

# MONTHLY BUSINESS REVIEW

## of the FEDERAL RESERVE BANK of Dallas

Volume 29

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Number 8

### DISTRICT SUMMARY

General rains throughout the Eleventh District late in August and early in September benefited late crops, provided needed moisture for fall plowing and seeding operations, revived livestock ranges and replenished stockwater supplies. Sales at department stores increased seasonally from July to August and were about one-fourth larger than in August, 1943. Construction contracts awarded in this district during August were substantially larger than in the preceding month but were sharply lower than a year ago. Daily average production of crude petroleum in this district during August reached a new peak for the fourth consecutive month at a level approximately 20 per cent above that a year ago. On the basis of production allowables authorized by the Texas Railroad Commission, daily average output will rise further in September, but will decline slightly during October. Deposits of weekly reporting member banks increased further between August 9 and September 13, but loans declined slightly during the same period.

### BUSINESS

The dollar volume of sales at department stores during August was 24 per cent above that of a year ago and 22 per cent greater than that of the preceding month. On a daily average basis the adjusted index was maintained at a high level of 250 per cent of the 1935-1939 average. During the first eight months of this year the dollar volume exceeded that of the comparable period a year ago by 16 per cent. For the same period increases in dollar sales by city groups ranged from 11 per cent in San Antonio to a high of 22 per cent in Dallas. Furthermore, sales reports from weekly reporting firms depict a continuation of this high dollar volume inasmuch as sales during the two weeks ended September 16 of this year were 21 per cent higher than those for the comparable period last year.

During August the dollar volume of sales of women's and misses' ready-to-wear and accessories, which represented half of the total dollar sales reported, was 32 per cent higher than a year ago while stocks remained practically at the same level as last year. Sales of piece goods increased 31 per cent over last year as stocks decreased only slightly. Dollar sales of men's and boys' stocks decreased 22 per cent over last year, whereas stocks declined approximately 7 per cent over a year ago.

The ratio of cash sales to total sales decreased from the wartime high of 57 per cent in July to 53 per cent in August and was the first decrease in this ratio since March this year. However, collections on regular accounts during August were 64 per cent of the regular accounts outstanding at the beginning of the month representing a slight increase in this ratio from the preceding month. Collections on instalment accounts represented 36 per cent of instalment accounts outstanding at the beginning of the month compared with a similar ratio of 31 per cent in July and 29 per cent in August of last year.

Dollar sales at reporting furniture firms during August increased 8 per cent over the preceding month and 7 per cent over a year ago. On the other hand, stocks which increased 6 per cent over last month were approximately 8 per cent lower than last year.

According to Dun and Bradstreet, Incorporated, there was one business failure in this district in August. This is the first business failure reported in this district since December, 1943, and compares favorably with the first eight months of last year during which period 11 business failures had been reported.

### AGRICULTURE

The general over-all outlook for agriculture in the Eleventh Federal Reserve District has greatly improved during the past few weeks, due to the more favorable weather and moisture conditions. The hot, dry weather during July and the first three weeks of August had caused a general decline in late crop prospects and a rapid deterioration in range feeds and pasturage. Serious shortages of stock water were being experienced in some of the western areas and irrigation water supplies were running short in the Rio Grande Valley. Since late August, rains have fallen over virtually all of the district, ranging from light showers in some areas to torrential rains in others; the notable exceptions being in Arizona and parts of New Mexico where ranges were still reported dry and feed short in some sections. These general rains materially improved prospects for all late crops, especially cotton, sweet potatoes, peanuts, late feed crops, and improved range feeds and pasturage over a large area. The improved moisture conditions have also aided in the preparation of the soil for fall seeding operation. Farmers have made good progress with the seeding of winter wheat.

The rains came too late to benefit cotton in the eastern and coastal counties of Texas, but in other sections of the district where cotton is later than usual, shedding and premature opening were checked. Picking is nearing completion in South Texas and in southern counties of South Central Texas, but rains have delayed remnant harvest. Cotton picking is under way in all other districts, but due to the late start, the volume ginned to date is relatively small. The cotton crop, as a whole, is much later than usual, and will be subjected to a longer than usual period of fall weather and related influences. Reports indicate that farmers in many sections are experiencing difficulty in obtaining labor to gather the crop.

The September 1 report of the Department of Agriculture estimated the United States cotton crop at 11,483,000 bales, which represents an increase of 461,000 bales above the August 1 estimate. The per acre yield is estimated at 273.4 pounds on 20,164,000 acres remaining for harvest, or slightly larger than the previous record yield of 272.4 pounds per acre produced in 1942. The forecast for Texas remained at 2,450,000 bales, which is 373,000 bales smaller than the crop produced in 1943. The abandonment of cotton acreage in Texas from all causes is estimated at 2.6 per cent of the acreage in cultivation on July 1, leaving a total of 7,135,000 acres for harvest. On the acreage remaining for harvest, the yield was forecast at 165 pounds per acre, as compared with 174 pounds per acre in 1943, and an average of 162 pounds for the ten-year period (1933-1942).

Late grain sorghums were materially improved by rains and the September 1 production estimate for Texas of 84,708,000 bushels compares with 71,817,000 bushels produced last year. The yield per acre is now indicated at 18.0 bushels, as compared with 16.5 bushels last year and the ten-year average of 14.6



bushels. The damage caused to the Texas peanut crop by the earlier hot, dry weather was more than offset by rains in late August. The September 1 estimate of 323,000,000 pounds is moderately larger than the 1943 production of 298,980,000 pounds despite the much smaller acreage. The per acre yield of 420 pounds this year, while nearly one-third larger than in 1943, is well below the ten-year average of 470 pounds. Production of all tame hay in Texas was estimated on September 1 at 1,405,000 tons, as compared with 1,469,000 tons for 1943 and the ten-year average of 1,021,000 tons. The improved moisture conditions increased the prospects for both Irish potatoes and sweet potatoes in Texas, but the September 1 estimates of 5,016,000 bushels and 4,420,000 bushels, respectively, were approximately 20 per cent lower than last year's harvest.

Due to earlier lack of water, rice prospects declined further in August with production now indicated at 17,640,000 bushels, as compared with 20,196,000 bushels in 1943. Broomcorn production is estimated at 8,900 tons, which is over three times the 1943 production of 2,700 tons and about double the ten-year average production. The prospective pecan crop on September 1 indicated a production of 43,500,000 pounds, which is only slightly below the record crop of 1935.

The continued hot, dry weather and limited irrigation water supplies in the first half of August adversely affected the grapefruit and orange groves, but trees and fruit were greatly benefited by generous rains during the latter part of the month. The rains broke the severe drouth in South Texas, relieving the serious shortage of irrigation water which existed at mid-August, and greatly improving soil conditions for transplanting crops in the Rio Grande Valley where field work had been delayed. The favorable conditions may stimulate an increase in acreages of beets, carrots, cabbage and onions as seed beds in both irrigated and non-irrigated areas are reported in excellent condition.

Range feeds and pasturage which had deteriorated seriously during the hot, dry weather, responded rapidly to the recent rains and the outlook for fall grazing is generally good except in a few localities where moisture is still deficient. Livestock which had suffered during the drouth are beginning to pick up from the greatly improved range feeds and pastures. Stock water supplies have been replenished in all except a few local areas and moisture is adequate over most of the district to sustain the growth of grass and other feeds. Seeding of wheat and other small grains is under way in North and Northwest Texas and there are some fields of volunteer growths which will provide winter grazing.

During August, receipts of sheep and hogs at the Fort Worth and San Antonio markets declined, while those of cattle and calves rose to the highest level of the year. Since April, the marketings of sheep have been exceptionally heavy and while August receipts were sharply lower than in August last year, they were much larger than those in that month of any other year. Total receipts for the first eight months of 1944 were 47 per cent larger than the heavy movement in that period last year. Receipts of hogs have shown a downward movement since the first of the year, although the total movement thus far has exceeded that of last year by 21 per cent. The large movement of cattle and calves during the past four months has more than offset the small movement during the early months of the year, while the cumulative receipts for the eight months of 1944 were about 25 per cent above those last year.

The 1944 Texas wool clip is forecast by the Department of Agriculture at 81,000,000 pounds, which exceeds the 1943 wool clip by 287,000 pounds and is 11 per cent larger than the

average of 72,662,000 pounds for the ten years (1933-1942). The Texas clip represents more than one-fifth of the total wool clip in the United States.

Despite adverse weather conditions, labor shortages and transportation difficulties, income from agriculture continues to show gains. In June, cash income from agriculture in Texas amounted to approximately \$95,000,000, an increase of slightly more than \$11,000,000 over the previous month and was over \$28,000,000 more than in June, 1943. The aggregate cash farm income in Texas for the first six months of 1944 was \$485.

#### CASH FARM INCOME—(Thousands of dollars)

	June 1944		June 1944	Total receipts	
	Receipts from Crops	Livestock*	1944	June 1943	Jan. 1 to June 30 1943
Arizona.....	7,042	3,962	11,004	8,853	74,376
Louisiana.....	4,460	5,113	9,573	7,509	77,372
New Mexico.....	973	3,660	4,633	4,186	28,971
Oklahoma.....	23,146	24,757	47,903	26,049	169,498
Texas.....	40,035	53,376	93,411	67,587	485,630
Total.....	75,656	92,868	168,524	114,184	835,847

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

SOURCE: United States Department of Agriculture.

#### LIVESTOCK RECEIPTS—(Number)

	Fort Worth		July 1944	San Antonio	
	August 1944	August 1943	August 1944	August 1943	July 1944
Cattle.....	116,853	97,106	97,679	28,181	21,270
Calves.....	52,997	40,108	37,509	29,575	29,952
Hogs.....	68,127	77,545	74,860	14,932	12,185
Sheep.....	209,754	406,530	351,763	57,076	63,233

#### COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundred weight)

	Fort Worth		July 1944	San Antonio	
	August 1944	August 1943	August 1944	August 1943	July 1944
Beef steers.....	\$14.65	\$13.75	\$15.50	\$14.00	\$12.90
Stocker steers.....	11.50	13.00	11.00	13.00	13.00
Heifers and yearlings.....	14.50	13.50	15.50	13.50	13.00
Butcher cows.....	12.00	11.50	11.25	11.00	11.50
Calves.....	13.50	13.00	13.25	12.65	13.00
Hogs.....	14.55	14.35	14.55	14.25	14.25
Lambs.....	14.00	13.50	14.00	12.00	12.00

#### COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to August 31 This season	Last season	August 1 to August 31 This season	Last season
Cottonseed received at mills (tons).....	80,160	162,808	162,772	394,420
Cottonseed crushed (tons).....	28,014	44,526	99,695	133,073
Cottonseed on hand August 31: (tons).....	83,645	162,951	181,778	351,683
Production of products:				
Crude oil (thousand lbs.)....	8,212	12,824	29,762	40,102
Cake and meal (tons).....	13,384	20,733	44,334	59,141
Hulls (tons).....	6,049	10,357	23,589	31,771
Linters (running bales).....	8,432	12,916	29,321	39,785
Stocks on hand August 31:				
Crude oil (thousand lbs.)....	4,369	5,106	12,461	17,582
Cake and meal (tons).....	7,783	9,415	30,353	29,221
Hulls (tons).....	4,683	5,842	17,600	19,268
Linters (running bales).....	14,575	38,133	44,435	111,761

SOURCE: United States Bureau of Census.

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

	August		August	July
	1944	1943	1943	1944
Consumption at:				
Texas mills.....	17,978	19,691		18,311
United States mills.....	841,490	843,187		724,167
U.S. stocks—end of month:				
In consuming establishments.....	1,710,225	1,928,263		1,873,187
Public storage and compresses.....	7,936,994	8,027,415		8,245,641

#### CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Sept. 1, 1944	1943	Estimated Sept. 1, 1944	1943
Winter wheat.....	Bushels	77,071	36,366	78,111	37,142
Cotton.....	Bales	2,450	2,823	3,128	3,578
Corn.....	Bushels	64,649	88,416	76,158	102,083
Oats.....	Bushels	42,471	21,780	47,978	26,111
Barley.....	Bushels	8,428	3,341	17,846*	9,370*
Tame hay.....	Tons	1,405	1,469	1,967	2,018
Potatoes, Irish.....	Bushels	5,016	6,450	6,006	7,504
Potatoes, sweet.....	Bushels	4,420	5,616	12,815†	15,072†
Rice.....	Bushels	17,640	20,196	39,052†	44,104†

\*Arizona, New Mexico, Oklahoma and Texas.

†Texas and Louisiana.

SOURCE: United States Department of Agriculture.



600,000 or slightly over 5 per cent more than the \$461,600,000 received during the same period in 1943. The increase in cash income this year appears to be the result of substantial increases in marketings. Large marketings of small grains, livestock, citrus fruits and vegetables have been important factors contributing to the increase.

Farm prices received by Texas farmers during August, as reported by the Department of Agriculture, showed significant increases for hogs, potatoes, new crop sweet potatoes and hay, as compared with those of a month ago. On the other hand, as continued moderate declines were indicated for most Texas grain crops and meat animals, other than hogs. Prices received for such items as cotton and cottonseed, peanuts and poultry were unchanged to slightly higher. As a whole, crop prices were above the levels obtaining during August last year, while prices received for livestock and livestock products were generally below those a year ago.

## FINANCE

The reserve balances of member banks in this district averaged \$564,000,000 during August, which was about \$24,000,000 higher than in the preceding month and \$41,000,000 above the average for the first seven months of the year. Although reserve balances reached an all-time peak of \$588,000,000 on September 15, the average for the first half of the month was about the same as during the corresponding period in August. During August, the deposits of member banks showed a further rise and there was a substantial conversion of reserve-exempt war loan deposits to customer deposits which is customary between war loan drives, as the Treasury withdraws funds from its accounts at depository banks to meet Government expenditures in the area. While these factors increased average required reserves by about \$17,000,000, this increase was smaller than the expansion in reserve balances, with the result that average excess reserves rose to \$125,000,000, the highest for any month since May, 1943.

The circulation of Federal Reserve notes of this bank during the first half of September averaged \$493,900,000, which is \$13,000,000 higher than in August and \$130,000,000 greater than a year ago.

The gross deposits of weekly reporting member banks in this district increased further by approximately \$32,000,000 between August 9 and September 13, reflecting the continued expansion in interbank and time deposits and a rise in adjusted demand deposits which more than offset the decline in Government deposits. The sharp increase in adjusted demand deposits during the five weeks raised the total on September 13 to a new peak of \$1,171,000,000 which surpassed by \$47,000,000 the previous peak reached in June prior to the large-scale transfer of customer deposits to war loan deposits in payment for securities purchased during the Fifth War Loan Drive. Government deposits, consisting mainly of war loan accounts, which reached a peak of \$350,000,000 on July 12, had declined to \$227,600,000 on September 13.

The loans of these banks declined further by about \$9,000,000 during the five weeks. The decrease was chiefly in commercial, industrial and agricultural loans, which have shown a consistent decline since the sharp expansion that occurred during the Fifth War Loan Drive. These loans, which totaled \$334,900,000 on September 13, were at the lowest level reached since March this year, but were still about \$36,900,000 higher than a year earlier.

During June and July, when weekly reporting member banks greatly increased their holdings of Government securities, the

## CONDITION OF THE FEDERAL RESERVE BANK

(Thousands of dollars)

	Sept. 15, 1944	Sept. 15, 1943	August 15, 1944
Total cash reserves.....	\$609,076	\$651,853	\$581,773
Discounts for member banks.....	175	127	None
Industrial advances.....	None	13	None
United States Government securities.....	531,567	270,310	527,090
Total earning assets.....	534,742	270,455	527,090
Member bank reserve deposits.....	587,776	507,553	574,838
Federal Reserve Notes in actual circulation.....	492,802	365,277	480,996

## CONDITION STATISTICS OF 33 MEMBER BANKS IN LEADING CITIES

(Thousands of dollars)

	Sept. 13, 1944	Sept. 15, 1943	August 9, 1944
Total loans and investments.....	\$1,556,168	\$1,256,718	\$1,564,897
Total loans.....	334,884	297,967	343,710
Commercial, industrial, and agricultural loans.....	227,896	210,857	236,331
Loans to brokers and dealers in securities.....	2,245	2,339	2,695
Other loans for purchasing or carrying securities.....	41,535	19,356	41,913
Real estate loans.....	20,713	19,566	20,389
Loans to banks.....	214	84	421
All other loans.....	42,281	45,765	41,961
Total investments.....	1,221,284	958,751	1,221,097
U. S. Treasury bills.....	121,483	104,015	126,652
U. S. Treasury certificates of indebtedness.....	348,923	239,471	352,482
U. S. Treasury notes.....	218,419	147,577	216,894
U. S. Government bonds.....	467,423	358,434	460,334
Obligations guaranteed by United States Gov't.....	20,629	56,714	20,629
Other securities.....	44,407	52,540	44,106
Reserves with Federal Reserve Bank.....	329,628	296,984	322,818
Balances with domestic banks.....	260,769	259,314	228,573
Demand deposits—adjusted*.....	1,171,356	1,002,291	1,075,048
Time deposits.....	196,574	149,847	190,378
United States Government deposits.....	227,597	153,564	310,220
Interbank deposits.....	490,704	454,442	478,604
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)

	August 1944	August 1943	Pctg. change over year	July 1944	Pctg. change over month
Abilene.....	\$ 17,608	\$ 15,085	+17	\$ 17,239	+2
Amarillo.....	45,170	36,781	+23	48,205	+6
Austin.....	74,603	61,666	+21	70,759	+5
Beaumont.....	51,538	51,983	-1	56,739	+9
Corpus Christi.....	48,756	43,190	+13	53,162	+8
Corsicana.....	5,616	5,713	-2	6,449	-13
Dallas.....	503,415	434,548	+16	514,319	+2
El Paso.....	45,547	47,466	-4	52,246	-13
Fort Worth.....	205,233	177,706	+15	215,168	+5
Galveston.....	42,916	40,470	+6	45,986	-7
Houston.....	540,403	452,343	+19	528,794	+2
Laredo.....	11,148	10,285	+8	11,380	+2
Lubbock.....	23,690	19,925	+19	23,943	-1
Monroe, La.....	16,815	15,051	+12	16,668	+1
Port Arthur.....	22,450	18,715	+20	24,133	-7
Roswell, N. M.....	7,548	6,949	+9	8,587	-12
San Angelo.....	13,843	12,635	+10	16,563	-16
San Antonio.....	187,156	129,075	+9	154,536	-11
Shreveport, La.....	76,056	64,467	+19	72,879	+6
Texasarkana*.....	19,202	15,614	+23	18,940	+1
Tucson, Ariz.....	26,592	24,063	+11	27,364	-3
Tyler.....	22,743	17,208	+32	22,460	+1
Waco.....	26,183	23,965	+9	26,403	-1
Wichita Falls.....	25,144	21,570	+17	28,532	-12
Total—24 cities.....	\$2,010,275	\$1,743,473	+15	\$2,061,454	-2

\*Includes the figures of two banks in Texasarkana, 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
August 1942.....	\$1,985,128	\$226,916	\$1,137,687	\$127,231	\$ 847,441	\$ 99,685
August 1943.....	2,925,647	245,390	1,585,376	145,304	1,340,271	100,086
April 1944.....	3,292,252	284,538	1,709,275	175,621	1,582,977	108,918
May 1944.....	3,275,467	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
August 1944.....	3,655,893	307,179	1,925,789	192,204	1,730,104	114,975

## SAVINGS DEPOSITS

August 31, 1944

Percentage change in savings deposits from

	Number of reporting banks	Number of savings depositors	Amount of savings deposits	August 31, 1943	July 31, 1944
Beaumont.....	3	11,480	\$ 5,667,611	+18.3	+2.3
Dallas.....	8	102,222	44,456,713	+36.6	+3.5
El Paso.....	2	24,038	13,612,199	+38.7	+3.6
Fort Worth.....	3	35,311	20,786,280	+32.5	+3.9
Galveston.....	4	20,791	14,911,713	+23.5	+1.9
Houston.....	10	84,616	46,497,842	+24.0	+2.9
Lubbock.....	2	826	498,762	+6.5	+1.7
Port Arthur.....	2	5,342	3,913,440	+18.7	+3.1
San Antonio.....	5	32,444	27,814,212	+29.0	+2.7
Shreveport, La.....	3	20,288	16,924,867	+29.4	+2.7
Texasarkana.....	3	8,163	5,792,005	+20.6	+3.3
Waco.....	3	6,896	3,804,545	+5.3	+1.9
Wichita Falls.....	3	53,573	34,642,535	+19.5	+3.5
All other.....	58				
Total.....	106	414,990	\$230,332,724	+26.9	+3.1



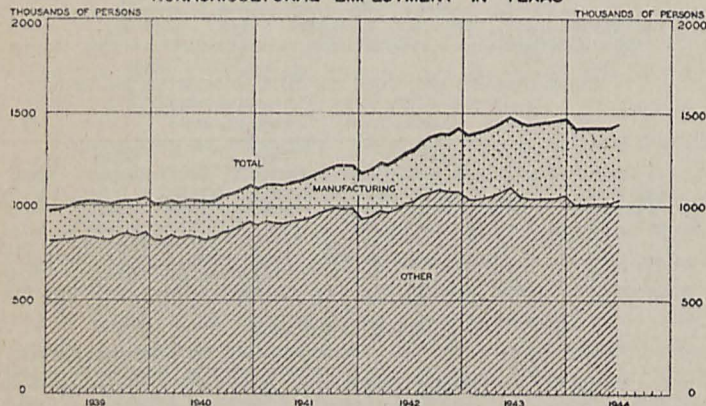
additions represented to a large extent short-term securities consisting of Treasury bills and certificates of indebtedness. During the five weeks ended September 13, the total investments of these banks showed little change, but there was a shift of about \$8,700,000 of their holdings from Treasury bills and certificates of indebtedness to Treasury notes and bonds.

The funds made available through the increase in deposits and the decline in loans were utilized to build up their balances with the Federal Reserve Bank and with correspondent banks. On September 13, balances with correspondent banks were at the highest level since the spring of 1943.

### INDUSTRY

Total nonagricultural employment in Texas, after showing a substantial seasonal decline in January, has remained relatively stable and during recent months has been at about the same level as during the corresponding period last year. Total manufacturing employment has shown relatively little change during the past year, but there have been substantial shifts between plants and among industries. The demand for munitions, which was intensified by the invasion of France early in June, imposed new pressures upon ordnance plants in Texas; consequently, employment at these plants has increased during the past three months and further additions to working forces are expected. Employment at petroleum refineries and at chemical and rubber plants has continued the upward trend in evidence since the beginning of the year. Employment at shipyards, which was well sustained earlier in the year, has recently shown some decline. The number of workers at aircraft plants has been declining for several months, largely because of the increasing productivity of workers, but the recent cut-back in the aircraft production program has accelerated the decline in employment at some Texas plants and further decreases in the number of workers are expected. Employment at lumber and textile mills is apparently considerably below the level of a year ago, due largely to the inability of plants to secure workers. During recent months, the trend of employment at iron and steel plants has been upward, while there has been a substantial downward readjustment in employment at nonferrous metal plants. Civilian employment at military establishments has been well sustained.

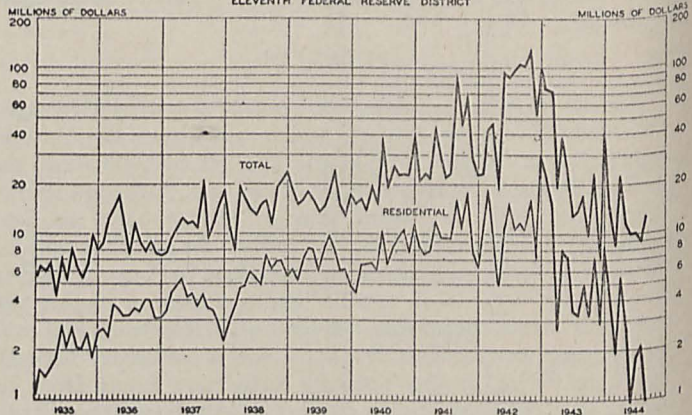
NONAGRICULTURAL EMPLOYMENT IN TEXAS



Construction activity in the Eleventh District reached an all-time peak in 1942 when the value of awards aggregated \$914,205,000, and reached a monthly peak during October of that year with total awards of \$132,286,000. Since 1942, the value of awards has fluctuated considerably from month to month, but the general trend has been downward, reflecting the effect of the completion of large installations for war purposes and the shortages of critical building materials. In August,

the value of construction contracts awarded in this district indicated a marked increase over the preceding month but the aggregate of \$16,769,000 was about 6 per cent below awards in August, 1943. The continued decline during August in residential and public utility awards was more than offset by substantial gains in non-residential and public works construction. The total value of construction awards for the first eight months of this year, however, amounted to only \$106,932,000, or about 61 per cent below that for the same period in 1943. During most of 1942 and the early part of 1943, virtually all of the construction in Texas represented publicly financed projects, but the volume of privately financed construction increased substantially during the last half of 1943 and has constituted about 25 per cent of the total thus far in 1944.

CONSTRUCTION CONTRACTS AWARDED  
ELEVENTH FEDERAL RESERVE DISTRICT



The production of Portland cement at Texas mills also reached a peak in 1942 coincident with the record volume of construction. In that year, production averaged 1,011,000 barrels monthly, but in conformity with the downward trend in construction, it declined to a monthly average of 798,000 barrels in 1943, and during the first seven months of this year, it dropped to a monthly average of 495,000 barrels, representing the lowest production rate since 1936. After the middle of 1942 when mill stocks reached an exceptionally low level, production in most months exceeded shipment with the result that stocks reached an all-time peak of 1,124,000 barrels on February 29 this year. During recent months, the excess of shipments over production reduced mill stocks to 843,000 barrels on July 31, or less than two month's supplies at the current rate of shipments.

Military needs for petroleum and its products have increased rapidly during the past two years placing unprecedented demands upon the productive capacity of the oil fields of the nation, and especially on the oil fields of this district, which continue to account for virtually all of the increase in petroleum production in the United States. During the first four months of 1943 the daily average crude oil production in this district was 1,551,000 barrels, but since May of 1943 the general production trend has been upward. In August this year, crude oil production reached a new peak for the fourth consecutive month with an average of 2,289,300 barrels daily, exceeding that in July by 2 per cent and that of August last year by 20 per cent. Production of crude oil outside of this district increased only slightly over the previous month and was less than three per cent above the production for August last year. The Texas Railroad Commission authorized a further increase in production for September, amounting to about 65,000 barrels daily in effective allowables, indicating a continuance of the upward trend in production during the month.

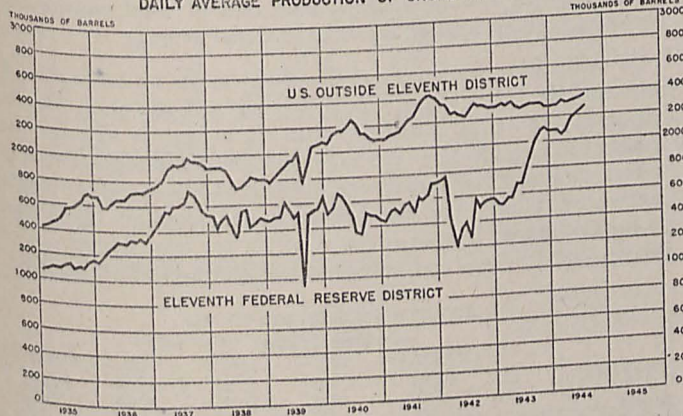


Stocks of above ground crude oil declined slightly in the Eleventh District during August, but the total of 119,740,000 barrels at the end of the month was about 5 per cent higher than a year earlier. On the other hand, the decline of 15 per cent in crude oil stocks outside this district during the past year, reduced total United States stocks at the end of August this year to 222,931,000 barrels, which was about 6 per cent below the total on the corresponding date in 1943.

On August 26 the Petroleum Administrator for War modified well-spacing regulations in 42 counties in North and West Central Texas to encourage drilling of additional wells and to permit simultaneous development of overlaying oil pools in these areas. The modification of restrictions on the use of materials in drilling operations in the areas specified were made primarily to permit more extensive drilling in fields that have two or more oil producing formations at different depths.

Drilling activity in the Eleventh District, after declining in July, increased in August, resuming the general upward trend that has been in evidence since February, 1943, when the low point was reached. Despite the increase in drilling activity that has occurred this year, the rate of completions is still substantially below that obtaining prior to 1942.

DAILY AVERAGE PRODUCTION OF CRUDE PETROLEUM



Mill consumption of cotton in Texas during August amounted to 17,978 bales, which was about 2 per cent below the consumption for July and about 9 per cent under the consumption for August, 1943. Cotton consumed at United States textile mills during August, which totaled 841,500 bales, showed an increase of 16 per cent over July consumption, and was larger than in any other month of the current year, except March. Moreover, it was in approximately the same volume as in August last year. The lag in textile production which has been apparent for several months has been caused by labor shortages, and according to the War Manpower Commission, the number of workers must be greatly expanded in order to increase output sufficiently to meet the estimated requirements for all types of cotton textiles. In furtherance of the Stabilization Extension Act of 1944, which became effective on June 30, the Office of Price Administration on September 17, announced price increases at mill level aggregating about 10 per cent above present ceilings for all fine cotton goods. It was indicated that, for the present, the mill price increases will not result in retail price increases since converters are not now permitted to pass on increases at the mill level. The new price increases were made retroactive to June 30 and the previous order permitting the sale of fine cotton goods on an adjustable basis was revoked. After the price adjustments were announced, mills released accumulated supplies, mostly to holders of high priority ratings, and accepted some forward orders from the civilian trade. Due to the heavy military demand, however, deliveries to the trade are expected to be con-

## WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in:			Stocks †	
		August 1944	July 1944	Jan. 1 to Aug. 31, 1944	August 1944	July 1944
<b>Retail trade:</b>						
Department stores:						
Total 11th Dist....	48	+24	+22	+16	+4	+8
Dallas.....	7	+26	+30	+22	+9	+7
Dallas.....	7	+21	+22	+13	+7	+9
Fort Worth.....	4	+20	+17	+15	+7	+6
Houston.....	7	+30	+26	+11	-4	+9
San Antonio.....	5	+19	+13	+20	....	....
Shreveport.....	3	+23	+18	+13	-8	+9
Other cities.....	22					
<b>Retail furniture:</b>						
Total 11th Dist....	59	+7	+8	....	-8	+6
Dallas.....	6	+13	+3	....	-30	+6
Dallas.....	8	-8	-7	....	....	....
Houston.....	3	+18	+8	....	....	....
San Antonio.....	3				....	....
<b>Independent stores:*</b>						
New Mexico.....	393	+18	+8	+12	....	....
Oklahoma.....	975	+18	+16	+11	....	....
Texas.....						
<b>Wholesale trade:*</b>						
Drugs.....	5	+17	+16	+11	+21	+1
Electrical supplies..	3	-20	+13	....	-2	-4
Groceries.....	29	+4	+6	+5	+10	+9
Hardware.....	13	+8	+19	+27	-3	-3
Surgical equipment..	5	+36	+7			

\*Compiled by United States Bureau of Census (wholesale trade figures preliminary).

†Stocks at end of month.

## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	August 1944	July 1944	June 1944	August 1943
<b>Sales (1935-1939=100)*</b>				
Without seasonal adjustment.....	220	202	203	183
With seasonal adjustment.....	250	277	245	208
<b>Stocks (1923-1925=100)</b>				
Without seasonal adjustment.....	123	115	109	117
With seasonal adjustment.....	121	126	116	115

\*Sales index revised.

## CRUDE OIL PRODUCTION—(Barrels)

	August 1944		Increase or decrease in daily average production from	
	Total production	Daily avg. production	August 1943	July 1944
North Texas.....	7,670,950	247,450	+10,450	+6,287
West Texas.....	15,033,450	484,950	+222,447	+20,626
East Texas.....	16,099,850	519,350	+17,921	+7,174
South Texas.....	9,971,150	321,650	+81,521	+1,997
Coastal Texas.....	16,591,200	535,200	+60,371	+3,650
<b>Total Texas.....</b>	<b>65,366,600</b>	<b>2,108,600</b>	<b>+392,710</b>	<b>+39,734</b>
New Mexico.....	3,316,950	106,998	+2,422	-1,260
North Louisiana.....	2,285,450	73,724	-9,345	+1,621
<b>Total District.....</b>	<b>70,969,000</b>	<b>2,289,322</b>	<b>+385,787</b>	<b>+40,095</b>

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED  
(Thousands of dollars)

	August 1944	August 1943	July 1944	January 1 to August 31, 1944	January 1 to August 31, 1943
<b>Eleventh District—total..</b>	<b>\$ 16,769</b>	<b>\$ 17,814</b>	<b>\$ 9,451</b>	<b>\$ 106,032</b>	<b>\$ 277,262</b>
Residential.....	1,131	4,851	1,894	20,240	68,299
All other.....	15,638	12,963	7,557	85,792	208,963
<b>United States*—total....</b>	<b>169,341</b>	<b>413,791</b>	<b>190,539</b>	<b>1,320,101</b>	<b>2,448,724</b>
Residential.....	23,273	67,493	25,813	252,978	619,455
All other.....	146,068	346,298	164,726	1,067,123	1,829,269

\*37 states east of the Rocky Mountain.

SOURCE: F. W. Dodge Corporation.

## BUILDING PERMITS

	August 1944		Percentage change valuation from		Jan. 1 to Aug. 31, 1944		Percentage change valuation from 1943	
	No.	Valuation	Aug. 1943	July 1944	No.	Valuation	Aug. 1943	July 1944
Abilene.....	11	\$ 59,335	+38	+440	201	\$ 315,265	+88	
Amarillo.....	80	119,415	+921	+19	595	906,539	+91	
Austin.....	84	40,675	+45	-51	809	425,763	+104	
Beaumont.....	127	151,061	+526	+335	1,060	625,459	-71	
Corpus Christi.....	122	202,015	+141	+14	1,017	1,358,673	-60	
Dallas.....	571	323,110	-67	-31	4,978	5,742,701	+133	
El Paso.....	66	178,496	+418	-11	876	1,051,577	+220	
Fort Worth.....	245	293,998	-57	+30	1,856	2,303,312	-50	
Galveston.....	24	11,055	-83	-96	609	811,663	+17	
Houston.....	250	689,105	-17	-12	1,997	6,383,835	+5	
Lubbock.....	121	80,050	+124	-76	1,057	745,461	+374	
Port Arthur.....	59	27,040	+218	-29	486	227,532	+5	
San Antonio.....	802	482,886	+88	+40	6,915	2,803,025	+50	
Shreveport, La....	207	101,233	+47	-62	1,195	766,708	+199	
Waco.....	40	24,539	-42	-61	627	1,161,585	+94	
Wichita Falls.....	25	58,925	+62	+228	242	196,050	+44	
<b>Total.....</b>	<b>2,834</b>	<b>\$2,842,938</b>	<b>-5</b>	<b>-17</b>	<b>24,320</b>	<b>\$25,858,146</b>	<b>+12</b>	



tinued on a restricted basis. On account of the acute demand for cotton duck, the War Production Board has ordered a considerable number of looms to convert from the production of other fabrics to the manufacture of duck, and has required all looms producing the needed grades and qualities of duck to operate at a maximum number of hours per week. Stocks of cotton on hand in consuming establishments at the end of August totaled 1,710,000 bales, as compared with 1,928,000 bales in August last year, indicating a decrease of 11 per cent. Stocks held in public storage and compresses on August 31 were 7,937,000 bales, which was about four per cent below the amount on hand at the end of July and one per cent under the 8,027,000 bales held on August 31, 1943.

### INCOME PAYMENTS TO INDIVIDUALS IN THE ELEVENTH FEDERAL RESERVE DISTRICT

According to data compiled by the Department of Commerce, income payments of individuals in the five states, wholly or partially included in the Eleventh Federal Reserve District, are estimated to have reached \$10,022,000,000 in 1943, as compared with \$7,726,000,000 in 1942 and \$4,585,000,000 in 1939. The increase of 30 per cent in income payments during 1943 was substantially larger than the national average. During the period from 1939 to 1943, inclusive, income payments in this district rose 119 per cent, as against an increase of 96 per cent for the nation. While the increase in each of the five states in this district was above the national average, Arizona ranked first with a gain of 148 per cent, and was followed by Texas and Louisiana with increases of 123 per cent and 120 per cent, respectively. These three states also showed the largest percentage gains in 1943 as compared with 1942.

The rate of increase in income payments between 1939 and 1941 in this district was smaller than the national average, but it was greatly accelerated in 1942 and 1943 when this district became an important factor in war production. In 1940 and 1941, industries in this district received a relatively small volume of contracts for war production. This situation reflected the fact that industry in this district is composed mainly of small units, and the initial supply contracts were awarded chiefly to large units located in the industrial areas of the United States which had existing facilities to produce the products.

In 1942, urgent war needs resulted in the inauguration of a huge building program for the construction of military camps and industrial facilities in this area and were responsible for the development of an extensive sub-contracting system which enabled small plants to participate extensively in war production. As the new facilities were completed, industrial employment rose rapidly, and large contingents of the military personnel were shifted to this area for training. The extent of the rise in the industrial activities is indicated by the fact that payrolls in war industries rose from \$190,000,000 in 1941 to \$919,000,000 in 1943. A large portion of this increase resulted from the

Reflecting slow progress in the picking and ginning of cotton, cottonseed receipts at Texas cottonseed oil mills during August were only 80,160 tons or about 51 per cent below the receipts for the same month a year earlier. Although the amount of seed crushed showed a seasonal increase during August, as many mills resumed operations, the total was 37 per cent less than in August, 1943. August production of cottonseed oil, cake and meal, hulls and linters ranged from 35 to 42 per cent below that in the same month last year. Stocks of cake and meal and linters on hand at Texas mills declined further during August, and end of month stock of all products were sharply lower than those on August 31, 1943.

expansion in aircraft production and in shipbuilding. There were also large increases in Government payments to soldiers stationed within this area and in allotments and allowances to dependents of military personnel. Moreover, the huge military demand for petroleum and petroleum products necessitated a rapid expansion in petroleum production in this district during 1943. Although cash farm income in this district has more than doubled since 1939, the rate of expansion has been less marked, particularly in 1942 and 1943, than that of total income and has been slightly smaller than the national average.

In each of the five states of this district, per capita income is substantially below the national average and the total for the region in 1943 constituted less than three-fourths that for the nation. During 1943, Texas had the highest per capita income, with a total of \$818, but it was 20 per cent below the per capita income of \$1,031 for the United States. Between 1941 and 1943, Oklahoma had an increase of 75 per cent in per capita income, while Texas and Louisiana had increases of 65 per cent.

#### INCOME PAYMENTS—1939 TO 1943 (In millions of dollars)

	1939	1940	1941	1942	1943
United States.....	70,601	75,852	92,269	114,752	138,101
Total—five states.....	4,585	4,755	5,800	7,726	10,022
Arizona.....	228	237	287	426	565
Louisiana.....	829	847	1,066	1,395	1,825
New Mexico.....	178	190	222	285	350
Oklahoma.....	796	829	956	1,283	1,580
Texas.....	2,554	2,652	3,269	4,337	5,702

#### Income payments each state as a percentage of National total

	1939	1940	1941	1942	1943
United States.....	100.0	100.0	100.0	100.0	100.0
Total—five states.....	6.4	6.3	6.3	6.7	7.3
Arizona.....	.3	.3	.3	.4	.4
Louisiana.....	1.2	1.1	1.2	1.2	1.3
New Mexico.....	.2	.3	.2	.2	.3
Oklahoma.....	1.1	1.1	1.0	1.1	1.2
Texas.....	3.6	3.5	3.6	3.8	4.1

#### PER CAPITA INCOME PAYMENTS—(In dollars)

	1939	1940	1941	1942	1943
United States.....	539	575	693	858	1,031
Arizona.....	461	473	562	773	805
Louisiana.....	354	357	433	547	714
New Mexico.....	341	356	415	539	656
Oklahoma.....	340	356	417	579	729
Texas.....	401	413	497	647	818

SOURCE: Department of Commerce.



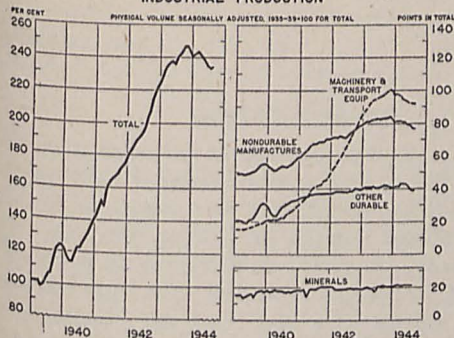
# MONTHLY BUSINESS REVIEW

OCTOBER 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 August, 1944.

Industrial output and employment showed little change in August. Retail trade was at a new high level for the month. There was a small further rise in retail commodity prices.

### INDUSTRIAL PRODUCTION

Output at factories and mines was 232 per cent of the 1935-39 average in August as compared with 231 for July, according to the Board's seasonally adjusted index of industrial production. Steel production was maintained, while output of nonferrous metals continued to decline. Over-all, activity in the metal fabricating industries continued at the level of the preceding month. There were large increases in output of heavy trucks, tanks, and some other critical ordnance items in August; aircraft production showed little change; while shipbuilding declined.

Output increased in the shoe, woolen and worsted, and paper industries in August following a drop in July which reflected chiefly the curtailment of operations around the Fourth. Output of manufactured foods, after allowance for seasonal changes, declined in August, largely reflecting decreases in output of meats, dairy products, and sugar products. Distilleries were shifted for the month of August from production of industrial alcohol for war purposes and output of about 50,000,000 proof gallons of beverage spirits was reported. Production of other nondurable goods was maintained at the level of the preceding month.

Minerals output in August rose 2 per cent from July, reflecting increases in coal and crude petroleum. Crude petroleum production was at a rate 11 per cent above the same month last year.

### DISTRIBUTION

Value of department store sales, according to the Board's seasonally adjusted index, was larger in August and the first half of September than in the first half of 1944 and averaged 12 per cent above the corresponding period of last year. In the third quarter the index at 90 per cent above the 1935-39 average has been at the highest level on record.

Carloadings of railroad freight were maintained in large volume in August. During the first three weeks in September loadings were slightly less than during the same period a year ago, owing to decreases in all classes of freight except merchandise in less than carload lots and miscellaneous shipments.

### COMMODITY PRICES

Wholesale prices of farm products and foods showed small seasonal decreases from the middle of August to the middle of September. Maximum prices of such industrial goods as cotton fabrics, cement, and bricks were increased.

Retail prices of food and other cost of living items increased slightly in August and the average of all items was 2 per cent higher than a year ago, according to the Bureau of Labor Statistics index.

### AGRICULTURE

Crop prospects improved during August and the early part of September and harvests of most major crops are expected to be larger than last season. Marketings of livestock products, which were at a record level earlier this year and 15 per cent higher than during the first six months of 1943, have declined in July and August to about the same level as that prevailing last year.

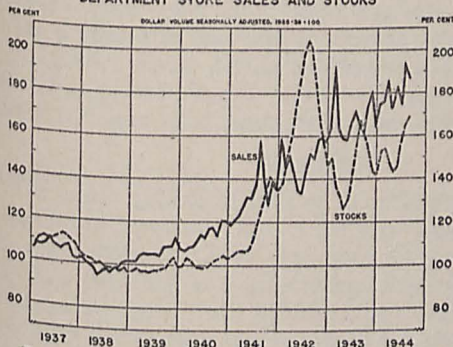
### BANK CREDIT

Bank deposits of businesses and individuals, as well as currency in circulation, have increased since the end of the Fifth War Loan Drive. This increase in the money holdings of businesses and individuals is largely a reflection of the expenditures made by the Treasury from its war-loan accounts built up during the drive. Adjusted demand and time deposits at member banks in leading cities increased by nearly 4 billion dollars between the close of the drive and mid-September, or by over three-quarters of the amount of reduction in such funds during the drive. Deposits at non-reporting banks probably increased by nearly 2 billion dollars. Treasury war loan accounts at banks declined by nearly 8 billion dollars.

In the same period loans and investments at weekly reporting member banks in 101 leading cities declined by 2.2 billion dollars. Loans to brokers and dealers for purchasing and carrying Government securities declined to a level approximately equal to that of the pre-drive period. There was, however, a temporary increase in such borrowings in late August and early September presumably associated with market transactions stemming from the Treasury offer to exchange certificates maturing on September 1 and notes maturing on September 15 for new issues. Loans to others for purchasing and carrying securities declined steadily, but on September 13 were still well above the pre-drive level. Government security holdings showed a net decline of 800 million dollars over the period, reflecting mainly substantial bill sales by reporting banks partially offset by some increase in bond holdings.

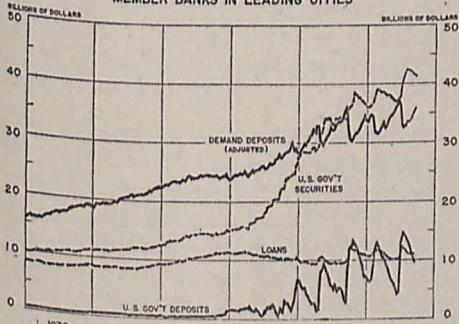
As the result of the increase in deposits of businesses and individuals, the average level of required reserves at all member banks rose by about a billion dollars between the close of the Fifth Drive and mid-September. In addition, a billion-dollar increase in money in circulation and some further decrease in gold stock served to absorb reserve funds. Member bank needs for reserves due to these factors were met largely through an increase of 1.7 billion dollars in the Government security portfolio of the Federal Reserve Banks and there was also a slight increase in Reserve Bank discounts. Excess reserves declined from an average level of 1.4 billion at the close of the drive to somewhat less than a billion by early September.

### DEPARTMENT STORE SALES AND STOCKS



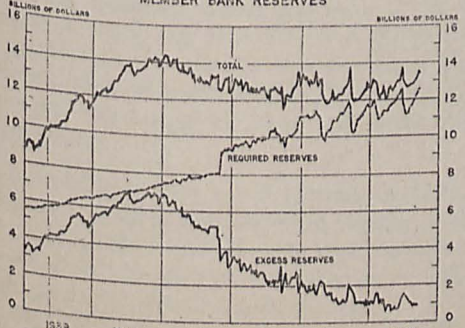
Federal Reserve indexes. Monthly figures, latest shown are for August, 1944.

### 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 September 13, 1944.

### MEMBER BANK RESERVES



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for September 20, 1944.