

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

Volume 30

Dallas, Texas, August 1, 1945

Number 6

DISTRICT SUMMARY

AGRICULTURE

General rains throughout most of the Eleventh District during the past month partially relieved the drought in the western part of the district and were very beneficial to crops and livestock ranges; nevertheless, crop conditions over the district continue somewhat spotty. Acreage of crops for harvest in Texas on July 1 was 6 per cent lower than a year ago. Due principally to the small acreage in northwest Texas resulting from the prolonged drought, the acreage planted to cotton in Texas this year is 13 per cent smaller than last year and the smallest in about 50 years. Livestock generally have been maintained in fair to good condition and marketing continued in large volume. Buying at department stores during June showed a smaller decline than is usual at this season and was 12 per cent above that a year ago, the largest year-to-year gain since March. Furniture store sales during June were also larger than a year earlier. The value of construction contracts awarded rose sharply in June, being more than double those in May and the highest for any June since 1942. The gains occurred in contracts for nonresidential building and for utilities. Production of crude petroleum continued to increase in June and is expected to rise further in July and August as allowables have been increased to augment the supply of crude oil available for shipment to the West Coast. Between June 13 and July 11, the deposits, loans, and investments of weekly reporting member banks showed a further sharp expansion on account of factors associated with the Seventh War Loan Drive.

BUSINESS

Sales at department stores in this district declined by less than the usual seasonal amount in June and exceeded those in June, 1944, by 12 per cent. The year-to-year gain in June was larger than in either of the preceding two months and was approximately the same as the average gain for the first six months of the year. Weekly reports from a smaller number of firms indicate that the margin of increase over a year ago widened considerably during the first half of July. The strong demand for merchandise in recent weeks reflects in part the increased supply of certain types of merchandise, the release of a quantity of nonrationed shoes, the advertisement of "clearance sales" on some merchandise, and renewed confidence in the maintenance of employment levels for a reasonable period, despite the cut-backs in war contracts.

Inventories of departments showed a further increase of 11 per cent as compared with the preceding month and the gain over the corresponding date last year widened to 20 per cent. Departments in which stocks showed substantial increases over the preceding month and gains ranging from 60 per cent to more than 100 per cent as compared with a year earlier included: wash goods and linings; jewelry; neckwear and scarfs; gloves; infants' wear; women's and misses' coats and suits; and juniors' and girls' wear. Sales in these departments also showed sizable increases as compared with June last year.

Furniture store sales in this district during June were in about the same volume as in the preceding month but were 6 per cent larger than in June last year. Inventories on June 30 were also approximately the same as a month earlier and 7 per cent above those on the same date last year.

Adverse weather throughout most of the Eleventh District during the spring planting season seriously delayed seeding operations in many areas and was responsible for a 6 per cent reduction in the over-all acreage of Texas crops. With the exception of oats, rice and peanuts, most major crops in Texas showed decreases from a year ago in acreages for harvest. General rains over a large part of the State during July were very beneficial to most row crops and production estimates on a number of late crops may subsequently be revised upward. The principal adverse factors are the spreading of insect infestation and the persistence of hot, drying winds in the High Plains and the lower Rio Grande Valley, where irrigation water supplies have been inadequate. Despite the deterioration of ranges during the droughty period in May and June, livestock have been maintained in generally good condition and movements to market which continued in relatively large volume have been orderly.

The July 1 estimate of the Department of Agriculture placed the areas seeded to cotton in Texas this year at 6,400,000 acres, a decline of 13 per cent from the 7,354,000 acres planted last year, and the lowest acreage in about 50 years. The United States estimate of 18,355,000 acres is 10 per cent lower than last year, and 30 per cent under the 10-year (1934-1943) average. The decrease in the Texas acreage, which accounted for about one-half of the decline in the United States, occurred largely in the High Plains section of northwest Texas. The Texas cotton crop, except in the drought areas in the north and northwest cotton producing districts of the High Plains, made from fair to good growth, overcoming some of the effect of the late start. There have been numerous complaints of widespread insect activity, poor fruiting, and premature opening of bolls in south Texas.

Too much rain in the north, east, and central sections and droughty conditions in the western areas of Texas during the planting season were major factors contributing to the 17 per cent reduction in this year's corn acreage. Although recent rains have increased prospective yields per acre, the estimated production of 63,984,000 bushels is 5,638,000 bushels less than the production last year and the lowest since 1934.

Although the Texas winter wheat crop was seeded under the most favorable conditions, adverse weather in the heavy wheat producing areas during the late growing stages sharply reduced yields. The July 1 estimate of 37,881,000 bushels is only about one-half of the record crop of 74,746,000 bushels harvested in 1944, but is 25 per cent larger than the 10-year average production. The indicated yield of 9.0 bushels per acre compares with 19.0 bushels last year and the 10-year average of 10.1 bushels. Harvesting operations, which were delayed to some extent by rains, should be practically complete by the end of July. The production of oats in Texas was forecast at 43,546,000 bushels, which is about 5,000,000 bushels above the 1944 harvest and approximately 10,000,000 bushels more than the 10-year average. The barley crop, which is estimated at 5,075,000 bushels, is less than half of last year's production, but is still considerably above the 10-year average. The rice crop has made excellent progress under favorable conditions and if the production indicated on July 1 of 21,200,000 bushels is realized, the crop will exceed all previous records.

Although much of the acreage intended for grain sorghums had not been planted on the High Plains by mid-July due to lack of moisture, tentative estimates placed the total acreage to be harvested at 6,656,000 acres, as compared with 7,157,000 acres last year. Total acreage of all tame hay to be harvested, estimated at 1,542,000 acres, is slightly under that a year earlier. The production forecast of 1,465,000 tons is 4 per cent smaller than production in 1944.

Areas planted to peanuts in Texas, indicated at 890,000 acres, represents an increase of 5 per cent over the 1944 acreage, but is smaller than the record acreage in 1942 and 1943. Due to reduction in acreages planted to Irish potatoes and sweet potatoes, the indicated production is 4 per cent and 17 per cent, respectively, less than the production in 1944.

Commercial vegetable harvest around the middle of July was limited mainly to cantaloupes, tomatoes, and watermelons, which are being marketed in considerable volume from all producing areas. Transplanting of vegetables for the fall crop made slow progress during the first half of July in the Rio Grande Valley due to the extremely hot weather and the shortage of irrigation water, but recent rains have improved water supplies and crop prospects. Citrus fruit, which was well advanced in size on June 1, has made very little growth since mid-June, but with the recent improvement in moisture supply should progress satisfactorily. The indicated Texas peach crop of 2,850,000 bushels is 88 per cent above the 1944 production and 82 per cent above the 10-year average. The pecan crop has made from fair to good progress and a large yield is in prospect.

Range feeds and pasturage in most of the district deteriorated slightly during June due to insufficient surface moisture, especially in a large portion of the western half of Texas, southern New Mexico, and Arizona. Rains over most of Texas during the first half of July relieved the critical situation in the Trans-Pecos area but afforded only temporary relief in parts of the Edwards Plateau, south Texas, the Low Rolling Plains, and most of the northwestern High Plains. Cattle are in from fair to good condition, although some supplemental feeding is necessary to maintain flesh. The condition of sheep declined 3 points during the month and on July 1 was 4 points below the 20-year average for that date. The recent rains, however, have materially improved range conditions in most of sheep growing areas. The June 1 estimate placed the Texas spring pig crop at 1,122,000 head, which represents declines of 19 per cent from the preceding spring and of 48 per cent from the record crop of 1943.

The June movements of cattle, calves and sheep into the Fort Worth and San Antonio markets, which were curtailed by adverse weather conditions, declined 14 per cent from the record receipts in the preceding month, but were only 10 per cent smaller than the relatively large receipts in June last year. Receipts of cattle, calves, and sheep for the first six months of 1945 total 2,926,000 head, or 16 per cent more than for the same period in 1944. Movements of sheep into the above markets constituted about 70 per cent of the total, and were 86 per cent above the heavy sheep receipts for the same period last year. On the other hand, total receipts of hogs were about 60 per cent below those for the same period in 1944.

Prices received by Texas farmers during June, as reported by the Department of Agriculture, were slightly lower than a month earlier for practically all products with the most pronounced declines occurring in prices of wheat, oats, barley, potatoes, hay, and meat animals other than hogs. Moderate increases were reported for grain sorghum, sweet potatoes, cotton lint, cottonseed, cowpeas, hogs, chickens, eggs, and wool. Prices of corn, rice, butter, butterfat, and milk remained unchanged.

CASH FARM INCOME

(Thousands of dollars)

	April 1945		April 1945	Total receipts	
	Receipts from Crops	Livestock*		April 1944	January 1 to April 1944
Arizona.....	15,915	3,781	19,696	17,027	55,095
Louisiana.....	10,035	5,019	15,054	13,612	57,253
New Mexico.....	743	4,049	4,792	5,012	29,522
Oklahoma.....	8,809	18,278	27,147	23,168	118,490
Texas.....	42,542	57,176	99,718	78,785	334,713
Total.....	78,104	88,303	166,407	138,204	588,073

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	June 1945	June 1944	May 1945	June 1945	June 1944	May 1945
Cattle.....	79,493	105,849	127,625	28,455	30,727	33,757
Calves.....	28,308	32,982	26,379	22,517	19,542	25,098
Hogs.....	38,028	92,358	45,312	4,431	10,911	5,382
Sheep.....	586,046	673,395	653,763	111,392	88,085	131,529

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	June 1945	June 1944	May 1945	June 1945	June 1944	May 1945
Beef steers.....	\$16.50	\$16.10	\$16.25	\$15.25	\$13.75	\$15.50
Stocker steers.....	14.00	12.85	14.00	.....	.....	.....
Heifers and yearlings.....	16.25	16.00	16.25	14.75	14.00	15.50
Butcher cows.....	13.00	12.00	13.00	11.60	12.00	12.50
Calves.....	14.60	14.00	14.50	14.25	14.10	14.25
Hogs.....	14.55	13.65	14.55	14.55	13.55	14.50
Lambs.....	14.75	14.75	15.00	12.75	13.25	14.50

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to June 30 This season	Last season	August 1 to June 30 This season	Last season
Cottonseed received at mills (tons).....	942,946	917,356	4,310,051	3,949,881
Cottonseed crushed (tons).....	906,520	939,857	4,138,122	3,898,745
Cottonseed on hand June 30 (tons).....	67,322	22,168	282,785	139,912
Production of products:				
Crude oil (thousand lbs.).....	278,111	283,682	1,286,169	1,218,094
Cake and meal (tons).....	429,069	446,181	1,900,364	1,808,752
Hulls (tons).....	210,190	221,997	957,554	911,658
Linters (running bales).....	273,553	280,556	1,211,834	1,163,057
Stocks on hand June 30:				
Crude oil (thousand lbs.).....	3,686	3,805	14,847	10,305
Cake and meal (tons).....	16,641	9,669	72,266	37,657
Hulls (tons).....	18,189	2,874	66,883	19,698
Linters (running bales).....	6,519	37,729	32,120	124,280

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	June 1945	June 1944	May 1945	August 1 to June 30	
	This season	Last season	This season	Last season	Last season
Consumption at:					
Texas mills.....	16,146	17,037	16,642	174,596	189,221
United States mills.....	780,063	805,823	830,568	8,902,742	9,219,400
U. S. stocks—end of month:					
In consuming estab'ns.....	2,045,952	1,986,576	.....	.....	.....
Public stg. & compresses.....	9,195,258	8,832,745	.....	.....	.....

CROP PRODUCTION—(Thousands of units)

	Unit	Texas		Eleventh District*	
		Estimated July 1, 1945	1944	Estimated July 1, 1945	1944
Winter wheat.....	Bushels	37,881	74,746	38,579	75,778
Corn.....	Bushels	63,984	69,822	75,427	82,018
Oats.....	Bushels	43,546	38,800	48,795	44,159
Barley.....	Bushels	5,075	10,780	10,561*	18,477
Tame hay.....	Tons	1,465	1,528	2,015	2,114
Potatoes, Irish.....	Bushels	4,836	5,018	5,620	6,016
Potatoes, sweet.....	Bushels	4,150	5,025	14,320†	14,161
Rice.....	Bushels	21,200	19,208	44,652†	41,863

*Arizona, New Mexico, Oklahoma and Texas.

†Louisiana and Texas.

SOURCE: United States Department of Agriculture.

ACREAGE—(In thousands)

	Texas		Eleventh District*	
	Average 1934-43	1944	Average 1934-43	1944
Cotton†.....	9,787	7,354	6,400	13,419
Corn.....	4,985	4,973	4,128	8,560
Wheat.....	2,954	3,034	4,209	7,234†
Oats.....	1,412	1,544	1,853	2,894
Barley.....	196	385	350	956†
Rye.....	12	20	20	99†
Rice.....	267	392	400	770*
Flax.....	23	34	63	53*
Tame hay.....	1,135	1,623	1,542	2,005
Wild hay.....	215	231	249	664
Potatoes, Irish.....	54	66	62	138
Potatoes, sweet.....	58	67	50	175*
All sorghum, except syrup.....	6,444	8,203	7,975	9,065
Peanuts (alone).....	496	848	890	686*
Cowpeas (alone).....	528	282	226	774*

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

†Arizona, New Mexico, Oklahoma and Texas.

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

SOURCE: United States Department of Agriculture.

Although the general price trend was down from a month earlier, prices generally were considerably above those in June a year ago, the principal exceptions being those for oats, barley, grain sorghum, and alfalfa hay.

FINANCE

The average reserve balances of member banks in this district reached an all-time peak of \$676,000,000 during the first half of June, and then declined moderately during the subsequent thirty days. Following the usual pattern between war loan drives, the required reserves of member banks rose substantially between December, 1944, and May, 1945, when reserve-exempt war loan deposits were being converted into private deposits which require reserves. During most of this period, the increase in required reserves was more pronounced than the expansion in reserve balances with the result that excess reserves in the last half of April had declined to \$94,000,000 or about \$36,000,000 below the level at the end of 1944. During June, when reserve balances were at a high level and required reserves declined* because of the rapid growth in war loan deposits, excess reserves rose to \$140,000,000, the highest level in about two years. Moreover, balances with correspondents increased substantially, reaching a new peak of \$787,000,000.

The increase in the amount of currency in circulation in this district has shown a definite tendency to slow down during the first half of 1945, with the most noticeable slowing down occurring during the second quarter of the year. Federal Reserve note circulation of this bank on June 30 was at a new peak of \$579,000,000, but the increase of \$4,780,000 during the month was much smaller than in either the preceding month or the same month last year. The expansion in circulation during the first half of this year amounted to only \$32,500,000 as compared with \$55,900,000 in the same period last year.

Early in March rumors became widespread that the Treasury was giving consideration to retiring from circulation currency of the larger denominations, and these rumors persisted for some time. As a result, some of the holders of large denomination currency began to dispose of it and the new demand for such currency diminished. Late in May, the Treasury requested Federal Reserve banks, as Fiscal Agents of the United States, to transmit to all financial institutions the Treasury's instructions regarding the reporting of currency transactions, where the amounts or denominations of the currency involved exceed those commensurate with the legitimate and customary conduct of the business, industry, or profession of the person or industry concerned, and considerable publicity was given to this notice through the press. The Treasury has emphasized that the reporting requirement was made because the abnormal use of large denomination currency in business transactions has become one of the principal devices for income tax evasions and concealments. The action had three effects: (1) it accelerated the return flow of large denomination currency from circulation, (2) it diminished the current demand for large denomination currency, and (3) in some areas, at least, it increased the demand for currency of the \$10 and \$20 denominations.

During the second quarter of 1945, the circulation of each denomination between \$500 and \$10,000 showed a decline and at the end of June the amount of each of those denominations in circulation was smaller than at the beginning of the year. The circulation of denominations of \$50 and \$100 has shown comparatively little change from the March level. Although there was a moderate increase in the circulation of currency in the \$10 and \$20 denominations during the second quarter of 1945, this increase was only slightly larger than in the corresponding period last year and may be due to the seasonal demand rather than a conversion of currency from the larger denominations into the smaller denominations.

CONDITION OF THE FEDERAL RESERVE BANK

(Thousands of dollars)

	July 15, 1945	July 15, 1944	June 15, 1945
Total cash reserves	\$481,435	\$562,497	\$521,427
Discounts for member banks	75	None	None
U. S. Government securities	840,742	523,985	749,151
Total earning assets	840,817	523,985	749,151
Member bank reserve deposits	693,133	549,403	673,887
Federal Reserve notes in actual circulation	582,299	466,945	573,255

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

(Thousands of dollars)

	July 11, 1945	July 12, 1944	June 13, 1945
Total loans and investments	\$1,886,437	\$1,546,948	\$1,752,584
Total loans	469,611	374,323	442,561
Commercial, industrial, and agricultural loans	288,158	249,020	275,949
Loans to brokers and dealers in securities	4,848	2,877	5,077
Other loans for purchasing or carrying securities	94,925	56,178	74,964
Real estate loans	23,711	20,234	22,982
Loans to banks	206	211	214
All other loans	57,763	45,203	63,375
Total investments	1,416,826	1,172,625	1,310,023
U. S. Treasury bills	74,604	102,849	73,719
U. S. Treasury certificates of indebtedness	409,979	332,685	376,003
U. S. Treasury notes	269,561	213,710	249,698
U. S. Government bonds	613,208	457,617	561,821
Obligations guaranteed by United States Gov't	145	21,793	190
Other securities	49,329	43,971	48,592
Reserves with Federal Reserve Bank	367,447	326,042	379,136
Balances with domestic banks	273,339	231,094	279,855
Demand deposits—adjusted*	1,221,599	1,040,983	1,295,044
Time deposits	254,025	188,590	249,274
United States Government deposits	383,763	349,989	222,788
Interbank deposits	590,465	466,515	569,249
Reserves 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)

	June 1945	June 1944	Pctg. change over year	May 1945	Pctg. change over month
Abilene	\$ 18,208	\$ 19,692	- 8	\$ 17,975	+ 1
Amarillo	51,197	44,632	+15	49,680	+ 3
Austin	81,083	95,459	-18	63,495	+28
Beaumont	62,065	57,364	+ 8	58,094	+ 7
Corpus Christi	65,029	51,402	+27	55,121	+18
Corpus Christi	8,184	6,468	+27	7,264	+13
Dallas	685,839	582,166	+18	590,447	+16
El Paso	72,538	59,833	+21	64,342	+13
Fort Worth	250,228	232,982	+ 7	224,200	+12
Galveston	53,999	53,116	+ 2	43,577	+24
Houston	661,890	597,248	+11	588,585	+12
Laredo	14,007	13,090	+ 7	14,024	+ 1
Lubbock	33,731	26,700	+26	30,593	+10
Monroe, La.	17,951	17,933	+ 1	18,697	+ 4
Port Arthur	24,954	25,039	- 1	23,506	+ 6
Roswell, N. M.	9,550	9,445	+ 1	9,280	+ 3
San Angelo	21,123	21,596	- 2	17,595	+20
San Antonio	181,707	163,518	+11	173,716	+ 5
Shreveport, La.	88,754	83,064	+ 7	88,583	+ 1
Texasarkana	22,458	20,951	+ 7	22,759	- 1
Tucson, Ariz.	36,213	30,239	+20	36,313	+ 3
Tyler	25,850	24,316	+ 6	25,181	+ 3
Waco	31,248	30,468	+ 3	27,923	+12
Wichita Falls	37,543	32,652	+15	33,386	+12
Total—24 cities	\$2,555,319	\$2,302,373	+11	\$2,284,636	+12

*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 daily figures—Thousands of dollars)

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
June 1943	\$2,876,672	\$238,040	\$1,584,550	\$141,240	\$1,292,122	\$ 96,800
June 1944	3,361,412	296,955	1,749,241	184,628	1,612,171	112,327
February 1945	4,016,752	354,586	2,020,660	224,548	1,996,092	130,038
March 1945	4,050,000	367,380	2,045,585	232,600	2,004,415	134,780
April 1945	4,039,267	380,585	2,030,429	242,778	2,008,838	137,807
May 1945	4,092,587	393,090	2,044,524	249,140	2,048,063	143,950
June 1945	4,299,715	409,205	2,189,248	263,505	2,110,467	145,700

SAVINGS DEPOSITS

June 30, 1945

Percentage change in savings deposits from

	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Percentage change in savings deposits from	
				June 30, 1944	May 31, 1945
Beaumont	3	12,155	\$ 6,856,212	+25.3	+ 2.0
Dallas	8	124,499	68,672,057	+40.5	+ 2.6
El Paso	2	26,006	17,971,522	+40.3	+ 2.6
Fort Worth	3	38,224	27,234,867	+38.4	+ 3.1
Galveston	4	21,495	17,374,940	+20.9	+ 1.8
Houston	9	89,138	56,624,341	+28.5	+ 1.7
Lubbock	2	814	623,470	+27.9	+ 2.0
Port Arthur	2	5,661	4,673,773	+23.5	+ 4
San Antonio	5	33,115	36,053,933	+36.0	+ 3.9
Shreveport, La.	3	32,247	21,895,629	+36.4	+ 2.2
Waco	3	8,642	7,329,000	+32.5	+ 3.1
Wichita Falls	3	6,885	4,343,326	+17.5	+ .01
All other	58	57,552	43,128,423	+30.8	+ 1.5
Total	105	456,433	\$303,051,553	+33.3	+ 2.3

During the period between June 13 and July 11, the changes in the weekly statement of reporting member banks continued to reflect the factors associated with the Seventh War Loan Drive. Despite the decline of \$73,000,000 in adjusted demand deposits, total deposits showed a net increase of \$113,500,000, due to the sharp expansion in war loan deposits. The total loans and investments of these banks rose by approximately \$134,000,000. The increase of \$20,000,000 in loans to others than brokers and dealers for security trading represented advances to customers for the purpose of purchasing Government securities during the drive. In view of the fact that commercial, industrial, and agricultural loans showed a nonseasonal increase of \$12,000,000, it appears that some business firms may have used their regular lines of credit to obtain funds to enter subscriptions. These banks also increased their security holdings by \$107,000,000. While substantial additions were made to holdings of certificates of indebtedness and Treasury notes, nearly one-half of the net increase in total holdings occurred in Treasury bonds. On July 11, holdings of Treasury bonds constituted 43 per cent of the total investments of these banks as compared with 39 per cent a year earlier, even though total investments increased by \$244,000,000 during the year. This change is indicative of the extent to which banks are lengthening the maturities of their security portfolios.

INDUSTRY

The reconversion program is proceeding slowly due largely to the fact that cutbacks, while in considerable volume, are not immediately affecting war plants generally and supplies of raw materials, machinery, tools, and labor are not readily available. Nevertheless, some of the hard goods are beginning to appear on the market in larger quantities and a substantial step-up is expected before the end of the year. The Department of Commerce reported recently that, on the basis of a survey covering some 7,000 companies in the United States, American industry plans to spend \$4,500,000,000 for plants, equipment, and alterations during the next twelve months. That volume of private expenditures would be equivalent to three times the yearly average between 1937 and 1940, and 64 per cent greater than the previous peak of \$2,750,000,000 spent in the calendar year 1929. The War Production Board announced that during the period from April through July 6, 1945, it had approved 1,279 applications, involving an expenditure of \$243,681,000, for preferential ratings for construction and equipment materials necessary for industrial reconversion. In Texas, six applications for a total of \$546,000 were approved.

Reflecting the widespread readjustments in the war production program, the number of civilian employees in the major Texas industries and in military establishments declined about 6 per cent in the period from January 1, 1945 through May 31. Subsequent cutbacks in the aircraft industry brought the overall decline in number of employees for war industries to about 8 per cent, but late reports indicate that additional employees will be needed within the next four months in all industries except aircraft. The most drastic reduction in number of employees during the first five months of 1945 occurred in shipbuilding, aircraft and in civilian employees in military establishments, while only minor reductions were shown for plants producing ordnance, iron and steel, and non-ferrous metals. On the other hand, significant employment gains were reported for the lumber industry and petroleum refineries, and moderate gains were indicated for plants producing chemicals, synthetic rubber, machinery, and cotton duck. Due to a large scale expansion of Army facilities at San Antonio, expansion of ordnance and carbon black plants in the Amarillo and Borger sectors; and additional contracts for converting Victory ships for transport service awarded to shipyards at the Gulf Coast cities, a shortage of labor now exists at those points. In

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of firms	Percentage change in—				
		Net sales		Stocks †		
		June 1945 from June 1944	May 1945	Jan. 1 to June 30, 1945 from 1944	June 1945 from June 1944	May 1945
Retail trade:						
Department stores:						
Total 11th Dist.....	48	+ 12	-12	+13	+20	+11
Dallas.....	7	+ 16	-14	+15	+18	+ 1
Fort Worth.....	4	+ 5	-12	+13	+ 1	+10
Houston.....	7	+ 5	-11	+ 6	+12	+ 3
San Antonio.....	5	+ 22	-10	+22	+58	+51
Shreveport, La.	3	+ 1	-11	+ 6	.....	.....
Other cities.....	22	+ 10	-10	+11	+11	+ 5
Retail furniture:						
Total 11th Dist.....	54	+ 6	+ 1	.....	+ 7	- 1
Dallas.....	5	+ 20	+16	.....	+52	- 2
Houston.....	7	+ 13	+ 1	.....	.....	.....
Port Arthur.....	4	+ 4	+15	.....	+ 4	- 3
San Antonio.....	3	- 1	- 1	.....	.....	.....
Wichita Falls.....	3	- 16	-11	.....	.....	.....
Independent stores:						
Oklahoma.....	365	+ 10	- 6	+12	.....	.....
Texas.....	951	+ 7	-10	+10	.....	.....
Wholesale trade:*						
Automotive supplies	4	- 19	+10	.....	-23	- 4
Electrical supplies..	3	+117	+43	.....	.....	.....
Groceries.....	27	+ 2	+ 1	- 1	-12	- 5
Hardware.....	13	+ 8	- 2	+11	+ 4	- 2
Surgical equipment..	3	+ 14	+15	.....	.....	.....
Tobacco & products..	3	- 8	+ 5	.....	.....	.....

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

†Stocks at end of month.

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-1939=100)

	Unadjusted ††				Adjusted			
	June 1945	May 1945	April 1945	June 1944	June 1945	May 1945	April 1945	June 1944
District.....	228	248	228	203	256	253	240	245
Dallas.....	221	247	225	191	276	272	250	242
Houston.....	220	237	210	209	224	241	233	227

Stocks—(1923-1925=100)

	Unadjusted ††				Adjusted			
	June 1945	May 1945	April 1945	June 1944	June 1945	May 1945	April 1945	June 1944
District.....	129	115	111	109	137	114	107	116

††Unadjusted for seasonal variation.

CRUDE OIL PRODUCTION—(Barrels)

	June 1945		Increase or decrease in daily average production from	
	Total production	Daily avg. production	June 1944	May 1945
North Texas.....	7,338,000	244,000	+ 3,240	+ 700
West Texas.....	14,922,000	497,400	+ 50,570	+2,100
East Texas.....	15,526,000	517,533	+ 12,228	- 467
South Texas.....	10,726,900	357,563	+ 44,953	+1,913
Texas Coastal.....	16,892,000	563,067	+ 35,107	- 233
Total Texas.....	65,404,900	2,180,163	+146,098	+4,013
New Mexico.....	3,113,150	103,772	- 4,283	- 128
North Louisiana.....	2,076,700	69,223	- 4,395	-1,524
Total District.....	70,594,750	2,353,158	+137,420	+2,361

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

	June 1945	June 1944	May 1945	January 1 to June 30, 1945	
	No.	Valuation	No.	Valuation	1944
Eleventh District—total..	\$ 25,715	\$ 10,089	\$ 11,558	\$ 139,565	\$ 80,719
Residential.....	4,368	1,872	16,107	3,964	17,215
All other.....	21,437	8,217	7,594	123,458	63,497
United States*—total.....	227,298	183,866	242,523	1,482,399	960,221
Residential.....	41,779	30,622	47,206	197,500	203,862
All other.....	185,519	133,244	195,317	1,284,890	756,359

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

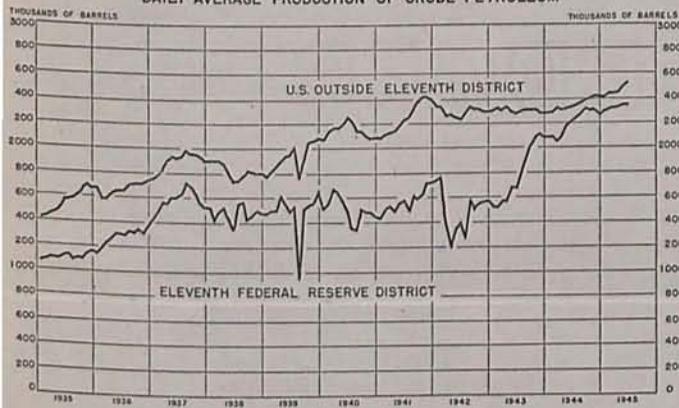
BUILDING PERMITS

Percentage change valuation from

	June 1945		June 1944		May 1945		Jan. 1 to June 30, 1945		Percentage change valuation from 1944
	No.	Valuation	No.	Valuation	No.	Valuation	No.	Valuation	
Abilene.....	11	\$ 26,895	- 62	+ 59	64	\$ 95,650	- 61	- 60	
Amarillo.....	116	267,483	+ 34	+ 9	561	1,102,175	+ 60	+ 261	
Austin.....	131	268,742	+163	+ 91	735	1,088,844	+100	+100	
Beaumont.....	156	408,661	+575	+483	984	879,326	+ 67	+ 67	
Corpus Christi.....	177	329,648	- 13	- 86	1,084	1,636,246	- 12	- 12	
Dallas.....	819	1,412,628	+120	+ 61	4,094	4,348,807	- 55	- 55	
El Paso.....	96	125,811	- 28	- 6	376	456,037	+ 75	+ 75	
Fort Worth.....	290	492,936	+179	- 85	1,890	3,116,894	+180	+180	
Galveston.....	62	114,265	+ 32	+ 16	365	431,934	+205	+205	
Houston.....	373	1,020,730	- 55	- 78	1,990	13,763,487	+ 84	+ 84	
Lubbock.....	145	318,235	+209	+102	771	1,046,597	+ 84	+ 84	
Port Arthur.....	70	44,744	+107	- 28	477	250,807	+ 84	+ 84	
San Antonio.....	532	417,857	+ 72	- 13	4,868	2,638,985	+177	+177	
Shreveport, La.	221	155,283	+118	- 31	1,305	1,098,154	+ 25	+ 25	
Waco.....	77	82,815	- 72	- 80	496	776,110	+149	+149	
Wichita Falls.....	53	53,428	+216	- 61	256	296,306	+ 60	+ 60	
Total.....	3,329	\$5,540,061	+ 13	- 39	20,316	\$33,016,359	+ 60	+ 60	

all other major cities of Texas the balance between demand and supply appears to be generally favorable, with a slight surplus of labor indicated. Although cutbacks in war production and the completion of existing contracts will affect a substantial number of employees during the next few months, most of those so affected are likely to be transferred to similar lines of work in other areas or to be absorbed in civilian industry.

DAILY AVERAGE PRODUCTION OF CRUDE PETROLEUM



Daily average crude oil production in this district during June reached a new record of 2,353,000 barrels, surpassing the previous peak attained in the preceding month by about 2,400 barrels, and exceeding the output in June, 1944, by about 6 per cent. Production outside this district also increased slightly from May to June, reflecting the continued efforts to step-up output in the West Coast fields. To meet the needs of the new type of warfare involved in operations in the Pacific, Petroleum Administration for War has readjusted its program, laying less stress upon the production of 100-octane aviation gas, while sharply stepping up the output of diesel fuel oil and other petroleum products. P. A. W. estimates that it will take 8,400,000 gallons more petroleum liquids daily to power the Pacific War at its peak than is being currently used, and that due to present and prospective demands, the limited storage space abroad, and the vast distances to be covered, it is necessary to build up stocks to record levels in order to provide sufficient flexibility to meet any contingency. The principal burden of meeting the heavy demand will continue to fall upon the southwest and the Pacific Coast fields. In consequence, P. A. W. production certifications to this district will continue at record levels, with emphasis being placed on production of west Texas sour crude oil for shipment to California refineries. It is estimated that daily average shipments from west Texas to California will reach an average of 46,000 barrels daily, which is about the maximum that can be moved with the available transportation equipment. Above ground crude oil stocks at the end of June remained at about the same levels as in the preceding month and were only slightly under those held at the end of June a year ago. During the first half of this year, more than 3,900 oil wells were completed in the Eleventh District, as compared with approximately 3,300 wells completed in the same period in 1944. Despite the fact that drilling activity has been maintained at a steady pace during the year, and daily average well completions have been relatively high, total completions are still far below the level of 1941 and prior years.

On July 14, the Petroleum Administrator issued amendments to several wartime restrictions which will permit the petroleum industry to start preparations to reconvert to a peacetime basis. There is now no limit on the quantity of materials that can be used in the construction of certain refining, transportation, natural gasoline and special production facilities, provided not more than \$25,000 worth of materials is obtained with priorities assistance. Restrictions prohibiting the duplication of gathering lines for crude oil or natural gas are no longer effective. Amendments have increased the maximum limits upon the use of construction materials and equipment in bulk plants and in retail outlets. Service station operators may now obtain up to \$500 worth of materials with priority assistance for maintenance and repair, but such assistance cannot be used to acquire pumps or tanks.

Cotton consumed at United States textile mills during June totaled 786,000 bales, representing a decline of 5 per cent from that in the preceding month and was 3 per cent less than the 806,000 bales consumed in June last year. Cotton consumption for the first 11 months of 1944-1945 season totaled 8,903,000 bales, a decline of 3 per cent from that during the same period last season. Moreover, mill consumption thus far this season is 13 per cent less than the record consumption during the corresponding period of the 1942-1943 season. Although recently established government policies to weed out excessive military procurement and to relax troublesome regulations are bringing some relief to the critical shortage of cotton textiles, the paramount problem in the industry continues to be a shortage of experienced labor and the replacement of worn or obsolete equipment. Output of cotton textile products, which has remained consistently below the level deemed necessary to meet military and civilian demands, continues to lag, despite priorities assistance and measures employing a combination of manpower aids and premium price incentives set up to encourage three-shift operations by mills. Large scale paid vacations in the textile industry during July tended to further delay the government sponsored programs, which were designed to increase textile production; therefore, any betterment which occurs may be too late to materially increase retail inventories in the early fall, but considerable improvement is expected during the fourth quarter.

The value of construction contracts awarded in this district during June, amounting to \$25,715,000, was more than double that in the preceding month and was the highest for June since 1942. Moreover, total construction awards in this district for the first six months of the year, amounting to \$139,565,000, were 73 per cent above the total of \$80,712,000 in the same period last year. Significant gains were indicated for utility and non-residential construction during the first half of this year but slight declines were reported for residential and public works construction. Although an improvement in the supply situation for construction materials and components may be expected within several months, the War Production Board reports that the effects of the end of the European War are not yet apparent in current supply, and that a number of controls, especially on lumber, will continue until supplies are more plentiful.

SEVENTH WAR LOAN DRIVE

Subscriptions to Government securities offered during the Seventh War Loan Drive reached the unprecedented total of \$26,313,000,000. This figure exceeded the previously announced National quota of \$14,000,000,000 by \$12,313,000,000, or 88 per cent, and was nearly \$5,000,000,000 in excess of the amount raised during the Sixth War Loan Drive, the largest total for any previous war loan drive.

In preparing for the drive, some changes in procedures were made in an effort to obtain as much of the funds as possible from the savings of individuals and business, with a minimum of bank credit expansion. The principal changes were an increase in the quota for individuals, particularly Series E bonds, and an extension of the period for individual subscriptions. The general procedure in effect included (1) as in four preceding drives, commercial banks were excluded from entering direct subscriptions for new issues included in the drive, although those with time deposits were again permitted to purchase outside the drive limited amounts of certain issues; (2) the quota for individuals was placed at \$7,000,000,000 or one-half the total quota; the over-all quota for individuals included \$4,000,000,000 of Series E bonds; the quota for other nonbank investors was reduced; (3) institutional and other nonbank investors were requested by the Treasury to refrain from selling outstanding securities as a means of obtaining funds with which to enter subscriptions during the Seventh Drive; (4) the number of issues in the "basket" that can be purchased by commercial banks after the drive was reduced; (5) limitations were again placed upon sales to brokers and dealers; (6) the sale of 1½ per cent Treasury bonds, an issue eligible for purchase by commercial banks after the drive, was limited to individuals; (7) the Treasury again requested the cooperation of commercial banks in declining to make speculative loans for the purchase of Government securities and in declining to accept subscriptions that appeared to be for the purpose of speculation.

Despite the strong emphasis placed on the broad objectives, outstanding securities were sold in heavy volume, the proceeds of which were utilized to enter subscriptions to drive securities and the amount of bank loans extended for the purpose of purchasing securities was very large. While complete data are not yet available, it appears that the amount of bank credit utilized directly or indirectly during the Seventh War Loan Drive was as large or larger than in any preceding drive.

The emphasis placed upon sales to individuals during the drive resulted in a creditable performance, even after allowance for the speculative element. Total sales to individuals aggregated \$8,681,000,000, as against \$5,882,000,000 in the Sixth Drive, and exceeded the quota by 24 per cent. In comparison with the preceding drive, sales to individuals showed the largest gain in dollar volume, amounting to about \$2,800,000,000 as against a gain of less than \$2,000,000,000 in sales to corporations and other nonbank investors. Sales of Series E bonds were only slightly below the \$4,000,000,000 quota, which is a good showing despite the longer time period. Sales of these bonds constituted 15 per cent of total sales as compared with 13 per cent in the Sixth Drive. The heaviest demand was for the restricted 2¼ per cent and 2½ per cent Treasury bonds, the combined sales of which constituted 46 per cent of total sales during the drive.

Sales of the various types of securities, as well as the percentage distribution, during the Sixth and Seventh War Loan Drives on a national basis are presented in the following table:

SALES IN THE UNITED STATES
(In millions of dollars)

Type of security	Sixth drive	Per cent of total	Seventh drive	Per cent of total
Series E Bonds.....	\$ 2,868	13	\$ 3,976	15
Series F and G Bonds.....	719	3	991	4
Savings Notes.....	2,429	11	2,707	10
Certificates of Indebtedness.....	4,405	21	4,784	18
1¼% Treasury Notes.....	1,550	7	.....	.....
1½% Treasury Bonds.....	.....	.....	1,690	7
2% Treasury Bonds.....	6,939	32	.....	.....
2¼% Treasury Bonds.....	.....	.....	5,077	19
2½% Treasury Bonds.....	2,711	13	7,088	27
Total.....	\$21,621	100.0	\$26,313	100.0
Goal.....	14,000	.....	14,000	.....
Per cent over subscription.....	54	.....	88	.....

Total sales in Texas were also exceptionally large, amounting to \$766,000,000 as compared to \$592,000,000 during the Sixth Drive. Aggregate sales exceeded the \$430,000,000 quota by 78 per cent, or nearly as large a percentage as the National oversubscription. Sales in Texas accounted for 2.9 per cent of the National total or slightly more than the proportion absorbed during the Sixth Drive. As in previous drives, the performance with respect to Series E bonds was exceptionally good. Total sales of \$170,530,000 were 2 per cent above the quota of \$168,000,000. Texas was one of the five states with quotas in excess of \$100,000,000 to reach the goal and had the highest percentage of oversubscription.

The amounts by types and the percentage distribution of securities sold in Texas during the Sixth and Seventh War Loan Drives are shown in the following table:

SALES IN TEXAS
(Thousands of dollars)

Type of security	Sixth drive	Per cent of total	Seventh drive	Per cent of total
Series E Bonds.....	\$126,500	21	\$170,530	22
Series F and G Bonds.....	26,460	5	30,430	4
Savings Notes.....	97,399	17	88,580	12
Certificates of Indebtedness.....	96,143	16	108,320	14
1¼% Treasury Notes.....	41,995	7	.....	.....
1½% Treasury Bonds.....	.....	.....	171,561	22
2% Treasury Bonds.....	172,148	29	.....	.....
2¼% Treasury Bonds.....	.....	.....	90,175	12
2½% Treasury Bonds.....	31,199	5	106,005	14
Total.....	\$591,844	100.0	\$765,903	100.0
Goal.....	414,000	.....	430,000	.....
Per cent over subscription.....	43	.....	78	.....

The distribution of security sales in Texas during the Seventh Drive was again substantially different from that of the country as a whole. In each of the Sixth and Seventh War Loan Drives sales of Series E, F, and G bonds constituted 26 per cent of total sales in the States, which was a considerably larger proportion than that for the nation. Sales of the 2¼ per cent and 2½ per cent restricted Treasury bonds were relatively much smaller in Texas than in the nation, but sales of the 1½ per cent Treasury bonds constituted 22 per cent of total sales in Texas, the same as Series E bonds, whereas sales in the nation represented only 7 per cent of the total. For the country as a whole the 2¼ per cent and the 2½ per cent restricted Treasury bonds were purchased chiefly by insurance companies, savings banks and corporations, and sales were concentrated to a large extent in the eastern part of the country.

The following table shows sales during the Seventh War Loan Drive in Texas and in the nation by class of investor:

TOTAL SALES OF SECURITIES IN THE SEVENTH WAR LOAN, BY CLASSES OF INVESTORS—(Millions of dollars)

Class of investor	United States	Texas total sales
Individuals, partnerships, and personal trust accounts.....	\$ 8,681	432
Corporations and other investors:		
Insurance companies.....	4,179	89
Savings banks.....	2,241	.....
Corporations and associations.....	8,257	192
Federal agencies and federal trust funds.....	47	.....
Building and loan and savings and loan associations.....	811	11
Dealers and brokers.....	288	1
State and local governments.....	1,811	41
Total for corporations and other investors.....	17,632	334
Total sales.....	\$26,313	766

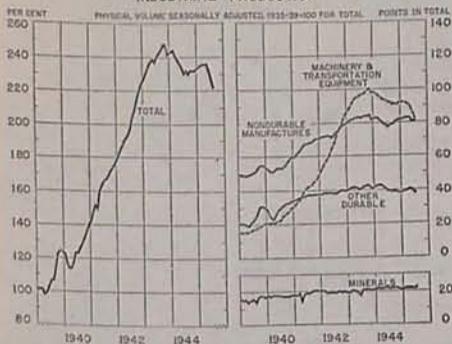
MONTHLY BUSINESS REVIEW

AUGUST 1, 1945

NATIONAL SUMMARY OF BUSINESS CONDITIONS

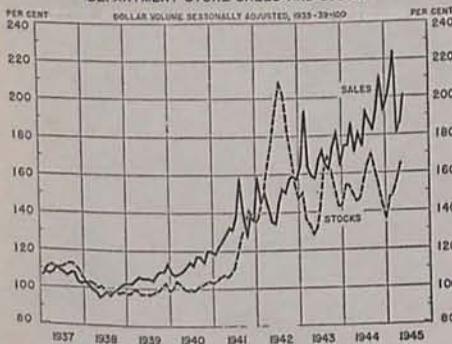
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June, 1945.

DEPARTMENT STORE SALES AND STOCKS



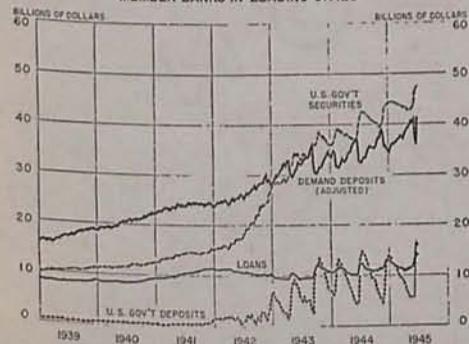
Federal Reserve indexes. Monthly figures, latest shown are for June, 1945.

COST OF LIVING



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940, monthly thereafter. Mid-month figures, latest shown are for May, 1945.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for July 11, 1945.

Production and employment at factories declined somewhat further in June reflecting mainly reduced output of munitions. Value of department store sales in June and the early part of July were considerably above year-ago levels.

INDUSTRIAL PRODUCTION

Industrial production declined about 2 per cent in June and the Board's seasonally adjusted index was 222 per cent of the 1935-39 average as compared with 226 in May and 235 in March of this year.

Reduced activity in munitions industries accounted for most of the decrease. Aircraft production in June was at a daily average rate 5 per cent below May. The volume of work done on new ship construction continued to decline, while ship repair activity was maintained at a high level. Total munitions production was about 10 per cent below the March level, which was the last month under the full two-front war program. The decline is scheduled to accelerate in July, with over-all munitions output planned at a rate about 15 per cent below March.

Steel production in June and the first three weeks of July was down 7 per cent from the May level, and was 5 per cent below the corresponding period a year ago. Output in the nonferrous metal industries also declined, particularly at fabricating plants, due primarily to the large drop in military demand for most aluminum and copper products.

Production of most nondurable goods showed little change in June. Civilian supplies of some of these goods such as butter and tobacco products have increased in July as a result of reduced military purchases. Distilleries have been permitted to produce beverage alcohol in July. Production of shoes and textile products for civilians is expected to increase by autumn.

Output of minerals rose 5 per cent in June, reflecting mainly a large rise in coal production to the highest rate since last November. Crude petroleum production continued to increase, reflecting even greater military demand for some petroleum products for the Pacific War than for the two-front war prior to VE day.

Contracts awarded for most types of privately-owned construction increased considerably in June. The total value of private awards was three times as large as the very low level prevailing in 1944, while awards for Federal construction were generally smaller than last year.

DISTRIBUTION

Department store sales, which usually decline from May to June, increased this year and the Board's seasonally adjusted index rose from 187 to 201 per cent of the 1935-39 average. Sales in June were 15 per cent larger than a year ago and in the first half of July were 23 per cent larger than in the corresponding period last year.

Freight carloadings were generally maintained in June and the early part of July. Shipments of manufactured products, however, declined somewhat and, allowing for seasonal changes, were about 5 per cent below the first quarter average. Loadings of coal in June and the first two weeks of July were above the reduced level prevailing in April and May.

COMMODITY PRICES

Prices of wheat and of fruits and vegetables declined somewhat from the middle of June to the third week of July reflecting chiefly seasonal increases in supplies. Prices of most other farm products showed little change after reaching a new peak for the wartime period on June 15.

Steel scrap prices, which had declined somewhat in May, increased to ceiling levels in the latter part of June and prices of most other industrial materials were maintained at ceiling levels.

AGRICULTURE

Production prospects for most major crops were generally favorable on July 1. Cotton acreage reported in cultivation, however, was 10 per cent smaller than last year, and prospective corn production this year was indicated on July 1 to be 17 per cent smaller than last season's large harvest.

Milk production continued at a record level in June. The number of young chickens on farms has increased rapidly this spring and on July 1 was 11 per cent greater than on the same date in 1944. Marketings of cattle and sheep were larger in June than in the same period last year, while the number of hogs marketed continued to be much less than in 1944.

BANK CREDIT

Reporting member banks in 101 leading cities increased their holdings of U. S. Government securities by 4.5 billions of dollars in the eight weeks ending July 11, which period included the major portion of the Seventh War Loan drive. This amount corresponds closely to increases for comparable periods of the two previous drives. During the Seventh Loan banks added substantially to their holdings of bills, certificates, and notes, and they have also continued to increase their holdings of bonds.

Loans for purchasing and carrying Government securities extended to customers other than brokers and dealers by weekly reporting banks increased 1.6 billions during the four weeks ended June 27, in contrast to 1.1 billions during the comparable period of the Sixth drive, and 1.3 billions in the Fifth. Loans to brokers and dealers for purchasing or carrying Government securities started increasing somewhat earlier and expanded more than in preceding drives. Both categories of these loans at their peaks were above high points reached in previous drives. Declines in these loans began in July.

Excess reserves expanded more and reached a higher level than in any drive since the Third War Loan drive in September, 1943. Owing to the great success of the Seventh Loan in obtaining subscriptions from nonbank investors, the shift of funds from deposits subject to reserve requirements to reserve-exempt United States Government deposits and the consequent decline in required reserves were larger than usual. Member banks used a part of the funds thus made available to pay off borrowings at Reserve Banks, which had risen to a high level of over 900 million dollars in June. Reserve Bank holdings of Treasury bills showed less decline during and following the Seventh Loan than at the time of the previous drive. Holdings of certificates and notes continued to increase.