

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

Crude petroleum production in this district continued to increase during June and is expected to rise to new peaks during July and August, reflecting the heavy military demand for gasoline and other petroleum products and the bringing into operation of additional refineries. The value of construction contracts awarded during June, although slightly larger than in May, was about one-fourth smaller than in June last year. Department store sales declined by less than the usual seasonal amounts during June and the adjusted index of sales rose to a level only slightly under the all-time peak reached in March this year. Weather conditions during June and the first half of July were conducive to an improvement in crop prospects and facilitated the harvesting of small grains and commercial truck crops. The continuance of dry weather and high temperatures, however, is having an adverse effect upon prospective yields of some crops and has caused a deterioration of livestock ranges. Rains would be beneficial to crops and ranges in most sections of the district. The deposits of weekly reporting member banks increased by \$185,000,000 between June 14 and July 12 and these banks utilized most of the funds acquired to expand their loans and investments. Sales of Government securities in Texas during the Fifth War Loan Drive were greatly in excess of the State's quota.

BUSINESS

The dollar volume of sales at reporting department stores in this district decreased less than the usual seasonal amount from May to June, and was 11 per cent larger than in June, 1943. The seasonally adjusted index for June rose to 245 per cent of the 1935-1939 average as compared with the all-time peak of 247 per cent which was reached in March this year. Sales during the first six months of this year averaged 15 per cent higher than those for the same period in 1943. Preliminary indications from weekly reporting firms point to a continued heavy demand for merchandise. Sales during the two weeks ended July 15, 1944 were 15 per cent higher than those for the corresponding weeks of a year ago despite one fewer trading days in the period this year as reported by many firms. Demand for soft lines, notably women's apparel, has accounted for the large increase in total sales, whereas sales of durable goods have been low for some time as a result of inventory depletions.

Total dollar volume of stocks, which usually shows a decline from May to June, increased 7 per cent over May and was 15 per cent higher than the volume reported a year ago. Increases in stocks of both men's and women's apparel were reflected in this counter-seasonal change. Orders outstanding at the end of June were 22 per cent above those a month earlier but were practically the same as a year ago.

The monthly ratios of cash sales to total sales for the first six months of this year varied slightly from their average of 53 per cent as compared with a similar average of 49 per cent in 1943 and a uniform ratio of 33 per cent in 1941. Collections on regular accounts during the month of June represented approximately 63 per cent of total outstandings at the beginning

of the month. This compares with 61 per cent for the same period a year ago and 40 per cent in 1941.

According to the Department of Commerce, retail sales at independent stores in Texas during May were 18 per cent higher than a year earlier and sales during the first five months of 1944 were 11 per cent higher than those for a similar period last year. This is the result of the continued large volume of payrolls and farm income.

At reporting furniture firms dollar sales in June were 4 per cent less than in May and 7 per cent above those of a year ago. Credit sales in June, which represented 82 per cent of total sales, decreased 2 per cent from May but were 7 per cent above those of last year. Manpower difficulties at manufacturing centers and the lack of materials have caused a further depletion in stocks of furniture. At the end of June, stocks were 3 per cent lower than a month ago and 13 per cent below those of a year ago.

According to Dun and Bradstreet, Incorporated, there have been no business failures in the Eleventh Federal Reserve District during the first six months of 1944. Although the number of business failures in the United States was not relatively large during this same period, there were 737 such failures with total liabilities equal to approximately 14 million dollars.

AGRICULTURE

Warm, dry weather, which prevailed throughout the Eleventh District during the last half of June and the early part of July, resulted in a marked improvement in late crop prospects generally and enabled farmers to make good progress in cultivating row crops and harvesting the commercial truck crops, wheat and other small grains. Continued dry weather, however, may cause considerable damage to late crops and rain is urgently needed in most sections, especially in west Texas where ranges are drying and curing rapidly. The rains during July were spotty but were very beneficial in many localities. Small grains continued to improve and record yields are in prospect.

The July 1 report of the United States Department of Agriculture estimated the Texas wheat crop at 72,905,000 bushels, which is an increase of approximately 20 per cent over the June 1 forecast of 61,095,000 bushels. If the indicated harvest materializes, the Texas wheat crop for 1944 will be slightly over two and one-half times the 10-year average of 28,195,000 bushels and will exceed the record crop of 1931 by approximately 5,000,000 bushels. Harvesting operations, although showing generally good progress in most areas, have been slowed down on account of shortages of labor, of harvesting machinery, and of shipping facilities. The elevator capacity is reported to be adequate to store the crop, but much wheat has been piled on the ground and some elevators have been temporarily closed because of labor and car shortages, but the interested agencies are taking steps to relieve the situation. Some damage to the wheat piled on the ground has been reported, but extensive damage is not expected unless there is a period of excessive rains. The production of oats in Texas was estimated at 42,471,000 bushels which is about double that in 1943 and 27 per cent above the 10-year average harvest. The increased production

reflects both the larger acreage and the substantially higher per acre yield. Due to the smaller acreage, the prospective production of 19,920,000 bushels of rice in Texas is slightly below the record harvest in 1943.

Cotton acreage in cultivation in Texas on July 1 was estimated by the Department of Agriculture to be 7,325,000 acres, the lowest in 45 years, and 7 per cent under the 7,915,000 acres planted in 1943 and 60 per cent below the record of 18,443,000 acres planted in 1925. The reasons given for the lower acreage this year are that part of the State was too dry and part too wet for planting at the proper season. Most of the acreage diverted from cotton was planted to grain sorghums and other feed and food crops, with very little change in the total acreage of land being devoted to crop production. The cotton crop, however, has made fairly good progress, with no serious insect infestation being reported except in some extreme southern counties. Fields generally are clean, stands are good and plants are fruiting satisfactorily. The crop in south Texas is nearing maturity, with first bales being reported. In some areas, plants are shedding because of high temperatures and dry weather and rain would be beneficial over much of the State. The average price of spot cotton, middling 15/16-inch staple, reached a new 16-year high of 22.13 cents at the ten spot markets on July 11, reflecting the effects of the provisions contained in the Stabilization Extension Act of 1944, which became effective on June 30.

Corn acreage in cultivation in Texas on July 1 was estimated at 4,973,000 acres, which is 10 per cent less than the area planted last year. The prospective production was forecast at 67,136,000 bushels, representing a decline of 24 per cent from the 1943 production of 88,416,000 bushels. The south Texas crop is maturing with good yields and is well advanced in most central Texas counties. On the High Plains, the young crop has a favorable outlook with satisfactory moisture for growth over much of the area, but in most of east Texas, the black land belt, and central western counties, additional moisture is needed to mature the crop. Grain sorghum crops generally showed improvement throughout Texas with harvesting being well under way in some sections. Hay crops are reported good with weather conditions being exceptionally favorable for saving the crop. Peanuts made generally good progress in most sections, but the acreage planted this year is about 30 per cent below that last year, although more than double the prewar level.

Harvesting of the mid-season commercial vegetable crop proceeded rapidly during the warm, open weather. The east Texas tomato harvest had been completed by early July with the total movement about 15 per cent lower than a year ago. Harvest of the north Texas onion crop was complete and late onions in the Panhandle were reported as developing favorably. The potato harvest was complete in the important commercial areas, with the exception of the Panhandle, but yields averaged low. The prospect for sweet potatoes improved; growing crops made fair gains, and planting had been completed in the important producing counties. Cantaloupes and watermelons were in abundance in mid-season centers with quality reported as good.

A sharp decline in pig production is indicated over the United States during 1944. The total crop, estimated at approximately 87,925,000 head, is 28 per cent below the record crop of 1943 and 16 per cent below that in 1942, but larger than in any other year of record. The Texas spring pig crop of 1,392,000 head is 35 per cent below the record number of 2,148,000 pigs produced in the spring of 1943, and 14 per cent less than in 1942, but is still 22 per cent above the 10-year (1933-1942) average production. If the indicated fall crop is realized, the

total Texas pig crop in 1944 will be 2,537,000 head, a decrease of 40 per cent from the record crop of 1943 and 23 per cent below that in 1942, but slightly larger than the average for the 10-year period.

Hatchery operations over the United States were curtailed during the first five months in 1944, causing a production decline of 12 per cent from the same period last year. Texas hatchery operations also showed a marked decline, with settings for May estimated at 5,810,000 eggs as compared with 17,684,000 for the same month last year. The total hatchery output

CASH FARM INCOME

(Thousands of dollars)

	April 1944		April 1944	Total receipts		
	Crops	Livestock*		April 1943	January 1 to April 1944	April 1 to April 30 1943
Arizona.....	12,212	4,815	17,027	19,157	54,250	56,466
Louisiana.....	8,590	5,022	13,612	11,960	54,571	44,442
New Mexico.....	1,053	4,559	5,612	6,950	19,023	24,146
Oklahoma.....	2,743	20,425	23,168	22,880	99,217	94,989
Texas.....	23,309	55,386	78,785	92,329	306,056	315,738
Total.....	47,997	90,207	138,204	153,276	533,117	535,781

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	June 1944	June 1943	May 1944	June 1944	June 1943	May 1944
Cattle.....	105,840	50,284	102,098	30,727	12,455	31,939
Calves.....	32,982	14,189	25,499	19,542	13,561	25,342
Hogs.....	92,358	86,484	117,941	10,911	8,658	16,468
Sheep.....	673,395	211,972	605,432	88,085	33,201	52,343

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	June 1944	June 1943	May 1944	June 1944	June 1943	May 1944
Beef steers.....	\$16.10	\$16.00	\$16.25	\$13.75	\$13.60	\$13.50
Stocker steers.....	12.85	15.50	13.00
Heifers and Yearlings.....	16.00	16.00	16.00	14.00	15.00	14.00
Butcher cows.....	12.00	13.50	12.50	12.00	13.00	11.40
Calves.....	14.00	15.00	14.50	14.10	15.00	14.00
Hogs.....	13.65	14.35	13.65	13.55	14.25	13.55
Lambs.....	14.75	14.50	14.50	13.25	12.00	13.25

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to June 30 This season	Last season	August 1 to June 30 This season	Last season
Cottonseed received at mills (tons).....	917,324	1,015,668	3,949,613	4,468,859
Cottonseed crushed (tons).....	939,857	1,028,436	3,898,745	4,437,294
Cottonseed on hand June 30: (tons).....	22,136	20,187	139,644	103,596
Production of products:				
Crude oil (thousand lbs.)....	283,682	296,170	1,217,974	1,380,883
Cake and meal (tons).....	446,181	460,668	1,808,841	1,966,102
Hulls (tons).....	221,997	255,718	911,691	1,070,586
Linters (running bales).....	280,656	304,241	1,162,906	1,335,945
Stocks on hand June 30:				
Crude oil (thousand lbs.)....	3,805	1,009	10,326	10,959
Cake and meal (tons).....	9,668	6,158	37,741	29,427
Hulls (tons).....	2,867	2,083	19,682	17,392
Linters (running bales).....	37,756	55,829	124,173	192,515

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	June 1944	June 1943	May 1944	August 1 to June 30	
				This season	Last season
Consumption at:					
Texas mills.....	17,037	23,258	17,270	189,226	243,087
United States mills.....	805,735	918,433	831,889	9,217,903	10,260,214
U. S. stocks—end of month:					
In consuming establishments.....	1,984,910	2,219,286
Public stg. & compresses.....	8,855,931	8,550,318

CROP PRODUCTION—(Thousands of Units)

Crop	Unit	Texas		Eleventh District	
		Estimated July 1, 1944	1943	Estimated July 1, 1944	1943
Winter wheat.....	Bushels	72,905	36,366	73,572	37,142
Corn.....	Bushels	67,136	88,416	78,792	102,083
Oats.....	Bushels	42,471	21,780	47,945	26,111
Barley.....	Bushels	8,428	3,341	17,632*	9,370*
Tame hay.....	Tons	1,479	1,469	2,051	2,018
Potatoes, Irish.....	Bushels	4,686	6,450	5,653	7,504
Potatoes, sweet.....	Bushels	5,200	5,616	13,934†	15,072†
Rice.....	Bushels	19,992	20,106	19,992†	20,196†

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

†Texas only. Other data for Eleventh District derived from estimates by states.

SOURCE: United States Department of Agriculture.

in Texas for the first five months of 1944 was approximately one-third less than the record output for the same period last year.

Range feed and pasturage in most of the district deteriorated during June due to the lack of moisture. Range conditions are generally poor in southern New Mexico, west Texas, and in portions of central, central-west and the South Plains, with stock water becoming short in some areas. However, on the High Plains and in the southern portion of Texas conditions were favorable, with adequate moisture and pasturage being available. Livestock made satisfactory gains during June, except in the extremely dry areas, and are now in generally good condition. Receipts at the Fort Worth and San Antonio markets continued heavy during June. Total receipts of cattle, calves, hogs and sheep at the two markets for the first six months of 1944 were 3,311,700 head; an increase of 1,194,000 over the same period in 1943, with more than half of the movement into the above markets being made up of sheep and lambs.

Prices received by Texas farmers during June were slightly lower for most items compared with those of a month ago, with the most pronounced changes being in such products as wheat, oats, barley, rice, grain sorghum and hay. Nevertheless, prices for these products on June 15 were still considerably above those obtaining on the same date last year. All meat animal prices, except lambs, were reported under those for May, ranging from 10 cents to 30 cents per hundredweight. Compared with June a year ago, meat animal prices are from 80 cents to \$1.70 per hundredweight lower.

FINANCE

Purchases of Government securities in Texas and in the United States during the Fifth War Loan Drive exceeded the respective goals by substantial margins. Since sales of war savings bonds and Treasury savings notes processed through July 31 will be applied against the quota for the drive, final tabulations will not be available until the end of the month. Nevertheless, by July 17 the Texas quota of \$464,000,000 had been exceeded by more than \$112,000,000 and the national quota of \$16,000,000,000 had been exceeded by \$3,500,000,000. Subscriptions by individuals in Texas were 120 per cent of the quota but subscriptions for Series E bonds were only 85 per cent of the quota. However, if the experience during the remainder of July is comparable to that during the corresponding period of the previous drive, subscriptions for Series E bonds should surpass the goal by a substantial margin.

The reserve balances of member banks in this district, after reaching a peak around the middle of June, declined moderately during the last half of the month and then rose sharply to a new all-time peak of \$562,000,000 on July 12. The average of \$541,760,000 during the first half of July was about the same as that in June and approximately \$64,000,000 higher than the average in July last year. Excess reserves rose substantially during June, and in the last half of the month averaged \$104,000,000, the highest level since the first half of March which was the period immediately following the close of the Fourth War Loan drive. The rise during June reflected not only the higher level of reserve balances but also the sharp decline in required reserves resulting from the large shifts of customer deposits to reserve-exempt war loan deposits as settlements were made for the securities purchased during the Fifth War Loan drive. A further increase in excess reserves is expected during July.

The circulation of Federal Reserve notes of this bank declined approximately \$4,600,000 between June 8 and June 24, probably reflecting the use of currency in the payment of income taxes and in purchasing Government securities. Toward the end of June when month-end requirements became pronounced, Federal Reserve note circulation turned sharply upward and reached a new peak of \$473,800,000 on July 8, but by July 15 it had declined to \$466,945,000, which was \$5,301,000 higher than a month earlier and \$143,178,000 above the total on the corresponding day last year. The net expansion between June 15 and July 15 was the smallest since February and less than half that which occurred during the corresponding period last year.

The loans and investments of weekly reporting member banks in this district, which increased \$164,778,000 between June 14 and July 12, reached a new high of \$1,547,000,000 at the close of the period. This increase was in excess of that for any similar period of record. After showing an irregular contra-seasonal upward trend during the first five months of the year, commercial, industrial and agricultural loans increased approximately \$17,000,000 during the four weeks ended July 12, and on that date were \$50,700,000 higher than a year earlier. The principal increase in loans, however, occurred in loans for security trading, which reached a peak of \$74,426,000 on July 5, as loans were made to customers to facilitate the purchase of Government securities during the Fifth War Loan Drive. These loans declined sharply during the subsequent week but the total on July 12 was \$27,987,000 higher than four weeks earlier and \$12,461,000 above the total on February 16 at the close of the Fourth War Loan Drive. Between June 14 and July 12, total investments of reporting banks increased \$118,393,000 to a new peak of \$1,172,625,000. The increase represented principally an expansion of \$56,763,000 in certificates of indebtedness and \$45,256,000 in Treasury bonds, but there were also increases of \$13,814,000 in Treasury bills and of \$10,339,000 in Treasury notes. The only decrease occurred in holdings of Government guaranteed securities.

During the period between June 14 and July 12, which coincided roughly with the Fifth War Loan Drive, the total deposits of weekly reporting banks in this district rose \$185,900,000 to a new peak of \$2,044,000,000. Reflecting withdrawals of customer balances to pay income taxes and to purchase Government securities, adjusted demand deposits during the four weeks decreased \$84,000,000, which is substantially larger than the decline which occurred during the comparable period of the Fourth War Loan Drive, but Government deposits, consisting mostly of war loan balances, increased by \$252,000,000 which is nearly double the expansion during the preceding drive. Moreover, during the four weeks, interbank deposits increased by \$15,131,000 and time deposits rose by \$2,224,000. Although the reporting banks used most of the funds obtained through the increase in deposits to expand their loans and investments, they added \$5,100,000 to their reserves with the Federal Reserve Bank and \$15,600,000 to their balances with correspondents.

Since the beginning of 1943, time deposits at weekly reporting member banks in this district have been steadily increasing. During the first six months of 1944, they registered an increase of \$21,989,000, or 13 per cent, as compared with \$12,813,000, or 10 per cent, during the first six months of 1943. This rise has been gradual and steady and is an indication that many customers have opened accounts that were not maintained previously, as well as the growth in the balances of old accounts.

INDUSTRY

In June the value of construction contracts awarded in the Eleventh District showed a slight increase over that in the preceding month, but the aggregate of \$10,423,000 was about 24 per cent below June, 1943. The value of awards in this district during the first six months of this year was 70 per cent below the total during the same period last year and indicated the continued downward trend in construction which first became pronounced in March of 1943. After considering the drastic controls placed on lumber and the restrictions on other vital construction materials for non-military use, together with the fact that most projects of a military nature have been completed, or are nearing completion, it seems likely that the value of construction awards will continue at a relatively low level during the second half of 1944.

Daily average crude oil production in this district during June reached a new high of 2,215,738 barrels, surpassing by about 2 per cent the previous peak of 2,181,710 barrels attained in the preceding month, and exceeding the output in June, 1943 by about 31 per cent. All producing areas in the district showed increases over May production with the exception of New Mexico and northern Louisiana where decreases in daily averages occurred. The largest production increase occurred in the west Texas field where the daily average output was 16,600 barrels above that in May and 217,000 barrels greater than in June of last year. Daily average production outside this district, however, remained at about the same level as in May and increased only slightly as compared with June a year ago. After providing for an estimated underproduction of $7\frac{1}{2}$ per cent, the Texas Railroad Commission set effective allowables for crude oil production in August at 2,101,382 barrels daily, which indicates a continued expansion in daily production. Heavy withdrawals of crude oil from above-ground stocks continued in spite of the substantial increases in production, reflecting the expanding demand for crude petroleum. Stocks of crude oil in this district, which at the end of June amounted to 122,250,000 barrels, were about 2 per cent below those a month earlier, but 5 per cent higher than on the same date last year; stocks of crude oil throughout the country have dropped to the lowest level in 22 years. The July demand called for a daily average national production of 4,603,200 barrels of domestic crude oil, the Bureau of Mines reported. Consumption of gasoline and all other motor fuels during the next 90 days is expected to reach new high levels due to the greatly expanded war requirements on all fronts. Great stress was placed upon the urgent necessity for increased refinery production of 100-octane aviation gasoline in order to offset the heavy drain on inventories in the several war areas.

On July 1 the Petroleum Administrator announced the easing of Federal restrictions on the drilling and equipping of

oil and gas wells. Specifically, the order removes Federal restrictions as to distance between wells and between wells and property lines. Moreover, restrictions have been relaxed on the installation or reinstallation of pumping or other artificial equipment used in the production of oil.

During the first half of this year more than 3,300 wells were completed in the Eleventh District as compared with approximately 2,330 wells completed during the same period in 1943. Even though drilling activity has shown a steady increase during the year, total completions are still far below the level of 1941 and prior years and the percentage of dry wells continues to run relatively high.

Cotton consumed at United States textile mills during June was slightly smaller than in May and was approximately 12 per cent smaller than in June a year ago. Total cotton consumption from August, 1943 through June, 1944 was 9,217,900 bales, which was 10 per cent below the record consumption of 10,260,000 bales for the same period in 1943. At the end of June, stocks of cotton in consuming establishments in the United States were 11 per cent smaller than a year earlier, but stocks in public storage and compresses were 4 per cent larger. Daily cotton consumption has continued to decline and in June reached the lowest rate since November, 1940, despite efforts to obtain increased textile output. Serious shortages of many textile items are being felt by consumers throughout the country, the most urgent being in cotton clothing, underwear, sheeting and work clothes. Several Government agencies have taken steps designed to bring about an increase in textile output. Following the enactment of the Stabilization Extension Act of 1944, the Office of Price Administration has permitted price increases on about one-third of all cotton textile items, representing an average increase of about $7\frac{1}{2}$ per cent to the mills. The War Manpower Commission ordered a 48-hour work week for the cotton textile industry effective May 16, and the War Production Board ordered that mills produce yarn in the present and succeeding quarters at least equal to the production in the peak quarter of 1943. However, the immediate outlook in the textile industry is one of continued labor shortages, further complicated by worn machinery and a shortage of carding facilities.

Cottonseed receipts at Texas cottonseed oil mills increased about 54 per cent over the preceding month and were approximately 77 per cent greater than during June, 1943. However, during the first eleven months of the current season both cottonseed receipts and crushings were about 9 per cent smaller than in the corresponding period of the previous season. Stocks of cottonseed oil at Texas mills on June 30 totaled 3,805,000 pounds as compared with 1,009,000 pounds on hand at the end of June last year. Stocks of cake and meal and hulls also showed substantial increases over the relatively low stocks held on June 30 last year.

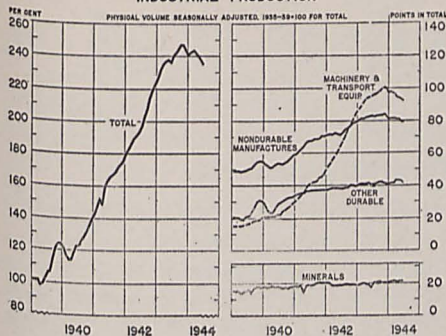
MONTHLY BUSINESS REVIEW

AUGUST 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 June, 1944.

Employment and production at factories continued to decline slightly in June; output of minerals was maintained in record volume. Retail trade and commodity prices showed little change in June and the early part of July.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in June as compared with 237 in May and 243 in the first quarter.

Steel production declined 4 per cent from the rate in May, reflecting partly manpower shortages. Output of nonferrous metals dropped 8 per cent, largely owing to the continued planned curtailment of aluminum and magnesium production. The lifting on July 15 of some of the restrictions on use of these metals was the initial step in a program to prepare for limited reconversion to peacetime output. Activity in the machinery and transportation equipment industries in June was maintained at the level of the preceding month. Increasing emphasis was reported on output of heavy artillery and artillery shells and of tanks. Lumber production continued to decline and was approximately 10 per cent below June 1943.

Production of nondurable goods was maintained in June. Meat-packing activity declined further from the exceptionally high level in the first quarter, but output of most other food products continued to rise seasonally. Refinery output of gasoline advanced further and reached the earlier record level in December 1941. Activity in cotton textile mills and in the chemical and rubber industries showed little change in June.

Mine production of metals and coal was maintained in large volume and crude petroleum production continued to rise to new record levels.

DISTRIBUTION

Department store sales declined more than seasonally in June, following a considerable increase in May, and the Board's index was 175 per cent of the 1935-39 average as compared with 183 in May and an average of 177 in the first four months of this year. Value of sales in the first half of 1944 was 7 per cent greater than in the first half of 1943. In the early part of July sales were 9 per cent larger than a year ago.

Railroad freight carloadings showed little change in June and the first three weeks of July after allowance for seasonal movements.

COMMODITY PRICES

Legislation extending Federal price controls for one year was enacted June 30; certain restrictive provisions were relaxed, especially those relating to prices of cotton products. Prices of most commodities in wholesale and retail markets have recently shown little change.

AGRICULTURE

Well over a billion bushels of wheat and almost 3 billion bushels of corn were in prospect on July 1. This is an improvement over June 1 prospects and aggregate crop production in 1944 may be about the same as in 1943 and larger than any year prior to 1942.

The number of chickens raised this year was 19 per cent smaller than last year; the spring pig crop was 24 per cent smaller and the fall crop may be a third smaller than in 1943. Marketings of cattle, however, have been normal in relationship to the numbers and unless marketings are increased during the rest of this year no material reduction of the large numbers of cattle on farms will occur.

BANK CREDIT

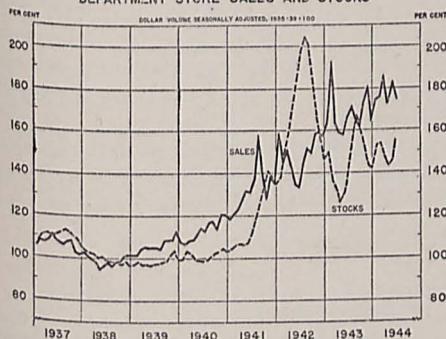
As payments for securities purchased during the Fifth Drive transferred funds from private deposits to reserve-exempt Government accounts, the average level of required reserves at all member banks declined by close to 1/4 billion dollars. Reserve balances were reduced by about 800 million dollars and excess reserves rose by around 400 million. Reserve funds were absorbed through declines in Reserve Bank holdings of Government securities, by a moderate increase in currency, and by temporary increases in Treasury deposits at the Reserve Banks. Over the four weeks ending July 12, money in circulation rose by 230 million dollars, which is a smaller rate of growth than prevailed in recent months, reflecting the influence of the war loan drive.

During the Fifth Drive, between June 14 and July 12, Government security holdings at reporting member banks in 101 leading cities increased by 4.7 billion dollars. Additions to bank holdings resulted from purchases of securities from investors who were adjusting their positions prior to subscriptions during the drive, from increased purchases of Treasury bills, and from subscriptions to new securities in limited amounts.

Loans for purchasing and carrying Government securities increased by 1.8 billion dollars over the Fifth War Loan, an increase larger than that of any other drive. Of the total amount advanced by banks in 101 cities, loans to brokers and dealers accounted for 500 million and loans to others for 1.3 billion.

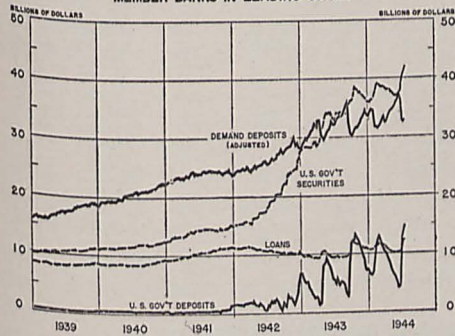
Accompanying purchases of securities during the Fifth Drive, adjusted demand deposits declined by 4.7 billion dollars at banks in 101 cities. Government deposits at these same banks increased by 10.5 billion dollars. The difference reflected the effect of the increase in bank loans and investments.

DEPARTMENT STORE SALES AND STOCKS



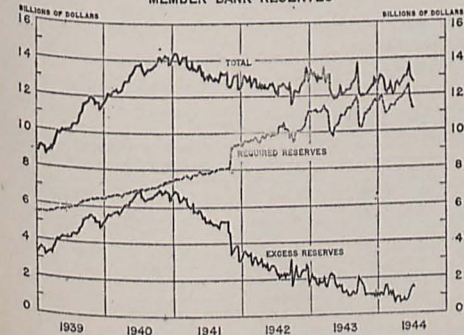
Federal Reserve indexes. Monthly figures, latest shown are for June, 1944.

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 July 12, 1944.

MEMBER BANK RESERVES



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for July 12, 1944.

