

# MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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## DISTRICT SUMMARY

Consumer buying at department stores in this district declined by less than the usual seasonal amount from June to July and was 12 per cent larger than that in July, 1943. Sales of furniture stores were in about the same volume as in July last year. Reflecting the heavy demand for petroleum products for war purposes, daily average production of crude petroleum in this district rose to a new peak in July and on the basis of allowables, is expected to expand further in August and September. The value of construction contracts awarded declined further in July and was at the lowest level of the current year. Lumber and cement production continued in smaller volume than a year ago. The hot, dry weather, which prevailed over much of this district during July and the first half of August, caused a deterioration in growing crops and in livestock ranges. While scattered rains have relieved the drought in some areas, general rains are needed for crops to permit preparation of soil for fall seeding operations, to revive ranges, and to replenish stock water supplies.

## BUSINESS

The dollar volume of sales at department stores during July was 12 per cent above that of a year ago and showed a less than seasonal decline from that in the preceding month. On a daily average basis, the adjusted index rose to 277 per cent of the 1935-1939 average, thus superseding all other peaks in the adjusted series since 1919. During the first seven months of this year the dollar volume of sales exceeded that of the comparable period a year ago by 15 per cent.

Data available on sales by departments for the first six months of this year depict the type of transactions which contributed greatly to this continued rise over those a year ago. During this period sales of women's and misses' clothing and ready-to-wear accessories, which constituted approximately 45 per cent of the total sales volume reported, were 19 per cent above those for the same period last year. Reflecting the effects of rationing, the demand for women's and children's shoes remained unchanged from a year ago. Sales of men's and boys' apparel during this six-month period were up 6 per cent over last year principally as a result of the increase in the demand for furnishings. During the same period, the demand for men's and boys' shoes and slippers decreased considerably from that of a year ago. Despite the restricted manufacture of many durable goods, aggregate sales of house furnishings increased 10 per cent over last year. Although sales of refrigerators, stoves and other household appliances decreased tremendously from the low volume of last year, the demand for items that were available in some quantity, such as furniture, domestic floor coverings, draperies, lamps, etc., was large enough to counterbalance the decreases mentioned above. The reported increase of 45 per cent in sales of pictures, framing and mirrors during this six-month period over a year ago is a further indication of the consumers' desire to add items of beauty to their households. Among small wares, sales increases ranged from only 1 per cent for silverware to 77 per cent for laces, trimmings, embroideries and ribbons. An increase of 43 per cent in the sales of stationery reflects to a great extent the writing habit stimulated by the numerous separations as a result of war conditions.

The furniture outlook for the immediate future remains unfavorable as a result of the recent lumber restrictions. Inventories at reporting furniture firms in July were 17 per cent lower than a year ago, whereas sales remained at approximately the same level as last year.

## AGRICULTURE

Hot, dry weather prevailed in most sections of the Eleventh District throughout July and the first two weeks of August. By mid-August, the shortage of moisture was critical in the north, west central and extreme southwest portions of Texas and was becoming serious in all other sections of the State except in the southern part of the High Plains and in some northwest and north central areas. The high temperatures and the lack of rain favored harvesting of wheat, hay and early feed crops but hindered the plowing of small grain fields in preparation for fall-sowing, reduced prospects for corn, cotton, sorghum, late hay and sweet potatoes and held back range growth in most sections. Harvesting of early hay crops made good progress generally, and harvesting of corn, peanuts and grain sorghums is active in southern counties of Texas. Recent rains in Louisiana have relieved droughty conditions and improved late crops.

High temperatures and depleted soil moisture caused cotton to suffer in most of Texas and even though the crop was still holding up fairly well in spite of these conditions, growth of the late crop had almost stopped, and shedding caused by the high temperature was quite general. Moisture conditions were more favorable on the South Plains and in the Cross Timbers area, where the crop was making good growth and was fruiting well, but surface moisture was becoming scarce. All other areas of the State were in urgent need of moisture and cooler weather. Picking was well advanced in the southern portion of the State and had started in some south central counties, with pickers reported to be adequate in counties where picking had begun.

Harvesting of wheat in Texas was practically completed by mid-August with production indicated at 77,071,000 bushels, or 4,166,000 bushels above the July 1 forecast, reflecting better yields than previously expected and weather conditions favorable for harvesting operations. The indicated yield per acre, as estimated by the Department of Agriculture, was 18.5 bushels on August 1, as compared with 17.5 on July 1, 11.0 bushels in 1943, and the 10-year average of 9.7 bushels.

The Department of Agriculture reported that stocks of old wheat in Texas interior mills, elevators and warehouses on July 1, 1944, were estimated at 240,000 bushels, as compared with 4,900,000 bushels a year ago, and the eight-year, 1935-1942, average of 1,280,000 bushels. Stocks stored on Texas farms were estimated at 909,000 bushels, as compared with 5,218,000 bushels a year ago and the eight-year average of 574,000 bushels. The combined stocks of old wheat on farms and in interior mills, elevators and warehouses amounting to 1,149,000 bushels are the lowest since 1937 and only about 11 per cent of the 10,118,000 bushels reported on the same date a year ago.

Total acreage planted to grain sorghums in Texas was estimated at 4,706,000, a record high, comparing with 4,357,000 acres last year, and the 10-year average of 2,208,000 acres. Har-

vesting of the grain sorghums was largely completed in the commercial areas of southern Texas early in August but was just starting in the Low Rolling Plains. Total production of grain sorghum was forecast at 82,355,000 bushels, as compared with 71,817,000 bushels last year and the 10-year average of 33,790,000 bushels, reflecting both the larger acreage and higher yields. The indicated yield per acre is 17.5 bushels as compared with 16.5 bushels last year and the 10-year average of 14.6 bushels. Total acreage planted to peanuts was estimated at 770,000, which is a decline of 15 per cent from the 906,000 acres planted last year. The 1944 production of peanuts for picking and threshing was estimated at 308,000,000 pounds, as compared with 298,980,000 pounds last year and the 10-year average of 144,255,000 pounds. The yield per acre is indicated at 400 pounds, and compares with 330 pounds last year and the 10-year average of 470 pounds. The prospective pecan crop is indicated at 36,750,000 pounds, which is an increase of 41 per cent over the 26,000,000 pounds harvested last year, and the largest since 1940. While the recent heat wave has affected adversely prospective production over a considerable area, most areas still have a fair crop in sight.

The corn crop is largely made, except in the High Plains areas. Although the hot, dry weather during July was unfavorable for the crop in the heaviest corn producing sections, much of the crop had matured by July 1. The August 1 estimate of the Texas corn crop was placed at 64,649,000 bushels, which is 2,487,000 bushels below the July 1 estimate, approximately 27 per cent under the 1943 harvest of 88,416,000 bushels, and 10,920,000 bushels below the 10-year, 1933-1942, average production of 75,569,000 bushels. This year's yield was forecast at 13.0 bushels per acre, compared with 16.0 bushels in 1943 and the 10-year average of 15.3 bushels.

Rice prospects declined during July and production is now forecast at 18,816,000 bushels, as compared with the estimate of 19,920,000 bushels a month ago, 20,196,000 bushels in 1943, and the 10-year average of 12,004,000 bushels. Broomcorn production is estimated at 8,900 tons, compared with only 2,700 tons last year and the 10-year average of 4,450 tons. The large production this year reflects the greatly increased acreage and the high per acre yield.

Harvesting of the few remaining commercial truck crops has reached into the latest producing areas. Cantaloupes for the remainder of the season will come mainly from the Pecos section but watermelons of good quality are still available in volume. Harvesting of onions proceeded under favorable conditions in the Panhandle area with good yields and quality reported. Irish potato production was estimated on August 1 at 4,752,000 bushels, as compared with 6,450,000 bushels last year and the 10-year average of 3,516,000 bushels. Sweet potato production was forecast at 4,255,000 bushels, as compared with 5,616,000 bushels last year and the 10-year average of 4,332,000 bushels.

During July, the condition of range feed and pasturage deteriorated more sharply than usual in most of the district due to excessive heat and lack of moisture. Range conditions are generally poor to fair in southern New Mexico and over most of Texas, with a shortage of stock water reported in many areas, although conditions in New Mexico were improved by July rains. In the Panhandle and High Plains area of Texas, pasturage and range feeds were generally good as a result of more adequate moisture. Parts of the Low Rolling Plains and eastern Texas were improved by mid-July rains, but much of the area is still dry. Cattle in the Panhandle area are in generally good condition, but in many other sections they are either just holding up, or beginning to show shrinkage as a result of the continued dry,

hot weather. The condition of sheep declined considerably during July due to the high temperatures and the deterioration of range foods over much of the sheep country.

Receipts of livestock at the Fort Worth and San Antonio markets during July declined rather sharply from the record movements during May and June. Receipts of cattle, calves, hogs and sheep at the two markets during July totaled 694,800 head, which was 359,000 head less than in June, but 159,600 head more than in July last year. During the latter part of June

## CASH FARM INCOME—(Thousands of dollars)

	May 1944		May 1944	Total receipts	
	Crops	Livestock*		1943	January 1 to May 31 1944
Arizona.....	4,042	5,080	9,122	8,365	63,372
Louisiana.....	7,691	5,537	13,228	14,508	67,799
New Mexico.....	374	4,941	5,315	5,949	24,338
Oklahoma.....	1,855	20,523	22,378	21,914	121,595
Texas.....	22,634	61,529	84,163	78,308	390,219
Total.....	36,596	97,610	134,206	129,044	667,323

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

SOURCE: United States Department of Agriculture.

## LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	July 1944	July 1943	June 1944	July 1944	July 1943	June 1944
Cattle.....	97,079	65,432	105,849	27,760	14,763	30,727
Calves.....	37,509	24,646	32,982	23,584	17,696	19,542
Hogs.....	74,860	84,912	92,358	12,831	9,409	10,911
Sheep.....	351,763	280,538	673,395	68,824	37,809	88,085

## COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	July 1944	July 1943	June 1944	July 1944	July 1943	June 1944
Beef steers.....	\$15.50	\$15.50	\$16.10	\$13.75	\$14.50	\$13.75
Stocker steers.....	11.00	13.50	12.85	.....	.....	14.00
Heifers and yearlings.....	15.50	15.25	16.00	13.00	14.00	14.00
Butcher cows.....	11.25	12.25	12.00	10.40	12.00	12.00
Calves.....	13.25	14.00	14.00	13.00	14.00	14.10
Hogs.....	14.55	14.50	13.65	14.25	14.25	13.55
Lambs.....	14.00	14.00	14.75	12.00	13.00	13.25

## COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31 This season	Last season	August 1 to July 31 This season	Last season
Cottonseed received at mills (tons).....	940,668	1,054,964	3,983,513	4,516,084
Cottonseed crushed (tons).....	953,838	1,043,250	3,953,588	4,497,779
Cottonseed on hand July 31: (tons).....	31,499	44,669	118,701	90,336
Production of products:				
Crude oil (thousand lbs).....	287,475	300,135	1,235,938	1,400,534
Cake and meal (tons).....	451,339	466,717	1,834,054	1,994,611
Hulls (tons).....	226,099	258,960	926,451	1,085,034
Linters (running bales).....	284,450	308,286	1,183,115	1,355,197
Stocks on hand July 31:				
Crude oil (thousand lbs).....	1,964	1,357	8,847	6,307
Cake and meal (tons).....	8,869	5,678	27,776	18,542
Hulls (tons).....	3,342	2,321	14,677	11,964
Linters (running bales).....	17,917	42,807	63,059	135,927

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

	July 1944	July 1943	June 1944	August 1 to July 31 This season	
	Consumption at:				
Texas mills.....	18,311	24,319	17,037	207,537	267,406
United States mills.....	724,167	839,868	805,735	9,942,070	11,100,082
U. S. stocks—end of month:					
In consuming establishments.....	1,873,187	2,115,323	.....	.....	.....
Public stg & compresses.....	8,245,641	7,676,629	.....	.....	.....

## CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Aug 1, 1944	1943	Estimated Aug 1, 1944	1943
Winter wheat.....	Bushels	77,071	38,366	78,111	37,142
Cotton.....	Bales	2,450	2,823	3,117	3,578
Corn.....	Bushels	64,649	88,416	74,896	102,083
Oats.....	Bushels	42,471	21,780	47,978	26,111
Barley.....	Bushels	8,428	3,341	17,811*	9,370
Tame hay.....	Tons	1,405	1,469	1,968	2,018
Potatoes, Irish.....	Bushels	4,752	6,450	5,731	7,504
Potatoes, sweet.....	Bushels	4,225	5,616	12,421†	15,072†
Rice.....	Bushels	18,816	20,196	18,816†	20,196†

\*Arizona, New Mexico, Oklahoma and Texas.

†Louisiana, Oklahoma and Texas.

‡Texas only.

SOURCE: United States Department of Agriculture.

CONDITION OF THE FEDERAL RESERVE BANK  
(Thousands of dollars)

	August 15, 1944	August 15, 1943	July 15, 1944
Total cash reserves	581,773	653,586	562,497
Discounts for member banks*	None	50	None
Industrial advances	None	18	None
United States Government securities	527,090	231,620	523,985
Total earning assets	527,090	231,688	523,985
Member bank reserve deposits	574,808	493,908	549,403
Federal Reserve Notes in actual circulation	480,906	340,898	466,945

\*Including nonmember banks.

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

	August 9, 1944	August 11, 1943	July 12, 1944
Total loans and investments	\$1,564,807	\$1,230,738	\$1,546,948
Total loans	343,710	274,235	374,323
Commercial, industrial, and agricultural loans	236,331	199,058	249,620
Loans to brokers and dealers in securities	2,695	1,647	2,877
Other loans for purchasing or carrying securities	41,913	13,626	56,178
Real estate loans	20,389	19,341	20,234
Loans to banks	421	132	211
All other loans	41,961	40,521	45,203
Total investments	1,221,097	956,413	1,172,625
U. S. Treasury bills	126,652	114,476	102,849
U. S. Treasury certificates of indebtedness	352,482	230,695	332,685
U. S. Treasury notes	126,894	151,285	213,710
U. S. Government bonds	460,334	351,904	457,617
Obligations guaranteed by United States Govt.	20,629	54,406	21,703
Other securities	44,106	53,647	43,971
Reserves with Federal Reserve Bank	322,818	295,953	328,042
Balances with domestic banks	228,573	238,782	231,004
Demand deposits—adjusted*	1,075,048	1,011,639	1,040,988
Time deposits	190,378	187,159	186,500
United States Government deposits	310,220	130,080	349,989
Interbank deposits	478,604	424,128	466,515
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  
(Thousands of dollars)

	July 1944	July 1943	Pctg change over year	June 1944	Pctg change over month
Abilene	\$ 17,239	\$ 15,240	+13	\$ 19,692	-12
Amarillo	48,205	43,004	+12	44,632	+ 8
Austin	70,759	80,118	-12	98,459	-28
Beaumont	56,739	53,761	+ 6	57,364	- 1
Corpus Christi	53,162	41,915	+27	51,402	+ 3
Corsicana	6,449	6,135	+ 5	6,468	- 1
Dallas	514,319	446,883	+15	582,166	-12
El Paso	52,246	53,298	- 2	59,833	-13
Fort Worth	215,168	237,994	-10	232,982	- 8
Galveston	45,986	39,010	+18	53,116	-13
Houston	528,794	456,831	+16	597,248	-11
Laredo	11,380	10,951	+ 4	13,090	-13
Lubbock	23,943	20,553	+16	26,700	-10
Monroe	16,668	14,488	+15	17,933	- 7
Port Arthur	24,133	18,959	+27	25,039	- 4
Roswell	8,587	7,315	+17	9,445	- 9
San Angelo	16,563	15,484	+ 7	21,596	-23
San Antonio	154,536	128,401	+20	163,518	- 5
Shreveport	72,879	64,554	+13	83,064	-12
Texasarkana*	18,940	15,058	+26	20,951	-10
Tucson	27,364	31,239	-12	30,239	-10
Tyler	22,460	18,488	+21	24,316	- 8
Waco	26,403	23,412	+13	30,468	-13
Wichita Falls	28,532	23,866	+20	32,652	-13
Total—24 cities	\$2,061,454	\$1,866,957	+10	\$2,302,373	-10

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

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
July 1942	\$1,914,513	\$226,947	\$1,095,607	\$127,615	\$ 818,906	\$ 99,332
July 1943	2,874,871	241,779	1,562,343	143,301	1,312,528	98,478
March 1944	3,320,227	277,705	1,725,356	171,392	1,594,870	106,313
April 1944	3,292,252	284,538	1,709,275	175,621	1,582,977	105,918
May 1944	3,275,407	291,239	1,694,017	180,464	1,581,450	110,775
June 1944	3,361,412	296,955	1,749,241	184,628	1,612,171	112,327
July 1944	3,601,462	303,719	1,900,222	187,985	1,701,240	115,734

SAVINGS DEPOSITS  
July 31, 1944

	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Percentage change in savings deposits from	
				July 31, 1943	June 30, 1944
Beaumont	3	11,425	\$ 5,537,689	+18.1	+ 1.2
Dallas	8	101,569	42,943,100	+36.2	+ 2.9
El Paso	2	24,006	13,136,438	+38.1	+ 2.5
Fort Worth	3	35,048	20,028,754	+31.9	+ 1.8
Galveston	4	21,602	14,627,638	+20.7	+ 1.8
Houston	10	84,506	44,862,545	+22.3	+ 1.9
Lubbock	2	826	490,282	+ 6.1	+ 0.6
Port Arthur	2	5,302	3,794,548	+ 7.3	+ 3.3
San Antonio	5	31,980	27,075,834	+27.7	+ 2.2
Shreveport	3	28,994	16,472,141	+28.8	+ 2.8
Waco	3	8,198	5,604,702	+18.2	+ 1.4
Wichita Falls	3	6,815	3,732,766	+ 5.5	+ 1.0
All other	58	53,268	33,449,314	+17.2	+ 1.4
Total	106	413,539	\$231,755,751	+25.8	+ 2.0

and July, a large percentage of the total movement was made up of sheep and spring lambs. Even though the number of breeding ewes in Texas on July 1 this year was about 9 per cent smaller than a year earlier, the Department of Agriculture reported that the sharp increase in percentage lamb crop from 63 last year to 71 this year resulted in a lamb crop of 4,589,000 head, which is about 2.5 per cent larger than for 1943 and is only about 3 per cent smaller than the record crop of 1941. The Texas lamb crop is the largest percentage of total western and total United States crops for any year of record.

Average prices received by Texas farmers in July on such items as corn, cottonseed, potatoes, wool, eggs and butter were slightly above those of the previous month. On the other hand, prices decreased moderately for small grains, meat animals, new-crop hay items, grain sorghums, chickens, turkeys and old-crop peanuts; although the declines were relatively small, it is the second consecutive month that lower levels have been reported. Nevertheless, prices for all commodities in these groups, except grain sorghum, meat animals and chickens, are considerably above levels obtaining at this time last year.

FINANCE

The gross demand and time deposits of member banks in this district, which increased sharply during the period of the Fifth War Loan Drive, averaged \$3,905,000,000 during July. This average, which represents a new all-time peak, was \$247,000,000 higher than that in June and \$788,000,000 above that in July last year. While the expansion of deposits during the past two months has been most pronounced at reserve city banks, it has also been substantial at country banks. The volume of war loan deposits at depository banks in this district which reached a low point of \$127,200,000 shortly after the opening of the Fifth War Loan Drive rose to a peak of \$566,000,000 around the middle of July, but by August 15, the total had declined to approximately \$500,000,000.

The reserve balances of member banks in this district during July averaged \$540,121,000, which was approximately the same as in June, but about \$63,300,000 higher than in July last year. During the first half of August, reserve balances rose to a new peak of \$580,262,000 and averaged \$571,262,000 for the period, which was about \$31,000,000 above the July average. During July when a large volume of customer deposits at banks was transferred to reserve-exempt war loan accounts in payment for Government securities, required reserves declined and average excess reserves rose approximately \$17,000,000 to the highest level reached during the past year. During the first half of August, the Treasury made substantial withdrawals from war loan accounts and as the funds were disbursed, customer deposits increased bringing about a rise in required reserves of member banks. However, the reserve balances of member banks increased by a greater amount than required reserves with the result that excess reserves increased further.

The circulation of Federal Reserve notes of this bank declined about \$9,000,000 between July 6 and July 26, which is considerably larger than usual at that period of the month, but increased rapidly thereafter and amounted to \$480,900,000 on August 15. This amount was about \$14,000,000 higher than a month earlier and \$140,000,000 greater than a year ago.

The deposits of weekly reporting banks which had risen sharply between June 14 and July 12, increased further by about \$10,168,000 during the four weeks ended August 9. In the latter period, Government deposits consisting mostly of war loan deposits declined nearly \$40,000,000, but the expansion in other deposits more than offset this decline. The increase of \$12,100,-

000 in interbank deposits reflected an extension of the rise that has been in progress since April. These deposits, which amounted to \$478,600,000 on August 9, were at an all-time high level. During the four-week period, these banks made net withdrawals of \$3,224,000 from their reserves with the Federal Reserve Bank and \$2,521,000 from their balances with correspondents.

The loans of reporting banks, which had risen \$46,000,000 between June 14 and July 12, declined approximately \$31,000,000 during the subsequent four weeks. During the Fifth War Loan Drive, the loans for security trading, representing mostly loans secured by Government securities, increased about \$28,000,000. A considerable amount of these loans were made to purchasers of Government securities in anticipation of liquidation out of future income, but the decline of \$14,300,000 in these loans during the four weeks following the close of the drive suggests that a substantial amount of the total represented speculative purchases for subsequent resale in the market or to banks. Commercial, industrial and agricultural loans declined \$13,300,000 between July 12 and August 9, after having increased by \$17,000,000 during the preceding four weeks.

During the four weeks ended August 9, the reporting banks utilized the funds derived from the increase in deposits and the decline in loans to expand their holdings of Government securities. Total investments increased during the four weeks by \$48,472,000 to a new peak of \$1,221,000,000. The increase in holdings consisted chiefly of Treasury bills and certificates of indebtedness. During the drive when required reserves declined, some of the banks repurchased Treasury bills previously sold to the Federal Reserve Bank and in addition made substantial purchases through subscriptions to weekly offerings, with the result that total holdings on August 9 were at the highest level since July last year. During the past eight weeks, these banks have also added approximately \$77,000,000 to their holdings of certificates of indebtedness.

### INDUSTRY

The aggregate value of construction contracts awarded in the Eleventh Federal Reserve District during July amounted to \$9,004,000, which was about 11 per cent below the figure for the previous month and approximately 38 per cent less than in July, 1943. The total value of awards for the first seven months of this year was \$89,716,000, representing a decline of about 65 per cent from the aggregate of \$259,448,000 for the same period in 1943. Even though there was a gain of approximately 13 per cent over the preceding month in the value of awards for residential construction, the volume was about one-third smaller than in July last year, and marked declines from the preceding month and the corresponding month last year occurred in all other types of construction.

The demand for lumber in this district and in the United States increased considerably following the inauguration of the national defense program in 1940, reflecting the rising civilian requirements and the needs for lumber for military construction. Although lumber production rose steadily from 1939 through 1942, output was apparently insufficient to meet the civilian demand and the rapidly expanding military requirements. Since the early part of 1943, the situation has become increasingly critical, largely because of the decline in production brought about by manpower shortages and the exceptionally heavy demands for war purposes. In the earlier years, the war demand consisted chiefly of lumber for construction purposes, but as the construction of military establishments and plant

facilities were completed, increasing quantities of lumber were diverted to the crating and shipment of war materials abroad. Due to the continued exceptionally heavy direct and indirect requirements for lumber for war purposes, the War Production Board issued an order which became effective on August 1, 1944, greatly restricting the use of lumber for non-essential purposes. Preference ratings will be given to home owners to assist them in obtaining lumber only in extreme emergency cases. In general, damage caused to dwellings by fire, flood, tornado, earthquake, storm, or similar catastrophe is considered justification for emergency ratings when the damage is of such a nature as to make the dwelling unfit for continued occupancy.

### LUMBER PRODUCTION—TEXAS, ELEVENTH DISTRICT AND UNITED STATES

Month	Texas		Four States*		United States	
	1944	1943	1944	1943	1944	1943
January.....	72	115	164	230	2,489	2,266
February.....	70	108	168	224	2,469	2,450
March.....	70	134	162	246	2,743	2,767
April.....	80	115	182	241	2,682	2,920
May.....	62	113	166	244	2,919	3,069
June.....		107		237		3,110
July.....		103		242		3,144
August.....		98		226		3,283
September.....		93		205		3,043
October.....		101		219		3,002
November.....		98		214		2,979
December.....		89		183		2,648
Total—first five months.....	354	585	842	1,185	13,302	13,463

Year	Texas	Four States*	United States
1939.....	1,137	2,399	24,975
1940.....	1,271	2,589	28,934
1941.....	1,330	2,719	33,476
1942.....	1,384	2,881	36,332
1943.....	1,274	2,711	34,622

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

SOURCES: War Production Board, Bureau of Census, and United States Forest Service.

### CRUDE OIL PRODUCTION—(Barrels)

	July 1944		Increase or decrease in daily average production from	
	Total production	Daily avg production	July 1943	June 1944
North Texas.....	7,476,050	241,163	+ 13,411	- 197
West Texas.....	14,394,050	464,324	+219,643	+17,494
East Texas.....	15,877,450	512,176	+ 15,412	+ 6,871
South Texas.....	9,909,250	319,653	+ 90,853	+ 7,043
Texas Coastal.....	16,478,050	531,550	+120,450	+ 3,580
Total Texas.....	64,134,850	2,068,866	+459,769	+34,801
New Mexico.....	3,356,000	108,258	+ 6,489	+ 203
North Louisiana.....	2,235,200	72,103	- 12,889	- 1,516
Total District.....	69,726,050	2,249,227	+453,369	+33,489

SOURCE: Estimated from American Petroleum Institute weekly reports.

### VALUE OF CONSTRUCTION CONTRACTS AWARDED

	(Thousands of dollars)			
	July 1944	July 1943	June 1944	January 1 to July 31 1944
Eleventh District—total ..	9,004	14,412	10,089	89,716
Residential.....	2,112	3,299	1,872	19,327
All other.....	6,892	11,113	8,217	70,389
United States*—total.....	190,539	183,661	163,866	1,150,760
Residential.....	25,813	71,836	30,622	229,705
All other.....	164,726	111,825	133,244	921,055

\*37 states east of the Rocky Mountain.

SOURCE: F. W. Dodge Corporation.

### BUILDING PERMITS

	July 1944		Percentage change valuation from		Jan 1 to July 31, 1944		Percentage change valuation from 1943
	No.	Valuation	July 1943	June 1944	No.	Valuation	
Abilene.....	22	\$ 10,990	- 6	- 84	190	\$ 255,930	+105
Amarillo.....	82	100,102	+167	- 50	515	987,124	+ 70
Austin.....	145	83,319	+339	- 21	725	385,088	+113
Beaumont.....	145	34,758	- 44	- 43	933	474,398	- 56
Corpus Christi.....	158	177,223	- 87	- 53	895	1,156,658	+218
Dallas.....	640	466,131	- 25	- 27	4,407	5,419,591	+197
El Paso.....	97	201,608	+260	+ 15	610	903,081	- 49
Fort Worth.....	218	225,874	- 50	+ 28	1,611	2,009,314	+ 10
Galveston.....	57	64,379	- 78	- 26	585	569,199	+ 8
Houston.....	278	781,487	+115	- 65	1,747	5,694,730	+48
Lubbock.....	202	323,956	+947	+220	936	668,411	+448
Port Arthur.....	113	37,846	+131	+ 75	427	200,492	- 3
San Antonio.....	558	344,307	+ 7	+ 41	6,113	3,320,139	+255
Shreveport.....	133	265,558	+897	+269	988	665,473	+104
Waco.....	55	63,111	- 37	- 79	587	1,137,046	+104
Wichita Falls.....	20	17,973	+ 4	+ 6	217	137,125	+ 87
Total.....	3,232	\$3,206,622	- 16	- 35	21,486	\$22,783,799	+ 13

During July, crude oil production in this district reached a new peak for the third consecutive month, with a daily average production of 2,249,227 barrels. This figure exceeded the June average by about 2 per cent and surpassed that for July, 1943, by about 25 per cent. The west Texas field continued to show the largest increase, with a daily average production of 17,500 barrels above that during the previous month. All other producing areas in the district showed increases in production as compared with June, with the exception of north Texas and northern Louisiana fields, where decreases in daily average output occurred. Crude production outside this district, however, remained at about the same level as in June and increased only slightly as compared with July a year ago.

Stocks of above-ground crude oil declined slightly in the Eleventh District during July and at the end of the month totaled 120,605,000 barrels, as compared with the 1943-1944 high of 127,165,000 barrels on February 19 this year and the 1942-1943 low of 92,678,000 barrels on January 10, 1942. Stocks of crude oil outside this district declined about 2 per cent in July and at the end of the month totaled 104,507,000 barrels, as compared with 122,742,000 barrels a year earlier.

Drilling activity throughout the United States, as measured by well completions, has increased materially for the third consecutive month and during July averaged more than 500 wells per week for the first time since early in 1942. In the Eleventh District, approximately 3,700 wells were completed during the first seven months of 1944, as compared with 2,400 for the same period a year earlier. The expansion of drilling activity in recent months has been brought about by an improvement in the supply of drilling rigs and equipment, the relaxing of certain Government restrictions, increased wildcatting and the retention of Government price subsidies for settled fields. During the first seven months of this year 1,002 wildcat wells were drilled in the district but 78 per cent of these wells failed to produce oil in paying quantities.

Receipts of cottonseed at Texas cottonseed oil mills were approximately 11 per cent smaller during the 1943-1944 season than in the preceding season, but crushings of cottonseed declined only about 9 per cent. In consequence, stocks of cottonseed at mills on July 31 this year were 30 per cent smaller than a year earlier. The output of cottonseed products during the

As in the case of the earlier drives, the Fifth War Loan Drive proved to be outstandingly successful. The grand total of sales during the drive period aggregated \$20,639,000,000, or 29 per cent in excess of the \$16,000,000,000 goal. This total was substantially in excess of that realized from any of the preceding drives, the largest previous amount having been \$18,944,000,000 which was realized from the Third Drive.

In an effort to minimize the expansion of bank deposits, no securities were offered to commercial banks during the Fifth Drive, a policy which had been followed in the preceding two drives. The sale of Series E bonds to small investors aggregated \$3,036,000,000, or slightly over the assigned quota of \$3,000,000,000. The sale of other types of securities to individuals and partnerships totaled \$3,315,000,000, or 11 per cent more than the quota.

Sales of Series E, F, and G war savings bonds accounted for 19 per cent of all sales during the drive, as compared with 25 per cent for the Fourth Drive and about 16 per cent during the Third Drive. However, sales of tax savings notes reached a record high of \$2,575,000,000, or 12 per cent of the drive total, the great bulk of these notes going to corporations and associations. These notes will, of course, be used in making future in-

season showed declines ranging from 3 per cent in the case of cake and meal to 13 per cent for hulls. Stocks of crude cottonseed oil, cake and meal and hulls on hand at mills on July 31 were substantially higher than the exceptionally low supplies a year earlier, but stocks of cake and meal and hulls were lower than on the corresponding date of other recent years. End-of-season stocks of cottonseed oil have been at a very low level since 1940 and current stocks are smaller than for most years prior to 1940. Increased shipments of linters during the 1943-1944 season and reduced production brought about a decline of 58 per cent in end-of-season stocks.

## WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in:				
		Net sales		Stocks †		
		July 1944 from July 1943	June 1944	Jan 1 to July 31, 1944 from 1943	July 1944 from July 1943	June 1944
<b>Retail trade:</b>						
<b>Department stores:</b>						
Total 11th Dist. ....	49	+11	-9	+15	+3	+6
Dallas. ....	7	+12	-14	+22	+13	+9
Fort Worth. ....	4	+9	-10	+12	+15	+4
Houston. ....	7	+14	-6	+14	+5	+7
San Antonio. ....	5	+8	-8	+9	-15	-†
Shreveport. ....	3	+14	-7	+20	....	....
Other cities. ....	23	+11	-5	+11	+3	+6
<b>Retail furniture:</b>						
Total 11th Dist. ....	66	-2	-9	....	-15	-1
Dallas. ....	6	+8	+1	....	-29	+10
El Paso. ....	3	+15	-13	....	-36	-4
Houston. ....	10	+1	-5	....	-20	+5
San Antonio. ....	4	+1	-12	....	+2	-4
<b>Independent stores:*</b>						
Arizona. ....	163	+3	-7	+2	....	....
New Mexico. ....	....	....	....	....	....	....
Oklahoma. ....	386	+13	-4	+11	....	....
Texas. ....	972	+10	-6	+11	....	....
<b>Wholesale trade:*</b>						
Automotive supplies	6	+13	-1	....	+34	-1
Drugs. ....	6	-1	+1	+11	+22	+5
Electrical supplies. .	4	+3	-7	....	....	....
Groceries. ....	26	+6	-11	+7	+11	+2
Hardware. ....	8	+9	-11	+5	+18	+4
Surgical equipment. .	4	+16	-12	+26	....	....
Tobacco & products	5	-6	-1	+7	-18	+2

\*Compiled by United States Bureau of Census (wholesale trade figures preliminary).  
†Change less than one-half of one per cent. ‡Stocks at end of month.

## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	July 1944	June 1944	May 1944	July 1943
<b>Sales (1935-1939=100):</b>				
Without seasonal adjustment. ....	202	203	228	160
With seasonal adjustment. ....	277	245	228	220
<b>Stocks (1923-1925=100):</b>				
Without seasonal adjustment. ....	115	109	98	111
With seasonal adjustment. ....	126	116	97	121

## THE FIFTH WAR LOAN DRIVE

come tax payments and, therefore, they will eventually result in a reduction of cash income tax revenues. Certificates of indebtedness, 1¼ per cent notes, 2 per cent Treasury bonds, and 2½ per cent Treasury bonds accounted for the remainder of the drive total. Sales of certificates of indebtedness were slightly less than during the Fourth Drive, but sales of 2½ per cent bonds totaled somewhat more than in the preceding drive. No 2 per cent bonds or 1¼ per cent notes were offered during the Fourth Drive. Sales of securities to brokers and dealers were comparatively small, aggregating only \$533,000,000, or about \$100,000,000 over the Fourth Drive volume.

Sales of the various types of securities during the Third, Fourth and Fifth War Loan Drives are shown in the following table:

	Third Drive	Fourth Drive	Fifth Drive
	(Millions of dollars)		
<b>To non-bank investors:</b>			
Series E savings bonds. ....	\$ 2,472	\$ 3,187	\$ 3,036
Series F and G savings bonds. ....	831	1,024	818
Tax and savings notes. ....	2,483	2,232	2,575
Certificates of indebtedness. ....	4,122	5,036	4,770
1¼ per cent notes. ....	....	....	1,948
2 per cent bonds. ....	5,257	....	5,229
2½ per cent bonds. ....	....	3,331	....
2½ per cent bonds. ....	3,779	1,920	2,263
Total. ....	\$18,944	\$16,730	\$20,639

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

Both Texas and the Eleventh Federal Reserve District as a whole made an excellent showing in the Fifth War Loan Drive. Aggregate sales in Texas, which amounted to \$613,000,000 were 132 per cent of the State quota of \$464,000,000 and approximately 3 per cent of the national aggregate. This latter was about the same proportion of the national total as was provided during the Fourth Drive. An especially fine record was made in sales of Series E bonds. With a State quota of \$125,000,000, actual sales amounted to \$138,000,000, or 11 per cent over the quota. Of the ten large states with Series E quotas of \$100,000,000 or more, this was easily the best record. In total sales of all securities to individuals and partnerships an even more impressive record was made, the State quota of \$236,000,000 being exceeded by 34 per cent.

The amounts of the various types of securities sold in Texas during the Fifth War Loan Drive and the percentage distribution of the sales in Texas and in the nation are presented in the following table.

Type of issues:	Texas		United States	
	Amount	Per Cent of Total	Per Cent of Total	Per Cent of Total
Series E savings bonds.....	\$138,326,000	22.6	14.7	
Series F and G savings bonds.....	30,340,000	5.0	4.0	
Tax and savings notes.....	91,733,000	15.0	12.5	
Certificates of indebtedness.....	112,181,000	18.2	23.1	
1½ per cent notes.....	59,395,000	9.7	9.4	
2 per cent bonds.....	149,745,000	24.5	25.3	
2½ per cent bonds.....	30,901,000	5.0	11.0	
Total.....	\$612,624,000	100.0	100.0	

### COTTON AND COTTON TEXTILES

Despite the fact that cotton is one of the most important cash crops grown in the United States, the total acreage planted to cotton has shown a downward trend in recent years. Cotton planting reached a peak of 45,968,000 acres in 1925, but the average acreage for the 10-year period, 1933-1942, was only 28,189,000 acres. In 1943, the total had declined to 21,942,000 acres and the estimate for 1944 was placed at 20,472,000 acres, which is about 7 per cent below the previous year and represents the smallest acreage planted to cotton in 49 years. Planting of special types has also declined. The total acreage planted to American-Egyptian cotton during 1944 is estimated at 14,000 acres, as compared with 141,700 acres last year, and the acreage planted to Sea Island cotton this year was negligible.

Cotton production in the United States reached a high of 18,945,000 bales in 1937, but the average for the 10-year period, 1933-1942, was only 12,455,000 bales. The 1943 production was 11,427,000 bales and the forecast for 1944, made by the Department of Agriculture based on conditions prevailing on August 1, is 11,022,000 bales, or about 12 per cent below the average production of the past ten years.

A record of 18,443,000 acres was planted to cotton in Texas during 1925. However, for the 10-year period, 1933-1942, the average acreage had declined to 10,558,000 acres. The acreage planted in 1944, as reported by the Department of Agriculture, totaled 7,325,000 acres, or 7 per cent below the 7,915,000 acres planted in 1943, and represents the lowest cotton acreage for the State in 44 years.

A Texas cotton crop of 2,450,000 bales is forecast as of August 1 this year by the Department of Agriculture, which compares with 2,823,000 bales produced last year, and the average production of 3,273,000 bales for the 10-year period, 1933-1942. The yield was forecast at 165 pounds per acre, as compared with 174 pounds last year and the 10-year average of 162 pounds. The 1944 cotton crop for the Eleventh Federal Reserve District is estimated at 3,117,000 bales as compared with the 1943 production of 3,578,000 bales.

Average prices for middling 15/16-inch cotton have fluctuated greatly since the yearly average peak of 35.4 cents was reached in 1920. By 1932, the average price had declined to 5.7

The composition of the security sales during the drive in Texas differed considerably from that of the nation. In general, sales to individuals were proportionately heavier in Texas than for the country as a whole, whereas sales to non-banking corporations were lighter. This, of course, is to be expected as the larger corporations generally are located in the North and East. Series E sales accounted for 22.6 per cent of the Texas aggregate, but only 14.7 per cent of the national total. The relative proportion of tax savings note sales was also higher in Texas than for the nation, in both cases about 10 per cent of these sales going to individual accounts. On the other hand, the proportion of 2 per cent and 2½ per cent bond sales was substantially higher for the nation than for the State.

Treasury security selling during June and July undoubtedly constituted the most gigantic financing operation in history. In addition to the record-breaking total raised in the formal drive, the Treasury also sold a very large volume of securities outside the drive. Approximately \$765,000,000 in long-term bonds was sold to commercial banks with savings accounts. Another \$590,000,000 of bonds was placed in Government Treasury accounts, and \$1,800,000,000 of Treasury bills was sold to banks and others over and above current maturities. The grand total of Treasury financing for the two months, therefore, really aggregated almost \$23,800,000,000.

cents, but a new 16-year high of 22.13 cents was reached in the 10 spot markets on July 11, 1944, reflecting the effects of the provisions contained in the Stabilization Extension Act of 1944, which became effective on June 30. The most important provisions of this act, reported by the Department of Agriculture as pertinent to cotton, are: (1) that the loan rate on cotton now and for at least two years after the war is raised to 92.5 per cent of parity; (2) that each major cotton textile item be separately considered in determining whether OPA ceiling prices reflect parity; (3) that in the establishment of ceiling prices, the price of middling 7/8-inch cotton at the center of location shall be construed by OPA as equivalent to parity as is done by the Commodity Credit Corporation for loan purposes; and (4) that the President shall take all lawful action to assure that the farm producer of all basic and proclamation commodities shall receive not less than the minimum price at which ceilings could be established by OPA.

Since mid-July price declines have offset recent gains and are now at about the same levels as they were late in May. The factors contributing to the recent price decline appear to be the current favorable war news, the continued good progress of the cotton crop, and a further reduction in mill activity.

The present outlook in the cotton textile industry, generally, is one of continued labor shortages, further complicated by worn machinery and inadequate carding equipment. Even though the industry has expanded output, employment and wage payments since 1940, very little has been undertaken in expanding or replacing equipment. The industry entered the war period with sufficient capacity to meet both Government and civilian requirements, for a short time, but since reaching a production peak in September, 1942, the total output of mills has declined. Despite the continued efforts of several Government agencies to bring about an increase in textile production, the consumption of cotton in July declined to 724,000 bales, the lowest since September, 1940. As the Government requires about 40 per cent of the total cotton textile output for the war effort, acute shortages of many textile items are now being felt by civilian consumers. To partially relieve this situation, the

War Production Board issued an order on July 27, designed to channel approximately 50,000,000 yards of cotton fabrics each calendar quarter into the production of moderately-priced and low-priced items for essential civilian clothing. The cotton textile yardage to be set aside in accordance with this order will be delivered to apparel manufacturers and made up into garments to be sold during the coming fall and winter seasons. However, this new order will give civilian consumers an additional supply of goods equivalent to only about 2 per cent of the total annual output of 10,000,000,000 yards.

The Bureau of the Census reported that 23,281,000 cotton spindles were in place in the United States on June 30, 1944, and out of this number, 22,373,000 were in operation during the month, as compared with 22,412,000 for the preceding month and 22,769,000 for June, 1943. The aggregate number of spindle hours reported for the month was 9,712,000,000, as compared with 10,060,000,000 during May and 10,714,000,000 in June, 1943. Based on an activity of 80 hours per week, spindle activity during June, 1944, was 118.5 per cent of capacity as compared with 119.0 per cent in May and 130.0 in June of last year. Spindle activity for the season ended July 31, 1944, averaged about 122 per cent of capacity as compared with 133 per cent in the 1942-1943 season and the peak of 139 attained in January, 1943. Cotton consumption during the 1943-1944 season totaled 9,942,000 bales, as compared with 11,100,000 in the preceding season and the record high of 11,170,000 bales in the period 1941-1942. The 10-year, 1931-1940, average was about 6,648,000 bales.

Stocks of all kinds of cotton in consuming establishments totaled 1,873,000 bales on July 31, as compared with 2,115,000 bales on the same date last year and, at the present rate of con-

sumption, were sufficient to cover requirements for less than three months. Stocks in public storage and at compresses totaled 8,246,000 bales on July 31, as compared with 7,677,000 on the same date last year.

The expansion of the cotton textile industry in Texas has been relatively small during the past 20 years, even though Texas is the leading cotton producing state. The average number of spindles in place at the cotton mills of Texas from October 31, 1924 to June 30, 1944, increased by only 26,870, and the increase in active spindles for the same period has been only 41,650. The Bureau of the Census reported that 239,136 cotton spindles were in place in Texas mills on June 30, 1944, and that 233,988 were active during the month, showing an aggregate of 85,799,000 spindle hours with an average of 360 hours per spindle.

The trend of cotton consumption in Texas mills has varied considerably over a period of years. The average monthly consumption for the 10-year period, 1921-1930, was about 8,900 bales, but during the period 1931-1935 the average declined to 6,175 bales. The monthly average for the period 1936-1940 was approximately 10,000 bales, but increased sharply during 1940-1941 to 20,140 bales and reached a peak of 22,280 bales during the 1942-1943 season. However, the monthly average for the present season has declined to 17,300 bales.

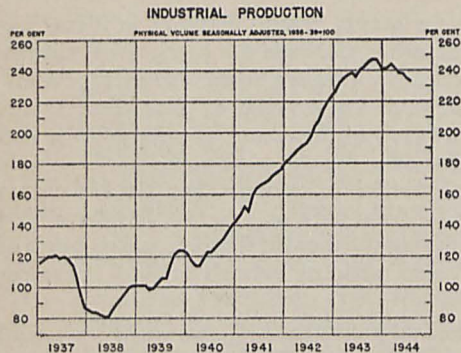
Average mill margins which reached a low of 8.92 cents per pound in 1932 averaged 12.76 cents per pound during the eight-year period, 1932-1940. Following marked expansion in activity, average mill margins increased sharply to 19.35 in 1941 and reached a high of 21.14 in 1942. In 1943, the average margin declined to 20.19 cents and to 19.97 cents during the first five months of 1944.

# MONTHLY BUSINESS REVIEW

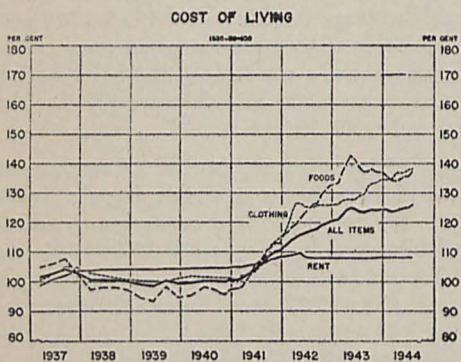
SEPTEMBER 1, 1944

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

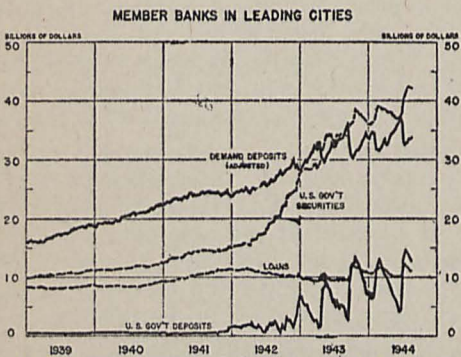
(Compiled by the Board of Governors of the Federal Reserve System)



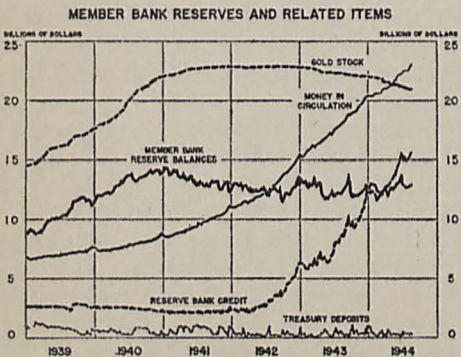
1. Federal Reserve index. Monthly figures, latest shown is for July, 1944.



5. Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940, monthly thereafter. Mid-month figures, latest shown are for July, 1944.



8. 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 August 16, 1944.



9. Wednesday figures, latest shown are for August 16, 1944.

Industrial production and employment declined slightly further in July. Wholesale commodity prices generally continued to show little change, while the cost of living increased somewhat.

### INDUSTRIAL PRODUCTION

Output at factories and mines continued to decline slightly in July and the Board's seasonally adjusted index was 233 per cent of the 1935-39 average as compared with 235 in June. The decrease in industrial production largely reflected small declines in a number of industries due to continued minor readjustments in the munitions program and to manpower shortages.

Output of steel and of nonferrous metals declined further in July to levels respectively 8 per cent and 20 per cent below the high levels of last autumn. A small decrease in activity in transportation equipment industries reflected partly the indirect effects of manpower shortages in foundries and continued readjustments in the shipbuilding and aircraft industries. In August a cutback in aircraft production was announced which was expected to result in the immediate release of 20,000 aircraft workers and the gradual release of 100,000 more during the balance of this year.

Production of manufactured dairy products and meats, after allowance for seasonal change, was maintained in July while output of other food products declined slightly. Cotton consumption showed little change from the rate of the last two months. Activity in the rubber products industry continued to decline slightly in July and supplies of heavy truck and bus tires available for civilians during the third quarter were substantially below estimated needs. Output of chemicals likewise continued to decline slightly.

Crude petroleum output and metal mining were maintained in large volume during July. Coal production dropped 5 per cent from the level of the preceding month, but for the year through August 12 was approximately 8 per cent above the corresponding period of last year, reflecting uninterrupted operations, longer working hours, and a great expansion of strip mining.

So far this year the value of construction contracts awarded, as reported by the F. W. Dodge Corporation for 37 states, has fluctuated around 160 million dollars a month—the lowest level since early 1935.

### DISTRIBUTION

Department store sales declined considerably less than is usual in July, and have continued in August at a higher level than a year ago.

Freight carloadings continued to rise in July and were maintained at a high level during the first two weeks in August. There were considerable increases in shipments of grain, forest products and miscellaneous freight, offset partly by a small decrease in coal shipments.

### AGRICULTURE

Dry weather during July in the east central area has reduced somewhat national prospects for corn, hay, and potatoes. Aggregate crop production, however, is likely to exceed last year by 5 per cent, reflecting chiefly a record wheat crop 35 per cent larger than last year.

Total production of all feed grains is estimated at 112 million tons compared with 115 million tons produced in 1943. While hay production, except in the drought areas, has been large, it will provide a smaller supply per animal unit than has been available in any of the last 6 years.

Crop prospects for most fruits and vegetables, except potatoes, are better than last year. Tobacco production is indicated as being above average and cotton yields may be good as dry weather has held the boll weevil in check.

### BANK CREDIT

In the five weeks following the close of the Fifth War Loan Drive, loans by banks for purchasing and carrying U. S. Government securities declined sharply; calls on war loan deposits and subsequent Treasury expenditures increased adjusted demand deposits and consequently required reserves; the rapid outflow of currency into circulation was renewed; and excess reserves declined.

In the five weeks from July 12 through August 16 loans to brokers and dealers for purchasing and carrying Government securities declined 500 million dollars to about the pre-drive level. Loans to others for purchasing and carrying Government securities declined about the same amount, but are still considerably larger than before the drive. Commercial loans continued to show little change.

Treasury war-loan balances at all depositories declined in the five-week period by 2.7 billion dollars. At weekly reporting banks, Government deposits fell by 2.2 billion during the same period and adjusted demand deposits increased by 1.4 billions. Time deposits continued the steady increase that has been in progress for more than a year.

Following a slackened rate of outflow during the war loan drive, currency renewed its rapid outflow and in the next few weeks increased at a rate of about 500 million dollars a month. The resulting drain on bank reserves and the increase in required reserves were met in part by purchases of Government securities by the Reserve Banks and in part by a decline in excess reserves.

Weekly average excess reserves of all member banks declined about 300 million dollars from their peak during the war loan drive and amounted close to 1.1 billion dollars in mid-August. The rate of decline was about the same at reserve city and at country banks.