 billion dollars while bonds and guaranteed obligations declined as the result of an exchange of maturing and redeemable issues for a new 1½ per cent note issue. Holdings of bills also declined, reflecting principally sales to the Reserve Banks. Loans to brokers, dealers, and others for purchasing or carrying Government securities, which had increased moderately during the Fourth War Loan Drive, fell by 340 million dollars in the following four weeks. Commercial loans also declined somewhat.

Adjusted demand deposits rose by 1.9 billion dollars during the four weeks ending March 15, representing a gain of more than half of the funds withdrawn from such accounts during the drive. Government deposits at these banks fell by 2.6 billion dollars in the month following the drive.